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Submission

17 September 2020

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Submitted online: http://www.qca.org.au/Submissions

To Whom It May Concern

Re: QCA Draft Determination: Supplementary Review, Regulated Retail Electricity Prices for 2020-21 (August 2020)

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)
- 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
- Mallawa 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).

QFF welcomes the opportunity to provide comment on the QCA Draft Determination, Supplementary Review, Regulated Retail Electricity Prices for 2020-21. We provide this submission without prejudice to any additional submission from our members or individual farmers.

Summary

On the 25th August, the QCA published the draft determination on the supplementary notified prices for 2020-21 which included, three new load control tariff and the suite of eight additional retail tariffs. The object for this determination was to review pricing and methodology used, relevant to the supplementary notified prices.

QFF note the key areas that we wish to address in this submission, from the draft determination issued on the 25th August are detailed below and can be summarised as:

- Support for interruptible tariffs to be available to CAC customers and not just SAC.
- T66, T65, and T62 are not part of the new tariff structure going forward, therefore a longer time frame is required to input new and transitional tariffs.
- The timeframe for delivery is inadequate to fully undertake a full comparison of pricing and therefore an extension for an additional six months is requested in the 20/21 year for the new tariffs (1 January 2022).
- Tariff 34 is a load control tariff with availability of supply controlled by the distribution business and therefore is not like tariffs 62 and 65.
- Extend the delay to June 30, 2022 for obsolete tariffs, to allow adequate time for the QCA, energy providers and customers to fully understand the issues and associated costs with implementation.

Pricing

The QCA draft determination on the supplementary notified prices for 2020-21, which included the release of three new load control tariffs and eight additional retail tariffs, has failed to deliver a suite of tariffs that are sustainable for the irrigated food, foliage and fibre sectors. After many determinations, and constant repetition from farmers asking for an equitable pricing structure that coincides with a more flexible tariff structure, it appears that this determination still has a long way to go before the QCA acknowledges the intrinsic and costly relationship of utilising electricity to provide water on farms.

As stated in our previous submission the supply of water is a paramount factor for irrigation and is in many cases dependent on electricity for facilitation. 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.

The price determination for the new tariffs apply from the 1 November 2020 to 30 June 2021. Unfortunately, the price determination for the new tariffs will not be published until the 16th October 2020. Given the complexity of the new tariffs and pricing structure, the timing is unreasonable to implement the new tariffs and adjust to new prices and incorporate into current business practices.

The suite of eight additional retail tariffs are to apply in regional Queensland from 1 January 2021. The notified prices that QCA have been asked to set are based the new network tariffs recently approved by the Australian Energy Regulator (AER), for Ergon and Energex Distribution. The time frame in which the new tariffs are to be implemented is insufficient for customers to understand what the full economic impacts to their businesses will be. The economic impacts may result in extra costs, such as the purchase of meters and generators in order for farms to stay in business.

The introduction of new tariffs has yet to be fully understood, both from the perspective of the QCA and the agricultural sector. What we do know is that changing from some tariffs will incorporate more costs to irrigators as they may be forced from being a large user (multiple pumps with one meter using more than 100kW pa) to a multiple small user with individual meters on each pump. Some irrigators are currently utilising T62, and when this is made obsolete on June 30, 2021, they may be forced to move onto T44 which will incur up to an 80% increase in electricity costs. The alternative to this increase is purchase and install diesel generators to amalgamate with the Load Tariffs T60A. This clearly impacts on the use of grid supplied electricity.

Electricity prices in Queensland need to be reduced to a sustainable level if we are to have a long-term competitive advantage in the production of food, fibre and foliage. QFF calls on the QCA and Government to ensure that pricing for the agricultural sector is affordable and extend the cut off to June 30, 2022 for obsolete tariffs. This allows some time for the QCA, energy providers and customers to fully understand the issues and associated costs with implementation. With excessive water and energy prices the government needs to implement policy that will ensure a sustainable electricity price of 16 cents per kWh (8c/kWh N + 8 c/kWh R) maximum, that has no demand tariff and no supply charge.

