



CANEGROWERS

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7 January 2013

Queensland Competition Authority
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Dear Sir/Madam

**Re: Consultation Paper – Regulated Retail Electricity Prices
2013-14**

CANEGROWERS Isis is the local organisation representing sugarcane growers supplying the Isis Central Sugar Mill near Childers. The Isis Central Sugar Mill is grower owned and therefore the sugarcane growers, for whom CANEGROWERS Isis acts, have a large investment not only in primary production but also in manufacturing. The future viability of the Isis sugar industry is dependent on having access to a reliable electricity supply, in peak and off-peak periods, at affordable prices.

Background

Almost all farms supplying the sugar mill are irrigated properties with access to either surface or underground water supplies, or both. Various forms of irrigation are used across the mill area comprising (i) high pressure water winch, (ii) low pressure water winch, including centre pivot and lateral move, (iii) flood/furrow, and (iv) trickle, both surface and sub-surface.

As growers connected to the irrigation scheme three (3) to four (4) decades ago they had no choice other than high pressure travelling irrigator systems. One travelling irrigator would irrigate 80 acres (32 hectares). An average size farm would have 3 travelling irrigators. The systems were designed to make the most of the time of use (off-peak) tariffs and consequently large kilowatt motors were installed, at considerable capital cost, to derive maximum benefit and efficiency of night-time irrigation. Advancement in technology has seen some growers change to low pressure centre pivot (15) / lateral move (8) type irrigation when financial assistance has been available and if the farm shape could accommodate such a change. However, it is estimated that 350 high pressure travelling irrigators are still in use by Isis irrigators. The predominant tariffs utilised are Tariffs 62, 65 and 66 and most consumption still occurs at night.

In a number of situations, where underground aquifers exist, the grower has built turkey nests (small above-ground dams) to pump into with small motors and pumps with another large motor and pump to pump onto crops. In these situations, the volumetric extraction from the aquifer is less than that required to operate the irrigation systems, so the water must first be accumulated in the holding pond (Turkey Nest).

Irrigation is absolutely critical to supplement approximately half of the Bundaberg/Isis' crop water requirement. However, seasonal climate variation and limited water storage, can affect the amount of irrigation needed/used. In the dry years, when water is available, growers rely almost on full irrigation to maintain productivity and profitability. While in wet years, limited irrigation and hence limited electricity usage is required.

The main irrigation period is during the summer months but irrigation occurs outside this period in somewhat lower quantities. However, 2010-11 and 2011-12 have been wet years and irrigation demand has been low and, as a consequence, electricity demand likewise has been low during this time.

The point we are making here is that electricity consumption varies markedly, dependant on seasonal conditions, which can mean some irrigators could be classed by the Authority as high electricity users in one year and light electricity users in other years. To class them as high electricity users year in and year out would be incorrect. We argue strongly that because irrigation is necessary over 4 to 5 months of the year, the Authority must classify irrigation consumers as low volume users.

Opening comments

Firstly, we wish to voice in the strongest terms our concern over the process QCA has followed to arrive at a position of understanding of irrigators needs. The Authority should not rely on any advice from Ergon Energy regarding financial impacts on irrigators to migrate (transition) to other tariffs (T22 and T20). CANEGROWERS Isis cannot inform the Authority of the actual cost but it has been estimated to be in the vicinity of \$150,000 to \$200,000 per installation to change from high pressure to low pressure irrigation systems.

The consultation paper states that public involvement is an important element in the QCA decision making process. Farmers (growers) busy themselves with the physical aspects of farming and it is not common for them to be making written submissions on these matters. The small attendance at the regional workshops is indicative of the level of engagement the Authority can expect by relying on written submissions.

Likewise, it would be incorrect to judge farmer interest in the matter of electricity pricing based on the number of submissions received. Water and electricity are key costs of farming and, as such, increased water and electricity costs are fast becoming prohibitive for sugarcane growers.

It is not only our farmers who will be affected. The impact of rising prices/costs threatens the tenure of farm workers, the viability of the sugar mill and its workforce and the local economy of the towns in regional Queensland.

One of the State Government's platforms is to make agriculture a central pillar of the Queensland economy. The determination to make certain tariffs obsolete through the introduction of alternative cost-reflective tariffs is contrary to this objective.

CANEGROWERS Isis also challenges the reasons why the Authority claims the Ergon agricultural irrigation tariffs have been made obsolete. We understand why standardisation of tariffs might be desirable across Queensland, but just because Energex does not have any agricultural irrigation tariffs is not sufficient validation. Ergon is regionally based and that is where most of the farming activities occur.

