

15 November 2024

Mr Daniel Harding  
A/g General Manager, Market Performance  
Australian Energy Regulator  
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By email: [dmo@aer.gov.au](mailto:dmo@aer.gov.au)

Dear Mr Harding

**RE: Default Market Offer Prices 2025-26 (DMO7) – Issues Paper**

Thank you for the opportunity to make a submission regarding the Australian Energy Regulator's (AER's) issues paper on the Default Market Offer Prices 2025-26 (DMO7). 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.

**Retail Margin and Competition Allowance**

In our previous submission for DMO6, the Chamber sought a decrease in the retail allowance for small business from 15% to 6% to provide a more reasonable base and align with residential customers.

Whilst we note that the 11% retail margin was included in DMO6 and the competition allowance was not applied based on CPI considerations, we continue to seek a reduction in the retail margin to 6%.

Basing the decision to charge the competition allowance primarily on CPI movements is inadequate. To ensure the DMO is an efficient and fair price that consumers can default to when no other choice is made or can be made, we question whether the application of a competition allowance is in the best interests of consumers and whether inclusion of this allowance is even required to meet the objectives of the DMO.

**Time of Use Tariffs**

As stated in the issues paper, 15.5% (or 13,456) of small business customers in South Australia are currently on a DMO, which also sets a benchmark for other offers. Given that the DMO only applies to small business customers on flat rate tariffs, we request that the AER investigate and address the impact of:

- mandatory time of use standing offers for smart meter customers in South Australia (see regulation 6A of the National Energy Retail Law (Local Provisions) Regulations);
- the impact on small business customers of the removal from the market of flat rate tariff offers for smart meter customers; and
- wholesale market volatility and low liquidity on the energy contracting practices of generators and retailers.

## Cost of Doing Business

Through responses to the Chamber's quarterly 'Survey of Business Expectations' we know that escalating electricity prices are a constant source of concern for businesses.

As shown in the data at Attachment 1, an average of 74.3% of survey respondents over the last three quarters have stated that the high cost of doing business continues to be the main issue affecting South Australian business. This is also reflected by an average of 80.35% of respondents reporting an increasing cost of overheads since June 2022.

Specifically, in survey data from December 2023, 60% of South Australian businesses saw their electricity prices rise 21% or more in 2023 - more than 5 times the current inflation rate. Nearly a third of businesses have seen their prices rise by 31% or more. Please also refer to recent data attached.

Based on this it is imperative that the AER ensure the current energy affordability crisis in South Australia, which is having a consistently detrimental impact on the cost of doing business, be considered a 'relevant consideration' in its DMO determinations.

## Embedded Networks

In general, the AER should allocate greater weight to the objective of 'providing protection to consumers' when establishing the DMO. Based on this, the Chamber is pleased to support both the Department for Climate Change, Energy, the Environment and Water and the AER's advocacy for extending protections to equivalent customers on embedded networks.

We would be keen to remain engaged on this topic and, if any changes are made, the Chamber would be happy to disseminate this information to our broad network of over 30,000 businesses.

Thank you once again for the opportunity to provide feedback on this important matter. Should you require further information, please contact Cathi Buttfield, Senior Policy Adviser, via email [cathi.buttfield@sabusinesschamber.com.au](mailto:cathi.buttfield@sabusinesschamber.com.au) or telephone 8300 0061.

