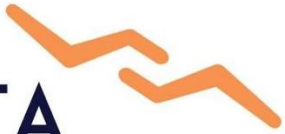


New NSW Strata Laws & Embedded Networks

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**EMBEDDED
NETWORK
ARENA**



Topics Covered

- **Residential Embedded Network - Sector Size**
- **What is an Embedded Network - Quick Refresh**
- **Strata Schemes Legislation Amendment Act 2025 and Embedded Network Rule Changes**
 - ❑ **Why**
 - ❑ **Objective**
 - ❑ **Key Items**
- **Owners Corporation's Choice**
- **Case Studies – Strata Management Perspective**





Embedded Network Sector Size

- ❖ No public information – but on regulators' agendas
- ❖ We estimate >1M Residential EN lots in Australia
- ❖ NSW estimates are 350k to 400k lots
- ❖ While the fundamentals & rule are similar per state
- ❖ There are jurisdictional state-based nuances
- ❖ Today's focus - key changes in NSW Strata Legislation
- ❖ But first a quick refresher...what is an Embedded Network?





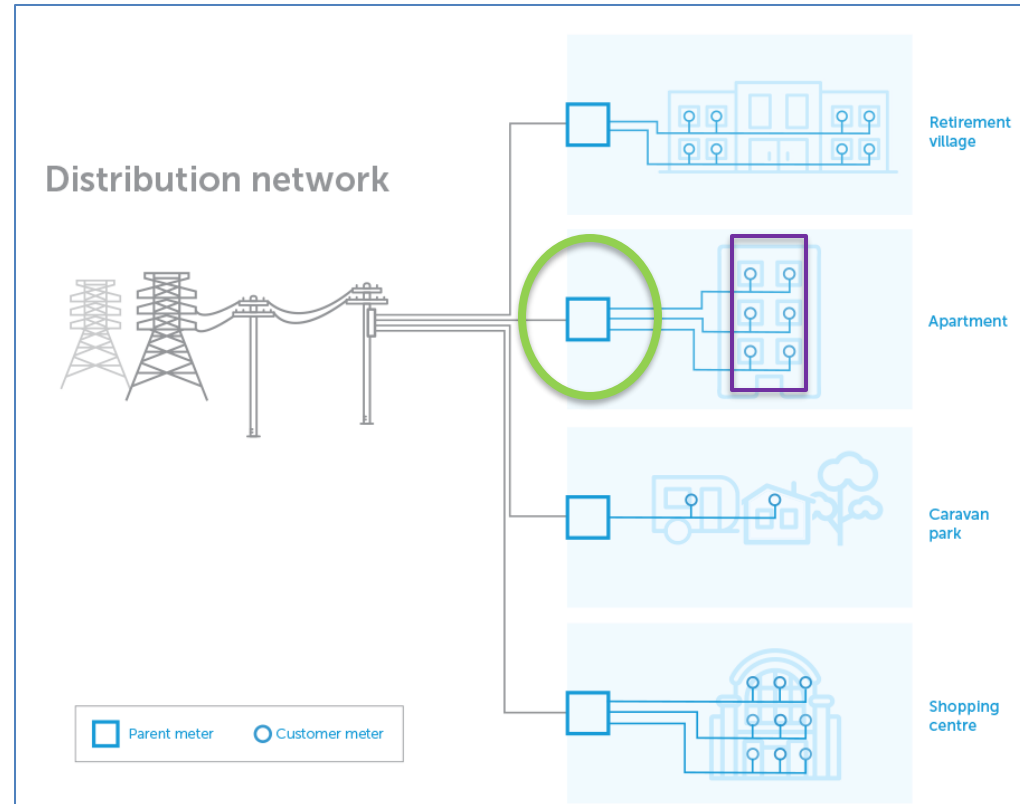
What is an Embedded Network?

