



Bundaberg Walkers Engineering Ltd
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Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

9 December 2011

Dear Sirs

Re: Review of regulated retail electricity prices

Bundaberg Walkers Engineering Ltd is a small to medium enterprise located in Bundaberg. The business comprises a foundry along with medium / heavy fabrication and machining operations. An engineering works has operated continuously on the current site since 1888.

I note that the Minister's directive to the Queensland Competition Authority to investigate and report on possible alternative retail pricing methodologies is quite specific. Amongst other things, the directive nominates a "network plus retail" charge structure and that all obsolete tariffs should be removed from the schedule of tariffs.

Bundaberg Walkers is not sufficiently knowledgeable about retail electricity pricing methodologies to make meaningful contribution to the broader discussion but the company appreciates the opportunity to comment on possible transitional arrangements (section 7.2 of the Authority's *Draft Methodology Paper – Regulated Retail Electricity Prices 2012-13*) and elucidate the specific circumstance of Bundaberg Walkers.

Bundaberg Walker's core business is the supply of sugar milling equipment. It is now the sole Australian supplier of sugar milling equipment to the Australian sugar industry. A significant proportion of Bundaberg Walkers' sugar business is for foreign customers (approximately 55% of revenue in 2011) where the company competes internationally. It has been particularly difficult to compete in recent years because of the high Australian dollar combined with the high cost of Australian labour and Australian sourced material. Bundaberg Walkers also does a small amount of work for some non-sugar customers, principally the Australian minerals processing industry. The Bundaberg Walkers business employs about 125 people directly and sub-contracts substantial work to other local businesses as well as sourcing material and components from national suppliers.

Bundaberg Walkers has one 15 t and two 2 t electric induction furnaces. For the year ended March 2011, Bundaberg Walkers used the furnaces to cast some 2,400 t of iron, 130 t of steel and 70 t of bronze. The electrical demand of a furnace necessarily has a high ratio of peak to mean involving as it does, a high demand to melt the charge followed by no demand while the molten metal is poured into moulds. The nature of much of the Bundaberg Walkers business (large, single castings of sugarcane crushing rollers and the like) is such that it is not possible to smooth the electrical demand by say continual operation of smaller furnaces. Large castings have to be done as a single pour of molten metal, not a sequence of smaller pours.

The electricity for the Bundaberg Walkers furnaces is presently supplied under the obsolete tariff, Tariff 37 (non-domestic heating time of use). This tariff is important to the economic operation of the furnaces because it makes moderately priced supply available for that period outside the evening peak (13.563 cents per kW.h from 10:30 PM until 4:30 PM the next afternoon - not a high rate like the 25.509 cents per kW.h of Tariff 20; but neither a low rate like the 10.912 cents per kW.h of Tariff 22). It might be possible for Bundaberg Walkers to schedule its furnace operations to take advantage of any low, night rate tariff though there would be a risk of increased annoyance to local, residential neighbours. Importantly, the current Tariff 37 does not have a demand charge which particularly penalises the inherently peaky nature of furnace operations.

It is not possible for Bundaberg Walkers to be specific about the impact of revising the regulated retail electricity prices until the set of alternative tariffs is published but there could be a substantial, negative effect on the company, with flow-on effects to the region and the Australian sugar industry, should all regulated retail prices include a demand charge or should there not be any tariffs with a low rate, time of use component.

Bundaberg Walkers asks that the Queensland Competition Authority be cognisant of the potential for changes to the schedule of retail electricity prices to have unintended but severe consequences on specific industry sectors or companies. Bundaberg Walkers is particularly concerned that changes to the retail pricing tariffs could impact its business substantially and so restrict its ability service the Australian sugar industry, provide local employment in a regional Queensland area with high unemployment statistics, and earn useful export income. The Authority is requested to acknowledge this and make suitable allowance for it when formulating new proposals for pricing retail electricity.

I urge the Authority to take into careful consideration the potential for changes in the regulated retail electricity price to impact on specific businesses and to alert the Minister to this possibility through the Authority's reports and recommendations.

Yours faithfully

A solid black rectangular box redacting the signature of R J Hatt.

R J Hatt
Chief Executive Officer