



Queensland Dairyfarmers' Organisation Limited ACN: 090 629 066

PO Box 13061
George St Brisbane Q 4003

28th February 2014

Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001
Email: electricity@qca.org.au

Re Submission on Draft Determination of Regulated Retail Electricity Prices for 2014-15

The Queensland Dairyfarmers' Organisation (QDO) is the peak industry advocacy body for dairy farmers in Queensland. The QDO plays an active role in ensuring its members have representation across a broad range of industry issues and access to the most up-to-date information. The objectives of the organisation are to protect the interests of Queensland dairy farmers and ensure that their views are adequately represented. The organisation aims to ensure that all matters affecting the dairy industry are effectively addressed to improve the efficiency and welfare of members. QDO welcomes the opportunity to provide feedback on the QCA's Draft Determination Regulated Retail Electricity Prices 2014-15 and as such has provided feedback outlined below.

QDO is extremely concerned about the continual increases in electricity prices in Queensland and the impact which this is having on the business viability for dairy farmers. Since 2007 we have seen some business bear an increase of up to 153% of on their business' electricity bill, not including additional impacts on farms caused by changes in tariff. This massive increase in electricity costs is directly eroding the viability of dairy businesses, and in addition many irrigators have had to resort to reducing the amount of irrigation water applied due to the escalating costs of electricity for pumping and supply of irrigation water, which has reduced their productivity as well.

These extremely high electricity costs are causing irrigators to reduce the use of irrigation water for crop production which will also result in lower power consumption and loss of revenue to power companies.

It must be also noted that this analysis is based on years where irrigation requirements have been minimal and further analysis will done carried out to include the consumption from irrigation during the past summer through to autumn given the deteriorating drought conditions and forecast of drier conditions.

QDO is very concerned that the current system does not recognise the benefits of improve on-farm efficiency.. We understand that this issue is to be dealt with through AER Determination; however it is having a notable impact on the viability of our industry. This issue needs to be addressed and QDO recommends an investigation into how investment in energy efficiencies on farm could be rewarded rather than penalised to maintain revenue targets set by power suppliers.

QDO understands the parameters that QCA is directed to work within when determining the price for the regulated tariffs including the network costs, LRET and SRET which are set independently of the QCA price determination. Given this, there is only limited area where QCA can have influence on the pricing. Although the current model of setting the prices of regulated tariffs are based on “cost-reflective” models, there needs to be mechanisms included in the methodology to drive and deliver efficiency gains in terms of both the network and retail costs, not just passing on the costs incurred to consumers.

In particular we are concerned about the continuation of implementing the benchmarking approach with regards to the retail operating costs (ROC), given especially that the approach is based on cost information provided by retailers, which would not necessarily drive any efficiencies or competition in these supposed fixed costs.

We strongly question the methodology for calculating the Benchmark ROC for large and very large customers, and the preface that there are only greater incurred costs of managing large customers without any efficiencies.

Furthermore we are very concerned about the substantial increase in costs of whole-sale energy given that the pleather of resources available in Queensland, on our doorstep including coal and LNG and the apparent lack of competitiveness of our energy sector with other developed countries.

QDO believes that the network and retailers need to review their costs to improve efficiency to reduce the rate of increase, and in some instances see decreases in costs.

QDO does not support the draft determination increase in carbon-inclusive tariffs of 13% and 16.3% for transitional tariffs. For the carbon-exclusive tariffs, QDO does not support an increase of 10% as it is above the price increases for cost reflective tariffs for the determination period. QDO supports the QCA’s decision to not catch up lost revenue resulting from the 2013-2014 price cap of 10% for transitional tariffs. QDO does not however, support an increase of 10% to the 2014-15 transitional tariffs, which is well above cost increases as it will have considerable impact on dairy businesses viability and productivity.

In regards to the costs of the carbon tax being included in the retail prices, QDO does not support notified prices which are inclusive of the carbon tax.

Yours sincerely,



Adrian Peake
Executive Officer
Queensland Dairyfarmers’ Organisation Ltd