

1 November 2023



Gavin Fox
A/General Manager, Market Performance
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Via email: DMO@aer.gov.au

Dear Mr Fox,

I am writing on behalf of South Australia's business community to respond to the Australian Energy Regulator's 'Default market offer prices 2024-25 issues paper'.

As you may be aware, Business SA is South Australia's Chamber of Commerce and Industry. We are a not-for-profit, membership-based organisation representing the interests of the state's businesses.

According to section 6.4.1 of the issues paper, 'Differences in residential and small business retail allowance', small business customers in South Australia pay a 15% retail allowance as part of the Default Market Offer (DMO). The paper subsequently notes that "this is a different approach to the decisions of other economic regulators that apply a consistent margin across both residential and small business consumers, and we are open to reconsidering it." I would strongly urge you to reconsider this approach and decrease the retail allowance for small businesses from 15% to 6%, thereby ensuring consistency with residential customers.

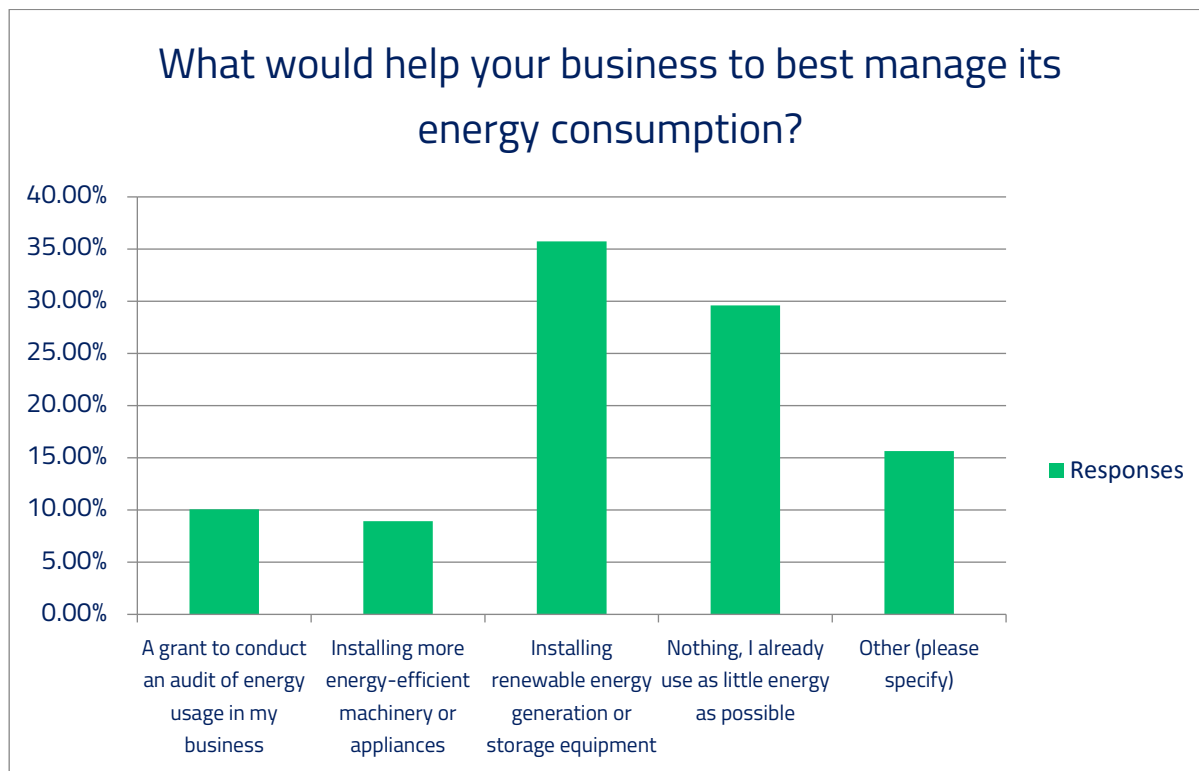
As your paper states, 15.8% (or 13,696) of small business customers in Australia are currently on a DMO, which also sets a benchmark for other offers. Through Business SA's quarterly 'Survey of Business Expectations', we know that escalating electricity prices have been a constant source of concern for businesses. In the June quarter 2022 Survey of Business Expectations¹ "cost increases" was the number one issue for business operators, with electricity ranking as the second-most concerning increase (after wages).

Subsequently, in our December quarter 2022 Survey of Business Expectations², we asked "How much have your business electricity bills increased by in the last 12 months compared to the previous 12 months?" According to the survey findings, 81% of South Australian businesses experienced electricity cost increases of up to 29% during this time period.

¹ Business SA, 'Survey of Business Expectations', June quarter 2022, https://business-sa.imgix.net/content-library/220801_FINAL_Business-Now_June-Q22.pdf

² Business SA, 'Survey of Business Expectations', December quarter 2022, <https://business-sa.imgix.net/content-library/SOBE-December-QTR-2022.pdf>

Most recently, in the June quarter 2023 Survey of Business Expectations³, we asked “What would help your business to best manage its energy consumption”, on the back of the (then) news of the Australian Energy Regulator increasing the DMO, which was tipped to see electricity bills increase in South Australia by up to 28.9%. Almost one-third of respondents indicated that they already use as little energy as they can, given the high prices.



The impact of energy cost increases on businesses has been profound, as evidenced by respondents’ comments:

“Our increased costs will impact negatively on future investment in staff and on profit.”
Health Care and Social Assistance, 1-19 employees

“This will greatly reduce the profitability and viability of the Business. The current plan is to close down in 2024/25, due to the lack of a prosperous outlook for the future.”
Accommodation, 1-19 employees

“This may erode profit margins and stifle further investment. May consider moving out of the CBD and shift operations to remote working longer term.”
Information, Media and Telecommunications, 1-19 employees

Our survey findings, that South Australian businesses are struggling due to increasing electricity prices, are supported by research conducted by Energy Consumers Australia: ‘Small Business Retail Tariff Tracker June

³ Business SA, ‘Survey of Business Expectations’, June quarter 2023, <https://business-sa.imgix.net/content-library/Business-Now-JuneQ-2023-Survey-of-Business-Expectations.pdf>

2023⁴. This report found that South Australian businesses are paying the most annually for electricity of all states and territories, with the average national annual electricity bill for small businesses increasing by 18% (or \$1,050) in the year to April 2023.

I would appreciate it if you would consider this data and give this matter your due consideration. Decreasing the retail allowance for small businesses from 15% to 6% to bring it in line with what residential customers in South Australia pay under the DMO would help to alleviate some of the pressure small businesses are experiencing due to electricity costs.

To discuss this further, please contact Yarik Turianskyi, Senior Policy Adviser on 0415 953 006 or via yarik.turianskyi@business-sa.com.

Yours sincerely

A handwritten signature in blue ink that reads "Andrew Kay". The signature is fluid and cursive, with a large loop at the end of the last name.

Andrew Kay | Chief Executive Officer
Business SA Chamber of Commerce and Industry South Australia

⁴ Energy Consumers Australia, 'Small Business Retail Tariff Tracker', June 2023, <https://energyconsumersaustralia.com.au/wp-content/uploads/ECA-SME-Tariff-Tracker-Report-June-2023-Final-13623.pdf>