

# ESCOSA Inquiry into Retail Energy Prices

10 January 2023



Mr Adam Wilson  
Chief Executive Officer  
Essential Services Commission of South Australia  
Level 1 / 151 Pirie Street  
Adelaide SA 5001  
*Via email: [escosa@escosa.sa.gov.au](mailto:escosa@escosa.sa.gov.au)*

Dear Mr Wilson,

We write to you in relation to ESCOSA's Inquiry into Retail Energy Prices, referred to the Commission by the Minister for Energy and Mining pursuant to Part 7 of the *Essential Services Commission Act 2002*.

As you may be aware, Business SA, the Chamber of Commerce and Industry, has advocated for South Australian businesses for over 180 years. With membership including businesses from all industry sectors, Business SA represents the interests of the South Australian business community. Affordable electricity is essential for all businesses. Although gas is not essential for *all* businesses, it remains an important input for many large-scale manufacturers in South Australia.

Over the past 12 months Business SA members have reported that electricity and gas costs increased significantly. It may interest you to know that in the [June 2022 Business SA William Buck Survey of Business Expectations \(SOBE\)](#) 'cost increases' was the number one issue keeping business operators awake at night. In terms of most concerning cost increases, electricity ranked second (after wages) and gas ninth.

On 28 July 2022 Business SA's Energy, Water and Sustainability Reference Group met and expressed concern about no short-term fixes to high energy prices with the understanding that prices were unlikely to fall in the next 12 months. One reference group member noted that export-facing businesses compete against their Chinese counterparts who receive subsidies from their government for energy costs. Another flagged that with gas prices moving from \$11 to \$36-60 per gigajoule, difficult decisions must be daily made about stopping production.

Furthermore, the electricity market has been a key concern for Business SA. One aspect we would like investigated is the interaction between entities operating in the National Electricity Market (NEM). Retailers have almost exclusive access to consumers, who pay for all aspects of the NEM. For example, while *distributors* might offer savings for consumers in the form of 'time of use' tariffs, there is no onus on the *retailer* to pass along those savings.

Business SA acknowledges that retailers may be unable to offer these opportunities to consumers due to technological limitations. While this highlights challenges in terms of coordination and strategy in the energy transition process, it should not be a limiting factor to assist business. Business SA would encourage ESCOSA's inquiry to investigate the lack of a clear policy agenda for the energy transition and its impact on wholesale and retail prices.

Ensuring gas remains affordable is crucial in keeping South Australia's manufacturing sector competitive and industrial base strong. Often these users are quite sophisticated and use contracts to lock in the price for most of their needs and top up from the spot market as required.

Business SA and its members welcome the Federal Government's intervention into the gas market and the relief it will bring. However, we see this only as a short-term solution, since in the long-term price caps can create supply issues by reducing incentives to investment.

With Russia's war against Ukraine continuing into 2023, with no end in sight, users have had to contend with significantly high gas prices due to increased global demand. Consequently, prior to the Federal Government's intervention in the gas market, users negotiating new contracts experienced increases on prices as high as 350% of pre-invasion prices. As of January 2023, some users had still not seen the benefits of the gas price cap in new contracts. This could possibly be due to the price cap only applying to wholesale prices rather than retail prices. Business SA would encourage the relationship between retailers and the wholesale market be investigated as part of the inquiry.

Following our December quarter 2022 of SOBE which will focus on energy prices and energy transition (due to launch 11 January 2023), Business SA will be able to provide further information on energy price impacts for our members and the broader business community. The report for this survey will be released in February 2023 and we will include its findings in the second round of submissions to ESCOSA's inquiry.

If you have any further inquiries about this submission please contact Kendall Crowe, General Manager Policy, Advocacy and International Services via [REDACTED] or [REDACTED].

Yours sincerely,

[REDACTED]

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