ISIS CENTRAL SUGAR MILL CO. LTD.

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JG:IH

22 March 2013

Mr EJ Hall (John)
Chief Executive
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

RE: Draft Determination For Regulated Retail Electricity Prices 2013 – 2014:

Dear Mr Hall,

Isis Central Sugar Mill Company Limited (ICSM) is a 116 year old sugar milling business that directly employs more than 200 employees in its operations and crushed in excess of 1.5mt of sugarcane in 2012. The Mill also operates a large sugarcane farming operation on over 3,000 hectares that has produced in excess of 190,000 tonnes this year.

Following the release of QCA's recent determination, our extensive concerns remain that the proposed pricing arrangements for cane growers who irrigate will lead to significant lower utilisation of irrigation which will result in lower productivity and impact the viability of the sugar industry in our region. This comes in addition to significant increases in water pricing determined by the QCA and represents a major threat to our industry.

In addition to this major concern ICSM wishes to submit the following points:

- ICSM supports a transitional period however the proposed period of 7 years does not reflect the investment horizon for past and future investments in the sugar milling industry. Core assets have a useful life of many decades and investment decisions have been made with the expectation of access to future electricity pricing on a basis as previously determined. For example the core milling equipment of 'crushing mills' has an effective life of 30 years as determined by the ATO (refer Table A of the Commissioner's schedule in Taxation Ruling 2011/2) and in practice the assets realise a longer effective life. Therefore the transition period should be increased from 7 years to a minimum of 15 years.

- Whilst acknowledging the principle associated with further increasing the charges for obsolete tariffs to ensure the gap to cost reflective tariffs in dollar terms does not grow, the QCA has arbitrarily grouped tariffs according to the average impact on customers and arbitrarily applied an increase factor to these groups (50%, 25% or 10%). ICSM is primarily concerned with Tariff 22 and submits that the 25% factor utilised on this tariff is too high as if this were applied over the proposed 7 year transition period the result would be in excess of the cost reflective costs in later years. ICSM submit the QCA should calculate a factor for each tariff, given the small number of tariffs, which would achieve the cost reflective level at the end of the transition period. Further this factor should be reduced from the currently proposed level in reference to a longer transitional period, of a minimum 15 years, as noted in the above point.

ICSM appreciates the consultation that has been undertaken by the QCA and looks forward to the issues raised being addressed by the QCA.

Yours Sincerely

[redacted]

John Gorringe
Chief Executive Officer