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Submission

19 January 2022

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Submitted online: www.qca.org.au/submissions

Dear Sir/ Madam,

Re: QCA Interim consultation paper: Regulated retail electricity prices for 2022-23 (December 2021).

The Queensland Farmers' Federation (QFF) is the united voice of intensive and irrigated agriculture in Queensland. It is a federation that represents the interests of 21 peak state and national agriculture industry organisations and 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)
- EastAUSmilk (formerly QDO)
- Australian Cane Farmers Association (ACFA)
- Turf Queensland
- 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
- Eton Irrigation Scheme Ltd
- Pork Queensland Inc
- Tropical Carbon Farming Innovation Hub
- Queensland Oyster Growers Association (QOGA)
- Lockyer Water Users Forum (LWUF).

QFF

QFF welcomes the opportunity to provide comment on the QCA Interim consultation paper, Regulated retail electricity prices for 2022-23 (December 2021). 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:

- Equitable pricing.
- Removal of the solar bonus scheme from tariff charges.
- Flexible tariffs to reflect the requirements of seasonal industries.
- Target of a 16c/kW ceiling on all tariffs.
- Thresholds for small customers' needs to be increased from 100 to a minimum 160MW.
- Ensure CSO is paid to Ergon network and not to Ergon retail.

Pricing

The interim consultation paper delivered on the 16th of December 2022, has failed to again identify the major risks to our agricultural sector, simply by not addressing the affordability of energy in conjunction with water prices. As noted in the Minister's Delegation for this interim consultation paper (ICP), the Queensland Government is committed to delivering affordable electricity to households and businesses in regional Queensland, yet the Australian Energy Market Operator has suggested that the shift in energy loads, if left unchecked may present challenges to the reliability of our electricity network.

Delivering affordable electricity and balancing energy loads, are reliant on flexible, competitive, and affordable tariffs to reflect seasonal requirements in the agricultural industry. Continuing with an outdated pricing framework, will continue to not only see electricity prices increase, but will see an unsustainable use of energy loads, as other energy sources are implemented to help keep businesses sustainable.

Affordable tariffs are a main driver of sustainable business, which has been previously identified as 16 cents per kilowatt hour (ceiling price), based on the network costs (N component) and retail costs (R component) not exceeding 8 cents per kilowatt each. Providing an affordable tariff, with competitive pricing will allow stability and future growth for farm businesses who are currently unable to plan more than a year ahead of time, due to the unstable nature of the electricity network framework. QFF also continues to support the CSO being paid to the Ergon network and not Ergon retail.

Allowing a non-competitive framework for the CSO component, is hindering the competitive nature of the retail electricity market. Although these points do not form part of the scope under the current delegation for the ICP, QFF strongly suggests that these factors are incorporated into the pricing framework when undertaking the proposed delivery of affordable and sustainable electricity for Queensland.

The Minister's letter and delegation to the QCA, further noted that there was an introduction of Tariff 12B from the 1st of January 2021 and was referenced by Minister De Brenni as a 'solar soaker' tariff.[1] This tariff is available between the hours of 9.00am to 4.00pm with a day time off-peak network component of 4.24c/kWh. In line with these changes and to ensure greater affordability for other time

[1] Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen Minister for Public Works and Procurement, Minister's letter and delegation, (ministerial-letter-and-delegation-elctricity-prices-2022-23.pdf (qca.org.au)) (December 2021).

of use tariffs utilised in the agricultural sector, QFF requests an investigation be undertaken on the potential for of tariff 22B to become a solar soaker tariff for small business customers and irrigators. Incorporating a lower rate for tariff 22B would not only assist irrigators and small businesses in affordability and productivity challenges, but it would also further assist in the optimisation of existing network tariffs and under the delegation address the appropriateness and meaningful tariff options available for customers in regional Queensland.

QFF's response to the questions outlined in the ICP are summarised below:

Question 1. We seek stakeholders' views on whether any retail tariffs should be removed and appropriate transitional arrangements.

Tariff reform is required in Queensland. The continued use of the N+R methodology to determine notified prices, still lacks transparency and to date has not been effective in establishing cost-reflective tariffs for irrigators and the agricultural sector. A long-term strategy to integrate tariff reform is necessary, and to retain any transitional tariffs until the end of the current regulatory pricing period, which concludes in 2025.

It is understood that obsolete tariffs are necessary to maintain productivity of the network and establish a standardised regulatory framework for load control, however it is paramount that data utilised in providing the foundation for obsolete and transitional arrangements is thoroughly investigated and customers consulted. Recent management of obsolete tariff arrangements have left some customers with little options, other than to obtain tariffs less suitable and at a higher charge, such as some customers in St George, with pricing in some areas becoming unsustainable. As such, it is vital that the 2022-23 pricing determination supports matters pursuant to Section 90 (5) of the *Electricity Act 1994*.[2]

Question 2. We seek stakeholders' views on the role and compatibility of retail tariffs with the electric vehicle rollout.

