

# Maximum prices for embedded networks and other exempt sellers

## **Submission received via Engage Victoria on our draft decision on maximum prices for embedded networks and other exempt sellers**

**Date submitted: 22 May 2020**

**Submission prepared by: Anonymous**

### **Do you have any comments on the commission's draft decision?**

The ESC draft decision on embedded networks critically does not address:

- 1) the economies of scale that should benefit large apartment complexes
- 2) the lack of competition for embedded network customers

I live in a retirement village that has about 400 apartments with an embedded network.

The daily supply charge essentially covers a share of the network costs (poles and wires and associated control systems). Consider the network costs associated with supplying 400 standalone houses in multiple streets compared to the economies of scale associated with supplying 400 integrated and closely spaced apartments.

If I lived in a house across the street I would pay a maximum daily supply charge per the VDO of 92.36 cents/day for this area of Melbourne, less any discount offered by the retailer. There are plenty of retailers offering discounts of at least 10% off both the supply and usage rates.

Yet for this 400 apartment complex, customers may have to collectively pay \$369.44 per day at the VDO rate with no allowance for the clear economy of scale involved in running wires and providing meters to each apartment, compared to the costs of running external wires and meters to every house.

An apartment complex of this size is more akin to a good sized shopping mall - what daily supply charges apply in that situation?

Also note that compared to an average household consuming 4000 kWhr/year, a small apartment is far more efficient, and is likely only consuming 2,000 kWhr/year or less.

Therefore the daily supply charge represents a far larger portion of the annual electricity cost.

Secondly, you must address the lack of competition. It's not enough to simply impose maximum prices, when the house owner across the street can currently negotiate discounts of at least 10% off both the daily supply charge and the usage charge. There must be a right of appeal to an Ombudsman or similar so that those in embedded networks are not seriously disadvantaged.