



QUEENSLAND FARMERS' FEDERATION

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Submission

19 June 2018

Review of the Queensland Energy Legislation Issues Paper
Energy Industry Policy – Strategic Futures
Department of Natural Resources, Mines and Energy
PO Box 15456
CITY EAST QLD 4002

Via email: energyreview@dnrme.qld.gov.au

Dear Sir/Madam

Re: Review of Queensland's Energy Legislation: Issues Paper, May 2018

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 Government's review of Queensland's Energy Legislation and the accompanying Issues Paper (May 2018). QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers.

The united voice of intensive agriculture



QFF notes the Queensland Government's acknowledgement that the energy sector is transforming due to rapid technological developments, changing consumer roles and growing environmental concerns. Some of these developments were not imagined when Queensland's energy laws were first written. As such, mechanisms for maintaining the currency of this legislation and future iterations is both challenging and vital.

This review of the state's energy laws to examine whether they are fit-for-purpose and to assess if legislative amendments are required to guide future positive outcomes for Queensland consumers and the economy is overdue. For example, in 1994 when the Electricity Act was written, solar PV was a nascent technology and battery storage was undeveloped. Alternative business models such as power purchase agreements (PPAs), solar leases, and ICT solutions for facilitating peer-to-peer trading were unknown.

The revision of the legislation must consider these technologies, and consider impacts relating to the uptake of technologies such as electric vehicles and the domestic 'Powerwall'. It must also ensure that it does not stifle innovation for technologies still in development and those still unknown.

It is understood that the review will examine the following state-based legislation:

- *Electricity Act 1994*
- *Gas Supply Act 2003*
- *Energy and Water Ombudsman Act 2006* (as it relates to energy).

To support the review, an Issues Paper has been released which outlines the policy intent behind the review, such as changes to the energy sector which may impact the effectiveness of our energy laws, and ensuring our laws support new technologies and innovation in the energy sector.

It is understood that the review does not examine other state-based, federal and applied national energy laws, but looks at how well state-based legislation operates in conjunction with these to promote the long-term interests of consumers.

This submission only comments on the *Electricity Act 1994*.

Background: Electricity Act 1994

Objective

The 'object' of the current *Electricity Act 1994* is to:

- (a) set a framework for all electricity industry participants that promotes efficient, economical and environmentally sound electricity supply and use; and
- (b) regulate the electricity industry and electricity use; and
- (c) establish a competitive electricity market in line with the national electricity industry reform process; and
- (d) ensure that the interests of customers are protected; and
- (e) take into account national competition policy requirements.

QFF notes the National Electricity Objective (NEO) as stated in the National Electricity Law "to promote efficient investment in, and efficient operation and use of, electricity services for the long-term interests of consumers of electricity with respect to:

- Price, quality, safety and reliability and security of supply of electricity
- The reliability, safety and security of the national system".

It is timely to align the objectives of the Act with those of the NEO, noting the guidance provided by the Australian Energy Market Commission (AEMC) and its role as the rule maker for Australian electricity market¹.

¹ AEMC. (2016) Applying the Energy Objectives: A Guideline for Stakeholders. 1 December 2016.

Chapter 1, Parts 3 and 4 – Dictionary Definitions

These definitions are narrow in their scope and are, in some cases, irrelevant or impeding technology and innovation, particularly in ICT. For example, Section 6 – Transmission Grid and Section 8 – Supply Networks, through to the definitions of ‘Electrical Equipment and Installations’ fail to consider virtual network and ICT technologies.

Either these definitions need to be more flexible or they should be removed from the Act to subordinate legislation which permits for a timelier and less burdensome amendment process.

The Act should not address definitional or technical issues, such as the restriction for customers on isolated networks from using motors over a particular size to promote greater stability on those networks. These limits no longer align with current network performance requirements, but to make such amendments in the Act, it may require a Regulatory Impact Statement process which is unnecessarily burdensome just to address changing technologies.

QFF suggests that technical issues be removed from the Act and placed into suitable subordinate legislation or appropriate tool (such as a guideline).

