



Report for



Fair to Middling but Nothing to Crow About



Tasmanian Small Business Electricity Prices – A National Comparison

March 2022

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ACKNOWLEDGEMENT AND DISCLAIMERS

We thank our client, the Tasmanian Small Business Council (TSBC) for the opportunity to provide this report.

The views presented in the report represent the views on Goanna Energy and should not necessarily be attributed to our client.

This project was funded by Energy Consumers Australia (www.energyconsumersaustralia.com.au) as part of its grants program for consumer advocacy projects and research projects for the benefit of consumers of electricity and natural gas. However, the views expressed in this document do not necessarily reflect the views of Energy Consumers Australia.

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The report is based on our expert advice provided to the best of our ability, skills and experience. Nevertheless, it has a number of inherent limitations, including but not limited to the following:

- It is provided within the scope of work specified in Section 1.1.
- It is limited by the resources provided by the clients for Goanna to undertake the project.
- It is based only on publicly available information for which we take no responsibility, although we have attempted to ensure its integrity as much as possible.

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EXECUTIVE SUMMARY

At the request of the Tasmanian Small Business Council (TSBC) we have undertaken an analysis of electricity prices for small business in Tasmania and compared these to electricity prices for small business in all other Australian jurisdictions.

Our assessment compares annual bills in Tasmania with all other Australian jurisdictions using biannual regulated and market offer data from the ECA's Tariff Tracker project dating from April 2016 to October 2021. We necessarily mainly confined our assessment to single rate tariffs (in use by 77 per cent of Tasmanian small businesses) and use of a single national average Small to Medium Enterprise (SME) consumption level of 20,000 kWh per annum. A fuller analysis would have also analyzed controlled load and TOU tariffs and would have considered the impact of different consumption levels across jurisdictions (which vary significantly) on annual bills. It would have also examined the impacts of the main components of SME bills and would have undertaken a more thorough analysis of the impacts of competition on SME bills.

Small Business Electricity Prices in Tasmania

Our assessment of SME electricity prices in Tasmania shows that these have been relatively stable over the period covered in our analysis (April 2016 to October 2021). This has mainly been driven by Government intervention to insulate electricity prices in Tasmania from fast rising wholesale electricity prices on the mainland in the early years of the time period covered by our analysis. Whilst SME electricity prices in Tasmania were lower as a result of this, regulated prices have also been slow to respond to the rapid declines in mainland NEM wholesale electricity prices experienced over the past few years.

The data for October 2021 show that Tasmanian SME electricity prices have fell by close to 9 per cent between April and October 2021. The impact of falling wholesale prices has finally found its way into Tasmanian retail prices, but well after it did in other NEM jurisdictions.

Our analysis also shows that SMEs in Tasmania remain limited in their choices of market offers. For most of the period we examined, there were only 2-3 offers available to them from 2 or 3 retailers. Moreover, the difference between these and Aurora's regulated offer has been small (no higher than about \$250, or 5 per cent, for an average SME annual electricity bill and as low as zero). In October 2022, the number of offers increased to six (from six retailers) but the difference between the highest and lowest bill remains around the \$250 per annum mark. Market offers are also sticky around Aurora's regulated Standing Offer. The recent increase in the number of Tasmanian offers and retailers is welcome, but its impact has thus far been limited and whether it is sustainable only time will tell. All the new entrants in Tasmania are second tier retailers with none of the 'Big 3' present.

Regulation has kept SME electricity prices in Tasmania lower, but has also been slow to respond to lower NEM wholesale prices

Competition in the Tasmanian electricity market remains weak, with Aurora Energy dominant, despite recent limited improvements

It is our assessment that competition in Tasmania's SME retail electricity market remains weak, despite some limited signs of improvement. SMEs are unlikely to see significant benefits from competition until the competitive environment improves.

To date Tasmania has put its faith in the regulation of small consumer electricity prices over competition. All other NEM jurisdictions have favoured competition to a far greater extent. However, the increased rate of SME's moving away from the regulated Standing Offer when provided with a 5 per cent discount from another retailer (some 1,450 over the past year), although not large, suggests that Tasmanian SMEs value access to lower prices.

Tasmania has put its faith in regulation of SME electricity prices whilst other NEM jurisdictions have favoured competition

National Comparison of Small Business Electricity Prices

Our comparison of Tasmanian SME electricity prices with those in all the mainland jurisdictions showed that Tasmania is a middle ranking performer. This is in terms of: lowest offers shown as annual bills over time (Tasmania has ranked mid-pack throughout); annual bills for the lowest offers in October 2021 (by both distribution area, where Tasmania ranked 8th out of 15, and at the aggregated jurisdictional level, where Tasmania ranked 4th out of 8); and ranked in terms of all the market offers involved in our analysis (with the lowest market offer in Tasmania coming in 34th place and Aurora's regulated offer placing 84th out of 235 offers). Whilst the result could be worse, it is hardly an outcome to inspire small business in Tasmania.

The electricity prices being paid by small business in Tasmania can be characterized as – *fair to middling but nothing to crow about*

The welcome and significant near 9 per cent reduction in Tasmanian SME bills from April 2021 to October 2021 was not sufficient to change Tasmanian's mid ranking.

Our comparative analysis also showed that, in terms of both the number of offers and the spread of offers, Tasmanian SMEs are far worse off than their peers in all mainland NEM jurisdictions. They have access to far less offers and these offers have a much smaller spread of prices (limited to only 5 per cent or \$250 per annual bill). This is symptomatic of the impact of price regulation (retail and wholesale) in Tasmania being a deterrent to the entry of new retailers and depressing price competition when there is new entry, Aurora's continued dominance of the small customer market, as well as the healthier competition that exists in all other NEM jurisdictions.

Tasmanian SMEs are far worse off than their mainland peers with far less offers and much lower discounts

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1 INTRODUCTION

Goanna Energy has been asked by the Tasmanian Small Business Council (TSBC) to undertake an analysis of and report on small business electricity prices in Tasmania and compare them to other Australian jurisdictions.

The TSBC wishes to obtain a better understanding of whether the prices paid for electricity by small businesses in Tasmania are competitive and affordable when compared to other Australian jurisdictions. This is an issue of competitive advantage for Tasmanian small businesses.

1.1 SCOPE OF WORK

The scope of the project we have undertaken is set out below and involves allowing the TSBC:

- To gain a better understanding of how prices and bills for electricity are affecting Tasmanian small businesses.
- To understand how electricity price trends may have shifted over time.
- To discover how small business electricity prices in Tasmania compare to other Australian jurisdictions, and whether Tasmanian prices and bills are competitive and affordable.
- To ensure that the electricity prices/bills paid by Tasmanian small business are as low possible.
- To allow the TSBC to develop ways in which small business might be able to improve the efficiency with which it uses electricity and gas.
- To advocate to improve the conditions for new entry and competition in the provision of electricity to Tasmanian small business.
- To better influence government energy policy and regulation in a way that helps to deliver the project outcomes.
- To ensure that the small business sector is well-informed to advocate to the Tasmanian Government on the future direction of the existing cap on small business electricity prices and the related regulation of wholesale prices.
- To gain useful information on small business electricity prices for the OTTER 2022 determination of Aurora's regulated electricity retail charges currently underway.
- To use the report to alert the Government, Parliamentarians, the media and other consumer advocates to the results of our work and undertake advocacy based on it.

