



QUEENSLAND FARMERS' FEDERATION

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Submission

7 April 2022

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

Submitted online: www.qca.org.au/submissions

To Whom It May Concern

Re: **QCA Draft Determination: Regulated retail electricity prices for 2022-23 (February 2022).**

The Queensland Farmers' Federation (QFF) is the united voice of intensive and irrigated agriculture in Queensland. It is a federation that represents the interests of 21 peak state and national agriculture industry organisations and engages in a broad range of economic, social, environmental, and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- EastAUSmilk (formerly QDO)
- Australian Cane Farmers Association (ACFA)
- Turf Queensland
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallowa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd
- Eton Irrigation Scheme Ltd
- Pork Queensland Inc
- Tropical Carbon Farming Innovation Hub
- Queensland Oyster Growers Association (QOGA)
- Lockyer Water Users Forum (LWUF).

The united voice of intensive and irrigated agriculture



QFF welcomes the opportunity to provide comment on the QCA Draft Determination: Regulated retail electricity prices for 2022-23 (February 2022). We provide this submission without prejudice to any additional submission from our members or individual farmers.

Summary

QFF note the key areas that we wish to address in this submission are detailed below and can be summarised as:

- 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.

Overview

The draft determination delivered on the 25th of 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.

QFF has identified numerous issues regarding the ineffective pricing strategies that the QCA has not discussed or explored further with Electric Vehicles (EV) being one new parameter entering and disrupting the electricity market without a plan considering how this extra load on the electricity network will impact tariffs and pricing.

QFF recognises that EV's have been targeted as a focus for the next AER regulatory period (2025-2030) and recognises that it is unable to introduce or amend existing network tariffs before then, however it is strongly advised that energy users are consulted on the proposed impacts that EV's could potentially have on the NEM. As new tariffs are developed, to adjust to the uptake of EV's and the demand on the network, its vital this is undertaken in a sustainable way that limits impacts to the system. It is imperative that the introduction of a new tariff is cost-reflective to encourage users of EV's to charge at optimal times to limit pressure on the network. QFF recommends that the development of a new EV tariff does not require other tariff users to subsidise any additional network and or retail costs that are associated with an EV specific tariff.

Delivering affordable electricity and balancing energy loads, are reliant on flexible, competitive, and affordable tariffs to reflect seasonal requirements in the agricultural industry. QFF has previously noted that with an outdated pricing framework, we will continue to not only see electricity prices increase, but will see an unsustainable use of energy loads, as other energy sources are implemented to help keep businesses sustainable.

Equitable Pricing

Affordable tariffs are a main driver of sustainable business. Affordability has been previously identified as 16 cents per kilowatt hour (ceiling price), based on the network costs (N component) and retail costs (R component) not exceeding 8 cents per kilowatt each. Providing an affordable tariff, with competitive pricing will allow stability and future growth for farm businesses who are currently unable to plan more than a year ahead of time, due to the unstable nature of the electricity network framework. QFF continues to support the CSO being paid to the Ergon network and not Ergon retail.

Allowing a non-competitive framework for the CSO component, is hindering the competitive nature of the retail electricity market. QFF strongly suggests that these factors are incorporated into the pricing framework when undertaking the proposed delivery of affordable and sustainable electricity for Queensland. It is essential that the QCA have regard to consider their obligations under the *Queensland Competition Authority Act 1997*, Section 76, (3)(c) that assesses the social welfare and equity considerations including community service obligation, and the availability of goods and services to consumers. It is important to note that under the scope of this review in accordance with the *Electricity Act 1994*, Part 2, (3)(d) the QCA must also have regard to ensure that the interests of customers are protected.

As previously noted in QFF's Interim Consultation Paper (ICP) submission, Minister's letter and delegation to the QCA, further noted that there was an introduction of Tariff 12B from the 1st of January 2021 and was referenced by Minister De Brenni as a 'solar soaker' tariff.¹ This tariff is available between the hours of 9.00am to 4.00pm with a daytime off-peak network component of 4.24c/kWh. In line with these changes and to ensure greater affordability for other time of use tariffs used in the agricultural sector, QFF, again requests an investigation be undertaken on the potential for tariff 22B to become a solar soaker tariff for small business customers and irrigators.² QFF requests that the QCA seek a direction to investigate this further as an option to help small business customers and irrigators.

Incorporating a lower rate for tariff 22B would not only assist irrigators and small businesses in affordability and productivity challenges, but it would also further assist in the optimisation of existing network tariffs and under the delegation address the appropriateness and meaningful tariff options available for customers in regional Queensland.

