SUBMISSION TO THE QUEENSLAND PRODUCTIVITY COMMISSION ISSUES PAPER ON ELECTRICITY PRICING IN QUEENSLAND

CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND SUBMISSION

16 November 2015
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1.0 Overview

1.1 The Chamber of Commerce and Industry Queensland (CCIQ) welcomes the opportunity to provide a submission to the Queensland Productivity Commission (QPC) on the review into electricity pricing in Queensland.

1.2 CCIQ is a voice for Queensland small business, advocating on behalf of 25,000 members to influence government policy to keep public debate focussed on business issues.

1.3 Small businesses make up 97 per cent of all businesses in Queensland. There are approximately 412,000 small businesses in operation employing over 1 million Queenslanders. Collectively these small businesses contribute 46 per cent of Queensland Gross State Product.

1.4 As Queensland’s peak industry body, CCIQ wishes to work with Government bodies to achieve the best possible outcomes for businesses in this state. There is much to be done to realise the potential of the energy sector to enable Queensland small businesses to make a significant contribution to our economy.

1.5 In particular, electricity price rises since 2007 have taken a toll on small businesses who are failing to keep pace. This in turn impacts on Queensland’s economy as increases in the price of power escalate the cost of doing business and the cost of all goods and services in Queensland.

1.6 The supply and cost of energy is a key issue for Queensland businesses. Businesses rightfully expect a reliable, efficient and cost-effective energy sector.

1.7 CCIQ believes that the energy sector must deliver greater certainty, operational efficiency, strategic future focused planning and investment, service excellence and be integrated and harmonised with energy efficiency policy. Above all it must be conducive to and support business and economic growth in Queensland.

1.8 This submission will detail issues concerning small businesses in areas such as:

- The introduction of market monitoring in 2016;
- Network tariff reform;
- Uniform Tariff Policy (UTP) and regional competition;
- Queensland Government policies such as the Solar Bonus Scheme;
- Impact of reduced demand and uptake of alternative energy; and
- Stranded assets
- Electricity asset privatisation
2.0 Electricity pricing impacts on small business

Queensland’s electricity costs represent a major area where we can either stimulate or suppress ongoing economic growth. As with other ‘costs of doing business’ CCIQ believes we should champion the need to keep them as low as possible and develop an energy sector that is nationally and internationally competitive. It is pertinent to recognise that many Queensland small businesses have done all they can do to reduce usage and exercise operational efficiencies and accordingly are exposed to electricity price increases.

CCIQ is heartened by the recent Queensland Competition Authority (QCA) Final Determination for regulated electricity prices for 2015-16 which show that a typical small business customer on tariff 20 can expect a decrease of 3.5 per cent or $73, while a customer on tariff 22 can expect a reduction of 1.7 per cent or $135 in their annual bill. However this decision comes after 7 years of significant increases that has effectively seen the price of electricity double for small business.

Accordingly it comes as little surprise that when CCIQ recently surveyed more than 1100 small businesses ahead of the Queensland state election to determine key issues electricity was at the top of the list. Of those businesses surveyed it was identified that increasing electricity prices is currently the most significant business issue with 65% of Queensland businesses surveyed indicating a major or critical concern with the cost of energy.
Level of impact on small business

To what extent are the following issues a cause for concern at the present time?