It should be noted that we have necessarily had to curtail the scope of our work as the resources available for the project were less than originally envisaged.

1.2 STRUCTURE OF THE REPORT

The report begins by outlining the methodology and assumptions used in the analysis of small business electricity prices in Tasmania and in other Australian jurisdictions (Section 2). Electricity prices are presented in terms of annual bills throughout the report. It then discusses small business electricity prices in Tasmania (Section 3). Section 4 provides a national comparison of small business electricity prices with those in Tasmania. Finally, Section 5 presents our conclusions.

2 METHODOLOGY

Outlined below is information on the methodology we used to undertake our analysis.

2.1 CHOICE OF PRICE DATA

We undertook an analysis of SME electricity prices across all Australian jurisdictions using data obtained from the Small and Medium Enterprises (SME) Retail Tariff Tracker, an ongoing project for Energy Consumers Australia.¹ This collects data twice per year (April and October), with reports and datasheets published in June and December. The series began in April 2016, so a time series is also available.

The Tariff Tracker collects data on small business market offers available from electricity retailers at a point in time in each Australian jurisdiction for each electricity distribution area.² Market offer data is collected for single rate tariffs, controlled load tariffs, two-rate tariffs, time-of-use tariffs and demand tariffs. In this report we have mainly focused on single rate tariffs for small business as these are the most commonly used ones in Tasmania.

Tariffs in regional Queensland (Qld), Western Australia (WA) and the Northern Territory (NT) are regulated and there are no competitive market offers available. Tasmania (Tas) also has regulated tariffs but small consumers also have the option of choosing a competing market offer. Tariffs in New South Wales (NSW), southeast Qld and South Australia (SA) are not regulated but electricity retailers are required to offer customers who do not choose a market offer a Default Market Offer (DMO), which is set by the Australian Energy Regulator (AER) annually. In Victoria, electricity retailers must offer customers who do not choose a market offer a similar Victorian Default Offer (VDO) set by the Essential Services Commission (ESC) each year. We have not assessed DMO and VDO prices in this report but have examined regulated prices in relevant jurisdictions.³

It should be noted that there are alternative ways to examine cross jurisdictional SME electricity prices. One way is to use the national market offer and regulated price data collected bi-annually by the Office of the Tasmanian Economic Regulator (OTTER).⁴ However, this only examines market offer data from September 2020, having previously been confined to standing offer (regulated) electricity prices. Another option would be to collect raw data from publicly available sources or to survey SMEs. However, to do this would be beyond the scope and resources of this project. Nor would it provide an initial time series.

The Tariff Tracker uses market offers obtained from publicly available sources, especially the AER's *Energy Made Easy* and the Victorian Government's *Energy Compare* websites. The prices in these offers are then applied to assumed annual electricity consumption levels for a typical SME to obtain an annual bill for a typical SME. The Tariff Tracker uses a uniform SME annual consumption level of 20,000 kWh across all distributors and all

¹ See <https://energyconsumersaustralia.com.au/publications/sme-retail-tariff-tracker-final-report-december-2021>.

² The ACT, Northern Territory (NT), South Australia, Tasmania each have one distribution area. Queensland and Western Australia have two each, while New South Wales has three and Victoria five.

³ Across the DMO states comprising NSW, south-east Qld and SA, about 20 per cent of small businesses are on the DMO.

⁴ See <https://www.economicregulator.tas.gov.au/electricity/reports/price-comparisons/standing-offer-price-comparison-reports>.

jurisdictions (this is discussed further in Section 2.4). We have followed this approach in this report.

2.2 TYPES OF TARIFFS INCLUDED

Small businesses in Tasmania and other jurisdictions utilize a number of different tariff types depending on their operations, needs and availability. The most common tariffs in all jurisdictions include:

- Single rate tariffs, where the small business pays the same rate regardless of when they consume electricity). These are available in all jurisdictions. In Tasmania this is referred to as T22.⁵
- Controlled load tariffs (T61 and 62 in Tasmania), with a cheaper second rate available at certain times (e.g., off-peak times) or for certain types of appliances (e.g., hot water, heating). These are available in all jurisdictions, except NT.
- Time-of-Use (TOU) tariffs (T94 in Tasmania), where the usage rate paid by the customer varies depending on the time of day that electricity is consumed (e.g., peak times, off-peak times or shoulder times), or the time of the week (weekdays or weekends).⁶ These are available in all jurisdictions, except SA.

OTTER reports that in 2020, 77.7 per cent of Tasmanian small business customers were using the general use (single rate) tariff (T22).⁷ Only 4.3 per cent of small businesses utilized the TOU tariff (T94) and this was mainly at the higher end of SME consumption, with a median annual usage of 38,287 kWh. Usage of controlled load tariffs by Tasmanian SME's is also limited.

Given the predominance of T22 use by SMEs in Tasmania, we have confined our analysis to single rate tariffs across all jurisdictions.⁸

2.3 TYPES OF CHARGES IN SME TARIFFS

The SME single rate tariffs used in our comparisons have two types of charges:

- There is a fixed daily supply charge that is levied for each day a customer is connected to supply and utilizing that tariff.
- There is also a charge levied on the use of electricity which varies with use. This can be either uniform regardless of the amount of electricity used or sometimes is divided into blocks of use with higher use above the initial consumption block having a different rate (either higher or lower). The T22 general use tariff attracts a higher charge above a threshold of 500 kWh per billing cycle.

Our analysis does not consider the impact of these charges and how they vary across jurisdictions. However, both the Tariff Tracker and OTTER comparative reports do address these issues and interested readers are referred to these.

⁵ T22 charges one usage rate for consumption below 500 kWh and a slightly lower rate above this.

⁶ Some distribution areas also provide two rate tariffs (peak/off-peak) or demand tariffs (levied based on some level of maximum demand, for example, seasonal or annual). These are less common.

⁷ See OTTER, *Typical Electricity Consumption in Tasmanian – 2020*, Table 3, p. 11.

⁸ It should be noted that in some jurisdictions this is not the most or only common tariff in use by SMEs. Specifically, a demand tariff is in common use by SMEs located in south-east Qld and a two-rate tariff is in common use by SME customers in SA.

2.4 SME ELECTRICITY CONSUMPTION DATA

Available data on electricity consumption by SMEs is limited. However, SMEs are known to be heterogeneous in terms of their electricity consumption (far more so than households), reflecting their more diverse uses, their operations and the industries involved. Use also varies across different distribution areas reflecting industry area concentration, climate, availability of gas or other alternatives and the like. These differences can have a significant impact on consumption and annual bills.

