LIMESTONE ASSOCIATION OF AUSTRALIA INC.
Limestone - Bringing Our Environment to Life

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Submission to ACCC Electricity Supply and Prices Enquiry

Response to ACCC Preliminary Report 2017

The Limestone Association of Australia (LAA) represents the interests of producers of mined and quarried limestone, in particular for use as agricultural lime as well road base and other industrial applications. Our member companies stretch from northern Australia down the East Coast and across into Western Australia.
LAA representatives presented submissions at the Melbourne and Townsville public forums, the substance of which is contained in the written submission prior to the ACCC Preliminary Report

- The LAA appreciates the thorough investigation, analysis and description ACCC has undertaken of the factors which are contributing to escalating electricity and energy prices impacting upon industry, commerce and other consumer groups. Figure 1.3 showing how CPI for electricity has more than doubled compared to total CPI and wages over the past 10 years illustrates the experience in our industry.

- The Preliminary Report has highlighted how it has now reached the stage where there is insufficient competition in generation and retail sectors of the market with AGL, Origin and Energy Australia controlling 60% of the electricity generation output. The issue of "gentailers" has also been highlighted which concentrates market power. LAA considers this operates against a competitive market situation, which privatisation of public assets was designed to achieve. It is of course acknowledged that there has been an element of selling public assets to help finance government budgets.

- Electricity is a significant component of production costs in our industry eg. A member company in North Queensland has reported its cost of electricity has risen by 21.8% in the last 18 months. Costs increases of this nature can only be partly absorbed for a short time and inevitably have to be passed on to customers.

- In our industry's case it is mainly the farming sector which provides food security and export income for the nation. These are important reasons to contain power costs relative to their normal production costs. Production costs down the chain can be inflated by economic rent earned by some elements in the production chain which would still perform their functions for lesser reward. Monopolistic competition facilitated by concentration of assets and restriction of supply through closure of relatively cheap to operate coal fired power stations can also distort normal production costs.

- In terms of farming providing export income and food security, efficiencies in agricultural cropping in North Queensland have recently seen an agricultural sector delegation from the UK identify and visit a member company which has vertically integrated limestone mining, and cropping operation using its own agricultural lime as a good example of efficient production – which is currently threatened by escalating electricity prices. Much of the agricultural sector needs to be able to afford to apply lime on a four year cycle and escalating power prices being passed on lead to skimping on quality production and consequent loss of confidence in products.

- The National Energy Guarantee might have the intention of reducing power bills by ending renewable energy subsidies and ensuring a certain level of base load power. But by requiring retailers to purchase a portion of clean energy. means competing policies in terms of reducing power prices and hence no wonder power bill savings being officially spoken of are merely token.

- Where vertically integrated operators advertise intentions to reduce coal fired output in favour of “clean” sources, it might have virtuous appeal to sections of the market but the usual practice of reducing supply means higher prices and higher profits. Further increase in already high gas prices is the likely reaction to reduction in coal-fired generation.

- Policies such as assisting thermal “clean” coal production, scrapping the recent three-fold increase in royalties on coal in Victoria as well as direct assistance to keep coal fired generation in place would help contain costs through more competition. The Finkel recommendation of 3 year pre-closure notification could assist in reducing short term spiking. Recent reports (trade and regional press) indicate that Hazelwood rehabilitation budget is in the order of $439m. Some assistance to modernize assets such as this could well prove positive in cost benefit terms to the operator and the market, especially as coal fired generation is cheapest and coal reserves are extensive. A replacement operator could be attracted hence saving rehabilitation costs.

- The ACCC’s intention to determine means of boosting competition in generation and retail markets as well as lowering network costs is welcomed. LAA is confident policy measures recommended in this submission can facilitate the above objectives and reduce costs to important national agricultural and mining industries such as ours as well as for energy consumers across the board.

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