

19 November 2020

AEMC  
Level 15, 60 Castlereagh Street  
SYDNEY NSW 2000

### **Submission: Review of the Retailer of Last Resort Scheme - Consultation Paper**

To Whom It May Concern;

Network Energy Services is responding to the review of the Retailer of Last Resort (ROLR) Scheme and the consultation paper issued by the AEMC. The comments provided in this submission reflect the view of and the interests of our Exempt Selling clients and their internal customers.

Network Energy Services is an Embedded Network Manager working with around 150 Retirement Villages, Land Lease villages, Caravan Parks and 'Over 55s' resorts structured as embedded networks. In addition to our role as Embedded Network Manager we provide data management, billing, compliance, customer service and advisory for more than 20,000 customers across our client's embedded networks.

We consider it important that the AEMC ROLR review team is made aware that embedded networks can provide significant benefits to consumers in certain situations when the best interests of end-user consumers are placed at the forefront of decision making. In particular, we refer to the hundreds of electricity on-selling 'communities' that are established for the benefit of the residents, particularly retirement villages and over-55 resorts that are embedded networks. Elderly residents living within these on-selling communities consistently receive competitively priced electricity together with tailored customer service provisions for aging consumers, and reduced common area electricity costs (which assists with reducing their cost to live in these villages).

Network Energy Services is extremely supportive of initiatives to protect consumers in embedded network. There are two key points we would like to raise with the Commission in their considerations of the ROLR arrangements for embedded networks:

- While embedded networks may theoretically be vulnerable to ROLR situations, after decades of EN operation we are not aware of any instances where the projected problems have actually occurred, and;
- It should be a priority to avoid implementing ROLR arrangements which increase the likelihood of an embedded network failing.

In relation to the second point, the potential for an embedded network to fail could be brought about if the AEMC requires the retailer at the parent meter connection to become the ROLR for all child connections. This proposal has the distinct potential to disrupt the competitive market for EN parent meter contracts by reducing the pool of energy retailers who will offer energy contracts to ENs. This would then lead to higher prices and increase pressure on financially stressed ENs.

***"Australia's first accredited Embedded Network Manager"***

In the consultation paper, the AEMC has identified three potential strategies for embedded network ROLR arrangements. We are of the view that two of the strategies have good potential to achieve the desired consumer protections without causing any potential for unintended adverse impacts.

Figure 1 below summarises the strategies and criteria to be achieved by a successful ROLR scheme.

**Figure 1**

<b>Assessment of ROLR options for Embedded Networks</b>			
<b>Options under consideration</b>	<b>Criteria 1 Protect consumers making sure the power stays on</b>	<b>Criteria 2 Don't increase the likelihood of an ENO going under</b>	<b>Criteria 3 Don't increase risk that EN ROLR event causes cascading retailer failure</b>
<b>Status Quo Retailer at parent connection becomes ROLR</b>	<b>Inadequate Helpful</b>	<b>No impact Negative impact since fewer retailers will offer tenders for EN's. Less competition for parent meter contracts means the EN's will have higher bills and a higher likelihood of failure.</b>	<b>No impact Negative impact since vulnerable retailers may inherit non-viable EN's</b>
<b>AER to be given powers to appoint a ROLR if exempt seller not arranged one</b>	<b>Helpful</b>	<b>Helpful</b>	<b>Helpful</b>
<b>AER call for expressions of interest from authorised retailers or exempt sellers to be the ROLR for the failed EN</b>	<b>Helpful</b>	<b>Helpful</b>	<b>Helpful</b>

NES is of the view that there is good reason for the AEMC to be granted powers to appoint a ROLR where an exempt seller has not already arranged one, or the AER to call for expressions of interest from authorised retailers and exempt sellers to be the ROLR for the failed EN. Both options will protect consumers from unnecessary power disruptions while avoiding the risk of EN failure, while also eliminating the risk that an EN ROLR event causes cascading retailer failure.

We would welcome the opportunity to present additional information to the AEMC should any further clarification be required.

Yours sincerely,

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