

30 January 2024

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

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

Dear Mr Gulbenkoglul

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

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 that approximately 104 of our holiday park and residential land lease community members are located within Ausgrid's distribution network. Ausgrid's *2024-2029 Revised Proposal* is therefore of keen interest to the Association and its members.

In reviewing the AER's *Draft Decision Ausgrid Electricity Distribution Determination 2024 to 2029* (Draft Decision) and attachments, and considering Ausgrid's *Revised TSS Explanatory Statement for 2024-29* 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 Ausgrid should or could provide in its revised tariff structure statement.**
- **The level of charges and amount of residual costs Ausgrid is attempting to recover through its embedded network tariffs.**
- **Whether Ausgrid has adequately considered the benefits embedded networks provide in its proposed charges.**

- **Whether Ausgrid 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 Ausgrid, 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 Ausgrid should or could provide in its revised tariff structure statement

CCIA NSW has reviewed supporting information provided by Ausgrid that accompanies its *Revised TSS Explanatory Statement*, including *Attachment 8.3: Network bill impacts* and *Attachment 8.13: Embedded Network Arbitrage* model.

CCIA NSW acknowledges Ausgrid's attempts to provide further information on the electricity usage and billing data from the 800 embedded networks within its distribution area, in line with stakeholder feedback and the AER's request.

However, CCIA NSW would contend that this information is still insufficient and by simply classifying ENs as 'non-residential', 'residential' or 'unsure', does not provide adequate analysis for the Association to reliably determine, or provide comment on, whether the new EN tariff structures and the impacts on our members are justified.

ENs that are holiday parks¹ 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 Ausgrid's distribution network as individual connections at the site.

Residential land lease communities² 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 104 holiday parks and residential land lease communities that we estimate are located within Ausgrid's distribution network:

- 41 have only long-term sites,
- 48 have a mixture of long-term sites, short-term sites and/or camp sites in various ratios, and
- 15 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.

¹ *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.*

² *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.*

While CCIA NSW acknowledges that Ausgrid does not have visibility of the different customer types within ENs, the Association would contend that in order to progress positive tariff reform, Ausgrid 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 Ausgrid has provided in its *Revised 2024-2029 Regulatory Proposal*, 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 Ausgrid's tariff reform for these mixed-use ENs is justified.

These ENs are not properly reflected in Ausgrid's modelling and analysis and, as a result, Ausgrid 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.

Ausgrid's load profile analysis comparing ENs to standard business tariffs remains too high-level to fully understand the impact on holiday parks and residential land lease communities. Further technical analysis is needed to fully explore and understand the diversity between different ENs and how their load profiles and impacts on the network differ.

In addition, Ausgrid has indicated that after consultation with the Association the new EN tariffs would be applied to all connections with use above 160MWh per annum, which would allow small ENs such as caravan parks and small retirement villages to be exempt from the proposed changes.³

Even though Ausgrid 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 Ausgrid to consult further on its EN tariffs, Ausgrid has not engaged any further with CCIA NSW. Our view is that Ausgrid'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 Ausgrid's distribution network would use more than 160MWh per annum. Therefore, they would not be exempt from the proposed changes.⁴

In providing a response to the AER's request for stakeholder feedback, the Association would again encourage Ausgrid 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

³ Ausgrid, *Our Revised TSS Explanatory Statement for 2024-2029, November 2023, p30 and Ausgrid's 2024-29 Revised Proposal – Attachment 8.15: Embedded network tariff consultation, 30 November 2023, p2.*

⁴ *In addition, without knowing their energy usage, it is unclear exactly which of Ausgrid's three proposed EN tariffs would be applied to the holiday parks and residential land lease communities in Ausgrid's distribution area using more than 160MWh per annum.*

whether their load profiles are in fact reflected the limited modelling that has been undertaken, and to accurately identify and determine the impact of EN tariffs 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 Ausgrid'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 800 ENs within the Ausgrid 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 different EN tariffs.
- 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 800 users, noting greater information about commercial components of the ENs.