Research undertaken for the Australian Energy Market Operator (AEMO) by Jacobs Australia reflects the differences in electricity consumption across different distributors (see Table 1 below).^{9, 10}

Table 1: Typical SME Annual Electricity Use by Distribution Network

Jurisdiction	Distributor	kWh/annum	kWh/qtr	Common tariff/meter type
NSW	Ausgrid	13,000	3,250	EA050 (single rate)
NSW	Endevour	27,299	6,825	N90 (single rate)
VIC	Citipower	36,209	9,052	C1G (single rate)
VIC	Powercor	21,674	5,419	ND5 (interval tariff)
VIC	Ausnet Services	24,724	6,181	NEE12 (single rate)
VIC	Jemena	21,858	5,465	A200 (single rate)
VIC	United Energy	23,629	5,907	LVM1R (single rate)
QLD	Energex	16,628	4,157	8300 (demand tariff)
SA	SAPN	14,262	3,566	2 rate (peak/off-peak rate)
TAS	TasNetworks	25,315	6,329	TAS22 (single rate)
ACT	Evoenergy	32,257	8,064	General network (single rate)
	Average	23,350	5,838	
	Median	23,629	5,907	
	Rounded average	23,500	5,875	
	Tariff Tracker	20,000	5,000	Common across all jurisdictions. Rounded

Source: Alviss Consulting with Energy Consumers Australia, *Analysis of small business retail energy bills in Australia, Final Report*, December 2021, Small and Medium (SME) Retail Tariff Tracker project, Table 1 (p. 6).

We note that these differences could have a significant impact on SME electricity bills and a national comparison of these. However, for this report and given the resources available, we have mainly confined our analysis to use of what is referred to as the “(rounded) average of average consumption for small businesses in various NEM networks” used in the ECA Tariff Tracker project.

⁹ Cited in Alviss Consulting with Energy Consumers Australia, *Analysis of small business retail energy bills in Australia, Final Report*, December 2021, Small and Medium (SME) Retail Tariff Tracker Project, p. 5 and reproduced in Table 1 (p. 6).

¹⁰ Results for 4 networks are not shown in Table 1, namely, Essential (country NSW), Ergon (regional Qld), Western Power and Horizon (WA) and PWC (NT).

This means that the annual average bills paid by Tasmanian small businesses for electricity provided in this report are understated by around 19 per cent compared to what the average Tasmanian small business would actually pay (given that actual average annual usage by small business in Tasmania is estimated at 25,300 kWh not the 20,000 kWh adopted by the Tariff Tracker project).¹¹ A more fulsome comparison of Tasmanian small business electricity prices would have accounted for this difference by showing results using actual average consumption in each distribution area, as well as using the national uniform (rounded) approach.

2.5 THE SME ELECTRICITY BILL ‘STACK’

We have also confined our analysis to total bills. We have not delved into the so-called “bill or price stack” which comprises the main components of small business electricity bills. Such an analysis would decompose annual bills into the categories of electricity wholesale costs (mainly accounted for by the costs of generating or producing electricity), network costs (charges for transporting electricity over the transmission and distribution networks and metering charges), ‘green’ or environmental charges (such as the Federal Renewable Energy Target and various jurisdictional schemes) and retail costs (such as the cost of retailers to serve their customers and a retail margin). The inclusion of such an analysis could provide useful insights into what is driving trends and jurisdictional differences in the cost of electricity to small businesses.

According to the AER, nationally wholesale costs account for 34 per cent of residential customers’ electricity bills, the regulated network cost is 46 per cent, retail (costs and margins) is 11 per cent, and 9 per cent are ‘green scheme’ costs. This is likely to be similar for small businesses, although we are not aware of any specific analysis of this for SMEs.

The Tariff Tracker project report provides a limited analysis of how the various components of electricity bills have impacted small business electricity costs. However, given the absence of public information about this, it uses information for household electricity bills as a proxy. Interested readers are referred to the Tariff Tracker project results. We have provided only limited commentary on the bill stack in this report.

¹¹ OTTER report that the median annual consumption level for a small business in Tasmania using the most common single rate regulated tariff (T22) is only 4,428 kWh and they use this in their national comparative analysis of small business tariffs. They also note that the national average for small business is 20,000 kWh per annum.

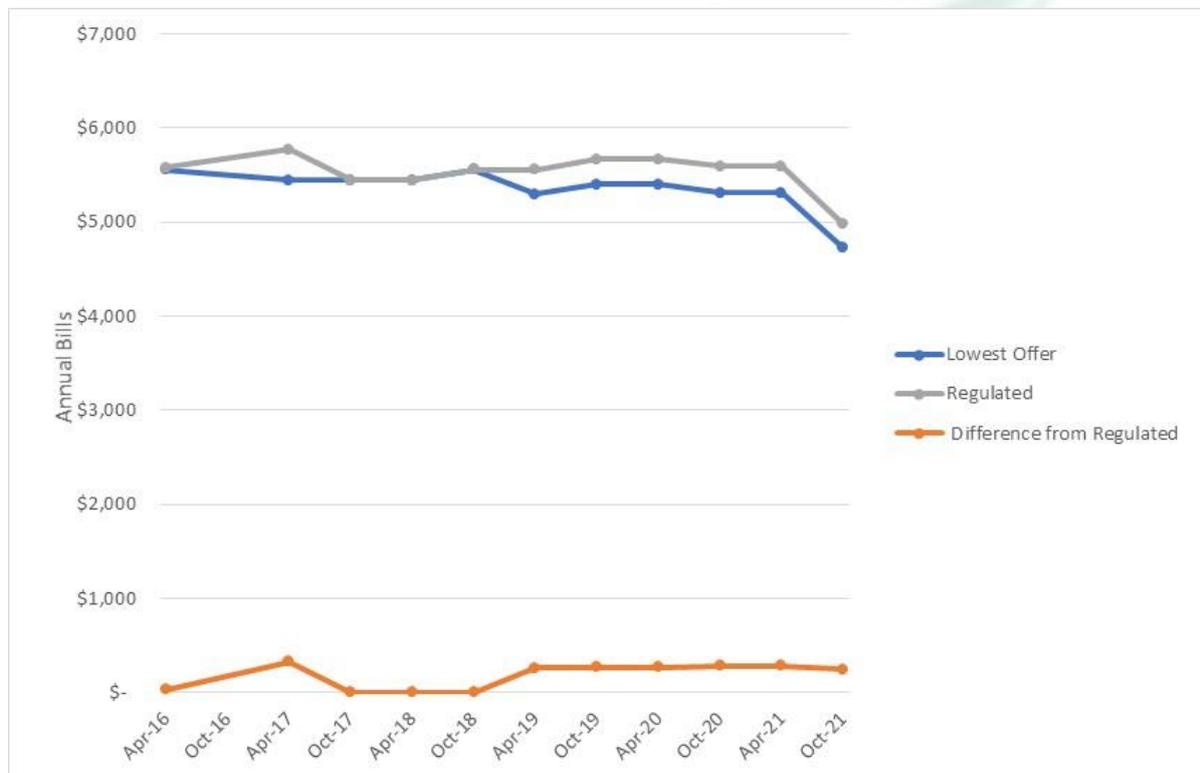
3 TASMANIAN SME ELECTRICITY PRICES & BILLS

In this section of the report, using the methodology outlined in Section 2, we examine SME electricity prices/annual bills in Tasmania and also how the competitive retail market for SME customers in Tasmania is changing.

