CANEGROWERS
ISIS

48 Churchill Street Childers Qld 4660
PO Box 95 Childers Qld 4660
Phone (07) 4126 1444 Fax (07) 4126 1902
Email iss@canegrowers.com.au

13 April 2012

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

electricity@qca.org.au

Dear Sir/Madam

Re: Draft Determination – Regulated Retail Electricity Prices 2012-13

CANEGROWERS Isis is the local organisation representing 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 having access to a reliable electricity supply at affordable prices.

Background

Almost all farms supplying the sugar mill are irrigated properties with access to either surface and underground water supplies or both. Various forms of irrigation are used across the mill area comprising (i) high pressure water winch, (2) low pressure water winch, including centre pivot and lateral move, (3) flood/furrow, and (4) trickle, both surface and sub-surface.

Cane growers have made considerable investment in irrigation systems designed to deliver maximum benefit and efficiency based the existing tariffs. The predominant tariffs utilised are Tariffs 65 and 66.

Because of seasonal climate variation and limited water storage, growers must use irrigation to supplement approximately half the crop's water requirement. In the dry years and when water is available growers rely on irrigation for productivity and profitability. The main irrigation period is during the summer months but irrigation occurs outside this period in somewhat lower quantities. However, 2010-11 and 2011-12 have been wet years where limited irrigation has been required and as a consequent. electricity demand has been low during this time.

Opening comments

Firstly, we wish to express that the timelines on which comments have been sought on the draft determination were ridiculously short (2 weeks) given that this period included the Easter break. We feel that our ability to make an in-depth response has been substantially compromised as a result of this short timeframe.

Further, in comparison to QCA's investigation into the SunWater Irrigation Price Review 2012-17, this inquiry into the Regulated Retail Electricity Prices for 2012-13 has seriously lacked public consultation and input. Therefore, we must express little confidence in this review and the draft determination and ask that QCA re-examine the matters we raise through this submission.

CANEGROWERS Isis Limited
ABN 69 110 648 041

Farming and Irrigation Tariffs (Tariffs 65, 66, 67 and 68)
QCA's assumptions detailed in Table G.4 on page 120 are highly questionable and in no way reflect consumption in a sugar cane farming system in the Isis/Bundaberg region. Invariably, when using averages those with consumption above the average suffer a heavier financial impact than the average who the Authority has assumed are reasonable and bearable because of their low usage.

Therefore, we argue that QCA has not given adequate consideration to the impact on our members in relation to the assumptions used throughout the draft report. In particular, QCA states on Page 83 that Figure 6.4 shows estimated cost changes based on typical consumption levels for Tariff 65 as 4,790 kWh per annum. The samples we assessed of three (typical) growers shows the average consumption level as 25,596, 13,143 and 10,776 kWh per quarter respectively in the peak irrigation period.

The sampled growers' consumption demonstrate just how ridiculously low the Authority's farming tariff assumptions are and the real impact on these growers, who are typical of hundreds of growers in the Isis Bundaberg region, must be acknowledged and remedied.

In an attempt to vindicate the Authority's proposed new tariff charges, QCA has made the following statement –

"However, as with some of the obsolete and declining block tariffs, while the percentage increase in annual bills for customers on Tariffs 65 and 68 are relatively high, the low levels of consumption by these customers means that the dollar impacts are more modest, at around $295 per annum for customers on Tariff 65 and $470 per annum for customers on Tariff 68. The Authority does not consider that these increases are of sufficient size to impose unmanageable impacts on affected customers."

We suggest it is not acceptable to dismiss the impact in this way. How QCA can justify such a statement, when the movement in the Service Fee per metering point per day, from the 50 cents (T65) per day to 110.86 cents per day (T22), equates to an annual increase of $222.14 before one kilowatt of electricity is used.

Attachment 1 shows typical irrigation electricity consumption in the Isis District by a grower using a high pressure travelling water winch. Using the current and proposed tariff charges, taking into account the reduction in night time hours for Tariff 22, the average increase for this grower **per quarter** is in the order of $460.21 or an increase of 10.79%. (43% Day time : 57% Night time use.)

