

QUEENSLAND BUSINESS SUPPORT FOR RISING ENERGY PRICES

June 2022

CCIQ Powering
business
potential



Introduction

CCIQ is Queensland's peak industry representative organisation for Queensland businesses. We represent over 460,000 Queensland businesses, of which 99.8% are small or medium enterprises (SMEs) employing 66% of Queenslanders working in the private sector. CCIQ works with 114 regional chambers across Queensland, including through the CCIQ Policy Advisory Board and Regional Policy Committees, to develop and advocate for policies that are in the best interests of Queensland businesses, economy, and community.

The expected significant increases to business electricity costs are a critical concern for Queensland businesses.

Queensland businesses across the state will be impacted by energy constraints and price increases – compounding the current day constraints on businesses growth and, for many Queensland businesses, continuing to hold back economic recovery from the COVID-19 pandemic and recent natural disasters.

We've recently seen the Queensland Competition Authority's *Regulated retail electricity prices in regional Queensland 2022-23* report estimate significant electricity price hikes for regional Queensland – ranging from a 10.2% to 21.2% annual increase.

The Queensland Government announced on 26th May 2022 an electricity bill support for households in the form of a \$175 Cost of Living Rebate¹ (which will cover the estimated price increase to regional residential connections of \$119), yet businesses are being left behind.

The estimates of rising energy prices on businesses are significantly greater than residential connections, yet no support as yet has been offered. On behalf of Queensland businesses facing these upcoming increased energy costs, CCIQ is submitting a request of support for business.

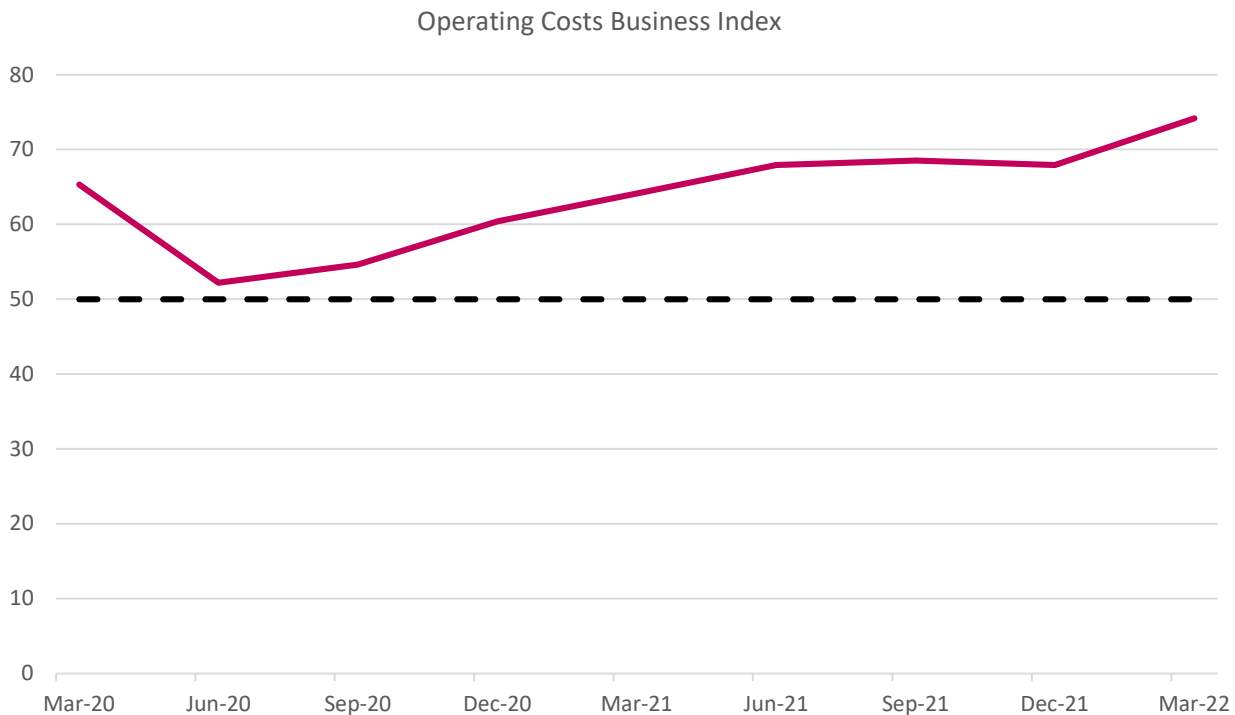
¹ Queensland Government, 26 May 2022, Media Statement: Cost of living rebate on your next power bill. <https://statements.qld.gov.au/statements/95213>

Queensland Business Conditions

Operating costs trending towards historic high

The CCIQ Pulse Survey of Business Conditions for the March 2022 quarter indicated that Queensland businesses are experiencing significant constraints from high operating costs. Queensland business operating costs are trending steeply to a historic high, increasing 6.3 index points to 74.2, and towards the index high of 79.0 recorded in June 2017. As shown in the chart below, operating costs have been substantially increasing quarter on quarter for most of the past two years.

