

# **Submission to IPART Embedded Networks Consultation Paper**

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## About the Justice and Equity Centre

The Justice and Equity Centre stands for a society that is fair and free from discrimination and disadvantage. Established in 1982 as the Public Interest Advocacy Centre (PIAC), we use the law and policy advocacy to challenge injustice and inequality. We do this through:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change to deliver social justice.

## Energy and Water Justice

Our Energy and Water Justice work improves regulation and policy so all people can access the sustainable, dependable and affordable energy and water they need. We ensure consumer protections improve equity and limit disadvantage and support communities to play a meaningful role in decision-making. We help to accelerate a transition away from fossil fuels that also improves outcomes for people. We work collaboratively with community and consumer groups across the country, and our work receives input from a community-based reference group whose members include:

- Affiliated Residential Park Residents Association NSW;
- Anglicare;
- Combined Pensioners and Superannuants Association of NSW;
- Energy and Water Ombudsman NSW;
- Ethnic Communities Council NSW;
- Financial Counsellors Association of NSW;
- NSW Council of Social Service;
- Physical Disability Council of NSW;
- St Vincent de Paul Society of NSW;
- Salvation Army;
- Tenants Union NSW; and
- The Sydney Alliance.

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# Recommendations

## **Recommendation 1**

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*That IPART should:*

- *Provide an overarching principle guiding the prioritisation and format of information, taking a universal design approach to ensure billing meets the needs of all consumers;*
- *provide guidance on how standardised statements should be presented when the bill applies to multiple energy types;*
- *provide guidance on how standardised statements should be prioritised among other information on the bill;*
- *change the final sentence in standardised statements to “We are not allowed to charge more than these amounts, but we are allowed to charge less.”*

## **Recommendation 2**

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*That IPART benchmark maximum prices in July each year, using the prices available in the market at a single point in time.*

## **Recommendation 3**

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*That the pricing methodology prevents embedded network sellers from inefficiently charging their customers multiple supply charges for a single fuel source.*

## **Recommendation 4**

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*That IPART proceeds with its proposed implementation timeline from April 2027 to ensure long-overdue pricing protections for people living in embedded networks.*

## **Recommendation 5**

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*That IPART provides clear information to consumers and industry on the regulations that apply to them and how these will be enforced.*

## **Recommendation 6**

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*That IPART works with NSW DCCEEW to ensure pricing methodologies and billing standards can be extended to account for consumer energy resource use in embedded networks.*

# 1. Introduction

The Justice and Equity Centre (JEC) welcomes the opportunity to respond to IPART's consultation paper on the future of embedded networks. This process represents the critical final step to implement reforms considered through the long process intended to address issues and improve outcomes for NSW residents of embedded networks.

It is vital that this process maintain the focus on addressing significant, long-running impacts and inequities experienced by residents of embedded networks and ensuring fairer treatment of NSW households. This means ensuring that consumer outcomes are prioritised in each aspect of decisions. This should involve robustly testing any claims of administrative or financial cost or difficulty on the part of operators, and considering such costs for materiality relative to the potential benefit to residents.

While reforms being implemented by IPART as part of this process do not address all inequities experienced by residents in embedded networks, they represent the most substantive step and should seek to optimise improvements for embedded network residents.

## 2. Billing standards

We welcome IPART proposing billing standards to support implementation of the pricing reforms. People living in embedded networks would benefit from accessible bills that clearly set out how prices have been determined.

The overarching principle that the bill is the 'consumer's property' and should meet the needs of the consumer, should guide IPART's decisions. This suggests that key billing information should be prioritised and standardised to the greatest degree possible. At a minimum, we encourage IPART to consider key aspects of the Australian Energy Regulators findings and guidelines in relation to 'Better Billing' in deciding what information should be prioritised and how it should be presented to best meet consumers' needs.