Any tariff designed to meet electric vehicle charges, need to be a cost reflective tariff, that includes network upgrades. Any costs to upgrade must be quarantined, to avoid disbursement of costs across the network.

Question 3. We seek stakeholders' views on the issues we identified for setting the N component of notified prices, as well as any other matters considered relevant.

As previously noted in QFF's last submission to the QCA,[3] network charges are yet to thoroughly address the cost build up components and tariffs that reflect the seasonal use of the electricity by the agricultural sector. The QCA need to reconsider alternative notified pricing to the current N+R approach which has done little to factor in the transitioning of obsolete farming and irrigation tariffs to the demand-based tariffs for larger irrigators.

QFF seeks further investigation of the cost build up components utilised for the delivery of electricity, with cost elements that form part of the notified prices steering more farmers to alternative energy sources to provide electricity to keep their farms viable.

[2] Section 90 (5) of the *Electricity Act 1994,* Electricity Act 1994 (legislation.qld.gov.au).

[3] 20210423-QFF-Submission-to-QCA-QCA-Draft-Determination-Regulated-retail-electricity-prices-for-2021-22-WEB.pdf

Question 4. We seek stakeholders' views on our approach for estimating energy costs, as well as any other matters considered relevant.

QFF supports the QCA's assessment that wholesale energy costs need to reflect how retailers incur costs when purchasing from the NEM, which is also supported by the AER in its default market offers (DMOs) and the Australian Energy Market Commission (AEMC).

Question 5. We seek stakeholders' views on the on our approach for determining retail costs and any other matters we should consider.

Small and Large Customer Thresholds:

QFF continues to support the threshold for small customers be raised to a minimum of 160MWh pa. The National Energy Retail Law (Queensland) in combination with the National Energy Retail Regulations, establishes 100MWh as a consumption threshold for distinguishing between small and large businesses.

QFF has been continually advocating that the Queensland Government increase the small business customer threshold for 100MWh per year to 160MWh per year. QFF disputes the proposition that a small business (outside the professional and service industries) will only consume 100MW or less per annum.[4] Under all definitions of a small business for the intensive agricultural sector, electricity consumption will be more than 100MW.

Ensure CSO is paid to Ergon Network and not to Ergon Retail:

Retail opportunities in regional Queensland need to be made more visible where Retailers and Network Providers ensure Market Offers, Network Tariffs and QCA pricing comparison calculators readily available to customers in a clear and understandable manner. The security of tariff equalization via the CSO for Regional Queensland customer needs to be maintained via the QCA and regulated networks where clear visibility of payments is legislated.

QFF recommends that the QCA promotes and supports greater competition in the electricity market in Queensland with the allocation of the CSO paid to the Ergon Network. Currently the CSO is paid to Ergon Retail and needs to be allocated to the Ergon network division of Energy Queensland, which will then allow increased competition with other retailers for electricity pricing in Queensland.

Solar Rebate:

QFF does not support the solar rebate being charged to all electricity users. The QCA must seek direction from the Queensland government on the continued inclusion of the solar bonus in the network costs. The solar rebate must be paid from consolidated revenue again and not tariff charges. Although these charges are approved and regulated by the AER, they are matters that need to be addressed by the QCA with the Queensland Government.

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[4] 'Small business' is defined differently by regulators in Australia depending on the laws they administer. For example, ASIC regulates many businesses that are 'small proprietary companies', which means a company with two out of these three characteristics: an annual revenue of less than $25 million; fewer than 50 employees at the end of the financial year; and consolidated gross assets of less than $12.5 million at the end of the financial year. The Australian Taxation Office defines a small business as one that has annual revenue turnover (excluding GST) of less than $2 million. Fair Work Australia defines a small business as one that has less than 15 employees. Despite these differences, many regulators have informally adopted the definition of 'small business' used by the Australian Bureau of Statistics (ABS), which is a business that employs fewer than 20 people.

Question 6. We seek stakeholders' views on the key issues raised in relation to the standing offer adjustment and DMO considerations

The default market offer (DMO) should not exceed pricing that is incompatible with Queensland's uniform tariff policy (UTP).

Question 7 We seek stakeholders' views on our approach to determining advanced digital metering charges for small customers.

In compliance with Queensland's uniform tariff policy (UTP), QFF supports basing charges for advanced digital metering (ADM) for small customers on the cost of standard (type 6) meters in southeast Queensland.

Summary

QFF recommends the adoption of increasing the small customer threshold to 160MWh, transparency of calculation and pre-emptive communication of proposed changes to not affect the long-term sustainability of our agricultural sector.

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, current farm design and other primary production purposes, the long-term viability of Queensland's agricultural industry remains in question.

With the continual increase in costs for energy and water, many regions throughout Queensland will continue to experience a decline in usage across both its electrical and water infrastructure, risking the future viability of the infrastructure and ultimately the intensive and irrigated agricultural sector.

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

Yours sincerely

Mr Michael Murray
WEPC (Water and Energy Policy Committee) Chair