

2 May 2025

Charles Millstead  
Chief Executive Officer  
Queensland Competition Authority  
Via email: charles.millstead@qca.org.au

Dear Mr Millstead

**RE: Draft 2025-26 Ergon regulated retail electricity prices for regional Queensland**

As an energy consumer advocate based in regional Queensland, the Queensland Electricity Users Network (QEUN) appreciates the opportunity to provide a submission to the Queensland Competition Authority (QCA) on its *Draft 2025-26 Ergon regulated retail electricity prices for regional Queensland* published on 20 March 2025.

QEUN advocates for small business, farmers and residential consumers, with a particular emphasis on consumers located in regional Australia. We advocate for affordable and reliable electricity from a *resilient* National Electricity Market where the pace of the transition to a higher percentage of renewable energy in the generation mix is not at the expense of the economy, jobs or reasonable living standards.

QEUN is active in energy consumer advocacy at both a state and national level.

**Regional Queensland is the epicentre of power bill pain in Queensland**

Government policy is fixated on how many people can afford their home power bills now, or from 1st July this year? In other words, should the Queensland and Federal governments add to their growing debt problems by providing short term power bill relief?

This is topical as:

- it appears the Queensland government may not repeat the lump sum energy rebates of \$1,000 and \$325 automatically credited to every residential and small business account in Queensland in July 2024 and
- the Federal Government's 2025-26 Budget reduced the residential and small business energy rebates from \$300 & \$325 in 2024-25 (4 instalments) to \$150 in 2025-26 (2 quarterly instalments of \$75 from 1<sup>st</sup> July 2025).

Government advisors and government departments have ignored the real question – how many *small* businesses – the engine room of the economy - can afford their power bills now, or from 1<sup>st</sup> July this year?

As of June 2023, nearly 1.1 million Queenslanders or 42% of people employed in Queensland, depended on a small business for a job - this in turn allowed them to pay their power bills, buy food and keep a roof over their heads.

Yet on 20 March 2025, the Queensland Competition Authority in its Draft decision for 2025-26 Ergon regulated retail electricity prices for regional Queensland increased the cost of electricity for small business by 6.8%.

Incredibly, this would take the total increase in electricity costs in the last two years for Ergon Retail small business customers in regional Queensland to 32.5%. This is despite electricity being an essential input for almost all businesses.

For Ergon Retail residential customers in regional Queensland the increase is even greater – home power bills will have risen 38.9% in just two years. This is despite electricity being essential to maintain reasonable living standards.

The QCA's draft 2025-26 electricity prices only apply to customers of Ergon Retail in regional Queensland.

Ergon Retail commands a near monopoly in regional Queensland and is wholly owned by the Queensland Government.

Each year the Queensland Government provides a Ministerial Delegation to the QCA to set Ergon Retail electricity prices. The Ministerial Delegation specifies the methodology and other matters the QCA must take into consideration. However, ultimately it is the Queensland Government that is the entity responsible for setting Ergon Retail electricity prices for regional Queensland.

It is therefore somewhat surprising that the Ministerial Delegations provided by the current and former Queensland Government to the QCA have not stipulated that QCA undertake economic modelling to measure the impact of the massive increases in Ergon Retail regulated electricity prices on the economy, jobs and living standards of regional Queensland. QCA could not model the impact as it was not stipulated in the Ministerial Delegations.

This is of great concern as small business is the engine room of the economy, particularly in regional Queensland.

There are about 260,000 small businesses in regional Queensland; 40,000 more than the Brisbane greater city area, 10,000 more than any other regional area and only surpassed in number by the 550,000 in the Melbourne greater city area and the nearly 600,000 small businesses in the Sydney greater city area (Table 1).

**Table 1: Number of small businesses in regional and greater city areas - 2022-2023**

Number of Businesses by Size (per ABS definition)	Regional Qld	Brisbane	Qld	Regional SA	Adelaide	SA	Regional NSW	Sydney	NSW	Regional NEM (excl. Vic)	Greater Capital Cities NEM (excl. Vic)	NEM (excl. Vic)
Non-employing	161,980	136,806	298,786	23,052	80,353	103,405	148,516	357,626	506,142	402,191	677,710	1,079,901
1-4 employees	71,640	63,392	135,032	9,411	26,896	36,307	74,202	188,702	262,904	171,339	346,517	517,856
5-19 employees	26,011	21,420	47,431	3,941	11,095	15,036	26,461	48,527	74,988	62,467	105,390	167,857
<b>Small businesses (0-19 employees)</b>	<b>259,631</b>	221,618	481,249	<b>36,404</b>	118,344	154,748	<b>249,179</b>	594,855	844,034	<b>635,997</b>	1,129,617	1,765,614
20-99 employees	6,341	5,792	12,133	691	2,982	3,673	5,549	12,286	17,835	15,806	24,075	39,881
100-199 employees	424	515	939	35	221	256	327	1,293	1,620	1,195	23,419	24,614
200+ employees	226	271	497	13	157	170	129	702	831	667	973	1,640
<b>Total Number Businesses by area (per ABS definition)</b>	<b>266,622</b>	<b>228,196</b>	<b>494,818</b>	<b>37,143</b>	<b>121,704</b>	<b>158,847</b>	<b>255,184</b>	<b>609,136</b>	<b>864,320</b>	<b>653,665</b>	<b>1,178,084</b>	<b>1,831,749</b>

Note:

Australian Bureau of Statistics defines the size of a business by the number of employees

NEM refers to the National Electricity Market

Source: Australian Small Business and Family Enterprise Ombudsman using customised ABS statistics

There is clear evidence regional Queensland is the epicentre of power bill pain for residential and small business customers in Queensland.

The evidence is found in the retail performance statistics published by the Australian Energy Regulator (AER).

Ergon Retail has around 650,000 residential customers in regional Queensland or about 30% of Queensland's residential customers.

In December Quarter 2023-24, there were about 9,000 Ergon Retail customers on a payment plan which represented 34% of Queensland residential customers on a payment plan. A payment plan is the payment of an existing electricity debt to an electricity retailer, it is not the payment of a power bill in advance. Six months later in June Quarter 2023-24, just before the lump sum \$1,000 energy rebate was credited to every Queensland residential account in July 2024, the number of Ergon Retail customers on a payment plan jumped to nearly 30,000 or 60% of Queensland customers on a payment plan. Clearly, the 28.7% rise in Ergon Retail prices in 2023-24 was biting hard in regional Queensland.

Similarly in June Quarter 2023-24, when combining payment plans and hardship programs (customers on hardship programs have chronic debt problems), customers of Ergon Retail accounted for 46% of the customers in Queensland ie well above the 30% they represent as a percentage of Queensland residential customers (Table 2).

The ultimate stress for any electricity customer is disconnection – homes are left in the dark and people lose their jobs.

In 2021-22 and 2022-23, a total of about 14,000 and 8,500 homes were disconnected in Queensland. Customers of Ergon Retail represented about 60% of the homes disconnected in Queensland. Again, this demonstrates regional Queensland was disproportionately represented and was already suffering from high power bill stress before the QCA/Queensland Government increased Ergon Retail electricity prices by a further 28.7% in 2023-24,.

In the first two quarters of financial year 2024-25 ie July to December 2024, not a single residential customer of Ergon Retail was disconnected or referred to an external credit collection agency for debt recovery. Other electricity retailers operating in Queensland and across the National Electricity Market did continue to disconnect and refer to external credit collection agencies for debt recovery (Table 2). The sudden resumption of disconnections and referrals to external credit collection agencies in 2025 will be confusing and stressful for many residential customers of Ergon.

From 2021-22 to 2023-24, about 30,000 Ergon Retail customers used Centrepay to ensure their power bills were paid. This is the second highest number of Centrepay customers for any electricity retailer in the National Electricity Market (excluding Victoria). Origin Energy had about 35,000 customers and AGL about 20,000 customers. The difference being Origin Energy and AGL's Centrepay customers include customers in the three states of Queensland, New South Wales and South Australia. Ergon Retail's Centrepay customers are only located in regional Queensland.

As a result of the lump sum \$1,000 energy rebate being automatically credited to all Queensland residential customers in July 2024, the number of Ergon Retail customers on Centrepay has fallen to around 22,000 in December 2024. This is not necessarily a good news story as Centrepay customers largely live on fixed incomes. Many Centrepay customers will have already exhausted their \$1,000 energy rebate and other energy concessions, leaving them with little money to pay high summer power bills and facing a potential increase of 5.2% in their Ergon power bill from 1<sup>st</sup> July 2025.

The Australian Energy Regulator does not publish retail statistics on the number of businesses on payment plans. We understand this is in the process of changing with payment plan statistics available next year. This is welcome news.

Hardship programs are not available to business customers.

Therefore, at present, the first indication of a business struggling to pay their power bill is when the business is disconnected for non-payment of their power bill. Since almost all businesses require grid supplied electricity to operate, the disconnection of a business usually results in job losses.

The AER only publishes disconnection statistics for 'small' business customers.

In 2021-22, Ergon Retail disconnected 369 (or 51%) of the 724 small businesses disconnected in Queensland. Queensland represented 35% of 2,052 small business disconnections in the National Electricity Market (excl. Victoria).

In 2022-23, Ergon Retail disconnected 262 (or 43%) of the 605 small businesses disconnected in Queensland. Queensland represented 27% of 2,210 small business disconnections in the National Electricity Market (excl. Victoria).

On 1<sup>st</sup> July 2023, the QCA/Queensland Government increased Ergon Retail's 2023-24 small business prices by 26.8%.

Surprisingly in 2023-24, disconnections for Ergon small business customers fell to 74 (or 32%) of the 230 small businesses disconnected in Queensland. Queensland represented 20% of 1,148 small business disconnections in the NEM excl. Victoria. Ergon Retail small business disconnections basically ceased as of June Quarter 2023-24 (Table 3).

What is confusing is that despite a massive 26.8% rise in small business power bills in 2023-24, in the second half of FY 2023-24 Ergon Retail disconnected only 6 small business customers and the number of Ergon Retail small business customers surged by over 13,000. Yet in the first half of FY 2024-25, the number of Ergon Retail small business customers flatlined (Table 3).

The AER's retail performance statistics for March Quarter 2025 will not be published until late June 2025.

This is after the 7 June 2025 when the QCA must publish its final 2025-26 Ergon regulated retail electricity prices.

Whilst the general public will have to wait until late June to see what is happening with Ergon Retail's payment plans and disconnections, the Queensland Government as the owner of Ergon Retail, already has access to Ergon Retail's performance statistics for the period January to April 2025. And it is the Queensland Government that is ultimately responsible for setting the 2025-26 Ergon Retail regulated retail prices for regional Queensland.

The AER's retail performance statistics for March and June Quarter of FY 2024-25 will likely show Ergon Retail's customers in regional Queensland continue to be the epicentre of power bill pain in Queensland.