<table>
<thead>
<tr>
<th>Issue</th>
<th>No concern</th>
<th>Minor concern</th>
<th>Moderate concern</th>
<th>Major or critical concern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall complexity of the workplace relations system</td>
<td>10%</td>
<td>4%</td>
<td>20%</td>
<td>43%</td>
</tr>
<tr>
<td>Access to adequate telecommunications infrastructure</td>
<td>10%</td>
<td>2%</td>
<td>21%</td>
<td>44%</td>
</tr>
<tr>
<td>Cost of water</td>
<td>5%</td>
<td>2%</td>
<td>22%</td>
<td>42%</td>
</tr>
<tr>
<td>Level of State Government debt</td>
<td>5%</td>
<td>2%</td>
<td>28%</td>
<td>47%</td>
</tr>
<tr>
<td>Cost of telecommunications</td>
<td>5%</td>
<td>1%</td>
<td>28%</td>
<td>47%</td>
</tr>
<tr>
<td>Overall complexity of the State tax system</td>
<td>6%</td>
<td>1%</td>
<td>30%</td>
<td>47%</td>
</tr>
<tr>
<td>Efficiency of State Government service delivery</td>
<td>4%</td>
<td>1%</td>
<td>31%</td>
<td>48%</td>
</tr>
<tr>
<td>Level of economic activity and demand</td>
<td>2%</td>
<td>1%</td>
<td>33%</td>
<td>52%</td>
</tr>
<tr>
<td>Overall complexity of the Commonwealth tax system</td>
<td>5%</td>
<td>1%</td>
<td>25%</td>
<td>54%</td>
</tr>
<tr>
<td>Cost of energy</td>
<td>3%</td>
<td>1%</td>
<td>21%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Source: CCIQ 2015 election survey

The recent rises in electricity prices since 2007 are attributed predominantly to network costs. CCIQ understands that overinvestment in network infrastructure was carried out in response to addressing poor reliability standards. However, CCIQ stresses that there is a need to discontinue building unnecessary infrastructure. A CCIQ survey indicated that small businesses would not support further investment in network infrastructure to improve reliability standards. Queensland small businesses are satisfied with the current levels of reliability and given reliability of supply is of critical importance to some businesses, they would not support a relaxation of standards to reduce costs.
Business rating of Queensland’s Electricity Industry and Performance (Survey 2011)

|                      | 1 - Very Poor | 2 - Poor | 3 - Average | 4 - Good | 5 - Very Good | Average Rating |
|----------------------|---------------|---------|-------------|---------|              |                |
| Price                | 38.6%         | 29.1%   | 27.1%       | 4.4%    | 0.8%          | 1 - Very Poor  |
| Service              | 19.9%         | 25.7%   | 31.9%       | 18.3%   | 4.2%          | 3 - Average    |
| Reliability of Supply| 7.9%          | 15.3%   | 31.0%       | 33.4%   | 12.4%         | 4 - Good       |
| Products             | 13.4%         | 23.2%   | 43.8%       | 15.7%   | 3.9%          | 3 - Average    |
| Planning and Investment (Past) | 36.5% | 28.2% | 26.7% | 7.8% | 0.8% | 1 - Very Poor |
| Planning and Investment (Current) | 33.0% | 28.4% | 29.7% | 8.4% | 0.7% | 1 - Very Poor |

Source: CCIQ Survey January 2011

Small businesses have indicated that as a result of high electricity prices they are investigating alternative energy options. CCIQ’s survey revealed that as a result of rising electricity prices:

- 40 per cent of small business respondents had experienced decreased/substantially decreased profitability;
- 23 per cent had decreased/substantially decreased investment; and
- 34 per cent had increased/substantially increased supply chain costs.

Impact of rising electricity prices on business

![Source: CCIQ 2015 June Quarter Pulse Survey]
It is important to have a robust and balanced debate that delivers policy and regulatory frameworks on energy matters. For small and medium businesses, a safe and secure electricity service is essential for everyday operations.

### 3.0 Distribution Revenue Determination Outcome

CCIQ was actively involved in the distribution network revenue determination process with the Australia Energy Regulator (AER) for Energex and Ergon Energy’s total revenue requirement for 2015-20.

The AER handed down their final determination on 29 October 2015. The AER awarded Ergon Energy and Energex with overall allowances of $6.6 billion and $6.3 billion respectively. The AER’s final decision set the allowed rate of return (or cost of capital) at 6.01% for 2015/16, reduced from 7.4% proposed by Ergon Energy and Energex. The AER delivered an overall reduction of 19.3 per cent and 16.2 per cent from the revised proposals provided by Ergon and Energex respectively.

