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Submission: Exposure Draft – Alternative Electricity Services Code of Practice 2027

Retail Property Australia (RPA) welcomes the opportunity to provide a submission on the Exposure Draft – Alternative Electricity Services Code of Practice 2027 (the Code). The Code is enabled by the Electricity Industry Act 2004 (the Act) that provides the mandate for the Department of Energy and Economic Diversification (DEED) to develop the Code.

Single Property Networks (SPNs) benefit many stakeholders, including tenants, customers, owners, network operators and governments. In retail property, SPNs improve energy management and support investment in sustainability initiatives. Well-designed SPNs ensure that both tenants and operators benefit from modern energy infrastructure and technologies.

These investments also contribute to wider sustainability and net zero objectives and targets held by government, and support more efficient assets that institutional capital, including superannuation funds, invest in.

A major challenge with the Code is it extends a predominantly residential focused regulatory model into commercial sectors such as retail - a Maslow's Hammer - creating a blunt regulatory approach to these sectors where the benefits of SPNs are being realised by both operators and tenants. Currently, there are very few disputes, and commercial settings and any agreement terms are transparent through heavily regulated lease agreements. While proportionate customer protection is important within any embedded network, there is minimal evidence of any need for significant additional regulation in retail property contexts. Consequently, any additional regulation considered must be supported by evidence, proportional, and nuanced.

This submission is underpinned by two core themes that should guide changes to the design and implementation of the Code. The first is that retail property assets have unique characteristics. They contain a diverse tenancy mix, from small retailers to supermarkets, cinemas, medical centres, and gyms, each of which have different electricity consumption needs and patterns. Effectively managing an SPN in these assets is complex. The Code should therefore provide sufficient flexibility for sophisticated commercial environments.

The second core theme is commercial viability. SPN providers need to be able to recover the reasonable costs of establishing, operating, maintaining and upgrading their SPNs where the benefits are enjoyed across tenants. Regulation and tariffs that are unclear in this regard or prevent cost recovery weaken investment incentives, could reduce renewable electricity

deployment that benefits tenants and supports government energy objectives an operator's ability to maintain and upgrade infrastructure to provide reliable electricity.

The transition from the Voluntary Embedded Network (VEN) Code to the mandatory Code is a significant shift for SPN providers in retail property. The Code introduces new compliance and operational obligations. Alignment with existing national practices where sensible will minimise unnecessary regulatory and compliance complexity for operators managing national portfolios.

The Code needs to strike a balance between proportional regulation and commercial realities, ensuring that investment incentives are preserved and that retail property owners and managers remain willing to deploy capital into energy infrastructure so that tenants, communities and the wider State can reap the benefits.

This RPA submission covers the application of the proposed Code to retail property assets only and should be read as such. The Property Council's WA Division has made a separate submission that covers other sectors within its membership and should be considered separately.

About Retail Property Australia

RPA is a division of the Property Council of Australia and represents the full diversity of retail property – owners, investors, developers, and operators of retail property ranging from super regional centres to neighbourhood centres, to convenience and ancillary retail.

The Division advances a productive, dynamic, and future ready retail property sector that underpins thriving communities. Retail Property Australia aims to deliver practical, future focused results for the sector and our advocacy is grounded in rigorous research, real-world commercial conditions, and deep industry expertise.

Summary of Recommendations

Recommendation 1: Allow for at least a 12-month transition period from the finalisation of the Code, given the scale and complexity of retail property operations and the change required across pricing, billing, cost structures and compliance.

Recommendation 2: Include a requirement for the Code to be independently reviewed 24 months post commencement to ensure it is operating efficiently and as designed.

Recommendation 3: Amend the tariff and pricing regime to allow tariffs to respond to actual market conditions and incurred operating costs of SPNs in retail property.

Recommendation 4: Clarify how SPN providers may recover reasonable DER costs under the tariff framework.

Recommendation 5: Amend Clause 12 to allow SPN providers to recover legal, systems, administrative and compliance costs associated with meeting its SPN agreement requirements.

Recommendation 6: Clarify Clause 27(5) to explain the scope of costs that may be recovered through the special tariff and how the provision interacts with other cost recovery mechanisms available to SPN providers, including tenancy and property arrangements.

Recommendation 7: Allow SPN providers to reject unreasonable direct network access requests. Where a request is investigated, the tenant should pay all associated costs regardless of outcome.

Recommendation 8: Amend the billing requirements to allow at least a 12-month transition period in line with the wider Code.

Recommendation 9: Clarify Clauses 27–29 to explain how renewable energy and REC arrangements apply to SPNs.

Recommendation 10: Amend Clause 33(2)(f) to require renewable energy and REC charges to be separately identified on bills and allow SPN operators to recover reasonable implementation and administrative costs associated with renewable energy and REC arrangements.

