



QUEENSLAND FARMERS' FEDERATION

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Submission

5 February 2021

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

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

Dear Sir/Madam,

Re: QCA Interim consultation paper: Regulated retail electricity prices for 2021-22 (January 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)
- 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 the QCA Interim consultation paper for 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:

- Loss of Tariffs 62, 65 and 66 for large customers.
- Lack of education for the implementation of new/ replacement tariffs.
- Threshold for large users of electricity needs to be increased to 150- 200 MW.
- Equitable pricing.

Price determination framework

The interim consultation paper delivered on the 12th of January 2021, forms the basis of the future price determination for the Queensland regulated electricity market. However, as it stands, this interim paper falls short in providing any real direction for irrigators who rely on an equitable pricing structure to keep their businesses viable.

Stakeholder consultation is deemed an important part of the price determination framework, but with having zero pricing to work from, and with the QCA awaiting Energy Queensland's pricing proposal, little time is given to the consumers to fully establish what these new tariffs structures will mean to their businesses.

QFF suggests that more education needs to be incorporated into the delivery of stakeholder consultation and agrees with the QCA that stakeholder consultation is an important part of the decision-making process.

Electricity in Queensland has in many regions already reached unsustainable levels, which is putting pressure on food, fibre, and foliage production in this state. QFF have called on the QCA to investigate these unsustainable pricing levels that electricity regulators are including in their cost build up components with many still paying in excess of 16c/kWh. QFF has called on the government and the QCA to implement a price ceiling of 8 cents per kWh for electrons and 8 cents for distribution, bringing the total to a maximum of 16 cents per kWh with no demand tariff and no supply charge.

QFF seeks further investigation of the cost build up components utilised for the delivery of electricity, with cost elements that form part of the notified prices steering more farmers to alternative energy sources to provide electricity to keep their farms viable.

As noted in the interim consultation paper (ICP), new retail tariffs that are being introduced (as part of the Ergon Distribution's 2020-25 tariff structure statement), are intended to mirror the obsolete tariffs of 62, 65 and 66 that are due to commence on 1 July 2021, with old tariffs to be grandfathered immediately. The QCA was asked to consider incorporating the grandfathering arrangements for the network tariffs approved by the AER, with the only reference to help consumers is that these new tariffs are only to be available to existing small business customers that accessed the corresponding obsolete retail tariffs at some point between 1 July 2017 and 30 June 2020.¹

The new tariffs will continue to cause confusion, when the new tariffs are only available to existing small businesses that did access the corresponding tariffs prior. This is highly inequitable and that these new

¹ Ergon Energy, Ergon Energy Tariff Structure Statement 2020–25, June 2020 (Erratum: version 6, August 2020, pp. 24–25).

tariffs should be available to all small and large users as was prior to the existing tariffs being made obsolete.

The ongoing confusion with the new tariff arrangements and with new pricing still to be applied, QFF asks that the QCA provides a further report advising stakeholders of what these new tariffs will mean before the draft determination is released. This will help consumers of regulated retail electricity providers with their decision making, as to what would best suit their business.

As it stands, 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.

As previously mentioned, the QCA states that stakeholder consultation is an important part of the price determination framework, however there is very little stakeholders can do once the draft determination process commences. QFF suggest that this further report is issued before the QCA decision making commences.

The clarity on the direction of these tariffs and what options irrigators will have, other than that these tariffs will mirror the obsolete tariffs, falls short on the education lacking from the QCA to help users determine what this will mean for the future of their businesses. The loss of tariffs has still not been rectified, nor any further explanations in the interim consultation paper on what 'grandfathering' will actually mean, when these tariffs are no longer available. QFF supports the recommendation in the ICP that the QCA will consider including the terms and conditions outlined in the delegation in the tariff schedule, which will help stakeholders in their decision-making process.

The delegation was also noted 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 100MW as a consumption threshold for distinguishing between small and large businesses.

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 100MW and 160MW.² Although it is acknowledged that the national laws do not operate in the Northern Territory, the maximum amount of energy that they can consume before being deemed a large business is listed at 750MW.³

The current threshold for small customers within the agricultural industry needs to be amended. The threshold for small users, is currently at the 100MW consumption limit, with many irrigators impacted heavily with excessive costs due to exceeding the limit, which in comparison to the same industry in other states, as previously noted, is well below the average.

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 160MW.⁴ QFF recommends that the threshold for small customers be increased to 200 MW as a minimum requirement, which will help contribute to keeping Queensland as strong leaders for food, fibre, and foliage.

² <https://www.energymadeeasy.gov.au/article/am-i-a-small-energy-customer/>

³ https://parliament.nt.gov.au/__data/assets/pdf_file/0006/363426/CONTEF_Report_Inquiry_into_Electricity_Pricing_Options.pdf

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

QFF acknowledges and supports the QCA in continuing to exclude the headroom allowance out from the notified prices, however there is still inequity in the energy industry that needs to be addressed. QFF has participated in many of these discussion papers and many of these inequity issues continue to remain. QFF has identified various issues including the same issues being addressed in the current ICP such as inequitable pricing and tariffs.^{5 6 7}

With the continual increase in costs for energy and water, many regions throughout 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

⁵ <https://www.qff.org.au/wp-content/uploads/2017/04/20200113-QFF-Submission-to-QCA-QCA-Regulated-Electricity-Prices-for-Regional-Qld-WEB.pdf>

⁶ <https://www.qff.org.au/wp-content/uploads/2017/04/20200513-QFF-Submission-to-QCA-QCA-Draft-Determination-Regulated-Retail-Electricity-Prices-for-2020-21-March-2020-WEB.pdf>

⁷ <https://www.qff.org.au/wp-content/uploads/2017/04/20200917-QFF-Submission-to-QCA-QCA-Draft-Determin-Supp-Review-Regulated-Retail-Electricity-Prices-for-2020-21-Aug-2020-WEB.pdf>