QUEENSLAND FARMERS' FEDERATION
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Submission

26 March 2018

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

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

Dear Sir/Madam

Re: Review of Guaranteed Service Levels to Apply in Queensland from 1 July 2020

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 Queensland Competition Authority (QCA) document on the 'Review of Guaranteed Service Levels to Apply in Queensland from 1 July 2020'. QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers.

QFF understands that the Electricity Distribution Network Code requires the QCA to review Guaranteed Service Levels (GSLs) and GSL payments to apply to Energex and Ergon Energy at the beginning of the five-year regulatory control period beginning on 1 July 2020.

GSL payments currently provide limited financial recognition to customers who have received poor reliability or service from their distributor. It is understood that the GSL's are not to provide economic incentive for networks to improve reliability or customer service performance.

The Electricity Distribution Network Code (the Code) requires distributors to meet targets for their quality of service to customers. These targets relate to the frequency and duration of customer outages as well as things like the timeliness of connections, reconnections and notices of planned interruptions. Individual small customers may be eligible for GSL payments when distributors fail to meet these targets.

The GSL only applies to small customers (i.e. National Metering Identifiers under 100MW); however, the 'small customer' categorisation varies between states. For example, in NSW a small customer is classed under 160MW, 60 per cent higher than in Queensland. As such the Queensland GSL scheme applies to a smaller number of customers.

Background

Queensland is experiencing increasing climate variability and currently around 70 per cent of the state is drought declared. Having reliable access to power (including grid supplied electricity) for irrigation, processing, animal welfare etc. is essential to minimise food and crop losses, ensure animal welfare and minimise productivity losses.

Queensland is the most natural-disaster-prone state in Australia. With an increasingly variable climate, impacts to agriculture will manifest, particularly in the frequency and intensity of extreme weather events. These weather events are also increasing the number of unplanned electricity interruptions as well as increasing the need for planned services and interruptions.

Surveying of rural agricultural businesses by the Climate Council (2016) have shown that many businesses have drawn down on their financial reserves and, in many cases, have taken on increased debt in response to extreme weather events. As Queensland's climate becomes more variable and there are more extreme weather events, adaptation (and the cost associated with this) to those agricultural enterprises will become increasingly challenging. The ability for many agricultural businesses to put aside/allocate funds for practical on-farm resilience measures, such as technology or infrastructure (including emergency on-site power-generation), is being diminished by unsustainable input costs; most notably the price of grid-supplied electricity.

Discussion

QFF acknowledges that the aim of the GSL is to provide financial recognition of poor service experienced by customers, and not to be a mechanism for providing full compensation for impacted customers. That said, the financial and associated costs of interrupted or poor-quality power supply can be significant to a business and increasingly are not covered by insurance and associated schemes.

QFF notes that GSL payments are included in 'operating expenditure' and, as such, GSL payments are included by Energex and Ergon into their submissions for the 2020-2025 regulatory proposal to the AER. QFF does not support significant increases in GSL payments that result in notable impacts on the cost of electricity to Queenslanders, given that these prices as already at unsustainable levels. However, existing GSL payments are too low. QFF suggests an increase to these prices of a minimum of CPI for the past five-year period. We also support the addition of GSL payment arrangements for 'time to respond to notification of a problem' and 'telephone answering', which QFF members have raised as an issue, particularly in the Ergon network area.

For example, during recent storms in Queensland on 14 February, a total of 445 customers on the Nanango North Feeder were impacted by an unplanned outage due to the loss of multiple spans of conductor on the feeder and damage to other components. Two dairies with small-business connections were directly impacted.

QFF member, Queensland Dairyfarmers' Organisation (QDO) tried unsuccessfully to request information about the power outage with calls simply being diverted to an automated voice service (requesting callers called back after 6pm that night). Ergon direct their customers to use their 'outage finder service' on-line to access information, which incongruously only works if you have power/charge to a suitable electronic device and an internet signal; and are confident about your ability to recharge should the outage be sustained.

When information about the outages was obtained (via unconventional QFF channels as the online outage finder did not provide the relevant information), the timelines provided by Ergon to manage the repairs and restore power was highly erroneous. The 'optimistic' reconnection times provided resulted in the two dairy businesses choosing not to source external power supply (via mobile diesel generators), which later resulted in animal welfare issues and significant financial penalties to the farmers from the milk processors due to the high cell counts.

While QFF notes that such power outages are difficult to estimate, and power can only be restored when safe to do so, but the inability of the farmers to access real-time updates to inform operational decisions is an issue. Intensive animal industries are vulnerable to any loss of power (planned and unplanned). QFF would welcome the opportunity to work with Ergon and Energex to develop improved communication and planning options for the intensive agriculture sector.

For example, in South Australia, dairies are categorised as 'priority customers', ensuring precedence in power delivery/reconnection and fault rectification where applicable. Priority customers register their contact details and critical aspects of their business with the network providers. The business, or their industry body, has a designated contact point and there is assistance to develop a reparation plan which could include identification of mobile plant. Such an approach would be particularly suited in Queensland with the newly created government-owned energy services business, Yurika.

Finally, the QCA paper notes that customers receive GSL payments as an 'automatic credit' to their electricity account. However, there appears to be no verification of these payments being made either by the network or the QCA. From consultation with QFF small electricity customers, there is a lack of awareness of GSL payments. Awareness could be easily raised and made more transparent to customers through the existing media channels provided by Energex and Ergon.

If you have any queries regarding this submission, please contact Dr Georgina Davis at georgina@qff.org.au

Yours sincerely

Travis Tobin
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