CANEGROWERS update on electricity prices for irrigators in Queensland
Overview of presentation

• Why is electricity an issue?
• Components of electricity costs
• Reducing costs of supply
• QCA process
• CANEGROWERS priorities for 2014
Why is electricity an issue?

Farm input price changes over 7 years (2007-08 to 2013-14)

- Chemicals
- Electricity
- Fertiliser
- Fuel and lubricants
- Labour
- Rates and taxes
- BRIA WATER
Electricity as a farm cost

Burdekin sugarcane production costs 2007-08
- Electricity: 5%
- Water: 9%
- Fertiliser: 20%
- Hired labour: 8%
- Fuel, oil and grease: 9%
- Chemicals: 4%
- Other: 25%

Burdekin sugarcane production costs 2013-14
- Electricity: 9%
- Water: 13%
- Fertiliser: 15%
- Hired labour: 8%
- Fuel, oil and grease: 7%
- Chemicals: 3%
- Other: 25%

harvesting: 20%
Components of electricity costs

Cost components of supplying electricity

- Network: 52%
- Energy: 34%
- Retail: 14%
Detailed cost components

Cost components of supplying electricity

- Network: 52%
- Retail: 14%
- Energy generation: 34%
- RET: 4%
- Carbon Tax: 9%

Energy generation: 21%
Reducing costs of supply

• There are several costs embedded in the N+R methodology that are not prudently incurred
  – QLD 44c Solar Bonus Scheme
  – Carbon tax
  – Renewable energy target
  – Retail margin and “headroom” allowances
  – Inflated returns to State Government from networks

• CANEGROWERS committed to reducing and removing these costs to irrigators
QCA pricing process

• QCA sets notified prices every year through the Annual Retail Price Determination

• Tariffs are designed on a N+R methodology
  – N component is an approved Network tariff from the Australian Energy Regulator
  – R component is Retail allowances and Energy costs

• Irrigation tariffs do not follow this pricing methodology
Carbon inclusive increases:
- T62, T65, T66 will increase by 16.3%
- T20, T22 will increase by 13.3%
- T11 will increase by 13.6%

Carbon exclusive prices:
- T62, T65, T66 will increase by 10%
- T20 will increase by 5.3%
- T22 will increase by 2.7%
- T11 will increase by 5.4%

Artificial increases for irrigation tariffs:
- Carbon inclusive price includes a 25% escalation to the underlying cost
- Carbon exclusive prices have a 10% price floor for
- No “catch-up” from 10% price cap in 2013-14

CANEGROWERS fighting for 12.5% price reduction
CANEGROWERS Advocacy

- CANEGROWERS Electricity Committee is the primary advocacy forum for all irrigators in electricity policy across Australia
- Made submissions on behalf of all irrigators to every significant review of electricity prices and policies since 2012
CANEGROWERS success to date

• Capped electricity price increases to 10% in 2013-14
  – instead of the proposed 20%

• Retained irrigation tariffs as “transitional” with QCA for another 7 years till 2020
  – avoiding price increases of up to 230%

• Making progress on developing irrigation network tariffs with Ergon by 1 July 2015
  – These tariffs will significantly reduce the price of electricity for irrigators
CANEGROWERS priorities for 2014

• QCA Retail Price Determination 2014-15
  – Calling for 12.5% price reduction for irrigators

• Ergon Tariff Reform
  – Working with Ergon to develop new network tariffs that reflect the low cost of supply to irrigators

• AER QLD DNSP Regulatory Reset 2015-20
  – Fighting to reduce the future cost of the network

• QLD Government Policy Reform
  – 30 year electricity strategy for market reform