

**SUBMISSION ON QCA INTERIM CONSULTATION PAPER ON
REGULATED RETAIL ELECTRICITY PRICES FOR 2016-17**

29 JANUARY 2016

Queensland Farmers' Federation (QFF) is the peak body representing and uniting 15 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, and
- Burdekin River Irrigators Area Committee
- Bundaberg Regional Irrigators Group

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

Our submissions over the past twelve months in response to the AER five year review and Ergon and Energex future tariff proposals continue to express deep concern about the implementation of current and future electricity prices. Investigations being conducted into the implementation of the reforms are highlighting that the increasing cost of electricity is impacting on a significant proportion of farmers and particularly those on obsolete and transitional tariffs.

QCA's Interim Consultation Paper raises questions about approaches that could be adopted to pricing now that the 2016-17 determination applies only to the Ergon distribution area where it is noted that 'the opportunities to promote retail competition are more limited

than in previous determinations.’ The Authority also notes that they have to have regard to the Uniform Tariff Policy and other matters which include the impact of tariffs on customers. As in previous years the scope QCA has to address these issues is severely limited. For example QFF has little option but to support keeping notified prices at south east Queensland levels as prices would increase by 30% if Ergon eastern zone levels were adopted. The choice about which network tariff structure to use is also limited given the significant differences between the tariff structures adopted by Energex and Ergon for residential and small business time-of-use and non time of use tariffs. It is also difficult to see how energy and retail operating costs could be adjusted. However, there should not be provision for headroom given the very limited scope for competition in regional Queensland for large customers and residential and small business customers.

The Authority proposes to continue with the approach of escalating transitional and obsolete tariffs having regard to percentage increases in alternative regulated tariffs. However customers on these tariffs are given little respite from increasing costs as the Authority intends to escalate transitional and obsolete tariffs to ensure cost recovery levels are at least maintained and possibly improved when annual electricity cost increases are low. Transitional and obsolete tariffs are to be retained until 2020. QFF does not consider that this period will be sufficient to allow a range of customers to shift to regulated prices without incurring substantial additional costs. It is also recommended that access to transitional tariffs should remain open to new customers that are facing difficulty coping with alternative tariffs.

QCA has very limited scope to address the significant issues many farmer customers face in coping with current and future electricity charges. It is hoped the Queensland Productivity Commission will address these issues in the report to be released within the next month. The Authority must take into account the findings of the QPC report.

However, QFF is very concerned that without a significant change in policy direction on electricity prices many farming enterprises will not be able to cope with current tariff levels and proposed demand based tariff structures. QFF continues to support calls from our members for action to implement food and fibre tariffs that reduce electricity costs for farming.