

30 January 2024

Mr Arek Gulbenkoglou
General Manager
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email: AERresets2024-29@aer.gov.au

Dear Mr Gulbenkoglou

The Caravan, Camping & Touring Industry & Manufactured Housing Industry Association of NSW (CCIA NSW) welcomes the opportunity to comment on Endeavour Energy's *Revised Regulatory Proposal 2024-2029*.

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), as well as 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 (ENs), serving holidaymakers and/or residential customers. Under the Australian Energy Regulator's (AER) *(Retail) Exempt Selling Guideline, Version 6, July 2022* (Retail Guideline) and *Electricity Network Service Provider – Registration Exemption Guideline, Version 6, March 2018* (Network Guideline) these ENs operate in exemption classes D3, ND3 and R4, NR4 respectively.

We estimate approximately 85 of our holiday park and residential land lease community members are located within the Endeavour Energy distribution network. Endeavour Energy's *Revised Regulatory Proposal 2024-2029* is therefore of keen interest to the Association and its members.

In reviewing the AER's *Draft Decision Endeavour Energy Electricity Distribution Determination 2024 to 2029* (Draft Decision) and attachments, and considering Endeavour Energy's *Revised Regulatory Proposal 2024-2029* and attachments, CCIA NSW has focused its comments on the core questions outlined in the AER's Draft Decision, being:

- **What further supporting information and/or analysis Endeavour Energy should or could provide in its revised tariff structure statement.**
- **The level of charges and amount of residual costs Endeavour Energy is attempting to recover through its embedded network tariff.**
- **Whether Endeavour Energy has adequately considered the benefits embedded networks provide in its proposed charges.**

- **Whether Endeavour Energy has adequately considered the impact of its embedded network tariff on embedded networks and customers within embedded networks.**

In providing our responses to these questions, CCIA NSW recognises the intention of reforming network tariffs for ENs is to better manage the demand these developments place on the network and the costs of providing network services to these ENs. CCIA NSW remains committed to participating in constructive dialogue with Endeavour Energy, the AER and other service providers to support reform that improves the system for all, without inadvertently disadvantaging EN customers.

Supporting information and/or analysis Endeavour Energy should or could provide in its revised tariff structure statement

CCIA NSW has reviewed supporting information provided by Endeavour Energy that accompanies its *Revised Regulatory Proposal 2024-2029*, including *Attachment 0.05 Tariff Structure Statement* and *Attachment 0.06 Tariff Structure Explanatory Statement*.

CCIA NSW acknowledges Endeavour Energy's attempts to provide further information on the 389 embedded networks within its distribution network, in line with stakeholder feedback and the AER's request.

However, CCIA NSW would contend that this information is still insufficient, as it does not provide adequate information for the Association to reliably determine, or provide comment on, whether the new EN tariff and the impacts on our members are justified.

Endeavour Energy contends that *'The core of the issue with our current approach is that an embedded network is assigned to a large customer tariff based on the aggregate annual energy consumption of its "child" connection points. We do not believe this is equitable, since the embedded network is not an individual business or industrial customer, it is a collection of SME businesses and residential customers.'*¹

Endeavour Energy also states that *'of the 389 embedded networks identified, 256 are large connection consuming greater than 160 MWh per annum, with a vast majority (248) being low voltage sites'* and that *'Unfortunately, [Endeavour Energy] have no visibility over the connection within an embedded network, although it appears that the majority of child NMLs at the low voltage sites are small businesses in the context of shopping centres and residential customers in the context of apartment buildings and developments'*.²

These statements indicate to us that Endeavour Energy has not taken proper account of the holiday parks and residential land lease communities in its distribution network and the customers within these ENs.

Firstly, they are not a *'collection of SME businesses and residential customers.'* ENs that are holiday parks³ provide energy to non-residential customers - i.e., they are commercial short-term accommodation providers supplying energy to customers who would not otherwise connect to Endeavour Energy's distribution network as individual connections at the site. Therefore, Endeavor Energy's assertion on page 48 of its *Tariff Structure Explanatory Statement* that *'absent that embedded network, each individual customer in the embedded*

¹ Endeavour Energy, *Tariff Structure Explanatory Statement, 2024-29 Regulatory Control Period, 30 November 2023*, p70

² *Ibid.*

³ *Holiday parks*, as previously submitted by CCIA NSW, refers to caravan parks that supply energy via an EN to occupants of holiday accommodation on a short-term basis.

network would contribute to recovering the cost of our existing network through the payment of a fixed charge' is incorrect in relation to holiday parks.