#### Summary of indicators – Energex and Ergon

<table>
<thead>
<tr>
<th></th>
<th>Energex</th>
<th>Ergon</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue allowance (nominal, smoothed, millions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory proposal</td>
<td>8,432.4</td>
<td>8,228.6</td>
</tr>
<tr>
<td>Preliminary decision</td>
<td>6,528</td>
<td>6,021.5</td>
</tr>
<tr>
<td>Revised regulatory proposal</td>
<td>7,873.5</td>
<td>7,798.2</td>
</tr>
<tr>
<td>Final decision</td>
<td>6,599.9</td>
<td>6,295.4</td>
</tr>
<tr>
<td><strong>Capex ($2014-15, millions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory proposal</td>
<td>3,239.6</td>
<td>3,397.0</td>
</tr>
<tr>
<td>Preliminary decision</td>
<td>2,361.5</td>
<td>2,182.0</td>
</tr>
<tr>
<td>Revised regulatory proposal</td>
<td>2,889.7</td>
<td>3,282.4</td>
</tr>
<tr>
<td>Final decision</td>
<td>2,755.4</td>
<td>2,858.1</td>
</tr>
<tr>
<td><strong>Opex ($2014-15, millions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory proposal</td>
<td>1,738.2</td>
<td>1,821.1</td>
</tr>
<tr>
<td>Preliminary decision</td>
<td>1,738.2</td>
<td>1,629.9</td>
</tr>
<tr>
<td>Revised regulatory proposal</td>
<td>1,738.2</td>
<td>1,841.8</td>
</tr>
<tr>
<td>Final decision</td>
<td>1,738.2</td>
<td>1,757.9</td>
</tr>
<tr>
<td><strong>WACC (5%)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulatory proposal</td>
<td>7.75</td>
<td>8.02</td>
</tr>
<tr>
<td>Preliminary decision</td>
<td>5.85</td>
<td>5.85</td>
</tr>
<tr>
<td>Revised regulatory proposal</td>
<td>7.42</td>
<td>7.41</td>
</tr>
<tr>
<td>Final decision</td>
<td>6.01</td>
<td>6.01</td>
</tr>
</tbody>
</table>
The estimated impact on customer bills is likely to at best stabilise rather than a reduce prices. The AER expects that the average annual electricity bills for small business customers will reduce by $36 (or -1.2 per cent) in 2016/17, followed by reduction of $44, $36 and $30 in subsequent years. However, as provided by the AER, these are only estimates, and are based on the data the AER have about how much energy customers in Queensland use. There are a number of other factors that also affect customer’s electricity bill, such as the amount of energy used and the wholesale price of electricity.

The price reductions will be a welcome relief after the previous years of unsustainable increases in power bills. However, the overall reductions were not as drastic as they were in New South Wales where the AER cut approximately 40 per cent of the proposed revenue.

Given the Queensland network businesses have been identified as the most inefficient operators in the National Electricity Market (NEM), CCIQ believes that more efficiencies can be found. Ultimately, Queensland consumers should not be paying for the network businesses inefficiencies.

4.0 Solar Bonus Scheme

Both Energex and Ergon Energy proposed significant under-recovery of revenue as a result of the higher than forecast uptake of the state government’s solar bonus scheme.

Currently, payments for the Queensland Government Solar Bonus Scheme are funded through the distribution company’s revenue and network electricity prices. This scheme pays eligible customers for the surplus electricity generated from solar energy systems that is exported back into the electricity grid. Under the Electricity Act 1994 Qld distributors are required to pay the amount credited to eligible customers through the feed in tariff. The network companies intend to continue to recover payments made under the scheme by passing through these costs to all customers based on a two year lag between the year in which the payments are made, and the year in which the prices are collected. Should the Queensland Government fund these payments in a different manner, the networks proposed that their revenue and network prices would decrease proportionately as a result.

