Senate Select Committee into Energy Planning and Regulation in Australia

Energy Consumers Australia response to questions by Senator Canavan taken on notice, 29 October 2024

Senator CANAVAN: I've got some figures that I think came from you, reported by the *Daily Telegraph* recently. It shows that in New South Wales, if you were with Essential Energy, it's a 38 per cent increase; if you were with Endeavour, a 52 per cent increase—this is over the two years I asked you for. In South-East Queensland, it's a 49 per cent increase. Are these figures about right—because they're different from what I've just heard.

Dr French: I was speaking about the state-by-state experience rather than the retailer-by-retailer experience. We can provide further detail from the tariff tracker report for you on notice.

Senator CANAVAN: You could do that on notice.

Dr French: Yes.

Response

The Small Business Retail Tariff Tracker scans offers published on retailers' websites to track changes to price, bill-stacks, supply charges and discounting over time. It does not include any small business energy rebates and other concessions, which are applied to an individual bill.

As outlined in The Daily Telegraph article cited, some small businesses have had very high energy bills in the last two years, and have experienced severe and real financial stress. Energy Consumers Australia was keen to draw attention to the needs of small businesses who aren't guaranteed help from their retailers when they hit financial hardship, as well to ask jurisdictions to provide tailored assistance to small businesses to help them find effective ways to reduce their bills wherever possible.

The national average of published small business electricity offers increased 8% in 2023-2024 and 18% in 2022-23. However, the state-by-state picture is mixed. In the ACT, electricity bills decreased 13% in the last year, while in other states offers increased considerably. In NSW, for example, offers went up on average 32% in the year to June 2023 and 10% in the year to June 2024, and in QLD it was 22% in the year to June 2023 and 24% in the year to June 2024. As stated above, these are all the *average* of the published retail offers in those states – many small businesses are not on published retail offers.

There is also wide variation between retailers within network areas (so, for example, small business retail customer offers are quite different between retailers within the Endeavour and Essential Energy networks). There is also wide variation between business energy use, and between different tariff types (single rate, controlled load, time of use tariff etc).

As noted above, the Tariff Tracker utilises published offers and thus does not account for lower costs due to rebates. For instance, eligible small businesses in QLD and NSW would have received a $650 rebate in 2023-24, which is not included in the Tariff Tracker results (because they show the underlying offer before rebates and concessions are applied). The impact of rebates on individual bills also differs widely. For example, a swim school in NSW

saw their annual bill reduce by 2.7%, a WA printing business's bill reduced by 19.3%, and a VIC restaurant was ineligible for assistance due to a comparatively lower small business consumption threshold in VIC and WA than in other jurisdictions.

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Senator CANAVAN: Last week we heard from the head of AEMO that he can't guarantee that power prices will fall, which is news to us who have heard constantly that the transition is going to be cheaper and better—everything. But apparently prices aren't coming down. The price increases we've seen in the last couple of years are, I suppose, reflective of that. Why, in your view, isn't the transition leading to lower prices?

Dr French: Again, I'm happy to take that question on notice.

Response

In recent years, energy prices have increased largely due to inflation and external international factors such as the war in Ukraine raising the prices of fossil fuels, which regularly set the cost of Australia's wholesale electricity prices. Inflation and the cost of capital have also increased prices for networks, offsetting any declines in wholesale prices as coal and gas markets have cooled down. In May, the AER noted, "we have observed wholesale costs easing off while network costs have increased."[1]

The supply-side costs of electricity that consumers pay (as opposed to the amount of electricity they actually use in their homes and businesses) are made up of three main "buckets" of costs: the cost of generating electricity (i.e., the wholesale costs); the cost of the network infrastructure that delivers electricity from power plants to our homes and businesses; and the cost of retail service, which includes the cost of customer service. Typically, network costs make up roughly 50% of a consumer's electricity bill, with wholesale costs accounting for about 35% and the cost of retail and other additional costs accounting for the remaining 15%.[2]

What we're seeing at the moment is that there are costs the whole way along the current energy system, which then all funnel down to consumers.

Since ECA was founded, consumers have consistently told us that their main priority for the energy system is affordability – and we will continue to advocate for this. The solution to affordable consumer bills needs to be market-wide. We want to see the cheapest possible generation, the least possible transmission, the most efficient networks, oversight of retailer profits and better supply side support for energy efficiency for home and businesses.

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[1] AER, Default market offer prices 2024–25: final determination, May 2024, p. 1. https://www.aer.gov.au/system/files/2024-05/AER%20-%20Final%20determination%20-%20Default%20market%20offer%20prices%202024–25%20-%2023%20May%202024.pdf

[2] AEMC Residential Price Trends

Senator CANAVAN: Sorry—I've got limited time; the chair is wrapping me up—my question didn't go to that. My question went to whether you think—unless you can show me otherwise, you didn't and haven't put in your report the caveats you've just placed on it for us. Your report says—I directly quoted it—that one piece of negative information was the negative environmental or health impacts of wind and solar farms. That's under the heading Misinformation/Disinformation. Now, Mr French, I have many, many constituents who aren't too happy about pristine wilderness in their backyards being destroyed by wind turbines. These wind turbines are industrial. They are a hundred metres taller than the flag on this building, and they're going into areas of pristine environmental wilderness. I'm working with conservation groups, believe it or not, about this.

Now, I would suggest that, unless you can show me otherwise, your report is an example of misinformation, because you're trying to suggest here that there are no negative impacts of wind farms, which is clearly wrong. Now, you could have a different opinion—that there's a balance, that we need to destroy these pristine wilderness places because we have to do this transition—but you've baldly stated here that information saying that there's negative environmental impacts of wind farms is misinformation. That itself is clearly misinformation; they do impact the environment. They do destroy large parts of our pristine wilderness. They do destroy the habitats of koalas, sugar gliders and other beautiful things in this country.

I don't know if you've got a response for me, but on notice could you identify where in your report you've actually outlined that the legitimate views of some people to protect our natural environment are worthy of consideration and debate in this country.

Dr French: I'm happy to come back—

Senator CANAVAN: Okay. Thank you, Chair.

Response

PowerUp: Consumer Voices in the Energy Transition was a research project aiming to listen directly to consumers as they speak of their needs, values and expectations relating to Consumer Energy Resources (such as rooftop solar, household batteries, EVs etc).

Throughout the research, participants' primary concerns about the transition were that energy supply and new technologies will be unaffordable.

Consumers taking part in the panel discussion for the research reported things they had seen or heard (either online, in the media or in conversation) that were negative about the transition and CER – including whether they agreed with what they had seen/heard or whether *they* considered it to be misinformation or disinformation. Examples provided by the panellists were reported in the final output of the project (*PowerUp: Consumer Voices in the Energy Transition*).

We heard from a wide range of perspectives during the research. Some people were in favour of large-scale renewable energy projects and some people spoke about their unhappiness about environmental impacts from large-scale renewables. All these views are presented in the report (p.21).