

Dear Essential Services Commission

The proposal to cap prices of embedded network customers at the VDO are much welcomed and if anything, overdue.

### **My story**

I am currently AN embedded network customer in an apartment high rise. I tried switching provider to get a better rate but was unable to do so due to the difficulty in finding a provider who could have provided us a more competitive rate, but is unwilling to do so due to the complexity involved in exchanging our meter.

We tried to get a better rate with our provider but didn't have much luck- basically we were told (politely and in customer friendly language, of course) too bad, too sad - go to your body corporate and complain instead.

I understand it is difficult for the body corporate or other regular retailers to negotiate with the embedded network to get a better rate or to exchange the meter so I can transfer retailers. Our body corporate manager expressed this as well and also briefly suggested the developer had a role in this. Only after going to EWOV with the assistance and guidance of a family member who understands these things, were we able to squeeze a more competitive rate out of the embedded network provider.

I tried explaining this process to my neighbours (a young professional couple in their early 30s) and how they could also secure a better rate and was met with blank stares. It shouldn't be this hard, so imagine how much harder it would have been for any other customers who may have been in a more vulnerable position.

### **Issues and recommendations**

While requiring embedded networks to charge the VDO as a price cap is a good step forward, it is arguably not enough. If you tell a company they can charge \$X they will charge \$X, no more, no less. As the famous saying goes, don't hate the player, hate the game. There is no competitive tension or ability for the customer to do the proverbial walking with their feet if they are displeased with the pricing (or other non-price aspects).

It is also important to note that the concept of the VDO is of a "minimum protection". The issue with allowing embedded networks to get away with the "minimum protections", both in relation to pricing and other consumer protections, is that this risks creating a parallel universe of monopolies that are able to circumvent regulation.

From a consumer's perspective, there is no foreseeable benefit to the "innovation" that embedded networks create - at least, none that have accrued to me as a consumer stuck in an embedded network. Rather, they appear to me to be a construct aimed at circumventing onerous regulations on the provision of essential services. Any "consumer surplus" is purely taken by the producer, and as an economic regulator it is clearly the ESC's role to step in to address this imbalance.

An innovation that embedded networks often lay claim to is that they are able to procure electricity at a more competitive rate due to the economies of scale. I understand there is Federal legislation proposed that will require energy retailers to pass on substantial reductions in wholesale costs. In my humble opinion, while the drafting of the legislation leaves much to be desired and policy intent is unclear, it is a good starting point conceptually for the ESC to start with if there is interest in looking at further embedded network consumer protections in relation to price.

With the growing population and prevalence of high rises, planned towns and developments, embedded networks are only expected to grow. The idea of trying to plaster over these issues not only introduces unnecessary complexity to legislation but also kicks the can down the road and makes the problem grow and become eventually unmanageable.

As a humble consumer I urge ESC and relevant policymakers to nip this problem in the bud, and also work with the appropriate department to ensure that developers are held to the same account – they are also providing an essential service of housing. If this is a current gap in legislation it is appropriate that this is reviewed using the expertise ESC has in regulating local government councils.

Yours sincerely