Attachment 2 shows typical irrigation electricity consumption in the Isis District by a grower using a low pressure Centre Pivot. This grower's average increase **per quarter** is $586.72 or 31.05%. (15% Day time : 85% Night time use.)

Attachment 3 shows typical irrigation electricity consumption in the Isis District by a grower using trickle/drip irrigation. This grower's average increase **per quarter** is $377.05 or 21.75%. (27% Day time : 73% Night time use.)

The Authority could claim that irrigators can further reduce these costs by changing to day pumping rather than doing most of the pumping at night. However, the reasons why growers irrigate at night are two fold, (i) water use efficiency gains are most prevalent at night and (ii) time of use tariffs have been designed to shift irrigation consumption away from peak day time demands that have the most impact on the network capacity.

Service Fee
All service fees have increased significantly and the reasons for the increases are unclear. If it's a service fee then what extra services are the electricity service providers providing to the consumer to justify this charge?

Tariff 66 Transition
QCA has made reference to the significant increase in both percentage and dollar terms for customers on irrigation Tariff 66. The suggestion that these customers may have to rearrange their farming practices and use of equipment in order to reduce the impact of these changes on their business model is easier said than done.

As noted by QCA, these customers have planned their businesses and operations around current tariffs and in so doing have spent considerable capital. A change as suggested by QCA is unlikely to occur within the Authority's envisaged 12-month transitional period.

The likely transitional changes require considerable infrastructure change and capital investment consisting of the following steps –

- changing underground irrigation mainlines;
- changing pumps and motors;
- changing irrigation systems (i.e. high pressure to low pressure, trickle, furrow, etc.).

Many of our growers utilising Tariff 66 pump 24/7 all year round with small motors and pumps extracting small volumes of underground water for storage in farm dams. The stored water is then extracted from the farm dam for application to crops by larger motors and pumps.

There is limited scope to change these operations but in any case any change is likely to occur over several years rather than 12-months. A 12-month transition is impractical and we implore the Authority to reconsider its recommendation on the transition to Tariff 41.

Table G.4: Farming tariff assumptions T65
The assumption that consumption is equally spread across the OffPeak and Peak periods is not correct. Our findings suggest that while different irrigation systems require slightly different operational periods, OffPeak is more likely to be 70% to 30% usage in Peak day time. See our Attachments.

It has always been expressed to us that the electricity provider wanted to even out supply and not have irrigators using electricity when residential households are consuming electricity at dinner time.

The offpeak farming tariffs have always reflected the inconvenience to farmers by having to irrigate crops at night time. The Authority's proposed pricing structure has lowered the peak tariff rate but significantly raised the offpeak tariff rate. This has, in our opinion, the risk that irrigators may decide to move to all day time use.

QCA should not interfere with the reasons why most irrigators use offpeak tariffs –

- night time application is more water use efficient –
    - less wind interference with high pressure travelling water winches; and
    - less losses through evaporation

- offpeak application spreads demand and minimises the impact of day time peak demands on the network capacity; and
- because there is less demand on the network capacity, the supplier is better able to address demand management objectives at lower costs.

However, unless there are price incentives for farmers to continue to irrigate at night there could be a shift in usage. We suggest that it is not simply a matter of increasing the daytime rate to reduce the night time rate. The Offpeak tariff rates for night use remove the need to expand the electricity infrastructure network capacity, thus creating a much more efficient environment for all consumers. There should always be an incentive to encourage offpeak consumption to compensate the user for the inconvenience and for the contribution in lowering the overall cost of meeting the demand management objectives to the benefit of all consumers.

Future Viability

We are concerned for the future viability of the sugar industry, particularly those areas that rely on irrigation. The impact of electricity pricing combined with increases in water pricing for farmers will cause, in our opinion, our growers to reduce application rates thereby limiting production and profitability. This will have serious flow-on affects for the farming and sugar milling enterprises, employment and the regional economies.

In conclusion

In summary we wish to reiterate our strong concerns over the lack of consultation and the gross understatement of farming irrigation consumption and the impacts of the proposed prices on the future viability of the farming and regional economies.

