



# High power costs floor SA businesses

Despite some of SA's largest companies already having formidable buying power, they are facing huge electricity price increases, writes CAMERON ENGLAND

**F**rank Seeley's businesses is famous around the globe for its energy-efficient air conditioning systems, so it's an uncomfortable irony that high electricity prices are making it more difficult to manufacture them here.

Mr Seeley founded Seeley Airconditioning in 1972 and now exports to more than 100 countries from the head office in Lonsdale.

Globally, the company employs about 550 people, with 500 in Australia – 325 in SA.

"We're a reasonable employer here, and we'd like to stay here. I love South Australia," Mr Seeley said.

"But we are having to make things overseas. I never wanted to. We stayed out of China successfully but we have bought a company in North America and we're doing some manufacturing there.

"Power is our nemesis as far as I can see and is going to be for some time to come."

At its Lonsdale HQ and factory the company does a lot of manufacturing, making things such as pumps, electric motors, filter material and doing its own injection moulding.

"We've come to that because we want to get the product right and get the best quality anywhere in the world, and we're doing that all here," Mr Seeley said.

"Of course all of that eats up power, and in the past two and a half years our power costs have gone up by a staggering 124 per cent. It's quite

ludicrous really and puts us in the situation, with the unreliability of power, of having to look at what alternatives we've got.

"We've got alternatives here but they're very expensive."

One of those options is a consortium led by the South Australian Chamber of Mines and Energy, which is seeking permission from the Australian Competition and Consumer Commission to collectively negotiate with power suppliers for long-term power contracts.

Other companies involved include OZ Minerals, Arrium, Hillgrove Resources, Rex Minerals, Thomas Foods, SMR Automotive and Central Irrigation Trust.

The companies account for about 10 per cent of the state's power demand but despite their already formidable buying power, the companies are facing electricity price increases of 30-80 per cent for new contracts.

The companies are banding together to bid for new contracts and hope that in doing so they can attract new power generation into the SA market, reducing power prices for everyone

A draft determination from the ACCC on that decision is expected in April.

Mr Seeley said it was about getting some "realistic pricing" out of the suppliers, but "truly, it's a huge problem for industry".

Mr Seeley said his company would in the past regularly renegotiate its power contracts but "due



to the capacity restrictions those prices have spiralled out of control in recent years". "Because we're working 24/6 we've got to do anything and everything we can to reduce the cost," he said.

Mr Seeley said the company had previously struck three-year contracts but recently one-year contracts were more common. "Mercifully we were only out of power for two or three hours (during the September 28 outage) but it's a lottery, isn't it?"

The company currently doesn't have backup generators but was looking at that option to avoid issues like losing power and having plastic solidify during the injection moulding process.

Along with SACOME, Business SA has been vocal about the power issue, and along with other groups called for an inquiry into the electricity in August last year.

The letter was signed by the chief executives and senior office holders of Business SA, Central Irrigation Trust, Council of the Ageing, Primary Producers SA, Property Council of Australia, SA Council of Social Service, SA Wine Industry Association and Uniting Communities.

In October, Business SA's executive director, industry and government engagement, Anthony Penney, said "most SMEs still face forward contract prices double that available in mid-2015 and forecast to remain on average two-thirds higher than Victoria's over the next three years."

