

September 2023



Submission to the ...

IPART Review on Energy Prices In Embedded Networks



IPART Review – Energy Prices in Embedded Networks

11th September 2023

To Whom It May Concern

We add our submission to those from others in the Caravan and Camping Industry in regard to the pricing of utilities in embedded networks. We have operated our embedded network since 1983, and currently have a mix of both residents and tourists utilising the network for both electricity and gas. Our submission is based on 40 years of knowledge that we have gained from operating our network. We hold two AER registrations for our network:

- **NR4** Persons supplying metered or unmetered energy in caravan parks, holiday parks, residential land lease parks and manufactured home estates to residents who principally reside there
- **R4** Persons selling metered energy in caravan parks, residential parks and manufactured home estates (also known as residential land lease communities) to residents who principally reside there.

Since 1983, when we started housing residents – first in caravans owned by us, to now, where all residents own their units – we have seen many changes to setting of utility pricing. By far, the easiest of them, was a price set every six months that we could change within 30 days of that price being set. The most recent reiteration of the pricing model is that of the Reckless method, where each month we take approximately 30 minutes to an hour to change prices. This has become a farce and must change.

Another pricing idea that needs changing is that discounts should be applied in the pricing for Supply Availability Charges. There is no cost difference in supplying and maintaining a network of 20 Amps, 32 Amps or 60 Amps (by way of an example, see pricing for switches in Attachment A). In fact, the largest cost is that for the powerheads and wiring, which is the same no matter how many amps are being supplied. Further, we question just how many appliances anyone could be using to require regular access to 60 Amps.

It is our long-held view that with increasing numbers of embedded networks, and the corruption of the original intent of embedded networks, that an urgent segregation of embedded networks must happen. We believe that the segregation should fall along the five main types of network:

- 1) Caravan Parks and Residential Communities
- 2) Retirement Villages,
- 3) Apartment Complexes,
- 4) Commercial Complexes,
- 5) Embedded Network Retailer

Although we do not operate a chilled and hot water embedded network, we would like you to consider the real and original intent of the design of embedded networks. When the original Code of Practice came into effect in 1986, that was merely to cover electricity and gas, not internet, chilled water, hot water or even sewerage! It is, in our opinion, either aesthetics or profiteering that has caused these new embedded networks to be developed. Again, the original intent of the Code was that we would be able to cover costs and to make enough profit to complete upgrades later.

We would consider any embedded network that operates one meter for the whole network and then divides the utility by the number of access points as being against the spirit of the intent for allowing embedded networks. Further, any embedded network without metering for any utility should be banned. We cannot understand how any embedded network can be allowed to operate without metering.

Finally, we thank-you for finally drawing a line in the sand and trying to improve the pricing outcomes for both operators of embedded networks and their customers. Should any further information be required, you can contact either of us on [REDACTED]
[REDACTED]

Yours sincerely,

[REDACTED]

[REDACTED]

[REDACTED]

Question 1 Are these the right criteria to use for assessing the different pricing options? Are there any criteria we have missed?

We would argue that 1) *Ensure there is no interruption to energy supply* does not allow for disconnection for non-payment of bills. That needs to be considered, in line with the options available to those who are on market customers.

Question 2 How should maximum prices be set?

As it currently stands, those living in Residential Land Lease Communities and as residents in Caravan Parks are at a distinct advantage with their utility prices compared to those who are residential customers outside of an embedded network. Using the Reckless method to set our prices – every month – the prices for electricity are well below the DMO prices of 45.47c/kW (*AER DMO Fact Sheet 2022-23*). The most expensive price that our residents have paid is 37c/kW. These prices for electricity are offset by the number of tourists that are in our park, with more tourists lowering the price.

We believe that using the DMO or the median of an average tariff from the five largest retailers in the state, would be a far more equitable way to set prices.

Question 3 Is the Commonwealth Government's Default Market Offer the appropriate maximum price for electricity embedded networks? If so, why?

