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Review of the AER exemptions framework for embedded networks

Background

In Queensland, most caravan parks were built prior to the introduction of the regulations for embedded networks, as a result, much of the infrastructure is of an age that the child metres do not have a National Meter Identifier but also, not so old that the child meter needs to be replaced in the short term. This, coupled with the fact that caravan parks have no margin in the supply of electricity, the cost to upgrade their infrastructure can be cost prohibitive.

Further, as the supply of electricity is incidental to the operation of a caravan park, there is a need to simplify rules relating to these exemption classes, or to provide simplified factsheets, as embedded network owners/retailers are not experts in energy and are trying to stay across a range of other legislation as well.

Stakeholder questions

1) Do stakeholders consider one factor or principle should take precedence over another? If so, what weighting should we give the various principles or factors provided by the Retail Law and set out above, to support any case for change to the exemptions framework?

Consideration must be given to whether the sale of energy is a core or incidental part of the business, whether the network owner is able to recover ALL of their costs associated with the network (due to different jurisdictional circumstances), the characteristics of the exempt customer, the costs of obtaining a retailer authorisation and whether the network owner can divest their responsibility to supply energy to another party (such as a large retailer).

The National Electricity Objective (NEO) is to promote efficient investment in, and efficient operation and use of, energy services for the long-term interests of energy consumers. While we are supportive of the principles that are outlined in the issues paper, it is also critical that any amendments do not unnecessarily add to the cost to operate an embedded network as if they do, the network owner will be required to pass these costs on to the end user, likely in the form of increased rent or a decline in the amenity of their community (in the case of a caravan park), which is not in the long-term interests of the energy consumer.

It is critical that embedded networks can make appropriate margins which allow for reinvestment in their infrastructure. For caravan parks in Queensland, this margin has been removed because of state legislation. For many, the original underground infrastructure was placed in the 1970's and the financial constraints placed on these businesses limit their ability to appropriately upgrade critical infrastructure for the benefit of the end user.

While financial protections are critical for embedded network customers, the maintenance and upgrades to infrastructure come at a cost which must be recoverable by the network owner.

2) Is the AER's proposed approach to the exemption framework review the preferred approach? If not, what other factors or criteria should the AER consider?

Further criteria should be added to guide the AER's assessment of whether a particular option better delivers upon the NEO. This is to consider whether another option exists. We have been made aware of greenfield manufactured home parks (that is a park developed on land that's never been built on before), where the developer has tried to seek other parties, for example Ergon, to own the network within the estate and there has been no interest. As electricity is an essential service, the developer must take on this responsibility even though this is an incidental aspect of the relationship between them and their home owners/tenants, and that in some cases, they do not feel appropriately skilled to take on this role.

While price, quality, safety, reliability, security of supply, and emissions reduction should all be carefully considered in the scope of this review, it is critical to remember that for some embedded networks, the price they are able to charge simply covers the price they pay to their electricity retailer. As there is no room for profit, no incentive to reduce the cost of their supply of electricity and no reimbursement of fixed costs and network upgrades, any move towards emissions reduction and new technology is a low priority. Further costs will likely be passed on to households in the network in the form of increased rent (RTRA) or special increases (MHA) as network owners are running a commercial business and must, at a minimum, break even to remain viable.

3) Is our proposed review scope reasonable? If not, what other supply arrangements should be considered and why?

Residential customer focus

As noted earlier in this submission (under [State Legislation](#)), in Queensland, caravan parks have strict limitations on how they can charge for electricity as an embedded network operator where these same limitations do not apply to other high density residential embedded networks. These strict price controls at the state-level have removed the risk of higher prices for these types of embedded networks.

For this reason we would be supportive of an approach that focuses on those residential sectors that do not have other constraints, or an exception for those sectors and states where there are increased consumer protections such as Queensland caravan parks.

Further the current exemptions (deemed) for embedded networks where the consumer has a high level of choice such as tourist accommodation, should remain in place providing details of any costs are clearly outlined to the guest. 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. For example, if a caravan park chooses to charge their tourists for power based on their use, the park should not be required to meet any additional administrative burden providing they disclose that the guest will need to pay for the power they use at the time of booking and arrival as the guest can leave the park at their earliest convenience, unlike in a tenancy arrangement where penalties may apply. In these circumstances, any registration process is administratively burdensome and unnecessary.

