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Queensland Competition Authority
GPO Box 2257
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Dear Sir/Madam

Draft Determination of Regulated Retail Electricity Prices 2015-16

Reference is made to the Authority's Draft Determination Report of Regulated Retail Electricity Prices for 2015-6 released December 2014.

The writer attended the QCA's workshop in Townsville on 10 February 2015.

Having regard to the Draft Determination we make the following comments.

Retention of Transitional Tariffs for 7 years

We remain of the view that the transitional tariffs (previously referred to as obsolete tariffs) should be retained for longer than the remaining 5 years.

The Authority's rationale for retaining the transitional tariffs for only 7 years (from 2013) was based upon the Australian Taxation's Office's depreciation schedule for irrigation pumps of 12 years and an assumption was made that the period of depreciation was already running (ie the irrigation pumps were purchased within the preceding 5 years) and the QCA determined that an arbitrary 7 years was therefore reasonable.

However, we are of the opinion that the QCA understated, or failed to appreciate, the following in its decision making process:

1. An irrigation pump is not replaced merely because the irrigation pump can no longer be depreciated for tax purposes. It is not unusual for irrigation pumps to be utilised for periods up to 20 years.
2. The above is supported by the Queensland Department of Primary Industries (as it then was) published manual for primary producers (1977) which stated that the working life of a pump and motor was in the order of 15 years.
3. There is substantially more infrastructure than just the irrigation pump used to irrigate sugar cane. Depending on the capacity and age of the power pole, transformer and meter, changing the irrigation pump and motor often entails also upgrading, or moving the location of, the power pole, transformer and meter. This is at considerable expense to the grower. From enquiries we have undertaken, Ergon Energy has been charging growers in the vicinity of \$10,000 and \$20,000 to relocate a power pole and upgrade the transformer and meter.

4. Further, the capacity of ancillary infrastructure, such as pipes, may need to be replaced to be able to utilise different pumping capacities.
5. A small grower who grows approximately 10,000 – 12,000 tonnes of cane will utilise between 5 and 8 pumps to irrigate the whole of his/her farm. Often all pumps are on the same tariff. Very few growers have the financial resources to alter the whole of their irrigation infrastructure in the remaining life of the transitional tariffs (ie 5 years).
6. The Authority's Draft Determination Report for Regulated Retail Electricity Prices 2012-13 (refer to page 83 of the report) made the rather bold and questionable statement that Tariff 66 had to increase by some 337% to be cost reflective. This raised the false innuendo to the State Government that irrigators were paying little, if anything at all, for electricity (which we refute). We note with interest that the Authority has not made similarly bold statements in the current Draft Determination Report. We are of the opinion it is therefore incumbent upon the Authority to revisit its assertions that irrigation tariffs are substantially below being cost reflective. This is imperative in determining what is a reasonable period for the transitional tariffs to be retained.

It is incumbent upon the Queensland Government to ensure that primary producers in regional Queensland are financially viable. The structure of electricity tariffs (N + R) must be reviewed to ensure that the cost of electricity is not prohibitive to the operation of primary production in regional Queensland.

Please do not hesitate to contact the writer should you have any queries regarding the contents of this correspondence.

Yours faithfully

PIONEER CANE GROWERS ORGANISATION LTD



Julie Artiach
MANAGER