

14 April 2008

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Commissioners Tamblyn, Carver and Woodward

Business SA welcomes the opportunity to make a submission to the AEMC review into the effectiveness of competition in the electricity and gas retail markets in South Australia.

Business SA is the State's leading business association and represents thousands of South Australian businesses across all industry sectors and ranging in size from sole-proprietor to large multi-nationals. These businesses operate domestically, nationally and internationally and all are impacted by electricity supply issues and electricity costs.

Business SA has taken an active interest in electricity issues in South Australia since early 2001 with contestability for Tranche 4 consumers. Since that time Business SA has provided numerous submissions to consultation processes on electricity conducted by the federal and state governments, the South Australian Independent Industry Regulator and the Essential Services Commission of South Australia (ESCOSA). Business SA itself has also conducted almost a dozen information and education seminars for business consumers, and successfully conducted a Peak Demand Management Pilot Program in 2001-2002.

Furthermore, Business SA was represented on the government's South Australian NEM Task Force in 2001, the government's Demand Side Measures Task Force in 2001, the Minister's Energy Consumers' Council since 2002 and ESCOSA's Consumer Advisory Council.

As a result of our extensive involvement in electricity policy, Business SA believes we are in a strong position to provide advice and information, from a consumer's perspective, on the electricity industry in South Australia.

The introduction of full retail contestability (FRC) in South Australia has seen:

- > More than 60% of electricity and 55% of gas customers move off standard contracts onto market contracts.<sup>1</sup>
- > High annual churn rates varying between 15%-25% for both electricity and gas customers.<sup>2</sup>
- > An increase in the number of licensed retailers in the SA market from sole incumbent companies to 20 electricity and 12 gas retailers.

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<sup>1</sup> ESCOSA 2007, *2006/2007 Annual Performance Report: Performance of South Australian Energy Retail Market*, November 2007.

<sup>2</sup> *ibid.*

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Business SA believes the AEMC's considerations on the electricity industry in South Australia should target the promotion and delivery of a more competitive industry, for the benefit of consumers, with minimal regulation.

These considerations should include recommendations to increase knowledge levels and transparency so as to encourage greater consumer choice. Business SA members have expressed concern that online estimator programs are targeted predominantly for residential use. Small business operators find it particularly difficult to understand the entirety of a retailer's offer: support levels, continuity of supply; green energy etc. One member noted the abundance of independent material regarding the finance industry enabled them to make informed decisions on products and services, however they have yet to find such information available in regards to electricity and gas products.

Business SA believes that a transparent electricity system, where all the costs are visible and identifiable, would enable the government to appropriately apply social policies to protect the most vulnerable members of the community by providing targeted subsidy schemes.

The AEMC should resolve to develop a competitive electricity market in order to reduce consumer prices, as opposed to considerations of artificial means of lowering prices for consumers, such as price capping. Business SA believes that the AEMC should be looking to determine real and viable solutions, without impeding on the competitiveness of the electricity market.

Business SA considers the primary barrier within the market, is price regulation. Price regulation is inefficient in that it is inflexible, and inhibits the introduction of new retailers, tariffs, services and products. Furthermore, standing offer prices often fail to depart from the benchmark, which disadvantages many consumers.

Business SA believes that if price regulation was removed and more independent information about electricity retailers were available, we could expect to see more effective competition in the South Australian energy markets.

If any questions arise from this submission, please contact Rose-Linh Le, Policy Adviser, at Business SA on ph (08) 8300 0009.

Yours sincerely



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