

**SUBMISSION ON QUEENSLAND PRODUCTIVITY COMMISSION
ELECTRICITY PRICING INQUIRY DRAFT REPORT**

11 MARCH 2016

Mr K. Wood
Principal Commissioner
Queensland Productivity Commission
PO Box 12112
George Street
QLD 4003

11 March 2016

Dear Commissioner Wood.

The Queensland Farmers Federation extends its gratitude to the Queensland Productivity Commission for the opportunity to make a submission on the Commission's Electricity Pricing Inquiry Draft Report, dated 3 February 2016.

Queensland Farmers' Federation (QFF) is the peak body representing and uniting 16 of Queensland's rural industry organisations who work on behalf of primary producers across the state. QFF's mission is to secure a sustainable future for Queensland primary producers within a favourable social, economic and political environment by representing the common interests of its member organisations. QFF's core business centres on resource security; water resources; environment and natural resources; industry development; economics; quarantine and trade.

Our goal is to secure a sustainable and profitable future for our members, as a core growth sector of the economy. Our members include:

- CANEGROWERS,
- Cotton Australia,
- Growcom,
- Nursery and Garden Industry Queensland,
- Queensland Aquaculture Industries Federation,
- Queensland Chicken Growers Association,
- Queensland Dairyfarmers Organisation,
- Queensland Chicken Meat Council,
- Queensland United Egg Producers,
- Flower Association of Queensland Inc.,
- Pork Queensland Inc.,
- Australian Organic,
- Pioneer Valley Water Co-operative Limited,
- Central Downs Irrigators Limited,
- Burdekin River Irrigators Area Committee, and
- Fitzroy Basin Food and Fibre.

QFF represents the interests of all farming sectors across Queensland and acknowledges that the average operator expense devoted to energy and energy-intensive purchases varies considerably by farm commodity specialization. A significant proportion of regional variation in on-farm energy expenditure across Queensland is the difference in types of agricultural commodities grown and the use of energy-intensive farming practices, such as irrigation with groundwater. Whilst some farms have access to public water supplies, many farms pump water from bores and ground/overground water sources. Most pumping is done with electricity, but pumps in remote locations may use diesel amongst other fuels including renewables.

QFF's submission considers energy consumption on farm and the potential for energy production on farm. The relevant industry bodies representing the agricultural industries, including irrigators will be making submissions outlining typical energy use and trends for their individual farming and irrigation sectors.

QFF notes that it is extremely difficult to make holistic comment to what is a single component of a larger and uncertain process. Unfortunately, there is a lack of overall vision and ownership of Queensland's rural and regional agenda, and also of Queensland's agricultural sector. Within the context of a lack of long-term leadership, coupled with piecemeal processes, critical strategic planning has been deficient. As such, Queensland's agricultural sector and also regional communities warrant specific investigation to identify critical issues impacting electricity demand, supply and pricing. QFF notes that the issues go beyond simply demand or tariff matters as implied within the QPCs report.

Despite a period of 'transitional tariffs' there has been no implementation to date of, (or provision for), a Transitional Program to support the changes required to practice, process and behaviour of regional and rural communities and businesses. **QFF therefore requests the immediate provision of resources to facilitate a structured and transparent Transitional Program.** These measures include, but are not limited to:

- Detailed and transparent supply-side planning for regional and rural communities which informs the development of a range of suitable tariffs which promote a balance between centralised and decentralised power supply;
- Removal of the non-reversion policy (in line with Recommendation 35);
- Ability for agri-businesses to select and change to different tariffs free of charge to take into account seasonal variance and longer-term changes to weather patterns;
- Support for vulnerable customers including but not limited to continued provisions for drought-specific tariffs;
- Support of Recommendations 41-43, taking care that the pending outcome of AMEC's determination does not delay the commencement of the Transitional Program provisions;
- Opportunities for 'energy farming' within regions which must be supported by transparent supply agreements and the ability of energy farmers to supply excess generation back to the local grid;
- Support for the installation of appropriate metering and billing for agricultural users upon request, so that users can make business decisions and provide business cases for future tariff selection to increase future productivity.

