

29 May 2022

Mark Feather

General Manager, Strategic Energy Policy and Energy Systems Innovation

Australian Energy Regulator

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Dear Mr Feather

Retailer authorisation and exemption review

On behalf our members, Caravan Parks Association of Queensland Ltd (CPAQ) appreciates the opportunity to comment on the Retail Authorisation and Exemption Review being undertaken by the Australian Energy Regulator (AER).

Our interest in this review

CPAQ is the peak industry body representing caravan parks in Queensland providing a united and informed voice for the Queensland caravan parks industry.

There are currently 330 full members of CPAQ – these members are a combination of tourist/holiday parks and mixed use/residential parks, large and small, from across Queensland. Many of these members operate embedded networks in exemption classes D3, ND3, R4 and NR4.

For the purpose of this submission:

- **'tourist/holiday parks'** relates to parks only offering tourist or short term accommodation;
- **'mixed use/residential parks'** relates to parks offering residential accommodation, either as their sole business or alongside tourist accommodation.

Our submission deals solely with the issues relating to embedded networks.

Consultation question 1: Do you agree with the approach of using use cases/business models to identify the harms and risks of new energy services and products? Please explain why.

While the use of case/business models within the issues paper provides some clarity around the issues relating to each model, embedded networks are diverse.

The protections available to consumers within each of the different types of embedded network are significantly different. Further, the business type, occupants, onsite



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infrastructure, ownership arrangements and other characteristics of these networks will have an impact on the risks new energy services and products will have on the end user.

RECOMMENDATION: We recommend that further case/business models be developed for embedded networks, particularly for mixed use/residential parks. Further work should be done to ensure that these models are comprehensive enough to clearly identify the harms and risks of new energy services and products – this should be done in conjunction with key industry bodies representing participants in those market segments.

Consultation question 7: Are the current authorisation and exemption frameworks fit for purpose? What risks do you see with the current frameworks? What consumer protections do you think are missing from the frameworks?

Tourist/holiday parks

Tourist/holiday parks supply energy through their own network to short term visitors to their parks under a deemed exemption. The supply of energy under these arrangements is incidental to the contract that is entered into between the guest and the park operator.

Due to the short-term nature of stays within these properties, the large range of choice of providers and clear disclosure of costs at the time of booking and arrival there is a low risk to the end energy user.

In recent years we have seen the introduction of 'user pays' arrangements in tourist/holiday parks where guests are charged for their energy use based on a meter reading. These arrangements have been accepted by guests with positive feedback as it provides a better understanding of their actual energy use and allows the guests to manage this cost with the use of solar or by better managing their usage (e.g., shutting windows if the air-conditioner is running).

Consumer risk assessment

Access to energy: It is in the interests of the park operator to ensure a continued supply of energy as their energy infrastructure also services communal facilities and their office. A loss of electricity to the park is likely to impact the day to day operation of their park in addition to providing negative outcomes on key metrics such as online reviews which can impact future bookings.

Tourist/holiday parks are reliant on a retailer to supply electricity to their park which means that supply issues fall into three categories:

- 1) planned outages under the management of their retailer;
- 2) unplanned outages such as a loss of power due to a weather events or incident such as a car hitting key infrastructure;
- 3) planned park upgrades (e.g., underground work or a powerhead replacement).

Switching providers: due to the short-term nature of the stay it is unlikely that a guest would look to switch providers. For those guests concerned about their energy use, there are many portable and affordable solar solutions on the market for caravans and motorhomes which have seen a strong take up in recent years – it is not unusual to see these solar systems set up in caravan parks across Queensland offering an alternate solution for those wishing to switch providers.

Access to information: tourist/holiday parks have clear obligations under the *Australian Consumer Law (ACL)*, including the clear provision of accurate information about the stay – this includes informing guests before and at arrival of the (expected) cost of their stay.

Vulnerable consumers: As part of their emergency management plans, tourist/holiday parks will try to understand the needs of their guests, such as life support requirements, to ensure a safe and enjoyable stay. This information also assists the park in the unlikely event that the park needs to be evacuated due to a natural disaster or similar.

Most Local Government's in Queensland require that the tourist/holiday park is '*managed and supervised by an individual (the resident manager) who is resident on or near the caravan park*'. This clause provides protections for those more vulnerable consumers on life support equipment with a park staff member on hand to assist if energy issues are identified (i.e. move the guest to an alternate site/cabin).

Dispute resolution: due to the nature of this arrangement, any dispute would be addressed under the ACL and would generally be broader than just a dispute about energy.

RECOMMENDATION: Even with newer user pays arrangements which have been introduced, we are not aware of any issues in tourist/holiday parks in relation to the supply of energy in Queensland, therefore, no changes should be made to the current exempt nature of this category of embedded networks.

