

Embedded Networks Prohibition

Strata Community Association (NSW) Submission
20 September 2023



INTRODUCTION

1. Strata Community Association (NSW) Overview

Founded in 1980, Strata Community Association (NSW) was formerly known as the Institute of Strata Title Management. SCA (NSW) serves as the peak industry body for Strata and Community Title Management in New South Wales. The association proudly fulfils a dual role as both a professional institute and consumer advocate.

2. Membership

SCA (NSW) boasts a membership of over 3,000 members, including lot owners, suppliers, and professional strata managers who oversee, advise, and manage a combined property portfolio estimated to be worth over \$450 Billion.

3. Strata and Community Title Schemes in NSW

NSW is home to 89,049 Strata and Community Title Schemes. A significant 95 per cent of these schemes are comprised of residential lots. Altogether, the total number of Strata and Community Title lots in NSW stands at 1,043,690.¹

4. NSW as a Leader in High-Density Living

According to the 2022 Australasian Strata Insights Report, there are 2,501,351 people residing in apartments across Australia. A majority of these apartment dwellers (51 per cent) are in NSW. ² NSW also leads the way in the trend to higher density living in Australia and boasts the highest proportion of apartment households relative to all occupied private dwellings, standing at 22 per cent.

5. Employment Impact

Strata is a significant employer, directly providing jobs to 1,413 managers throughout NSW, as well as an additional 1,317 other related employees. ³

6. Promoting Professionalism

1. SCA (NSW) is dedicated to fostering a high standard of professionalism in the strata industry with initiatives like the Professional Standards Scheme (PSS), which contributes to ensuring strong consumer outcomes for over 1 million strata residents in NSW.
2. SCA (NSW) membership encompasses a wide range of entities, from large corporate companies to small family businesses to dedicated volunteers. Members possess expertise in all aspects of strata management, service provision, and governance.

For further information about this consultation, please contact Dylan Lin, Policy and Advocacy Officer, SCA (NSW). Dylan.lin@strata.community

¹ Hazel Easthope, Danielle Hynes, Yi Lu and Reg Wade, Australasian Strata Insights 2022, City Futures Research Centre, UNSW, Accessed at https://cityfutures.adu.unsw.edu.au/documents/717/2022_Australasian_Strata_Insights_Report.pdf

² Ibid, p.8-13

³ Ibid, p.8.

SCA (NSW)'S RESPONSE TO EMBEDDED NETWORKS

SCA (NSW) presents this submission to articulate its stance on the prohibition of embedded networks. Embedded networks refer to localised energy distribution systems that serve multiple units or lots in a strata development, such as an apartment building. These networks are becoming increasingly popular due to their potential for cost savings and improved efficiency in resource management. Examples of a range of products associated with embedded networks include smart meters, gas metering, water management systems, load control devices, and communication infrastructure.

With the continuous growth of strata schemes and the increasing desire of Australians to embrace the advantages of strata living, the prevalence of embedded network users has surged accordingly. However, this surge in embedded networks has extended into products it should never have, including:

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|---------------------------|------------|
| (a) Stormwater | (d) Solar |
| (b) Hot and chilled water | (e) Energy |
| (c) Internet services | |

Currently, SCA (NSW) advocates a robust position that goes beyond the mere regulation of such networks and, instead, insists on their outright prohibition for use in new developments. The primary rationale behind this stance lies in the perception that regulating embedded networks could potentially result in "greenwashing," whereby unethical practices are camouflaged under the pretext of utilising green energy. There are two fundamental reasons for this stance:

- (a) The aim is to eliminate the practice of side agreements. Embedded network providers and developers are not free of infrastructure costs when owners corporations sign a long-term contract. These contracts effectively incorporate the infrastructure costs in a concealed manner, resulting in charges for infrastructure that the developer should cover. This raises concerns related to breaches of fiduciary obligations, misleading and deceptive conduct, and secret commissions.
- (a) Owners corporations are often compelled to enter and sign a wide array of complex contracts with little to no actual choice of provider.

Any attempt to regulate this practice will simply lead to abuse and place additional strain on resources, given the potential inadequacy of resources for proper enforcement by way of an ombudsman, akin to the Energy & Water Ombudsman NSW for energy contracts. The idea

of simply greenwashing this practice leaves the problem of breach of fiduciary duty, secret commissions, and lack of choice.

Greenwashing, if allowed to persist, poses a significant ethical concern, as it provides a false impression of responsible and sustainable energy practices. In the long run, this could lead to the accumulation of ethical and financial issues, ultimately undermining the essence of pursuing green initiatives.

SCA (NSW) believes it is imperative to safeguard the well-being of the strata community by prohibiting embedded networks altogether. Consequently, the potential for unscrupulous actors to exploit the green energy narrative for their own advantage would be curtailed. A blanket prohibition would encourage a more conscientious and transparent approach towards energy distribution and consumption in strata communities.

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