CANEGROWERS
Isis

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Queensland Competition Authority
GPO Box 2257
BRISBANE Q. 4001

Dear Sir/Madam,

Re: Response to Interim Consultation Paper – Regulated Retail Electricity Prices for 2019-2020

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. Viability of the Isis sugar industry is heavily dependent upon having access to a reliable electricity supply at affordable prices.

Almost all farms supplying the sugar mill are irrigated properties with access to either surface and groundwater supplies or both. Seasonal climate variation and limited water storage means the Isis growers must use irrigation to supplement approximately half the crop's water requirement, this reliance is most prevalent in dry years. The reliance upon irrigation water, in most cases, equates to a reliance upon cost effective electricity supply as an input to the sugarcane crop for productivity and profitability.

This reliance on cost effective electricity supply is exacerbated by our grower's considerable investment in irrigation systems and the associated infrastructure required to deliver maximum benefit and efficiency aligned to existing tariff constraints, as such electricity is a vital input to the Isis sugar cane industries production. This reliance on electricity and the growing affordability crisis for the same drives CANEGROWERS Isis to implore QCA to protect our industry from further price rises and consider this submission on the Regulated Retail Electricity Prices for 2019-20.

POTENTIAL PRICING APPROACHES

For residential and small business customers, should we maintain the 2018–19 approach of basing notified prices on the costs of supply in south east Queensland?

Yes, the 2018-2019 approach of basing notified prices on the costs of supply in South East Queensland (SEQ) should be maintained to sustain alignment to Uniform Tariff Policy (UTP). Alignment to UTP and the very spirit of the policy maintains equality in supply costs and allows regional commercial customers to remain competitive in a nation where location can so easily prejudice opportunity. Where location change is not optional the assurance of maintaining equality for electricity prices is vital to support regional development, sustainability and future growth.

For large business customers, should we maintain the 2018–19 approach of basing notified prices on the costs of supply in Ergon Distribution's east pricing zone, transmission region one?

In our view, large business customers in the South-East Energex area should not have a competitive advantage over Ergon customers as this will negatively impact and effectively stifle regional development and regional growth.

In addition, the definition of a large customer needs to take into account that some customers only occasionally exceed the 100Mw threshold. We suggest that customers should have to exceed the threshold for three consecutive years before being classed as a large customer and therefore consideration should be given to an increase of the arbitrary 100Mw threshold to 150-200Mw.

NETWORK COSTS

Should we use Energex's network tariff structures as the basis for all retail tariffs for residential, small business and unmetered supply (excluding street lighting) customers? Alternatively, should we use Ergon Distribution's network tariff structures as the basis for some or all retail tariffs for residential, small business and unmetered supply (excluding street lighting) customers?

It is our view that Ergon's tariff structures would be more suitable as it encourages users to work towards cost reflectivity. However, to maintain UTP it is necessary for Energex network charges to be applied to tariffs in Regional Queensland.

If Ergon's time of use network tariff structures were used as a basis to Energex's pricing this would deliver a viable solution for both regional irrigators and Ergon. Such a structure would accommodate different peak demand periods whilst sending the appropriate pricing signal on the tariff structure.

If so, how should Ergon Distribution's network tariff structures be adjusted to reflect the UTP?

To reflect the UTP the average cost to customers using the TOU tariffs for the same period will have to be similar for Ergon and Energex users.

Should we use Ergon Distribution's network tariffs as the basis for retail tariffs for large business customers and street lighting customers?

In our view we should use the Ergon tariff structure for large customers, but Energex prices should be applied as per small customers.

Are there any other issues that we should consider?

CANEGROWERS Isis Ltd has noted a deterioration of the network since the last price path with many members/ customers experiencing regular power outages significantly affecting irrigation practices in the peak crop growth window October – March/April.

Local irrigators on T65 are effectively being treated as T33 customers with power drop outs during the night pushing irrigation to more expensive daytime tariffs and inability to match crop water demand (cane, peanuts and soybeans).

Effectively local irrigators are paying for a network standard that is not being delivered.

