



Response of the Victorian Caravan Parks Association to  
the Consultation Paper – “Maximum prices for  
embedded networks and other exempt sellers”.

10 March 2020

The Victorian Caravan Parks Association Inc. (VicParks) thanks the Essential Services Commission for the opportunity to comment on the matters raised in the Issues Paper circulated on 5 February 2020.

## 1. Industry Overview

VicParks is the peak industry body for owners, managers and lessees of caravan parks in Victoria. Its members are predominantly regionally based and the industry forms an important component in the supply of both regional tourism and regional residential accommodation.

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 economy.

## 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.
"Hybrid" Caravan Park – Both Part 4A and Part 4	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.	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.
Tourist Parks	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.	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.

## 3. General Remarks

The vast majority of caravan park owners and operators also own and operate an embedded network for the supply of electricity to patrons of the caravan park. They do so as exempt sellers having gained an exemption pursuant to the General Exemption Order 2017.

Caravan park owners that operate as exempt retailers supply, provide and maintain all the electrical infrastructure from the meter at the gate to the caravan park to the individual site and connection to the meter situated on or adjacent to the site occupier's dwelling.

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 a service to supply and maintain the necessary infrastructure to deliver electricity to park patrons. They currently charge for this service within the maximum rates specified by the “pricing rule” in the General Exemption Order 2017 for usage and supply charges.

### 3. Submission

VicParks accepts that the Victorian Default Offer (VDO) is intended to be a reasonably priced electricity option, providing a safeguard for customers unable (or unwilling) to engage in the electricity retail market and that retail customers can access the VDO on request.

VicParks generally supports the adoption of a flat VDO tariff approach to formulating the maximum prices at which exempt sellers can charge. However, VicParks strongly believes that some measure of flexibility should be available to its members in assessing the electricity pricing options that they are able to put forward to their patrons. This is particularly important given the wide variety of caravan park patron types. For example, a different pricing approach may be required for holiday destination patrons who spend limited time in the park to the approach offered to a pensioner residing full time in the same park.

Licensed retailers have, and will continue to have, the ability to make market offers available to customers that differ from the VDO. The adoption of a flat VDO tariff structure as the maximum price at which exempt sellers can sell would effectively mean that exempt sellers would not have that ability.

For that reason, VicParks acknowledges, and supports, the submission put forward by Network Energy Services and referred to on page 12 of the Paper, particularly the following statements:

*This scenario would create more confusion for consumers within embedded networks if Exempt Sellers were forced to structure their tariffs in a way that are not reflective of the type of market offers that are being advertised and promoted by licensed retailers. It is therefore only fair and appropriate that the VDO, or Maximum Price for Exempt Sellers, be based on usage rates and a supply charge that are in the aggregate no greater than the aggregate of VDO tariffs.”*

The adoption of a flexible approach to enable exempt sellers to structure their charges for usage and supply enables parks to more closely align their offer with the pricing structure in the retail market. While the VDO in aggregate is not exceeded, the charge for one component may exceed the VDO figure while a discounted charge for the other component would compensate as required. The more flexible approach would provide clarity for the customer and, most importantly, afford greater choice to customers of exempt sellers than a more rigid pricing structure.

#### Further information on this submission

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