COSBOA ENERGY BILL SHOCK: Future Proofing Small Business

A national advocacy project to inform and empower small businesses about how to most effectively ‘future proof’ themselves from unexpected and unplanned future energy price increases.

COSBOA COUNCIL OF SMALL BUSINESS ORGANISATIONS AUSTRALIA

89 DEGREES EAST

COSBOA COUNCIL OF SMALL BUSINESS ORGANISATIONS AUSTRALIA

89 DEGREES EAST

Contents

Executive Summary

One million small businesses are affected by rising energy costs, and many of them are struggling to meet ongoing energy price rises. The lack of detailed national quantitative and qualitative data on small business energy costs has made it difficult to demand action from regulators and governments. This *Energy Bill Shock* project begins to address this gap.

The report builds on inquiries by Energy Consumers Australia (ECA), the Australian Competition and Consumer Commission (ACCC) and the Australian Energy Market Commission (AEMC), by **talking directly to small business owners** about the impact of rising energy prices on their current operations and future plans, **identifying gaps in existing tools and resources** meant to assist small business with management and reduction of energy costs, and **developing recommendations to achieve real change.**

As part of this project, COSBOA conducted **a national survey of over 200 small-to-medium enterprises** and conducted in-depth case study interviews with 9 businesses in a range of industries and locations, along with a literature review into the current 'state of play' in the Australian energy market.

The survey found:

- **78% of businesses have seen their energy costs increase** in the past two years.
- **The rise in energy prices is damaging Australian small businesses,** significantly reducing their profitability, affecting their cash flow, restricting their capital expenditure and in some cases requiring them to cut staff hours.
- **Over 50% rented their premises,** which meant there were far fewer energy saving measures available to them compared with businesses that owned their properties.
- **Small business owners reported feeling high levels of stress and anxiety about future energy bills.** A startling 85% of respondents said they would struggle to absorb any future energy price rises, and 1 in 8 businesses surveyed were already unable to pay their energy bills.

Case studies of 9 small businesses nationally in different industries demonstrate the varied nature of energy usage and capacity for energy savings both by location and by industry. The common theme was that most small businesses do not possess either the time or the level of expertise required to negotiate the plethora of competing and confusing offers in the current energy market. With the best will - and financial incentives - in the world, small business needs additional support to make the most cost effective decisions, and they overwhelmingly want third party 'trusted' advice to deliver this (such as industry associations with their best interests at heart), not energy retailers promoting their own products.

This report summarises the findings from COSBOA's research, providing **a snapshot of common issues small businesses face due to unpredictable energy price rises.** It also outlines the steps businesses have taken themselves to address these bill shocks.

Recommendations (Section G) have been developed in four key areas that represent the most pressing and common needs:

- Empowering small business with better information
- Legislative and regulatory reforms
- Support for businesses in rented premises
- Taking practical action through a tailored set of tools

COSBOA will use this report and its findings to advocate to government on behalf of small business, and will continue to pursue a range of potential partnership agreements with private and energy sector stakeholders to deliver practical outcomes for their members.

At a time of significant interest and debate, COSBOA wants to ensure that future energy policy settings take the needs of Australia's small business community--the backbone of the economy in this country-into account.

Introduction

This report, *Energy Bill Shock: Future Proofing Small Business*, presents the findings of COSBOA's national research and advocacy project to identify how fluctuations in electricity and gas bills have affected Australian small business and what practical steps can be taken to address this issue.

The Problem: Small business energy bill increases are unsustainable

In the energy sector, 'small business customers' are defined as those small and medium enterprises (SMEs) that consume less than 100MWh per year - and there are **over one million** such customers nationwide.

The ACCC Retail Electricity Pricing Inquiry of July 2018 confirmed what small businesses have known for a long time - that many of them are being price gouged on electricity and that "the current situation is unacceptable and unsustainable".

Based on numerous recent inquiries by leading Australian consumer energy stakeholders, and the reported experience of COSBOA members, it is clear that the particular issues and needs of small business energy customers are not being addressed.

The ACCC made a number of recommendations in its 2018 report about measures to specifically address the issues and barriers faced by small business. Getting small business off 'standing offers' was the most pressing issue, but the ACCC recognised that this could not happen in an environment of poor and generic information that didn't speak to its audience. This is why it proposed:

- that Governments should **fund small business organisations to provide tailored electricity retail market advice** ($10 million over 3 years)
- Governments and market bodies should **develop specific electricity market awareness campaigns targeted at small business** customers

COSBOA's project builds on these recommendations and calls for more practical action from governments and the energy sector to help stop the price gouging, and empower small businesses to get back in control of their energy useage and energy bills.

State of Play

What is causing the rise in electricity prices?

Reviewing the most recent literature, it is clear that:

- **Deregulation combined with a lack of competition have pushed electricity retail prices up.** The energy retail sector is dominated by several massive companies that control 97% of the retail market. Due to the effective monopolies that the biggest energy companies hold over the electricity retail market, there is little genuine competition in the market. As is typical in monopolistic systems, the big retailer-generator companies are making windfall profits by setting prices high and passing the costs of increased competition (through more marketing, customer outreach and advertising) onto energy consumers. This price gouging may reduce over time, as the number of small retailers increases and grow their market share.
- **Gold-plating of poles and wires has massively increased the cost of distributing energy** through the grid in the past two decades. Government's heavy subsidisation of network operators infrastructure upgrades and their failure to effectively understand or regulate this process has exacerbated the problem. Network operators are responsible for transmitting the electricity from the generators through the poles and wires. These network operators engaged in 'gold-plating' - costly and often unnecessary upgrades of infrastructure that pushed up electricity distribution charges.
- **Barriers to switching energy providers smothers competition and keeps prices high.** It is still difficult for businesses and households to switch from one retailer to another. Sometimes consumers have to pay a 'penalty fee' just to switch to another retailer. It takes a lot of time and hassle for little perceived benefit. Consumers basically get the same service, no matter who they go with, and because information on pricing is so obtuse, complex and confusing, it's often difficult to tell whether there are any real financial savings will be achieved.
- **Closure of old power plants is causing spikes in wholesale electricity prices.** About 85% of Australia's electricity supply comes from fossil fuels, but more than two-thirds of Australia's coal generation plants are reaching the end of their life, and will need to be retired by about 2035. With the closure of several large power stations in the last 2 years, and the expected closure of several more, the Australian Energy Market Operator is now paying several large gas plants and diesel generators to operate on stand-by to cover any unexpected fluctuations in electricity demands.

State of Play

What is causing the rise in gas prices?

Gas prices in Australia's domestic gas market have also risen sharply in the past few years due to another kind of market failure. An investigation by the Australian Competition and Consumer Commission found that there was actually a surplus of gas in Australia, rather than a gas shortage, as argued by the large gas companies. However the small number of operating gas companies behaved like a cartel and sold their surplus gas on the overseas spot market, demonstrably pushing up gas prices in Australia by restricting supply and creating a shortage.

The ACCC has called for changes to the way gas is priced and restrictions on the amount of domestic gas that can be sold on overseas markets, to ensure that sufficient gas is supplied in the Australian market. Again, because of the small number of players in the domestic gas market, there has been insufficient competition to lower prices.

> "Gas and gas-powered generators are also an important part of electricity generation, so higher gas prices feed in to higher electricity prices, leading to a double hit for many."
>
> — Rod Sims, ACCC Chairman
> Gas Inquiry 2017-20 Interim Report

State of Play

Small Business energy prices now: what we know

Currently there is very limited information on the energy usage of SMEs throughout the day, over a week and throughout the year. There is also little granular data on the typical costs of electricity and gas for SMEs by sector. However, from a range of sources we have the following estimates, based on a varying measures around energy usage and business size:

Average annual electricity costs in 2017-18 by business size

Business type	Average annual electricity cost
Sole traders and partnerships	**$1,932**
Microbusinesses (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**

Source: 2018 AEMC Review of National Retail Energy Competition

Other sources have estimated energy bills based on the their annual usage:

- Through the government-operated Energy Made Easy website, the Australian Energy Regulator (AER) has estimated that an annual electricity bill for a small business in 2015 was $4155, based on consumption of 10 megawatt hours (MWh).
- The August 2017 Thwaites Review, a bipartisan review by the Victorian parliament into electricity and gas retail markets, found that in Victoria an annual electricity bill for a small business was $2,944 based on 10MWh of consumption in 2017, with an average annual gas bill for a small business in Victoria coming in at $7,425 for consumption of 500 gigajoules.

Energy Consumers Australia, through their SME Tariff Tracker report, provides an annual average estimate by jurisdiction, demonstrating the wide range within a jurisdiction such as NSW as well as the range nationally with South Australia having by far the highest electricity costs.

Average annual energy costs for small businesses in 2016-17 by State or Territory:

Jurisdiction	Average annual electricity costs (at benchmark of 20MWh consumed/year)	Average annual gas costs (at benchmark of 100,000MJ consumed/year)
SA	**$8,555**	**$3,222**
NSW	**Ranges from $5,700 to $7,230**	**$2,685**
ACT	**$5,915**	**$3,280**
QLD	**$5,820**	**Ranges from $3,280 to $4,090**
WA	**$6,860**	Not available
TAS	**$5,880**	**$4,300**
NT	**$6,265**	Not available
VIC	**$5,850**	**$1,950**

Source: Energy Consumers Australia, Small and Medium Enterprise Retail Tariff Tracker Project, Analysis of small business retail energy bills in Australia, December 2017

State of Play

> Electricity retail bills were up 22% in South Australia and the ACT in April, compared with the same time last year. In NSW, bills increased by 15%.
>
> —ECA SME Retail Tariff Tracking Project, 2017

Energy bill increases across the board

A recent report from the Australian Energy Market Commission (AEMC) shows that more than a third of Australian small businesses are grappling with bill shock - unpredictable jumps in energy bills - that are badly affecting their bottom line. Some businesses have even had to let staff go just to pay their energy costs, while others who are trading overseas have no way of passing on the rise in prices to their customers, so end up getting squeezed.