**Question 1: What are your views on the proposed standardised statement on the maximum price set by IPART, as set out on page 5? In your response, please comment on:**

**a. whether the statement is clear and easy for residential embedded network customers to understand**

**b. whether any information should be added, removed or clarified.**

The proposed standardised statement is reasonable, but could be made clearer and easier to understand:

- There should be an overarching statement on how/whether standardised statements should be combined if an embedded network retailer supplies more than one type of energy service (for example, if a consumer receives electricity and gas hot water embedded network services). It is confusing to repeat sentences as part of different standardised statements for different energy types.

- The final sentence could be simplified to “We are not allowed to charge more than these amounts, but we are allowed to charge less.”

**Question 2: What barriers, if any, may affect the ability of embedded network sellers, or their billing agents, to include the proposed standardised statement on IPART’s maximum prices on bills for residential embedded network customers?**

We do not consider there to be any relevant, material barriers to implementing these billing standards, and question claims from embedded network sellers of the contrary. The implementation of compulsory formats and statements for on-market retailers (through the Better Bills Guideline) shows that such requirements can be introduced without unreasonable impact. There is no inherent reason why this would be different for embedded network sellers, especially when these statements are coming in in parallel with other bill reforms.

**Question 3: What barriers, if any, may affect the ability of embedded network sellers to charge residential embedded network customers for the energy input to supply hot water or centralised air-conditioning?**

We are not aware of any unreasonable barriers to charging for the energy input of hot-water and centralised air-conditioning.

**Question 4: Please explain any impediments to metering hot water consumption before mixing with cold water (i.e. upstream of the thermostatic mixing valve).**

**Question 5: What changes could be made to the draft billing standard to make bills clearer and easier to understand? In your response, please explain the changes and how they would improve clarity for customers.**

The overarching principle should be presentation of information in the priority and format which most meets the needs of all consumers – that is, taking a ‘universal design’ approach to billing information.

We recommend creating stronger, clearer guidelines on how key information should be presented and how the standardised statement(s) should be prioritised among other information. This should include tiering information (as done in the current Better Bills Guideline)<sup>1</sup>, and by requiring the standardised statement to be the same font type and size as other key information.

We also note an error in the draft billing standard: the definition of ‘embedded network’ in section 7.2 should refer to the *National Electricity Rules* rather than the ‘National Energy Rules’.<sup>2</sup>

### ***Recommendation 1***

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*That IPART should:*

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<sup>1</sup> Australian Energy Regulator, 2023, [Better Bills Guideline \(Version 2\)](#)

<sup>2</sup> IPART, 2026, [Draft billing standard for residential customers supplied through embedded networks in NSW](#), p 12.

- *Provide an overarching principle guiding the prioritisation and format of information, taking a universal design approach to ensure billing meets the needs of all consumers;*
- *provide guidance on how standardised statements should be presented when the bill applies to multiple energy types;*
- *provide guidance on how standardised statements should be prioritised among other information on the bill;*
- *change the final sentence in standardised statements to “We are not allowed to charge more than these amounts, but we are allowed to charge less.”*

### 3. Pricing methodology

The JEC supports the pricing methodology and welcomes further consultation on implementation. IPART should ensure its methodology enables outcomes for embedded network residents which are fair and efficiently priced relative to the energy outcomes they receive compared to on-market consumers. That is, pricing must ensure that embedded networks have demonstrable consumer benefits, reflecting any lack of choice, limited transparency and fewer protections those residents otherwise experience.

Embedded networks need to be able to deliver demonstrable price benefits to residents. If an embedded network seller is not able to operate while delivering fair prices to consumers, this should be regarded as a reflection of the unviability of the embedded network arrangement rather than an issue with the price methodology.

While the pricing methodology is not meant to be based on actual costs of providing the service, it should set a benchmark for the minimum efficiency expected of an embedded network seller. We therefore caution against giving unreasonable weight to embedded network sellers' claims that the proposed pricing methodology is financially unviable. Consumers who lack a choice in their energy provider should not be forced to pay for inefficiencies in embedded network business models which they have no influence over. In such cases, consumers would likely see greater benefit from the embedded network arrangement being transferred to the market or otherwise wound up.

