



12 March 2013

18 MAR 2013

DATE RECEIVED

Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

Dear Sir

**RE: QCA Draft Determination – Regulated Retail Electricity Prices 2013 / 14**

Mackay Sugar Ltd submits this letter in response to the Draft Determination issued by the QCA in February 2013.

As a large business customer purchasing electricity from Ergon Energy under regulated tariffs for many years, Mackay Sugar has seen a 20% increase in electricity costs in the last financial year, on top of significant increases in previous years. Most of our current year electricity purchases are under an obsolete tariff due to expire at the end of this financial year.

We understand the reasons behind the QCA's move to transfer customers to more cost reflective tariffs, however further large tariff increases will severely impact on our ability to remain cost-competitive in a highly contested international sugar market. Our assertion is that, besides a need for more control over spiralling network costs, there should be a more gradual transition to cost-reflective tariffs so that businesses like Mackay Sugar can modify their operations and behaviours to minimise future cost increases.

Our specific comments on the draft determination are:

1. We agree with the recommendation that listed obsolete tariffs should be extended for a transition period of seven years. This gives businesses more time to implement necessary changes to ameliorate future cost increases in moving to cost-reflective electricity tariffs.
2. We agree with the recommendation that new customers be allowed access to retained obsolete tariffs, as this will not disadvantage new customers who may be competing in a market with existing customers, or those businesses which may have made investment decisions based on current tariffs.
3. As the network charge component is driving the majority of cost increases, and is essentially passed through to retailers, it would seem logical that a portion of CSO payments, while they are necessary, be made directly to the NSPs. This should be a more efficient and transparent arrangement.

We thank the QCA for providing the opportunity to make this submission, and I can be contacted on 07 4953 8382 for any further clarification, if required.

Yours faithfully,

  
John Hodgson  
Business Development Manager