Residential land lease communities⁴ can provide energy to residential as well as non-residential customers. These are 'mixed-use' developments, with a combination of long-term sites (used by residents), short-term sites and camp sites (used by holidaymakers). 'Child meters' (which are often not smart meters) supply these different sites as part of the EN.

To give a better understanding of these businesses, of the 85 holiday parks and residential land lease communities that we estimate are located within Endeavour Energy's distribution network:

- 5 have only long-term sites,
- 51 have a mixture of long-term sites, short-term sites and/or camp sites in various ratios, and
- 29 have no long-term sites.

Understanding and accurately determining the energy consumption of these different types of users within holiday parks and residential land lease communities is critical to understanding the overall impact these different uses, which make up the EN, have on the external distribution network, and at what times.

While CCIA NSW acknowledges that Endeavour Energy does not have visibility of the different customer types within ENs, the Association would contend that in order to progress positive tariff reform, Endeavour Energy should look to extend its capabilities and work with us and other stakeholders to obtain more granular and therefore more accurate customer profiling data.

This is because more precise modelling is required to understand the demand different types of ENs, like holiday parks and residential land lease communities, place on the distribution network. This then assists to determine what their fair share of network costs should be, as they should not be required to pay any more than necessary for network infrastructure.

Our intention in requesting this level of detail is to ensure holiday parks and residential land lease communities are not unfairly captured by EN tariff reforms.

Despite the further information that Endeavour Energy has provided in its *Revised Regulatory Proposal 2024-2029*, we do not believe it goes far enough to adequately address the issues we have raised in relation to holiday parks and residential land lease communities. As a result, there is no certainty for us that Endeavour Energy's tariff reform for these mixed-use ENs is justified.

These ENs are not properly reflected in Endeavour Energy's analysis and calculations and, as a result, Endeavour Energy has not accurately identified the tariff arbitrage in holiday parks and residential land lease communities (if any), whether it leads to cross-subsidies for other customers and by how much.

Endeavour Energy's analysis remains too high-level to fully understand the impact on holiday parks and residential land lease communities. Further technical analysis is needed to fully

⁴ Residential land lease communities refer to residential parks, including caravan parks and manufactured home estates, that supply energy via an EN to residents who live there, in addition to guests that may stay in these locations for short-term accommodation purposes. This can include supplying energy to as few as 1-2 residents (mixed parks) right through to residential land lease communities that are exclusively residential.

explore and understand the diversity between different ENs and how their load profiles and impacts on the network differ.

In addition, Endeavour Energy has indicated that after considering feedback from the Association the new EN tariff would be applied to all connections with use above 160MWh per annum. Endeavour Energy says, *'in the case of holiday parks, limiting the application of the embedded network tariffs to sites greater than 160 MWh per annum will address concerns that incidental and temporary electricity is unfairly captured.'*⁵

Even though Endeavour Energy proposed this threshold from the outset, rather than in consultation with the Association, we again reiterate that without appropriate data, it is difficult to determine how many holiday parks and residential land lease communities this is likely to provide relief to, nor does it adequately address the issues we have raised.

Since the AER's 28 September 2023 Draft Decision, in which the AER directed Endeavour Energy to consult further on its EN tariff, Endeavour Energy has not engaged any further with CCIA NSW. Our view is that Endeavour Energy's consultation with the Association has been minimal overall.

Based on our understanding of how these businesses operate, we estimate that the majority of holiday parks and residential land lease communities in Endeavour Energy's distribution network would use more than 160MWh per annum. Therefore, they would not be exempt from the proposed changes.

In providing response to the AER's request for stakeholder feedback, the Association would again encourage Endeavour Energy to work with CCIA NSW, NSW Fair Trading, the AER and energy retailers to appropriately identify the EN types within its distribution network, to understand whether their load profiles are in fact reflected the limited analysis that has been undertaken, and to accurately identify and determine the impact of the EN tariff on these users.

This work should occur during 2024-25 to best prepare for the next review cycle or to support a mid-cycle amendment to Endeavour Energy's Tariff Structure Statement if that avenue is available to Ausgrid.

In particular, the type of information and analysis the Association would like to see includes:

- Better categorisation of specific customer types within the 389 ENs within the Endeavour Energy distribution area, including mixed-use properties such as holiday parks and residential land lease communities.
- Data and analysis of how many holiday parks and residential land release communities would be assigned to the EN tariff.
- The load profiles of the different ENs to determine the appropriateness of the proposed tariff introduction.
- More detailed bill impacts based on the revised categorisation of the 389 users, noting greater information about commercial components of the ENs.

