Pioneer Valley Water Co-operative Limited.
A co-operative formed under the *Cooperatives Act* 1997.
ABN 55 322 373 770.

PO Box 275
(Level A, 120 Wood Street)
Mackay QLD 4740

Reference: C10/015/10

03 September 2013

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

By email to: electricity@qca.org.au

Dear Sirs

RE: Regulated Retail Electricity Prices 2014-15

This submission is in response to your Interim Consultation Paper of July 2013 which includes the Terms of Reference set down by the Minister for Energy and Water Supply for the determination of electricity pricing for 2014-15.

Following from our submissions to previous electricity price determinations we will again focus on electricity costs for irrigation water supply and use incurred by irrigation water service providers as well as individual farmers. It remains our very strong view that tariffs must be developed that recognise the specific requirements for irrigation as part of meeting the Queensland Government's commitment to build agriculture as one of the four pillars of the economy.

We provide our comments on two specific areas for this submission – Large Customer Threshold and Transitional Tariffs.

Background

PVWater operates an irrigation water supply scheme at Mackay supplying to 250 customers for production of sugar cane. Total volume of water supplied within the scheme is up to 47,400 megalitres per annum and is delivered through four major pumping stations. The scheme involves pumping of water from the Pioneer River into smaller watercourses for delivery to customers as well one area where a network of pipelines and balancing storages are used to deliver directly to farm gates.

For the four major pumping stations operated by PVWater, if cost reflective demand based tariffs were to apply for 2013/14, electricity costs would account for around 65% of total PVWater operating costs. As

Email:
pvwater@pvwater.com.au
Phone: (07) 4957 8481
Fax: (07) 4957 8038
Web:
www.pvwater.com.au

the sites are on a transitional tariff, actual electricity costs for 2013/14 will be some 40% of total operating costs. In 2007/08 electricity accounted for only 25% of total costs.

Increases in electricity cost over the last few years have placed enormous pressure on the budgets of water service providers and individual irrigators. Many irrigators are now making conscious decisions to not irrigate or to pump only during off peak tariff periods due to the high cost. This is being reflected in declining overall water use in the PVWater scheme. Seasonal conditions have been dry and despite there being adequate water supply available, many sugar cane farmers are prepared to hold out for rainfall rather than use high cost electricity.

Reduced irrigation water application due to high electricity costs leads to decreasing agricultural production for the region at a time when Governments at all levels are striving for the opposite by including agriculture as one of the pillars of their economies.

Large Customer Threshold

We note in Section 5.3 of the Interim Consultation Paper that "the threshold between small and large customers and the Government's UTP are both matters for Government". We accept that this is a Government responsibility and are making submissions on it in other areas. However, we would again stress that moving our electricity accounts to current demand tariffs for large customers will destroy our business. Consideration must be given to the development of tariff structures for large customers, particularly in agriculture that recognise that major electricity cost increases cannot be passed through where commodity returns are dictated by world markets.

Transitional Arrangements for Obsolete Tariffs

In regard to transitional arrangements, our major concern is where the tariffs for our installations will transition to. As discussed above, if it is to be to current demand tariffs for large business, then the matter is closed and we need to examine alternatives to mains electricity for our scheme. Due to the design of the irrigation scheme and the installed pumping capacity, it is most unlikely that any alternative supply is feasible. The end result would be further decline in water usage to the stage where the scheme becomes unviable.

We note that Ergon Energy is reviewing its network costs with a view to introducing some time of use considerations. We await the outcomes of this as it may provide an avenue for appropriate tariffs for our operations.

On this basis we submit that any increases to obsolete tariffs for the remainder of the transition period should be limited to CPI only. Any increases comparable to those in recent years will accelerate the downturn in water use and hence agricultural production from the scheme. We need "breathing space" to allow for assessment of options including the outcomes from the Ergon network cost review and for alternative supplies.

We would be willing to provide any further details required to clarify our submission and again stress the need to establish tariffs applicable to the specific requirements for supply of water for irrigation.

Yours sincerely

[redacted]

JR Palmer
MANAGER