We trust that the Authority will examine the matters raised in this submission. We are willing to be consulted in the future to ensure our members receive the required consideration.

Yours faithfully

[redacted]

Wayne Stanley
MANAGER

Encl. (4)

ATTACHMENT 1

Electricity Cost Increase QCA Proposed tariff 22 (exclusive of GST)

Account No.	Period	Day KWh	Night KWh	2012 Day Tariff	2012 Night Tariff	Amount Day	Amount Night	Service Fee	Total	Adjusted Daily use	Adjusted Night use	Proposed Tariff Day	Proposed Tariff Night	Amount Day	Amount Night	Service Fee	Total	Diff 11/12-2012/2013	% increase	Jan-10 $	Diff09/10-2012/2013	% movement
77757424	19/10/09-									14hrs	10hrs											
	19/01/10	9052	16535	0.2362	0.1301	$2,138.08	$2,151.20	45.48	$4,334.77	11808	13779	0.20159	0.18062	$2,380.34	$2,488.79	101.99	$4,971.12	$636.36	114.68%	$3,589.47	$1,381.65	138.49%
77757556	19/10/09-																					
	19/01/10	10838	11001	0.2362	0.1301	$2,559.94	1431.23	45.58	$4,036.75	12672	9168	0.20159	0.18062	$2,554.45	$1,655.83	101.99	$4,312.27	$275.53	106.83%	$3,342.80	$969.47	129.00%
77757670	19/10/09-																					
	19/01/10	5656	9824	0.2362	0.1301	$1,335.95	$1,278.10	45.48	$2,659.53	7293	8187	0.20159	0.18062	$1,470.26	$1,478.68	101.99	$3,050.93	$391.40	114.72%	$2,304.31	$746.62	132.40%
77754468	19/10/09-																					
	19/01/10	15870	17000	0.2362	0.1301	$3,748.49	$2,211.70	45.48	$6,005.67	18703	14167	0.20159	0.18062	$3,770.40	$2,558.78	101.99	$6,431.18	$425.50	107.09%	$4,973.15	$1,458.03	129.32%
77757424	24/10/11-																					
	23/01/12	10908	14781	0.2362	0.1301	$2,576.47	$1,923.01	45.48	$4,544.96	13372	12318	0.20159	0.18062	$2,695.56	$2,224.79	101.99	$5,022.34	$477.38	110.50%			
77757556	24/10/11-																					
	23/01/12	10396	13052	0.2362	0.1301	$2,455.54	$1,698.07	45.48	$4,199.08	12571	10877	0.20159	0.18062	$2,534.26	$1,964.54	101.99	$4,600.79	$401.71	109.57%			
77757670	24/10/11-																					
	23/01/12	6028	10202	0.2362	0.1301	$1,423.81	$1,327.28	45.48	$2,796.57	7728	8502	0.20159	0.18062	$1,557.95	$1,535.57	101.99	$3,195.52	$398.94	114.27%			
77754468	24/10/11-																					
	23/01/12	19608	24012	0.2362	0.1301	$4,631.41	$3,123.96	45.48	$7,800.85	23610	20010	0.20159	0.18062	$4,759.54	$3,614.21	101.99	$8,475.74	$674.89	108.65%			
Average Increase for Quarter																		$460.21	110.79%			
Average Increase for Quarter			2009/2010 to 2012/2013																		$1,138.94	132.30%

ATTACHMENT 1

INCREASES OVER THE LAST 12 YEARS
AVERAGE COST PER KWH PER YEAR
inc GST

Year	4468	7556	7424	7670
99/2000	0.085	0.0879	0.0846	0.0849
2000/01	0.096	0.0995	0.094	0.0979
2001/02	0.1033	0.1023	0.1009	0.1014
2002/03	0.1097	0.1063	0.1059	0.1061
2003/04	0.1091	0.1137	0.1157	0.1075
2004/05	0.1136	0.1146	0.1088	0.1155
2005/06	0.1168	0.1213	0.1166	0.1164
2006/07	0.1221	0.1242	0.1251	0.1303
2009/10	0.1664	0.1683	0.1543	0.1637
2011/12	0.1966	0.1969	0.1946	0.1895
Proposed based on 11/12 use	0.213739	0.215834	0.215056	0.216578