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

CCIA NSW acknowledges in revised documentation provided by Ausgrid, that Ausgrid has included a transitional period of five (5) years to July 2029 to introduce tariffs for ENs,⁵ in line with stakeholder feedback. The Association also notes the yearly impact Ausgrid believes this will have on ENs prepared at *Attachment 8.3: Network Bill impacts*.

While CCIA NSW is supportive of transitional periods for the implementation of tariffs generally, the Association would again reiterate that the limited information available on customer types and load profiles within ENs makes it difficult to assess and determine the accuracy of residual costs Ausgrid is attempting to recover through its EN tariffs, and therefore the justification of imposing these tariffs on our members.

Not properly understanding and classifying the usage and load profile of the customers of these ENs is unacceptable, particularly as Ausgrid's *Attachment 8.3: Network Bill impacts* presents significant network bill increases due to EN tariff assignments – where the vast majority of customers that are likely to be impacted will experience a bill increase of between 10-20%, with some experiencing increases of more than 20%.

Further, in its *Revised TSS Explanatory Statement*, Ausgrid has indicated that they 'estimate that our proposed five-year transition for EN tariffs will see a 5.7% per annum nominal increase for the affected ENs. These increases exclude other changes in the network revenue price paths in the 2024-25 period (such as inflation and interest rate impacts)⁶, meaning the bill impact is likely to be higher than simply the increase in the network charge indicated above.

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 Ausgrid on how it will work with operators to better understand and manage this increase is required.

⁵ Ausgrid, *Our Revised TSS Explanatory Statement for 2024-2029*, Op. cit., p30.

⁶ *Ibid*, p33.

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

Ausgrid states it *'has not identified material benefits as a result of an EN connecting to its network. Our assessment indicates that there are minimal avoided costs resulting from ENs.'*⁷

Our view is that Ausgrid needs to reconsider this, as there are a range of benefits associated with ENs that could be better identified in Ausgrid's *2024-2029 Revised Proposal*.

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 Ausgrid does not incur these costs. In addition, EN customers are not covered by the obligations Ausgrid 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.

Unfortunately, Ausgrid is proposing higher charges for ENs, which in our view have been classed too broadly, irrespective of whether and by how much an EN reduces or increases costs for Ausgrid in the above respects. Ausgrid should be required to revisit the benefits ENs provide in its proposed charges.

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

CCIA NSW recognises the unenviable task Ausgrid 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 this 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 Ausgrid may not have fully considered the implications of its EN tariffs on these customers.

Supporting changes which could lead to network bill impacts of between 10-20% (or above for medium-sized energy users) 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*⁸ 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.

Ausgrid states on page 32 of its *Revised TSS Explanatory Statement for 2024-29*:

⁷ *Ibid*, p30.

⁸ *Silva Portfolios Pty Ltd trading as Ballina Waterfront Village & Tourist Park v Reckless* [2018] NSWSC 1343

'NSW Caravan and Camping Industry Association (CCIA) recommended that our proposal should exclude land lease communities as these organisations are prevented by legislation from making a profit from the sale of energy. They suggested that these embedded networks may be able to be identified from data via NSW Fair Trading. However, Ausgrid's proposal is not specifically seeking to target embedded networks based on their level of profitability, rather on the contribution they make to total efficient cost and residual network revenue. For this reason, we don't propose to create an exemption for land lease communities.'

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 Ausgrid's EN tariffs. 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 Ausgrid to properly consider the needs of these customers and the impact that the proposed EN tariffs 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.⁹ 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.¹⁰

If implemented, IPART's recommendations may limit the ability of ENs to recover the additional cost of Ausgrid's EN tariffs. This is an issue that should be included and further explored in Ausgrid's consideration of the impact of its EN tariffs 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.¹¹ 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 tariffs, including end customers within ENs, need to be further examined by Ausgrid beyond a high-level analysis.

⁹ 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

¹⁰ 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.

¹¹ 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>

CONCLUSION

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

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

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 Ausgrid working with CCIA NSW, NSW Fair Trading and the AER to better categorise and identify EN types within Ausgrid's distribution network and understand the true impacts of the proposed EN tariffs.

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

[REDACTED]
Lyndel Gray /
Chief Executive Officer