Pioneer Valley Water Co-operative Limited.
A co-operative formed under the *Cooperatives Act* 1997.
ABN 55 322 373 770.

PO Box 275
(Level A, 120 Wood Street)
Mackay QLD 4740

Reference: C10/015/10

8 March 2013

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

By email to: electricity@qca.org.au

Dear Sirs

Regulated Retail Electricity Prices 2013-14
Draft Determination

This submission is in response to the Draft Determination Regulated Retail Electricity Prices 2013-14 of February 2013.

We would again advise that our submission deals specifically with electricity costs for irrigation water supply and use incurred by irrigation water service providers as well as individual farmers. Details of the impacts of significant increases in electricity charges on the general irrigation industry have been provided in our earlier submissions. It remains our strong contention that tariffs must be developed that recognise the specific requirements for irrigation as part of meeting the Queensland Government's commitment to build agriculture as one of the four pillars of the economy.

We are most appreciative of the opportunity to attend the workshop held in Mackay on 01 March. The presentation by QCA personnel was of a very high standard and provided a much improved understanding of the key drivers of costs in the Queensland electricity sector. It is clearly evident that there exists in Queensland a very large gap between the cost to provide electricity throughout regional Queensland and the revenue generated under current pricing arrangements. This is addressed through the Community Service Obligation payment to Ergon Energy and includes some unwise decisions in previous years in areas such as the Solar Bonus Scheme. The cost of this scheme has skyrocketed above original estimates and it is a major player in the electricity cost increases.

The present electricity pricing strategy is to transition tariffs up to cost reflective levels over a number of years. This is an acceptable methodology but focus must remain on those cost reflective tariff levels. As unit costs increase consumers will closely examine their ability to afford those increases within their operating budgets. A point will be reached where it is no longer affordable and they will change to alternative energy sources or, more likely, cease operations. As this occurs the unit cost will unavoidably increase as the cost then has to spread across a smaller base. Unfortunately many electricity consumers are irrigators who have very low profit margins due to the returns they receive being set by world markets. It would probably be many irrigators who would be the first casualties under these circumstances.

It is our contention that major cost blowouts, such as from the solar scheme, should be funded by Government as a once off payment rather than magnifying the problem of funding them through the transitional tariffs that present a real threat that may see many agricultural producers cease using electricity and subsequently force up unit costs.

In regard to your Draft Determination we provide the following specific comments:

1. We find it most concerning that, although outside the control of QCA, both Network and Energy costs are to rise by substantial amounts and that these increases are passed directly through to consumers. For this approach to be accepted by consumers there must be confidence in the process for setting these costs, particularly the Network costs. With perceived significant inefficiencies within network operators, full scrutiny must be applied and we await the outcomes of the various reviews of the electricity industry currently in progress.

2. Also in regard to Network costs we note the substantial Community Service Obligation payments to Ergon Energy under the Uniform Tariff Policy. We consider that this CSO payment should be provided at the network level rather than at the retail level as occurs at present. This would provide an avenue for some level of competition for retailers with the incentive for improved efficiency within network operations.

3. We welcome the introduction of a longer term transition period but contend that 7 years is too short. This is particularly so for consumers being forced onto demand based tariffs where price rises will be extreme and much longer periods will be required to undertake any adjustments that may be possible. In some circumstances this may involve considerable time in investigation of options and in managing the process to close down the enterprise due to unaffordable electricity costs.

4. We also welcome the proposal to allow consumers to move between tariffs during the transition period. Depending on the amount of future transitional increase to the different tariffs there may well be opportunities for some consumers to switch tariffs to provide some savings which could offset the costs to those consumers in examining and restructuring their electricity consumption patterns to better align with new tariffs.

5. The Draft Determination proposes increases of 12.5% (Tariff 22) and 17.5% (Tariff 62) for the two main tariffs under which PVWater is currently operating. We do not support this level of increase and contend that any annual increase through a transition period should be at an absolute maximum of 5%. Increases to major input costs to business at the proposed levels for 2013/14 force businesses to trim other inputs which could have severe consequences for their future viability. This situation is exacerbated for agriculture where most producers are price takers and have no avenue to pass increases in their input costs through their produce.

6. Both the length of the transition period and the level of annual price increase during transition should not be fully assessed until the various reviews of the electricity industry presently underway are finalised and the outcomes implemented.

7. As stated in our previous submissions PVWater operates irrigation water pumping stations that fall under or over the 100MWh per annum large business threshold depending on seasonal conditions in the irrigation area. Classification as a large customer with a demand based tariff would increase electricity costs by over 300% for our scheme. We note the intent of the transitional period for obsolete tariffs is to allow consumers to adjust their business operations to minimise the impact of moving to new tariffs. We would respectfully point out that there are no avenues to adjust operations that will better accommodate a demand based tariff which has a uniform consumption charge and a fixed demand charge with absolutely no provision for any time of use considerations.

8. We note the proposal by Energex to extend Tariff 12 to farming and irrigation usage. Based on modelling for our pumping installations, Tariff 12 comes out with costs higher than both Tariff 22 and transitional Tariff 62. This is for consumption patterns ranging from 60% off peak/40% peak to a 90/10 split. We do not consider that Tariff 12 offers any benefit for our electricity consumption pattern.

Yours sincerely

[redacted]

J R Palmer
MANAGER