24 March 2022

SCA (WA) Response - Energy and Governance Legislation Reform - Project Eagle

SCA (WA) wish to raise the following on behalf of our constituents regarding the recent consultation paper produced by Energy Policy WA (EPWA) - Energy and Governance Legislation Reform - Project Eagle.

The consultation period for the release of Project Eagle was from the 20th of October 2021 to 1st November 2021 (10 days). SCA (WA) could not provide an appropriately researched and considered response within this limited consultation timeframe.

However, as our sector is such a significant energy consumer, and customer of the WA energy market; we believe our perspective and input is of key significance to EPWA's review of Energy and Governance Legislation Reform. We have therefore prepared the following response.

SCA (WA) understand EPWA are currently undertaking a study into the regulatory framework that applies to embedded networks in Western Australia. This includes looking at the differences between the protections, choices and billing arrangements that apply to embedded network customers and customers who are connected directly to the Western Power grid (and serviced by a licenced retailer).

We understand the EPWA's intent is to review and or improve customer protections via analysis of existing arrangements to develop a framework of potential reforms. We understand EPWA have commissioned consultants GHD to investigate the history and scale of embedded networks in Western Australia. We also understand the report will be making comment on the success of the sectors that have managed via significant self-regulation to date.

The two primary energy distribution networks structures that determine the method of energy procurement are:

- **Multi Master Network** – utility infrastructure privately owned; revenue meters owned by Western Power
- **Embedded Network** – utility infrastructure and all sub meters privately owned.

SCA (WA) wish to ensure that the WA strata schemes and property owners continue to be afforded the "power of choice" to operate either as an embedded network, or a multi master network, via the existing retail license exemptions, provided for within the Electricity Industry Act 2004; as longstanding customers of the WA retail electricity and gas market.

These options have existed since 1993, introduced by SECWA at the time and formalised in 2004 via the introduction of the Electricity Industry Act.

The property sector has successfully self-regulated energy allocation and billing to internal consumers since that time in WA, both to occupants and the common services within buildings with minimal customer complaints.

Energy market self-regulation has been guided by industry expertise in meter reading, reconciliation and billing services who have advocated alignment of energy charges to the government gazette since the inception of embedded networks in WA, maintaining an ethical cap on charges.

As you would be aware, there are many other regulatory requirements that the property sector is required to adhere to, which include customer protections such as the Residential Tenancy Act, the Retail Tenancy Act and the recently introduced WA Strata Act and Community Titles Act. In

addition to this there are leases between commercial, retail and residential tenants and property owners, all of which include dispute resolution clauses and provisions with defined legal pathways. The above framework has guided property owners to predominantly operate within fair and reasonable boundaries.

Existing Exemptions – from the requirement for a property owner to hold a retail energy license

The exemptions within the Electricity Corporations Act 2005 allow a property owner to operate and manage their own electrical infrastructure (within the property boundary).

This affords the property owner or scheme the choice to set the property up as a Multi Master Network or an Embedded Network. The chosen structure then determines the method in which a property can procure electricity and gas from the WA retail electricity market.

SCA (WA) believe this is the appropriate model as it enables the owner of their private (embedded) network to maintain and operate the assets within their property boundary and recover the costs and income associated.

Embedded Networks – Mis-categorised as Alternative Energy Services

SCA (WA) raise our concern that embedded networks have been categorised within the Project Eagle reform agenda as Alternative Energy Services (AES).

SCA (WA) wish to note that this categorisation is not correct; as the Embedded Network model refers to the physical meter network structure within the electrical infrastructure of a property or precinct, not a third party service offering or contract.

As outlined above the initial change from a Multi Master to Embedded electricity (and gas) networks was introduced by SECWA (State Energy Commission of WA). The intent at the time was to ask the property owners to take responsibility for their own infrastructure, cost and recovery. This means that an embedded network is a privately owned component of the electricity distribution network, the South West Interconnected System (SWIS). It is not an Alternative Energy Service.

SCA (WA) request that policy makers acknowledge this by removing embedded networks from being listed within the AES category.

AES are in effect business models, many of which have been developed and rolled out in the eastern state's National Energy Market (NEM). Most business models are aimed at procuring the income generation assets within a property and leaving the operational infrastructure risk with the owner.

SCA (WA) identify the AES relates to third party contracts, arrangements, and ownership of specific subcomponents of the electrical (or gas) infrastructure within a property or precinct i.e., meters for measurement, solar arrays for onsite energy generation and batteries for storage etc.