**Question 6: What are your views on when IPART should benchmark maximum prices for electricity and gas to on-market offers? In your response, please comment on:**

**a. the timing for when benchmarking should occur**

**b. whether in calculating the maximum prices, benchmarking should be undertaken at a point in time or averaged over a specified period.**

IPARTs method should prioritise consistency, transparency and fairness of outcomes for consumers.

The most appropriate method would be to determine the benchmark using data captured in July, using the prices available in the market at a single point in time. Given most retail offers change

in July – including the Default Market Offer – and are often set for a 12-month period, this would ensure that people living in embedded networks pay prices most comparable to the on-market offers they are aligned with. We consider that averaging over time would add unnecessary complexity and inaccuracy.

## **Recommendation 2**

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*That IPART benchmark maximum prices in July each year, using the prices available in the market at a single point in time.*

**Question 7: What challenges, if any, may embedded network sellers face in applying IPART’s proposed maximum common factor when charging residential customers for centralised hot water, including those related to contract renegotiation? In your response, please comment on potential ways to address these challenges.**

We do not foresee any unreasonable and material challenges for embedded network sellers in applying the proposed maximum common factor.

As a principle where the common factor poses any difficulties for operators, this incentivises them to improve the efficiency of their system, which is in the interests of residents.

We are concerned that IPART has raised the possibility of embedded network sellers negotiating changes to revenue structures to separately charge unit owners for the costs of service delivery.<sup>3</sup> Given the purpose of these reforms is to increase the regulation and transparency of prices, it would be concerning and counter-productive to see a shift of energy-related cost recovery to unregulated strata fees. While this cannot be wholly controlled by IPART, the intent should be to ensure that energy related costs are recovered transparently and consistently from energy related charges.

As part of its monitoring functions, IPART should seek to approximate the actual common factor of gas hot water embedded networks in NSW. Given the figure of 0.4 MJ per litre of water was sourced from a 2007 document, we question whether it is still current. If it is found that most gas hot water embedded networks are more efficient than 0.4 MJ per litre, this should be adjusted in future determinations.

**Question 8: What are your views on embedded network customers not paying two separate supply charges for a single fuel source? In your response, please comment on any benefits, risks, and unintended consequences associated with this approach.**

Embedded network residents should not be charged multiple supply charges for the same fuel source. Allowing multiple supply charges is neither fair nor efficient and does not align with the principle of charging prices broadly aligned with those available to on-market consumers.<sup>4</sup>

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<sup>3</sup> IPART, 2026, [IPART is consulting on billing requirements and setting maximum prices for residential embedded network customers](#), p 10.

<sup>4</sup> NSW Government, 2025, [NSW Embedded Networks Action Plan](#)

With no requirement on developers to demonstrate tangible benefits to consumers through efficiency, the choice of common water heater has been, in most circumstances, shaped by reducing upfront costs to the developer/operator, often to the ongoing detriment of the residents.

We disagree that heat pump hot water systems are not economical in many developments. Such upgrades are becoming increasingly common,<sup>5</sup> due to the significantly lower lifecycle costs of heat pump systems compared to gas hot water systems. This is important as accepting that alternatives exist, and are efficient, means it is not reasonable to assume that shared gas hot-water systems must be inefficiently retained by embedded network operators.

While we advocate for the electrification of gas hot water embedded networks, charging inefficiently high prices should not be regarded as an incentive for electrification. The most effective way to ensure people living in embedded networks can enjoy the benefits of electrification is to plan for and enable the mandatory decommissioning of gas embedded networks. Should the Government want to incentivise electrification of gas hot water embedded networks, this would be better done by improved information and direct subsidy.

