

Mr Mark Feather  
General Manager, Strategic Energy Policy and Energy System Innovation  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

9 February 2012

Dear Mark

**This submission to the Review of the AER exemptions framework for Embedded Networks is made by the Victorian Caravan Parks Association Inc. (VicParks), the peak industry body for owners, managers and lessees of caravan parks in Victoria.**

The Victorian caravan park industry contributes nearly \$2.5 billion to Victoria's Gross State Product and supports 17,000 jobs. Caravan parks hold more than 54% of all tourist accommodation capacity in Victoria, with an average annual site occupancy of 49%.

The industry is the foundation upon which regional tourism thrives and is a very important contributor to housing vulnerable Victorians with an estimated 12,000 people calling a caravan park home. Short term and residential accommodation is provided on private freehold land, leased freehold land and Crown land across the state.

Unique to all caravan parks is embedded electricity infrastructure. Caravan parks are embedded network operators requiring embedded network maintenance and development costs to be borne by the park operators. These networks **only** exist due to the absence of will by energy distributors and retailers to deliver this infrastructure in the first place - or to operate and maintain them once they are in place.

Under the existing regulatory setting for embedded networks in Victorian caravan parks, operators with exempt customers residing in their park are regulated to register with the Energy and Water Ombudsman Victoria and follow strict billing requirements. Exempt customers are protected from high billing under Victoria's Default Offer (VDO), which determines a maximum rate an exempt customer can be charged for electricity usage. These requirements already ensure that the exempt customer is protected, without placing an unnecessary and significant cost burden on caravan park operators.

Additional regulatory requirements and/or the withdrawal of embedded electricity networks will not improve outcomes for exempt residential customers. Rather, additional regulatory requirements will only place unreasonable cost burdens on operators and threaten affordable holidays and housing as operators seek to recoup the significant additional cost of replacement infrastructure.

**Being an embedded network exempt seller is not a caravan park operator's core business nor a key component of their income or profitability.**

The objective of a residential caravan park is not to deliver electricity services but rather provide low cost and secure housing opportunities that are increasingly inaccessible in residential buildings, apartments and houses.

However, all caravan park owners with embedded networks provide and maintain all their electrical infrastructure from the street to the site, and connection to either a meter situated on or adjacent to the site occupier's dwelling, or an unmetered connection to the site or dwelling.

This is a very different situation to the set up in residential apartments and shopping centres and VicParks considers any additional regulation on caravan parks will have a detrimental impact on consumer outcomes in an environment where consumers are, by and large, benefiting from favourable outcomes already.

Caravan parks' embedded networks already provide discounted tariffs, personalised billing, immediate customer service and favourable payment terms to residents. Removing exemptions for caravan parks will provide **no net benefit** to caravan park residents.

Victorian caravan parks have also been subject to additional Victorian regulatory requirements since 2019, including licencing, adoption of the Victorian Default Offer pricing and registration for dispute resolution with the Energy and Water Ombudsman Victoria (EWOV).

**In 2021-22, of more than 12,000 caravan park residents, only 28 made enquiries made to the Energy and Water Ombudsman Victoria. Only six caravan park residents - or 0.05% - made enquiries related to high billing and none sought access to the retail market.**

**There's no technological solution available for caravan park dwellings – which are temporary structures - to be fitted with an NMI/AMI to enable customers to access the retail electricity market.**

If embedded electricity networks are ever banned, caravan parks will be required to replace perfectly good existing electrical systems to enable the installation of AMI/Smart meter infrastructure. The upgrade of legacy embedded networks is impractical and places an unreasonable financial burden on these mostly small business operators.

Under the Residential Tenancies Act, caravan park residences are temporary structures (dwellings) which must be capable of being dismantled and relocated within 24 hours. This means caravan park embedded electricity networks are unique as they supply power to temporary structures using detachable connection.

To supply power via detachable connection, caravan parks use embedded networks to distribute power from power boards to patented metered power heads located at residential sites. Detachable cables connect to metered power points on the power head to the temporary structure and provide electricity to the residence.

Temporary structures connected via a detachable connection must meet the requirements of both AS/NZS 3000 and AS/NZS 3001 and are required to have double pole switching. This is a safety requirement that means safety switches are installed on the power head. It's not possible for an electrical meter, NMI or AMI meter to be installed on the temporary structure.

To accommodate NMI/AMI meters and comply with the AS/NZS 3001:2008, caravan parks using detachable connection would be required to replace each existing power head servicing a residential site with new custom-made power heads which can accommodate the installation of NMI/AMIs. **This technology is not currently available** and would require significant research and development and market assessment before suitable technology could potentially be made available.

In many cases, legacy systems that have been grandfathered are not compliant with current standards, so caravan park businesses will also need to fund upgrades to existing power boards/switch boards and potential upgrades to electrical circuits main and sub mains to meet capacity and compliance requirements of the new metering infrastructure.

