



CANEGROWERS ISIS

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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 2015-16

CANEGROWERS Isis Limited 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.

The decision by the Queensland Government to end notified prices in south east Queensland from 1 July 2015 provides the QCA with an opportunity to reassess its approach to setting notified prices for residential and small business customers.

As the growers for who CANEGROWERS Isis represent are customers of Ergon Energy, we see an opportunity to gain changes in the way notified prices for Ergon customers are established. So from the perspective of Ergon Energy customers CANEGROWERS Isis makes the following comments:

1.1 The Uniform tariff policy –

Electricity is an essential component of everyday life. Each class of customer should pay the same price on the basis of fairness and equity despite whether they reside or operate in a metropolitan or rural locality.

Regional Queenslanders are already disadvantaged in the areas of specialised health care, public transport, tertiary education, telecommunications and internet access to name but a few. To have to pay more for electricity will be a further detriment to maintaining viable enterprises, attracting skilled workers and retaining existing services in the regions.

Therefore, CANEGROWERS Isis is a supporter of the long-term retention of the uniform tariff policy as it currently exists.

2.1 Base notified prices for residential and small business customers –

While the 2015-16 determination of notified prices will apply only to the Ergon distribution area, QCA should take into consideration Energex's network and retail charges as the basis for setting the base notified prices inside the Ergon Distribution tariff structures.

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CANEGROWERS Isis proposes that this approach is both consistent with the aims of the UTP and the promotion of retail competition. It will also help in achieving cost reflective pricing.

3.1 Network costs and tariffs

Based on our understanding, information at hand and contained within the Interim Consultation Paper, CANEGROWERS Isis supports QCA's suggestion that for 2015-16 we use Energex prices and Ergon tariff structure for T22 (small business customers). This assumes there would be no additional fixed charge beyond the 140c/day currently paid by T22 customers.

Why is it that regional customers could not have a hybrid combination of Energex's tariff pricing and Ergon Distribution tariff structures. This, to us, seems a sensible approach and one that QCA has highlighted in the Interim Consultation Paper.

Admittedly, there is significant difference in the two Networks but it appears to CANEGROWERS Isis that the Ergon Network does not face the same capacity constraints as the Energex Network.

A combination or mix of network charges and tariff structures would give our irrigator members greater access to off-peak rates, as noted in Table 3 on Page 11 (Small business tariff 22) 'Comparison of Energex and Ergon Distribution time-of-use tariffs'.

4 and 5 Energy and Retail Costs/Other Issues

CANEGROWERS Isis has previously highlighted our opposition to QCA's use of a range of allowances, which we argue are unrelated to the raw cost of electricity generation and transmission. These allowances (e.g. solar bonus scheme, headroom allowance, RET, ROC) have been used in earlier determinations to artificially inflate the notified prices.

In the Energex area as a result of competition the true energy and retail costs will be arrived at. We understand QCA has been monitoring this price for some time and we recommend that Ergon's energy and retail prices be based on the average Energex price in the preceding year, plus an adjustment for CPI.

Following this proposal would mean QCA would no longer have to include allowances for a range of energy costs in future calculations of notified prices for Ergon's small business customers. Using the average Energex pricing scenario is true market cost reflective pricing.

5.2 Cost pass-through mechanism

CANEGROWERS Isis' view is a cost pass-through mechanism is unnecessary when setting notified prices.

5.5 Transitional and Obsolete tariffs

CANEGROWERS Isis has previously advocated for a longer timeframe for transitional arrangement (e.g. 20 years) for Tariffs 62, 65 and 66. Our growers have invested heavily in on-farm high pressure irrigation systems and cannot justify further capital expenditure on the basis of a 7-year write-off timeframe.

Our variable climate means irrigation is only viable with the continuation of time-of-use tariffs, where the bulk of the consumption is used in the off-peak hours (nights and weekends). QCA in Table 3 on page 11 of the Interim Consultation Paper details the structures for time-of-use tariff 22 (small business) in the variable peak, shoulder and off-peak charges. These structures suit our growers who use irrigation mainly in summer.

CANEGROWERS Isis would also like our growers to have the ability to change time-of-use tariffs at least twice in a year at no cost. For example, an irrigator on Tariff 62 or 65 to have the ability to change to Tariff 66 during the summer months and to change back at no cost. This would help make irrigation more viable and affordable.

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We would also like QCA to investigate the option of offering tariffs where irrigators are locked off during peak periods, if necessary (e.g. Tariff 33). This could be a concession acceptable to some irrigators (low pressure systems) and will help reduce expenditure on network expansion in the future.

Yours faithfully



Wayne Stanley
MANAGER