

12 December 2024

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By online submission at aemc.gov.au

To whom it may concern

**RE: The pricing review: Electricity pricing for a consumer-driven future
consultation**

Thank you for the opportunity to make a submission regarding the Australian Energy Market Commission's (AEMC's) pricing review consultation paper on *Electricity pricing for a consumer driven future*. 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.

The Chamber has reviewed the consultation paper, and *Attachment 1* contains responses against the survey questions presented by the AEMC.

As the only current consultation addressing the broader regulatory framework and mechanisms that drive electricity pricing, this review has regularly been stated as the opportunity for industry and organisations to raise concerns and advocate for improvements that have been 'parked' in other energy related consultations.

It is noted that there is minimal reference to, and focus on, a fair and equitable energy transition for all users and the review is very future focussed. This may result in the AEMC missing the opportunity to address some more immediate changes or a staged approach that could assist with addressing the impact of high electricity costs on the current cost of living and doing business crisis whilst supporting the transition to net zero.

In your considerations for this review, we would like to highlight the impact of rising electricity costs on the cost of doing business and the impact on business profitability and productivity outcomes.

Through responses to the Chamber's quarterly *Survey of Business Expectations* we know that escalating electricity prices are a significant and constant concern for businesses. As shown in *Attachment 2*, over the last three quarters an average of 74.3% of respondents have stated the high cost of doing business is the main issue affecting South Australian business. This is also reflected by an average of 80.435% 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 inflation rate at that time. Nearly a third of businesses saw their prices rise by 31% or more in the preceding 12 months.

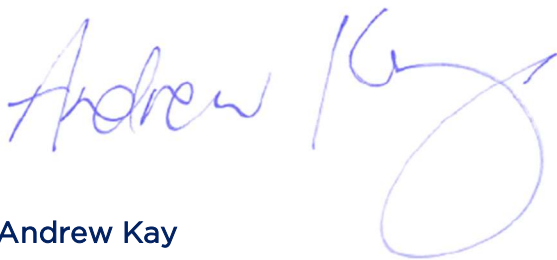
We have also included a copy of the October 2024 Sustainable Energy Insights Report prepared by Chamber member Sustainable Energy Commitment (Attachment 3). Whilst this report does not represent any formal views or positions of the Chamber, it does provide useful insights into the current capabilities and maturity levels of small to medium enterprises in South Australia in relation to their electricity bills and the energy transition.

It is imperative the AEMC ensures the current energy affordability crisis in South Australia, which is having a consistently detrimental impact on the cost of doing business, is given due attention in its pricing review.

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

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 or phone 08 8300 0061.

