Review of regulatory approach to small business energy customers

Submission to Victorian Department of Energy, Environment and Climate Action

DATE: 7/08/2026

Energy Consumers Australia is the national voice for household and small business energy consumers. We advocate for a fair, affordable, and reliable energy system that meets everyone’s needs and leaves no one behind on the journey to net zero.

Energy Consumers Australia (ECA) welcomes the Victorian Government’s review of how the regulatory framework treats small business energy consumers.

We support the Government’s guiding principles to place small business energy consumers at the centre of Victoria’s energy regulatory framework. The current regulatory framework in Victoria is no longer fit for purpose, and Victoria’s lower electricity consumption threshold excludes many small businesses protections available in other jurisdictions. The Directions Paper notes that electricity use is rising, electrification is accelerating, and many businesses now operate multiple sites or are investing in consumer energy resources such as solar and batteries. This means the existing 40 MWh threshold is increasingly inadequate and misaligned with how small businesses operate. It excludes many businesses that lack market power and need protections, while also constraining multi-site businesses within fragmented contracting arrangements.

Therefore, ECA makes the following key recommendations:

- Increase the small business electricity threshold to 160 MWh per annum to better reflect current and future business operations and ensure that businesses are not excluded from protections due to existing consumption, electrification or growth.
- Enable voluntary multi-site aggregation, allowing businesses to choose to aggregate their load where this delivers operational or commercial benefits.
- Require that any aggregation framework is strictly opt-in and underpinned by strong consumer safeguards, including explicit informed consent, clear disclosure of protections being forfeited (if aggregation would put the business above the small business customer threshold), and appropriate cooling-off periods.
- Ensure implementation arrangements minimise disruption and support informed decision-making, including transitional mechanisms for businesses currently between thresholds with clear and comparable information.

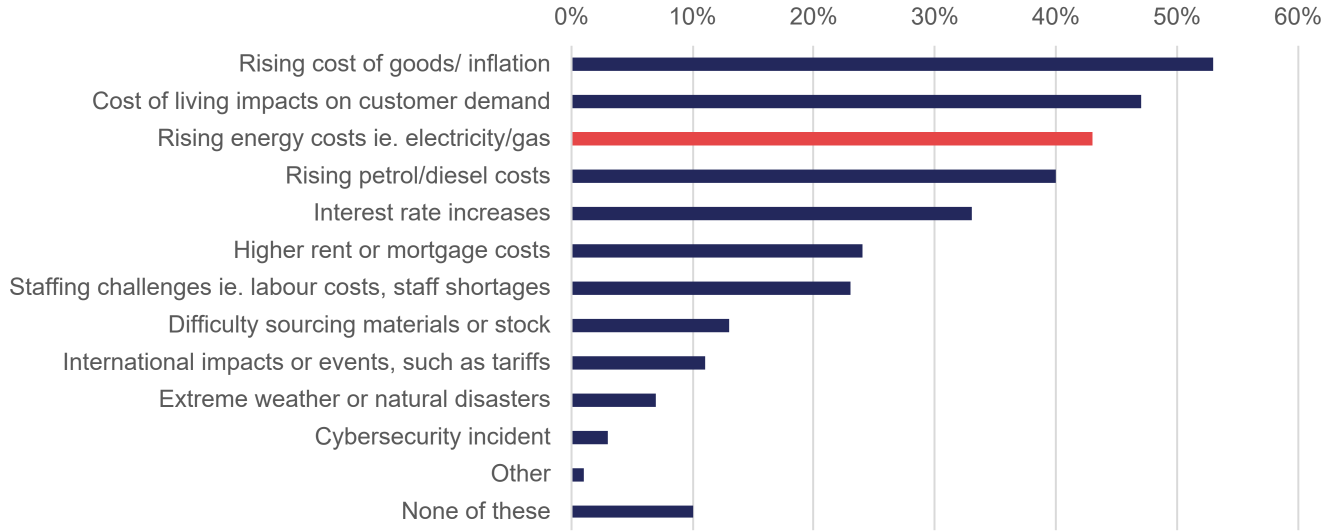
We provide evidence for our views below. In addition, we provide an appendix containing data from our forthcoming Small Business Energy Consumer Survey for further information and context on small business energy customers to best inform policy design.

Thank you for considering this submission. If you have any further questions, please contact Claire Ohk at claire.ohk@energyconsumersaustralia.com.au.

Small businesses face significant energy affordability pressures.

Our Small Business Energy Consumer Survey, in Figure 1, shows that around 40% of Victorian small businesses say that rising energy costs have had a significant impact on their business. This demonstrates that energy and operating costs are heavily impacting business viability, with rising utility costs representing a major strain on financial performance.

Figure 1: Significant impacts on small businesses in the last 12 months



Q8. Over the past 12 months, which of the following has had a significant impact on your business's financial performance?; *Total Victorian sample, n=212; weighted*

Maintaining access to small customer protections is vital to ensure they receive clear billing information and adequate support. Because small business operators face time and resource constraints, they cannot easily navigate complex market structures or absorb price shocks. Our survey results show the importance of affordability and consumer protections for small businesses. When small businesses face unaffordable bills, 42% are forced to actively restrict their energy use and 26% have to dip into cash reserves or savings. [1]

ECA recommends raising the electricity small customer threshold to 160 MWh per annum.

