

AER DMO PUBLIC FORUM

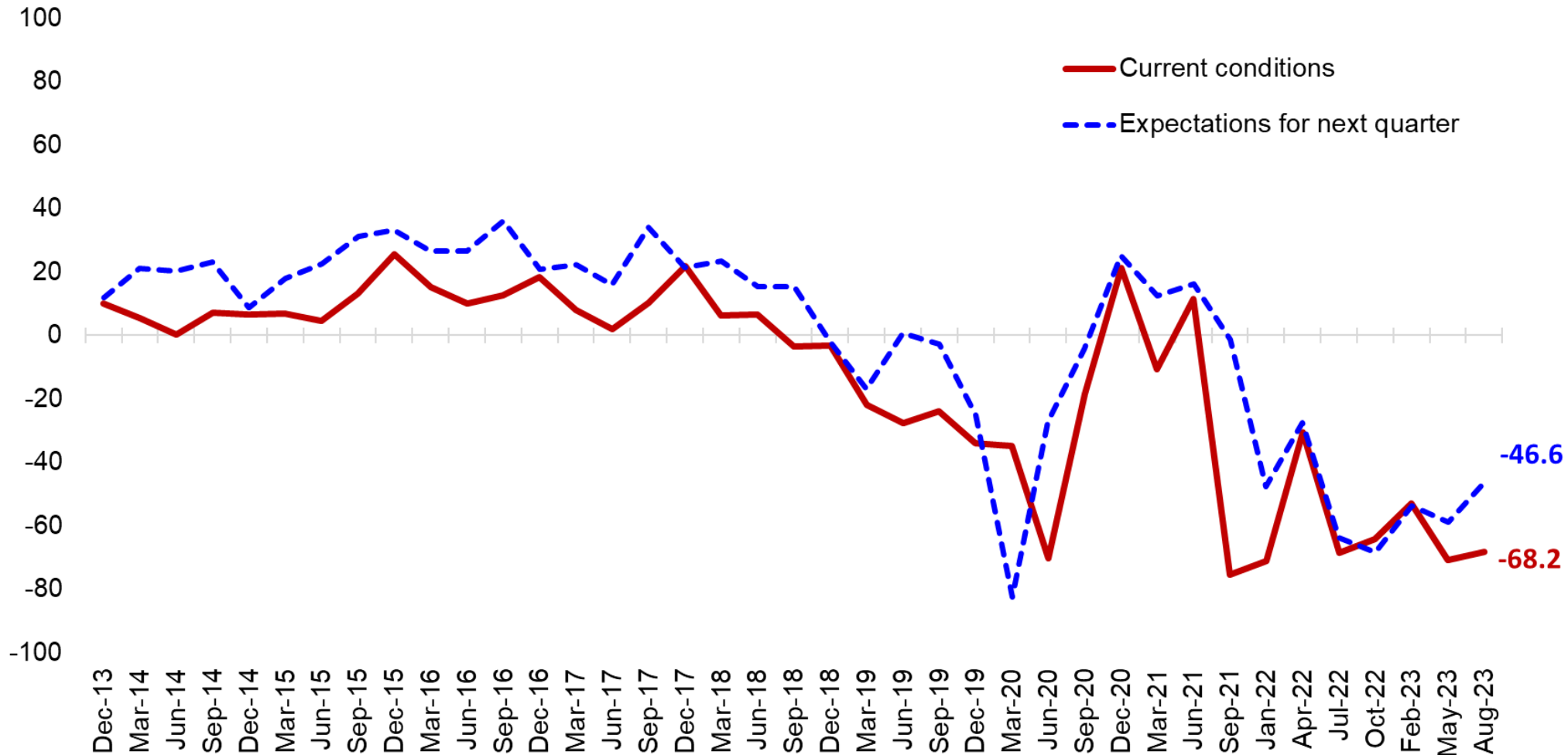
Business NSW

27 October 2023

**BUSINESS
NSW**

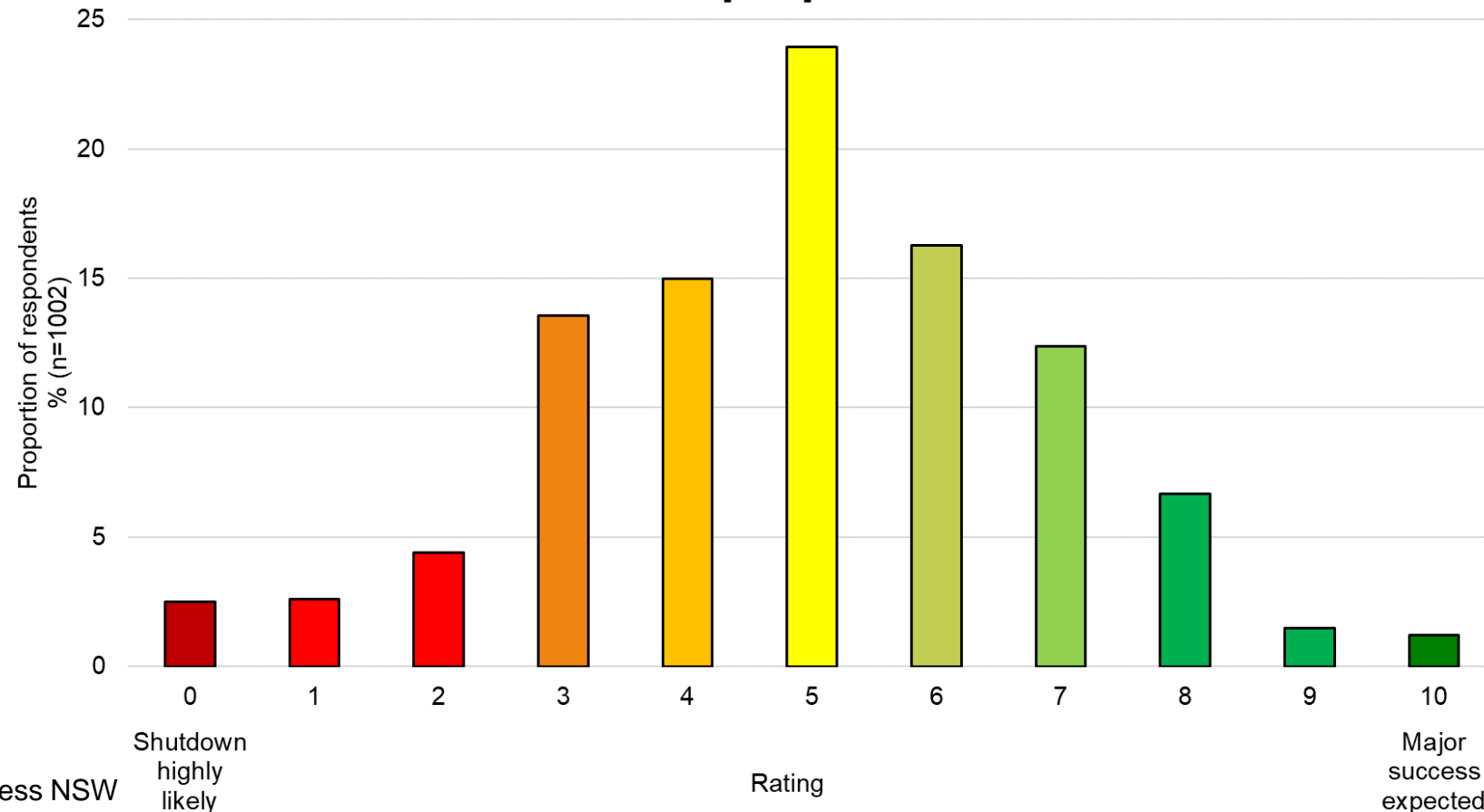
NSW Economic Conditions

Business Confidence Index



A Multi-Speed Business Environment

Self-rated business prospects for FY23-24



About the Business Conditions Survey (2023 Q3)



Survey period: 1-14 August 2023



Total number of respondents: 1002



Key industries:

- Retail trade (17%)
- Accommodation and food services (14%)
- Professional, scientific and technical services (11%)
- Construction (10%)
- Manufacturing (8%)



Size of business (staff numbers):

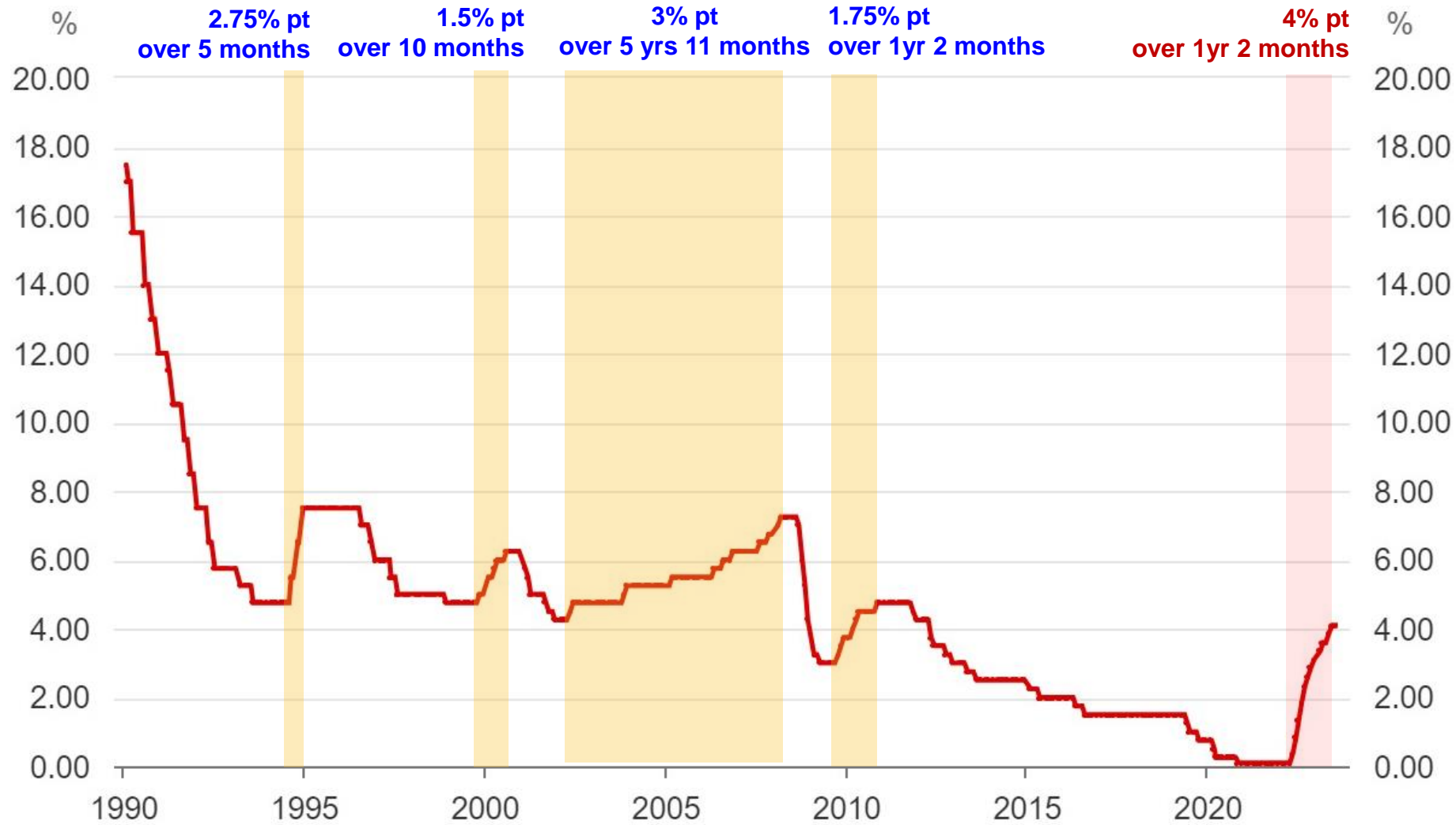
- 15% sole traders
- 65% with 1-20 staff
- 15% with 21-100 staff
- 5% with 101+ staff



