Billing Requirements and Setting of Maximum Prices for Residential Embedded Network Customers - IPART

Strata Community Association NSW Submission

31 July 2026

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 91,346 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 1,073,277[1]. 44% of these schemes have been registered since 2000.

4. NSW as a Leader in High-Density Living

According to the 2024 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 20 per cent.

5. Employment Impact

Strata is a significant employer, directly providing jobs to 1,259 managers throughout NSW, as well as an additional 854 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.

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[1] Authored by Hazel Easthope, Yi Lu and Alejandra Rivera, Australasian Strata Insights 2024, City Futures Research Centre, UNSW.
[2] Ibid, p.8-13
[3] Ibid, p.8.

BILLING REQUIREMENTS AND MAXIMUM PRICE SETTINGS FOR RESIDENTIAL EMBEDDED NETWORK CUSTOMERS - STRATA SECTOR RESPONSE

Introduction

SCA NSW welcomes the opportunity to respond to IPART's consultation on the draft billing standard and the proposed methodology for setting maximum prices for residential embedded network customers.

This submission addresses the draft billing standard, the three elements of the maximum-price methodology on which IPART is consulting—Recommendations 2, 14 and 16 of IPART's 2024 Final Report—and the proposed implementation timeline. These reforms form part of the NSW Government's Embedded Network Action Plan and seek to ensure that embedded network customers pay comparable prices and receive equivalent consumer protection to on-market customers.

Relevance to the strata sector

Embedded networks are of direct and material significance to the strata sector. A large and growing proportion of residential embedded network customers in NSW live in strata and community title schemes. In many cases, the owner's corporation—guided by strata managers—owns or is responsible for shared infrastructure such as centralised hot-water plants, embedded electricity network assets, centralised air-conditioning systems and the supply contracts through which these services are delivered.

SCA NSW previously participated in IPART's 2023 review and expressed reservations about the application of the embedded network model in new residential developments. Given the NSW Government's preference for regulation, SCA NSW's focus is to ensure that embedded network regulation protects residents without transferring unquantified and unfunded costs onto the owner's corporations of which those residents are members.

Support for consumer-protection objectives

SCA NSW supports the consumer-protection objectives at the heart of this consultation. In particular, we support:

- clear, standardised bills expressed in energy units;

- a maximum price benchmarked to on market offers, so embedded network customers are no worse off;
- the prohibition on charging two supply charges for a single fuel source; and
- mandatory membership of the Energy and Water Ombudsman NSW (EWON).

Key implementation concerns

SCA NSW makes the following key observations.

- **Costs may shift to owner's corporations.** Caps on seller recovery, including hot water and single supply charges, may leave owners corporations to absorb unquantified system costs.

- **Strata contract renegotiation is difficult.** Long-term embedded network and hot-water contracts are often developer-set and hard for owner's corporations to amend or exit.

- **The timeline may be too short.** A six-month period may not allow owners corporations enough time to meet, pass resolutions and raise levies for required changes.

- **Metering costs need clarity.** Where new meters or hot-water upgrades are required, IPART should clarify who pays and consider transitional support.

- **Reforms should not deter electrification.** Supply-charge settings should avoid discouraging efficient electric hot water.

- **Targeted guidance is needed.** Owner's corporations and strata managers need guidance tailored to their implementation role.

QUESTION RESPONSES

The draft billing standard for residential customers

Question 1 — Views on the proposed standardised statement of IPART's maximum prices

SCA NSW supports including a plain-language statement of IPART’s maximum prices on bills. This would help residents understand their protections and provide a clear benchmark for holding sellers to account. The draft statement is broadly clear, subject to the following refinements:

- **Include the remedy, not just the rule.** The statement explains that sellers cannot charge more than the maximum price, but not what customers can do if they believe they have been overcharged. It should include a short line directing customers to EWON and IPART, with contact details.

- **Confirm independence and currency.** The statement should make clear that the maximum price is set by an independent regulator and updated annually, so customers know the figure is current.

- **Tailor wording for hot water and air-conditioning.** The “maximum price” concept is less intuitive for hot water and centralised air-conditioning than for electricity and gas. The statement should use commodity-specific wording and briefly explain that customers are charged for the energy used to provide the service.

