

13th May 2020

Regulated Retail Electricity Prices for 2020-21
Queensland Competition Authority
GPO Box 2257
BRISBANE, QLD, 4001
Lodgement: www.qca.org.au/submissions

Dear Sir/Madam

Re: QCA Draft Determination – Regulated Retail Electricity Prices for 2020-21.

Cotton Australia is the peak body representing the cotton growers and cotton ginners of Queensland, and across Australia.

For many cotton growers, and for all ginners, electricity is a very significant cost, and therefore we have a keen interest in regional electricity pricing.

All cotton growing and ginning in Queensland occurs outside of south-east Queensland, within the area covered by regulated retail electricity pricing.

Cotton Australia is an active member of the Queensland Farmers' Federation (QFF) and it endorses its comprehensive submission on the Draft Determination.

Cotton Australia welcomes the opportunity to provide this brief submission on the Draft Determination, which will complement the QFF submission.

Comments on the Draft Determination

New Tariff Options

Cotton Australia appreciates that timing issues associated with the finalisation of the Australian Energy Regulator (AER) Review of Energy Queensland's Revenue Allowance and Tariff Structure Statements has added a significant layer of complexity to this year's Determination.

That being said, Cotton Australia is firmly of the view that, with the expiration of the main obsolete/transitional tariffs on June 30th 2021, it is absolutely essential that regional electricity users are able to compare and access the full suite of new/replacement tariffs during the 2020/21 year.

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If it is impossible for QCA to price all the new/replacement tariffs in time for a July 1st 2020 commencement, then Cotton Australia recommends that a process is put in place between the Queensland Government and the QCA so that a partial extension to the Determination process is granted, and users can access these new tariff options no later than October 1st 2020.

For the avoidance of any doubt, we are referring to specifically to the proposed replacement tariffs for 62, 65, and 66 as well as the introduction of the Interruptible Supply Tariff currently referred to a T34, and ensure the more widespread availability of T33 as a primary tariff.

It is Cotton Australia view that access to these tariffs will be well supported by the cotton industry and go a long way to overcoming a number of the long-standing affordability issues.

We believe T33 and T34 will be very attractive to irrigators who can manage the issues around interruptability.

Cotton Ginning Tariffs

There is nothing in the Draft Determination that offers any relief to highly seasonal electricity users such as cotton ginners. Queensland cotton ginners, particularly those along the New South Wales border, are suffering a huge competitive disadvantage, so much so that a purely rational economic approach would see all cotton produced south and west of the Darling Downs being ginned in NSW.

This is no better highlighted than by the fact that a cotton gin in Mungindi, NSW ginning no cotton in a particular season, would have to pay some \$36,000 in electricity charges, while one at St George or Dirranbandi would be faced with unavoidable electricity costs of approximately \$250,000.

It is essential that the QCA engage urgently with the Queensland Government and Energy Queensland to ensure a legal mechanism is available that protects highly seasonal industries such as cotton ginning from the crippling effects of fixed costs.

One possible approach would be to clearly advise the networks and retailers that there is nothing to stop seasonal electricity users from swapping between SAC Small, SAC Large and CAC tariffs during the year (on up to two occasions), to the most suitable tariffs that matches their season electricity requirements.

Solar Bonus Scheme

Cotton Australia strongly requests that the QCA, prior to finalising this Determination, seek a specific direction from the Queensland Government on whether the Solar Bonus Scheme (SBS) costs should be included in electricity costs, and if this direction is not forthcoming, then the SBS costs must be excluded from the final Determination tariff prices.

Cotton Australia accepts that this matter does require Government direction but is adamant that any cost associated with the Scheme should be met from consolidated revenue.

It would be a travesty of government policy to reverse to the previous arrangement of the scheme being funded by those without access to the scheme, while those benefitting from it make no contribution.

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Transitional/Obsolete Tariffs

Cotton Australia welcomes the general downward movement in electricity prices, as indicated by the Draft Determination; but, as in previous Determinations and submissions, Cotton Australia is once again hugely disappointed that the QCA has chosen not to recommend any relief to those users on transitional/obsolete tariffs.

While Cotton Australia has heard the QCA's view that the pricing of these tariffs are not cost reflective, it doesn't and cannot accept this argument, as the QCA has previously admitted that it does not know at what level these tariffs would be cost reflective.

Cotton Australia reiterates its previous recommendation that if the QCA cannot bring itself to reduce the obsolete/transitional tariffs by the same amount as other Small Business Tariffs, then it should at the very least pass on a proportion. QCA is reminded that when prices were going up, it had no qualms in recommending increases for Obsolete/Transitional tariffs as a multiple of the increases applied to other small business tariffs.

Headroom Charge

Cotton Australia's position on the inclusion of a headroom charge has been unchanged over the past decade. It remains completely opposed to its inclusion for two main reasons:

1. For all intents and purposes, for the vast majority of users within the Ergon area there is no competition, and therefore the inclusion of the headroom charge is just a windfall gain and has done nothing to promote/encourage competition.
2. The concept of a headroom charge being to encourage competition is flawed in the first place. It is akin to a retailer increasing its prices one day, so it can offer a discount the next.

Conclusion

Cotton Australia looks forward to the QCA addressing all the above issues in its final Determination, and reiterates its view that it is absolutely essential that the full suite of current and proposed tariffs be made available to users during 2020/21, even if this requires a partial extension to the current QCA Determination process.

For further information on this on this submission, please contact Cotton Australia General Manager Michael Murray – michaelm@cotton.org.au or 0427 707 868.

Yours sincerely,



Michael Murray,
General Manager

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