

Victorian Caravan Parks Association

Response of the Victorian Caravan Parks Association to the Draft AER (Retail) Exempt Selling Guidelines Version 5



VIC Parks
VICTORIAN CARAVAN PARKS ASSOCIATION

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1. Introduction

The Victorian Caravan Parks Association Inc. (VicParks) thanks the AER for the opportunity to comment on the matters raised in the **Draft AER (Retail) Exempt Selling Guidelines Version 5** circulated in November 2017

Industry Overview

The Victorian Caravan Parks Association Inc. (VicParks) is the peak industry body for owners, managers and lessees of caravan parks in Victoria. Its membership comprises 509 park and associated trade supply members that are predominantly regionally based, and the industry forms an important component in the supply of both regional tourism and regional residential accommodation.

Of the 390 parks, 30 are fully residential parks, with no holiday customers. About 300 parks are mixed-use parks, offering accommodation to both full-time residents and to holiday customers. The remainder are holiday parks that offer accommodation to tourists only and do not have residential customers.

The caravan park industry provides economic benefits and employment to regional towns and cities across the state; current state and federal government research indicates that there is significant opportunity for increased tourism visitation, and a subsequent increase in regional economic growth and employment as a result.

VicParks members employ more than 2500 staff in regional locations. The Victorian caravan park industry is estimated to contribute more than \$475 million annually to the Victorian state economy.

The Strategic Plan of the Victoria Caravan Parks Association that was developed in 2013 identified that caravan parks hold more than 54% of all accommodation capacity in Victoria.

2. Types of Caravan Parks

There are a number of operating models for the conduct of a commercial caravan park that offers guest accommodation to both permanent residents and holiday customers.

DESCRIPTION	CUSTOMER BASE	COMMENTS
Part 4A Residential Park	Solely for Part 4A Site Tenants who own their own dwelling and enter into a site agreement to rent the site on which their home is occupied.	This is a growing segment of the market which provides affordable housing in a 'gated' community with many shared facilities for use by the homeowners.

<p>“Hybrid” Caravan Park – Both Part 4A and Part 4, and tourists</p>	<p>Mixed customer base, comprising a mix of tourists on short-stay visits, Part 4 Residents who rent their dwelling from the park owner, and Part 4A Site Tenants</p>	<p>Hybrid parks gear their business and service delivery around two entirely different customer bases. Tourists and permanent residents have entirely different needs which must be balanced to the satisfaction of each.</p>
<p>Tourist Parks</p>	<p>A park that is purely focused on providing accommodation for tourists in either the park’s own cabins, on annuals’ sites or on caravan or camping sites.</p>	<p>While some of these parks are large and belong to successful marketing chains, many of these parks have less than 100 sites and rely solely on the tourist market.</p>

General Remarks

VicParks fully endorses the positions put forward by the respective caravanning and camping associations in other states, and in particular fully supports the submissions from Caravan and Camping Industry Association NSW, (CIA NSW) and Caravan Parks Association of Queensland (CPAQ).

The following general remarks underpin the position put forward by VicParks in respect of our position on Conditions outlined for comment in the **Draft AER (Retail) Exempt Selling Guidelines Version 5**

1. Caravan park owners operate as embedded network retailers to supply, provide and maintain all the electrical infrastructure from the street to the individual site and connection to the meter situated on or adjacent to the site occupier's dwelling.
2. Essentially, caravan park owners do not run energy sale businesses. They run tourism and accommodation businesses in caravan parks. In the operation of these businesses they provide an essential service to supply and maintain the necessary infrastructure to deliver electricity to park customers. They charge for this service at the rate recommended annually by the Essential Services Commission in Victoria. They do not and may not by law charge their customers for the cost of providing the infrastructure of individual powerhead meters, and for the cost of maintaining this infrastructure. Many members in Victoria are already providing power through their embedded network supply to their customers at a financial loss, as the capped amounts for providing for this service has in recent months been exceeded by the cost of bringing electricity into the park
3. Maintenance of the infrastructure comprising an embedded network in a caravan park is fraught in the sense that most of the infrastructure is located outdoors and present challenges that do not exist in an embedded network located in, for example, an apartment building. It is critical that there be a continuity of maintenance and service provision so that a bank of knowledge around the embedded network is built up and maintained to ensure the ongoing integrity of the embedded network. Whilst broadly supporting Power of Choice in

principle, VicParks members are deeply concerned that as a result of a resident exercising a Power of Choice option to seek an alternative electricity retailer other than that contracted to the caravan park in which they live, that there may be external involvement in the embedded supply infrastructure to its detriment.