Background

Over 307,000 people are directly employed in agriculture across Australia, of which over 55,000 are employed in Queensland¹ which is the biggest employer in rural and regional communities. Australia's 135,000 farmers produce enough food to feed 80 million people providing 93% of the domestic food supply, and supports an export market valued at more than AU\$41 billion per annum (over 13% of export revenue), according to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)². With population growth and rising personal income, the emerging middle class in Asia provides the major market for over 60% of Australian agricultural exports².

In supplying the increasing demand for food in the region, Australia faces some serious competition and major institutional impediments - rather than to rely on global markets, most of the world's most wealthy industrialized countries have sought to protect their farmers from competition through maintaining high import tariffs, import quotas and direct price support-mechanisms but not Australia. The sector also continues to struggle with falling commodity prices to some sectors and declining profitability.

QFF notes that electricity prices in Australia are higher than overseas jurisdictions³, disadvantaging our commodity exports on the global market. A communique from Australia's Agricultural Industries Electricity Taskforce (March 2015) detailing this issue and impacts to overall productivity is included as an attachment to this submission (see Attachment 1).

More than any other sector of the economy, agricultural productivity in Australia is highly dependent on seasonal variations in rainfall and access to a reliable water supply which in most cases, can only be secured through a sustainable electricity supply. Changes to weather patterns are influencing both the intensity and duration of rainfall and thus redefining the suitability of many areas for farming; and resulting in many irrigators having higher-than-average load factors compared to other energy consumers. For some farmers, changes to rainfall patterns and water shortages will inevitably mean surrendering their farms as production falls and the level of farm indebtedness becomes unsustainable. The government therefore has a role to assist agri-businesses to manage this risk and ensure future food security.

Significant investments in infrastructure and technology, and growing innovation across the sector will provide some opportunity, but as agriculture is and will always remain a high risk industry, the sector often fails to attract the required investment capital. Historically, farmers have responded to their eroding terms of trade by increasing productivity – in many cases this requires access to water which in turn can only be achieved and guaranteed by the corresponding access to power.

¹ Queensland Treasury and the Department of Education and Training, Jobs Queensland Occupational Data, 2016.

² Australian Bureau of Agricultural and Resource Economics and Sciences. (2014). Agricultural Commodity Statistics.

³ CME. (2012). Electricity Prices in Australia: An International Comparison. A Report to the Energy Users Association of Australia.

Energy Efficiency and New Generation

QFF acknowledges that farm operations adapt to higher energy (and fertilizer) prices by shifting to more energy-efficient production practices and input use. In some cases, higher production costs due to increased energy prices lower net producer returns, and farmers respond by reducing overall production. In other cases, farmers respond to higher energy prices by finding other ways of reducing or otherwise offsetting their energy purchases. For example, the installation of off-grid energy generation capacity including solar photovoltaic and use of stand-alone diesel generation on end-user premises. If electricity prices increase in the future, more farms may find on-farm power generation (in terms of substitution of grid power through to 'renewable energy farming') profitable. Many new technologies now permit for the continuous access to energy (for example, solar with storage), coupled with decreasing technology costs are seeing some farmers installing generating capacity to manage peak demand or more. Where grid technology permits, the opportunity for feed-in to the grid should be permitted and a suitable rebate paid to farmers where new generation capacity is avoided. **QFF supports the feed-in of excess energy generated on-farm where the grid-connection technology and regulation permits; and perceives opportunity for farmers to include 'energy farming' into their businesses. Whilst energy efficiency and progress towards low-carbon electrical generation are critically important, they should not be seen to be a solution to poor grid-electrical supply or a poor tariff structure.**

