



QUEENSLAND FARMERS' FEDERATION

Primary Producers House, Level 3, 183 North Quay, Brisbane QLD 4000
PO Box 12009 George Street, Brisbane QLD 4003
qfarmers@qff.org.au | (07) 3837 4720
ABN 44 055 764 488

Submission

9 December 2016

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Via email: www.qca.org.au/submissions

Dear Sir/Madam

Re: Interim Consultation Paper - Regulated retail electricity prices for 2017-18

The Queensland Farmers' Federation (QFF) is the united voice of intensive agriculture in Queensland. It is a federation that represents the interests of 15 of Queensland's peak rural industry organisations, which in turn collectively represent more than 13,000 primary producers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland primary producers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland
- Queensland Chicken Growers Association
- Queensland Dairyfarmers' Organisation
- Burdekin River Irrigation Area Committee
- Central Downs Irrigators Limited
- Bundaberg Regional Irrigators Group
- Flower Association of Queensland Inc.
- Pioneer Valley Water Board
- Pork Queensland Inc.
- Queensland Chicken Meat Council
- Queensland United Egg Producers
- Australian Organic.

Thank you for the opportunity to make a submission on the Queensland Competition Authority's (QCA) Interim Consultation Paper.

The united voice of intensive agriculture



QFF reiterates that our submissions continue to express deep concern about the implementation of current and future electricity prices. We consider that the process for electricity price reform is flawed and needs a complete review.

QFF continues to question the QCA process for annual tariff setting. We believe that ongoing annual determinations will continue to undermine any confidence within the farming and business sector that the current process for electricity tariff regulation can drive down costs and promote competition for the electricity sector. The increasing cost of electricity is affecting a significant proportion of farmers and particularly those on obsolete and transitional tariffs.

QFF has previously submitted that the regulated tariff assessments being conducted by the QCA are not cost reflective and do not encourage the implementation of more efficient energy use. Experts such as Hugh Grant continue to highlight the extraordinary profits generated by our networks with little response from governments or regulators.

QFF does not agree with the QCA position that the transitional period for current agricultural tariffs should not be extended beyond 2020. QCA has also proposed to continue to use an escalation factor to transitional and obsolete charges based on the percentage increase in the charges in the standard business tariffs that customers would otherwise pay. This escalation factor is applied to limit the charges for the transitional or obsolete tariffs falling further below cost in real terms.

As indicated in previous submissions, QFF considers that these transitional arrangements will not allow customers sufficient time to restructure their business operations and transition to standard business tariffs. While QFF welcomes initiatives announced by the state government in response to the Queensland Productivity Inquiry into Electricity Prices, we are very concerned that these initiatives will not address transitional issues for large sections of the irrigation industry, including electricity costs for the major irrigation schemes.

QFF has little further to submit in regard to this determination where there seems to be little prospect of a change of direction in regard to the assessment of annual tariffs. The QCA approach has authorised increases in electricity prices over the past seven years of more than 90 per cent, and it is fully expected that this trend will continue.

As indicated previously, farmers need to carefully consider the likelihood of further annual increases of at least 10 per cent in transitional tariffs to 2020 and beyond. To make a transition under this scenario it would be expected that farmers will investigate their options to reduce their dependency on supply from the grid. QFF questions whether this is the best outcome for a transitional electricity tariff program for the rural sector in Queensland. Consideration must also be given to the short and medium term productivity impacts for the agriculture sector, as investment is diverted from production to replacing electricity supply from the grid.

Yours sincerely

Travis Tobin
Chief Executive Officer