

Embedded Networks in WA Strata

Webinar | 14 August 2025



Agenda

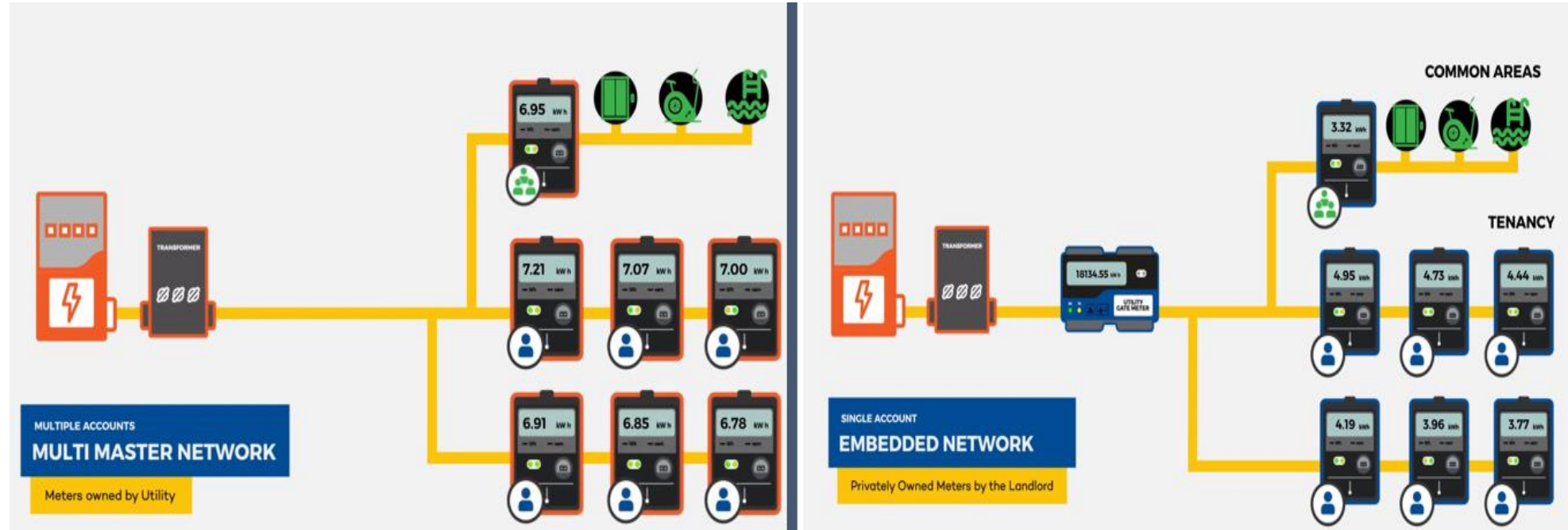
- What is an Embedded Network?
- Legal and Regulatory Framework
- ENCoP – Requirements
- ENCoP – Compliance
 - ENCoP – Compliance (Example Motion)
 - Strata Scheme Annual Income Tax Lodgement
- Opportunities for cost savings
- Case studies



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What is an Embedded Network?



An embedded electricity network is a private distribution system within a strata scheme or property that connects to the main electricity grid (Western Power Master Meter).

Energy Billing Models

ELECTRICITY PROCUREMENT MODELS

Network Model	Ownership Model	Purchasing Model
01. Multi Master Network	a. Western Power Sub Meter Ownership	The residents / occupants (consumer) individually purchase their electricity from the regulated licensed electricity retailer (Synergy).
	b. Complete Scheme Ownership	The scheme can purchase the cheapest energy under a supply contract for the entire site. Where eligible (50,000 kWh per annum) for retail contestability, they have access to a competitive energy market for both electricity and gas.
	c. Part Scheme / Part Third Party Ownership	The lots individually purchase their electricity from the licensed or exempt electricity retailer and pay fees for the use of the infrastructure.

Recommended
Model



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Legal and Regulatory Framework in WA

Electricity Industry Act 2004

- Embedded network operators must either hold a licence or operate under an exemption granted under sections 7 and 8 of this Act.
- The Electricity Industry Exemption Order 2005 outlines conditions for residential and commercial embedded networks, including price caps aligned with Synergy or Horizon Power rates.



