



**Australian
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Working for business.
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Mr Sebastian Roberts
General Manager, Networks
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

By email: NSW2019-24@aer.gov.au

Dear Mr Roberts

Distribution Network Proposals

The decline in energy affordability is a serious concern for Australian businesses, particularly small businesses and those in the manufacturing sector who have struggled with substantial increases in electricity pricing over several years.

The AER is currently considering the distribution network revenue proposals for compliance against the National Electricity Rules (Rules). While the Australian Chamber is aware average network prices are likely to increase no more than by CPI or less during the next five years, there remains an issue with the high fixed charges applied by some distribution networks on small business customers.

We are concerned with the number of instances where small businesses are levied fixed charges of more than three times of residential users despite similar electricity use profiles.

The AER could provide pricing relief to affected small businesses by ensuring pricing equality within networks.

As you know, networks are required under the Rules to price according to a number of principles, and these include that classes of consumers with the same consumption profile are treated equally. These pricing principles were updated and to be applied to all network revenue proposals lodged after 2017.

The AER needs to establish (against the new pricing principles in the Rules) whether network revenue proposals have sufficiently addressed the impact of higher fixed network access charges on small businesses or provided justification why a different fixed network access charge to residential has been applied.

It is worth noting that to protect consumers, the South Australian government previously had in place a legislated limitation on increases to fixed charge supply components. This protection was subsequently subsumed through the introduction of

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the consumer impact principle in the new pricing principles; a limitation on fixed charges is an example of how a consumer impact principle should work in practice.

The Australian Chamber maintains imposing higher fixed network charges on small businesses who have equivalent electricity use profiles to residential customers is not consistent with the new pricing principles; fixed network charges for residential and small business should therefore be reset to the same level.

We would appreciate your assistance in this matter.

Yours sincerely

ADAM CARR

Director, Economics and Industry Policy