



QUEENSLAND FARMERS' FEDERATION

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Submission

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Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Submitted online: www.qca.or.au/submissions

To Whom It May Concern

Re: QCA Draft Determination - Regulated retail electricity prices for 2021-22

The Queensland Farmers' Federation (QFF) is the united voice of intensive and irrigated agriculture in Queensland. It is a federation that represents the interests of 21 peak state and national agriculture industry organisations and 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)
- Queensland United Egg Producers (QUEP)
- Turf Queensland
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallowa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd
- Eton Irrigation Scheme Ltd
- Pork Queensland Inc
- Tropical Carbon Farming Innovation Hub
- Lockyer Water Users Forum (LWUF)

The united voice of intensive and irrigated agriculture



QFF welcomes the opportunity to provide comment on QCA Draft Determination -Regulated retail electricity prices for 2021-22. We provide this submission without prejudice to any additional submission from our members or individual farmers.

Summary

QFF note the key areas that we wish to address in this submission are detailed below and can be summarised as:

- Equitable pricing.
- Removal of the solar bonus scheme from tariff charges.
- Tariff literacy - more education required for the implementation of new / replacement tariffs.
- Flexible tariffs to reflect the requirements of seasonal industries.
- Target of 16c/kW tariffs.
- Thresholds for small customers needs to be increased from 100 to a minimum 160MW.
- Ensure CSO is paid to Ergon network and not to Ergon retail.

Prices

QFF acknowledges that the draft determination delivered in March (2021), saw a reduction in tariffs for all customers, however for small and large business customers, the reduction is only marginal, and there is still a long way to go for equitable pricing. QFF also recognises and supports the introduction of a broad suite of tariffs that are available to the small customers. The introduction of these tariffs will provide additional and valuable tariff options.

As mentioned in our first submission¹ on the interim consultation paper (dated 5 February), the current draft determination, on regulated retail electricity prices for 2021-22, falls short in providing any real direction for irrigators, to help keep their businesses viable by providing equitable and sustainable pricing. Electricity prices are continuing to negatively impact Queensland's irrigation sector, with a growing number of producers switching to dryland farming practices, with others switching to alternative electricity sources away from grid-connected power due to the price of electricity.

It is also disappointing to see after numerous consultation processes, that the QCA have yet to introduce a more flexible tariff structure for farmers that require electricity for their businesses at volumes that are season dependent.

The continued failure to thoroughly address the cost build up components and tariffs that reflect the seasonal use of electricity by the agricultural sector, will leave many retail assets unutilised as farmers will turn to alternative electricity sources. This is an ongoing issue, that is not being addressed, however as more farmers turn away from the grid, the economic impact will be felt not just for the retailers but for all of Queensland. As noted in previous submissions, QFF seeks further investigation of the cost build up components utilised for the delivery of electricity.

Equitable pricing for the agricultural sector continues to be a problem as prices continue to rise to unsustainable levels. QFF continues to call on the Government to implement policy to ensure that there is an effective price ceiling of 8 cents per kWh for electrons and 8 cents for distribution, therefore for a total of 16 cents per kWh maximum.

¹ See <https://www.qff.org.au/wp-content/uploads/2017/04/20210205-QFF-Submission-to-QCA-QCA-regulated-retail-electricity-prices-for-2021-22-WEB.pdf>

Electricity prices in Queensland need to be set at a sustainable level if we are to have a long-term competitive advantage in the production of food, fibre and foliage. While it is acknowledged that the market sets prices, the Queensland retail market lacks genuine competition and the pricing structures disadvantage customers and market rules which favour excess investment to be incorporated into network prices then returning excess profit,

Solar Rebate

QFF does not support the solar rebate being charged to all electricity users. The QCA must seek direction from the Queensland government on the continued inclusion of the solar bonus in the network costs.

The solar rebate must be paid from consolidated revenue again and not tariff charges. Although these charges are approved and regulated by the AER, they are matters that need to be addressed by the QCA with the Queensland Government.

Obsolete and Transitional Tariffs

The future viability of many businesses is reliant on electricity pricing to continue production. The QCA need to reconsider alternative notified pricing to the current N+R approach which has done little to factor in the transitioning of obsolete farming and irrigation tariffs to the demand-based tariffs for larger irrigators. The financial impacts by not accommodating a suite of tariffs for all primary producers, particularly large customers, will unfortunately force some farmers out of production, or as previously noted, incentivise a switch to alternative energy sources. QFF finds this unacceptable that for a state reliant on our primary producers to provide food security and provide a large portion of the state's fiscal revenue, that tariffs to accommodate the varying demands in electricity have yet to be implemented.

