

Submission from the Victorian Caravan Parks Association

on

AER APPROACH TO RETAIL EXEMPTIONS

ISSUES PAPER JUNE 2010

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PROPOSAL

Although there are a number of aspects in the Issues Paper which are of interest to Victorian caravan parks, we intend to limit our comments to the issue of resale price only, as this is the most critical to our members.

The existing situation in Victoria is that parks are regulated to charge their metered occupants no more than the standing offer price of the local area retailer, *including the supply charge*. We have supported this arrangement since its introduction in 2001. We do not support any proposal which does not allow the inclusion of a supply charge equivalent to that charged by the local area retailer to other retail customers.

DISCUSSION

We believe that the fairest, most transparent pricing model for caravan park occupants is one where they pay exactly the same as they would if they were living in a residence adjacent to the park boundary. The charges should be regulated to the standing offer applied by the local area retailer, and include the usage charges and service charge. The service charge recognises that the park is providing the internal infrastructure (cabling, meters, RCDs etc), maintenance, meter reading and billing. As well, occupants in caravan parks benefit in other ways compared to those whose supply is controlled by licensed distributors.

- Supply is immediate
- There is no formal process to apply for connection
- There is no chance of rejection or hardship associated with failure to be granted electricity supply
- There are no connection fees.

Profit Intentions

The resale of electricity by caravan parks is, has been, and always will be an *Incidental Supply*. It is subordinate to the purpose of business *regardless* of the type of consumer or duration of occupancy in a caravan park. Where tariffs and charges are regulated, then can be no intention to profit from any on selling arrangements - that is in the hands of the regulator. Many parks would willingly divest themselves of the responsibility of electricity supply if there was a simple equitable means of doing so. This would be even more so if parks were required to install smart meters.

There seems to be an assumption that the prices paid by parks for their electricity supply are fairly constant across the board and that they are generally less than retail standing offer rates. This is untrue. Commercial tariffs can vary by 50% depending on the deal that the park can do, and then most are above the retail tariffs.

If tariffs to park customers are regulated to allow a restricted profit on the electricity costs to parks, the end result for customers by relating their price to the park's cost would be chaotic. It would be quite common to find customers of two parks in the one town paying significantly different tariffs. This would not be a good result for anybody. We therefore continue to recommend a system which allows parks to charge their customers the same as the published tariff of the regional retailer. We recognise that this will allow a small number of parks to financially profit from the difference between their cost price and resale price. This is a small price to pay for a transparent, simple, fair system for consumers.

For most parks, the inclusion of the standard retail supply charge for each metered occupant will result in the operator recovering the losses which would occur if usage tariffs only were allowed.

CONCLUSIONS

The end result of our proposal is a system for all caravan park users that does not disadvantage them in comparison with other domestic users. It is also simple, understandable and requires the absolute minimum regulatory burden and cost. It also allows the caravan park customer to indirectly benefit from competitive activity in the domestic market for the neighbourhood region.

The resale of electricity by caravan parks to their customers is not a core business activity. Indeed, it is suggested that a significant proportion of park operators would be very happy for another organisation to take over the whole process of direct supply and billing to the customers. This is not put forward as a recommendation as it potentially adds complexity over ownership/maintenance of existing park infrastructure. However, if any new system caused an increase in compliance or financial costs for park operators, a likely outcome would be an increase in the number of parks who stopped metering customers' usage and instead applied an across the board fee additional to existing rents and site fees. We would regard this as an extremely retrograde step in that it overturns a fair user-pays system, but more importantly, it removes any incentive for customers to conserve energy.