



Australian Government
Anti-Dumping Commission

INVESTIGATION NO. 219

**ALLEGED DUMPING OF POWER TRANSFORMERS
EXPORTED FROM THE PEOPLE'S REPUBLIC OF CHINA,
THE REPUBLIC OF INDONESIA, THE REPUBLIC OF
KOREA, TAIWAN, THAILAND AND THE SOCIALIST
REPUBLIC OF VIETNAM**

END-USER VISIT REPORT

ENERGEX LIMITED

**THIS REPORT AND THE VIEWS OR RECOMMENDATIONS CONTAINED THEREIN WILL BE
REVIEWED BY THE CASE MANAGEMENT TEAM AND MAY NOT REFLECT THE FINAL
POSITION OF THE ANTI-DUMPING COMMISSION**

September 2013

Meeting details

The meeting was held at Energex Limited's offices at 26 Reddacliff Street, Newstead, Queensland on 11 September 2013. The following people were present during the meeting:

Energex Limited (Energex)	Anti-Dumping Commission (ADC)
Sharyn Scriven, Group Manager Procurement and Supply	Chris Vincent, Manager Operations 1
Renier Malherbe, Procurement Supplier Management	Victor Xu, Senior ADC Officer Operations 1
John Taylor, Contracts Team Manager	

Introduction

We explained the anti-dumping investigation process to Energex, including a brief summary of the concepts of dumping, material injury causation and the implications should dumping duties be imposed.

We advised Energex of the following key dates in the dumping investigation process:

<i>Day 0 (29 Jul 2013)</i>	Investigation initiated.
<i>Day 60 (27 Sep 2013)</i>	The earliest date that a preliminary affirmative decision (PAD) may be made and that provisional measures (in the form of securities) may be imposed at any time after the PAD has been made. We advised that the ADC would not make such a determination until it was satisfied that there appeared to be sufficient grounds for the publication of a dumping duty notice.
<i>Day 110 (18 Nov 2013)</i>	A statement of essential facts (SEF) will be placed on the public record, setting out the material findings of fact on which the ADC proposes to base its recommendations to the Minister.
<i>Day 155 (31 Dec 2013)</i>	Report and recommendations to the Minister due (we advised that an extension was likely due to the size and complexity of the investigation).

We explained to Energex that findings of injury and dumping are typically based on financial data verified during visits to the Australian industry, importers and exporters. However, findings of causation are normally based on a broader range of factors and that the views of end-users may be very important.

We advised Energex that copies of documents provided to us would be treated as confidential unless we were advised otherwise. We also advised Energex that we would prepare a confidential report of our visit and provide it to the company to

review its factual accuracy, and to identify those parts of the report it considers to be confidential. A non-confidential version of the report would also be prepared in consultation with Energex and be placed on the public record.

Company background

Energex is a Queensland Government owned enterprise that owns and manages the energy distribution networks in South East Queensland. Ergon Energy distributes and retails electricity in regional Queensland. Electricity is supplied to Energex through a high voltage transmission network owned and operated by Powerlink Queensland, another government owned corporation. The electricity is supplied to bulk supply substations owned by Energex who then distributes the electricity through intermediate substations and distribution transformers to customers.

Energex considers that distribution transformers are small power transformers with a power rating of much less than 10 MVA. They are small transformers that represent the final link between the distribution network and the customer.

Energex stated that it expected a power transformer to have a useful life of 50 years and that 75% of its power transformers are less than 25 years old. It stated that some of its rural power transformers have a power rating of less than 8 MVA.

Electricity demand

Energex stated that demand for electricity in South East Queensland has been experiencing a downturn.

- Slowing down in the rate of population growth as the influx of new residents from the southern states slows (Energex stated that there were indications that this trend was reversing, but it would be some time before demand increases significantly).
- Increasing use of solar panels has changed the energy and peak demand patterns on the network. Energex stated that solar panels were creating challenges for the industry and not all of these have been resolved as yet. For example, the system was never designed to be a two way feed network.
- Energex stated that peak demand has been down in recent years and a hot summer would be required to be sure what will happen with peak demand, although it does have a peak demand management plan which identifies how to reduce consumption on peak demand days and at peak periods.
- The Independent Review Panel report has identified that some reliability standards could be modified and this would result in lower network expenditure.

Energex referred us to the website for the Queensland Department of Energy and Water Supply and to some government commissioned reports.

- The Interdepartmental Committee on Electricity Sector Reform Report.
- Commission of Audit Report.
- The Independent Review Panel on Network Costs Report.

Purchases

Energex stated the Wilson Transformers has been supplying its power transformer requirements since 1997 when it first won a five year period contract. This contract was extended for a further five years. Energex advised that its last open tender was in 2007. Wilson Transformers again won the contract, although there was some international interest from companies such as ABB, CG Power and Fortune. This contract was further extended in 2012 without going to the market. [REDACTED]

[REDACTED]. It stated that there is much greater international interest in these contracts today, with Korean manufacturers being very active, but with manufacturers in countries such as Brazil also showing interest.

Energex it is required to evaluate tenders on the basis of total product cost rather than tender price alone. The total product cost will involve considering a number of factors, including, but not limited to:

- past delivery performance;
- price escalation;
- cost of quality performance assessment;
- extended warranty;
- introductory cost of new technology;
- capital cost of maintenance;
- cost of spares and accessories;
- costs associated with stockholdings;
- any other contract management costs;
- capitalised costs of losses;
- value added services;
- total cost of ownership;
- service;
- flexibility;
- innovation;
- ability to work with Energex on new initiatives;
- period to prepare drawings;
- financial due diligence;
- customer care / satisfaction;
- safety, licences and environmental management;
- installation track record; and
- feedback from internal and external referees.

Energex stated that the Queensland Government also has a Local Industry Policy. This policy defines local industries as Australian or New Zealand small and medium enterprises and states that local content includes all value-added activities undertaken by local industry. This policy requires that eligible projects put out to tender must have local content as one of their general evaluation criteria.

Future requirements

Energex stated that it keeps a stock of strategic spares, and it does have some transformers available for future projects. Energex stated that some transformers were ordered when forecast demand was higher and lead times for power transformers from Wilson Transformers were 12 months or longer. Energex stated that it has paid for these transformers and only pays additional storage costs.

Energex stated that recent peak demand reductions have meant that effectively seven years of peak demand growth has not occurred.

Other Comments

Energex considers Wilson Transformer produces good quality power transformers, is reliable, offers good service and is quick in response to resolve problems. It stated that Wilson Transformers offers five years warranty for its transformers, but it has only had one major warranty issue which was satisfactorily resolved.

We asked Energex if it had any views on the timing of the Wilson Transformers expansion. Energex considers that this expansion occurred at a time when energy companies were purchasing for projected further growth in demand and there were long lead times at Wilson Transformers' plant.