- Embedded Networks supply utilities to multi-tenanted developments, e.g.:
 - **Residential Apartments**
 - **Retirement Villages**
- **Private utility network** where power first runs through a centralised meter.
- “**Parent**” or “**Gate**” meter measures the aggregated ‘utility’ used.
- “**Child**” metering measures individual customers’ usage.
- Common Embedded Utilities include:
 - Electricity
 - Centralised Hot Water & Gas
 - EV / Batteries / Solar
 - Centralised Air Conditioning
 - Potable Water Billing
 - Fibre (*different to other utilities*)

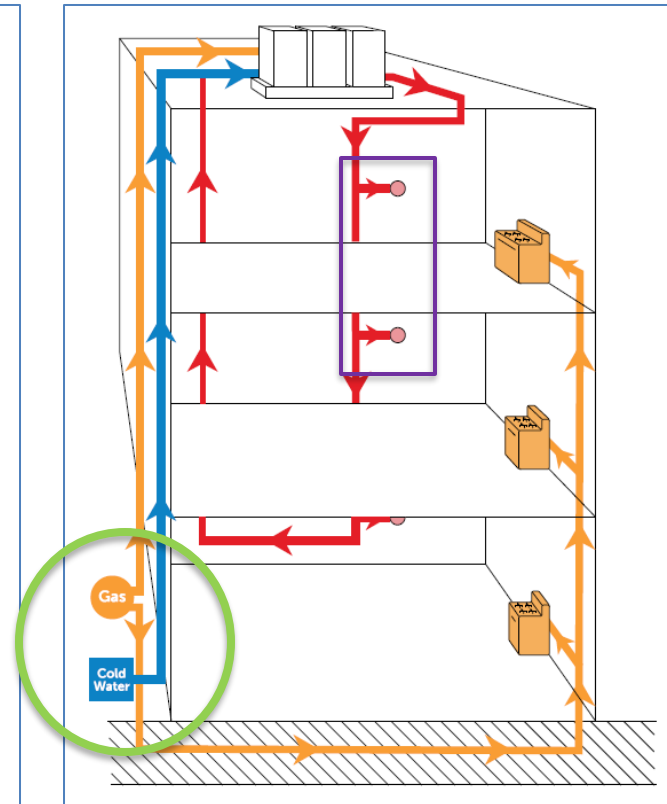


Common Embedded Utilities

Electricity



Centralised Hot Water



Images care of EWOV





NSW Strata Schemes Management Act Changes & Embedded Networks

Background to Changes

- 2021 NSW Government's review of Strata Acts.
- Responding to evolving needs in strata communities.
- Key findings and recommendations regarding embedded networks.
- Strata Schemes Legislation Amendment Act 2025 passed 18th February 2025.
- Similar changes for Community Land Management Act.
- Effective 1st July 2025.

Objective of the changes for Embedded Networks

- Consumer Protections:
 - From being locked into long-term contracts.
 - Promote transparency for owners.
- Address issues where property developers signed long-term EN deals before owners took control.
- Definitions of utilities has been clarified to include embedded networks.
- Disclosure information requirements.





NSW Strata Schemes Management Embedded Network Key Changes

Today's Focus - Four Key Changes with Embedded Networks

1. Contract Term Limits
2. Disclosure in Sale Contracts
3. Disclosure for Off-the-Plan Sales
4. Strata Information Certificates





1. Contract Term Limits

Key Change

- ✓ Section 132A of the Strata Schemes Management Act 2015 has been amended.
- ✓ Stopping long-term & potentially uncompetitive agreements.
- ✓ Term:
 - ❖ **Historically 10+++ Years Terms**
 - ✓ **Now Maximum 3 Years Terms**

Implication for Stakeholders

- Review existing embedded network contracts to ensure compliance.
- Committees **must not sign long-term** embedded networks at or after the FAGM.
- 3 Year term for.....
 - Initial contracts
 - Renewals too
- **'Owners beware'**
 - **Inflated embedded network assets values**
 - **Buyout liability risks**
- Owners must understand the embedded network contract term & conditions.
- Seek independent advice before signing.





2. Disclosure for Sale Contracts

Key Change

- ✓ Owners now required to disclose embedded networks in the contract for sale.
- ✓ Rights to rescind without disclosure.

