



QUEENSLAND FARMERS' FEDERATION

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Submission

3 November 2017

COAG Energy Council Secretariat
GPO Box 9839
CANBERRA ACT 2601

Email: energycouncil@environment.gov.au

Dear Sir/Madam

Re: Consumer Participation in Revenue Determinations and Associated Regulatory Processes: Consultation Paper on Consumer Resourcing (5 October 2017)

The Queensland Farmers' Federation (QFF) is the united voice of intensive agriculture in Queensland. It is a federation that represents the interests of peak state and national agriculture 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 farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Bundaberg Regional Irrigators Group (BRIG)
- Flower Association
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Pork Queensland Inc.
- Queensland Chicken Meat Council (QCMC)
- Queensland United Egg Producers (QUEP).

QFF welcomes the opportunity to provide comment on the COAG Energy Council consultation paper on consumer participation in revenue determinations and associated regulatory processes, in particular the ability of consumers to resource these interactions.

The united voice of intensive agriculture



QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers. QFF is also an active member of the Agricultural Industries Energy Taskforce which is also providing comment on this consultation paper.

Background

QFF is a not-for-profit organisation. Most of the resources within QFF are designated to particular projects, leaving a single policy officer/FTE to address policy matters which arise 'outside' the scope of the designated projects.

In April 2015, the Queensland Government tasked the Queensland Productivity Commission (QPC) with undertaking a public inquiry into electricity pricing in Queensland. One of the findings from the inquiry was that the "Queensland Government should develop a better understanding of the impact of electricity costs on vulnerable consumers to improve future support initiatives and policy development. This should be done jointly with consumer advocates, electricity retailers and electricity distributors".

There are a number of Queensland-based organisations (including, but not limited to Queensland Council of Social Services [QCOSS] and Chamber of Commerce and Industry Queensland [CCIQ]) which receive substantial funding from the Queensland Government to facilitate policy and advocacy work for their members with regards to electricity and electricity pricing. QCOSS's funding (a further \$1.62 million over four-years [2016-2020]), extends to "helping them to deliver information about energy pricing, guide people to hardship assistance, and give them the tools they need to shop around and negotiate with retailers for the best energy deals available". A key deliverable under this agreement is a "report which help to identify and target policies for vulnerable consumers".

QFF does not receive any government funding or assistance from any external stakeholders to participate in consumer panels or respond to the AER's revenue determination processes.

Over the past two-years, QFF has participated in stakeholder meetings and provided written submissions to the AER's revenue determination processes. This has included attending 'community meetings' and providing written submissions to the:

- Ergon Energy Determination 2015-2020
- Energex Determination 2015-2020
- Powerlink Determination 2017-2022.

In addition to the AER's revenue determination processes there have also been a growing frequency of both state and federal inquiries around electricity generation, supply and overall affordability/pricing. A list of QFF's responses and hyper-links to the QFF webpage are included in Appendix 1. The resources required to adequately participate in, and respond to these consultation processes is extensive, and continues to increase.

Electricity reliability, security, safety and affordability is the primary concern across the QFF membership presently, and, as such, is QFF's policy priority. That said, QFF represents the generic concerns across all of Queensland's intensive agricultural industries which includes, but is not limited to: water, biosecurity, planning, land valuation, court reform, natural resource and vegetation management, productivity factors, jobs and skills, managing risk and climate variability, trade, transport, waste management and recycling, and the Queensland biofutures agenda.

Current Activities

QFF actively participates in a range of permanent committees, forums, panels and boards across all of the identified member's interest areas.

QFF is currently an active member on the following consumer (electricity/power) panels:

- Powerlink Customer and Consumer Panel (Queensland's, single Government Owned Corporation [GOC] transmission network service provider [TNSP]).
- Ergon Energy Customer Council – revised in October 2017 to the new Energy Queensland Customer Council. (In June 2016, the Queensland Parliament passed legislation to merge Energex and Ergon [electricity distributors] into a single \$24 billion company called Energy Queensland).

QFF also notes it has previously participated in the recently disbanded (during 2017):

- Ergon Agricultural Forum
- Energex Large Customer Group.

Typically, these groups meet quarterly, and all panel/council meetings are consistently three-hours in length, typically located at the respective Brisbane/Townsville offices.

QFF also attends associated events with relevance to the membership for example, during 2017, QFF attended the following Powerlink forums:

- Transmission Network Forum, August 2017
- Demand & Energy Forecasting Forum, 19 April.

Powerlink has operated these forums and selected scheduled Customer and Consumer Panel (CCP) meetings to ensure a greater range of consumers and consumers advocates can participate in some of the critical activities which feed into the revenue determination process; and to increase education around the processes associated with those determinations.

QFF highlights the importance of ongoing stakeholder engagement by all network businesses, not just during the revenue determination or associated regulatory process.

There are also numerous AER consultations and other QPC and Queensland Competition Authority meetings over any year.

Overall, QFF expends considerable effort and resources to participate directly with the relevant government departments, the electricity generators, distributors, and the transmission network to ensure beneficial outcomes for its members. QFF also participates with the national bodies where ever relevant.

