

Regulated Retail Electricity Pricing Submission

Under the proposal currently being put forward by QCA there are 3 large issues for 2PH Farms.

1. The large increases in price per year

In the current economic times it is hard to understand how any business can absorb such a large cost increase and stay viable. We operate in an industry which has to compete in a world market place and are now being told we will have the most expensive electricity of any of our competitors.

2. The time frame to get to cost recovery

The proposed use of accounting depreciation rates as a basis to phase in the regulatory reform costs over only 7 years doesn't go close to recognising the effective life of the assets put in place to use the current electricity price. We do not plan the economics of our business around accounting depreciation rates. The effective life or economic life is what we base our economic decisions on. The economic lives of the assets in question are from 30 to 50 years. If we were to assume they are half way through the economic life and went for only a 30 year life we would still have 15 years of economic life remaining, at a minimum, in the assets we put in place to make the best use the power source they were costed at.

It is hard to understand how it could be argued that a Government led regulatory reform on electricity prices would be using accounting depreciation rates on assets and not economic life of assets when planning the phasing in of the proposed changes.

3. Regulatory Risk. The risk associated with the reform changes and the uncertainty in investments to deal with the changes.

In our area the reform process has a long way to go. We do not have a choice of electricity suppliers and therefore are being asked to meet the cost of reform but with none of the benefits. Most reforms are put in place to insure decisions are driven by economics. We all know that with regulatory reform comes risk. This risk can come in many forms for electricity but we are being asked to take on the risk in our decision making on how we deal with the large increases of costs. Any decision we make now based on economics could still be a long way from actual in 5 years. The difficulty with this for us is that all of our decisions are based around capital purchases to change or reduce the proposed cost for electricity. These capital purchases take up to 50 years to return their costs on top of the costs we are still trying to recover from the current assets we have set up to for the current prices.

Recommendations

We are recommending that the phase period for proposed changes be a minimum of 15 years. This is the only way we can see ourselves remaining viable taking into account the 3 concerns listed above.

Yours sincerely

Craig Pressler

