

15 May 2024



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Via email: [SAPN2025@aer.gov.au](mailto:SAPN2025@aer.gov.au)

Dear Mr Funston,

I am writing on behalf of South Australia's business community to respond to the Australian Energy Regulator's *Issues Paper: SA Power Networks Electricity Distribution Determination 2025-30*.

As you may be aware, the South Australian Business Chamber is a not-for-profit, membership-based organisation representing the interests of the state's businesses.

Increased electricity bills have been a significant concern for businesses in South Australia's after the extreme price volatility experienced in the National Electricity Market (NEM) between April and July 2022. Although wholesale prices of electricity have since decreased, this has not translated into lower energy bills, due to a number of factors, including the nature of the wholesale contract hedging market in the state.

We regularly survey the business community (not only our members) and escalating energy prices have been a recurring theme over the past two years. Our survey is representative of South Australia's business sentiment with 95% confidence and 5% margin of error.

In the *June quarter 2022 Survey of Business Expectations* '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 Expectations*, we asked "How much have your business electricity bills increased by in the last 12 months compared to the previous 12 months?" Responses showed that 81% of South Australian businesses had experienced electricity cost increases of up to 29% during this time period.

We again asked businesses about how much their electricity bills had increased in the past 12 months in our *December 2023 Survey of Business Expectations*. 60% of South Australian businesses saw their electricity prices rise 21% or more in 2023, which is more than 5 times the current inflation rate. Furthermore, nearly a third of businesses have seen their prices rise by 31% or more.

Our survey findings are supported by research conducted by Energy Consumers Australia. According to the *Small Business Retail Tariff Tracker*, in the six-month period to December 2023, South Australian small businesses have experienced the greatest increases in annual electricity bills, which were up by 23%. This report also found that businesses in South Australia continue to have the highest average annual electricity bills in the country (\$10,427).

With this context, the Chamber supports the AER's decision to target replacement expenditure and augmentation expenditure for in-depth assessment in SAPN's proposed spending, given the significant increases in these areas.

We understand the importance of managing and maintaining the network, and agree with SAPN about the need to meet service expectations of customers. Yet, we are of the opinion that in the current economic climate, and taking into account the exorbitant electricity price hikes suffered by business customers (as well as residential customers) over the past two years, expenditure that is significantly higher than in the current regulatory period should only be approved if it is absolutely necessary to ensure stable network performance and reliability.

I would like to take this opportunity to advise you of the Chamber's position on proposed new export tariffs, due to be implemented from 1 July 2025 for Small and Medium Business customers with small, embedded generation systems (less than 30kW). While we understand these tariffs would recover costs associated with alleviating forecast congestion in SAPN's low voltage network due to high levels of energy exports, businesses should not be liable for these upgrades as we argued throughout the regulatory reset process.

In our *December quarter 2022 Survey of Business Expectations*, we asked the business community's views on export tariffs by asking:

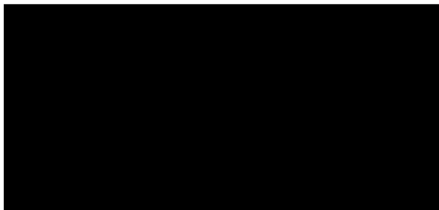
*Energy distribution networks must manage significant solar panel outputs during the day - principally between 10am and 4pm. As a result, networks are proposing to charge customers with solar panels for energy exported over a daily limit. Do you support the network charging customers - primarily*

customers with <30 Kw systems - to help pay for necessary upgrades to the system?

69.3% were opposed to export tariffs, with 18.2% unsure, 8.3% supportive, and 4.2% selecting 'other'. A common view in discussions with our members was they were being penalised for installing rooftop solar systems to reduce costs, and help South Australia's renewable energy transition. One business owner said they were hoping to offset the cost of the solar installation through exporting excess power, but this is now not possible given how little they already receive and an export tariff would reduce this even further. Another business operator said the export tariffs would equate to "taxing a tax".

Thank you for providing the Chamber with an opportunity respond to the AER's *Issues Paper: SA Power Networks' electricity distribution determination 2025-30*. To discuss any of the points raised in this letter further, [REDACTED]

Yours sincerely

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Andrew Kay | Chief Executive Officer

