QUEENSLAND FARMERS' FEDERATION

26th April 2012

Chief Executive
Queensland Competition Authority
PO Box 2257
Brisbane Qld 4001

Dear Mr Hall,

Thank you for the opportunity to make a submission on your Draft Determination on Regulated Electricity Prices for 2012-13. QFFs members cover a range of intensive agricultural industries which have varied requirements for energy and particularly electricity supply within and across the industries.

The time table set for this determination has allowed limited time for our members to examine the implications of the Authority's pricing assessments and tariff recommendations since the draft report was released on 30th March. You have now received submissions from a number of our members as well as regional submissions from irrigation based organisations. All have provided a broad assessment limited by the lack of analysis of suitable alternative tariff options and questionable assumptions regarding industry electricity use. It has also been difficult with the time available to examine the implications for linked industries such as processors.

This submission summarises issues raised in our member submissions with additional comment on the implications of the tariffs for other QFF members such as Cotton Australia, Qld Dairyfarmers (QDO), Queensland Chicken Growers Association (QCGA) and the Nursery and Garden Industry of Qld (NGIQ).

Off peak tariffs

All our member industries question the recommendations of the Authority to increase off peak tariffs significantly and to reduce the saving on off peak rates compared with peak rates to only two cents. Irrigators that shift from Tariff 62 to the recommended Tariff 22 face a 72% increase in off peak charges whereas a shift from Tariff 65 to 22 will increase off-peak charges by 39%. Submissions from Canegrowers and Growcom provide estimates of the impact of this significant increase in off-peak rates.

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Advice from QDO, Cotton Australia, QCGA and NGIQ also raises concerns about the impact of these increases in off peak rates. For dairies the impacts will be felt on irrigated fodder operations. Cotton farms reliant on flood irrigation will generally favour flat demand tariffs.but farms that are shifting from flood to more efficient irrigation systems will be disadvantaged. About 20% of water use for chicken meat producing farms is in off-peak periods and NGIQ report that a survey of their members indicates overnight electricity use for irrigation and heating at about 44% of total use. Industry submissions also question the QCAs assumptions regarding the peak/off-peak split for different industries as a basis for their assessments of tariff recommendations.

The Pioneer Valley Water Co-operative Limited has also tabled a submission with the Authority regarding an increase in their off-peak rates of 82% which will impact on irrigation customers reducing the incentive to take advantage of off-peak rates. The submission explains the significant impact the recommended tariffs will have for sections of the scheme that have been specifically designed for off-peak pumping. The assumption of the 50/50 spilt between peak and off-peak tariffs is also considered not realistic.

SunWater schemes will face similar issues particularly the schemes that make significant use of electricity such as the larger channel schemes. This is because off-peak rates have been eliminated in the larger industrial tariffs such as Tariff 43. SunWater's submission argues that these recommended tariffs are not cost reflective. QCA's final report on water prices for these SunWater schemes is expected to recommend that higher electricity costs are to be passed on to SunWater's irrigation customers.

These tariff changes, if implemented, will be a significant disincentive for irrigators and other farmers to shift to off-peak use. Night time use is more water use efficient as there are reduced losses through evaporation and less wind interference with high pressure irrigation. It is likely that these tariffs will also encourage a progressive conversion to peak use for farms and irrigation water supply providers. These recommendations are hardly in keeping with the directive from the Premier to the Minister for Energy and Water Supply to 'Work with the electricity industry to deliver initiatives that incentivise customers to reduce electricity consumption and thereby lower their cost of living'- (published Ministerial Charter Letter dated 12th April).

Recommended tariffs

Submissions from our member industries also address the significant increases in overall prices if the tariffs recommended by your Authority are implemented. Canegrowers highlight that a move from Tariff 66 to Tariff 41 would result in increases of 120% per quarter on average and prices increases of up to 600% for some use profiles. Ergon has advised that Tariff 20 would be more suitable providing for a 25% increase in energy use on average but this does not offset the overall 62% increase in electricity charges.

The Australian Prawn Farmers Association raises significant concerns about the impacts of recommended tariffs on majority of their farms that are high users of electricity. A case study for a larger farm shows a price increase of between 20 to 30% resulting in a rise in electricity costs from $900,000 to $1.17M if the recommended new Tariff 43 is applied. Ergon again advise that there could be better tariff options to consider but at this stage are unable to provide further clarification. An increase of 20 to 30% will mean the closure of these farms with resultant production and employment loss. NGIQ advise that larger nurseries are also significant users of electricity for irrigation and heating which could be impacted by the changes to larger industrial tariffs such as tariff 43.

Our industries also question the Authority's estimates of typical consumption levels. Growcom indicates in their submission that energy use per tariff appears to be 'grossly' underestimated. Isis Canegrowers also raise questions re underestimation of electricity use.

There has been insufficient time available to assess the impact of these tariff changes for our industries and for dependent processing enterprises. In addition, there has been insufficient advice regarding tariff options to allow an adequate analysis of suitable options and response. Ergon also advise that the shift from particular tariffs such as Tariff 65 is likely to require meter conversions involving additional costs which could be an additional disincentive to adoption of time of use tariffs.

It is difficult to see how QCA can conclude that price increases are not of 'sufficient size to impose unmanageable impacts on affected customers.' Initial analysis conducted by our industries indicates that, even allowing for better tariff selection, electricity price impacts including the carbon tax will have impacts that our industries will find very difficult to manage. Your Authority needs at the very least to reconsider the finding re the size of the impacts of price increases.

QFF agrees with Ergon that there needs to be at least a 2 year extension for all existing irrigation tariffs and other tariffs affecting farming or farming dependent enterprises. However, contrary to Ergon's advice we do not consider that the significant issues involved can be left to Ergon or other electricity providers to address. We would expect during this period for the Authority to undertake a more detailed analysis of the issues raised in this submission particularly regarding pricing incentives for off-peak use and acceptable tariff options for larger industrial users of electricity for report to the Queensland Government.

Yours sincerely

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