CCIQ would like to propose that the Queensland Government seek to remove the legacy cost of the Solar Bonus Scheme. Queensland small businesses should not have to continue to subsidise the cost of solar usage through their power bills. Queensland small businesses are already heavily burdened by the impost of costs associated with the Solar Bonus Scheme and CCIQ believe it is unacceptable
that they should be responsible for compensating the failure of the distribution companies to adequately forecast demand. The removal of the Solar Bonus Scheme costs would see immediate price reductions for all energy consumers across Queensland. CCIQ urges the QPC consider preventing the distribution companies from recovering these costs from consumers and recommends that these charges be absorbed.

Source: QCA 2013

CCIQ also acknowledges that the Palaszczuk Government has committed to achieving a target of one million solar rooftops in Queensland by 2020. CCIQ believe this is an ambitious target and warns against implementing any future rebates to incentivise reaching this goal. CCIQ implores the state government to learn from past mistakes so Queensland small businesses are not further burdened with higher costs.

**5.0 Retail Price Deregulation in South East Queensland**

Due to the diminished need for regulated tariffs in SEQ, the Queensland Government with CCIQ support has rightly decided to remove regulated price-setting for the SEQ retail electricity market and replace it with price monitoring by 1 July 2016.

It is proposed that from 1 July 2016 the Queensland Competition Authority (QCA) will no longer set electricity prices in SEQ.

CCIQ accepts the State Government’s decision to delay the commencement of the SEQ electricity retail price deregulation until 1 July 2016. CCIQ acknowledges that this delay will allow for SEQ small
business consumers to ready themselves for the implementation of contestability arrangements and negotiating a market contract with an electricity retailer.

The introduction of the Electricity Competition and Protection Legislation will aim to remove barriers to competition in the retail electricity market in SEQ whilst maintaining strong customer protections. Price deregulation is designed to increase competition, which will ultimately drive better outcomes for consumers in terms of choice, efficiency, customer service and lower prices.

Approximately 70 per cent of customers in SEQ are already on market contracts. Removing regulated prices will allow the remaining 30 per cent of customers to negotiate their own market contracts to suit individual needs. A fully contestable market can only be achieved where regulated prices are removed.

CCIQ stresses that it is important for the government to increase consumer awareness of the choices available and ensure small businesses have the necessary information and tools to understand and compare offers. A recent CCIQ survey revealed that 62 per cent of small business respondents never switch electricity retailer; yet 75 per cent indicated that price was the most important factor when choosing a retailer for their business. This is highly concerning to CCIQ, particularly given the introduction to market monitoring occurring in July 2016. Small business energy consumers will require guided education on how to participate in the electricity market ahead of these reforms to ensure that retail prices remain competitive.

Source: CCIQ 2015 June Quarter Pulse Survey
Encouraging a more sustainable and competitive energy sector in Queensland will provide a platform for businesses to continue growing over the next 30 years. The proposed delay will allow more sufficient time to provide education and awareness tools for small business customers ahead of market monitoring. Small business consumers must be empowered to switch retailer without impediment. CCIQ will continue to work with the State Government to ensure Queensland small businesses are informed and educated about upcoming reforms.

CCIQ believes that price deregulation does not need to be vetted by the QPC. CCIQ believes the role of the QPC should be to instead investigate options for increasing competition and price relief for regional Queensland. Many small businesses in regional Queensland have communicated to CCIQ that they would like the same competitive market opportunities as businesses operating in SEQ.

6.0 Uniform Tariff Policy and regional competition

CCIQ is supportive of retaining the Uniform Tariff Policy (UTP) to allow small businesses to access the same regulated prices of electricity across all of Queensland regardless of whether the cost to supply is higher for regional customers. CCIQ understands that due to this subsidy, other electricity retailers chose not to operate in regional Queensland. This is one of the major impediments to competition in regional Queensland.

