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Australian Energy Market Commission
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Draft Report - Updating the Regulatory Frameworks for Embedded Networks

Retail First welcomes the opportunity to respond to the Australian Energy Market Commission's (Commission) *Draft Report - Updates to the Regulatory Framework for Embedded Networks*.

Retail First specialises in retail and commercial property services to business and property owners and currently has 20 shopping centres under management. Our tenants within the 20 shopping centres vary from very large businesses (such as Coles, Target, Kmart) to small pop-up shops who may only operate for busy periods, such as Christmas. Retail First is mindful of these differing types of tenants and their business acumen and understanding of electricity charges.

As the supply and sale of electricity is a minor aspect of our business delivery model, Retail First relies on specialised external service providers, particularly to read tenants' meters, prepare electricity charges and provide regulatory advice.

Retail First values its relationship with its tenants and electricity billing is but one of the day-to-day operational issues that we must engage with our tenants on. As such, in order to maintain a workable relationship with our customers, Retail First has been happy, where possible, to match competitive offers for electricity otherwise, we will pass through savings to our customers that were made through bulk purchasing.

Retail First takes our compliance obligations under the *AER Retail Exempt Selling and AER Network Service Provider Exemption Guidelines* seriously. However, we are concerned the Commission's proposed new regulatory framework will introduce a new level of complexity in addition to existing electricity requirements, particularly so soon after the Commission's *Power of Choice Review* resulted in the *Embedded Networks* Rule change in 2015 and introduction of the Embedded Network Manager (ENM) role.

Retail First went through the lengthy and costly process of educating ourselves in relation to the new requirements and then negotiating ENM contracts. However, it appears that this process was in vain and may eventually be replaced with new roles and requirements in such a short period of time. As such, Retail First requests that the Commission provides regulatory certainty to allow us to continue to provide our customers with affordable retail and commercial property services as well as meet our regulatory obligations.

Further, it appears that Retail First will need to, at some point in the future, seek accreditation and registration to become an Embedded Network Service Provider and Off Market Retailer in order to continue to provide the services it has provided for many years. Alternatively, it will need to sub-contract these functions to a third party. Either option is likely to result in significant costs to

Retail First and unfortunately we are not in a position, with the limited information we have at hand, to fully appreciate what those costs are likely to be and whether such costs can or should be passed onto our customers.

However, as mentioned above, as the sale and supply of electricity is not the primary focus of our business and we have limited expertise in the area, Retail First is unlikely to go through the lengthy and difficult process of seeking accreditation. The Commission believes we are akin to electricity distributors and retailers and as such should be licensed the same. However, whilst there are some similarities the Commission should also be mindful of the differences, notably that our main business objective is not to supply and sell electricity for a profit.

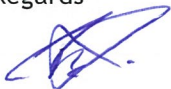
Other concerns with the proposed new framework include:

- When the tenant's new retailer engages a metering provider to come and install or replace metering it is important that the contractor liaises with centre management and complies with our 'working on site' or contractor requirements;
- Retail First / embedded network service providers (or the ENMs) being subject to significant financial risk from paying network charges upfront and then trying to recover the amount from the customer's retailer at a later stage;
- Retail First or its agent having to bill network charges - our preference is for one party to perform these services on behalf of all embedded network service providers, but at a reasonable cost; and
- Currently the AER Retail Exemption Guideline provides that embedded networks have at least two business days to provide planned interruption notification. Retail First believes that two business days is more reasonable and there is no reason to change from current requirements

In conclusion, Retail First is concerned that the proposed new requirements are confusing so soon after the ENM role has been introduced. As Retail First has limited expertise in the area of electricity regulation we are concerned that we won't be able to stay abreast of updates and provide meaningful responses to the Commission in a timely manner. We ask that the Commission engages with all embedded network providers before introducing significant changes.

If you require further information about our operations and the impact the changes will have to our business please do not hesitate to contact me on 07 3323 8888.

Regards



Bernie Furtado

Head of Operations

Retail First Pty Ltd