SOUTH AUSTRALIAN FARMERS FEDERATION

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18th August 2008

Mr John Tamblyn
Chairman
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Tamblyn

Reference EOR0017/2

On behalf of the South Australian Farmers' Federation (SAFF), I am attaching some brief comments in response to the preliminary findings of the Australian Energy Market Commission on the Review of the Effectiveness of Competition in Electricity and Gas Markets in South Australia.

If any clarification is required, please contact Mr Deane Crabb, SAFF's Policy Manager (phone 08 8100 88711 or email dcrabb@saff.com.au.).

Yours sincerely

Carol Vincent
CHIEF EXECUTIVE

Comments from the South Australian Farmers' Federation on the preliminary findings of the Australian Energy Market Commission's Review of the Effectiveness of Competition in Electricity and Gas Markets in South Australia

The South Australian Farmers Federation (SAFF) is surprised at the preliminary findings of the Australian Energy Market Commission (AEMC) on the Review of the Effectiveness of Competition in Electricity and Gas Markets in South Australia.

The AEMC's preliminary findings are that "Competition is effective for small electricity and natural gas customers in South Australia, although relatively more intense in electricity than gas."

As SAFF indicated in its submission to the AEMC, SAFF believes that the structural conditions of the energy retailing market actually preclude true market competition. Following deregulation, SAFF dealt with two different electricity retailers to offer members deals which would save them money on their electricity bills. However any initial advantages have now disappeared and SAFF now cannot find a supplier who can provide a tangible benefit to SAFF members.

It is noted that as part of its Review, that the AEMC commissioned a survey of 1200 residents and 650 businesses. Given that one third of the respondents were from regional South Australia, it is surprising that separate results were not shown for the regional areas. For example it is shown that 75% of all businesses and 40% of all South Australian residents had electricity only. The percentages for regional areas would be much higher, but no figures are given.

It is at least pleasing that some of those surveyed must have been SAFF members, as there is the occasional comment about SAFF and its attempts to deal with electricity suppliers. In answer to the question "Which company do you think you could buy electricity from?" one respondent answered "One that is supported by SAFF." And to the question "Why haven't you changed electricity company?" one of the replies was "Get a discount from SAFF."

One of the findings from the survey was that "Residents living in regional South Australia were more likely to indicate that they were obliged to purchase electricity from their existing retailer." This is certainly SAFF's observation, and yet the AEMC has found that competition is effective.

To check to see whether SAFF was misreading the situation as outlined in SAFF's initial submission, current office-bearers within SAFF (i.e. committee members) were asked for their comments. The majority has been buying electricity from the same company for more than five years, and most would not consider changing citing for example that "Power faults are common, and ETSA Utilities generally fix AGL problems first" and "We still think electricity is way too

expensive but we feel we don't have much choice." Those who took up the deals that SAFF were able to achieve, complained that the deals were concluded and asked why these could not continue.

Interestingly one large member, who has a processing factory as well as farm production, indicated that they use an auction system to purchase its electricity and can lock in prices at a set rate for a set period to the best bidder. While there may be competition for large customers, it is obvious that for small customers this is not now happening.

In summary, SAFF disputes the AEMC preliminary finding that there is now effective competition. SAFF would like to see an analysis of the results of the AEMC-commissioned survey for regional South Australia, to see if these results support the AEMC preliminary findings for regional customers.