CANEGROWERS
ISIS

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5 September 2013

The Chairman
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

electricity@qca.org.au

Dear Sir

Re: Interim Consultation Paper
Regulated Retail Electricity Prices 2014-15

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.

Opening Comments

The adoption of a Uniform Tariff Policy for all customers regardless of their geographic location based on network charges levied by Energex as a general principal is supported by CANEGROWERS Isis, because electricity is a public utility. We do not however, believe there is an equivalent tariff for irrigation within the Energex tariffs. It is therefore our proposal the existing irrigation tariffs (i.e. T 62, 65 & 66) should not be made obsolete but continued within the Tariff framework.

CANEGROWERS Isis questions how the Authority can make its annual price determination on an N + R cost build-up approach **before** a full examination of what constitutes legitimate, acceptable and sustainable network and retail costs.

Electricity must be affordable otherwise consumers will investigate other alternatives, like the new generation of internal combustible engines using diesel and or compressed natural gas (cng). Thereby further reducing the demand on the network and further increasing the cost of electricity for those remaining consumers.

Network Costs

The treatment of the network cost component set by the AER (typically around 50% of the final cost of electricity for small customers) as a pass through is not acceptable.

To build-up the costs a retailer can recover, simply to foster competition in the marketplace with the aim to reduce cost is both illogical and unsustainable.

CANEGROWERS Isis Limited
ABN 69 110 648 041

The inclusion of the cost of complying with the Queensland Government's Solar Bonus Scheme, estimated around 10% of the network tariffs in 2013-14, is not an acceptable component of cost-reflective pricing arrangement as far as CANEGROWERS Isis is concerned. The solar pv exporters make no contribution to network costs and are paid more than 5 times the actual cost of electricity generation.

Network tariffs for small business customers

CANEGROWERS Isis believes our members should be classified small customers and there is no comparative (irrigation) Energex tariff. Therefore we are opposed to the Authority's determination that Tariffs 62, 65 and 66 are obsolete and need to transition inside 7 years.

We recommend the Ergon Energy Irrigation Tariffs 62, 65 and 66 be retained indefinitely.

The determining factor in the classification of a customer as a small or large customer should not be made based on one quarter/year consumption. . It should be based on a rolling 5-year average.

This is particularly relevant to irrigation customers. Energy consumed by irrigation customers is largely determined by seasonal climatic conditions and the availability of water. In wet years consumption can be minimal but the reverse is true in dry years if water is available. Sugarcane growers have the potential to be large customers if you simply consider the kilowatt capacity of their electric motors. However, sugarcane growers do not irrigate 24 hours of the day or twelve months of the year. Energy consumption is usually confined to 3 to 4 months a year taken mainly at night.

The Authority's preliminary view to maintain the broad approaches adopted in making the 2013-14 Determination is a real concern for CANEGROWERS Isis. The 20% increase for Tariffs 62, 65 & 66 for 2013-14 was subsequently overturned and reduced to 10% by the Queensland Government. Even a 10% increase was substantial considering the 90% increase in electricity charges over the last 7 years.

Ergon Energy's Network Tariff Strategy Review

CANEGROWERS Isis is very concerned with Ergon Energy's proposal to introduce a two-part time-of-use pricing for small non-residential customers in 2014-15. This is nothing more than a fixed price charging system based on demand capacity rather than energy consumed. This type of charging does nothing to encourage Ergon Energy to become more efficient.

CANEGROWERS Isis made a submission to Ergon Energy Corporation Limited on the Network Tariff Strategy Review.

