



CCIQ SUBMISSION

▶ Australia Competition and Consumer Commission Inquiry into Retail Electricity Supply

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND

7 July 2017

Overview

1. The Chamber of Commerce and Industry Queensland (CCIQ) makes this submission in response to the Australian Competition and Consumer Commission (ACCC) inquiry into retail electricity supply.
2. CCIQ is Queensland's peak industry representative organisation for small and medium businesses. We represent over 25,000 businesses on local, state, and federal issues that matter to them. Our guiding focus is to develop and advocate policies that are in the best interests of Queensland businesses, the Queensland economy, and the Queensland community.
3. CCIQ welcomes the opportunity to provide comment to the ACCC as rising retail electricity prices has adversely affected our members and this issue is of high importance to Queensland small businesses, both in south east Queensland and regional Queensland.
4. The following submission contains CCIQ's commentary in response to the three issues outlined in the Issues Paper.

Issue One: Prices, Costs and Profits

5. In Queensland, retailers' costs make up 15% of a small business bill.
6. With increasing wholesale prices, due to retirement of baseload generators (Hazelwood), a shortage of gas supply as well as antiquated and inefficient bidding practices, wholesale energy costs have risen sharply. These costs have impacted on retailers' costs, ultimately inflating small business bills. This impact has been seen in both the deregulated and regulated electricity markets.
7. While wholesale spot electricity prices are transparent, many retailers hedge their wholesale exposure in derivative markets. Limited transparency in derivative markets makes it difficult to estimate the market costs faced by each electricity retailer.
8. On 1 July prices increased in south east Queensland (SEQ) by between 10 to 20 per cent. Increases were at the discretion of the retailer. A small business owner, who runs a café in SEQ reported his prices increased by 15 per cent. He has had to pass these costs onto his consumers to stay afloat.
9. This member also reported the lack of transparency being a serious issue to his business. This one example is indicative of many small business electricity consumers right across Queensland.



"You can estimate fairly accurately a majority of your operating costs, but not electricity. Until I open the bill I have no idea what a nasty surprise I am in for." - CCIQ member

20. Retailer language has also proven to be a barrier. This is a well canvassed area and has been an issue facing consumers for some time. The different use of terms causes mass confusion, often manifesting as a deterrent for small businesses to use comparative tools to engage with the market and compare retailers.
21. CCIQ recommends a lexicon be created and enforced to ensure consistency is applied to all bills, like the Australian Energy Regulator Price Fact Sheet guidelines.
22. Under the Queensland Productivity Commission (QPC) electricity pricing inquiry, R. 30 outlined an initiative to introduce retail competition into regional Queensland. CCIQ supports this recommendation by the QPC.

Issue Three: Customers and their Interaction with the Market

23. Small business interactions with the electricity market is less than ideal. After surveying members, the major issues were:
 - a. Complexity of the market: Low levels of understanding and poor knowledge foundations. Specifically, small business owners have limited to no understanding of the electricity supply chain and the makeup of a bill. Even consumers who indicated a higher level of understanding, when queried further their responses demonstrated their lack of knowledge. Due to these reasons, consumers did not feel incentivised to engage with the market to compare prices and obtain a potentially cheaper deal. This was confirmed by the AER, who found rates of switching to different retailers has been relatively flat and awareness of price aggregators was also low.
 - b. Inconsistent and inaccurate information: as previously highlighted, the broad and interchangeable terminology has had a detrimental effect on small business consumers, which retailers have been allowed to take advantage of. Such examples of mixed messaging are the interchange use of “control load”, “controlled supply” and “dedicated circuit” all meaning the same thing but differing from retailer to retailer.
 - c. Low level of trust: Members rely on word of mouth and market reputation. Complaints from members typically concerned high prices, long call wait times and poor customer service in general. Members indicated negative interactions with their retailers, additionally low trust levels have created barriers for small business owners to switch.
24. CCIQ recommends independent resources are made available to small business customers to research retailers and engage with the market to generate competition. With greater understanding, consumers would be encouraged to participate in the market. With higher levels of involvement greater competition can be generated.

Conclusion:

25. Retailers are just one issue affecting increasing prices in Queensland. CCIQ would also recommend the ACCC review the relationship between retailers and distributors, transmitters and generators.

26. We thank you for the opportunity to provide comment on the ACCC issue paper. CCIQ would welcome any opportunity to discuss this submission further. Should you have any enquiries please contact Joseph Kelly, Advocacy Officer at jkelly@cciq.com.au.