Increasing Retail Competition, Regional Queensland

The case of inadequate competition in regional Queensland is a significant issue however, the full opportunities created by competitive choice have not been fully investigated and articulated to rural and regional communities. QFF strongly supports opportunities to increase retail completion in regional Queensland in principle. However, the net costs of moving to a network CSO are stated in the QPCs report to range from \$90-\$150 million. Ergon Energy Corporation distributes electricity to approximately 720,000 customers throughout regional Queensland, from Stanthorpe in the south, to the Torres Strait in the north and to the western border with the Northern Territory⁴. **These stated costs appear to be significant when divided between the number of regional customers or even accounts (acknowledging that there are more accounts than customers), and therefore we request further examination by QPC of these figures. And if they are correct, critically determine and model what the impacts to a future network CSO are likely to be. QFF understands that there is ongoing government support for the continuation of the CSO and Uniform Tariff Policy (UTP) to ensure that regulated prices for regional customers reflect the costs of supplying customers in the south-east⁵.**

In order to facilitate competition in the shorter term (where it exists), **QFF strongly supports Draft Recommendation 35, that the 'non-reversion' policy should be removed from the Electricity Act 1994 and the restriction on Ergon Energy (Retail) competing to retain existing customers should be removed.**

⁴ IBISWorld. (2015). Profile Company Report: Ergon Energy Corporation Limited.

⁵ Queensland's Competition Authority, Regulated retail electricity prices for 2015-16, June 2015.

QFF also supports Draft Recommendations 41-43, namely,

- **The Queensland Government should identify, and where appropriate remove, state-based barriers to local options for third party supply of electricity, to support cost effective energy supply.**
- **The Queensland Government should await the outcome of the AEMC's determination on a proposed national rule change to enable local generation network credits, rather than consider any state-specific arrangement.**
- **The Queensland Government should encourage least-cost innovative solutions in isolated systems, with possible options including: providing incentives for Ergon Energy's new holding company to look at cheaper supply options; piloting a third party arrangement; and identifying the level of CSO subsidy for each isolated system so that third parties can assess whether their involvement is feasible.**

However, the Queensland Government must ensure that awaiting the outcome of AEMC's determination do not delay the positive and immediate action required. These recommendations must also be considered in the context of a wider strategic review for rural and regional Queensland and include a planned response to deal with renewables and energy-storage technologies in the context of the national and local (micro-) grid.

Future Outcomes and Uncertainty

Farmers make immediate choices in response to shocks and longer term decisions based on their expectations. Part of these expectations depends on prospects for transition to new energy sources and the impact of government choices with respect to tariff design.

The Queensland Government must be agreeable to be more interventionist as it seeks to resolve tensions in the energy sector but, as it does so, it faces great challenges with regard to policy coherence. Input prices provide valuable information for the formulation of government policies and programs aimed at promoting efficiency, stability, growth, and equity in the agricultural sector. Energy costs are of utmost concern not just to farmers, but to consumers who face these costs embedded in the price of their food.

QFF recognises that network assets are very long-life assets and the consequences of under-building assets can be catastrophic; and that there is a genuine need to replace ageing infrastructure. However, regulatory decisions and overinvestment in both generation and distribution infrastructure have been based on incorrect forecasts of rising demand; despite demand actually falling and all indications that it may fall further, particularly as larger users leave the grid. QFF recognizes that whilst grid connections are not always reliable in rural and remote areas, they do provide 'back-up' power for farmers, their families and the broader community.

A significant issue for agribusinesses, particularly processing, is the reliability of supply. Stakeholder feedback to QFF has highlighted the decreasing electricity-grid reliability experienced by many farmers and ancillary activities (such as processing and pumping of water). In some regional areas, reliability has been an ongoing issue and, in some cases, is decreasing. Disruption in electrical supply results in processing down-time, and unnecessary wear and tear on machinery, reducing the life-span of critical assets and infrastructure including energy efficiency measures.

