

22 March 2013

Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

Dear Sir

Thank you for the opportunity to provide a submission on the *Draft Determination for Regulated Retail Electricity Prices 2013-2014*. This submission is made on behalf of the members of the Australian Sugar Milling Council.

The Australian Sugar Milling Council (ASMC) is the peak body for Australia's sugar milling companies, representing 99% of the Australian sugar milling industry. Like many agricultural industries, a symbiotic relationship exists between millers and growers; the viability of farming and milling is paramount to industry longevity. Ongoing extraordinary electricity price increases are eroding the industry's viability throughout the supply chain. Given the Queensland Government has committed to doubling food production by 2040, the current approach to electricity pricing will affect the meeting of this objective. It is clear that alternative intervention on electricity pricing is an increasing necessity.

ASMC submits the following comments on the draft determination:

**1. Impact on irrigation pricing**

Following the release of QCA's recent determination, it remains a deep concern that the proposed pricing arrangements for farmers who irrigate (tariff 62, 65 or 66), will undermine the productivity and viability of the Australian sugar industry. These farmers are also expected to face a further substantial impact on the price of water, as a result of QCA's proposed price increases, where it is estimated that water will retail at approximately \$200 per megalitre in some growing regions. Irrigators lack the capacity to absorb these price increases.

**2. Conflict between Network + Retail Approach and Uniform Tariff Policy**

While recognizing that QCA is constrained by the Government's delegation, specifically that prices are to be determined against a Network + Retail approach, ASMC maintains that this approach is inequitable for calculating electricity price for regional Queensland, and in direct conflict with a uniform tariff policy. Electricity retail does not occur in isolation of a broader policy environment - nor should the regulation of price. In particular, subsequent iterations by QCA between discussion papers fail to demonstrate resolution of this conflict, as is clearly demonstrated by the impact on irrigation, outlined above.



### **3. Transitional Period**

While ASMC supports, in principle, a transitional period for irrigators and tariff 22 (large customers) of seven years, we argue that the transition period should be longer for large customers. Sugar mills invest in infrastructure with a 20-30 year payback period, based on the tariff 22 structure. In just 2011-2012, sugar mills collectively invested over \$175 million in new infrastructure, to be amortized over the next 20-25 years. It is ASMC's view that a 15 year transition period is more equitable. Attachment 1 includes a schedule of effective life determination of sugar milling assets, as set out by the Australian Taxation Office.

### **4. Access to transitional tariff arrangements**

ASMC welcomes and supports the recommendation that new customers should be able to access transitional tariff arrangements, to ensure there is no disadvantage to new customers.

### **5. Time of use tariffs**

ASMC continues to support the need for time-of-use tariffs, throughout the energy supply chain, not just retail. While we recognize that this is again outside of QCA's delegated authority, ASMC has particular concern that where Ergon could provide a continuation of time-of-use charging in 2013-2014, it will not be. Given that this is a government owned entity, we believe that QCA can and should highlight to government the implications Ergon's decision.

### **6. Headroom allowance and charging for exceptional circumstance**

As per ASMC's previous submission, we again argue against the inclusion of headroom for Ergon only tariffs. As this mechanism is intended to facilitate competition, it can only be deemed a windfall where competition does not exist. Including such a mechanism does not "reduce the risk of retailing in Queensland compared with other states", given that the fundamental issues of "retail risk" in regional Queensland are entwined with lack of access to community service obligations for retailers other than Ergon.

Similarly, ASMC does not support the inclusion of a cost pass-through mechanism, on the basis that this will create an additional window where year on year, retailers will argue "unforeseen, exogenous and unavoidable events," effectively holding the price determination exercise to ransom each year.

### **7. Community Service Obligations**

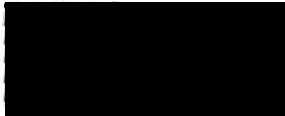
While again recognizing that community service obligations (CSOs) are outside the scope of QCA, ASMC holds the view that this mechanism should be paid direct to network service providers instead of Ergon Retail, providing greater transparency and competition in regional Queensland.



ASMC draws your attention to the particular issues raised in submissions made by several milling companies, including Isis Central Sugar Mill Company, Mackay Sugar Ltd, MSF Sugar Ltd and Sucrogen Australia Pty Ltd, and similarly, from CANEGROWERS.

Should you have any further queries regarding this submission, please contact Sharon Denny, Senior Executive Officer Government & Business Development on (07) 3231 5003 or [sharon.denny@asmc.com.au](mailto:sharon.denny@asmc.com.au).

