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Mr Warwick Anderson
General Manager
Australian Energy Regulator
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MELBOURNE VIC 3000

20 December 2019

White Industries Submission to the Australian Energy Regulator in relation to the Ergon Energy Revised Tariff Structure Statement 2020-2025, December 2019.

Dear Mr Anderson,

White Industries is a family-owned Foundry, Machining and Fabrication business located in Dalby, on the Western Downs in Queensland. Since starting 60 years ago, White Industries has become one of the largest non-government employers in Dalby, with 60 staff. As a major employer, we have a strong relationship with the Dalby State High School Trade Centre, as well as a robust Apprenticeship scheme to ensure continual skills development. We supply cast and machined products to the Mining, Pumping, Rail, Heavy Transport, Sugar and Heavy Engineering Industries across Australia.

White Industries uses 2.3GWh per annum of electricity, connected as a CAC to Ergon Energy. The majority of this has been on Tariff 37, which has now been made transitional. We have participated in the Queensland Department of Natural Resources, Mines and Energy's Large Customer Adjustment Program and during that process it has become apparent that we face a massive increase in the price of electricity in July 2021 when Tariff 37 is discontinued. This increase is in the order of 40-50%. Electricity represents 14% of White Industries' costs, so an increase of this magnitude is untenable.

White Industries prides itself on being the manufacturer of quality product, delivered on time, however we fight a continuing battle with imports from low-cost countries. If White Industries sees these new electricity prices eventuate, we will lose customers and work to imports, with the resultant impact on employment levels.

As a member of the Australian Foundry Institute, we have been in consultation with Energy Queensland and Ergon Energy to reduce the impact of the loss of Tariff 37. As a group, we were informed that the impact could be reduced by becoming ICC's, seeing a reduction in the network charges of our power bills. However, when each foundry was assessed individually, it was found that White Industries was the only foundry that could not, under the present rules, be changed to ICC, due to our geographic location in relation to the grid. This places White Industries under a further disadvantage within the Queensland foundry industry, where other foundries can access cheaper electricity though lower network charges.

It is in this light that White Industries supports Appendix A, "CAC to ICC Tariff Assignment Process Transitional ICC Network Tariff Option" of the Ergon Energy Revised Tariff Structure Statement 2020-2025, December 2019. We believe this is the only way we can maintain parity with other foundries in Queensland and to reduce the risk of losing customers to low-cost imports.

While we realise the setting of retail tariffs are the domain of the state energy organisations, we wish to raise our concerns regarding the move to demand-based tariffs. White Industries has used Tariff 37 with its 4.30pm peak since its inception. This has suited our company ethos around the importance of family, as it allows our blue-collar employees to be home at night with their families.

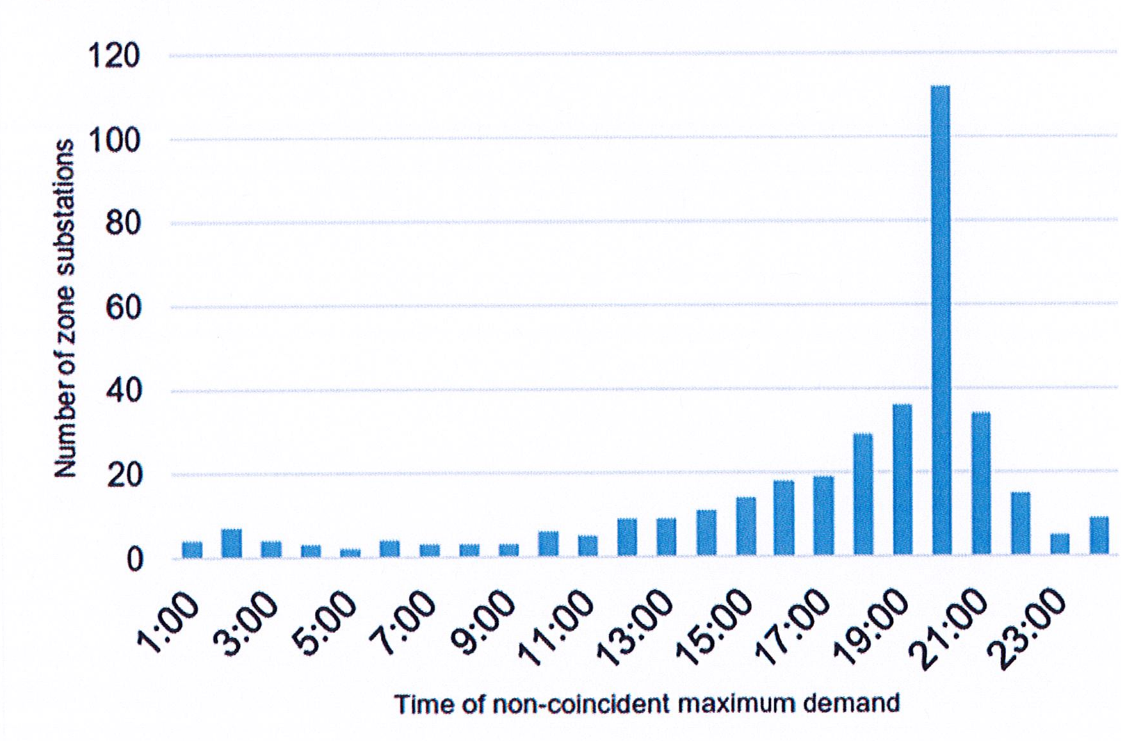
The move to demand-based Time-of-Day style tariffs will work against this ethos, as the peak moves to 10am. This means our operations would need to move to shift-work.

The equipment we use to melt the metal have a "peaky" load profile as they approach the final stages of melting, meaning that we will be paying for a higher demand component each month, even if our actual peaks are lower. We view this as inequitable. We are more than happy to pay for the power we use, however we oppose being charged for any potential demand we do not use.

It would appear to us that the peak would be applied at the wrong time of day, as demonstrated by the graph below which was published in the AER's "Draft Decision – Ergon Energy Distribution Determination 2020-2025", Page 18-30, Attachment 18, Figure 18.1, which shows the Time of non-coincident demand across zone substations not commencing to ramp up until 5pm.

Given the growth in solar and wind farms, we do not see the justification for demand-based Time-of-Day tariffs being applied when we are only working in daylight hours.

Figure 18.1 Zone substation peaks by time of day – Ergon Energy



Source: AER analysis.

Please feel free to contact me to discuss any aspect of the information presented here, or to seek further details.
Yours sincerely,

[redacted]

Craig White
CEO