Yours sincerely,

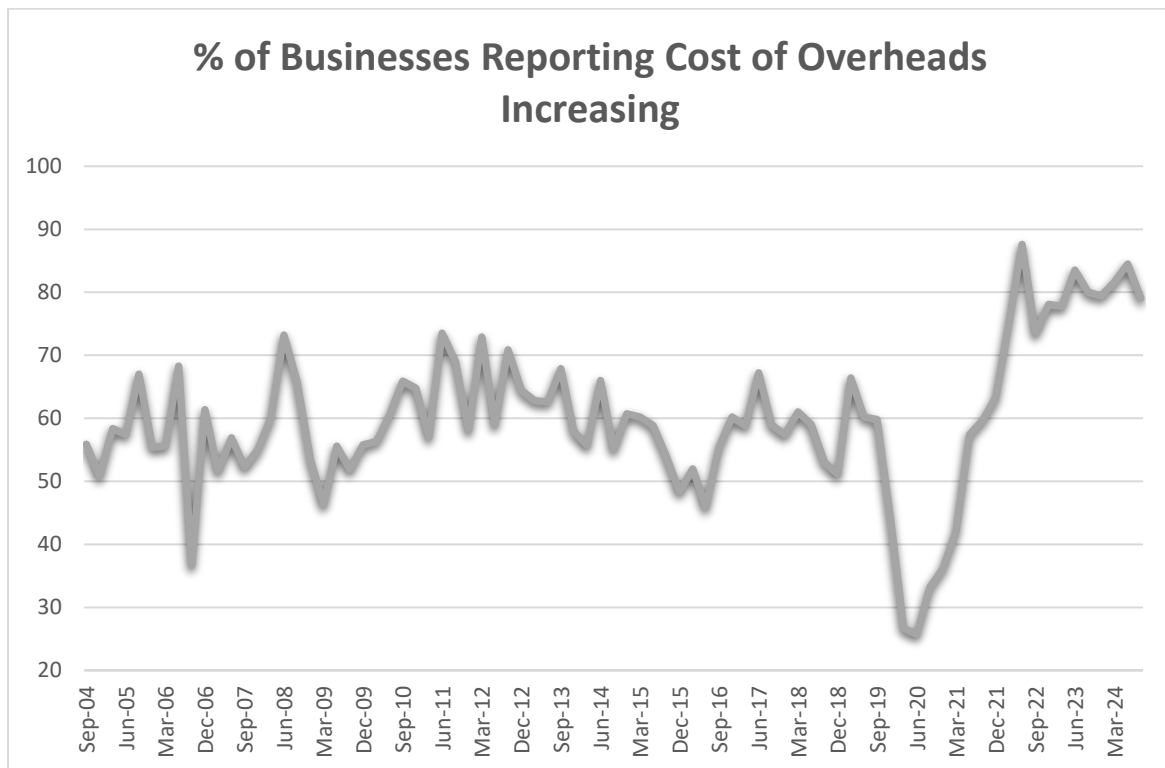
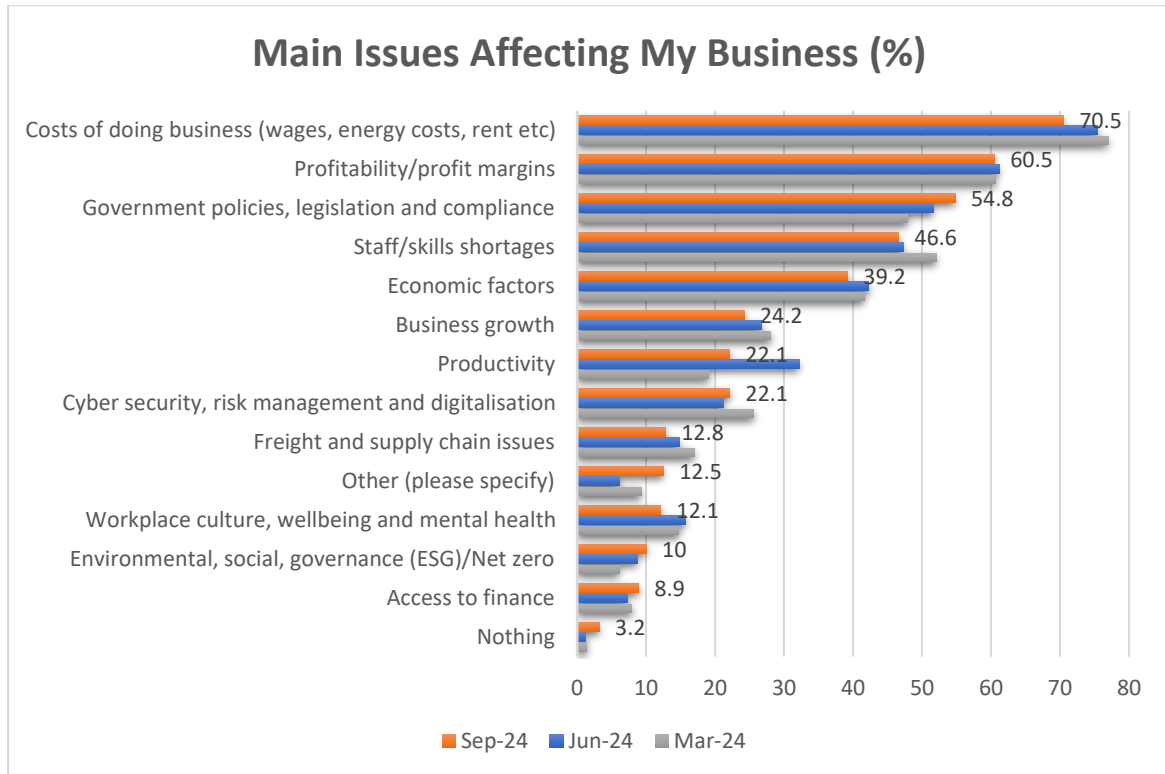