- **Require prominence.** The statement should appear on the first page of the bill, or in another consistent and prominent location, so it is not lost among other content.

Question 2 — Barriers to including the standardised statement on bills

This is primarily a matter for embedded network sellers and their billing agents. For owners corporations and strata managers, the main risk arises where an owner’s corporation, or its strata manager, effectively arranges billing for a small scheme and does not have the billing-system capability of a commercial embedded network operator. IPART should ensure the billing standard can be met by smaller and self-managed schemes without disproportionate system costs, including providing template bill formats and a template standardised statement.

Question 3 — Barriers to charging for the energy input for hot water or centralised air-conditioning

The main barrier is metering. Many existing strata schemes were built with centralised hot-water and air-conditioning systems that measure delivered hot or chilled water in litres, rather than energy input. Billing in energy units, as the standard requires, therefore depends either on applying IPART's permitted "common factor" conversion or installing new energy metering.

SCA NSW supports allowing sellers to apply the maximum common factor without installing new metering. However, IPART should recognise that this concession protects the seller's compliance position, not the owner's corporation. If a scheme's system is more efficient than the maximum common factor, residents may be overcharged relative to actual consumption unless the owners corporation funds energy metering to prove the lower figure. Conversely, where the system is less efficient, the residual cost falls on the owner's corporation. The concession is welcome, but it does not resolve the underlying "who pays" question for owner's corporations.

Question 4 — Impediments to metering hot-water consumption upstream of the thermostatic mixing valve

There are real physical and cost impediments in strata buildings. This is particularly the case for older buildings; existing metering points are downstream of the thermostatic mixing valve. There is often no practical location to install upstream metering without significant plumbing works. Retrofitting upstream metering across an existing scheme can be disruptive and expensive and, in some building configurations, such as ring-main systems or shared risers, may be impractical.

Any requirement that would, in effect, require upstream metering should be subject to exemptions or extended timeframes for existing buildings. **SCA (NSW) requests** IPART to confirm expressly that the maximum-common-factor approach removes any obligation for existing schemes to retrofit upstream metering, and that a scheme will not be disadvantaged if it chooses to demonstrate a lower actual common factor.

Question 5 — Changes to the draft billing standard to make bills clearer

SCA (NSW) recommends the following measures to improve clarity for residential customers:

- **A two-tier hot-water bill**. For hot water, the required line items—unit price for energy input, common factor, apportioned energy, total charge and litres used—are technically complete but may overwhelm customers. A plain-language summary, with the detailed calculations shown below or available on request, would improve comprehension.
- **Consistent terminology**. IPART should prescribe standard labels so customers move between schemes or comparing an embedded network bill with an on-market bill, encounter familiar terms.
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- **A simple summary box**. Bills should prominently show the maximum price, the price charged and the difference, so customers can see at a glance that the charge is within the cap.
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Components of the methodology to set maximum prices

Question 6 — When IPART should benchmark maximum prices to on-market offers

SCA (NSW) does not hold a strong position on the precise benchmarking methodology, as the detailed mechanics are primarily matters for retailers and embedded network sellers.

However, we offer two observations relevant to the strata sector.

First, regardless of the approach adopted, embedded network customers in strata schemes should receive adequate notice of price changes. Where practicable, changes should be aligned with the scheme's billing cycle to minimise confusion and avoid unexpected mid-cycle adjustments.

Second, SCA NSW considers that averaging on-market offers over a defined period is likely to produce a more stable and predictable maximum price than a single point-in-time assessment. Greater price stability is better aligned with the annual budgeting and levy-setting processes of owners corporations and reduces the risk of outcomes being distorted by temporary fluctuations in market offers.