Compliance and performance monitoring

As caravan parks are unable to charge their residents more than they are being charged by their electricity retailer, and therefore are unable to make a profit, it is critical that any additional compliance and performance monitoring measures do not place a significant cost impost on the network owner.

The supply of electricity is incidental to the core business activity of running a caravan park and as such, these network owners do not have the same skill set as a large retailer. In many cases, these network owners lack the resources, both human and technological, to understand, implement and maintain monitoring and/or compliance systems. The cost to implement/upgrade these systems is a further financial impost on a business where margins are already non-existent.

In the absence of a profitable business model, there is a lack of incentives for network owners to invest in monitoring / compliance systems (as well as network upgrades) which makes this a penalty (stick) based system rather than encouraging performance through incentives (carrot). If additional compliance and performance monitoring measures are required, it may be necessary to consider support mechanisms, such as subsidies or incentives, to encourage the implementation of necessary measures, especially for those network owners who

are already constrained by state-based legislation. In these instances, partnerships with key industry bodies should be leveraged to educate network owners, understand constraints and opportunities, and encourage compliance.

In Queensland, embedded network customers are entitled to access the Energy & Water Ombudsman Queensland (EWOQ) scheme. As a peak industry body, we work closely with EWOQ to ensure that our members understand the role of EWOQ, and share educational materials provided by this organisation through our publications and channels.

Family violence protections

In principle, we support the inclusion of domestic and family violence (DFV) provisions as we believe everyone has the right to live in a safe environment, free from threats, violence, and intimidation.

The Queensland Government has implemented DFV protections under the RTRA. While we are supportive of these provisions, we have raised concern that the risk may transfer from the tenant that is exiting the tenancy/agreement to another party, particularly the property manager or park manager, if they are put in a position where they need to communicate changes to the lease and/or bond to the tenant that remains behind. This concern also applies to the charging for electricity. If the network owner is put in a position where they are required to act as a go-between or advise one party that they are now responsible for all costs, there is a real risk to their personal safety. In a residential park (caravan or manufactured home) environment, the park manager generally lives onsite which creates a further risk as their place of work is also their home, and the residents in the park have a greater level of access to the manager outside of work hours than for other property managers and external retailers.

Workplace health and safety is a significant concern for all business owners and creating Government legislation or policy that has the potential to put a park owner/property owner/property manager or their staff in a situation that has an increased risk of violence is inappropriate unless protections are also put in place for these individuals.

Under the RTRA in Queensland (<https://www.rta.qld.gov.au/forms-resources/factsheets/domestic-and-family-violence-information-for-tenants>), domestic violence has the meaning given by the *Domestic and Family Violence Protection Act 2012* (<https://www.legislation.qld.gov.au/view/html/inforce/current/act-2012-005>).

To access these protections, the tenant must provide relevant evidence and the property manager must not disclose the evidence supporting the ending of a tenancy interest (except in specific permitted circumstances) and cannot require the tenant to provide a forwarding address.

Relevant evidence for the purpose of accessing these protections is:

- under the *Domestic and Family Violence Protection Act 2012* (Queensland):
 - a protection order,
 - a temporary protection order,
 - a police protection notice,
 - an interstate order,
- under the *Family Law Act 1975* (Commonwealth), section 68B(1)(a) or (b) or 114(1)(a):
 - an injunction,
- a Domestic and family violence report (downloadable from [rta.qld.gov.au](https://www.rta.qld.gov.au)) signed by an authorised professional.

The vacating tenant is still responsible for costs associated with breaching terms of the agreement which are not related to the DFV (for example, rent arrears).

We would support the inclusion of similar protections provided:

- relevant evidence is required to access the protections. We believe the requirements under the Queensland legislation provide a good balance between the needs of the individual and the owner;
- The customer is still responsible for the costs which remain outstanding (i.e. any outstanding electricity bills up until they vacate). Embedded networks should be encouraged to offer payment plans in these circumstances; and
- The embedded network owner is not required to act as a 'go-between' and advise the remaining party of the decision, or if they are, a provision is included to require police to be available to support them in circumstances where this information is passed on in person to ensure their safety.

4) What factors are driving the increase in residential exemptions?

From a caravan park perspective, having reviewed the list of exemptions for the NR4 class in Queensland, many of the newer exemptions relate to larger businesses that own several caravan parks. As these businesses buy 'mum and dad' style caravan parks, they have a great focus on compliance and awareness of their requirement to be registered as a network owner.

