

21 January 2012

Review of regulated retail prices and charges for gas 2013 to 2016  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

*Via website upload*

To whom it may concern,

Thank you for the opportunity to participate in IPART's *Review of Regulated Retail Prices and Charges for Gas 2013 to 2016*.

The NSW Business Chamber is one of Australia's largest business support groups helping around 30,000 businesses each year, ranging from owner operators to large corporations, incorporating product-based manufacturers to service provider enterprises. Operating throughout its network in metropolitan and regional NSW, the NSW Business Chamber represents the needs of business at a local, state and federal level, advocating on behalf of its members to create a better environment for commerce and industry.

High energy prices remain a key concern for our members. In the NSW Business Chamber's December quarter 2012 Business Conditions Survey, 49% of respondents rated rising energy costs as having a significant or very significant impact on their business. This is up from 44% of respondents in the September quarter.

While it is clear that there is considerable uncertainty about the future of wholesale gas prices in NSW due to a range of factors including eastern gas market developments and the impact of a carbon price, regulated pricing serves to smooth price increases and ensure increases are limited to increases in efficient costs.

The NSW Business Chamber has significant concerns with the proposal put forward by the Standard Retailers to only make a full price determination for 2013/14, followed by periodic reviews from then on. Periodic reviews mean that small business consumers risk being faced with severe price hikes combined with minimal certainty about when these price hikes will occur. In addition, given the forecast increases to gas prices, small business consumers will be even more sensitive to such an arrangement, given gas costs will likely form a higher proportion of a business's input costs.

Given the current fragile state of both the economy and business confidence in NSW, it is imperative that there are mechanisms to smooth gas price hikes for small business customers on regulated pricing, and for there to be some certainty provided as to when these price increases will occur. This will help to enable businesses to better undertake investment decisions and adapt to higher input costs.

The NSW Business Chamber therefore recommends that the impact of price uncertainty and potential price hikes on small business customers be considered to be a significant consequence of periodic reviews. In addition, if there is to be greater risk allocated away from retailers to consumers – which would occur if periodic reviews are put in place – this should be reflected in a lower retail margin.

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The NSW Business Chamber anticipates further analysis from IPART in the coming months about the extent of the wholesale gas price uncertainty as well as cost-benefit analysis on the impact of moving to periodic reviews. This will enable IPART to make an evidence-based assessment to ensure that consumers are not disadvantaged from these proposed changes.

For further information on any of the points made in this submission, please contact Larissa Cassidy on 9458 7359 or at [Larissa.Cassidy@nswbc.com.au](mailto:Larissa.Cassidy@nswbc.com.au).

Yours sincerely,

A handwritten signature in black ink that reads "Paul Orton". The signature is written in a cursive, slightly slanted style.

Paul Orton  
**Director, Policy and Advocacy**