In summary the submission said –

- Concerned over the impact of rapidly rising electricity prices in Queensland;
- Sugarcane producers reliant on irrigation must remain competitive on the world market where 100% of the production is sold;
- Any changes in tariff pricing must not impact negatively on the growers ability to irrigate due to electricity becoming unaffordable;
- The knock on affect would be the closure of the sugar mill, the loss of hundreds of jobs and a catastrophic impact on the regional economy;
- The sugarcane growers contributed to the cost of the network between the early 1970s and the late 1990s by either a direct capital contribution or a consumption guarantee for 20 years;

- Sugarcane growers have made a large capital investment in on-farm irrigation infrastructure matched to designated time-of-use tariffs;
- The irrigation network has not expanded due to the fixed boundaries of the SunWater Irrigation Scheme in Bundaberg/Isis;
- Introduce a food and fibre tariff to recognise the uniqueness of the industry (class of customer);
- CANEGROWERS Isis strongly opposes any proposal to charge for network capacity (demand related charging) within tariff classes;
- CANEGROWERS Isis does not support the proposal to introduce demand charges based on kilovolt amps (kVA) for irrigation tariff classes;
- The irrigation network has not expanded in the last 20 years, so irrigation customers should not be responsible for the cost of the retailers poor network investment decisions;
- Tariff pricing must be based on energy usage, not fixed charging as fixed charges do not encourage and deliver efficiencies.

Maintaining alignment of R&N tariffs

The Queensland Government's Terms of Reference (Delegation) instructs the Authority to use the Network (N) plus Retail (R) cost build-up methodology when working out the notified prices and making the price determination, where N is treated as a pass-through and R (energy and retail costs) is determined by QCA.

CANEGROWERS Isis argues that the Network servicing irrigated agriculture is old, has not been expanded or upgraded in the last 20 years and sugarcane growers were required to make a capital contribution or provide a guarantee of energy consumption towards the establishment of the network. By passing through the N costs our sugarcane growers are being made to pay twice.

It appears to us that the Authority should adopt a different approach to its current methodology when setting the notified retail prices for irrigation tariffs.

Energy costs

CANEGROWERS Isis supports green scheme initiatives but is adamant that customers should not be paying for the government's solar pv bonus scheme. The price of electricity should be no more than the lowest generation cost plus efficient transmission and distribution costs based on the most competitively priced overseas jurisdiction such as USA where irrigation is used.

The 44 c/kW paid for green power under the solar pv bonus scheme is an artificial price, set by the government that is more than 5 times the true price of electricity generation. It is wrong to charge irrigators who could not participate in the scheme due to size of motors and should not be a burden borne by irrigation customers.

The cost of electricity generation from green scheme initiatives for the purpose of setting notified prices <u>must be capped</u> at the true cost of electricity generation by current coal fired power stations.

The Authority also includes an allowance for energy losses. CANEGROWERS Isis hopes that those losses do not include the losses associated with surplus green power generated by the solar pv scheme.

The solar pv scheme is not effective in providing an efficient power system and still relies on the network as a back-up at peak demand times when solar is not generating electricity.

Likewise, the Authority should remove carbon pricing when setting the 2014-15 notified prices.

Enhancing time-of-use signals

Since the introduction of the district irrigation scheme in the mid-1970s, sugarcane growers have maximised their electricity consumption at night. Tariffs 62, 65 and 66 are the most popular irrigation tariffs of sugarcane growers in the Bundaberg/Isis region.

CANEGROWERS Isis argues that sugarcane growers do not need incentives to switch to time-of-use tariffs, we just need for these tariffs to remain indefinitely and that a significant discount for off-peak periods be applied to allow irrigation customers to benefit from Ergon's reduced investment requirements in network capacity.

Irrigation tariff charges must apply to energy consumption, not changed to a demand or capacity-based charging system. Cane growing irrigation customers are not responsible for driving up increased capital expenditure and associated network costs but Ergon is proposing demand charges to recover these costs from us when our network is over 25 years old. CANEGROWERS Isis see these demand charges as grossly unfair and will only drive irrigation customers to alternative fuels or, failing the ability to change, the Authority will see the collapse of our industry and, for what possible gain.

A food and fibre tariff should be introduced for irrigated agriculture that delivers electricity in an off-peak time-of-use scenario at affordable prices recognising the need of sugarcane growers to remain competitive in the world market as our producers are 100% export reliant.

Retail Costs

The Authority makes considerable fuss about customers having access to full retail competition within the electricity market, yet goes about including all sorts of allowances to prop up and support the retailers. It is not the function of irrigation customers to pay artificially high electricity prices based on unsustainable economic theory.