Since 2017, there have been several greenfield sites of manufactured home parks which will have also contributed to the increase in registrations as these sites come online.

5) Which factors are having the biggest influence?

For the caravan park sector, which, excluding greenfield manufactured home parks, has seen little growth in the past decade, increased awareness of the framework, especially because of communication by peak industry bodies, is the biggest influence on the increased number of registrations.

6) How common is it for new residential developments to be built as embedded networks?

For greenfield caravan parks and manufactured home parks, it is very common for the development to be built as an embedded network. In recent years we have seen a reluctance of big retailers to take responsibility for the network, leaving this obligation on the developer and then the park operator.

As noted in question 2 we have been made aware of greenfield manufactured home parks (that is a park developed on land that's never been built on before), where the developer has tried to seek other parties, for example Ergon, to own the network within the estate and there has been no interest. As electricity is an essential service, the developer must take on this responsibility even though this is an incidental aspect of the relationship between them and their home owners/tenants, and that in some cases, they do not feel appropriately skilled to take on this role.

7) How do embedded networks result in lower energy prices for residential customers?

In Queensland, where a caravan park can access lower energy prices, they are required to pass these savings on to their residents. As many caravan parks are large energy users (over 100 mWh in Queensland) they pay demand charges and service fees. These other fees account for between 44% and 75% of the total bill, compared to between 4% and 8% for small users.

While embedded network owners in South East Queensland appear to be successfully negotiating reduced energy prices for their residents (customers), those in Regional Queensland who are limited to a single retailer (Ergon) making their arrangements less competitive.

We compared the electricity bills from 21 caravan parks across Queensland (6 regional, 15 in South East Queensland) and found that those parks that are in regional Queensland are paying 73% (\$0.144/kWh compared to \$0.250/kWh (averaged)) more for electricity than their South East Queensland counterparts.

This would indicate that a lack of competition is as much an issue in the broader market (in areas like Regional Queensland) as it is in embedded networks.

We reviewed the electricity bills of five staff within our office that are customers of a standard retailer and found that their average cost per kWh was 37.3c/kWh.

There is one employee in our office living in an apartment building which operates an embedded network, and a review of their electricity bills showed an average cost per kWh of 46.9c/kWh.

This would indicate that while caravan park customers are reaping the benefits of the strong negotiation by the embedded network owner, those in apartment buildings may not be seeing the same positive outcomes.

8) How do infrastructure costs for new developments built as embedded networks compare to non-embedded networks?

Not applicable

9) How do higher-density complexes configured as embedded networks benefit residential buyers? Please provide supporting information.

Not applicable

10) What kind of innovative and emissions reduction arrangements can embedded networks offer residential customers?

Due to the lack of profit margin on the on sale of electricity in caravan parks, there is no incentive for these network owners to invest in innovative and/or emissions reduction arrangements unless there are significant savings that it can help offset the cost of electricity for communal facilities.

11) What other benefits are there for residential embedded network customers?

One of the major benefits of being a residential embedded network customer in a caravan park is the ability to walk into the office and ask questions about your electricity account rather than calling a call centre. With a more vulnerable and/or older cohort living in these properties this easy access to answers makes it easier to ask questions and to access payment plans.

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. As these network owners are reliant on a retailer to supply electricity to their park, 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 ceasing to trade with residents and/or guests remaining in place. This provides a further protection for these energy consumers.

12) How should we consider any consequential benefits such as improved access to affordable housing in this review?

The caravan park model has successfully provided affordable housing for years however the cost to develop these sites continues to increase which has made it more difficult to prove the feasibility of a new development. Encouraging large retailers to work with developers so that the electricity infrastructure and retailing of this service are not the responsibility of the developer may assist in improving the return on investment for this style of developments.

We would also encourage Federal Government agencies to work with state government departments to relax some of the limitations in relation to the ability to cover the associated costs of supplying electricity to residents. This would serve two purposes, firstly improving the viability of potential greenfield sites, secondly, providing the margin to invest in improved infrastructure and investment in emissions reduction and new technologies.

13) What is the evidence that supports the view that embedded network customers are paying higher energy prices compared to on-market retail customers?

As demonstrated in question 7, caravan park residents purchasing their electricity through an embedded network arrangement are financially better off than the broader community. As noted, we reviewed the electricity bills of five staff within our office that are customers of a standard retailer and found that their average cost per kWh was 37.3c/kWh.