Yours sincerely,



Andrew Kay
Chief Executive Officer
South Australian Business Chamber

Attachment 1: Consultation Survey Question Responses

Attachment 2: Survey of Business Expectations Data

Attachment 3: Sustainable Energy Insights Report for SA SMEs – October 2024

SA Business Chamber – AEMC Pricing Review Survey Responses

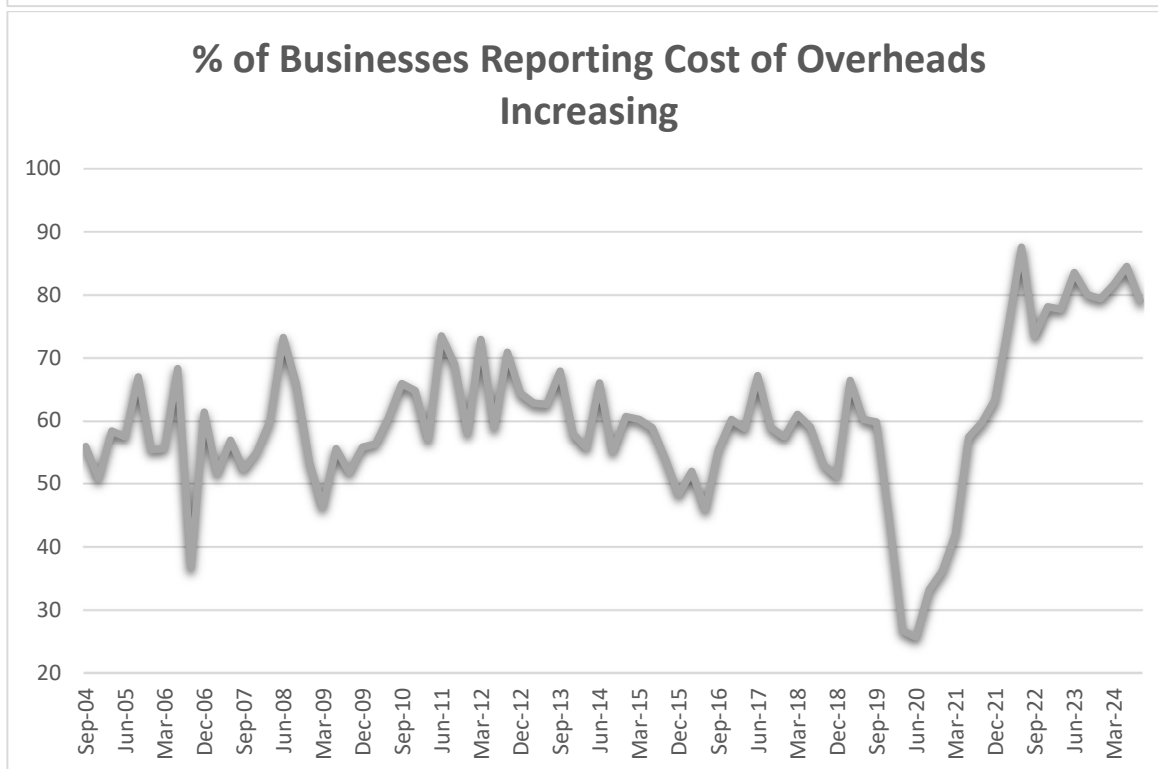
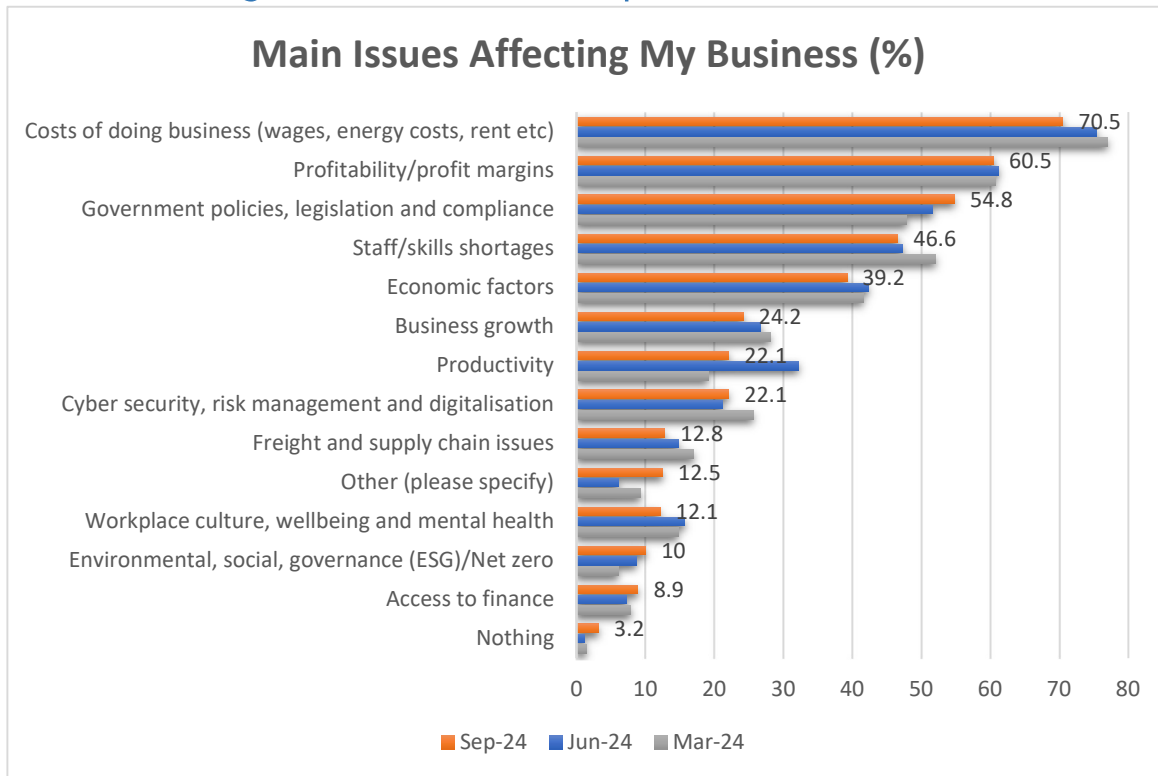
<p>Q1: Do you consider that we should make any changes to our proposed approach to this review?</p>	<p>In the absence of any other reviews actively addressing electricity pricing affordability, the Chamber is concerned at the longer-term future-focus of this review and see this as a missed opportunity to address shorter term needs to address the impact of high electricity costs on the cost of business crisis facing South Australian businesses.</p> <p>It is important that the focus on CER and the energy transition captures the critical issues surrounding the fairness and equity of such a transition for all users, in particular vulnerable users and businesses (including those on embedded networks), which are facing a wide range of economic and other challenges with electricity costs reported as one of the highest and most rapidly increasing impacts on the cost of doing business, profitability and ultimately productivity.</p> <p>The AEMC’s commitment that stakeholder feedback will inform each step of the approach is noted. The SA Business Chamber requests to be advised of the membership of the Advisory Group and Stakeholder Reference Group and informed of any stakeholder engagement workshops and meetings in a timely manner that would allow us to consult with our member network plus other key community and industry associations in South Australia.</p>
<p>Q2: What are your views on our proposed Consumer Preference Principles?</p>	<p>It is noted that there is a distinct difference between Consumer Preferences and Consumer Behaviours. Basing the review on preferences, versus what the current and future behaviour of consumers will be (often in spite of their preferences), could provide a fundamentally flawed basis for deriving effective outcomes for the review.</p> <p>In response to what is currently drafted, there is an absence of the terms reliability and resilience in the proposed Consumer Preference Principles (CPPs). Whilst this could be considered as covered within the CPP of ‘Availability’, given the substantial focus on addressing reliability and resilience across each segment of the electricity system by government and operators, and the associated costs to end users, it is suggested that this be specifically included in the framing of availability.</p>

