

## Essential Services Commission 2020, Maximum prices for embedded networks and other exempt sellers: Consultation Paper, 5 February

Submission.

This submission is focused and therefore I will detail the limitations:-

Views of a Resident of a:-

- Register Residential Caravan Park,
- with 233, villas which are classified as un-registrable movable dwellings (pictured below)
- Sites are leased for typically 50 to 99 years
- Majority of residents are pensioners (various) or self-funded retirees
- No sites that are available or provided for “short stay” occupied caravans or mobile homes
- Landlord is our network and retail electricity supplier
- The 233 villas are fitted with 1.5 kW solar system (totalling to 349.5 kW for the site) that feed into the local area network.



Question 1:-

**Are there any other issues we should consider in our framework for formulating a maximum price for embedded networks?**

*Response:- Additional cost befit to the exempt retailer from individual excess solar power “fed into” the embedded network and consumed within the embedded network by other consumers (and they are charged), without any financial recompense to the “feed in” provider. We have been advised that our embedded network does not export to the “grid” and use the landlord use that statement to mask that excess power would be exported to the*

*embedded network, and consumed by other consumers of the embedded network (assuming a load requirement).*

Question 3:-

**We are interested in stakeholder views on the VDO tariff types outlined above and how they might be applied in the context of a maximum price for exempt sellers. What do you see as the advantages / disadvantages of each option?**

*Response:- The current situation is that the "standard rates" of the network operators are well above the rate that is available to the customers that "shops around" (and receive large discounts off a similar rate) so VDO tariffs need to reflect this market pricing.*

Question 4:-

**What types of tariffs are currently offered by exempt sellers? On what basis do exempt sellers currently determine tariff structures?**

*Response:- We have a "this is your" network tariff offer and a 1/4ly fluctuating electricity tariff, based on a formula (provided noted as Schedule 1) but of little value when you do not have access to the actual numbers and have to "trust" your embedded network provider that they are not ripping you off! Also provided the latest copy of the increase explanation and the reasoning for the increase, at best factual but un-comprehensible to the customer. The payment option until recently was by direct debit only however the introduction of a second option to pay with cash and hardship provision were the subject of an info sheet post EWOV intervention.*

Question 5:-

**Are there any other issues in relation to tariff structures we should consider?**

*Response:- Why not exempt retirement villages, lifestyle villages and residential caravan parks, being those that have separately meter properties. Then mandate the process for the embedded network retailer to deduct their costs (i.e. common area power) components from the bill and then divides the balance as per the individual usage as per customer meters indicated. Any on cost could be shown and identified and the whole process subject to **audit**. Take away the temptation for exempt seller to financially exploit customers.*

Extract from page 7:-

**Further, we note there are efficiencies an exempt seller can access which could mean the prices of electricity for embedded network customers may be lower than for on-market customers. This includes splitting network cost between multiple parties, ability to access bulk pricing deals, and no customer acquisition or retention costs. In addition, retailers usually manage the wholesale risk exposure for the exempt seller**

*Response;- Yes we are a captive audience and have limited on costs to our network retailer, if supply is lost upstream of the point of supply to the villa when the problem is reported to the "landlord" the response is "you get an electrician and if our problem we will pay the*

*cost". I have raised the question of the suitability of the design of the fault level discrimination being compliant with AS3000 2.5.7 (yet to get and answer just a request for more time to review). It is there asset and they should respond or provide response, otherwise why do we pay the \$1.10 a day (or over \$93K per year). We have experienced incidents where the Network asset has tripped before the 2 other customer circuit protectors, on minor faults currents.*

*Additional cost befit to the retailer of any Solar feed in to the embedded network and consumed within the embedded network by other consumers, without any financial recompense to the system owner that provided the "feed in".*

Extract from page 12:-

**In support of this view Network Energy Services uses the example of an electricity tariff which allows for a daily rate that is higher than the VDO, but an electricity usage rate that is sufficiently below the equivalent VDO rate that an electricity user is no worse off. Network Energy Services submit this type of discounted usage rate is especially beneficial for elderly and ill customers who use large amounts of energy during daytime hours to maintain comfortable living conditions through colder and hotter times of the year.**

Response:- Therefore the "fixed" charge is a burden that cannot be reduced, through the use of low energy devices (lighting) and improved efficiency appliances of which government schemes are designed to promote to achieve a reduction in consumption so appears to be counterproductive.

Extract page 15:-

**Consumer Action Law Centre (CALC) stated that the flow on consequences of unfair pricing in embedded networks can be more severe than the consequences of unfair pricing for households with access to the competitive market. CALC considers this is because exempt sellers are subject to less oversight and compliance requirements compared to licenced retailers. CALC also noted exempt sellers are often in another position of power relative to a household (like being a landlord) which means customers are less likely to dispute an unfair practice.**

*Response:-Agree with the power imbalance comment, as this applies to all our dealing with Landlord, they only take notice or behave responsibly when EWOV ombudsman, VCAT and DBDRV are brought into the dispute. The age demographic of our "registered Caravan Park" residents are older, docile and reluctant to complain or consider they have the "skills" (computer, verbal and written) to confront the landlord or are intimidated with the potential of retribution.*

Extract page 16:-

**We note there are also provisions under the Residential Tenancies Act which prevent landlords, and owners of caravan parks, from seeking payment for utility charges that is more than the amount that the relevant supply authority would have charged the resident. We are interested in stakeholder feedback about any implementation issues we should consider when replacing the current transitional arrangements.**

*Response:-Why is this not what the landlord is charged for network charges less their expenses divided by the number of metered tenants, then both would be able to gain benefit from the competitive market.*

*Below is the latest copy of the increase explanation and the reasoning for the increase, at best factual but un-comprehensible to the customer. How do we the consumer know if this is a fair market price or a fabricated rate to achieve a desired rate of return / profit for the landlord/exempt provider?*

Extract from the rate increase letter dated same as the issue date (21<sup>st</sup> Jan 2020) of the account.

**Regarding: PLR Truganina Electricity December 2019 Quarter  
Rate – \$0.270831 – 24% increase.**

This site attracts the LLV tariff which has a rolling demand element. This means that the highest demand reached in a 30 minute period over the last 12 month is applied to the current bill. The demand in December reached 354 which has altered the rolling demand to 354 and this will now applied for the next 12 months unless this value is exceeded and then it will increase again. Demand is charged at approx. \$9 per kva.

Extract from our recently received Terms and conditions for the supply of electricity in an embedded network.

## **SCHEDULE 1**

We buy the electricity we sell you from a licensed electricity retailer or another exempt-seller and on-sell it to you under this agreement. The price we charge you is made up of a 'usage charge' and a 'daily supply charge'.

**Your daily supply charge:**

\$1.10

**Your usage charge:**

Your usage charge is based on how much electricity you use and the amount you pay is calculated by multiplying the amount of energy consumed at your premises by the Rate for that quarter.

Usage charge = Rate x amount of electricity consumed in kwh.

**How we calculate your Rate:**

Your Rate depends on what we are charged for the electricity we buy from the licensed electricity retailer or exempt seller for that quarter.

To determine the Rate for a quarter we take the total amount that we are charged for electricity and divide it by the amount of electricity we have consumed in kwh.

Rate = Total amount PLR Truganina is charged for electricity for the quarter / Total amount of electricity consumed by PLR Truganina in kwh.

**Note:** If the calculation using the above formula results in a total amount payable by you for a quarter that is greater than you would have been charged if you were being supplied under the standing offer of your local area retailer, we will charge you at the standing offer prices for that quarter.