



Electricity

OBJECTIVE

To ensure growers have access to competitively priced electricity that promotes the growth and development of Queensland's irrigated sugarcane production.

POSITION

Rapidly rising electricity prices (tariffs T62, T65 and T66) are threatening the international competitiveness of irrigated agriculture throughout Queensland.

Ergon and Energex are earning record profits at the expense of irrigators and other consumers. The Queensland Government has reaped the reward of the hidden electricity tax.

A process to identify on-farm energy efficiency is underway and has the potential to deliver large gains in energy efficiency and energy productivity. The CANEGROWERS-Sapere report shows that Ergon's tariff structure is based on 'evidence' that is contradicted by its own publicly available data. The network congestion data used by Ergon in its tariff proposal overstates congestion by a factor of approximately 375. The scale of the pricing distortion at \$1.8 billion over five years.

Reform of the energy market is too slow, and the delay is costing Queenslanders millions in higher electricity prices every year.

ISSUES

- The cost of electricity to sugarcane irrigators is too high to maintain viable businesses into the future.
- Ergon's current suite of network tariffs does not reflect the low cost of supplying electricity to irrigators.
- Reform of Queensland's energy market is too slow.

ACTIONS

- An immediate reduction in power prices for regional Queensland by 33% from 2015-16 Gazetted levels.
- Commit to urgent process of structural and pricing reform that balances network needs with those of consumers.
- Remove the hidden taxes (competitive neutrality payments) on Ergon, Energex and Powerlink and require them to price, operate and invest efficiently so that energy consumers pay no more than necessary for the safe and reliable delivery of services.
- Introduce a suite of food and fibre tariffs including some specifically for irrigation, giving irrigators another option from which to select the right tariff for their circumstances.
- Introduce retail competition to regional Queensland. As an immediate step, remove the headroom for retail competition from regulated electricity prices.
- Write down the regulated asset base of Ergon by 50%, removing assets that are not used or useful.
- Immediately reduce Ergon's weighted cost of capital to reflect the Queensland government's cost of capital.
- Require Ergon and Energex to take responsibility for their decisions and not pass on the cost of their failures on to customers.
- Immediately remove the Solar Feed in costs from customer tariffs and fund from general revenue.
- Establish an Agricultural Energy Council, involving all agricultural industry stakeholders in Queensland to advise State Cabinet.
- Support the reinstatement of the original (pre-2006) NEM rules that required the regulator to optimise the transmission and distribution network regulated asset bases.
- Require Energex and Ergon to design network tariffs to ensure that irrigators and other businesses in non-congested parts of the network are not required to meet the costs of network investments made to overcome congestion in other parts of the network.
- Support a COAG review of Australia's regulatory oversight framework and its governance structures to ensure it is working efficiently and effectively for the long-term benefit of the Queensland economy.
- Allocate \$10m over three years to on-farm energy efficiency programs, such as alternative energy generation and storage, to tackle the energy crisis.
- Develop a feasibility study to look at the creation of local electricity distribution grids. ►



The Five-point energy fix

1. Optimise the regulated asset base and require Energy Queensland to take responsibility for its management decisions.
2. Remove hidden taxes from Energy Queensland's cost structure.
3. Redesign the network tariff system to ensure irrigators are not paying for congestion costs of other consumers.
4. Reinstate local distribution grids.
5. Ergon re-submit a tariff proposal that contains fair pricing for Queenslanders. ■



FOR MORE INFORMATION

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Australia is the world's second largest exporter of raw sugar



80% of Australia's raw sugar production is exported



\$2.5 billion value to the Australian economy



17,400 direct jobs, and 80,800 indirect jobs supported by the sugar industry



CANEGROWERS is the peak representative body for Australian sugarcane growers. Representing some 80% of growers, **CANEGROWERS** ensures growers needs are represented at the highest possible level of industry and government decision making. For more information visit www.canegrowers.com.au