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Ms Jessica Curtis
Senior Advisor and Project Contact
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

Lodged online: <https://www.aemc.gov.au/contact-us/lodge-submission> and via email Jessica.Curtis@aemc.gov.au

Dear Ms Curtis

SUBMISSION ON AEMC UNLOCKING CER BENEFITS THROUGH FLEXIBLE TRADING, CONSULTATION PAPER, DECEMBER 2022

The Caravan, Camping & Touring Industry & Manufactured Housing Industry Association of NSW Ltd (CCIA NSW) is the State's peak industry body representing the interests of over 500 holiday parks and residential land lease communities (residential parks, including caravan parks and manufactured home estates) and over 200 manufacturers, retailers and repairers of recreational vehicles (RVs, including caravans, campervans, motorhomes, camper trailers, tent trailers, fifth wheelers and slide-ons), camping equipment suppliers, manufacturers of relocatable homes and service providers to these businesses.

Many holiday parks and residential land lease communities in NSW have embedded electricity networks serving holiday makers and/or residential customers. Under the Australian Energy Regulator's (AER) *(Retail) Exempt Selling Guideline, Version 5, March 2018* (Retail Guideline) and *Electricity Network Service Provider – Registration Exemption Guideline, Version 6, March 2018* (Network Guideline) our holiday park and residential land lease community members fall within Exemption Classes D3, ND3 and R4, NR4 respectively.

In representing these businesses, we welcome the opportunity to provide feedback on the Australian Energy Market Operator's (AEMO) proposal and rule change request to unlock Consumer Energy Resources (CER) through flexible trading.

For the purpose of this submission, where we refer to 'holiday parks' we are referring to caravan parks that supply energy via an embedded network to occupants of holiday accommodation on a short-term basis (i.e., in these caravan parks there are no permanent residents occupying the accommodation as their principal place of residence).

Where we refer to 'residential land lease communities' we are referring to residential parks, including caravan parks and manufactured home estates, that supply energy via an embedded network to residents who live there. This includes caravan parks that supply energy to as few as 1-2 residents (mixed parks) to residential land lease communities that are exclusively residential.

AEMO'S PROPOSAL

We note AEMO proposes to introduce flexible trading by enabling residential and business consumers to have their CER independently identified and treated in market settlements and therefore engage with multiple service providers if they choose to.

The proposed model would create new secondary settlement points for CER resources behind consumers' current meters (i.e., private metering arrangements (PMAs)) and establish a new kind of 'minor energy flow' metering installation in the National Electricity Rules (NER), which could then be used at secondary settlement points.

We recognise the benefits that CER can offer energy consumers and the wider power system as Australia moves towards net zero emissions by 2050. For many businesses in our sector, particularly holiday parks, residential land lease communities and RV manufacturers, the cost of electricity is second only to wages and investment in CER can assist in keeping costs down.

In terms of unlocking the benefits of CER, the proposals put forward by AEMO appear to have merit for assisting residential and business consumers with a direct connection to the electricity grid. However, it is unclear whether or not flexible trading would be enabled within embedded networks.

We note on page 12 of its *Electricity Rule Change Proposal Flexible trading arrangements and metering of minor energy flows in the NEM, May 2022*, AEMO states:

'Small customer metering installations for residential child connection points in embedded networks, connected prior to 1 January 2012, might also benefit from the changes presented in this paper. AEMO considers that whilst not the subject of this proposal, limitations should not be established which might prevent these connection types from accessing changes to the metering framework which might otherwise result in end users obtaining greater access to retail competition.'

The desire to install solar PV within holiday parks and residential land lease communities is becoming more popular, and over time we envisage that demand will rise for battery storage and electric vehicles.

In a recent survey of our holiday park and residential land lease members, most respondents saw the benefits of CER. Some comments were:

"We very much would like to install solar on community buildings as well as our vacant land area (irrigation for private STP)."