Many small businesses are 'small' in operational terms and sophistication, but use more electricity because of electrification, energy-intensive equipment, or the structure of their premises. Raising the threshold ensures that these small businesses keep those protections and continue to have them as they grow their operations or choose to electrify their gas appliances, which naturally results in increased electricity usage.

There are just under 59,000 NMIs registered as a large business customer, compared to over 290,000 NMIs registered as a small business customer consuming under 40MWh per annum. [2] Under the current rules, businesses consuming more than 40 MWh per annum are not considered small business

[1] Appendix: Small Business Energy Consumer Survey, 2026, Question 15.
[2] ESC, Energy Market Dashboard, Q3, 2025-26

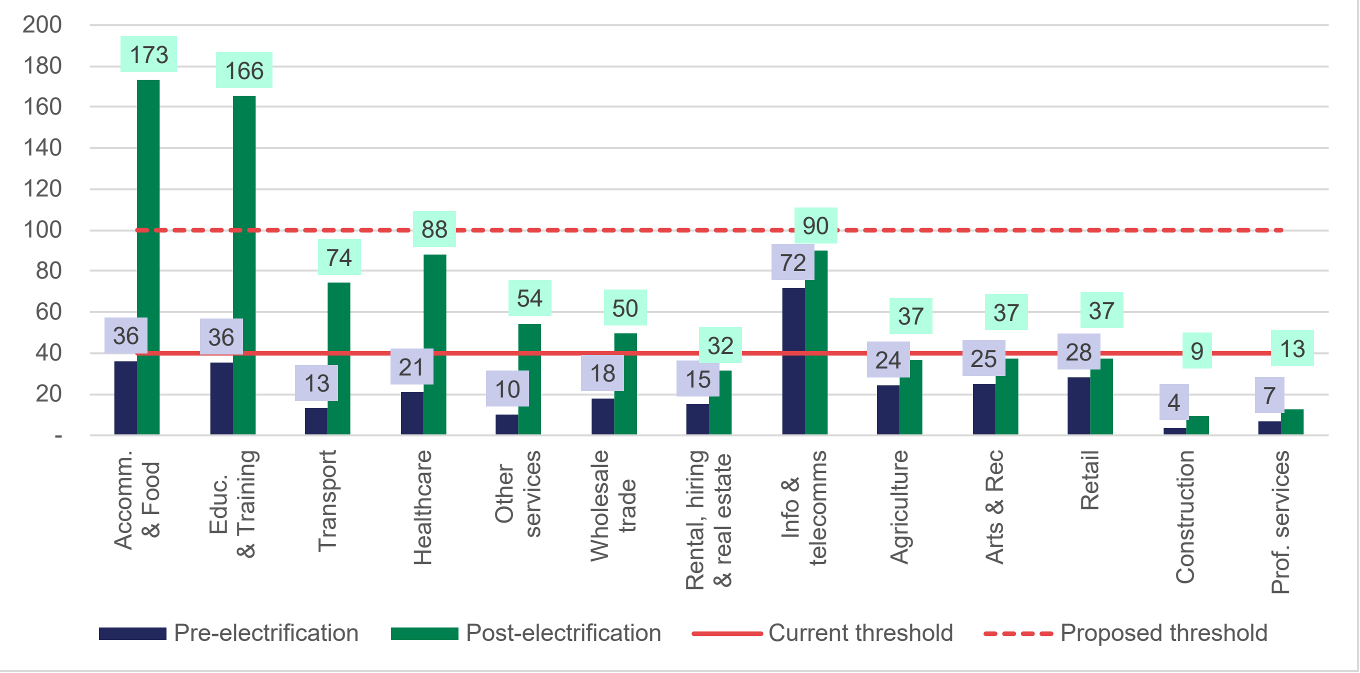
customers and are not entitled to protections such as access to the Victorian Default Offer (VDO) and other protections of the Energy Retail Code of Practice (ERCoP). When ECA conducted the survey with Australian small businesses with fewer than 20 employees that held their own energy accounts, the survey results demonstrated that the small business community is highly diverse, encompassing many sectors with varying electricity and gas consumption.[3]

As businesses transition away from gas and adopt electric alternatives, such as commercial electric ovens, cooktops, hot water systems and even electric vehicles, their annual electricity consumption naturally surges, even though their staff numbers and underlying operational scale remain identical. Raising the threshold prevents businesses from falling out of protection simply for making sensible investments in electric appliances.

Figure 2 shows that the shift from gas to electricity and the increased use of electric equipment can increase annual consumption even where underlying business size and staffing remain unchanged.

Although the actual uplift in electricity consumption varies considerably across sectors, accommodation and food, and education sectors project post-electrification exceeding 160MWh. As such, the Government's currently proposed threshold of 100MWh would exclude many of these businesses while increasing the threshold to 160MWh would align with the existing medium-customer definition[4] while capturing the vast majority of small businesses.

