



Review of regulatory arrangements for embedded networks

Submissions invited on consultation paper

The Australian Energy Market Commission (AEMC) is reviewing the regulatory arrangements for embedded networks and has published a consultation paper that sets out the scope of this review, the proposed approach and a number of issues for stakeholder comment.

What is an embedded network?

Embedded networks are private electricity networks which serve multiple customers and are connected to another distribution or transmission system in the national electricity market through a parent connection point. A party, other than the registered local network service provider, owns and operates the private electricity network that customers connect to. The party is known as an embedded network operator. Generally, the embedded network operator also purchases electricity at the parent connection point and on-sells it to customers within the embedded network.

Common examples of embedded networks include shopping centres, retirement villages, apartment complexes and caravan parks.

Embedded network operators must gain exemption from registration as a network service provider. If this party also wishes to sell energy within the embedded network it must also hold a retailer authorisation from the Australian Energy Regulator, or be exempted from holding a retailer authorisation.

Why review the regulatory arrangements for embedded networks?

The number of embedded networks has grown significantly in recent years. The growth in embedded networks means an increasing number of customers are being supplied under the exemption framework rather than being subject to the same arrangements and protections as customers that have a standard network connection.

A range of business models to provide embedded network services are also emerging in the market and developments in technology, including distributed generation and energy storage also mean the configuration of, and arrangements within, embedded networks are increasingly complex.

These developments bring both opportunities for innovation and potentially new risks for consumers.

The Australian Energy Market Commission has been requested by the Council of Australian Governments Energy Council to undertake a review of the regulatory arrangements for embedded networks under the National Energy Retail Law and the National Energy Retail Rules. We have been asked to identify and assess issues for embedded network customers and identify appropriate solutions to any problems. We have also been requested to consider broader issues relating to how embedded networks are regulated under the National Electricity Law, National Electricity Rules, National Gas Law and National Gas Rules.

Submissions on the consultation paper are due on 16 May 2017.

Our approach to the review

The growth in embedded networks, technological changes and market developments raise questions about the purpose and regulatory design of the exemption framework.

With that in mind, the review will look at a broad range of issues related to the regulatory framework for embedded networks. The consultation paper sets out the scope of the review, with issues broken into four core questions for stakeholders:

1. Is the regulatory framework for embedded networks fit for purpose?
2. Can access to retail market offers be improved?
3. What consumer protections should apply to embedded network customers?
4. Are current regulatory arrangements for gas embedded networks appropriate?

Next Steps

Information provided by stakeholders will be essential to understanding consumer experiences, determining the extent to which barriers to embedded networks customers accessing retail competition exist and whether the regulatory framework for embedded networks remains appropriate.

Responses to this paper will further inform the AEMC's understanding of these issues and potential solutions. Stakeholders are therefore invited to make submissions on the matters raised in the consultation paper, and any other matters they consider relevant to this review.

In addition to seeking written submissions on the consultation paper we will also hold:

- a consultation forum with consumer groups in May 2017 to comment on the issues raised in the consultation paper
- a public forum in mid-2017 in order to gain further input on issues for embedded network customers and potential solutions.

The AEMC will also invite submissions on the draft report following its publication in September 2017.

Project timeline

Milestone	Date
Terms of reference received from COAG Energy Council	December 2016
Consultation paper published	11 April 2017
Consumer group forum	Mid-May
Submissions on consultation paper close	16 May 2017
Public forum	Mid-2017
Draft report and recommendations	By 15 September 2017
Final report and recommendations	By December 2017

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11 April 2017