**Table 2: Australian Energy Regulator retail performance statistics – residential customers**

AER RETAIL Performance Statistics	Dec Quarter 2023-24	June Quarter 2023-24	Sept Quarter 2024-25	Dec Quarter 2024-25
<b>Queensland lump sum \$1,000 Energy Rebate for residential customers applied July 2024</b>				
<b>CUSTOMERS - residential</b>				
NEM minus Victoria	6,850,595	6,896,649	6,915,694	6,943,888
Queensland	2,153,423	2,156,755	2,165,734	2,174,917
Ergon	658,549	646,331	647,914	648,777
<b>HARDSHIP PROGRAMS - residential</b>				
NEM minus Victoria	116,102	131,746	122,445	111,104
Queensland	25,079	33,202	24,178	18,485
Ergon	5,581	8,652	5,851	4,757
<b>PAYMENT PLANS - residential</b>				
NEM minus Victoria	106,909	125,882	93,882	93,610
Queensland	27,071	49,608	14,842	19,008
Ergon	9,156	29,578	6,922	8,999
<b>Hardship Programs + Payment Plans residential</b>				
NEM minus Victoria	223,011	257,628	216,327	204,714
Queensland	52,150	82,810	39,020	37,493
Ergon	14,737	38,230	12,773	13,756
<b>CENTREPAY - residential</b>				
NEM minus Victoria	129,678	133,202	134,720	125,873
Queensland	39,205	42,834	43,825	34,780
Ergon	25,984	29,263	30,844	22,467
<b>DISCONNECTIONS - residential</b>				
NEM minus Victoria	2,436	3,834	5,255	3,957
Queensland	513	515	425	338
Ergon	308	0	0	0
<b>REFERRED TO EXTERNAL CREDIT COLLECTION - residential</b>				
NEM minus Victoria	34,988	32,780	35,389	21,607
Queensland	9,620	8,597	7,205	3,030
Ergon	2,552	119	0	0

Source: Quarterly Retail Performance statistics, Australian Energy Regulator

**Table 3: Australian Energy Regulator retail performance statistics – small business customers**

AER RETAIL Performance Statistics	Dec Quarter 2023-24	June Quarter 2023-24	Sept Quarter 2024-25	Dec Quarter 2024-25
<b>Queensland \$325 lump sum Energy Rebate for SMALL business customers applied July 2024</b>				
<b>CUSTOMERS - SMALL business</b>				
NEM minus Victoria	652,831	666,863	666,174	665,498
Queensland	202,108	215,680	215,922	215,980
Ergon	85,210	98,645	98,577	98,791
South Australia	86,889	86,899	87,329	87,224
<b>CUSTOMERS - LARGE business</b>				
NEM minus Victoria	53,607	53,657	53,613	54,248
Queensland	18,331	18,243	18,262	18,442
Ergon	4,572	4,602	4,596	4,559
South Australia	4,798	4,710	4,641	4,770
<b>CUSTOMERS - SMALL + LARGE business</b>				
NEM minus Victoria	706,438	720,520	719,787	719,746
Queensland	220,439	233,923	234,184	234,422
Ergon	89,782	103,247	103,173	103,350
South Australia	91,687	91,609	91,970	91,994
<b>DISCONNECTIONS - SMALL business</b>				
NEM minus Victoria	200	300	448	345
Queensland	37	31	57	42
Ergon	11	0	0	1
South Australia	32	53	84	64

Source: Quarterly Retail Performance statistics, Australian Energy Regulator

## RECOMMENDATIONS

The Queensland Government immediately allocates financial resources to either the Queensland Treasury, the Queensland Competition Authority or the newly re-established Queensland Productivity Commission to measure the impact of the Queensland Competition Authority's 2025-26 Ergon regulated retail electricity prices on:

- the economy, jobs and living standards of regional Queensland and
- the future revenue received by the Queensland Government from Ergon Retail

## Is small business really booming in regional Queensland?

In December 2023, Ergon Retail had 85,000 (42%) of the 202,000 small business customers in Queensland (Table 4).

In the whole of South Australia there were only 87,000 small business customers.

The AER's definition of a 'small customer' is based on the electricity consumption legislated by each state.

For example, in Queensland the consumption of a small customer is less than 100 MWh per year or 100,000 kWh/year.

In South Australia the consumption must be less than 160 MWh per year or 160,000 kWh per year.

This means that if South Australia adopted the same consumption definition as Queensland, then the whole of South Australia would have less than 87,000 small business customers. This compares to "regional" Queensland having 85,000 small business customers.

Regardless of whether you use the AER's definition of a small business (based on consumption), or the Australian Bureau of Statistics definition (based on the number of employees being less than 20), regional Queensland is without a doubt a powerhouse for small business (Table 1 and Table 4). It's the engine room of regional Queensland's economy.

Therefore, understanding the health or pulse of small business in regional Queensland is critical to understanding the ability of small business to pay their Ergon power bills and also whether the regional Queensland economy is thriving or merely just surviving. If it's merely surviving then this will flow onto thousands of people losing their jobs and households being unable to pay their Ergon power bills.

In June 2023, Ergon Retail had 92,000 (46%) of the 202,000 small business customers in Queensland (Table 4).

On 1<sup>st</sup> July 2023, the QCA/Queensland Government increased Ergon Retail small business power bills by 26.8%.

By December 2023 the number of small business customers for Ergon Retail had fallen by nearly 7,000 or 7% to 85,000. There was no change in the 202,000 small business customer numbers for Queensland. This indicates that whilst regional Queensland lost 7,000 small business customers, Southeast Queensland gained 7,000 small business customers.

But then over a six month period from January to June 2024, the number of Ergon Retail small business customers dramatically increased by more than 13,000 to nearly 99,000 – this represents an increase of about 500 new small business customers per week in regional Queensland (Table 4).

In the same six month period from January to June 2024:

- the number of small business customers in Queensland increased by around 13,000 - indicating almost no growth in the number of small business customers in Southeast Queensland
- the number of small business customers in South Australia increased by 10.
- in the four states of the National Electricity Market excluding Victoria (Victoria does not provide retail performance statistics to the Australian Energy Regulator), the number of small businesses increased by about 14,000 – indicating regional Queensland was largely responsible for almost all of the growth in the number of small business customers in the NEM excluding Victoria.

On 1<sup>st</sup> July 2024, the QCA/Queensland Government decreased Ergon Retail small business power bills by 1.1%.

In the six month period from July to December 2024 (the latest retail performance statistics available from the AER), the number of small business customers for Ergon Retail only increased by 146.



In the same six month period from July to December 2024 (Table 4):

- the number of small business customers in Queensland increased by around 300 - indicating minimal growth in the number of small business customers across Queensland (a huge turnaround from the 13,000 increase in the previous six months)
- the number of small business customers in South Australia increased by 325.
- in the four states of the National Electricity Market excluding Victoria (Victoria does not provide retail performance statistics to the Australian Energy Regulator), the number of small businesses fell by 1,365 – indicating the engine room of the Australian economy and the employer of over 5 million Australians – small business – was struggling despite immigration numbers skyrocketing.

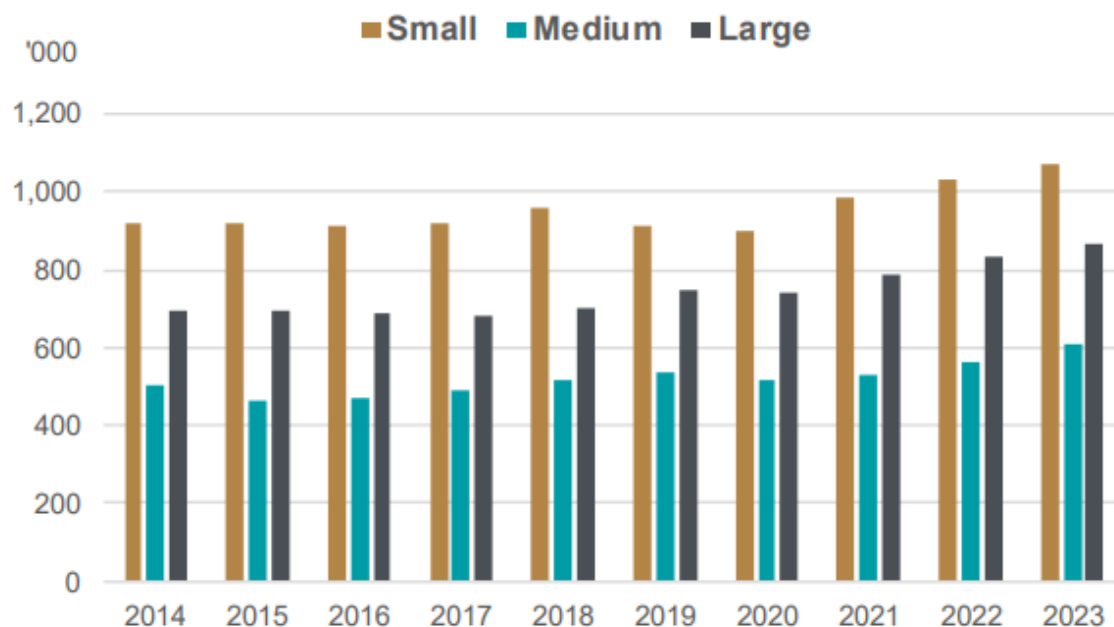
**Table 4: Number of small business customers – as per the Australian Energy Regulator definition**

Number of Business Customers (as per AER definition*)	Ergon Retail in Regional Qld	All retailers in Qld	All retailers in SA	All retailers in Tas	All retailers in NSW	All retailers in ACT	All retailers in NEM (excluding Victoria)
<b>June Quarter 2022-23</b>							
<b>Small business</b>	<b>92,040</b>	<b>202,165</b>	<b>86,445</b>	<b>36,273</b>	<b>306,520</b>	<b>13,862</b>	<b>645,265</b>
Large business	4,567	18,736	4,596	1,748	26,836	1,863	53,779
<b>Total Number Business Customers</b>	<b>96,607</b>	<b>220,901</b>	<b>91,041</b>	<b>38,021</b>	<b>333,356</b>	<b>15,725</b>	<b>699,044</b>
<b>December Quarter 2023-24</b>							
<b>Small business</b>	<b>85,210</b>	<b>202,108</b>	<b>86,889</b>	<b>36,213</b>	<b>313,489</b>	<b>14,132</b>	<b>652,831</b>
Large business	4,572	18,331	4,798	1,829	26,799	1,850	53,607
<b>Total Number Business Customers</b>	<b>89,782</b>	<b>220,439</b>	<b>91,687</b>	<b>38,042</b>	<b>340,288</b>	<b>15,982</b>	<b>706,438</b>
<b>June Quarter 2023-24</b>							
<b>Small business</b>	<b>98,645</b>	<b>215,680</b>	<b>86,899</b>	<b>36,492</b>	<b>313,686</b>	<b>14,106</b>	<b>666,863</b>
Large business	4,602	18,243	4,710	1,843	27,051	1,810	53,657
<b>Total Number Business Customers</b>	<b>103,247</b>	<b>233,923</b>	<b>91,609</b>	<b>38,335</b>	<b>340,737</b>	<b>15,916</b>	<b>720,520</b>
<b>December Quarter 2024-25</b>							
<b>Small business</b>	<b>98,791</b>	<b>215,980</b>	<b>87,224</b>	<b>36,642</b>	<b>311,558</b>	<b>14,094</b>	<b>665,498</b>
Large business	4,559	18,442	4,770	1,919	27,277	1,840	54,248
<b>Total Number Business Customers</b>	<b>103,350</b>	<b>234,422</b>	<b>91,994</b>	<b>38,561</b>	<b>338,835</b>	<b>15,934</b>	<b>719,746</b>