Definition of Customer – Chapter 2, Part 2

Under the Act, a customer is a person who is a customer under the National Energy Retail Law (Queensland) Regulation 2014 [see Section 5 (1)]. This definition and indeed the NERL is highly focused on defining a retail customer as opposed to being relationship or service focused.

QFF notes Powerlink’s recent development of their Customer Charter which commits to “providing excellent customer service by genuinely engaging with our customers to better understand their needs and interacting with them in a respectful and transparent manner”.

Customer Engagement will no longer be a concept limited to retailer choice, tariff choice, and load shifting. Customers are increasingly managing their price risk by looking to new technologies and business models. The network and its operating rules need to quickly adapt to allow this transformation without disadvantaging any sectors of the community and economy. Current regulations and pricing mechanisms are constraining innovation in regional Queensland and limiting opportunities for grid connected renewables that would have a network benefit. New technologies will allow the grid of the future to act as an energy transportation network, where customers and their agents trade energy in the most cost-effective way and therefore be more engaged in the generation and availability of power.

Customer Protections - Vulnerable Customers

The Act contains a limited number of customer protections, including providing a framework for a distribution code, which addresses guaranteed service levels for customers (e.g. connection timeframes), and requirements on retailers to administer concessions under community service agreements.

The Issues Paper notes that while federal legislation applies throughout Queensland, there are gaps in the application of the applied national law. Additionally, access to and use of information is also an issue with the advent of data-enabled technology such as digital metering. As digital metering increases, the volume and detail of energy usage and consumption data and access to this information will support innovation and improved energy management for customers. However, privacy is a concern if energy data is misused for purposes other than for which it was collected or without appropriate consent

The lack of phone and data coverage and reliable service in many parts of regional Queensland can increase customers’ vulnerability due to decreased opportunity for communication with retailers. These customers have less access to information and fewer technology opportunities such as ‘smart metering’.

QFF notes the significant volume of literature pertaining to the ‘utility of the future’, where it is acknowledged that we must move away from providing electricity as a commodity to a structure where regulators and industry directly connect revenue requirements and earning to performance, including innovation and development of services, and not to expenditures.

It is also important to recognise that as well as the ‘hard’ technologies and ‘big data’ innovations, there is rapid growth in software, including systems to optimise on-site energy use and enable energy to be securely and transparently traded between counterparties. These innovations are expected to accelerate in the near-term and it is difficult to predict what will be available to the market in the future. The market should be prepared to assess and embrace these technologies quickly.

To allow these new grid usage models to work, the Queensland Government needs to work proactively with the AEMC to support new rules. For example, the current discussions regarding a rule change for Local Network Generation Credits, which the AEMC has indicated in a draft determination that it will reject (see ERC0191). Rule Changes will be required to allow virtual net metering and the Queensland Government should be seeking to create the conditions for greater renewable energy deployment and network utilisation by leading a rule change, and Queensland-based trials to encourage virtual net metering.

GST

Disappointingly, QFF notes that the review was not considering the price of energy directly but stated that it will be considering pricing and cost mechanisms. That said, the Issues Paper does not refer to the issues associated with ‘cost’ to any great detail.

Section 90(6)(a) of the Act – ‘Deciding Prices for Standard Contract Customers’, the pricing entity may decide that the notified prices exclude GST.

Making electricity GST free would immediately reduce the price of electricity to households by 9.1 per cent. While the removal of GST would have no impact on the cost of electricity for most business users, as GST taxable businesses are able to claim input tax credits for the GST included in the price of electricity they consume; for businesses with highly variable electricity consumption, such as agriculture, it would increase cash flow between BAS periods. It would also have a positive outcome for consumer confidence and workforce wellbeing by making domestic electricity instantly cheaper.

QFF understands that the removal of GST from electricity bills has already been investigated and, on a fiscal basis, a small decrease in net GST revenue to the Commonwealth Government would be expected due to a delay between when GST revenue is recognised by the Commonwealth and when the associated receipts are received, and when the GST expense to the states and territories is accrued.

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