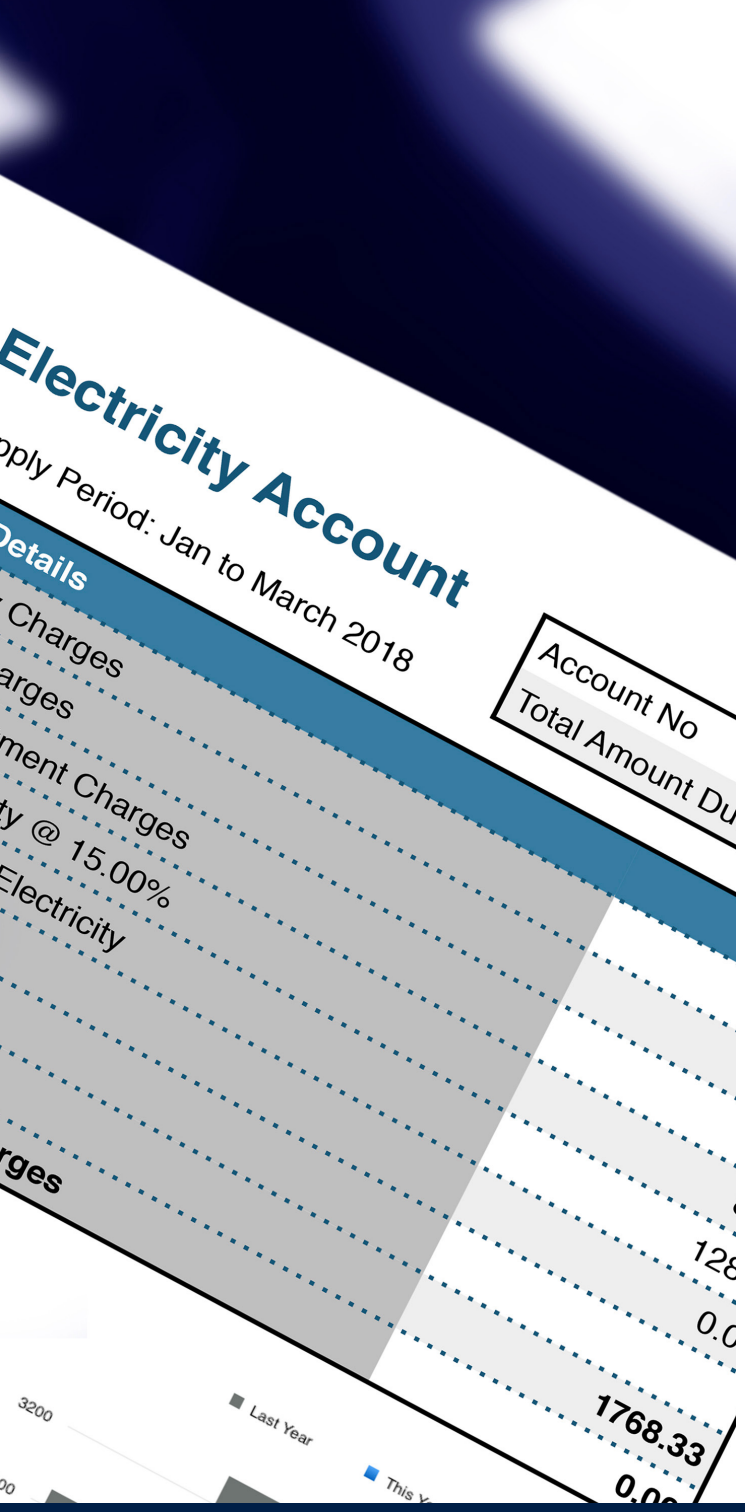
Some of the worst affected businesses are in retail, trade and manufacturing, although high energy costs are having an impact on hospitality and accommodation businesses too.

While the cost of energy varies across jurisdictions, the one common factor is energy price rises.

Average annual energy price rises for small businesses in 2016-17 by State or Territory:

Jurisdiction	Average annual electricity price increases (benchmark of 20MWh/year)	Average annual gas price increases (benchmark of 100,000MJ/year)
SA	**36% ($2250)**	**-1%**
NSW	**28%**	**6% ($160)**
ACT	**27.5%**	**10% ($310)**
QLD	**17%**	**6% ($200)**
WA	**10%**	**-16%**
TAS	**5%**	**3% ($140)**
NT	**1%**	Not available
VIC	**19%**	**16% ($270)**

Source: 2018 AEMC Review of National Retail Energy Competition



State of Play

What are small business electricity costs made up of?

Small businesses experience a large amount of variation across retail electricity plans, due in part to the different costs of distributing and transmitting electricity in specific geographic areas and the high prices set by large electricity retailers in markets with poor genuine competition. Businesses are also frequently charged different rates for their consumption of electricity, based on the time of day (peak versus off-peak).

Typically, the three biggest components of an electricity bill are:

- the network cost of distributing electricity (36%)
- the added cost of the electricity charged by the retailer and passed on to the business (30%); and
- the wholesale cost of electricity (19%)

This means that the extent of energy consumption is still a significant component of the overall bill. So if businesses are able to substantially reduce their consumption they can also reduce their bills and soften the negative effects of electricity price spikes.

In addition to some of the structural problems with the national energy market, highlighted in the recent ACCC inquiry into electricity retail pricing, the following factors can all add up to a big energy bill:

- never switching providers;
- energy guzzling appliances;
- poorly insulated buildings;
- high heating and cooling costs;
- irrigation and/or pumping systems; and
- not knowing that small decisions on when and how to use energy can influence your bills.

State of Play

The AEMC Retail Energy Competition Review of March 2018 surveyed over 800 small businesses about their energy bills, their awareness of different energy providers and their level of customer satisfaction with their energy providers.[1] The results painted a grim picture of small business' experience with gas and electricity providers, with increases in the severity of bill shocks over time and increasing customer dissatisfaction. A majority of SMEs were also understandably reluctant to spend the capital to adopt energy efficiency upgrades with high up-front costs, given that for many, bill increases were in no way related to changes in their energy usage.

The AEMC report demonstrated the following factors in energy bill shocks for small business:

Almost 40% of SMEs surveyed had experienced bill shock in the past few years

Notably there was no increase in the number of businesses experiencing bill shock between 2017 and 2018, but the severity of the bill shock between 2017 and 2018 increased by over 50% (a jump from an average of $371 unexpected increase in an energy bill to a $491 unexpected increase in a single energy bill)

The average cost increase for businesses who experienced bill shock was $491

60% of respondents who experienced bill shock attributed this to changes in the underlying costs of energy, with 27% identifying increased energy use as a factor

Half of these businesses simply absorbed the costs of the bill shock and another half made efforts to cut their energy usage in response to the bill shock

[1] The survey was restricted to businesses using between 40-160 MWh of electricity and between 400GJ-1000GJ of gas annually.

State of Play

Energy retail switching is confusing and time-consuming

Most small businesses are on standard offers, which means they are getting price gouged for their electricity, as almost all standing offers are over-priced. Small businesses could be saving $1000 - $3,500 per year by moving from 'standing offers' to median market offers, according to the Australian Energy Market Operator.

- There was a significant dip in awareness of energy bill comparison websites between 2018 (22% aware) and 2017 (41% aware).
- Deregulation of the electricity retail industry in several states has increased the number of businesses contacted by competing retailers. 79% of respondents were approached by a retailer in 2018, compared to 49% in 2017. Of those that had switched, most were very satisfied with their new offer, although no information was collected on relative price differences for those businesses that had switched providers.
- The level of dissatisfaction with electricity retailers has been increasing year-on-year. 45% of respondents were not satisfied with their electricity provider. Satisfaction with gas providers remained steady at 64%.
- Businesses in regional and remote areas are much less confident about their capacity to find better energy deals than businesses in metropolitan areas.

Attitudes towards energy saving measures

Big energy saving measures are often inaccessible: A majority of SMES are reluctant to explore energy saving measures given their high up-front costs, such as energy monitoring software, rooftop solar, battery storage and solar hot water - AEMC Inquiry / Colmar Brunton.

The survey found that, in general SMEs are reluctant to explore energy saving measures with up-front costs - such as energy monitoring software, rooftop solar, battery storage and solar hot water. For example:

- over half of all respondents said they 'definitely won't' install batteries in the next two years.
- 62% said they definitely won't install solar hot water.
- 51% said they 'definitely won't' install solar panels.[2]

Business customer dissatisfaction is high

- The level of dissatisfaction with electricity retailers has been increasing year-on-year. 45% of respondents were not satisfied with their electricity provider. Satisfaction with gas providers remained steady at 64%.
- Businesses in regional and remote areas are much less confident about their capacity to find better energy deals than businesses in metropolitan areas.

COSBOA's Survey of over 200 small businesses in August 2018 (see next page) builds on these findings.

[2] There was no disaggregation of responses based on property type, so it is not clear what the deciding factor is here - inability to act due to lease conditions or reluctance to invest for other reasons.

COSBOA National Survey Results

To build on existing research, and to directly understand the impact of rising energy bills on SMEs, from July to October 2018, COSBOA conducted a national online survey with over 200 businesses responding.

78% **of businesses have seen their energy costs increase in the past two years.**

The rise in energy prices is damaging Australian small businesses, significantly reducing their profitability, affecting their cash flow, restricting their capital expenditure and in some cases requiring them to cut staff hours.

Over 50% rented their premises, which meant there were far fewer energy saving measures available to them compared with businesses that owned their properties.

Small business owners reported feeling high levels of stress and anxiety about future energy bills. A startling 85% of respondents said they would struggle to absorb any future energy price rises, and 1 in 8 businesses surveyed were already unable to pay their energy bills.

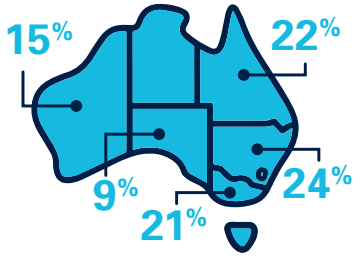
The results of the survey are set out in detail below. The full set of survey questions can be viewed in the Appendix.

National Snapshot of Small Business Energy Costs

Understanding the impact and doing more to support small business

Survey Respondents

Over **200** businesses responded to our online survey in July/September 2018



National sample with business represented from all across Australia.

Business came from a mix of industries ranging from sole traders through to midsize sized business.

14%	46%	33%	7%
Sole traders	1-4 Employees	5-19 Employees	20-100 Employees

Premises type

Respondents to the snapshot survey represented a the full scale of operations from home based business through multi-site locations.

31%	54%	15%
Home based	Single site	Multisite

The results reveal that that whether respondents owned or rented their business premises is a key factor in their ability to respond to energy prices.

55%	42%	3%
Renters	Owners	Mixed Rent/Own

COSBOA National Survey Results

Power Sources

Small businesses are connected with

- **99%** Electricity
- **39%** Gas
- **24%** Solar
- **2%** Home based

Alternative energy by premises type

- **8%** Renters
- **47%** Owners

Satisfaction levels by energy type

- **21%** Satisfied — Electricity users
- **23%** Satisfied — Gas users
- **37%** Satisfied — Alternate users

Energy price rises are putting the brakes on small business

- **53%** have reduced profit margins
- **40%** have reduced dividends
- **27%** had to increase prices
- **23%** reduce capital expenditure
- **19%** stopped expanding the business
- **18%** reduced staff and hours

COSBOA National Survey Results

Energy bills

78%

Energy bills have risen for more than **3/4** of small businesses surveyed

67%

for **67%** of businesses surveyed, rises have been over **10%** in the last 2 years

2016-18

54%

Twice as many small businesses are dissatisfied with energy bills deals compared to those that are satisfied

Energy price rises are significantly hurting small business

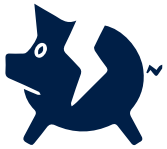
1/8
small businesses are already unable to pay energy bills

45%
Concerned about their ability to pay into the future

68%
of businesses have had their cash flow affected by energy bills

58%
of business owners are stressed or anxious about energy bills

Businesses on the brink



85% Business would struggle to incorporate future price rises.

42% would find it extremely hard to incorporate future price rises

8% had to increase business financing to pay energy bills.

4% Only 4% of small business are able to comfortably absorb increases.

These findings demonstrate the need for urgent reforms and regulatory changes to decrease the pressure on small business from rising energy costs.

Case Studies

In addition to the online survey, COSBOA conducted in-depth interviews with 9 small businesses to understand the impact of energy bill shocks in specific industries. These case studies convey the real-world experience of small business owners grappling with unpredictable and significant rises in energy costs. They demonstrate that regardless of location, business size or type, that increasing energy bills are creating great stress for business owners.

