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Mr Gary Henry
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001
electricity@qca.org.au

Dear Mr Henry,

QCA Consultation Paper – Regulated Retail Electricity Prices 2013-14 (Transitional Issues)

IOR Terminals operates a crude oil storage facility at the Port of Brisbane on behalf of the Lytton JV. This was formerly a Santos Ltd site, constructed during the mid-1980s. The joint venture was established to allow smaller Queensland crude oil producers access to a market in Queensland that would otherwise not be available to them, following the closure of the Moonie to Brisbane oil pipeline during 2008.

The facility consists of a road tanker unloading bay, crude oil storage tank and transfer pumps that allow periodic transfer of product to a neighbouring oil refinery. The nature of the operation is such that operation of the crude oil transfer pumps, which constitute the peak electricity demand of some 2,000 Kw, occurs once or twice per month for a few hours at a time. The average demand for the rest of the month is comparatively low and this results in the network demand charge accounting for ~90% of our projected future electrical charge.

The above Consultation Paper calls for stakeholder comment on a number of items. Please find below IOR Terminals' comments on selected items:

TRANSITIONAL ARRANGEMENTS FOR OBSOLETE TARIFFS

(a) *How should the Authority determine whether transitional arrangements are necessary for each obsolete tariff? What would be considered a "significant" price impact?*

A "significant" price impact would be one that is more than a few percentage points above the current year inflation figure. In IOR Terminals' case the price impact of exposure to the network demand charge is certainly more than significant, with an expected increase in the electrical charge of greater than 450%!

(b) *Are there any non-financial reasons why obsolete tariffs should be retained or other transitional arrangements put in place?*

The financial reasons are obviously the over-whelming concern with these changes. In IOR Terminals' case, and for a number of other sectors including the foundries and irrigators, the nature of our business dictates that the peak demand occurs for a short period (typically a few hours) every couple of weeks. There are limited structural or procedural changes we can implement to alter this requirement.

One of the options we are considering is the removal of the high demand equipment from the power grid by switching to a hydrocarbon fuel power source. This outcome would not be good for all parties as IOR has a significant investment in the electrical system and the electrical distributor will then yield much reduced network costs – there will also be an impact to the air quality in the area.

The two main problems with the network demand charge are that A) it is calculated on a monthly basis, and b) there is no incentive to scheduling the maximum demand to an off-peak period. An alternative option would be to create at least one new tariff that allows the peak demand charge to be calculated on a <u>daily</u> rather than a <u>monthly</u> basis, using a pro-rata daily charge. This could be applied to those sectors that have an infrequent peak demand pattern. There should be an incentive to scheduling the maximum demand period to off-peak periods.

(c) *If transitional arrangements are necessary: (i) Should the obsolete tariffs be retained and escalated or should other transitional arrangements be put in place? (ii) What would be a reasonable level of annual price increase and over what time period should transitioning occur?*

The scale of the escalation faced by IOR Terminals is such that any transitional arrangement put into place will either require excessive annual increases or else extend on for decades! We would prefer consideration of the option of a new tariff with a daily demand charge as detailed above.

Yours faithfully,

[redacted]

Ross Mackenzie
General Manager