Recommendation 11: Amend Clause 39 to limit overcharging refunds to the previous 12 months, consistent with the undercharging limit in Clause 38.

Recommendation 12: Clarify Clauses 38 and 39 so adjustments are based on reasonably available billing and metering records, with no liability for periods that cannot be reliably reconstructed.

Transition period

The Code identifies a commencement date of 1 July 2027, though it provides limited grandfathering arrangements for existing customers and does not contain a comprehensive transition framework explaining how existing leases, billing systems, metering arrangements and SPN agreements are to be transitioned.

There must be an implementation period that reflects the scale and complexity of SPN operations. The proposed six-month transition period is insufficient to update leases, disclosure documents, billing systems, operating procedures and compliance frameworks across large multi-tenanted retail assets. At least a 12-month transition period should be adopted to enable orderly implementation and minimise disruption for operators and tenants.

Recommendation 1: Allow for at least a 12-month transition period from the finalisation of the Code, given the scale and complexity of retail property operations and the change potentially required across pricing, billing, cost structures and compliance.

Recommendation 2: Include a requirement for the Code to be independently reviewed after 24 months of commencement.

Tariffs and prices

Tariffs and pricing are fundamental to the operation of SPNs in retail property. They contribute to the feasibility of investment, including meeting the costs of procuring, distributing, and administering electricity across complex assets. Here we address two fundamental issues.

a. Synergy's tariff framework

The Code's tariffs and pricing framework risks undermining the commercial viability of SPNs and discouraging investment in the infrastructure that delivers these benefits.

Synergy's subsidised tariff framework regime is based on the pricing model of a government electricity retailer rather than the realities of privately operated electricity distribution systems within retail precincts. Because this framework does not adequately reflect the costs incurred by SPN operators in retail property, there is an unreasonable expectation to deliver increasingly complex electricity services and regulatory obligations without the corresponding ability to recover the costs of doing so.

Consideration should be given to future increases in wholesale energy costs, network charges, reserve capacity costs, compliance obligations and infrastructure investment requirements. A more appropriate approach would allow tariffs to respond to actual market conditions and incurred operating costs rather than being tied to a regulated tariff framework that does not reflect the commercial environment in which SPNs operate.

Recommendation 3: Amend the tariff and pricing regime to allow tariffs to respond to actual market conditions and incurred operating costs of SPNs in retail property.

b. Recovering DER costs from small-use customers

The draft Code does not expressly state whether, or to what extent, SPN operators may recover the capital costs associated with DER investments through the L1 and L3 standard tariffs that

apply to small-use customers (those that consume up to 160 MWh annually). Instead, several DER-related cost recovery mechanisms are linked to special tariffs. While the Code provides circumstances in which a small-use customer may opt into a special tariff arrangement, the practical uptake of these arrangements in large retail environments may be limited.

This creates uncertainty regarding the commercial framework for investing in DER infrastructure within SPNs. Distributed energy resources can provide sustainability and operational benefits through energy services or sustainability outcomes, operational efficiencies, reduced common-area costs and enhanced asset performance. The Code should provide greater clarity regarding how DER-related costs and benefits are intended to be allocated and recovered. Without clear and workable cost recovery pathways, there is uncertainty for investment in DER infrastructure within retail property SPNs, undermining clear benefits.

Recommendation 4: Clarify how SPN providers may recover reasonable DER costs under the tariff framework.

Disclosure statement and SPN agreement

The exposure draft improves several aspects of SPN agreements and disclosure compared with the 2024 Voluntary Embedded Network (VEN) Code. However, the Code also introduces obligations that will require significant investment in systems, governance, and legal oversight. It creates a compliance framework ill-designed for a retail property setting that will introduce considerable additional cost, with undefined benefits.

a. Prescribed content in SPN agreement

While SPN operators are not required to disclose information through a prescribed disclosure form, SPN agreements do need to contain detailed information on tariffs, fees and charges, metering arrangements, billing methodologies, payment options, variation rights and billing calculations. For operators managing hundreds of retail tenancies, meeting these requirements will require the review of lease precedents, the drafting of SPN provisions, legal review of variations to existing documentation and ongoing updates whenever pricing structures change.

These obligations will create challenges for both small, local SPN operators, as well as larger operators with portfolios spanning multiple jurisdictions. The obligations will generate legal, systems and compliance costs rather than energy supply costs, and yet the Code does not appear to provide a mechanism for operators to recover those reasonable compliance costs.

Recommendation 5: Amend Clause 12 to allow retail SPN providers to recover reasonable legal, systems, administrative and compliance costs associated with meeting its SPN agreement requirements.