There are few actual options available, and we would like to see one of two options considered when setting the market price:

- the Default Market Offer or
- the median tariff from the 5 largest retailers offering service in NSW

We believe either one would offer the fairest possible outcome for both embedded network operators and their customers.

Question 4 How should different metering arrangements be taken into account? For example, how should prices be set where services are unmetered, or where water is metered rather than energy?

We draw your attention to Section 77 *Residential (Land Lease) Communities Act 2013* which, in part, states:

- (2) The home owner cannot be required to pay for the use [of utilities] unless—
 - (a) the use is separately measured or metered, and
 - (b) the operator gives the home owner an itemised account and allows at least 21 days for the payment to be made.

That clearly states that we – that is, Caravan Parks and Residential Land Lease Communities, which the Code of Practice was originally set to cover – must have our utilities metered. We see no reason why any other embedded network cannot also operate under the same rules. We hear stories about one meter covering a whole floor – or worse, a whole building – in a strata, with the utility being divided by the number of units. This is wrong on so many levels.

We would add the criteria that all meters are read at least monthly and an itemised account to be produced and sent to all customers within 2 business days of that reading.

If the Governments (that is, Federal and/or State) are going to continue to allow the misuse of the original intent of providing embedded networks, then we see absolutely no reason why any new embedded network cannot apply the same principles – metered and itemised accounts – during their establishment. Failure to do so, should render them ineligible for registration as an embedded network.

Question 5 Should prices be set differently for different types of customers, and different types of embedded networks? For example, residential customers, land lease communities, small businesses.

We have long advocated that, given the issues in embedded networks that have arisen from:

- a) the increasing numbers of embedded networks, and
- b) the corruption of the original intent of embedded networks,

there must be a segregation of embedded networks into the differing types of networks that exist. This review presents an excellent opportunity to start this process. It is our view that there exists five main types of embedded networks:

- 1) Caravan Parks and Residential Communities
- 2) Retirement Villages,
- 3) Apartment Complexes,
- 4) Commercial Complexes,
- 5) Embedded Network Retailer – who have as their core business the provision of embedded network utilities.

The separation of pricing would allow IPART to deal with the issues of each type in a more co-ordinated way, whilst also allowing for the efficiencies that the Minister was seeking when setting the review.

Question 8 How can the maximum prices provide incentives for low emissions energy generation?

Low emission energy generation should benefit everyone in the embedded network, not just those who can afford it. We believe that using pricing to provide the incentive is wrong and will affect more customers than it will assist.

Question 9 How should the maximum prices be enforced?

Given that all embedded networks should be members of EWON, then we would consider that this is where enforcement should fall. If there is a complaint about that embedded network, then EWON would receive bills from the complainant allowing them to act.

To add another layer of fines and enforcement penalties beyond that already put in place by EWON's fees would be an impost on the customer.

Question 11 How many customers do you have by site and by embedded network type?

We have operated an embedded network at the caravan park since 1983, when we started accepting permanent residents in our park. Presently, we have 20 residents who access power through our network, with 13 of these also accessing gas on our bottled gas network.

Question 12 What are your prices?

We cannot comment on what our prices are, due to the Reckless decision (see *Reckless v Silva Portfolios Pty Ltd t/as Ballina Waterfront Village and Tourist Park (No. 2) [2018] NSWCATCD 59*). Since Reckless has come into effect, our residents have seen power prices fluctuating between 27c/kW at its lowest, and 37c/kW at the highest. The difference between the monthly prices is often on average 2c different from the month before.

Our Supply Availability Charge has not changed since Reckless has been implemented, but our costs still increase. We will be forced in the coming months to increase it by at least 7% to around the \$11 mark per week.

We calculate our prices for Gas utility by averaging out our six monthly prices on gas supplies. This has seen our prices rise three times since July 2022.

Question 13 Do you generate, extract or store energy on site? If so, please provide details.

