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# Submission

13 May 2020

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Submitted online: http://www.qca.org.au/Submissions

Dear Sir/Madam

**Re: QCA Draft Determination: Regulated Retail Electricity Prices for 2020-21 (March 2020)**

The Queensland Farmers' Federation (QFF) is the united voice of agriculture in Queensland. It is a federation that represents the interests of peak state and national agriculture industry organisations, which in turn collectively represent more than 13,000 farmers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Australian Cane Farmers Association (ACFA)
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallawa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd.

QFF welcomes the opportunity to provide comment on the QCA Draft Determination for regulated retail electricity prices for 2020-21 (March 2020). We provide this submission without prejudice to any additional submission from our members or individual farmers.

***Summary***

QFF note the key areas that we wish to address in this submission are detailed below and can be summarised as:

- Propose an extension of the transitional/obsolete tariffs for a period of 12 months and access to the new proposed tariffs in the 2020/21 year.
- Removal of the solar bonus scheme.
- A request for suitable tariffs that reflect the requirements of highly seasonal industries.
- Target of 16c/kW tariffs.

***Pricing***

The QCA Draft Determination for regulated retail electricity prices for 2020-21 that was delivered in March, has yet to fully clarify a suitable suite of tariffs that are economically sustainable for the irrigated food and fibre sectors. The QCA is still yet to identify a precise pricing structure and how this is to be achieved within the cost build up components. QFF notes that the Queensland Competition Authority (QCA) has still yet to pass on network electricity price savings to farmers and other businesses on transitional and obsolete tariffs in their draft determination. It is disappointing that the QCA have yet to introduce a more flexible tariff structure for farmers that require electricity for their businesses at volumes that are season dependent.

As specified in our previous submission the supply of water is a paramount factor for irrigation and is in many cases dependent on electricity for facilitation. Without incorporating adequate pricing that takes into consideration electricity required for irrigation and other primary production purposes, the long-term viability of our agricultural industry remains in question.

There is also uncertainty in relation to the solar bonus scheme and pricing arrangements. In consolidating tariff pricing structures, the QCA should immediately seek direction from the Queensland Government if the solar bonus scheme is to be included and if not should be removed immediately from the pricing structure.

Electricity prices in Queensland need to be reduced to a sustainable level if we as a state are to have a long-term competitive advantage in the production of food and fibre. It is acknowledged that the market sets prices, but it is a market that lacks genuine competition. The market rules build in opportunity for excess investment to be incorporated into network prices then returning excess profit, policy uncertainty and a failure to plan for transition away from coal has reduced competition, which then means retail competition is limited.

We call on the Government to implement policy to ensure that there is an effective price ceiling of 8 cents per kWh for electrons and 8 cents for distribution, therefore for a total of 16 cents per kWh maximum.

The current pricing structure requires immediate attention for a flat rate of 16c/kWh with no demand tariff and no supply charge. Lowering costs will enable our primary producers to increase production, which in turn results in higher returns to the economy, ensuring long term stability in regional areas. Our farming community contribute significantly to rural development projects and jobs in regional areas, and thus are dependent on long term sustainable energy pricing to maintain economic viability. Installing sustainable pricing will contribute to a stronger economy and see farmers and irrigators continue in business as opposed to reducing farming practices to save costs or seek alternative electricity supply options.

QFF also seeks a comprehensive assessment of the costs and benefits of revising the electricity network and transmission businesses' regulated asset base (RAB) to efficient levels. It is known that the RABs in our electricity networks have been artificially inflated and inefficiently grown to excessive levels. Despite being subject to price/revenue regulation, network costs, profits and prices continue to appear to be excessive.

The questionable pricing arrangements given in the draft determination for regulated retail electricity prices, need to consider the delayed response from the AER, prior to making any changes to tariffs and price determinations. QFF understands that the delivery of new tariffs will be not be finalised as initially proposed due to the delay in the delivery of the AER's network determinations, however the QCA should publicise them subject to the approval and release from the AER. As such it is recommended that the QCA undertake to take on new tariff structures within the first quarter of the 2020/21 price year, as opposed to delaying further to allow users to assess what the new changes will mean to their businesses, as many regional businesses and communities will be affected by the new tariffs.

