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Queensland Competition Authority
GPO Box 2257
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c/- www.qca.org.au/submissions

RE: Notified electricity prices 2025-26

Caravan Parks Association of Queensland (CPAQ) welcomes the opportunity to provide feedback on the Queensland Competition Authority's Interim Consultation Paper on Notified Electricity Prices for 2025–26. Representing 315 caravan parks across Queensland, CPAQ brings a unique perspective to this consultation, reflecting the diverse needs and challenges faced by the industry.

Caravan parks are integral to Queensland's tourism economy, regional development, and affordable housing solutions. However, any changes to electricity pricing structures pose significant challenges for the sector, particularly for regional parks. High fixed costs, limited market competition, and the complexity of tariff selection create barriers to financial sustainability, operational efficiency, and the adoption of renewable energy initiatives.

This submission highlights:

- The current disparity in electricity costs between regional and metropolitan caravan parks, with regional operators paying on average 73% more than their metropolitan counterpart.
- The broader impacts of electricity pricing on park operations, residents, and guests, including affordability concerns and reduced competitiveness.
- The importance of tailored solutions, such as flexible tariffs, advisory services, and incentives for renewable energy adoption, to address these challenges.

Caravan Parks Association of Queensland (CPAQ) - January 2025



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CPAQ recognises the need for a balanced approach that ensures equitable pricing, supports regional businesses, and aligns with Queensland’s energy transition goals. This submission outlines practical recommendations to achieve these outcomes, including reforms to demand and service charges, enhanced transition support, and safeguards for businesses exploring market contracts.

We value the opportunity to contribute to this consultation and remain available to provide further insights or information as needed to support this important process.

Current Electricity Costs in Regional Caravan Parks

Electricity costs are one of the most significant operating expenses for caravan parks in Queensland. For regional parks, these costs are further exacerbated by limited competition and infrastructure challenges, creating a disparity that places regional operators at a distinct disadvantage compared to their metropolitan counterparts.

Tariffs Comparison

A comparative analysis of electricity bills from 21 caravan parks across Queensland (6 regional and 15 in South East Queensland) in 2024 revealed that regional caravan parks are paying, on average, 73% more for electricity (including supply, demand and network charges) than their metro counterparts. Specifically:

- **Regional parks:** ██████████
- **Metro parks:** ██████████

This disparity highlights the limited competition in regional Queensland, where caravan parks are often restricted to a single electricity retailer, such as Ergon Energy, and the inability to return to Ergon if they go ‘on-market’. This lack of competitive pricing options significantly impacts the cost-efficiency of regional operators.

Proportion of Expenses

Electricity costs account for a significant portion of operating expenses for caravan parks in Queensland, ranging from ██████████ of total costs, with an average of ██████████. This is slightly higher than the industry averages in New South Wales ██████████ and slightly lower than in Victoria ██████████. Larger operators with greater bargaining power and access to specialised advisory services tend to secure better energy deals, further underscoring the inequity faced by smaller, regional parks. Those properties in North and West Queensland report electricity costs are a higher percentage of their operating costs than those in South East Queensland.

Recent Trends

Over the past year, caravan parks have reported increases in utility costs ranging from 5% to 25%. Such significant cost escalations are unsustainable for many regional operators, particularly those unable to offset these increases through higher site fees or operational efficiencies.

Key Observations and Concerns

1. The limited competition in regional electricity markets is directly contributing to higher tariffs for caravan parks.
2. Smaller and regional operators lack access to the same resources and expertise as larger organisations, compounding their inability to secure favourable energy arrangements.
3. The year-on-year increase in electricity costs is placing immense financial strain on regional parks, threatening their operational sustainability and competitiveness, resulting in increased fees and charges for guests and residents.

Without meaningful interventions to address the structural issues in electricity pricing for regional Queensland, caravan parks will continue to face significant challenges, with flow-on effects for local tourism and affordable housing solutions.

Impacts on Regional Caravan Parks

The high cost of electricity in regional Queensland, combined with limited competition and structural challenges, has significant financial, operational, and social implications for caravan parks. These impacts extend beyond the parks themselves, affecting residents, guests, and the broader regional economy through reduces visitor spending.