<p>Q3: What are your views on our proposed Consumer Archetypes?</p>	<p>There appears to be an assumption that consumers want to and will be engaged, whilst experience would suggest that it is only a very small cohort that will be actively involved to the extent that may be required to benefit.</p> <p>It is understood that the AEMC believes that consumers may cycle through the various archetypes over time, yet once again the fundamental element of equity appears to be missing and there appears to be no weighting in the archetypes to highlight critical groups who may simply be locked into one archetype and unable to change.</p> <p>Based on what is currently drafted, at a minimum the Chamber would recommend inclusion of ‘embedded networks’ in addition to the example of principal/agent problem (e.g. renters) or as a separate dot point for the ‘Behind Barriers’ archetype.</p>
<p>Q4: We want stakeholders to help us imagine the widest range of possible future products, services, and pricing structures. How might they look in the future?</p>	<p>Nil response at this time.</p>
<p>Q5: How could electricity products, services, and pricing structures be presented to serve future consumers?</p>	<p>There will be a critical need for transparency, simplicity and clarity to assist end users with a broad gamut of needs, knowledge and technical abilities of consumers the majority of whom will likely not engage or know how to engage effectively.</p> <p>The energy transition is often presented as overwhelming, and consumers will likely need to be supported and facilitated with clear frameworks, pathways and potentially staged approaches to address their current and future electricity needs.</p> <p>The report at Attachment 3 provides some insights into the potential challenges and opportunities facing South Australian SMEs that will need to be addressed as part of the energy transition.</p>
<p>Q6: How could consumer protections be balanced to enable further innovation in a future retail electricity market?</p>	<p>The Chamber continues to support and advocate for extending protections to embedded network customers and consideration of their unique needs in product, service and pricing structures.</p> <p>In addition, it is important for end consumers to retain the ability to choose tariffs & tariff structures to suit their usage, in particular when temporary or systemic circumstances prevent them from being able to adjust their consumption patterns.</p>