Overwhelmingly the business owners wanted to be able to take action to reduce their energy bills. However, with all the pressures of running a small business, becoming an 'energy expert' was the last thing on their to-do list. These case studies confirmed just how confusing and time consuming it is for small businesses to navigate all the information about energy costs and savings. They are desperate for an easier and more accessible way to address this part of their business needs.

Using case studies to tell the real-world experience of small business owners

#1: Velvet Café Hospitality, NSW	#2: Eden Hair Energy Hairdressing, ACT	#3: Collins Dairy Farm Agriculture, VIC
Limited by being in rented premises. Energy efficient appliances not considered a priority in setup phase, but critical once operating.	Hairdressing a large power user - but typically in rental premises which makes it harder to invest in energy savings measures or alternate power sources.	Energy intensive business in regional area – limited options for switching providers, and operating 7 days/week, 365 days/per year limits options for off-peak power.
#4: East Brunswick Kindergarten & Childcare Centre, VIC	**#5: AE Cranwell & Sons Brussel Sprout Farm Agriculture, SA**	**#6: Ten Pin Bowling Recreation, QLD**
The centre's hours make high costs from peak energy pricing unavoidable. An energy audit uncovered a host of possible energy efficiency upgrades (insulation, replacing A/C systems, double glazing windows), but the up-front capital costs of these upgrades were prohibitive.	The business had to absorb a $76,000 annual electricity bill increase when it came of its last 3-year contract. The farm has also had to rely on extremely expensive backup generators due to blackouts in South Australia.	More than $250,000 annual energy bill. Major differences in competitive and non-competitive markets. Business model in leisure industry means energy use reduction is difficult, particularly in warmer climates.
#7: Nowhere Man Brewing Co. Hospitality, WA	**#8: Byron Bay Beach Hostel Accommodation, NSW**	**#9: Foodworks Toowoomba Independent Supermarket, Retail, QLD**
High energy intensive business - brewing, heating, cooling and food preparation. Spending over $45,000 per year - saving grace that busy periods are in off-peak tariff times (evenings and weekends). Limited competition for SMEs in South West Interconnected System of energy in WA.	Over $100,000 in annual power bills, nearly double what was expected. Investigating multiple energy savings measures but various regulations limiting ability to act on them. Education of customers and staff one practical strategy, but additional competition in region would also make a difference.	Used an energy broker to negotiate a fixed price contract for electricity. Refrigeration and lighting are the major contributors to store electricity costs. Regulations and red tape in Queensland are preventing the owner from installing rooftop solar panels.

CASE STUDY #1:

Velvet Byron Cafe

BUSINESS NAME
Velvet Byron

LOCATION
Byron Bay, NSW

BUSINESS TYPE
Cafe and salad bar

IN OPERATION
1 year

PROPERTY
Leased rental property

STAFF
3 (plus casuals)

ELECTRICITY USAGE FOR 2017
42.4 MWh

ANNUAL ELECTRICITY BILL FOR 2017
$12,700

SUPPLY CHARGES
XX

USAGE TARIFFS
36c/kWh

Velvet is a funky little coffee shop and salad bar that opened in August 2017 in the tourist destination of Byron Bay, NSW. It's a small operation, employing 3 people most days of the week, with a very strong following of local coffee aficionados as well as bumper trade in the tourist season.

Velvet's energy usage occurs during the peak tariff period

Energy costs are a major issue for Velvet, with the business operating from 6am-4pm every day of the week – which is typically during the peak tariff period. The cafe has two large fridges that need to run 24 hours a day, 7 days a week and numerous appliances being used twelve hours a day, including the constantly working 'mod-bar', kitchen appliances, and air-conditioning units to keep both staff and customers cool.

"In our first year of operations, it's become pretty clear to me that energy costs are a substantial issue," said the owner Annie, "and I'd love to look into ways of reducing these costs. My accountant would like me to look into them too!"

Velvet Cafe's annual electricity bill for 2017 cost $12,700. They are on a discounted everyday business offer with Energy Australia, on a flat rate, paying 0.36 cents per kWh, and using around 10.6MWh of electricity each quarter (or just over 42MWh per year).

Velvet is negotiating with the landlord to install solar

"We have looked at investing in solar panels to help lower our use of peak energy rates and sought approval from the building owner, given we're only leasing the property. He recently gave us the go ahead and we're currently weighing up the costs and benefits of installing them ourselves. In a climate like Byron, in a building without any natural ventilation, the air-conditioner just has to be running pretty much year round."

CASE STUDY #1:

Velvet Byron Cafe

> It would have really helped if we had some easy way to identify the energy usage of all appliances before purchasing them, but often that information isn't available.

"I know that other tenants in the building would also like solar panels, probably more for environmental reasons as their retail operations mean they aren't big users of energy."

Velvet has thought about approaching their energy retailer about getting a better deal, but amongst all the other issues involved in running a small business, getting this simple phone call onto each day's to-do list has proved too hard.

"When we purchased all of our appliances, which was only just over a year ago, we did try to make sure that they were all energy efficient. But some of the smaller appliances simply don't come with energy ratings. It would have really helped if we had some easy way to identify the energy usage of all appliances before purchasing them, but often that information isn't available. Or if it is, I don't really know where to start looking."

"I would really like to see COSBOA take this issue up at the State and Federal Government levels", said Annie. "I've seen our power bills go up every single month since we opened, and I can only see it getting worse. There has to be a better way for small businesses like mine to have some real purchasing power in the electricity market, not just be at the whim of the retailers. Unfortunately, the only option for me seems to be to put my prices up to cover the shortfall - and that's not something that any business owner does lightly in a crowded market like ours".

Options for reducing future energy bills at Velvet Cafe:

- Investigate switching retailer/energy offer
- Invest in more energy efficient appliances (not likely for another 2-3 years)
- Request landlord to co-invest in solar panels or approve tenant installing them - a small set of solar panels can cost anywhere between $4000 and $14,000 up front, with much longer payback periods of several years now due to low solar feed-in-tariffs
- Look at revenue streams from demand response programs
- Automation of air-conditioning unit with set temperatures to reduce energy usage and heat and cool the premises more efficiently
- Increase cost of goods to customers (difficult in a competitive cafe market).

CASE STUDY #2:

Eden Hair Energy

BUSINESS NAME
Eden Hair Energy

BUSINESS TYPE
Hairdressing Salon

LOCATION
Dickson, Canberra ACT

IN OPERATION
5 years

PROPERTY
Lease / Rental property

STAFF
8-10

ELECTRICITY USAGE FOR 2017
28 kWH

ANNUAL ELECTRICITY BILL FOR 2017
$5,612

SUPPLY CHARGES
up 15%

USAGE TARIFFS
up 14%

Emmalene Port, the Managing Director of Eden Hair Energy in Canberra, opened her hairdressing salon almost 5 years ago. Prior to this she had a stable government job but had a passion for hair services and so opened up her salon in Dickson. Starting off with 2 employees, she now has eight staff, with another two starting soon. Emmalene is passionate about sustainability and signed Eden Hair up to the 'Sustainable Salons' movement as soon as it came to the ACT.

Major source of energy costs for the salon: Appliances and heating and cooling

Energy costs are a big part of Eden Hair's expenses. "Energy use has been tricky, mostly because our business is so heavily reliant on the use of power tools," says Emmalene.

These tools include hair dryers and straightening irons. Professional hairdressing appliances typically guzzle a lot of energy. It's not clear what the financial benefit over time will be if Emmalene purchases hair dryers that are branded as more energy efficient.

Eden Hair used a free energy audit service from government

Because of her interest in sustainability, Emmalene hired staff who care about this and who were savvy in managing energy usage. By accessing a free program through the local government's Actsmart Business service, she received a free energy audit. Actsmart staff visited the premises to advise Emmalene on how to reduce the salon's energy usage. The biggest recommended change involved upgrading the heating and cooling systems for the premises. All up, the recommendations required an up-front investment of $20,000. Emmalene offered to go 50/50 with the property's landlord on the upgrades, but says she got nowhere. There was no incentive for the landlord to make those changes to the building, which was old, draughty and poorly insulated.

"It's really frustrating when you want to do something, but you reach that roadblock, and you're still at a loss." said Emmalene.

Eden Hair's annual electricity bill for 2017 cost them $5,612 for a total of 28 MWh of electricity consumed. An analysis of Eden Hair's bills shows their supply charges went up by 15% last year and their tariffs by 14%. "I was surprised to see that the costs have gone up and weren't related to usage. For a while I just assumed our usage must have gone up."

CASE STUDY #2:

Eden Hair Energy

> A lot of the existing programs are focused on businesses, but not that many businesses own their premises. It would be really great if there were real incentives for landlords and property owners, you know maybe a rate subsidy or something like that. Because as it is, they don't have any interest. They're not paying the electricity bills, they're still getting rent, and it doesn't affect them. It'd be really good if there was some tangible incentive for them.

Emmalene originally purchased a discounted electricity package for her home and business through ActewAGL about five years ago. That offer allowed her to get a better deal by signing up for an account for both her home and business. However two years later, she moved house and went with Origin Energy for her home, because they appeared to offer a better discount. She may have lost her discount for her business account when she switched her residential property, but it wasn't clear from her salon's bills. She's planning on using 'Make It Cheaper', an online electricity retail comparison tool the Australian Hairdressing Council has partnered with, to figure out if she can get her electricity bills down again by switching providers.

"There's a flow-on effect with having higher energy costs for the business. When you add it up over 12 months, 2 years, 3 years, you could potentially be paying a Saturday person's wages."

Little incentive for landlords to improve their building's energy performance

Emmalene says one of the most useful thing governments could do to assist her business and other small businesses with their energy costs would be to provide financial incentives to landlords and property owners to make upgrades to their buildings to reduce energy costs over time.

Options for reducing future energy bills:

- Investigate switching retailer/energy offer
- Invest in more energy efficient appliances
- Replacing floor to increase insulation of building
- Add removable double-glazing to windows to reduce heat loss.

CASE STUDY #3:

South Gippsland Dairy Farm

BUSINESS NAME
KA and PJ Collins

BUSINESS TYPE
Dairy Farm

LOCATION
Buffalo, Victoria (South Gippsland region)

IN OPERATION
10 years

PROPERTY
Private property (xx acres)

STAFF
2 - Kerry & her husband

ELECTRICITY USAGE FOR 2017
xx kWH

ANNUAL ELECTRICITY BILL FOR 2017
$10,000

SUPPLY CHARGES
up 16%

USAGE TARIFFS
xx c/kWH

Kerrie and her husband have been running a dairy farm in Buffalo, South Gippsland for over 10 years. With around 300 cows needing to be milked both morning and evening, it's a relentless workload for the family but also a heavy energy user.

The largest contributor is the equipment needed for milk cooling, with the milk needing to be kept at a consistent 4 degrees celsius at all times. Another high energy user is the water heater. The two hot water services operate overnight (using off peak energy).

As a price-taking business, there's no scope to pass on bill shocks to customers

"I keep a pretty close eye on our energy use" says Kerrie," and over the past 12 months it has increased by more than 16%. This is way higher than we expected [after last year's 6% increase] and the way the milk wholesale market operates, there is absolutely no way we have of passing the additional costs on. The milk buyers set the price - we just have to take what they offer".

To add further insult, the retailer changed their bills from quarterly to monthly without telling them, making it even harder to find the savings they required.