Extracts of our submission dated 13 April 2012

The following are extracts of our submission made in April 2012. The comments are relevant and are restated.

“Farming and Irrigation Tariffs (Tariffs 62, 65, 66, 67 and 68)

QCA’s assumptions detailed in Table G.4 on page 120 are highly questionable and in no way reflect consumption in a sugar cane farming system in the Isis/Bundaberg region. Invariably, when using averages those with consumption above the average suffer a heavier financial impact than the average who the Authority has assumed are reasonable and bearable because of their low usage.

Therefore, we argue that QCA has not given adequate consideration to the impact on our members in relation to the assumptions used throughout the draft report. In particular, QCA states on Page 83 that Figure 6.4 shows estimated cost changes based on typical consumption levels for Tariff 65 as 4,790 kWh per annum. The samples we assessed of three (typical) growers shows the average consumption level as 25,596, 13,143 and 10,776 kWh per quarter respectively in the peak irrigation period.

The sampled growers’ consumption demonstrate just how ridiculously low the Authority’s farming tariff assumptions are and the real impact on these growers, who are typical of hundreds of growers in the Isis Bundaberg region, must be acknowledged and remedied.

In an attempt to vindicate the Authority’s proposed new tariff charges, QCA has made the following statement –

“However, as with some of the obsolete and declining block tariffs, while the percentage increase in annual bills for customers on Tariffs 65 and 68 are relatively high, the low levels of consumption by these customers means that the dollar impacts are more modest, at around \$295 per annum for customers on Tariff 65 and \$470 per annum for customers on Tariff 68. The Authority does not consider that these increases are of sufficient size to impose unmanageable impacts on affected customers.”

We suggest it is not acceptable to dismiss the impact in this way. How QCA can justify such a statement, when the movement in the Service Fee per metering point per day, from the 50 cents (T65) per day to 110.86 cents per day (T22), equates to an annual increase of \$222.14 before one kilowatt of electricity is used.

Attachment 1 shows typical irrigation electricity consumption in the Isis District by a grower using a high pressure travelling water winch. Using the current and proposed tariff charges, taking into account the reduction in night time hours for Tariff 22, the average increase for this grower **per quarter** is in the order of \$460.21 or an increase of 10.79%. (43% Day time : 57% Night time use.)

Attachment 2 shows typical irrigation electricity consumption in the Isis District by a grower using a low pressure Centre Pivot. This grower’s average increase **per quarter** is \$586.72 or 31.05%. (15% Day time : 85% Night time use.)

Attachment 3 shows typical irrigation electricity consumption in the Isis District by a grower using trickle/drip irrigation. This grower’s average increase **per quarter** is \$377.05 or 21.75%. (27% Day time : 73% Night time use.)

The Authority could claim that irrigators can further reduce these costs by changing to day pumping rather than doing most of the pumping at night. However, the reasons why growers irrigate at night are two fold, (i) water use efficiency gains are most prevalent at night and (ii) time of use tariffs have been designed to shift irrigation consumption away from peak day time demands that have the most impact on the network capacity.

Service Fee

All service fees have increased significantly and the reasons for the increases are unclear. If it's a service fee then what extra services are the electricity service providers providing to the consumer to justify this charge?

Tariff 66 Transition

QCA has made reference to the significant increase in both percentage and dollar terms for customers on irrigation Tariff 66. The suggestion that these customers may have to rearrange their farming practices and use of equipment in order to reduce the impact of these changes on their business model is easier said than done.

As noted by QCA, these customers have planned their businesses and operations around current tariffs and in so doing have spent considerable capital. A change as suggested by QCA is unlikely to occur within the Authority's envisaged 12-month transitional period.

The likely transitional changes require considerable infrastructure change and capital investment consisting of the following steps –

- changing underground irrigation mainlines;
- changing pumps and motors;
- changing irrigation systems (i.e. high pressure to low pressure, trickle, furrow, etc.).

Many of our growers utilising Tariff 66 pump 24/7 all year round with small motors and pumps extracting small volumes of underground water for storage in farm dams. The stored water is then extracted from the farm dam for application to crops by larger motors and pumps.

There is limited scope to change these operations but in any case any change is likely to occur over several years rather than 12-months. A 12-month transition is impractical and we implore the Authority to reconsider its recommendation on the transition to Tariff 41.

Table G.4: Farming tariff assumptions T65

The assumption that consumption is equally spread across the OffPeak and Peak periods is not correct. Our findings suggest that while different irrigation systems require slightly different operational periods, OffPeak is more likely to be 70% to 30% usage in Peak day time. See our Attachments.