The level of charges and amount of residual costs Endeavour Energy is attempting to recover through its embedded network tariffs

We note Endeavour Energy's original Regulatory Proposal 2024-29 sought to introduce an EN tariff with the same structure as the time-of-use demand commercial tariff but with a 9.5

⁵ Endeavour Energy, *Tariff Structure Explanatory Statement, Op. cit., p71*

c/kW/day additional demand charge, equating to an average impact on customers network bills of 12%.⁶

Endeavour Energy has now advised in its revised *Tariff Structure Statement* that in response to stakeholder feedback it accepts *'that it is possible that the formation of an embedded network can result in an offsetting and incremental opex saving in expenditure areas such as vegetation management, maintenance and emergency response.'*

Using the AER's opex model to calculate a resulting reduction in opex, the expected impact of the EN tariff has been adjusted down to an additional demand charge to Endeavour Energy's standard demand-based tariff (N19) with a revised calculation of 7.5 c/Kw/day.

Endeavour Energy now expects that assigning ENs to the EN tariff will have an average impact on network bills of 9%. Our review of *Figure 37: Impact of proposed embedded network tariff on impacted customers* on page 72 of Endeavour Energy's revised *Tariff Structure Explanatory Statement* indicates that between 20-25% of impact customers are likely to experience a bill increase of between 10-12%.

We have several concerns with what has been presented by Endeavour Energy. Firstly, the limited information available on customer types and load profiles within ENs makes it difficult to assess and determine the accuracy of residual costs Endeavour Energy is attempting to recover through its EN tariff, and therefore the justification of imposing these tariffs on our members.

As noted above, holiday parks and residential land lease communities are not properly reflected in Endeavour Energy's analysis and calculations. Not properly understanding and classifying the usage and load profile of the customers of these ENs is unacceptable, particularly as *Figure 37: Impact of proposed embedded network tariff on impacted customers* on page 72 of Endeavour Energy's revised *Tariff Structure Explanatory Statement* suggests that between 20-25% of impact customers are likely to experience a bill increase of between 10-12%.

We estimate that most holiday parks and residential land lease communities in Endeavour Energy's distribution network would use more than 160MWh per annum and would not be exempt from the proposed changes. It is therefore concerning that over 20% of impacted customers would have a bill increase of between 10-12%.

Further, we do not feel the additional demand charge has been adequately modelled in Table 11 on pages 71-72 of Endeavour Energy's revised *Tariff Structure Explanatory Statement* to provide an indicative average yearly cost impact of the additional charge.

Endeavour Energy has proposed a transition to the full EN tariff over a two-year period. While a transitional arrangement is welcome, many holiday parks and residential land lease communities are small and medium businesses and energy is a significant cost. Further guidance from Endeavour Energy on how it will work with operators to better understand and manage this increase is required.

Whether Endeavour Energy has adequately considered the benefits embedded networks provide in its proposed charges

As noted above, Endeavour Energy has made an adjustment to its proposed EN tariff to better recognise and reflect the potential for network cost savings from the connection of ENs.

⁶ Endeavour Energy, *Tariff Structure Explanatory Statement, 2024-29 Regulatory Control Period, 31 January 2023, p 68.*

The network costs of supplying embedded network customers are significantly lower than the costs of supplying an equivalent on-market customer. This is partly because the parent connection to the grid is treated as a large energy customer, and partly because of the network opex savings generated by operators assuming maintenance responsibility for the internal infrastructure. This includes looking after wiring, private poles, tree trimming, meter reading and billing activities for customers, etc.

This means Endeavour Energy does not incur these costs. In addition, EN customers are not covered by the obligations Endeavor Energy has to its on-market customers, such as meeting customer service standards, providing compensation for unplanned network outages, etc.

ENs can also install onsite generation such as solar and battery storage at scale (not otherwise be possible for individually connected customers) to optimise energy use and further minimise costs to customers.

In responding to feedback and adjusting its EN tariff, Endeavour Energy has done a better job in considering the benefits ENs provide in its proposed charges. However, more information is needed for CCIA NSW to view Endeavour Energy's considerations as adequate, given holiday parks and residential land lease communities are not properly reflected in Endeavour Energy's analysis and calculations.

Whether Endeavour Energy has adequately considered the impact of its embedded network tariff on embedded networks and customers within embedded networks

CCIA NSW recognises the unenviable task Endeavour Energy and other DNSPs have in undertaking tariff reform and introducing tariffs that better reflects the load placed on the network, so it is fit-for-purpose in the future.

The Association would simply reiterate the points it has raised above in its submission – the lack of detailed information on EN customers, in particular holiday parks and residential land lease communities, where there are often multiple users with varying load profiles, means Endeavour Energy may not have fully considered the implications of its EN tariff on these customers.

Supporting changes that could lead to increased network bill impacts of 9% on average (and as high as 12% for some customers) without appropriate data is simply not acceptable to the Association or its members. More work is required for the EN tariff reform to be justified.

