

25 September 2020

Mr Charles Millsteed
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001
By email: Charles.Millsteed@qca.org.au

Dear Mr Millsteed

QCA Draft Determination: Supplementary Review, Regulated Retail Electricity Prices for 2020-21 (August 2020)

CANEGROWERS welcomes the opportunity to respond to Queensland Competition Authority's (QCA) draft determination for the supplementary review of regulated retail electricity prices for 2020-21.

Representing around 75 per cent of Australia's sugarcane growers, CANEGROWERS is the peak body for the sugarcane industry in Australia. The Queensland sugar industry relies heavily on irrigation. The cost of the electricity used in that task is threatening the international competitiveness of farmers in our industry and in other agricultural industries across the state.

The QCA has missed the opportunity in the supplementary review to provide some certainty over the likely future structure of traditional irrigation tariffs T62, T65 and T66 for long term use.

For the supplementary retail price determination 2020-21, CANEGROWERS recommend QCA:

- **Recommend the transition period for tariffs 62,65 and 66 be extended by a further year.**
- **Base usage charges for load control tariff T34 on those that apply for T33.**
- **Base the DUOS charge for T60A on the Energex network TSS not the Ergon TSS.**

The supplementary review provides opportunity for QCA to identify and address shortcomings of its earlier price determination in relation to the likely future treatment of farm tariffs (T62, T65 and T66) and take account of the Australian Energy Regulator's (AER) final decision on Energy Queensland's Regulatory Proposal and Tariff Structure Statement 2020-25 for both its networks, Energex and Ergon. Doing so would provide customers with insights into future retail tariff structures and assist their decision making in relation to the possible transition from tariffs 62,65 and 66 to standard business tariffs.

Until this information is available, CANEGROWERS recommend the transition period for tariffs 62,65 and 66 be extended by a further year.

Load Control Tariffs

The proposed new small business load control retail tariff 34, with interruptible supply is an important step forward and will allow irrigators who have flexibility in their operations to assist Energy Queensland manage the peaks in its network loads.

The analysis presented in QCA's draft determination appears to imply customers will be able to switch from tariff 62, 65 or 66 to tariff 34 with minimal impact on their business operations. This may be the case for some. But it is not the case for all customers.

CANEGROWERS supports QCA's proposal to set the notified price for T34 on the costs of supplying customers in SEQ, noting this is consistent with Queensland's uniform tariff policy (UTP).

The availability of electricity supply for those using the new load control tariffs is determined through targeted and localised load control in regional Queensland, not by pattern switching. This enables Energy Queensland (EQ) greater control in managing loads across its network. Individual EQ switching decisions are based on the need to manage total load on specific segments of the network loads, not on the representative profile of irrigators. EQ also note the trial sample was small and not representative of a load profile that is likely to evolve overtime.

Although acknowledging these concerns and despite not providing a detailed rationale for departing from EQ's advice against the use of data derived from the load control trials conducted to date for the purpose of estimating wholesale energy costs for T34, it is disappointing that QCA has decided not to accept EQ's advice.

The decision to estimate the cost of energy using statistical analysis applied to the non-representative trial load dataset, against EQ's advice, rather than using the T33 data for customers in SEQ will result in business customers using this tariff facing T34 usage charges of 17.295c/kWh, 5.9 per cent higher than would otherwise be the case. As well as defying standard practice for statistical analysis, QCA's chosen methodology does not take account of EQ's ability to manage load in accordance with its network needs and is inconsistent with Queensland's UTP.

CANEGROWERS is concerned that the Ergon Distribution Use of System (DOUS) charge QCA proposes to use for load control retail tariff 60A for large customers is inconsistent with Queensland's UTP. The proposed charge, \$31.94 per day is 792% higher than the daily DUOS charge that will apply to customers in the in the Energex network. This will be a major disincentive for the efficient use of electricity in the agricultural sector.

Conclusion

CANEGROWERS worked closely with the AER and Energy Queensland to improve the Regulatory Proposals and Revised Tariff Structure Statements 2020-25 for both the Ergon and Energex networks. A significant component of this work was directed at enabling the introduction of load control tariffs and the continuation of traditional farm tariffs 62,65 and 66 as cost reflective tariffs.

CANEGROWERS welcomes the addition of T34 as a primary tariff for use by small businesses across the state. We encourage QCA in its final supplementary determination to provide guidance on the likely future structure of tariffs 62, 65 and 66 to assist farmers consider and make their future business decisions

Regards



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Chief Executive Officer

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