QFF has previously stated that providing a service that is uneconomical will only push more users off grid in search of alternative energy sources. The QCA has previously dismissed these concerns in the draft determination and, as such, QFF would like to point out that the longevity of companies supplying power, are reliant on consumers continuing to utilise their services, but without a suite of tariffs that are suitable to our primary producers, they will have little option but to seek alternative power supplies, in order to remain in business. QFF is also aware that the number of Ergon Retail customers is declining as second-tier electricity retailers enter the market and more opportunities for PPA's arise.

It is unacceptable that the QCA continue to dismiss the concerns relating to the need for more diversity in tariff design and cost-efficient tariffs that allow farmers to maintain economically viable businesses, in isolation of the irrigation water prices.

As part of the current draft determination and implementation of replacement tariffs, QFF calls for the QCA to allow large users, who at this point are going to be forced to migrate to demand based tariffs that they be given the option, if they had been on 62, 65 & 66, to go to 62A, 65A and 66A. Customers, regardless of their geographical location must also be able to access both 60A and 60B.

QFF is also concerned that as of 21 April 2021², there are still over 20,000 NMI's across Queensland on obsolete and transitional tariffs, of which, more than half are agricultural customers (typically on T62, 65 and 66 amongst other tariffs). A current survey of nearly 220 electricity customers in North Queensland found that 50 percent of customers do not know what tariffs they are currently on; 80 percent did not know the status of their tariff (if the tariff was classed as obsolete or transitional); and over 82 per cent

² As advised by Energy Queensland, at the Agricultural Energy Forum

of respondents who had identified that they were on a transitional or obsolete tariff had not talked to Ergon Retail about their electricity tariff options into the future.

Customers on obsolete and transitional tariffs without a smart-meter will be simply transferred to standard, flat rate tariff on 1 July. Customers will not be cognisant of these changes until they receive their next electricity bill, at which point bill shock for some customers will be significant.

Access to smart-meters is complex and their roll-out in Queensland continues to be stifled for both large and small customers. The logistics and costs associated with smart-meter installation, particularly where electrical upgrades are required, or for properties with multiple NMI's are having a detrimental impact to customers access to lower priced tariff structures.

Education of new and replacement tariffs

Under the current draft determination, the QCA has acknowledged that education is needed to help stakeholders integrate new tariffs into their business, however with the new pricing still to be applied, QFF seeks clarification on what direction the QCA will help stakeholders with their decision making, as to what would best suit their business.

Currently, there is no information that will help guide and prepare the agricultural sector for the tariffs and what best is suited to their business. Once the pricing proposal has been administered to the QCA and AER, there is little impact that stakeholders can have on changing outcomes. This has been proven by the many QCA discussion papers that QFF has participated in.

The QCA needs to be very clear and transparent on its view, on what tariffs customers that are currently on obsolete tariffs, will be transitioned to by default, if they do not make an active choice prior to the 1 July 2021. QFF seeks clarity on this transition and what the proposed default tariffs will be for those on the obsolete tariffs.

It is essential that the QCA directs both the Queensland Government and Ergon to devote significant efforts to educate customers on their current choice, and advise them what they are currently paying, based on actual usage data, what costs they will incur if they remain with their current tariff 21/22, and what they would pay if they were on the best tariff for them. Education is vital to ensure the right choices are made for each business.

QFF supports the QCA in their direction for education through further stakeholder consultation and that this process is an important part of the price determination framework, however there is little stakeholders can do once tariffs are put in place. QFF requests that the QCA provide more education when introducing and implementing new or replacement tariffs.

Small and Large Customer Thresholds

To reiterate our previous submission on the ICP, QFF continues to support the threshold for small customers be raised to a minimum of 160MWh pa.

The delegation was requested to consider other new retail tariffs, such as the business customer basic tariff of >100 MWh pa' network tariff. The National Energy Retail Law (Queensland) in combination with the National Energy Retail Regulations, establishes 100MWh as a consumption threshold for distinguishing between small and large businesses.

