



Submission to Ergon

Consultation Paper Future Network Tariffs

- ***Pricing Proposal 2015-16***
- ***Tariff Reform Pathway 2015-20***

February, 2015



Cotton Australia

Cotton Australia is the key representative body for the Australian cotton growing industry. It helps the industry to work together to be world competitive and sustainable, and also tell the good news about the industry's achievements. Cotton Australia determines and drives the industry's strategic direction, retaining its strong focus on R&D, promoting the value of the industry, reporting on its environmental credibility, and implementing policy objectives in consultation with its stakeholders.

Cotton Australia works to ensure an environment conducive to efficient and sustainable cotton production. It has a key role in Best Management Practices (myBMP), an environmental management program for growers. This work has seen a significant improvement in the environmental performance of the industry, with huge improvements in water use efficiency, significant reductions in pesticide use, and millions of dollars invested into R&D.

The Australian cotton industry directly employs thousands of Australian's and this year will contribute approximately \$.5 billion to the Queensland economy, and approximately \$1.5 billion to the Australian economy.

Cotton Australia welcomes the opportunity to provide this submission to the Ergon on its *Future Network Tariff Proposal*.

Cotton Australia is a member of Queensland Farmers Federation (QFF), and endorses its submission.

While Cotton Australia is confident that this submission will reflect the views contained in the submission lodged by QFF, if there is any divergence of views expressed then Cotton Australia's position is the one outlined in this paper.

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



General Comments

Cotton growers, like all electricity users in Queensland have seen massive increases in their electricity bill over the past decade and a half. Many growers are now facing electricity bills 300% more than what they did in the Year 2000 (when adjusted for a constant annual usage profile), compared with cumulative inflation over this period of approximately 50%.

Cotton growers' usage of electricity varies enormously from farm-to-farm. For some electricity is the primary energy source for shifting water, while others have a greater reliance on either gravity or diesel.

For some growers annual electricity bills might be as little as a few thousand dollars (primarily to service their house and/or workshop), while others have annual bills in the hundreds of thousands of dollars.

Getting exact data on industry is difficult, and even Ergon has difficulty in identify the actual purpose of electricity use at individual connections.

Broadly speaking, cotton grower irrigation electricity-use profiles fall into three categories and the new tariffs structures will impact on these categories differently. In addition the cotton gins have their own distinctive usage pattern.

Large Users: Typically, these are larger users with a high reliance on supplemented, un-supplemented and overland flows. When water is available in the river at levels that satisfy their licence requirements, they activate their pumps, and will pump 24hrs a day, seven days per week while the water is available.

However, the reality is that months, and sometimes years, may pass with no pumping, and when pumping is activated it may be for as little as day, could extend to several days or even weeks, but would very rarely extend to a month of continuous pumping.

Typically they use large capacity pumps, which do have relatively high electricity requirements.

Their usage profile can be summarised as relatively high demand requirement, highly climate dependant, and episodic usage.

This user profile is greatly impacted by the move towards demand based tariffs, as demonstrated in the two Ergon Tariff Comparison tables provided below.

As can be seen, the imposition of a Demand Base tariff such as 44, sees the bill, without any increase usage, increase between two and four times.



Date	kWh	44	45	46	62	% Night	kWh/day	Days	Current Tariff	62	
21/12/2011	160423	\$ 95,422.25	\$ 86,669.56	\$ 85,340.82	\$ 33,315.29	60%	1887.33	85			
27/09/2011	2452	\$ 24,842.45	\$ 23,326.92	\$ 38,798.88	\$ 593.29	60%	25.54	96			
23/06/2011	249871	\$ 114,668.27	\$ 104,858.88	\$ 103,336.10	\$ 51,875.60	58%	2715.99	92			
23/03/2011	620620	\$ 159,173.10	\$ 149,177.96	\$ 147,998.07	\$ 124,545.00	60%	6820.00	91			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
22/12/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
Low Voltage	1033366	\$ 394,106.06	\$ 364,033.32	\$ 375,073.86	\$ 210,329.18		Average 2638.92	364			

Current Tariff	62	
Possible Savings		
41	\$ 183,776.88	-46.6%
45	\$ 153,704.14	-42.2%
46	\$ 164,744.69	-43.9%
-	-	0.0%
-	-	0.0%

* Please check the tariff conditions to ensure that you understand, accept and agree to those conditions.

