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Essential Services Commission Victoria  
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Via email: [VDO@esc.vic.gov.au](mailto:VDO@esc.vic.gov.au)

### **Industry response to the *Victorian Default Offer review 2026–27***

On behalf of Caravan and Residential Parks Victoria (CRPVic), thank you for the opportunity to provide feedback on the Victorian Default Offer (VDO) 2026–27 review and the proposed free power period tariff.

CRPVic is the industry association that represents 75% residential parks in Victoria consisting of 380 Members operating caravan parks and residential land lease communities as well as a further 75 industry suppliers. We have a solid history of making submissions regarding the VDO that emphasis the challenges our members have with embedded electricity infrastructure that are unique to residential parks across the state.

This submission does not provide a perspective on the calculation of the wholesale electricity costs but does highlight the significant challenges regarding transitioning to a three-period time of use tariff and a free power period tariff for our members operating embedded electricity networks in Victoria.

While we support initiatives aimed at reducing energy costs for residents, the technical limitations of embedded networks means caravan park operators should be exempt from market pricing mechanisms and a free power period tariff. Alternatively, the government should apply a method other than time-of-use pricing such as a rebate scheme that provides park operators and residents of caravan parks with equivalent benefits.

#### **Embedded Networks and the VDO**

Caravan parks are embedded network operators requiring embedded network maintenance and development costs to be borne by the park owner. These networks only exist due to the absence of will by energy distributors and retailers to deliver this infrastructure in the first place, or to operate and maintain them once they are in place.

Victorian caravan parks have also been subject to additional Victorian regulatory requirements since 2019, including licensing, adoption of the VDO pricing and registration for dispute resolution with the Energy and Water Ombudsman Victoria (EWOV).

Under the existing regulatory setting for embedded networks in Victorian caravan parks, operators with exempt customers residing in their park are regulated to register with the Energy and Water Ombudsman Victoria and follow strict billing requirements.

Exempt customers are protected from high billing under VDO, which determines a maximum rate an exempt customer can be charged for electricity usage. These requirements already ensure that the exempt customer is protected, without placing an unnecessary and significant cost burden on caravan park operators due to additional administrative requirements, increased costs of upgrading systems and absorbing costs that cannot be passed on to the end consumer.

### **Implementation Challenges**

The introduction of a three-period time of use tariff and free power period tariff would present additional operational and financial challenges for embedded network operators. Most older communities still rely on basic accumulation meters, which cannot support time-of-use billing or interval data collection. Upgrading to interval meters involves substantial capital investment, costs that cannot be recovered under the VDO price caps.

Operators would also face increased administrative complexity, as time-of-use billing requires validating millions of data points, managing disputes, and explaining variable bills to residents, many of whom are elderly and accustomed to predictable flat-rate pricing. Without exemptions or funding support, these requirements impose retailer-level complexity on operators with limited resources, creating a risk of service degradation or financial strain.

### **Higher Rates, Not Lower**

The proposed free power period tariff would compound these issues by introducing unrecoverable cost gaps. While residents benefit from zero-cost electricity during designated periods, operators still pay wholesale costs for that energy and cannot offset losses through peak pricing due to VDO constraints.

Very importantly, there is widespread industry concern that as commercial customers, operators would not receive the 'free electricity' period but would still be required to pass it on. This effectively makes operators responsible for funding the government's policy without a direct recovery mechanism. Operators are entitled to full cost-recovery under the legislation, which would likely necessitate higher kWh rates outside the 'free' period.

The vast majority of caravan park electricity users are charged the VDO or below the VDO so there is scope to increase prices irrespective of VDO movements. As a result, the initiative risks driving overall prices up rather than down, due to the mandated pricing structure and the added administrative and infrastructure burden.

The recently completed *Review of the AER exemptions framework for embedded networks* (August 2025) prepared by the Australian Energy Regulator, found that:

- embedded network customers experience a range of outcomes, with some receiving favourable price outcomes compared to grid-connected customers;
- evidence does not suggest that harm and detriment is so widespread and severe that it warrants curtailing all future embedded networks; and
- risks relate primarily to consumer protection gaps and lack of choice, not systemic price exploitation.

Directly applying additional requirements as proposed in the Victoria Default Offer 2026-27 has the potential to disrupt embedded systems that have technological limitations but that are effectively operating and providing customers with predictable services and pricing.

### **More Fees, Higher Costs**

Any additional fees such as the 'Cyber Security & Resilience' fee and the National Electricity Market Participant fee will continue to be passed on which will impact embedded network customers/residents by further increasing the costs.

### **Solar Power**

Solar power has the potential to provide a more suitable, long-term solution that would have a more significant impact as the 'free' midday power will last beyond the government subsidy period. This could be achieved by supporting the increased use of solar infrastructure within communities through amending legislation, incentives and rebates along with providing support for operators in developing the safety infrastructure required by network operators.

### **Conclusion**

We support the Essential Services Commission's objectives of fair pricing and efficient energy outcomes and ensuring this continues to characterise arrangements between caravan park owners and residents that currently exist.

However, applying retail market mechanisms to embedded networks without tailored solutions risks creating financial strain for operators, administrative burden, and inequity among residents for negligible (if any) benefit.

Operators of embedded networks should either be exempt from the proposed three-period time of use tariff and free power period tariff or, alternatively, an option other than time-of-use pricing should be established for network operators and residents that provides equivalent benefits. This will ensure these policies achieve their intended goals without unintended consequences to caravan park owners who operate embedded networks and the residents in communities that these networks serve.

CPRVic welcomes further engagement to consider options such as solar energy that may have longer term benefit and can work with our members to provide further information to assist the Commission in understanding the challenges presented.

Yours sincerely,



[Redacted Name]

Chief Executive Officer