

17 November 2009

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Sir

Re: CANEGROWERS submission on Review of electricity pricing and tariff structures – stage 2

Thankyou for the opportunity to make a submission on the review of electricity pricing and tariff structures – stage 2. Electricity is a major cost item for cane production and is up to 25 percent of total cane growing costs for irrigation cane growers in Queensland. Consequently any increase in electricity costs or change in tariff structures are a major concern for the sugar industry. There are a number of issues of concern in your draft report which I comment on below.

Firstly, the removal of 4 of the 5 farm and irrigation tariffs is a concern. Presently, cane growers have considerable choice as to the tariff that best suits their needs. To remove this choice is not desirable especially since most of our growers are outside south east Queensland and thus unable to take advantage of electricity competition.

For the irrigation tariffs, many growers have set up their farms to take advantage of off peak tariffs and overcapitalised their irrigation equipment to do so. Other growers have made the conscious decision to irrigate 24 hours a day and made capital irrigation decisions on this basis given the tariffs available. The removal of tariffs will adversely affect growers and require them to make considerable capital changes to adjust.

I believe a choice of 2 farm tariffs should remain. It is understandable that obsolete tariffs should be removed. It would make sense to merge tariff 62 and 65 together but I would suggest keeping tariff 66 as well.

It is clear from the QCA report than lower usage customers are being heavily subsidised by higher usage customers. This is not something that Canegrowers supports and changes to tariffs should occur to ensure that this is removed. The removal of subsidies between high and low usage customers should occur both between and within tariffs.

I am unaware of how a customer is defined in your analysis. I know that most cane growers would have an electricity bill for each meter and 5 to 10 bills would be the norm for most cane growers so are they classified as 5 or 10 customers or 1? They should be treated as 1 customer and any economies of scale should be reflected in a reduction in electricity costs

for them. Also, if a customer has 10 bills across 3 different tariffs, they should receive the benefits of economies of scale across their whole account not just by tariff group.

Another issue for Canegrowers is the potential impact on Sunwater, Pioneer Valley Water Board, North and South Burdekin Water Boards and other water service providers who deliver water to cane growers. Typically around a quarter of an irrigation water service providers costs are electricity and these are passed on to consumers including cane growers. Water service providers are major electricity users in regional Queensland. It is imperative that very large electricity users such as water service providers are being appropriately charged for electricity rather than subsidise smaller users.

I look forward to hearing back from you on my submission. I can be contacted on 3864 6444 or eric_danzi@canegrowers.com.au. Thankyou

Yours sincerely

Eric Danzi
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CANEGROWERS