

18 January 2019

Professor Roy Green  
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Queensland Competition Authority  
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Lodged at: [www.qca.org.au/submissions](http://www.qca.org.au/submissions)

Dear Sir

**Re: BRIG Submission to QCA Regulated Retail Electricity Prices for 2019/20**

The Bundaberg Regional Irrigators Group (BRIG) was established to represent irrigators in the Bundaberg district across a range of commodity groups including sugar cane, grain and horticulture.

BRIG members farm on approximately 36,000 hectares and use an estimated 1,100 irrigation pumps and associated distribution systems to irrigate a variety of crops in the Bundaberg Regional Council area. A significant percentage of these systems (circa 90%) are powered by electricity.

We would like to again acknowledge and thank the QCA for their invitation to provide yet another submission on the Regulated Retail Electricity Prices.

**The Fundamental Problem**

*On Farm*

Electricity is a significant cost to irrigators. This cost can be amplified depending on the actual farm location and source of irrigation water in terms of the amount of head that water is required to be pumped and the volume of water required.

In the past 10 years our prices have increased by at least 136%.

The impact of rising electricity prices are clearly eroding the competitiveness of our intensive agriculture sector and are having real implications for our farm businesses and our regional community.

Whilst there are a wide variety of crops in our community, sugar cane accounts for around 80% of the nominal irrigation allocations in both the groundwater and surface water systems. Diversification is occurring however it is estimated that sugarcane will be the cornerstone tenant of the irrigation area for at least the next ten years.

Unfortunately sugarcane returns are currently below the cost of production.

### *Water Infrastructure Provider*

SunWater Ltd is the 100% state government owned organisation that owns and operates the surface water irrigation channels and delivery systems in our area. This system provides approximately 60% of the nominal irrigation water.

QCA are currently conducting the price path review for SunWater and it is likely that some form of pass through will be applied for electricity cost incurred by SunWater.

SunWater sites in the Bundaberg Irrigation Area are currently mainly supplied under transitional or obsolete tariffs with the majority of electricity usage on T62.

All SunWater's transitional tariffs will conclude on 30 June 2020. From 1 July 2020, tariffs will transition to demand tariffs which base charges on peak monthly demand.

Should SunWater's access to the obsolete and transitional tariffs cease we estimate that irrigators are facing increases of between 45 and 70% in electricity pass through charges.

This amplifies the impact on our community and puts the entire Bundaberg Irrigation Area at financial risk. Flow on effects in terms of employment and regional well being should this occur are obvious.

### **Fundamental Role of Grid supplied electricity**

Energy Consumers Australia (ECA) have recently defined the role of the grid supplied electricity system as providing *comfortable homes* and *competitive businesses* and that in order to achieve this role the system needs to *be affordable, individualised and optimised*.

Our members are all attempting to operate competitive businesses.

### **Affordable**

The current cost of electricity results in the majority of our members not being able to sustain their enterprises using grid supplied electricity. Most are actively looking for alternatives to grid supplied electricity and have tasked BRIG to assist them in that endeavour.

At this point in time a solar diesel energy mix appears to be the most viable alternative and we are actively trialling a solar/grid mix with assistance from ARENA.

We have been able to define a sustainable and affordable tariff as follows:

*An affordable and sustainable electricity price is one that has a ceiling of 8 cents per kilowatt-hour for the electrons and 8 cents per kilowatt-hour for the network. (GST exclusive)*

### **Individualised**

During the past eight years (8) we have engaged with the AER, ERGON, CEFC, CER, Federal and State Energy departments, Federal and State governments and elected representatives and more recently with Energy Queensland on behalf of irrigators.

We have also partnered with various other organisations and businesses that face the same issue of affordability on a range of projects.

We are pleased with the Controlled Load initiative being trialled by Energy Queensland and a number of our members and other irrigators. This trial uses the existing T33 tariff structure as a standalone tariff and shows real promise as part of a suite of food and fibre tariffs.

The Bundaberg SunWater scheme is a very high energy cost scheme and because SunWater recover their electricity charges from irrigators it is imperative that Energy Queensland consider bespoke tariffs for irrigation infrastructure operators.

### **Optimised**

In the past a number of our members have worked closely with ERGON Energy representatives and irrigation equipment providers to have their pumping system designed and matched to the most suitable, sustainable and efficient tariff available. Significant infrastructure and capital has been installed and is currently operating based on the characteristics of the specific tariff.

We are currently assisting DNRME and QFF to roll out a series of on farm audits to assist our members with tariff selection and energy productivity decisions.

### **WHAT QCA CAN DO TO BE PART OF THE SOLUTION**

BRIG understands that the state government directs the QCA to treat the 2019/20 price determination in a given methodological way, and that leaves very little room for any alternatives to be considered.

BRIG requests:

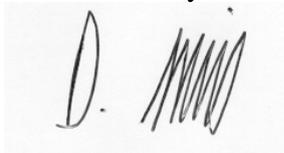
- That QCA formalise what BRIG and many others have been reporting. That is, there is no need for demand based tariffs for small business (including irrigators) in regional Queensland to ration use and mitigate against further network build. There is sufficient capacity in the system for the foreseeable future.

- That QCA recommend that transitional tariffs and obsolete tariffs be converted to “legacy” tariffs and remain available for existing customers to 2025. This is particularly relevant to water infrastructure providers such as SunWater.
- That QCA recommend implementation of volume based food and fibre tariffs, reflecting agricultural power use patterns on the network in terms of base load and off-peak use and including worthwhile time-of-use incentives for agricultural businesses during off-peak periods and over weekends;
- That QCA recommend promotion of increased competition in the electricity market (Allocation of CSO to the ERGON network division of Energy Queensland);
- That QCA recommend continuation of the policy to fund the SFIT from general revenue.

In conclusion unless electricity prices are affordable (16 cent/kwh ceiling) and as such reduced by at least 33% on current we are in danger of significant employment disruption to our community and having dams full of water and no one able to afford to draw on them.

Please call should you require further information or clarification.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. Holliss', written over a light grey rectangular background.

Dale Holliss  
Company Secretary  
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