



Brotherhood of St. Laurence
Working for an Australia free of poverty

Reforming prices for customers in electricity and gas embedded networks

Submission to the Victorian Government

Brotherhood of St. Laurence

July 2026

For further information or to discuss this submission, please contact:

David Bryant

Senior Policy and Research Officer, Inclusion
Research, Policy and Advocacy
Brotherhood of St. Laurence
Email: dbryant@bsl.org.au

Matt Rose

Principal, Inclusion
Research, Policy and Advocacy
Brotherhood of St. Laurence
Email: Matthew.Rose@bsl.org.au

Summary

The Brotherhood of St. Laurence (BSL) is a social justice organisation working towards an Australia free of poverty. Our purpose is to advance a fair Australia through our leadership on policy reform, our partnerships with communities and the quality of our services. Our approach is informed directly by people experiencing disadvantage and uses evidence drawn from our research, together with insights from our programs and services, to develop practical solutions that work.

This submission responds to the Victorian Government's 'Reforming prices for customers in electricity and gas embedded networks' paper.

BSL's recommendations

1. The Victorian Government should ensure embedded network customers have access to effective protections in line with market customers.
2. The Victorian Government should lower the price cap for electricity in embedded networks, using either a benchmarking approach or tying it to the cheapest market offers.
3. The Victorian Government should introduce a price cap for gas and bundled services in embedded networks.

4. Price caps should apply to both exempt persons and retailers.
5. The Victorian Government should consider using the State Electricity Commission to supply embedded networks with 100% renewable energy.

1 The problem: embedded networks exacerbate energy stress and limit access to renewables

Embedded networks worsen energy stress, particularly for low-income households, by routinely charging customers the maximum legal rate while offering customers no option of lower rates. This is particularly inequitable given that embedded networks are often used in places housing people facing disadvantage, such as caravan parks, aged care and social housing.

While we have encountered participants who pay less than the maximum rate, this is unusual and appears to be more common in modern, sustainability-focused apartment developments, not those catering to people on low incomes.

Legacy embedded networks limit access to renewables

While the Victorian Government has introduced renewables requirements for new embedded networks, existing embedded networks often limit access to renewable energy.

Unlike regular distribution networks, adding solar or batteries can be prohibitive in embedded networks. Embedded networks with centralised hot water or heating can also prevent residents from electrifying or improving their energy efficiency because they are locked in (see ‘bundled services’, below).

Access to green electricity offers is often limited or non-existent. Some operators make sustainability claims that do not hold. In one case, the embedded network operator publicly advertised GreenPower, but denied access to it in Victoria when requested, referencing the ‘Victorian Default Offer implemented by the state government’ as preventing access. This unfairly shifts blame onto government policy when a provider chooses not to offer renewable energy.

Bundled services rates can also be excessive

Rates for ‘bundled’ services, such as hot water, can also be excessive. For example, according to a real bill attained by BSL, the cost of hot water in an embedded network is roughly double the cost of using a standard hot water system (see Table 1). This is despite the economies of scale that should result from heating water and purchasing energy on a large scale – and suggests a large profit margin.

Using a heat pump hot water system with solar panels could reduce bills by over 90%, yet this is unavailable to embedded network customers locked into centralised systems and unable to add solar.

Table 1: comparison of hot water cost¹

Hot water system type	Price per litre	Annual cost
Embedded network hot water	\$0.022	\$723
Gas instant system (typical)	\$0.011	\$350
Heat pump with solar	\$0.002	\$55

Embedded networks make accessing supports harder

Living in an embedded network also makes accessing supports more difficult. For example, embedded network residents do not receive the same retailer supports as other customers and must reapply for concessions yearly. Some customers face difficulties providing the necessary proof to access these supports.

Embedded networks are often used in places where people with low incomes live. For example, BSL has worked with participants who live in caravan parks where their electricity must be prepaid with coins – a precarious situation that creates a constant risk of disconnection that would not be legal on a market offer. These customers also struggled to access supports because of a lack of documentation – as many supports require formal invoices – but they only receive handwritten receipts.

