

Project Scope Definition – Energy Study

Problem/Opportunity Statement

“I will be unable to attend tonight’s meeting, as I have to cook at our restaurant, but would be very interested to get an overview of discussion that takes place. Especially the issue of power bills. We are being hit very hard by rising power costs and are always looking for ways to cut our usage and obtain the best deal. Like Barrie we too are currently with Momentum, but are still paying well in excess of \$12,000 a year for electricity, which as you can imagine is a significant cost and if it can be reduced will of course make a significant difference too our bottom line. We have investigated solar, but the capital outlay and the amount needed to offset our usage is just too great at this stage of the technology. We will be interested to hear of any ideas that other businesses have with combatting this rising cost.” Tom – Bomboras, 17 Jun 2013

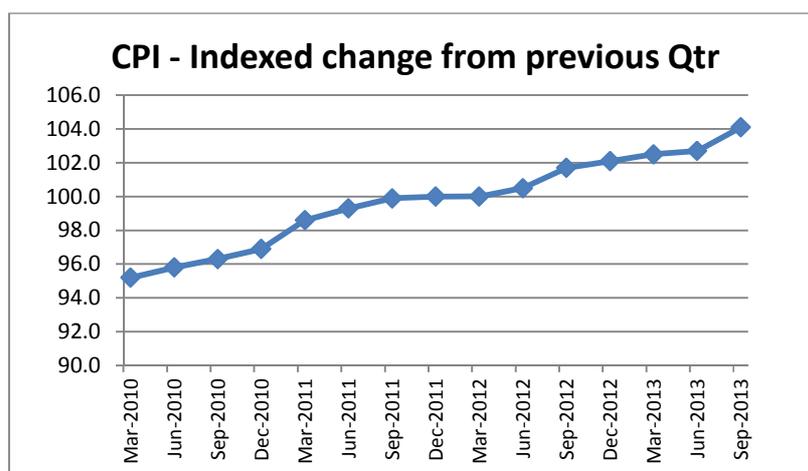
Tom encapsulates the problem Torquay businesses are confronting – energy (electricity and gas) costs over the previous 18mths have increased at a much higher rate than CPI for the same period.

Rising electricity costs can be attributed to four factors:

- CPI
- Maintenance & upgrade costs
- Carbon tax
- Solar power tariff rebates

CPI

Energy input costs are expected to increase for any business in a normalised trading environment. Good practice is to increase retail prices in accordance with the changes in CPI. In the past 12 months CPI has increased by 2.4% (Sep 2012 to Sep 2013). Energy costs are increasing at significantly higher rates, in some cases by 70%.



Maintenance and upgrade costs

These are essentially an infrastructure catch-up to stabilise ‘poles and wires’ and upgrade technologies (IT, Process Control) and equipment within the organisation which were neglected over the past decade or

two. Why? After privatisation of the power companies, state governments set about extracting dividends from these now profitable companies. That left low levels of working capital to fund infrastructure maintenance and hedge debt.

Carbon tax

Every energy generator has been hit with this tax and has had to pass it through to their retailers and consumers - the final link in the chain. Unable to avoid such enormous cost increases, small business has been wedged between falling revenues and rapidly increasing input costs for basic operational requirements. Margin pressures on gross profit are causes for concern.

Renewable power tariff rebates

The great leap forward to sustainable/renewal power generation has been a policy failure. The unintended consequences of massive increases in unit power costs has hurt those who can least afford it, that is small business, pensioners and retirees on fixed incomes. While people who have installed solar panels on their rooftop homes and receive generous tariff rebates, someone has to pay for it. The big power generators (100mW plus capacity coal-fired units, eg Alcoa's Anglesea power station is 100mW) can produce power for about 4c kWh. Consumers paying rates of 35c per kWh and higher are effectively subsidising the rebate payments to solar panel holders (and wind technologies). Why do these technologies require subsidies? Firstly the capital costs of building solar and wind power units are significantly higher than conventional coal-fired ones. The policies to encourage sustainable power development come at enormous cost to the taxpayer because these technologies are unable to survive in the energy market place without significant cost subsidies.

For small business (as Tom of Bomboras has documented) the capital costs of solar energy generation are prohibitive and landlords are not going to incur these costs to assist their tenants.

Data Required

- Number of Torquay businesses using only grid power
- Number of businesses using solar energy
- Daily kWh usage in peak and off peak periods
- Peak and off peak kWh rates
- Service rates per day

Resources

Project leader: nominated committee member

Project members: minimum 3 from general membership/committee

Deliverables

A Project Report which confirms the problems/opportunities, supporting data, solution opportunities and recommended actions.

Schedule

Resource allocation	Mid-November
Project plan and schedule	End-December
Project report	End-February 2014