

16 January 2018

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

c/- www.qca.org.au/submissions

To whom it may concern

Submission on Determination of Regulated Energy Prices for 2018-19

Caravan Parks Association of Queensland Ltd (CPAQ) appreciates the ability to provide input into the current Queensland Productivity Commission's consultation into the Determination of Regulated Energy Prices for 2018-19.

As a significant tourism and housing provider, particularly in Regional Queensland, the cost of electricity has a significant impact on our members, their guests and their residents.

The latest Caravan Industry Association of Australia Industry Sentiment report (n=200) found that 16% of operators indicated that the rising cost of energy prices would likely impact the performance of the Australian economy and their business over the next 6 months.

Caravan parks often deal with residents and guests on tight budgets and the significant increases in energy costs over the past decade have had a major impact on their businesses, as they have had to either absorb increases or explain to price sensitive customers why there has been an increase in their rates.

In relation to this review please find following our recommendations and comments relating to energy prices in Regional Queensland from 1 July 2018 to 30 June 2019.

Recommendations

- (1) Caravan Parks operating embedded networks should be excluded from the "Large Customer" tariffs as these higher energy costs are passed on to their guests and residents (in the form of electricity charges).
- (2) Business that go on Market and sign a contract with a retailer (other than Ergon) should have the ability to return to Ergon where competitive offers are not available from other retailers.



CARAVAN PARKS
ASSOCIATION OF
QUEENSLAND LTD

ABN 75 688 493 704

Postal: PO Box 6542
Stafford Heights Q 4068

Unit 9, 10 Hudson Road
Ablon Q 4010

P: 07 3882 1833

F: 07 3262 9890

E: perks@caravanqld.com.au

W: www.caravanqld.com.au

Background

In Queensland caravan parks are an integral part of many regional communities. Not only are they a significant provider of accommodation to the tourism sector in these communities, they also offer affordable accommodation options for residents.

Caravan parks fall into three broad categories in Queensland:

1. Tourists only
2. Mixed use (that is caravan parks with a mix of tourists, and residents either in onsite caravans/cabins, or in manufactured homes)
3. Residential only

Many caravan parks across all three categories on-sell electricity to guests and/or residents within their park through an embedded network. These businesses do not run energy sale businesses, however, in the operation of their primary business, they provide an essential service by supplying and maintaining the necessary infrastructure to deliver electricity to park customers.

Caravan parks charge residents for electricity as allowed under the Residential Tenancies and Rooming Accommodation Act 2003 (RTA) and Manufactured Homes (Residential Parks) Act 2003 (MHA), or in the case of tourists charged for electricity, under the Australian Energy Regulator (AER) guidelines. They do not, and may not, by law charge their customers for the cost of providing the infrastructure of individual powerhead meters, for the cost of maintaining this infrastructure, or for the administrative costs associated with running this network, nor can they make a profit on the supply of electricity.

Recommendation 1

Caravan Parks operating embedded networks should be excluded from the “Large Customer” tariffs as these higher energy costs are passed on to their guests and residents (in the form of electricity charges).

To ensure competitive electricity pricing for all residents in Queensland we recommend that caravan parks that operate embedded networks should NOT be considered a “Large Customer” and incur the tariffs levied on “large customers”.

Caravan parks (running embedded networks) pass on the electricity charges incurred by their residents (and in some cases guests) at the cost they are charged (based on individual usage). Under the state based Residential Tenancies and Rooming Accommodation Act 2008 and Manufactured Homes (Residential Parks) Act 2003 as well as the Australian Energy Regulator exempt retailer guidelines these parks are restricted as to what they can charge for the supply of electricity and as a result normally on-charge what they have been charged based on the use of the individual site.

Where a caravan park exceeds 100 mWh’s per annum they switch from being a “small business customer” and become a “large customer”, despite relatively low turnover and the large number of individuals that are responsible for the usage. On becoming a large “customer” their tariffs increase significantly, this then flows through to the residents and guests in their park. This means that residents are being charged significantly more than they would be charged if they were based in South East Queensland, or as a residential customer in their current location.

It is difficult for caravan parks to offset these charges by primarily using power during off peak periods or by using solar as the peak times of electricity use in most caravan parks are from 6pm until 9pm.

While the AER has introduced the ability for customers of embedded networks to go “on-market” we believe the cost of a new meter (due to the age of most caravan parks the current meters are not compatible with going on-market) will outweigh the perceived benefits by the customer making it unlikely they will go on-market. Further this group of residents may have difficulty (due to their age or circumstance) going through the process of going on-market. This, coupled with the limited choice of retailers outside of South East Queensland means that these customers are negatively impacted by the designation of the business as a “large customer”.

Recommendation 2

Business that go on Market and sign a contract with a retailer (other than Ergon) should have the ability to return to Ergon where competitive offers are not available from other retailers.

Many caravan parks outside of South East Queensland have signed contracts with retailers (other than Ergon) to take advantage of the more competitive rates available to them.

With the decline in mining in these regions park operators have been advised of significant impending price increases which are no longer competitive, particularly when compared to the Ergon large customer tariffs. One park operator reported that their retailer has advised them at this stage their tariff will be increasing by at least 44% when their contract is up for renewal later this year.

In order to establish a competitive electricity market we believe these businesses should have the ability to return to Ergon, particularly in situations where other retailers are unable, or unwilling, to make a competitive offer.

About us

Caravan Parks Association of Queensland Ltd (CPAQ) is the industry body representing caravan parks in Queensland. Established in 1966, the association is the voice for the sector, providing support and networking opportunities in addition to advocating on behalf of the industry, and promoting the sector to interested consumers.

There are currently over 450 full and associate members of CPAQ, made up of caravan park operators, mixed use parks (i.e. catering for caravans and residents in manufactured homes), and campgrounds, large and small, from all corners of the State, along with industry suppliers, tourism businesses, and regional and local tourism organisations.

We seek to work with both state and local governments to balance the needs of the consumer (which includes permanent residents in caravan parks) with those of the Government and industry. We actively strive to ensure not only that minimum standards within caravan parks are met, but that over time these industry standards are in fact driven higher.

As the peak body for the sector we aim to:

- Foster and assist in the development of the caravan parks industry
- Encourage a high standard of quality service and ethics from caravan parks in Queensland
- Strongly advocate for a level playing field for all industry participants
- Promote Queensland Caravan Parks as the holiday destination of choice
- Work closely with State and Local Government for the benefit of our members and councils

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- Provide support and advice to member businesses and distribute relevant information to ensure the smooth running of member businesses

Once again, as an important stakeholder in relation to energy pricing, thank you for the opportunity to provide feedback on this draft document.

Should you have any questions about the content of this submission, or wish to discuss the implication of these changes on caravan parks in Queensland I would welcome your call on 07 3862 1833.

Kind regards

A handwritten signature in blue ink, appearing to read 'M Weston', with a stylized flourish at the end.

Michelle Weston
General Manager