



QUEENSLAND FARMERS' FEDERATION

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Submission

CONFIDENTIAL

07 March 2022

Electricity Supply Options for the North West Minerals Province
Consultation Regulatory Impact Statement
Queensland Department Energy and Public Works

Submitted via email: NWMPoptions@epw.qld.gov.au

Dear Sir/ Madam

Re: Consultation Regulatory Impact Statement: Electricity supply options for the North West Minerals Province (December, 2021).

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)
- EastAUSmilk (formerly QDO)
- Australian Cane Farmers Association (ACFA)
- Turf Queensland
- 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)
- 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
- Queensland Oyster Growers Association (QOGA)
- Lockyer Water Users Forum (LWUF).

The united voice of intensive and irrigated agriculture



QFF welcomes the opportunity to provide comment on the Consultation Regulatory Impact Statement: Electricity supply options for the North West Minerals Province (December 2021). We provide this submission without prejudice to any additional submission from our members or individual farmers.

Background

The Consultation Regulatory Impact Statement (CRIS) for the North West Minerals Province (NWMP) Copper String (CuString) project proposes to deliver a project that will deliver a 1,100 km electricity transmission line from Townsville to Mount Isa by connecting to the National Electricity Market (NEM). Due to the geographical location the NWMP it is not currently connected to the NEM. The impact of the absence of this connectivity is that large customers connected to the NWMP pay a higher cost for electricity than those connected to the NEM. One of the benefits from the proposed CopperString 2.0 transmission line is that large, NWMP electricity users will pay less in costs.

However, we note that the remaining balance of costs (at least a quarter of the costs) from the Copper String transmission line will be recovered from the rest of Queensland electricity customers through the NEM as part of their transmission charges. It should further be noted that the proposal does not identify the quantum of the balance of costs that will be passed onto Queensland electricity customers. Based upon this uncertainty QFF is unable to support a project without verifiable evidence of the true cost impact.

Electricity in Queensland

The CopperString proposal (submitted by CuString) and assessed via the CRIS for the NWMP, tables three options for feedback. Each option is assessed based upon the broad parameters of:

- Compliance or otherwise with existing regulatory frameworks.
- Approval of specific exemptions from Regulated body oversight for a period of 5 years.
- Identification of customers including Cost/Benefit analysis to each group; and
- Potential for future growth opportunities.

The first option is business as usual (local generation), with the remaining two options (NEM connection) identifying a series of costs that are non-transparent, lack clarity, contradict the Queensland Government's renewable energy targets and will force customers in Queensland off-grid in search of alternative energy sources, due to already unsustainable electricity costs. Option 2 seeks to introduce new legislation to have CopperString be removed from being assessed by the Regulatory Invest Test (RIT-T). The Queensland Government would need to pass legislation that allows revenues collected from electricity customers across Queensland. Option 3 seeks to apply the National Electricity Rules in Queensland as per the RIT-T framework, modifying the RIT-T for it to allow the broader economic benefits of the project to be assessed.

It is to be noted that the longevity of companies supplying power is reliant on consumers continuing to utilise their services. However, without sustainable energy supply options that are suitable to primary producers, customers will have little option but to seek alternative power supplies, if they are to remain in business. This could clearly impact on the use of grid-supplied electricity and on the ability of the Queensland Government to recover costs from the CuString project. In the CRIS, the project's cost recovery modelling does not align with the existing AER regulatory framework of the AER. The AER's role as economic regulator is to determine the prudent and efficient costs of running and maintaining the NEM to ensure consumers pay no more than necessary.¹

¹ [AER statement – Maintenance allowances for regulated energy businesses | Australian Energy Regulator](#)

The summation in this CRIS was also done without consultation to the community and the submission does not address the opportunity costs associated with the loss of existing users due to a higher cost base facilitating a move to other non-grid based energy sources.

The third option includes seeking approval to have the project sit outside the current agreed regulatory frameworks without specific oversight or review for a minimum of five years. We note that this does not provide a specific pathway back to compliance during this time.

The NWMP will see both options two and three re-introduce non-cost reflective pricing, which contradicts the Queensland Government's cost-reflective pricing strategy, implemented by the Queensland Competition Authority (QCA) in its regional electricity price determinations. The QFF considers this a backward step. Supporting this development in its current form would facilitate an avenue for Queensland electricity users to be burdened with additional costs, in a similar manner to how the solar bonus scheme has been integrated into tariff charges, with the proposed options scenarios to be extended over a minimum 40 year period.

Options two and three proposed in the CRIS will clearly undermine any progress made towards transparent, cost-reflective electricity pricing in regional Queensland. Neither option will provide affordable electricity to households and businesses in regional Queensland. Transitioning back to an outdated pricing framework will continue to see electricity prices increase, as well as leading to unsustainable energy loads, as other energy sources are introduced to help keep businesses sustainable. Electricity prices in many regional areas has already reached unsustainable levels, which is putting pressure on food, fibre, and foliage production in this state.

QFF supports the Queensland Government's commitment to support regional communities, including economic growth, job creation, and strategically investing in initiatives that will benefit these communities and the Queensland economy. QFF, however do not support developments that hinder economic growth of regional communities or have the cost recovery of non-regulated assets borne by the consumer.

The CopperString project does little to support the Queensland renewables target and reduce emissions. The Queensland Government has committed to achieving a renewable energy target of 50 per cent by 2030, with renewable investments the key to support emissions reduction targets.² The Queensland Government's steadfast commitment to reach its renewable energy target has seen significant investments undertaken and proposed for Queensland. The Queensland Government has committed to the delivery of \$145 million to establish three Queensland Renewable Energy Zones (QREZ) in northern, central, and southern Queensland³ and \$2 billion to be invest in the Queensland Renewable Energy and Hydrogen jobs Fund.⁴

Queensland is well-placed to execute its commitment to be a strong supplier of renewables, whilst the Queensland Energy Plan sets out a pathway to cheaper, cleaner and reliable energy system to ensure by 2030 the commitment of the 50 per cent renewable energy target is achieved.⁵ Allowing a development of this nature, that lacks critical information, increases end user costs for all electricity customers in Queensland for the next 40 years; supports outdated energy supply; and requires the very legislation

² [Energy | Queensland Climate Action \(des.qld.gov.au\)](https://des.qld.gov.au/energy)

³ [20220114-QFF-Submission-to-DEPW-Delivering-Qld-Renewable-Energy-Zones-Technical-Discussion-Paper-WEB.pdf](#)

⁴ [Queensland Renewable Energy and Hydrogen Jobs Fund - Queensland Treasury](#)

⁵ [Cheaper, cleaner energy powering more jobs | Department of Energy and Public Works \(epw.qld.gov.au\)](#)



that maintains a regulated industry to be amended and changed, will place even more stress on electricity prices for Queensland primary producers and potentially destroy many businesses throughout Queensland.

Summary

The CRIS fails to deliver the information required to assess the options in a meaningful manner. Although we have assessed the three options presented, QFF are unable to support options two and three based on the lack of supporting information. Option 1 in this instance is a more sustainable option. Energy usage in the agricultural industry is reliant upon flexible, competitive and equitable cost structures to deliver affordable electricity and balanced resource usage.

Without incorporating adequate pricing that takes into consideration electricity required for irrigation and other primary production purposes, the long-term viability of our agricultural industry remains in question.

QFF seeks to request that the Queensland Government obtain the information that has been omitted from this CRIS and commit to detailed consultation with Queensland electricity consumers before making a final assessment of CopperString.

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

Sincerely

Ms Jo Sheppard
Chief Executive Officer