Our park has a small amount of solar generation from roofed solar. We are not allowing our residents to install solar, for three main reasons:

- 1) Any solar should benefit all residents in the park, not just those who can afford it;
- 2) Issues noted from other parks with meters running slow, backwards or stopping;
- 3) Those with solar are not going to be paying their fair share of the costs of maintaining and operating the embedded network

Therefore, we continue to look at ways that we can add more to our generation across the park.

Question 14 What are your costs, and how do you recover these?

For our park for the FY 2022-2023 our energy bills totalled nearly \$70,000. Of this, only 36% or about \$25,500 was the actual cost of energy supplies. The rest was fees and charges. These include the network and demand charges, large and small scale renewable energy charges, NSW legislated Energy Scheme (ESS and PDRS) as well as AEMO charges, metering charges and retail service fees.

Other costs include fees for the compulsory membership of EWON (despite not having any complaint against us), and maintenance of the network (replacing aging lines, switches, breakers etc) has risen by almost 15% in the past few years. There is also staff time to read the meters, produce invoices and post these to the onsite mailboxes of our residents (approximately 2 hours every week).

We recoup some of these charges via a Service Availability Charge, as provided in Section 11 of the *Residential (Land Lease) Communities Regulation 2015*. This is charged weekly, and covers maintenance of the network, reading the meter, printing and issuing of the bill.

Question 16 How are the short and long term interests of consumers considered when designing an embedded network?

Our Embedded Network is nearly 40 years old, and we have constantly updated to improve the systems, and the safety of the network. We have added solar panels to assist in lowering the costs for all our customers. Our meters are changed as they become older, to ensure that our customers are being charged correctly.

From our experience we know that the weekly reading of power and gas meters in our park has had a huge benefit for our residents, particularly those on pensions and low incomes, to be able to budget more effectively.

QUESTIONS NOT ANSWERED

Question 6 Are there any issues or systems constraints on using the common factor to calculate the units of energy for heating and chilling water?

Question 7 How can the maximum price for hot and chilled water be set to provide incentives for energy efficiency?

Question 10 Should new hot and chilled water embedded networks be banned? What are the benefits and costs of supplying these services through an embedded network?

Question 15 Please describe your chilled water service, including the energy sources used, the network configuration, and the relevant metering arrangements.

Question 17 Do you offer “energy-only” offers to customers in embedded network?

Question 18 Do you charge customers on “energy-only” offers with another provider for their use of the network?

ATTACHMENT A

Quote for Switches

Part Number	Description	Qty	UOM	Unit Price	Per	GST Amt	Line Value Excl GST
001 NHPMOD6120	Mini Circuit Breaker C Curve 1P 20A 6kA 1MOD DIN Rail Mount	1	EA	5.3325	1	0.53	5.33
002 NHPMOD6132	Mini Circuit Breaker C Curve 1P 32A 6kA 1MOD DIN Rail Mount	1	EA	5.3325	1	0.53	5.33
003 NHPMOD6163	Mini Circuit Breaker C Curve 1P 63A 6kA 1MOD DIN Rail Mount	1	EA	5.5300	1	0.55	5.53
						Total excl GST	16.19
						GST	1.61
						Total incl GST	17.80
Name _____ Signature _____							

QUOTE Ver 29-07-20 13:28

Part Number	Description	Unit Price	Per	Line Value Excl GST	Part Number	Description	Unit Price	Per	Line Value Excl GST
001 NHPMOD6120	Mini Circuit Breaker C Curve 1P 20A 6kA 1MOD DIN Rail Mount	5.3325	1	5.33					
002 NHPMOD6132	Mini Circuit Breaker C Curve 1P 32A 6kA 1MOD DIN Rail Mount	5.3325	1	5.33					
003 NHPMOD6163	Mini Circuit Breaker C Curve 1P 63A 6kA 1MOD DIN Rail Mount	5.5300	1	5.53					
					GST 1.61				
					Total Quote				\$17.80

Quote Accepted

Name _____ Signature _____