Implication for Stakeholders

- Vendors are now obligated to disclose existing embedded networks in sale contracts.
- **This includes you** if you own an apartment in an embedded network!
- Purchasers' rights to rescind contracts if not disclosed.
- Who needs to know (e.g.):
 - Property Owners Vendors
 - Conveyancers & Property Lawyers
 - Real Estate Agents (e.g. accurate marketing collateral)
 - Strata Managers (understand your portfolio)
- Disclosure is key:
 - Buyers must be informed about embedded networks
 - Existing contracts should be reviewed
 - Ensure compliance with new rules
- Seek independent advice.





3. Disclosure for Off-the-Plan Sales

Key Change

- Property developers must:
 - Disclosure the inclusions / likelihood of an embedded network
 - Ensure embedded networks comply with new requirements
 - Detail the type of service provided
- Any changes to this information before settlement **must** be communicated to purchasers.

Implication for Stakeholders

- In the past property developers did not have to disclosure.
- New owners were often **caught of guard** at the First AGM.
- Property developers must disclose embedded network arrangements:
 - Upfront off-the-plan property sales contract
 - During sales
 - In scheme documentation
- Failure to comply may result in purchasers having the right to rescind the contract.
- Seek independent advice.





4. Strata Information Certificates

Key Change

- Strata Information Certificates (Section 184 certificate) introduces mandatory disclosure.
- Must clearly state whether the scheme has an embedded network.
- Disclose information, e.g.:
 - Contracts
 - Types of utilities
 - Embedded network provider

Implication for Stakeholders

- For property owners and strata managers, this means:
 - You must know if your scheme has an embedded network.
 - Accurate information must be included on every Strata Information Certificate.
 - Non-compliance could create legal risks or delays in sales processes.
- Places obligations to maintain accurate, updated information for disclosure for:
 - Property Developers
 - Strata Managers
 - Owners
 - Committees
- Seek independent advice.





Existing Embedded Networks Do Owners Corporations have Choice?

Can Owners can change Embedded Network Operators?

- **YES** - If not happy with the incumbent.
- **HOW** - Go to market for a new Embedded Network Operator.
- **Significant benefits** available for Owners & Occupants.



Why is it a good idea?

- Test the market for a better deal.
- Improved carbon footprint, e.g. introduce free solar / EV charging infrastructure.
- Committee can work with an engaged Embedded Network Operator.
- A key protection against long-term, uncompetitive and outdated contracts conditions.
- Untapped & new benefits.
- Consider Self-Managed Model – lower tariffs & strata levies.

How?

- Straight forward process to change.
- Market is well established with EN Operator churn.
- Transparent Market tendering process.





Summary Points

Practical Tips to Stay Compliant & Current with Embedded Networks

- ❖ The reforms are significant, but manageable if you're proactive.
- ❖ Early action avoids headaches later.
- ❖ Check your strata scheme's embedded network arrangements & current contracts.
- ❖ Talk to your embedded network provider if any concerns.
- ❖ Seek independent advice.
- ❖ Communicate with your owners' community.
- ❖ Make sure disclosure documents are updated.
- ❖ Be beware of inflated embedded network assets values & associated buyout liability risks.
- ❖ Testing the market is a way to protect against long-term, uncompetitive and outdated contracts conditions.





CASE STUDY 1 – BEST CASE

Key Points

- Appropriate set up
- Concerns of the owners and how to manage
- Rates to Individual Lots
- Rates to the Strata Scheme

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CASE STUDY 2 – WORST CASE

Key Points

- In-Appropriate set up
- Profit Share Model – Gone Horribly Wrong!
- Lack of Trust
- Size of the operator
- Unable to resolve issues with the meter and AC recharge

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CASE STUDY 3 – CHANGE CASE

Key Points

- Set up ok – not the best
- Move from a mid size to a larger operator
- Why the move?
- Process to move

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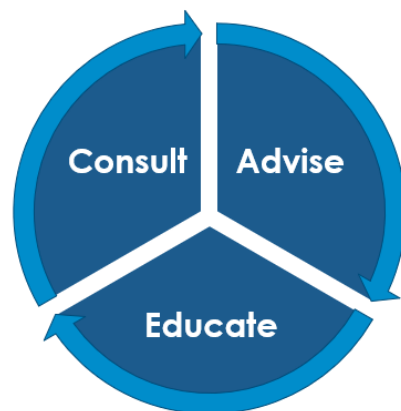




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