NEWS

Small businesses struggle to deal with energy retailers

Significant differences are emerging in how mum-and-dad businesses are being affected by the energy market's transformation

The Australian Energy Market Commission (AEMC) has found a growing divide between small and medium businesses as they struggle with the complexity of doing business with energy retailers.

The findings come from the AEMC's annual report on retail energy competition which covers residential and small business consumers in retail electricity and gas markets in Queensland, New South Wales, Australian Capital Territory, Victoria, South Australia and Tasmania.

AEMC Chairman, Mr John Pierce AO, said this growing divide between small and medium businesses was based on their size.

"Those with more than 100 employees are more connected with their energy consumption and management options, more confident in finding the right information to choose plans and spending more time shopping around get the benefit of savings now available in the national electricity market.

"But most smaller businesses are less confident about looking for the right information that suits their particular situation, have lower levels of trust in retailers and are less likely to invest in new technology like solar PV and batteries, especially as many occupy rented premises," Mr Pierce said.

"Rather than shopping around, more than half of these smaller businesses have absorbed the price rise themselves and not passed costs on to customers; around half of them made efforts to reduce their consumption but only 17 per cent looked to switch retailers."

Mr Pierce said the findings reinforced the importance of retailers targeting information to businesses of different sizes and types to help them choose the best plan for their circumstances.

"The conduct of retailers is making it difficult for all consumers to access the benefits of competition - even though more retailers are operating in the market, and more customers are switching plans and accessing new technology," Mr Pierce said.

"Competition continues to increase, but retailer inertia and a lack of transparency have emerged as significant barriers preventing consumers gaining the maximum benefits in terms of prices and services," he said.

Businesses in regional areas are also taking action to reduce bills, and compared to businesses in metropolitan areas, regional businesses are more likely to: actively investigate energy plans; have switched retailer or plan in the past five years; and already have solar panels.

While small business satisfaction has been decreasing since 2016 it is now at the lowest level since the AEMC's annual reviews started in 2014.

"The message is clear - the way retailers choose to do business remains too complex," Mr Pierce said.

The 2018 Retail energy competition review says last year's energy price rise affected many small businesses more than households because they pay higher rates, have higher consumption and have little access to the kind of support schemes available to households, like payment plans.

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 6, 201 ELIZABETH STREET SYDNEY NSW 2000
T: 02 8296 7800 E: AEMC@AEMC.GOV.AU W: WWW.AEMC.GOV.AU

Significant differences are emerging in how mum-and-dad businesses are being affected by the energy market's transformation

Prices are now flat and falling, which is welcome news.

Because businesses pay higher rates for their electricity compared to residential consumers with the same consumption level they have responded by shopping around.

"The switching rate for businesses changing their energy company or plan over the past five years has risen to 70 per cent, Mr Pierce said.

Business customer survey results at a glance

Business type	Average annual electricity cost
Sole traders and partnerships	$1,932
Micro-businesses (1-4 employees)	$3,779
Small businesses (5-19 employees)	$7,465
Medium businesses (20-199 employees)	$12,570
Average across all businesses $3,731	

Differences by industry

Administrative and support services - less price sensitive than other industries and more likely to be satisfied with the level of choice available.

Agriculture, forestry and fishing - more likely to be actively investigating their options and to already have solar panels and solar hot water systems.

Wholesale trade - higher energy intensity means these businesses are significantly more likely to investigate options and place greater importance on the brand and reputation of the energy company they deal with.

Professional, scientific and technical services - less likely to have experienced bill shock, and half as likely as the average business to be investigating offers and options.

Financial and insurance services - more likely to feel their energy company's marketing is inadequate.

Rental, hiring and real estate services - least likely to have experienced bill shock and more likely to reduce consumption rather than seek out better deals. Not really interested in new energy technologies.

Retail trade - significantly more likely than most to have experienced bill shock in the last few years.

Accommodation and food services - most likely to use energy management systems in the next two years, with a focus on temperature control over large premises.

Manufacturing - more likely than most to have switched plans in the past five years.

Transport, postal and warehousing - most likely to have energy contracts with a fixed monthly amount and less likely to have switched supplier or plan in the past five years.

Background to the annual review of retail energy competition

The 2018 AEMC Review of National Retail Energy Competition looks at the state of retail competition for small electricity and gas customers. It shines a light on what is working, what isn't, and what needs to change. It covers jurisdictions in the National Electricity Market: Queensland, New South Wales, Australian Capital Territory, Victoria, South Australia and Tasmania. We use a number of measures to determine whether consumer needs are being met, looking at the choices they have, the level of service they receive, whether they are getting value for money and what is happening when things go wrong.

Media: Communication Director, Prudence Anderson 0404 821 935 or (02) 8296 7817

15 June 2018