Source: Quarterly Retail Performance statistics, Australian Energy Regulator

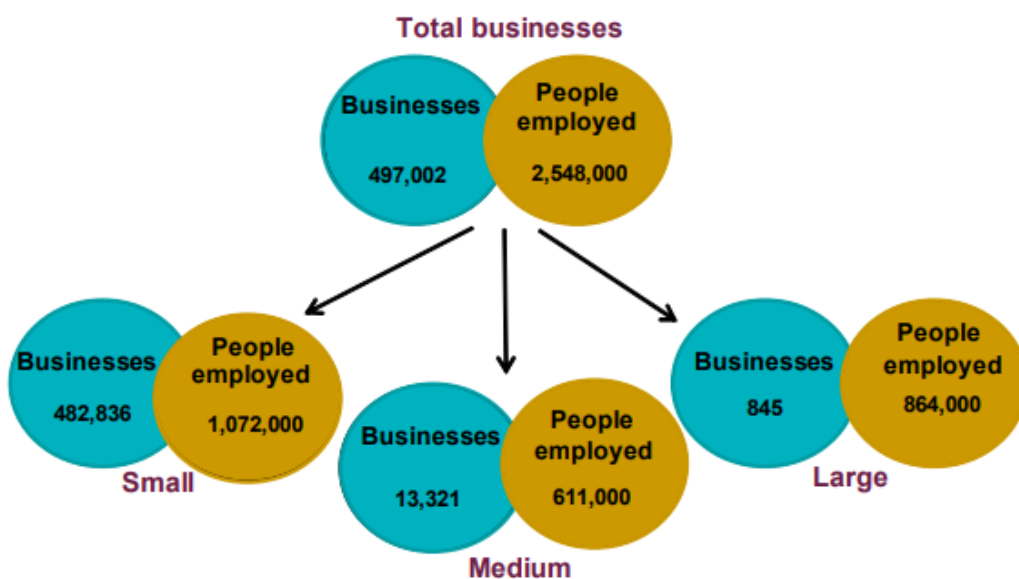
As the largest employer of Queenslanders (Figure 1 and Figure 2), the health of small business is a key indicator of the number of Queenslanders who can afford to pay their home power bills because they have a job. This particularly applies to regional Queensland as regional Queensland has more small businesses (260,000) than the Brisbane greater city area (222,000).

**Figure 1: Employment by business size in Queensland as at 30 June**



Source: Queensland Government Statistician's Office

**Figure 2: Employment by business size in Queensland as at 30 June**



Source: Queensland Government Statistician's Office



## **What actions do businesses in regional Queensland take in order to pay their power bills?**

The QEUN has undertaken the largest survey in Australia on the impact of higher electricity prices on businesses.

The QEUN's survey in 2017 had a large sample size of 741 businesses and included all industry sectors.

To determine if the base economy had an impact on the ability of a business to cope with higher electricity prices, four distinct regions were chosen for the survey.

The four regions surveyed were:

- Mareeba (northern agricultural, especially irrigated)
- Southern Downs (southern agricultural)
- Whitsundays (tourism)
- Mount Isa (mining)

Almost all survey respondents relied on Ergon Retail and had experienced an increase in electricity costs of at least 15.3% in two years as the QCA/Queensland Government had increased Ergon Retail's regulated electricity prices for small business by 11.2% in 2016-17 and 4.1% in 2017-18.

Electricity costs of the businesses responding as a proportion of their total costs ranged from less than 5% to more than 30% with an average of 13%.

The overwhelming response (70%) was that the businesses had suffered a loss in profitability.

Only 22% said they were able or willing to pass on the cost to customers – very few in full.

Some two-thirds tried to reduce electricity consumption by modifying behaviour (e.g. adjusting air-conditioners) and 42% by installing more efficient equipment.

Some 15% invested in alternative energy generation.

Resulting losses in jobs or staff hours were recorded by 15%.

Some 25% said they had increased debt carried by their businesses.

The survey indicated that about 50% of businesses were experiencing bill stress and this was common across the four regions and across most industry sectors including sectors like agriculture, tourism, mining, manufacturing & retail that underpin regional economies.

Some 52% of businesses said if electricity prices went up again, they would experience strong to severe stress in their business. With some saying they would consider reducing staff/staff hours – a leap from the 15% who had already cut back.

Conversely, if electricity prices went down, 86% said it would increase the viability of their businesses and 35% said they would consider employing more staff.

## How are small businesses travelling at present?

The Small Business Pulse carried out by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) shows that the business environment in February 2025 remains well below the long term average. The ASBFEO Pulse dropped 0.3% in February 2025 – the tenth consecutive fall. Over the past 12 months it has fallen 1.5% (Figure 3).

The Australian Small Business and Family Enterprise Ombudsman, Bruce Billson, said *“it has been a prolonged period of tough conditions that are levelling out well below the average”*.

Mr Billson further stated:

*“Conditions have been rough for many small businesses with the post-COVID business environment 25% below the long term average. If you believe as I do, that small and family businesses are the engine room of the economy, we have lost a cylinder in a 4-cylinder engine in the aftermath of COVID.”*

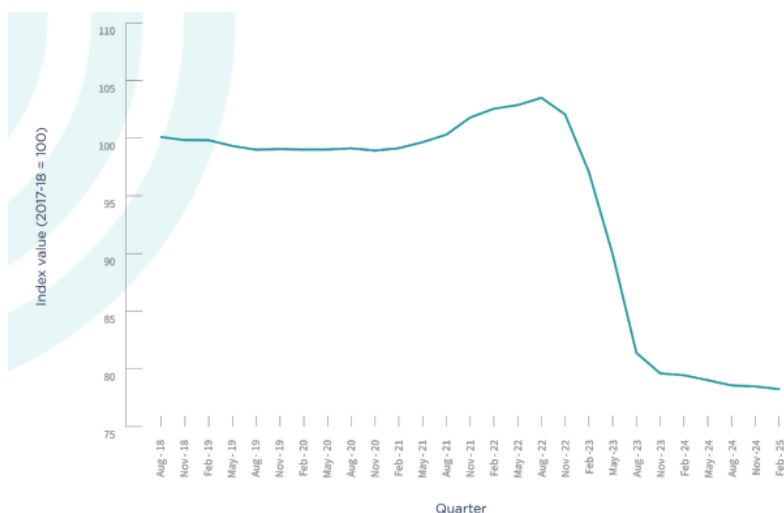
It is interesting to note that despite the ASBFEO Small Business Pulse falling steeply between August 2022 and August 2023, the QCA/Queensland Government in July 2023 increased the cost of electricity for Ergon Retail’s small business customers by 26.8% for FY 2023-24.

In FY 2023-24, the Australian Energy Regulator increased its Default Market Offer (DMO) by 21.9% for small businesses in Southeast Queensland. The DMO is a cap meaning that small businesses in Southeast Queensland can choose to engage with the retail market and in doing so will receive cheaper power bills – power bills that were already cheaper as the DMO rose by 21.9% not the 26.8% increase imposed on Ergon Retail’s small business customers.

The decision by the QCA/Queensland Government to hike small business power bills by 26.8% in 2023-24 backfired. Regional Queensland is the powerhouse of small business in Queensland and therefore a key driver of the regional economy and jobs. Instead of lowering electricity prices which would have enabled small business in regional Queensland to thrive not survive, it chose to increase the cost of an essential input. This resulted in the Queensland Government having to pay a lump sum \$325 energy rebate to around 205,000 small businesses in July 2024 – this cost the 2024-25 Queensland budget about \$67 million (the lump sum \$1,000 residential energy rebate cost \$2.267 billion).

Conditions for small business and households have both deteriorated since July 2024 when the lump sum energy rebates were automatically credited to all small business and residential accounts in Queensland.

**Figure 3: ASBFEO Small Business Pulse – August 2018 to February 2025**



Source: Small Business Pulse, Australian Small Business and Family Enterprise Ombudsman, 2025

## A struggling small business sector in regional Queensland could worsen the housing crisis

Business is dealing with a multitude of increased input pressures besides the rising cost of electricity.

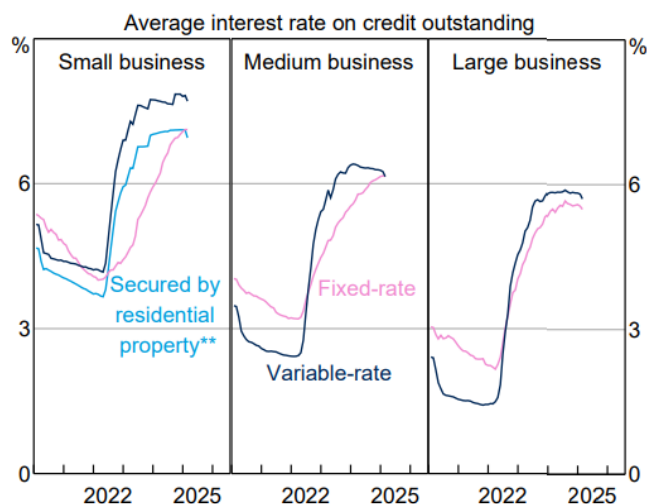
With 13 interest rate rises between May 2022 and November 2023, foremost for many are business loan repayments.

Some financial pressures are unique to small business.

Small business pays a higher interest rate than medium and large businesses (Figure 4), with many small businesses using their family home as security for their business loan (Figure 5).

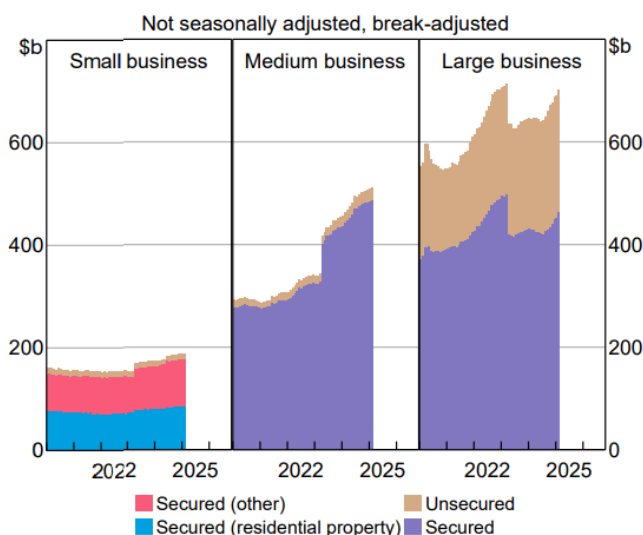
In February 2025, the ASBFEO reported that requests for assistance from small businesses facing insolvency or concerned about a business customer potentially not being able to make payments that are due increased by 27 % in December Quarter 2024. The ASBFEO also said *“distressingly, around one in ten small business owners experiencing financial hardship who contacted us for help this quarter told us their family home was at risk”*.