"Cheaper power bills."

"Potential for financial advantage to both residents and the park. Would be good to be able to take strong environmental action."

"If parks can purchase the excess electricity generated by residents at a cost lower than the supply cost to the park, this will cut the park's own electricity cost."

"Reduce power bills, support battery and stabilise grid, enable EV charging, achieve Net Zero and corporate ESG goals."

For residential land lease communities we know from our survey that if CER could be integrated without placing all the risk and costs onto the business most community operators would support it.

Ideally, community operators and home owners would be enabled under an appropriate framework to work together to realise the benefits of investment in CER, including minimising the business and household power bills, supporting the external power system and contributing to reducing the overall emissions of the National Electricity Market (NEM).

However, there are several issues that would need to be resolved for this to happen, because embedded networks within holiday parks and residential land lease communities present more complex connection point arrangements. They vary widely in terms of size, customer mix, age of development and differing levels of supporting infrastructure. There are also gaps and barriers in the current rules and regulations.

Whatever flexible trading model the AEMC chooses to adopt (or not) into the NEM from this rule change request, we believe the broader issues impacting embedded networks in our sector need to be resolved before flexible trading is introduced to these developments. More detailed exploration and analysis, in consultation with industry, is needed of how best to integrate CER into holiday parks and residential land lease communities.

EMBEDDED NETWORKS IN HOLIDAY PARKS AND RESIDENTIAL LAND LEASE COMMUNITIES

Holiday parks and residential land lease communities are predominantly older developments that have evolved over time. The embedded networks within them were created to support this particular type of accommodation offering. There was no conscious business decision to sell electricity as a key component of business revenue.

Today, holiday parks and residential land lease communities are mostly operated as small to medium businesses where the supply of electricity via an embedded network is ancillary to their core functions.

There is a mixture of embedded network structures within the sector. There are:

- a) complete embedded networks, where power is supplied to sites through the embedded network infrastructure and the operator issues bills to customers for electricity.
- b) part-embedded networks where power is supplied to sites through the embedded network infrastructure, however the operator does not issue bills to customers for electricity. They are billed directly by a retailer.
- c) some sites have a direct electricity connection with the local Distribution Network Service Provider (DNSP), though this is less common in legacy holiday parks and communities.
- d) some sites can be a combination of points a) and b) where some customers are billed by the operator while others are billed by a retailer.

The number of residential customers in residential land lease communities can range widely in number, from as little as one to over 400. The reason for this is many communities are 'mixed' caravan parks – i.e., those with a mixture of residents (home owners and tenants¹), tourists and long-term casual occupants.

For those with as little as one or two residents, the operator is still required to register their community with the Australian Energy Regulator (AER) and comply with conditions attached to their 'registrable' exemption under activity classes R4 and NR4 of the AER's current retail and network exemptions guidelines² (as opposed to activity classes D3 and ND3). This is despite the fact that the vast majority of customers in the embedded network are occupants of holiday accommodation on a short-term basis.

Due to size constraints, most site meters (child meters) within holiday parks and residential land lease communities are simple, accumulation meters and they do not 'communicate' with the parent smart meter (or meters) for the community.

These child meters measure how much electricity has been consumed at the site, but they cannot discern when the electricity has been used. For residential land lease communities, this makes it difficult for operators to accurately calculate what a home owner should be charged where the operator is receiving electricity at the parent 'smart meter' under commercial time-of-use tariffs.³

In addition, we have received reports from some operators that home owners connected to the embedded network who have installed solar PV systems on their moveable dwellings (either with or without consent from the operator) the operation of these solar PV systems is causing the child meters in the embedded network to run backwards.

Many sites in holiday parks and residential land lease communities have amperage lower than 60 amps. Levels of amperage were determined by planning and supply authority laws at the time of development. In communities established many years ago, the provision of lower amperage to sites was normal and accepted.

