



# ALBA CHEESE

**Manufacturing Pty Ltd**

**Reg No. 6563**

Submission to ACCC inquiry into retail electricity supply and Pricing

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## Introduction:

Alba Cheese Manufacturing Pty Ltd are a family owned and operated business manufacturing a range of Italian style cheeses. We operate from our factory on Tullamarine Victoria and employ some 42 staff.

In recent years we have been, like the rest of Australia, subject to dramatic increases in energy costs. Such cost increases threaten our ability to compete internationally.

Annual electricity costs are currently around \$80,000 to \$90,000 per annum, with production of cheese rising at around 3-5% per annum. Over the last 5 years we have seen significant increases in electricity charges, and all electricity retailers moving in unison, whilst exercising their bargaining position over small companies like ourselves which have no option but to accept. Discussion with electricity retailers has shown an attitude of indifference. It would appear that real competition does not exist in the electricity retail market.

We make the following observations into the retail electricity supply and pricing:

### 1. Complexity of pricing

All electricity retailers we have dealt with provide complex pricing arrangements which make it hard to make comparison between the various offers.

In discussion with energy retailers they focus on the energy rate and blame energy suppliers for the cost increases, they gloss over their own charges and dismiss them as being "beyond their control".

Analysis of electricity charges over the last five years is attached. This shows that network charges rose by an annual rate of 25.9% over the period whilst energy charges rose 21.3% per annum.

This analysis based on actual invoiced charges is completely at odds with the networks information provided to end uses like ourselves.

### 2. Contract timelines

In order to provide some security of operation we prefer to have a firm commitment for the electricity prices generally we have worked on 2 to 3 year contracts.

In more recent price negotiations [REDACTED] were not interested in long-term agreements rather than quoting unrealistic prices.

### 3. Reasons for price rises, Network Service Charges

Prices have risen as demonstrated in the attached spreadsheet.

As a consumer we are never provided with any reasons for the price increase particularly the network service charge which is controlled completely by the electricity retailers.

If we were raise prices to the same extent we would be out of business

Despite the declining electricity consumption since 2008 2009 (AER website) the increase in prices flies in the face of economic orthodoxy.



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#### 4. Current prices

We have recently gone to the market to get electricity supply prices for the next 2 to 3 years. Electricity prices for 2016 were - peak 4.2 cents per kilowatt hour, off peak 2.57 cents. The new contract for three years January 2017 to December 2019 being peak 7.087 cents per kilowatt hour and off-peak 4.137 cents. This is up 59% on peak rates 62% on off peak rates.  
[REDACTED] quoted between 9 and 10 cents per kilowatt hour peak electricity supply.

#### 5. Comparative advisory pricing.

We have looked to the number of websites which provide advice on best electricity prices however we have concluded that they are focusing on residential rather than industrial commercial rates. Cannot help but think that many of the retailers are tied up these sites and use them as a source of reference for new business, particularly those people changing address.

#### 6. Proliferation of suppliers.

Given the restructure of the electricity market have emerged a number of suppliers which causes further confusion in an already confused market

Submitted by

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