<p>Q7: What barriers will need to be addressed to deliver future consumers a meaningful and beneficial range of products, services, and pricing structures? How might we consider addressing those barriers?</p>	<p>Provision and active promotion of advisory services, resources, tools, and potentially incentives targeting each Consumer Archetype and their specific challenge, with effective integration of these into the service provision processes. This will be particularly important for those who cannot access CER or DER and those with temporary or systemic circumstances that impact on their ability to adjust their consumption patterns.</p> <p>A key gap in current policies, frameworks and offers is the lack of support and mechanisms for better data collection to inform consumers of their current and future usage needs.</p> <p>As shown in the report at Attachment 3, feedback from Small to Medium Enterprises (SMEs) in South Australia has shown that 86% rely solely on their power bills for data and less than 34% of organisations have energy monitoring practices. There is also a substantial lack of submetering with only 14% of organisations reporting they use this to track granular energy use and 73% reported they do not maintain a register of all energy-using or energy-producing assets.</p> <p>This in addition to a general lack of resources applied to monitoring, reporting and actioning initiatives related to sustainability exacerbates the inability of SMEs to actively address their rising electricity costs.</p>
<p>Q8: What should network tariffs look like in the future?</p>	<p>No input at this time.</p>
<p>Q9: How should the role of energy supply businesses evolve to meet customer and energy system needs in the future?</p>	<p>It will be important for energy supply businesses to consider the broader energy profile of consumers with regard to implementing energy efficiencies in their buildings, which stands to provide far greater benefits and reductions to electricity bills than may be possible from pricing mechanisms.</p> <p>The report at Attachment 3 provides some insights into the potential challenges and opportunities facing SA SMEs that will need to be addressed in the energy transition.</p>
<p>Q10: What changes might be required in the future to the interfaces between different energy supply businesses?</p>	<p>With the increasing complexity in the offerings and provision of energy services, there will be a critical need for transparency, simplicity, and the ability for electricity users of all types to be able to access appropriate information and resources to navigate the transition and make informed decisions whilst retaining the ability of choice in relation to their electricity usage.</p>
<p>Q11: Do you have any feedback on our proposed assessment criteria?</p>	<p>As mentioned previously, there are clear gaps in the criteria relating to fairness, an equitable transition, the potential for pathways or a staged approach and the balance of future focussed versus addressing the current critical needs of electricity users.</p>

SA Business Chamber - Survey of Business Expectations (SOBE) Data

Issues Affecting Businesses – SOBE September 2024



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

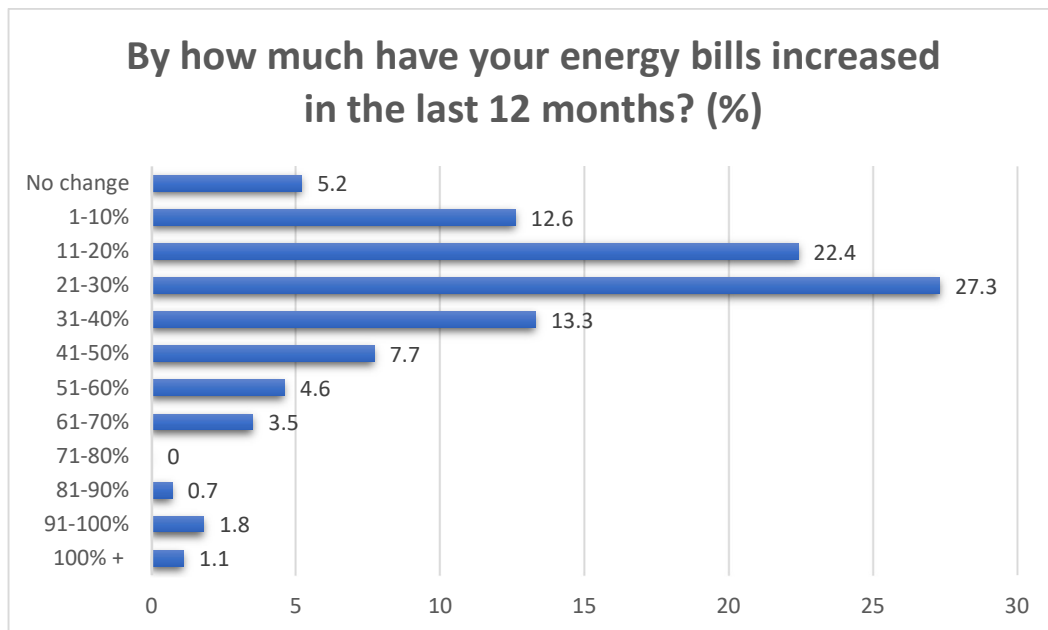
“In the two years that I’ve been involved in this business, our energy costs have almost doubled. Our annual electricity bill is approximately \$1 million, and we can’t put solar on the roof as we rent and our landlord will not allow it.”