"Basically we just cut back on everything else around the farm and the household expenditure" said Kerrie. "It's not like we can't cool the milk or clean the sheds - that's just not an option."

The farm is looking into a heat recovery plant to save energy

Through word of mouth the Collins' looked into ways of generating some of their own power and are planning to invest in a heat recovery plant that will use the heat from the fresh milk to heat the water. At the moment they don't have any data on how much that will save, but other dairy farmers who have installed similar equipment have found it reduced their costs. By using old vat on site, the main costs will be purchasing a new pump and paying an electrician to install the new system.

Previously there was a separate meter setup for running the electric fencing, which even though it had low usage was costing an additional $50/month in supply charge. By installing a $50 solar panel and using an old battery, this measure paid for itself in just over a month of operation.

CASE STUDY #3:

South Gippsland Dairy Farm

> If someone could come up with the tools to take the hassle and headaches out of dealing with rising energy bills, I'd be all for it! At the end of the day, we're just looking for ways to improve our bottom line.

Regularly comparing energy deals

Kerrie also makes a point of contacting her energy retailer once a year to see if there is a better deal they could be getting. In the past she tried using the government comparison websites but found it too time consuming, and got a better result by just calling the retailer directly.

With the new Victorian government rebate of $50 on offer for visiting the energy comparison website, Kerrie was keen to check out her options but was told that she couldn't switch because of the type of meter they had.

There is also another Victorian government initiative they have heard about where dairy farmers can get a free energy audit, and the Collins' will definitely be taking up this offer when they can find the time.

No notice given on energy price rises

The greatest frustration faced by Kerrie and other farmers she speaks with is the way the energy companies can increase their prices without notice, and the additional charges they face for things like the 'summer demand' and 'winter demand' - these are $42/month and $10/month respectively. In a business that operates 365 days per year, there is no way to get around these additional seasonal charges.

"Unfortunately I can't see anything happening other than energy prices keeping going up in future" said Kerrie. "We are looking into solar panels and some battery storage for the farm, but that is likely to be somewhere in the range of $60-70,000. I need to look into the sums behind this but if we get a good feed in tariff it should be worth the investment."

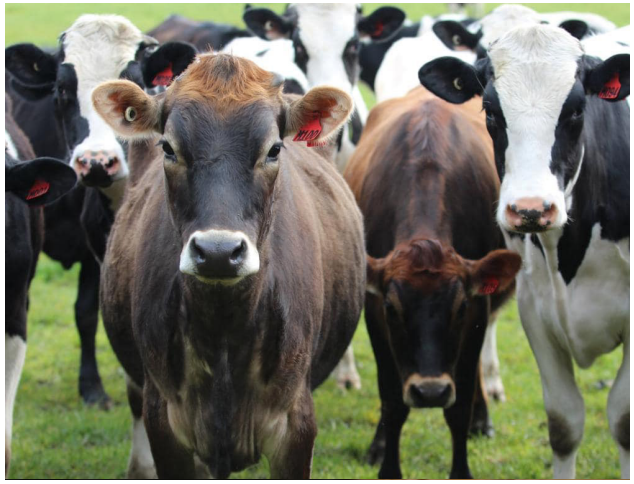
"The main thing I would like to see is better information and support provided from industry associations - we used get more information from the Farmers' Federation but that has dried up a bit over the last few years. Someone who understands our business, rather than just someone from the general energy or business sector, would be much more helpful to us and likely to get down the details much more quickly."

"In the meantime, I just keep watching the app we have to monitor our energy consumption on a daily basis, and I can see exactly when our usage spikes or if there is anything unusual going on."

"If someone could come up with the tools to take the hassle and headaches out of dealing with rising energy bills, I'd be all for it! At the end of the day, we're just looking for ways to improve our bottom line. Working every single day of the year - without holidays - might then feel like it's worth it."

Options for reducing future energy bills:

- Investigate Victorian government subsidies to assist with costs of solar and battery installation
- Pursue free energy audit offered by Victorian government
- Research payback periods and savings from energy efficiency upgrades of refrigeration and cooling systems.



CASE STUDY #4:

East Brunswick Kindergarten & Childcare Centre

BUSINESS NAME
East Brunswick Kindergarten and Childcare Centre

BUSINESS TYPE
Early childhood service, not for profit

LOCATION
East Brunswick, Victoria

IN OPERATION
Nearly 70 years

PROPERTY
Leased / Council owned property

STAFF
21

ELECTRICITY USAGE FOR 2017
42.4MWh

ANNUAL ELECTRICITY BILL FOR 2017
$3,344

SUPPLY CHARGES
$1.50 per day

USAGE TARIFFS
35.61c/kWh

Since the mid 1950s, the East Brunswick Kindergarten and Childcare Centre (or EBK as it's affectionately known to locals) has been educating and caring for preschool aged children in Melbourne's inner north.

Operating as a combined long day care service and offering state government funded kindergarten classes, EBK now has around 120 children aged 3-6 years enrolled each week. It runs 48 weeks per year (with a shutdown period over the Christmas/New Year period) and is open from 8am-5.30pm five days a week.

It's difficult to avoid high costs from peak energy pricing

Childcare Director Jane Arnett is a passionate educator, who now oversees the complex operations of running a nationally accredited childcare service, alongside her colleague Mary Silveri, the Kindergarten Director.

> "As a not-for-profit service, every dollar counts, and I would love to find more ways to bring down our monthly electricity bill."

"Over the years we've been involved in a number of initiatives around energy efficiency, but we are only ever open during times when energy prices are at their peak", said Jane. "The off-peak prices are about half of what we pay during the day, but unless we start running at night time, they are useless to us."

"As a not-for-profit service, every dollar counts, and I would love to find more ways to bring down our monthly electricity bill."

CASE STUDY #4:

East Brunswick Kindergarten & Childcare Centre

Limited capital and regulatory barriers prevent energy efficiency measures

About five years ago EBK had an energy assessment done through local energy champions, the Moreland Energy Foundation Limited, which identified a long list of actions that could be taken to improve energy efficiency in the nearly 70 year old building. These included things like repairing and double-glazing the large bank of windows, adding more insulation to ceilings and floors, replacing the antiquated HVAC system, and installing blinds to keep the hot afternoon sun out of the classrooms.

"The additional measures in the energy assessment report are all great ideas but, without additional funding, we're not in a position to do any of these things. We had them costed at one point, but they were just prohibitive. Also, the building is owned by Moreland City Council, so we can't do anything without their involvement and approval", said Jane.

In 2014 the Centre had a new classroom installed on site to cater for the growing number of families in the area desperate for childcare services. A major energy savings measure was incorporated through the installation of a solar panel system on the new building. Since becoming operational, the system has exported over 24MWh of electricity and saved the centre more than $4,500.

"The family members on our management committee are very supportive of us looking at any new ways to save energy and save money, but the priority has to be paying staff wages and ensuring our learning programs are of the highest possible quality" said Jane.

Limited capital and regulatory barriers prevent energy efficiency measures

"About two years ago we took part in the Victorian government's 'ResourceSmart Schools' program through Sustainability Victoria where we tracked our electricity use every day for a whole semester. This helped us identify when our electricity use is highest, and we're also very conscious about keeping aircon and lighting use to a minimum, but otherwise it's hard to see where we can make any more savings."

The next thing on Jane's list is to investigate their current contract, to see whether they can get a better deal either through current retailer Origin or through an alternative provider.

Options for reducing energy bills:

- Investigate switching retailer/energy offer
- Invest in more energy efficient kitchen/office appliances (not likely for another 3-5 years) and heating system
- Request landlord to include double-glazing and insulation retrofits as part of planned maintenance activities (long term)
- Investigate collective deals on energy through the Moreland Early Years Network (large number of childcare services in the region), or through Moreland Council.

CASE STUDY #5:

SA Brussel Sprout Farm

BUSINESS NAME
AE Cranwell & Sons

BUSINESS TYPE
Agriculture

LOCATION
Two properties in Nairne, South Australia

IN OPERATION
Over 60 years

PROPERTY
Owned premises

STAFF
Owners, plus 10-30 staff depending on time of year

ANNUAL ELECTRICITY COST INCREASE
152%

ANNUAL ELECTRICITY BILL FOR 2017
$126,000

POWER PRICES ON PREVIOUS CONTRACT:
3.09 c / kWh off peak
7.70 c / kWh peak

POWER PRICES ON NEW CONTRACT:
10.62 c/kWh off peak
20.73 c/kWh peak

John Cranwell and his brother Robert have been working on their farm for 40 years alongside their father Maurice, with the property passing through three generations of their family. They now exclusively grow brussel sprouts, serving all the major retailers in mainland Australian states and doing a little bit of exporting to Japan. The farm has 10 permanent staff but at peak time between Christmas and the end of August, they can have up to 30 employees, depending on the crop that year.

The business had to absorb a $76,000 electricity bill increase

Their annual electricity costs for their packing shed jumped from roughly $50,000 per year to nearly $126,000, after their last three-year contract ended. They shopped around for the best deal, putting it out to tender, but the best they could find was a $76,000 increase. As price takers, selling to big supermarket chains, the Cranwell's had no way to increase prices, and had to absorb the electricity price jump, reducing the farm's profitability.

The Cranwells' energy costs come from electricity and backup diesel generators. Their energy usage is made up predominantly of irrigation and refrigeration.

They have to keep their sprouts cooled as soon as they're harvested, and then maintain temperature below a certain threshold during their packing and transportation, in order to sell them to the big retailers.

CASE STUDY #5:

SA Brussel Sprout Farm

> I spent so much on solar panels, but how are they going to get prices down to what they were 5 years ago? What we need is a reliable source of power that is cheap and reliable, that runs all the time.

The property has to rely on expensive backup generators due to blackouts

The farm is in regional South Australia, and if there is a blackout, as there was in the past 18 months, then the Cranwell's have to run their five diesel generators to keep the refrigeration system running and protect their product. These back-up generators are very expensive, costing roughly $75,000 plus fuel costs, but they are a necessary evil for John, with the last blackout going for a whole 48 hours on both properties, 40 kilometres apart.

"If things go like they are, prices are just going to increase. From now on, we're not doing anything unless we've got backup generators. It's not the packing shed that's the issue. If you can't pack, you lose 2 days production. But if we don't have power when the crop is being established, when we have to irrigate on a hot day, that can cost millions, literally. So we have to have back up power 100% of the time."

The family are installing LED lights and used a government grant to offset the cost of some rooftop solar panels for their packing shed, which still involved a big upfront cost. They just want their electricity bills to stay stable and not skyrocket, rather than having to go through the hassle and complexity of installing solar panels in order to cut costs over a period of years. Even with those changes, their bills won't be anywhere near the level they were in the past.

"We spent so much on solar panels, but how are they going to get prices down to what they were 5 years ago?"

What we need is a reliable source of power that is cheap and reliable, that runs all the time."

Options for reducing energy bills:

- South Australian government could provide additional support and subsidies to remote agricultural businesses reliant on the grid, particularly during blackouts.
- Investigate free or subsidised energy efficiency activities under the South Australian Retailer Energy Efficiency Scheme, including a free energy audit for the property.
- Explore the cost-benefit of installing energy storage batteries and available government rebates, to eliminate diesel fuel costs over time.