3.1 SME ELECTRICITY BILLS AND TRENDS

Figure 1 below shows the trend of SME annual electricity bills for the period April 2016 to October 2021. It shows annual bills using the lowest market offers available, the regulated standing offer and the difference between the two.

Figure 1: Tasmanian SME Electricity Price Trends



Source: Goanna Energy

It is apparent from the chart that SME electricity bills in Tasmania throughout most of this period have been quite stable. This reflects a number of factors, including the Tasmanian Government’s policy of holding regulated electricity charges at the same real level and setting the regulated Wholesale Electricity Price (WEP) by Ministerial Order (rather than determined by OTTER with reference to Victorian wholesale prices), which applied for much of this period and the generally downward path of network charges (the main component of the bill).

NEM wholesale prices were facing upward pressure in the early part of this period (due to the closure of the large Hazelwood brown coal-fired power station in Victoria and general uncertainty about the future of base load power in the NEM). As a result, the Tasmanian Government moved to insulate smaller electricity consumers, including SMEs, from these pressures by using a Ministerial Order to set the regulated wholesale price and by fixing regulated standing offer electricity prices at no more than CPI increases. This benefitted Tasmanian SMEs, although reductions in network charges also helped in keeping price pressures subdued.

In the later years of our analysis, NEM wholesale electricity prices have seen significant downward pressure. However, the benefits of this have been slow in coming to Tasmanian consumers due the lag in its application to regulated prices and the application of forward prices that were subsequently outpaced by rapidly falling wholesale prices.

Also apparent from the chart is the significant reduction in both regulated standing offer prices (expressed in annual bills) and market offers in October 2021, with both declining by 8.9 per cent compared to April 2021. This reflects further reductions in network charges and also the impacts of reductions in wholesale prices eventually flowing through to Tasmanian SME standing offers.

The chart also shows the difference between the regulated Standing Offer price compared to the lowest posted SME market offer. Apart from April 2016 and a period between October 2017 to October 2018 when they converged, market offers have mostly been slightly below regulated standing offer prices, resulting in lower bills. However, this difference has only been around \$250 per annum (about 5 per cent of a bill) and market offers continue to track trends in the regulated standing offer quite closely. The upshot of this is that new entrant retailers have failed to capture significant market share from Aurora, the incumbent retailer. At present Aurora still holds a dominant market share of 82 per cent of the SME market. However, Aurora's share has fallen from 87 per cent, or by around 1,450 small businesses, in the intervening year and this is indicative of the interest of small businesses in accessing competitive market offers.

3.2 ANALYSIS OF SME MARKET OFFERS

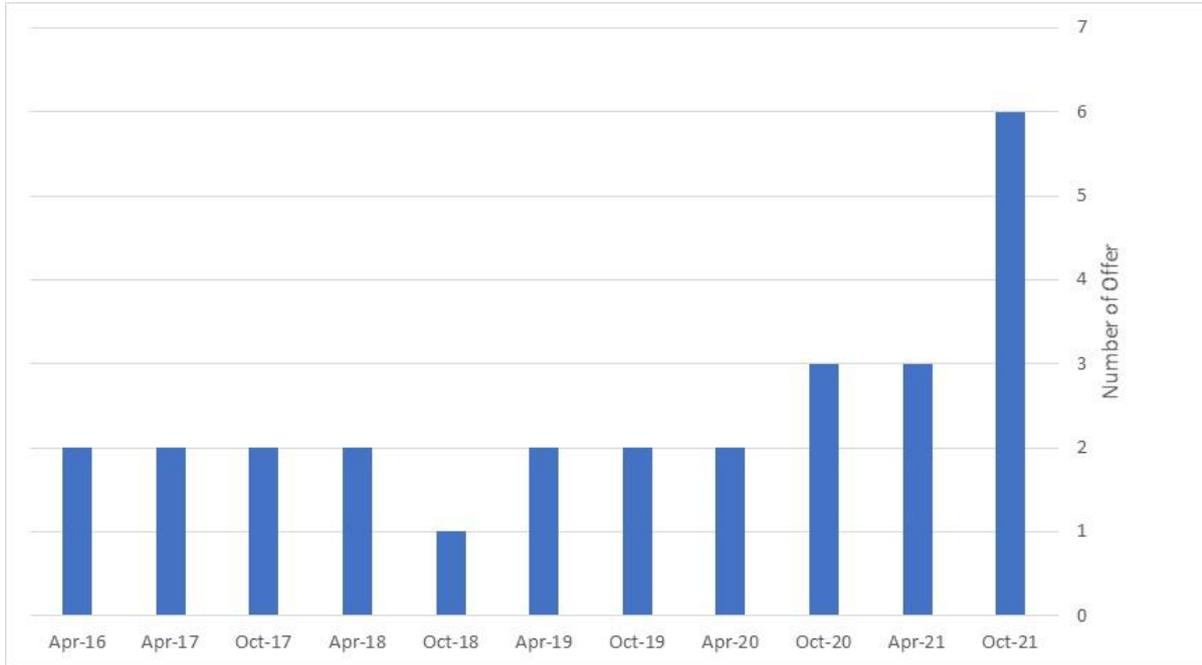
We undertook a limited analysis of market offers made to Tasmanian SMEs. This provides some additional indicators as to the state of the competitive electricity choices available to Tasmanian SMEs.

In Figure 2 we show the number of competing SME market offers (including Aurora's Standing Offer) available in Tasmania and how this has changed over time.

It is apparent that the number of offers was very low for most of the period shown (around two), before increasing to three from October 2020. A more significant increase is shown in October 2021, when six offers were available. As will be seen in Section 4, this is still well below the number of offers available to SMEs in other NEM jurisdictions.