Figure 1. Pulse Business Index for Operating Costs, March 2020 – March 2022.²



Seven in 10 businesses reported their operating costs, which included power bills, increased in the three months to March 2022. These high operating costs reflect various macroeconomic and geopolitical factors, including uncertainties in Russia and China, rising fuel prices and the re-emergence of inflation, materials shortage and supply chain disruptions related to Queensland floods.

² CCIQ, March 2022, Pulse Survey of Business Conditions. www.cciq.com.au/business-voice/pulse/ . Note: a score of 50 indicates no change from the previous quarter.

Rising Energy Prices for Queensland Businesses

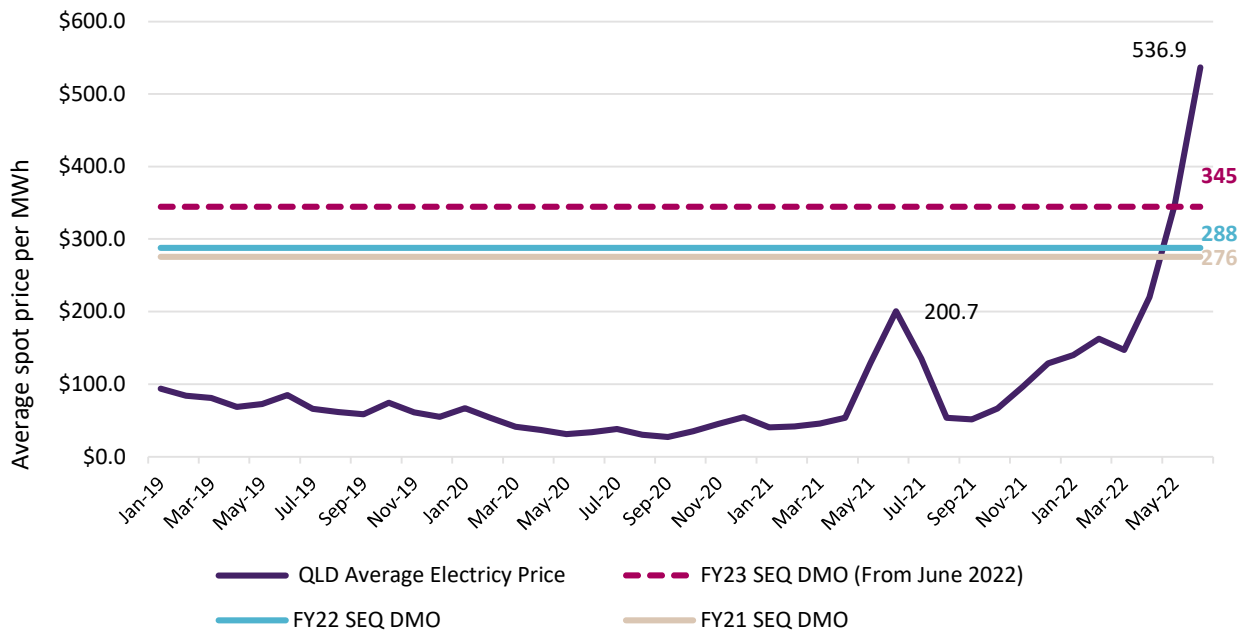
Rising electricity default market prices for SEQ businesses

The Australian Energy Regulator (AER) has released its final determination for the 2022-23 default market offer for the SEQ electricity market.³ The default market offer (DMO) is the safety-net price that ensures consumers and small business customers are protected from unjustifiably high prices in the electricity market. The AER estimates that in SEQ, 19.8% of businesses are on DMO. **Small businesses in South East Queensland currently paying the highest electricity prices will face even further rising electricity costs in the upcoming financial year.**

Historically, the market price is often much lower than the DMO, so changes in DMO may only act as a reference point rather than a true reflection in changes in prices experienced by customers. However, as showed in Figure 2 below, average electricity spot price (wholesale) in Queensland has already overtaken the indicative DMO level recently announced.

