



03 August 2015

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**Re: Consumer Consultation**  
Australian Competition Tribunal in Sydney  
Thursday, 6 August 2015

The Bundaberg Regional Irrigators Group (BRIG) was established to represent irrigators in the Bundaberg district across a range of commodity groups including sugar cane, grain and horticulture. We are a member of the National Irrigators Council (NIC) and the Agriculture Electricity Taskforce.

Firstly we would like to congratulate and commend PIAC for their courageous decision to launch the first ever legal challenge against electricity network regulated revenue on behalf of NSW consumers.

This action is the reason why a small not for profit organization representing irrigators from Bundaberg in Queensland is here today.

It is our view that electricity network regulation has excluded the consumer perspective and we strongly support its increased consideration, both through the Tribunal matters brought by PIAC and this consultation process.

We wish to add our support to this process and to let the tribunal know that any precedent that is set in NSW will most likely impact upon us as consumers and the state government owned network in our region.

Ergon's own determination is well advanced and we understand they have been granted leave to participate in these appeals.

We welcome the opportunity to contribute to the Tribunal's consideration of these matters. The National Electricity Objective (NEO) compels network businesses to consider the long terms interests of consumers. It does so because the best outcomes for all market participants are achieved when this is the prime consideration.

In terms of the elements of the NEO, BRIG believes that price is not only the most important, but has the greatest impact on consumers and their long term interests. But price has been neglected in favour of investment in recent determinations. The 'back of the envelope' calculations below show the impact this has had, with standards of living suffering appreciably and less money available for reinvestment in our farms

We also hope that our attendance will encourage and embolden the AER to make decisions and recommendations that are in the long term interests of consumers.

In our view the AER needs to critically assess the demand forecasts as they have been consistently overestimated resulting in unnecessary capex and opex resulting in excessively high costs on consumers.

## About BRIG

BRIG members farm on approximately 36,000 hectares and use an estimated 1,100 irrigation pumps and associated distribution systems to irrigate a variety of crops in the Bundaberg Regional Council area. A significant percentage of these systems (around 90%) are powered by electricity.

Rapidly rising electricity prices have had a severe impact on the costs faced by our members and irrigated agriculture in general.

It is clear that the electricity price increases are adding significantly to the cost of irrigated agriculture, are threatening the sugar industry's international competitiveness, and are undermining the viability of the network businesses as demand for electricity collapses with rising prices. (Death Spiral)

It is BRIG's view that none of these is in the long-term interests of consumers.

Our irrigators are a cornered demographic when it comes to utilizing alternative energy sources such as solar and we have little option to stay on the grid and pay or make the decision not to irrigate.

As demonstrated by the following table, many have chosen not to irrigate.

Water Year	Historical Annual Water Use		Rainfall (mm) - July-June (Bundaberg airport)
	Announced Entitlement (Megalitres)	Metered Use (Megalitres)	
2004/05	54500	26000	966.8
2005/06	50400	26600	1004.2
2006/07	50600	37000	713.8
2007/08	46400	18300	1235.8
2008/09	59500	22500	1075.1
2009/10	62300	18400	1027.5
2010/11	59900	22600	1566.6
2011/12	60000	25000	1173.2
2012/13	60300	28200	1274.8
2013/14	60500	43700	543.6
2014/15	59900	18400	632.2

Over the past 6 years BRIG has worked to develop a deeper understanding of the issue and to find alternative pathways to achieve sustainable electricity prices.

**Our journey has led us to conclude that:**

The network price setting process is deeply flawed. In BRIG's experience, it has been a one sided process that has no regard for impact on consumers or the wider economy. If the AER's increased powers are greatly reduced by the decisions of this Tribunal, we fear this will continue to be the case. Our own price setting process is well advanced and Ergon Energy has already signaled its desire to test the AER's new powers in the Tribunal.

The agreement that lead to the creation of the Australian Energy Regulator (AER) and Australian Energy Market Commission (AEMC) was negotiated in 2003, formalized in 2004 and AER formally came into existence in 2005. In Queensland the first AER regulatory decisions took effect in 2009.

Since 2009 we have recorded the world's highest increases in electricity places.

We are now paying 96 per cent more than we were in 2009 (CPI increase over this period was 13.9 per cent) for exactly the same service and level of reliability and safety.

The following table illustrates the figures for a family owned and operated farm in Bundaberg.

	2007/08	2013/14
<b>Price of cane/tonne</b>	\$32.00	\$37.00
Harvesting	7.00	7.50
Fertiliser	4.00	6.00
Chemical	2.00	2.00
Rates	0.50	1.00
Fuel & Oil	2.00	2.00
<b>Irrigation Electricity</b>	<b>3.80</b>	<b>9.00</b>
Repairs and Maintenance	3.00	3.00
Planting	3.00	3.50
Capital reinvestment	3.00	2.50
<b>Balance to live off</b>	<b>3.70</b>	<b>0.50</b>

For a business that has very high fixed costs there has been little interest from the networks in stimulating consumption as a means of maintaining revenue while reducing prices. This is another adverse outcome of rules that guarantee revenue regardless of consumption.

This is also demonstrated by the fact that the networks have shown no appetite to operate a smarter grid and look at alternatives to building more Capex.

While consumers and the wider economy are enduring severe pain, networks are making record profits. Network businesses are the most profitable asset class on the ASX 200. This profit gouging has a huge impact on irrigated farmers.

Agriculture is one of the four pillars supporting Queensland's economy and electricity is a large factor in farm profitability and sustainability.

We are in danger of having dams and irrigation schemes full of water and no one able to afford to draw on them.

Optimization of the networks profitability is not in the interests of Queensland's electricity consumers.

Please call should you require further information or clarification.

Yours sincerely

Dale Holliss  
Company Secretary