

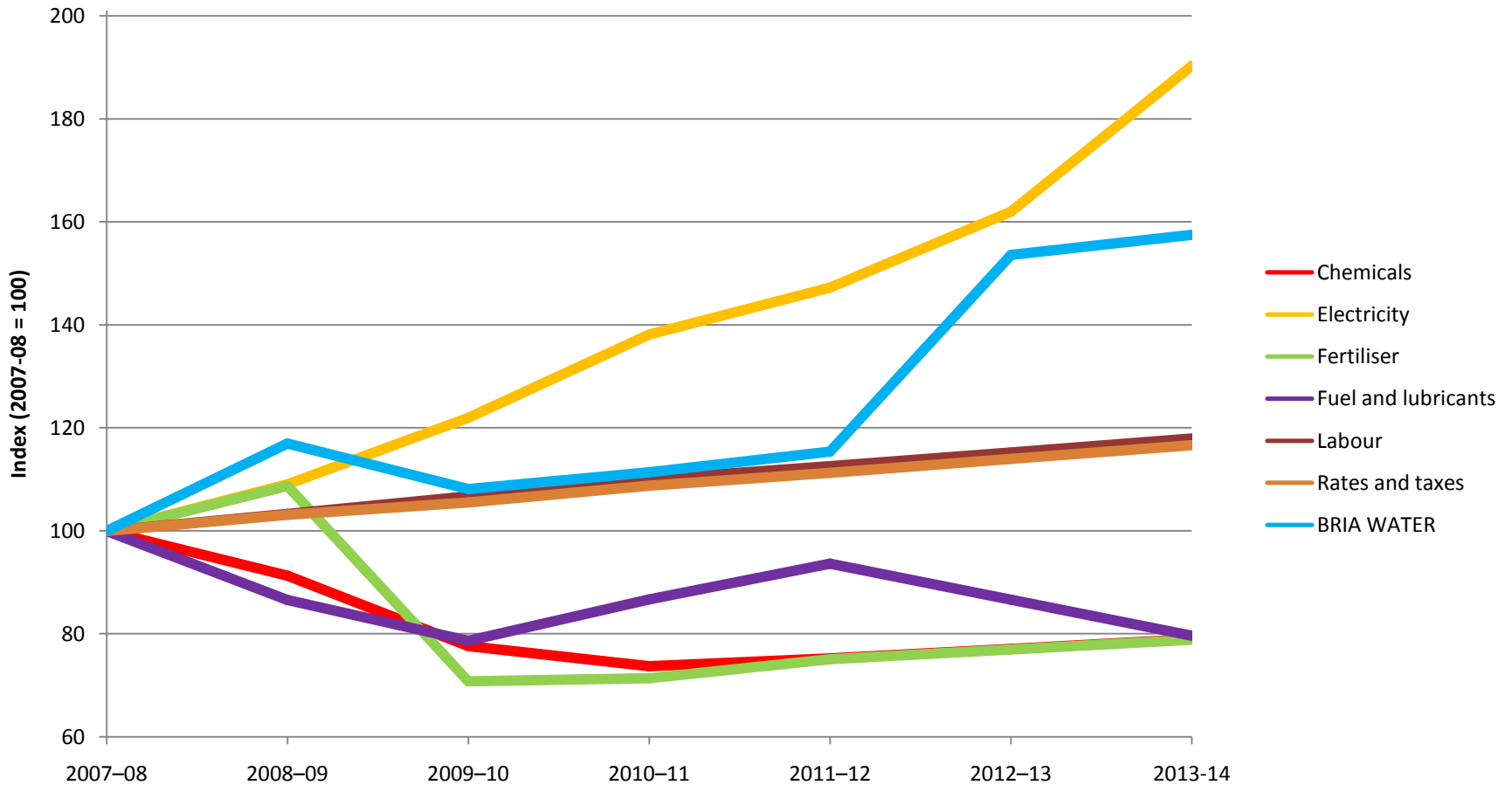
CANEGROWERS update on electricity prices for irrigators in Queensland

