

4<sup>th</sup> February | 2011



## Retail Exemptions for Retirement Villages - Submission to the Australian Energy Regulator

## **The Retirement Village Association**

The Retirement Village Association (RVA) is Australia's peak body for the retirement village industry. We represent over 780 village and associate members nationally with over 90,000 residents and play a critical role in the ongoing growth and sustainability of the retirement village industry.

RVA membership consists of retirement village operators, managers, owners, developers, investors and industry specialists across Australia. As the leading industry voice, the principal objectives of the RVA are to:

- lead the building and growth of a sustainable and responsible industry;
- advocate and strengthen our relationships with local, state and federal governments to ensure the best legislative outcomes for the retirement village industry;
- encourage industry excellence and best practice through accreditation and facilitate quality improvement through an effective and relevant professional development program; and
- support and promote the benefits of retirement villages as 'the preferred choice of lifestyle for senior Australians'.

## **Need for Government Support of Retirement Villages**

It has been well publicised that our country is faced with a looming crisis in respect to how we house and care for older Australians.

An ongoing trend of population growth in older demographic segments, increasing numbers of seniors with co-morbidities and a long-term reduction in the number of taxpayers per retiree all highlight the fact that Australia's health and housing sectors will be significantly affected – and shaped – by larger numbers of older people who are living longer than ever before.

Moreover, our seniors have, in their individual ways, contributed to the growth of our great nation. As such, they have earned the right to exercise choice when it comes to their own accommodation and service options in later life.

One such option is retirement village living, a model that has emerged over the past 30 years or more and now houses more than five percent of people aged over 65 years (and more than ten percent of those over 75).

The profile of the retirement village industry, in its current form, is diverse, spanning church and charitable operators, larger listed entities (who run multiple villages) and smaller independent operators. This mix of operators ensures both choice and economic diversity.

With over 1,850 retirement villages (with a construction value in excess of \$50 billion) and 160,000 or more residents, the industry now represents a critical element of housing and care options for older Australians.<sup>1</sup>

### **Individual and Community Benefits offered by Retirement Villages**

Retirement villages are a valuable element of the aged care continuum and should be recognised (and supported) as such. Indeed, the importance of seniors' accommodation options has been noted most recently by the Productivity Commission, which has included retirement villages in the terms of reference of its inquiry into aged care. A village hub provides a number of individual and community benefits, spanning:

- Supporting individuals to continue living independently rather than being forced into the hospital or residential aged care systems;
- Enabling residents to establish new social networks, the health and wellbeing benefits of which are significant;
- Provision of support services, site monitoring and other forms of care that facilitate better outcomes for couples whose care needs differ (and the co-location of on-site residential aged care can further support residents whose partners require high level care);
- A greater focus on quality of life, which in turn reduces the financial burden on government (e.g. preventative health programs that decrease pressure on the public health system);
- Access to on-site facilities, which relieve pressure on local community services;
- Lifestyle and leisure programs that can integrate with/complement local services and in turn better support the local economy;
- Maintenance and enhancement of the character of the local community through the establishment of multiple close networks – seniors, social, health, exercise, volunteering, etc; and
- The establishment of senior's friendly infrastructure, which relieves pressure on families, carers and government resources (including subsidised housing).

### **Embedded Networks within Retirement Villages**

RVA members are committed to models of high quality and affordable housing that can deliver flexible care that caters for people's specific situations and circumstances. Since most Retirement Village consumers do not have an income, or often live off of their pension, they benefit from living in an environment where critical mass of consumers enables significant bulk discounts.

The retirement village industry is well regarded by government with state based legislation. The industry also self regulates through a strongly accepted and very highly regarded accreditation structure (as noted in the Productivity Commission "Caring for Older Australians" Draft Report 2011).

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<sup>1</sup> Jones Lang Lassalle, 2009.

The industry is very proud of the benefits and care provided for the pensioner and fixed income residents of our villages and seeks to lower their living costs, including lower priced electricity. This is achieved while providing all possible protection for residents, and for these reasons it is critical that the RVA is a credible contributor to the development of electricity on-selling regulation.

This submission has been prepared by The Village Glen, The Village Baxter and Network Energy Services for the Retirement Villages Association (The Respondent) in response to the AER Consultants Paper dated December 2010. (The Paper)

The RVA considers The Paper as a positive step that will further legitimise electricity on-selling in retirement villages. (Class R3)

The majority of The Paper is supported however several aspects can be amended to improve operational practicalities and conditions for consumers and Exempt Sellers.

Responses to each questions posed by The Paper follow with particular reference to Class R3.