Mixed use/residential parks

In Queensland mixed use/ residential park customers are provided protections under AER's Network Guideline and Retail Guideline, the ACL and the *Fair Trading Act 1989*.

Additional protections exist for mixed use/residential park occupants, which other embedded network customers are not entitled to, under the *Residential Tenancies and Rooming Accommodation Act 2008* (RTRA) and the *Manufactured Homes (Residential Parks) Act 2003* (MHA). These strict price controls at the state-level have removed the risk of higher prices for these types of embedded networks.

Under both these pieces of legislation, mixed use/residential park operators cannot charge a resident for the supply and use of electricity more than the operator has been charged for the electricity supplied to and used by the home owner.

As a result, the park operator does not profit on the sale of energy and has no opportunity to cover their operational, maintenance or replacement costs of the network through energy charges.

Most residents in mixed use/residential parks are currently paying the cheap commercial rates that are charged to the park operator – providing significant savings compared to their counterparts in the broader community being supplied energy by a retailer.

These cheap prices also make it unlikely that a customer of a mixed use/residential park would want to go 'on-market' as it would see their energy costs increase, in many cases, significantly.

Consumer risk assessment

Access to energy: It is in the interests of the park operator to ensure a continued supply of energy as their energy infrastructure also services communal facilities and their office – a loss of supply will also impact their business operations.

Mixed use/residential parks are reliant on a retailer to supply electricity to their park which means that supply issues fall into three categories identified above.

With the park operator buying energy from a retailer, the Retailer of Last Resort (RoLR) framework set out in the National Energy Customer Framework (NECF) would apply should the retailer supplying energy to the park cease trading, a situation more likely than the park stopping trading with residents and/or guests remaining in place. This provides a further protection for these energy consumers.

Residents living in a mixed use/residential park that are behind on their utility bills they are usually also behind on their site fees. This means that the issue requires more support than simply assisting with non-payment of energy bills due to financial hardship. Queensland Civil and Administrative Tribunal (QCAT), as opposed to an energy ombudsman scheme, is better equipped to deal with these sorts of situations where issues are broader than just energy related matters and the individual matters are difficult to decouple.

In terms of customers waiting significant periods following disconnection for their energy to be reconnected, risks like these are unlikely to occur in mixed use/residential parks due to the internal and external dispute resolution processes available along with the consumers access to the park manager (an actual person rather than a call centre).

Switching providers: We are not aware of any cases of customers of embedded networks in Queensland's mixed use/residential parks going on-market or seeking to go on market. The limits set out in the MHA and RTRA in Queensland, in addition to the AER guidelines for the supply of energy, makes it unlikely that customers will seek retail competition, as there is no financial incentive to do so.

Access to information: There are provisions within the AER's Retail Guideline in relation to the supply of information when a resident moves into a mixed use/residential park which supplies electricity based on a meter reading.

Vulnerable consumers: State-based legislation in Queensland gives residents in mixed use/residential parks consumer protections beyond those provided to customers of other embedded network types and, in some respects, retailers. These protections are complemented by a range of energy rebates available to low income earners and the general Queensland household population.

In Queensland, there are a range of energy rebates available to pensioners and some concession card holders:

- Eligible Queensland pensioners, seniors, war veterans, low income households and asylum seekers can receive \$340.85 per year through the electricity rebate.
- The Reticulated Natural Gas Rebate provides \$76.19 per year to eligible Queensland pensioners, seniors and war veterans.

This is in addition to the recently introduced 'Asset Dividend Payment' or 'Cost of Living Rebate' available to all Queensland households. By the end of this year, this rebate will have provided \$575 in payments to Queenslanders over the past four years.

For the more vulnerable in the community, the Queensland Government offers:

- The Medical Cooling and Heating Electricity Concession Scheme which helps people who have qualifying chronic medical condition/s such as multiple sclerosis, autonomic system dysfunction, significant burns or a severe inflammatory skin condition, aggravated by changes in their body temperature. These conditions require the use of air-conditioning to regulate a person's body temperature to help better manage their health.
- The Electricity Life Support Concession which provides up to \$694.18* per year for eligible seriously ill people that use a home-based oxygen concentrator or kidney dialysis machine supplied free of charge through the Medical Aids Subsidy Scheme or Queensland Health.
- Low income households who are experiencing a short-term financial crisis or emergency that has limited their ability to pay their energy bills can receive a one-off payment of up to \$720* under the Home Energy Emergency Assistance Scheme.

As an embedded network operator, mixed use/residential park operators are required to claim these rebates on behalf of their residents and to apply them to their energy accounts on receipt, often at significant cost to the park operator in terms of additional operational costs which cannot be recovered.