Overview of presentation

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

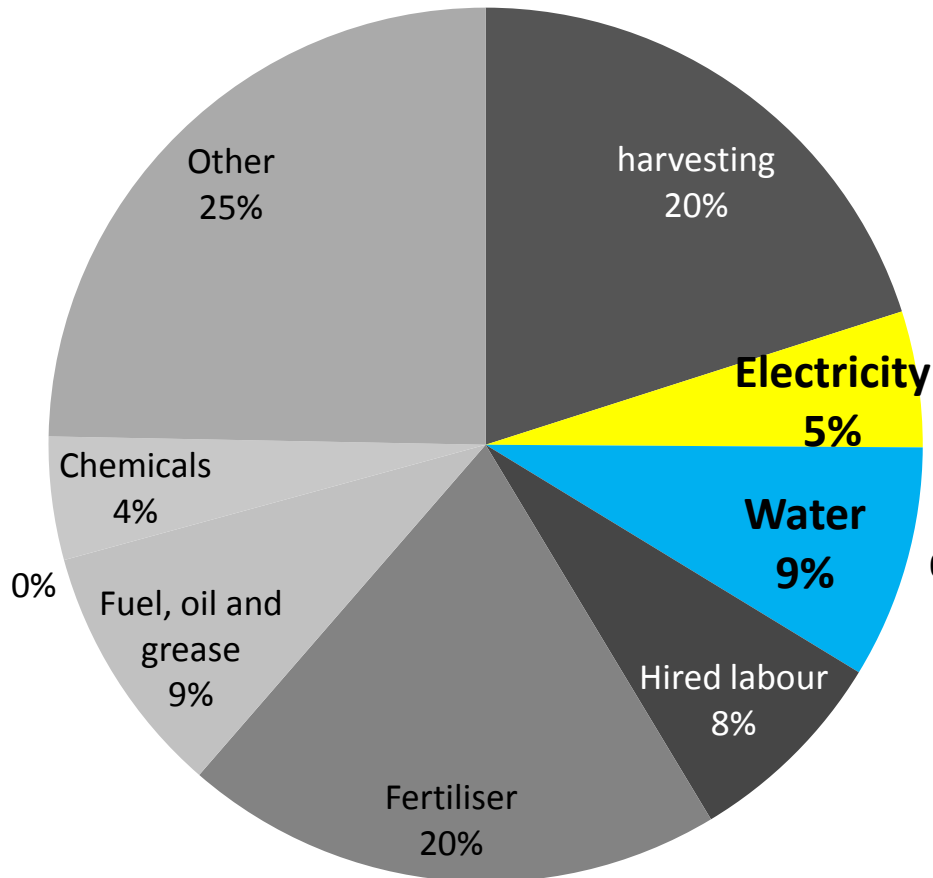
Why is electricity an issue?

