

QFF MEMBERS

CANEGROWERS

Cotton Australia

Growcom

Nursery & Garden
Industry Queensland

Qld Chicken Growers
Association

Qld Dairyfarmers'
Organisation

**ASSOCIATE
MEMBERS**

Queensland Chicken
Meat Council

Flower Association of
Queensland Inc.

Pork Queensland Inc.

Fitzroy Food & Fibre
Association

Pioneer Valley Water
Co-operative Limited

Central Downs
Irrigators Limited

Burdekin River
Irrigators Area
Committee

Emerging Primary
Industries Groups

- Australian Organic
- Queensland
Aquaculture
Industries
Federation

11 September 2013

Queensland Competition Authority
GPO Box 2257
Brisbane Qld 4001
Email: electricity@qca.org.au

Re Submission on Regulated Retail Electricity Prices for 2014-15

Thank you for the opportunity to make a submission to the Inquiry.

The Queensland Farmers' Federation is the peak rural body representing intensive agriculture, which contributes around half of the State's \$14 billion in agricultural product. Our members include CANEGROWERS, Growcom (Queensland Fruit & Vegetable Growers), Qld Dairyfarmers' Organisation, Cotton Australia, Nursery & Garden Industries Queensland and Qld Chicken Growers Association. QFF provides this submission without prejudice to any additional submissions provided by our members.

Our members are highly dependent on electricity for irrigation, refrigeration and packing operations. Copies of industry case study presentations made at our Energy Forum held at Parliament House Annex in August have been forwarded to QCA. These highlight that electricity is a major cost item for all our member industries and tariff increases to date are impacting significantly on farm profitability.

QFF welcomed the decision to provide for transitional tariffs for up to seven years for obsolete tariffs and to allow all business customers to have access to these transitional tariffs. However, QCA's recommended tariff increases of 20% or more to move towards cost reflective levels were expected to have perverse impacts for a range of irrigation farmers. For example CANEGROWERS expected that such increases would force growers to stop irrigating with resultant impacts on productivity. The State Government's decision to cap price increases of irrigation tariffs at 10% has given limited respite. It is noted that the Commission is now seeking responses on whether or not to apply a 'catch-up' using the approach used to recommend price increases for 2013-14 as an addition to the assessment of tariffs for 2014-15.

There would be recognised benefits in a seven year transition period if annual tariff increases could be kept to manageable levels and aligned with the achievement of reductions in the costs of supplying electricity as a result of the successful implementation of the reform agenda proposed to be implemented at both the national and state level.

However, QCA's focus is on full cost recovery based on a limited brief to assess energy costs increases only because network costs that are approved annually by the Australian Energy Regulator have to be 'passed through' in each annual tariff determination.

Under these arrangements, the seven year transition period provides insufficient certainty or time for irrigators to plan for and implement necessary adjustments to enterprise operations to cope with the move to full cost pricing. Significant annual tariff increases can be expected for some years as the implementation of electricity reforms takes time to deliver planned reductions in costs and tariff restructuring. Ergon's proposed tariff strategy indicates that full restructuring is likely to be implemented towards the end of the transition period. It will also involve significant additional costs of purchasing and installing new meters.

QCA makes it clear that it does not have a brief to vary the current approach to the annual tariff review. The Commission also notes that the benefits of Ergon's tariff strategy 'will not be fully realised until more fundamental reforms are implemented, including changes to how the uniform tariff policy and community service obligation is applied.'

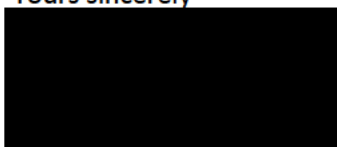
QFFs submission on the Ergon tariff strategy consultation paper highlighted that the proposed framework would not provide farming customers with adequate advice regarding their transition from current tariffs within the seven year transition period. In particular, QFF is seeking expert analysis of forecast cost performance and the implications for tariff restructuring over the term of transition. QFF also submitted that the transition period needed to be extended particularly in areas outside of the south east as the implementation of tariff restructuring was expected to be delayed to align with the implementation of other significant reforms.

QFF expects that continuing electricity price increases to achieve full cost recovery over the transition period will have perverse impacts on enterprises within each irrigation industry. As a result QFF members are calling on governments to intervene to cap price increases to recover the cost of supplying electricity to irrigators. There are also calls for tariff restructuring to be delayed until the outcomes of electricity reforms for cost performance are known and a range of irrigation tariffs are developed to reflect lower and more efficient costs of supply.

In particular, QFF and members are opposed to the implementation of tariff increases for 2014-15 that include catch-up for 2013-14 as well as assessed increases for 2014-15. These tariff levels are expected to be unsustainable.

QFF is unable to make further comment on other issues raised by the Commission particularly as the issues of substance in regard to the future of electricity prices are outside the brief set for QCA.

Yours sincerely

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Dan Galligan
Chief Executive Office