KALAMIA CANE GROWERS ORGANISATION LTD ACN 092 708 337

MANAGER: Les Elphinstone m. 0447 128 312
CHAIRMAN: Robert Malaponte m. 0419 640 523
DEPUTY CHAIRMAN: Joseph Quagliata m. 0417 622 956
DIRECTOR: Robert Zandonadi m. 0428 826 894
DIRECTOR: Denis Pozzebon m. 0427 961 794
DIRECTOR: Paula Langdon m. 0417 077 608

140 Young Street, AYR Q 4807 | PO Box 597, AYR Q 4807 | **Email:** admin@kalagro.com.au | **Ph:** (07) 4783 1312

15th January 2019

Professor Flavio Menezes
Chair
Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001

Online submission: http://www.qca.org.au/Submissions/Electricity

Dear Professor Menezes

Re: Interim Consultation Paper – Regulated Retail Electricity Prices for 2019-20 (Queensland Competition Authority, December 2018)

Kalamia Cane Growers Organisation Ltd (KCGOL) is appreciative of the opportunity to provide commentary in relation to Queensland Competition Authority's Interim Consultation Paper as well as issues our organisation considers relevant that directly impact our members when determining retail electricity prices for 2019-20 in regional Queensland.

By way of background Kalamia Cane Growers Organisation is a not for profit, member focused service association. KCGOL represents approximately 140 sugar cane growing entities in the Burdekin region. At present, these growers supply approximately 1.60 million tonnes of cane annually to Wilmar's four sugar mills. The principal objective of KCGOL is to improve and sustain the profitability and viability of its sugar cane growing members, the sugar cane industry and the Burdekin region.

The Burdekin region is the largest sugar producing area in Australia with sugar cane production covering an area of some 80,000 hectares. Availability to cost effective electricity for irrigation from an extensive water supply network system is critical to successful farming operations in this region.

To highlight the issue of increased cost of electricity an example provided by one of our members in relation to a current transitional Tariff 65 is provided below. This tariff allows a grower to undertake watering at the optimum time in the evening/night and to take advantage of off peak rates. A sample of prices incurred over the past 8 years is highlighted in the following table.

YEAR	OFF PEAK TARIFF CENTS PER KWH GST INCLUSIVE	PEAK TARIFF CENTS PER KWH GST INCLUSIVE
2010	12.20	22.16
2014	15.70	28.58
2016	21.391	38.836
CURRENT	22.353	40.583

These figures show a staggering increase of 83% over the past 8 years for both offpeak and peak tariff rates and would be replicated to similar degrees across other tariffs available for the agricultural industry in regional Qld.

ACCC's Retail Electricity Enquiry Final Report of June 2018 confirms "Australia is facing its most challenging time in electricity markets. High prices and bills have placed enormous strain on household budgets and business viability. The current situation is unacceptable and unsustainable". KCGOL strongly urges QCA take into account recommendations made in ACCC's Final Report when considering regional pricing for 2019-20.

KCGOL is supportive of provision of lower network costs when determining proposed retail tariffs for the Ergon network 2019-20. It is accepted QCA's previous approach in basing notified prices for residential and small business using Energex's network tariff structure for the cost of supply in SEQ was the most economical and cost effective option. However since SEQ market was derugulated in July 2016, which has given consumers the flexability to choose competitive market contracts or remain on standard retail contracts, there has been an influx of retailers to the market. QCA Media Release for SEQ Retail Electicity Market Monitoring – September 2018 quarter, released October 2018 indicated:

> "The QCA's analysis shows the benefits of shopping around in the SEQ market. Customers on standing offers can reduce their bills by switching to market offers, but they need to be aware that standing offers have set terms and conditions, whereas market offers have flexible terms and conditions,".

Unfortunately regional Queensland does not have the luxury of competition and some current market offers (Tariff 20) available to SEQ business customers are more cost effective than that currently provided by Ergon Energy. KCGOL recommends QCA take into account the more favourable market contracts currently on offer in SEQ when determining regional retail electricity pricing for 2019/20. Accordingly we would support QCA establishing new retail cost allowances based on up to date market data to reflect current level of competition in SEQ.

Majority of our membership currently access agricultural transitional tariffs (62, 65 & 66) as they continue to provide the most cost effective option for grower's irrigation requirements. KCGOL strongly encourages the Queensland Government to give consideration to extension of these tariffs beyond 2020.

The sugar our members produce from the cane they grow is exported which puts them in the unenviable position of being a "price taker" and subject to current depressed world market prices and overseas producing countries. Therefore any increases in input costs cannot be simply passed on to an end user with farmers struggling to absorb increases in inputs such as electricity, water, fertiliser at a time when current world price for sugar is below cost of production.

QCA consideration of points that have been raised in our submission would be greatly appreciated.

Yours faithfully

Les Elphinstone
Manager