Figure 2: Median of estimated impacts of replacing gas appliances on electricity consumption (MWh pa), based on ABS energy data, by industry (smaller electricity consumers)[5]



ACIL Allen, 2025, based on Strategy. Policy. Research (2022) Commercial Building Baseline Study 2022, Final Report, Prepared for Department of Climate Change, Energy, the Environment and Water, ABS (2024a) 8155DO007_202223 Australian Industry 2022-23, ABS

[3] Appendix: Small Business Energy Consumer Survey, 2026

[4] Minister for Energy and Resources (Vic), 'Electricity Industry Act 2000 – Order under section 46D – Order in Council' in Victoria, Victorian Government Gazette, No. S 295, 16 June 2021; GG2021S295.pdf

[5] Large variance in estimated impacts of electrification on electricity consumption for the Education and Training sector is caused by a higher baseline usage of gas as reported in ABS, 46040DO0004 Energy Account, Australia, 2022-23

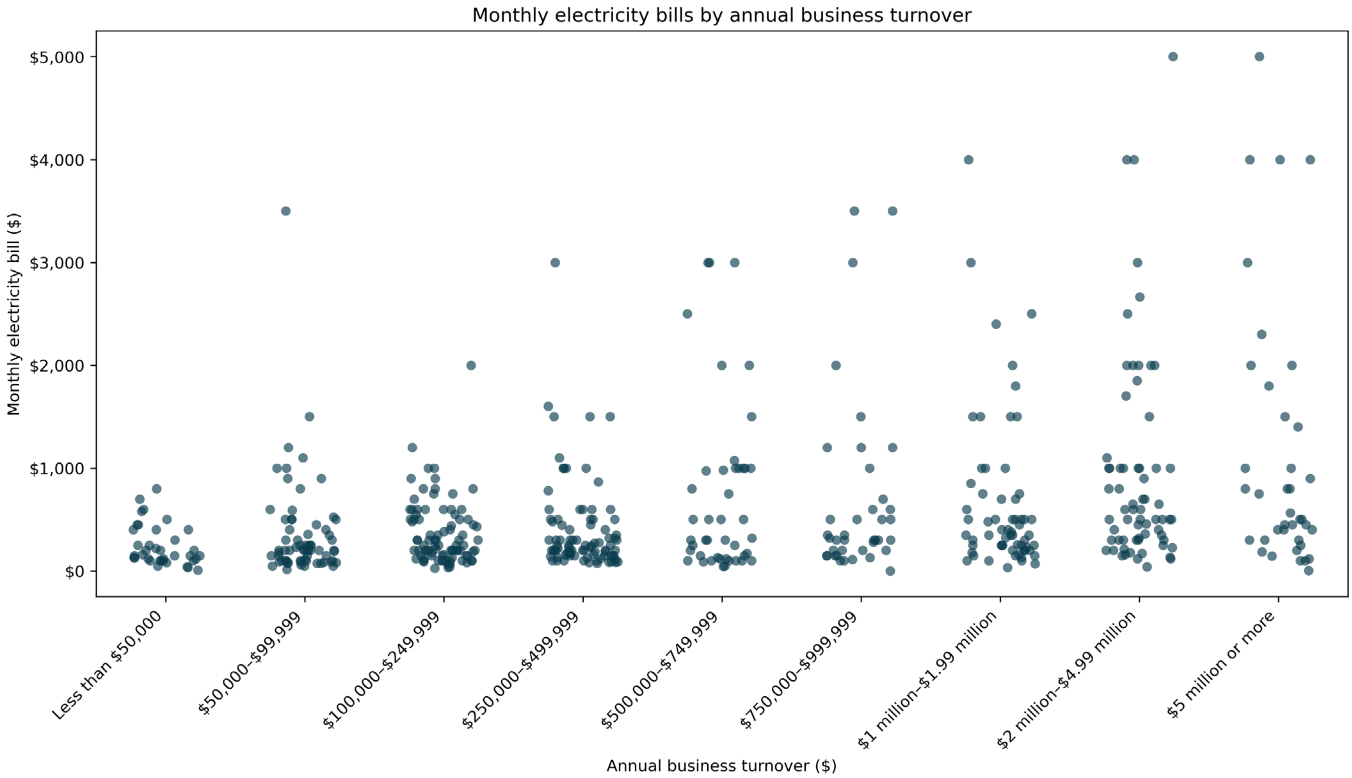
(2024b) 46040DO0004 Energy Account, Australia, 2022-23 and ABS (2024c) 8165.0 Count of Australian Businesses, including Entries and Exits, June 2020 to June 2024

Note on modelling: Estimates are derived from ACIL Allen's technical research for Energy Consumers Australia using ABS sector-wide energy data. Because baseline profiles reflect wider sector averages rather than small businesses operations and energy consumption, figures should be interpreted as indicating directional impacts rather than precise forecasts for individual sites.

Raising the threshold to 160 MWh also aligns with the higher thresholds found in other jurisdictions (such as WA, SA, and NT) and future-proofing the framework as electrification accelerates. Furthermore, the proposal to enable multi-site aggregation makes it increasingly likely that businesses will exceed a 40 MWh or 100 MWh threshold, reinforcing the necessity of a higher limit.

