



Advancing Australian Cotton

21 January 2019

Attention: Adam Liddy/Leigh Spencer
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Lodgement: www.qca.org.au/submissions

Dear Sir/Madam

Re: QCA Interim Consultation Paper – Regulated Retail Electricity Prices for 2019-20

Start letter here.

Cotton Australia is the peak body representing the cotton growers and cotton ginners of Queensland, and across Australia.

For many cotton growers, and for all ginners, electricity is a very significant cost, and therefore we have a keen interest in regional electricity pricing.

All Queensland cotton growing and ginning occurs outside of south-east Queensland, within the area covered by regulated retail electricity pricing.

Cotton Australia welcomes the opportunity to submit on the Interim Consultation paper, but notes that this submission will be brief.

Cotton Australia has submitted extensively over the past decade to this annual process, and refers the Authority to all previous submissions. It is Cotton Australia's view that most of the issues raised in the discussion paper are very similar to one previously raised, and the earlier submissions reflect Cotton Australia's positions.

This submission will provide comment on a small number of key issues.

Cotton Australia is an active member of the Queensland Farmers Federation (QFF) and endorses its submission. However, should there be differences in views expressed in the two submissions, the view of Cotton Australia is the view outlined in this submission.

Comments

Uniform Tariff Policy

Cotton Australia is supportive of the continuation of the Uniform Tariff Policy (UTP), and endorses the view that small business and residential tariffs should reflect the prices actually paid by customers in south-east Queensland, and not the inflated standing offers.

Transitional Tariffs

Cotton Australia has long documented its concerns around the expiration of Transitional Tariffs 62, 65, and 66 in 2020.

While we acknowledge that many customers on these tariffs may be better off shifting to new tariffs now, it remains a fact that a number will be severely impacted, especially those that will be forced onto Large Customer Demand Based Tariffs.

There is no doubt, that irrigators who flood harvest (have no capacity to modify their electricity usage pattern) will be severely impacted (up to 300%) by the move to demand based tariffs.

Cotton Australia continues to propose that existing customers on Tariffs 62, 65, and 66 should have the option to remain on consumption based tariffs, while ever their connection remains in the same ownership, and they do not seek to increase capacity at the site. Further, they need to go through a process to demonstrate that forced transition to a demand based tariff would cause an immediate electricity cost increase in excess of 10%.

Failure to act on this would result in affected irrigators leaving the grid, converting to diesel, Ergon losing sales, and due to the Ergon Australian Energy Regulator revenue cap, all remaining Ergon customers paying more (See Queensland Country Life January 17, 2019 – Pg 4).

Cotton Australia would welcome an in-depth discussion with QCA staff members re these impacts, and the approach to ensure there are no perverse impacts.

With regards to the specific question as to whether new customers should be able to access the transitional tariffs, Cotton Australia would be supportive of these tariffs being closed to new customers. It does not seem sensible to encourage people to make an investment decision based on these now very short-lived tariffs.

Escalation of Transitional Tariffs

Last year we saw most notified prices fall, yet transitional tariffs were frozen. Cotton Australia argued then, and argues now; that when prices increase, and transitional tariffs escalate, then the opposite



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should apply if tariffs decrease. That is, given prices fell last year, transitional prices should have also fallen (although if not at the same rate, a reduced rate).

Headroom Charges – Large Business Customers

Cotton Australia has always opposed the headroom charges. It is akin to a supermarket putting up prices one day, so they can offer a sale (at the original price) the next day. While Cotton Australia is supportive of creating a competitive atmosphere, discounting should be funded through efficiencies and increased market share, not through inflated regulated prices.

Conclusion

Cotton Australia looks forward to further engagement with the QCA through this price determination process.

For further information please contact Michael Murray – michaelm@cotton.org.au or 0427 707868.

Yours sincerely,

Michael Murray,
General Manager,
Cotton Australia