We also discovered that the one staff member within the office living in a high-density apartment building (class NR2) that is an embedded network, is paying 47c/kWh. While this may be a one off, it does show there is a large discrepancy between the cost paid for electricity per kWh for a resident in a caravan park compared to the broader community and other exemption classes of embedded networks.

14) What evidence is available to understand the scale, extent or risk of harms?

With embedded networks now being required to be a member of their state ombudsman scheme if membership is available to them, the various ombudsman programs around the country would be a good source of information as to the scale, extent, and harms to embedded network customers, along with the outcomes of any investigations.

For residents in caravan parks, a dispute over electricity will normally end in Queensland Civil and Administrative Tribunal (QCAT) or EWOQ if the resident and the caravan park operator are unable to come to an outcome without external assistance. As noted in our answer to question 11, the fact that these residents are easily able to speak to their property manager and network owner/retailer, makes it easier for them to ask questions, seek support and understand their electricity usage and bills.

For those caravan parks that are classified as a deemed exemption as they only sell to holiday makers, the level of choice available to the customer means there is limited risk through these arrangements.

15) What other harms do embedded network customers face?

For caravan park customers wishing to go 'on-market', there is the additional cost to replace the meter as most caravan parks were built before it was a requirement that the meters have a National Meter Identifier.

For caravan parks, the software used to manage rent and electricity payments, often combines these into the same account. Residents living in a park that are behind on their utility bills 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. Despite this, they have easy access to their landlord and the network owner to have a conversation about hardship provisions.

Depending on the relationship between the customer and the network owner, the customer (resident) may feel reluctant to raise concerns about their electricity account for fear of retaliation or eviction. In Queensland, changes to the RTRA mean that tenants are protected from retaliatory behaviour by their landlord. Despite these protections, this may cause the resident (customer) from seeking resolution to their concerns.

16) How can we maximise the extent to which any changes to our Guidelines complements jurisdictional actions and minimise the risk of misalignment or duplication?

Many challenges associated with the guidelines and jurisdictional actions relate to discrepancies between sectors. For example, in Queensland, caravan park tenants have significantly stronger protections under the RTRA than tenants in the broader community. Working with states to share best practice may support good policy decision making at the state level. Clarity should also be provided over which legislation/regulation takes precedence where conflicting provisions exist.

While each jurisdiction has different areas covered in their legislation and regulatory environment, creating clarity about which areas the states should be responsible for, and which areas the AER regulates would minimise the risk of duplication and misalignment.

17) What are the risks and implications for embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we require current deemed exemptions to be registered? How could any risks be mitigated?

While this section of the issues paper seems to be intended to relate to deemed class ND2, our response is intended to respond should this apply to all (or more) deemed classes.

With many embedded networks likely falling under a deemed class, we believe it would be challenging to communicate to all these embedded networks to ensure they are now registered. Even partnering with key industry bodies to communicate this change would be likely to miss some participants. For this reason a significant period where these networks could register without penalty would be appropriate.

We would also recommend that the AER be resourced to personally contact each of these deemed networks to ensure that they understand their obligation to register and what this means for them as a network. Based on our experience at stakeholder management with our industry we would strongly recommend a phone-based approach as mail and email are having reduced effectiveness when seeking immediate action.

18) How should we measure the benefits to consumers of registration?

Benefits to consumers will vary depending on the class. As noted in our answers to questions 3 and 14, there is no real benefit to requiring networks that fall into class ND3 to register.

Caravan Parks supply energy through their own network to short term visitors 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 properties to stay at 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).

Customers of deemed class ND2 may see real benefits in terms of cost and protections.

19) What are the risks and implications for embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we revised the NR2 registrable network class exemption activity criteria to include prescribed customer benefits that must be met by NR2 registrable network class exemption holders? How could the risks be mitigated?

We believe that most network owners are acting in the best interests of their business AND their customers. On this basis, we believe that reporting should be limited to those network owners where there has been a complaint (either to the AER, AEMO, or local Ombudsman). These network operators should be required to report on those areas the AER deems critical to achieving the NEO, especially as it relates to potential harms to consumers.

Where changes for prospective exempt sellers are introduced, it is possible for those incoming exempt sellers to match their business model to the increased obligations. For those existing exempt sellers (in the case of caravan parks), there is no capacity to amend the business model to absorb any additional costs or administrative burden. This factor must be considered in the context of any proposed changes.