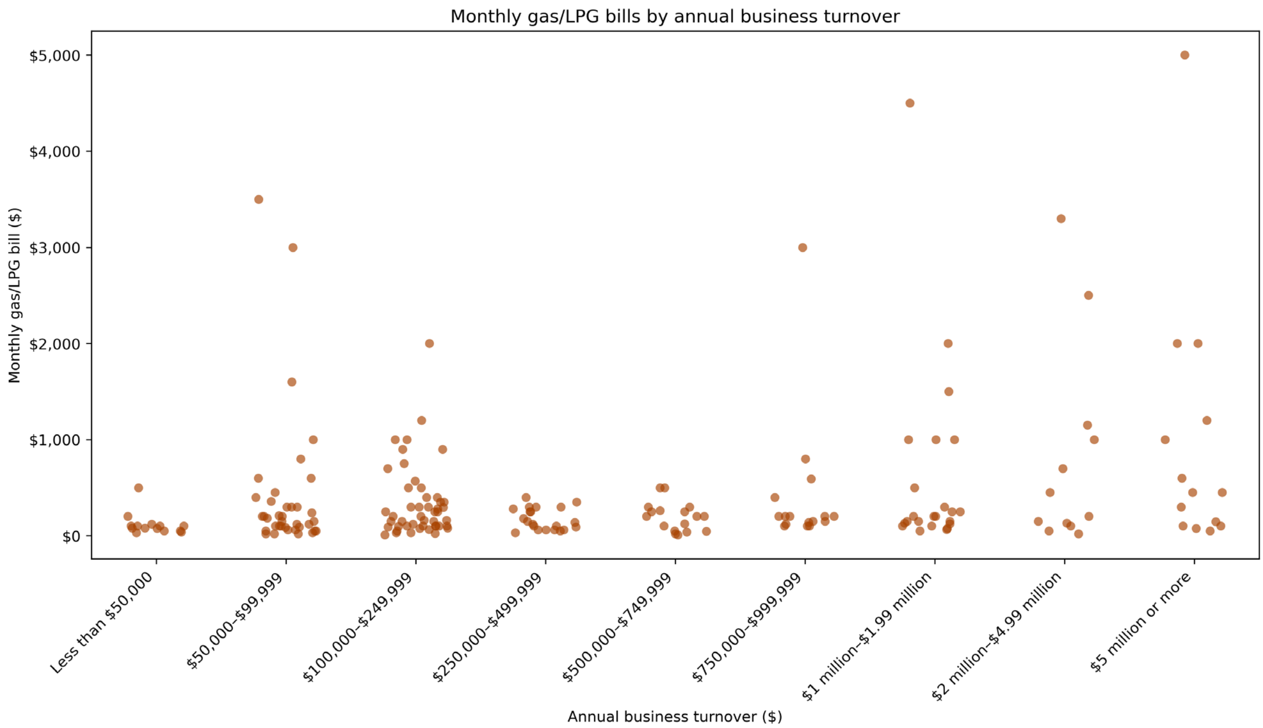
Because energy consumption depends on industry type and business operations, a consumption threshold fails to reflect true business scale or capability. A small hospitality venue may consume more electricity due to essential commercial equipment, yet retain the exact same operational size, staffing levels, and market sophistication as a small professional office. Therefore, energy consumption alone is not an effective proxy to determine whether a business needs protections covered under the small business customer definition. Our survey reinforces this disconnect by mapping annual energy bills against business turnover. As shown in the Figure 3 and 4, electricity and gas/LPG bills generally increase with business turnover, but the relationship is modest, and energy costs vary widely among businesses with similar turnover. Within each turnover segments, some businesses face particularly high energy bills relative to their peers.

Figure 3. Self-reported monthly electricity bill by reported turnover



Total sample excluding missing values, n = 528

Figure 4. Self-reported monthly gas/LPG bill by reported turnover



Total sample excluding missing values, n = 202

The Directions Paper also notes this. [6] However, under the current Order in Council, a business that uses between 40MWh and 160 MWh per annum is classified as a medium customer, which means they are not entitled to certain ERCoP protections and access to the VDO. [7] Yet, in operational terms, these may still be small businesses with limited staff, low time capacity, and constrained bargaining power, rather than highly sophisticated businesses that can reasonably be expected to negotiate their own electricity contracts without these protections. Therefore, a higher threshold is especially important because it bridges the gap between outdated energy consumption thresholds and the reality of current small business operations.

Our Small Business Retail Tariff Tracker illustrates this issue in practice. [8] A case study of a Victorian restaurant consuming approximately 91,500 kWh per annum showed it would have been around $723 better off annually if it had access to the VDO. [9]

Case study: Restaurant (VIC) April 2023

The restaurant is located in the Citipower network and as of April 2023 they were on an electricity market offer contract with Momentum Energy. They use approximately 91,500 kWh per annum and as of April 2023 they had an annual electricity bill of around $27,145 (incl GST).20 As Victorian businesses using more than 40,000 kWh/annum are classified as medium size, the default tariff for

[6] Directions Paper, 15

[7] Minister for Energy and Resources (Vic), 'Electricity Industry Act 2000 – Order under section 46D – Order in Council' in Victoria, Victorian Government Gazette, No. S 295, 16 June 2021; GG2021S295.pdf

[8] Small Business Retail Tariff Tracker June 2024 | Energy Consumers Australia

[9] Calculation note: Calculation compares case study's supply, usage and demand charge against the VDO rate available to CitiPower customers in 2023-24 where supply charge was $1.3434 per day and usage charge was $0.2834 per KWh.

this business is a seasonal demand tariff. The demand tariff has a much higher daily supply charge than the single rate tariff available to businesses using less than 40,000 kWh per annum.

They paid 21.67 c/kWh (incl GST) for the electricity they used, 581.35 c/day (incl GST) in daily supply charges, and 173.25 c/KW/Month in summer demand charges.