**Andrew Kay**  
Chief Executive Officer  
South Australian Business Chamber

Attachment 1: Survey of Business Expectations Data

SA Business Chamber - Survey of Business Expectations Data

Issues Affecting Businesses



## Quotes from respondents:

“Risk of large clients going into administration because they aren’t able to handle the current rising costs and poor government policies around electricity and other essential services.”

*Construction, 20-49 Employees*

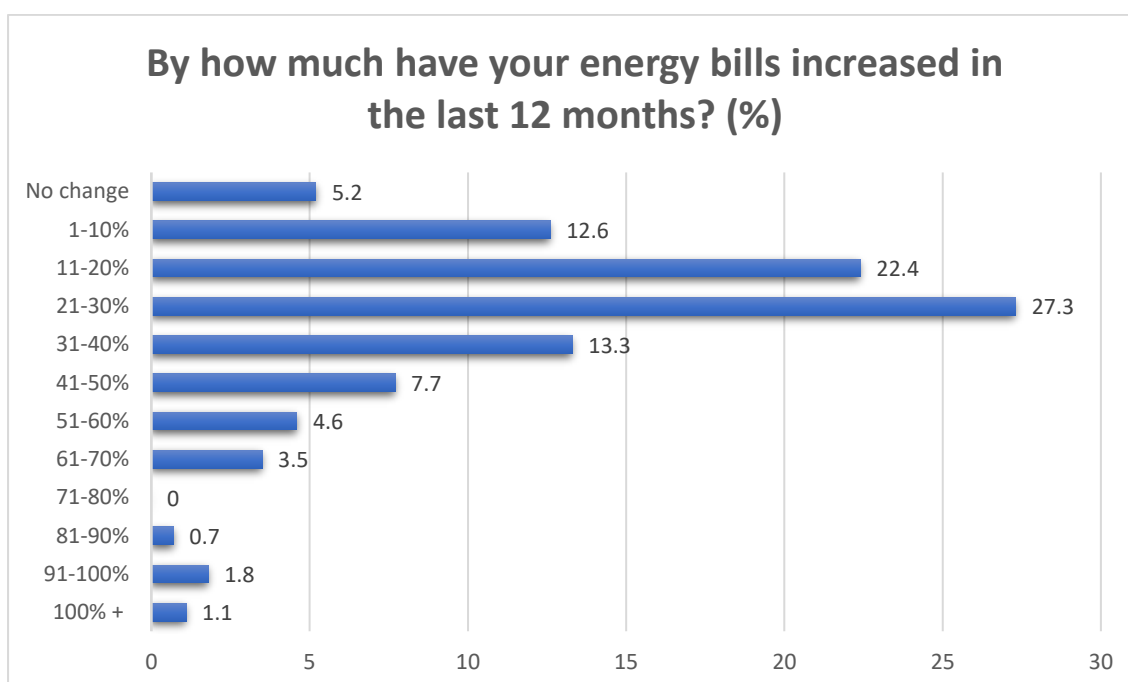
“Cost of power and supply chain/freight is having a major impact.”

*Agriculture, Forestry & Fishing, Sole Trader*

“Affordable energy is critical for local manufacturing.”

*Exporter, 20-49 Employees*

## Energy – SOBE December 2023



60% of South Australian businesses saw their electricity prices rise 21% or more in 2023 – more than 5 times the current inflation rate. Nearly a third of businesses have seen their prices rise by 31% or more.

The problem is clearly worsening. When we asked this question one year ago (2022) – only 38% of businesses had seen their prices rise 20% or more.

Energy Consumers Australia says that for SMEs in the six-month period to December 2023 “the greatest increases in annual electricity bills are in South Australia”, up by 23%.<sup>i</sup> South Australia does have an expensive grid, with transmission and distribution costs high due to a small population and large geographic area but prices increasing 5 times inflation is very damaging to business.

<sup>i</sup> Alvis Consulting & Energy Consumers Australia, Analysis of small business retail energy bills in Australia, December 2023, <<https://energyconsumersaustralia.com.au/wp-content/uploads/ECA-SME-Tariff-Tracker-Report-Dec-2023.pdf>>