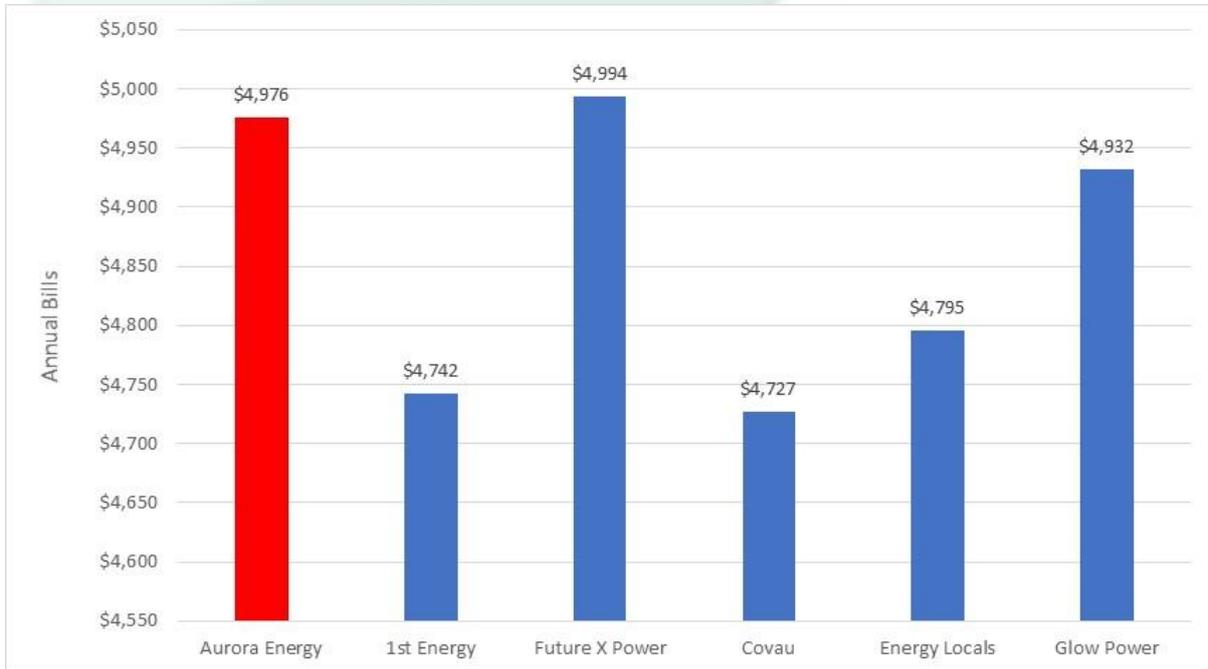
In Figure 3 below, we show the six offers available to Tasmanian SMEs in October 2021 (with Aurora's regulated standing offer shown in red). Whilst there is some discounting and limited evidence of competition in these offers, this is not great. Its sustainability is also unknown.

Figure 2: Number of SME Offers, Tasmania



Source: Goanna Energy

Figure 3: Tasmanian SME Offers, October 2021



Source: Goanna Energy

We believe that the small number of offers and the small and relatively constant spread of offers reflects factors such as the regulation of SME electricity prices in Tasmania and the fact that regulated prices offer little incentive for new retailers to enter the market. The small

size of the Tasmanian market is also a limiting factor (though not as great a limitation as some would claim, in our view and given the entry of several new retailers in recent times). Such a situation contributes in no small way to Aurora remaining the dominant retailer with little to fear from competition. The link with competition for residential customers is also important, with small business likely to see more competitive offers if retailers are more attracted to providing choice for residential customers.

It is also noteworthy that of the five new entrant retailers with SME offers operating in Tasmania, all are second tier retailers. The so-called ‘Big 3’ of AGL, EnergyAustralia and Origin Energy remain absent from Tasmania.

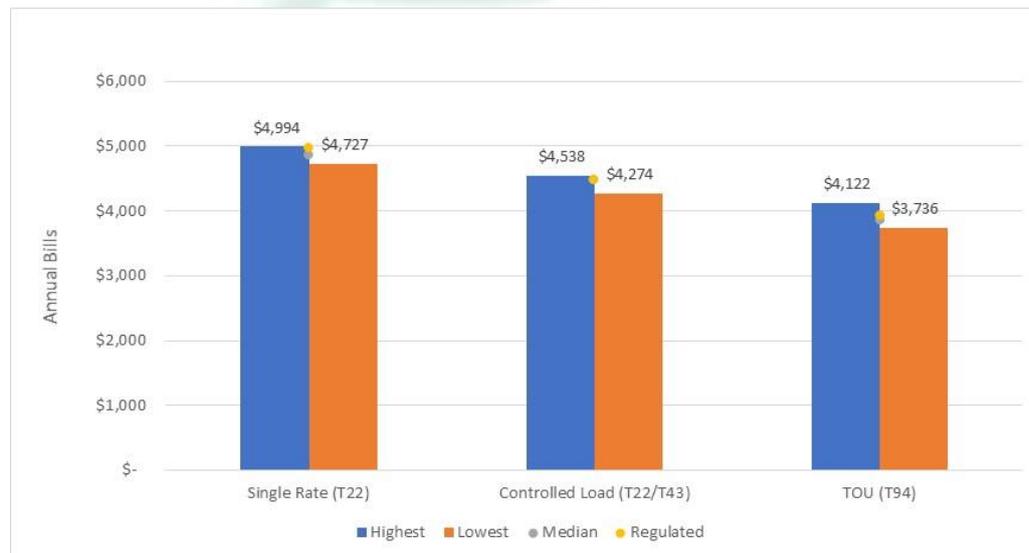
To date Tasmania has put its faith in the regulation of small business electricity prices over competition. All other NEM jurisdictions have favoured the latter to a far greater extent.

We also examined the offers available to Tasmanian SMEs using controlled load and TOU tariffs. Whilst the number of SMEs on these tariffs is small, they could potentially offer some SME’s opportunities to save on their electricity bills and reduce their electricity costs. This may, however, require associated changes to their operations and could involve additional metering costs.

The results of this analysis for October 2021 are shown in Figure 4. We emphasise that the number of offers involved is small, with only three controlled load offers available and five TOU offers (including Aurora’s regulated tariff). It should also be noted that not all SME’s can make easy use of these tariffs (e.g., some do not have appliances that qualify for access to controlled load tariffs, the electricity use profile of some may not suit TOU tariffs).

Bearing this in mind, it is apparent that both controlled load and TOU tariffs can benefit some SMEs and could be worth them investigating further.