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### ***Recommendation 3***

*That the pricing methodology prevents embedded network sellers from inefficiently charging their customers multiple supply charges for a single fuel source.*

## **4. Implementation**

**Question 9: What are your views on the proposed timeline for implementing the maximum price and billing standard requirements for residential embedded network customers, as set out in Figure 1 on page 13?**

We support the proposed timeline and recommend against any unreasonable extensions. The current process comes after extended consideration of the proposed changes. Embedded network sellers have been aware of upcoming changes to price cap methodologies since at least September 2025. Any prudent seller should already have factored this into their energy purchasing and contracting strategies. In any case, it is not reasonable for embedded network residents to continue to be unreasonably penalised as a result of the poor practices of sellers.

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### ***Recommendation 4***

*That IPART proceeds with its proposed implementation timeline from April 2027 to ensure long-overdue pricing protections for people living in embedded networks.*

**Question 10: What additional actions could IPART take, or what further guidance could IPART provide, to support a smooth implementation of the reforms?**

### **Compliance and enforcement**

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<sup>5</sup> For example see Green Building Council of Australia, 2023, [A practical guide to electrification: For existing buildings](#); ACT Government, [Sustainable Apartments Pilot](#), accessed 22 July 2026.

To support smooth implementation, IPART should provide more detail on its proposed compliance monitoring and enforcement approach. These reforms have consistently shown there is a lack of transparency on embedded networks, and the regulatory framework is highly confusing to consumers. The success of these reforms, and the scope to monitor outcomes and inform further reforms, depends on significantly improved (and consistent) monitoring and enforcement of compliance.

It is not clear whether IPART plans to rely on complaints to the Energy and Water Ombudsman of NSW (EWON) as the main compliance mechanism, or will take a more pro-active approach. We strongly recommend the latter, including a more robust approach to collecting and monitoring of key data related to NSW embedded network residence. As part of its first price determination, IPART should set out how it will monitor sellers' compliance with the pricing and billing standards. We recommend IPART requires publicly available data on key information and annually publishes the results of its compliance and enforcement activity, including reporting on broader consumer outcomes for consumers.

#### Information provision

People living in embedded networks would also benefit from greater information on the regulation that applies to them. The overlapping national and state-based frameworks mean it is likely unclear to consumers what protections actually apply to them. IPART should develop and maintain information sheets targeted to strata, owners, tenants and people living in land lease communities that set out what protections apply to them and who to go to if they have a complaint. This is particularly important as IPART will be named on people's bills, making them a key information source in people's minds.

#### **Recommendation 5**

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*That IPART provides clear information to consumers and industry on the regulations that apply to them and how these will be enforced.*

#### Consumer energy resources in embedded networks

IPART should further consider the effect of increasing consumer energy resource (CER) uptake in embedded networks on these reforms. If appropriately regulated, CER embedded networks could provide a valuable option for certain NSW households to electrify their home. However, with current lack of protections and poor regulation we are aware of a growing market for CER embedded networks creating poor outcomes for consumers. IPART should work closely with the NSW Department of Climate Change, Energy, the Environment and Water to ensure pricing methodologies and billing standards can be extended to account for CER use in embedded networks.

#### **Recommendation 6**

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*That IPART works with NSW DCCEEW to ensure pricing methodologies and billing standards can be extended to account for consumer energy resource use in embedded networks.*

## 5. Further engagement

We would welcome the opportunity to meet with IPART and other stakeholders to discuss these issues in more depth. Please contact Kira van Os ([kvanos@jec.org.au](mailto:kvanos@jec.org.au)) for further enquiries.

We also refer IPART to our previous submissions on embedded network reforms in NSW for context on broader issues still faced by people living in embedded networks:

- [Public Interest Advocacy Centre submission to NSW DCCEEW on IPART Future of Embedded Networks](#), June 2024.
- [Public Interest Advocacy Centre submission to IPART's Draft Report on the Future of Embedded Networks in NSW](#), February 2024.