CASE STUDY #6:

Townsville & Bundaberg Ten Pin Bowls

BUSINESS NAME
Townsville Ten Pin Bowl & Bundaberg Ten Pin Bowls

LOCATION
Townsville, QLD and Bundaberg, QLD

IN OPERATION
Since 1978, with Townsville and Bundaberg centres acquired almost 30 years ago.

ELECTRICITY USAGE FOR 2017
~ 546.4 MWh (546,400kWh) for the Townsville centre

SUPPLY CHARGES
Network and other charges
Townsville - $7513.77
Bundaberg - $6579.68

BUSINESS TYPE
Amusement Parks

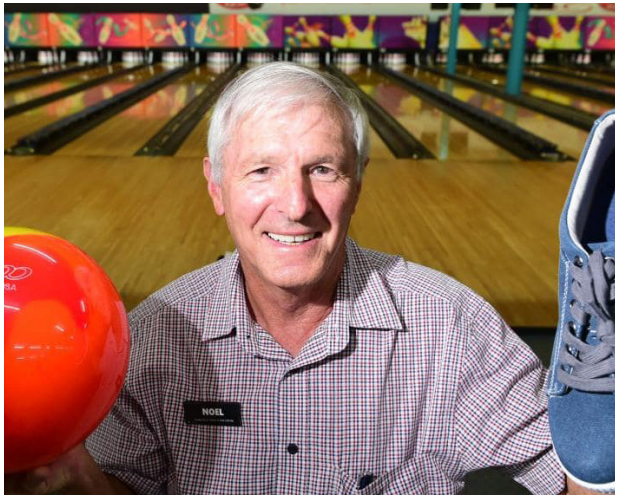
PROPERTY
Owned

STAFF
75

ANNUAL ELECTRICITY BILL FOR 2017
Townsville: $128,708 (inc GST)
Bundaberg: $124,570 (inc GST)

USAGE TARIFFS
Townsville: 32.8c per kWh (Feb/March 2018)
Bundaberg: 27.5c per kWh (Feb/March 2018)

Noel Ambler owns two ten-pin bowling centres employing 75 people in Townsville and Bundaberg, and says the rising cost of electricity has made the past few years the toughest in his 40 years of business.



North Queensland, and particularly Townsville, is vulnerable to the economic cycles associated with the mining boom and slowdown. While the bowling alleys offer welcome airconditioning and family friendly entertainment, Mr Ambler says lack of competition in the North Queensland energy market is making survival difficult for businesses like his.

Air-conditioning is a big contributor to energy cost

In North Queensland's hot climate, the two ten-pin bowling alleys are heavily reliant on air-conditioning because regardless of whether the bowling alleys have one player or 100 players at a time, the air must be cool enough to attract and retain customers. The centres are open from 9am to 9pm everyday and the most popular hours are after-work sessions from about 5.30pm to 9pm.

Mr Ambler is paying about $500 a day in energy costs for each centre. In the past 12 months, the Townsville centre bill was $117,000, and the Bundaberg bowling alley wasn't far behind.

The two bowling centres have similar energy needs but the tariffs per kWh for Townsville, which has access to only one energy generator/retailer, are about 20 per cent higher than the Bundaberg centre which has the choice of two retailers.

Monitoring bills closely showed network charges were increasing costs

A few years ago, Mr Ambler switched energy suppliers for the Bundaberg centre to get a better deal. He keeps close track of the two centres' energy costs by dividing the total bill for the month - including network and energy charges - by the number of kilowatt hours. At first the rate per kWh appeared fairly reasonable but he discovered the additional charges is what drives his energy costs so high.

CASE STUDY #6:

Townsville & Bundaberg Ten Pin Bowls

> Small business people are so busy keeping the doors open they haven't got time to fight for a better deal on energy.

He then discovered that the "network and other charges" for both centres are more than half the monthly electricity bill, which he says has increased 29 per cent in two years.

Three years ago Mr Ambler replaced eight airconditioners with more energy efficient inverter models. While the business's energy usage improved, the cost savings were quickly eaten away because the rates and charges kept going up.

Mr Ambler, who owns the business premises, investigated installing solar panels. However Mr Ambler realised it would not significantly offset his power bills because the businesses' peak energy load is between 6pm and 7pm. With no sunlight in the early evening, there is insufficient solar power for the air conditioners.

Finding the money for energy efficiency upgrades is difficult

Mr Ambler says the centres are in desperate need of capital improvements, including more energy efficient measures, but the rising daily cost of electricity means he can't afford the investments needed, like solar-power and batteries to reduce energy costs, and he can't put more staff on to serve more customers.

One month Mr Ambler paid all but $2000 of $13,000 of a monthly bill. He said the energy supplier called on Friday afternoon to say if the remaining money wasn't paid by Monday his electricity supply would be disconnected.

Mr Ambler is frustrated by politicians telling small businesses to shop around for better energy deals when in some places like North Queensland there is only one supplier. He would like energy gentailers to have advisory boards of small business owners to inform them of the consequences various charges and processes have on smaller businesses.

If there is a similar increase in energy prices again this year, Mr Ambler said it would "throttle his business".

"Small business people are so busy keeping the doors open they haven't got time to fight for a better deal on energy", Mr Ambler said.

"I'm over 70 now and I'm going to have to retire," Mr Ambler said. "To be honest, there's nothing in it. It's just not worth it and I'd never want to start a business again."

Options for reducing energy bills:

- Draft-proof windows and doors with weather stripping and caulking to prevent air leaks and reduce air conditioning load
- Seek out a free government-funded energy consultation with EcoBiz to find ways to modify usage of existing air conditioning units and lighting to save energy
- Queensland Government could offer solar and battery rebates for small business owners, similar to other state and territory programs.

CASE STUDY #7:

Nowhereman Brewing Co.

BUSINESS NAME
Nowhereman Brewing Co.

BUSINESS TYPE
Craft Brewery

LOCATION
Perth, Western Australia

IN OPERATION
1 year

PROPERTY
Leased premises

STAFF
10-15 staff (permanent and casual)

ELECTRICITY USAGE FOR 2017
109MWh

ANNUAL ELECTRICITY BILL FOR 2017
$45,000

SUPPLY CHARGES
TBA

USAGE TARIFFS
35.61c/kWh Peak
11.09c/kWh Off-peak

Reece Wheadon had worked in the beer industry for nearly nine years before setting out on his own to establish a craft brewery in Perth's inner suburb of West Leederville. The 1800L brewhouse equipment was custom designed and built in San Diego, California, and is busy brewing new batches every single week for the 160 patrons that can fit in on the busiest days.

The Nowhereman brewery employs 10-15 staff and is open each week from Wednesday to Sunday, with the weekends being the most popular times for people to grab an in-house pizza or local charcuterie plate - and of course sample some of their exceptional beers.

Bill shocks made cash flow planning difficult

After the first 12 months of operating, Reece reviewed all his power bills and realised that they were out of control. Based on standard regulated tariff pricing, the monthly bill was anywhere from $3,500-$4,000 but sometimes the bills were sent every 60 days and other times they arrived after 90 days. This made cashflow planning difficult and created unnecessary stress for a new and growing business.

In WA's south west there is only one energy retailer for 'non-contestable' consumers using less than 50MWh - the state-owned Synergy. Prices are government regulated for all households and small businesses, as well as some large businesses, which has the effect of protecting the more remote customers but limiting the competitiveness of prices for others in the south west corner, including Perth.

"Our electrical meter pretty much runs constantly, with refrigeration, the hot liquor tank and our brewing gear all high users," said Reece "We had done lots of planning and budgeting based on similar businesses in the industry, so I had a fair idea what we were going to be paying. The saving grace though

CASE STUDY #7:

Nowhereman Brewing Co.

> It's a shame that so many energy savings measures seem out of our control. Installing solar would seem to make so much more sense, particularly as we get so much of it over here in Perth.

is that our busiest times-when staff are opening and closing fridges most often--are in the evenings and on weekends, so we do get off peak prices at those times".

After a year of operating Reece decided to contact Synergy to ask for a better deal and was able to set up a 2-year contract with a better tariff and reduced rates for off peak times. Under this new contract they are now saving around $400 per month, and able to put this money back into the business.

Pursuing energy efficiency upgrades to reduce costs

Aware of the cost savings associated with using natural gas as much as possible, Nowhereman's kitchen was designed to run on gas. Synergy was able to provide a more competitive tariff for gas as well, so at least there is only one set of energy supplier invoices to deal with. Finding further energy savings though is still high on Reece's agenda.

"We had asked our landlord about the possibility of installing solar panels, but after looking into it we found that most of the savings would be going to the landlord, with only a small percentage likely to be passed onto our business," said Reece. "It's a shame that so many energy savings measures seem out of our control. Installing solar would seem to make so much more sense, particularly as we get so much of it over here in Perth".

In the meantime, Reece will continue to focus on meeting his customers' needs and brewing the best craft beers in the West - ensuring that every drop hits a sweet spot for the growing number of craft beer aficionados in Perth and beyond.

Options for reducing energy bills:

- Schedule an energy audit, to identify low-cost energy efficiency measures and staff behaviour to reduce refrigeration and air-conditioning load.
- West Australian Government could offer solar and battery rebates, and energy efficiency assistance for small business owners, similar to other state and territory programs

Note: businesses in WA can move to a business plan if they spend more than $14,000 per annum on electricity.

NOWHEREMAN

CASE STUDY #8:

Byron Bay Beach Hostel

BUSINESS NAME
Byron Bay Beach Hostel

LOCATION
Byron Bay, NSW

BUSINESS TYPE
Hostel Accommodation

IN OPERATION
Since December 2016

PROPERTY
Owned premises

STAFF
~30 staff (permanent and casual)

ELECTRICITY USAGE FOR 2017
255MWh

ANNUAL ELECTRICITY BILL FOR 2017
>$100,000

SUPPLY CHARGES
$1.69 / day

USAGE TARIFFS
Peak 36.38c/kWH Guaranteed discount under newly negotiated contract - 25% on usage

The Byron Bay Beach Hostel is a sparkling new purpose-built 250 bed hostel, with a mix of private rooms with ensuites and dormitory accommodation, that opened on Christmas Day, 2016. Prior to this, the business had operated on the same site for nearly 20 years in a heritage building that had been the original Council chambers, with less than half the beds it has now.

With 24-hour access, and operating 365 days a year, you couldn't get a much more energy intensive operation. Throw plenty of young people into the mix – with multiple devices to be viewed and charged, late night habits, and not always energy-bill-conscious – and this business faces plenty of challenges.

Tariff increases led to energy bill shocks

For the owners, experiencing 'energy bill shock' was an understatement – it was more like alarm - with the first year of operation seeing their electricity bills double what was expected, and over $100,000 in total.

"It's fair to say that energy prices are now one of our major concerns", says hostel Manager, James Robinson-Gale, "and we are spending a lot of our own time and energy trying to address this. But there are only so many things that we can do to address energy usage in a facility like this, and it would be great to see governments being more proactive to help small businesses cope with rising energy prices."

The business was closed for the rebuild from April 2014 until December 2016, and over this time the tariff increases were considerable, putting the original budget for energy bills in the new premises well above their original projections.

Refrigeration and air-conditioning systems are big energy users

Accommodation facilities everywhere are typically very high energy businesses, and in warmer or colder climates even more so. Despite having ceiling fans instead of airconditioners in all the bedrooms, there are a number of split systems in the reception and other common areas, and plenty of other energy-intensive systems and appliances on site. These include commercial fridges and cooking equipment in the communal kitchen, industrial washers and dryers for cleaning towels and linen as well as commercial laundry equipment for guests to use, three large heatpumps for all the hot water needs, and exhaust fans in the two-level carpark for removing vehicle fumes.