4. The requirement for a mixed-use or hybrid park to bear the cost of an Embedded Network Manager is unreasonable; given the small-scale financial turnover of the business, this cost represents an unnecessary financial burden.
5. Initial industry advice suggests that Power of Choice option for a resident to go on-market is unlikely to generate savings to the resident, once other costs to be borne by the resident are factored in. However under current proposals, the cost to the park owner to appoint an EMN to manage this process and most likely reach this conclusion is to be borne by the park. This is an unreasonable and burdensome cost.

While it has been suggested at an AEMC meeting in October that any costs arising from the implementation of Power of Choice procedures could be absorbed into a rent increase to customers of the embedded network operator,, this option is not really viable for many parks where the residents' rental fees are tied to the federal rental subsidy for low income earners.

Once again this raises the issue that in our view, the framework is a one-size-fits-all measure that seems more suitable for the protection of tenants in embedded network operating in strata title developments and commercial shopping centres, than for smaller businesses such as caravan parks.

6. Similarly, we argue that the requirement for a park to bear the cost of joining an Ombudsman scheme is unreasonable, given the low incidence of genuine energy-related complaints from residents in caravan parks.

We believe that the current protections offered to residents by the Victorian Residential Tenancies Act 1997 (*Part 2 - 5.56*, see ss. 166 and 206ZH of the *Residential Tenancies Act 1997*), in concert with the low-cost of option to seek a hearing of any disagreement through the Victorian Civil and Administrative Tribunal provides full protection for residential customers of caravan parks.

Specific Response to the Proposals in the Draft Guideline

Condition 1 – Obligation to Supply

We strongly oppose this amendment that requires exempt sellers to continue to offer supply, including if the customer owes money on their energy account.

Customers in caravan parks have limited incomes, frequently restricted to the federal rental rebate levels. Their ability and willingness to enter into payment plans does not provide the park owner of any certainty of repayment of the debt, and places a financial burden on the park owners. And payment plans may not introduce the necessary stimulus to the resident to manage a limited income so that energy and rent bills are paid in a timely way. Caravan parks are not banks; they should not be required to offer lending schemes to late- and non-payers.

We are aware of the efforts of many park owners to educate and work with their customers to reduce their energy costs (e.g., offering suggestions for turning of air-conditioning when they are not in the caravan, etc.) as parks continue to manage their own and their customers' escalating costs in the current high-priced energy market. However this assistance does not pay the bills, and at the end of the day, the park owner must have the right to limit supply until arrears are made good.

Reducing supply may be the most effective way to assist the resident to make good the arrears.

Conditions 16 and 17 – Dispute Resolution and Membership of Energy Ombudsman Scheme

VicParks argues that the cost of membership of such a scheme appears to be significant and out of proportion to any demonstrated need, or evidence of systemic complaints. As mentioned above, the current arrangements for customers in embedded network arrangements in our parks to seek assistance and protection are long-standing and proven.

Particularly for mixed use parks, this Condition is likely to see the withdrawal of sites for residential customers. Continued escalation of the regulatory framework that all parks operate is time-consuming, costly, and burdensome. During the Review of the Residential Tenancies Act which has been underway in the state across 2016-17, members have spoken of their frustration with the escalation of the regulatory exposure of the industry, and their intention to cease to offer residential housing should this regulatory burden remain or increase. In many parts of regional Victoria, caravan park accommodation is the only source of low-cost affordable housing, where the rents are closely aligned to the federal rental subsidy programs. This would have a significant impact on the availability of social housing and increase homelessness in regional areas.