Manufacturer, 20-49 Employees

“Our monthly electricity bill is now the same amount as our quarterly bill was one year ago”

Wholesale Trade, 5-9 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.

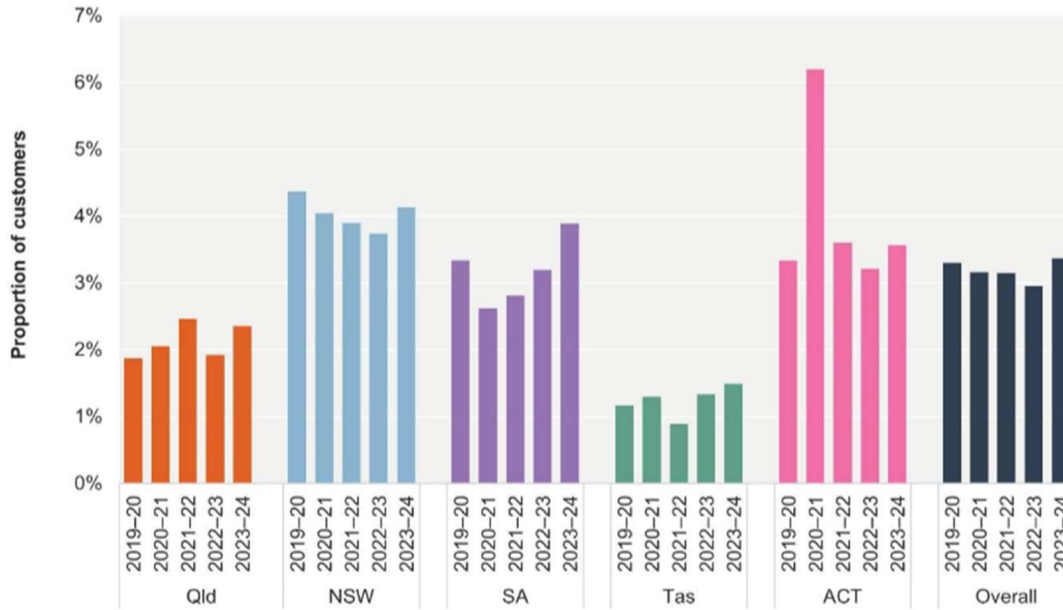
The problem is clearly worsening. When we asked this question one year ago (2022) – only 38% of businesses had seen their prices rise 20% or more.

Energy Consumers Australia states 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%¹, 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.

¹ [Alviss Consulting & Energy Consumers Australia, Analysis of small business retail energy bills in Australia, December 2023](#)

Further to the Chamber’s survey results, the impact of these rising energy costs on small business is also reflected in the Australian Energy Regulator’s Annual Retail Market Report 2023/24 with South Australia recording a third consecutive increase in small businesses with energy debt, noting this does not include the debt of customers on hardship programs.

Figure 3.5 Small business customers with energy debt by state/territory



Note: Excludes debt of customers on hardship programs. Data as at 30 June each year.

