Energy & Water Ombudsman NSW
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16 August 2021

Residential (Land Lease) Communities Team
Policy & Strategy Division
Department of Customer Service
4 Parramatta Square
12 Darcy St
Parramatta NSW 2150

Dear Residential (Land Lease) Communities Team

Residential land lease communities: electricity charging options; Information and survey form

Thank you for the opportunity to comment on this information and survey form.

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. EWON receives and responds to complaints from customers living in residential parks. Our comments are informed by our investigations into these complaints, and through our community outreach and stakeholder engagement activities.

We have only responded to those questions in the information and survey form that align with issues customers raise with EWON, as they relate to this review.

If you would like to discuss this matter further, please contact me or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.

Yours sincerely

[redacted]

Janine Young
Ombudsman
Energy & Water Ombudsman NSW

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Residential land lease communities: electricity charging options; Information and survey form

The Energy & Water Ombudsman NSW (EWON) investigates and resolves complaints from customers of electricity and gas providers in NSW, and some water providers. EWON receives and responds to complaints from customers living in residential land lease communities. Our comments are informed by our investigations into these complaints, and through our community outreach and stakeholder engagement activities.

The survey has provided two options asking for comment on which is the most appropriate in the setting of the maximum amount that a resident in a land lease community may be charged:

1. A single charge method with one rate covering usage and supply.
2. A separate charge method with two charges, one for median usage and the second for median supply.

As an independent industry-based Ombudsman scheme, it is not appropriate for EWON to directly recommend the adoption of one of the proposed options above another, therefore our comments focus on the benefits and disadvantages of those options based on issues customers raise with EWON via our complaints role or via other aspects of EWON's operations.

Median market price

Question 1. Do you support setting the maximum amount that a resident may be charged for electricity supplied through an embedded network at the median market price that is charged to retail customers?

Choosing to limit charges to a median market price as opposed to the Default Market Offer prevents the return of the issue of the old *Customer Service Standards for the Supply of Electricity to Permanent Residents of Residential Parks* price cap, which was based on the local area retailer's standing offer. It also provides additional consumer protections, as it prevents customers in land lease communities being charged at the most expensive rates, without any benefits of discounts applicable to market offers.

The median market price is defined within the survey as follows:

> The median is the middle market value in a list of numbers. The median market price is the mid-point of all of the different prices for electricity in your distribution area if they were arranged from lowest to highest.

The approach to use a median market price determined by the Independent Pricing and Regulatory Tribunal (IPART) is reasonable. However, there is presently a lack of clarity on what specific data will be used to calculate this.

The survey suggests that the single price method would involve the following aspects:

- Calculated annually from the median electricity bill for each distribution area for a standard level of consumption.
- To calculate the single charge for electricity in each distribution area, the total amount of the median bill for that distribution area, identified by IPART data, will be divided by the number of kWh.

- This single charge will then include both usage and supply charges and will apply to all land lease communities with embedded networks in that distribution area.
- To calculate the amount each resident should be charged, this single cents per kWh charge will be multiplied by the number of kWh used by the resident.

This differs from the separate charge method, which involves the following:

- Set the maximum amount that a resident could be charged at the median market price, with separate median usage and median supply charges.
- IPART would advise the government of the median usage charge and the median supply charge, separately, for each distribution network.
- The usage is then calculated based on the kWh used by the resident which is multiplied by the median usage cost per kWh.
- The median daily supply charge is multiplied by the number of days in the billing period.

IPART will need to be transparent in how the median price is calculated and this information should be publicly available.

In developing the median price, for either the single rate or separate charge method, consideration should be given to the specific data range that is used.

For the single charge method, the average bill in each distribution area will vary depending on factors such as household size and number of occupants, solar installation, and typical household appliances. Customers outside of a land lease community may be charged a flat rate tariff or one based on a time-of-use tariff, with peak, shoulder, and off-peak rates. Therefore, if IPART uses data from the median electricity bill in each distribution area, this should be based on a median electricity bill that reflects a similar, flat rate tariff for usage at any time.