**The cost of replacing existing caravan park embedded network power heads with AMI capable power head and switch board upgrades is prohibitive and will be detrimental to affordable accommodation in regional Victoria.**

Based on known and estimated costs, we believe an average size residential member caravan park business will need to spend in the vicinity of \$700,000 to \$1 million to replace their legacy embedded networks with NMI/AMI enabled metering infrastructure.

To put that amount into context, the average turnover of a family-owned caravan park business is \$750,000 per annum, with a return of \$100,000 after tax.

The significant financial capital requirements of both upgrading legacy systems and any associated costs with provision of this service, will mean most caravan park owners will not have the capital or capacity to absorb additional costs and will have no option but to pass these costs on to the end consumer.

In addition, many people who reside in caravan parks are Part 4A site tenants. This means they own the dwelling and lease the land from the caravan park operator. It is impractical to require operators to install and fund electrical infrastructure on third party property, which can be relocated at any time.

**Under Caravan Park Regulations, caravan parks are required to provide electrical supply using a licensed generator. This precludes caravan park operators from re-selling renewable energy to residents and site tenants.**

While caravan parks generally occupy larger footprints of land than apartment buildings, viable roof space for the installation of solar infrastructure to meet onsite renewable energy requirements is extremely limited.

In fact, a very small proportion of roof space within a caravan park operation is fixed. This is limited to the administrative and communal buildings within a park which are generally limited to modest reception areas, amenities (toilets and shower blocks), camp kitchens, recreation rooms and sheds.

To install solar panels on the roof of dwellings which are moveable dwellings unique to caravan parks is not viable given dwelling design, engineering and construction limitations of the dwelling or the aged-embedded network.

To impose an absolute obligation with such onerous and practical inability to comply would be completely unfeasible and impractical.

**Since 2019, Victorian caravan parks have been severely financially affected by the COVID-19 pandemic, severe weather events including bushfires and floods, and rising business costs including soaring insurance premiums, labour costs and impacts of supply chain disruption.**

In addition to the impact of the COVID-19 pandemic – which by September 2021 saw more than 75% draw from personal cash reserves or extended debt to keep their business afloat - caravan parks are negotiating increased costs of doing business and reduced visitation as consumers tighten their belts.

This includes insurance premium increases of up to 300%, supply chain disruption, staff shortages and changes to legislation including the Residential Tenancies Act and Environmental Protection Act Regulations.

Additional, unnecessary pressure and further red tape burden upon these small business operators will ultimately result in no option but to pass these costs on to the end consumer – or experienced operators leaving the industry.

Despite increasing corporate involvement in the caravan park industry, primarily focussed on residential living either through land leasing models or reliance on default statutory tenure of sites for residential purposes, the majority of caravan park businesses are owned and operated by ‘mum and dad’ investors. Of these privately owned parks, 95% are small businesses, with 80% classed as micro businesses employing four or less people.

**Caravan Parks provide affordable holiday accommodation for up to 79% of the population, whose caravan park holiday spend contributes an estimated \$1.8 billion annual economic value to Victoria’s economy with 95% of that spend occurring in regional Victoria.**

This extremely price sensitive market demands desirable services and experiences that compete with other options including low cost overseas holidays and interstate caravan park and camping holidays.

Commercial campers spend 40% more than non-commercial campers, highlighting the need for quality commercial caravan park supply to maximise visitor spend. Local economies rely on tourism to survive and caravan parks are a vital part of that mix.

To compete within its own sector as well as against other accommodation types nationally and internationally, Victorian caravan park owners are increasingly required to develop modern, insurable and otherwise desirable products, services and experiences. Business operators are dependent on a business environment that encourages investment and reinvestment in product and services.

Additional regulatory pressures for Victorian tourist parks will likely lead to stagnation in product development, regional investment. In most cases, additional costs will inevitably be passed on to consumers leading to reductions in visitor activity in Victoria's regions and reduced spend in local economies.

**Redirection of park's capital expenditure to costs associated with newly regulated metering upgrades will only impact an operator's ability to invest in their park, with negative flow on effects to local communities. Impacting their economies and jobs.**

Caravan parks are vital to local communities across regional Victoria, providing peripheral community, commercial and volunteer services, particularly in regions where limited market opportunity may exist.

The role of the local caravan park extends to:

- Training provider
- Emergency Assembly area
- Tourist information centre
- Meeting place
- Social committee
- Business referral partner
- Employer
- Disaster relief centre
- First aid office
- Emergency services relief
- Environmental protection office
- Fire brigade partner
- Neighbourhood Watch
- Conference centre
- Wildlife rescue
- Childcare centre
- Regional tourism promoter
- Marine environment study centre
- Retirement village
- Catering service
- Board member and director
- Secure storage facility

We hope this submission provides clarity around why further embedded network regulatory burdens should not, and cannot, be imposed on Victorian caravan parks as any such move would be detrimental to a thriving industry that is not only vital to Victoria's tourist economy, but also to the communities they are part of.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Scott Parker', with a small dot at the end of the signature.

Scott Parker  
Chief Executive Officer