SUBMISSION

Energy Users Association of Australia

REFORMING PRICES FOR CUSTOMERS IN EMBEDDED NETWORKS – DEECA VICTORIA

2 JULY 2026

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our members are the engine room of the Australian economy, producing many of the products that households and business use every day including bricks, glass, steel, aluminium, paper, food and beverages. Combined, our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

EUAA members are focussed on making products that meet their own customers' requirements where energy is just one input to the process albeit a critical one. Their expectation is that the energy industry continues to provide energy services that are fit for purpose and consistent with the National Electricity Objectives (NEO) so that our members can continue to provide a fit for purpose product for their customers.

The EUAA welcomes the opportunity to provide feedback to the **Reforming prices for customers in electricity and gas embedded networks** Consultation Paper, as published by the Victoria Department of Energy, Environment and Climate Action (DEECA).

The EUAA represents a broad membership base that includes businesses which operate embedded networks, as well as businesses that operate within them as commercial tenants. This dual representation provides the EUAA with a balanced perspective across both sides of the commercial arrangements that underpin embedded networks. Drawing on this experience, we consider that there are issues within the existing framework for commercial businesses which could be compounded, rather than resolved, by the proposed changes.

Commercial embedded networks operate in a fundamentally different context to residential sites, and the regulatory approach should reflect that distinction. While the EUAA supports strengthening consumer protections for residential customers, commercial premises typically operate under bespoke, negotiated arrangements led by procurement teams or energy specialists who secure terms tailored to their operational needs.

These arrangements bear little resemblance to residential supply and are not the focus of the reforms DEECA is seeking to progress. As such, applying residential-oriented regulatory settings to commercial customers would be inappropriate and risk undermining well-functioning commercial agreements. It is also not clear that a regulatory failing has been identified within commercial embedded networks, and no justification or evidence has been presented for expanding regulation beyond current requirements.

DISCUSSION

Embedded networks encompass a wide spectrum of customer types and commercial structures, from residential apartments and caravan parks through to large shopping centres and complex commercial precincts. Despite this diversity, the Consultation Paper treats embedded networks as a single category for pricing and consumer protection purposes. This creates significant challenges because the commercial dynamics, risk allocation, and cost drivers differ considerably across these settings.

Commercial embedded networks illustrate this diversity clearly. For instance, shopping-centre parent meters typically carry different cost and risk responsibilities than residential embedded networks, and the nature of that risk – whether driven by demand charges, network tariffs, load profiles or contractual structures – varies across sites. There are also bespoke commercial arrangements where co-located businesses agree to share infrastructure and continue on-supply arrangements for the duration of their lease terms.

In many commercial precincts, embedded networks often form part of broader bundled service arrangements that integrate energy supply with other shared infrastructure or operational services. These models are designed to deliver efficiency, scale benefits, and provide precinct-level solutions that differ substantially from standard electricity supply arrangements. Applying additional regulatory requirements to these commercial bundles risks constraining innovation and disrupting commercial agreements that are already functioning effectively.

In addition, commercial customers require pricing structures that reflect business-level market conditions rather than residential benchmarks. The VDO and DMO are designed for residential consumers and do not represent competitive pricing outcomes for business customers, particularly large business customers who would typically secure more favourable rates through standard market procurement. Using residential reference prices for commercial embedded networks would therefore disadvantage business customers and misrepresent the value of negotiated commercial arrangements.

Further, the compliance gap DEECA is seeking to address relates specifically to residential embedded network customers receiving different protections depending on whether their seller is exempt or licensed. For exempt sellers who on-sell retail and network services solely to commercial tenants, current compliance obligations remain appropriate, and we support that the proposed reforms do not introduce new requirements to these parties. Imposing additional obligations on these commercial arrangements would increase regulatory burden and compliance costs without delivering material benefits.

Recent AER reforms have already strengthened transparency and accountability across embedded networks, and any Victorian measures should complement, rather than duplicate or conflict with, the national framework. This is particularly important given Victoria's additional derogations, including its stance on prohibiting "pancaking" and its separate rules for on-selling and on-supply exemptions, which already create jurisdiction-specific obligations that add cost and complexity for operators navigating both state and national regimes.

CONCLUDING REMARKS

Commercial embedded networks operate under dynamics that differ fundamentally from residential sites, and any reform must recognise this diversity. Applying residential-focused measures to commercial arrangements risks distorting well-functioning agreements, misclassifying customers, and adding cost and complexity without improving outcomes for business customers. A clearer and more workable boundary between residential and commercial embedded networks is needed, but drawing and enforcing that line requires careful analysis to ensure protections remain targeted and proportionate. The EUAA encourages DEECA to strengthen safeguards for residential customers where appropriate, while preserving the flexibility, efficiency and negotiated arrangements that underpin commercial embedded network operations.

Please contact EUAA Network Regulation Manager, Shelby Macfarlane-Hill, should you have any questions.

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