In 2021 the Association undertook a survey of members with embedded networks in residential land lease communities. Responses to the survey produced a sample size of 2492 residential sites. Of those,

- 168 sites (7%) have more than 60 amps
- 1225 sites (49%) have 31 – 60 amps

¹ Under the Residential (Land Lease) Communities Act 2013 **home owner** means—

(a) a person who owns a home on a residential site in a community that is the subject of a site agreement (whether or not the person resides at the site), or

(b) a person who obtains an interest in a site agreement as the personal representative, or a beneficiary of the estate, of a deceased individual who, immediately before the individual's death, was a person mentioned in paragraph (a), or

(c) another successor in title of a person mentioned in paragraph (a),

but does not include any person, or any person of a class, excluded from this definition by the regulations.

tenant has the same meaning as in the Residential Tenancies Act 2010.

Most residents in residential land lease communities are home owners.

² AER Retail Exempt Selling Guideline, Version 6, July 2022 and Electricity Network Service Provider – Registration Exemption Guideline, Version 6, March 2018.

³ Until the Residential (Land Lease) Communities Act 2013 is amended to address the problem of electricity charging in residential land lease communities the best that is available to operators is a 'method of approximation', as set out in the case of *Reckless v Silva Portfolios Pty Ltd t/as Ballina Waterfront Village and Tourist Park* (No. 2) [2018] NSWCATCD 59. Operators divide the community's total kilowatt hour usage into the total the utility service provider has charged the operator to produce an overall cents per kilowatt hour rate. This rate is then be applied to the total kilowatts used by a resident (the 'Reckless method').

- 656 sites (26%) have 21 – 30 amps
- 443 sites (18%) have less than 20 amps

Extrapolating these figures across the estimate of all residential sites in NSW, while the vast majority of sites do not have very low amperage (i.e., lower than 20 amps) the majority do have less than 60 amps.

In relation to increasing amperage, most respondents to the survey advised that infrastructure upgrades would be needed (such as wiring/cable sizes, distribution/switch boards, transformers, etc) and costs estimates were in the hundreds of thousands of dollars.

INTEGRATING CER INTO HOLIDAY PARKS AND RESIDENTIAL LAND LEASE COMMUNITIES

In terms of improving flexibility in the NER metering framework, we note AEMO's proposal takes account of embedded network customers connected via '*non-NEM compliant small footprint*', which appears positive.

However, the rule change proposal is founded on customers being 'on-market' with both the secondary settlement point and primary settlement point having National Metering Identifiers (NMIs) attached to them to measure energy flows and enable subtractive settlement arrangements in the NEM.

As part of the Power of Choice reforms, from 1 December 2017 all NSW holiday parks and residential land lease communities with an embedded network must appoint or become an Embedded Network Manager (ENM) to assist their customers to go 'on-market' and access energy offers from electricity retailers. However, this only needs to happen when a customer within the embedded network enters into a market retail contract for electricity.

On page 49 of its final '*Rule Determination - National Electricity Amendment (Embedded Networks) Rule 2015*' (Rule Determination) the AEMC made it clear that an advantage of providing the AER with flexibility and discretion regarding the appointment of an ENM is so '*embedded network operators operating embedded networks where the likelihood of customers seeking to go on-market is low will not be required to bear the costs unless a customer seeks to go on-market.*'

Holiday makers in holiday parks are extremely unlikely to go 'on-market.' We do not envisage this will happen. Similarly, the likelihood of home owners in residential land lease communities seeking to go on-market is currently low, should it happen at all.

Strict pricing limits imposed on these businesses by the *Residential (Land Lease) Communities Act 2013* (RLLC Act) and the AER's exemption guidelines⁴ mean there is limited value in retail competition, as home owners contracting directly with retailers is unlikely to result in energy cost savings. Unless there are regulatory changes, this has implications for the usefulness of AEMO's proposal in these types of embedded networks.