The QCA set a series of questions in its ICP, that when answered as part of the draft determination, regarded all comment as beyond the scope of the review. We understand the framework in which the QCA operate and are delegated by the Minister on a series of topics, however questions have been asked of stakeholders with proactive answers and solutions provided. Without an avenue to pursue a consultation process that allows questions to be answered, these issues will continue to arise. QFF requests the QCA to seek direction from the government to extend the scope of review, for further consultation with stakeholders. Many issues addressed in the previous ICP, and the draft determination do not address the issue with equitable pricing, which is continuing to put pressure on the agricultural sector to the point of some businesses becoming unviable. The delegation outlines the commitment to delivering affordable electricity prices for households and businesses which is fundamental to driving economic recovery for regional Queensland.³

The QCA has an obligation under the delegation to deliver affordable pricing, to assess the actual costs of making, producing or supplying the goods or services; the effect of the price determination on competition in the Queensland retail electricity market; and any matter they are required by the delegation to consider pursuant to the *Electricity Act 1994*, s. 90(5)(a)(b).⁴

Not having regard to delivering affordable electricity prices and utilising modelling for prices that is monopolised by one consultant, is contrary to the *Queensland Competition Authority Act 1997*, (QCA Act

¹ Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen Minister for Public Works and Procurement, Minister's letter and delegation, ([ministerial-letter-and-delegation-elctricity-prices-2022-23.pdf \(qca.org.au\)](#)) (December 2021).

² [20220119-QFF-Submission-to-QCA-QCA-Interim-consultation-paper-Regulated-retail-electricity-prices-for-2022-23-Dec-2021-WEB.pdf](#)

³ Mick de Brenni MP, Minister for Energy, Renewables and Hydrogen Minister for Public Works and Procurement, Minister's letter and delegation, ([ministerial-letter-and-delegation-elctricity-prices-2022-23.pdf \(qca.org.au\)](#)) (December 2021).

⁴ QCA Regulated retail electricity prices in regional Queensland, Draft determination 2022-23 [Regulated retail electricity prices in regional Queensland 2022–23 \(qca.org.au\)](#).

1997) Part 3 Pricing practices relating to monopoly business activities, Section 26, matters to be considered by authority for investigation.

Section 26, under the *QCA Act 1997*, Matters to be considered by authority for investigation:

- (1) In conducting an investigation under this division, the authority must have regard to the following matters –
 - (a) The need for efficient resource allocation;
 - (b) The need to promote competition;
 - (c) The protection of consumers from abuses of monopoly power;
 - (d) social welfare and equity considerations including community service obligations, the availability of goods and services to consumers and the social impact of pricing practices.

Efficient resource allocation, the promotion of competition, and protecting consumers from the abuses of monopoly power is a necessary component of the scope of this review, under the *QCA Act 1997*. As such, it is important to note that ACIL Allen, is the sole consultant providing advice to the QCA on electricity pricing for Queensland energy consumers. QFF have continually advised the QCA of the issues relating to pricing and inconsistencies, which do not take into effect social welfare and equity considerations, including the community service obligation (CSO) and the long-term impacts of the pricing practices the QCA oversee. QFF has and will continue to advocate for equitable pricing, and to ensure the CSO is paid to Ergon network and not to Ergon retail.

It is necessary to itemise these issues, because over the next five years energy bills will continue to rise, and there is little evidence to suggest that modelling is being carried out to display this impact to consumers. There has been no consultation or surveys conducted on what consumers think about the increase in their electricity bills and how these increases will impact the sustainability of their businesses.

Importantly as part of these increases, the AEMO average annual Queensland wholesale price year to date, for the 2022 financial year is \$122.80 MWh.⁵ The Ergon Retail prices for financial year 2021-22 were based on a wholesale price of \$67.76 and Ergon Retail draft financial year 2022-23 wholesale price is based on \$86.74/MWh.⁶ The final Ergon Retail wholesale price will be increasing to reflect the rise in the wholesale market since January 2022, when consultants ACIL Allen, provided its cost of energy report to the QCA for regulated retail prices for regional Queensland. It is worth noting that ACIL Allen has also provided essentially the same energy cost report to the AER for the 2022-23 Default Market Offer for South East Queensland customers.⁷ QFF requests the QCA investigate the matters it must consider pursuant to its obligations under Section 26 (d), of the *QCA Act 1997*.

With the electricity market experiencing continual increases, in inequitable pricing, along with inefficient tariffs, tariff reform is required in Queensland. The continued use of the N+R methodology to determine notified prices, still lacks transparency and to date has not been effective in establishing cost-reflective tariffs for irrigators and the agricultural sector. A long-term strategy to integrate tariff reform is necessary, and to retain any transitional tariffs until the end of the current regulatory pricing period, which concludes in 2025.