QFF has been continually advocating that the Queensland Government increase the small business customer threshold for 100MWh per year to 160MWh per year. QFF disputes the proposition that a small business³ (outside the professional and service industries) will only consume 100MW or less per annum. Under all definitions of a small business¹ for the intensive agricultural sector, electricity consumption will be in excess of 100MW.

This industry threshold established in combination with the National Energy Retail Regulations, varies within the state areas and territory that the national energy laws operate. Small energy customer rates vary between 100MWh and 160MWh. The current threshold for small customers within the agricultural industry needs to be amended. The threshold for small users (which consists of a large volume of the agricultural sector) is currently at the 100MWh consumption limit, with various energy users in the agricultural sector impacted heavily with excessive costs due to exceeding the limit as a result of seasonal variations within their businesses.

The Queensland State Government conducted a review of the Queensland energy legislation in 2019, for which the Local Government Association of Queensland suggested a proposed change to amend the small customers definition to include customers with an annual load up to 160MWh.⁴ QFF seeks that the threshold for small customers be increased to 160MWh pa as a minimum requirement, which will help contribute to keeping Queensland as strong leaders for food, fibre, and foliage.

The current draft determination leaves this unresolved, with other stakeholders also supporting an increased threshold between small and large customers. The response from the QCA, stated that 'it is a matter for the Queensland Government and not a matter we can consider addressing as part of our price determination.'⁵ Stakeholders are continuously addressing the same issues each year in the consultation process that affect network pricing, however these issues continue to lack resolve. The scope of the review also states that the QCA 'may also have regard to any other matter we consider relevant'.⁶ QFF calls on the QCA to investigate other matters contained in the *Electricity Act 1994* (Qld) (Electricity Act) that impacts upon the overarching framework and needs to be investigated as part of the electricity sector in Queensland's structural reforms.

Ensure CSO is paid to Ergon Network and not to Ergon Retail

Retail opportunities in regional Queensland need to be made more visible where Retailers and Network Providers ensure Market Offers, Network Tariffs and QCA pricing comparison calculators readily available to customers in a clear and understandable manner. The security of tariff equalization via the CSO for Regional Queensland customer needs to be maintained via the QCA and regulated networks where clear visibility of payments is legislated.

QFF recommends that the QCA promotes and supports greater competition in the electricity market in Queensland with the allocation of the CSO paid to the Ergon Network. Currently the CSO is paid to Ergon Retail and needs to be allocated to the Ergon network division of Energy Queensland, which will then allow increased competition with other retailers for electricity pricing in Queensland.

³ 'Small business' is defined differently by regulators in Australia depending on the laws they administer. For example, ASIC regulates many businesses that are 'small proprietary companies', which means a company with two out of these three characteristics: • an annual revenue of less than \$25 million • fewer than 50 employees at the end of the financial year, and • consolidated gross assets of less than \$12.5 million at the end of the financial year. The Australian Taxation Office defines a small business as one that has annual revenue turnover (excluding GST) of less than \$2 million. Fair Work Australia defines a small business as one that has less than 15 employees. Despite these differences, many regulators have informally adopted the definition of 'small business' used by the Australian Bureau of Statistics (ABS), which is a business that employs fewer than 20 people.

⁴ Review of Queensland Energy Legislation Part 2: Options paper A consultation paper containing detailed regulatory impact statements (October 2019).

⁵ QCA Draft Determination, Regulated retail electricity prices for 2021-22, (March 2021, p17).

⁶ Section 90(5)(a) of the Electricity Act.

Summary

QFF recommends the adoption of increasing the small customer threshold to 160MWh, transparency of calculation and pre-emptive communication of proposed changes so as to not affect the long-term sustainability of our agricultural sector.

The supply of water is a paramount factor for irrigation and, in many cases, dependent on electricity for facilitation. Without incorporating adequate pricing that takes into consideration electricity required for irrigation, current farm design and other primary production purposes, the long-term viability of Queensland's agricultural industry remains in question.

With the continual increase in costs for energy and water, many regions throughout Queensland will continue to experience a decline in usage across both its electrical and water infrastructure, risking the future viability of the infrastructure and ultimately the intensive and irrigated agricultural sector.

If you have any queries about this submission, please do not hesitate to contact Ms Sharon McIntosh at sharon@qff.org.au.

Yours sincerely

Dr Georgina Davis
Chief Executive Officer