

16 October 2017

Mr Owen Pascoe  
Director  
Australian Energy Market Commission  
PO Box A2449  
SYDNEY SOUTH NSW 1235

Dear Mr Pascoe

## **Review of regulatory arrangements for embedded networks (reference RPR0006)**

As the peak body representing caravan parks (both of single purpose and mixed-use parks, that is parks with a mix of tourists, permanent caravans and residents in manufactured homes) in Queensland, we appreciate the opportunity to provide feedback on the draft recommendations made by the AEMC.

CPAQ is an important stakeholder in the review of regulatory arrangements for embedded networks due to the large number of caravan parks in Queensland running this style of network.

As a sector electricity is often supplied as an essential service through embedded networks for the benefit of residents living in caravan parks. Due to the nature of caravan parks this supply also extends to tourists staying within the park. Further this service is not a core part of the caravan park business model or income stream.

Due to Queensland legislation caravan parks running embedded networks do not make a profit on the on-supply of electricity for residents, if anything they would be considered to be making a loss due to the administrative burden and maintenance costs associated with the network.

### **Background**

Those caravan parks in Queensland with permanent residents that on-charge on a metered basis are regulated by the Residential Tenancies and Rooming Accommodation Act 2003 (RTA) and/or Manufactured Homes (Residential Parks) Act 2003(MHA).

These pieces of Queensland legislation have strong consumer protections in relation to the on-charging of utilities.

Under the RTA:

*Section 167 (3) The tenant must not be required to pay an amount for the outgoings that is more than—*

- a. if a way for working out the amount payable by the tenant is prescribed under a regulation—the amount worked out in the way prescribed; or*
- a. if a way is not prescribed—the amount charged by the relevant supply authority for the quantity of the thing, or the service or facility, supplied to, or used at, the premises.*



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Under the MHA:

*Section 99A (2) The park owner must not charge the home owner an amount for the use of a utility that is more than the amount charged by the relevant supply authority for the quantity of the service supplied to, or used at, the site.*

Under the MHA and RTA where park owners own, operate and maintain the embedded network, they incur significant costs which include but are not limited to maintenance, meter reading, calculation of bills, calculating, claiming and refunding concessional rebates, and chasing outstanding accounts for residents. There are examples of park owners in Queensland having a staff member who spends more than one full day a month undertaking administration relating to the on-supply of electricity alone. These costs mean that rather than an embedded network being a cost neutral exercise as intended it is actually costing parks money. Irrespective of this the parks continue to run the network as they recognise this is an essential service for their residents.

In a small survey of our office staff we determined that by living in a caravan park our staff could be saving up to 50% of their current electricity bill.

Household type	Paid last bill	kWh used	The bill they would have received if they lived in a manufactured home park	Saving over a resident in a normal household
Single living in an apartment:	\$48.42	79	\$21.33- \$26.07	\$22.35- \$27.09
Couple living in a house:	\$271.57	611	\$164.97- \$201.63	\$69.94- \$106.60
Couple living in a house:	\$646.22	966	\$260.82- \$318.78	\$327.44- \$385.40

## Feedback on Review of regulatory arrangements for embedded networks

### Improving access to retail market competition

Due to the advantage residents in a caravan park are currently receiving we would not envisage a significant number of residents choosing to go on market.

Based on advice received to date we understand that to go on market the resident would have to bear the cost of removing the embedded network meter and installing a meter that is 'visible' in the NEM settlement process (as the infrastructure in most park is older).

One of the concerns in this scenario's is that the resident may wish to return to the embedded network, or may decide to sell their property. If this occurs how difficult would it be for the current or new resident to return to the network?

#### **Recommendation:**

Clear information be provided in relation to customer switching arrangements, particularly where a customer has gone on market and then wishes to return to the embedded network.

### Elevating embedded networks into the national regulatory and competitive market framework

Due to the complex nature of a caravan park, that is having a variety of types of residents (permanent, short term and tourist), requiring an embedded network to appoint an ENM for all embedded network connection points would be a costly and unnecessary process for these types of businesses.