Location:

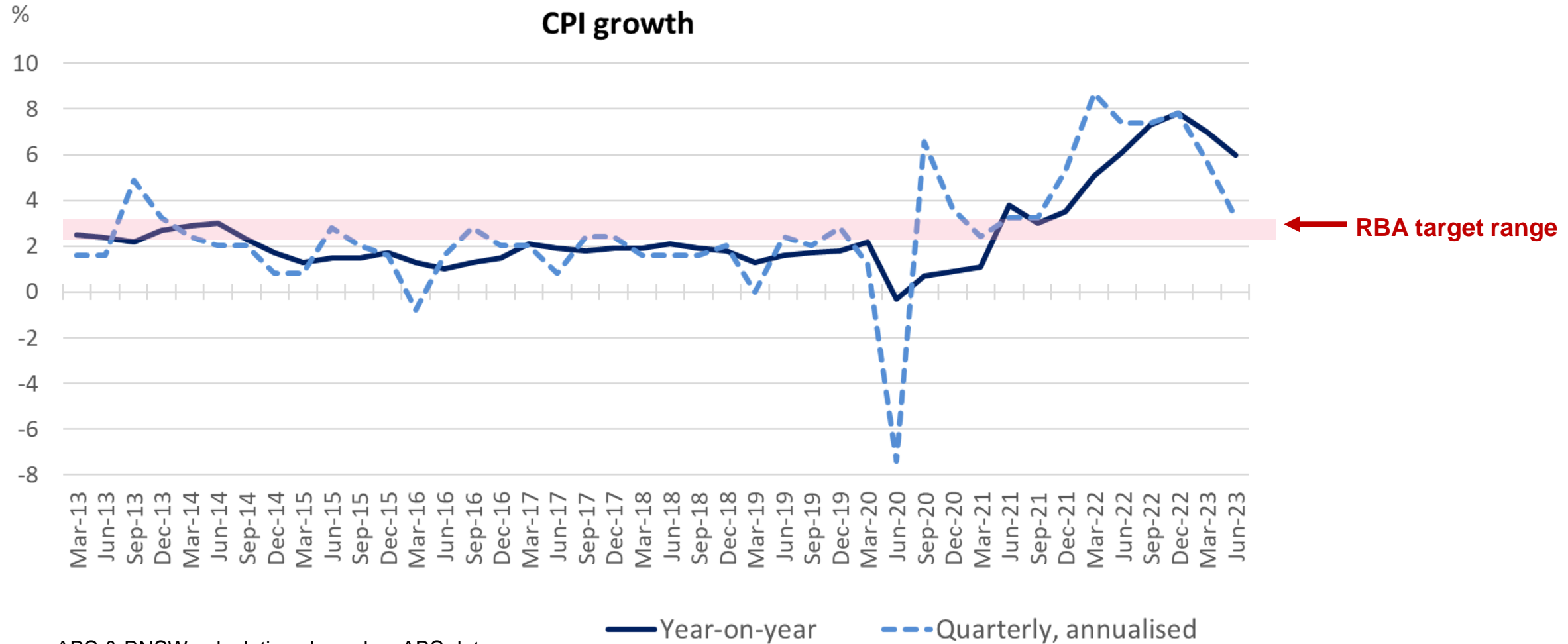
- 36% Sydney
- 64% Rest of NSW

Steepest interest rate