



Bundaberg Walkers Engineering Ltd

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Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

19 October 2012

Dear Sirs

**Submission: Interim consultation paper –
Regulated retail electricity prices 2013 - 2014**

Bundaberg Walkers Engineering Ltd is a small to medium enterprise located in Bundaberg. The business comprises a foundry along with medium / heavy fabrication and machining operations. An engineering works has operated continuously on the current site since 1888.

Bundaberg Walker's core business is the supply of sugar milling equipment. It is now the sole Australian supplier of sugar milling equipment to the Australian sugar industry. A significant proportion of Bundaberg Walkers' sugar business is for foreign customers where the company competes internationally. It has been particularly difficult to compete in recent years because of the high Australian dollar combined with the high cost of Australian labour and Australian sourced material. Bundaberg Walkers also does a small amount of work for some non-sugar customers, principally the Australian minerals processing industry. The Bundaberg Walkers business employs about 125 people directly and sub-contracts substantial work to other local businesses as well as sourcing material and components from national suppliers.

Bundaberg Walker's business is sensitive to electricity pricing. The cost of electricity is a significant component of costs.

Bundaberg Walkers has one 15 t and two 2 t electric induction furnaces. The electrical demand of a furnace necessarily has a high ratio of peak to mean involving as it does, a high demand to melt the charge followed by no demand while the molten metal is poured into moulds. The nature of much of the Bundaberg Walkers business (large, single castings of sugarcane crushing rollers and the like) is such that it is not possible to smooth the electrical demand by say continual operation of smaller furnaces. Large castings have to be done as a single pour of molten metal, not a sequence of smaller pours. Consequently, Bundaberg Walkers is especially sensitive to any electricity pricing structure which penalises high peak demand.

The electricity for the Bundaberg Walkers furnaces is presently supplied under the obsolete tariff, Tariff 37 (non-domestic heating time of use). This tariff is important to the economic operation of the furnaces because it makes moderately priced supply available for that period outside the evening peak (from 10:30 PM until 4:30 PM the next afternoon). It might be possible for Bundaberg Walkers to schedule its furnace operations to take advantage of any low, night rate tariff though there would be a risk of increased annoyance

to local, residential neighbours. Importantly, the current Tariff 37 does not have a demand charge which particularly penalises the inherently peaky nature of furnace operations.

The delegation and covering letter from the Minister to the Authority includes directives for a three year delegation period; consideration of customer impacts; and extensive consultation with stakeholders. The possibility of moving from annual price determination to a three year delegation in the interests of providing a degree of certainty is viewed favourably by the company. However, I urge the Authority to take into careful consideration the potential for changes in the regulated retail electricity price to impact on specific businesses and to alert the Minister to this possibility through the Authority's reports and recommendations. Bundaberg Walkers is available for one on one discussions should the Authority wish to pursue this. Bundaberg Walkers has some potential to take advantage of time of use tariffs and is receptive to the possibility though the merit would necessarily depend on the details of the tariff structure(s) available.

It is not possible for Bundaberg Walkers to be specific about the impact of a revision of regulated retail electricity prices in the absence of a particular proposal but there could be a substantial, negative effect on the company, with flow-on effects to the region and the Australian sugar industry.

Bundaberg Walkers asks that the Queensland Competition Authority be cognisant of the potential for changes to regulated retail electricity pricing to have unintended but severe consequences on specific industry sectors or companies. Bundaberg Walkers is particularly concerned that changes to the retail pricing tariffs could impact its business substantially and so restrict its ability to service the Australian sugar industry, provide local employment in a regional Queensland area with high unemployment statistics, and earn desirable export income. The Authority is requested to acknowledge this and make suitable allowance for it when formulating new proposals for pricing retail electricity.

Yours faithfully



 R J Hatt
Chief Executive Officer