ATTACHMENT 2

Electricity Cost Increase QCA Proposed tariff 22 (exclusive of GST)

Account No.	Period	Day KWh	Night KWh	2012 Day Tariff	2012 Night Tariff	Amount Day	Amount Night	Service Fee	Total	Adjusted Daily use 14hrs	Adjusted Night use 10hrs	Proposed Tariff Day	Proposed Tariff Night	Amount Day	Amount Night	Service Fee	Total	Diff 11/12-2012/2013	% increase
77987641	8/09/09																		
	8/12/09	3679	22943	0.2362	0.1301	$868.98	$2,984.88	45.48	$3,899.34	7503	19119	0.20159	0.18062	$1,512.50	$3,453.30	101.99	$5,067.79	$1,168.45	129.97%
77987641	8/12/09																		
	09/03/10	3213	16318	0.2362	0.1301	$758.91	$2,122.97	45.48	$2,927.36	5933	13598	0.20159	0.18062	$1,195.97	$2,456.13	101.99	$3,754.09	$826.72	128.24%
77987641	8/12/11																		
	07/03/12	1174	7193	0.2362	0.1301	$277.30	$935.81	45.48	$1,258.59	2373	5994	0.20159	0.18062	$478.34	$1,082.67	101.99	$1,663.00	$404.41	132.13%
77985818	8/09/09																		
	08/12/09	1574	6442	0.2362	0.1301	$371.78	$838.10	45.48	$1,255.36	2648	5368	0.20159	0.18062	$533.74	$969.63	101.99	$1,605.36	$350.00	127.88%
77985818	8/12/09																		
	9/03/2010	2730	13143	0.2362	0.1301	$644.83	$1,709.90	45.48	$2,400.21	4921	10953	0.20159	0.18062	$991.92	$1,978.24	101.99	$3,072.15	$671.94	128.00%
93087632	08/09/09																		
	8/12/09	1580	7223	0.2362	0.1301	$373.20	$939.71	45.48	$1,358.39	2784	6019	0.20159	0.18062	$561.19	$1,087.18	101.99	$1,750.36	$391.98	128.86%
93087632	08/12/11																		
	7/03/12	243	4544	0.2362	0.1301	$57.40	$591.17	45.48	$694.05	1000	3787	0.20159	0.18062	$201.66	$683.95	101.99	$987.59	$293.54	142.29%
Average Increase for Quarter																		**$586.72**	**131.05%**

ATTACHMENT 3

Electricity Cost Increase QCA Proposed tariff 22 (exclusive of GST)

Account No.	Period	Day KWh	Night KWh	2012 Day Tariff	2012 Night Tariff	Amount Day	Amount Night	Service Fee	Total	Adjusted Daily use	Adjusted Night use	Proposed Tariff Day	Proposed Tariff Night	Amount Day	Amount Night	Service Fee	Total	Diff 11/12-2012/2013	% increase
78360404	20/11/09									14hrs	10hrs								
	22/02/10	3277	9627	0.2362	0.1301	$774.03	$1,252.47	45.48	$2,071.98	4882	8023	0.20159	0.18062	$984.06	$1,449.02	101.99	$2,535.08	$463.10	122.35%
78360404	19/02/08																		
	20/05/08	3655	7857	0.2362	0.1301	$863.31	$1,022.20	45.48	$1,930.99	4965	6548	0.20159	0.18062	$1,000.79	$1,182.61	101.99	$2,285.39	$354.41	118.35%
78360404	21/11/11																		
	20/02/12	1919	5990	0.2362	0.1301	$453.27	$779.30	45.48	$1,278.05	2917	4992	0.20159	0.18062	$588.11	$901.59	101.99	$1,591.69	$313.64	124.54%
Average Increase for Quarter																		**$377.05**	**121.75%**