Cost reflective prices

There is no scope within the Authority's current thinking or the delegation for that matter, to identify efficient and legitimate N + R costs. The notified price includes allowances of 5% for retail margin, 5% for headroom, 5% for the carbon tax and 10% for renewables. It also includes an allowance for rate of return on network assets which we assume to be another 25% of the final price. We question how the price can be said to be cost reflective when half of it is made up of the above allowances, which are not costs incurred in the generation and transmission of electricity.

No such support exists in the commercial world. Our sugarcane growers survive or fail on how efficient their business can become. Full deregulation of the sugar industry occurred on 1 January 2005. Our grower members cannot charge their customers any of the current allowances that the Authority uses for head room, solar pv prices or overly generous WACC applied to inflated network valuations and poor investment decisions of Ergon Energy. As an export orientated industry, our competitors are not subjected to these unjustifiable costs. We submit that our industry should only pay prices for electricity which can be derived using methods that lead to outcomes which are benchmarked against the most competitive international prices. The continued unmodified use of the current pricing system by the Authority will most likely lead to the collapse of our industry and loss of major export revenue for Queensland.

The renewable energy proponents are capitalising on the Authority's awarded electricity price increases and the impact on the network from these new green scheme promotions are just going to make the problem more complex. (see Attachment 1).

The consequence of those consumers swapping to renewable energy is a death spiral for those customers left connected to the network because of ever increasing costs.

If, as foreshadowed by the Authority, electricity pricing for irrigation will continue to rise by at least 10% each year of the transition then you may as well turn the lights out now because no one will be able to afford to irrigate crops and remain competitive on the world market.

Sugarcane growers do not have the capacity to pass on these cost increases.

Transitional arrangements

CANEGROWERS Isis last year said a transitional period of 7 years was too short for our sugarcane grower members to change systems by making further capital investment. This time we have argued that the tariffs should not be made obsolete. We have also proposed here that the Authority should investigate the introduction a food and fibre tariff.

General comment

The Authority when arriving at the recommended price of water made an allowance for a 5% efficiency gain by SunWater. Isn't it time that a similar recommendation was adopted for electricity pricing?

The marginal cost of irrigation is now close to the marginal revenue for sugarcane at current and future world market prices.

Therefore, CANEGROWERS Isis believes that the Authority has not properly considered our past submissions evidenced by the determination last year. We have had no feedback from the Authority on how it has addressed our submissions and we feel that the process is flawed and that QCA does not considered or understood the consequence the determination/s has on our industry.

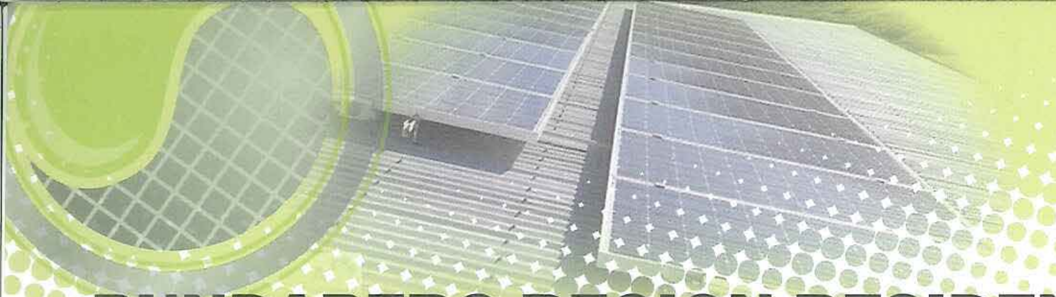
CANEGROWERS Isis trusts that our submissions will be properly investigated and invites a better outcome for our grower members from this current review of regulated retail electricity prices for 2014-15.

Yours faithfully

[redacted]

Wayne Stanley
MANAGER

Attach.



QUEENSLAND RENEWABLE ENERGY

QRE PV 3108 BUN

BUNDABERG REGION RESIDENTS HIT BY DOUBLE WHAMMY ON ELECTRICITY COSTS: WHEN WILL THE SPIRAL END?