**Figure 4: Business lending rates to small, medium and large businesses**



Source: The Australian Economy and Financial Markets Chart Pack, Reserve Bank of Australia, April 2025

**Figure 5: Lending to small, medium and large businesses based on the security provided**

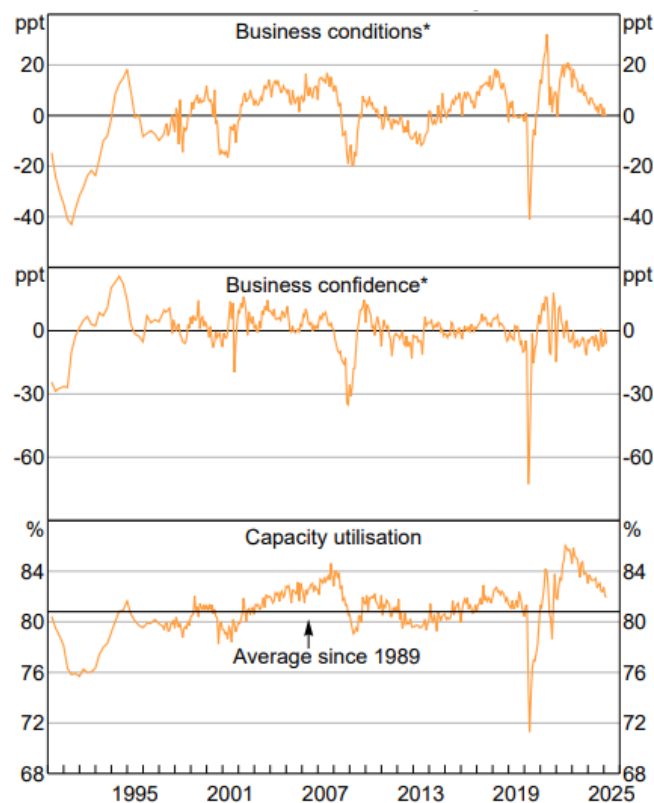


Source: The Australian Economy and Financial Markets Chart Pack, Reserve Bank of Australia, April 2025

## A struggling small business sector in regional Queensland will impact regional jobs

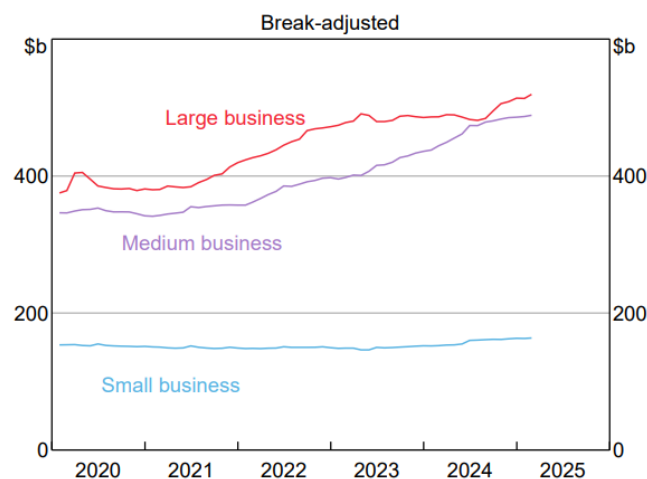
The current uncertain business environment coupled with 13 interest rate rises has cruelled business conditions, confidence and also reduced capacity utilisation (Figure 6). This is reflected in the flatlining of lending to small business since 2020 (Figure 7). To employ more people small business generally needs to lend money to expand or modernise. The flatlining of lending to small business for the past 5 years should be a big red flashing light to federal and state governments, particularly to the Queensland government where the regional economy and regional jobs heavily depend on a healthy small business sector.

**Figure 6: National Australia Bank Survey on business conditions, confidence and capacity utilisation**



Source: The Australian Economy and Financial Markets Chart Pack, Reserve Bank of Australia, April 2025

**Figure 7: Lending to small, medium and large businesses**



Source: The Australian Economy and Financial Markets Chart Pack, Reserve Bank of Australia, April 2025

## Make the calculation of the Community Service Obligation transparent

Regional Queensland is tired of the ‘subsidy’ mantra constantly wheeled out in any discussion on the Community Service Obligation and the Uniform Tariff Policy. Billions are spent on 50 cent public transport fares for SEQ.

The Ministerial Delegation to the QCA states the Uniform Tariff Policy provides that:

*Wherever possible, customers of the same class should pay no more for their electricity, and should be able to pay for their electricity via similar common price structures, regardless of their geographic location*

The Ministerial letter to the QCA accompanying the Ministerial Delegation states:

*As you are aware, the Queensland Government’s uniform tariff policy (UTP), as described in the Delegation, provides an important and longstanding mechanism to ensure people living in regional Queensland pay equivalent prices to those in South East Queensland (SEQ) – despite the actual higher costs of delivering electricity to those areas.*

The reality is the UTP does lower the cost of electricity to regional Queensland but the retail prices are not equivalent to South East Queensland, power bills are still much more expensive in regional Queensland.

This point is brought out in the Ministerial letter to the QCA as it states:

*I require the QCA continue to apply the UTP and to consider the SEQ Default Market Offer (DMO) price to be a cap – meaning the standard flat rate tariffs should be set no higher than the equivalent SEQ DMO. For the removal of doubt, this means a negative Standing Offer Adjustment (SOA) can be applied if necessary to deliver on the Queensland Government’s UTP.*

The green light for a negative Standing Offer Adjustment allows QCA to reduce Ergon regulated retail prices to match the Default Market Offer available to customers in SEQ. The difference is the DMO is a ‘safety net’ for SEQ residential and small business customers who don’t, or can’t, shop around for better market offers. The DMO applies to about 21,000 or 18% of SEQ small business customers and 133,000 or 8.8% of SEQ residential customers.

On 13 March 2025, when publishing the draft 2025-26 DMO, the Chair of the Australian Energy Regulator stated:

*“By early February 2025 **we had seen median market offers fall between 2% and 5% compared with July 2024, and the most competitive offers are now 19% to 25% below the current DMO price.***

*“It’s important that consumers regularly shop around to compare available deals and ensure they’re on the best plan for their individual circumstances.*

The comments of the AER Chair confirm the vast majority of SEQ residential and small business customers have substantially lower power bills compared to customers in regional Queensland – this is despite a CSO that has ranged from \$454 million to \$621 million and is projected to rise to \$684 million (Table 5).

**Table 5: Community Service Obligation – actual compared to budget**

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
CSO	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Actual (\$ million)	Est. Actual (\$ million)	BUDGET (\$ million)	Projection (\$ million)	Projection (\$ million)	Projection (\$ million)
Actual	523	617	541	603	478	462	498	454	525	621	599				
Budget			432	558	488	462	498	454	502	635	537	605	618	644	684

Source: Compiled by QEUN from Queensland Budget papers

The UTP must be retained but the secrecy surrounding the calculation of the Community Service Obligation needs to be lifted.

It is not just energy consumer advocates that have for many years strongly advocated for transparency on the CSO.

Recommendation 29 of the Queensland Productivity Commission's 2016 Electricity Pricing Inquiry states:

*The Queensland Government should make the UTP arrangements transparent by:*

- reporting on how the UTP CSO is defined and calculated; and*
- annual disclosure of the distribution of the CSO by customer category, region and industry sector and subsector (where possible).*

Recommendation 29 was accepted in principle by the Queensland Government in November 2016.

Nearly a decade later, the Queensland Government has failed to implement Recommendation 29 and has arguably deliberately hidden the CSO calculation by making an agreement between itself and Energy Queensland - the wholly Queensland Government owned parent company of Ergon Retail.

The 2018-19 Annual Report for Energy Queensland states:

*From 1 January 2018, **Energy Queensland entered a fixed CSO agreement with the State.** The compensation is a fixed payment **based on forecast revenue and matching costs from electricity sales to franchise customers of Energy Queensland on the basis that EQL is assuming the risk, and any benefits, inherent in a fixed payment based on forecast.** The parties are aiming for increased simplification and administrative ease in CSO compensation claims, payments and reporting.*

The 2023-24 Annual Report for Ergon Energy Queensland Pty Ltd (Ergon Retail) states:

#### Community Service Obligation

The CSO payments are made in return for compliance with commitment to state-wide uniform tariffs for franchise customers. From 1 July 2023, the Company's parent, Energy Queensland Limited, entered a fixed CSO agreement with the Queensland Government (the State) whereby the **compensation is a fixed payment based on forecast revenue and matching costs from electricity sales to franchise customers of the Company with a true-up process undertaken in April of each financial year.** The CSO is recognised on an actual consumed basis in the accounts of the Company, with an intercompany receivable from Energy Queensland Limited for that amount.

With the CSO projected to increase to \$684 million in 2027-28, it is understandable the Queensland Government would seek to fix the CSO payment. It would allow Queensland Treasury in April each year to budget for the CSO payment for a Queensland Budget that is usually delivered in June.

However, earlier in this submission we expressed concerns about the wildly fluctuating Ergon Retail small business customer numbers reported by Energy Queensland to the Australian Energy Regulator. We note the fixed CSO payment is based on Ergon Retail's forecast revenue which will include Energy Queensland's forecasts for Ergon Retail's numbers for small business and residential customers and their respective consumption.



In October 2024, Energy Queensland in a presentation to energy consumers as part of its Ergon *Network Revised 2025-2030 Regulatory Proposal* stated that:

*“without the Uniform Tariff Policy, the price increase for residential customers would be \$66/year every year”*

The UTP/CSO is not delivering regional Queensland equivalent prices to those in South East Queensland but without the UTP/CSO the price differential would be much larger.

## RECOMMENDATIONS

- Maintain the Uniform Tariff Policy
- Implement Recommendation 29 of the Queensland Productivity Commission’s 2016 Electricity Pricing Inquiry:

*The Queensland Government should make the UTP arrangements transparent by:*

- *reporting on how the UTP CSO is defined and calculated; and*
- *annual disclosure of the distribution of the CSO by customer category, region and industry sector and subsector (where possible).*

## Changes to the Ministerial Delegation are required to understand the impact on regional Queensland

Understanding the economic pain and erosion of reasonable living standards in regional Queensland caused by exorbitant and rising Ergon power bills requires a change in the terms of the Ministerial Delegation.

The Ministerial Delegation stipulates QCA must use the Network (N) + Retail (R) cost build up methodology to set Ergon Retail’s regulated retail electricity prices for regional Queensland, where N (network cost) is generally treated as a pass-through and R (energy and retail) is determined by the QCA.

There is no requirement in the Ministerial Delegation for QCA to understand or report on how Ergon’s regulated retail electricity prices will impact on different types of customers located in different regional centres in Queensland.