Consideration should be given to a further class for those businesses that run the embedded network as their primary business (i.e. a business that is contracted by a body corporate to provide utility management services to a building). These organisations should be expected to have a higher level of understanding of their responsibilities and therefore a higher level of compliance than those organisations that supply electricity as an incidental aspect of the relationship between themselves and their customers. Where the network is owned or operated by a business that only offers utility management services, they no longer fall into the category of supplying electricity as an incidental aspect of the customer relationship.

20) If we were to prescribe a list of specific embedded network customer benefits, what could be included?

Competitive pricing – requiring that consumers receive competitive pricing, not just better than the default market offer which is the worst-case scenario for most consumers.

Energy efficient programs – encouragement, or possible incentives, to roll out energy efficiency programs to reduce the cost to the consumer. Network operators should be provided incentive to roll out programs like this so consideration could be given to a savings share style program where the network owner retains a percentage of the savings in return for investing in, or negotiating, the savings, with the remainder passed on to the customers.

Clear consumer protections and fair and accessible dispute resolution – Ensuring that all customers understand their protections and have access to dispute resolution facilities such as the ombudsman scheme or the local civil administration tribunal.

Clarity around quality of service (informed consent) – clear information which informs the customer that while the network owner will do everything in their power to ensure quality of service, sometimes this is outside the control of the network owner.

Privacy Protections – the privacy and protection of personal information, energy usage and billing is a protection that all customers, not just those of embedded networks, should be guaranteed.

Access to information – this may be in the form of monthly bills or the use/supply of technology to help customers understand their energy consumption so they can make informed decisions about their usage.

21) What other regulatory approaches would enable the AER to ensure future embedded networks are beneficial to customers?

There is a real risk of over regulating this sector and introducing more red tape to network owners who, in the case of caravan parks, already face a significant regulatory administrative burden through other areas of their business. Making the regulatory burden too onerous just sets these network owners up for failure, and in turn, puts the supply of electricity, and in many cases, the housing provided, at risk.

The provision of clear and concise information for all network owners and customers is critical. Embedded network operators are supplying electricity as a by-product of their primary service. As a result, the expectation of day-to-day knowledge around these guidelines should be lower and the guidelines as simple to understand as possible.

22) What are the risks to embedded network service providers, prospective exempt sellers, customers and other relevant third parties if we introduced a requirement to apply to the AER to register an NR2 network class exemption?

Not applicable

23) What are the implications of requiring embedded network service providers to demonstrate customer benefits before being permitted to register an NR2 network class exemption?

Not applicable

24) What support is there to stop the expansion of residential embedded networks by closing the NR2 registrable network exemption class?

Not applicable

25) What would be the impacts on customers, embedded network service providers, exempt sellers, embedded network managers, and other parties if we ceased granting exemptions for embedded networks with more than 10 residential customers? Please provide information to support your views.

Not applicable

26) What compliance breaches should exempt sellers be required to submit to the AER, if they on-sell to residential customers?

Rather than requiring exempt sellers to identify compliance breaches, consideration should be given to imposing additional reporting requirements on those exempt sellers that have been reported to one of the regulatory bodies in this space. In many cases, due to the size and business focus, of an exempt seller, a

compliance breach may be because of a lack of knowledge as opposed to a breach which can be picked up through internal oversight.

27) What performance reporting indicators would best support the AER to identify consumer trends and inform regulatory reform for embedded networks.

- The average cost per kWh for consumers,
- Any administrative fees (such as meter reading fees) are charged,
- What energy saving/ emission reduction services/products the network uses,
- The number of customers by type (residential, small business and large customers),
- The number of life support customers,
- The number of residential customers who have accessed payment plans,
- The number of residential customers who have accounts that are over 60 days past due, and
- The number of residential customers who have been disconnected due to non-payment.

28) What would be the benefits, costs and risks to exempt sellers, and other stakeholders, if the AER were to impose compliance and/or performance reporting obligations on exempt sellers, who on-sell to residential customers?

Consideration should be given to a sample approach (like many of the ABS programs) where a select number of exempt sellers are identified each year and asked to complete a regular and short online form. This information could then be extrapolated out to provide an indicative overview of the various classes. By changing the sample group once a year, you do not put an unnecessary additional burden on all exempt sellers and those that are asked to report are only required to do so for a defined period (i.e. 12 months). Using a sample will increase compliance with the reporting request without the requirement to follow up thousands of businesses, while still providing critical intelligence required to regulate the sector.