Energy Coordination Act 1994

- Governs gas embedded networks, with similar exemption provisions.



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Legal and Regulatory Framework in WA

Strata Titles Act 1985

- Applies when embedded networks are managed by strata companies.
- Strata managers must ensure compliance with energy regulations and may be responsible for negotiating supply agreements or outsourcing embedded network management

Residential Tenancies Act 1987

- Landlords or managers must ensure tenants are not overcharged for electricity or gas, and that billing practices are transparent and fair.

Commercial Tenancy (Retail Shops)Agreements Act 1985

- Retail tenants must be provided with clear terms regarding energy charges and supply arrangements, especially where landlords act as energy resellers.



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Embedded Network Code of Practice (ENCoP)

Alternative Electricity Services (AES) Framework

While it was originally proposed that the ENCoP would come into effect 1 January 2026, following the WA State election, the new energy minister in July 2025, announced a revised timeline for the introduction of the AES registration framework to regulate embedded networks and On-site Power Supply Arrangements (OPSA)

This aims to:

- Extend electricity-specific customer rights.
- Provide access to independent dispute resolution via the Energy and Water Ombudsman.
- Ensure accountability of embedded network sellers.



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Embedded Network Code of Practice

Timeline



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ENCoP – Requirements

Purpose of the Code

The ENCoP was introduced by the Economic Regulation Authority (ERA) in WA. It sets out rules and standards that embedded network operators (ENOs) need to follow when supplying and billing electricity to customers

Regulated Tariffs in WA – Summary

The WA Government publishes the Approved Electricity Price Schedule each financial year

- If you operate an embedded network in WA:
 - Residential customers → Benchmark against WA Govt Gazette (Synergy) A1 Tariff
 - Supply charge: ~ 116.0505 cents/day (inc. GST)
 - Usage charge: ~ 32.3719 cents/kWh (inc. GST) for all units
 - Small business customers → Benchmark against Synergy L1 or R1 Tariff (or similar)
 - Regional areas → Use Horizon Power's published tariffs as the benchmark

For compliance, your embedded network tariff should match or be lower than the equivalent Synergy or Horizon regulated tariff charge



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ENCoP – Requirements

Registration & Exemption

- Confirm your exemption class under the Electricity Industry (Licensing Exemptions) Order 2005
 - Identifies you as an embedded network operator
 - Confirms you're operating legally under licence or exemption
 - Commits you to follow WA's embedded network customer protection rules



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ENCoP – Requirements

Customer Information – Disclosure

Provide an Information Pack for new customers that include:

- Who their supplier is (you, the ENO)
- Utility Meter information
- Tariffs and how charges are calculated
- How to make a complaint
- Customer rights under the Code
- Notify customers before any price change (minimum 5 business days)

Billing

Issue clear, itemised bills:

- Supply charge
- Usage charge
- Other fees – this includes strata management fees, meter reading fees etc
- Base charges on accurate metering
- Bills must be sent at least every 2 months



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ENCoP – Requirements

Hardship & Payment Support

- Have a hardship policy for customers who can't pay on time
- Offer payment plans or extensions
- Avoid disconnections while hardship support is active

Complaints & Disputes

- Have a formal internal complaints process
- Respond within 5 business days
- Resolve within 10 business days or give a clear timeline
- If unresolved, refer customers to the Energy and Water Ombudsman WA



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ENCoP – Requirements

Metering & Data

- Maintain accurate, compliant meters
- Must disclose meter information – clarify exact meter i.e. S/N (or absence of a meter).
- Provide customers with their usage history upon request
- Billing Must Be Based on Accurate Metering
 - No Arbitrary Charging – you can't simply divide the total site electricity bill among the lots without metering
- Estimation Rules
 - If a meter reading is missing, the Code allows you to:
 - Estimate based on historical consumption for that customer, or
 - Use the average consumption of similar customers in the network (if no historical data exists)
 - Clearly mark the bill as an estimated bill and explain



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ENCoP – Compliance

Regulatory Enforcement

- The Economic Regulation Authority (ERA)
- Energy and Water Ombudsman Western Australia
- Consumer Protection WA (DMIRS)
- Building and Energy Division (DMIRS)
- Australian Competition and Consumer Commission (ACCC)
- State Administrative Tribunal