hike cycle in almost 3 decades



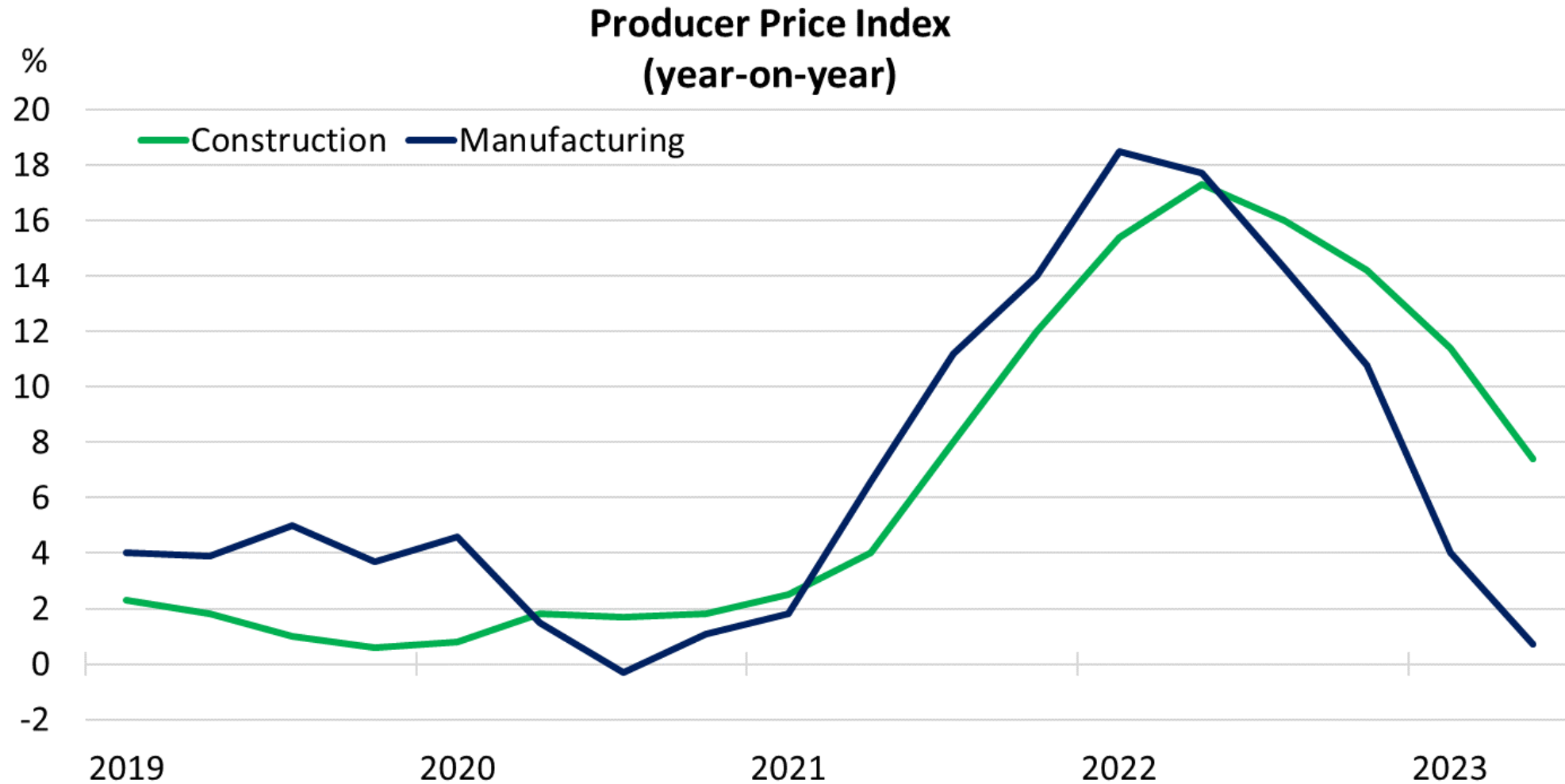
Source: RBA

Inflation momentum moderating