In a growing number of cases, these consultation events and meetings are occurring outside Brisbane, particularly in Sydney and Canberra. The costs associated with attending these events is borne by QFF. These costs are increased during the period of 'daylight savings' where Queensland-delegates often must seek a previous night's accommodation to attend morning meetings.

While an increasing number of meeting organisers are making technologies available to facilitate constructive participation remotely, this relies on the participant organisation having the technologies to participate. QFF, like other not-for-profit advocacy groups, does not have this technology.

QFF does recognise the AER's contribution in this area, permitting local Brisbane/Queensland delegates to utilise the meeting conference facilities in their local office to participate in the AER national forums

and roundtables. However, remote participation is not as rich, and does not provide the same narrative and network opportunities which arise from face-to-face interactions, particularly on complex matters.

Review

QFF is concerned about the increasing complexity of these regulatory processes, the limited discretion afforded to the regulator, coupled with the lack of engagement from some distribution businesses with consumers in the development of their revenue determination and other regulatory proposals. As such, QFF strongly supports benefits of improved consumer engagement, not only for revenue determinations, but to ensure engagement is embedded into culture of all network businesses. This engagement must include a component of education and ensuring minimum levels of understanding across all major stakeholder groups. The network industries have the resources to deliver this function.

The [Customer Engagement Handbook](#) was developed in July 2016 by CSIRO and the Energy Networks Association as part of the Electricity Network Transformation Roadmap. The handbook identifies several engagement techniques to enable network businesses to make choices that reflect good consumer engagement, including but not limited to:

- Provide the opportunity for continuous learning and evolution of engagement activities;
- Strengthen relationships between energy networks, customers and consumer groups; and
- Support the use of performance measurement and indicator tools in engagement activities.

The last bullet point is particularly pertinent with the Handbook identifying meaningful performance measures, aiming to promote consistency in metrics used across network businesses and activities, and is designed to assist in tracking their engagement performance over time. The level of stakeholder engagement across Queensland's single transmission network and two distributors varies considerably.

QFF notes, Energy Queensland's (EQ) recent amalgamation of the former Energex and Ergon Customer Councils into a single entity to ensure consistency and streamline resource expenditure, particularly from the consumer groups. QFF has raised concerns with EQ regarding the ability to address all the stakeholder concerns and queries in a single, highly diverse customer council. Particularly where there are heavily government subsidised advocacy groups with extensive resources participating in the same forum as advocacy groups with no resourcing. The first meeting of this new EQ Customer council is 14 November 2017.

The electricity transmission network providers and distribution networks have substantial internal expertise. Many also seek input and analysis from external consultants to 'strengthen their case' and respond to queries and challenges.

Such costs are allowable operational expenditure, resulting in consumers also paying for the provision of expert advice (internal and external) and also, in the recent cases seen in NSW, any legal challenge to the AER's final revenue decision. Fortunately, Queensland's electricity distributors in October 2015 were directed by the Queensland Government not to appeal against a revenue ruling by the AER.

The AER's final determination recommended Energex could charge customers \$6.6 billion and that Ergon Energy could collect \$6.3 billion through to 2020. While these determinations reflected a 21.7 per cent less than Energex's initial regulatory proposal and 23.6 per cent less than Ergon's request, QFF still strongly believes that the final approved determination were still high. Without the necessary expertise, we were unable to challenge the figures provided in the revenue submission by the networks and resulting draft AER decision.

Access to information also provides a further substantial barrier to real participation as a consumer advocate, and also in relation to trust and transparency in the revenue determination process. As an

example, QFF notes that the AER's 'estimated impact on customer bills' that are published with the draft and final determinations.

The intensive agricultural sector has many unique characteristics as to how and when we use electricity. For example, climatic conditions necessitate when and how we water crops, whilst water licence conditions may dictate pumping characteristics in particular the times we can pump water. Where consultative processes and resources permitted, actual electricity bill impacts would be more valuable to consumers than the average estimates which are irrelevant and unhelpful.

QFF has repeatedly highlighted the issues regarding information access and data to the AER without response. For example, in the response to the 'Issues paper - Tariff Structure Statement Proposals (26 April 2016 – see link in Appendix 1), QFF noted that:

“As outlined (in person) at the briefing session in Brisbane on 13th April, QFF has a limited capacity to provide comment on the Tariff Structure Proposals provided by the AER as the impact of the introduction of demand based structures are likely to vary significantly across agriculture sectors and farming businesses with varied farm management systems. In addition, there is a lack of data across farming systems regarding patterns of use on seasonal and daily basis to analyse the different demand options”.

QFF notes the announced (August 2017) joint initiative between ENA, the AER and Energy Consumers Australia (ECA) to develop an alternative approach to engagement and develop a new path for the AER to approve revenue determination. QFF understands that details are currently being finalised and is currently seeking further advice about this announcement. It is essential that outcomes from this consultation paper do not duplicate efforts from that initiative.

