



Agricultural Energy Forum

Thursday, October 16, 2014

Carefully grown.

Naturally world's best.

About Cotton Australia



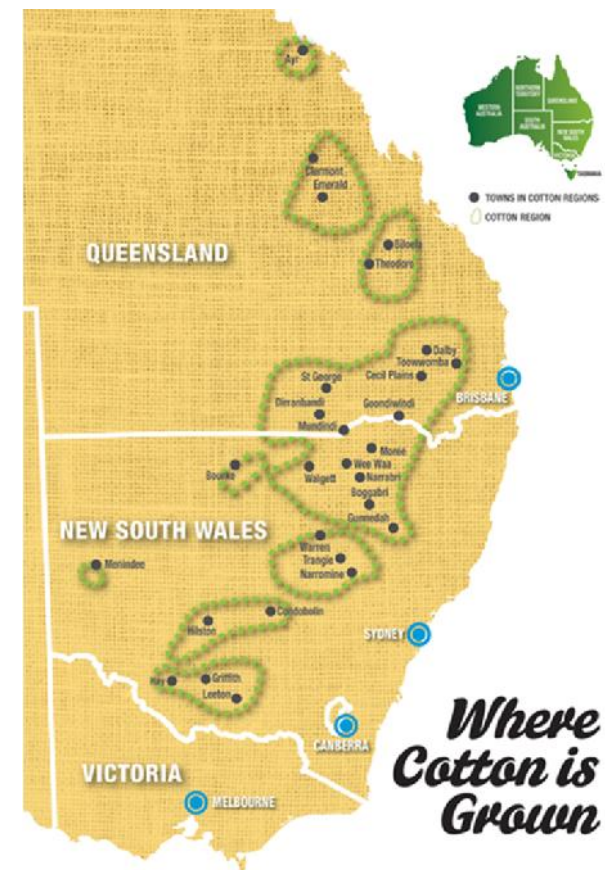
- Peak representative body for Australia's cotton growers
- Funded via voluntary grower levy of \$1.50 per bale

Activities include:

- Develop resources and information for growers
- Best Management Practices environmental program (myBMP)
- Advocate industry position to Governments & community
- Provide advice on research priorities to Cotton R&D Corporation

Cotton in Queensland

- Produces on average 1/3 of the National Crop
- 2013 1.6 million bales worth \$800 million on farm
- 2014 800,000 bales (est)
- Key production areas
Central Highlands, Dawson Valley, Darling Downs, Lower Balonne & Border Rivers



Global Context



- Australia is a relatively small producer of cotton, but the world's fourth largest exporter. Approximately 70% exported to China
- Australian growers produce yields 2.5 times the global average and have produced the world's highest cotton yields for 20 years running
- An area of cotton the size of a football field in Australia can produce about 1334 pairs of jeans. The world average on that area would produce 557 pairs of jeans
- Australia produces high quality, low contamination cotton that's in demand and commands a premium on the world market

