QUEENSLAND FARMERS' FEDERATION

18 May 2015

Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Dear Sir/Madam

RE: Further Consultation Paper – Regulated retail electricity prices for 2015-16

Thank you for the opportunity to make a submission on the further consultation paper.

It is recognised that the scope of this further consultation is limited as per the April 2015 Delegation and may be affected by a number of imminent announcements, including:

- Notification by the Network Businesses of their proposed network tariffs and prices on 21 May 2015.
- A QCA determination about solar feed-in tariff prices in Queensland due on 20 May 2015.

The Queensland Farmers' Federation (QFF) collectively represents primary producers in Queensland's intensive agriculture industries: sugarcane, cotton, horticulture, dairy, nursery, 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. QFF provides this submission without prejudice to any additional submissions provided by our members.

The producers represented by QFF are extremely diverse and include farms and on-farm activities such as extensive irrigation and/or energy-intensive on-farm processing. On-farm electricity demand and consumption for irrigation is often related directly to weather conditions, so that in a hot, dry year, farmers will irrigate significantly more than cooler, wetter years. Similarly, farms with on-farm packing and processing include large packing sheds and refrigerated stores with high consumption and little time-of-use flexibility as produce needs to be promptly processed and packed. It is therefore difficult to predict on-farm consumption patterns and determine the most suitable tariff in advance as they can vary day-to-day.

In the QFF's submission to the AER, we noted that irrigation farmers will face difficulty coping with the price increases proposed by the networks on top of the high current electricity prices. Irrigators face additional annual increases to achieve transition to

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regulated tariffs by 2020 with the QCAs proposed increase of 5% for next financial year on the basis of anticipated increases to standard business tariffs.

With continuing utility cost increases, the competitive position of our irrigation farmers is expected to continue to be eroded over the next five years.

The QFF supports QCA proposals to allow business customers to continue to access transitional tariffs and retain transitional tariffs for 2015-16. QFF remains concerned about the transition for the sector as networks move to implement their future tariff proposals with frequent changes to tariff structures, highlighted by the introduction of Tariff 22A to replace Tariff 22.

QFF wish to reiterate the concern that switching to time-of-use regimes 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. Similarly, the timing of on-farm packing and processing is driven by a range of factors and may have little time-of-use flexibility.

QFF welcomes action taken by the AER to reduce projected revenue requirements of both Ergon and Energex to address inefficiencies of capex, the excessive proposed rates of return and the flow on impacts to opex. QFF recognises that these should result in savings, and anticipates these savings being passed on to farmers. Table 1 of each of AERs determinations for Ergon and Energex predict a decline in average small business electricity bills of between 0.9% and 2.4% each of the five years of the 2015-20 period.

Consistent with the QCA commitments[1] and based on the above and the Energy Cost reductions in the Ergon Area (Table 8, Section 4.4 and Table 14, Section 7.2 of QCAs Draft Determination) the QFF does not support the QCAs proposal to increase transitional tariffs. These costs reductions indicate a case for a reduction in tariffs, including the transitional tariffs rather than an increase of 5% (Table 15).

QFF is concerned that the proposed Business Time of Use tariff (Tariff 22A) and the move towards Seasonal Time of Use Demand tariffs (Tariff 50) for larger customers has the potential to impact on farm costs. It is noted that these are optional and have suggested a number of approaches below to increase the understanding of these tariffs and work with producers to determine the cost implications prior to full implementation and the most suitable time for producers to switch tariff.

The QFF suggests that the Queensland Government consider further incentives to assist in meeting the capital costs for on-farm energy efficiency and demand management upgrades, recognising the benefits to the network, particularly in rural and remote locations. Although it is outside the scope of this review, the QFF sees the potential for farmers to continue to work with the Network Service Providers to alleviate network constraints where there is a suitable incentive for the farmer.

The QFF suggests two potential avenues to assist farmers in making the transition to Business tariffs, time-of-use tariffs and time of use demand tariffs, including:

1. *Transitional Billing Disclosure*, where the retailer provides transitional tariff customers with comparative information to assist them to understand their bill cost if they had elected to

[1] *Assuming that the price increases calculated for standard business tariffs occur, the QCA proposes to increase all transitional tariffs by 5% in 2015–16. If these anticipated price increases for standard tariffs do not eventuate, the QCA will reassess its position on transitional tariffs.* From http://www.qca.org.au/Electricity/Electricity-Prices-2015–16/Electricity-prices-2015-16/Electricity-Prices-Business-Tariffs

leave the transitional tariff (for example, a customer on tariff 66 would also get an itemized sample tariff 20 and tariff 22A bills based on their actual consumption).

2. *A Tariff-of-best-fit approach*, where at the end of a billing year, transitional billing disclosure customers can choose the most cost-effective tariff for the elapsed year, and seek a rebate of the difference between their annual billed amount and the lesser of the two tariff options. This approach may allow smaller farms to trial the STOUD tariffs in good faith with the option to revert to transitional tariffs if they are no better off during the transition period or for Ergon to trial STOUD tariffs for larger customers.

This approach, particularly the second option, would provide greater certainty to farmers making the transition to business tariffs.

Recommendations:

QFF recommends that the QCA:

1. Reconsider the proposed increase to all tariffs including the proposed 5% increase to transitional tariffs 62, 65 and 66 (Section 2.6) given the recent AERs determination.

2. Consider the *transitional billing disclosure* and *tariff-of-best-fit* approaches as outlined above for transitional tariff customers and to assist farmers in considering a suitable time to transition to tariffs 20 and 22A

3. Consider recommending that the Queensland Government provide incentives to assist farmers with capital investments for energy efficiency and demand management, particularly in constrained network areas where there will be a benefit to the Network Service Provider.

QCA's annual tariff determination process and the frequent change to tariffs 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 and its member producers would welcome greater certainty and predictability in the electricity market going forward so that farmers and producers can focus on production and product quality.

Yours Sincerely,

Joanne Grainger
QFF President