

Embedded networks include multiple tenancy developments, caravan parks, residential homes, shopping centres and holiday accommodation.

This information is to assist persons who own or operate embedded electricity networks. It is designed to help them understand their obligations relating to the generation, sale and supply of electricity to their customers.

Why is the generation, sale and supply of electricity regulated?

Electricity is an essential service and contributes significantly to the wellbeing and welfare of Victorians. Consumers should expect to receive electricity under fair terms and conditions, including protections regarding billing, disconnections and quality of supply. Consumers should also be able to benefit from the competitive electricity market through efficient prices and innovative products.

Suppliers of electricity are licensed by the Essential Services Commission under the *Electricity Industry Act 2000* (the Act). As part of their licence, electricity providers must comply with obligations under the Act.

In some limited cases, an electricity supplier can operate under an exemption from the requirement to hold a licence. However, they must still comply with certain conditions to ensure that the interests of consumers are maintained.

What is an embedded network?

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

Embedded networks are private electricity networks which serve multiple customers and are connected to another distribution or transmission system in the national grid through a parent connection point. A party (other than the local distribution business) 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.

How do I get a licence?

The Act requires licences for the generation, distribution and sale of electricity.

The first step is to discuss the licensing process with the Essential Services Commission. Licensing involves compliance with conditions and Codes setting out requirements such as billing of consumers (including hardship customers), connection and disconnection of supply, voltage variation, and dispute resolution.

Can I obtain an exemption?

The General Exemption Order is an Order in Council under section 17 of the Act that provides for classes of activities that do not require a licence from the Essential Services Commission, subject to certain conditions. This includes certain embedded network arrangements.

The General Exemption Order has recently been updated to provide better regulatory clarity for embedded network operators and also to ensure that consumers within these arrangements have access to a comparable level of consumer protections as customers of licenced retailers. The General Exemption Order is available at www.energy.vic.gov.au/legislation/general-exemption-order.

The Act also enables the Governor in Council, on the recommendation of the Minister for Energy, Environment and Climate Change, to exempt persons from the requirement to hold the relevant licences from the Essential Services Commission. Generally, exemptions for the supply and sale of electricity are considered only in relation to large or related businesses transactions, and not where there are residential or small business customers involved.

What conditions do I have to comply with as part of an exemption?

The conditions of exemption are specified in the General Exemption Order. These conditions are changing.

From 1 April 2018, most embedded networks must register with the Essential Services Commission's database.

Embedded Electricity Networks

From 1 April 2018, embedded networks must also:

- Comply with consumer protections and technical requirements determined by the Essential Services Commission;
- Obtain explicit informed consent of a customer for the sale of electricity;
- Provide information to their customers in plain English about their right to choose their retailer, assistance for hardship, the flexible payment options available to them and contact details for faults and emergencies;
- Charge their customers no more than the price of the local area retailer's standing offer, unless the Essential Services Commission has set an alternative cap based on market data.

From 1 July 2018, embedded networks must also be a member of dispute resolution service approved by the Essential Services Commission. The Energy and Water Ombudsman (Victoria) is in discussions with the Essential Services Commission on this matter.

Prior to 1 April 2018, embedded networks must ensure that they comply with the current requirements of the General Exemption Order.

What if I already operate a network that does not comply with the legal requirements?

If you do not comply with the conditions in the General Exemption Order, you are undertaking the generation, sale and supply of electricity without a licence, and are in breach of section 16 of the Act.

If you are concerned about the legality of your network, you should obtain legal advice to bring your network into compliance.

The maximum penalty for non-compliance is 1200 penalty units plus 120 penalty units for each day following the serving of a 'notice of contravention'.

What other regulatory obligations should I be aware of?

Embedded network operators should obtain legal advice to determine if there are other laws and regulations that they must comply with.

Most embedded networks are required under the National Electricity Law to register with the Australian Energy Market Operator as a network provider, or benefit from an exemption from the requirement to register under the Australian Energy Regulator's exemptions framework. This is in addition to the requirements of the General Exemption Order.

The AER's exemptions framework carries conditions which includes technical requirements such as metering infrastructure and network pricing. Information on the Australian Energy Regulator's network exemptions framework is available at www.aer.gov.au/networks-pipelines/network-exemptions.

In addition, embedded networks may also have to comply with safety requirements under the *Electricity Safety Act 1998*. It is important that embedded network operators obtain expert advice on their requirements in relation to safety.

Who should I contact if I need further information?

You should obtain legal advice regarding whether your activities fall within the General Exemption Order and what conditions apply to your circumstances.

If you have any questions about the recent changes to the General Exemption Order, please contact the Department of Environment, Land, Water and Planning on 136 186.

If you have questions regarding the registration database, consumer protections, and pricing, please contact the Essential Services Commission at exemptionregister@esc.vic.gov.au or 1300 664 969.

If you have questions regarding the Australian Energy Regulator's network exemptions framework, please contact the Australian Energy Regulator at [AERInquiry@aer.gov.au](mailto:AERInquiry@ aer.gov.au) or 1300 585 165.

Further information on the Energy and Water Ombudsman (Victoria) is available at www.ewov.com.au.

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