Financial Strain

Caravan parks in Queensland often operate as embedded networks, responsible for providing electricity to residents and guests. However, unlike most embedded networks, Queensland state tenancy legislation (*Residential Tenancies and Rooming Accommodation Act 2008* (section 167) and *Manufactured Homes (Residential Parks) Act 2003* (section 99A)) restricts park operators from charging residents more than they themselves pay for electricity. This limitation creates several challenges:

- **High demand and service charges:** Some caravan parks, as large energy users, face significant fixed costs, including demand and service charges that account for [REDACTED] of their electricity bills. These fixed costs remain unchanged even when parks reduce

consumption through energy efficiency measures or renewable energy installations. This disincentivises the adoption of sustainability initiatives, such as solar power, as the potential savings on variable charges are insufficient to offset the upfront investment and ongoing operational costs. This issue disproportionately affects regional parks, where operational margins are already under pressure due to higher tariffs and limited competition.

- **Inability to recover costs:** Park operators cannot pass on the costs associated with administering the network, maintaining infrastructure, or upgrading systems.
- **Greenfield developments:** Developers of new caravan parks (greenfield sites) are often forced to take on the responsibility of managing an energy network when no other party (e.g., Ergon Energy) is willing to own it. This adds an unexpected and burdensome operational layer to their core business of accommodation provision.
- **Cashflow pressures:** Many residents of caravan parks are low-income earners attracted by affordable housing options. Rising energy costs can impact their ability to pay rent and electricity bills, delaying payments and straining park cashflows.

Competitiveness

Regional caravan parks are at a competitive disadvantage compared to their metro counterparts and other accommodation providers due to electricity pricing structures:

- **High fixed costs:** Large energy users like caravan parks in Queensland face demand charges and service fees that constitute 44% to 75% of their total energy bill. This is significantly higher than the 4% to 8% for small energy users, further widening the cost disparity.
- **Lack of competitive options:** In South East Queensland, embedded network owners have successfully negotiated reduced electricity costs for their business which in turn assists their residents with energy costs. Conversely, regional parks reliant on Ergon Energy face much higher tariffs due to the absence of alternative providers.
- **Example of disparity:** A review of electricity bills across 21 parks in Queensland revealed that regional parks pay 73% more per kWh than metro parks (██████████ on average).

The limited competition and high fixed costs not only affect park operators' bottom line but also increase the price of accommodation for guests, diminishing their competitive edge.

Customer Experience

Rising electricity costs have forced many caravan parks to make difficult operational decisions:

- **Increased site fees:** To remain financially viable, many parks have had to increase site fees, impacting their ability to attract budget-conscious travellers.
- **Complex tariff structures:** Without access to specialists to navigate tariff complexities, park operators risk choosing suboptimal tariffs, resulting in higher long-term costs. This also diverts valuable time and resources from their core business operations.

Broader Social Impacts

Caravan parks are a critical component of affordable housing in Queensland. Rising electricity costs exacerbate financial pressures on low-income residents, many of whom rely on parks for long-term accommodation. As energy prices increase:

- Residents may struggle to meet rent and utility obligations, causing financial stress and risking housing security.
- Parks face delays in receiving payments, creating cashflow issues that further jeopardise their ability to operate sustainably.

Sustainability Challenges

Caravan parks are well-placed to contribute to Queensland's sustainability goals through the adoption of renewable energy and energy efficiency measures. However, high fixed costs, including demand and service charges, present a significant barrier:

- **Disincentive for renewable energy:** Even with a reduction in energy consumption through solar or other renewable initiatives, the substantial fixed costs remain unchanged. This undermines the financial case for sustainability investments.
- **Limited capacity for innovation:** With tight operating margins and no ability to recoup costs from residents, caravan parks often prioritise immediate financial stability over long-term sustainability investments, resulting in missed opportunities to lower carbon footprints.

The current structure of demand and service charges requires reform to incentivise the uptake of sustainability initiatives in caravan parks, which would align with Queensland's broader emissions reduction and energy transition goals.