To QCA the “impact” is the change in the annual power bill of:

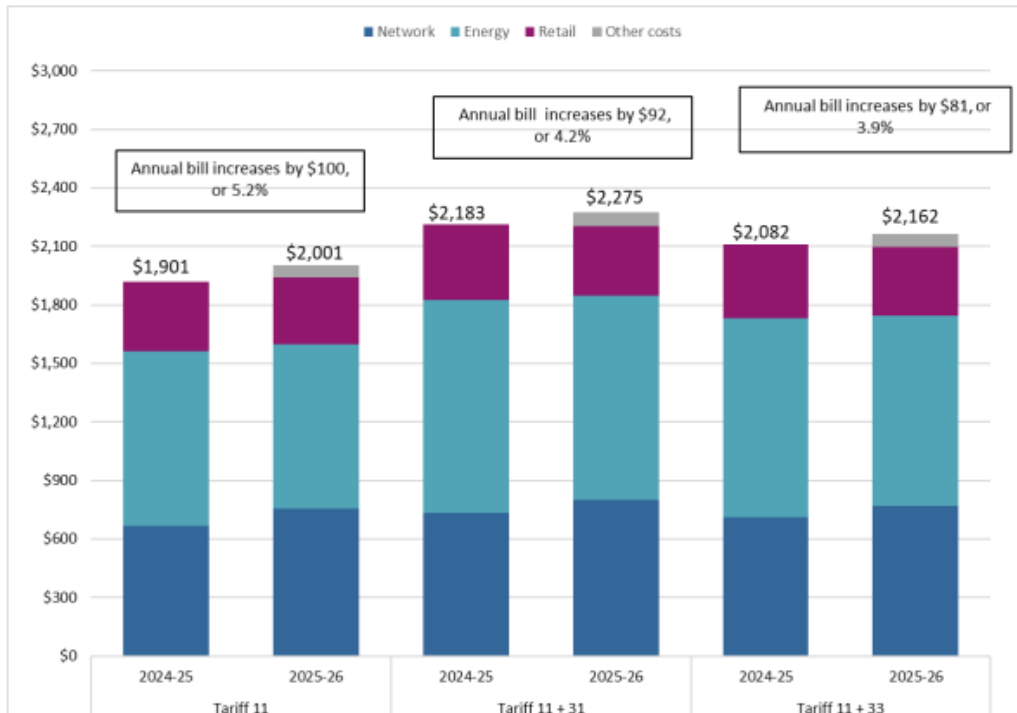
- a residential customer on the main residential tariff (Tariff 11)
- a residential customer on a combination of Tariff 11 and a load controlled tariff (Tariff 31 or Tariff 33)
- a small business customer on the main small business tariff (Tariff 20)
- a large business customer on Tariff 44, 45 or 46.

The “impact” on the annual power bill (Figure 8 and Figure 9) is calculated using the consumption/usage of a “typical” small business and residential customer.

The QCA’s draft 2025-26 decision states:

*“the bills are calculated based on the consumption of a typical customer – that is, the **median (middle)** customer in terms of consumption among all customers in regional Queensland on the same tariff.”*

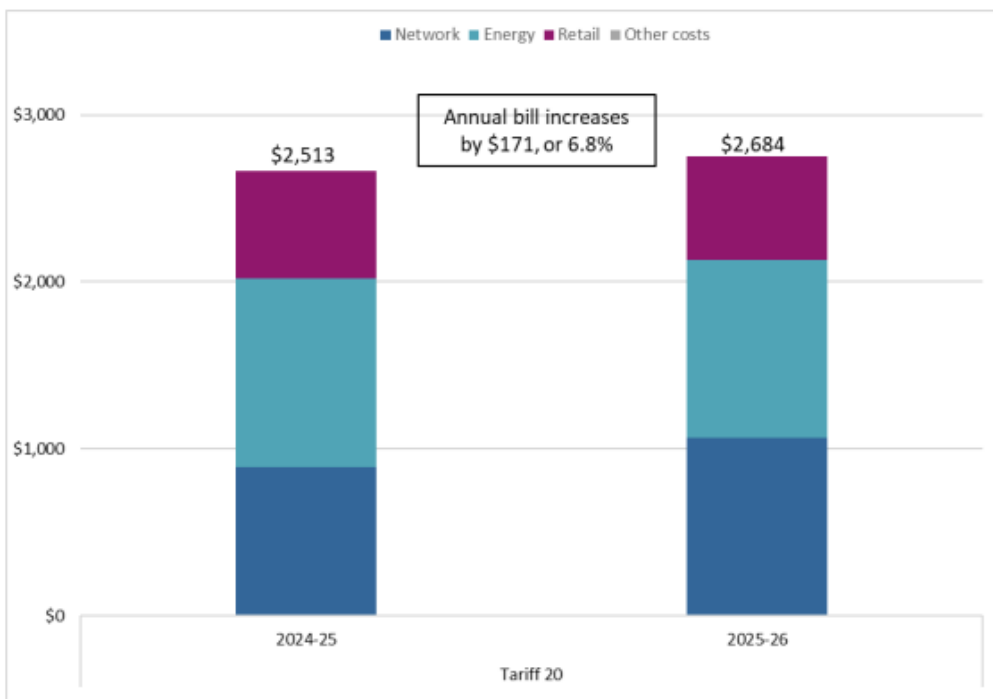
**Figure 8: Impact on residential power bills, 2024-25 and 2025-26 (including GST)**



Note: As other costs for residential customers are negative in 2024-25, they do not appear in the figure above.

Source: Draft 2025-26 regulated retail electricity prices in regional Queensland, QCA, 20 March 2025

**Figure 9: Impact on small business power bills, 2024-25 and 2025-26 (including GST)**



Note: As other costs for small business customers are negative in 2024-25 and 2025-26, they do not appear in the figure above.

Source: Draft 2025-26 regulated retail electricity prices in regional Queensland, QCA, 20 March 2025

For QCA's draft 2025-26 decision, QCA used the following typical consumption data for Ergon Retail's main residential and business tariffs (Table 6).

**Table 6: Ergon median consumption data used to determine customer impacts in 2025-26**

Retail tariff	Usage (kWh per year)	Demand (kW per month)	Demand threshold (kW per month)
T11	4116	–	–
T31	1652	–	–
T33	1509	–	–
T20	5222	–	–
T44	157982	81	30
T45	562353	275	120
T46	1597860	610	400

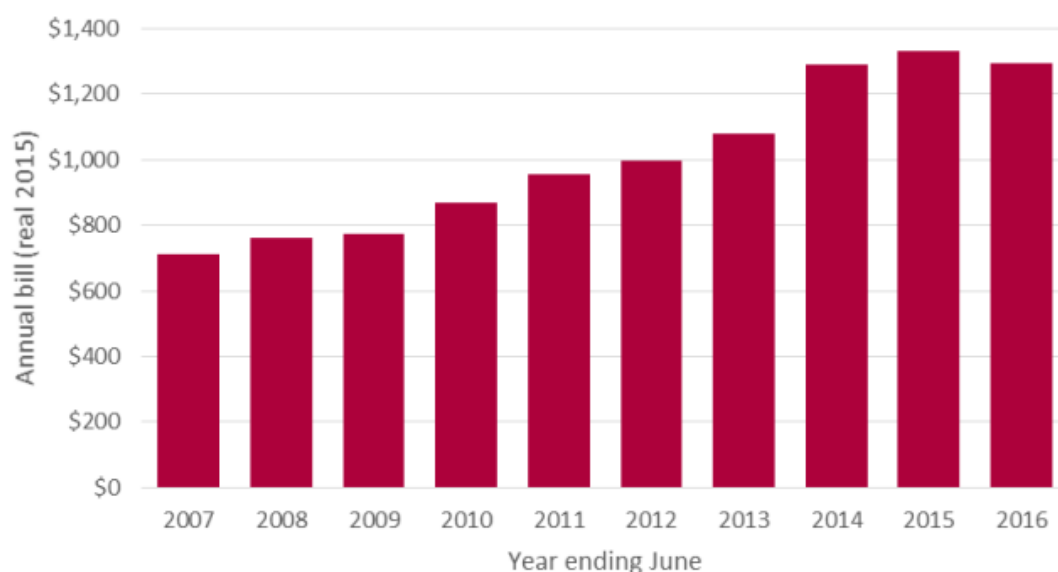
Source: Appendix E, Draft 2025-26 regulated retail electricity prices in regional Queensland, QCA, 20 March 2025

The question that needs to be answered is - what type of residential customer is the "typical" residential customer that QCA is reporting the impact of its decisions on? Is the typical residential customer truly typical eg how many people live in the house? Is the home located in a regional centre which has high or low air-conditioning use?

In November 2015, the Far North Queensland Electricity Users Network (FNQEUN) provided a submission to the Queensland Productivity Commission's *Inquiry into Electricity Pricing – Issues Paper*. A copy of the submission to the Queensland Productivity Commission (QPC) was included in the FNQEUN's submission to QCA on the Draft 2016-17 Ergon regulated retail prices.

The Queensland Productivity Commission had stated in its Issues Paper that the annual bill for a "typical" (average) residential customer on Tariff 11 using 4,053 kWh per annum was \$1,326 in 2015-16 (Figure 10).

**Figure 10: Average Queensland residential (Tariff 11) annual bills 2006-07 to 2015-16 (\$,nominal)**



Source: Queensland Department of Energy and Water Supply, based on average usage of 4,053 kWh/annum

Using the 'average' annual consumption of 4,053 kWh and the AER's Energy Made Easy price comparison website, QEUN determined the Queensland Government must have regarded the average residential customer in Queensland to be a 1 person household in Gladstone in January 2015 or a 1 person household in Townsville in November 2015 (Table 7). In 2012-13, the 'average' annual electricity use per household in the Ergon area of regional Queensland was 6,811 kWh but ranged from 5,370 kWh in the Wide Bay region to 7,872 kWh in the Townsville region (Table 8).

Based on an annual power bill of \$1,326, the Queensland Government must have regarded an average residential customer in Queensland to be a 1 person household in Mackay in November 2015 (Table 7).

