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Manager
Retail Electricity Supply and Pricing Inquiry
Australian Competition and Consumer Commission
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Canberra ACT 2601

By email: retailelectricityinquiry@accc.gov.au

INQUIRY INTO RETAIL ELECTRICITY SUPPLY AND PRICING

Dear sir or madam

Thank you for giving the Office of the NSW Small Business Commissioner (OSBC) the opportunity to comment on the Australian Competition and Consumer Commission's (ACCC) electricity supply and prices inquiry.

The OSBC advocates on behalf of small businesses in NSW, provides mediation and dispute resolution services, and speaks up for small business in government.

After reviewing the ACCC inquiry into retail electricity supply and pricing issues paper dated 31 May 2017 and the terms of reference dated 27 March 2017, we would like to offer the following comments for your consideration.

Key points we wish to highlight are:

- We are concerned about significant electricity price increases in NSW from July 2017 and the fact that some small business customers advise their tariffs are increasing by even more than was reported in the media, or expressed in general advice from their electricity retailer.
- We consider there may be benefit in retailers examining ways they could reflect the *Sustainable Payment Plans Framework* in their engagement with small business customers experiencing payment difficulties.
- Simplifying bills and offers to enhance comparability, and reducing switching costs can be expected to benefit small business customers.

Electricity pricing

Electricity price increases in NSW of up to 20% from July 2017 were recently reported in the media. Electricity customers who saw this reportage may have been concerned about the increase, and kept this figure in mind as a worst case scenario they might incur in the future.

However, we are aware of instances where customers will actually incur price increases of far more than 20%, by continuing with the status quo (and even if they were to switch to the most competitively priced plan and retailer available to them).

We see value for small business customers of electricity retailers prominently communicating price increases *as they affect the individual customer*. An effective way to do so may be by notifying in advance actual percentage and monetary increases from the prior billing period. Communicating average increases, or average increase ranges runs the risk of underestimating the actual increase that many customers will actually incur, and so may tend to mislead them.

Hardship measures

According to information published by the Australian Energy Regulator, during the quarter ending 31 March 2017, 1,081 small business customers were disconnected for non-payment of electricity by retailers operating in NSW, Queensland, South Australia, Tasmania and the ACT.¹ We also note that 11,245 small business customers in NSW had an electricity debt as at 31 March 2017.²

Many small businesses in NSW operate in mature, competitive markets where cost input variances can mean the difference between profitability and unprofitability. Accordingly, we have some concern about NSW small businesses carrying an electricity debt in an environment of increasing electricity prices.

We understand that many electricity retailers have existing processes in place to allow small business customers a level of flexibility when negotiating the repayment of arrears, but consider there to be benefit in encouraging retailers to consider ways they could reflect the *Sustainable Payment Plans Framework* in their engagement with small business customers experiencing payment difficulties.

Operational practices

We are aware of some practices of electricity retailers that small business customers have found problematic.

Complex bills and being on the wrong plan – simplifying electricity bills, and providing a common basis for comparison between offers so small business operators who lack time to examine their energy costs would be beneficial.

Estimated meter reads – the ability to estimate usage can lead to under or over-charging which is later reconciled after an actual meter read. Under-charging based

¹ 2016-17 Q3 Small business customers disconnected for non-payment - by retailer; available online at: <https://www.aer.gov.au/retail-markets/retail-statistics/2016-17-q3-small-business-customers-disconnected-for-non-payment-by-retailer>

² 2016-17 Q3 Small business customers with an energy debt - by jurisdiction; available online at: <https://www.aer.gov.au/retail-markets/retail-statistics/2016-17-q3-small-business-customers-with-an-energy-debt-by-jurisdiction>

on an estimated meter reading could give firms a misplaced impression of their energy usage, and once an under-charge is corrected, a higher than expected bill could strain cash flow. Because the National Energy Retail Rules allow estimated meter reading, utility companies can base bills on an estimate of usage.³

Lock-in, or fixed term contracts – could deter or prevent a customer from switching retailers and constrain their ability to mitigate price increases.

Termination or exit fees – payable by customers that change retailers may also tend to suppress competition.

Disruptions to energy supply – i.e. being potentially without power for several days, when moving to a different electricity retailer is a major disincentive to move because loss of revenue could be greater than anticipated savings.

Recent studies

We support recommendation 6.1 from the recently released Finkel report⁴, which is pertinent to this inquiry:

As part of its inquiry into the electricity retail market, the Australian Competition and Consumer Commission should make recommendations on improving the transparency and clarity of electricity retail prices to make it easier for customers to:

- Understand and compare prices.
- Be aware when the terms of their offer change or their discounts expire.
- Make more informed decisions about investing in rooftop solar photovoltaic, batteries or energy efficiency measures.

The Australian Competition and Consumer Commission should also consider whether the Australian Energy Regulator requires further powers to collect and publish and share retail price data.

Lastly, we would like to share that the OSBC has consulted with the Energy & Water Ombudsman NSW about a proposal for consideration by utility companies around developing policies that would enable special consideration for small business customers who have been affected by a recent disaster.

³ Retailers are required to use best endeavours to ensure actual meter readings are carried out as frequently as required to prepare bills. In any event, retailers must ensure that meter readings occur at least once every 12 months.

⁴ *Blueprint for the Future: Independent Review into the Future Security of the National Electricity Market*, Dr Alan Finkel AO, Chief Scientist, Chair of the Expert Panel, 2017, Ms Karen Moses FAICD, Ms Chloe Munro, Mr Terry Effeney, Professor Mary O’Kane AC, Final Report Published 9 June 2017.

To discuss any aspect of this submission please contact Murray Johnston via email on murray.johnston@smallbusiness.nsw.gov.au, 02 8222 4842; or Norman Friedrich via email on norman.friedrich@smallbusiness.nsw.gov.au, 02 8222 4800.

Yours sincerely



Robyn Hobbs OAM
NSW Small Business Commissioner
14 July 2017