CCIQ notes there is an opportunity for the Queensland Government to implement strategies to encourage competition in areas outside SEQ. CCIQ supports initiatives to reform the application of the UTP, such as shifting the allocation of the UTP from Ergon Energy’s retail business to a network based Community Service Obligation (CSO). This would encourage more retailers to operate in regional Queensland on a level playing field with Ergon Energy retail. Small businesses in regional Queensland have communicated their desire for more options to be provided in the electricity retail market. Encouraging competition in the retail market for regional Queensland should be designed to keep downward pressure on prices for regional customers.

CCIQ would also be open to supporting a review of the UTP arrangements to develop more efficient subsidy arrangements, including whether there is scope to better target subsidies provided small businesses were included. Removing the UTP from small business customers would greatly impact on profitability, productivity and ability to compete with businesses located in SEQ. This would also impact on small businesses capacity to employ people, decreasing employment rates regionally.
CCIQ supports the retention of the UTP on the basis of encouraging regional development and uniformity of operating costs for small businesses regardless of location. CCIQ supports the objectives of the UTP to promote regional development and achieve social equity.

CCIQ recognises that it will be difficult for the State Government to calculate the UTP once regulated pricing is removed in SEQ in 2016. Currently the UTP is calculated on the lowest cost of supply for customers on regulated prices in SEQ. Additionally, if a network CSO is introduced, certain factors need to be considered in determining a benchmark for setting notified prices in regional Queensland.

CCIQ recognise that the cost of the subsidy is estimated to deliver a $3 billion benefit to regional Queensland customers over the next five years.

**7.0 Network Tariff Reform**

CCIQ has been involved in both Ergon Energy and Energex's engagement programs for the network tariff reform process. CCIQ has a number of concerns relating to the network tariff reform process, particularly the impact that demand tariffs are likely to have on small businesses across Queensland.

CCIQ believes it is very important for the network businesses to clearly identify the objectives and drivers for tariff reform as well as their decision to implement a demand based tariff. CCIQ provides that a well-designed tariff should support more efficient use of network infrastructure by reducing peak demand and in turn the need to spend more on infrastructure over the longer term. Both network businesses explained the need to reduce the impact of peak demand on the network. Much of the justification behind introducing demand based pricing was the need to move to pricing based on how much demand is placed on the network – particularly during the evening peak periods of 4-8pm on weekdays. However, small businesses generally do not contribute to the 4-8pm peak strain on the network. It is difficult for small businesses to comprehend why the small business tariff has a peak period that is across the entire day. The network businesses are proposing that the small business demand tariff operates between approximately 7am and 9pm. If the objective of tariff reform is to smooth the load during the evening peak, small businesses question why their peak demand period is much longer.

Additionally, for most businesses it would be impossible for them to shift load outside of these times and therefore limit their ability to benefit from using power during off peak times. CCIQ stresses the
importance of messaging to small business consumers as this could be interpreted as small businesses cross subsidising residential users through having a longer peak period during the day.

Many of CCIQ’s members have communicated that they have done all they can do to reduce their energy usage. The uptake of business energy efficiency is limited to the availability of efficient technologies and production process as well as the significant cost of plant and equipment. Quite often other regulatory frameworks such as health and safety and industrial relations requirements place additional restrictions on the ability of businesses to implement energy efficiency measures and manage peak demand. Additionally, energy consumption by businesses is unique to other customer groups. Businesses generally have a flatter usage pattern and operate independently from peak demand times. Other businesses are simply unable to adjust their time of use structures due to the nature of their operations.

One of the difficult aspects of tariff reform relating to small business consumers is the diverse nature of small business across south east Queensland and the varied patterns of operations. It is important that the network businesses allow for small business consumers to communicate which tariff option would best suit their business to determine commonalities of use where possible.