This factor is further informing decisions to go off-grid and impacting the long-term viability of the electrical distribution network in these regional areas particularly as distributed energy storage opportunities present (energy storage device that is located on a customer's premise and behind the customer's meter). Security and reliability have historically been a significant driver in electricity prices in Queensland and whilst consumers value reliability very highly, they may not wish to pay for this; and with the increasing commerciality of off-grid generation technologies, the decision-making process to move off-grid for some is becoming more rationalised and more attractive. ***QFF would welcome the QPCs investigation into the opportunities for 'tariff adjustments' to reflect reliability.***

Modelling undertaken by Energeia⁶ has concluded that around 40 small towns, particularly those at the edge of the grid, will find it more cost effective within a few years to cut the main link and provide the power with local generation, principally solar and battery storage, and a growing number of larger, regional towns that will fit this category by 2025; subject to amendments to regulation to allow the true cost to be reflected. One of the biggest barriers to towns leaving the grid is the cross-subsidy paid to provide networks to regional towns. This is particularly visible in Queensland where in the Ergon network, the average network costs alone to regional towns amount to around 20c/kWh⁴. This links back to Recommendations 41-43.

QFF does recognize the potential of a micro-grid model as a 'safety net' and cost-effective approach to increase the reliability of electricity supply above current grid levels and which can be accompanied by cost measure benefits of 'local energy trading system' – where utilities can provide customers with solar and storage and allow their output to be traded in a suburban network. Such approaches require significant changes in the way incumbent utilities (for example Ergon), manage their business models and will require networks to look to a more 'distributed' model, while the implications for centralised generation, and for retailers, will also be significant. ***As such, QFF suggests that there is significant opportunity for further investigation into the consequences for regional communities regarding these issues.***

Technological change and falling cost of capital have introduced opportunities for decentralised solar power generation and storage in batteries and also diesel generation on many farms to reduce peak demand and therefore reduce demand for investment in increased network capacity. QFF understands that whilst peak demand drives investment, aggregate demand is important for recovering costs, because you recover over the total demand, and that determines prices. Energex for example, has previously noted that "deteriorating network utilisation as total energy consumption has moderated is forcing up network prices as the costs of providing, operating and maintaining the network are spread over a lower consumption base whilst maximum demand remains at record levels"⁷. The current policy-approach attempts to use tariffs to achieve 'actual' change, however, this is a blunt instrument if not coupled with appropriately designed supply-side policy.

⁶ Energeia. (2013). Over the Edge: The Australian Outlook for Embedded Microgrids to 2027.

⁷ Mr Darren Busine, Acting Chief Executive Officer, Energex Limited, Select Committee on Electricity Prices. Proof Committee Hansard, 3 October 2012, p. 27

There are a number of questions surrounding the relationship between demand reduction and electricity prices for regional areas, where high prices provide incentives to use the network less must be answered/modelled following a clear and decisive policy direction by the Queensland Government. However, this ongoing uncertainty may result in more agri-businesses, amongst others, choosing to leave the current grid network (moving to a decentralised model), and concentrating further impacts for those who remain.

In January 2016, Professor Ross Garnaut released a paper⁸ stating that “forcing high network charges on consumers in the face of declining use of the grid would impose a bigger penalty on consumers and businesses than a consumption tax, or even a carbon price. Metrics including the falling cost of renewables, reduced demand levels, should be applied to network assets to ensure that the network was priced properly...and the first step towards rational pricing is to write down the value of redundant grid capacity”. Further description of these issues as they impact agriculture is contained within Attachment 1.

It is essential that distribution networks are aware and understand the nature of off-grid and/or additional generating capacity. Ergon Retail has advised QFF of ‘forecasting fright’ where dynamic load events (such as storms) have impacted solar generation in particular, leading to unplanned load demand. A comprehensive knowledge of new generation capacity installed by farmers (and others) will also allow distribution networks to better manage local supply and demand. A role for both retailers and distribution networks will be the communication of appropriate technologies for those customers installing generation capacity (for example, as specified under AS4777 to ensure inverters have trading capability) to permit trading opportunities back to grid.

QFF recommends that the QPC investigate and provide recommendations for networks to address supply-side planning in regional communities.

Future Tariffs

The significance of agricultural input prices to farmers choices can hardly be overstressed. The responsiveness of farmers to changes in input prices is significant, not only to output supply (production level), but also to the productivity and thus profitability of farmers, the welfare of consumers, and the export earnings of Queensland and, more broadly, Australia.