Source: AER, Schedule 3 – Quarter 4 2023–24 retail performance data; Schedule 2 – Quarter 4 2023–24 retail performance data.

Sustainable Energy Insights Report for South Australian Small to Medium Enterprises (SMEs) – October 2024

**Prepared by South Australian Business Chamber Member -
Mr Jed Durdin, CEO Sustainable Energy Commitment**

Note: This report does not represent any formal views or positions of the South Australian Business Chamber. It has been included to provide useful insights into the current capabilities and maturity levels of small to medium enterprises in South Australia in relation to their electricity bills and the energy transition. Jed Durdin of Sustainable Energy Commitment has confirmed that the report is no longer confidential and is able to be published with this submission if required.

Sustainable Energy Insights Report

For South Australian SME's

October 2024

Prepared by Jed Durdin

CEO Sustainable Energy Commitment

www.sustainableenergy247.com



Executive Summary

Australia's energy transition is accelerating rapidly as we aim to achieve a 43% reduction in emissions by 2030. South Australia, in particular, is leading the way, with over 70% of its electricity now generated from renewable sources—a global benchmark. Yet, despite this impressive achievement, South Australian SMEs face a harsh reality: they currently bear the highest energy costs in the nation, a burden that threatens their sustainability and profitability.

For years, South Australian businesses have voiced their concerns, grappling with the challenge of managing these costs while maintaining operations. So, what are the core issues at play, and can SMEs transform energy from a financial liability into a sustainable, value-generating asset?

In response to these pressing questions, the Sustainable Energy Commitment, in collaboration with the South Australian Business Chamber, conducted 110 sustainable energy health checks with SME decision-makers across the state.

This assessment evaluates each organisation against 18 specific Key Performance Indicators (KPIs) covering critical aspects of sustainable energy management, providing a comprehensive overview of their current capabilities and maturity levels.

Organisations receive a score out of 100, categorised as follows:

Scores 0-35: Organisations in this range are highly dependent on external energy sources, indicating low sustainable energy management maturity.

Scores 36-70: These organisations show a moderate level of energy independence and sustainable energy management maturity.

Scores above 70: Companies scoring above 70 have achieved a level of energy interdependence, fostering collaboration and creating mutually beneficial partnerships that signify high sustainable energy management maturity.

This report delves into the findings, offering actionable insights to help South Australian SMEs harness sustainable energy management as a strategic advantage, building resilience in an increasingly volatile energy landscape.

Over the past 5 years, Australian business energy costs have risen significantly, with many businesses this year seeing more than 30% increases alone.

94% of businesses said that energy prices and controlling energy costs is their number 1 concern.

55% of businesses said that they had not heard of ESG and climate disclosure reporting. Only 8% were committed to it.

