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Queensland Competition Authority

GPO Box 2257

Brisbane Qld 4001

QLD COMPETITION AUTHORITY

29 MAY 2012

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A valmont COMPANY

Submission to Queensland Competition Authority Review of Regulated Retail Electricity Tariffs

Donhad Pty Ltd manufactures grinding media for the mining industry from 3 manufacturing plants located in Perth WA, Newcastle NSW and Townsville Queensland. We use induction heating in our process which uses significant quantities of electricity.

The reforms proposed in the Queensland market will have a direct effect on the viability of our Townsville manufacturing facility.

We currently operate on Tariff 22 and Tariff 37 and are concerned that the proposed removal of tariff 37 and changes to eligibility for Tariff 22 we estimate will result in increases in our power bill by approximately 50%.

Donhad have been advised that we would be forced onto Tariff 54 which has significant capacity and demand components that account for 56% of the charges.

Tariff 54 does not have a time of use component so any advantage we currently receive from working outside of peak energy usage periods will be lost. Any shift away from nigh time operation by Donhad could potentially causing capacity problems on an already overstretched network.

Power costs make up a large proportion of operating costs(24%). Donhad are concerned that the foreshadowed tariff changes, combined with the effects of the carbon tax, will make our Queensland operation unviable. The Queensland plant currently employs 20 full time employees.

There are only 2 manufacturers of grinding media in Australia and the Townsville plant is the only grinding media manufacturing facility operating in Queensland.

Competition from overseas suppliers has escalated across all manufacturing sectors under the influence of a strengthening Australian dollar. Grinding media competition from China has captured all of the 35% market increase in the last 2 years. Cost recovery for increased energy charges of the magnitude proposed is not possible under the current market conditions. Any increase in electricity charges will add to the mounting pressure on our industry which may ultimately impact on the continued operation of our Townsville facility.

[REDACTED]
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