This means more SEQ businesses are likely to experience the full effect of the increased DMO in this financial year.⁴ Under the estimates provided by the AER, up to 19.8% of South East Queensland small businesses who are currently on DMO, may face an increase of up to 12.8% of their annual electricity bills, or \$705 more than that of last year.

Figure 2. Average electricity spot price (\$/MWh) and average small business DMO per MWh over the years (\$/MWh)⁵



³ Australian Energy Regulator (AER), 26th of May 2022, Default market offer prices 2022-23 www.aer.gov.au/retail-markets/guidelines-reviews/default-market-offer-prices-2022/final-decision

⁴ Noting that the average DMO represented in the chart are for demonstrative purposes only. Practically, DMO are defined by annual usage figure and may vary by block of 10,000 or 20,000 KWh, which may be directly comparable across different years.

⁵ Australian Energy Market Regulator (AEMO), National Electricity Market (NEM) Data Dashboard, <https://aemo.com.au/en/energy-systems/electricity/national-electricity-market-nem/data-nem>, latest available data as at 15 June 2022.

Regulated Retail Electricity Prices in Regional Queensland 2022-23

On 31 May 2021, the Queensland Competition Authority (QCA) released a final determination on the *Regulated retail electricity prices in regional Queensland for 2022-23*⁶, enabling electricity retailers to raise prices for regional customers. The QCA report that typical customers on all major tariffs can expect an increase in their electricity bill in the coming year, with **tariff increases ranging from 9.2% up to 21.2%**:

- Residential customers are estimated to have an estimated price increase of 9.2 per cent or \$119 on their bill compared to last year;
- Small businesses an estimated price increase of 10.2 per cent or \$215; and
- Large businesses are expected to pay around 15.7 to 21.2 per cent more, with estimates ranging from \$6,045 to \$66,101.

The QCA report that the increase in tariffs for 2022-23 is mainly due to an increase in estimated energy costs, although network costs have also increased and are driving an increase on large customer tariffs. The QCA advised⁶:

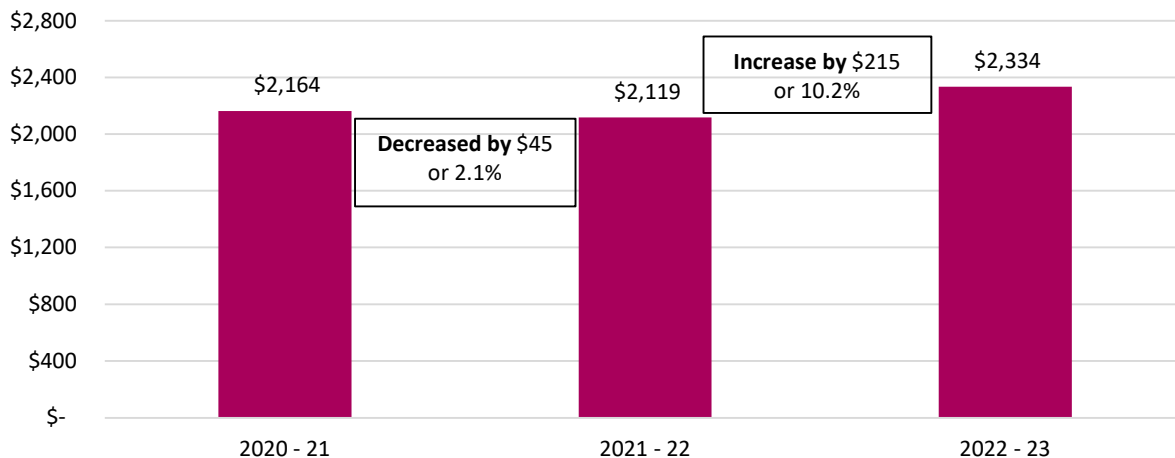
The following market developments have contributed to the increase in wholesale energy costs:

- *There is a tighter supply-demand balance in Queensland. High demand has combined with reduced generation availability;*
- *Gas and coal prices are higher. Higher international coal and gas prices have been reported, along with prevailing high domestic gas prices to date.*

The impact on bills for typical small regional business customers

Typical customers on Tariff 20⁷ are expected to pay around **10.2 per cent more** for their electricity in 2022–23, equivalent to an estimated additional \$215, as shown in the chart below.

