



Response of the Victorian Caravan Parks Association to the Australian Energy Market Commission's Draft Rule Determination 2015.

## 1. Introduction

The Victorian Caravan Parks Association Inc. (VicParks) thanks the Australian Energy Market Commission for the opportunity to comment on the matters raised in the Draft Rule Determination circulated in September 2015.

The operation of embedded networks is of great significance to operators of caravan parks in Victoria and we appreciate the opportunity to raise our concerns with some of the proposed directions in the Draft Rule determination.

## 2. Industry Overview

The Victorian Caravan Parks Association Inc. (VicParks) is the peak industry body for owners, managers and lessees of caravan parks in Victoria. Its members are predominantly regionally based, and the industry forms an important component in the supply of both regional tourism and regional residential accommodation.

The caravan park industry provides economic benefits and employment to regional towns and cities across the state; current state and federal government research indicates that there is significant opportunity for increased tourism visitation, and a subsequent increase in regional economic growth and employment as a result.

VicParks members employ more than 2500 staff in regional locations. The Victorian caravan park industry is estimated to contribute more than \$475 million annually to the Victorian state economy.

The Strategic Plan of the Victoria Caravan Parks Association that was developed in 2013 identified that caravan parks hold more than 54% of all accommodation capacity in Victoria. However, there is an average vacancy rate of about 49-52% across the entire year, for all but the peak summer weeks in late December-January during the summer school holidays. There is certainly capacity for caravan parks to offer increased levels of full-time residential accommodation

However, the impact of any proposed increase in the existing levels of regulation of the supply of electricity to customers in caravan parks could impact future supply of both tourist and residential accommodation. The caravan park industry is highly-regulated and is currently working co-operatively with the CFA and the Department of Transport, Planning, Lands and Infrastructure to review and reduce current levels of burdensome regulation. It is neither appropriate nor justifiable

to impose further licensing regulations for the supply of a service to caravan park customers that is incidental and not central to the caravan park business. To date these embedded networks have operated adequately under General Exemption Orders and we see no demonstrated rationale in the Draft Ruling to advocate for any change.

A review of the industry conducted by independent consultants in 2012 identified the high level of small business ownership of caravan parks, which in the main are owned and operated as family businesses in regional locations. Imposing higher levels of regulatory burden increases the attractiveness of the option for owners to sell up their business and realise a greater commercial return for their freehold land in response.

This would negatively impact on the current state government planning activity to grow regional economies through increased tourism and associated industries.

### 3. Types of Caravan Parks

There are a number of operating models for the conduct of a commercial caravan park that offers guest accommodation to both permanent residents and holiday customers.

DESCRIPTION	CUSTOMER BASE	COMMENTS
Part 4A Residential Park	Solely for Part 4A Site Tenants who own their own dwelling and enter into a site agreement to rent the site on which their home is occupied.	This is a growing segment of the market which provides affordable housing in a 'gated' community with many shared facilities for use by the homeowners.
"Hybrid" Caravan Park – Both Part 4A and Part 4	Mixed customer base, comprising a mix of tourists on short-stay visits, Part 4 Residents who rent their dwelling from the park owner, and Part 4A Site Tenants	Hybrid parks gear their business and service delivery around two entirely different customer bases. Tourists and permanent residents have entirely different needs which must be balanced to the satisfaction of each.
Tourist Parks	A park that is purely focused on providing accommodation for tourists in either the park's own cabins, on annuals' sites or on caravan or camping sites.	While some of these parks are large and belong to successful marketing chains, many of these parks have less than 100 sites and rely solely on the tourist market.

### 4. General Remarks

The Victorian Caravan Parks Association (VicParks) strongly opposes any proposal to introduce into caravan park operations a requirement for an Embedded Network Manager as outlined in the Draft Rule Determination. Whilst there may be an argument for the introduction of ENMs in other

commercial environments such as mining, construction, transport, civil and building, etc, to better regulate selling of electricity and protect customers in those environments, this proposal is not workable in caravan park operations.

In Victoria there are a number of legislative protections for long- and short-term residents in caravan parks.

