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Submission

9 April 2018

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

By email: http://www.qca.org.au/Submissions

Dear Sir/Madam

Re: Draft Determination: Regulated Retail Electricity Prices for 2018-19

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)
- Australian Cane Farmers Association (ACFA)
- Flower Association
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Queensland Chicken Meat Council (QCMC).

QFF welcomes the opportunity to provide comment on the Queensland Competition Authority's (QCA's) 'Draft Determination: Regulated Retail Electricity Prices for 2018-19' (Draft Determination). QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers.

Obsolete and Transitional Tariffs

QFF notes the QCA's obligations to consider maintaining the transitional arrangements for tariffs classed as transitional or obsolete (page 5).

QFF reiterates the requirements to extend the transitional timeframes associated with the irrigation tariffs (T62, T65 and T66). Despite these tariffs being classed as non-cost reflective, irrigation electricity tariffs in Queensland have risen a minimum of 136 per cent over the past decade, and for some more than 200 per cent, while CPI has increased by just 24 per cent over the same period. Post 2020, these specific 'non-cost reflective' (transitional) irrigation and small business tariffs will be withdrawn in Queensland. Farming businesses already struggling to cope with unsustainable electricity price increases will be unable to continue operation when this occurs.

At the end of 2016, there were about 42,000 regional businesses currently on eight different tariffs classified as transitional or obsolete. About 17,400 of these connections are for farming and irrigation purposes[1] [2]. As far as QFF understands, there have been no notable changes to these figures.

The impacts of rising electricity prices are clearly eroding the profitability/viability of Queensland's irrigation sector. A growing number of primary producers are switching to dryland farming practices as the price of electricity has already become unsustainable for many businesses. Electricity costs are resulting in a steady decline in the number of irrigation businesses as well as reduced productivity across the sector.

In response to price increases, farming businesses, including irrigators, have been installing energy efficiency measures and renewable energy and, in many cases, simply reducing demand. Much of these gains however, have been diminished by the increasing electricity costs; whilst simply reducing demand has also come at a cost either through reduced productivity or farmers simply choosing not to plant a crop.

Despite a detailed response to the Queensland Productivity Commission (QPC) in March 2016 (see https://www.qff.org.au/wp-content/uploads/2017/04/QPC-electricity-pricing-inquiry-draft-report-11032016-FINAL.pdf) outlining the urgent need for a detailed and supportive 'transitional program' for the agricultural customers on transitional and obsolete tariffs; two-years on, there has been no action taken.

The ability for these up to 17,400 customers to now adjust in a two-year period when many still have no usage data (via smart meters) to make tariff selection choice, is unreasonable. There is also a lack of clarity on what tariffs would be suitable for irrigation and other agricultural-specific operations. As such, QFF reiterates its calls to extend the transitional period to at least 2022 for agricultural tariffs, including but not limited to T62, 65 and 66.

Prices

QFF notes that the QCA did not pass on network electricity price savings to farmers and other businesses on transitional and obsolete tariffs in its draft report. It is disappointing that despite QCA acknowledging that Ergon's network charges and generation costs are declining, this may not be passed onto farmers on irrigation tariffs and other agricultural businesses. Particularly considering the unsustainable price increases that have been experienced over the past 10 years.

The Draft Determination does nothing to help farmers producing food, fibre and foliage mitigate the spiralling costs of operating essential farm infrastructure. A real and meaningful reduction in electricity

[1] Queensland Productivity Commission. (2016). Electricity Pricing Inquiry 2016. Chapter 10: Rural and Regional Industries – Transitional and Obsolete Tariffs.
[2] Queensland Government (2016), Queensland Government response to the Queensland Productivity Commission Electricity Pricing Inquiry, November 2016.

prices now may assist some farmers to install energy saving and renewable energy technologies which would provide long-term benefits, not just to the farm but also the network by potentially reducing peak demand.

The QCA claims that specific tariffs for some small businesses and irrigators are not cost-reflective and therefore ineligible to receive the small price relief is not supported by QFF.

Again, QFF calls on the QCA to demonstrate how these tariffs are not cost-reflective[3], particularly considering the price decreases proposed for other industry sectors.

Even for some small agricultural businesses who will potentially see a small decrease from the draft determination, this is not enough. Small business electricity bills have increased by 15.3% in the last two years. A potential reduction of only 4.3% still means small business have been hit with more than a 10% rise over two years. The rate of these increases is simply unsustainable for any business long-term.

QFF notes that the QCA's revised final retail price determination (June 2017) reflected the impact of the government's decision to remove charges for the Solar Bonus Scheme from network prices, over the three years through to 2019-20. The Queensland Government's subsequent decision to direct Stanwell Corporation to undertake strategies to place downward pressure on wholesale electricity prices means the generation (G) component of the regulated retail price QCA determined for 2017-18 is higher than Ergon's actual power purchasing cost. This is delivering Ergon a windfall revenue gain in 2017-18.

Despite these reductions, Ergon's revenue gains and further evidence of unsustainable electricity prices[4] [5] through to overinflated Regulated Asset Bases[6], real savings are not being passed through to Queensland's energy consumers.

