

# MID COAST TENANTS ADVICE & ADVOCACY SERVICE

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## ***Submission in response to the Discussion Paper on electricity charging options in the Residential (Land Lease) Communities Act 2013 (NSW)***

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### **Introduction**

Mid Coast Tenants Advice & Advocacy Service (MCTAAS) is funded as part of the state-wide Tenants Advice and Advocacy Program.

MCTAAS services a catchment area comprising Coffs Harbour, Nambucca, Bellingen, Kempsey, Port Macquarie-Hastings, and part of Mid-Coast local government areas. MCTAAS provides advice, community education and advocacy, including before the NSW Civil & Administrative Tribunal, to tenants, boarding house occupants and home owners in residential communities.

Within the MCTAAS catchment area there are approximately 80 residential communities. Since the commencement of the *Residential (Land Lease) Communities Act 2013* (NSW) on 1st November 2015, our Service has undertaken Tribunal and non-Tribunal advocacy, as well as provided extensive advice to home owners on electricity issues. This work has relevantly informed this submission, along with discussions and feedback from home owners and other stakeholders.

Overall, our Service supports the submission made by our peak advocacy and resourcing body, the Tenants' Union of NSW, in relation to the proposed electricity reforms.

## Contact

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## **Preferred Method**

Of the methods proposed by NSW Fair Trading, MCTAAS supports the use of the single charge method. This method is fair, simple and strikes an appropriate balance between the interests of home owners and operators. The home owners we have consulted with largely support a single charge method.

The implementation of a single charge method allows for a degree of continuity for home owners, who have grown accustomed to a single charge under the Reckless method, while making allowances for amperage discounts in a way which the Reckless method was not able to do.

In relation to amperage discounts, we advocate for the implementation of multiple discounts under the single charge method, depending on the amperage supplied to the site of the home owner.

Home owners on low amperage can be extremely vulnerable; they are often in older homes and unable to enjoy an adequate quality of electricity supply that is sufficient for an ordinary person's needs. It is appropriate that multiple discounts apply in order to recognise the inferiority of supply for some home owners. MCTAAS supports the suggestion of the Tenants' Union on this issue for a 20% discount for home owners on 30-59 amps and 25% discount for home owners on less than 30 amps.

As there has been little transparency from operators regarding their actual costs in relation to managing an embedded network, it is difficult to comment on the appropriateness of the potential operator funds made available under the proposed methods, as outlined in the Discussion Paper. We consider that in the absence of evidence from operators demonstrating their costs, the likely small increase in cost under the proposed single charge method and also the ever-present ability of operators to recover increases in outgoings and operating expenses under s 67 site fee increases, the single charge method is sufficient for operators to cover any relevant management costs.

Additionally on the issue of operator costs, MCTAAS supports the submission of the Tenants' Union in relation to the apparent exaggeration of the costs relating to membership costs for the Energy and Water Ombudsman NSW.

## **Use of the Median Market Price**

The concept of determining the rates payable by home owners by reference to external and easily accessible prices, being the median market price for the relevant distribution area, based on data supplied by the Independent Pricing and Regulatory Tribunal (IPART), is supported. Through our casework and feedback from home owners, we have found that operators have continuously failed to comply with their obligation under s 83 of the RLLC Act to produce their electricity bills when requested to do so by home owners. Home owners being forced to make applications to the NSW Civil and Administrative Tribunal to obtain operator electricity bills in order to confirm they are being charged correctly is not a satisfactory arrangement.

Home owners being able to easily and quickly determine whether they are being charged the correct kilowatt-hour rate without needing to rely on the goodwill and transparency of their operator would be a welcome change.

Furthermore, for accessibility, and because many home owners are already familiar with the NSW Fair Trading website, we suggest it would be appropriate for NSW Fair Trading to publish the relevant median market prices clearly on their website and update them annually as necessary.

## **Third Party Providers**

MCTAAS has provided considerable advice and assistance to dozens of home owners in residential communities where the operator has contracted with a third party energy retailer, such as Humenergy, to take over the embedded network and supply electricity to residents. This process was one which occurred without consultation from affected home owners and proved to be a disruptive and distressing process for the home owners involved. Residents who have been forced into a supply arrangement with Humenergy have incurred an increase of more than \$500 a year, which is a considerable amount, especially for home owners on a limited income.

Home owners who are Humenergy customers are also subject to additional costs that an operator would not ordinarily be permitted to charge a home owner under the Act, such as a disconnection fee when a home owner sells and moves out of their home. It is not appropriate for operators to be able to unilaterally cease supplying home owners with electricity and contract out the supply to third party retailers such as Humenergy and subject home owners to increased costs, including usage, service

availability charge and various additional fees. Uniformity across operator-supplied electricity and third party retailers who take over supply would provide consistency and fairness for both groups of residents on the embedded networks in residential communities.

As such, MCTAAS strongly supports the position that the proposed changes apply not only to operators who on-supply electricity, but also third party energy retailers who have contracted or arranged with the operator to assume control of supply in the residential community.

Home owners on embedded networks are a particularly vulnerable consumer group who, in most cases, have no practical choice over their electricity supplier, with the concept of the right to choose one's own supplier being almost entirely theoretical for those on embedded networks. It is vital they are adequately protected in their dealings with third party retailers.

Finally, MCTAAS also strongly suggests that the proposed changes also apply to home owners who have *already* entered into contracts for supply with Humenergy or other third party retailers, as this often occurred as a result of fear of disconnection if they failed to do so, and the high standing offer rates charged by Humenergy, as opposed to the market offer presented to home owners who entered into an agreement with the retailer.