Figure 4: Tasmanian SME Electricity Bills by Types of Tariffs, October 2021



Source: Goanna Energy

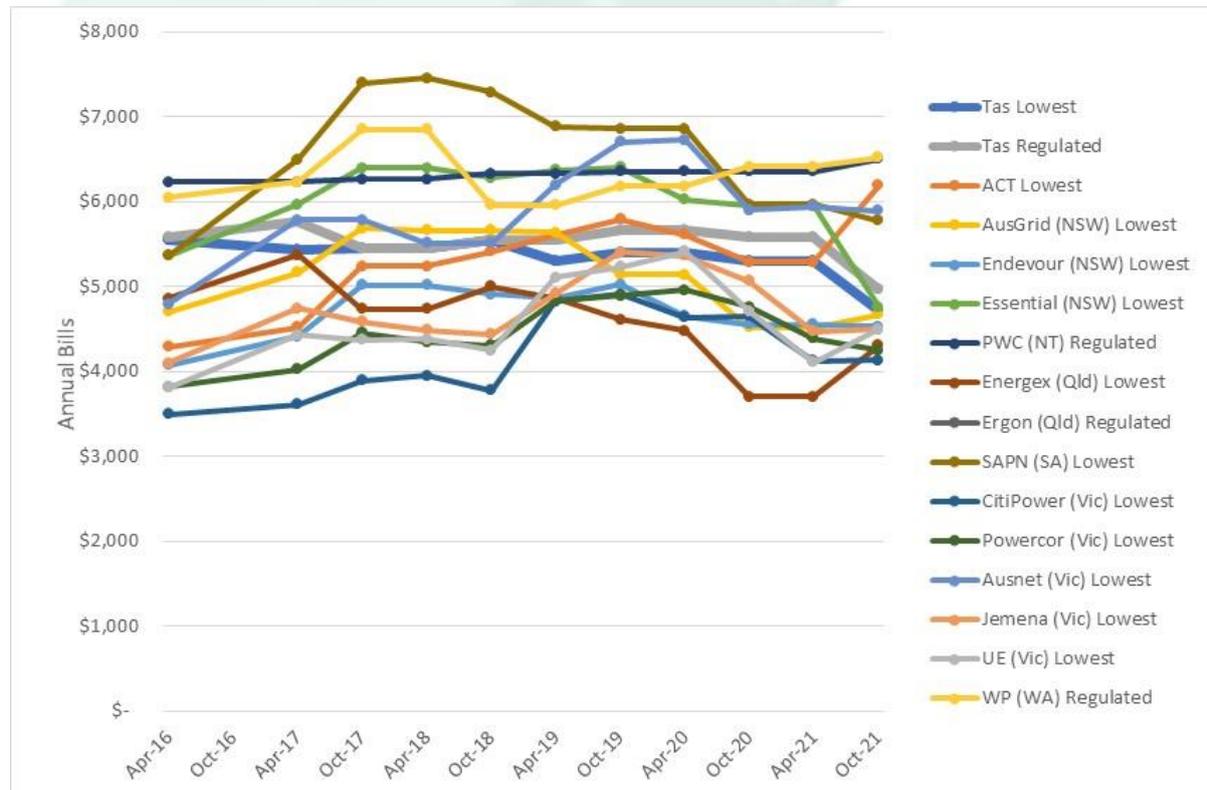
4 NATIONAL COMPARISON OF SME ELECTRICITY PRICES

In this section we compare the Tasmanian SME electricity prices discussed in the previous section with those in other Australian jurisdictions, using the methodology outlined in Section 2. All jurisdictions are included.

4.1 HOW DO TASMANIAN SME ELECTRICITY PRICES AND BILLS COMPARE?

We have undertaken a comparison of SME electricity bills for the period April 2016 to October 2021 across all distribution areas for each State and Territory of Australia, using the lowest available market offers (single rate) for each distributor at the 20,000 kWh consumption level. We believe that use of the lowest market offer is the best point of comparison. Any rational SME seeking to minimise its costs would be inclined to choose the lowest available offer unless there was some other aspect of the offer that counteracted this. However, an analysis of market offers across jurisdictions shows that there is a large degree of homogeneity between them, with price the point of difference. We believe that this also reflects customer preferences.¹² The results are presented in Figure 5. Tasmanian results are shown as the thicker lines.

Figure 5: National SME Electricity Price Trends, by Distribution Area



Source: Goanna Energy

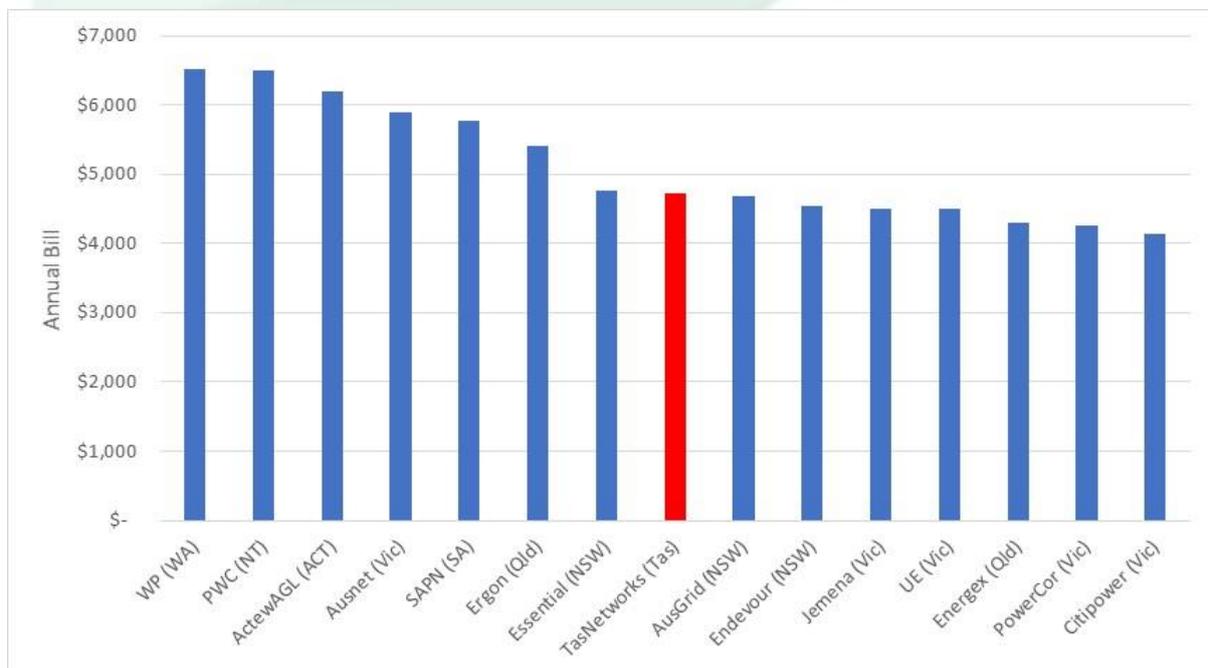
¹² This does not mean that all SME's will be on the lowest offer available to them at any point in time. For example, some will be on older offers, while some will not consider the search costs justify changing at any point in time.

Although there is a lot of information shown in this chart, because annual bills for 15 different distribution areas are shown, it is apparent that Tasmanian SMEs sit in the middle of the national jurisdictional pack, as they have since April 2016. The significant reduction in Tasmanian SME bills that occurred in October 2021 has still left Tasmanian SME mid-pack, although the difference between Tasmanian bills and those in areas with lower bills has reduced because of the combination of the reduction in prices in Tasmania and price increases in some other areas, especially Energex in Qld. There are still bills in five distribution areas that remain lower than the lowest market offer in Tasmania and six that are lower than Aurora’s regulated offer. However, the Tasmanian regulated offer is the lowest of the regulated charges shown.