We note that policy makers need to recognise and respect that the property owners are also the owner of the energy infrastructure. They need to acknowledge that the property owner in every circumstance owns the key infrastructure that distributes the electricity and gas into and throughout the property's pipes and cables, switchboards, distributions boards, panels, etc. and in most cases the infrastructure that serves the primary chain of supply.

The property owner is responsible for the maintenance, reliable supply, life cycle and insurance of the core energy infrastructure.

Funding Infrastructure – Strata life cycle

Current exemptions allow strata schemes to access cheaper electricity supply for schemes configured as embedded networks.

The scheme and its lot owners have the power of choice to either pass on the savings or agree to attribute the savings to their levies or sinking fund. If they choose to adopt the A1 tariff, they are no worse off than the occupant of a green title property owner in WA under the WA gazette.

The average annual savings estimate for a strata lot owner within a 100 x lot strata scheme equates to approximately $480 per annum, if the property is configured as an embedded network where the savings are passed through in full when compared to the annual costs of a lot owner who has a direct supply arrangement with Synergy under the A1 or similar gazette tariff (i.e. under a multi master meter network structure).

Recent Strata Act and regulation are forcing schemes to address life cycle and maintenance obligations. For many, this has put pressure on their capacity to raise special levies to fund long overdue infrastructure repairs, upgrades and refurbishments.

Revenue derived from embedded networks is a major source of income for strata schemes, who direct this income to their sinking funds. Many are using the revenue to address urgent life cycle issues with electrical infrastructure or other significant compliance and risk mitigation refurbishment projects.

Without this revenue, many could not maintain their assets adequately. The embedded network model exists for the WA government to procure electricity for state housing and either raising / directing funds to invest back into maintenance of housing or to discount and pass through the savings to support occupants further.

We understand the need for policy change

SCA (WA) understands the WA government's need to consider and implement policy enhancements, mechanisms, and levers to manage the energy networks for reliable and continuous supply.

We see that this is necessary to curtail reliability risk items that renewable technology is imposing on existing state-owned network infrastructure. We also understand the benefits that need to be achieved by the integration of renewable technology outlined within the AES and the importance of preparing for the take up of energy game changers such as electric vehicles. We also acknowledge the need to drive change by transitioning to low carbon energy sources to achieve environmental net zero targets by 2050.

SCA (WA) advocate that the property sector can actively participate and contribute to these outcomes.

However, it is imperative that policy development is based upon the premise that the property owner has the control of the assets within their property boundary, not an AES or the incumbent network operator.

The premise should be that the property owner retains the "power of choice" to deploy and own AES technology (i.e., Solar, BESS, EV Charging). They should also have the option to outsource AES to third parties.

Customer Protections

Property owners in WA who have either managed meter reading and billing services internally or engaged third party meter services agents on a fee for service basis, have operated under a self-regulated WA State Government gazette tariff alignment model for almost 30 years. In this time, we understand the sector has experienced minimal customer complaints. In outlining the above, SCA (WA) is keen to work with EPWA to further substantiate the extent of complaints and improve customer protections.

SCA (WA) express our interest to work with EPWA regarding developing customer protections for embedded network owners.

Partnering in Awareness and Education programs to improve customer protections

SCA (WA) have been helping our constituents to understand how energy is procured in the WA energy market and their available options via our education programs.

It is an incredibly complicated and misunderstood market, and we intend to implement new educational programs to close the misinformation gap and empower owners, schemes and occupants to understand their options and rights so they can better procure energy. This will as a result, strengthen customer protections.

SCA (WA) express our interest in partnering with EPWA to co- design and implement an education program for our constituents.

Conclusion

In summary,

1. We understand and support the need to review policy and regulation;
2. We believe that WA strata schemes and property owners should continue to be afforded the “power of choice” to operate either as an embedded network, or a multi master network, via the existing retail license exemptions, provided for within the Electricity Industry Act 2004;
3. We believe that embedded networks should **not** be classified as Alternative Energy Services (AES) as the embedded network model refers to the physical meter network structure within the electrical infrastructure of a property or precinct, not a third party service offering or contract;
4. We believe that it should be recognised and respected that the property owners are the owner of the energy infrastructure and should have control of the assets within their property boundary, not an AES or the incumbent network operator;
5. We believe that policy change and regulation for AES should be focussed on consumer protection in the form of alignment of tariffs and transparency in billing; and
6. We would be interested in contributing to the future discussions regarding policy change that could potentially have significant impact on our constituents.

We trust our response provided outlines our position clearly and our expression of interest to work with EPWA further on this topic.

Strata Community Association (WA)
Unit 8, 57 Labouchere Road, South Perth WA 6151
P 08 9381 7084 | **E** admin.wa@strata.community | **W** www.wa.strata.community