CANEGROWERS

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Submission on Draft Determination Regulated Retail Electricity Prices 2013 – 14

6. Transitional Arrangements

- Whilst we note that Energex has attempted to address our concern regarding the diminishing gap between peak and off-peak tariffs by suggesting access to Tariff 12, we share QCA's concern that "it is not clear that customers who consume the majority of their energy off-peak, such as some farmers and irrigators, would be any better off on a new retail tariff based on network tariff 12 (8900) compared to being on Tariff 22".

- Whilst we support QCA's recommendation to transition tariffs 62, 65 & 66 for a period of seven (7) years, we would support this as the minimum period of transition. The transition period should allow for depreciation of irrigation infrastructure installed for T62, T65 and T66. We still urge QCA and the Queensland Government to work with peak industry bodies to retain AFFORDABLE 'time of use' and 'flat rate' tariffs for irrigation.
  - It is imperative for the irrigators who fall in the large user category to have access to specific irrigation tariffs or as it has been shown in our previous submissions these irrigators will be forced either off of the grid completely to another form of energy e.g. diesel or they will be forced out of business
  - The retention of Agricultural / irrigation tariffs is integral to the sustainability of our agricultural sector and to the Queensland Government pledge to support the growth of Agriculture as one of the four pillars of the state's economy.
  - Forcing farmers off of irrigation tariffs will force them to change their usage patterns from base load or off- peak users to on- peak users
  - Should irrigators not be given the incentives to use off-peak power this will ultimately result in black outs in the on-peak periods and underutilisation of the network in the off -peak period. The irrigation Tariff 62 was introduced to average the load and given that irrigation systems have at least tripled in numbers since the introduction of that tariff, irrigators will have as much right to use the power at their discretion and the electricity companies will be unable to control this usage.

- We do not support the QCA's proposed wording that the obsolete tariffs are "available to customers at the discretion of the distribution entity". If QCA rules obsolete tariffs should be available the distribution entities must not have any discretion as to whether they provide them!

- We support the QCA's recommendation to allow access to the obsolete tariffs for the following reasons:
  - As the QCA rightly points out if large customers are to have access to obsolete tariffs so should small customers.
  - The introduction of obsolete tariffs for the 2012/13 Price determination has caused great confusion not only with irrigators but also with the retailers. Growers were encouraged by the retailers to switch to tariff 22 which has subsequently increased their bills due to the fact that the 12/13 price determination reduced the difference between on and off-peak charges. As a result there are irrigators who will be looking to move back onto one of the 'obsolete' irrigation tariffs.
  - There are some irrigators who have split their pumps into two separate NMI's to avoid becoming a large user. These irrigators were forced during the last 12 months to put the second pump onto tariff 22. They will be also looking to move back onto the 'obsolete' irrigation tariffs

- We do not support the QCA recommendation that 'any customer taking supply under tariff 66 who requests a temporary disconnection will not be reconnected under this tariff'. This stipulation has not been put onto any of the other tariffs which make it inequitable that irrigators of tariff 66 would not have the ability to move between tariffs if their usage pattern changed and it was of financial benefit for them to do so.

7.3 Underlying Cost Drivers

- The introduction of the Governments Solar Rebate Scheme and the push to be more energy efficient has driven down consumption which in turn has driven up the network costs.
- With electricity prices for irrigators rising 17.5% in one year we will soon start to see a reduction in electricity usage in the agricultural sector through either the scaling back of production or removal of pumps from the grid.
- Without incentives for customers to stay on the network, the infrastructure will continue to be underutilised and prices will continue to escalate.
- The AER has set a Rate of Return of around 9.5% for Powerlink, Ergon & Energex. Not only is this over-inflated but it means that there is no incentive for these companies to cut costs and run their businesses more efficiently.

Proposed 2013/14 Price Increase for Irrigation Electricity Tariffs

- Irrigators have already had to absorb a 90% increase in electricity prices over the last seven (7) years. As highlighted in the case studies included in our previous submission irrigators are not going to be able to sustain increases such as the 17.5% which is being recommended for Tariffs 62 & 66. In dollar terms this 17.5% increase will add an extra $5,000 - $10,000 to irrigator's electricity bills (see examples of price increases using grower's actually electricity data below). This will significantly impact irrigator's bottom lines as they have no ability to pass this cost on.
- Compounding electricity price increases of this magnitude will make the State government's vision to double food production impossible. Unless the State Government does something about the escalating electricity and water prices the agricultural section will in fact retract.

Examples of Electricity Price Increase under QCA proposed increase for 2013/14

Tariff 66 with 90kw Pump

		KWh Total
Total		271259
Percentage use		100%
Average KWh per day		741.14
Average KWh per year		270517.86
Total Price for 2013		$ 44,131.27
Total Price for 2014		$ 51,853.88
Total $ Increase		**$ 7,722.60**

Tariff 66 with 147.5kw Pump

		KWh Total
Total		254288
Percentage use		100%
Average KWh per day		696.68
Average KWh per year		254288.00
Total Price for 2013		$ 46,386.18
Total Price for 2014		$ 54,503.44
Total $ Increase		**$ 8,117.26**

Tariff 66 with 168kw Pump

		KWh Total
Total		114170
Percentage use		100%
Average KWh per day		312.79
Average KWh per year		114170.00
Total Price for 2013		$ 28,932.80
Total Price for 2014		$ 33,995.93
Total $ Increase		**$ 5,063.14**

Other Issues

- There is a need for greater competition in regional Queensland. 5% of the tariff pricing is allocated for Headroom to support competition. With the CSO being paid entirely to Ergon there can be no competition. Immediate relief should be provided by removing the headroom allocation. 70% of customers in SEQ are on market contracts where retailers have discounted by up to 10% to attract customers. QCA says if you want UTP you have to put up with headroom. However in SEQ 70% of consumers are on market contracts where they have received the benefit of having the headroom competed away.
- We do not accept that irrigation tariffs are not cost reflective and therefore that the underlying cost has to be escalated by 25%. Energex is giving conflicting signals about the value of off-peak network cost vs. peak cost i.e. T22 vs. T12. In fact there is no such thing as a cost reflective tariff. Tariffs should be designed to achieve a uniform load across 24hrs. This will fully utilise the network and lead to lowest network cost.
- At the Brisbane Senate Select Committee hearing both Energex and Ergon said their expenditure for the 2010/15 period will be $1.5 billion lower than what AER has allowed. They say in the next period from 2015 N should increase at CPI or less. The costs for N used by QCA are the maximum allowed by AER. Given that actual costs are lower, these should be immediately revised and the state government authorise QCA to implement these costs savings for the 2013/14 price determination instead of in 2015 when they may otherwise be available until.
- There was quite a bit of discussion at the Mareeba Draft Determination meeting regarding the Solar Rebate Scheme and the impact of increased prices to the agricultural sector because of the scheme. It was discussed that irrigators are interested in the ability to have a cost reflective feed-in tariff for large commercial PVA systems which irrigators could install to help off-set their increasing electricity costs. We would like QCA to recommend to the State Government the investigation of a feed-in tariff for commercial PVA systems which would be cost reflective i.e. no CSO or cross subsidy by other electricity consumers.