- Q1. The Respondent understands the AER concerns in relation to the long term interests of consumers but considers that retirement village residents very definitely benefit from electricity on-selling. Suggestions are made in this submission that will address some AER concerns in respect to consumer protection.
- Q2. This question appears to unnecessarily confuse increasing on-sellers compliance costs, customer protection and retailer authorisation. In the majority of cases Exempt Sellers will operate on a much smaller scale than Retailers (Refer Exempt Selling Guideline 5.2.4) and do not need to have the necessary organisational and technical capacity to meet the obligation of a retailer.
- Adequate levels of protection can be achieved by appropriate industry structure rather than changing Exempt Sellers to Retailers, with the associated costs.
- Q3. We do not oppose choice of Retailer but do oppose NMI's for Exempt customers and will strongly state that position when electricity network guidelines are developed.
- We do not support inclusion of Parent and Child NMI on the Public Register because in the rare cases where an exempt customer seeks to become a retail customer then the retailer can arrange creation of a NMI for the site in a manner similar to establishing a brand site as a customer.
- Q4. We agree.
- Q5. We agree
- Q6. We recommend that for Class R3 that the dispute provision of the Retirement Village Act apply. For your information a relevant consumer affairs article is an attachment to this submission.

- Q7. We support the AER view in respect to “incidental” on-selling.
- Q8. We support the AER revised approach to the profit intention of the Exempt Seller.
- Q9. We agree that pre-existing arrangements should be recognised.
- Q10. We agree that collective decision making should be considered.
- Q11. We endorse the new categories of exemption.
- Q12. We consider that Class R3 should remain a Registrable Exemption beyond 1 January 2015 as the category is clearly defined and subject to other specific regulation.
- Q13. No comment
- Q14. If our proposal at Q2 is adopted then there would be no need for Retirement Village Operators with multiple sites to need an entity specific individual exemption however if Class R3 does require individual exemption after 1 January 2015 then such Operators should be able to have entity specific exemption.
- Q15. We agree
- Q16. We have a concern that parties that may seek a class exemption for decentralized projects may be the operators of specialized equipment and their interest in that aspect may override their attention to other consumer related aspects such as protection.
- Q17. Refer above
- Q18. Refer above. At this time we would consider that Individual Exemption would provide the opportunity for more appropriate customer care in specialized circumstances.
- Q19. We agree with the AER proposed registration arrangements.
- Q20. Meter types should not be registered. There is no real benefit from recording the meter type on the Public Register as there are often several types of meters in an embedded network catering for differing situations eg solar, 3 phase, single phase controlled load.
- Q21. Management arrangements should not be compulsorily recorded. Many Exempt Sellers may include the contact details of Service Providers on the Public Register however it should not be compulsory.
- Q22. We presume that this question relates to 3.1.1 of the Guidelines.

We agree with all items except the following:

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Point 16: Whilst it will be appropriate to note that there may be customers on life-support equipment it is unreasonable to include the number of such customers on the register because the number will constantly change.

Q23. Comments on revised conditions in the draft.

3.8.1. Agree

3.8.2 Agree for actual billing however Bill Smoothing must be available for Class R3, and R2 as per the National Energy Rules Division 4 clause 23 as many retirement villages provide this as a service to residents to ease seasonal energy cost fluctuations.

In cases where metered bulk hot water is sold then the unit of consumption should also be litres (or kilolitres) and the gazetted litre price and conversion factor shown on the bill.

3.8.3 Agree

3.8.4 Agree

3.8.5 Exempt Seller should also not be required to provide customer with an actual receipt when credit card payments have been made by phone and a verbal receipt number provided.

3.8.6 Agree

3.8.7 Agree

3.8.8 Agree

3.8.9 Agree

3.8.10 Agree

3.8.11 Agree

3.8.12 Agree

3.8.13 Agree

3.8.14 We request that for Class 3 that the Dispute Resolution process as applicable to the Retirement Village Act be adopted (Refer Attachment 1).

3.8.15 Agree

3.8.16 Agree

3.8.17 Agree

Q24. Agree with AER proposal for maximum pricing.

An exception must be allowed in situations where a customer has solar panels and is provided with a Feed-In Price for exported electricity. In such cases the price for imported electricity to that customer should be able to be the same as the prices charged for imported electricity by the host retailer in similar circumstances. Often the Host Retailer does not have a published standing offer for this product.

- Q25. We support customer pricing that is no greater than the host retailer standing offer irrespective of the meter type with the exemption of the solar situation described in Q24.
- Q26 Agree
- Q27 Agree
- Q28 Agree
- Q29 The respondent considers the draft Exempt Selling Guidelines to be comprehensive and sound.

It is worth reiterating that retirement villages offer a range of economic, housing, health, social, individual and community benefits. The opportunity is now ripe for governments to support our industry's growth and recognise our ability to provide quality housing and care for the burgeoning numbers of older Australians in our community.

Further comment on this submission can be directed to:

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## Disclaimer

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Attachment 1  
Retirement Village  
Dispute Resolution Guidelines