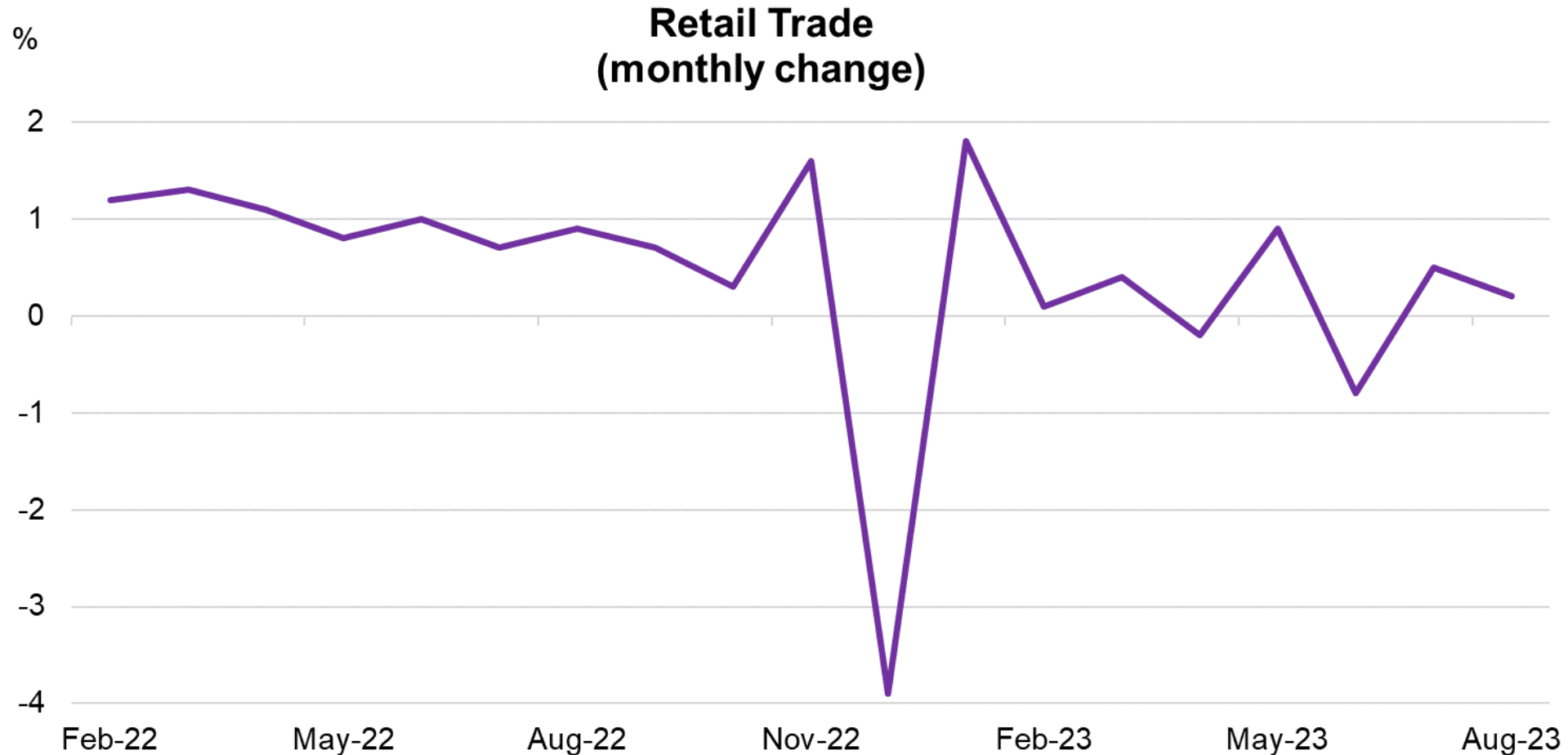
Source: ABS & BNSW calculations based on ABS data