Saturday, 31 August 2013

Dear Bundaberg Region resident,

THIS IS A LAST LIFELINE FOR CONSUMERS TO BEAT THE ELECTRICITY HIKES

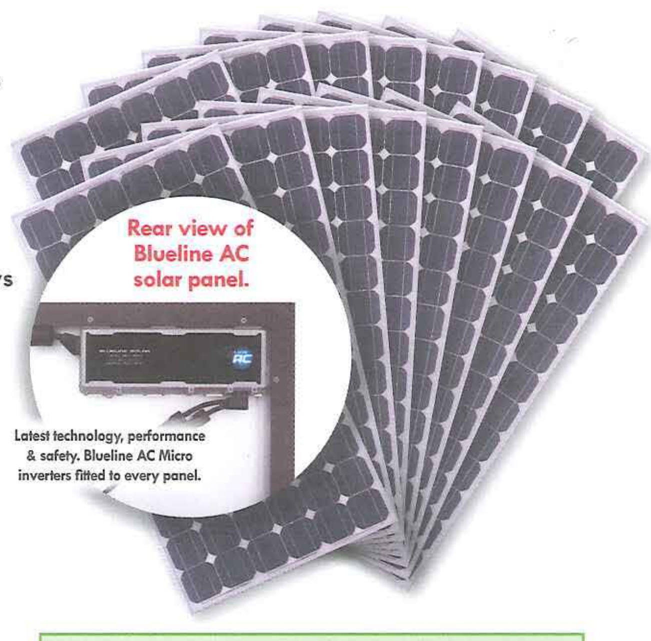
Queensland residents are reeling from a new increase in electricity costs on top of the 21.4%[1] increase announced in February 2013 and are now demanding to know how they can reduce the impact. With this increase now set to be 22.6%[2], Queensland Renewable Energy has responded by offering FREE energy audits.

The audit identifies electricity usage in homes and businesses with recommendations on how to reduce costs. There is no charge for the audit as it is 100% fully subsidised, and is conducted by trained advisors at the premises. The past 5 years has seen an increase in electricity prices of 91% nationally[3], and with electricity prices set to sky rocket, consumers must act now to beat rising costs.

ROLL OUT OF FREE ENERGY AUDITS FOR HOMES & BUSINESSES

The audit team will soon be working through the Bundaberg Region and you can register by calling 1300 137 618. Registration in your area ends Saturday, 14 September 2013.

- The audit is 100% fully subsidised to every Queensland householder.
- This inspection identifies and analyses your home electricity flow and reports on how you can minimise electricity costs and maximise your savings.
- Energy audits are conducted at your home by qualified energy advisors.
- Find out what solar power system is going to match your energy usage to maximise energy savings.
- **Bookings are essential and only available in your area for the next 14 days**



FREE SOLAR INSTALLATION[4] & UP TO $3000[5] SOLAR CREDITS REBATE

Ms Sue Hill, Director of Blueline Solar Systems says,

"Up to $3000 government rebate is still available plus Queenslanders can claim up to $1500 credit on the installation of their Blueline solar power system being fully installed and grid connected".

You are eligible for up to $3000[5] in rebate as part of the Federal Government Solar Credits Rebate scheme plus Free Installation[4] (up to $1500) if you:

- Live in Queensland; including home owner-occupiers, landlords and businesses.
- Are an Australian citizen or permanent resident aged 18 years or over.
- Register for your free home energy audit in the next 14-days.

Other conditions do apply as do with other rebates.

We encourage you to call us on 1300 137 618 within the next 14 days for more information and to register for your free energy audit.

Kind regards

INDUSTRY LEADING PANEL WARRANTY.
5 TIMES NORMAL INVERTER WARRANTY.

30 YEAR Panel XT Warranty

Over 25 YEAR Panel Performance Warranty

QUEENSLAND RENEWABLE ENERGY

Up to 40 MONTHS TO PAY AND NO INTEREST EVER+