

Embedded Networks Review

The issues surrounding embedded networks seem to have been made overly complicated and the discussions we have had with the AEMC seem to confirm there is a serious disconnect between rule changes and laws being passed and the fact that these are mums and dads, grandparents and first home owners that are being affected.

Embedded networks come in all shapes and sizes and affect commercial and residential premises. While small business is the lifeblood of the Australian Economy and should be a separate focus, our comments are primarily dealing with residential consumers.

Our experience is that embedded networks in existing multistorey developments have potentially different constraints to those in a 'greenfield' setting, particularly greenfield developments that are a community of townhouses, villas, and the like.

We have said a couple of times, when it comes to delivering power to residents in a community title/strata/body corporate, the regulators appear to be satisfied that the rules are such that it has become so difficult to buy power, that a separate consultant will be needed to manage the process. This akin to saying that a consumer can no longer go to the shop to buy milk but must engage a consultant to do that for them. Buying power should be no more complicated than buying milk... but the rules we are setting up are CLEARLY losing focus that they are dealing with mums and dads, grandparents and first home owners

AEMC consider Bodies Corporate as 'onsellers' of electricity. Bodies corporates, in most residential cases are ONLY in existence to service and manage the needs of a group of common residents. Councils do not treat them as 'onsellers', water boards do not treat them as 'onsellers', Insurance Council do not treat them as 'onsellers', but the AEMC do. AEMC might need to create a 'rule' that recognises where a body corporate only exists to service the needs of its members, that the body corporate is treated for all intents and purposes as a retail customer. Make the protection laws for those behind the meter, but recognising that these are residential customers - and make laws that are relevant to them, and understandable by them – not laws that need a lawyer to interpret and a consultant to implement. AEMC might be reminded to consider that the rules they are writing and implementing are for THEIR OWN children or their parents/grandparents. If they start from what they would like their IMMEDIATE family to deal with, how they can manage it and understand it, and how it provides protection and does not cost them more than any other electricity consumer, we might stand a chance of getting this right.

Greenfield Community title scheme experience

In Queensland, the threshold for a small residential customer is a consumption of less than 100 MWh per year. There is no 'regulated' residential tariff above 100 MWh per year. Ergon Energy Retail is only allowed to charge customers the regulated tariffs as set out in the Queensland Government Gazette. Ergon Energy Retail has a near monopoly of both residential and business customers in regional Queensland. Our company built a complex of 42 homes (42 duplex style 2-4-bedroom homes within a common area) connected to the Ergon Energy Network under a single point of supply agreement. Many of the homes are owned and occupied by elderly residents 'downsizing'. Using an average consumption of 5,000 kWh per year per home this would equate to an annual consumption at the single point of supply of around 210,000 kWh or 210 MWh. As the annual consumption of the single point exceeded 100 MWh, under the regulated tariff structure in regional Queensland the 42-home complex could no longer be treated as residential customer and was forced to move to a business tariff. This means the fixed and variable charges increased

significantly AND older residents were no longer able to access energy concessions such as their seniors discount. The 42-home complex with no warning experienced a near doubling of their power bill. It almost bankrupted the Body Corporate. It ruined the value of the dwellings, immediately resulted in tenants vacating and leaving investors without income and left the downsizers trapped as they suddenly had properties costing twice as much to run as a similar property in a smaller complex or a house and had investors trying to discount their properties to unload an unviable investment. The AEMC would argue that the body corporate is a 'retailer' on-selling power to the residents. It is true, technically the body corporate sells power to the residents, but in a more practical sense, the body corporate is 'distributing' the incurred charge to the residents EXACTLY as it does, water, insurance, maintenance etc. In this case, Ergon Energy Retail eventually 'fixed' the problem by putting the 42-home complex back onto the main residential tariff in regional Queensland - Tariff 11. This does not address the wider problem that there are over 45,000 strata schemes in Queensland alone and almost 500,000 lots in those schemes. There must be dozens of mums and dads, grandparents and first home owners paying far too much for their power ie retailers are charging residential customers business tariffs as the residential customer has exceeded the small customer threshold. How do those customers get help? Who can they turn to? The AEMC, AER, Ergon, Energex won't assist because the power being delivered 'meets the rules.' The Electricity Ombudsman can't help because they can only assist to the point of supply – and the supply 'meets the rules'. Our residents were fortunate that they came back to the developer and the developer happened to be heavily involved in the power policy framework at a State and National level and had some idea of where to direct enquiries and what buttons to push – yet it was still a 12 month exercise to get a 'fix' that is a band aid to a far greater problem.