***Obsolete and Transitional tariffs***

QFF reiterates the requirements to extend the timeframes for transitional and obsolete tariffs T62, T65 and T66 beyond 30/06/2021, if new tariffs are not introduced by October 2020. Subsequently our position is that new tariffs are introduced by October 2020, to allow adequate timing for consumers to transition from the obsolete tariffs, which as it stands remains at 30/06/2021.

QFF with the support of our industry members request that T62, T65 and T66 remain in place until the 30/06/2021 and post July 2021 to give consumers time to assess the recommended alternative tariffs after introduction. Given that if the AER approve the replacement tariffs for T62, T65 and T66, then these new tariffs need to be implemented within the 2020/21 financial year. Unfortunately, not all of the current suggested alternative tariffs would allow some users to continue production due to the interruption of supply when continuous pumping is required for some irrigation schemes. In this instance farmers are having to look at alternative options of electricity to ensure production remains economically viable or reduce productivity to minimise costs, which results as an economic loss to their business in order to remain sustainable.

The future viability of many businesses is reliant on electricity pricing to continue production. The QCA need to reconsider alternative notified pricing to the current N+R approach which does little to factor in the transitioning of obsolete farming and irrigation tariffs to the demand-based tariffs for larger irrigators. The financial impacts by not accommodating a suite of tariffs for all primary producers, unfortunately will put some farmers out of production, or as previously noted, switch to alternative energy sources. QFF finds this unacceptable that for a state reliant on our primary producers to provide food security and provide a large portion of the state's fiscal revenue, that tariffs to accommodate the varying demands in electricity has yet to be implemented.

QFF has previously stated that providing a service that is uneconomical will only push more users off grid in search of alternative energy sources. The QCA has previously dismissed these concerns in the draft determination and as such QFF would like to point out that the longevity of companies supplying power, are reliant on consumers continuing to utilise their services, but without a suite of tariffs that are suitable to our primary producers, they will have little option but to seek alternative power supplies, in order to remain in business. Farming businesses already struggling to cope with unsustainable electricity price increases will be unable to continue operation at the current level or indefinitely post 2021 when these specific 'non-cost reflective' irrigation and small business tariffs are withdrawn.

It is unacceptable that the QCA continue to dismiss the concerns relating to more effective tariffs that allow farmers to maintain economically viable businesses, in isolation of the irrigation water prices, by stating that their role in determining regional electricity prices is governed by the Electricity Act in terms of delegation. Dismissing a concern that within the agricultural sector to utilise irrigation for farming as a separate issue, is something that needs to be made more transparent in the pricing structure, which as stated has been considered in the current draft determination, but not yet acted upon other than referencing the recent rural irrigation price review (2020-2024) which still has no clear direction on electricity costs in determining water pricing.

***Final consideration***

Due to the continuing increase in irrigation costs, without reductions in electricity pricing for farmers and irrigators a clear and concise overview of the pricing structure is needed to provide an economical service for producers, enabling them to remain on grid for the long term sustainability for both users and suppliers of electricity.

QFF considers it to be inappropriate for the Queensland Government and QCA to continue to determine electricity prices for the agricultural sector in isolation from irrigation water pricing. QFF also seeks that the QCA extend the obsolete and transitional tariffs post 30/06/2021 to allow consumers time to assess the recommended alternative tariffs. Upon delivering tariffs for the 2020-21 period, it is suggested that the full suite of current and proposed tariffs need to be offered in the 2020-21 year, and therefore QFF requests the QCA to extend its determination to allow for clarity from the AER and for primary producers the ability to access new tariff options within the first quarter post 30/06/2020. It is vital that regional consumers of electricity are given the opportunity to access the full suite of obsolete and replacement tariffs during 2020/21 to compare cost and viability of new and old tariff options and that this process is not delayed further.

Queensland's agricultural sector requires a joined-up and coherent policy approach to address the issues, otherwise Queensland will continue to experience a fast decline across both its electrical and water infrastructure, risking the future viability of the intensive and irrigated agricultural sector in the state.

If you have any queries about this submission, please do not hesitate to contact Ms Sharon McIntosh at sharon@qff.org.au.

Yours sincerely

Dr Georgina Davis
Chief Executive Officer