

Independent Accountability Panel

Energy Charter

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25 October 2019

Energy Charter Panel 2019 Public Submission from CQMS Razer

CQMS Razer welcomes the opportunity to make a submission to the Accountability Panel as it assesses the introduction of the Energy Charter.

We believe that the Energy Charter is a fundamental and very positive step change to making the consumer voice heard in Australian energy markets. For too long we have seen both the National Electricity and Gas Objectives – around the long-term interests of consumers – being moved from centre stage. The Charter’s objective of putting the customer at the centre is a positive improvement. Equally the aspirational intent set out by Origin Energy in their disclosure statement is very positive. As a long term customer we look forward to seeing this change occur.

This submission provides CQMS Razer’s opinion on various statements in the Origin Energy Disclosure Statement focusing on our experience with Origin as the gas supplier to our Maryborough, Queensland foundry operation.

Our submission is that many of Origin Energy’s disclosures do not represent our experience in the six months ended 30 June 2019.

This submission begins with some background on CQMS Razer, its Maryborough operations and gas supply arrangements for that site. Then we respond to particular parts of Origin’s Disclosure Statement.

About CQMS Razer

CQMS Razer is a leader in engineering innovation and manufacturing of mining equipment. Our product range includes hydraulic excavator cast lip systems, load haul optimization software systems, dragline buckets, ground engaging tools, dragline rigging, conveyor systems and fixed plant wear products.

We operate globally covering most major mining regions, with dual headquarters in the USA and Australia, plus manufacturing facilities spread throughout Australia and China, as well as our Global Technology Centre located in Queensland, Australia.

We are a collaborative partner with the world’s best miners, delivering solutions that improve mining productivity, asset availability, and safety around the globe. You can read more here:

1

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CQMS Razer Maryborough Foundry and its Gas Supply Arrangements

The Maryborough foundry has been operating for approximately 150 years producing a range of low alloy steel products predominantly for the mining industry e.g. Dragline Buckets, Dragline Rigging Components, Ground Engagement Tools, Hydraulic Excavator and Electric Rope Shovel Lips and a range of fixed plant wear products. It is a major employer in the town with 92 direct employees as well as supporting many other local industries and contractors. It uses gas in its process to enable operation of its five gas fired heat treatment stoves, steelmaking ladle preheat functions and a range of gas cutting torch and heating operations. Annual gas spend is ~\$1m and it represents a significant part of our annual operating costs.

We have had a gas supply arrangement with Origin Energy since 2000, when the Wide Bay Pipeline which goes from Gladstone to Maryborough, was commissioned. This pipeline is now owned by AGN and is operated by APA. This contract is sparse in its documentation compared to more modern contracts. There is no detail on how price is calculated. There is no disputes clause. It was supposed to have a term of three years but it is still in place – simply because the parties have continued to meet their obligations under it.

As with all gas users, we have faced a considerable increase in the delivered gas price in recent years - ~30% since 2015. The average delivered cost in 2018 was well above the prices C&I customers are reported as paying in recent ACCC Interim Gas Reports. In 2018, we sought to obtain quotes from other potential suppliers only to be told that as Origin has bought all the firm capacity on the Wide Bay Pipeline, other suppliers were not able to supply. So, Origin Energy is the sole provider to any gas user on that pipeline, including us.

Over the course of late 2018 and early 2019 there was a problem with the APA managed and controlled billing meter reading at site which led to under-reporting of consumption. This has led to a lengthy process of discussions with Origin on the amount of money owing to them. We have agreed on the volume correction, but have yet to agree on the price/GJ.

We had numerous discussions with Origin seeking more information e.g. how much is paid for transport vs commodity. This was not forthcoming from Origin. So, we thought that, given the Wide Bay Pipeline was an unregulated Part 23 pipeline, we could get information from the recently introduced information disclosure requirements. Discussions with the ACCC and the AER established that, as the pipeline capacity of 3TJ/day is less than the 10TJ/day cut-off point for information disclosure, AGN was granted a five year exemption by the AER from the information disclosure requirements. It lasts until 12 December 2022.

Our experience with Origin Energy

Here we comment on how statements made by Origin Energy in its Disclosure Statement compare with our experience in the six months to June 2019.

Message from the Chief Executive Officer

“We want customers to have confidence that they are paying a fair price for energy and receive a service they recognise as value for money.” (p.1)

Response:

We do not have that confidence. Origin is the only provider of gas on the Wide Bay Pipeline to our operations and its ownership of all of the pipeline capacity means we cannot get alternative offers to supply. Origin has not provided information on how long their ownership of the pipeline capacity lasts. We do not know if any new contract Origin might offer us will extend beyond the time when Origin is no longer the sole shipper on the line and we can obtain competitive quotes for supply.