Furthermore, Consumer Affairs Victoria provides free information by phone, in print and on the Internet to assist customers to access their rights to information, and options for resolving disputes. Significant government resources are already available to manage mediation and counselling services when required, and these can be accessed in regional locations as well as city venues. As well VicParks provide our members and also members of the public with the information they need to determine the issues and achieve a resolution.

Caravan park businesses are highly-regulated by government; they know their customers very well and take all necessary steps to minimise disputes.

We argue that the cost to parks of involvement of an industry scheme is an unnecessary financial burden on caravan park businesses, and that sufficient protections exist already for customers in an embedded network that is already highly-regulated.

The option to provide an alternative dispute resolution outside of an Ombudsman scheme may be possible for VicParks to consider, as the peak industry body, once the current uncertainty is resolved about which particular Standard is to apply.

Conditions 16(l) - Provision of information to residents

VicParks supports the proposal to implement measures to improve information provision to consumers. This position aligns with that already adopted by VicParks by including in our standard agreements information on the Embedded Network supply arrangements.

VicParks does not support the contention that the information should be provided by the embedded network operator annually.

And Finally

VicParks has a number of reservations about the access requirements specified in Paragraph 4.2.2.3 of the *Electricity Network Service Provider – Registration Exemption Guideline (Version 5)* (“Guideline”). They are as follows –

The requirement of the Guideline that a market retailer or the customer may, at their cost, replace the meter installed by the embedded network operator with a meter of their own choosing without the embedded network operator being entitled to any compensation for the unrecovered cost of the original meter, is unfair.

The sale of energy is not the core business of a caravan park. Typically, caravan park operators have installed embedded electricity networks at significant cost to provide an essential service to their patrons. If part of the infrastructure comprising that network is altered the caravan park operator should be reimbursed for any out of pocket expenses “thrown away” by reason of that alteration.

The Guideline states that “...an exempt embedded network service provider must provide access on reasonable terms to all necessary facilities to allow the metering of a customer obtaining supply from a market retailer.”

Given the nature and configuration of embedded networks in caravan parks, VicParks submits that it would not be an unreasonable term for the caravan park operator to require that any physical work required to be done on the embedded network to facilitate such access be done by a licensed electrician with knowledge of the embedded network to ensure the ongoing integrity of the network.

Moreover, given the characteristics of embedded networks in caravan parks, consideration must be given to meeting the unique costs of maintaining the network that don't necessarily exist in other embedded networks. This is illustrated by the comments of one member quoted below –

All the electrical cabling and other aspects of supply, i.e. the power head that the meter is encased in, the pole that holds the meter, the electrical switching on the meter, the electrical switching in the power box that protects the cabling from the incoming meter to the power head is owned by me. Should there be a failure in my infrastructure between the incoming meter and the new retailers/customers meter, who is responsible to repair, this would include cabling, power head pole, all switching.

When a power head is used to supply, a 15 amp breaker is used to protect the supply between the power head and the caravan/annexe or cabin it supplies. In between the breaker in the power head there is a 15 amp female socket fixed in the power head and a 15 amp male socket with a lead is plugged into it to supply the site. Each year I have a licensed electrician check this part of the supply network and repair or replace as necessary. I have found this supply point most prone to failure; who would be responsible for this? Often customers will overload the breaker, would they contact their shiny new retailer for assistance if the breaker trips (I am sure the new retailer or the incoming supplier will not be getting out of bed following a phone call for assistance at 2 am, as I have and I am sure most park owners have)

VicParks submits that the “reasonable terms” upon which an exempt embedded network service provider must provide access to all necessary facilities to allow the metering of a customer obtaining supply from a market retailer, must, in the case of a caravan park, include the ability of the caravan park owner to recover those unique costs either by way of the imposition of a supply charge or on a reimbursement basis from either the consumer or the external retailer.

Again, thank you for the opportunity to comment on the proposals in the **Draft AER (Retail) Exempt Selling Guidelines Version 5**. Please contact me on 03 9372 3420 if further information is required.



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