

6 April 2022

Mr Charles Millstead
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Lodged: www.qca.org.au/submissions/

Dear Mr Millstead

**Letter of Support for Queensland Farmers' Federation (QFF) Submission
Regulated Retail Electricity Prices Draft Determination 2022-23**

Thank you for the opportunity to provide input to Queensland Competition Authority's (QCA's) paper for the Draft Determination of Regulated Retail Electricity Prices in regional Queensland for 2022-23.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since inception in 1925.

Representing over 70 per cent of Australia's sugarcane growers, CANEGROWERS is the peak body for the sugarcane industry. With 13 district offices in Queensland, our strong regional presence ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making. The Queensland sugar industry relies heavily on irrigation. Electricity used in that task is a major input cost that affects the international competitiveness of irrigators across the sugar industry and in other agricultural industries across the state.

CANEGROWERS is also a member of the Queensland Farmers Federation (QFF) and endorses the concerns raised by QFF in its response to the Queensland Competition Authority's (QCA) Draft Determination. In particular we note the recommendations from the QFF in relation to:

- 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.

Like QFF and many representative groups, CANEGROWERS is keen to ensure the state's irrigators have access to competitively priced electricity tariffs that take account of the fact that irrigators are typically low-cost users of the electricity network.

CANEGROWERS reiterates its Interim Consultation Paper submission of 18 January 2022 noting several fundamental realities affect the cost of electricity supplied to sugarcane irrigators, such as:

- Irrigation principally occurs on non-congested parts of the Ergon distribution network.
- Irrigators' demand for electricity on the Ergon network has not increased since the completion of Paradise Dam in 2005. In recent years, that demand has declined as irrigators have invested behind the meter, switching to more energy efficient systems and turning to alternative energy sources (solar and diesel generation), to avoid excessive regulated retail electricity prices.
- Irrigation electricity demand is not high and does not increase sharply during extreme heatwaves, where periods of greatest utilisation of the network traditionally occur and when wholesale price spikes are most likely.
- Beginning to work with new load control tariffs, irrigators are reducing their load on the network at peak times.

CANEGROWERS emphasises several issues already sufficiently detailed in the QFF response to the draft determination:

1. The Need for Further Tariff Reform to Deliver Equitable Pricing

The Minister's letter and delegation to the QCA highlighted the need to progress network tariff reform. So far network tariff reform has not been successful in introducing cost-reflective tariffs, accounting for the structural changes associated with the increased penetration of Distribution Energy Resources (DER) and avoiding cross subsidies between customer segments. Until network tariff reform addresses these issues, to avoid or minimise inefficient cross subsidies, there is a case for retaining transitional tariffs that contain deep price reductions applied over an extended period, at least until the end of the current regulatory pricing period (2025).

2. Electric Vehicle (EV) Compatibility with Retail Tariffs

EVs are just one source of electricity demand. Recognising this retail tariffs should be available for all users that limit the peak period to 4pm to 9pm, Monday to Friday, with deeply discounted off-peak charges applying at all other times. This would encourage electricity off-take for EVs, irrigation and other uses as 'solar sponges' when DER supply is at its greatest relative to demand and where DER supply is increasingly likely to cause localised network congestion.

3. Issues in Setting the Network (N) Component of Prices

The network charges contained in the QCA determination do not appear to reflect the fact that irrigators are low-cost users of electricity who operate on non-congested parts of the Ergon network. They do not encourage irrigators and other small businesses to act as 'solar sponges' in their energy use.

CANEGROWERS recommends QCA determines prices for small business interruptible supply tariffs and small business time-of-use tariffs that encourage irrigators and other small businesses to act as 'solar sponges' in their energy use.

4. Approach for Estimating Energy Costs

Wholesale energy costs should reflect how retailers incur costs when purchasing electricity from the NEM. That irrigators may be on accumulation meters has no impact on retailers' purchasing decisions. Those decisions are based on retailers' assessments of their bulk energy needs at zone substation level at different time of the day, not on the type of meters customers hold.

CANEGROWERS is working with alternative retailers to develop a model whereby irrigators can take full advantage of the price opportunities arising from what has become the characteristic daily wholesale electricity price pattern. The that the energy cost component plus retail margin of an alternative retail offer would be significantly less than 8c/kWh. **This work suggests that regulated energy charges should be significantly below those that presently apply.**

To encourage the development of retail competition in regional Queensland, CANEGROWERS also renews its call for QCA to recommend to government that the CSO paid to Ergon Retail to implement the State's uniform tariff policy be redirected to Ergon Network.

CANEGROWERS recommends QCA undertakes an ex-post assessment of the energy costs Ergon incurs in its energy purchases in the previous regulatory period and compare with those allowed costs for that period. **In any workable competitive market or well-regulated sector, the prices paid by regulated retailers for energy would be no higher than those paid by non-regulated retailers.**

5. Approach for Determining Retail Costs

CANEGROWERS is working with other potential retailers looking to enter the market in regional Queensland suggests that retail margins are narrower than those allowed in previous QCA price determinations. As noted, the expectation is that the energy cost component plus retail margin of an alternative retail offer is likely to be significantly less than 8c/kWh.

6. Large Customers

As CANEGROWERS foreshadowed ahead of the QCA determination 2021-22 large users who were previously using obsolete tariffs (T62, T65 and T66), unable to access the new transitional retail tariffs (T62A, 65A and 66A) or other small business tariffs after 30 June 2021, were forced to switch to large business tariffs. This switch resulted in a significant jump in the daily fixed charge the face increase from approximately \$1.03/day to \$40.448/day, a 3830% increase. The prospect of incurring an annual charge of almost \$15,000, before even a kilowatt of electricity is used, caused many to incur significant on farm costs, including using different energy sources (solar and diesel generation) in order to minimise the charges associated with the change in policy.

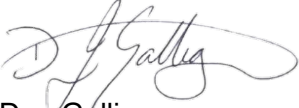
CANEGROWERS is advised that Queensland legislation in combination with National Energy Retail Regulations establishes 100MWh as the annual consumption threshold for large customers. **Understanding the level of this threshold is a policy decision for the Queensland government, as such the QCA should recommend to the government an increase in the threshold to 160MWh annually.**

CANEGROWERS remains concerned that Energy Queensland's customers in regional Queensland who use the Ergon network are restricted in their access to competitively priced electricity and are working with different retail providers to explore what is possible within the current regulatory framework to address this issue. To support the development if retail competition in the regional Queensland electricity market, CANEGROWERS renews its call for QCA to recommend to government that the CSO paid to Ergon Retail to implement the State's uniform tariff policy be redirected to Ergon Network.

CANEGROWERS will continue to work with our industry partners and the QFF to proactively and positively influence the need for tariff and structural reform in the electricity pricing framework in Queensland. It is essential that irrigators have access to competitively priced

electricity tariffs that take account of the fact that irrigators are typically low-cost users of the electricity network. It is disappointing that draft determination delivered on the 25 February 2022, has failed to again provide constructive comments on the major risks impacting the agricultural sector by not addressing the affordability of energy in conjunction with water prices.

Regards

A handwritten signature in black ink, appearing to read 'D. Galligan', with a large, sweeping flourish extending to the right.

Dan Galligan
Chief Executive Officer