

## Summary

- The Owners Corporation Network (OCN) opposes embedded network contracts entered into by the developer of the apartment building.
- The Federal Government review of unfair contracts needs to specifically provide consumer protections to bodies corporate / owners corporations.
- The current State Government level dispute resolution process is slow, expensive and inconsistent – and should be improved.
- OCN calls for the repeal of S 132a electricity exemption, within the NSW Strata Schemes Management Act.
- OCN calls for a dedicated Strata Commissioner with a role to educate and adjudicate on issues impacting bodies corporate / owners corporations.

## Overall

OCN supports an overall platform of the democratic right of owners corporations to decide what is best for them in their buildings.

There are two different sets of circumstances relating to embedded networks:

1. Where embedded networks are influenced by developers and utility companies to transfer costs to the detriment of consumers. In this case owners corporations do not have the right to decide.
2. Where embedded networks are entered into by the owners corporations to get a better deal on electricity prices and/or initiate sustainability based projects like solar panels for electricity or hot water. In this case the owners corporations make the choice.

OCN does not support embedded networks entered into by the developer as, at the simple level, it is as a result of developers transferring costs, which would have otherwise been borne by them in the initial development, to unsuspecting owners by forcing the engagement in long term cost recovery contracts. Our concerns are about:

- Lock in contracts;
- Lack of consumer protection;
- Price gouging due to lack of competition;
- Locked out of technology upgrade paths like solar;
- Ownership of the infrastructure e.g. if the supplier owns the infrastructure, the OC may not be able to make changes without paying for it, having it ripped out or needing to be replaced.

We are of the view that Government action to protect the customer would be a positive step.

## Repeal NSW Strata Schemes Management Act S 132a exemption

Section 132A was part of the consumer protection initiatives in the Better Business Reforms of 2018, to prevent owners corporations from being 'locked into' long term utilities supply contracts which would prevent them from obtaining a better deal in the marketplace. Utilities supply contracts are therefore limited to a maximum length of three years if they started after the reform commenced, or 10 years if they started before the reform.

However, the drafting is widely agreed to need improvement and many stakeholders have expressed concern about its scope and asked questions about how it applies across various scenarios.

Due to time constraints and impending Australian Energy Market Commission recommendations about embedded networks across the whole Australian energy marketplace, a 'carve-out' was included in section 132A so that it does not apply to embedded networks for the supply of electricity to residents (but presumably does apply to embedded networks supplying other utilities such as gas). Stakeholders report it is in embedded electricity networks where the biggest problems lie so this exemption should be repealed.

## Pricing for Hot water

All consumers should be provided with the appropriate protections regardless of type of service provision. The protections provided under the 'traditional common hot water systems' should be considered the minimum set for all. That means charging for the energy used to heat the water and not a per litre usage base charge.

It is essential that the customer receives consumption data for their use of energy AND water. What is measured can be controlled. For those properties that use solar to pre-heat their hot water, it is possible that by charging for external energy only would mean that the customer would not be able to understand their actual water consumption.

## Internet

A strata scheme has reported owners being locked into the communications service provider Huawei when Telstra and other companies have chosen not to deal with Chinese communications suppliers. This is a lock-in contract where owners and tenants were not allowed to take advantage of alternative/ cheaper offers.

## Stormwater

At the first annual general meeting of another strata scheme the strata manager supplied one contract each for strata management, building management, cleaners etc AND stormwater management. Fortunately, one purchaser with a procurement background convinced owners not to renew the stormwater contract (15 years / \$81,900+GST, or \$5,460+GST pa) despite the Strata Manager insisting the supplier was the only one in Australia and that warranties would be voided by going elsewhere. The OC was successful in procuring the service with an annual contract for \$1,500+GST pa. That owner also identified that the strata management, building management, cleaner contracts etc were around 40% above market price.