CCIA NSW wishes to make a point of clarification regarding our references to the *Residential (Land Lease) Communities Act 2013* (RLLC Act) and the *Reckless*⁷ case in our previous submissions to the AER on Ausgrid's and Endeavour Energy's regulatory proposals. Both Ausgrid and Endeavour Energy have responded that the profitability of ENs is not the issue to consider, but rather the contribution they make to residual or 'shared' network costs.

Endeavour Energy states on page 71 of its revised *Tariff Structure Explanatory Statement*:

'With respect to land lease operators, embedded network profitability is not the issue we are seeking to address, rather we seek a more equitable contribution to residual, or "shared", network costs for those customers inside the embedded network relative to similar customers outside of an embedded network.'

⁷ *Silva Portfolios Pty Ltd trading as Ballina Waterfront Village & Tourist Park v Reckless [2018] NSWSC 1343*

Our reference to the RLLC Act and the *Reckless* case was not meant to be interpreted as a submission about a lack of profit from the sale of energy justifying an exemption of residential land lease communities from Endeavour Energy's EN tariff. Our intention was to explain that there are no gains from tariff arbitrage in residential land lease communities due to strict price controls because of the RLLC Act and the *Reckless* case, and as a result any increase in network charges for residential land lease communities because of EN tariff reforms will pass directly through to residents.

The point is that many residents are on fixed incomes, and some are vulnerable members of the community. It is important for Endeavour Energy to properly consider the needs of these customers and the impact that the proposed EN tariff would have on them.

However, as noted by the AER, the NSW Independent Pricing and Regulatory Tribunal (IPART) is currently undertaking a review of prices charged by EN operators on-selling energy and providing other services to their end customers.⁸ IPART's recommendations in its Draft Report are that maximum gas and electricity prices in NSW ENs should be set by benchmarking them to retail offers being advertised on the AER Energy Made Easy website and be determined by the median of the lowest tariffs, fixed and consumption, of all active retailers.⁹

If implemented, IPART's recommendations may limit the ability of ENs to recover the additional cost of Endeavour Energy's EN tariff. This is an issue that should be included and further explored in Endeavour Energy's consideration of the impact of its EN tariff on ENs and customers within ENs.

We also note that the AER is currently undertaking a review of the exemptions framework for ENs and is proposing options to increase visibility of compliance under the Retail Guideline, including mandatory compliance and performance reporting.¹⁰ The AER is also proposing extending family violence obligations to ENs. If such additional obligations are imposed on ENs, this will further add to their administrative workload and costs of operating the EN.

In our view, the customer impacts of the new EN tariff, including end customers within ENs, need to be further examined by Endeavour Energy beyond a high-level analysis.

CONCLUSION

CCIA NSW appreciates the opportunity to provide feedback on Endeavour Energy's *Revised Regulatory Proposal 2024-2029*, and consideration of our input into the design of tariff structures for ENs.

While Endeavour Energy has provided additional information on the proposed EN tariff, CCIA NSW believes further data and analysis is still required to ensure that the tariff does not inadvertently affect holiday parks and residential land lease communities.

⁸ IPART, *The future of embedded networks in NSW*, accessed on 29 January 2024 at https://www.ipart.nsw.gov.au/The_future_of_embedded_networks_in_NSW

⁹ We note that IPART's Draft Report is unclear on what the impact of its draft recommendations would be on EN customers who are occupants of holiday accommodation on a short-term basis, such as holiday guests and long-term casual occupants staying in caravan parks. These customers are not residential customers, and they are not business customers and they are free to shop around for alternative holiday accommodation if they are not happy with the price, including the price of gas or electricity if charged separate to the accommodation tariff. We have sought clarification from IPART in our submission to the review.

¹⁰ AER, *Review of the AER exemptions framework for embedded networks*, accessed on 29 January 2024 at <https://www.aer.gov.au/industry/registers/resources/reviews/review-aer-exemptions-framework-embedded-networks>

CCIA believes that the 2024-25 period should be used to examine the issues raised by the Association in further detail, in preparation for tariff reform from 2025 onwards. This includes Endeavour Energy working with CCIA NSW, NSW Fair Trading and the AER to better categorise and identify EN types within Endeavour Energy's distribution network and understand the true impacts of the proposed EN tariff.

Should you wish to discuss the issues raised in this submission please contact Shannon Lakic, Policy, Training and Executive Services Manager, on [REDACTED] [REDACTED] [REDACTED] or email [REDACTED]

We look forward to our continued engagement with the AER and Ausgrid in the consultation process.

Yours sincerely

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Lyndel Gray /
Chief Executive Officer