Single charge method

Question 2. This consists of:

- **One rate (covering usage and supply).**
- **Sets a maximum amount a resident can be charged.**
- **Amount calculated at the median market price for electricity in that distribution area – calculated annually from IPART.**

Using the single charge method may suffer multiple limitations as currently seen when applying the *Reckless* method.[1]

All account holders in New South Wales should have the same experience in the delivery of electricity supply, regardless of whether they reside in a land lease community or are connected directly to the distribution network. The single charge approach does not include a daily supply charge, which is in contrast with typical network customers who pay a flat daily cost for service availability charges regardless of the amount of electricity used.

[1] *Silva Portfolios Pty Ltd trading as Ballina Waterfront Village & Tourist Park v Reckless* [2018] NSWSC 1343

While the proposed approach offers the benefit of a simple way of calculating the bill, it does not reflect the nature of costs incurred by the park operator or whether the park operator is benefiting from discounts that they may have negotiated for usage from the gate meter.

The method also lacks transparency on whether the median price is comparable to customers connected directly to the distribution network. Whilst the methodology for calculating the median price will be determined by IPART, not being able to compare or break down the average supply charge cost and usage costs may lead to additional confusion for residents.

Amperage

Question 2 b. Residents who receive a low quality of electricity supply (less than 60 amps) can receive discounts on their electricity bill. Do you think there should be one discount that applies to everyone who receives less than 60 amps, or should there be different discounts depending on how low the supply is?

Amperage is a significant issue for residential parks residents. It affects their day to day living quality.

The quality of supply between customers who receive less than 60 amps will vary significantly from customers connected directly to the distribution network. This is also apparent within different residential parks as the quality of supply for a property that receives less than 20 amps is also significantly less than a property that receives between 30-60 amps. For example, at less than 20 amps, decisions have to be made about which kitchen appliance can be used at any given time. EWON strongly supports maintaining a tiered discount for disparities in amperage.

The existing discounts applicable under *Residential (Land Lease) Communities Regulation 2015 (NSW)* set out a reasonable approach. The existing discounts are:

- 30 – 60 amps = 30% discount on the supply charge.
- 20 – 30 amps = 50% discount on the supply charge.
- Less than 20 amps = 80% discount on the supply charge.

If Fair Trading NSW opts for the single charge method, a tiered discount approach should also factor in the setting of the maximum amount that a resident can be charged.

EWON supports the extension of these required discounts to third-party energy retailers that on-sell electricity to off-market customers on behalf of an operator.

Separate charge method

Question 3. This consists of:

- **Two charges – median usage and median supply.**
- **Sets a maximum amount a resident can be charged.**
- **Two charges are the median usage charge and the median supply charge for the distribution area as produced by IPART.**

This method aligns with standard retail practice, as customers outside of land lease communities receive bills that have separate charges with rates per kWh and a service availability charge.

Whether residing in a land lease community or being connected directly to the main distribution network, it is reasonable for all consumers to have a consistent experience.

As noted above, it is important for the separate supply charge to be discounted in a tiered approach to reflect lower amperage.

Other issues

There are continuing changes and developments to technology, including electric cars, batteries and other appliances causing changes to usage demands. In addition, we are now seeing an emergence of authorised retailers entering the land lease community sector with different business models to standard park operators. To ensure continued consumer protections, any pricing methodology should be adaptable and ready for significant changes, as required.

Metering upgrades

Some residents in land lease communities have digital meters, either because they have installed solar generation systems, or their electricity provider has completed meter upgrades at the site.

Given the abilities of the digital meter to record bi-directional consumption and record consumption in small, regular intervals, many of these customers will be on electricity contracts with a time of use or demand tariff.

In considering the pricing method, an equivalent pricing determination for these tariffs should also be considered by IPART.

Emergence of new retail tariffs.

In September 2019, Ausgrid proposed an amendment to the Tariff Structure Statements for the 2019-2024 period that included an Embedded Network tariff. This proposed a new tariff to bill to the gate meter to an embedded network and included additional charges that take into consideration the number of child connection points to the gate meter.

Whilst this was declined by the Australian Energy Regulator, it is likely that distribution network operators will look to develop and implement new tariffs in future. This could lead to additional supply charges at the gate meter for embedded network operators, including residential parks. Again, IPART will need to consider the applicability of median pricing for supply charges if such a distribution tariff be adopted.

Enquiries

Enquiries about this submission should be directed to Janine Young, Ombudsman on (02) 8218 5256 or Rory Campbell, Manager Policy and Research, on (02) 8218 5266.