Desired Outcomes

Funding is a critical component of providing consumer advocacy bodies with the resources to adequately participate and respond to the revenue determination processes. This resource may be for the provision of permanent skilled personnel or simply on a 'as needed' approach to seek consultant input, particularly given the frequency of the revenue determination (every five years). That said, there is real added-value to facilitate permanent resources into advocacy bodies who can provide ongoing and consistent advice on the range of revenue determinations and other associated regulatory processes as they arise. This also then builds the knowledge-base across the advocacy sector and the electricity regulatory processes (at both state and national level).

Funding is particularly critical for not-for-profit representatives where external training and education opportunities are often unavailable and where staff retention may be low.

QFF supports a mechanism for the AER to increase funding to the Consumer Challenge Panel to allow members to travel so they can participate in engagement activities and understand directly how network businesses are approaching engagement and provide them with the opportunity to directly consult with advocacy groups such as QFF.

QFF would also support a needs-based funding application process to facilitate attendance of all stakeholders at the relevant AER consumer meetings.

For QFF members, electricity affordability and the increasing price rises is the 'priority energy issue'. Energy and water are inextricably connected in agricultural systems. Electricity prices in Australia are higher than overseas jurisdictions, disadvantaging commodity exports on the global market and leaving agricultural producers heavily trade-exposed. As Queensland's electricity costs rise, the viability of



irrigated agriculture businesses is being eroded. It is therefore imperative that the engagement processes for revenue determination is focused on aspects that influence price.

If you have any queries regarding this submission please do not hesitate to contact Dr Georgina Davis at georgina@qff.org.au.

Yours sincerely

Travis Tobin
Chief Executive Officer

Appendix 1

1. Joint submission to the Australian Energy Market Commission – [Consultation Paper: National Electricity Amendment \(Alternatives to grid-supplied network services\) Rule 2017](#) – July 2017.
2. *Agricultural Industries Energy Taskforce* submission to ACCC – [Electricity Supply and Prices Inquiry](#) – July 2017.
3. *Agriculture Industries Electricity Taskforce* submission – [House of Representative’s inquiry into modernising Australia’s electricity grid](#) – May 2017.
4. Submission to the Department of Environment and Energy – [Response to the Independent Review into the Future Security of the National Electricity Market: Preliminary Report](#) – March 2017.
5. Agriculture Electricity Taskforce submission to Independent Review into the Future Security of the National Electricity Markets – [Finkel Review](#) – February 2017.
6. Submission to the Australian Energy Regulator – [Demand Management Incentive Scheme and Innovation Allowance Mechanism, Consultation Paper \(January 2017\)](#) – February 2017.
7. Submission to the Department of Infrastructure Local Government and Planning – [Review of the Planning Regulation, State Planning Policy and State Development Assessment Provisions – Solar PV](#) – January 2017.
8. Submission to Powerlink Queensland – [Revised Revenue Proposal for the 2017/18 – 2021/22 Regulatory Period \(as resubmitted by Powerlink on 1 December 2016\)](#) – December 2016.
9. Submission to the Queensland Competition Authority – [Interim Consultation Paper – Regulated retail electricity prices for 2017-18](#) – December 2016.
10. Submission to the Queensland Renewable Energy Expert Panel – [Draft Report: Credible Pathways to a 50% Renewable Energy Target for Queensland \(October 2016\)](#) – November 2016.
11. Submission to the Australian Energy Regulator – [Draft Decision on Powerlink’s Revenue Proposal for the 2017/18 – 2021/22 Regulatory Period](#) – November 2016.
12. Submission to the Australian Energy Regulator – [Panels Issue Paper, dated May 2016](#) – June 2016.
13. Submission to the Queensland Competition Authority – [Draft Determination – Regulated retail electricity prices for 2016-17](#) – April 2016.
14. Submission to the Queensland Productivity Commission – [Solar Feed-In Pricing in Queensland Draft Report, dated March 2016](#) – April 2016.
15. Submission to the Australian Energy Regulator – [Electricity Pricing Inquiry Draft Report](#) – April 2016.
16. Submission to the Queensland Productivity Commission – [Electricity Pricing Inquiry Draft Report](#), dated 3 February 2016 – March 2016.
17. Submission to Energex Ltd – [Residential and Business Customer Consultation Paper – Tariff Reform and Large Customer Tariff Reform](#) – October 2015.
18. Submission to the Australian Energy Regulator – [Preliminary Determination for the Ergon Energy and Energex Regulatory Proposals for 2015-2020](#) – July 2015.
19. Submission to the Queensland Competition Authority – [Further consultation paper – Regulated retail electricity prices for 2015-16](#) – May 2015.
20. Submission to Ergon Energy Ltd on the Consultation Papers – [The Case for Demand Based Tariffs and Aligning Network Charges to the Cost of Peak Demand \(Long Run Marginal Cost\)](#) – March 2015.
21. Submission to Ergon Ltd on the Consultation Paper – [Future Network Tariffs for Pricing Proposal 2015-16 and Tariff Reform Pathway 2015-20](#) – February 2015.