

## **Appendix A – case studies relating to price impacts from Business SA submission to Finkel Review (dated March 2017 prior to Hazelwood closure)**

### ***a) Adelaide based Garon Plastics owned by Garry Thompson:***

"We are an Adelaide based manufacturer that exports world leading oyster farming products and technology to many destinations including The USA, Mexico, France, Ireland and Japan. We are attempting to continue to supply these products from our factory here in Edwardstown, however with continuing electricity price increases we are now looking at alternatives. South Australia must remain globally competitive, we are under continual pressure from a fluctuating Australian dollar, high wages and the last thing we need is the world's highest prices and unreliable power. My businesses started 25 years ago with a single injection moulding machine in the backyard of my house. We now employ close to 25 people locally and another 3 representatives in overseas territories. These jobs are not as secure as they could be due to the cost of business in this state."

### ***b) Regional independent supermarket owners, (Grenfell & Slavka Koch) employing 70 people:***

Owning both an IGA and a Foodland supermarket situated in South Australia's Riverland, this business has experienced a 130 percent increase in the cost of electricity since the beginning of 2017 after going onto a new contract. For the Koch's, this has been particularly difficult to absorb in a broader grocery market which has become much more competitive in recent years, with new players such as Aldi and the like.

"The cost of power is ridiculous and will deter businesses from expanding in South Australia. To put it in perspective, we were paying seven cents a kilo-watt during peak periods in 2016 and now we're paying 16.9 cents a kilowatt. That started on January 1 and our power bill is going to go up by well over \$100,000 per annum, and on top of that, we haven't got a reliable source"

"If it's frozen, meat or seafood, you can't have the power off for long periods of time. It's ridiculous that people would even consider buying generators. You would think things have improved over the years, but there aren't any alternatives at the moment. There is solar with batteries, but that's still evolving. With solar you can put power back into the grid, but you can't store it efficiently at this stage. And with generators, it is difficult to justify the cost and the other issues is with a generator, for example having to have diesel in the building. Quite often these generators need to be in a standalone building away from the building itself, so there's certainly requirements and regulations you have to abide by when you install them."

### ***c) Regional feed mill JT Johnson & Sons employing 85 people:***

JT Johnson runs a regional exporting business, centred around the export of hay and pellets to Middle Eastern and Asian fodder markets. In mid 2016, and after just having undergone a major upgrade its power infrastructure, JT Johnson's total energy bill increased from \$800,000 to \$1.6 million after its wholesale energy peak price trebled from 6.4 cents to 19.3 cents.

"We were shocked to receive prices detailed on our new supply contract detailing increases in power charges by up to 300%. We have invested \$17 million dollars to improve efficiency and increase capacity however with cost increases representing an additional \$15 per metric tonne, it will be difficult to achieve any growth. These costs are not shared in other states and therefore our market competitiveness is completely eroded. Our industry is volume based with very thin margins. Cost increases such as this can not just be passed on to the end user as they will be able to source the product from either Victoria or Western Australia at cheaper prices.....The Government's pursuit of clean energy targets is putting the whole state at a disadvantage. There must be action taken to reduce the cost to business or risk losing more manufacturing interstate."

"In regards to reliability, of course if the electricity supply is cut our ability to supply to market is greatly reduced. We have not experienced too many issues of late, however the uncertainty causes us to prepare for black outs and in order to be prepared we must double handle product. This results in additional handling costs" For example, in the case of a pending shipment additional stock will need to be stored to ensure a power loss does not result in a contract being short, which is particularly relevant for container ships which do not wait.

"Our main concern is the high cost of business and the impact that has on our ability to remain competitive in the domestic markets and international markets that we compete in. We are already budgeting an additional \$1.2 to \$1.4 million in electricity costs for 2017 compared to 2016."

***d) Adelaide based Aged Care provider:***

"I recently tendered an energy contract for several sites and the cost of net energy jumped from 7.9 cents/kwh to over 17 cents/kwh, this just commenced from 1 January 2017 and was the absolute best we could get in SA, our existing retailer would not even match the amount, which was less than 0.3 cents/kwh so we switched.

I simply cannot understand why this Government allowed Alinta Energy to shut their plant down when we have always had issues with the base load in this state, it must have been common knowledge to them and that we would have load issues, particularly through summer with ongoing load-shedding.

Unfortunately, we are not in a position to pass on any of this massive cost to our clients and it has impacted how we now look at our strategic planning moving forward in this state.

The other huge issue is the amount of power failures/cuts we experience in this state. I cannot understand why the Government does not look at strategies to run cables / infrastructure underground which would limit the power outages through time and the impact on shutting power down due to trees and storms, yes it would be costly but so is shutting down the state every time we have a hot day or a small storm."

***e) Small winery based in Adelaide Hills:***

"In the past 18 months, our electricity costs have doubled. By reviewing our bills closely, it is clear to see that not only has the base per-kwh rate increased, but also Network Charges (for maintaining poles and lines), demand charges (so the grid can build capacity to cope with the very brief peak demands) and the always mysterious "other" charges.

I feel very strongly that the energy independence of this state lies with stronger investment and increased speed of transition to renewables. South Australia were leaders in wind and solar power adoption. Now is the time to support business and households to transition to further energy independence using battery banks and by driving our grid to do the same."

*f) Regional sawmill NF (McDonnell & Sons) is a fourth generation family owned business employing 130 people and in recent years has invested \$15 million in state of the art sawmilling equipment:*

While the business sells wood packaging and garden products into all Australian states, the majority of its recent sales growth has been export driven to countries throughout Asia and the Middle East.

"Electricity forms a major component of our manufacturing operation. We will consume an estimated 4.3 Gigawatt hours during 2016/17 at a cost of \$680,000. Based on current South Australian energy market rates, our annual energy cost will increase by a projected \$320,000, an energy cost increase of over 125 percent. In addition, an increase to the LRET emission charge will add a further \$20,000 per annum cost.

Our export and domestic markets are competitive and price sensitive. Cost increases erode our market competitiveness against sawmills operating in other Australian states who are not experiencing the magnitude of electricity cost increases specific to South Australia.

In addition, our sawmill importantly adds value to lower value plantation log grown in the South East region. As our production costs rise, it becomes more attractive for export customers to import an unprocessed log directly from the plantation owner and manufacture timber products themselves.

In summary, we cannot simply pass this cost onto our export or domestic customers. We expect a negative impact will occur to our future employment levels as we endeavour to minimise production cost impacts.

We are also facing significant issues with reliability and just over the last month have had to reset our IT system three times due to power outages.

Again, thank you for the opportunity to present our situation. A situation which is being replicated across every manufacturing business in South Australia."