**Table 7: Queensland electricity consumption and annual power bill by postcode**

<u>Location/Postcode</u>	<u>1 person</u>		<u>2 person</u>		<u>3 person</u>		<u>4 person</u>		<u>6 (5)person (a)</u>	
	<u>kWh</u> <u>year</u>	<u>kWh</u> <u>day</u>	<u>kWh</u> <u>year</u>	<u>kWh</u> <u>day</u>	<u>kWh</u> <u>year</u>	<u>kWh</u> <u>day</u>	<u>kWh</u> <u>year</u>	<u>kWh</u> <u>day</u>	<u>kWh</u> <u>year</u>	<u>kWh</u> <u>day</u>
1 <b>Brisbane (4000)</b>	3837	10.5	5114	14	6390	17.5	7666	21	10220	28
2	3178	8.7	4909	13.4	5501	15.1	6971	19.1	7456	20.4
Lowest offer \$/yr	\$1,170		\$1,568		\$1,704		\$2,042		\$2,154	
1 <b>Toowoomba (4350)</b>	3709	10.2	4943	13.5	6178	16.9	7412	20.3	9880	27.1
2	3114	8.5	4811	13.2	5390	14.7	6831	18.7	7306	20.0
Lowest offer \$/yr	\$1,190		\$1,605		\$1,747		\$2,099		\$2,216	
1 <b>Bundaberg (4670)</b>	3376	9.2	4497	12.3	5620	15.4	6742	18.5	8987	24.6
2	3053	8.4	4717	12.9	5285	14.4	6698	18.4	7163	19.6
Lowest offer \$/yr	\$1,175		\$1,582		\$1,721		\$2,067		\$2,181	
1 <b>Gladstone (4680)</b>	4093	11.2	5454	14.9	6816	18.7	8177	22.4	10900	29.9
2	3436	9.4	5307	14.5	5947	16.3	7536	20.6	8060	22.1
Lowest offer \$/yr	\$1,269		\$1,727		\$1,883		\$2,272		\$2,400	
1 <b>Mackay (4740)</b>	4363	12	5815	15.9	7267	19.9	8719	23.9	11621	31.8
2	3534	9.7	5494	15.1	6270	17.2	8059	22.1	8148	22.3
Lowest offer \$/yr	\$1,293		\$1,772		\$1,962		\$2,400		\$2,422	
1 <b>Townsville (4810)</b>	4870	13.3	6490	17.8	8111	22.2	9370	26.7	12970	35.5
2	3945	10.8	6131	16.8	6998	19.2	8995	24.6	9094	24.9
Lowest offer \$/yr	\$1,393		\$1,928		\$2,140		\$2,629		\$2,653	
1 <b>Cairns (4870)</b>	4276	11.7	5698	15.6	7121	19.5	8544	23.4	11387	31.2
2	3463	9.5	5383	14.7	6144	16.8	7897	21.6	7984	21.9
Lowest offer \$/yr	\$1,276		\$1,745		\$1,931		\$2,360		\$2,382	

**Note (a):** Data in italics relates to a 5 person household as no data is available for a 6 person household in November 2015.

**Source:** (1) Energy Made Easy, Australian Energy Regulator accessed January 2015.

(2) Energy Made Easy, Australian Energy Regulator accessed November 2015.

**Table 8: Average electricity usage per household in the Ergon regions 2012-13 and 2013-14**

<u>Ergon Region</u>	<u>Average Electricity Use</u> <u>per Household in</u> <u>2012/13 (kWh)</u>	<u>Average Electricity Use</u> <u>per Household in</u> <u>2013/14 (kWh)</u>	<u>Percentage difference</u>
South West	6068	5672	-6.5
Wide Bay	5370	5009	-6.7
Central Qld	7039	6602	-6.2
Mackay	7324	6849	-6.5
North Qld	7872	7334	-6.8
Far North Qld	6985	6678	-4.4
Ergon Qld Average Electricity Use per Household 2012/13	6811	n/a	

**Source:** Data supplied by Ergon Energy.

It is critical the Queensland Government understands what type of household the QCA is reporting the impact of its price decisions on – this is because a 1 person household in Gladstone or Townsville has different budget constraints to a 4 person household in Gladstone or Cairns. For example, at the QCA's Cairns meeting in April 2025, two attendees said they had *quarterly* power bills of \$1,200 and \$1,800 - the QCA estimates the 'impact' of its price decision in 2025-26 will be a rise of \$100 in the *annual* power bill from \$1,901 to \$2,001. This begs the question - what type of households in regional Queensland currently pay a \$1,901 annual power bill and where are they located?

We recommend the Queensland Government instruct the QCA via the Ministerial Delegation (or alternatively the Queensland Productivity Commission or the Queensland Treasury), to model the economic and social impact of QCA's price decisions on the budgets of a 1,2,3 and 4 person household based on the electricity consumption of the different sized households.

The question must also be asked – what type of small business consumes 5,222 kWh per year? This is the consumption for the 'typical' small business in regional Queensland for which QCA has estimated their power bill will increase by \$171 in 2025-26. Keep in mind, many households in regional Queensland use more electricity than 5,222 kWh per year.

The 2017 QEUN survey of 741 businesses in regional Queensland found that:

- there were 2.3 connections (electricity accounts) per business
- some 37% indicated their electricity accounts included a portion of home consumption

To determine the impact on small business of a DMO decision, the AER uses an annual consumption of 10,000 kWh.

By not understanding the impact of rising Ergon power bills on different types of businesses, the Queensland Government is flying blind on the impact of QCA price decisions on the regional economy and regional jobs.

We recommend the Queensland Government undertake urgent modelling on the impact of rising electricity prices on different types of businesses and industries in regional Queensland

The Queensland Government's Solar Bonus Scheme (SBS) is due to end in June 2028. The loss of the SBS's Solar Feed-in Tariff will cause the power bills of thousands of households across Queensland to soar in 2028. This is because many Queensland households receive no bill or low power bills due to the generous SBS Solar Feed-in Tariff.

The 44 cents/kWh SBS FiT compares to the QCA's draft 2025-26 solar FiT of 8.69 cents/kWh, which is 30% lower than the 2024-25 solar FiT.

This in turn compares to the recent decision by the Essential Services Commission of Victoria to set the 2025-26 solar FiT for Victoria at 0.04 cents/kWh.

We are not aware of any modelling undertaken by the Queensland Government on the bill shock that will occur once the SBS ends. A sudden jump in power bills in three years' time is likely to have a severe impact on a range of households that have become dependent on the SBS to reduce their household expenses or in some cases the SBS is regarded as income in the household budget.

To minimise bill shock, we recommend the Queensland Government undertakes modelling on the impact on Queensland households of the end of the SBS, with particular attention to regional Queensland because it pays higher power bills than SEQ.

We also recommend the Ministerial Delegation instruct the modelling be carried out on a “regional centre” basis. This would require re-establishing the Index of Retail Prices in Regional Centres (the Index).

The Index is a regional Consumer Price Index (CPI) which ceased to be calculated by the Queensland Government in 2015.

The Index compared the prices of a basket of household goods and services between the Brisbane region (Brisbane, Ipswich, Logan, Moreton Bay and Redland local government areas) and 27 regional centres – Ayr, Beaudesert, Bowen, Bundaberg, Cairns, Cannonvale, Charleville, Charters Towers, Dalby, Emerald, Gatton, Gladstone, Gold Coast, Gympie, Kingaroy, Longreach, Mackay, Maryborough, Moranbah, Mount Isa, Rockhampton, Roma, Sunshine Coast, Toowoomba, Warwick and Weipa.

The basket of household goods and services included:

- alcohol and tobacco
- clothing and footwear
- communication
- education
- food and non-alcoholic beverages
- furnishings, household equipment and services
- health
- housing
- insurance and financial services
- recreation and culture
- transportation

The much touted Queensland CPI has little relevance to household budgets in regional centres.

For example, in 2015 the Index showed that overall prices paid by Queenslanders varied across the state by up to 37.6%.

## RECOMMENDATIONS

- the Queensland Government instruct the QCA via the Ministerial Delegation (or alternatively the Queensland Productivity Commission or the Queensland Treasury), to model the economic and social impact of QCA’s price decisions on the budgets of a 1,2,3 and 4 person household in regional Queensland based on the electricity consumption of the different sized households with and without solar PV systems.
- the Queensland Government urgently undertakes modelling to understand the impact of rising electricity prices on different types of businesses and industries in regional Queensland, in particular the impact on regional jobs
- the Queensland Government undertake modelling on how to reduce bill shock caused by the end of the Solar Bonus Scheme, with particular attention to regional Queensland households that pay higher power bills than SEQ households.
- the Queensland Government re-establish the Index of Retail Prices in Regional Centres to understand the impact of higher Ergon power bills on household budgets across Queensland



## **An overstated retail component increases Ergon electricity bills**

The Ministerial Delegation stipulates that the QCA must use the Network (N) + Retail (R) cost build up methodology when setting Ergon Retail's regulated retail electricity prices for regional Queensland, where N (network cost) is generally treated as a pass-through and R (energy and retail) is determined by the QCA.

The retail component of a power bill in QCA's Draft 2025-26 regulated retail prices is 17.1% (or \$350) for a residential customer and 23.2% (or \$623) for a small business customer (Figure 11 and Figure 12).

Energy consumer advocates have long argued the retail component of an Ergon electricity bill is overstated. This is because Ergon Retail, as a near monopoly retailer in the regulated retail electricity market of regional Queensland, does not incur customer acquisition and retention costs that are incurred by electricity retailers operating in non-regulated retail markets such as South East Queensland.

In 2018, the Australian Competition and Consumer Commission estimated customer acquisition and retention costs for electricity retailers in South East Queensland was \$48 per customer.

QEUN does accept that as a near monopoly retailer Ergon must accept all customers and this has its challenges. However, according to Ergon Retail's credit practices over the second half of FY 2024-25, no residential customers were disconnected or referred to an external credit collection agency for debt recovery, and only one small business was disconnected.

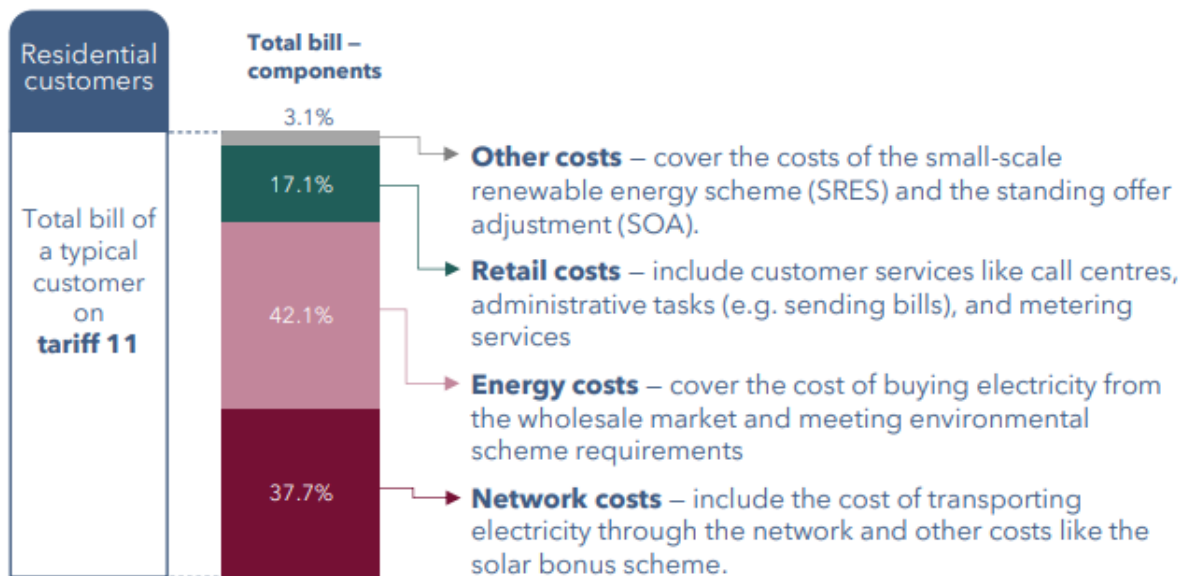
### **RECOMMENDATIONS**

- The Queensland Government instruct QCA to update the estimate of the retail cost component for electricity retailers operating in South East Queensland
- The Queensland Government request Ergon Retail provide QCA with the actual retail costs of Ergon Retail over the past 10 years
- Customer acquisition and retention costs are removed from the retail component of an Ergon Retail electricity bill