SPN wholly supplied from renewable sources

For an SPN wholly supplied from renewable sources, Clause 27(5) prevents SPN operators from directly recovering the capital costs of installing DER through a renewable energy special tariff. While investment in renewable energy can provide benefits to both asset owners and tenants, the Code provides limited guidance on how DER-related costs should be allocated where tenants receive demonstrable benefits from the infrastructure. This creates uncertainty regarding the commercial model for such SPNs and may affect investment decisions.

The Code should clearly articulate the circumstances in which costs associated with renewable energy infrastructure may be recovered where this is a clear link between the investment and tenant benefit. Greater clarity would support investment certainty while ensuring that tenants are only charged for costs that are reasonably attributable to the benefits they receive.

Recommendation 6: Clarify Clause 27(5) to explain the scope of costs that may be recovered through special tariffs and how the provision interacts with other cost recovery mechanisms available to SPN providers, including tenancy and property arrangements.

Access to licensed network supply

Clause 30(3) provides an avenue for tenants to explore bypassing the SPN and connecting directly to the licensed network. This will create major technical, financial and approval challenges for retail SPN providers. At some sites, a separate connection may require new substations, network links and high-voltage cables, making it costly and impractical. The investigation of these requests is also likely to create additional costs, above and beyond simple administration.

Recommendation 7: Allow SPN providers to reject unreasonable direct network access requests. Where a request is investigated, the tenant should pay all associated costs regardless of outcome.

Billing

The Code's billing requirements will require SPN operators to update systems and processes across complex retail property portfolios. The following matters should be addressed to ensure the billing framework is practical and commercially sustainable.

a. Billing system modification and transition costs

There are practical challenges involved in updating billing systems to comply with the new Code requirements. While some existing billing platforms may support aspects of the proposed framework, any major software upgrades or replacement required will be both expensive and resource intensive. Additionally, the proposed six-month transition period would provide insufficient time to update systems, amend leases and implement new billing practices across large property portfolios. This is particularly challenging for operators who manage multiple assets and often use bespoke billing platforms integrated with tenancy, outgoings and energy management systems.

Recommendation 8: Amend the billing requirements to allow at least a 12-month transition period in line with the wider Code.

b. Renewable energy and REC billing complexity

There are challenges with incorporating renewable energy arrangements into existing SPN billing systems. Retail property SPN providers increasingly procure renewable electricity through a combination of on-site generation, power purchase agreements, Renewable Energy Certificates (RECs) and other sustainability initiatives. Accurately allocating renewable energy

benefits to individual tenants, and tracking, transferring and reconciling RECs within billing systems, can be particularly challenging.

Many existing billing platforms were not designed to support these functions and may require costly system modifications or replacement to accommodate the new requirements. Many retail SPN operators may also need to establish new processes for allocating renewable energy attributes, managing certificate transactions, verifying renewable energy claims, maintaining auditable records, responding to customer enquiries and ensuring compliance with Clean Energy Regulator requirements. These obligations extend beyond billing administration and may Impose significant costs on SNP providers.

Recommendation 9: Clarify Clauses 27–29 to explain how renewable energy and REC arrangements apply to SPNs.

Recommendation 10: Amend Clause 33(2)(f) to facilitate renewable energy and REC charges to be separately identified on bills and allow SPN operators to recover reasonable implementation and administrative costs associated with renewable energy and REC arrangements.

d. Billing errors, overcharging and historical liability

The Code time limits SPN operators from recovering historic undercharged amounts but imposes no equivalent limitation for refunding overcharges. This could expose operators to claims arising from billing or metering errors many years after they occurred, including where an error was caused by legacy systems, incorrect meter data or inaccurate billing inputs.

Open-ended historical liability creates significant financial and administrative risk because records may be incomplete, systems and service providers may have changed, and reliable consumption data may no longer be available. Without a clear limitation period and evidentiary safeguards, operators may be required to refund amounts without verification or suitable evidence.

Recommendation 11: Amend Clause 39 to limit overcharging refunds to the previous 12 months, consistent with the undercharging limit in Clause 38.

Recommendation 12: Clarify Clauses 38 and 39 so adjustments are based on reasonably available billing and metering records, with no liability for periods that cannot be reliably reconstructed.

SPNs benefit many stakeholders, including tenants, customers, owners, network operators and governments. In retail property, SPNs improve energy management and support investment in sustainability initiatives. Well-designed SPNs ensure that both tenants and operators benefit from modern energy infrastructure and technologies.

These investments also contribute to wider sustainability and net zero objectives and targets held by government, and support more efficient assets that institutional capital, including superannuation funds, invest in.

These benefits must be protected through practical, common-sense changes to the Code that distinguish between the sectors covered by the Code, provide investment certainty and protect commercial viability while still maintaining proportional regulation where needed.

We welcome the opportunity to further contribute to the development of the Alternative Electricity Services Code of Practice. Should you wish to connect, please contact Senior Policy Adviser

Regards

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