Electricity Use



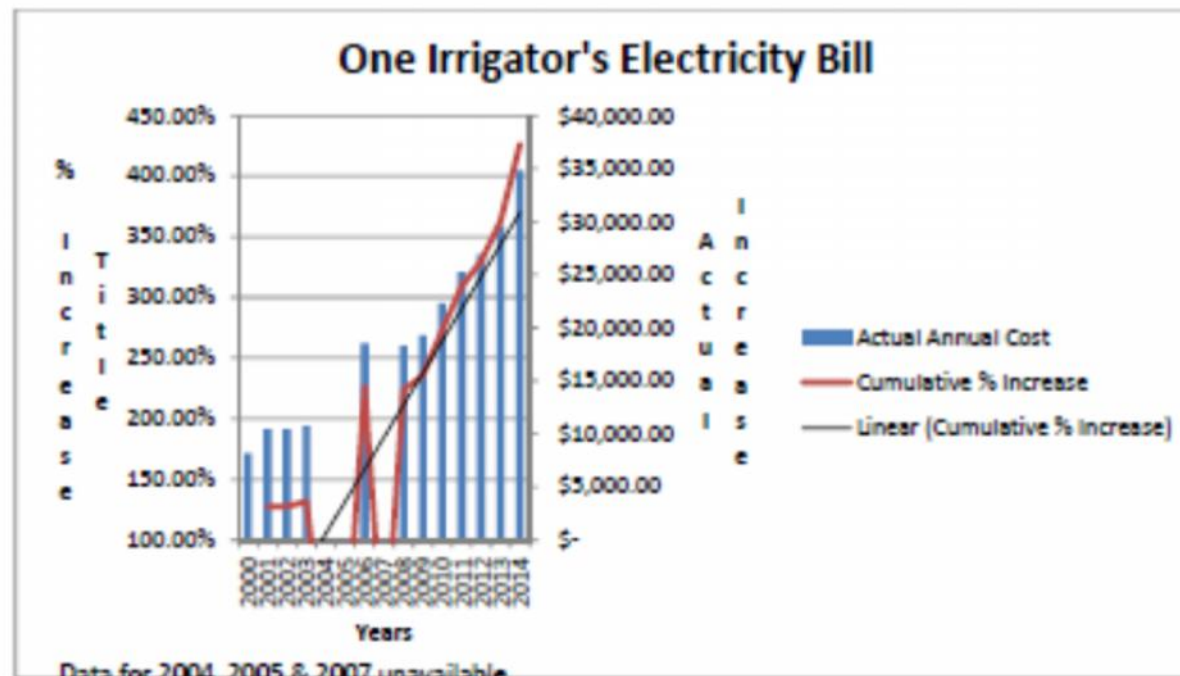
- Primarily used for transporting water & ginning cotton
- Three broad categories of pumpers
- *River pumpers* - largely unpredictable, can require large amounts of electricity for relatively short periods of times
- *Groundwater users* – can pump 24/7 over summer months, or may be designed to utilise off-peak tariffs
- *Pressurised irrigation systems* – often designed to utilise off peak tariffs

Electricity Pricing



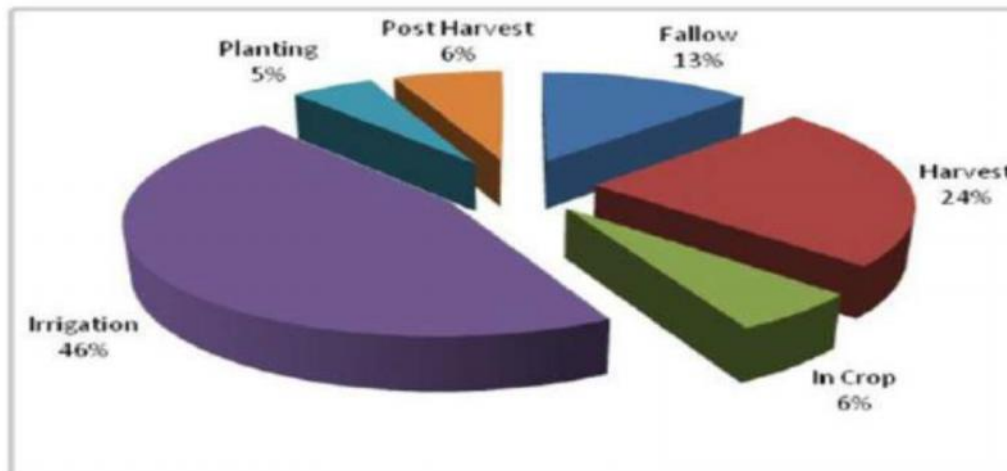
- Tripled since 2000
- Narrowed off-peak/peak gap unattractive
- Demand charges will lead to 300% increases
- Site specific demand charges will cripple businesses like gins

One Grower's Bill



For the cotton industry we have seen power bills increased in the order of 350% since 2000. Graph 1 illustrates the effect of electricity price on one grower in the Emerald district. It should be noted that this graph reflects cost of a particular quarter's bill in 2000, extrapolated using the Tariff prices for the particular year, multiplied by the usage experienced in that quarter in 2000.