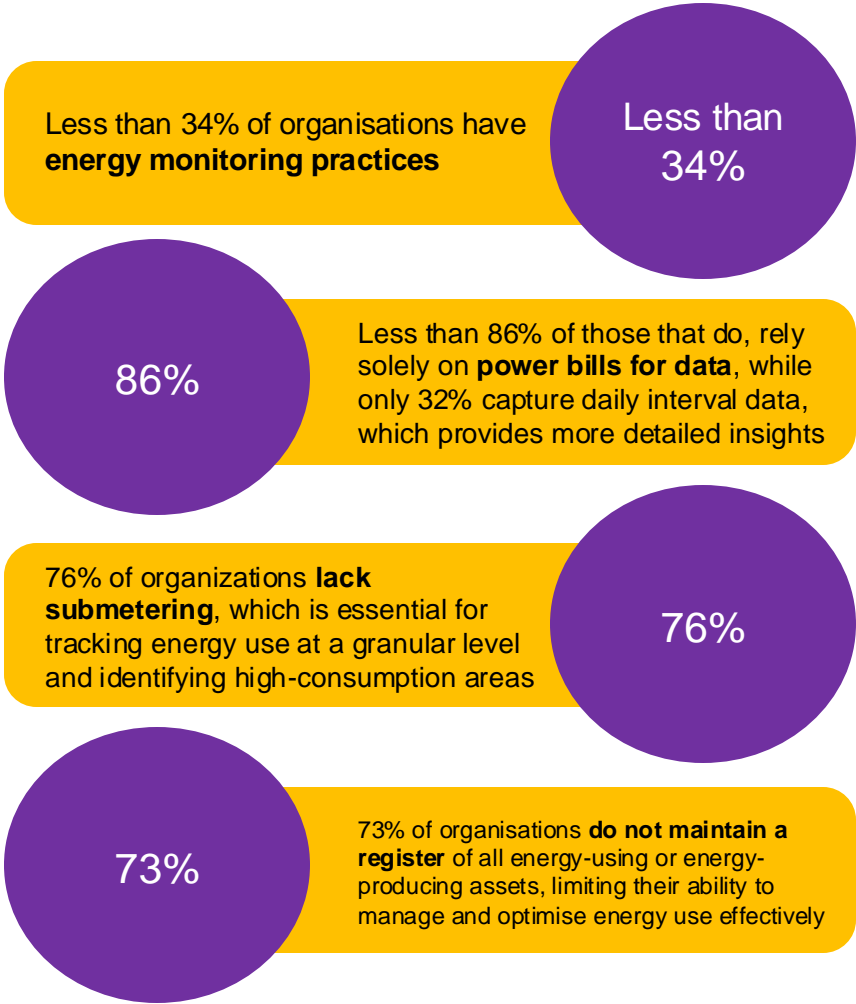
And to add to the complexity, most organisations are not ready for a new era of mandatory climate-disclosure reporting. Only 6% sore this as more important than controlling energy costs.

Most business are not ready to tackle the converging problem, due to a lack of energy management capability.

16 out of 100, is the average sustainable energy management score for South Australian SME's

Challenges with Data Collection & Measurement

Small and medium-sized enterprises (SMEs) face significant barriers in effectively collecting and measuring energy data.



Insights on Organisational Capability & Reporting

There is an opportunity for organisations to improve transparency in their sustainability reporting, invest in roles and training focused on sustainable energy, and establish dedicated committees or governance bodies to oversee and drive energy-related sustainability efforts.

Limited Reporting on Sustainability:
Only 17% of organisations report on their sustainable practices, suggesting a low level of transparency and accountability in communicating sustainability efforts externally or internally.

Partial Focus on Sustainable Energy in Reporting:
Among those that do report, 84% mention sustainable energy to some extent, indicating an interest but potentially a lack of comprehensive or in-depth reporting on energy sustainability.

Minimal Claims on Renewable Energy Use:
Only 10% of organisations report a percentage of their energy as renewable or carbon-free, highlighting a lack of commitment or challenges in tracking and claiming renewable energy usage.

Few Roles Dedicated to Sustainable Energy:
Only 13% of organisations have roles specifically dedicated to sustainable energy, reflecting limited investment in human resources focused on advancing sustainable energy initiatives.

Limited Coverage in Sustainability Training:
While there is some sustainability training, only 20% of it addresses sustainable energy, showing a gap in educating staff about energy sustainability, which could enhance organisational capabilities and awareness.

Lack of Governance Structures for Sustainability:
Just 11% of organisations have established committees to drive sustainable or renewable energy action, indicating that formal governance and accountability mechanisms for sustainability are scarce.

Sustainable Energy Actions & Initiatives

There are challenges and untapped potential for SMEs in adopting comprehensive energy solutions and supporting broader community initiatives.

Challenges

Low Adoption of Advanced Energy Solutions:

Less than 2% of organisations have Battery Energy Storage Systems (BESS), and just 2% participate in Virtual Power Plants, reflecting limited adoption of cutting-edge technologies that could enhance energy independence and resilience.

Reliance on Traditional Electricity Sources:

All organisations still buy traditional electricity retail products, suggesting a heavy dependency on conventional energy sources, limiting their ability to reduce costs and emissions.

Limited Engagement in Broader Sustainability Programs:

Less than 3% of organisations have programs to support employees, customers, and the community in accessing carbon-free/renewable electricity, highlighting a missed opportunity to extend their sustainability impact beyond their own operations.