CASE STUDY #8:

Byron Bay Beach Hostel

> We have made real efforts to educate both our customers and our staff about being energy conscious, but we are definitely keen to look at other measures for reducing our energy bills.

In addition, there are several large cool-rooms for food and drinks in the rooftop bar area that holds up to 200 people, and power/lighting for the entire premises. While the five stairwells have sensor lights installed, all corridors and communal areas have lights on 24 hours a day, 365 days a year.

"There are only so many signs you can put up asking people to turn off lights and reduce their hot showers, before it starts looking like a prison", said James. "We have made real efforts to educate both our customers and our staff about being energy conscious, but we are definitely keen to look at other measures for reducing our energy bills."

Limited number of energy providers

After receiving their first quarterly energy bill, the owners made immediate efforts to look into the unexpectedly high charges, and ended up switching providers. However, in this regional area, there are only a limited number of retailers so competition isn't delivering much in the way of consumer-power. The owners also wondered whether there was a fault in some of their equipment delivering the massive bill, but an independent energy audit identified that there weren't any faults, just a super high energy intensive operation. Despite the brand new construction, there hadn't been any solar panels installed due to Council restrictions on the height of the building, and the architects hadn't factored in any other energy saving measures.

"Having lived in Byron for several decades, we honestly didn't think we would need more than ceiling fans in the rooms, but the last two summers have been much hotter than expected and we have even looked at whether we need airconditioning in all the bedrooms", said James. "The quotes for this would be another $100,000 to install, but then we would have the additional running costs as well. But it does seem to be something that guests are expecting now, even in budget accommodation."

While many people consider Byron Bay to be a place to 'slow down and chillout', the brutal reality for local small businesses like the Beach Hostel is that energy prices are going to continue being a major source of stress until there is some action at the national level to address rising energy prices, and better resources to support for their energy saving efforts.

Options for reducing energy bills:

- Retrofit entire premises with low watt lighting
- Install timed switches in all private rooms (bedrooms and bathrooms) and more sensor lighting in communal areas
- Greater education of staff and customers around lower energy consumption (this may require a more creative communication campaign, given the demographics and high numbers of international visitors at the premises)
- Second energy audit of premises to identify options for replacing existing equipment with less energy -intensive appliances/operations

CASE STUDY #9:

Toowoomba Independent Supermarket

BUSINESS NAME
Foodworks

BUSINESS TYPE
Independent Retailer running three regional grocery stores

LOCATION
Northlans, Oakey, and Blue Mt stores- Toowomba QLD

IN OPERATION
22 years

PROPERTY
TBA if leased or owned

STAFF
2 owners plus 55 employees.

ELECTRICITY USAGE FOR 2017
Not provided

ANNUAL ELECTRICITY BILL FOR 2017
Store 1: $96,000
Store 2: $66,000
Store 3: $40,000

ENERGY CONTRACT
Fixed price, negotiated through a broker

Debbie has been in the supermarket business for 22 years. She started out with a small store in the rural town of Allara and now runs three supermarkets in and around Toowoomba along with her co-owner Lindsay. Debbie is a proudly independent retailer, employing roughly 55 staff across her three Queensland stores. The combined annual electricity cost for those three supermarkets is over $200,000. The smallest store's bill is $40,000 and the largest store's is $96,000.

Despite these high costs, Debbie has not experienced unexpected energy bill increases for some time. Debbie has been vigilant about electricity prices rises since she experienced a damaging bill shock over a decade ago in her first store. She received a letter in the mail, expecting to get a $3000 electricity bill, and was horrified to find it was for ten times that amount at $30,000. Her electricity provider had neglected to tell her that her contract had expired and that she'd been shifted onto a much higher tariff. She contacted the Queensland Ombudsman to dispute the bill and was relieved when it was rescinded.

Using an energy broker to help avoid bill shocks

Since that harrowing experience, Debbie has relied on energy brokers to negotiate multi-year electricity contracts, with fixed rates over the contract term, on behalf of her business. She spoke with other supermarket owners in the independent retailer network, using word of mouth to find a reliable broker. Now she regularly compares deals offered by energy brokers to ensure she's getting a competitive deal.

CASE STUDY #9:

Toowoomba Independent Supermarket

Refrigeration and lighting are the major contributors to store electricity costs

The energy costs for Debbie's business are substantial, due to the hundreds of lights in each store and the high energy usage involved in refrigerating food and beverage products.

Often beverage companies offer individual fridges to supermarkets to display their products. Each has its own fridge motor, which actually increases the heat in each store and forces the air-conditioning unit to work harder. Debbie acknowledged the cost and time investment to upgrade refrigeration systems is significant and difficult to estimate.

However Debbie insulated all three stores and has installed LED lighting too. .

"To do it once [installing LED lighting] is pretty expensive, but it has actually reduced our power bills a bit. It is measurable so you can see that it actually has had an impact." said Debbie.

Debbie wants to install rooftop solar on all her stores, as they operate mostly during sunshine hours. But she has come up against regulatory barriers and red tape that's prevented her from doing so.

"Because we're in Queensland, Energex or Ergon [the main energy providers in Queensland] seem to have the right to say whether you can have [rooftop solar panels] or not [for larger systems], which I find a bit strange. In Queensland it's a much more difficult process than in other states."

Debbie's biggest frustration are the electricity network charges that she can do nothing about, despite taking many steps to reduce her stores' energy usage.

Options for reducing energy bills:

- Queensland Government could remove some of the regulatory barriers preventing business owners installing rooftop solar and battery systems
- Seek out a free government-funded energy consultation with EcoBiz to find ways to modify usage of existing air conditioning units, refrigeration systems and lighting to save energy

> "To do it once [installing LED lighting] is pretty expensive, but it has actually reduced our power bills a bit. It is measurable so you can see that it actually has had an impact."

Gap Analysis: Existing Tools & Resources

What can small businesses do to reduce their energy costs?

The 2015 Energy Efficiency Information Grants Program Evaluation identifies significant changes and motivations for SMEs to improve their energy efficiency and therefore lower energy bills.

For small businesses operating **from a property they own**, key energy saving measures include:

- Insulation (wall, ceiling, floor, double glazing on windows)
- Installation of rooftop solar, energy storage systems and grid credit software
- LED lighting
- Energy efficient appliances
- Energy audits to assess staff behaviour and the energy usage of building equipment
- Switching off appliances when not in use at the powerpoint

For small businesses operating in **leased premises**, there are obviously restrictions on what can be done, but they can still consider installation or use of:

- Insulation (curtains, pelmets and blinds)
- Timing when to open windows and close blinds to naturally heat and cool the premises
- Solar energy through power purchase agreement with property owner
- LED lighting - with owners consent/support
- Energy efficient appliances and switching off appliances at the powerpoint when not in use
- Installing energy monitoring software and smart meters
- Energy audits

Gap Analysis: Existing Tools & Resources

Existing tools available to small business

Tools to compare energy offers

There are a series of independent online services that allow businesses to compare their energy provider with other offerings. These include:

- Energy Made Easy - all retailers are required to publish a fact sheet on every retail plan they offer, their rates, and any fees they charge. This also includes a section on - Am I a small energy customer?
- Your Choice (Victoria only)

Commercial comparison sites:

- Make It Cheaper
- Canstar Blue
- OneBigSwitch - RESIDENTIAL ONLY - not small business
- iSelect
- uChoose - Vic, NSW, Qld, SA

Issues identified

It's important that consumers understand that commercial comparison sites don't necessarily consider every plan offered in their local market, but are based on arrangements with selected service providers through which they commonly receive a commission. This means that while they may provide a 'better' deal, it is not necessarily the 'best' deal you could achieve.

Note, there is also a fee-for-service option available for households from national consumer agency, CHOICE, that assists with assessing and switching providers if adequate savings can be found. This effectively means that the annual fee for the services would be covered by savings made. A similar service for business consumers would provide an alternative to the existing commercial sites.

CHOICE also provide a step-by-step article on how to switch electricity providers that could be of use to small businesses.

The AEMC survey of over 800 SMEs showed that their awareness of energy price comparison tools was decreasing over time. The issue appears to be in part due to confusion about which comparison sites and tools are genuinely independent and which are either

Gap Analysis: Existing Tools & Resources

Information on Energy Saving Strategies and Energy Costs

There are a mass of online information sheets and webpages trying to provide small business with industry specific advice on how to achieve greater energy savings and reduce their energy bills. There are also a wide array of online tools and supports available.

An indicative list of available web-pages and online tools:

- Australian Government Energy Exchange website provides industry specific examples of energy saving measures businesses can adopt and includes an Australian Government Index of Energy Efficiency Programs
- Energy Savers (Qld Farmers Federation)
- Energy Saver NSW (NSW Government website with energy efficiency tips)
- Watt Savers is a closed program that aimed to assist small to medium enterprise and community organisations in southeast Queensland to save money and greenhouse emissions. The website includes fact sheets, telephone advisory services, and information on accessing finance and funding options.
- Energy Efficiency Council - Policy Handbook - extensive information but only 1 page on SMEs.
- Business Sustainability Program - South Australia
- Energy Efficiency Victoria
- Energy Efficiency Tips by Sector - Sustainability Victoria
- Victorian Government Index of Energy Efficiency Tools
- Powering Forward (Federal Government energy efficiency information website)
- Energy Efficiency Council's list of service providers for energy audits

Issues Identified:

The different sources of information currently available—from retailers, comparison websites, federal/state/territory governments, sustainability and energy consumer bodies—is diffuse, text-heavy, high friction (with users having to spend time navigating through multiple webpages to find any information that could be relevant to them) and usually highly generic in nature. It typically doesn't contain much industry or sector specific information, nor cater specifically to the needs or circumstances of small businesses.

None of these online resources and tools appear to have been co-designed with small business owners. They have very low recognition and usage rates amongst the small business community.

One key finding from the review of the Energy Efficiency grants program is that an 'information only' approach does not result in any change or action by consumers. But this is the approach most online web pages use.

These resources are frequently mislabelled as 'tools' on government websites, when they are typically not interactive and have no functionality that allows information or suggestions to be tailored to the user.

They do not provide practical step-by-step guides that allow the user to implement the suggested action. Basically, the user has to go elsewhere, away from the 'tool' to find the information needed to perform the suggested action. There are no links that connect the user to the actual resources that would allow them to carry out the suggestion - typically products or services provided by the private sector. Most 'tools' just link to other text heavy web-pages provided by various governments or peak bodies - sometimes with as many as 30 links to other web-pages with yet more generic information.

Gap Analysis: Existing Tools & Resources

Government schemes to assist small business with saving energy

There are a large number of subsidies and rebates offered for business purchases of energy efficient appliances and machinery, primarily from State and Territory governments. However, there is no central hub to easily find these resources, based on the business size and location, meaning that every small business is required to undertake massive amounts of their own research to find relevant information.

Grants and rebates are often buried on state and federal government websites and are difficult to find. Often a business' eligibility for different grants and rebates is difficult to ascertain from the information provided. Given how time-poor most small business owners are, this level of friction in government websites' user interface design creates significant barriers to small business accessing the information on funding and subsidy options regarding energy efficiency measures and upgrades.

