



QUEENSLAND FARMERS' FEDERATION

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Submission

19 January 2023

Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

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

Dear Sir/ Madam,

Re: QCA Interim consultation paper: Regulated retail electricity prices for 2023-24 (December 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 20 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)
- Pork Queensland Inc
- 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
- Lockyer Water Users Forum (LWUF)
- Queensland Oyster Growers Association (QOGA)

QFF welcomes the opportunity to provide comment on QCA Interim consultation paper: Regulated retail electricity prices for 2023-24 (December 2022). We provide this submission without prejudice to any additional submission from our members or individual farmers.

The united voice of intensive and irrigated agriculture



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.

Regulated retail electricity prices for 2023-24 – An overview of the key areas impacting agriculture.

The interim consultation paper (ICP) delivered on the 15 December 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.

Delivering affordable electricity and balancing energy loads, are reliant on flexible, competitive, and affordable tariffs to reflect seasonal requirements in the agricultural industry. Continuing with an outdated pricing framework, 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.

Affordable tariffs are a main driver of sustainable business, which 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 also 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. Although these points do not form part of the scope under the current delegation for the ICP, 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 also to be noted that two separate delegations form the basis for this review.

- 1) Setting of notified prices for existing retail tariffs in the usual manner.
- 2) Delegation No. 2 requests QCA make new electric vehicle (EV) tariffs aimed at further reducing the costs of operating EV's in regional Queensland by incentivising electricity use during the day. To achieve this, the QCA has been asked to consider modifying part of its cost build-up methodology for these tariffs.

Setting notified prices

Under the current review, two delegations have been administered. To set regulated retail electricity prices (notified prices) and new retail tariffs to apply in regional Queensland in 2023-24.

We understand the framework in which the QCA operate and are delegated by the Minister, however over the past few years, questions have been asked of stakeholders who have then provided proactive answers and solutions to the issues being addressed. Without an avenue to pursue a meaningful consultation process, 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.

This is significant, particularly in reference as the Queensland Government plan to set a 100% penetration target of smart meters by 2030. Consultation needs to be carried out, given that the QCA has been asked to set costs that contribute to notified prices to enable retailers to recover costs associated with the provision of all metering services.

As part of this process, the QCA has also been asked to set a retail fee for the additional costs of manually reading smart meters for customers who have voluntarily chosen to have the meters remote communications functions disabled, to ensure other customers are not paying for those choices. QFF requests detailed consultation is undertaken for what this will mean to consumers energy bills.

Many issues addressed in the previous 2022-23 ICP, and the 2022-23 draft determination do not address the issue of 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.¹ Reference has been made to the Queensland Energy and Jobs Plan, which is proposed to deliver, clean, reliable and affordable power for generations, however there has been no detailed economic modelling, or climate variability modelling undertaken as yet, to see how these aspects of the Energy and Jobs plan will be achieved. More so, it is important to note that no surety has been given as to how a change in energy resources will ensure a more affordable, reliable and efficient supply for the agricultural sector, when under current arrangements are becoming more and more unsustainable.

It is specified that consultation, as per the QCA's requirements, will be undertaken before making the final determination and as such, we hope to seek a meaningful discussion this year, which give stakeholders the opportunity to ask questions, and are not dismissed.

Default Market Offer (DMO) or notified prices

As noted in the ICP, reforms are planned which impact the energy market. The default market offer (DMO) is part of the new reforms, however the DMO price for 2023-24 won't be published until May 2023. It is imperative that the QCA's final determination identifies and provides details on how the default market offer's adjustments are calculated. It was noted in the current ICP that in the last determination no adjustment was necessary as none of the notified price bills exceeded the equivalent DMO bills.²

As part of the notified pricing process, QFF requests that the methodology used in these adjustments be provided, to allow for further consultation before the final determination is made in June 2023.

Overarching framework

Rising energy costs are now not sustainable for some farmers, which is either forcing them out of business or they are seeking other energy alternatives, to keep their businesses viable. Noting the rise

¹Mick 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-2023-24.pdf (qca.org.au)) (December 2022).\

² [Regulated retail electricity prices for 2023-24 \(qca.org.au\)](#)

in energy costs as par to the ICP is doing little for those who have been experiencing energy increases year after year, without the reforms that have been continually identified and required ten years ago.

Addressing energy reforms, on a very tight timeframe to meet the demands of the state energy and jobs plan, will only put further pressure on the agriculture sector. Seasonal use agricultural tariffs, which reflect the needs of the industry, is what is required as part of the reform. The QCA has addressed the access to additional tariff options in recent years, however there is still significant work that needs to be undertaken, for agricultural specific tariffs.

Notably the increase in more variable weather events will also hinder a farms ability to stay viable, when the energy prices are continually driven up by various variables, including long cold fronts, and longer periods of warm weather, floods and drought. Not factoring these issues in prior reforms has contributed to the high instability of the energy market, which are now causing more pressure on an already fragile sector.

As previously noted in QFF's 2022-23 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.³

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.⁴ QFF requests that the QCA seek a direction to investigate this further as an option to help small business customers and irrigators.

EV tariffs

As part of the regulated retail electricity prices for 2023-24, delegation number 2 seeks the development of additional and new solar-soaker EV tariffs similar in structure to existing tariffs 12B and 22B, but with a larger differentiation between peak and daytime energy rates, to set clearer signals to consumers as when is the most cost-effective time to charge an EV.⁵ This will contribute to a new load on the system. QFF has previously identified that this new parameter will be disrupting the electricity market which is still without a detailed plan on 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.

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 <https://www.qff.org.au/wp-content/uploads/2017/04/20220119-QFF-Submission-to-QCA-QCA-Interim-consultation-paper-Regulated-retail-electricity-prices-for-2022-23-Dec-2021-WEB.pdf>

⁵ [cover-letter-15-december-202214832282_redacted.pdf \(qca.org.au\)](#)

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.

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,⁶ 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 which has done little to factor in the transitioning of obsolete farming and irrigation tariffs to the demand-based tariffs for larger irrigators.

As per QFF's prior submissions to the QCA, the pricing methodology is outdated and requires a significant overhaul, that needs to be addressed as a separate delegation to ensure the QCA and stakeholders have sufficient consultation time to review the existing process.

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.

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

Yours sincerely



Ms Jo Sheppard
Chief Executive Officer

⁶ <https://www.qff.org.au/wp-content/uploads/2017/04/20210423-QFF-Submission-to-QCA-QCA-Draft-Determination-Regulated-retail-electricity-prices-for-2021-22-WEB.pdf>