Cost of doing business



Source: ABS

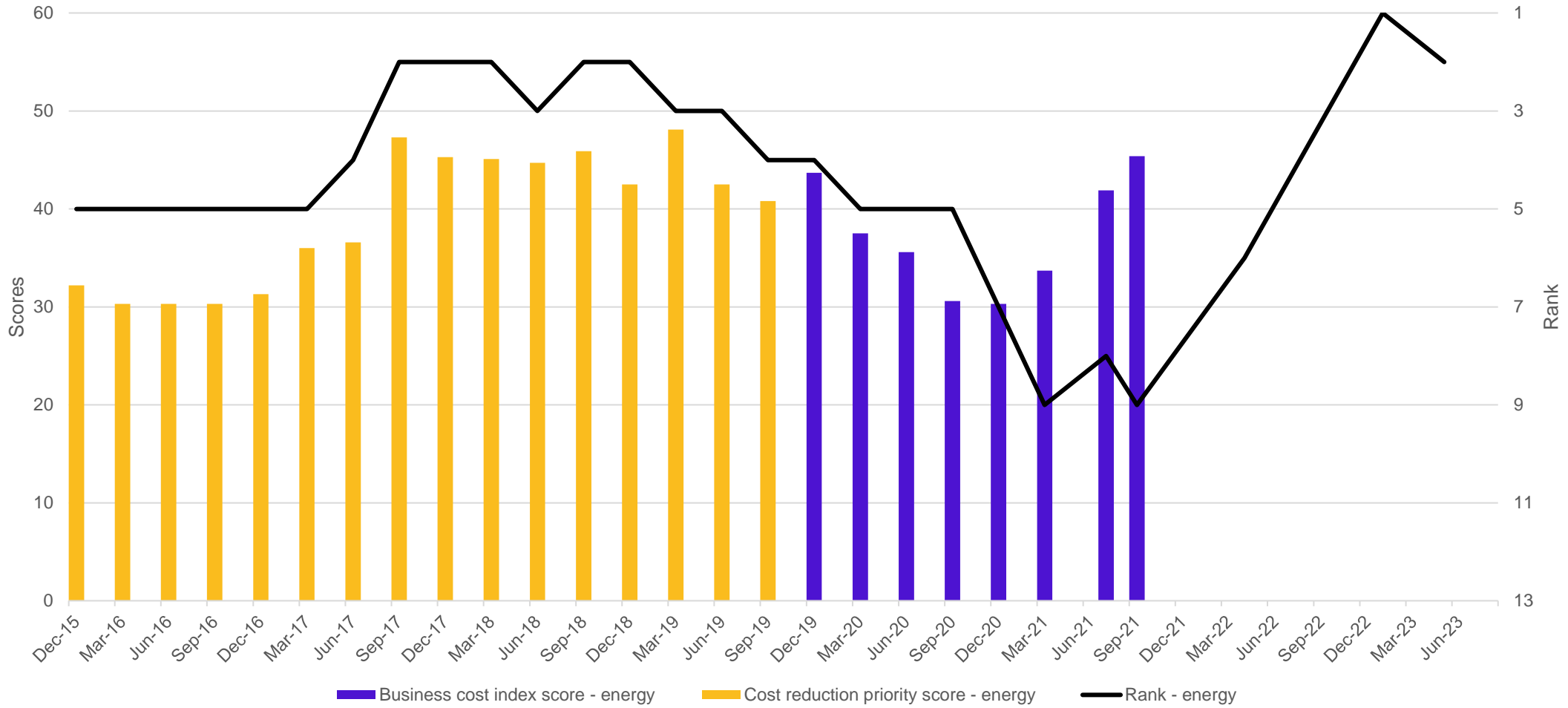
Retail trade slowing not stopping



Source: ABS

Concern about business costs

Energy



Source: Business NSW

DMO 6

Other Relevant Issues

Retail allowance

“Analysis of underlying retailer costs in the DMO 4 position paper and draft determination found that the implicit retail allowance present in DMO 1 and DMO 3 were on aggregate approximately 10% and 15% of DMO prices for residential and small business customers, respectively. We considered that higher retail allowance for small business customers met the DMO objectives because it reflected the different market characteristics of this customer type. This was based on ACCC analysis that NEM-wide retail margins for small businesses were 0.5c/kWh or 60% higher than for residential customers... However, this is a different approach to the decisions of other economic regulators that apply a consistent margin across both residential and small business consumers, and we are open to reconsidering it.”

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If you get a worse outcome in the market, the regulator will apply a weaker safety net?

Presumption in favour of equalization

Thank you

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