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Electricity Resale & Unit Price.

This NACO Advice Leaflet hopes to advise members about electricity resale at caravan parks across the UK. We hope that it helps you with your situation. However, if you read through the information and would rather discuss your issues with member of our Advice Team, just give us a call.

As a matter of course, we must inform you that our advice is given to you based on our industry experience and knowledge of previous cases. We are not solicitors, although in some cases we will gather legal advice from them. Consulting NACO does not preclude you from taking independent legal advice at any time.

Unit Price.

In most cases unit prices range from 6-13p. In recent years the price of all energy has risen dramatically and ideally you park operator would be provide information about how your unit price has been arrived at.

Establishing how much your park pays for their electricity supply can be very difficult.

From the 1st January 2003 the maximum price at which gas or electricity can be resold must be the same price as that paid by the person who is reselling it, including any standing charges.

In a leaflet distributed by energywatch it covers the area of charges:

"Disputes. - You should ask your landlord to explain to you the basis of the charges he has made. If you feel you have been over-charged you should take it up with the landlord in the first instance. If the dispute cannot be resolved informally it may be necessary to claim through the legal process for the overcharge plus interest. Your local Citizens Advise Bureau can advise you."

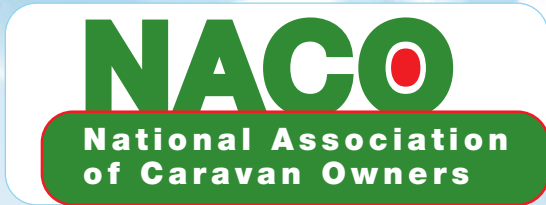
The idea is that you should be able to go to your operator and ask how they have arrived at the unit charge. The operator then shows you how they have arrived at the charge.

In the real world, this often isn't as straight forward as the above. And a small claim is not really the best way of keeping your operator 'on-side' for future years.

Ofgem, the Office for Gas and Energy Markets offer the following guidance:

Estimating the amount of energy used

There are no hard and fast rules about the way in which the reseller estimates the bill for each individual purchaser. The basic point is that whatever methodology is chosen, it must be explained to the purchaser on request.



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The reseller might decide, for example, to divide the bill according to the amount of floor space within each accommodation unit (e.g. each flat or caravan). Where purchasers use different types of equipment, e.g. cookers or heaters, the reseller might decide to apportion bills according to the energy ratings of those appliances. He or she might also choose, where accommodation units are similar in size, to take the number of occupants into account.

If the reseller uses the premises he or she must, of course, pay for their own share of the consumption.

If requested to do so by the purchaser, the reseller should provide evidence to support the calculation, for example bills from the main supplier showing the amount of gas or electricity supplied to the building or site as a whole, and the unit price(s) and standing charges paid. The reseller should be in a position to explain how each purchaser's share has been calculated.

Where the purchaser's supplies are metered, the reseller must be prepared to show the purchaser a bill or bills from the main supplier, or some other communication from that supplier showing the unit price(s) and standing charges which the reseller has to pay.

Estimating the cost of energy used

Gas and electricity are sold at a variety of prices - the charges to the building or site as whole may be spread across two or more tariff bands. The position may be further complicated by seasonal and retrospective adjustments, and supplies being taken from more than one electricity company.

In electricity, power may be supplied in either kWh or KVA units, the latter attracting availability charges.

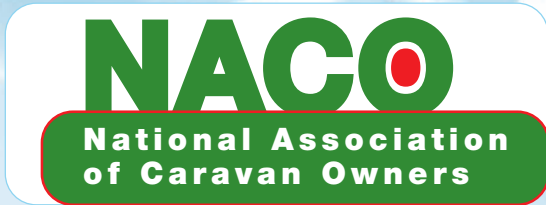
The reseller must use reasonable endeavours to make an estimate of the applicable unit price, and must give the purchaser information about the price(s) upon which this calculation is based, if asked to do so.

Standing charges

If the reseller pays a standing charge this must be divided pro-rata amongst the purchasers (and the reseller if he takes the electricity or gas through the same main meter) according to the amount of energy used, or estimated to have been used, by each.

Over/undercharging and refunds

Where the reseller has estimated the cost of electricity or gas sold to the customer, he will need to revise his calculations when he subsequently receives information about the actual cost, e.g. if he receives a reconciliation account from his own supplier.



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If, in a particular year, it transpires that any individual customer has been overcharged by more than £5, the reseller must use reasonable endeavours to refund the whole amount of that overcharge.

Where the customer has been supplied for a shorter period, the minimum refund figure must be adjusted proportionately - e.g. where a customer has taken a supply for 6 months, the whole amount of any overcharge exceeding £2.50 must be refunded.

If the reseller underestimates the cost of energy supplied he is obviously entitled to recover the amount undercharged from the customer.

You are within your rights to ask how the bill has been arrived at. However, your park operator is not obliged by law to provide the information.

I have looked at a previous case that you have submitted to us to research the terms of your contract. It does mention charging for electricity, but this area is out of date and no longer relevant. The body referred to (OFFER) does not exist anymore. OFFER was the electricity regulator and they merged with Ofgas, the gas regulator and became known as Ofgem. As described earlier Ofgem do not regulate the price of electricity, they regulate how it is resold.

Administration Charge:

As detailed earlier, the price charged by a park operator for units of electricity consumed must be the same as the price they pay their supplier for that electricity.

However, it is acknowledged by the industry that there is a cost incurred in supplying the electricity to the end-user. This may be billed separately as a "service charge" or an "administration charge". This is not subject to maximum resale price policy. Neither Ofgem nor Energywatch, (the body that monitors charging for gas and electricity) have jurisdiction over this type of charge.

"Can they do this?" is the question we hear most frequently in this area. The answer is the now standard "It depends"

Before an answer is arrived at, several further questions need to be raised:

- Has the park operator levied such a charge before?
If not, it may still be allowable, as long as it is reasonable and introduced fairly
- Has he introduced the charge or the change to the charge in a fair way?
If not, he may be offending the Unfair Terms in Consumer Contracts Regulations (1999)
- Is the present fee in proportion with that charged previously?
If the increase is excessive, it may be open to challenge.

So, in order to answer the question, we have to consider whether the amount being charged is reasonable.

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of Caravan Owners**

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NACO recently supported a case where caravan owners challenged a charge of £40.00 per year. The park was able to present a reasonable argument detailing expenditure across the park that far exceeded this amount. This seriously undermined the case, which didn't proceed any further as a result.

So, in conclusion this is a very difficult area. The absence of legislation for our industry leaves caravan owners poorly supported when it comes to overcharging. Is the charge excessive? Is the increase excessive? Yes, is my answer, but this view may not be shared by a judge.