Broader Market Challenges

For regional businesses reliant on Ergon Energy's standard retail contracts, moving "on market" to an alternate energy provider presents additional risks:

- **Loss of Ergon safety net:** Businesses that leave Ergon for a market-based electricity deal lose the ability to return to Ergon at the end of their contract. This creates significant uncertainty, as operators fear that subsequent contract terms may be less favourable due to limited market competition in regional areas.
- **Market risk and lack of competition:** Without meaningful competition in regional energy markets, businesses that switch providers face the risk of being locked into unfavourable terms when their initial market contract expires. This risk often discourages businesses from exploring potentially cost-saving options, further entrenching reliance on Ergon Energy and limiting innovation.

Key Observations and Concerns

1. The inability of park operators to recover administrative and maintenance costs creates an unsustainable financial model for managing embedded networks and increases costs for all guests and tenants of the parks through other fees and charges including site rent and site fees.
2. Higher electricity costs and limited tariff options are eroding the competitiveness of regional caravan parks.
3. Rising site fees could deter visitors and diminish the guest experience, adversely impacting regional tourism.
4. The cascading effects of rising costs on residents highlight the broader social implications of electricity pricing decisions.

Implications of Proposed Changes

The Queensland Competition Authority's proposed changes to network tariffs and electricity pricing structures present several challenges for caravan parks in Queensland. These implications are multifaceted, affecting operational management, financial sustainability, and the ability of parks to adapt to changing energy demands and market conditions.

Network Tariff Changes

Operational and Financial Risks

- **Tariff removals:** The removal of existing tariffs introduces uncertainty and complexity for caravan parks that must transition to alternative arrangements. Parks are often required to select new tariffs without access to the specialist advice needed to navigate these options effectively. Incorrect tariff selection can result in significantly higher long-term costs, compounding financial pressures.
- **Time-of-use charges:** The proposed introduction of time-of-use tariffs may provide a mixed impact on caravan parks. Peak electricity periods during the day may align with guest turnover times, potentially reducing costs during busy seasons. However, off-peak periods in the evening, when parks are fully occupied, might still incur higher costs. While this structure may benefit some operational patterns, its overall impact on parks with seasonal variability should be carefully considered.
- **Administrative burden:** Each amendment to tariff structures increases the complexity of energy management for park operators. This additional administrative burden diverts resources from core business activities, particularly for smaller operators without dedicated energy management expertise.

Sustainability Barriers

High fixed costs, including demand and service charges, remain a significant obstacle to adopting renewable energy initiatives. Even with reductions in variable charges through measures like solar energy, the unchanged fixed costs undermine the financial viability of sustainability investments.

Uniform Tariff Policy (UTP) Impacts

Effectiveness of UTP

The Uniform Tariff Policy (UTP) aims to ensure equitable electricity pricing across Queensland, regardless of geographic location. While the UTP provides regional businesses with access to prices similar to their metropolitan counterparts, it does not fully address the inherent cost disparities, lack of competition or the operational challenges faced by businesses like caravan parks.

Service Obligation Payments

While these payments aim to reduce costs for regional businesses, caravan parks in regional Queensland still face higher electricity tariffs due to limited competition and fewer retailer options.

A comparative analysis of electricity costs highlights this disparity: regional parks pay, on average, 73% more for each kWh than metro parks. This indicates that service obligation payments, while beneficial, are insufficient to bridge the gap in pricing equity between metro and regional areas.

Transition Support

Caravan parks, especially smaller parks, transitioning away from retired tariffs require robust support mechanisms to mitigate financial and operational disruptions. Lessons learned from previous tariff transitions underscore the importance of clear communication and tailored assistance:

- **Extended transitional periods:** Allowing sufficient time for parks to adjust to new tariff structures is critical, particularly for those that rely heavily on retired tariffs. This is especially important for regional parks that face greater financial constraints and operational challenges.
- **Tailored education and advisory services:** Caravan park operators need accessible and practical guidance to understand new tariff options and identify the best fit for their unique circumstances. Advisory services, provided either by Ergon Energy or an independent entity, can help bridge knowledge gaps and reduce the risk of poor tariff decisions.
- **Clear communication:** Consistent and timely updates regarding tariff changes and available support options are essential to help businesses prepare and adapt.