Future network pricing structures must introduce incentives for efficient investment (for maintenance) in the grid into the future, which is commonly accepted to be an economically efficient pricing structure that charges mainly for the use of peak capacity, and avoids purely fixed charges for access to the grid. There must be due consideration and investigation into the mechanisms for encouraging farms to maintain their grid connection into the future whilst still encouraging the efficient use of decentralised power generation (including but not limited to solar and diesel) and storage to minimise overall costs of using power (particularly peak); whilst also reducing the network costs associated with supply peak demand.

⁸ Garnaut, R. (2016). Australia after Paris: Will we use our potential to be the energy super-power of the low-carbon world? Public lecture hosted by the Young Energy Professionals, State Theatre Centre of Western Australia, Perth 21 January 2016.

Current demand-side tariffs simply focus on peak use from individual users/farmers, rather than network peaks, signifying that they are more about revenue security for the network provider than economically efficient tariff structures. **QFF suggests the formulation/design and communication of new tariffs (for all users) which promote a balance between centralised and decentralised power supply for regional areas that reduces overall costs for both users and the network supplier. Tariff design must also take into account the wider policy opportunities for minimizing unintended consequences or negative behaviours which would undermine the reduction of greenhouse gas emissions, ensuring a reliable energy supply, and its impact on economic activity (energy markets and their regulation). There is customer uncertainty regarding the initial impacts of demand-tariffs, many of which are anticipated to be negative.**

Examples of international tariffs and farm-specific grants can be seen in Appendix 1.

Development of a Transitional Program

QFF has a number of concerns regarding the 2020 proposed timeframe outlined for the phasing out of transitional and obsolete tariffs most notably that over 35,500 regional electricity connections are still on these tariffs.

From dialogue with critical stakeholders, QFF does not believe that the information and communication provided by Ergon to Queensland's agricultural sector regarding new tariff opportunities has been satisfactory, as evidenced by the high number of users still connected to these tariffs, despite a stated "25% of these customers being better off on standard tariffs".

According to Ergon "In late 2014, Ergon engaged with around 2000 customers, covering 2,800 accounts to explain the benefits of changing tariffs – less than 100 customers moved to an alternative tariff"⁹. It is understood that all of these customers/accounts contacted had been identified as being 'better off' on the standard tariffs.

Whilst the nature of Ergon's 'engagement' was not specified, the poor adoption of new tariffs, (by those who would benefit) implies either a lack of trust in the process and/or that the engagement technique was inappropriate. A single communication (by letter or phone) for example is insufficient to educate electricity users on the range of options and opportunities available to them. Ergon Energy's submission went onto state "that there is a general lack of consumer understanding in Queensland of the market structure, key players, the regulated process, how prices are established, the UTP in Queensland and how this compares with other regions etc. In the absence of understanding, consumers are unlikely to proactively participate in market initiatives and as such, Ergon Energy recognises the need for more targeted engagement on these issues".

QFF suggests that the transition of any customers to new/continuing tariffs must be a priority, however, this will require focused communication and education campaign using local regional resources to meet directly with critical stakeholders.

⁹ Ergon Energy's submission to the Issues Paper. Dated 18 November 2015.

QFF has dealt directly with a number of farmers across a range of farming sectors who did not understand the information provided on energy bills, or how to interpret this information to their benefit. This has also led to QFF concerns as to how many farmers check their energy bills for correctness.

Smart meters (or interval meters acknowledging limitations in some regional communications networks) at end-user premises are required, as opposed to simply metering energy use for bulk billing purposes to provide usable information. In many cases, larger agricultural users have been mandated to 'upgrade' their metres at their own cost. Smart meters allow both distributors and end users to have better information on how energy is consumed, and to better control that use, including in the use of end-user generation systems. According to the Energy Networks Association *"As technology and energy markets develop rapidly, smart meters and other devices will benefit individual consumers. Customers should receive practical information and more rewarding tariff structures that match their needs; be able to control their energy use to get better deals and participate in new markets, such as exporting energy to the Grid through solar panels or supporting energy storage options as these develop commercially"*¹⁰.