CCIQ understands that the move to demand based pricing is to achieve more cost reflective tariffs. However, it will be difficult to signal to consumers the amount of network infrastructure they use without the demand charge appearing as an added fixed charge to the consumer.
CCIQ recommends that the network businesses focus on collecting more customer load profile data for small businesses. Specifically, half hourly interval load data is needed to accurately quantify the financial impact of the proposed tariff reform on small business customers. If the wrong signals are given to small businesses, the overall objectives of tariff reform will not be achieved.

8.0 Reduced demand

Forecasting accurate energy demand is critically important for network businesses. Augmentation of the network is undertaken in response to increasing demand which places overall pressure on the networks’ capacity. Given the long term issues and costs associated with increasing the size of the Regulatory Asset Base (RAB), it is imperative that network businesses assess what the demand will be into the future. In light of this it is important that annual demand and customer growth be reviewed. It appears that both annual demand and customer growth are either flattening or declining as seen in the following graphs.

Source: Bev Hughson Consumer Challenge Panel 2014
Source: Bev Hughson Consumer Challenge Panel 2014
CCIQ believe that in order to achieve real electricity savings, all options must be investigated to address decreasing electricity demand.

CCIQ believe that a discussion on electricity pricing can’t be had without addressing the issue of stranded assets and considering options to write down parts of the network. It is well established that the distribution companies overinvested in ‘gold plating’ the network system to improve reliability of supply. This has attributed to the overall increase in costs associated with maintaining the expanded network despite some areas being stranded or unused.

CCIQ supports the views expressed by Hugh Grant in his submission to the Senate Inquiry into the Performance and Management of Electricity Companies from December 2014. Specifically:

"Australia’s electricity system now has an installed asset base well in excess of requirements. The Regulated Asset Bases (RABs) - the valuation of the electricity networks’ past investments, are grossly inflated due to unnecessary and inefficient investments, and a flawed asset valuation methodology. Australian electricity consumers are already funding a significant level of “stranded assets”. The networks receive guaranteed returns on their past investments (RABs) - returns which are currently driving around 70% of their prices. Whilst the recent regulatory rule changes have provided the AER with marginally more power to scrutinise future “gold plating”, they do not allow the AER to address
past gold plating. To seriously address Australia’s unsustainable electricity prices it is imperative that the networks’ Regulated Asset Bases (RABs) are re-valued to more appropriate levels”.

Given electricity demand in Queensland has been falling significantly since around 2010, there is no apparent justification for the expansion of the network to cater for additional demand. It is proposed that the network businesses seek to increase the size of the asset base to justify increased revenue recovery. Ultimately electricity consumers such as small businesses repay the investment in the RAB through network charges as determined by the AER that is discussed earlier. Significant cost savings can be achieved through reducing the overall size of the network base. CCIQ calls on the QPC to investigate stranded assets and examine the overall value of the RAB.

9.0 Alternative energy sources

It is likely that demand will continue to fall over the next regulatory period particularly given the increased popularity of the use of alternative energy sources and storage options. Many small businesses have communicated they would opt to disconnect from grid supply if they could.

CCIQ conducted a survey of small business members to determine attitudes towards renewable energy options as part of the June Quarter Pulse survey. Of those businesses currently adopting renewable energy, 73 per cent use solar. The survey also revealed that 84 per cent of businesses approved or strongly approved increasing the use of solar energy; and 46 per cent of businesses disapprove or strongly disapprove with using coal as an energy source.

Small businesses are investing significant capital into alternative energy sources such as solar and batteries to offset the high costs of energy supply from the grid.

Approximately 65 per cent of businesses indicated they would move their business off the electricity grid entirely if there was a viable alternative to do so. However, 55 per cent of businesses provide that the cost of implementing alternatives is the biggest barrier to seeking alternative off the grid electricity supply. Additionally, small businesses have also communicated that location is a large deciding factor, particularly if a business is operating under a lease agreement on a property.