Yours Sincerely



Dominic Nolan  
Chief Executive Officer



ATTACHMENT 1

**TABLE A**  
**MANUFACTURING**  
*(11110 to 25990)*

<b><i>Sugar and confectionery manufacturing</i></b> <b><i>(11810 to 11820)</i></b>			
<b>ASSET</b>	<b>LIFE (YEARS)</b>	<b>REVIEWE D</b>	<b>DATE OF APPLICATI ON</b>
Sugar milling assets:			
Cane delivery assets:			
Cane bin assets:			
Rail bins	20	*	1 July 2011
Rail bin automatic coupling/de-coupling devices	12	*	1 July 2011
Road bins	12	*	1 July 2011
Rail assets (excluding cane bin assets) – see Table A Rail transport (47100 to 47200)			
Receival station assets:			
Cane levellers	20	*	1 July 2011
Cane receival hoppers	25	*	1 July 2011
Tipplers	25	*	1 July 2011
Weighbridges	20	*	1 July 2011
Cane juice extraction assets:			
Cane shredding machines (incorporating drives)	30	*	1 July 2011
Crushing mills (incorporating drives)	30	*	1 July 2011
Rotary juice screens	15	*	1 July 2011
Cane juice filtration and clarification assets:			
Clarifiers	25	*	1 July 2011
Flash tanks	20	*	1 July 2011
Juice heaters	20	*	1 July 2011
Lime and mud storage bins	25	*	1 July 2011
Lime slakers	20	*	1 July 2011
Mud mixers/minglers	20	*	1 July 2011
Rotary vacuum mud filters	20	*	1 July 2011
Evaporation and crystallisation assets:			
Centrifugals	25	*	1 July 2011



<b>Sugar and confectionery manufacturing (11810 to 11820)</b>			
<b>ASSET</b>	<b>LIFE (YEARS)</b>	<b>REVIEWED</b>	<b>DATE OF APPLICATION</b>
Crystallisers	20	*	1 July 2011
Evaporators	30	*	1 July 2011
Magma mixers	20	*	1 July 2011
Magma/massecuite distributors and receivers	20	*	1 July 2011
Massecuite re-heaters	20	*	1 July 2011
Seed vessels	20	*	1 July 2011
Sugar melters	20	*	1 July 2011
Vacuum pans	30	*	1 July 2011
Vapour condensers:			
Mild steel	20	*	1 July 2011
Stainless steel	30	*	1 July 2011
Molasses storage assets:			
Coolers	15	*	1 July 2011
Dams (earthworks only)	40	*	1 July 2011
Dam bladders and covers	12	*	1 July 2011
Tanks	30	*	1 July 2011
Power generation assets:			
Ash filters (including rotary and horizontal belt vacuum filters)	15	*	1 July 2011
Bagasse handling assets:			
Bagacillo collection systems	15	*	1 July 2011
Bagasse bins (incorporating stacking and reclaim systems)	30	*	1 July 2011
Other power generation assets – see Table A Electricity supply (26110 to 26400)			
Sugar drying and storage assets:			
Hoppers (weigh and feed)	25	*	1 July 2011
Lump breakers	15	*	1 July 2011
Rotary sugar dryers	25	*	1 July 2011
Sugar storage bins and silos	30	*	1 July 2011
Vibratory screens	15	*	1 July 2011
Support assets:			
Air compression assets:			
Air dryers	12	*	1 July 2011
Air receivers	20	*	1 July 2011



<b>Sugar and confectionery manufacturing (11810 to 11820)</b>			
<b>ASSET</b>	<b>LIFE (YEARS)</b>	<b>REVIEWE D</b>	<b>DATE OF APPLICATI ON</b>
Compressors	12	*	1 July 2011
Packaged air compression systems	12	*	1 July 2011
Blowers and fans	15	*	1 July 2011
Control system assets:			
Control cabinets and switchgear	10	*	1 July 2011
Instrumentation	10	*	1 July 2011
Programmable logic controllers	10	*	1 July 2011
Switchboards	20	*	1 July 2011
Variable speed drives	10	*	1 July 2011
Conveyors (including framework and enclosures)	20	*	1 July 2011
Conveyor belt weighers	15	*	1 July 2011
Dust collectors (including ducting and excluding bagacillo collection systems)	20	*	1 July 2011
Heat exchangers	15	*	1 July 2011
Laboratory assets:			
Cutter grinders	15	*	1 July 2011
Moisture determination ovens	10	*	1 July 2011
Polarimeters	10	*	1 July 2011
Rotary juice samplers	15	*	1 July 2011
Spectrometers	10	*	1 July 2011
Wet disintegrators	15	*	1 July 2011
Overhead cranes (See Table B – Cranes)			
Piping and valves:			
Piping:			
Mild steel	15	*	1 July 2011
Non ferrous	20	*	1 July 2011
Stainless steel	25	*	1 July 2011
Valves	10	*	1 July 2011
Pumps	15	*	1 July 2011
Tanks (excluding molasses storage tanks):			
Water storage tanks	25	*	1 July 2011
Other tanks:			
Mild steel	20	*	1 July 2011



<b>Sugar and confectionery manufacturing (11810 to 11820)</b>			
<b>ASSET</b>	<b>LIFE (YEARS)</b>	<b>REVIEWE D</b>	<b>DATE OF APPLICATI ON</b>
Plastic	15	*	1 July 2011
Stainless steel	30	*	1 July 2011
Water treatment and cooling assets:			
Clarifiers	25	*	1 July 2011
Cooling and effluent ponds	40	*	1 July 2011
Cooling towers:			
Field erected	25	*	1 July 2011
Packaged	15	*	1 July 2011
Ion exchange systems	15	*	1 July 2011