Flexibility Requirements

The proposed changes should also consider mechanisms to enhance flexibility for businesses, particularly those with unique operational profiles like caravan parks:

- **Load-control tariffs:** Educating caravan park operators and other businesses on the benefits of flexible load-control tariffs is essential. These tariffs can help parks shift non-essential energy use (e.g., communal facilities such as laundry rooms or swimming pool pumps) to off-peak times, reducing overall costs. Additionally, providing incentives or subsidies for implementing the necessary technology to utilise these tariffs effectively would encourage adoption and help businesses improve energy efficiency.
- **Seasonal tariff options:** Encouraging seasonal tariffs tailored to businesses like caravan parks with fluctuating demand patterns. For example, lower rates during off-peak occupancy periods (in Queensland this is generally during summer) could provide relief without compromising overall energy market stability.

Long-Term Considerations

To ensure long-term sustainability and alignment with Queensland's energy and economic goals, the following should be prioritised:

- **Incentives for sustainability investments:** Reforming tariff structures to reduce demand and service charges could encourage parks, and other businesses, to invest in renewable energy solutions. Policies that reward energy efficiency and carbon reduction efforts would align with state and national sustainability objectives.
- **Collaboration with stakeholders:** Ongoing dialogue with industry associations and energy providers is critical to developing solutions that address the unique challenges faced by regional businesses. This includes exploring innovative approaches such as community battery initiatives to support energy resilience in regional areas.

Key Recommendations

- Retain, redesign or consider tariffs to reflect the needs of seasonal and high-usage businesses like caravan parks.
- Provide extended transitional arrangements and enhanced support services, including tailored advisory assistance, to reduce the risk of financial and operational disruptions.
- Introduce flexible load-control and seasonal tariff options to accommodate the unique demand profiles of caravan parks.
- Reform demand and service charges to incentivise the adoption of renewable energy and energy efficiency measures.
- Maintain transparent and regular communication with stakeholders to ensure a smooth transition and effective policy implementation.

Solutions for Queensland's Caravan Parks

Addressing the challenges faced by caravan parks in Queensland requires targeted and practical solutions to reduce financial strain, enhance operational efficiency, and encourage sustainability. The following measures are proposed to support these businesses in adapting to changes in electricity pricing and tariff structures.

Transition Support

Advisory Services and Tools

- **Tailored guidance:** Provide dedicated, non-commercial, advisory services to help caravan park operators navigate tariff options and select the most suitable structure for their unique circumstances. This could include one-on-one consultations or regional workshops.
- **Energy evaluation tools:** Develop practical tools, such as online calculators or software, to allow operators to evaluate tariff options based on historical and seasonal usage data.

Financial Assistance

- **Subsidies for smart technologies:** Introduce subsidies to support the adoption of technologies like advanced metering infrastructure (AMI), load-control systems, and energy management software. These tools can help operators manage consumption more effectively and take advantage of cost-saving tariff options.
- **Grants for infrastructure upgrades:** Offer grants or subsidies to assist with the costs of upgrading infrastructure, such as replacing inefficient equipment or integrating renewable energy solutions.

Transitional Arrangements

- **Phased implementation:** Ensure new tariffs are introduced with adequate transitional periods to give businesses time to adapt without disrupting cashflows or operations.
- **Comprehensive support:** Extend transitional support programs, including clear communication and direct engagement with operators, to minimise confusion and ensure smooth transitions.

Tailored Tariff Options

Seasonal Tariffs

Ensure tariff structures are available that reflect the seasonal occupancy patterns of caravan parks and other highly seasonal tourism businesses. For example, offering lower rates during off-peak months can help parks manage costs during periods of low demand.

Flexible Load-Control Tariffs

Encourage the adoption of load-control tariffs and technology through education, incentives, and subsidies. These tariffs can allow parks to shift non-essential energy use to off-peak periods, reducing costs and stabilising energy use across the day, without impacting guest experience.

