



3 May 2021

Mr Adam Marafioti  
Parliamentary Officer  
Economic & Finance Committee  
House of Assembly  
Parliament of South Australia

Email to: Mr Adam Marafioti, Parliamentary Officer  
[EFC.Assembly@parliament.sa.gov.au](mailto:EFC.Assembly@parliament.sa.gov.au)

Dear Mr Marafioti

### **Parliament of South Australia Economic and Finance Committee Inquiry into embedded networks in South Australia**

Thank you for the opportunity to contribute to the Parliament of South Australia Economic and Finance Committee Inquiry into embedded networks in South Australia.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. As EWON operates outside the South Australian jurisdiction, we are providing a letter of support for the Inquiry rather than a submission. This letter summarises the key issues for customers in embedded networks in NSW, details of which we have provided in our related submissions to the Australian Energy Market Commission (AEMC) in recent years. These submissions have been informed by our investigations into customer complaints, and through our community outreach and stakeholder engagement activities. Case studies are included in each submission and these may be indicative of the issues South Australian embedded network customers are also experiencing.

#### **Key issues for embedded networks**

##### **1. Consumer protections and legislative framework**

Appropriate legislation needs to be established for embedded networks given their prolific growth. Most consumer protections within the *National Energy Retail Law* and *National Energy Retail Rules* should apply to customers within embedded networks. Currently, there are unequal consumer protections for these customers and a lack of clarity about rights and entitlements. In addition, price conditions will remain critical in embedded networks where access to retail competition remains impractical for these customers. For more information, see EWON submissions: [AEMC Review of the Retailer of Last Resort \(RoLR\) scheme - RPR0015](#); [AEMC reference EMO0036 – Updating the regulatory frameworks for embedded networks](#).

Furthermore, as there are regulatory reporting requirements for licenced Local Network Service Providers (LNSPs), equivalent reporting requirements for embedded networks should be considered. For example, LNSPs must report on disconnections that occur in error and those for life support customers, however there are no equivalent reporting requirements on embedded networks. For more information, see EWON submission: [AEMC Reference RPR0006 – Review of regulatory arrangements for embedded networks](#).

## **2. Financial issues**

Customers in embedded networks should be able to access the same government rebates and financial assistance as customers of authorised retailers. In NSW, the Government's Energy Accounts Payment Assistance (EAPA) scheme is designed to help customers who are experiencing a financial crisis or emergency to pay their home electricity and/or natural gas bills. However, to be eligible for EAPA, the customer must hold an energy account with an authorised energy retailer. This means that customers of exempt sellers do not have access to this important consumer protection. For more information, see EWON submissions: [AEMC Reference RPR0006 – Review of regulatory arrangements for embedded networks](#); [Consumer protections in an evolving market - RPR0013](#).

## **3. Technological advances**

Technological advances and the increased essentiality of electricity has wide implications for the *National Energy Framework* (the Framework). For example, customers will be more reliant on a power supply to recharge technological devices, such as mobile phones and electric vehicles. In addition, the rise of embedded networks has seen a corresponding increase in separate billing for services such as air-conditioning, hot water and recycled water. None of these services are covered by the Framework. It is imperative that emerging new essential services are recognised as such and brought formally into the Framework. For more information, see EWON submission: [Consumer protections in an evolving market - RPR0013](#).

Another technological development is digital meters, also known as smart meters. However, there are some barriers to customers realising the benefits of smart meters, and customers of embedded networks have additional barriers because they do not have practical access to retail competition. This gap needs to be addressed. For more information, see EWON submission: [EMO0040 – AEMC Review of the regulatory framework for metering services](#).

Advancing technology and decreasing costs will lead to an inevitable rapid growth in the number of stand-alone power systems (SAPS) over the next 10 to 20 years. This will include brownfield conversions of existing embedded networks into SAPS. For more information, see EWON submission: [AEMC reference EMO0037 – draft report on stand-alone power systems - priority 2](#).

## **4. Retailer of Last Resort (RoLR) scheme**

Embedded networks should also have some form of Retailer of Last Resort (RoLR) arrangements. For many embedded networks in New South Wales, the exempt sellers are residential park owners or strata schemes with limited knowledge about energy market arrangements, and without a RoLR arrangement there is no provision for automatic transfer to an alternative retailer ongoing supply for customers in embedded networks. For more information, see EWON submissions: [AEMC Reference RPR0006 – Review of regulatory arrangements for embedded networks](#); [AEMC Review of the Retailer of Last Resort \(RoLR\) scheme - RPR0015](#).

## 5. Embedded gas networks and hot water services

A national framework for embedded gas networks should be considered. In NSW, the selling of hot water within a strata development is unregulated. Hot water is an essential service, where affordability, disconnection, or quality of supply problems significantly impact on households, particularly for customers at risk of, or experiencing, vulnerability. Customers receiving gas and hot water services in residential buildings that are managed by embedded network operators experience similar issues. For more information, see EWON submission: [AEMC reference EMO0036 – Updating the regulatory frameworks for embedded networks](#).

## 6. Responsibility for embedded networks

Many embedded network customers are confused about who is providing their energy services, and who is responsible for setting the energy rates and network charges. Greater transparency is needed about embedded network customer rights and which entity is responsible for services at their connection point. For more information, see EWON submission: [AEMC Reference RPR0006 – Review of regulatory arrangements for embedded networks](#).

## EWON public report on the exemption framework

EWON is in the process of developing a public report on our experience following the 2018 expansion of our jurisdiction to include exempt entities operating in embedded networks. The report will shine a spotlight on the current exemption framework from a perspective of limited transparency, accountability, clarity and consistency. We expect to publish the report in the next two months.

Enquiries about this letter should be directed to Janine Young, Ombudsman on (02) 8218 5256 or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely



**Janine Young**  
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**Energy & Water Ombudsman NSW**