Recommendations

Overall, this project identified **four key factors i**mpacting the ability of small businesses to take action on reducing their energy bills. The incentive to reduce costs is clearly high, but there are significant barriers in their way.

The evidence from small business owners so far

To get better value from capital investments on energy efficiency upgrades, assistance is needed to help business landlords introduce business processes and behaviour change

Small business owners don't know where to get good advice on energy deals or industry-specific information (most website are generic, confusing and 'not relevant to me').

Small business owners cope better with energy bills when they have different sources of energy.

Small business owners don't have the time to become 'energy experts'

Recommendations

The Recommendations in this chapter are based on analysis of the issues surrounding small business energy bills shocks and the identified gaps in existing resources. They fall into four categories, outlined in the matrix below:

Potential future options

1. **Empowering small business with better information and tools**

3. **Support for businesses in rented premises**

2. **Legislative and regulatory reforms**

4. **Taking practical action**

Recommendations

Empowering small business with better information and tools

Industry specific advice about energy management online is poorly delivered, text heavy, time consuming to work through and impractical.

Small business owners have a general understanding of their most energy intensive equipment, but industry-specific advice available on government websites is frequently text-heavy, very difficult to find and navigate through and uses either very generic language or highly technical language that makes the advice difficult to implement without visiting additional websites or seeking the advice of professional energy efficiency consultants.

Recommendation 1:
The Australian Government should fund the development of a one-stop-shop for for small businesses to manage their energy costs online.

This platform could include an interactive toolkit that tailors suggestions to suit the business owners' needs and location, taking into account their industry, whether they rent or own their premises, and what factors they identify as the biggest contributors to their current energy usage.

The 'Small Business Energy Savings Tool' could – through co-design with COSBOA member associations and small businesses – consolidate and curate existing information from Federal, State/Territory, local government and other sources into one central online resource aimed specifically at the information needs and communication preferences of small businesses. It could be accompanied by an engagement and communications campaign that uses industry associations as a 'trusted source' of information to channel this information directly to hundreds of thousands of small businesses nationally.

This platform could:

- Increase reach and visibility of independent online services that allow businesses to compare their energy provider with other offerings.
- Connect small businesses with energy auditors and energy efficiency consultants, and could even incorporate price comparisons for these services.
- Ensure industry specific toolkits have a great user experience with a graphic user interface, improving and replacing the current industry-specific information on the Australian government's EEX website, that is predominantly text-heavy, confusing, filled with links to long documents and either too generic or highly technical and therefore very difficult to implement.
- Market content to small businesses online to inform them of the pitfalls of bundled pricing and conditional discounts for electricity retail contracts.
- Use cookies to catch small businesses at the point in time when they are moving premises, and encourage them to look at premises with a Green Star rating.
- Create a template 'green lease' terms and conditions sheet for different types of commercial leases and market these to businesses online.
- Include a video guide for small business on their rights regarding hardship policies and market rate penalties, in the event of late or partial payment of bills, or where businesses are unable to pay bills.
- offers SMEs insight into wholesale spot market pricing and easy to navigate information on how SMEs can access the benefits of wholesale pricing.
- fact sheets and advice on alternative power strategies such as onsite battery/solar/storage and hedging.

Recommendations

Improving access to energy efficiency upgrades

Many businesses cannot afford the up-front capital expenditure required for energy efficiency upgrades. There are a number of existing state level schemes that can assist small business with covering the costs of energy efficiency upgrades and energy storage installations. These upgrades are particularly beneficial to businesses with high energy usage in the evenings - who experience high electricity tariffs due to usage during times of peak demand.

COSBOA applauds the Australian Government's recent announcement of the Australian Business Securitisation Fund, which will invest up to $2 billion to increase options for Australian small businesses to access business loans and drive down the costs of credit for Australian small business. In addition to the $20,000 'Instant Asset Write-off' which has been extended to 30 June 2019, this provides an opportunity for small business to invest in energy saving machinery, appliances or measures that could otherwise be out of reach.

Recommendation 2:

Funding is provided for small business peak bodies to work with consumer advocacy groups, governments and relevant peak bodies to connect business owners (particularly those with high energy costs in the evenings, such as hospitality, hotels) with state level rebate schemes and interest free loans for energy efficiency upgrades and energy storage installations.

Recommendation 3:

Industry peak bodies could help small businesses explore a range of options for improving their energy efficiency, including access to energy efficiency upgrade programs, wholesale energy options, and better pricing plans to meet their specific operating needs and allow for greater transparency over the prices they pay.

Small business benchmarking tool

Recommendation 4:

The Australian government should fund the development of a small business benchmarking tool allowing individual business owners to see how their energy use and cost compares to similar businesses, with industry specific information provided to then assist them to take practical action if their costs are significantly out of line with industry standards.

Recommendations

The ACCC recommends that the Australian Energy Regulator should "develop a process for determining a benchmark for representative usage levels for an average SME customer."

The purpose of the small business electricity costs benchmark tool would be to provide quick and reliable information about how a small business' energy usage and energy bills compare to similar businesses.

This information will be a first step to help small businesses think about options to reduce their energy expenses and could be incorporated into the one-stop-shop proposal above.

The tool will enable small businesses to understand what they should be paying for electricity based on benchmarks of energy cost and energy use for similar businesses, and where they could achieve further energy savings. This tool will also help increase pressure on energy companies to deliver competitive prices and create greater transparency in the marketplace by enabling small businesses to `compare like with like'. There is significant behavioural economics evidence that individuals respond strongly to peer comparisons. For this reason, the proposed approach in developing this benchmark tool is to compare similar businesses of similar size in similar locations. This level of granularity is made possible by a large dataset of businesses from which to create benchmarks at multiple levels.

The benchmarking model will take into account business type (e.g. café, bookshop, courier service), size (i.e. annual turnover range), location (i.e. postcode) and energy mix (e.g. use of electricity and gas). Using this information, the tool will be optimised for mobile and will provide users with benchmarks on comparable businesses in their area. The information will include:

- How much electricity similar businesses use (kWh/month)
- How much similar businesses pay for electricity ($/month & % of turnover)
- How much their major appliances typically cost to run per hour (e.g. Coffee Maker – 15c/hr; Dishwasher, cold water – 18c/hr; Microwave – 30c/hr; Refrigerator – 4c/hr; etc).

Promotion of peak smoothing and demand management software

Many businesses operate during peak demand periods and are thus facing higher energy bills over time. Industries that are particularly affected by this include accommodation services, hospitality and retail.

When demand for power outstrips supply, energy prices can increase. Better education and promotion of demand response, which seeks to adjust the demand for power instead of supply, is needed to encourage businesses to participate in these measures. Businesses that participate in demand response support the reliability of the energy grid, while improving how they use power and gaining control over their costs.

Recommendation 5:

Governments and peak bodies should explain the benefits and promote the deployment of peak smoothing systems and demand management software (bundled with energy monitoring tools) to businesses to help them quickly save money during times of peak electricity demand.

Recommendations

2 Legislative and regulatory reforms

Minimum default pricing for retail electricity

Electricity network charges and tariffs are increasing across the board, so a large component of bills are outside of businesses' control. Cutting electricity usage does not reduce these costs. Many SMEs are on 'standard offer' contracts, where they are unknowingly being price gouged, as the 'discounted' prices offered by electricity retailers are more likely to reflect the market price. Many businesses find comparing energy contracts difficult, time consuming and confusing.

On this basis, COSBOA support's the ACCC July 2018 recommendations that the Australian Government give the Australian Energy Regulator the power to introduce a minimum default price for electricity retail contracts, that applies to SME customers. This approach abolishes the widespread practice of electricity retail providers presenting SME customers with a 'standing offer' contract - with electricity prices usually well above market-value, and the details of the contract offer often difficult to understand.

Some retailers have a practice of bundling home and business deals for electricity. Business customers potentially lose the discounts on their bills if they change one of their accounts, but aren't necessarily informed by their retailer.

Recommendation 6:

The Australian Energy Regulator (AER) should introduce minimum default pricing for electricity retail contracts and regulate the practice of 'discounted' offers

Recommendation 7:

The AER should set this minimum default price, and mandate that all 'discounts' by electricity retailers on their standard offers must be calculated and communicated by referencing this minimum default price. This eliminates the false 'discounting' that has prevented price comparisons to date.

This is supported by the ACCC in their inquiry into electricity retail pricing. The ACCC recommends "restricting conditional discounts to the reasonable savings that a retailer expects to make if a consumer satisfies the conditions."

Recommendation 8:

The Australian government should explore the introduction of regulations to prevent retailers from changing billing periods for customers who have signed up to an annual or multi-annual contract, that is, the retailer is locked into those contractual terms in the same way the customer is locked in.

Retailers can currently legally increase their consumption and usage charges even while businesses are locked into a particular contract.

Recommendations

Increase minimum energy performance standards and introduce energy efficiency ratings for smaller appliances

There are no energy efficiency ratings for many smaller appliances, which makes comparison impractical. Smaller appliances with high energy consumption also often do not have labelling that allows comparisons of their energy efficiency.

Businesses that are affected by this include hairdressers, due to their use of heating irons, blow dryers and fans, and hospitality industries with their use of a range of smaller kitchen appliances like toasters, blenders, microwaves, stovetops and ovens.

Appliances and equipment that claim to be more energy efficient usually have higher up-front costs. Energy efficient equipment helps businesses to save money in the long run, due to their lower energy usage over time. However payback periods and general savings from more energy efficient appliances are often difficult to calculate and compare.

There is no fast way to see the overall comparative costs of these appliances (taking into account energy costs over their operating life, plus upfront purchase cost).

Recommendation 9:

The Australian Government should extend minimum energy performance standards to apply to smaller classes of appliances.

"Minimum Energy Performance Standards (MEPS) specify the minimum level of energy performance that appliances, lighting and electrical equipment (products) must meet or exceed before they can be offered for sale or used for commercial purposes."
- EnergyRating.gov.au

Some appliances that are not yet covered by minimum energy performance standards include dishwashers, LED lights, some types of fans, solar hot water heaters, irons, stoves and cooktops, toasters, and appliances with small fan motors like hair dryers, microwaves and ovens.

Recommendation 10:

The Australian Government should expand the existing energy efficiency ratings scheme to apply to smaller classes of commercial appliances.

Energy efficiency ratings are already applied to some electrical products and white goods in Australia. These products are given an energy star rating and this is displayed on the product, so businesses can quickly and easily compare the energy performance of different appliances. These labels are presently available for refrigerators and washing machines, for example.

Recommendations

Support for businesses in rented premises

Renting is a major barrier to reducing energy costs

Many small businesses lease their premises from a landlord. The energy efficiency upgrades available to tenants are usually limited. Because of their tenancy status, many businesses cannot upgrade their building's insulation, nor install solar or battery systems.

For example, improving the insulation of the building to reduce heating and cooling costs, and installing rooftop solar and a battery system, are off limits unless the landlord agrees and this can be accommodated effectively in the terms of the lease.

There are currently very few incentives to landlords to motivate them to improve the energy performance of their rented buildings.

Navigating a 'green lease' with a landlord appears to be complex and burdensome. The current online resources do not do a good enough job of highlighting the benefits of this leasing arrangement for landlords, nor do they provide an easy-to-follow process for landlords or tenants.[3]

Recommendation 11:
The Australian Government should fund the development of a resource for businesses that rent their premises, on energy saving measures that do not require the approval of a landlord, with average up-front costs and savings provided (for example double glazing of windows, floor insulation, draught proofing, and installation of energy monitors). This could be one component of the one-stop-shop referenced in Recommendation 1.