Tariffs meeting consumers needs

The problem outlined above was solved by 'artificially' moving the 42-home complex back to Tariff 11. We suspect there are hundreds of complexes and potentially thousands of residential customers in a similar position i.e. they are unknowingly trapped on the wrong tariff.

The next problem this creates is that by moving all the residential customers on the wrong tariff (the higher business tariff) back to the right tariff (a lower cost residential tariff) a hole will be created in Ergon Network's revenue forecasts. This means other classes of customers will need to make up the shortfall in revenue unless Ergon Network chooses to recover less than their allowed revenue cap.

Consumer advocates have been trying for years to bring about much needed tariff reform. The consensus amongst consumer advocates is that Ergon Network's willingness to embrace tariff reform is poor.

We have constantly said that Ergon Network and Ergon Retail do not know their customers– this is just another example.

Why a single point of supply in community title schemes?

The discussions held about AEMC's draft rules suggest that one solution is to enforce individual metering. That lacks an understanding of how we got to where we are and why, and what happens

with the existing 45,000 body corporates in Queensland alone? Retrofitting isn't as easy as people think.

The Queensland Energy Connection Manual (QECM) sets out how metering is done in Queensland and is the Queensland interpretation of NER rules.

On the 42-home complex mentioned earlier, the developer made an application to Ergon Network for power supply (as is always the case where a large load is anticipated, or a greenfield subdivision is being created). In this case, as a community title scheme, Ergon may have offered one or two options for the delivery of power. Based on our experience on other sites at the time, Ergon would have probably provided a heavy financial incentive to deliver the power via a single point of supply – Ergon only has 1 customer, 1 meter to read, 1 bill to collect – makes good business sense for Ergon and the developer and the new residents by keeping house prices lower. Behind the meter, the electrical supply must meet safety standards, but doesn't need to be built to Ergon's standards, meaning more savings in both construction costs and land lost to easements/alignment/separation etc.

On the 42-home example used, meeting the QECM and/or Ergon's Urban Design manual requirements now would be horrendously expensive, if not impossible to achieve, and extraordinarily invasive. There is not a single feed going from the main meter to each individual dwelling – the complex is serviced by a ring main. To individually meter in accordance with the current rules – i.e. getting all 42 meters alongside the master meter would require rewiring the whole complex, digging up roads and gardens – if it could even be achieved meeting the QECM and Ergon standards! It is nearly the same as asking to individually meter all the powerpoints in YOUR home. The electrical supplier 'sees' your connection from the street to your meter. To now enable them to see the powerpoint, you now need to make that powerpoint connect to the street... how would you do that in your house without nearly demolishing the entire home? The principle is the same in many community title schemes.

Retrofitting isn't an option. The cost of individually metering from day 1 is. However, it has a cost that will increase housing costs on what is traditionally our more affordable housing stock. THAT is a problem. The RULES need to consider housing affordability and the class of customers these rules impact. The rules need to recognise the existing regulations and guidelines and work to improve them at the same time.

For the 42-home complex there is a viable option to get individual readings. Remote reading child meters could be installed quite cost effectively at each home's connection point or near their circuit breaker board. BUT this will require a coordinated effort to change a whole host of existing rules and regulations and the QECM. It would also need to be done in consultation with some of the retailers to make sure that they accept the remote reading of child meters – otherwise it is a pointless exercise.