Figure 3. Annual bills for typical regional small business customers, 2020-21, 2021-22, 2022-23 (incl GST)⁸



⁶ Queensland Competition Authority (QCA), May 2022, Regulated retail electricity prices in regional Queensland 2022 - 23. www.qca.org.au/wp-content/uploads/2022/05/main-report.pdf

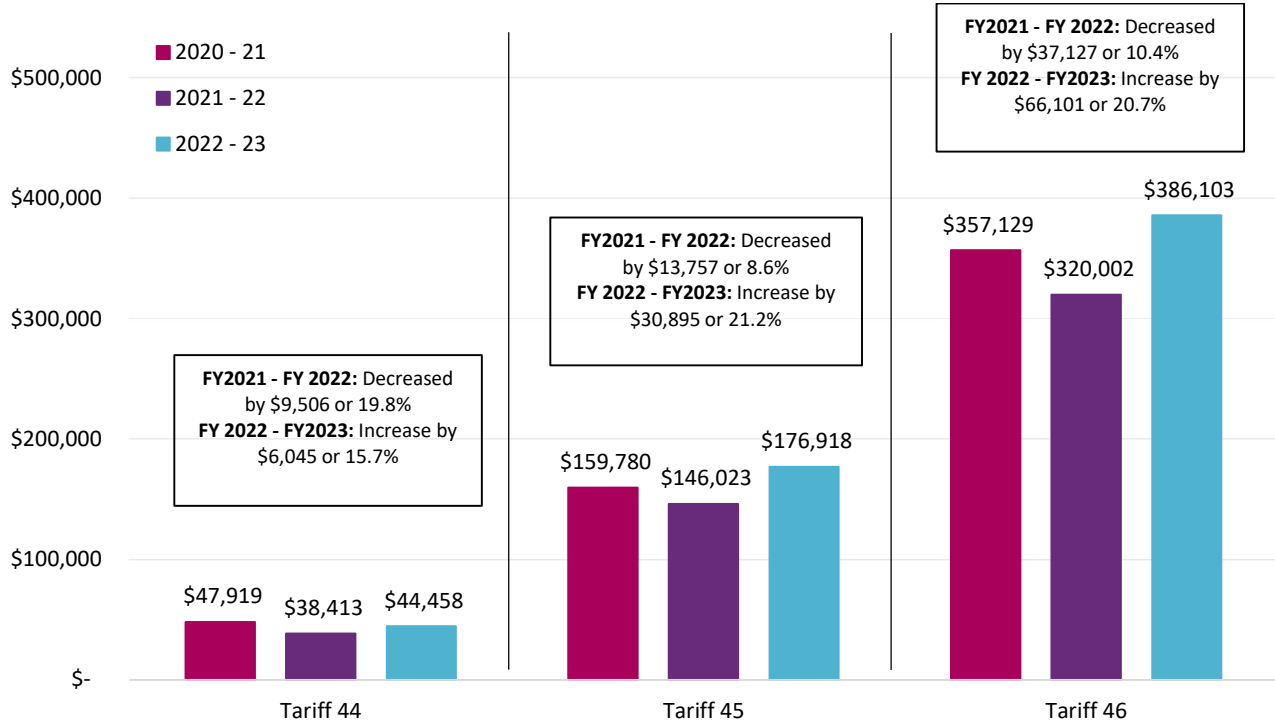
⁷ Note: Tariffs are applied to businesses based on their annual electricity usage. Tariff 20 applies to businesses with electricity usage less than 100MWh per year and is the most common tariff for small businesses in regional Queensland. Ergon Energy, 2022, *Small business tariffs*. www.ergon.com.au/retail/business/tariffs-and-prices/small-business-tariffs.

⁸ Queensland Competition Authority (QCA), May 2022, Regulated retail electricity prices in regional Queensland 2022 - 23; and June 2021, Regulated retail electricity prices for 2021 - 22. www.qca.org.au/wp-content/uploads/2022/05/main-report.pdf.

Impact on bills for typical large regional business customers

Large businesses which use more than 100MWh per year face demand-based tariffs⁹ with varying demand thresholds based on a measure of the largest amount of electricity a business uses at a given point in time. Typical customers on tariffs 44, 45 or 46 are expected to pay around **15.7 to 21.2 per cent more** for their electricity in 2022–23, as shown in the chart below.

