QUEENSLAND COMPETITION AUTHORITY

FACTSHEET:
Proposed changes to farm and irrigation tariffs for 2013-14

In the draft 2013-14 electricity price determination released on 15 February, the Queensland Competition Authority (QCA) has foreshadowed price increases of 17.5% to three farm and irrigation tariffs (tariffs 62, 65, 66).

About 18,000 growers use these tariffs.

For many years, prices under farm and irrigation tariffs have been well below the actual cost of supplying electricity to customers.

From 1 July 2012, the tariffs were closed to new customers. At that time, the QCA proposed that all customers should transfer to cost-reflective business tariffs after 12 months. Following extensive public consultations with affected growers, the QCA is now proposing a more gradual seven year phase out of the three tariffs. Over those seven years, prices would be increased each year in line with cost increases (as would be the case for all other tariffs).

The proposal to phase out below cost tariffs has been criticised. It has been claimed that growers should receive lower prices because many largely use off-peak power or use power consistently throughout the day.

The QCA has considered these concerns but notes that other regional businesses on cost reflective tariffs would pay significantly more with the same pattern of consumption. To illustrate this point, the QCA has compared two business users in the same region – an irrigator using tariff 62 and a small business using the cost-reflective tariff 22. Both businesses are assumed to consume 90,000kWh a year, all off-peak. Despite both businesses consuming exactly the same electricity at the same time at the same location, the small business would pay 43% more than the irrigator. The main difference in costs comes from the higher off-peak rate for tariff 22 (19 c/kWh) compared to tariff 62 (13.5 c/kWh). This calculation includes the 17.5% increase proposed for 2013-14.

Table 1: Estimated 2013-14 bill for small business and irrigation businesses

		Irrigator – T62	**'Small business' – T22**
Annual consumption	kWh	90,000	90,000
% Off-peak consumption	%	100%	100%
Annual bill	***$***	***13,517***	***19,368***

A similar example can be for drawn for larger businesses. All cost-reflective large business tariffs have a demand charge to encourage customers to spread their load across the day rather than concentrate demand at peak times. These tariffs would be appropriate for irrigators with flat load demand. Again, assuming identical demand (in this case 150,000kWh a year with average consumption at 80% of peak demand), there is a significant difference in the costs faced by large businesses paying irrigation tariffs and large businesses paying other business tariffs. A customer on the cost-reflective tariff 44 would pay 32% more for the same electricity used at the same time at the same location as an irrigator using tariff 66.

Table 2: estimated 2013-14 bill for a non-irrigation and an irrigation businesses

		Irrigator – T66	**Non-irrigator – T44**
Annual consumption	kWh	150,000	150,000
Load Factor	%	80%	80%
Maximum demand / Installed pump capacity	kW	10.70	10.70
Annual bill	***$***	***27,558***	***36,453***