

19 January 2022

Regulated retail electricity prices for 2022-23

Mr Charles Millsted,
Chief Executive Officer,
Queensland Competition Authority
GPO Box 2257
BRISBANE, QLD, 4001

Lodgement: www.qca.org.au/submissions

Dear Sir

Re: QCA Interim Consultation Paper – Regulated Retail Electricity Prices for 2022-23.

Cotton Australia is the peak body representing the cotton growers and cotton ginners of Queensland, and across Australia.

For many cotton growers, and for all ginners, electricity is a very significant cost, and therefore we have a keen interest in regional electricity pricing.

Nearly all Queensland cotton growing, and all ginning (first stage processing) occurs outside of south-east Queensland, within the area covered by regulated retail electricity pricing.

Cotton Australia welcomes the opportunity to submit on the Interim Consultation paper but notes that this submission will be brief.

Cotton Australia has submitted extensively over the past decade to this annual process and refers the Authority to all previous submissions. Cotton Australia is disappointed that so many of the issues that were relevant at the start of the last decade remain relevant today.

Cotton Australia is an active member of the Queensland Farmers Federation (QFF) and endorses its submission. However, should there be differences in views expressed in the two submissions, the view of Cotton Australia is the view outlined in this submission.

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General Comments

In this submission Cotton Australia will provide comment on some of the specific questions raised by the QCA in its Interim Consultation Paper, as well as raise a number of other issues, which in some cases will fall outside the strict boundaries of QCA's delegation but need to be raised anyway.

Question 1 – *We seek stakeholder views on whether any retail tariffs should be removed and appropriate transitional arrangements.*

Cotton Australia does believe that there may be room for rationalising some tariffs but cautions there need to be a process over-and-above this determination to fully test whether some tariffs meet customer needs, that may not be obvious to an organisation like Cotton Australia.

For example, in examining Tariff 20A Cotton Australia has not been able to identify a customer use profile where the customer would be better off on Tariff 20A compared with Tariff 20. Cotton Australia wants to emphasise that at this point it is not advocating for the removal of Tariff 20A, but there does appear to be a case to consult on its appropriateness more closely.

Somewhat similarly, Tariff 22A can only be attractive to a business where all its usage is outside the peak usage slot of 10am-8pm Dec-Feb, given its extremely high peak usage rate, and an off-peak usage rate just marginally cheaper than the T20 flat rate. At least by way of comparison the somewhat similar T12A has a significantly lower off-peak rate.

Further, T22A seems to be almost completely at odds with the justification for T12B, which has identified its "Off-Peak" usage as being 9am-4pm, with a current charge of @16.13c/kw (GST Incl), while T22A has its Peak Period (10am-8pm) period substantially overlapping T12B peak period and has a usage charge of 59.9c/Kw.

Cotton Australia cites these as two examples but suspects a full review of all tariffs would identify many inconsistencies.

Cotton Australia notes the QCA intention to examine Ergon Retail data on tariff uptake, and cautions while the information gathered will be important, it will also be important not to jump to any conclusions on the basis of this data alone.

Cotton Australia has long been concerned that Ergon has simply not done enough to pro-actively inform its customers of the best tariffs for their usage profile.

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While acknowledging Ergon's Energy Analysis tool, Cotton Australia strongly argues it does not go far enough, and Ergon should be obliged to provide its customers customised details on the best tariff for them on each customer bill.

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

Cotton Australia believes the discussion/development of specific tariffs for electric vehicle charging should be based on two key principles:

-) Other tariff users should not have to subsidise any additional network and/or retail costs that may be associated with the provision of electricity for electric vehicle charging.
-) "Solar soaker" tariffs should be made available to all users.

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

Cotton Australia is no longer convinced that the QCA can simply continue to pass through the network costs without further examination. As discussed above, there appears to be very significant inconsistencies in tariff structures, and the definition of "Peak Periods". For example, if as stated in the Minister's Letter accompanying the delegation, that the identified network charge for T12B is 4.24c/kw, then Cotton Australia believes it is reasonable to ask why some daytime charges are significantly higher.

It may or may not be the case that there needs to be some adjustment of peak timings, but either way Cotton Australia believes the QCA has an obligation to fully investigate the rationale for what appears to be significant inconsistencies in network charges.

Cotton Australia understands the dynamics of the electricity market, with the introduction of renewables has changed considerably, and therefore it is very timely to review both the appropriateness of Network charges, but also the definitions of peak, off-peak and shoulder periods.

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

Cotton Australia remains completely opposed to the 44c/KW Qld Solar Bonus Scheme costs being recovered through regulated electricity charges and firmly believes this overly generous scheme should be funded through Consolidated Revenue, rather than recovering it from electricity users who are largely not beneficiaries of this scheme.

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

Cotton Australia has several other matters we would like the QCA to consider, even if they fall outside a strict view of the delegation.

- J Cotton Australia contends that the Community Service Obligation (CSO) payments should be directed to Ergon Network and not Ergon Retail, and this would foster the opportunity for retail competition within the Ergon area.
- J Ergon should be directed to provide all electricity users access to T33, 34, 60A and 60B as dynamic load tariffs. In particular, irrigators in the St George area are at a significant competitive disadvantage to other irrigators in Qld as they have been denied access to T60A and 60B, and T33 and T34 are only offered on a time clock, rather than as a dynamic tariff. Cotton Australia does not accept Ergon Networks argument that T60A & B cannot be provided as the area is not serviced by Audio Frequency Load Control (AFLC). Either the tariff should be offered without Ergon activating actual load control, or it should invest in alternative internet-based load control systems.
- J The definition of a SAC Large customer should be increased from 100MWh/yr to 160MWh/yr. This would be more reflective of a large business versus a small business, and in closer alignment with other States.

Cotton Australia has no comments on Questions 6 & 7.

Cotton Australia would welcome the opportunity to discuss in further detail any of the issues raised in this submission. For further information please contact Cotton Australia General Manager Michael Murray – 0427 707 868 or michaelm@cotton.org.au.

Yours sincerely,



Michael Murray,
General Manager

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