29) Should we extend any compliance reporting obligations to exempt embedded network service providers, via the Network Guideline?

Reporting obligations should be limited where the supply of electricity is incidental to the relationship between the operator/provider and the customer, unless there is a reason to implement the requirement (for example, an operator has not complied with the guidelines in the past). Where the supply of electricity is not incidental to the relationship, for example utility management service providers, compliance reporting obligations should be imposed, particularly as they relate to consumer protections and the benefits to consumers.

30) Should family violence obligations be extended to exempt sellers who on-sell to residential and small business customers?

As noted in response to an earlier question, in principle, we support the inclusion of domestic and family violence (DFV) provisions as we believe everyone has the right to live in a safe environment, free from threats, violence, and intimidation.

31) What obligations would, and would not be feasible, to implement?

We support the requirement to have a DFV policy which sets out how a network owner/retailer will assist affected customers.

We believe that the AER could provide a template for this, as they did with the hardship policy. This would allow those businesses with the resources to do so, to develop a more individualised and detailed policy, while still ensuring that those small exempt sellers have a policy and a clear understanding of their obligations in this space. The requirement to publish this policy on an easily accessible place on their website may not be

appropriate in all circumstances. For example, a caravan park has a diverse business and may have different policies depending on the part of the business it relates to (residents, tourists, electricity customers etc).

We believe the Queensland Government's requirements under the RTRA for accessing DFV protections, as it relates to providing relevant evidence, are balanced and appropriate, and in the instance where the customer is leaving their residential arrangement, they are likely to have this evidence already.

We strongly support the requirement that authorised retailers/exempt sellers not disclose or provide access to information about an affected customer to any other person (except in specific permitted circumstances i.e. as required by a law) without the customers consent and would support a requirement that the customer not be required to provide a forwarding address.

While we would encourage all businesses which may have customers experiencing DFV to ensure their staff are appropriately trained, we do not believe that this requirement should be mandated for exempt sellers, rather encouraged. Suitable online resources (such as short online training and education videos) could be made available to exempt sellers to encourage them, and their staff, to understand the nature and consequences of DFV, identify and engage with affected consumers appropriately and assist the customer effectively. As with Queensland tenancy legislation, we believe the customer should still be responsible for the costs associated with breaching terms of the agreement which are not related to the DFV (for example, outstanding electricity bills). Embedded networks should be encouraged to offer payment plans in these circumstances.

We support the hardship and payment plan, communication, and de-energisation for non-payment of bill provisions outlined in appendix C of the issues paper. We believe that the other obligations place an unreasonable burden on exempt sellers who may also be required to comply with other regulations and legislation in relation to DFV.

For health and safety reasons, any DFV provisions should not require the embedded network owner to act as a 'go-between' and advise the remaining party of the decision, or if they are, a provision should be included to require police to be available to support them in circumstances where this information is passed on in person to ensure their safety.

32) Could some obligations be tailored to the specific circumstances of an exempt selling scenario? How, and what support might enable sellers to meet their obligations effectively? What additional obligations should the core exemption conditions include? As noted above, many small businesses or exempt sellers where customer facing activities are limited, may not have the resources or the skills to ensure that all outward facing staff are appropriately trained to deal with these situations. Developing a suite of resources which may include short videos, online quizzes, fact sheets and a templated policy would support these exempt sellers whilst also ensuring the best protections and support for those experiencing DFV.

Other feedback

As noted in response to the questions above, the supply of electricity is incidental to the running of a caravan park. To make it as easy as possible for these businesses to comply with the guidelines, we would like to see the introduction of short fact sheets available in plain English (and translated as appropriate) for:

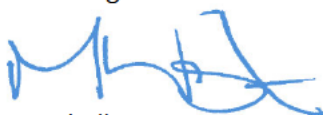
- embedded networks (especially caravan parks) with bullet points of their obligations,
- new embedded network owners (both newly built, and recently purchased) advising that they own/operate an embedded network and what this means, and

- deemed classes which could be distributed by industry bodies to ensure all these individuals/businesses are aware of their obligations.

