CANEGROWERS
ISIS

48 Churchill Street Childers 4660
PO Box 95 Childers 4660
Phone (07) 4126 1444 Fax (07) 4126 1902

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Queensland Competition Authority
GPO Box 2257
BRISBANE Qld 4001

electricity@qca.org.au

Dear Sir/Madam

Re: Regulated Retail Electricity Prices for 2016-2017

CANEGROWERS Isis is the local organisation representing 200 sugarcane growers supplying the Isis Central Sugar Mill near Childers. The Isis Central Sugar Mill is grower owned and therefore the sugarcane growers, for whom CANEGROWERS Isis acts, have a large investment not only in primary production but also in manufacturing. The future viability of the Isis sugar industry is dependent on remaining profitable, whilst competing in an uneven world market environment because 90% of Australia's sugar production is sold overseas. This means that any costs incurred by growers cannot be passed on as we have no influence on the world market price.

On behalf of our members we must point out the significant impact electricity prices are having on our international competitiveness in the world market. Our region is heavily reliant on irrigation and because of our topography our dependence on large kilowatt motors, both on-the-farm and within the regional irrigation scheme, has meant the cost of electricity has risen from 10% of our gross revenue to 25% of gross revenue in the last 7 years.

Our annual energy consumption varies depending on the climate. With half the crop water requirement coming from irrigation, our farmer members vary their pattern of use according to rainfall registrations. In reality, the main irrigation demand is between October and April (6 months).

We would like to express our disappointment at the extent of the price rise for 2016-2017. We were under the impression that the large increases were behind us and we had only expected any future increase to be in line with CPI.

We believe that the reported increase in Tariff 11 of 0.6% is somewhat misleading. The consumption charge has increased by 7.5% , but by choosing a low usage rate for a typical customer the 17c/day fall in the fixed charge cancels this out. The average high consumption customer on Tariff 11 will be significantly worse off.

The cost of a solar bonus scheme should not be based on consumption but should be borne by all users by an equal amount per connection or from general revenue. The current method is inequitable as large industrial users and irrigators pay a disproportionately high amount. This has the effect of eroding our competitiveness.

Using standing offers based on the old Notified Prices means that we will continue to pay headroom even though there are few retailers in our area. It also seems to us the concept of introducing competition in the retail sector in SEQ has failed as it has resulted in an average net reduction in price of only 0.5%. Now that the headroom is embedded in the standing offers it will be impossible to dislodge as retailers have incorporated it into their business model. It should have been phased out before full deregulation in SEQ.

For the network to survive in the medium term prices need to be affordable and competitive. With the expected increase for 2016-2017 it is neither. The peak component of TOU tariffs has long been more expensive than diesel but now the off-peak price is as well.

CANEGROWERS Isis has contacted our local engineering and irrigation supplier to provide a case study for the cost of a diesel pumping unit (50Kw pumping unit) verses electricity (45 Kw). Both units demand 40Kw to pump water for a travelling irrigator. The conclusion was that the operating and capital and maintenance costs for the diesel were $ 6.50 per hour for fuel plus $ 1.50 for capital and maintenance. This compares to $ 18.66 per hour consumption during peak and $ 9.10 for off peak for tariff 22A plus capital and maintenance of $ 1.00 per hour.

We have reached the tipping point where irrigators will disconnect from the network and transition to a combination of diesel and renewables. This is not a desirable outcome as ERGON will be left with stranded assets and irrigators will allocate scarce capital resources to duplicate what is already in place and government will receive no revenue from those assets. We will have no choice with this matter as we sell into a competitive world market and cannot absorb any more price increases. We have to adopt the cheapest option even though it is not the best use of current resources as it leads to capital outflows to purchase necessary equipment. This involves an opportunity cost but this perverse outcome is the result of successive governments ignoring the pleas from industry not to use electricity charges as a source of government revenue. The network was built as part of a nation building exercise to give us a competitive advantage in the world market place.

In conclusion, CANEGROWERS Isis is very concerned with the proposals being contemplated and urges that the QCA examine carefully the extreme negative financial impacts that any changes will have on our farmer members. As stated, price increases in the last seven years have increased the cost of energy for our members from 10% to 25% of gross revenue. Cane growers are price takers and the current direction of the QCA will definitely lead to the sugar industry in the Wide Bay Region to becoming unviable by 2020.

Yours Sincerely

Ian Putt
Acting Manager