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10th March 2020

Maximum Price for Exempt Sellers
Essential Services Commission
Level 37, 2 Lonsdale Street
Melbourne, Victoria 3000

Essential Services Commission 2020, Maximum prices for embedded networks and other exempt sellers: Consultation Paper, 5 February

Thank you for the opportunity to provide a submission to the maximum prices for embedded networks and other exempt sellers consultation paper.

South Street Energy Pty Ltd (South Street Energy) is an embedded network services provider. Our role is to facilitate and negotiate bulk energy supply agreements and to administer the resale of electricity to residents and/or commercial tenants within embedded networks at the lowest possible price.

South Street Energy agrees with the Essential Services Commission's view that the Victorian Default Offer (VDO) sets an appropriate benchmark for the cost of selling retail electricity in Victoria by an exempt seller.

The objective of an embedded network must be to bulk purchase electricity for an entire site, through a single connection point, for less than the cost of each resident and/or tenant purchasing electricity directly from a licensed retailer.

If the additional cost to operate the embedded network means that residents and/or commercial tenants pay more than they otherwise would if purchasing electricity directly from a licensed retailer, the site should not be operated as an embedded network.

South Street Energy successfully delivers savings to embedded networks with as few as 20-25 residential account holders.

Included within the cost to operate each embedded network are Embedded Network Manager & Metering Coordinator services. South Street Energy ensures that each resident and/or commercial tenant has a market compliant smart meter, registered with its own unique NMI in MSATS to facilitate market transactions at anytime.

Yours sincerely,

A handwritten signature in black ink, appearing to read "M. Bogaers", written over a light blue horizontal line.

Marco Bogaers
Executive Director

Questions for stakeholders

1. South Street Energy considers that the Essential Services Commission has identified all relevant issues in its framework for formulating a maximum price for embedded networks.
2. South Street Energy considers that the Essential Services Commission has identified all relevant information in regard to commercial market data.
3. South Street Energy has a number of flexible tariff structures that may be offered to residents and/or commercial tenants within each embedded network. These tariff structures do not necessarily align with either network or retail tariff structures available locally.

The Essential Services Commission might note that the tariff structure charged by the licensed retailer, at the parent connection point to an embedded network, will be a commercial tariff structure, is often unbundled, and may contain a demand component. None of which aligns to a simple, flat tariff structure that can be used to compare against available retail offers.

The test applied by South Street Energy, when developing and applying tariff structures, is that the annual cost of electricity for a resident or commercial tenant must be no more, and preferably less, than if the applicable VDO (standing offer) were applied to the same metered consumption values.

4. See 3 above.
5. South Street Energy considers it appropriate for the Essential Services Commission to publish an annual schedule of maximum prices allowed to be charged to embedded network customers, by distribution zone.
6. The appropriate approach to assess compliance, if a different charging structure is used, is that the total annual cost of electricity should be equal to or less than the total annual cost if the published rates are applied.
7. South Street Energy does not consider that there are any implementation issues and already ensures that pricing is less than the applicable VDO.
8. South Street Energy has no other information for the Essential Services Commission to consider.