There are also varied demographics in residential land lease communities, which raises the question of how many residents have the desire and financial resources to take up CER.

On the one hand there are residential land lease communities that have evolved to become over 50's or 55's lifestyle villages, with state-of-the-art facilities and where manufactured homes sell for upwards of \$500,000. On the other hand, there are communities that house

⁴ *Op. cit.*

more vulnerable members of the community who live in caravans and are unlikely to be able to take up CER without some sort of financial assistance.

It is true that solar PV systems are becoming more popular in residential land lease communities, and we believe there will be demand for batteries and electric vehicles as time goes on. However, the scale of uptake will vary between communities.

In our survey one operator of a smaller community shared the following comment:

“Given the initial outlay for the solar panels and battery, and bearing in mind that the population of each dwelling is 1.4 persons on average they are not big consumers of energy compared to an average household. The costs involved in upgrading the infrastructure of the community would be too great to be born solely by the operator and unlikely to be accepted by homeowners via a levy. Ultimately, until the financial benefits outweigh the costs to an aged pensioner there will be little appetite to go down this path.”

We maintain that while the exemption framework may no longer be fit for purpose for other types of embedded networks, the nature of NSW holiday parks and residential land lease communities and the combination of federal and state legislation that governs them needs to be considered.⁵

They are one of the original intended recipients of the exemption framework and they are an important source of affordable accommodation where the supply of electricity remains an ancillary service. Such a framework should remain available for them, including the option to not appoint an ENM unless a customer seeks to go ‘on-market’ due to the additional costs involved.

Likewise, the integration of CER into holiday parks and residential land lease communities should not be mandated but **facilitated** where the benefits outweigh the costs. It should be up to each holiday park and residential land lease community to decide this, based on their individual circumstances, and they will need to be supported by an appropriate regulatory framework - preferably one that does not exacerbate the confusing web of rules and regulations that currently apply.

Regarding integration of CER the main problems or issues that concern our members are:

- Knowing what CER has been installed, when and by whom (consent).
- Knowing how that CER is operating at any one time (visibility, data, communication).
- Practical issues associated with accommodating CER such as size and location of fusing, metering and other equipment.
- Infrastructure costs of accommodating CER such as upgrades to wiring, meters, etc, and how to recover these costs.
- Managing the two-way flow of electricity.
- Impacts on the embedded network (e.g., voltage, safety, security).

⁵ We note the AER is currently undertaking a review of consumer protections for future energy services (formally known as the ‘Retailer authorisation and exemption review.’) We have provided submissions to that review.

- What to do if CER damages the embedded network and who pays for repairs.
- Grey areas or confusion about the rules, regulations and Australian Standards that apply.
- Operator and consumer rights and responsibilities.
- Having the capacity to effectively manage CER, on-sell electricity and/or operate the network (e.g., enough skilled and knowledgeable staff, time, resources like IT systems and operational processes, etc).
- The time and effort involved with managing CER and/or electricity supply/on-selling taking away from their core business.

When asked how they would like to see these problems solved and what assistance they would need to help them integrate solar and other CER, responses included:

‘Clarity on regulations.’

‘Government rebates to operators for the infrastructure upgrade works or no requirement to allow CER.’

‘A levy on the homeowners to cover the costs associated with the infrastructure.’

‘Information.’

‘Technical advice from distributor, walking us through the scoping and implementation process.’

‘Technical solutions around protection and safety requirements.’

‘Data and metering is a big issue that needs to be resolved as part of the bigger CER/DER issue.’

An appropriate framework is needed to address these issues and concerns, and support operators and home owners to work together to integrate CER for mutual benefit. As part of this, operators should have rights to protect their network assets and they should be able to recoup the costs of on-selling electricity and/or operating the network more generally.