The Essential Services Commission determines the maximum charges that can be charged to park customers by caravan park operators for the Supply and Usage of electricity. These charges are reviewed annually by the Essential Services Commission, and cover the differential pricing structures of the 5 main electricity retailers that operate across the state of Victoria, namely, Powercor, SP AusNet, United Energy, Citipower, and Jemena. It should be noted that not all of these retailers offer a state-wide service.

It should also be noted that caravan park owners that operate as embedded network retailers are responsible for the cost of supplying, providing and maintaining all the electrical infrastructure from the street to the individual site and connection to the meter situated on or adjacent to the site occupier's dwelling. Unlike renters in other accommodation sectors, residents in caravan parks are not required to contribute to the cost of meters, maintenance or other infrastructure supply costs.

In addition, the Victorian Government's Residential Tenancies Act that sets out the rights and responsibilities of both park operators and their customers specifically requires that park operators must charge their caravan park customers at a rate that is comparable with that charged to non-caravan park customers by the relevant retailer.

Specifically, the Residential Tenancies Act (1977) Part 4A Section 206ZH requires that

- (1) *A site owner must not seek payment or reimbursement for a cost or charge under ...that is more than the amount that the relevant supplier of the utility would have charged the site tenant.*

The current exemption for caravan parks owners to operate as an embedded network retailer without a licence requirement has been in place for decades; to a large extent this exemption recognises the unique status of caravan park operators as operating to provide a service to their customers rather than operating a for-profit electricity retail business.

The proposal in the Draft Ruling for an EMN to assist customers to choose their supplier of electricity does not appear to demonstrate sufficient consideration of the already complex operational issues for caravan park businesses that operate as an embedded network retailer to provide this service to their customers. Essentially, caravan park owners do not run energy sale businesses. They run tourism and accommodation businesses in caravan parks. In the operation of these businesses they provide a service to supply and maintain the necessary infrastructure to deliver electricity to park customers. They charge for this service at the rate recommended annually by the Essential Services Commission. They do not and may not by law charge their customers for the cost of providing the infrastructure of individual powerhead meters, and for the cost of maintaining this infrastructure.

In addition, the Draft Ruling appears not to recognise that the 5 retail suppliers of electricity in Victoria do not all operate across the state; an attached map shows that specific locations in which each operate. The proposal for an EMN to assist park residents to choose an alternative supplier to that currently operating in the area is therefore not always practical, or may involve the resident in significant cost to purchase their own metering equipment and other associated costs.

Our reasons then for opposing the proposal to introduce an ENM are as follows:

**1. Provision of electricity to residents of caravan parks is not a core business for caravan park owners**

The central purpose of caravan parks is to provide accommodation – both long-term and short-term to visitors and residents. Providing a supply of electricity to residents of caravan parks is not a core business operation of caravan park owners. It is not a business operation in itself, but rather a supply to residents of a necessary amenity to render comfortable and safe site occupancy.

Park owners must provide the infrastructure for the supply of electricity to residents on meters that can be separately read for billing purposes. They must, by government regulation regularly read the meters, provide detailed invoices, and supply receipts.

The Essential Services Commission annually sets the rates for charging residents for supply and usage costs. These are the maximum rates that can be charged.

The administrative tasks associated with supply and maintenance of infrastructure, provision and maintenance of meter, reading meters and invoicing accordingly, issuing receipts and following up late payments are onerous and do not provide a financial compensation that is out of alignment with the work involved.

There has been no demonstrated evidence provided to VicParks that the current system of operation as an embedded network disadvantages residents of caravan parks.

Specifically, the Residential Tenancies Act (1977) Part 4A Section 206ZH requires that

- (2) A site owner must not seek payment or reimbursement for a cost or charge under ...that is more than the amount that the relevant supplier of the utility would have charged the site tenant.

**2. There is not a choice of retail electricity suppliers available across the state of Victoria to residents of caravan parks**

This lack of choice forms a major barrier to providing choice of retailer to caravan park residents in large areas within the state. In essence, there is frequently no competitive retail market for an EMN to exploit, and if there was, the cost to the resident of duplicating the supply and metering equipment for an alternative supplier would be a financial disincentive.

