

Electricity embedded networks

Overview



Electricity embedded networks are common in premises with multiple occupancies such as apartment buildings, caravan parks, retirement villages, social housing and shopping centres.

What is an embedded network?

Electricity embedded networks are private electricity networks that provide electricity to multiple customer premises (or lots) within a building or self-contained site. Generally, embedded networks have a parent meter connection to the electricity grid, with child meters measuring the consumption for individual customers within the embedded network. Generally, the embedded network operator buys electricity in bulk from a licensed retailer then sells it to customers within the embedded network.

The operator of the embedded network may be the property owner (or owners' corporation) or a third party. Third parties can operate the embedded network, or act as an agent. Often customers in an embedded network will receive bills or communication about the embedded network from the third party. Some embedded network operators may engage a licensed retailer to sell electricity to the embedded network consumers.

How are embedded networks regulated?

In Victoria, the *Electricity Industry Act 2000* (EI Act) prohibits a person from generating for supply or sale, transmitting, distributing, supplying or selling electricity unless they have a licence or trial waiver, or they are exempt from the requirement to obtain a licence. Anyone carrying out these activities without the appropriate

licence, trial waiver or exemption will be in breach of the EI Act and may face enforcement action.

Currently, electricity embedded networks are regulated under the General Exemption Order 2022 (GEO 2022). The GEO 2022 is an Order in Council made under the EI Act. Embedded network operators are also known as "exempt persons", as they are exempt from needing a licence.

The GEO 2022 includes exemptions covering the supply and sale of electricity in embedded networks. The GEO 2022 also identifies conditions that need to be met to legally operate an embedded network. The GEO 2022 took effect from 1 January 2023. A copy is available from the Government Gazette [website](#). Please also see the [GEO 2022 factsheet](#).

Some exempt persons may need to comply and register with the Australian Energy Regulator's (AER) network exemptions framework. You can find out more on the AER's [website](#).

Embedded Networks Review

In October 2018, the Victorian Government announced an election commitment to ban embedded networks in new residential apartment buildings, with limited exceptions.

The Victorian Government's response to the Embedded Networks Review was published in July 2022 and supported all the review's recommendations. The reforms are being implemented in two phases.

The first phase is complete. Since 1 January 2023 when the GEO 2022 took effect, new embedded networks with

10 or more residential customers are banned unless they meet a renewable energy condition. More information about the renewable energy condition, and other changes made is available in the [GEO 2022 factsheet](#).

Phase two will include a comprehensive legislative package to implement the remainder of the reforms.

See the [Embedded Networks Review](#) page for further information about the review and the Government response.

Customer protections

The GEO 2022 imposes conditions on embedded network operators to protect customers. These include:

- providing access to the free and independent dispute resolution services of the Energy and Water Ombudsman (Victoria) (EWOV)
- Ensuring charges are no higher than the Victorian Default Offer (VDO) (for most embedded network customers).

Embedded network operators must also comply with parts of the Energy Retail Code of Practice and Electricity Distribution Code of Practice designated by the ESC for the relevant GEO 2022 exemption category.

Some obligations under the Energy Retail Code of Practice relating to the sale of electricity include:

- billing calculation and notifications
- complaints and dispute resolution procedures
- life support obligations
- contract terminations

For more information, please view the [Energy Retail Code of Practice](#).

Some obligations under the Electricity Distribution Code of Practice relating to the supply of electricity include:

- life support obligations
- technical requirements like voltage, safety and harmonic requirements
- provision of information to customers regarding interruptions
- energisation requirements

For more information, please view the [Electricity Distribution Code of Practice](#).

Registering an exemption

The GEO 2022 sets out two classes of exemptions: deemed and registrable exemptions.

- Deemed exemptions do not need to be registered with the ESC and are generally for persons operating small-scale activities.

- Registrable exemptions must be registered with the ESC as they generally involve larger-scale activities.

Find out your exemption category in the [Schedule of the GEO 2022](#).

The ESC publishes a [Register of Exempt Persons](#). It contains information about registered exempt persons and the activities for which they are exempt. It is publicly available for customers to identify their embedded network operator is and obtain contact details.

Additional information for exempt persons may be found in the Registration Guideline for Exempt Persons, which is published on the [ESC website](#).

Some exempt persons may need to register with the AER's network exemptions framework. You can find out more on the [AER's website](#).

Enforcement and compliance

All exempt persons need to comply with conditions relevant to their exemption. Otherwise, the exempt person may face enforcement action and need to pay a civil penalty.

Since March 2024, the GEO 2022 is a civil penalty requirement. This means that the ESC, through proceedings in court, can enforce conditions in the GEO 2022, such as providing information to the ESC, selling electricity at a price no more than the VDO, and registering an exemption in the Register of Exempt Persons.

Under the *Essential Services Commission Act 2001*, non-licensees such as embedded network operators face a maximum civil penalty of 1200 penalty units for a breach of a civil penalty requirement (a maximum of approximately \$237,108 as at 1 July 2024).

This maximum applies to breaches of civil penalty requirements in the Codes of Practice or conditions of the GEO 2022.

Information provision obligations

Exempt persons must report to the Essential Services Commission (ESC) how they meet the renewable energy condition **for each calendar year** (or part of a calendar year) **by the end of March the following year**.

This information must also be made available to customers annually. The exempt person must maintain records of this information for at least 7 years.

Who should I contact for further information?

If you have general questions about the Embedded Networks Review and the GEO 2022, please contact the Department of Energy, Environment and Climate Action at energyretail@deeca.vic.gov.au.

If you have questions regarding the registration database, consumer protections or pricing, please contact the ESC at exemptions@esc.vic.gov.au or 1300 664 969.

If you have questions regarding the AER's network exemptions framework, please contact the AER at AERinquiry@aer.gov.au or 1300 585 165.

If you are unclear if your activities fall within the GEO 2022 and what conditions apply to your circumstances, you should obtain independent legal advice.

Neither DEECA nor the ESC can provide you with legal advice.

We acknowledge Victorian Traditional Owners and their Elders past and present as the original custodians of Victoria's land and waters and commit to genuinely partnering with them and Victoria's Aboriginal community to progress their aspirations.



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