

OCN Opening Statement to the Inquiry into Embedded Networks in NSW

12 August 2022

What is an embedded network?

An embedded network is effectively a contract between the building owners and an energy retailer for the latter to supply power to all the properties in that development.

Embedded networks have the potential of becoming common in high-rise or large residential developments. Under current law, that growth will occur without the knowledge or consent of the off the plan purchaser.

Embedded electricity network pros and cons

Pros	Cons
Convenient, takes the fuss out of choosing a provider.	Some people like to change providers. Decreased freedom of choice.
Increased purchasing power means you may be able to save money.	Because you're 'locked in' to a retailer, there may be little incentive for them to be competitive.
The embedded provider may have a suite of green initiatives.	Or it may have none – which is concerning for some customers.
Your embedded contract may work in your favour.	The contract could be long, inflated to cover installation costs that should have been borne by the developer, and hard to get out of. Disputes could make your time in the apartment tough.

Which is best? The pendulum swings against embedded networks. Why?

It is important to note that the list of submissions to this Committee does not have a significant developer presence. Developers tend to have no moral compass pointing to future impact. They only have “now” - and how “the now” impacts their financial interest.

Submissions before you, from those living with embedded networks, reveal embedded network disclosure is likely to have a negative impact on capital values and a purchaser's decision to buy.

OCN anticipates compulsory disclosure of embedded networks in off the plan contracts is more likely to have a negative effect on sales than not.

If the opposite was true, the developer lobby would be here with a megaphone.

Of course, if you are a tenant who unknowingly moves into a building with embedded infrastructure, you will never have “any say” and pay dearly for that privilege.

Democratic right to decide

OCN subscribes to the fundamental principle that owners should have the democratic right to decide:

- how their collectively owned property will be used; and,
- on the social agreement as to how people will live in their collective environment.

Embedded networks get in the way of the democratic process.

Legislative Reform Required

Like so many giving evidence to this Committee, OCN supports:

1. Amendment of the following provisions of the Strata Schemes Management Act:
 - (a) Section 132A – to extend its operation to embedded network arrangements;
 - (b) Section 26 – to restrict entry into embedded network arrangements during the initial period; and
 - (c) Section 184 – to provide certificates to purchasers making full and frank disclosure of existing embedded networks.
2. Amendment of Conveyancing legislation to require disclosure of embedded network arrangements, especially in relation to “off the plan” sales.

Failure to do so would be a breach of public confidence.

Conclusion

Since the turn of the century the NSW development industry has carefully characterised its interest as being in accord with the national economic interest - to the point where consumer protection becomes roadkill in the corridors of our Parliaments.

Support for the *imposition* of embedded networks, without the legislative reform identified already, further demonstrates how - contrary to the public interest - consumer protection is being sidelined.