



AER (Retail) Exempt Selling Guidelines – Suitable for Publication Questions and Answers (Q and A)

Overview

Residential parks are the same as retirement villages and compete on the open market for the retirement dollar. The main difference is that Residential Parks (RPs) offer retiree home owners the opportunity to lease a site (piece of land) in a RP and position a home on the site. Thus the interested parties are the land owner Park Operator (PO) and the Home Owner (HO) and many of these parks are on-supply (exempt sellers) (class R4).

ARPQ is the largest residential parks home owners association in Queensland and our research into the service fees charged by electricity retailers to R4 recipients needs some clarification.

Our research establishes that the service fee for the electricity industry is for the maintenance, refurbishment and new infrastructure in general for the whole industry. We argue primarily that such service charges do not apply to the clients of an exempt seller in the case of RPs. The reason being is that the infrastructure contained in the modern parks are basically service free because the contained area of infrastructure is new.

Example for clarity:

Many new RPs are built on the same registered plan alongside (separated by a fence) a much older RPs with the old infrastructure wiring. HOs living in the old section are very restricted on the number of electrical appliances they can use at any one time while HOs living in the new section have no such problems. Ironically, both RPs have been charged a service fee by the exempt seller as a meter reading service. The new RP requires no infrastructure service because it is relatively new. However, the exempt seller over the same period received over \$380,000 but no service to the infrastructure in the old park. The monies received became profit only.

The point being made is that in reality, any infrastructure requirements stop at the park gates and are between the exempt seller and the electrical retailer. Should any internal infrastructure costs be incurred, these can be recouped by the PO in the triennial site fee review. Likewise if the exempt seller incurs outside infrastructure costs, these are recouped using the same methodology. The result being that because the exempt seller is not required to show any evidence of payments made relative to infrastructure charges, the same charge can be made several times, double dipping. The AER should be aware of this practice and in particular, because retirees in living in RPs are pensioners.

Q 1

Should the electricity tariff that exempt sellers may charge small customers (i.e. relevant retailer standing offer) be retained?

A 1

Bearing in mind the above overview, a tariff must be retained because of the anomalies explained.

Q 2

Are there any barriers to exempt sellers offering a minimum of two payment methods?

A 2

Again, in light of the overview and the stakeholder's central views as per Appendix A, some regulatory practice must be in place to protect customers from undesirable practices by suppliers. Deregulation of the market has gone too far, human nature demands that barriers must be in place to protect users.

Q 3

Under condition 11 – Reconnection of supply – the AER has removed the term “as soon as practicable” in relation to the requirement that an exempt seller must reconnect the premises. We seek views on whether the obligation should be time limited and if yes, what time limits should be imposed.

A 3

Again, we can only speak for RPs but there must be other premises in a similar situation. Logically, there must be parameters set that deal with what is reasonable under a given circumstance or set of circumstances.

On – suppliers of important services do accept strict responsibilities so the first underlying principles must be good character and the financial backing to take on the responsibility. It is only with these basic requirements can true parameters be set

Perhaps the removal of “as soon as practicable” should be reconsidered for reinstatement because it does place a responsibility on the exempt seller to reconnect supply within at least a reasonable time frame depending of course on the circumstances at the time relative to both parties but at least it is a framework or guide.

Setting of time limits is in the real world untenable and impractical because circumstances can cover an extremely wide area and being an on –supplier places one at the mercy of the retailer. The whole suggestion of placing time limits on re-connection is profoundly unworkable.

In retrospect, the term “as soon as practicable” should be reinstated then the word practicable can be tested in a given circumstance.

Q 4

We are proposing to require exempt sellers to claim government rebates or concessions on behalf of customers who cannot claim the rebates and concessions themselves. In the current guideline exempt sellers must use best endeavours only. We are interested to understand what this change would mean for exempt sellers----in particular, what costs exempt sellers would incur in making claims. We are also interested in whether stakeholders see other possible solutions to this issue.

A 4

This issue is very controversial within the RPs industry and most exempt sellers in RPs do in fact pass on the current electricity rebate but like all things in life, there will be those that will make life difficult for others. That said, in all fairness, our understanding is that exempt sellers in RPs were strongly advised by the State Government to comply with the rebate requirements for an obvious trade off somewhere else in the RP legislation.

Q 5

We are proposing a new class for power purchase agreement (PPA) providers who sell to business customers where the PPA has particular characteristics, including limiting it to residential agreements of no more than a ten year term

- (a) Is the term appropriate? Do you consider a different term would be appropriate?
- (b) Are there any other criteria the AER should include for eligibility for this class?
- (c) Should the class be extended to cover other types of alternative energy?

A 5

This is a very important question for exempt sellers and their residential customers such as RPs and these are listed as follows:

- (1) The writer moved into the park over 11 years ago and was never informed of the exempt seller arrangement and was never offered a contract to become a customer of the exempt seller and has never been offered a contract. This is an issue that has brought fourth argument between the parties but the status quo remains.
- (2) Customers of exempt sellers in RPs remain outside of the main stream of services offered to customers of direct retail sellers. Customers of exempt sellers are restricted because they cannot choose another seller that may offer a better deal or take up the option of Solar Power.

Q 6

Your views on any other proposed changes.

A 6

It is the opinion of ARPQ that no RP exempt seller should be allowed to become an exempt seller unless they can guarantee that they can supply all services that are enjoyed by customers outside of the exempt seller regime.

To support the above, there is an estimated 30,000 pensioners living in RPs in Queensland alone and this number is growing rapidly due to the recent interest by the big local and overseas investment companies buying up and developing these parks. They have discovered the huge guaranteed profits to be made from what has been described as a “captive market”, meaning pensioners of course.

As stated above, this only the Queensland position but we know from our interstate colleagues that the same situation is blossoming in all other States. The question

therefor is, why should exempt suppliers be allowed to supply a less than normal service?

In summary, we pensioner HOs living in residential parks throughout Australia are required to provide millions of dollars of income from our pensions and hard earned savings to big multi-national investment companies but be satisfied with only second rate services.

Solution

If exempt sellers will not or cannot supply a complete service then they must forgo their right to supply only a piecemeal service and should be made to sell their park service infrastructure to the retail outlets. This would provide HOs in RPs the same rights and privileges as the rest of the State community and remove the discriminatory regime that contravenes the Queensland *Legislative Standards Act 1992*.



David Paton

For the ARPQ Committee and all home owners living in Residential Parks