It should be kept in mind that bills are represented at the 20,000 kWh typical national annual SME consumption level. If the higher Tasmanian average SME consumption level taken from Table 1 of 25,000 kWh per annum is used instead, then Tasmanian bills would be higher, although so would those of the other distribution areas which have average consumption levels lower than the national average (except the ACT, which has higher consumption than Tasmania and so would be lower).

Figure 6 below presents annual SME bills using the lowest market offer for each distribution area for October 2021. This shows the most recent position of Tasmanian SME electricity bills compared to elsewhere in Australia. Tasmania is shown in red.

Figure 6: Annual SME Bill by Distribution Area, October 2021



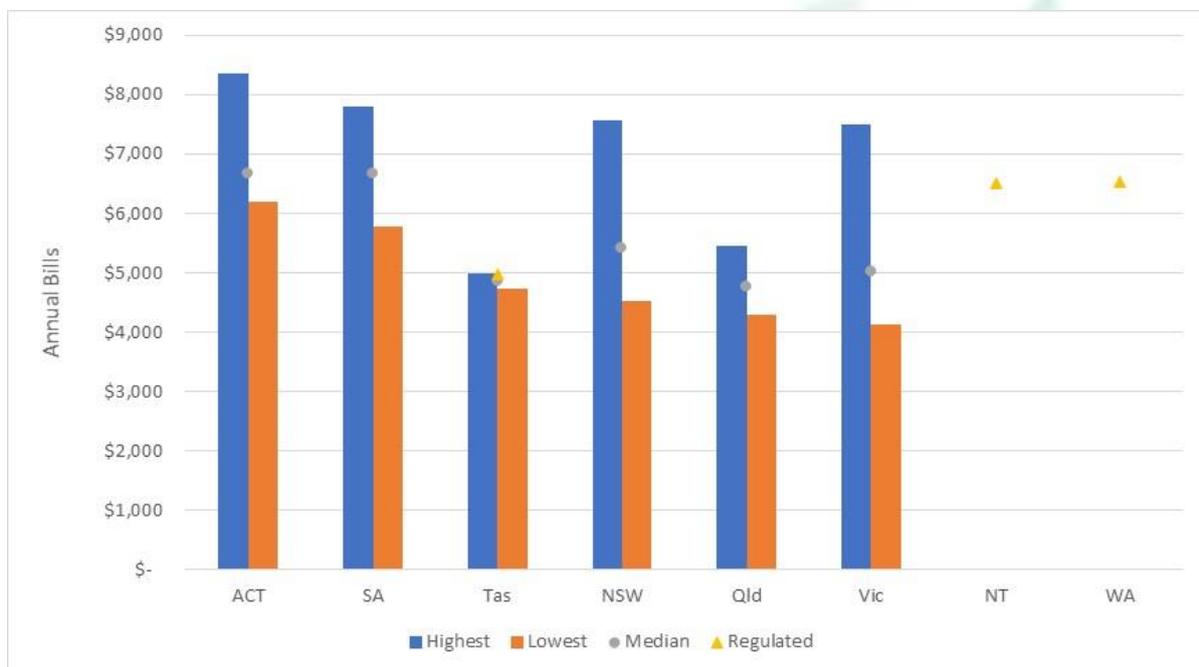
Source: Goanna Energy

This figure shows that the lowest market offers for typical Tasmanian SME electricity bills in October 2021 placed them in the middle of all distribution areas. However Tasmanian bills

tended to be more towards the lower end of the spectrum, showing a larger gap with those distribution areas at the higher end.

In Figure 7, we show an analysis of typical annual SME electricity bills by each jurisdiction for October 2021 displayed in descending order in terms of the lowest market offers. This aggregates information for NSW and Victoria, where there are multiple distribution areas. This less granulated data allows information to be presented for each jurisdiction but sacrifices accuracy in the sense that there are some significant differences in both offers and consumption of electricity by SMEs in different distribution areas in both NSW and (especially) Victoria.

Figure 7: Analysis of SME Electricity Bills by Jurisdiction, October 2021



Source: Goanna Energy

This way of comparing SME electricity prices also shows Tasmania in a middle ranking position. Two jurisdictions (ACT and SA) have higher minimum market offers and three (NSW, Vic and Qld) have lower ones. Tasmania has the lowest maximum market offer, but these would be little used in other jurisdictions. This is also due to the close relationship between regulated and market offers in Tasmania, with the latter tending to follow the regulated price. Tasmania also has the smallest difference between the highest and lowest market offers and hence the smallest spread in SME bills. This reflects the way that SME prices are regulated in Tasmania, the large number of SME's still on regulated standing offers and the limited retail competition in Tasmania.

Figure 7 also shows the median offer in each jurisdiction and regulated offers in those jurisdictions that still regulate SME tariffs. Tasmanian has the second lowest median offer (just behind Qld and just below Victoria) and the lowest regulated offer.

4.2 WHERE DO TASMANIAN SME ELECTRICITY PRICES RANK?

The analysis undertaken included 235 single rate market and standing (regulated) offers from across Australia in October 2021. Tasmania's lowest market offer ranked 34th and Aurora's regulated standing offer ranked 84th. Again, this suggests that Tasmania is a middle ranking performer in terms of SME electricity prices and bills.

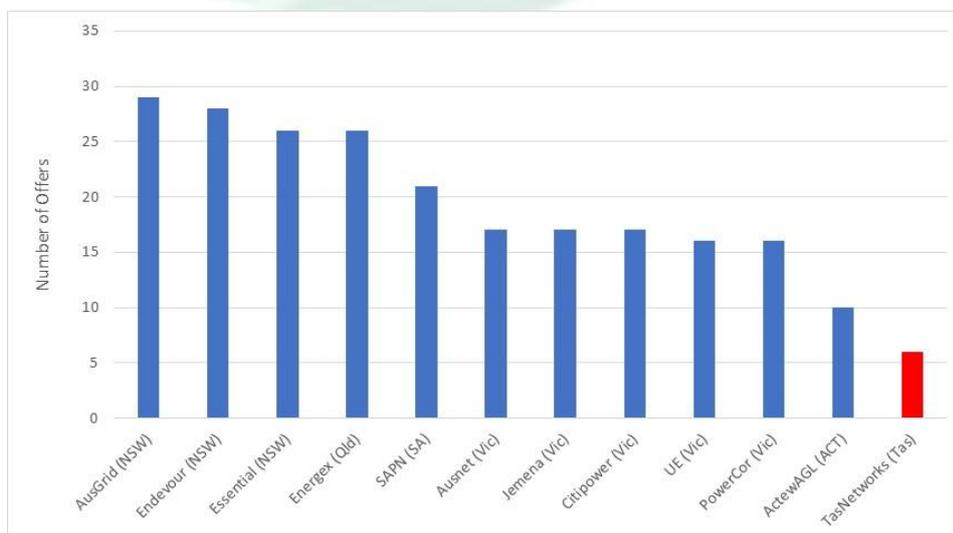
It should be noted that there is limited difference between the lowest 50 market offers, with little more than \$600 separating the lowest offer bills (from Alinta Energy in the Citipower network, with an annual bill of \$4,135) and the 50th (from Energy Locals in the TasNetworks area, with an annual bill of \$4,795).