Incentives for Sustainability

- **Renewable Energy Investments:** Provide financial incentives, such as tax rebates or grants, to support the installation of solar panels, battery storage systems, and other renewable energy technologies. This would enable parks to lower their energy costs and contribute to Queensland's emissions reduction goals.

- **Community Battery Projects:** Pilot community battery projects in partnership with caravan parks. Parks could use stored energy during high-demand periods and supply surplus energy to the grid during off-peak times, benefiting both the business and the broader community.

Policy and Market Reform

Regulatory Safeguards: Allow businesses that move “on market” to return to standard contracts with Ergon Energy if market conditions become unfavourable. This flexibility would reduce the risks associated with exploring competitive energy options.

Demand and Service Charge Reforms: Advocate for reforms to demand and service charges to ensure these costs are equitable and do not disproportionately burden high-usage seasonal businesses.

Key Recommendations

1. Provide tailored advisory services and tools to help operators select optimal tariffs and manage energy use effectively.
2. Offer financial assistance for the installation or use of smart technologies, infrastructure upgrades, and renewable energy investments.
3. Introduce tariff options that reflect the seasonal and operational patterns of tourism businesses.
4. Partner with industry to pilot innovative projects, such as community batteries, to support energy resilience and cost reduction.
5. Reform demand and service charges and introduce regulatory safeguards to encourage market competition and protect businesses.

Broader Context

Caravan parks in Queensland are not just vital to the tourism industry but also play a critical role in addressing regional economic challenges and providing affordable housing solutions. Any changes to electricity pricing structures must be considered within this broader context to avoid unintended consequences that could undermine these contributions.

Alignment with Government Priorities

Tourism and Regional Economic Growth

Caravan parks are integral to Queensland's tourism economy, attracting over 13 million visitor nights annually from over 3 million trips. This contributes \$2.2 billion in annual expenditure across the state.

Rising electricity costs are forcing parks to increase site fees, potentially deterring budget-conscious travellers and reducing visitor numbers. A 4.2% decline in trips and a 4.9% reduction in overnight visitor expenditure in 2024 underscore the sensitivity of this sector to cost increases.

Supporting caravan parks aligns with Queensland's broader goal of increasing tourism overnight expenditure to \$44 billion by 2032, as outlined in the government's tourism strategy.

Affordable Housing and Community Support

Caravan parks play a crucial role in Queensland's housing landscape, offering affordable accommodation to low-income residents. Rising operational costs, including electricity, threaten their ability to maintain these affordable options.

Higher energy costs translate into increased rents, or, where electricity use is individually metered, higher overall occupancy costs, is putting further pressure on vulnerable residents and exacerbating housing affordability issues in regional areas.

Sustainability and Energy Transition Goals

Barriers to Renewable Energy Adoption

Caravan parks are well-positioned to contribute to Queensland's emissions reduction goals, but high fixed costs such as demand and service charges disincentivise investment in renewable energy solutions like solar panels and battery storage. The lack of profit margins on electricity resale within embedded networks further discourages innovation, as operators are unable to offset the costs of sustainability initiatives through on-selling.

Opportunities for Collaboration

Partnerships between the government and caravan parks could pilot renewable energy projects, such as community battery systems. These projects would allow parks to store energy during off-peak times for use during high-demand periods, benefiting both the park and the broader community.

Incentivising the adoption of renewable energy systems through grants, subsidies, or tax benefits could lower operating costs for parks while supporting Queensland's energy transition objectives.

Addressing Systemic Challenges

Market Competition and Risk

Regional businesses that switch to “on market” contracts lose the ability to return to Ergon Energy’s regulated tariffs. This creates uncertainty, as businesses fear being locked into unfavourable terms when their contracts are renegotiated in a market with limited competition.

Allowing businesses to return to Ergon’s standard contracts if market conditions worsen would reduce this risk and encourage exploration of competitive energy options without long-term penalties.

Demand and Service Charge Reform

The disproportionate impact of demand and service charges on businesses like caravan parks requires urgent reform. These fixed costs undermine the financial viability of sustainability initiatives and disproportionately affect regional operators.

