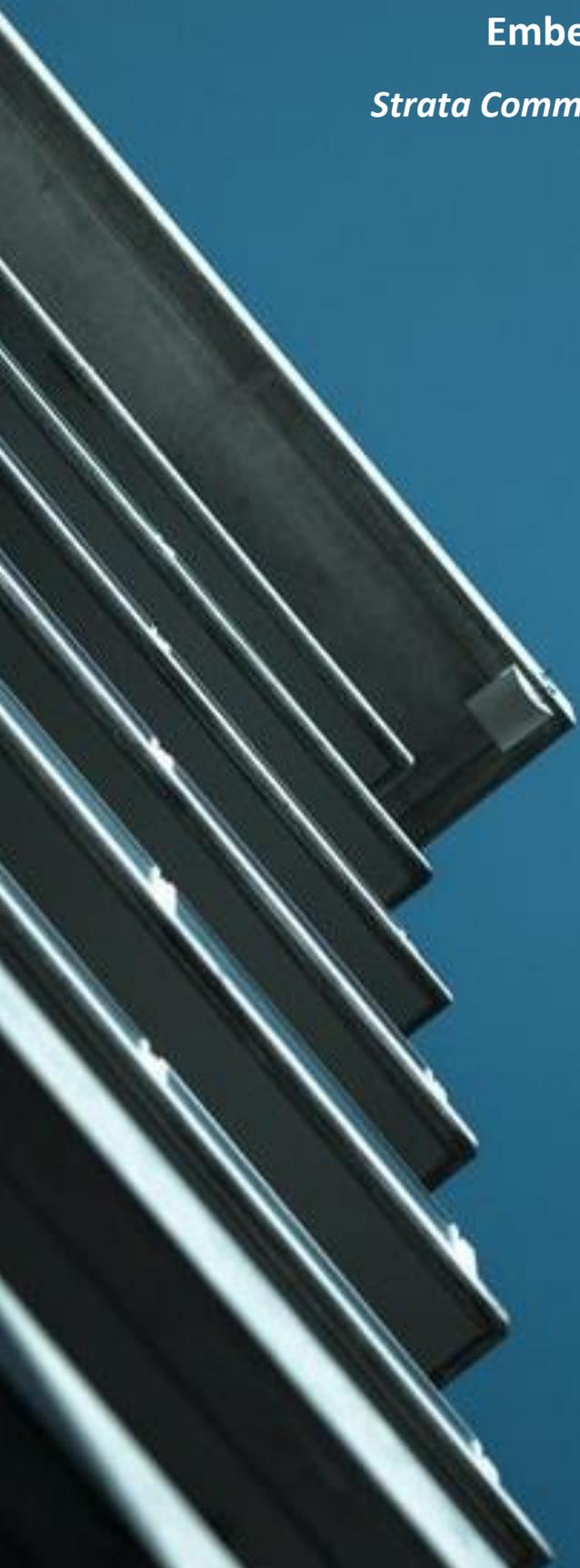


Embedded Networks Review

Strata Community Association (SA) Submission

21 May 2021



Introduction

Strata Community Australia (SA) is the peak industry body for strata and community titles management operating from South Australia.

SCA (SA) seeks to help promote and represent our industry by establishing professional codes of conduct, guidelines and other ethical standards.

Members include body corporate management firms, managers, support staff, industry partners, students and other key stakeholders in this rapid growth service sector.

For further information about this consultation, please contact Shaun Brockman, National Policy and Advocacy Manager, SCA. Shaun.brockman@strata.community.

SCA (SA)'s Response to the Embedded Networks Review

SCA Key Themes

SCA (SA) recognises the importance of this committee inquiry as the first step towards ensuring that lot owners, owners corporations and residents currently using embedded networks are afforded the same choices, consumer rights and protections as those using non-embedded energy supply networks.

SCA supports the establishment of a framework tailored to South Australia, drawing upon recommendations made by the Australian Energy Market Commission's (AEMC) *Retail Energy Competition Review* (2019).

The AEMC's framework serves as an example of how embedded network users such as those in other states and territories can be afforded greater access to a competitive energy market, with the result of lower costs to building owners and residents. In 2019, the AEMC recommended provisions of the framework concerning embedded networks be reviewed ahead of potential approval and implementation in New South Wales, South Australia, and South-East Queensland in the future. SCA recommends that any future changes to embedded network regulations made in South Australia should follow this framework.

In advocating for appropriate reform of embedded network regulations, SCA also recognises the importance of ensuring adequate protection of legacy embedded networks are considered in legislative changes. Appropriate support measures geared toward retrofitting existing networks where possible, categorising existing embedded network fixtures under any new regulations, or increased penalties for non-compliance by operators of embedded networks to existing and future regulations, should be considered.

Referring to the Economic and Finance Committee's Terms of Reference, SCA (SA) will be able to provide insights related to the first two terms of reference points, as highlighted.

Terms of reference

On 31 March 2021, the Economic and Finance Committee resolved to inquire into, and report on Embedded Networks in South Australia, with regard to:

- 1. Establish the current state of regulation of embedded networks in South Australia and interstate;**
- 2. Establish the positive and negative experiences of those in embedded networks in South Australia;**
3. Establish the steps being considered to reform embedded networks by COAG Energy Council, including consideration of the Australian Energy Market Commission's Updating the Regulatory Frameworks for Embedded Networks Review; and
4. Any other related matters.

Issue 1

Embedded network users should be entitled to the same consumer rights and protections and access to competitive energy prices as those using non-embedded network customers. These rights should include shorter contract lengths with no automatic rollover, greater disclosure from providers and accountability, and access to a competitively priced energy market.

Customers should be able to engage in full retail choice, removing the current limitations for a customer to go on-market to find the best price. Very simply, the same protections offered to a market retail customer should be offered to an embedded network's customer, and they should attract commensurate levels of policing for compliance and penalties for non-compliance.

For legacy networks, the government should consider a generous transition period for existing embedded networks to comply with new rules and regulations. Even though applying a transition period may be onerous for existing customers, it will be the best way to ensure the customers using those networks are granted the protections and rights that new providers enjoy.

Alternatively, where cost considerations obstruct the prospects of timely implementation, SCA recommends that legacy networks should be grandfathered into any future regulations.

Issue 2

At present, users of embedded networks face a lack of oversight, with no requisite ability to liaise with the ombudsman unless the OC has joined the ombudsman's scheme. This is detrimental to efforts to resolve disputes which may arise with providers. There is a disparity between this circumstance and the circumstances of non-embedded network users, which do have the capability to access these resources.

Embedded network users are not able at present to access effective arrangements to meet distribution costs settlements with energy providers and embedded operators, should a user go on-market. Additionally, there is a detrimental effect of a lack of discoverability of embedded network users. These in turn increases costs for energy providers and discourages offers, as well as needlessly increasing consumer costs.

While in theory, embedded network users may be able to access licensed retailers, there is no incentive for said retailers to render services to these users due to the issues of cost surrounding network infrastructure, as well as the way this market is structured.

Parity in conditions between embedded network users and retail users will eliminate those barriers.

For further information about this consultation, please contact Shaun Brockman, National Policy and Advocacy Manager, SCA. Shaun.brockman@strata.community.