They did not receive any discounts as part of the market offer contract. As this business has high electricity consumption but also paid almost $6 per day in supply charges, the fixed supply charge accounted for 8% of their total bill. We note that the network component of the daily supply charge is much greater for businesses using more than 40,000 kWh per annum (medium sized businesses) than for businesses using less than 40,000 kWh per annum. For this restaurant, the network component of the daily supply charge was 62% of their total bill while it would only have been 35% for a business on the single rate tariff.

The restaurant also uses approximately 642 GJ of gas per annum and they had an annual gas bill of around $17,160 (incl GST). The restaurant is located in the Australian Gas Network and were on a gas market offer contract with Momentum Energy. The gas tariff is a three-part declining block tariff. They paid between 3.4 and 2.5 c/MJ (incl GST) for the gas they use, 97.57 c/day (incl GST) in daily supply charges and they did not receive any discounts as part of the market offer contract.

The Directions Paper notes that raising the threshold to 100 MWh means it will harmonise with states like New South Wales, [10] but it also highlights that given the threshold varies across jurisdictions anyway, discordance with other jurisdictions will remain. Given four of the seven other jurisdictions have thresholds higher than 100MWh, we recommend increasing the Victorian threshold to 160MWh to align with best practice and future proof the framework.

The Directions Paper also identifies that increasing the threshold will mean that protections offered to small energy customers would apply to a wider group of customers, which would increase administrative and regulatory compliance costs. The Victorian Government suggests that enabling aggregation will offset this impact, [11] but the exact net quantity of this offset is unclear. In any case, we do not consider that any such costs would outweigh the benefit of small businesses being entitled to consumer protections. Small businesses should not be, and cannot be, expected to have the sophistication to negotiate bespoke contracts for an essential service.

Another identified risk is the potential disruption for customers currently consuming between 40 MWh and 160 MWh per annum who may wish to retain access to large customer-only tariffs and commercial flexibility. [12] To minimise disruption to business operations, the implementation phase could offer a grandfathering or opt-out mechanism. Under this approach, retailers could contact businesses within the expanded threshold band to provide clear cost comparisons and details of small customer protections, allowing them to explicitly choose whether to remain on their current commercial contract or transition to a small customer plan. Customers should retain the right to transition to small customer protections at any time, while ensuring clarity around commercial contract terms.

Given that Victoria is the only jurisdiction to maintain a threshold below 100 MWh per annum, and there are 23 retailers with more than 500 small business customers currently operating in Victoria that also supply electricity to small businesses in other jurisdictions, [13] our view is that the operational and regulatory burden of implementing an increased threshold is low. Because these retailers already

[10] Directions paper, 19
[11] Directions paper, 19
[12] Directions paper, 14
[13] Retailers with over 500 small business customers as per Energy Market Dashboard, Q3, 2025-26, Essential Services Commission: Origin, AGL, Energy Australia, Momentum, Engie, Alinta, Red Energy, Tango Energy, Blue NRG, Shell Energy, Next Business Energy, SUPA Energy, CovaU, Lumo Energy, Powershop, Globird Energy, Sumo Power, Energy Locals, 1st Energy, OVO Energy, Amber Electric, Dodo, Diamon Energy

operate across multiple state frameworks where higher thresholds apply, they should possess the existing systems and processes necessary to service customers with the 160 MWh threshold under standard small customer rules without requiring major capital investment or new system development.

Multi-site aggregation should be allowed on an opt-in basis.

ECA supports enabling multi-site aggregation, provided it is voluntary and based on explicit informed consent. While most small businesses energy consumers with a separate energy business account work in a single site office or workspace, approximately 9% of Victorian survey respondents operate from more than one site. [14]

For the small business consumers we represent, the primary benefit of aggregation is increased commercial flexibility. Aggregating energy use across multiple sites (NMIs) allows businesses to consolidate billing and manage a single retail contract, reducing administrative burden. It may also provide greater leverage to negotiate more tailored and potentially cost-effective retail tariffs that are currently restricted under the existing framework. These benefits are likely to accrue primarily to more sophisticated multi-site businesses with the capacity to engage in negotiation and contract management.

The Victorian Government has not provided evidence demonstrating that businesses are consistently realising savings by moving to large customer retail arrangements. In addition, large customer tariffs can involve higher fixed charges, including higher supply charges than those faced by businesses consuming less than 40 MWh per annum. [15] Navigating these structures should not be a reasonable expectation for small businesses operators. Our data reveals only 40% of small businesses feel they definitely know how their electricity bill is calculated, and nearly 52% review their energy plans only every few years or never at all. [16] Considering the varying level of business sophistication within the 40-160MWh range, multi-site aggregation must be strictly voluntary and accompanied by safeguards and clear communication and disclosures.

Therefore, enabling aggregation may provide benefits for some businesses, particularly those with multiple sites and greater commercial capability. While these benefits will be harnessed most effectively by multi-site operators with the capacity to engage in contract management, enabling this option unlocks important commercial pathways. To ensure all eligible businesses benefit safely without exposing time-poor owners to unintended risks, aggregation must remain a flexible, strictly voluntary option supported by clear disclosures and robust consumer protections.

Small businesses must not lose protections without clear safeguards.

