

27 February 2015

Queensland Competition Authority
GPO Box 2257
Brisbane Q 4001

Dear Sir,

RE: Draft Determination – Regulated retail electricity prices for 2015-16

Thankyou for the opportunity to make a submission on the draft determination.

The Queensland Farmers' Federation (QFF) collectively represents primary producers in Queensland's intensive agriculture industries: sugarcane, cotton, horticulture, dairy, nursery production, chicken meat, flowers, eggs and pork. We also represent local irrigator groups and emerging industry groups such as organics and aquaculture. QFF engages in a range of economic, social, environmental and regional issues of strategic importance to the growth, profitability and sustainability of the sector.

QCA notes in the Draft Determination (page iv) that 'customers can expect relief from the large network price increases experienced in recent years' based upon the Ergon and Energex submissions to the AER. QFF's submission to the AER noted that irrigation farmers will still face difficulty coping with the price increases proposed by the networks coming on top of the high levels of current electricity prices. In addition, irrigators still face additional annual increases to achieve transition to regulated tariffs by 2020 and QCA proposes to cap the increase at 5% for the next financial year on the basis of anticipated increases to standard business tariffs.

Under these conditions, the competitive position of our irrigation farmers is expected to continue to be eroded next year, and over the next five years. QCA, acting within the current terms of reference, will not address these issues. QFF has called on the AER to take action to reduce projected revenue requirements of both Ergon and Energex to address inefficiencies of capex and excessive proposed rates of return and the flow on impacts to opex. Also, QFF has drawn attention to AER efficiency benchmarking which highlighted that both distributors and particularly Ergon has significant improvements to make to lift efficiency ratings to the levels of better performing distributors across Australia.

QFF Members

CANEGROWERS

Cotton Australia

Growcom

Nursery & Garden Industry
Queensland

Queensland Chicken
Growers Association

Queensland Dairyfarmers'
Organisation

QFF Associate Members

Queensland Chicken Meat
Council

Flower Association of
Queensland Inc.

Pork Queensland Inc.

Queensland United Egg
Producers Ltd

Pioneer Valley Water Co-
operative Ltd

Central Downs Irrigators
Limited

Burdekin River Irrigators
Area Committee

**Emerging Primary
Industries Groups**

- Australian Organic
- Queensland Aquaculture
Industries Federation

Comments on specific proposals in the Draft Determination are as follows:

Section 3 Network costs

New regulatory period – QCA should set notified prices based upon the submitted network prices to the AER preliminary revenue determination released on 30th April.

Reclassification of metering services – Metering services are to be charged separately on electricity bills and it is understood that it is a matter for the State Government to decide whether a uniform tariff policy will apply to these services. It is expected that this unbundling will result in higher metering costs for some farmers.

Solar Bonus Scheme - The impact of the Solar Bonus Scheme costs relating to Feed-in-Tariffs (FiT) is very significant. Ergon's AER submission forecasts annual FiT costs of \$105 million per year and Energex \$182 million per year for the new regulatory period to 2020. It is an issue for the State Government to decide whether these costs can be removed. The Newman State Government had committed to removing these costs from electricity prices.

Distribution tariff structures - QCA proposes to use Energex tariff structures for flat rate tariffs and Ergon's for time-of-use tariffs by reducing the overall level of the latter to Energex price levels. QCA argues that this approach will encourage a greater number of customers to adopt time-of-use tariffs and cost increases would be less than alternative approaches for more customers. This change will benefit some farming customers but not others. QFF and members have not been able to access the data required to adequately analyse the impact of these proposals on farmers. It is expected that the tariffs will be useful for some farmers whose systems are amenable to shifting their time of use but for most the irrigation requirements in the summer months necessitate extended daytime pumping. In addition, many farmers have to pump their water when river flows permit which may not fit with off peak periods.

Energy, retail cost assessment and other issues – QCA continues to apply approaches used in previous determinations to estimate these costs. It is difficult to make any judgements about efficiencies of these costs without a significant review of these costs.

Transitional arrangements – QCA proposes to maintain transitional arrangements but continues to apply annual increases for these tariffs (5% proposed for next financial year) to bridge the gap to notified tariffs. QCA indicates that a 'vast majority of customers would be better off on a standard business tariff' although some would be significantly worse off (page 38 Draft Determination). QFF supports QCA proposals to allow business customers to continue to access transitional tariffs and retain transitional tariffs for 2015-16 (ie for transitional tariffs 20 large, 21, 37, 62, 65, 66 22 small and large). However, it is uncertain how a smooth transition is to be achieved for the irrigation sector as the networks move to implement their future tariff proposals. It is expected that the gap to achieve notified tariffs will still be significant for some farmers.

QFF also seeks clarification in regard to switching time-of-use tariffs. In particular, if an irrigator chooses to shift to trial Tariff22a during a season, will there be any constraint on them shifting back to a transitional tariff of their choice?

QCA's annual tariff determination process does little to address the uncertainty faced by many irrigation customers about future electricity costs and how they can adjust their operations to cope with the eventual implementation of regulated tariffs. QFF has little confidence in moving forward with this process unless the State Government can address a range of policy issues. While QCA may be correct in assessing that a vast majority of customers would be better off on standard business tariffs it would be expected that irrigation customers will be reluctant to move off transitional tariffs when they are uncertain about future tariff structures planned by the networks.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'D Galligan', with a large, sweeping flourish extending to the right.

Dan Galligan
QFF CEO