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

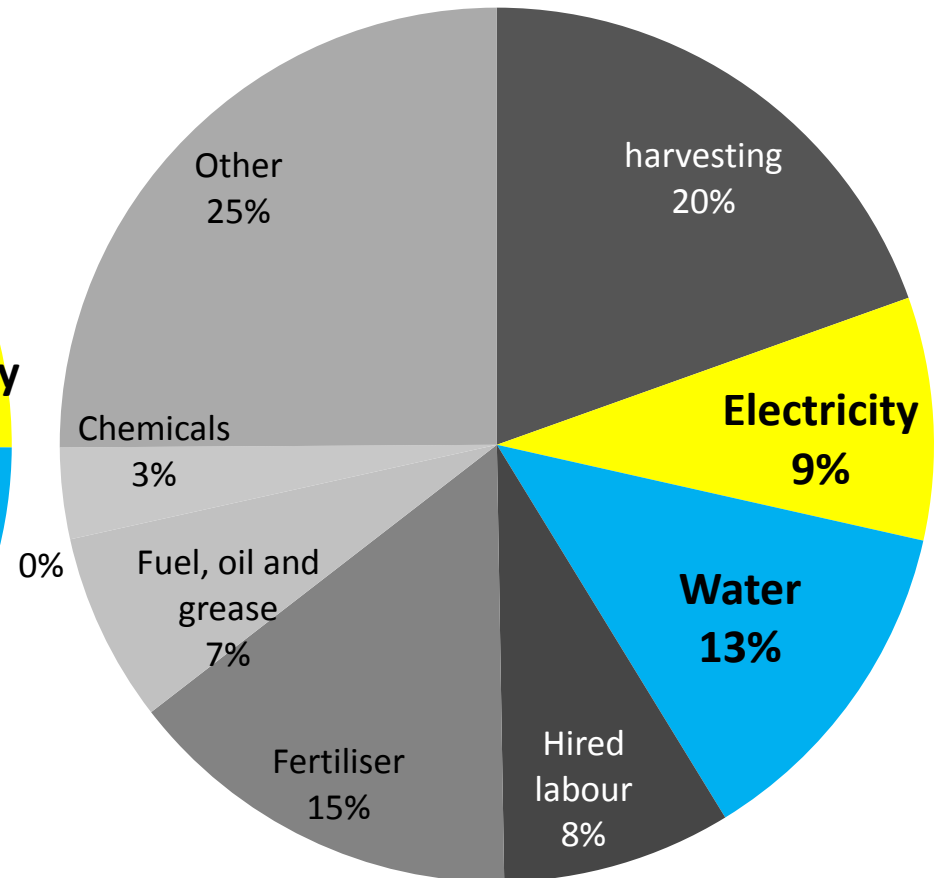


Electricity as a farm cost

Burdekin sugarcane production costs 2007-08

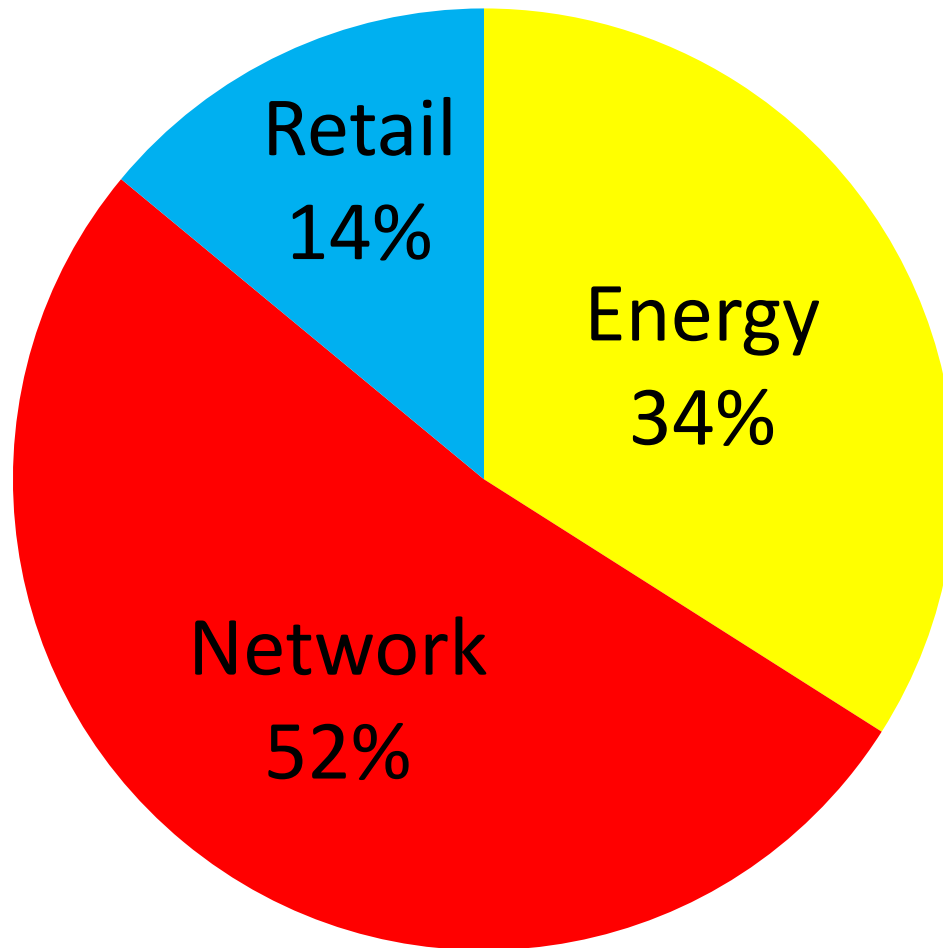


Burdekin sugarcane production costs 2013-14



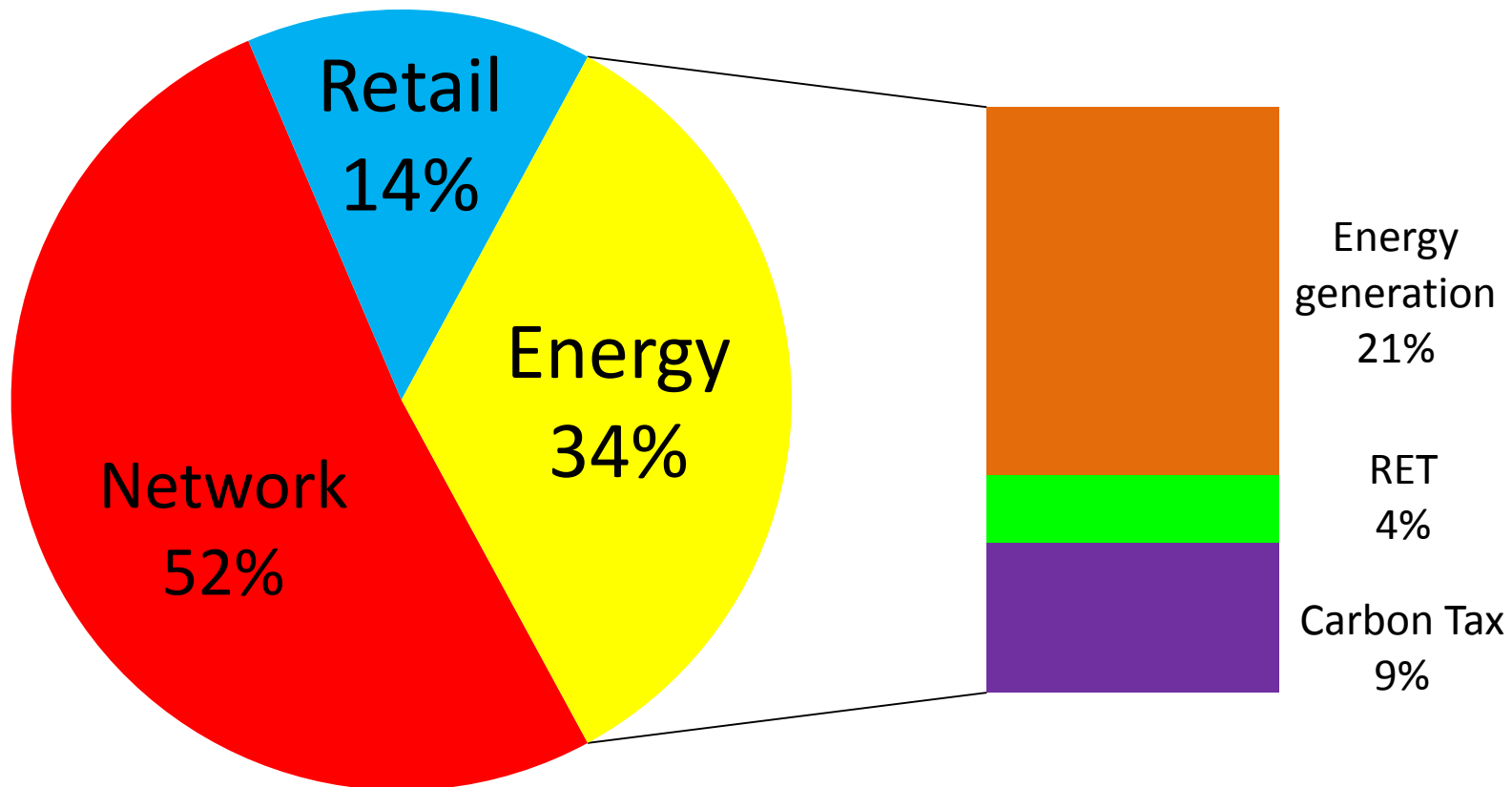
Components of electricity costs

Cost components of supplying electricity



Detailed cost components

Cost components of supplying electricity



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 **N**etwork tariff from the Australian Energy Regulator
 - **R** component is **R**etail allowances and **E**nergy costs
- Irrigation tariffs do not follow this pricing methodology

QCA Draft Determination 2014-15

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