



QUEENSLAND FARMERS' FEDERATION

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Submission

4 March 2019

Ms Sarah Proudfoot
General Manager, Consumers and Markets
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3001

Via email: AERConsumerandPolicy@aer.gov.au

Dear Ms Proudfoot

Re: AER Draft Customer Hardship Policy Guideline, Version 1 (February 2019)

The Queensland Farmers' Federation (QFF) is the united voice of intensive, semi-intensive and irrigated 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 farmers 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)
- Flowers Australia
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd.

QFF welcomes the opportunity to provide comment on the Australian Energy Regulator's Draft Customer Hardship Policy Guideline (the guideline). We provide this submission without prejudice to any additional submission from our members or individual farmers.

The united voice of intensive agriculture



Background

QFF notes that on 15 November 2018, the Australian Energy Market Commission (AEMC) made a rule to assist energy customers who were experiencing hardship and the ability to pay their bills. The rule aims to improve retailers' hardship policies, so customers can better understand their rights and where to seek assistance.

The rule requires the AER to develop Hardship Guidelines that include consistent and specific statements that retailers must include in their hardship policies. The statements providing guidance to customers and advocated on their rights, while allowing retailers flexibility in how they develop the hardship programs to meet their customer' needs.

Timing is critical, with the AERs Hardship Guidelines to be finalised by 1 April 2019, and retailers then having two months to submit their updated policies taking into account the new requirements, to the AER for approval and implementation by 1 October 2019.

QFF recognises that Network businesses can play an important role in working with other energy sector stakeholders to support vulnerable customers. Increasing the involvement of networks in assisting vulnerable customers should play to the strengths of the network business and their potential unique contribution.

QFF strongly supports the AEMC decision to mandate Hardship Guidelines and welcomes the development of the AER Guidelines. A customer is vulnerable when they are at risk of experiencing significant financial stress due to a moderate increase in their energy bills, due to their own personal financial circumstances. A customer's personal financial circumstances are likely to change over time, and so any individual customer may move in and out of our concept of vulnerability over their life.

According to Housekemp (2015), vulnerability is not a binary condition, that is a customer is not simply 'vulnerable' or 'not vulnerable'; rather, vulnerability is more accurately a continuum, where the degree of vulnerability increases with the financial stress which is caused by changes in energy costs¹. QFF believes that both vulnerability and hardship apply both to householders and businesses or all sizes, particularly to the farming sector where external climate pressures/events, exposure to fluctuations in the international commodity markets and the increasing variability experienced across growing-seasons all directly impact cash flow.

While we note there are indications that pressure from network price increases is easing slightly for some tariff groups^{2,3}, there are a number of changes underway in energy markets in Australia that are resulting in higher energy bills for some consumers. Namely, the structure of electricity distribution network tariffs faced by households and small to medium businesses are changing to better signal the costs of the use of the network at times of greatest demand. These 'blunt' signals are not appropriate for many farming enterprises who can not respond to demand charges due to water licence constraints, climatic conditions, food storage and safety requirements and animal welfare management amongst other factors.

Scope of Rule Change and Policy

QFF welcomes the protections for vulnerable households within the guideline. Nearly 30 per cent of the workforce in primary production earn under \$800 per week⁴. Noting that some awards do allow to pay a

¹ HoustonKemp Economists. (2015). Supporting Vulnerable Energy Customers. An Options Paper for the Energy Networks Association. 2015.

² QCA Draft Price Determination: 2019-20 Regulated electricity prices for regional Queensland

<http://www.qca.org.au/Electricity/Regional-consumers/Reg-Electricity-Prices/In-Progress/2019-20-Regulated-electricity-prices-for-regional>

³ Energy Queensland. Regulatory Proposal 2020-2025. <https://www.aer.gov.au/networks-pipelines/determinations-access-arrangements/ergon-energy-determination-2020-25/proposal>

⁴ 6102.0.55.001 - Labour Statistics: Concepts, Sources and Methods, Feb 2018 (Survey of Employment and Earnings). See Table 3.2 EMPLOYEES (excluding OMIEs) IN MAIN JOB: Hourly earnings in main job – Selected characteristics – By industry of main job

lower rate (which will lower the base to \$591.69) and workers may also be paid under a piecework agreement.

However, QFF acknowledges that protections for small and large business are also needed. QFF understands that the National Energy Retail Law specifies that the requirements around hardship relate to residential customers only and, as such, the AER cannot extend the application of hardship requirements to Small to Medium Enterprises (SMEs) until there is a change in the Retail Law. QFF recommends that this change needs to be enacted with haste and will also be prosecuting this requirement in the current review of the *National Energy Regulation Law (Qld)*⁵.

QFF also recommends that until there is a change in the Retail Law, energy retailers should be strongly encouraged to go beyond the minimum requirements in developing and implementing hardship policies for businesses. Where customer hardship policies are extended to SMEs it will enable SMEs to better manage their payments and, importantly, enable continuation of operation.

Queensland has over 426,000 small businesses (defined as those employing less than 20 people), representing over 97 per cent of businesses state-wide and employing approximately 44 per cent of all private sector workers. Small businesses are critical to many regional areas and vital to Queensland's economy⁶. Agriculture, forestry and fishing companies are in the top five small of business industries in Queensland⁷.

QFF also notes that many small and micro businesses are located within homes, making their visibility to networks difficult and separation of a hardship policy (from household to business) challenging. This is a factor which must also be considered within the current guideline.

Yours sincerely

Travis Tobin
Chief Executive Officer

⁵ See <https://www.getinvolved.qld.gov.au/gi/consultation/5658/view.html>

⁶ Queensland Government. (2018). Queensland State of Small Businesses. <https://publications.qld.gov.au/dataset/queensland-state-of-small-business>

⁷ Australian Bureau of Statistics, 8165.0 Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017, released 20 February 2018. Definition of small business: businesses employing fewer than 20 people.