With the coming on line of new, cheaper storage options, it is likely that more and more businesses will seek alternative arrangements to being connected to the Queensland networks. This is a concern to both the network businesses as well as customers remaining connected to the electricity grid.
CCIQ notes that Queensland’s share of total generation capacity by type continues to be dominated by coal. Queensland small businesses would be supportive of increasing other generation sources where possible.

**Share of total generation capacity in Queensland by type, as at 31/12/12**

*Source: AEMO with DEWS estimates for non-NEM (total generation 12,420MW)*
10.0 Asset Privatisation

In January 2015 CCIQ together with Infrastructure Partnerships Australia, Australian Industry Group (Ai Group) and the Property Council of Australia (PCA) released a report conducted by consulting firm Ernst and Young (EY) on network pricing trends in Queensland. This report revealed the high costs and low productivity of the electricity grid under public sector operation. The report assessed long term trends in the costs and prices associated with providing electricity network services, which revealed that, since privatisation of the electricity networks in Victoria and South Australia, network prices for typical consumers in those states have fallen in real terms. In contrast, network prices for a typical consumer in Queensland have increased in real terms by over 100 per cent over the same period.

Specifically, the research showed that inefficient public sector operation has, over the past 15 years:

- Increased customer network charges by 140 per cent;
- Driven nearly 90 per cent of the increases in customer power bills; and
- Meant Queensland’s electricity is 37 per cent more expensive than it should be, costing the average Queensland family $570 more each year.

The report undeniably shows that the lease of the grid is in the best interests of the public, with prices lower than under a state-run operation.

Additionally, in May and October 2014 CCIQ and ReachTel conducted telephone polling of 1100 small business owners across Queensland to determine their thoughts on the potential sale and leasing of Queensland assets to retire Queensland’s state debt. CCIQ used identical questions in May and October with ReachTel but amended wording from sale to lease. This enabled CCIQ to do longitudinal analysis on how businesses have shifted their views following the change in approach.

The results indicated that leasing was not only substantially favoured over sales but also favoured over reducing government services or increasing taxes. However, the majority of businesses still believed that prices would increase.

CCIQ believe that the debate on asset ownership should be guided by facts and evidence rather than politics. Notwithstanding the State Government’s current opposition to privatisation, CCIQ believe these matters should be considered as part of the options presented to government to achieve reduced costs for Queensland small businesses.
11.0 Energy company merger

CCIQ would also like to raise concern over the Queensland Government’s plan to merge electricity transmission company Powerlink, with energy generation companies CS Energy and Stanwell as well as distribution companies Ergon Energy and Energex. The Queensland government has committed to merging the five state owned companies in an effort to make them run more efficiently and save money.

CCIQ share similar concerns to the Australian Competition and Consumer Commission (ACCC) chairman Rod Sims who expressed earlier this year that the merger could result in higher prices. In particular, CCIQ is concerned that the merger of transmission and generation companies Powerlink, CS Energy and Stanwell would result in a 66 per cent market share in Queensland generation. This concentration would dilute competition between Stanwell and CS Energy, giving them a greater market power and potentially increasing power prices.

12.0 Conclusion

Queensland small businesses have been struggling with the rising costs of electricity for the past several years. CCIQ have participated in numerous processes in an effort to ease the electricity cost pressures on small businesses. CCIQ now looks to the QPC to recommend changes that result in real savings on electricity for small business consumers.

CCIQ urges the QPC to investigate all possibilities when developing options to the Queensland government that improve outcomes for small business consumers. Electricity is an essential input into nearly every good or service and accordingly its price is a key influence on the competitiveness of Queensland businesses. Small businesses are often unable to pass costs onto their customers for fear of losing their competitive advantage.

Encouraging a more sustainable and competitive energy sector in Queensland will provide a platform for businesses to continue growing and employing over the next 30 years.