

29 January 2016

Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Dear Sir, **RE: Interim Consultation Paper – Regulated retail electricity prices for 2016-17.**

Firstly, apologies for this late response to the Interim Consultation Paper, and I hope you will still take the following input into consideration.

Cotton Australia represents the interests of Queensland cotton growers, and for many growers electricity is a significant energy input for their farming businesses.

Cotton Australia has been actively involved in the electricity pricing debate for many years, and has been a regular contributor to QCA Determinations and the recent Australian Energy Regulator revenue determination process for Ergon.

Many of the key issues raised in the Consultation Paper, are issues that Cotton Australia has responded to the QCA many times before, and in the main our position has not changed.

In the interest of brevity, Cotton Australia will just focus on three key areas in responding to the current paper.

Uniform Tariff Policy

Cotton Australia remains completely committed to the maintenance of the Queensland Uniform Tariff policy, and its principle of ensuring that electricity users in regional, rural and remote areas pay no more for electricity than those consumers in South-East Queensland.

With that in mind we endorse the QCA's views that residential and small business customers in regional Queensland should pay notified prices based on south-east Queensland costs.

While we understand that in recent years it has been the practice to base notified prices for Large Customers on the lowest costs of supplying regional Queensland (in general the East Pricing Zone), we do not understand why Large Customers are being disadvantaged in comparison with Residential and Small Business Customers.

We believe the costing for all notified prices customers should be based on South-East Queensland costs.

Transitional Tariffs

Cotton Australia has always argued that the removal of the Transitional tariffs by 2020 is unfair and will force unacceptable price rises on many of our existing users. We have modelled instances where the forced transfer of irrigation customers from consumption based tariffs such as 62 and 65 to Large Business Demand Based Tariffs such as 44 or 45 will lead to a tripling of electricity costs for the same volume of usage.

Cotton Australia's position is that:

- Access to Transitional Tariffs should be limited to existing users on those tariffs.
- Transitional Tariffs should remain available to existing indefinitely, while ever they do not seek to increase the demand capacity of their connection.
- In setting notified prices they should not be subject to any price escalation premium.

Cotton Australia notes that by the QCA's own admission it does not know whether Transitional Tariffs are cost reflective or not, and therefore there is no valid reason for these tariffs to have price increase in excess of those generally applied to the notified tariffs.

As previously advised, the removal of access to the Transitional Tariffs will lead to an immediate and large scale disconnection from the network for many river pumpers, who will switch to alternative energy supplies. This will result in the irrigators having to make otherwise unnecessary capital expenditure, and a significant loss of customer base for Ergon and the consequent stranding of its assets.

Headroom Charge

Cotton Australia has consistently argued against the headroom charge and remains firmly committed to its removal.

The Headroom Charge is strongly opposed for two main reasons:

1. The argument that it allows competitors room to compete simply does not hold any validity given the almost complete absence of competitive choice within the Ergon service area.
2. The concept that retailers should be allowed higher prices, so they can discount them for competition is ludicrous. Any other retailer would be rightly criticised if it could be shown that it had increased prices one day, say it could offer goods at a "sale" price (the same price the goods had been prior to the increase) the next day. The ability to discount to encourage competition should be financed by either existing or future efficiencies of the retailer.

Cotton Australia looks forward to the QCA's draft report, and will be very disappointed if the QCA's report determines any increase in electricity prices. Cotton Australia would like to remind QCA that over the past eight years electricity prices have increased in excess of 80% while cumulative inflation has been approximately 25%.

Yours sincerely,



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