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Australian Energy Market Commission  
PO Box A2449  
Sydney South  
NSW 1235

Submission – Consultation Paper –Reference Code – ERC0179

National Electricity Amendment (Embedded Networks) Rule 2015

This submission supports the proposed rule change and makes some minor suggestions.

Network Energy Services is a leading service provider on behalf of Exempt Sellers and Embedded Network Owners and as such we are regarded within the industry as Embedded Network Operators.

We strongly support the Embedded Network Manager proposal because that is a more accurate description of what we do.

Network Energy Services specialize in the establishment and management of embedded networks for retirement villages and manufactured home estates. We manage more than 100 sites with more than 15,000 customers across four jurisdictions.

Our objectives are to provide excellent service and benefits for consumers (the majority of whom are retirees and pensioners) to provide value and benefits for our clients and to operate our business in a viable, ethical and satisfying manner.

I ask that when considering the rule change that there is mindfulness that in the retirement village sector in which we specialize embedded networks are in the main implemented by owners and operators with the aim of providing benefits for residents. The benefits range from financial to lifestyle and security. The financial benefits are both direct, in the form of cheap electricity, and indirect in the form of lower service fees within the village or community. Most village owners consider that the marketing and sales benefits that come from providing residents with cheaper electricity and lower village service fees are worthwhile return for their site being an embedded network.

I can imagine that there may be embedded network operators that do not have benefits to the consumer as a primary objective however our clients represent the largest and best operators and our customers

constitute a very large proportion of retirement village embedded network customers and on behalf of our clients (who do have benefit to the consumer as a prime objective) and customers (that enjoy the benefits of their embedded networks) I urge AEMC to “not let the tail wag the dog” and to ensure that measures that are introduced do not add unnecessary costs and complexities for embedded networks that may hamper the good objectives that have been embraced by the majority of good embedded network owners and operators and in the process diminish benefits to consumers.

Our responses to the discussion follow. We have only responded to issues where our view might be relevant.

### **Question 1 Requirements to facilitate competition.**

- a) We have always taken a position as if customers had ROC (including the right to purchase from the Exempt Seller) and that the benefits from being a customer of the EN should be such that the consumer wants to stay with the Exempt Seller. We believe that it is not healthy for embedded networks to have captive customers hence we encourage guidelines that do allow EN customers access to retail market offers.
- b) No comment
- c) No comment

### **Question 2 Who should perform these functions?**

- a) Yes. The ENM role is a necessary improvement to the management and operation of embedded networks. ENM should have the knowledge and ability to ensure compliance, fairness and security for embedded network stakeholders and to be the channel between Off-Market and On-Market situations.
- b) The ENM should be accountable for all functions relating to the embedded network. The ENM should have agreements with the EN owner and EN operator (if different to the ENM) so the ENM is in a position to be accountable whilst at the same time respecting the roles of the other parties. Some functions may be conducted by others (such as energy supply contracting and meter provision) but the ENM should be in a position to monitor the service, compliance and performance of the embedded network. Ensuring that the EN is operating viably is important for clients and customers, as is ensuring that billing is correct with accurate metering, and that residents are assisted with access to hardship and concession benefits and security of supply for life support systems. Some functions can be outsourced or performed by others however the ENM must have complete overview if consumers and clients are to receive the most benefit and security.
- c) We strongly support the ENM concept. Fragmenting management of embedded networks increases the likelihood of problems and a lessening of benefits and security.

### **Question 3 When is an ENM required?**

- a) ENM should be mandatory for all registrable and individual embedded networks in order to ensure compliance, fairness, viability and security of embedded networks and electricity on-selling.

- b) In general there may be no need for ENM for deemed EN however there are some situations where consumers may be left vulnerable if there is no ENM.
- c) See next comment
- d) There should be provision for AER to require appointment of an ENM for some deemed sites if there are numbers of consumers who would otherwise be disadvantaged by the absence of an ENM.

#### **Question 4 Accreditation and governance of an ENM**

- a) The proposals seem appropriate however the extent of visibility within MSATS for ENM should be expanded. Problems have emerged where industry participants have not updated MSATS (invisible to ENO) with subsequent problems for EN customers and ENO. ENM may need to view NMI status for consumers that have ceased to be on- market customers to ensure that their status as off-market customers has been confirmed and vice versa.
- b) No comment.
- c) The requirements proposed all seem necessary.
- d) There needs to be incentive to appoint an ENM and a civil penalty provision can achieve that.

#### **Question 5 Who can be an ENM?**

- a) The objective of having ENM is to ensure responsible and fair management of embedded networks and any party that can perform that role could be an ENM with the exception of any ENM that may have been de-registered as a result of incompetence or malpractice.
- b) No comment.

#### **Question 6 Grandfathering.**

- a) No longer than two years and perhaps less
- b) No Comment

#### **Question 7 Transitional provisions.**

- a) The proposed transitional provisions seem appropriate.
- b) No comment

#### **Question 8 Implementation timing.**

- a) The benefits to consumers from implementing the ENM proposal should not be delayed by other implementation projects.

**Question 9 Competition in the ENM market.**

- a) The six month deeming proposal will help the implementation of the ENM proposal.
- b) No Comment
- c) No Comment.

**Question 10 Consequential or corresponding changes to the NERR.**

- a) The examples of consequential retail issues are good examples of the many aspects that will need to be refined however that will be a necessary part of the journey. In relation to the examples cited we would comment that (dot point 1) there should be comparative standing offers from retailers and EN generally in a bundled form to include network charges (which may require ENM to provide a shadow network charge to the licensed retailer), the second example (dot point 2) is very important for consumer protection insofar as there should be explicit informed consent for any change. This is close to our hearts as many retirement village residents are elderly and vulnerable and can be confused by telemarketers and they should not be changed from an off-market customer to on-market customer without written consent. The third example shall have to be worked through whilst the fourth example has many ramifications and may require the ENM to take responsibility for connection of an on-market customer which may entail a range of activities and risks to service licensed retailers.

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