Underuse of Feasibility Studies for Energy Projects:

Just 15% of organisations conduct feasibility studies for technical energy projects, indicating that many SMEs may be missing out on well-informed, data-backed insights for making strategic energy decisions.

Variable Implementation of Basic Energy Efficiency Initiatives:

While 78% of organisations have implemented LED lighting, less attention has been given to HVAC upgrades (18%), refrigeration upgrades (34%), insulation improvements (19%), and power factor/quality improvements (5%), suggesting uneven progress on foundational energy efficiency upgrades.

Opportunities

Expand Use of Onsite Renewable Energy Solutions:

With one in three organisations already having rooftop solar, expanding this could be an achievable and impactful step toward greater energy independence and carbon reduction.

Promote Adoption of BESS and Virtual Power Plants:

Encouraging more organisations to invest in Battery Energy Storage Systems and participate in Virtual Power Plants could help reduce dependency on traditional energy sources and improve grid resilience.

Develop Programs to Support Wider Community Access to Renewable Energy:

Establishing programs to help employees, customers, and the community access renewable electricity could strengthen organisational sustainability efforts and build broader community engagement.

Increase Feasibility Studies for Technical Projects:

Encouraging more organizations to conduct feasibility studies can provide valuable insights into energy efficiency and renewable energy projects, helping them make informed decisions and reduce risk.

Focus on Comprehensive Energy Efficiency Measures:

Expanding initiatives beyond LED lighting to include HVAC and refrigeration upgrades, improved insulation, and power quality enhancements can provide a more comprehensive approach to energy efficiency, potentially leading to significant long-term savings and environmental benefits.

Challenges with Strategy & Planning

Many SMEs may lack clear, actionable policies and strategies in the transition to renewable energy, often not leveraging their own data effectively or setting structured targets to guide their sustainability efforts.

Less than 18% of organisations have **set targets** for carbon-free or renewable energy, indicating that a significant majority have not committed to reducing their carbon footprint through renewable energy goals.

Less than
18%

Just 30%

Just 30% of organisations **developed a strategy** based on their specific energy data before setting any targets. This suggests that many SMEs may lack data-driven approaches in forming their energy or sustainability strategies, which could hinder effective goal-setting and measurement.

Less than 20% of organisations **have a policy** directly related to adopting carbon-free or renewable energy sources, showing a gap in formalised, structured approaches to renewable energy within SME operations.

Less than
20%

Conclusion

The path toward sustainable energy for small and medium-sized enterprises (SMEs) presents both significant challenges and meaningful opportunities. Despite growing awareness, many SMEs face barriers in setting and implementing effective strategies for sustainable energy use. Currently, only 18% of organisations have set carbon-free or renewable energy targets, and a mere 20% have formal policies related to adopting renewable energy. Limited by time and expertise, business leaders often find it challenging to prioritise these initiatives amidst other operational demands. The lack of in-house sustainable energy expertise and dedicated roles further complicates the ability to build effective strategies and drive sustainable action.

While some progress is being made—like rooftop solar installations by one-third of businesses and widespread adoption of energy efficiency upgrades, such as LED lighting (78%)—there remains a considerable gap in advanced energy solutions. For instance, only 2% of organisations have Battery Energy Storage Systems (BESS) or participate in Virtual Power Plants, both of which could significantly enhance energy resilience and reduce dependence on traditional electricity. Furthermore, 100% of surveyed organisations still rely on conventional electricity retail products, underscoring a persistent dependence on carbon-intensive energy sources.

Despite these challenges, demand-side participation and adoption of consumer energy resources by SMEs are critical to supporting Australia's transition to a sustainable energy system and meeting the nation's 2030 carbon reduction goals. By empowering SMEs to participate actively in the energy market and adopt renewable technologies, we contribute directly to a more resilient energy system and accelerate the transition to a low-carbon economy. However, sustainable energy needs to be not only carbon-free but also affordable and accessible to everyone—SMEs included.



Need help getting started?

We're here to help. Complete our **free [sustainable energy health check](#)** and book a **complimentary 30-minute consultation** with one of our sustainable energy experts.

www.sustainableenergy247.com