Demand kWh
872.00 Maximum
693.75 Average

Date	kWh	44	45	46	65	% Night	kWh/day	Days	Current Tariff	65	
27/09/2011	17494	\$ 21,711.19	\$ 20,854.60	\$ 40,554.26	\$ 3,979.56	48%	182.23	96			
23/06/2011	27495	\$ 21,859.45	\$ 21,065.42	\$ 40,116.67	\$ 6,371.22	44%	298.86	92			
23/03/2011	51623	\$ 23,486.88	\$ 22,834.38	\$ 42,531.21	\$ 11,655.01	48%	567.29	91			
22/12/2010	9642	\$ 18,493.32	\$ 17,834.84	\$ 37,230.90	\$ 1,713.33	89%	107.13	90			
23/09/2010	3891	\$ 18,208.14	\$ 17,535.03	\$ 37,362.11	\$ 1,000.75	33%	42.29	92			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
23/06/2010	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
Low Voltage	110145	\$ 103,758.98	\$ 100,124.27	\$ 197,795.16	\$ 24,719.86		Average 238.93	461			

Current Tariff	65	
Possible Savings		
44	\$ 79,039.12	-76.2%
45	\$ 75,404.41	-75.3%
46	\$ 173,075.30	-87.5%
-	-	0.0%
-	-	0.0%

* Please check the tariff conditions to ensure that you understand, accept and agree to those conditions.

Demand kWh
181.00 Maximum
173.80 Average

24hr Users: Typically these are users with smaller water licences than the larger users described above, who use electricity not only to draw water from their primary source be it river, bore or overland flow, but may also use electricity to power irrigation systems such as drip irrigation, centre pivot irrigators or recycling pumps.

When they pump, they tend to pump for 24hr periods, and their usage is a little more predictable than the large users described above, but still with significant variability, primarily related to season conditions.

Their usage profile can be summarised as medium demand requirement, broadly predictable, but still subject to significant climate induced variability.

Off-Peak: Usage is similar to the 24 Hour users described above, except these users have invested in higher capacity infrastructure, allowing them to operate primarily during off-peak/shoulder periods, such as nights and weekends.



Their usage profile can be summarised as having a higher peak demand per hectare irrigated (when compared with 24hr users), broadly predictable, but subject to significant climate induced variability and a high preference for off-peak/shoulder use.

Off-peak usage is also favoured by many growers for their recycling pumps.

It is imperative that suitable tariffs that reflect the above usage patterns are available to irrigators. All irrigators should have access to volume based tariffs. And there must be a significant incentive to access off-peak power.

Cotton Gins

Cotton gins tend to run reasonably consistently through the ginning season (March/April through to August/September), often, but not always 24 hours per day, seven days per week. As such “demand charge” based tariffs do not have the severe negative impacts that they have on larger irrigator users.

However, Table 1 demonstrates the massive impact that “site specific demand charges” that are being discussed, would have on their costs. There is no doubt that if these charges were imposed onto ginners, they would pass them directly back to growers by way of higher ginning charges, adding further impacting to their profitability, over and above the increase in electricity charges applied to irrigation.

Table 1

Gins	Current Retail Tariff	Forecast 2012-13 Bill (Current Tariff)	Forecast 2012-13 Bill (Site Specific Tariff)	Change in Bill	% Increase
1	48	\$600,411	\$1,202,162	\$601,750	110
2	48	\$588,864	\$1,445,070	\$856,206	145
3	48	\$271,882	\$819,422	\$547,540	201
4	48	\$554,198	\$1,387,192	\$832,994	150

Given the above information, Cotton Australia is deeply concerned by the move to demand based Tariffs in particular, and very strongly calls for a suite of Tariffs that will meet the need of this industry for access to affordable electricity.