The Covid-19 Pandemic has seen the agricultural sector keep the economy flowing by maintaining employment in regional centres and with the supply of food, foliage, and fibre throughout the country. Lowering the costs of electricity will enable producers to increase production, which will then flow onto higher returns for the economy. Without sustainable electricity prices (16c/kWh) farmers and irrigators will continue to seek off grid energy solutions.

Pricing methodology

The methodology that was used in the QCA draft supplementary determination for the new tariffs was the same that was used for the 2020-21 Final Main Determination, with the exception of the derivation of the load profiles of the new tariffs. It is noted that this line of methodology estimates costs from a retail perspective that assesses costs, price volatility, and risk associated with future market data. Whilst noted in the ACIL report associated with this QCA supplementary determination, the date new tariffs will be offered is inconsistent with the methodology data range used in the 2020-21 Final Main Determination for existing tariffs as the new tariffs will not be offered until 1 November 2020.

The inconsistency in the methodology used for pricing in this supplementary determination needs to be acknowledged in the implementation process via extending the dates past June 30, 2021. As it stands, all tariffs, existing and new will use the same methodology for energy cost estimates. It is understood this was done to ensure a direct comparison could be made with existing tariffs, however for the agricultural sector a longer period is required to evaluate the new tariffs to ensure they are also making the same comparisons when assessing tariffs that best suit their needs.

It is important to note that Energy Queensland has cautioned the QCA and ACIL Allen on using data in relation to the load profile for trial data that underpinned their qualitative assessment, and that using data for the purpose of estimating the WEC, from a limited trial may be inconsistent, and required a larger trial set. The estimate of the WEC for the two Ergon large business load control tariffs is taken to be the estimated WEC for Tariff 33. The expected outcomes from the new tariffs, and pricing, therefore, may be inconsistent with the underlying load profile it was originally designed for.

This inconsistency is also reflected in the estimate of WEC for the Energex small business primary load control tariff. Tariffs 31 and 33 are offered as secondary tariffs for customers on Tariff 11, however the new load control tariff for Energex small business customers is a primary tariff, which has been priced differently. However, the tariff structures for the supplementary notified prices in this determination are based on corresponding network tariff structures the AER approved, which although was consistent with previous price determinations, may require longer periods to fully ensure what tariff may be appropriate.

This can impact irrigators and farmers significantly due to the extra costs associated with meters to ensure they are appropriate for the right tariff. It is also important to note that using the N+R approach, estimating costs of supply can be challenging, and therefore it is still unclear how retailers will pass through charges, which again quantifies why the pricing structure needs to be more simplified and transparent to allow customers to make informed decisions that will affect the long term viability of their businesses.

Final consideration

Due to the continuing increase in irrigation costs, without reductions in electricity pricing for farmers and irrigators a clear and concise overview of the pricing structure is needed to provide an economical service for producers, enabling them to remain on grid for the long term sustainability for both users and suppliers of electricity.

QFF considers it to be inappropriate for the Queensland Government and QCA to continue to determine electricity prices for the agricultural sector in isolation from irrigation water pricing. QFF also seeks that the QCA extend the obsolete and transitional tariffs to 30/06/22 to allow consumers time to assess the recommended alternative tariffs. It is vital that regional consumers of electricity are given the opportunity to access the full suite of obsolete and replacement tariffs for an extended six-month period to 1 January 2022, to compare cost and viability of new and old tariff options.

Queensland's agricultural sector requires a joined-up and coherent policy approach to address the issues, otherwise Queensland will continue to experience a fast decline across both its electrical and 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 Ms Sharon McIntosh at sharon@qff.org.au.

Yours sincerely

Dr Georgina Davis
Chief Executive Officer