On-Farm Energy Use



On-farm energy use: Irrigation is nearly half (up to 70% for ground water) and harvesting is around one quarter of the total and energy used.

Impact of Demand Tariffs – 2012/12



Date	kWh	44	45	46	62	% Night	kWh/day	Days	Current Tariff	62	
21/09/2012	3251	\$ 56,280.99	\$ 50,351.60	\$ 49,744.51	\$ 564.34	87%	37.80	80			
27/06/2012	39942	\$ 99,336.55	\$ 88,291.08	\$ 86,456.90	\$ 11,055.18	36%	434.15	92			
27/03/2012	435054	\$ 150,065.83	\$ 138,505.06	\$ 136,592.61	\$ 97,041.50	48%	4494.37	97			
21/12/2011	139010	\$ 116,053.72	\$ 104,387.81	\$ 102,438.57	\$ 29,458.42	59%	1448.02	96			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
16/09/2011	0	\$ -	\$ -	\$ -	\$ -	0%	0.00	0			
Low Voltage	618157	\$ 421,737.09	\$ 381,535.63	\$ 375,232.59	\$ 138,119.53		Average 534.53	371			

Possible Savings		%
44	-\$ 283,617.57	-67.2%
45	-\$ 243,416.11	-63.8%
46	-\$ 237,113.06	-63.2%
-	-	0.0%
-	-	0.0%

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

Demand kWh
952.00 Maximum
855.50 Average

\$421,737.09

\$381,535.63

\$375,222.59

\$138,119.53

Impact of Demand Tariffs – 2013/14



	Current	Tariff Options					
	Tariff 62	Tariff 20L	Tariff 22L	Tariff 44	Tariff 45	Tariff 46	Tariff 66
Bill 1	\$ 13,621.02	\$ 13,745.87	\$ 14,208.79	\$ 80,761.13	\$ 74,871.71	\$ 74,184.90	\$ 35,967.55
Bill 2	\$ 54,570.98	\$ 71,991.58	\$ 61,083.01	\$ 134,583.37	\$ 125,205.12	\$ 123,262.58	\$ 67,380.46
Bill 3	\$ 110,722.72	\$ 143,957.94	\$ 127,139.40	\$ 107,813.09	\$ 103,575.49	\$ 103,425.98	\$ 104,209.59
Bill 4	\$ 101,315.77	\$ 127,305.49	\$ 116,525.48	\$ 175,691.92	\$ 164,094.12	\$ 161,407.28	\$ 98,182.51
Bill 5							
Bill 6							
Bill 7							
Bill 8							
Bill 9							
Bill 10							
Bill 11							
Bill 12							
Totals	\$ 280,230.49	\$ 357,000.87	\$ 318,956.67	\$ 498,849.50	\$ 467,746.44	\$ 462,280.74	\$ 305,740.11

Current Tariff 62
\$280,230.49

Tariff 20L
\$357,000.87

Tariff 22L
\$318,966.67

Tariff 44
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Tariff 45
\$467,746.44

Tariff 46
\$462,280.74

Tariff 66
\$305,740.11

Our Focus



- Active engagement in price setting opportunities – Australian Energy Regulator (AER) & Queensland Competition Authority (QCA)
- Tariff reform negotiations – Queensland Government and Ergon
- Demand management – Queensland Farmers Federation and Ergon

Cotton Ginning



- Separate seed from lint
- Clean
- Exportable bale and oilseed

Electricity Profile

A Qld Ginning company



- 44 MW (29 MW in QLD)
- March – October
- 24/7 Operations
- Each operating day = 21,000 homes (14,000 in QLD)
- \$9.7m spend on electricity (20% of DC)
- \$4.4m spend on dryer fuel (10% of DC)
- Energy costs have nearly doubled since 2006
- Current rate of increase will add \$7m costs to our electricity bill by 2019

Site Specific Network Charges



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

Key Messages



- Food and Fibre Tariff is required
- It must offer attractive off-peak incentives
- Must not include a significant demand component
- Site specific demand charges will cripple industry west of the Great Divide