It has always been expressed to us that the electricity provider wanted to even out supply and not have irrigators using electricity when residential households are consuming electricity at dinner time.

The offpeak farming tariffs have always reflected the inconvenience to farmers by having to irrigate crops at night time. The Authority's proposed pricing structure has lowered the peak tariff rate but significantly raised the offpeak tariff rate. This has, in our opinion, the risk that irrigators may decide to move to all day time use.

QCA should not interfere with the reasons why most irrigators use offpeak tariffs –

- night time application is more water use efficient –
 - less wind interference with high pressure travelling water winches; and
 - less losses through evaporation
- offpeak application spreads demand and minimises the impact of day time peak demands on the network capacity; and
- because there is less demand on the network capacity, the supplier is better able to address demand management objectives at lower costs.

However, unless there are price incentives for farmers to continue to irrigate at night there could be a shift in usage. We suggest that it is not simply a matter of increasing the daytime rate to reduce the night time rate. The Offpeak tariff rates for night use remove the need to expand the electricity infrastructure network capacity, thus creating a much more efficient environment for all consumers. There should always be an incentive to encourage offpeak consumption to compensate the user for the inconvenience and for the contribution in lowering the overall cost of meeting the demand management objectives to the benefit of all consumers. “

Current Agricultural Irrigation Tariffs should remain in place

CANEGROWERS Isis argues for the retention of the current agricultural irrigation tariffs. The sugar industry has invested heavily in irrigation infrastructures utilising the use of time of use (off-peak) tariffs. Despite having no choice in the type of capital infrastructure then, any change in irrigation tariffs now will severely harm our growers because of the large kilowatt systems which were designed to specially for the time of use (night-time) tariffs.

In the late 1980s and early 1990s, farmers were encouraged to irrigate crops at night, which had the added benefit of spreading the consumption load across 24 hours. If the financial incentive to irrigate at night was removed then more consumption would be transferred to day-time use and that would come at a greater cost to all consumers.

The other major benefits of irrigating at night are that greater water use efficiency is achieved because wind speed is usually lighter and transvaporation rates are lower.

A further cost impasse will be borne by irrigators

The district irrigation scheme was commenced in 1970 and concluded in 1992. The scheme was designed, like the growers systems, to pump large volumes of water into balancing storages at night utilising the time of use tariffs. Consequently, large kilowatt motors were installed and if SunWater is not able to access time of use tariffs then those costs will be passed onto irrigators in higher water charges.

This is another reason why the time of use tariffs are not obsolete and should be retained otherwise massive costs increases will be borne the irrigators.

Future Viability

We are concerned for the future viability of the sugar industry, particularly those areas that rely on irrigation. The impact of electricity pricing combined with increases in water pricing for farmers will cause, in our opinion, our growers to reduce application rates thereby limiting production and profitability. This will have serious flow-on affects for the farming and sugar milling enterprises, employment and the regional economies.

In conclusion

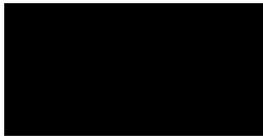
In summary we wish to reiterate our strong concerns over –

- the lack of consultation with farmers;
- gross understatement of farming irrigation consumption;
- agricultural irrigation tariffs are not obsolete;
- too many differences exist in electricity consumption between the city and regional areas to standardise tariffs;
- large capital investment by sugar industry in infrastructure for time of use tariffs, in fact systems were designed based on the irrigation tariffs available at the time;
- limited recognition of impact on network if irrigation was to occur during daylight;
- limited recognition of the irrigators contribution on the network by night time use;
- transitional timeframe is too short;
- time of use consumers are not expanding and therefore peak users should pay for future network upgrades;

- agricultural irrigation demand will vary depending on the climatic conditions existing and irrigation consumers must not be classified as a large user because consumption is usually limited to 4 to 5 months of the year;
- SunWater must be able to continue to pump water from the dams and rivers to farms utilising the time of use tariffs;
- impacts of the proposed prices on the future viability of the farming and regional economies;
- the true cost of Network costs should be investigated to supply peak demand to arrive at the cost reflective price;
- the cost of green power should be borne by the green power producers;

We trust that the Authority will examine the matters raised in this submission. We are willing to be consulted in the future to ensure our members receive the required consideration.