One of the challenges of making use of smart device technology is the quantity of data that requires storage, analysis and presentation in a meaningful way. This may require additional computing and software infrastructure which has an associated cost. Given the diversity of activities and scale of some farms, this can require the management of several datasets. The full utilisation of this technology also requires consistent and robust internet, wireless/cable, access via mobile devices and, in some cases, cloud access which unfortunately is insufficient in some regional areas. Such systems can also be designed to notify land users of power failures, mechanical shut-down and location of faults, minimising downtime and cost and streamlining valuable resources, including man-hours.

The installation of appropriate meters is a priority for many agricultural end-users and QFF supports Draft Recommendation 37. Without detailed information on their usage, it is not possible to determine appropriate tariffs and any benefits from moving between tariff options to reflect off-peak or seasonal variations/changes to on-farm activities. A lack of interval metering makes it impossible for customers to access cost benefits of energy efficiency and demand management options. Some larger energy users have been required to upgrade their meters but this has come with large associated costs which smaller farmers cannot bear. ***As such, QFF suggests an immediate plan to fund and install new and appropriate meters to nominated agricultural users. QFF notes that this fund must also include provision to cover the related costs associated with the installation of new meters including asbestos removal and any electrical upgrades necessary to meet current safety and regulatory standards.***

Further stakeholder discussions have raised a number of matters regarding metering and tariffs including, but not limited to:

- Incorrect dates on electricity metres which have a direct impact on those using off-peak tariffs.

¹⁰ Changing the Face of Energy Management. Electrical Comms Data. Jan/Feb 2015. Vol. 14 No.6. Pp32-34.

- Perverse (agri-)processing outcomes for those on monthly tariffs (meaning that whatever peak is reached in that month then that is what they pay that month) which lead to production and processing delays.

QFF requests the commissioner's consideration of these matters.

QFF has been supporting farmers to recognise opportunities for energy efficiency through the 'Queensland Farmers Federation Irrigation Energy Savers-Network Demand Management Project'. This process is currently ongoing and it is unlikely that all case studies will be fully disseminated before 2017. As such, for those farmers negatively impacted by tariff changes, guidance on alternative technologies and practices from a trusted source is not immediately available. QFF also notes that these audits are typically suggesting moving between transitional/obsolete tariffs, for example from Tariff 62 to Tariff 22. This is simply creating an ongoing transitional period as opposed to a transitional program away from these impacted tariffs.

QFF recognises the efforts made to date by the Department of Energy and Water Supply with regards to their 'Tariff Calculator' specifically designed for regional farming and irrigation customers, (see <https://www.dews.qld.gov.au/electricity/saving/irrigators/tariffs>). However, farmers must be able to sufficiently understand their current billing to provide correct data for the calculator to provide a meaningful outcome. Additionally, the tariff calculator cannot process the different levels of customer demand and different demand charge thresholds involved with the standard tariffs for large customers over 100 MWh per year. So whilst regional farming and irrigation customers with relatively smaller operations could use the Tariff Calculator to check that they are on the best tariff (both transitional and cost-reflective tariffs) for their particular situation, it does not inform larger energy users which of the transitional tariffs (but not cost-reflective tariffs) is best for them.

Larger members can consult with an Ergon Energy Advisor (telephone 1300 135 210), however feedback received from QFF stakeholders indicates that this service is only a 'general contact number' and is not providing sufficient information and assistance to those who have utilised the service, particularly with regards to billing enquiries. Requests by farmers for a direct contact (department or designated point of contact) to deal with a range of issues from billing to installation queries are being rejected resulting in frustration where matters have to be reiterated to new personnel every time they call.