Financial Risks

- Revoke license or issue immediate compliance orders and/or impose conditions
- Refunds & Back Payments – Overcharging can result in mandatory refunds (**plus interest**)
- Fines & Penalties – Breaches of energy or consumer laws can attract civil penalties
- Cost of Corrective Action – Installing compliant meters, reissuing bills, or hiring consultants
- Lost Revenue – If ERA stops you from billing during a compliance dispute



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ENCoP – Compliance

Legislation

- Strata Schemes are governed by numerous pieces of legislation
 - Compliance with the Strata Titles Act 1985, General Regulations and By-laws is only one small part of a scheme's governance obligations
 - To assist transparency and compliance with the ENCoP and the Strata Legislation, it is strongly recommended that schemes begin the process of updating their by-laws and adopting the necessary policies and procedures
 - In the short-term, schemes should be passing motions each AGM ensuring full transparency when it comes to utility billing



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ENCoP – Compliance (Example Motion)

Proposed Motion – Embedded Network Billing Policy

That the Strata Company resolves, by ordinary resolution, to adopt the “Embedded Network Billing Policy” as follows:

1. Compliance Obligation

- The Strata Company:

- Acknowledges its obligation, as an embedded network operator under the Electricity Industry (Licensing Exemptions) Order 2005 (WA), to issue bills in accordance with the Embedded Network Code of Practice (WA) (“ENCoP”);

2. Authority to Issue Bills

- Authorises the strata managing agent to issue electricity bills to occupiers within the scheme, ensuring all bills comply at all times with this policy and the ENCoP.



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Example Motion

3. Energy Supply Contract and Acquisition Rates

- Notes that the Strata Company has entered into an energy supply contract with ABC Energy and is acquiring the scheme's electricity at the following wholesale rates:
 - On-Peak Rate: ?? cents/kWh
 - Off-Peak Rate: ?? cents/kWh
 - Cater for idiosyncrasies – i.e. Solar (future renewables)
 - Outsource supply contract negotiations to Specialists – best value comes from fee for service
 - 2 x year contract term recommended.

4. Billing Cycle

- Adopts a billing cycle of every two months, with the strata manager to ensure that bills are issued within a reasonable timeframe (no later than 7 days from receipt of all required data)



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Example Motion

5. On-Billing Usage Charges

- Adopts the Gazetted Tariff Rate (Synergy/Horizon Power) for usage charges when on-billing occupiers at the following rates:
 - Residential Lots: As per the Gazetted A1 Tariff
 - Commercial Lots: As per the Gazetted L1 Tariff (basic meter) or R1 (Advanced Meter) i.e. peak / off peak

6. On-Billing Supply Charges

- Adopts the following supply charge structure when on-billing occupiers:
 - Strata Company Administration Fee – Note a registration fee may be applied to schemes, and it is recommended the supply charge should cover this cost
 - Strata Management Fee – typically a cost per lot, per invoice, or per billing cycle
 - Meter Reading Company Fee – typically a cost per meter – data capture / utility accounting
 - Total Supply Charge per Invoice: ??

Note: The current Gazetted daily supply charge rate is \$1.160505 per day (inc. GST), equivalent to \$69.6303 per 60 days



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Example Motion

7. Itemised Billing Format

- Bills issued under this policy will include:
 - Supply (fixed) charge
 - Usage (variable) charge
 - Total consumption (kWh)
 - Meter readings (start / end / advance)
 - Billing period / dates
 - Any other applicable charges or credits
 - Links to arrears information

8. Estimated Bills

- Where actual meter readings are unavailable due to a faulty meter or system error, an estimated reading will be applied and clearly marked as “Estimated.”
- Estimations will be calculated based on the historical consumption data



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Example Motion

9. Dispute Resolution

- Acknowledges that the Strata Company has adopted a complaint handling process for billing disputes, including escalation to the Energy and Water Ombudsman WA if unresolved.

