



QUEENSLAND FARMERS' FEDERATION

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Submission

22 March 2019

Mr Russell Silver-Thomas
Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

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

Dear Mr Silver-Thomas

Re: Discussion Paper - Recommended reliability standards for Energex and Ergon Energy for 2020-25

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 Discussion Paper – 'Recommended reliability standards for Energex and Ergon Energy for 2020-25'. We provide this submission without prejudice to any additional submission from our members or individual farmers.

The united voice of intensive agriculture



Background

QFF understands that the Minister for Natural Resources, Mines and Energy has directed the Queensland Competition Authority (QCA) under section 253AA of the *Electricity Act 1994* to prepare a written report setting out recommended reliability standards for Energex and Ergon Energy for the period 1 July 2020 until 30 June 2025.

The network reliability standards are constituted as a set of performance, planning and reporting obligations and standards that form conditions of Energex and Ergon Energy's distribution authorities. The network reliability standards include minimum service standards (MSS), network security planning criteria ('service safety net target' provisions), and obligations to improve reliability of the worst performing feeders¹.

The MSS are network reliability standards that establish limits for the duration and frequency of distribution network outages. They include two measures of reliability that measure the average duration and frequency of customer interruptions over time.

The duration of outages is measured by the System Average Interruption Duration Index (SAIDI)². While the frequency of outages is measured by the System Average Interruption Frequency Index (SAIFI)³.

The MSS are specific to network 'feeder types', reflecting different performance standards that should be achievable across different parts of the distribution network service providers' (DNSPs) networks. Energex's network is split into CBD, urban and short rural feeder types, while Ergon Energy's network is split into urban, short rural and long rural feeder types.

Feedback

QFF notes from the Discussion Paper that *Ergon Energy was in breach of its MSS limits on a number of occasions prior to 2010–11, and while there have been improvements in both SAIDI and SAIFI performance since then Ergon Energy's long rural SAIDI performance reveals considerable year-to-year variability, with performance not consistently remaining within the MSS limits. Performance of long rural feeders in 2014–15 breached the MSS SAIDI limits, with performance in 2015–16 just within the limit.*

Ergon Energy's SAIDI performance for long rural feeders has remained within the MSS limits in 2016–17 and 2017–18. Ergon Energy has performed within its MSS SAIFI limit for all feeder types since 2010–11. SAIFI performance on urban and short rural feeders has improved, while long rural SAIFI performance displays greater annual variation, albeit remaining within the MSS limits since 2006–07.

These results are expected given the ongoing over-investment (gold plating) in the distribution networks in Queensland to date.

Regulating state government owned networks as if they are privately financed provides the networks with financial return well in excess of their actual financing costs – resulting the Queensland Government realising excessive returns from over investment in the networks.

QFF has previously identified the **major reforms required to the existing NEM regulatory arrangements** to address issues in the framework, including:

- Addressing the deficiencies with the AER's 'return on capital' determination methodology.

¹ Distribution authorities also include obligations to meet guaranteed service levels (GSLs). The QCA is conducting a review of these obligations under a separate process.

² System Average Interruption Duration Index (total duration of interruptions for a group of customers). This is a measure of how long each customer is without supply for the period (e.g., a year) when averaged over all customers on the network. SAIDI is calculated as the total duration of all customer interruptions, divided by the total number of customers, recorded for each feeder type.

³ System Average Interruption Frequency Index (a system index of average frequency of interruptions in power supply). This is a measure of the average number of supply interruptions that each customer experiences for the period. SAIFI is calculated as the total number of all customer interruptions, divided by the total number of customers, recorded for each feeder type.

- The reinstatement of the National Electricity Rule requirement for the regulator to optimise the networks' regulatory asset bases (RABs) - i.e. the rules that applied prior to 2006, and that currently apply to the Australian gas networks and the Western Australian electricity networks.
- The implementation of effective ex-post review provisions to prevent future over investment (e.g. incorporating the ex-post capex review provisions that apply to the Western Australian networks).

Queensland's Renewable Energy Target

QFF notes the Queensland Government has a target of 50% renewable energy by 2030 (QRET). Such state-based RET targets are attempting to fill the post 2020 policy vacuum as the Federal Government has no renewable energy targets beyond 2020.

The Queensland Renewable Energy Expert Panel and the Queensland productivity Commission both concluded that a 50% QRET would have minimal impact on Queensland electricity prices, concluding that any subsidy for building the required capacity would be offset by lower wholesale prices. Importantly, they also concluded that **increasing renewable energy targets will not have any adverse impact on reliability**.

Improvements to battery technologies include increasing energy density to meet weight and volume requirements of vehicles while increasing travel ranges between charges and enhancing reliability to maintain performance over numerous cycles, years, and weather conditions.

While electrification is estimated to increase the hourly aggregate peak demand, which impacts electric utility planning, particularly for maintaining reliability and resource adequacy, QFF believes that the **existing 'gold plating' of the network will ensure that reliability standards are maintained without further increasing electricity prices**.

Standalone Power Systems (SAPS)

QFF notes the current 'Review of the Regulatory Frameworks for Standalone Power Systems (SAPS)' by the AEMC which overlaps the QCA's work seeking feedback on 'reliability standards' including SAIDI and SAIFI⁴ and any guaranteed service limit schemes extended to DNSP-led SAPS, and STPIS should include DNSP-led SAPS in the calculation of consumer protections; and reliability of power supply for microgrids. QFF asks the QCA to consider the role of future legislation in specifying (or not) the reliability standards associated with SAPS. This issue is currently not clearly articulated in the discussion paper.

QFF does not believe that future SAPS need to adhere to existing reliability standards which are currently applied to the networks (within the NEM). **QFF strongly believes that it is down to SAPS designers and users/customers to make an informed choice as to the level of reliability that they want to pay for**. This concept is supported by the current adoption of dynamic response/load control network tariff options by selected agricultural sectors.

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

Yours sincerely

Travis Tobin
Chief Executive Officer

⁴ System Average Interruption Frequency Index (a system index of average frequency of interruptions in power supply).