**Figure 11: Cost components of an electricity bill for an Ergon Retail residential customer**

## Cost components of an electricity bill

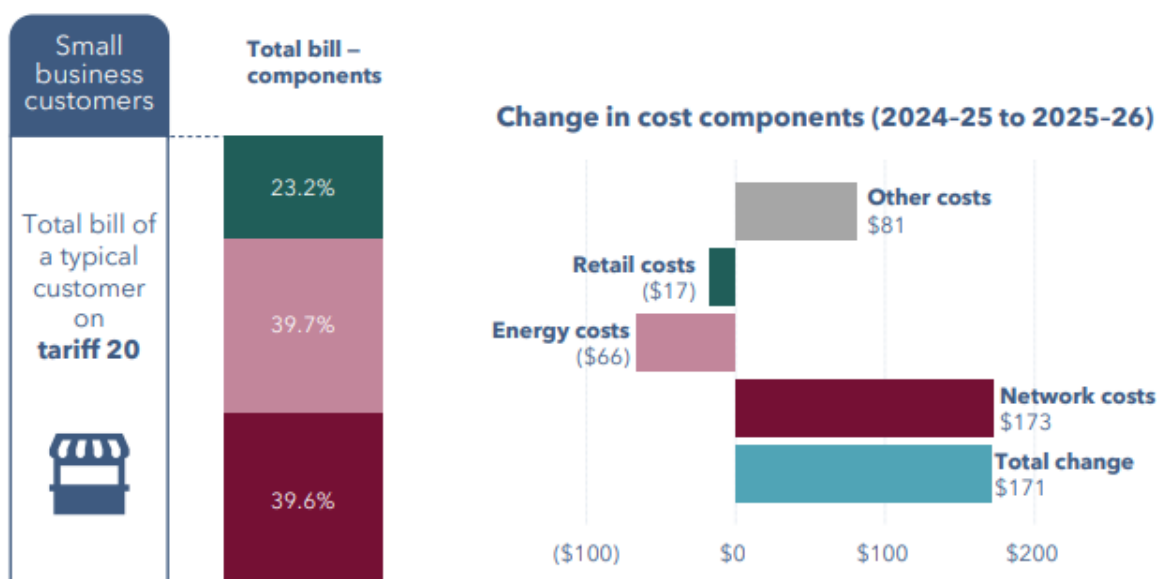
Individual cost components included in the build-up of notified prices



Source: Information Booklet, Draft 2025-26 regulated retail electricity prices in regional Queensland, QCA, 20 March 2025

**Figure 12: Cost components of an electricity bill for an Ergon Retail small business customer**

The annual bill is expected to increase for small business and large customers



Note: Although the change in 'other costs' is positive, the value of 'other costs' for tariff 20 is negative this year due to the negative SOA discount required to reduce prices to the draft DMO level. SRES costs are also negative this year. As a result, other costs are not displayed in the total bill component cost stack.

Source: Information Booklet, Draft 2025-26 regulated retail electricity prices in regional Queensland, QCA, 20 March 2025

## **The Queensland government does not need to invest in an energy price comparison website**

We understand the Queensland Government is considering allocating money to the Queensland Competition Authority to establish an energy price comparison website.

In 2012 the Australian Energy Regulator launched its Energy Made Easy (EME) website.

EME is an Australian Government website maintained by the AER. The AER received \$8 million in Australian Government funding to upgrade EME by June 2020. Another EME upgrade was launched in October 2023.

EME is a free and independent energy price comparison service for households and small businesses in Queensland, New South Wales, South Australia, Tasmania and the ACT.

In 2023–24, the EME website was visited more than 5.16 million times by more than 3.59 million users, reflecting an increase of 15% on the previous year.

EME can be used to find and compare home and small business electricity and gas plans.

EME is an up to date energy comparison website as electricity retailers are obligated under the national rules to:

- submit plan information to Energy Made Easy in language which is clear, simple and widely understood
- on their websites, link to an HTML version of the plan documents on Energy Made Easy
- submit information to Energy Made Easy on each generally available plan within 2 business days of the plan becoming available to customers
- remove expired or obsolete plans from publication on Energy Made Easy within 2 business days of the plan becoming unavailable to customers
- ensure the information published on Energy Made Easy and retailer websites is accurate and up to date.

### **RECOMMENDATIONS**

- The Queensland Government should not invest in an energy price comparison website
- The Queensland Government should promote the AER's Energy Made Easy website

## Bouquets to the QCA for holding face-to-face meetings in regional Queensland in 2025

Due to exorbitant rises in Ergon regulated retail prices, power bill stress across regional Queensland is palpable.

Yet over the last 4 years QCA has received less than 10 written submissions on its draft decisions from Ergon Retail's 650,000 residential customers and 90,000 business customers (Figure 13).

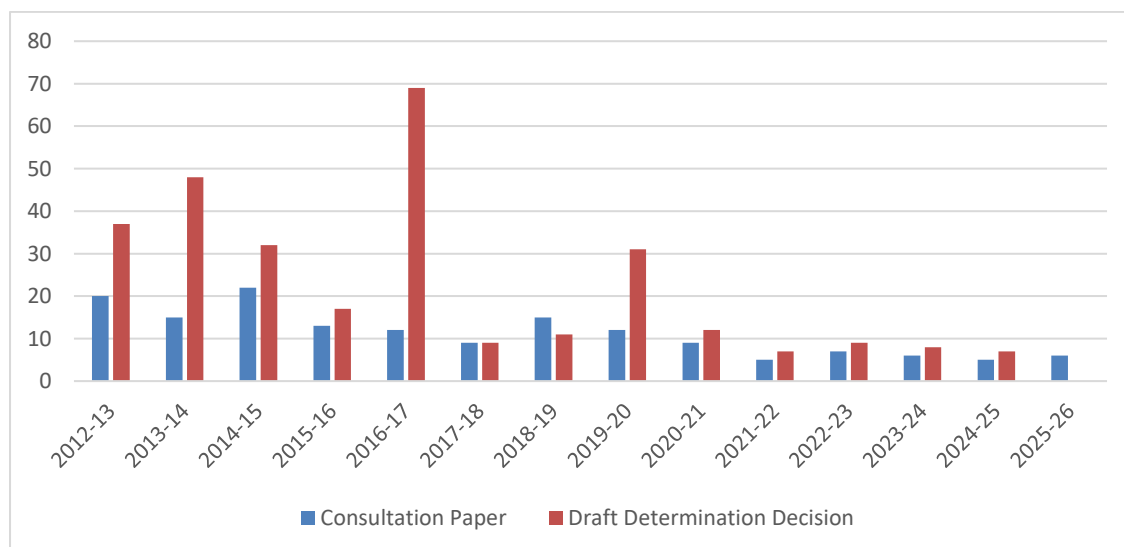
We understand attendance at QCA meetings has fallen significantly.

Just because Ergon customers are not providing written submissions, or attending QCA meetings, it does not mean Ergon customers are not stressed and angry. The reality is most customers don't know what the QCA price decisions are until they see a change in their Ergon power bill post July. Customers need to know what the QCA draft and final decisions are because its highly likely a growing number of households will have to reduce or forgo necessities in order to pay their Ergon power bills. Some businesses may choose to close at the end of the financial year.

We congratulate QCA for once again taking the time to organise face to face meetings in regional centres. It is extremely important that the entity setting Ergon regulated retail prices understands firsthand the implications of its price decisions.

A strategy needs to be developed and implemented that will improve both the verbal and written feedback from Ergon Retail's nearly 750,000 customers to the QCA/Queensland Government. The strategy should be independent of Energy Queensland – the parent company of Ergon Retail – as the Ergon *Retail* brand is in bad shape.

**Figure 13: Number of submissions on QCA regulated retail electricity prices for regional Queensland**



Source: Compiled by QEUN from the QCA website

## RECOMMENDATIONS

- Ensure QCA/Queensland Government media releases on the draft and final decisions for Ergon regulated retail prices is widely distributed to all types of media across regional Queensland
- Provide energy consumer advocates and industry representative bodies with the option to provide a verbal submission to the QCA/Queensland Government ie similar to that offered by the Australian Energy Regulator on its draft decisions for the Default Market Offer.

## Introduce an Essential Food *Retail* Tariff for Ergon Retail in 2025-26

The QEUN has arguably left the most important recommendation until last.

