

Analysis of small business retail energy bills across Australia

Preliminary Report, October 2017

Energy Consumers Australia initiated the Small and Medium Enterprise (SME) Retail Tariff Tracking Project (the Project) in April 2016, because we recognise the need to know more about the energy costs being faced by small businesses.

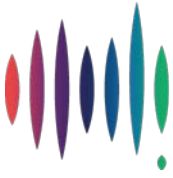
There is no doubt that the increases in energy costs can impact adversely on all businesses large or small, undermining their long-term profitability and ability to offer employment and support the prosperity of the Australian community. Energy Consumers Australia has a particular role in ensuring the voice of the consumer is heard, in particular residential consumers and small businesses.

We estimate that there are approximately 1 million businesses that are classified as small energy customers under various jurisdictional thresholds (using annual consumption in kilowatt hours). Yet there is little evidence of what individually small business consumers might actually be paying for energy and how that is changing over time.

In the first stage of the stage of the Project, Energy Consumers Australia commissioned Alviss Consulting to collect information on the small business electricity and gas retail pricing offers available from all major retailers across Australia. These retail pricing offers were collected in April 2016 and April 2017, and included in a spreadsheet-based tool (the Workbooks). The Workbooks were developed to allow consumer advocates, and other interested parties, to compare prices and produce their own analysis of annual energy bills.

In the second stage of this project Energy Consumers Australia with Alviss Consulting developed this Preliminary Report, to share our analysis of what the retail pricing offers could mean for small business' annual retail energy bills across Australia. Given the significance of the price increases that were introduced on 1 July 2017, in jurisdictions except Victoria (where prices are reset on 1 January each year), we also collected the details of the electricity and retail price offers of the three largest retailers, AGL, Origin and Energy Australia, and included analysis of this information in the Preliminary Report.

Energy Consumers Australia consulted widely with stakeholders in the development of the analysis in our Preliminary Report, including consumer advocates, business organisations representing small business in their membership, distribution network businesses, retailers, the Australian Energy Market Commission (AEMC), and the Australian Energy Regulator(AER). The assistance of these stakeholders has been invaluable in the development of this Preliminary Report.



We are now publishing this Preliminary Report and the Workbooks for the first time.

This report is preliminary for three reasons.

Energy Consumers Australia intends to consult more widely, including with the various small business commissioners and any other interested stakeholders and consumers, to obtain feedback on how this analysis is useful and may be informative about the actual experience of energy costs of small businesses across Australia.

In developing the analysis, assumptions have necessarily had to be made about the amount of electricity and gas small businesses may typically consume in a year. Small businesses, even more so than households, are very diverse when it comes to the energy they require for their business activities. This Preliminary Report provides an opportunity to provide us with feedback on the assumptions we have made.

Finally, in the forthcoming Final Report we will provide our bill analysis based on the electricity and gas retail price offers on offer in October 2017 from all major retailers, not just the three largest retailers, that will incorporate the increases that have taken effect since 1 July 2017.

In the future, Energy Consumers Australia will collect retail pricing offers by all the major retailers, twice a year in April and October, and publish shortly after both a report and updated Workbooks.

Key findings

There were significant increases in typical annual small business electricity bills, in a number of jurisdictions where prices increased substantially on 1 July 2017. The increases were the most significant in South Australia (33%), NSW (31%), the ACT (25%), Queensland (22%) and Western Australia (13%). Retail prices will next be reset in Victoria on 1 January 2018, although some retailers in Victoria made changes mid-year (since 1 January 2017). These will be reported in the forthcoming Final Report that will include the offers of all major retailers, for both electricity and gas.

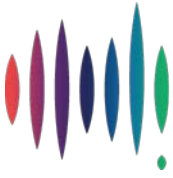


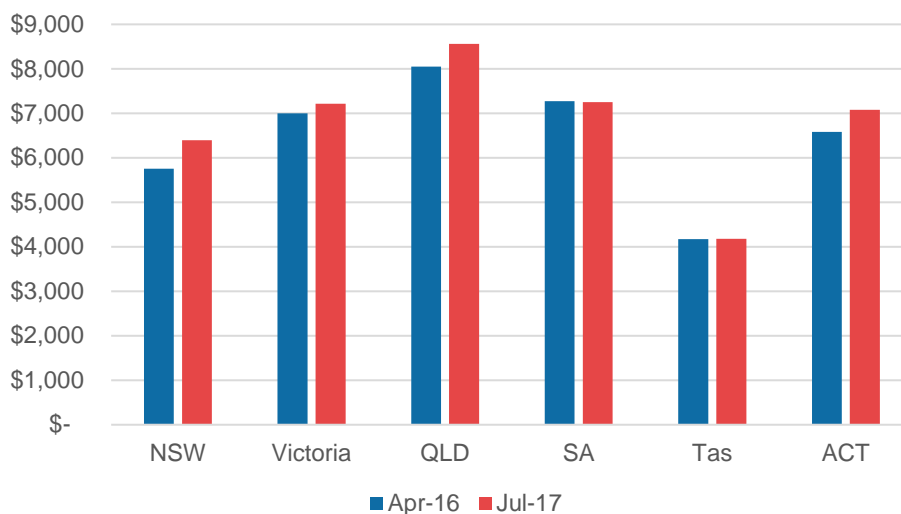
Chart 1: Changes in typical annual small business electricity bills



Note: Assumes 40 MWh annual consumption, market offers and single rate. This consumption level is 15MWh above what medium business might typically consume in Victoria (marked by bar) and 10MWh below what a medium business might consume in other jurisdictions.

Typical annual gas bills have not changed as significantly over the same period as electricity bills, though the impact of rising electricity prices for dual fuel businesses will have been compounded. Annual gas bills increased in NSW (11%), the ACT (8%), Queensland (7%), and Victoria (3%). Gas bills were largely unchanged in South Australia and Tasmania.

Chart 2 Changes in typical annual small business gas bills



Note: We are confirming the retail gas prices in Western Australia, to be included in the Final Report. The chart assumes 250GJ except in Victoria (500GJ) and Tasmania (100GJ)

For further information on the SME Retail Tariff Tracker Project or feedback on the Preliminary Report contact lynne.gallagher@energyconsumersaustralia.com.au.