



Mr Sebastian Roberts  
General Manager - Networks Branch  
Australian Energy Regulator  
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24-7-2015

Dear Mr Roberts,

**RE: AER Determinations - Ergon/Energex Revised Proposals**

Cotton Australia welcomes the opportunity to submit on Ergon's and Energex revised proposals as part of the AER's Determination process for these organisations.

Cotton Australia is the peak body representing Australia's cotton growers and ginners, and is a member of both Queensland Farmers Federation and the Alliance of Electricity Consumers. Cotton Australia fully endorses the detailed arguments in the submissions made by these two organisations.

Due to the comprehensive submissions made by the above organisations, Cotton Australia does not intend to go into a lot of detail in this submission. However, it does want to drive home that this AER process provides the opportunity to fundamentally reset the electricity pricings trajectory in Queensland after years of double-digit growth in power prices.

However, despite the fact that the AER's Draft Determination for both Ergon and Energex headlined significant reductions in allowed costs, capital expenditure and the WACC, it has only resulted in a flattening of electricity prices (and in some cases very tiny reductions) as evidenced by the Queensland Competition Authority's recent announcement of regulated electricity prices for 2015-16.

Under absolutely no circumstances could Cotton Australia support the AER in making any changes in its determinations for both Ergon and Energex that would put upward pressure on electricity prices.

Further, as well argued in the Alliance and Queensland Farmers Federation submissions, there is significant capacity for the allowed revenues of these organisation to be decreased, allowing for a real opportunity for electricity price reductions.

Cotton Australia also believes there is further opportunity to positively review the method and timing of the Solar Feed-in Tariff contributions.

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Firstly, Cotton Australia is convinced that such incentives should be funded through the State Government's consolidated revenue rather than electricity tariffs, but acknowledges that this is a decision outside of the AER's control.

Given the above, Cotton Australia is concerned about the manner that we understand that the AER has directed the networks to collect and account for this contribution, which will result in a doubling-up of contributions during the early years of this Determination, placing additional revenue requirements up-front.

Cotton Australia requests that while-ever this contribution is met from network revenue, the amount collect in anyone year should only equal the amount that is required for that year (or the previous year if collected in arrears).

Finally, we ask that the AER take particular note of the claims made by Ergon and Energex in their revised forecasts around such issues as taxation allowances, demand and consumption forecasts, and the Weighted Average Cost of Capital, as in the past we have found many of these claims to be dubious at best, and have simply been designed to drive up their allowed revenue.

As an industry we were heartened by the positive work you achieved in New South Wales and South Australia (Australian Competition Tribunal challenges notwithstanding) and look forward to you delivering a similar result for electricity consumers in Queensland.

If you would like further information please contact Michael Murray, General Manager – 0427 707868 or [michaelm@cotton.org.au](mailto:michaelm@cotton.org.au).

Yours sincerely,

Michael Murray,  
General Manager,  
Cotton Australia