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NSW Department of Climate Change, Energy, the Environment and Water
By email: energy.consumerpolicy@dpie.nsw.gov.au

Re: NSW Consumer Energy Strategy 2024 – Input to stakeholder consultation February 2024

Prepared by:

Tom Belsham, Vice Chair, Owners Corporation Network of Australia

Introduction

OCN welcomes the opportunity to provide input into the development of a NSW Consumer Energy Strategy.

The Owners Corporation Network of Australia Limited (OCN) is the independent peak consumer body representing residential strata and community title owners and residents. As such, OCN is uniquely positioned to understand the needs and constraints within this unique housing sector, as well as to advise on the potential impacts that legislation may have on planning, development, and day-to-day operational outcomes. OCN are experts in residential strata, hence our comments relate to what our members are seeking.

OCN strives to create a better future for residential and community living and ownership. We support the transition to resilient, empowered communities living in climate ready, defect-free buildings. We are active in a range of sustainability related issues, including electrification of apartment buildings including solar and electric vehicle charging.

Over 2.5 million people live in strata households in Australia. NSW, which has the largest sector, has just over 89,000 residential strata schemes housing 1.3 million people. It is the fastest growing type of dwelling, with over a thousand new schemes being registered each year. The national ownership profile averages 60:40 resident owners to investors.

https://cityfutures.adu.unsw.edu.au/documents/717/2022_Australasian_Strata_Insights_Report.pdf

Response to specific questions

Question 1 – Strategy objectives

OCN believes that the strategy should make explicit reference to the detrimental health impacts from burning fossil fuel inside homes, and of the positive impacts of improving indoor air quality, through electrification of all energy appliances. We also believe that attention should be given to benefits of filtering and cleaning indoor air to remove virus and other disease-causing microbes – such as Covid-19 and mould spores.

Recommendation: OCN recommends the addition of a Strategy Objective to Improve indoor air quality and consumer wellbeing within the home through measures including the full electrification of all consumer energy appliances, and the filtration of indoor air.

Question 2 – Strategy Principles

Residential strata owners and residents have insufficient consumer protections and less protection than an owner of a standalone house. We do not believe that your current principle related to consumer empowerment through education goes far enough.

Recommendation: OCN recommends that an explicit principle be included to review and enhance consumer protections in residential strata law to ensure that residential strata owners and residents have appropriate consumer protections in relation to energy consumption, generation and transmission services.

Recommendation: OCN recommends the addition of a principle to improve health outcomes and wellbeing.

Question 4 – Encouraging uptake of CER - Barriers

Residential Strata face very different barriers to the uptake of CER than standalone houses. Many of these barriers are as a result of the joint ownership and complex decision making with regard to common property. For example:

- . Installing EV chargers in apartment garages requires significant expenditure in installing cabling and control systems to provide an electricity supply to the resident's garage space. This extra cost is not borne by standalone householders, who will generally have less complex house footprints and access to electrical supply points in their garage. A strata owner and non-strata owner will both have to install the EV charging unit with transformers, local controls system and EV charging cables. However, OCN believes that on a point of equity and to ensure a level playing field - the strata owner should be put on the same footing as a standalone householder, with the in-strata infrastructure cabling and control systems provided at no cost to the strata owner. The desirability of this end-point has been recognised by NSW Government with the addition to the National Construction Code that mandates appropriate cabling to all garage spaces within new Strata developments to enable owners to install EV chargers. But what about the existing strata buildings. We believe that appropriate government incentives should be provided to help address this inequity.
- a. Converting central shared gas hot water systems to heat pump or other electrically powered systems incur large up-front costs. There are existing means to pay for these upgrades that include Strata finance and Special Strata levies if the Strata Sinking fund has insufficient capital. However, many strata owners are unaware of the benefits of this conversion and of funding

options. We believe that Government should invest in education and awareness raising measures – see also our comments under embedded networks later in this submission.

Recommendation: Residential Strata owners and residents face unique barriers and opportunities – some quite different to owners and residents of non-strata titled dwellings. As such OCN recommends that Residential Strata be treated as a separate and distinct sector within the development of a Consumer Energy Strategy.

Question 7 – Encouraging uptake of CER - Incentives

To address the unique barriers faced by owners of strata residential and to ensure equity with owners of standalone houses, OCN believes that a range of incentives will be required. These should include an incentive to install electrical and control cabling to each garage space in existing strata buildings to enable owners to install EV charging units. Other financial incentives may be required, and OCN stands ready to support the department in a review of opportunities as the strategy is developed.

Recommendation: Residential Strata owners and residents face unique barriers and opportunities – some quite different to owners and residents of non-strata titled dwellings. To ensure strata owners are not disadvantaged in comparison to other homeowners a range of incentives may be required to encourage CER – OCN stands ready to support the department in a review of opportunities as the strategy is developed.