Question 7 — Challenges in applying the maximum common factor for centralised hot water, including contract renegotiation

This is the question of greatest significance to the strata sector and **SCA (NSW) requests that IPART give it the most weight in its consideration.**

The maximum common factor of 0.40 MJ per litre caps what a seller may recover from residents for the energy used to heat water. Where a scheme's hot-water system is less efficient than this benchmark — as many older or poorly maintained systems are — the shortfall does not disappear. The consultation is explicit that it is intended to be "borne by the owners of the site (for example, the owners corporation in strata properties)," and that a seller "may seek to renegotiate the hot water contract with the owner's corporation," including through "changes to the revenue structure so that owners contribute to the costs of delivering the service."

This raises several practical concerns for the strata sector:

- **Long-term, developer originated contracts limit renegotiation options.** Embedded network and bulk hot-water supply contracts in strata schemes are commonly negotiated and executed by the developer before the owner's corporation is established and before the owner's corporation is established and before future owners have any meaningful bargaining power. These arrangements often operate for terms of 10 to 25 years and can be difficult and costly to vary or terminate. As a result, any expectation that an owners corporation can readily renegotiate existing arrangements may overstate the level of control available in practice.

- **The residual cost is ultimately borne by the same households the cap is intended to protect.** Where an owners corporation is required to contribute to a seller's costs or fund system upgrades, those costs are generally recovered from lot owners through levies. In residential strata schemes, the residents benefiting from the cap and the owners bearing the residual cost are frequently the same individuals acting in different capacities. The net consumer benefit may therefore be less significant than it initially appears. Moreover, the impact is likely to be uneven, with older and lower-value schemes that rely on ageing and less efficient infrastructure facing the greatest financial burden.

- **Improving system efficiency may require capital investment beyond the immediate capacity of an owners corporation.** Reducing a scheme's common factor may necessitate major capital works, including replacement plant, heat-pump installations, or broader system upgrades. Such projects typically require approval at a general meeting and are often funded through special levies or strata borrowing arrangements. These governance and funding processes take time and cannot realistically be completed within a short implementation timeframe.

SCA NSW recommends that IPART:

1. **Acknowledge and quantify cost transfer impacts.** The final methodology and supporting materials should expressly recognise that the maximum common-factor cap transfers both costs and implementation responsibilities to owners corporations and, where possible, quantify the scale of those impacts.

2. **Provide targeted guidance for owners corporations.** This guidance should outline the options available where a scheme exceeds the maximum common factor, including considerations relevant to system upgrades, operational improvements, and contract renegotiation.

3. **Establish transitional arrangements for existing schemes.** IPART should consider measures for schemes operating under legacy contracts or with ageing and less efficient infrastructure, such as an extended implementation period, a phased approach to the common-factor cap, or other transitional mechanisms that minimise immediate financial shortfalls and reduce pressure for contract renegotiation.

4. **Address the legacy developer-contract issue.** The final framework should explicitly consider the interaction between the common-factor cap and long-term contracts established by developers before owners corporations are formed, recognising that this issue was one of the drivers of the Government's broader embedded network reform agenda.

Question 8 — Embedded network customers not paying two separate supply charges for a single fuel source

SCA (NSW) supports the principle that embedded network customers should not be required to pay two supply charges for a single fuel source. On-market customers are not subject to this outcome, and the objective of achieving pricing parity is sound.

We also share the concern identified by IPART that the proposed approach may create an unintended disincentive to the installation of efficient electric hot-water systems. Where a scheme can continue to recover two supply charges by retaining multiple fuel sources, there may be a financial incentive to maintain existing gas infrastructure rather than transition to electric alternatives. This outcome would be inconsistent with the broader direction of NSW energy policy, which aims to encourage electrification and reduce reliance on gas in residential buildings.

SCA (NSW) encourages IPART to ensure that the pricing framework is, at a minimum, fuel-neutral and does not create unintended barriers to electrification. We also note IPART's observation in its 2023-24 review that while efficient electric hot-water systems, particularly heat pumps, can deliver lower operating costs over time, they often involve higher upfront capital costs and greater space and storage requirements. For many existing strata schemes, these constraints are significant, and the regulatory framework should not assume that electrification can be undertaken easily or at minimal cost.

Potential benefits

- Greater parity between embedded network customers and on-market customers.
- Reduced ongoing costs for residents where duplicate supply charges are removed.
- Encouragement to rationalise redundant fuel connections and simplify utility arrangements.