The biggest risk in the proposed aggregation reform is that customers may not fully understand that they may lose certain consumer protections when they opt in, and their aggregated consumption exceeds the small customer threshold. If aggregation causes their combined consumption to exceed the small customer threshold and lose access to the ERCoP protections and the VDO, that trade-off must be made explicit, prominent, and recorded.

Businesses should be clearly informed of the consumer protections they may no longer have access to as a result of becoming a large customer. This includes:

- Access to the Victorian Default Offer
- Price certainty: Price increases must only be made on a network tariff change date or annually after a fixed price period (MRC) [17]

[14] Forthcoming small business survey 2026, Question 2
[15] Small business tariff tracker, 5
[16] Forthcoming small business survey 2026, Question 10, Question 26.
[17] Clause 94, ERCoP, 76

- Fixed Benefit Guarantees: They lose the guarantee that discounts, rebates, or credits cannot be altered or removed during a fixed benefit period [18]
- Protections for those on older contracts: They lose the safeguard that forces retailers to annually review contracts older than four years to ensure the customer is still paying a "reasonable price" (and the obligation to move them to a cheaper plan if they are not) [19]
- The Deemed Best Offer message: message on their bill telling them exactly how much they could save by switching to their retailer's cheapest plan [20]
- Bill change alerts: a mandatory notice at least five business days before any price increase or benefit change takes effect
- Regulated billing formats: prescribed billing standards, such as mandatory historical usage graphs, clear pay-by dates, and standardized structures
- Limits on back billing: specific rules that limit how much a retailer can demand if the retailer makes a billing error and undercharges them
- Cooling off periods: automatic right to withdraw from a new energy contract without penalty within 10 business days
- Caps on conditional discounts and penalties: They lose the protection that limits "pay-on-time" conditional discounts and late fees. Under small customer rules, penalties cannot exceed a "reasonable estimate" of what the retailer actually lost from a late payment
- Limits on security deposits: They lose the protection that caps security deposits at 37.5% of their estimated annual bill, as well as the rules requiring the retailer to pay them interest on that deposit and strictly regulating how it is used or returned.
- Restrictions on early termination fees: They lose the caps and strict conditions limiting how much a retailer can charge if they break a contract early.
- Free ombudsman access: While large commercial contracts dictate their own dispute terms, small customers have a guaranteed, mandated right to escalate unresolved complaints to the Energy and Water Ombudsman Victoria (EWOV) for free external dispute resolution.
- Strict disconnection safeguards: They lose the regulated, step-by-step advance warning procedures a retailer must legally follow before they are allowed to disconnect the power for non-payment
- Life support protections: If one of the business premises is mixed-use and has a resident relying on life support equipment, aggregating that site into a large commercial contract means forfeiting the strict statutory bans on disconnection and mandatory outage warnings associated with small customer status.

Retailers should be required to explain the consequences in plain language before obtaining consent, and to retain evidence that consent was informed, specific, and voluntary.

Additionally, ECA seeks clarity from the Victorian Government on whether multi-site aggregation can be chosen selectively for individual meters or if it must apply across all business locations. Any such framework must include mandatory disclosures so business owners fully understand the impact of the arrangement on their protections.

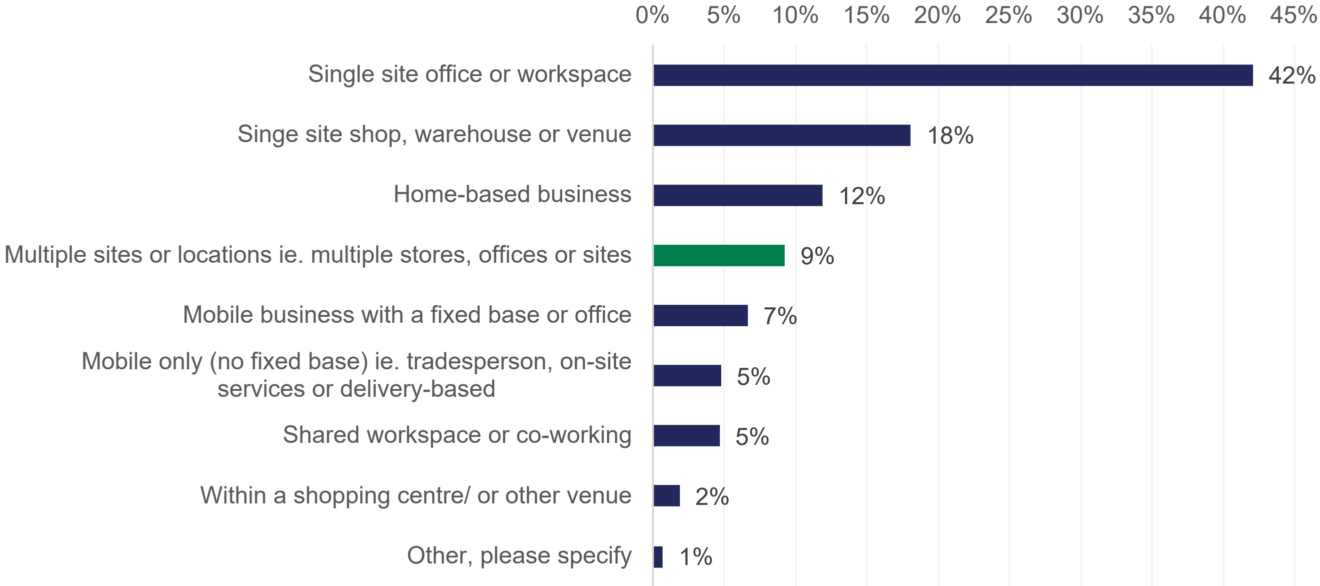
Taken together, the two reforms should work in a complementary manner. Raising the threshold ensures that more businesses have access to consumer protections, while aggregation ensures that multi-site businesses can choose a more efficient contracting model, if that is in their commercial interest.