Recommendation 12:
State and Territory governments should investigate ways of requiring greater transparency in commercial leasing arrangements and enable tenants greater ability to negotiate on energy components of their leases.

Other measures that would make a significant difference for businesses in rented premises would be to require landlords to install and operate more efficient plant and equipment within their buildings, and to pass on the additional savings to their tenants. Two ways of doing this are through increasing energy efficiency ratings (for existing and new buildings), and providing incentives to landlords to undertake plant and equipment updates, with savings passed onto tenants through more transparent leases (see recommendation above).

Recommendation 13:
State and Territory governments should increase minimum energy efficiency ratings for commercial buildings.

Recommendation 14:
State and territory governments should introduce incentive schemes for landlords to make energy efficiency upgrades to their rented premises.

[3] See, for example: https://www.energy.gov.au/government-priorities/energy-productivity-and-energy-efficiency/green-leases

Recommendations

4 Taking practical action

Small businesses must be encouraged to take control of their energy bills

As outlined throughout this report, small businesses often feel hamstrung and disempowered to do anything about their energy bills because of the structural and practical barriers in their way. In addition to the range of recommendations outlined above, COSBOA believes that there needs to be a positive and proactive national campaign to empower small businesses to take control back over their energy bills. This would be based on providing small businesses with better information about what they can do in a practical sense, and make that information industry-specific and directly relevant to the end user.

Through the production of a range of simple tools, COSBOA and its industry association members could directly reach hundreds of thousands of small businesses and create the momentum (through word of mouth, social media and case studies showing direct financial savings achieved) for even broader action across the community. Based on ideas raised throughout the project, the practical tools that could be built into the one-stop-shop in Recommendation 1 include industry specific tool kits and an online training kit to help small business owners and their staff to become more confident in taking action.

Recommendation 15:
Provide funding to develop industry specific tool kits that help small business owners to effectively assess and install new energy efficient equipment, including an overview of available financing options.

Recommendation 16:
Develop an online Energy Planning Training Program to upskill small business owners and their staff to make better procurement and process decisions to save on energy bills.

Finally, in order to reach the one million small businesses identified at the beginning of this report to take action, there needs to be a national communication strategy that provides clear information on the financial and environmental benefits that could be achieved through taking action.

As well as reaching businesses through mainstream and social media, this would be accompanied by a campaign that offers business owners in-house materials such as posters, 'switch-me-off' signs, screensavers and other tools to encourage direct action by all staff and customers to save energy use. This material and accompanying campaign messaging could also include information about the other materials and resources available to small business, putting it front and centre in the minds of small business owners and incentivise them to further action. This is in line with the ACCC recommendation to provide better information through small business organisations.

Recommendation 17:
Federal, State and Territory governments should support a national communications campaign to provide clear information to small businesses about ways they can take action to reduce their energy bills and become more energy efficient.

The Small Business Wish List

Industry specific tool kits

Supporting owners to implement better business processes and make the most of energy efficient capital investments

Energy planning online training program

An Energy Planning Online Training Program would be available for small business, and their staff who make procurement and process decisions to be upskilled on energy planning.

Business 'Energy Saver' campaign material

Package of posters, switch me off signs, screensavers, etc for business to roll-out to promote energy saving tips with staff (and customers/patrons).

Either generalised, or industry specific to increase relevance to staff.

Appendix – COSBOA National Survey Questions

Question 1

How many employees does your business have?

- ❑ 0 employees
- ❑ 1-4 employees
- ❑ 4-19 employees
- ❑ 20-100 employees
- ❑ 101-199 employees
- ❑ More than 200 employees

Question 2

What is your primary business postcode?

[ENTER POSTCODE]

Question 3

What industry best describes your business?

- ❑ Accommodation and food services
- ❑ Administrative and support services
- ❑ Agriculture / Forestry / Fishing
- ❑ Financial and insurance services
- ❑ Hairdressing and beauty services
- ❑ Manufacturing
- ❑ Pharmaceuticals
- ❑ Professional, scientific and technical services
- ❑ Rental, hiring and real estate services
- ❑ Retail trade
- ❑ Technology services and support
- ❑ Transport, postal and warehousing
- ❑ Wholesale trade
- ❑ Other (please specify)

Question 4

What sort of premises does your business operate from?

- ❑ Rented
- ❑ Owned
- ❑ Combined own and rent – multiple sites

Question 5

Which of the following energy sources do you have?

- ❑ Gas
- ❑ Electricity
- ❑ Alternate energy
- ❑ Other (please specify)

Question 6

How satisfied are you with the deal you are getting on your energy bills?

- ❑ Very satisfied
- ❑ Satisfied
- ❑ Neither satisfied nor dissatisfied
- ❑ Dissatisfied
- ❑ Very dissatisfied

Question 7

Have your ELECTRICITY BILLS increased or decreased in the past two years?

- ❑ Increased by less than 10%
- ❑ Increased by between 10-30%
- ❑ Increased by between 30-50%
- ❑ Increased by more than 50%
- ❑ Stayed about the same
- ❑ Decreased
- ❑ Don't know
- ❑ We don't have electricity

Question 8

Have your GAS BILLS increased or decreased in the past two years?

- ❑ Increased by less than 10%
- ❑ Increased by between 10-30%
- ❑ Increased by between 30-50%
- ❑ Increased by more than 50%
- ❑ Stayed about the same
- ❑ Decreased
- ❑ Don't know
- ❑ We don't have gas

Question 9

If your energy bills have increased, what do you believe is the main reason?

- ❑ My business has grown/increased
- ❑ Other charges on the bill appear to have increased
- ❑ Previous discounts from my energy provider no longer apply
- ❑ The rate has increased
- ❑ I don't know
- ❑ Other (please specify)

Appendix – COSBOA National Survey Questions

Question 10

If your energy bills have increased, how has this affected your business? Tick all that apply.

- ❑ No effect
- ❑ Had to reduce staff numbers/staff hours
- ❑ Had to reduce capital expenditure
- ❑ Had to reduce the amount I pay myself
- ❑ Stopped me from hiring new staff
- ❑ Stopped me from expanding the business
- ❑ Had to increase business financing to pay energy bills
- ❑ Had to increase our prices
- ❑ It has reduced our profit margin
- ❑ Other (please specify)

Question 11

If your energy bills have decreased, what actions did you take?

- ❑ Switched providers or plan
- ❑ Installed alternative energy source (e.g. solar panels, batteries)
- ❑ Invested in major upgrades in energy efficient processes
- ❑ Changed the way we work to become more energy efficient
- ❑ Renegotiated my current plan
- ❑ Other (please provide details)
- ❑ I don't know

Question 12

If your energy bills have decreased, how has this affected your business?

- ❑ No effect
- ❑ Were able to increase staff numbers/staff hours
- ❑ Were able to increase capital expenditure
- ❑ Were able to increase the amount I pay myself
- ❑ Expanded the business
- ❑ Were able to discount our products
- ❑ It has increased our profit margin
- ❑ Other (please specify)

Question 13

How much do energy costs represent in terms of your overall cost of doing business?

- ❑ Small (<5)% of overall business costs
- ❑ Significant (5-15)% of overall business costs
- ❑ Large (>15%) of overall business costs
- ❑ Main cost of business

Question 14

For each of the following, how much do you agree or disagree?

- ❑ My energy bills are predictable each quarter
- ❑ I can pay my energy bills on time and in full
- ❑ Energy bills affect our cash flow
- ❑ The size of energy bills has made me feel stressed or anxious
- ❑ I am sometimes concerned about my ability to pay energy bills
- ❑ I am frustrated at not being able to reduce energy costs
- ❑ I get nervous opening energy bills
- ❑ Energy costs have made me worry about my ability to support my family
- ❑ Energy costs have made me wonder if my business is worth it

Question 15

Electricity retail prices rose by as much as 30% this year. If the same increases were to occur over the coming two years, how well would your business be able to absorb these costs?

- ❑ Very easy to absorb
- ❑ Somewhat easy to absorb
- ❑ Somewhat hard to absorb
- ❑ Extremely hard to absorb
- ❑ Would need to close my business

Question 16

How much time did you spend investigating different energy offers or products in the last 12 months to try and reduce your energy bill?

- ❑ No time investigating options
- ❑ Less than 5 hours
- ❑ Between 5-10 hours
- ❑ 10+ hours

Appendix – COSBOA National Survey Questions

Question 17

When you spent time on this, what was the outcome of your investigations into different energy offers or products? (Please tick all that apply)

- ❑ Organised a cheaper deal with my current provider
- ❑ Swapped providers for a cheaper deal
- ❑ Couldn't find a better deal
- ❑ Ran out of time to finish my research
- ❑ My energy bills have reduced
- ❑ My energy bills have increased
- ❑ Was confused about my options

Question 18

When you looked into your options for energy service providers and deals, where did you get your information from?

- ❑ In the news or media
- ❑ Energy comparison websites
- ❑ Directly from energy retailers
- ❑ Business colleague/friend
- ❑ Industry peak body
- ❑ Google or search
- ❑ Trusted advisor
- ❑ Personal research
- ❑ A retailer called me
- ❑ I saw an ad on TV
- ❑ Other (please specify)

Question 19

Did you use any of the following online tools? How useful did you find them? (Scale of very useful to not useful or didn't use this tool)

- ❑ Energymadeeasy (national)
- ❑ Power in Your Hands (NSW)
- ❑ Yourenergy.nsw.gov.au (NSW)
- ❑ EnergySave (Qld)
- ❑ Victorian Energy Compare / My Power Planner (Vic)

Question 20

What has stopped you from investigating different options?

- ❑ Not enough time / staff to do this
- ❑ I don't know where to start
- ❑ Not a big enough priority to make it worth my while
- ❑ I don't think the time invested would give me big enough savings to make it worthwhile
- ❑ Not sure
- ❑ Other (please specify)

Question 21

Have you undertaken any of the following energy efficiency measures in your place of business?

- ❑ Undertake a formal 'energy audit'
- ❑ Invested in minor upgrades like installing energy efficient light globes, energy saving devices, etc
- ❑ Invested in large upgrades like energy efficient commercial appliances/machinery / technology or solar
- ❑ Changed business processes to operate more energy-efficiently
- ❑ Worked with staff to change operations to reduce energy use
- ❑ Other (please specify)

Question 22

Are there any online information sources or tools that you currently use to manage and understand your energy costs?

[OPEN ANSWER]

Question 23

What would be the most useful assistance for you in helping to reduce your energy bills (Select two of these options)?

- ❑ Clearer information and examples about energy reduction measures relevant to my business type/ industry
- ❑ Having access to information from a trusted source (not from a salesperson)
- ❑ Government subsidies for energy system upgrades
- ❑ A 'one-stop-shop' for information and advice on energy for small businesses
- ❑ Other (please specify)

COSBOA COUNCIL OF SMALL BUSINESS ORGANISATIONS AUSTRALIA

89 DEGREES EAST

ENERGY BILL SHOCK: FUTURE PROOFING SMALL BUSINESS

Report produced by COSBOA and 89 Degrees East, December 2018

For further information contact ceo@cosboa.org.au