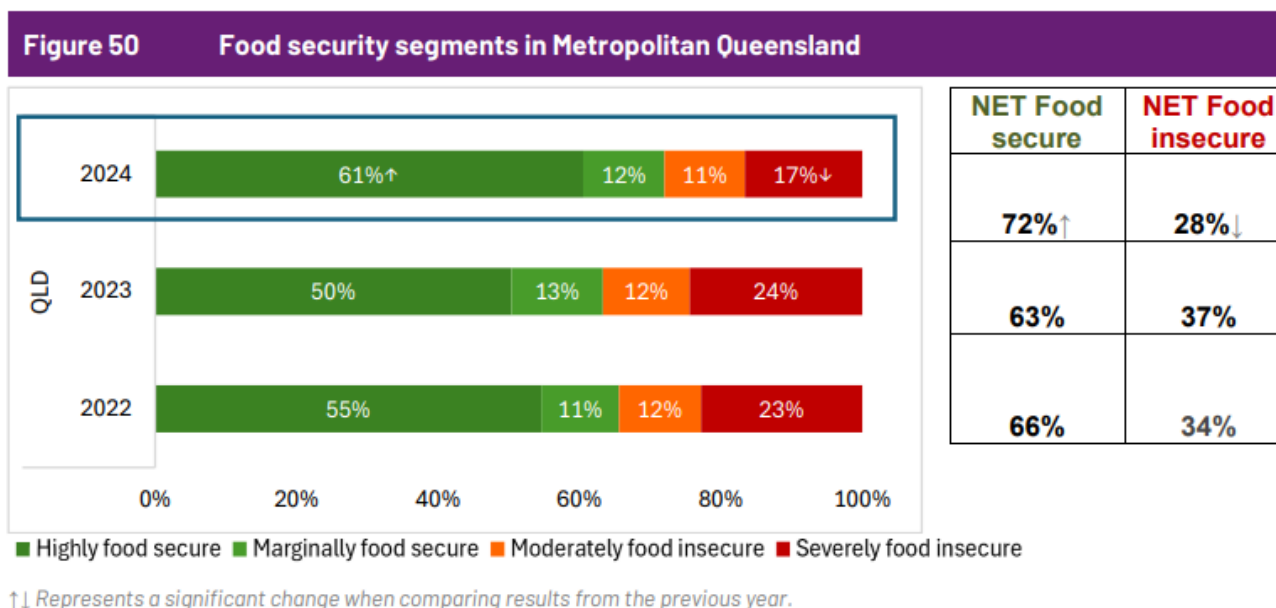
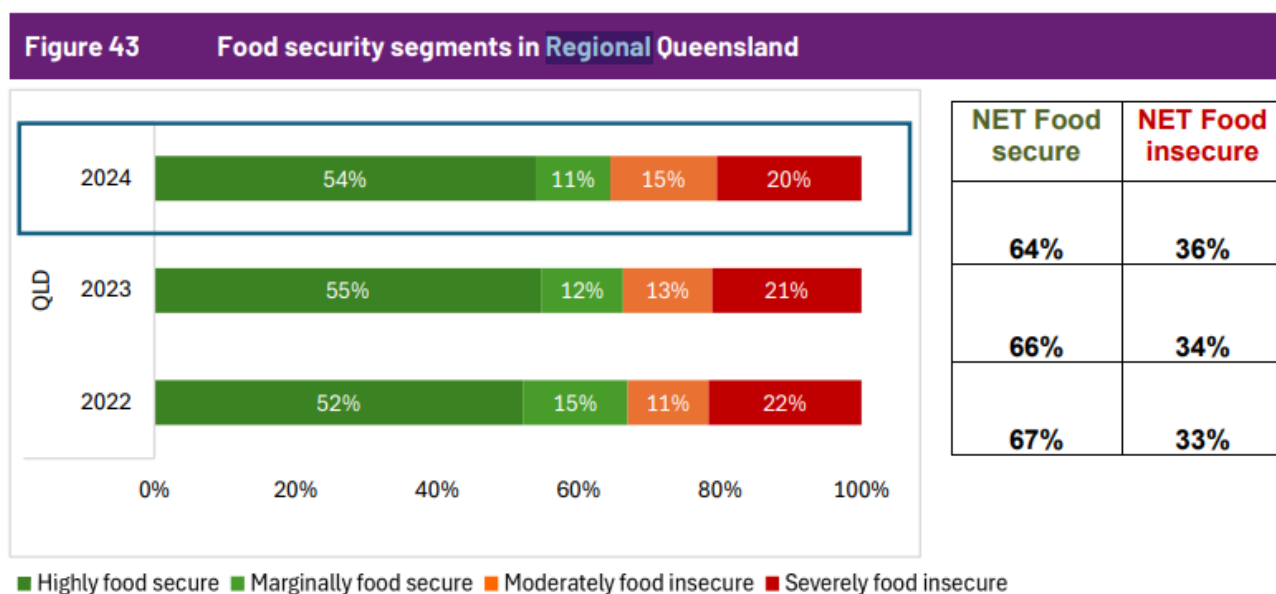
Australia, and Queensland, is in the grip of a Cost of Living and Cost of Doing Business Crisis which deepens by the day.

Affordable electricity is not the silver bullet to solve the dual crises.

However, affordable electricity will boost the economy, create jobs and help maintain reasonable living standards.

Just as the AER statistics clearly show the epicentre of power bill pain in Queensland is regional Queensland, the Foodbank Hunger Report clearly shows the epicentre of food insecurity in Queensland is regional Queensland. Whilst more households in regional Queensland experienced food insecurity in 2024 than in 2023, the percentage 'significantly' decreased in metropolitan Queensland (Figure 14).

**Figure 14: Food security in regional Queensland and Queensland, 2022 to 2024**



Source: 2024 Foodbank Hunger Report, Foodbank, 15 October 2024

It is vital all Queenslanders can afford to eat.

What home does not have bread and milk? They are staples.

Yet Queensland's bakeries and dairy farmers are struggling to pay their power bills.

A QEUN regional business survey conducted in 2017 found that in relation to rising electricity costs:

*Only 22% had passed the increase on to customers – many saying only partially (only 6% in full). **Most of those who didn't, said they couldn't (eg. farmers, miners, etc.).** For others, they didn't because they felt the market for their services wouldn't stand an increase, others because of competition. Average increase was 4.9% of those reporting. The indications are that overall price increases for the whole sample was of the order of 1%.*

A business or farmer that cannot pass the rising cost of its inputs onto its customers will struggle to survive.

In 2023, the Federal Government conducted an *Inquiry into Food Security in Australia*.

The Federal Parliamentary Inquiry noted:

*The dairy sector faces a range of challenges, but probably none greater than raising the level of raw milk production. As the Australian Dairy Products Federation put it:*

*Australia currently produces enough milk to meet domestic demand for drinking milk, with excess and imported product enabling manufacturers the choice to divert milk into higher value dairy products. **But as raw milk production continues to decline and input costs continue to rise, the risk and reliance on imported dairy products could escalate and hence a need to balance and solve for both.** This lends to the question 'what is the ideal level of "self-sufficiency" to best manage dairy production costs and remain cost competitive, while assuring security of supply?*

The Inquiry also noted:

*There are two production sectors that the Committee considers need particular attention from government. **The first is dairy, where the continued stagnation or decline in the production of raw milk suggests an industry in crisis. Australia needs a strong dairy industry for nutritional and food security.***

Queensland currently imports about 50% of its milk from southern states. This makes Queensland highly susceptible to supply disruptions which could be short in duration (transport problems) or long (biosecurity or pandemic).

In relation to short disruptions the Inquiry noted:

*The Australian Dairy Products Federation (ADPF) gave a detailed appreciation of the impact of transport disruptions on the dairy industry. It noted that 'the past three years have provided stark evidence that food production and distribution in Australia relies heavily on both quality and reliable transport infrastructure'. Furthermore, 'the destruction and disruption of these assets has exposed the vulnerability of our transport infrastructure in the face of extreme weather events'. The ADPF observed:*

*When bushfires resulted in the closure of railways in South Australia, Western Australia **and Queensland dairy processors bore the costs of alternative roadbased transport that at times increase above standard prices by multiples of three and four with increases above this level at certain times of the year. Time and product are lost when freight must be switched from rail to road for transport and when transport times by road double and triple on alternative routes to roads closed by floodwater.***



*For example, one dairy processor noted a loss of \$650,000 from spoiled product and needing to alternate from rail to road.*

In relation to long disruptions to milk supply the Inquiry noted:

*A Foot-and-Mouth Disease (FMD) outbreak was also expected to have severe consequences for the dairy industry including significant impacts across the entire supply chain and international trade losses. It was estimated that 'the overall cost for the Australian dairy industry from an FMD outbreak would be approximately \$6.5 billion over 10 years'. It would 'potentially take years for Australia to return to its FMD free status'.*

The number of dairy farmers in Queensland has fallen dramatically and now sits at around 220.

To provide some context, the dairy industry on the Atherton Tablelands alone used to boast over 300 farmers – this is now down to about 40 dairy farmers. The Malanda dairy processing factory is also one of the largest employers on the southern Atherton Tablelands.

As part of the 2025-2030 Ergon **Network** Determination, the QEUN strongly advocated for the Tariff Structure Statement (TSS) to include an Essential Food *Network* Tariff (EFNT) for dairies, bakeries and aquaculture.

(The Federal Government's Inquiry into Food Security in Australia stated that along with the dairy industry the seafood/aquaculture industry was the other production sector that required attention from government).

Dairies, bakeries and aquaculture cannot change their times of operation, they have to use electricity during peak demand periods when wholesale and retail electricity prices are at their highest.

In the past the cheapest wholesale and retail electricity prices occurred at midnight. Now due to more solar generation being installed, there can be an abundance (or even over-supply at times) of generation during daylight hours. This means the cheapest wholesale and retail electricity prices are now around midday rather than midnight.

This does not suit dairies, bakeries and aquaculture as:

- Bakeries bake at night
- Dairy cows are milked twice a day during the morning and evening peak demand periods and
- Fish need to breathe 24 hours a day which requires pond aeration to operate around the clock

Energy Queensland – the parent company of Ergon Network and Ergon Retail – refused to consider an Essential Food *Network* Tariff. Energy Queensland claimed it was too late to include an EFNT in the TSS. Our understanding is it was not too late as the changes did not require a complete rewrite of the Tariff Structure Statement.

Due to Energy Queensland's refusal, there will not be another opportunity to introduce an Essential Food *Network* Tariff until 2030-2035. By then Queensland's once proud dairy industry may not exist and Queenslanders may be forced to depend on interstate or imported milk supplies.

Ironically, the high electricity consuming dairy farms will be replaced by low electricity consuming beef cattle farms. This means less contribution towards the \$8.6 billion required to operate Ergon *Network* over the 5 year period from 2025-2030. Replacing high electricity consuming dairy farms with low consuming beef cattle farms will contribute to higher network and retail tariffs for all Ergon Retail customers, in particular it will contribute to higher unavoidable fixed charges (cents per day). Fixed charges are paid even if the residential or business customer uses no electricity.

To ensure Queenslanders during a Cost of Living Crisis, and into the future, have reliable access to affordable milk, bread and farmed fish, we recommend the Queensland Government introduce an Essential Food **Retail** Tariff for Ergon Retail in 2025-26.

Queensland legislation allows for the Queensland Government to add a tariff at any time.

*Section 90 of the Queensland Electricity Act 1994 on deciding prices for standard contract customers states that:*

*(2) The price determination must be in the form of a tariff schedule.*

*(3) To remove any doubt, the following is declared for a price determination—*

*(a) it may be made from time to time and not just once a year;*

*(b) a tariff from the tariff schedule for the current or previous tariff year may be added to, removed or changed;*

*(c) a tariff may be added to the tariff schedule at any time during a tariff year;*

*(d) it may include network charges;*

*(e) it cannot be made for distribution non-network charges.*

## RECOMMENDATION

- To improve food security for all Queenslanders, and to ensure the long term viability of dairies, bakeries and aquaculture businesses in regional Queensland that cannot time shift their electricity usage away from peak demand periods, the Queensland Government should introduce an Essential Food **Retail** Tariff for Ergon Retail in 2025-26

## Conclusion

The Ministerial Delegation does not require the Queensland Competition Authority to measure the impact of its retail electricity price decisions on different types of residential and business customers of Ergon Retail.

This means that for years the Queensland Government has been in the dark on the impact of QCA's pricing decisions on the economy, jobs and living standards of regional Queensland.

Yet there is clear statistical evidence that regional Queensland is at the epicentre of power bill pain and food insecurity in Queensland.

Implementing the recommendations in our submission will help to reduce the Cost of Living and Cost of Doing Business Crises – crises that by the day, are growing in both depth and breadth.

Regional Queensland is surviving but it needs affordable electricity to thrive.

The Queensland Government has the power to set retail electricity prices and tariffs for Ergon that will allow regional Queensland to thrive.

A thriving regional Queensland will help the Queensland Government to reduce the growing state debt.

We would welcome the opportunity to discuss our submission further.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'J Brownie', is positioned above the printed name.

Jennifer Brownie

Coordinator

Queensland Electricity Users Network