The case study below, provided by Uniting Vic.Tas, highlights these challenges:

A 72-year-old client living alone in new public housing experienced significant hardship due to inadequate onboarding support from their embedded network energy retailer. The client faced compounding barriers – age, language difficulties, and a provider payment system that did not include a manual option via Australia Post. This left them unable to manage their account effectively. Concessions they were eligible for had not been applied, no payment plan was in place and the client was at serious risk of disconnection.

Following assistance by Uniting to access entitlements, the client reported a marked improvement in wellbeing, citing relief from financial stress and the elimination of disconnection anxiety. These outcomes, while positive, were only achievable through intensive caseworker support – support that should not be a prerequisite for accessing basic entitlements.

Recommendation

1. The Victorian Government should ensure embedded network customers have access to effective protections in line with market customers.

¹ Sources: embedded network cost is from a real Origin Energy bill in Melbourne for Feb 2026. Gas and heat pump figures are from [Sustainability Victoria](#) for a 7-star gas instant system and a 20-STC heat pump system with solar and a timer. All assume two-person households (90 L per day consumed).

2 Solutions

Price caps

BSL strongly support the Victorian Government's proposal to lower prices for embedded network customers, including for electricity, gas and bundled services. This will alleviate energy stress and help level the playing field between embedded networks and other customers. Caps should apply both to any business operating an embedded network, including both 'exempt persons' and retailers. Businesses should not be able to opt out of this requirement by becoming retailers, as the discussion paper suggests may be possible.

It seems likely that some embedded network operators, particularly large businesses, are making excess profits given that a) their cost base should be lower than for market offers yet their prices are higher, and b) they are monopoly suppliers of essential services that customers cannot exit. Other monopolies, such as distribution networks, have regulated profit margins, and profits from embedded networks should also be limited.

We see two main approaches to lowering and capping prices for embedded networks:

1. **Bottom-up benchmarking approach**, where the Essential Services Commission estimates the costs that make up bills and set a maximum, like the Victorian Default Offer (VDO); or
2. **Tying maximum prices to the cheapest market offer**, or a subset of them (e.g. the average of the cheapest three offers), like NSW's Independent Pricing and Regulatory Tribunal (IPART) has recommended.

Both approaches are valid, with their own pros and cons.

Benchmarking is a well-established approach in Victoria and aligns rates with costs, although attaining the necessary information may be more difficult for embedded networks than for the VDO (IPART 2024). There may also be a risk of gaming where information is sought from retailers. For example, gentailers may be able to inflate wholesale prices where they purchase energy from their own generation arms.

Tying embedded network prices to market offers is simple and places all customers on a level playing field. IPART (2024, p. 29) recommended this as being more practical than a benchmarking approach, given the difficulty of forecasting costs. However, it may not necessarily align prices with costs. For example, the cost to serve embedded networks may be cheaper than the costs underlying market offers, but would not be reflected in this approach². Market offers do not exist for all bundled services (e.g. hot water), although in this case prices could be tied to the cost of using a standard hot water system, or a benchmark of gas/electricity costs as IPART (2024) recommended.

² IPART (2024, p. 29) note this as a positive: because supplying embedded network customers is cheaper, '[embedded network] sellers can recover their costs' when prices are benchmarked to market offers.

Recommendations

2. The Victorian Government should lower the price cap for electricity in embedded networks, using either a benchmarking approach or tying it to the cheapest market offers.
3. The Victorian Government should introduce a price cap for gas and bundled services in embedded networks.
4. Price caps should apply to both exempt persons and retailers.

Renewable energy

To facilitate access to renewable energy, the Victorian Government could consider supplying embedded networks with 100% renewable energy via the State Electricity Commission (SEC). This could be done by either:

1. taking over embedded network operators' retail functions, which would be comparable to how the SEC presently supplies Victorian Government entities and private businesses, or
2. acting as a wholesale supply only, which would have the side benefit of making wholesale prices transparent, thus making it easier to set price caps.

Recommendation

5. The Victorian Government should consider using the State Electricity Commission to supply embedded networks with 100% renewable energy.

References

The Independent Pricing and Regulatory Tribunal [IPART] 2024, *Embedded Networks Final Report*, IPART, Sydney. https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Embedded-Networks-April-2024.PDF