

19 February 2015

Mr Chris Spangaro
Australian Energy Market Commission
Level 6, 201 Elizabeth Street
Sydney NSW 2000

Dear Mr Spangaro

We write in response to your request for submissions on the 2015 Retail Competition Review, particularly in respect to gas prices in South Australia's South East region and the outcomes of competition issues for small business.

Executive Summary

The South East of South Australia is a major contributor to the State's economy, particularly through its agricultural, viticultural and timber industries. Business SA would like to acknowledge the plight of major gas users in this region with respect to competition for gas supply, but recognises that this particularly AEMC review is only focussed on small customers, including small business.

Nonetheless, the lack of effective competition for small business in the South East is still a significant concern for Business SA and should be cause for the AEMC to consider what additional regulation may be required to ensure what is effectively operating as a monopoly market offers prices which reflect competitive outcomes. It is simply not acceptable for small businesses in one of South Australia's prime industrial regions to be left at the mercy of an unregulated monopoly. This would not be an acceptable outcome in a capital city such as Adelaide and price outcomes for regional businesses should not be viewed any differently.

Background

1. Unlike the Moomba to Adelaide gas pipeline, there is no effective competition on the SEAgas pipeline which services the South East of South Australia.
2. Small business customers in the South East must contract through Origin Energy which essentially controls capacity on the SEAgas pipeline.

Business SA contacted both AGL and Simply Energy who both advised they did not service small business gas customers in Mt Gambier, despite offers being available on the Federal Government's *Energy Made Easy* website. We acknowledge this discrepancy is currently being investigated by the Australian Energy Regulator (AER), but nonetheless there appears to be a distinct lack of competition for small business customers in the South East and the resulting outcomes need to be mitigated.

3. Upon analysis of existing standing offers for small business customers in Adelaide through AGL, Energy Australia and Origin energy, the average small business customer in Mt Gambier consuming 521 MJ per day (190,000 MJ per annum) would be at least 7.5% better off with at least some degree of competition.

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