Figure 4. Annual bills for typical regional large business customers, 2020-21, 2021-22, 2022-23 (incl GST)¹⁰



⁹ Ergon Energy, 2022, *Large business tariffs*. www.ergon.com.au/retail/business/tariffs-and-prices/large-business-tariffs.

Demand threshold for regional customers: Tariff 44: 30kW / 35kVA; Tariff 45: 120kW / 135kVA; Tariff 46: 400kW / 450kVA.

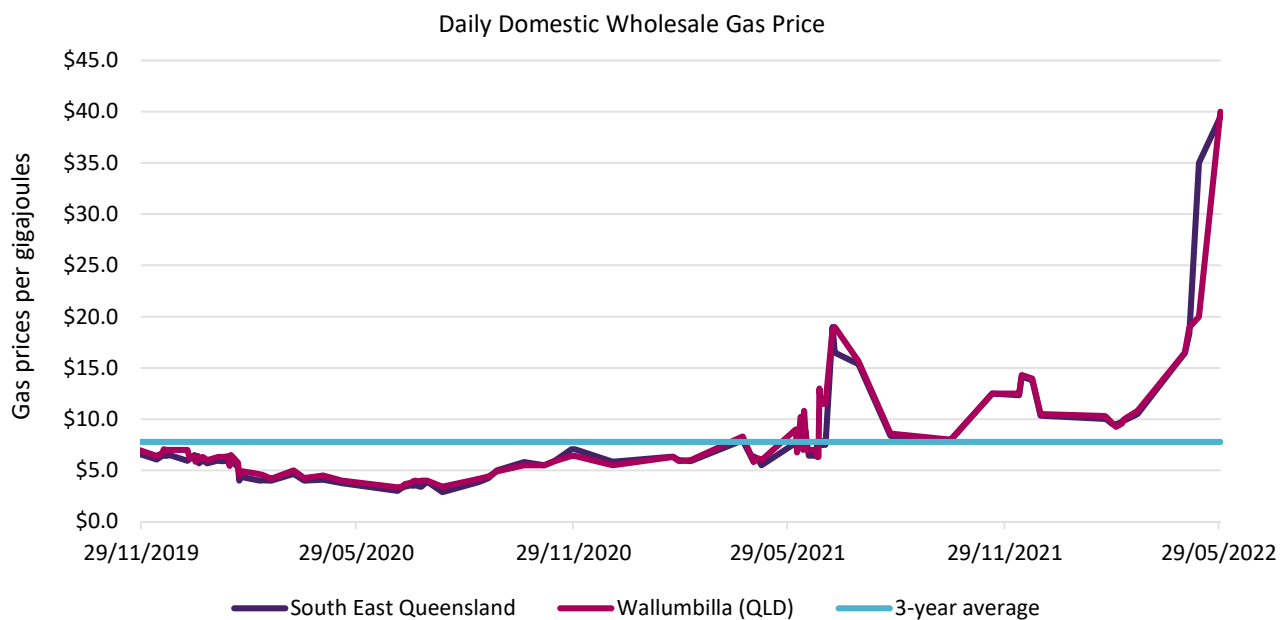
¹⁰ Queensland Competition Authority (QCA), May 2022, Regulated retail electricity prices in regional Queensland 2022 - 23; and June 2021, Regulated retail electricity prices for 2021 - 22. www.qca.org.au/wp-content/uploads/2022/05/main-report.pdf.

Rising gas prices for businesses

Businesses are also highly exposed to the changes in gas prices, despite the fact that Queensland are one of the biggest exporters of gas worldwide. Pressures on gas prices are mainly coming from the international markets, with gas prices reaching over \$30 per gigajoule, compared to the domestic average of just under \$10 per gigajoule prior.¹¹

As shown in Figure 3, in the last 3 months in 2022, gas prices quickly climbed to over \$30 per gigajoule, an unprecedented level in the last 3 years. For businesses whose energy usage or production process heavily rely on gas, such as manufacturing businesses¹², this represents a significant increase detrimental to their operating activities.

Figure 5: Historical LNG wholesale gas price (November 2019 to June 2022)¹³



¹¹ Australian Competition and Consumer Commission (ACCC), Gas Inquiry 2017-2025, June 2022, www.accc.gov.au/regulated-infrastructure/energy/gas-inquiry-2017-2025/lng-netback-price-series

¹² ABC News, 3 June 2022, "Gas crisis threatens manufacturers jobs and rising prices", www.abc.net.au/news/2022-06-03/gas-crisis-threatens-manufacturers-jobs-and-rising-prices/101114712

¹³ Australian Energy Market Operator, Gas Supply Hub Data, 2019-2022. Data used in charts are prices average over the course of the same day, as recorded at two trading locations in Queensland: South East Queensland and Wallumbilla. Note: 3-year average price is calculated for the period between June 2019 and May 2022.