## 5. Concluding Remarks

An independent survey of the caravan park industry in 2012 indicated that more than 70% of caravan parks in Victoria are owned and managed by husband-and-wife teams that realise a relatively low economic return for the long hours worked in the business. Any proposal to add additional requirements such as an EMN operation to this industry flies in the face of current federal and state government attempts to reduce the level of red tape and regulatory burdens that impact heavily on small business owners.

We note that the proposal for the introduction of EMNs to assist customers to assess options for accessing the competitive retail market does not distinguish between embedded network suppliers such as caravan parks that provide the service of supplying electricity to customers as an inherent requirement of their business in order to ensure the liveability of the caravan park residency for tenants, and those embedded network retailers for whom the supply and sale of electricity appears to be part of their commercial offer to tenants.

We respectfully submit that the relatively low level of notified system failures by caravan park owners in delivering a reliable supply of electricity within the pricing regime set by the Essential Services Commission is low and does not call for the introduction of an EMN-managed regime in response.

In our view, the current system could be effectively strengthened to support those residents in caravan parks who are dissatisfied with the current service levels and pricing regimes through an expansion of the role of the Ombudsman, to provide an effective dispute resolution process that is simpler and inexpensive. We believe that the majority of caravan park owners would welcome the option of an independent third-party to hear and mediate solutions to consumer complaints, and decide the degree to which they have substance, as opposed to a misunderstanding of the billing process and the applicable rates in place for usage and supply. Whatever is put in place should not diminish the benefits that are provided to the majority of satisfied customers, but should help any consumers who may be caught in embedded networks that do not in their view appear fair and beneficial.

We would further suggest that caravan park owners be required to provide specific information to residents at the time of their move into the park, on the nature of the supply of electricity as an embedded network retailer, the rates as determined periodically by the Essential Services Commission, their limited opportunities in many regional areas for selecting an alternative supplier at a reasonable cost, and their avenues for lodging any complaint. This would provide greater transparency for residents and provide information to assist them in any related decisions.

Our association would be happy to lead this process, and would develop the necessary information pack and educate members about their responsibility to provide this information to residents.

To date, the available technology (purchased entirely at the cost of park owners to allow separate metering of each site in order to provide individual invoices based on usage by each tenant) has not provided opportunities for alternative technologies to measure capture of renewable energy that

might reduce power bills. However this association has played a pivotal role in assisting with ground-breaking research undertaken by Goulburn Valley Community Energy in partnership with Monash University, to measure power usage and recommend ways to reduce power bills for residents in caravan parks.

### **In Summary:**

1. The Victorian Caravan Parks Association does not support the introduction of EMNs to provide caravan park residents with access to a competitive retail market that is simply not available across the state of Victoria.
2. We see no demonstrated need in the Draft Rule to introduce any such form of third-party operation in the provision and supply of electricity to residents in caravan parks to support this proposal. Furthermore, we contend that for the majority of caravan parks, the operation of the embedded networks and exempt selling is fair and beneficial for residents of caravan parks.
3. We support a higher level of consumer protection measures be put in place, to include a requirement that all residents be made aware at the time of commencing their tenancy of the operation of the embedded retail network, the pricing structure) which must comply with the rates set by the Essential Services Commission), and information about how to access a Complaints Resolution process if required.
4. We support a broadening of the powers and jurisdiction of the Ombudsman to manage the interest of residents in embedded networks, and to provide a third-party view of the legitimacy of the complaint to assist the interest of the caravan park owners.
5. We caution against further regulatory impact caused through the introduction of any additional regulatory regime that might add to the significant regulatory burden already in operation for caravan park owners. The freehold property values of the prime land upon which many park businesses operate continues to escalate, and the impost of additional red tape and regulatory requirements could see park owners sell their businesses to developers who have other uses for the land. This would effectively limit the tourism sites that bring income to regional towns, and also limit the availability of affordable accommodation for sections of the community who have very few other options.

Again, thank you for the opportunity to comment on the proposals in the Draft Ruling. Please contact me on 03 9372 3420 if further information is required.

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**Appendix One: Map of regional locations for supply of electricity by various retailers**

