Pioneer Valley Water Co-operative Limited.
A co-operative formed under the *Cooperatives Act* 1997.
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Reference: C10/015/10

13 April 2012

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Dear Sirs

RE: Draft Determination Regulated Retail Electricity Prices 2012-13

This submission raises major concerns with the proposed significant increase to the off peak Tariff 22 rate from 01 July 2012. The proposed increase will substantially increase pumping costs for the Pioneer Valley Water (PVWater) irrigation scheme with costs in one section of the scheme to rise by some 50% even before consideration of the impact of the proposed new tariffs on on-farm pumping costs. The proposed increase for 2012/13 comes after an increase in electricity price of over 30% since 2009.

Background

PV Water operates an irrigation water supply scheme at Mackay supplying to 250 customers for irrigation 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.

The irrigation scheme was constructed in the late 1990's and was designed to utilise off peak power not only to minimise costs for PVWater but also for customers who traditionally operate their own on farm irrigation infrastructure during off peak periods. This is not only to minimise their power cost but also to maximise water use efficiency by avoiding application of irrigation water during hot daylight periods with high evaporation rates. Further, nights generally have calmer wind conditions which again help to maximise water use efficiency through lower wind driven evaporation and spray drift.

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Draft Determination 2012-13 Regulated Electricity Prices – General comments

Chapter 7 of the Draft Determination shows the proposed tariffs for 2012/13. The table below summarises the proposed shift for Tariff 22 from the 2011/12 rates.

Tariff 22 Comparison

2011/12		2012/13 proposed	
Tariff 22 D	28.17 c/kWh	Tariff 22 (peak)	20.159 c/kWh
Tariff 22 N&S	9.92 c/kWh	Tariff 22 (off peak)	18.062 c/kWh
Tariff 22 Service fee	104.52 c/day	Tariff 22 Fixed charge	110.86 c/cust/day

The off peak rate is to increase by 82% while the peak rate decreases by 28%. With the peak and off peak rates now proposed to be almost the same there will be little if any incentive for customers to take advantage of off peak periods. It is our understanding that one purpose of off peak electricity tariffs is to shift manageable electricity loads like irrigation water pumping to low general demand periods to reduce peak generation loads. This is certainly not the case for the proposed 2012/13 tariffs.

Section 7.2 of the Draft Determination discusses customer impacts and in regard to Tariff 22 in Figure 7.2 adopts a 50/50 split between peak and off peak use for the impact of the proposed 2012/13 tariff. Appendix G does not provide any explanation of the 50/50 split assumption for usage under Tariff 22 and we would suggest that this spilt is not realistic. Under the current Tariff 22 arrangements we would expect that customers would endeavour to have a much higher percentage of off peak use. As we will show later in this submission one of our irrigation schemes operates with almost 90% off peak electricity use.

Draft Determination 2012-13 Regulated Electricity Prices – Impacts on PVWater

As discussed above, PVWater operates an irrigation water supply scheme in the Pioneer Valley at Mackay. The scheme comprises a number of separate reticulation sections of which three include major pumping stations. Brief details of the pump arrangements for these three separate schemes are as follows.

Reticulation scheme	Details
Septimus	3 x 170 kW main submersible pumps delivering from Cattle Creek through a rising main to the lower balancing storage (LBS) 2 x 135 kW relift submersible pumps delivering from the LBS through a rising main to the upper balancing storage 4 x 15 kW booster pump station on one of five lateral pipelines
Palmyra	3 x 185 kW submersible pumps delivering from the Pioneer River into Bakers Creek
Silver/McGregor	3 x 185 kW submersible pumps delivering from Cattle Creek into Silver and McGregor Creeks

The attachment shows actual power consumption in the three sections for the period 2005/06 to 2011/12 (to February 2012) and the split between peak and off peak usage. Over this period usage has averaged as follows.

Septimus	12% peak, 88% off peak
Palmyra	40% peak, 60% off peak
Silver/McGregor	38% peak, 62% off peak.

Based on the proposed Tariff 22 changes from 2011/12 to 2012/13 this would see electricity costs in the areas increase by 50% for Septimus, 10% for Palmyra and 12% for Silver McGregor. PVWater would have no option other than to pass these increases directly to its customers in those areas.

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In the Septimus section this would place an increase of $13.50 per megalitre per annum on the consumption charge in the scheme and increase the total operating charge to $95.00 per megalitre per annum. This would be totally unacceptable to irrigators in the scheme and would severely increase pressure on the financial situation for many sugar producers already suffering from loss of income through unfavourable weather conditions, increased input costs (including electricity) and reduced production over recent years.

We would reiterate that the Septimus irrigation scheme was designed with balancing storages so that a large percentage of pumping would occur at night with the storages meeting day time demands. This allowed the design of the scheme to optimise pump capacities for the main and relift stations and also allowed customers to carry out a large percentage of their irrigation at night to reduce their water losses through evaporation.

The inclusion of two balancing storages at Septimus added considerably to the capital cost of the scheme but this was offset by the lower operating cost through access to off peak power. Irrigators are still paying off loans taken out to construct the scheme and are to be hit again with the loss of off peak power and resulting massive increase in their annual water charges.

It is our contention that the Queensland Competition Authority must examine more closely the impacts of the proposed Tariff 22 changes on irrigation water service providers and their customers. We note that the Delegation from the Minister to QCA does not require detailed consideration of the impacts of all proposed new tariffs. However, in view of our above submission we consider that this must be undertaken as part of the finalisation of the pricing determination for 2012/13.

Yours sincerely

J R Palmer
MANAGER

Pioneer Valley Water

Electricity Consumption 2005/06 to 2011/12

Septimus Scheme				
	Total kWh	**% Peak**	**% Off peak**	**Comment**
2005/06	243466	20	80	
2006/07	205026	12	88	
2007/08	198604	20	80	
2008/09	229882	11	89	
2009/10	413484	11	89	
2010/11	16793	3	97	Relift pump station power meter not working
2011/12	151075	8	92	Use to end February 2012
Palmyra Scheme				
2005/06	156322	42	58	
2006/07	59994	42	58	
2007/08	125262	39	61	
2008/09	144606	38	62	
2009/10	233270	39	61	
2010/11	20806	44	56	
2011/12	137521	41	59	Use to end February 2012
Silver/McGregor Scheme				
2005/06				Power meter problem
2006/07	6692	47	53	
2007/08	83477	35	65	
2008/09	102897	38	62	
2009/10	214538	38	62	
2010/11	7451	53	47	
2011/12	63459	44	56	Use to end February 2012