Question 9 – Encouraging uptake of CER – Residential energy performance disclosure

OCN notes that the mandatory disclosure of energy performance ratings within the commercial building sectors including offices has markedly improved performance outcomes. OCN believes that mandatory disclosure of NABERS for the Apartment building (common property) and for individual units on a for sale and lease basis will equally improve both energy efficiency and the affordability of energy within households. The Commonwealth government is undertaking strategy development through its Residential Energy Efficiency Disclosure Initiative – and OCN notes that State by State legislation will most likely be required to enact strategic outcomes at a State level. OCN believes that the NSW government Strata Hub platform may offer opportunities for the publication/ disclosure of Energy Performance information.

Recommendation: The Consumer Energy Strategy should include a requirement for the mandatory disclosure of energy performance of Apartment buildings (common property) and for individual units on a for sale and lease basis.

Question 13 Ensuring CER access for all – Embedded network residents

OCN has been studying the benefits and harms caused by embedded networks for some time. In general, OCN believes we must distinguish between developer initiated embedded networks and those initiated by the Owners Corporation.

OCN is strongly concerned that an increasing number of developers are seeking to transfer building infrastructure costs, which are reasonably expected to be included as part of the building fabric, to unsuspecting future owners and tenants. Additionally, we are concerned that developers are creating

unfavourable third-party contracts to bind purchasers to excessive ongoing payments for those normally included costs, and the customer dissatisfaction with lack of customer service and billing issues which flow from these arrangements. OCN believes that developer led embedded networks should be strongly restricted or banned outright.

OCN does support the need for owners corporations to be free to enter into agreements with operators for the upgrade, management and/or funding of energy efficiency and other energy upgrades and that the benefits of such are passed on to owners and tenants.

To enable an owners corporation initiated model, we note harm to the name ‘embedded networks’ and associated processes and recommend that embedded network use in the future should be focused on sustainability and referred to as ‘local energy service’ (LES) to distinguish between the current and future models.

Further background and detail on OCN’s position with respect to embedded networks can be found in our submission to the Australian Energy Regulator here: <https://ocn.org.au/wp-content/uploads/2024/02/OCN-Submission-AER-Review-of-Exemptions-Framework-for-Embedded-Networks-240205.pdf>

Recommendation: Local Energy Services (owners corporation led embedded network like services) can be a favourable service delivery model for the improvement to Consumer Energy Services.

Question 16 Ensuring CER access for all – Private renters

More than fifty percent of residential strata dwellings in NSW are rented. While many investor owners will understand the benefits of improving the Consumer Energy Resources available to their tenants and to the long-term value of their investment property, not all investors will have the financial resources or incentive to improve their properties in a timely fashion.

OCN believes that time is of the essence to reduce carbon emissions and achieve a net zero outcome, and that full electrification of the household sector will be the more efficient and cost-effective pathway to address carbon emissions from energy consumption in strata. To increase the speed of this transition OCN further believes that minimum rental standards should be seriously considered. This should include efficiency standards but also a requirement to ensure tenants have the opportunity to transition to a fully electric strata household over time.

In addition to establishing a level playing field for investors through minimum standards, OCN believes that Investor Owners (Landlords) will need some financial incentive to speed the transition. This could include for instance accelerated tax write-down of the capital and installation costs required to convert their strata units to fully electric.

Recommendation: Minimum energy rental standards including a requirement to transition strata units to fully electric should be legislated. Investor owners (landlords) should be incentivised to speed the transition of these standards.

Question 17 Ensuring CER access for all – Apartment residents

The barriers to improving consumer energy resources for residents include split incentive issues between landlord and tenant as well as complex decision making in ensuring that residents have access to the required common property resources to improve their own energy resources. Government support, including in education, standard setting and incentives will certainly help address some of these barriers.

Government support to improve CER for common property areas and facilities would also be beneficial, however barriers to such improvement is less than those in individual units.

Recommendation: Government support to help speed the transition to better CER for individual residents should be prioritised.

Question 20 Coordinating demand with supply - General

The NSW consumer energy strategy should consider the coordination of energy demand and supply within the building – not just with the grid. At a Strata building level energy supply is largely constrained by the capacity of the energy sub-station and or switch board that was installed when the building was built. When most existing strata buildings were built EV charging, full electrification and opportunities for local generation and storage were not considered, leading to a scenario whereby the energy capacity within these buildings will likely not be sufficient to satisfy some of these new requirements. This may be overcome by expensive upgrades to said sub-stations/ switch boards. But likely less expensive management control systems could be employed to better balance and smooth demand within the capacity constraints within the building – behind the meter.

Recommendation: The Consumer Energy Strategy should consider the opportunities to coordinate demand with local building supply – behind the meter, not just those with grid supply.