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Ms Sherine Al Shallah
Project Leader
Australian Energy Market Commission
PO Box A2449
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13 March 2019

Dear Ms Al Shallah

**Submission to the Australian Energy Market Commission (AEMC):
Updating the Regulatory Frameworks for Embedded Networks**

The Energy and Water Ombudsman (SA) Limited (“EWOSA”) welcomes the opportunity to comment on the Australian Energy Market Commission’s Draft Report on its review into *Updating the Regulatory Frameworks for Embedded Networks*.

EWOSA is an independent Energy and Water Ombudsman Scheme in South Australia. It receives, investigates and facilitates the resolution of complaints by customers with regard to (*inter alia*) the connection, supply or sale of electricity, gas or water.

We support the recommendations in the Draft Report to expand the coverage of the National Electricity Law, National Electricity Rules, National Energy Retail Law and National Energy Retail Rules to incorporate most new embedded networks. This would extend many important customer protections, including access to the external dispute resolution services of an energy ombudsman, to most energy consumers – both residential and small business – located within embedded networks and provide them with better access to retail market competition.

Requiring most new embedded networks to register with the Australian Energy Market Operator (AEMO) as an Embedded Network Service Provider (ENSP) and/or to be authorised by the Australian Energy Regulator (AER) as an off-market retailer, rather than gain exemptions from the AER, would result in those entities that operate in South Australia being required to become a member of EWOSA. This would enable energy customers within those embedded networks to forward complaints that they did not consider were satisfactorily resolved by their supplier to EWOSA.

As alluded to in the Draft Report, EWOSA (and some other energy ombudsmen) has already made significant changes to its governance arrangements, funding model and internal processes to include embedded network operators which supply and/or on-sell electricity to residential customers. This was done in response to the updating of the AER’s Network Exemption Guideline and Retail Exemption Guideline.

The changes we made should place the organisation in a strong position to accommodate a rise in membership from new embedded network members under the new regulatory framework, as well as receive complaints from their customers. Any further changes required would be likely to be minor.

We believe the limited circumstances in which exemptions would apply in the new framework are appropriate, including: unmetered energy sales, the sale of energy to customers in short term accommodation, temporary construction sites and electric vehicle charging stations.

We support the recommendations that all new exempt embedded network operators and on-sellers would be required to register with the AER. We believe existing exempt entities with a deemed exemption should also be required to register with the AER. We also support the changes proposed to the definition of a distribution system. These changes would improve transparency and the ability of the AER to carry out its monitoring and enforcement roles, as well as reduce regulatory burden.

With regards to transitioning existing or “legacy” embedded networks to the new regulatory framework, we believe some of the criteria that could be considered are:

- the size of the embedded network in terms of customers
- whether the embedded network operator has appointed an Embedded Network Manager
- whether the exempt seller has an agent or authorised retailer conducting energy services on its behalf
- whether the costs of transitioning particular embedded networks would outweigh the benefits
- whether the requirement for regulatory oversight is low.

We would prefer that existing embedded network operators that meet the criteria transition to the new framework as registered ENSPs, rather than impose additional responsibilities on Embedded Network Managers. This would enable more electricity customers to access the dispute resolution services of an energy ombudsman, as well as other customer protections.

We support the recommendations under the new framework to make it simpler for existing embedded networks to surrender their current exemption(s) and to become a registered ENSP and/or authorised off-market retailer voluntarily.

Should you require further information or have any enquiries in relation to this submission, please email me at antony.clarke@ewosa.com.au or telephone me on (08) 8216 1851.

Yours faithfully



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