Potential risks and unintended consequences

- An incentive to retain multiple fuel sources in circumstances where doing so preserves an additional supply charge.
- Reduced uptake of efficient electric hot-water systems where pricing outcomes favour the status quo.
- The possibility that sellers seek to recover foregone supply-charge revenue through other contractual mechanisms, including increased charges to owners corporations. IPART should monitor whether such cost-shifting emerges as an unintended consequence of the reform.

Proposed implementation timeline

Question 9 — Views on the proposed timeline for implementing the maximum prices and billing standard

SCA (NSW) asks IPART to reconsider the adequacy of the proposed six-month implementation period between publication of the maximum prices and their commencement, currently targeted for April 2027.

While the proposed timeframe may be sufficient for embedded network sellers to update billing systems, notify customers and make operational adjustments, it does not adequately reflect the governance and decision-making processes of owners corporations. Where compliance requires action by an owners corporation, such as renegotiating contracts, funding infrastructure upgrades or agreeing revised cost-recovery arrangements, implementation timeframes are necessarily longer.

In particular:

- Owner's corporations act through resolutions passed at general meetings. Convening a general meeting requires notice, quorum and owner participation, and many schemes meet only once each year at their annual general meeting.

- Funding any upgrade or additional contribution will typically require formal approval and, in many cases, the raising of a special levy, which itself involves lead times for both decision-making and collection.

- Larger, mixed-use and more complex schemes, particularly those operating through building management committees, may require longer timeframes to consider and implement changes.

- A seller facing a cost shortfall from April 2027 may therefore seek to renegotiate contractual arrangements within a timeframe that an owner's corporation is simply unable to meet through its established governance processes.

SCA (NSW) recommends that IPART:

1. **Provide a longer implementation period where compliance depends on action by an owners corporation.** SCA (NSW) considers a minimum implementation period of 12

months to be more realistic for schemes that may need to consider contractual, operational or capital expenditure implications arising from the reforms.

2. **Protect owners corporations from unreasonable implementation pressures.** The framework should make clear that sellers cannot compel an owners corporation to vary contractual arrangements or contribute to costs within a timeframe shorter than that reasonably required for the owners corporation to act through its statutory governance processes.

3. **Align commencement with normal governance cycles wherever practicable.** Commencement dates should, where possible, allow schemes sufficient time to consider the implications of the reforms through at least one ordinary general meeting cycle, thereby supporting informed decision-making and reducing the need for extraordinary meetings or urgent levy action.

Question 10 — Additional actions or guidance to support a smooth implementation

SCA NSW's principal recommendation is that IPART develop guidance specifically for owners corporations and strata managers. These stakeholders will play a leading role in implementing the proposed reforms, yet they are not embedded network sellers and may not be adequately reached through seller-focused communications and guidance materials.

To support effective implementation, SCA (NSW) recommends that IPART provide:

- **A plain-language guide for owners corporations** explaining the reforms, their implications for scheme contracts and infrastructure, and the decisions an owners corporation may need to consider.

- **A practical guide for strata managers** outlining how to identify schemes that may be affected by the common-factor cap, respond to contract renegotiation proposals, and assist owners corporations to assess available options.

- **Template billing materials**, including model bill formats and a standardised maximum-price statement, to minimise compliance costs for smaller sellers and self-managed schemes.

- **Worked examples** demonstrating how the maximum price, common factor and single-supply-charge rules would apply in typical strata scenarios, including a residential hot-water billing example.

- **A clear escalation and dispute-resolution pathway**, including information on the respective roles of EWON and IPART, for owners corporations and residents who believe a seller may not be complying with the framework or may be improperly shifting costs.

- **Stakeholder engagement in the development of guidance materials**, including consultation with SCA NSW and the Owners Corporation Network, to ensure guidance reflects the practical realities of strata governance and scheme administration.

SCA NSW would welcome the opportunity to work with IPART in developing owners-corporation-facing guidance and implementation resources.

For further information about this consultation, please contact Andrew Jefferies, Senior Policy and Advocacy Advisor, SCA NSW. Andrew.Jefferies@strata.community