[18] Clause 96, ERCoP, 78
[19] Division 8, ERCoP, 94
[20] ERCoP, 83

Appendix: Small Business Energy Consumer Survey

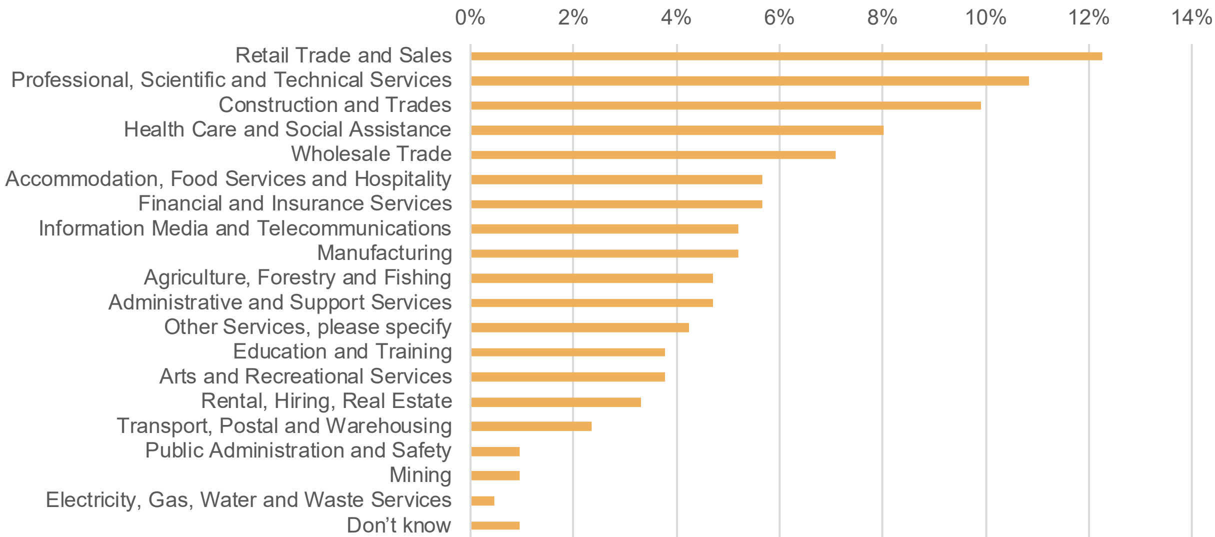
The following results are relevant responses we received on our small business energy consumer survey. The full survey results will be published October 2026.

Q2. Which best describes where your business operates from?