Metering

It is essential that business can measure and manage their electricity use, particularly in the advent of time-of-use and seasonal-time-of-use tariffs. QFF has been calling for appropriate metering and billing for agricultural users for some time, so that users can make business decisions and provide business cases for future tariff selection to increase future productivity.

Despite 'Power of Choice' commencing 1 December 2017, many electricity meters are old and therefore unable to provide data on the time of use or demand patterns. The roll-out of 'smart-meters' is further hindered by black-spots in Queensland's network coverage and a number of meter types which are unable to be converted.

The access to electricity data for agricultural users has never been more critical, with many agricultural users being required to make critical tariff decisions in 2020 (without data). QFF also acknowledges that the data is more useful to the consumer when it is combined by a service provider into useful services, such as price comparison tools or a predictor of the pay-back from DER investment. These services need to be strengthened in Queensland's retailers.

There is also a real need for consumers to have the right of access to data and to authorise third parties to access the data in 'real time', particularly where it influences the use of equipment or process/ management decisions.

[3] There is now a substantial amount of evidence from independent reports about excessive network costs and extraordinary profits, which casts doubt over the credibility of Queensland's current move towards 'cost-reflective' tariffs. The cost on which the 'cost reflective' tariffs are based is significantly higher than an efficient delivery cost.
[4] ACCC. Retail Electricity Pricing Inquiry: Preliminary Report (October 2017).
[5] Energy Security Board. Health of the National Electricity Market Report (December 2017).
[6] Grattan Institute. Down to the Wire: A Sustainable Electricity Network for Australia (March 2018).

QFF has been working with Ergon to undertake a small 'Agricultural Tariff Trial' of 191 agricultural metering points. These sites have received new smart meters where possible, and customers with access to Ergon's 'EnergyCheck' have been invited to start viewing their data (excluding the CT meter sites). Where it has been able, Ergon has developed a monthly consumption statement – this takes the raw data and puts it into a report. However, this has been going to all customers monthly via email only and there is still no easy method for customers to see their own real-time data.

Data and analysis from this trial (191 smart meters plus nine tariff participants) is only now being collected and will not provide sufficient insight across seasonal and climatic patterns to provide the required insight or business confidence by 2020. Agricultural businesses need more time to transition from the transitional and obsolete tariffs and Ergon Retail require more time to analyse the available data and design suitable future tariffs, noting that Ergon's Tariff Strategy Statement has now been released and will close before any meaningful, multi-season data is collected from this trial.

This agricultural trial, despite its limited size and non-representative profile across the sector, has identified a number of critical metering issues. These have included over 5 per cent of the sites having inadequate data coverage – no coverage at all, insufficient coverage to operate a smart meter etc. These 'Failed Meter Installs' are mostly related to there being insufficient phone coverage for the modem to reliably connect (which requires adequate Telstra coverage).

Other sites have been logged by Ergon as 'Meter Change Request issued' status for a range of reasons – some have digital meters installed but more powerful antennae must be installed to confirm communications can be suitable. QFF is concerned that this will increase the costs associated with the move to digital meters for regional businesses who are already impacted from poor Telstra coverage.

The trial also identified approximately 25 per cent of the trial NMIs were CT meters (noting that 100 amps per phase is the nominal cut-off to go to CT metered, which is common place across a range of agricultural equipment, particularly irrigation pumps when the pump size is 65HP / 50kW or above). For the purposes of the trial, Ergon had to apply to the Australian Energy Regulator (AER) for a temporary waiver. Without this waiver, the status of the meter would change, and the farmer would become liable for the on-site annual testing fees which, over a ten-year period, are around $5,000. These costs are currently borne by Ergon Energy Corporation Limited (Ergon network) and may vary in the future.

Until the extent of adequate network (Telstra) coverage, and CT and other meters is quantified across the Ergon network, QFF rejects any additional fees being levied for manual reading of meters.

QFF does not support the 'additional fees outlined for manual meter reading' for customers who are unable to transition to a smart meter through no fault of their own. This is further disadvantaging regional businesses who are already struggling with poor internet and mobile services or for those whose meter status is dictated under regulation.

Queensland Treasury capped the agricultural tariff trial size (number of participants) and limited the 'no-worse off guarantee' to only T24 participants. Participation was further hindered by Cyclone Debbie and the extent of the drought declarations across Queensland. This trial (under 200NMIs) is not a representative sample of the 17,400 agricultural connections on transitional and obsolete tariffs. Nevertheless, it has already indicated that the current 'cost-reflective' tariffs available to irrigators (specifically T24) are unsuitable.

QFF reiterates the concerns outlined in our response to the QCA's Interim Consultation Paper – Regulated Retail Electricity Prices for 2018-19 (December 2017) on 15 January 2018 (see https://www.qff.org.au/wp-content/uploads/2017/04/20180115-QFF-submission-to-QCA-re-2018-19-regulated-retail-prices-consultation-paper-WEB.pdf), and note that none of these concerns have been addressed in this Draft Determination.

QFF also notes that under last year's (2017-18) price determinations process, the QCA initially announced a final price that was, on average, 7% higher than the draft price, so there is no certainty that any of the stated reductions in this Draft Determination will be delivered when the final price is announced on 31 May 2018, further increasing businesses uncertainty.

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

Yours sincerely

Travis Tobin
Chief Executive Officer