



**Bundaberg Walkers Engineering Ltd**

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Queensland Competition Authority  
GPO Box 2257  
Brisbane QLD 4001

18 March 2013

Dear Sir / Madam

**Submission: Regulated retail electricity prices 2013–14  
Draft determination**

Bundaberg Walkers Engineering Ltd is a small to medium enterprise located in Bundaberg. The business comprises a foundry along with medium / heavy fabrication and machining operations. An engineering works has operated continuously on the site since 1888. The company's core business is the supply of sugar milling equipment to the Australian and international sugar industries. The company has a particular exposure to retail electricity pricing through its electric induction furnaces.

Bundaberg Walkers appreciates the opportunity to provide further input on regulated retail electricity prices to the Competition Authority.

**Queensland Gas Scheme**

Closure of the Queensland Gas Scheme was announced last week. Consequently, any cost component associated with this scheme will not be required going forward.

**Time-of-use signals**

The cost of electricity is a substantial component of Bundaberg Walkers' operating costs. Bundaberg Walkers believes its induction furnaces are the appropriate technology for its operations and no particular promising means of reducing the electrical consumption of the furnaces has been identified.

Network charges are a significant component of retail electricity cost. The rapid rise in network costs is reportedly due to the need to meet peak electrical demand. Levelling demand by shifting consumption from peak periods to periods of lower use is an obvious means of containing costs associated with network upgrades. Time-of-use price signals are an incentive for customers to move consumption from peak to off-peak periods.

Bundaberg Walkers encourages strong time-of-use price signals as it perceives this offers means to mitigate substantial price rises which might otherwise occur. A time-of-use tariff has the attraction of potentially requiring only an operational change on the part of Bundaberg Walkers. Any other measures such as a gas fired, peak load generator would require significant capital investment.

**Transitional arrangements**

An electric induction furnace is a high cost item with a very long life (decades). A correspondingly long transition from current to any future electricity tariff would seem appropriate.

### Company impacts

Previous submissions by Bundaberg Walkers have outlined the company's operating environment and possible impacts on the business. To summarise:

- Electricity costs are a significant part of Bundaberg Walkers' operating costs.
- The current induction furnaces are considered the most suitable technology for the equipment produced by the company.
- The furnaces have an inherently peaky electrical demand characteristic.
- A substantial part of Bundaberg Walkers' business is export sales. Increased electricity charges will adversely impact the company's international competitiveness which is already hampered by the on-going high Australian dollar.
- Investigations have not identified any reasonable avenues to mitigate a substantial increase in the cost of electricity. On-site, gas fuelled generation might offer means to reduce peak demand and so any demand related charges but is likely to be expensive. A proliferation of small, embedded generators seems a possible but undesirable consequence of substantially increased electricity pricing.

### Community Impacts

I urge the Authority to take into careful consideration the potential for changes in the regulated retail electricity price and any transition to new tariffs to impact on specific industries and specific businesses and to alert the Minister to this possibility through the Authority's reports and recommendations.

Bundaberg Walkers is available for one on one discussion should the Authority wish to pursue this.

Yours faithfully

A black rectangular box redacting the signature of R J Hatt.

R J Hatt  
Chief Executive Officer