4.3 COMPARATIVE ASSESSMENT OF OFFER AND BILL SPREAD

We compared the number of offers available in each jurisdiction and the spread (or range) of these (comparing the highest to the lowest). The results are shown in Figure 8 and Figure 9.

Tasmania ranks at the bottom end – and by a significant margin – in terms of both the number of offers and the spread of offers as reflected in annual bills. This is indicative of the impact that price regulation (retail and wholesale) has in dampening competition and consequently of the lack of retail competition in Tasmania. On the other hand, price regulation has been used to maintain a lid on prices and SMEs derive some benefit from this in terms of access to middle ranking prices in a small market. Recent experience with Tasmanian SMEs switching to retailers with lower offers suggest that some would prefer to have lower prices rather than regulation, even when those prices are only 5 per cent or so lower than Aurora's Standing Offer. Enhanced competition with a range of offers and discounts more akin to other NEM jurisdictions would be likely to pose a more significant threat to Aurora.

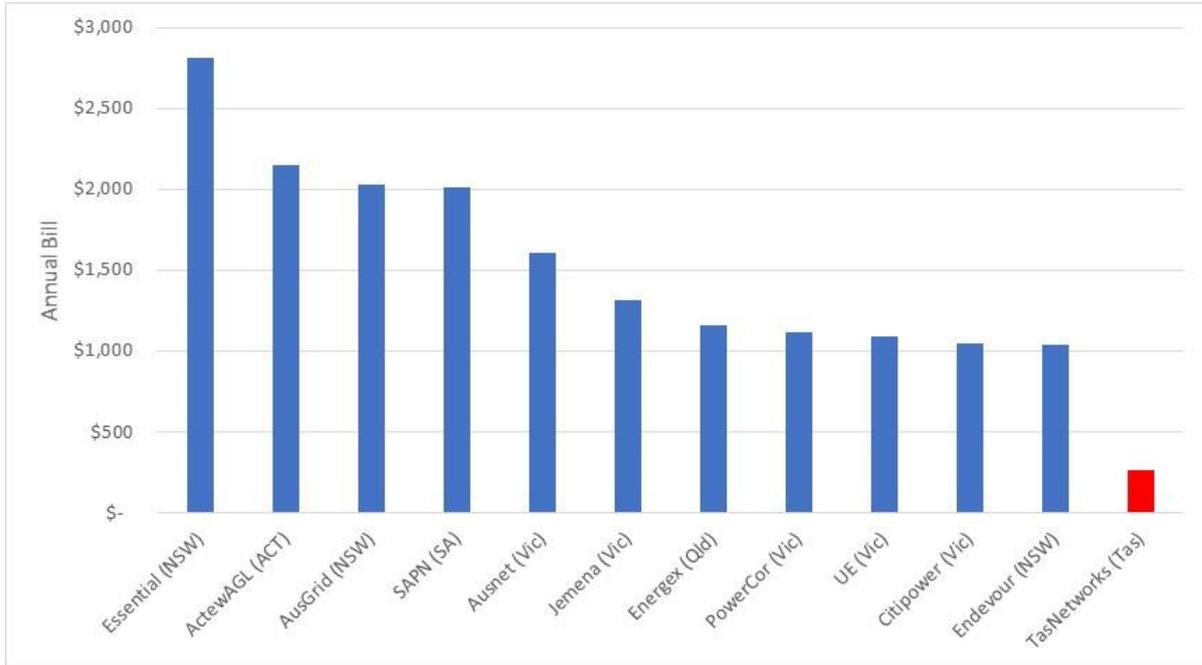
Figure 8: Number of Offers by Jurisdiction, Oct 2021¹³



Source: Goanna Energy

¹³ We note that the Tariff Tracker was limited in comparing Victorian offers on the Government's *Energy Compare* website due to the need to input a National Metering Identifier (NMI) number and upload PDF bill data. This is likely to have reduced the number of market offers available for comparison from Victoria.

Figure 9: Offer Price Spread by Jurisdiction, October 2021



Source: Goanna Energy

5 CONCLUSIONS

Based on our analysis of SME electricity prices (expressed as annual bills) in this report we have formed the following conclusions.

Our assessment of SME electricity prices in Tasmania shows that these have been relatively stable over the period covered in our analysis (April 2016 to October 2021). Tasmanian SME electricity prices fell by close to 9 per cent from April to October 2021, so the impact of falling wholesale prices has finally found its way into Tasmanian retail prices, but well after it did in other NEM jurisdictions.

Our analysis confirms that SMEs in Tasmania remain very limited in their choices of market offers; and the spread of prices in these offers is very small. The recent increase in both the number of offers and retailers is welcome, but its impact has thus far been limited

We conclude that competition in Tasmania's SME retail electricity market remains weak with Aurora Energy continuing to hold a dominant position in the SME market, despite some recent limited erosion in its position.

We further conclude that, to date, Tasmania has put its faith in the regulation of small business electricity prices over competition. This contrasts to all other NEM jurisdictions, which have opted for competitive markets.

However, limited switching away from the regulated Standing Offer in the face of comparatively small discounts, suggests that Tasmanian SMEs do value access to lower prices.

Based on our comparison of Tasmanian SME electricity prices with those in all the mainland jurisdictions we conclude that Tasmania is a middle ranking performer. The significant near 9 per cent reduction in Tasmanian SME bills from April 2021 to October 2021 was not sufficient to change Tasmania's mid ranking.

Our comparative analysis also showed that, in terms of both the number of offers and the spread of offers, Tasmanian SME's are far worse off than their peers in all mainland NEM jurisdictions. This is symptomatic of the impact of price regulation (retail and wholesale) in Tasmania being a deterrent to the entry of new retailers and depressing price competition.

Finally, the gaps in our analysis that we have highlighted may be areas that the TSBC wishes to explore in more detail in future, as well as considering regular updates of Tasmanian SME electricity prices against national comparisons. These include national price comparisons using alternative consumption data, comparing the impact of different types of tariffs on SME electricity costs and a fuller analysis of the impacts of competition and price regulation on SME bills.

Our overall conclusion from this analysis of SME electricity prices across Australian is that the electricity prices being paid by small business in Tasmania can be characterized as – *fair to middling but nothing to crow about.*