Many CPAQ members have noted that due to their low energy usage, many of their residents have credits sitting on

their energy accounts from previous Asset Dividend Payments. Under instructions from the Queensland Government, park operators are not able to transfer this credit to the resident or apply it to other charges (such as site rent) unless agreed between both parties.

Dispute resolution: State level legislation in Queensland (both MHA and RTRA) provides clear dispute resolution processes and more recently, embedded network customers have been able to access to the Energy and Water Ombudsman Queensland (EWOQ) under the *Energy and Water Ombudsman (Prescribed Energy Entities) Amendment Regulation 2021* with embedded network operators (with less than 2,000 customers) deemed participants in the program.

These robust dispute resolution processes, along with access to a resident manager within the park, limits the likelihood that a dispute will go unresolved for any length of time.

RECOMMENDATION: In reviewing this consumer risk assessment, we believe the current exemption framework, in partnership with state-based legislation, remains fit for purpose for mixed use/residential parks and that the introduction of additional regulatory burden is not required.

Queensland caravan park operators are already absorbing the many of the costs related to the supply of energy to residents and further change is likely to be a costly, resource intensive and time-consuming exercise both initially and on an on-going basis, further impacting the sustainability of these businesses.

DER Based Products and Services

We note concern about embedded network occupants generally not being able to install solar PV systems or batteries at their individual premises within the issues paper.

For mixed use/residential parks the problem is far more complex. We believe there are gaps and barriers at both the state and federal level limiting the installation of solar PV systems or batteries in caravan parks.

We have received reports from some operators that residents (connected to the embedded network) are installing solar panels on their dwellings (either with or without consent from the operator) and operation of these solar panels is causing the child meters in the embedded network to run backwards.

We have also received reports from operators that they are challenged by the fact that only some of their residents can install solar, as if too many do so, the park will become a large generator and incur significant additional costs to the operation of their park which they are unable to recoup – making their operation unviable.

Other concerns include how to deal with impacts on the embedded network (e.g., reverse flows, voltage), safety and compliance, billing and negative meter readings, refund/credit entitlements, ongoing maintenance, what rules and regulations apply to managing access and connections, the rights and responsibilities of home owners and operators and how this all interacts with state based legislation in relation to the on-supply of energy.

DER based products and services could provide many benefits to both park operators and residents/guests of the park therefore any regulatory changes should incentivise and support operators that want to encourage new energy products and services within their embedded networks.

If costly infrastructure upgrades are going to be required, then sufficient financial support from governments, such as grants, tax incentives and loan schemes need to be made available. Queensland caravan park operators are already out of pocket for the supply of energy to residents as these properties operated as embedded networks before the legislation (state and federal) was introduced, changing their business models in relation to the supply of energy.

It is also critical that residents wishing to install or use new energy technologies only do so with approval from the park operator to ensure the operator can continue to comply with their own responsibilities under both state and

federal regulation.

To encourage the introduction of DER, it is critical that there is shared responsibility between customers, operators and suppliers, particularly in relation to fees and charges (including electricity usage and supply charges), state-based legislation be less obstructive.

Thank you for the opportunity to participate in this review. Should you wish to discuss the content of our submission, please contact Michelle Weston, Chief Executive Officer, Caravan Parks Association of Queensland on [REDACTED] (opt 2) or by email to [REDACTED].

Kind regards

[REDACTED]

Chief Executive Officer

About Caravan Parks Association of Queensland

Caravan Parks Association of Queensland Ltd (CPAQ) is the peak industry body representing caravan parks in Queensland. Established in 1966, we provide a united and informed voice for the Queensland caravan parks industry.

As a professional, solution focused association, we encourage and support industry best practice across all areas of business by providing our members with leadership, support, networking, professional development, and promotional opportunities.

There are currently 420 full and associate members of CPAQ, made up of caravan parks (catering for tourists and residents) and campgrounds, large and small, from all corners of the State, industry suppliers, tourism businesses, plus regional and local tourism organisations.

We seek to work with both state and local governments to balance the needs of the consumer with those of the Government and industry. Further 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.

Caravanning Queensland

We trade under the brand **Caravanning Queensland** which joins the two related but separate peak industry bodies in Queensland:



Caravan Parks Association of Queensland (CPAQ) the voice of the caravan park owners and operators and the associated supply chain in Queensland.

Caravan Trade & Industries Association of Queensland (CTIAQ) the voice of the trade sector in the caravan and camping industry in Queensland with a membership made up predominantly of retailers, manufacturers, hirers, repairers, and suppliers in the caravan and camping industries.