10. Debt Recovery

- The scheme will apply the debt recovery process for levies and utility billing as detailed under Motion X

Note: It is recommended that the scheme passes a detailed debt recovery process, including reminder and arrears notice periods, and applicable charges



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Example Motion

11. Financial Hardship Policy

- Acknowledges that the Strata Company has adopted a financial hardship policy which requires:
 - The occupier to apply for financial hardship assistance
 - The Strata Company to offer reasonable options such as:
 - Payment plans or instalment arrangements
 - Extension of payment due dates
 - Waiving of late fees where hardship is established and the occupier complies with the agreed payment plan
 - No disconnection will occur while a hardship arrangement is in place, provided the occupier complies with the arrangement



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Strata Scheme Annual Income Tax Lodgement

Income Type	Taxable?	Reason / ATO Position
Administration levies from lot owners	✗ No	These are mutual receipts — the owners are effectively paying themselves to fund the scheme's expenses. Under the mutuality principle, they are not considered taxable income.
Reserve levies from owners	✗ No	As with normal levies, these are mutual receipts and not taxable.
Insurance recoveries (building damage claims)	✗ No (if used to repair or replace)	Treated as a reimbursement of expenditure — not assessable if directly applied to restoration of common property. May be taxable if retained and not applied to repairs.
Interest earned on reserve/administrative fund bank accounts	✓ Yes	Interest is derived from investing funds and is assessable income under s6-5 ITAA 1997. It is not covered by the mutuality principle.
Hire or licence fees from common property (e.g., renting roof space for antennas, car bays etc)	✓ Yes	Treated as ordinary assessable income from property under s6-5 ITAA 1997.
Fees from providing services (e.g., s. 110 fees, keys, swipe cards, maintenance work)	✓ Yes	Income from providing services is assessable under s6-5 ITAA 1997.
Utility recoveries where the scheme buys in bulk and on-sells to owners/tenants	✓ Yes	Treated as income from trading activity. The cost of purchase is deductible, but sales revenue is assessable.
Government grants or subsidies (e.g., solar rebates)	✓ Yes	Most grants/subsidies are assessable unless specifically made tax-free under legislation.



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Opportunities for cost savings

- Tender Electricity Supply arrangements
- Efficiency opportunities
 - Smart metering and energy management
- Scheme control over electricity tariffs to a maximum A1 equivalent
- Integration of Solar and Battery Systems
- Technical challenges and antiquated electrical infrastructure and metering



Embedded Network – Success

- Multi-master to Embedded Network
- Complete Scheme Ownership
- 125 Meter points
- Funded through energy cost savings – Fee for Service Model
- Project included:
 - Replacing switchboards
 - Installing meters
 - Implementing an automated meter reading system



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Embedded Network – Success

- Complete Scheme Ownership
- 43 Meter points
- Commercial Strata Scheme
- Solar Installed
- Project included:
 - Electricity procurement
 - Solar PV installation project management
 - Upgrade to Advantage Service package

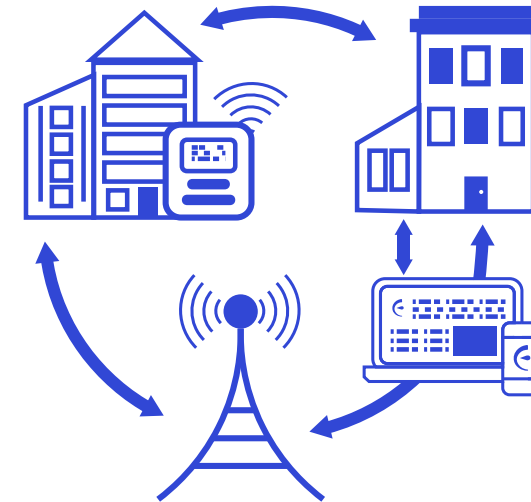


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Complete Scheme Ownership – Why?

- Maintain control of infrastructure – Meters, EV Chargers, Solar PV
- Ownership of data
- Avoid on-going long term service fees
- Compliance and regulatory obligations
- Power to negotiate supply agreements
- Significant savings can be realised



Code of Practice Event

- Date: Tuesday 23rd September
- Time: 5.30pm–7.30pm
- Audience: Strata & Property Managers
- Hosted by: EnergyTec

Registration via QR Code



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Thankyou for your time



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Questions



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