About the Energy Charter

“The Energy Charter is a principles-based disclosure regime that can be applied to all businesses across the gas and electricity supply chains.” (p.2)

About Origin

“We have an important role to play in providing energy, including electricity, natural gas, solar and LPG, to more than 4 million customer accounts...” (p. 4)

Response

We note that the Energy Charter covers both electricity and gas and we understand that Origin has a lot of gas customers – though the specific number is not provided. A search of the Disclosure Statement shows that, apart from a brief mention on p.10 regarding consumer gas prices, the only references to gas are in respect of the upstream gas operations, its participation in LNG exports through APLNG and gas fired generation.

We remain concerned that the comparatively light discussion on gas issues is possibly indicative of the importance Origin places on its relationship with its domestic gas customers.

Principle 1: We will put customers at the centre of our business and the energy system

“Origin is committed to embedding a customer-centric approach and implementing a program to bring our purpose, values and behaviours to life.” (p. 8)

1.3 Ensure their work force is engaged and incentives are aligned to drive positive customer outcomes. (p.8)

1.4 Have robust processes to determine customer and community needs and be accountable on how feedback has been considered and incorporated into decision making. (p.8)

1.5 Demonstrate a culture of innovation and collaboration for positive customer outcomes, including through the sharing insights with government, research institutions and across the supply chain, as well as joint advocacy on regulatory, policy and operational issues. (p.9)

Response

We have struggled to engage with our gas provider to explore the opportunity to establish a new contract and a fair and reasonable price for the supply of gas. They have made few attempts of their own volition to engage with CQMS Razer to develop a new contract that fully sets out the pricing structure and obligations of each party. In our experience this has been a very slow process.

With our current gas supply arrangement, there remains considerable uncertainty in our mind on whether we are being treated fairly under a poorly documented contract that was intended to have a three year term from 2000.

We are unable to see sufficient evidence of Origin's incentive to drive positive customer outcomes. It is our opinion that we have not experienced a culture of innovation and collaboration for positive customer outcomes during our interactions concerning the supply of gas. In our experience dealing with Origin has been difficult.

Despite invitations, Origin customer relations personnel have appeared to be unwilling to visit our site. Yet we spend ~\$1m/yr on gas.

Principle 2: We will improve energy affordability for customers

2.2 Offer customers energy deals that best meet their needs, supported by effective tools and incentives for customers to manage their energy use and cost. (p.10)

Response

It is worth noting that all the discussion under this heading relates to electricity supply. There is no discussion on gas. Our interaction with Origin for the supply of gas does not align with this Principle. Our most recent offer from Origin has provided us with a view that it is a "take or leave it offer".

2.3 Work cooperatively across the supply chain and with other stakeholders to improve energy affordability over the short and long term. (p.11)

Response

Again, the discussion is all electricity focused. Origin appear to be unwilling to provide information on the break-up of the delivered gas price into the various parts of the supply chain. We adopted a process of putting all questions pertaining to gas supply, gas contracts and pricing to Origin in writing. Despite this we have detected a reluctance from Origin to put adequate responses that answer our questions back to us in writing.

Principle 4: We will improve the customer experience

4.1 Enable customers to get fair outcomes regardless of their ability or desire to participate in the energy market (p. 14)

4.2 Empower customers by:

- a. making sure all communication is clear, in plain terms, accessible and understandable;*
- b. providing insightful and useful information and accessible tools; and*
- c. streamlining access to, and portability of, customer energy data. (p.14)*

Response

Our experience is that we feel we have not been given a fair outcome. Historically we have not participated in the energy market in any direct way – we have assumed that our suppliers have our interests at heart as part of a good customer relationship enabling us to continue to run a sustainable value adding operation feeding into our broader business. One that would also allow us to continue to buy their gas.

Origin did not provide adequate information that we needed to help us understand our perhaps unique gas supply situation. We had to ask the AER and the ACCC.

The information exchange relating to the calculation of the amount owing due to the incorrect meter readings has been laborious. We still do not know how the price we are being charged has been calculated and this issue has been outstanding since March 2019.

4.4 Have effective and accessible dispute resolution processes, coordinated across the supply chain, to resolve customer issues and implement process improvements in response (p. 15)

Response

The meter reading dispute commenced in May 2018 and was not corrected until March 2019. Origin initially contacted us to enquire on the gas consumption variance in early FY19 but were unable to identify the fault which was eventually identified as an APA adjustment error on the billing meter. It took 11 months to resolve the metering error and the payment correction remains outstanding.

CQMS Razer has been willing to pay the correction amount since May 2019 but has found the process of gathering clear, easy to understand information from Origin difficult to obtain.

The 2000 Agreement had no formal dispute resolution process.

Appendix

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The Appendix outlines for each Principle, what it refers to as:

“Continuous improvement for the Principle – expected focus areas for July 2019-June 2020.”

These areas include, for example:

“Further embedding customer-centric approach in our employee behaviours and incentives at every stage.” (Principal 1)

Our experience of interactions since 1 July is not consistent with this principle.

Concluding remarks

This submission has reviewed Origin Energy’s Disclosure Statement for the Energy Charter and provides comments about how our experience has differed from that presented in the Statement.

I would be happy to have a further discussion with the Panel if they wished.

Chris Comyns

General Manager

CQMS Razer