

13 December 2013

Mr Mike Philipson
Principal Advisor
ESCOSA
GPO Box 2605
ADELAIDE SA 5001

Dear Mr Philipson

We write to you in relation to ESCOSA's 2015 review of the National Energy Retail Law (NERL) and ESCOSA's request for feedback to inform the review's coverage and nature of the data that should be collected for the review.

Executive Summary:

Business SA requests ESCOSA review the NERL in terms of how it caters for the needs of small business and how it measures energy affordability from this perspective. Obviously the NERL is designed for all consumers but the needs of small business are not given an appropriate level of consideration in the AER's first Annual Report on the Performance of the Retail Energy Market for 2012/13 (AER 2012/13 Report).

Background:

Business SA notes the AER is responsible for reporting on the performance of the national energy market, including information on energy affordability.

Let us initially clarify that energy affordability is not limited to consumer type and we reiterate that small business concerns of energy affordability deserve an appropriate level of focus alongside issues of a social nature. South Australia is a small business State and right now those small businesses are struggling under a sea of costs and compliance, including those emanating from energy use. While there are some provisions around small business market energy reporting, ESCOSA's review should analyse their effectiveness in demonstrating the actual impacts on small business which may not present themselves in a manner akin to that for low income consumers.

Business SA has some specific comments in relation to the current reporting under the NERL for ESCOSA to consider in its review:

1. Business SA supports the comparisons of small business electricity and gas bill debt in the format used in the AER 2012/13 report. While ideally Business SA prefers to see other metrics in terms of how energy costs are impacting on small business, this type of information usually involves some type of financial analysis which is beyond the scope of a reasonable demand on energy retailers.

2. ESCOSA should look at the merits of the AER reporting annual electricity and gas usage for small business. This is particularly important given the relatively higher use of gas by small business. While Business SA is cognisant of significant gas price rises for larger SA manufacturers on long term contracts, it will only be a matter of time before these costs flow to small business customers who have already absorbed steady rises in recent years. From June to August 2013 alone, the average market offer price for small business gas customers in South Australia increased by 9%.

While the public policy response to rising gas prices is still being debated, the outcome will be ultimately be more informed with readily available information on gas usage trends for small business.

3. AER reporting should delineate average annual gas and electricity bills for small business customers, not just customers on average.
4. Under Section 3 (Energy Affordability) of the AER 2012/13 report, the introduction states:

“The AER’s first annual report on energy affordability considers how much benchmark households around the country are spending on electricity and gas annually and what proportion of benchmark households’ disposable income these bills comprise.”

ESCOSA should review why small business is not given appropriate consideration here with a view to having the situation remedied.

5. ESCOSA should review the effectiveness of the Energy Made Easy website both from a residential customer perspective, and a small business perspective. At present, the interface needs attention to ensure it is more user friendly because the actual results are quite useful.
6. In terms of pricing information, Business SA prefers ESCOSA have access to enough data to ensure they can undertake rigorous analysis of electricity and gas market movements, particularly as they relate to small business. Having access to detailed gas market data will become increasingly important given the potential for structural changes in the gas market over the next few years. We are also conscious of minimising the costs on retailers and advise ESCOSA to ensure any data requests are strictly for essential analysis, rather than on a ‘nice to know’ basis.

Who We Are

As South Australia's peak Chamber of Commerce and Industry, Business SA is South Australia's leading business membership organisation. We represent thousands of businesses through direct membership and affiliated industry associations. These businesses come from all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or rickc@business-sa.com.

Yours sincerely



Nigel McBride
Chief Executive Officer