Canegrowers Isis Ltd is not opposed to the introduction of new tariffs.

ENERGY COSTS

Should we again extend the energy cost data cut-off date to the end of January to account for the majority of the summer period and any corresponding changes in wholesale energy costs?

In our view yes, extending the energy cost data cut-off date to the end of January should be used to account for the majority of the summer period and any corresponding changes in wholesale energy costs as it makes it easier to achieve an accurate estimate of relevant energy costs.

RETAIL COSTS

The pressure on the Australian sugar industry is immense with the industry having to compete in the global market impacted by subsidisation. High input costs such as energy and water significantly impact on costs of production and our competitiveness.

CANEGROWERS Isis Implore the QCA to apply careful consideration to the retail cost structure effecting irrigator relevant tariffs and consider the impacts increasing retail costs have already inflicted upon our regional industry.

Are there any other approaches to establishing retail cost allowances we should consider?
It is still our view that retail cost allowances should not be indexed thus by keeping costs the same to encourage retailers to actively seek efficiencies in their operations.

In effect retail cost allowances should be fixed for periods in the order of five years to encourage and drive ongoing improvement and incentivise the retailer's efficiency/ productivity.

OTHER ISSUES

- ***The standing offer adjustment differential of 5 per cent***

Ideally CANEGROWERS Isis would prefer Energex's competitive prices without any adjustment being applied in the Ergon area but in the absence of this we do not want to pay any more than a 5% surcharge.

Competitive prices should be applied to ensure the SOD is restricted to within a commercially competitive range. This application would ensure regional areas are not disadvantaged in comparison to SEQ urban customers and, importantly, the spirit of the UTP is upheld.

- ***Competition***

Should headroom continue to be included in notified prices for large business customers? If so, at what level? If not, why not?

In our view no, the headroom is a theoretical and arbitrary consideration which is not reasonably applicable in the instance and scale of a public utility.

If the Government aims to reduce the subsidy it pays to support to regional consumers to uphold UTP they should look to making Ergon more efficient rather than increasing retail pricing. There should be an efficiency driver inbuilt to the organisational structure and overseen by the QCA to ensure the onus on competition is maintained through all aspects of the business from production to retail sales.

- ***Cost pass-through mechanism***

Should we allow for any pass through of SRES under or over-recoveries incurred during 2018-19 into 2019-20 notified prices?

Yes, we should allow for a cost pass-through mechanism for under or over-recoveries provided they can be accurately and adequately identified.

- ***Transitional arrangements for tariffs classed as transitional or obsolete***

Should tariffs 20 (large), 21,22 (small and large), 62,65 and 66 be closed to new customers in 2019-20? Should tariffs 20 (large), 21,22 (small and large), 62,65 and 66 be made obsolete in 2018-19 to reduce the level of subsidies customers receive and move them closer to the prices of standard business tariffs?

In our view tariffs 20 (large), 21,22 (small and large), 62,65 and 66 should definitely not be made obsolete in 2019-20. Customers have been advised that these tariffs will apply and be in place until 2020 with businesses having already made financial and investment decisions based on this premise. Canegrowers Isis want all tariff options available to irrigators at all times.

Currently there are no alternative irrigation tariffs after 2020 that are suitable that match unique and variable usage patterns of irrigators as growers do not irrigate all year round. We request that Tariffs 62,65 and 66 be retained after 2020 until more appropriate tariffs are available.

In addition, deterioration of network standards over the past 6 months are significantly impacting local irrigators/ our members and their ability to efficiently use electricity. Recent and regular power outages over the past 6 months are forcing irrigators to use more expensive daytime tariffs and are impacting crop yields (cane and peanuts, soys) and therefore grower viability. This demonstrates that interruptible supply tariffs may not be suitable for every irrigator in the future.

CANEGROWERS Isis thank QCA for the opportunity to provide comment and responses to the questions posed in relation to the Interim Consultation paper.

We warmly welcome further opportunity for open discussion and debate on the issues surrounding and impacting regulated retail electricity prices for 2019-20.

Sincerely,

Angela Williams
Manager
CANEGROWERS Isis