What CCIQ is doing to help Queensland businesses reduce energy costs


CCIQ's ecoBiz program, funded by the Queensland Government, starts Queensland's businesses on their sustainability journey through helping business owners reduce their waste, water, and energy usage by auditing a business' resource usage. This translates into cost savings on a business' bills, and efficiency gains by reducing the input levels required for the same output levels.

ecoBiz is a free program for small to medium businesses. With the help of an ecoBiz expert, businesses develop an action plan to help save money and increase efficiencies. With over 1000 businesses registered from all over Queensland, 90% of businesses have recorded an increase in productivity and savings.

During the last four years, on average, businesses participating in CCIQ's ecoBiz program have significantly reduced their costs:

- 29% reduction in energy costs,
- 14% reduction in water costs,
- 13% reduction in waste related costs.

CCIQ is committed to working with the Queensland Government to continue and potentially expand the ecoBiz program, including potential additional initiatives such as carbon neutrality programs to support business sustainability.



ECOBIZ CASE STUDY:
Hockey Queensland

Hockey Queensland promotes and encourages the growth and enjoyment of hockey for players, officials and spectators. They lease premises from Brisbane City Council. They manage and hockey stadium, two artificial fields and the head office and clubhouse building (including a canteen and bar).

Since joining the ecoBiz program, Hockey Queensland has implemented measures to reduce waste, energy and water use. As a result, they reduced energy intensity by 59% and their waste intensity by 65% over 3 years.

“From our initial consultation with ecoBiz we have been able to budget for and action recommendations to improve. By doing this we have been able to significantly reduce our carbon footprint on the community as well as benefitting financially.”

– Gen Gunner, Facility Manager

For more information on the ecoBiz program visit www.ecobiz.cciq.com.au.

Recommendations

1. *Support for small business customers*

The recently announced electricity bill support for households of a \$175 Cost of Living Rebate will cover the estimated impact on residential customers from rising energy, yet businesses are being left behind. A similar rebate for Queensland businesses is needed.

Recommendation:

- **Provision of an electricity bill rebate for Small Businesses which covers the estimated impact on Queensland small businesses.**

2. *Support for large business customers*

For larger businesses, which are likely to feel a more significant price increase impact – some likely to see up to a 21.2% increase on their electricity bills – longer term solutions are required to help relieve power bill pressure now and in the future.

CCIQ acknowledges the range of energy saving initiatives available for Queensland businesses, including programs and initiatives to help businesses to understand their usage and minimise their costs. CCIQ are committed to working with the Queensland Government to continue to support businesses to manage rising energy costs through sustainability initiatives and recommend a targeted initiative and incentive scheme for businesses most significantly impacted by electricity price increases.

Recommendation:

- **Targeted initiatives and incentive scheme to support large energy consumption businesses to transition to lower cost, sustainable energy solutions.**

3. *Clear commitment in the upcoming Queensland Budget 2022-23 which responds to the current day energy crisis and long-term smart infrastructure investments*

In the current context, CCIQ supports the development of a state strategy to respond to the **current day energy crisis**, while planning for **long-term smart energy infrastructure planning** and investments to transition to sustainable energy supply. CCIQ supports the Queensland Government's intention of a net-zero infrastructure plan, provided it does not raise costs for business. CCIQ recommended that this be achieved via supporting and **incentivising businesses** rather than mandating compliance.

Further, it is critical for the state government to play a leading role in **future proofing Queensland's energy asset base**, including supporting network upgrades and streamlining the development of Renewable Energy Zones (REZs). Investment in REZs, including progressing design reports and preparatory activities in consultation with industry, will provide the confidence needed to encourage investment in renewable generation and storage projects, seek to maximise economic development benefits, and manage any future energy supply chain risks.

In CCIQ's State Budget 2022-23 Submission to the Queensland Government, we recommended:

- **Investment in future-proofing Queensland's energy asset base and building resilience in the transition to sustainable energy sources.**
- **Incentives for business to invest in sustainable energy initiatives and solutions.**
- **Continue to invest in and ensure funding allocated to renewable energy zones is effectively utilised.**

Further Enquiries

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