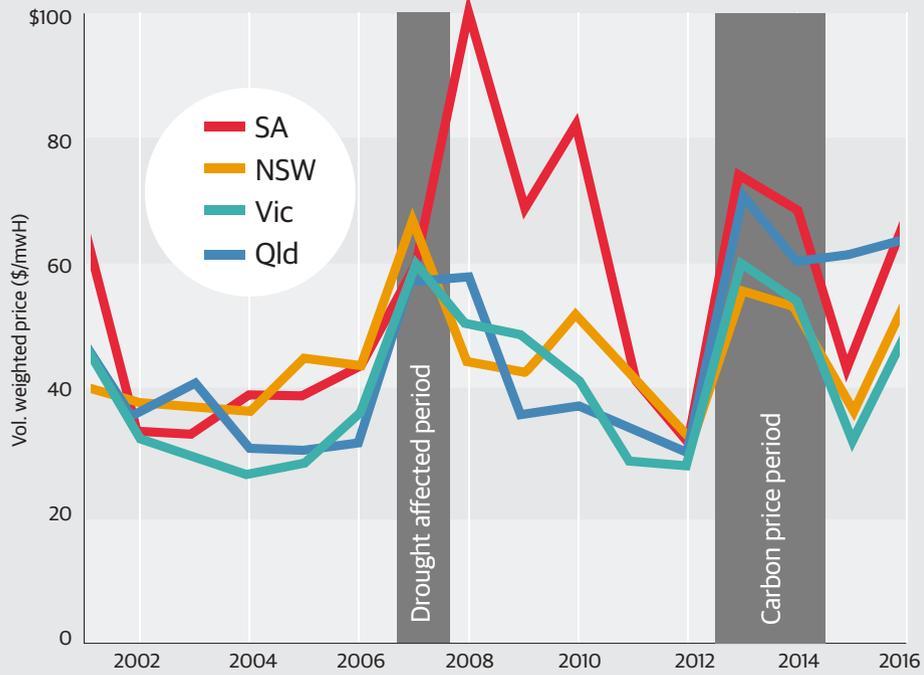
## HOW BUSINESSES BUY POWER

- Businesses which use less than 160MWH per year are considered small businesses and generally buy power like normal households.
- Business which use more than this usually use contracts
- Brokers can be used to help secure best price
- Businesses can choose to take the spot price but this exposes them to large price volatility
- SA businesses are at a disadvantage as there are generally only two large suppliers to negotiate with, AGL Energy and Origin Energy
- One South Australian business has apparently installed a display with a live feed of the power price on the wall so it can turn high power-use devices off when the spot power price jumps up



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## POWER PRICE VARIATION



South Australia has experienced very high and highly variable electricity prices in the past decade. This has been attributed to the state's reliance on gas-fired plants during a time of unprecedented gas price rises as well as a tightness of supply. High variation in hour-to-hour prices has also resulted from the increasing contribution of low-cost but intermittent renewable sources, and high-cost diesel and gas plants that only activate when there is a supply shortage.





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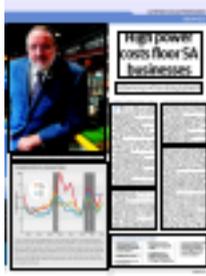
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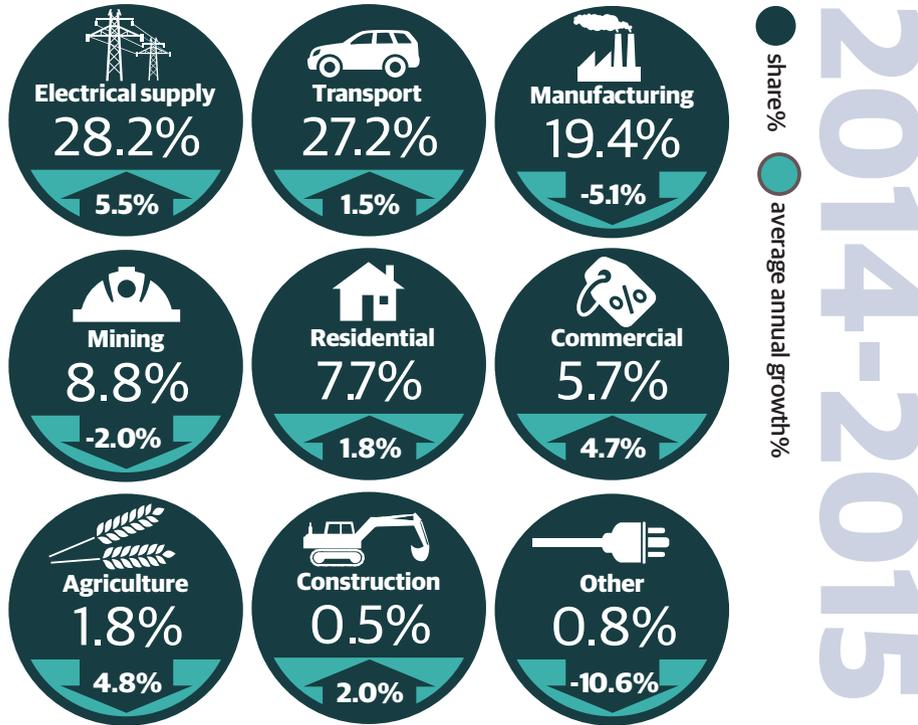


**Founder and executive chairman of Seeley International Frank Seeley at his Lonsdale factory.  
Picture Mark Brake**



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## AUSTRALIAN ENERGY CONSUMPTION



National energy consumption patterns are eternally changing. Business activity - be it mining, manufacturing or commercial - changes from year to year due to market forces. This can result in large shifts in demand on energy consumption. Maintaining a reserve capacity to meet these fluctuations is proving commercially challenging.