For this reason we would support the AER being provided limited discretion under the authorisations framework to exempt retailers that on-sell electricity in embedded networks.

We would also support the introduction of a minimum set of conditions which exempt authorised retailers must comply with, including dispute resolution (this could be expanded to include the relevant Civil and Administrative Tribunal), explicit informed consent, life support requirements, and disconnection requirements.

On-charging of electricity remains the issue that we receive the most calls about as park owners want to ensure they are doing the right thing under the Act, and for the benefit of their residents.

On behalf of our members we are concerned that aspects of the proposed changes will impose an unnecessary and costly compliance burden on these businesses that are already at a disadvantage by running an embedded network. Changes to the National Framework will likely also cause additional confusion due the conflicts within the state and national legislation.

**Recommendations:**

Changes to the retailer authorisation consider the implications on businesses which have a diverse network (e.g. parks which cater to residents and tourists).

The regulatory and cost burden be managed in such a way that they do not make the running of an embedded network cost prohibitive, particularly where the network is not making a profit.

**Better consumer protections for new and legacy embedded networks**

The AEMC's position that "energy is an essential service and an energy customer should generally receive the benefit of the same core set of consumer protections" and "any differences in the level of consumer protections a customer receives should be based on the nature of the service and the needs of the consumer, not the business model of their supplier".

Caravan parks in Queensland are governed by consumers in this sector already benefit from some of the strongest protections that can be afforded to them. These protections include at cost pricing. For this reason we would endorse caravan parks being exempt from being required to publish price information to allow customers considering moving into an embedded network an informed choice

Generally in the event of a dispute, if not negotiated between the two parties, in Queensland the MHA and RTA provide provisions for independent mediation or a decision by QCAT.

Due to these protections and the existing cost to caravan parks to run an embedded network we would advocate against the requirement for all embedded networks to participate in an Ombudsman scheme which would add to the financial burden of some embedded networks.

**Recommendations:**

The protections of the consumer be carefully balanced against the regulatory burden imposed on the embedded network.

The state based Civil and Administrative Tribunal be acknowledged in the dispute resolution process (following negotiation and/or mediation).

National legislation not be developed which duplicates or is in conflict with existing state legislation.

**About us**

Caravan Parks Association of Queensland Ltd (CPAQ) is the industry body representing caravan parks in Queensland. Established in 1966, the association is the voice for the sector, providing support and networking opportunities in

addition to advocating on behalf of the industry, and promoting the sector to interested consumers.

There are currently over 460 full and associate members of CPAQ, made up of caravan park operators, mixed use parks (i.e. catering for caravans and residents in manufactured homes), and campgrounds, large and small, from all corners of the State, industry suppliers, tourism businesses, plus regional and local tourism organisations.

The caravan park industry is a significant provider of accommodation with a range of both long and short term accommodation options available for their residents and guests. Caravan and manufactured home parks and those mixed-use parks with manufactured home sites provide safe, secure and affordable housing options while also providing a support system for their residents, particularly those who are more vulnerable.

We seek to work with both state and local governments to balance the needs of the consumer (which includes permanent residents in parks) with those of the Government and industry. We actively strive to ensure not only that minimum standards within parks are met, but that over time these industry standards are in fact driven higher.

As the peak body for the sector we aim to:

- Foster and assist in the development of the caravan parks industry
- Encourage a high standard of quality service and ethics from caravan parks in Queensland
- Strongly advocate for a level playing field for all industry participants
- Promote Queensland Caravan Parks as the holiday destination of choice
- Work closely with State and Local Government for the benefit of our members and councils
- Provide support and advice to member businesses and distribute relevant information to ensure the smooth running of member businesses

For further information on this submission please do not hesitate to contact me on 07 3862 1833

Kind regards



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Caravan Parks Association of Queensland.