QFF makes the following recommendations:

- **Standardisation of electricity billing so that farmers can easily determine their usage and charging, and to facilitate the comparison of electricity tariffs.**
- **Examples of new tariff opportunities based on historical/current usage being supplied to farmers with every bill as suggested in Draft Recommendation 36.**
- **Ability for farmers and processors to switch tariffs including 'on-demand tariffs' (and return to previous tariffs) to reflect seasonal changes and operational times free of charge. Currently farmers can only switch once before charges are incurred and there is contradictory feedback regarding permissions to switch from demand-side tariffs. QFF understands that in order for farmers to take advantage of tariff-switching opportunities, an interval meter is often required which immediately excludes farms with older style meters.**

- ***A designated ‘Agricultural’ (Ergon supplied) phone number and point of contact during the four year transition period to facilitate the communication and education processes; and to expedite queries and tariff transitions up to 2020.***
- ***Revision of the 100MWh delineation for larger customers which is leading to perverse network outcomes. Large customers cover a wide variety of customers with energy consumption typically greater than 100MWh pa who are not otherwise classified as an Individually Calculated Customer (ICC energy use more than 40GWh pa), Connection Asset Customers (CAC energy use more than 4GWh pa) or Embedded Generator (EG). QFF therefore requests the revision of this categorization to 150MWh for all users.***
- ***QFF supports, in principle, Draft Recommendation 40 (customers have all of the necessary tools by no later than the start of 2017-18 tariff year). However, without a clearly quantified and resourced ‘Transitional Program’ for those customers who have been identified as being worse off with phasing-out transitional and obsolete tariffs, QFF does not believe that the timeframes identified in Draft Recommendation 40 can be achieved, and therefore cannot support the 2020 deadline. Many impacted customers do not have appropriate meters in place, lack historical and current usage data, have insufficient information on the new tariffs and therefore are unable to fully analyze tariff impacts.***

Tariff Reforms and Impacts on Vulnerable Customers

QFF welcomes the Draft Report’s acknowledgement that some parts of regional industries will remain highly vulnerable to electricity prices with the removal of legacy transitional and obsolete tariffs; and, furthermore, that the terms of reference specifically consider the electricity concessions framework, noting that electricity rebates are inefficiently targeted and do not assist the most vulnerable customers.

QFF does not agree with the report statement that there is “no compelling case to continue to subsidize electricity prices for very large customers (those consuming over 4GWh per annum) in regional areas” (p147). Some of these large customers include cotton gins¹¹ and other significant agricultural assets which provide the necessary processing provision to permit farmers to get their goods to market in the best quality, value-adding to a product and therefore achieving the highest commodity price possible. These larger users (including, but not limited to the agricultural sector) also typically provide significant employment and skilling opportunities within regional centres.

QFF supports the extension of the Queensland Government general Electricity Rebate scheme to include Commonwealth Health Care Card holders, such as Farm Household Allowance recipients who get a hardship payment for a three-year period in a farming career (Draft Recommendation 45).

QFF also supports the provision of a Queensland Government Financial Grants Program to help significantly impacted businesses to adjust, (Draft Recommendation 38), and to assist

¹¹ Benchmark electricity use is found to range between 44-66 kWh per cotton bale, with national average being 52.3 kWh. The electricity consumption for different gins is linearly correlated with bale numbers produced. Reference: Ismail, Siti Amni (2009). *Assessment of energy usage for cotton gins in Australia*. [PhD Thesis Research] (Unpublished).

in making capital investments for any infrastructure conversions required to improve energy use efficiency, manage demand where possible and reduce costs.

The grants program needs to be linked to and informed by the government's provision of meters previously discussed and the 'Queensland Farmers Federation Irrigation Energy Savers-Network Demand Management Project' audit programs to accurately identify those in need and likely effective approaches. There should also be a mechanism for further individuals to make a case for eligibility against set criteria (Draft Recommendation 39).

QFF therefore makes the following recommendations:

- ***Vulnerable individuals eligible for electricity rebates must include farmers and grazier Farm Household Allowance recipients.***
- ***A flexible financial grants program should be provided to help vulnerable businesses to adjust to more cost-reflective pricing and include assistance towards infrastructure conversions.***
- ***Funding for the installation of new 'smarter' metres for farmers (upon request by the farmer and without further commitment to purchase goods and services).***

Thank you for the opportunity to provide comment on Draft Report on the Energy Pricing Inquiry released 3 February 2016. If you would like to discuss any aspect of the QFF submission please contact Dr Georgina Davis on 3837 3727.

Yours sincerely,



Ruth Wade
Chief Executive Officer.