Key Recommendations

1. Ensure electricity pricing structures align with Queensland’s tourism and economic development goals by supporting the viability of caravan parks.
2. Incentivise renewable energy adoption in caravan parks through grants, subsidies, and tax benefits to reduce operating costs and support emissions reduction targets.
3. Pilot collaborative projects, such as community battery systems, to explore innovative energy solutions in regional areas.
4. Reform demand and service charges to create a more equitable cost structure for high-usage seasonal businesses.
5. Introduce safeguards allowing regional businesses to return to Ergon’s regulated tariffs if market conditions become unfavourable.

Industry Perspective

CPAQ members expressed significant concerns regarding the impact of changes to electricity pricing structures.

Complexity and Uncertainty

Regular changes to electricity tariffs create confusion and uncertainty for park operators. Many lack the specialised knowledge required to navigate complex tariff structures effectively, increasing the risk of poor decisions that result in long-term financial strain.

Limited Competition

Operators in regional areas report frustration with the lack of competitive electricity options. Reliance on a single provider, such as Ergon Energy, limits their ability to negotiate better terms or explore alternative pricing arrangements.

Market Risk for Regional Businesses

Concerns have been raised about the risks associated with moving “on market.” Operators fear that once they leave Ergon’s regulated tariffs, they will be unable to return, leaving them vulnerable to unfavourable contract terms in a market with limited competition.

Operational Challenges

High fixed costs, including demand and service charges, limits the ability and willingness of operators to invest in infrastructure upgrades or sustainability initiatives.

Affordability Concerns

Rising electricity costs indirectly impact residents and guests, as parks are forced to raise site fees to cover increasing operational expenses. For long-term residents, many of whom are low-income earners, this threatens housing affordability and stability.

Guest Satisfaction

Higher site fees and reduced amenities due to cost-cutting measures can negatively affect the guest experience. This has implications for the park’s reputation and its ability to attract repeat visitors.

Key Takeaways

1. **Education and Support:** Stakeholders consistently highlight the need for accessible, tailored education and advisory services to help operators navigate tariff options and manage energy use effectively.
2. **Market Flexibility:** Providing safeguards for operators who explore market contracts, such as the ability to return to regulated tariffs, would reduce risk and encourage participation in competitive pricing arrangements.
3. **Incentives for Sustainability:** Financial incentives and policy support are essential to overcoming barriers to renewable energy adoption and infrastructure investment.
4. **Community Impact:** Rising electricity costs have far-reaching implications for residents, guests, and the broader community, underscoring the need for equitable and sustainable pricing reforms.

Conclusion

Caravan parks in Queensland are at the intersection of key state priorities, including regional tourism, affordable housing, and sustainable development. Any changes to electricity pricing structures present both challenges and opportunities to advance these priorities.

To support the sustainability and competitiveness of caravan parks, it is essential to:

1. Address structural barriers in electricity pricing, including the reform of demand and service charges and tailored tariffs for high-usage seasonal businesses.
2. Incentivise the adoption of renewable energy solutions through targeted grants, subsidies, and partnerships.
3. Provide operators with accessible education and advisory services to empower them to navigate tariff complexities and make informed decisions.
4. Maintain safeguards that allow regional businesses to explore market options without the risk of long-term penalties.

By implementing these recommendations, Queensland can ensure that caravan parks continue to thrive as vital contributors to the state's economy, housing solutions, and sustainability goals.

On behalf of our members, we value the opportunity to contribute to this consultation process and remain available to provide further insights or information if needed.

About Us

Caravan Parks Association of Queensland (CPAQ) is the peak industry body representing caravan park operators across Queensland with over 315 members. Our members are diverse in size, type, and offerings—ranging from pure tourist parks to pure residential parks and everything in between. This diversity reflects the multifaceted nature of Queensland's caravan park industry, catering to a wide variety of travellers, residents, and communities. These businesses are geographically dispersed, spanning coastal areas, regional towns, and remote locations. CPAQ members play a vital role in the state's housing and tourism landscapes, offering a diverse range of accommodation options.

CPAQ is committed to advocating for the interests of our members, fostering industry innovation, and ensuring the sustainability of caravan parks across the state.