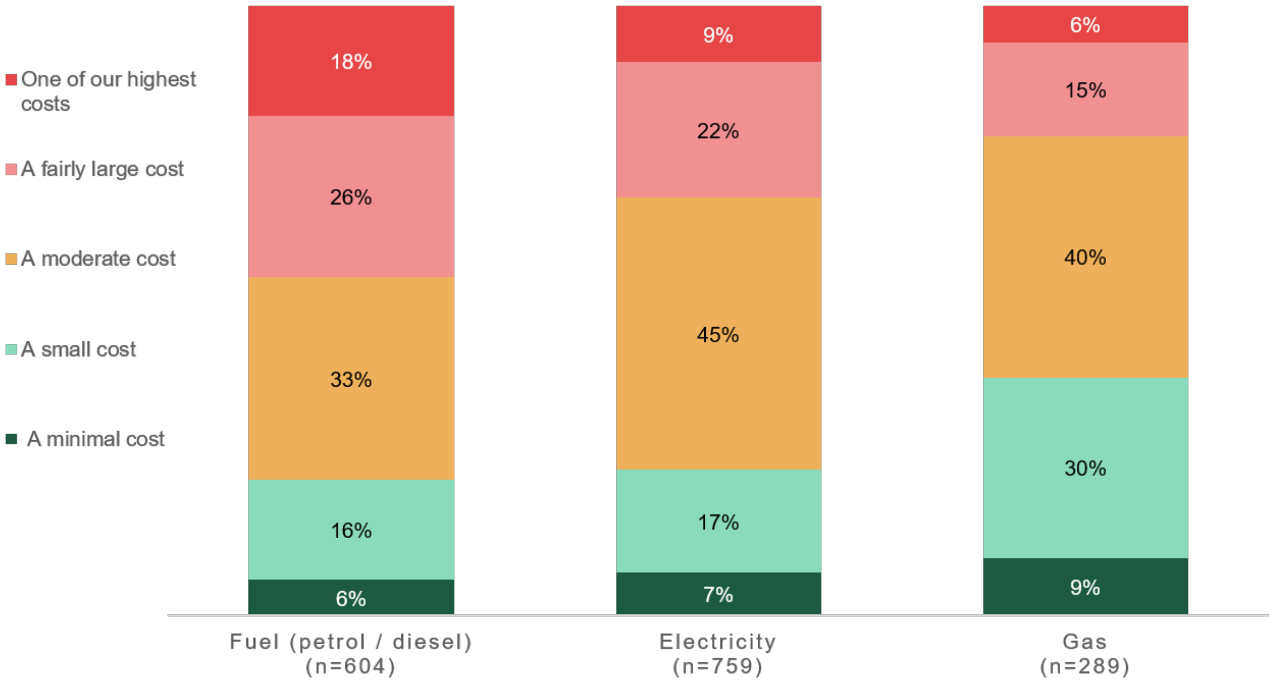
Total VIC sample, n=212; weighted

Sectors responding to ECA small business survey in Victoria



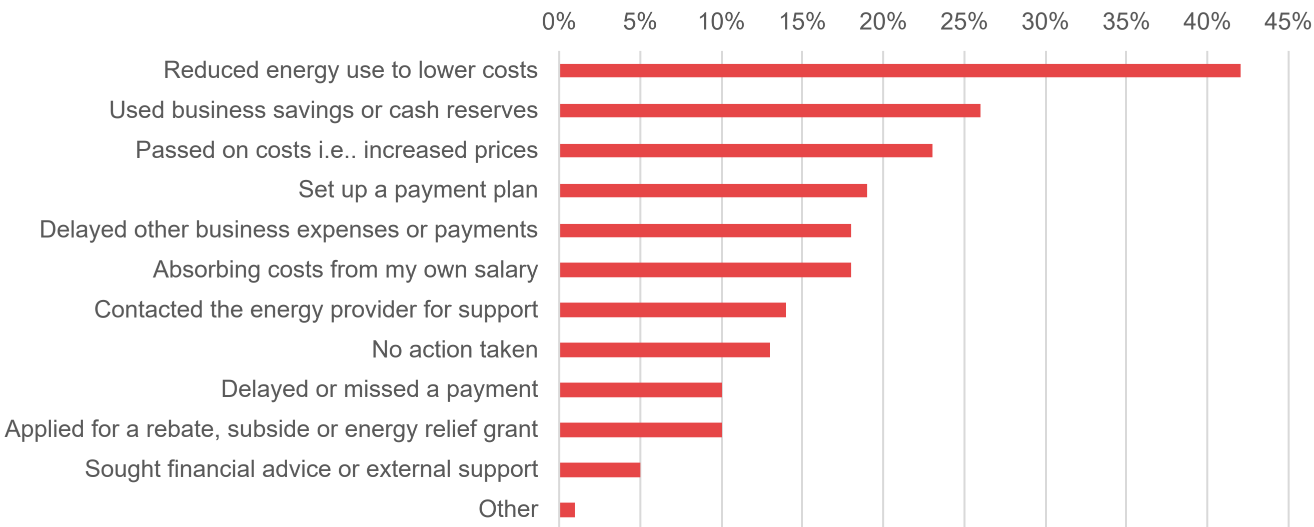
Total Victorian sample, n=212; weighted

Question 13. Relative to other business expenses, how significant are energy costs to your business?



Question 13. Relative to other business expenses, how significant are energy costs to your business? ; Total sample; Weight: Weight; base n = from 289 to 759; total n = 759; 470 missing; effective sample size = 683 (90%)

Question 15. You mentioned it has been difficult to afford your energy bills. What actions, if any, has your business taken as a result?



Question 15. You mentioned it has been difficult to afford your energy bills. What actions, if any, has your business taken as a result? ; Total sample; Weight: Weight; base n = 277; total national sample, n = 759; 482 missing; effective sample size = 248 (90%)

Q17. Thinking about your business's GAS use, how much does each of the following contribute to your gas bill? (Major contributor + Moderate contributor)

Gas usage	Major + moderate contributor
Space heating e.g. heating indoor areas	44%
Cooling e.g. ventilation or air conditioning	44%
Hot water	52%
Cooking and food preparation	36%
Manufacturing, commercial or production equipment (e.g. kilns, machinery, etc)	24%
Drying or steam processes (e.g. laundries, food production)	20%

Total Victorian sample, n=212 ; Gas customer; weighted

Q24. Are you considering, or have you already considered, a solar or battery system?

Solar or batteries	Solar	Battery
Already have this	21%	7%
Actively researching or planning to implement	9%	12%
Considering, but not actively planning yet	20%	23%
Not considering	47%	56
Not applicable	3%	3%

Total Victorian sample, n=212, weighted

Q26. 'Approximately, how often does your business review its energy plan and investigate whether there are better options for you?' Compared to households

	Small businesses	Households
Several times a year	13%	20%
Around once a year	41%	47%
Total at least once a year	**54%**	**67%**
Once every few years	24%	20%
Less frequently than every 5 years	9%	6%
Never	13%	7%
Total less than once a year or never	**46%**	**33%**

*Victorian sample for both households (n=855) and small businesses (n=150) (*Respondents in embedded networks were excluded.*); weighted*

Q27. How confident are you that your business is currently on the best-offer energy plan available?

Level of confidence	Response
Very confident	17%
Somewhat confident	54%
Not very confident	16%
Not at all confident	7%
Don’t know	6%

*Total Victorian sample, n=150; weighted, (*Respondents in embedded networks were excluded.)

The national voice for residential and small business energy consumers

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