7 January 2013

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Email: electricity@qca.org.au

Dear Sir

Submission on Queensland Competition Authority's Consultation Paper "*REGULATED RETAIL ELECTRICITY PRICES 2012-13 Transitional Issues*"

On behalf of Sucrogen Australia Pty Ltd ("Sucrogen"), we wish to make the following submission regarding the Consultation Paper "*Regulated Retail Electricity Prices 2013-14 Transitional Issues*", and the related Advice to the Minister for Energy and Water Supply, "*Retail Electricity Prices for Ergon Energy Queensland's Very Large Customers*".

Sucrogen is concerned that costs for electricity supplied under tariffs to its Sugar Mills will rise unreasonably, and in a manner that is not cost reflective, and in a manner which is not economically efficient.

Generally Sucrogen believes that the aims of cost-reflective pricing and more specifically site-specific notified prices are at odds with the Uniform Tariff Policy. We note the significant benefits for regional Queensland of the Uniform Tariff Policy in economic growth and the continued viability of existing businesses located in regional Queensland. We recommend more debate over these benefits before undertaking further actions which are at odds with this policy.

Sucrogen recommends transitional arrangements be available due to the potentially large increases in tariffs. Sucrogen favours continued retention of the existing obsolete tariffs, with a 20% annual transitional price increase in line with the QCA Final Determination of May 2012.

Impact on Sucrogen

In most of its 8 sugar mills, Sucrogen imports electricity under the Obsolete Tariff 22L. Advice received from Ergon Energy indicates that the cost impact of the proposed move to a Site-specific Retail Tariff would range, depending on the site, from nearly no change up to an increase in excess of 100%. We note that the sites with larger electricity export capability tend to have larger price increases imposed.

As raised in our previous submissions, we also note that cane growers who supply our mills will be unreasonably impacted by the proposed tariff regime. We understand that irrigators may face a price rise in excess of 30%, and in some cases up to more than 300% on their electricity costs for irrigation pumping. This will particularly impact our growers in the Burdekin region, and no doubt expose them both to the direct cost increases attributable to their own on-farm pumping for irrigation, and indirect cost increases passed on in the form of increased water charges. We also note that the new regime has significantly weakened price signals for farmers to irrigate off-peak, and hence may have adverse impacts on peak demands and associated network costs.

Sucrogen comments on Consultation Paper

In its 2012-13 Determination, the QCA included a 5% head-room allowance to foster competition. Sucrogen does not support this cost impost on consumers. If a competitive solution is more efficient than the current system then it will not need this head-room, and if a competitive solution is not more efficient and does not offer lower prices then we do not want one.

If a transitional arrangement is not continued, some of our sites will experience a more than doubling of electricity cots. We consider this is not a reasonable increase, and support a transitional arrangement to both cushion the cost impacts on our business and allow time for implementation of measures to mitigate the impacts.

Sucrogen responses to specific questions in Consultation Paper

3.2 (b) *Are there any non-financial reasons why obsolete tariffs should be retained of other transitional arrangements put in place?* Many obsolete tariffs including T22 incorporated strong time of use signals. QCA should be careful not to make changes which will weaken these signals, potentially encouraging further growth on peak demand, and subsequent requirement for further network augmentation and consequential increases in network related charges. Generally the QCA process does not seem to consider the impacts of the proposed changes on the behaviour of customers.

3.2 (c) *If transitional arrangements are necessary: Should the obsolete tariffs be maintained and escalated or should other transitional arrangements be put in place? What would be a reasonable level of annual price increase and over what period should transitioning occur?* Transitional arrangements should include the retention of obsolete tariffs and the escalation of these at no more than 20% p.a.. Obsolete tariffs should be retained until all customers have chosen to move to the new cost-reflective tariffs.

Sucrogen comments on Advice

Sucrogen has Embedded Generators at all of its 8 Queensland sites. Sucrogen remains concerned that the potential exists for double charging for some connection services or assets. This concern is reinforced by the observation that the largest cost increases occur at our larger export capacity sites. Sucrogen would like the opportunity to work with the QCA and/or Ergon to ensure that no double charging occurs, and that in principle the connection costs of Embedded Generators are treated in a consistent manner with larger transmission connected Generators with whom we compete. Similarly Sucrogen contends that the full benefits and cost reductions brought to transmission and distribution networks and consumers by Embedded Generators are not identified and repatriated to the Embedded Generator.

Sucrogen notes that the QCA makes the unsupported claim that the electricity costs of large customers are subsidised. Similarly the QCA makes the unsupported claim that large customers are not required to meet their true network costs.

Sucrogen notes that the QCA has determined that without transitional arrangements, 30 of the 108 large customers will receive increases of greater than 100%. In our view this is not an acceptable increase, and in itself shows that transitional arrangements are required.

Sucrogen’s view is that site specific network charges are not compatible with a Uniform Tariff Policy.

Sucrogen’s view is that access to notified prices is preferred, and is required to comply with the Uniform Tariff Policy. Sucrogen supports a transitional arrangement as noted by the QCA in point 3 of the summary.

Yours faithfully

Mark Moriarty
Manager, Business Development
Sucrogen