Yours faithfully



Wayne Stanley
MANAGER

Encl. (3)

Electricity Cost Increase QCA Proposed tariff 22

(exclusive of GST)

ATTACHMENT 1

Account No.	Period	Day KWh	Night KWh	2012 Day Tariff	2012 Night Tariff	Amount Day	Amount Night	Service Fee	Total	Adjusted Daily use	Adjusted Night use	Proposed Tariff Day	Proposed Tariff Night	Amount Day	Amount Night	Service Fee	Total	Diff 11/12- 2012/2013	% increase	Jan-10 \$	Diff09/10- 2012/2013	% movement
	19/10/09-									14hrs	10hrs											
	19/01/10	9052	16535	0.2362	0.1301	\$2,138.08	\$2,151.20	45.48	\$4,334.77	11808	13779	0.20159	0.18062	\$2,380.34	\$2,488.79	101.99	\$4,971.12	\$636.36	114.68%	\$3,589.47	\$1,381.65	138.49%
	19/10/09-																					
	19/01/10	10838	11001	0.2362	0.1301	\$2,559.94	1431.23	45.58	\$4,036.75	12672	9168	0.20159	0.18062	\$2,554.45	\$1,655.83	101.99	\$4,312.27	\$275.53	106.83%	\$3,342.80	\$969.47	129.00%
	19/10/09-																					
	19/01/10	5656	9824	0.2362	0.1301	\$1,335.95	\$1,278.10	45.48	\$2,659.53	7293	8187	0.20159	0.18062	\$1,470.26	\$1,478.68	101.99	\$3,050.93	\$391.40	114.72%	\$2,304.31	\$746.62	132.40%
	19/10/09-																					
	19/01/10	15870	17000	0.2362	0.1301	\$3,748.49	\$2,211.70	45.48	\$6,005.67	18703	14167	0.20159	0.18062	\$3,770.40	\$2,558.78	101.99	\$6,431.18	\$425.50	107.09%	\$4,973.15	\$1,458.03	129.32%
	24/10/11-																					
	23/01/12	10908	14781	0.2362	0.1301	\$2,576.47	\$1,923.01	45.48	\$4,544.96	13372	12318	0.20159	0.18062	\$2,695.56	\$2,224.79	101.99	\$5,022.34	\$477.38	110.50%			
	24/10/11-																					
	23/01/12	10396	13052	0.2362	0.1301	\$2,455.54	\$1,698.07	45.48	\$4,199.08	12571	10877	0.20159	0.18062	\$2,534.26	\$1,964.54	101.99	\$4,600.79	\$401.71	109.57%			
	24/10/11-																					
	23/01/12	6028	10202	0.2362	0.1301	\$1,423.81	\$1,327.28	45.48	\$2,796.57	7728	8502	0.20159	0.18062	\$1,557.95	\$1,535.57	101.99	\$3,195.52	\$398.94	114.27%			
	24/10/11-																					
	23/01/12	19608	24012	0.2362	0.1301	\$4,631.41	\$3,123.96	45.48	\$7,800.85	23610	20010	0.20159	0.18062	\$4,759.54	\$3,614.21	101.99	\$8,475.74	\$674.89	108.65%			
Average Increase for Quarter																		\$460.21	110.79%			
Average Increase for Quarter		2009/2010 to 2012/2013																			\$1,138.94	132.30%

Electricity Cost Increase QCA Proposed tariff 22

(exclusive of GST)

ATTACHMENT 3

Account No.	Period	Day KWh	Night KWh	2012 Day Tariff	2012 Night Tariff	Amount Day	Amount Night	Service Fee	Total	Adjusted Daily use	Adjusted Night use	Proposed Tariff Day	Proposed Tariff Night	Amount Day	Amount Night	Service Fee	Total	Diff 11/12- 2012/2013	% increase
	20/11/09									14hrs	10hrs								
	22/02/10	3277	9627	0.2362	0.1301	\$774.03	\$1,252.47	45.48	\$2,071.98	4882	8023	0.20159	0.18062	\$984.06	\$1,449.02	101.99	\$2,535.08	\$463.10	122.35%
	19/02/08																		
	20/05/08	3655	7857	0.2362	0.1301	\$863.31	\$1,022.20	45.48	\$1,930.99	4965	6548	0.20159	0.18062	\$1,000.79	\$1,182.61	101.99	\$2,285.39	\$354.41	118.35%
	21/11/11																		
	20/02/12	1919	5990	0.2362	0.1301	\$453.27	\$779.30	45.48	\$1,278.05	2917	4992	0.20159	0.18062	\$588.11	\$901.59	101.99	\$1,591.69	\$313.64	124.54%
Average Increase for Quarter																		\$377.05	121.75%