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Submission

12 April 2019

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001
http://www.qca.org.au/Submissions

Dear Sir/Madam

Re: Draft Determination: Regulated Retail Electricity Prices for 2019-20

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 'Draft Determination: Regulated Retail Electricity Prices for 2019-20 (February 2019)'. We provide this submission without prejudice to any additional submission from our members or individual farmers.

Prices

QFF notes that the Queensland Competition Authority (QCA) did not pass on network electricity price savings yet again to farmers and other businesses on transitional and obsolete tariffs in their determination. 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 business tariffs.

The QCA draft determination of 2019-20 electricity prices for regional Queensland 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 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.

Obsolete and Transitional Tariffs

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 increased by just 24 per cent over the same period.

It is unacceptable that the price of electricity over the last 10 years has increased about 10 times the rate of inflation. This critical input for intensive, semi-intensive and irrigated agricultural farm businesses has now become a major cost, which has eroded business competitiveness, profitability and even viability. Farming businesses already struggling to cope with unsustainable electricity price increases will be unable to continue operation post 2020 when these specific 'non-cost reflective' irrigation and small business tariffs are withdrawn.

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].

The impacts of rising electricity prices are negatively impacting Queensland's irrigation sector, with a growing number of producers switching to dryland farming practices as the price of electricity has already become unsustainable. Electricity costs are resulting in a steady decline in the number of irrigation businesses as well as reduced productivity across the sector. Negative impacts associated with the unsustainable increase in electricity prices are well documented[3].

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. 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 from QFF 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, three years on there has been little action taken. The ability for these customers (up to 17,400) to now adjust in a 12-month period when many still have no usage data (via smart meters) to make tariff selection choice, is unreasonable. There is also

[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

[3] Australian Farm Institute. (2018) Research Report: The Impacts of Energy Costs on the Australian Agriculture Sector.

a lack of clarity on what tariffs would be suitable for irrigation and other agricultural-specific operations as the timing coincides with the next Regulatory Proposal period for Energy Queensland.

As at 11 April 2019, Energy Queensland had still not submitted a final Tariff Strategy Statement to the Australian Energy Regulator (expected to be 16 May 2019 or beyond, subject to an extension from the AER). As such, QFF reiterates its calls to extend the transitional period to at least 2022 for irrigation tariffs (T62, 65 and 66) and other small and large business tariffs.

Queensland's irrigation sector is heading towards a 'perfect storm', with no one accepting accountability for the pervasive uncertainty as 30 June 2020 approaches.

QFF does not support the QCA's decision (page 60) to reclassifying transitional tariffs (tariffs 20 (large), 21, 22 (small and large), 62, 65 and 66) as obsolete tariffs. Thus, allowing existing customers to remain on these tariffs but closing them to new customers. Some new agricultural customers will benefit transitioning from existing tariffs onto T62, T65 or T66. These customers are currently being identified through audit processes (Energy Savers Plus Program Extension) and the 'Energy Check' service. Customers should be given the opportunity to reduce their electricity costs wherever possible.

It is also noted that T66 is currently the 'drought tariff'. It is highly likely that new areas of the State will be drought declared over the coming year. The QCAs decision to class transitional tariffs as obsolete, prohibits any irrigator accessing the 'Drought Relief from Electricity Charges Scheme' (DRECS) which provides relief from supply charges on electricity accounts that are used to pump water for farm or irrigation purposes.

QFF is horrified and remains highly concerned by the QCA's own modelling contained in 'Appendix E: Transitional and Obsolete Tariffs – Customer Impacts'. This appendix contains the analysis of bill impacts for customers moving from a 2018-19 transitional or obsolete tariff to an alternative 2018-19 standard business tariff. The customer impacts are calculated on an individual tariff basis. As some customers are supplied under multiple tariffs, the overall impact to an individual customer may be a combination of the impacts modelled. For some business customers, the impacts will be devastating, leaving them with no options but to leave the grid or close their business.

Further Issues

QFF notes the current Rural Irrigation Price Review 2020-24. The referral notice requires the QCA to consider electricity to be a pass-through cost in this price path. Electricity costs have become a major component of water charges during this price path and are projected to escalate further during the next price path. Electricity makes up 19.5% of the total routine costs for 2019 and 20.75% for 2024 within SunWater's financial model[4].

QFF has requested that the QCA establish the electricity unit cost per ML, to investigate whether a separate part E charge for the variable cost of electricity could be established in some schemes and to also establish a transparent approach for passing through electricity costs. These issues are still outstanding.

As such, QFF considers it to be inappropriate for the Queensland Government and QCA to determine electricity prices for the agricultural sector in isolation from the current review of irrigation water pricing.

Queensland's agricultural sector requires a joined-up and coherent policy approach to address the issues, otherwise Queensland will continue to experience a 'death spiral' across both its electrical and

[4] https://www.qff.org.au/wp-content/uploads/2017/04/20190308-QFF-submission-to-QCA-re-rural-irrigation-pricing-review-2020-24-SunWater-WEB.pdf

water infrastructure, risking the future viability of the intensive and irrigated agricultural sector in the state.

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