This latter issue of cost recovery is important to the facilitation of solar PV systems and other CER in residential land lease communities because currently, the RLLC Act does not consider CER arrangements. It does not allow for service availability charges (due to section 77 and the case of *Silva Portfolios Pty Ltd trading as Ballina Waterfront Village & Tourist Park v Reckless [2018] NSWSC 1343*) and there is a limitation on the fees and charges that may be required or received by the operator of a community from a home owner in connection with the occupation of a residential site, or the use of any of the facilities of a community (section 76).

Overall, the regulatory framework for embedded networks should incentivise and support operators that want to encourage and integrate CER. As part of this, and in order to comply with their own responsibilities, where home owners are installing (or want to install) new energy technologies like solar PV and other CER operators must be involved and be able to have a say over what energy technologies are being installed and how on individual sites.

Essentially, there needs to be shared responsibility between customers, operators and suppliers of CER under energy laws. The RLLC Act, which is tenancy law, simply needs to be less obstructive, particularly in relation to fees and charges (including electricity usage and supply charges).⁶

Most importantly, operators should not be left out of pocket. If costly infrastructure upgrades are going to be required to accommodate CER then customers (whether they be home owners, tenants or long-term casual occupants) should be required to contribute to these costs. Sufficient financial support from governments, such as grants, tax incentives or loan schemes should also be made available.

As one example of problems with the current system, an issue has been brought to our attention concerning solar installations in several residential land lease communities (and other multi-tenanted sites) located in Ausgrid's distribution area.

We are aware that where home owners wish to install solar on their dwellings, for multi-tenanted sites with embedded networks Ausgrid must assess the site as a whole given it has one overall connection to the electricity grid. For connections greater than 30kW of solar and/or battery installations downstream there is a requirement for centralised protection to protect the assets in the embedded network as well as Ausgrid's assets.

The application process is problematic in that (under current rules) Ausgrid automatically approves some solar applications based on their size and the information provided on the connection application to minimise costs. Customers (or accredited solar installers acting on their behalf) who submit applications as part of multi-tenanted sites are required to confirm agreement by the property manager who is responsible for the connection to the Ausgrid network. In our sector, this would be the community operator.

Unfortunately, it appears this has not happened in several cases. Community operators were not made aware that home owners were seeking to install solar and the installations took place without the operator's knowledge or consent. Applications were submitted to Ausgrid with incorrect information regarding existing generation and being part of an embedded network, and these were not picked up by Ausgrid due to the nature of the application and connection process.

As a result, there have been solar installation applications approved after some residential land lease communities exceeded 30kW and now Ausgrid has issued defect notices to the community operators requiring them to rectify the defects (i.e., install grid protection relays at considerable expense) or remove the solar connections that brought about the defect notice.

This is not an ideal situation for the operators, home owners or Ausgrid and it shows how decisions about CER by one or a few persons in a community environment can affect others. However, we are advised that without changes to the current rules and Australian Standards there is little that can be done to fix the problem. We are looking to raise the matter with the Australian Standards Committee and the Clean Energy Council who accredits solar installers.

CONCLUSION

The question of whether AEMO's proposal for flexible trading arrangements and metering of minor energy flows in the NEM is a design option that might work well for customers in

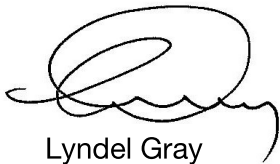
⁶ We note the NSW Department of Customer Service is currently reviewing the RLLC Act. These issues will be raised with the Department.

embedded networks is something that needs to be considered. However, as we have outlined above there are much broader issues in embedded networks that, in our view, need to be addressed first through a more detailed exploration and analysis, in consultation with industry, of how best to integrate CER into holiday parks and residential land lease communities.

Thank you for considering our feedback.

Should you have any questions or wish to discuss the issues raised please contact Shannon Lakic, Policy, Training and Executive Services Manager, on 0410 651 782 or email shannon.lakic@cciansw.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lyndel Gray', with a large, stylized initial 'L'.

Lyndel Gray
Chief Executive Officer