As the peak industry body for caravan parks and manufactured home parks in Queensland we are willing to work with the AER to identify businesses which should be registered but that are currently not registered (likely as they are not aware of this obligation). To assist with this we would require a list of businesses with a current NR4 exemption in Queensland. This will allow us to identify any missing businesses within our sector and provide appropriate education and information to these businesses.

We would welcome the opportunity to provide further insights into the impact of regulatory change on caravan parks as this review progresses and are available to answer questions about this submission. Should you wish to discuss this further, please contact Michelle Weston, Chief Executive Officer, Caravan Parks Association of Queensland on [REDACTED] or [REDACTED].

Kind regards



Michelle Weston
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 over 430 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 Queensland, 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.

Appendix A - State Legislation

Those caravan parks in Queensland running an embedded network with long term residents, that on-charge on a metered basis are regulated by the *Residential Tenancies and Rooming Accommodation Act 2008* (RTRA) and/or *Manufactured Homes (Residential Parks) Act 2003* (MHA).

These pieces of Queensland legislation have strong consumer protections for the supply of utilities.

Under the MHA and RTRA where park owners own, operate, and maintain the embedded network, they incur significant costs which include but are not limited to maintenance, meter reading, calculation of bills, calculating, claiming and refunding concessional rebates, and chasing outstanding accounts for residents.

There are examples of park owners in Queensland having a staff member who spends more than one full day a month undertaking administration relating to the on-supply of electricity alone. These costs mean that rather than an embedded network being a cost neutral exercise as intended it is costing parks money.

Under the RTRA:

Section 167 *Service charges for moveable dwelling premises individually metered*

(1) This section applies to moveable dwelling premises if the tenant is required to pay an amount for the lessor's outgoings for a service charge for the premises because the tenant is enjoying or sharing the benefit of the relevant service or facility.

(2) The tenant may be required to pay an amount for the outgoings only if the premises are individually metered for the service or facility.

(3) The tenant must not be required to pay an amount for the outgoings that is more than—

- (a) if a way for working out the amount payable by the tenant is prescribed under a regulation—the amount worked out in the way prescribed; or
- (b) if a way is not prescribed—the amount charged by the relevant supply authority for the quantity of the thing, or the service or facility, supplied to, or used at, the premises.

Under the MHA:

Section 99A Separate charge by park owner not to be more than cost of supply for use of utility

(1) This section applies if—

- (a) under a site agreement or another agreement or arrangement, a home owner for a site in a residential park is required to pay the park owner or a third party for the use by the home owner of a utility at the site; and
- (b) the use is separately measured or metered.

(2) The park owner must not charge the home owner, or arrange for the home owner to be charged, an amount (a prohibited amount) for the use of a utility that is more than the amount charged by the relevant supply entity for the quantity of the service supplied to, or used at, the site.

Maximum penalty—20 penalty units.

(3) For subsection (2), the park owner charging the home owner, or arranging for the home owner to be charged, an amount for the use of the utility includes—

(a) the park owner directing the home owner to pay the amount to a third party; and

(b) the park owner agreeing or arranging with a third party for the home owner to be charged the amount and the park owner or third party charging the home owner the amount for the purpose of that agreement or arrangement.

(4) Without limiting subsection (2), a prohibited amount includes the following amounts charged, or purported to be charged—

(a) an amount for reading a meter for the use of the utility;

(b) another amount for administration relating to the supply, or on-supply, of the utility to the site, including, for example, an amount relating to obtaining for the home owner a State government concession or rebate for the supply or on-supply of the utility.

(5) In this section—

relevant supply entity means the entity that has charged, or may charge, the park owner for supplying the utility to—

(a) the site; or

(b) the residential park for on-supply to the site.

supplied, to a site, includes supplied to the residential park for on-supply to the site.

third party means an entity other than the relevant supply entity.

Appendix B - Risks & Consumer Protections

Response to consultation question 7 in the Retail Authorisation and Exemption Review completed by the Australian Energy Regulator (AER) in May 2022 in relation to risks and consumer protections.

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, or
- 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 Governments 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.

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.

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* and the *Manufactured Homes (Residential Parks) Act 2003*.

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 framework set out in the National Energy Customer Framework 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 residents:

- Eligible Queensland pensioners, seniors, war veterans, low-income households and asylum seekers can receive \$372.20 per year through the electricity rebate.
- The Reticulated Natural Gas Rebate provides \$86.75 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.

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 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 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 2000 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.

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.