It is understood that obsolete tariffs are necessary to maintain productivity of the network and establish a standardised regulatory framework for load control, however it is paramount that data utilised in providing the foundation for obsolete and transitional arrangements is thoroughly investigated and

⁵ [AEMO | Australian Energy Market Operator; AEMO | NEM data dashboard](#)

⁶ ACIL Allen, Estimated energy costs, (February 2022); [Report \(qca.org.au\)](#)

⁷ ACIL Allen, Default Market Offer 2022-23 (February 2022); [Draft decision | Australian Energy Regulator \(aer.gov.au\)](#);

customers consulted. Recent management of obsolete tariff arrangements have left some customers with little options, other than to obtain tariffs less suitable and at a higher charge, such as some customers in St George, with pricing in some areas becoming unsustainable. As such, it is vital that the 2022-23 pricing determination supports matters pursuant to Section 90 (5) of the *Electricity Act 1994*.⁸

Small and Large Customer Thresholds

QFF continues to support the threshold for small customers to be raised to a minimum of 160MWh pa. QFF has been continually advocating that the Queensland Government increase the small business customer threshold for 100MWh per year to 160MWh per year. QFF disputes the proposition that a small business (outside the professional and service industries) will only consume 100MWh or less per annum.⁹ Under all definitions of a small business for the intensive agricultural sector, electricity consumption will be more than 100MWh.

Ensure CSO is paid to Ergon Network and not to Ergon Retail

Retail opportunities in regional Queensland need to be made more visible where Retailers and Network Providers ensure Market Offers, Network Tariffs and QCA pricing comparison calculators readily available to customers in a clear and understandable manner. The security of tariff equalization via the CSO for Regional Queensland customer needs to be maintained via the QCA and regulated networks where clear visibility of payments is legislated.

QFF recommends that the QCA promote and support greater competition in the electricity market in Queensland with the allocation of the CSO being paid to the Ergon Network. This will allow increased competition with other retailers for electricity pricing in Queensland.

44 cents /kwh Solar Feed in Tariff

QFF does not support the solar rebate being charged to all electricity users. The solar rebate must be paid from consolidated revenue again and not tariff charges. Although these charges are approved and regulated by the AER, they are matters that need to be addressed by the QCA with the Queensland Government.

Summary

Any tariff designed to meet electric vehicle charges, needs to be a cost reflective tariff, which includes network upgrades. Any costs to upgrade must be quarantined, to avoid disbursement of costs across the network.

As previously noted in QFF's submission to the QCA,¹⁰ network charges are yet to thoroughly address the cost build up components and tariffs that reflect the seasonal use of the electricity by the agricultural sector. The QCA need to reconsider alternative notified pricing to the current N+R approach

⁸ Section 90 (5) of the *Electricity Act 1994*, [Electricity Act 1994 \(legislation.qld.gov.au\)](http://legislation.qld.gov.au).

⁹ 'Small business' is defined differently by regulators in Australia depending on the laws they administer. For example, ASIC regulates many businesses that are 'small proprietary companies', which means a company with two out of these three characteristics: an annual revenue of less than \$25 million; fewer than 50 employees at the end of the financial year; and consolidated gross assets of less than \$12.5 million at the end of the financial year. The Australian Taxation Office defines a small business as one that has annual revenue turnover (excluding GST) of less than \$2 million. Fair Work Australia defines a small business as one that has less than 15 employees. Despite these differences, many regulators have informally adopted the definition of 'small business' used by the Australian Bureau of Statistics (ABS), which is a business that employs fewer than 20 people.

¹⁰ [20210423-QFF-Submission-to-QCA-QCA-Draft-Determination-Regulated-retail-electricity-prices-for-2021-22-WEB.pdf](#)

which has done little to factor in the transitioning of obsolete farming and irrigation tariffs to the demand-based tariffs for larger irrigators.

QFF seeks further investigation of the cost build up components utilised for the delivery of electricity, with cost elements that form part of the notified prices steering more farmers to alternative energy sources to provide electricity to keep their farms viable.

QFF recommends the adoption of increasing the small customer threshold to 160MWh, transparency of calculation and pre-emptive communication of proposed changes to not affect the long-term sustainability of our agricultural sector.

The supply of water is a paramount factor for irrigation and, in many cases, dependent on electricity for facilitation. Without incorporating adequate pricing that takes into consideration electricity required for irrigation, current farm design and other primary production purposes, the long-term viability of Queensland's agricultural industry remains in question.

With the continual increase in costs for energy and water, many regions throughout Queensland will continue to experience a decline in usage across both its electrical and water infrastructure, risking the future viability of the infrastructure and ultimately the intensive and irrigated agricultural sector.

If you have any queries about this submission, please do not hesitate to contact Ms Sharon McIntosh at sharon@qff.org.au.

Yours sincerely

A handwritten signature in brown ink that reads 'Jo Sheppard'.

Ms Jo Sheppard
Chief Executive Officer