13 January 2020

Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Sent via website

RE: Response to Interim Consultation paper (Regulated retail electricity prices 2020-21)

This submission is made by the Australian Sugar Milling Council (ASMC).

The Australian Sugar Milling Council is the peak industry organisation for raw sugar manufacturing in Australia.

We represent five sugar manufacturing companies which collectively produce 90 percent of Australia's raw sugar at their 17 sugar mills in Queensland. Whilst largely energy self-reliant with 420 MW of installed co-gen capacity, these mills collectively consume around 35,000 MWh of power per annum during the non-crush season through tariffs T22, T48 and T51. The significant increases in these tariffs represents an increasingly unaffordable impost (~4.3% CAGR for T22 since 2013).

Consuming approximately 220,000 MWh per annum across the state through tariffs T20 and T62, electricity can constitute upwards of 7.5% of a cane grower's total costs. The significant increases in grower electricity costs over the past period (~2.5% CAGR for T20 since 2009), in conjunction with low sugar and cane prices, is resulting in a significant cohort of growers not irrigating optimally. As mills rely on maximum cane supply through the mills to reduce costs, the decreases in yield and cane production currently being experienced, partly as a result of this reluctance to irrigate because of the associated high costs, means this is a significant issue for mills also.

Per the government's delegation to the 2020-21 price review, ASMC welcomes the stated commitment of delivering lower electricity bills and the adoption of the various initiatives in the QCA Interim paper.

In particular, ASMC supports the proposal at 2.4.2 to maintain T53, allow certain Connection Asset Customers to become Individually Calculated Customers and to allow for the option of ICC customer individual network tariffs to be passed through. Whilst more detailed cost comparisons are required, ASMC welcomes the ability of customers to review, compare and decide and believes these initiatives have the potential to:

1. significantly reduce the network charge at selected sites
2. increase the cost reflectivity of connections thereby improving both the efficiency and transparency of charges to customers

3. increase flexibility and the targeting of appropriate connection charges overall
4. increase flexibility and choice by the customer to select an option that best suits their business

ASMC does remain concerned however about the increase in the miller and grower regulated tariffs over the past period and the non-affordability of these tariffs (and subsequent impacts) during the current deep trough in global sugar prices. As such, ASMC will soon write to the Queensland Government under the auspices of an "Industry Revitalisation" strategy seeking a commitment to develop a number of alternative strategies to alleviate cost pressures.

Specific to the statement in the delegation that government supports efforts to develop new tariff structures, one approach may be the possibility of a new grower tariff that encourages energy consumption during the daytime off-peak period, and takes advantage of falling solar input costs in particular. Cane growers for a number of reasons don't typically irrigate during the daytime and ASMC and CANEGROWERS will undertake some preliminary analysis to assess likely adoption.

Please don't hesitate to contact David Rynne, Director Policy, Economics & Trade on david.rynne@asmc.com.au or 0431 729 509 for further clarification or information and to discuss the opportunities associated with new tariffs.

Yours sincerely

David Pietsch
Chief Executive Officer