In particular, Cotton Australia calls for a significant extension to the current transitional arrangements which expires in 2020.



Cotton Australia believes that all current farmers and irrigators who are utilising Tariff 62, 65 or 66 should be able to continue to use these Tariffs, or their equivalents.

Cotton Australia acknowledges that should a new user, or an existing user, wish to either install a new connection, or increase the capacity of an existing connection, then it should be the right of Ergon to offer that connection based on one of the new tariffs, so the landholder can make a decision on the power source.

However, Cotton Australia believes it is blatantly unfair to the grower, and unhelpful to the Ergon business, to enforce the movement to Demand Based tariffs on existing customers.

The cost impact is so great, the customers will simply go off grid, and source their energy through diesel, or increasingly alternatives, and Ergon will receive no revenue for their existing investment.

Specific Responses to the Consultation Paper

Consultation Undertaken To Date

Cotton Australia acknowledges that Ergon has made significant attempts to engage with stakeholders on Future Tariffs.

However, Cotton Australia has only been able to have minimal participation, primarily due to the need to respond to a wide-range of competing processes.

Just within the electricity space, Cotton Australia which at a policy level is effectively staffed by one person in Qld as had to:

- Fully engage in the AER Determination for Ergon and Energex
- Engage in the Queensland Competition Authority annual retail price setting process
- Participate in the formation of the Queensland Agricultural Energy Council – an initiative of the previous government.
- Participate in the Ergon agricultural Council

These opportunities to engage are welcome, but have limited the opportunity for Cotton Australia to fully participate in this process.

Introduction of Season Time of Use Demand Tariff

Cotton Australia in principle welcomes the proposed introduction of Tariff 22A and Tariff 50. However, at this stage the benefit for our growers are hard to quantify.



Cotton Australia urges Ergon to actively promote the opportunity for users to access Tariff Comparison calculators, so they can judge whether these Tariffs offer them any significant advantages.

However, Cotton Australia does not believe that these tariffs offer larger irrigators a solution to the crippling charges that will apply if they are forced off their current tariffs of 62, 65 and 66, and onto Demand Based Tariffs.

Tariff 50 may or may not prove to be a suitable tariff for new connections to consider.

KVA Demand & Excess Reactive Power Charges

Cotton Australia does not fully understand the technical side of this issue, something it believes would be shared by the vast majority of its growers.

However, the argument does appear to have some merit, but if it is to be introduced it must include a significant transition period, coupled with a major program led by Ergon to educate its consumers, and with financial support for any required infrastructure to improve efficiency.

Commitment to Managing Customer Impact

The number one priority for Cotton Australia in this area is to ensure that irrigators have access to a suite of tariffs, that reflect their usage profiles, and do not unfairly penalise them for factors outside their control.

To avoid confusion, factors outside their control include water harvesting in accordance with their water harvesting licences. Effectively, irrigators have limited opportunities to harvest water, and in reality no ability to vary its timing.

Therefore, it remains imperative that those irrigators continue to be able to access volume, rather than demand based tariffs.

Other Matters

Cotton Australia strongly believes that Ergon needs to develop a much more flexible business model if it is going to retain customers on its grid, including irrigator customers.

It believes Ergon must look at innovative and cost effective ways to meet peak demand requirements, including the use of local diesel generation plants and commercial battery storage.

However, Cotton Australia also understands that there may be some opportunities in areas that suffer from Critical Peak Demand periods, for industries such as cotton growing and



ginning, to work cooperatively to reduce that peak demand, in return for substantial reductions in network tariffs.

Cotton Australia would be willing to work with Ergon to develop this concept further on a Case Study basis, and looks forward to a response from Ergon on this matter in particular.

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