Submission

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Queensland Competition Authority
GPO Box 2257
BRISBANE QLD 4001

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QUEENSLAND FARMERS' FEDERATION

PO Box 12009 George Street, Brisbane Qld 4003
Level 8, 183 North Quay, Brisbane Qld 4000
qfarmers@qff.org.au | (07) 3837 4720
ABN 44 055 764 488

To Whom It May Concern

Re: QCA Draft Determination: Regulated retail electricity prices for 2023-24 (March 2023)

The Queensland Farmers' Federation (QFF) is the united voice of agriculture in Queensland. It is a federation that represents the interests of 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
- Mallawa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd
- Eton Irrigation Co-operative Ltd
- Lockyer Water Users Forum (LWUF)
- Queensland Oyster Growers Association (QOGA)

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

Background

The current QCA Draft Determination: Regulated retail electricity prices for 2023-24, has been delegated to set regulated retail electricity prices and new retail tariffs in accordance with s. 90AA of the Electricity Act 1994 (Qld) (the Electricity Act). As outlined in the draft, all major tariffs are expected to increase, due to wholesale energy costs and other cost components, however with the combined costs of water and energy utilised in irrigation, is continuing to put a financial strain on the agricultural sector.

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 see electricity prices increase, but will see an unsustainable use of energy loads, as other energy sources are implemented to help keep businesses sustainable.

The supply of water is a paramount factor for irrigation and, is 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.

Overview 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.

The key areas impacting agriculture.

Equitable pricing

The QCA Draft Determination: Regulated retail electricity prices for 2023-24 delivered on the 15th of March 2023, has again, failed to provide constructive comments on the major risks impacting the agricultural sector by not addressing the affordability of energy in conjunction with water prices.

This is an ongoing dialogue that the sector are continuing to have with the QCA each year, with no significant outcomes, or developments with tariffs or pricing, as they continue to remain uncommitted to fulfilling any changes outside the designated delegation, regardless of the outdated pricing components that underpin tariff pricing.

There's been ongoing disappointment from our members, on the regimented approach to setting prices and disengagement from government on how tariffs and pricing equity can be improved. 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.

Over the past few years, questions have been asked of stakeholders who have 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 meaningful 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.'[1]

'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.'[2]

The response listed in the draft report to the above comment in the QFF ICP Submission, noted that the metering costs small customer primary and secondary tariffs will be captured in the daily supply charge for each tariff (R component of the notified prices), ranging from 17.59c/day for the primary tariff and 3.37c/day for the secondary tariff, and for a manual meter read $37.62 per meter read, based on the AER meter read fee. As a result, both the retail costs and the network costs have increased, which have contributed to the increased prices of energy bills without consultation to energy consumers.

From this, the daily supply charge for meter reading works out at $6.30 per month, or approximately $19 per quarter, compared to double that for a manual meter reading. Whilst this may be attractive now for energy consumers, however once the meters are upgraded then the price could potentially rise to 'capture maintenance' costs, which in this case is unknown how high this cost will be.

However, it is to be noted that a separate metering charge for small customers will not be included in the tariff schedule for this pricing year, and there is no indication for what this charge will be in the future.

Overarching framework

The rise in energy costs as part of the draft determination, 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 significant work still needs to be undertaken, for agricultural specific tariffs.

[1] 20230119-QFF-Submission-to-QCA-Interim-consultation-paper-Regulated-retail-electricity-prices-for-2023-24-Dec-2022-WEB.pdf

[2] 20230119-QFF-Submission-to-QCA-Interim-consultation-paper-Regulated-retail-electricity-prices-for-2023-24-Dec-2022-WEB.pdf

As an example, there are a lot of growers currently on tariff 20, who will see a nearly 30% increase that will apply because of this next price path, which is a significant rise and of real concern for growers. Having tariffs that are not economically viable, or suitable for agricultural use, will continue to be of concern for growers, as each price increase, puts an even further strain on farm businesses.

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 the agricultural sector.

EV tariffs

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 are 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.

As per QFF's ICP submission, 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. In the QCA draft, it was noted that the intent of two new retail tariffs could encourage customers to use electricity during specific day time periods, which could limit the potential need for network upgrades and associated costs. QFF require a clear framework and transparency that there would be no additional costs to consumers as a result of the development of a new EV tariff.

As noted in the draft determination, the QCA seek to better understand the impact on customers if the existing TOU tariffs were to be phased out, however there has been many instances in the past whereby the impacts to customers from the phase out of tariffs, has not been taken into account nor considered other options, especially those customers in regional and remote areas that are limited to tariffs that do not reflect the way in which there business operates.

Agricultural businesses are weather and crop dependent and therefore do not always have the option to take up tariffs that better reflect the TOU. Regardless of whether the existing TOU tariffs have a 'relatively low uptake'[3] it is paramount that the QCA do seek to better understand the impact on customers through direct consultation and undertaking some of the suggestions and solutions that stakeholders put forward in their submissions.

[3] Regulated retail electricity prices in regional Queensland 2023–24 (qca.org.au)p.13.

Summary

As per QFF's ICP Submission, any tariff designed to meet electric vehicle charges, needs to be a cost reflective tariff, which includes network upgrades (regardless of the consideration to the UTP). [4] QFF suggest that costs to upgrade must be quarantined, to avoid disbursement of costs across the network, which is a factor that can be considered under the Electricity Act.

As previously noted in QFF's submission to the QCA,[5] 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.

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.

An affordable tariff is one that has a ceiling of sixteen cents per kilowatt hour (16 c/kWh). This is based on a network charge (N) not exceeding eight cents and a retail charge (R) not exceeding eight cents. (GST exc).

QFF continues to support the CSO being paid to the Ergon network and not Ergon retail.

QFF requests detailed consultation is undertaken for what changes to metering services will mean to consumers energy bills.

QFF require a clear framework and transparency that there would be no additional costs to consumers as a result of the development of a new EV tariff.

Between water costs, and rising energy costs, renewables on farm are becoming a more attractive option to provide reliable, efficient, and affordable energy. For farms to grow, energy consumption will increase, and many farming operations are looking towards reducing costs of irrigation, and cold storage via alternative fuel sources including diesel to remain viable. This is not only an attractive prospect to reduce costs, but also provide reductions for on farm carbon emissions.

With the change in energy use on farms, continuing to provide a service that is uneconomical, will only continue to push more producers off the grid, in search of alternative energy sources to ensure their businesses remain economically viable.

Without incorporating these considerations, electricity required for irrigation, current farm design and other primary production purposes, Queensland's agricultural industry will continue to evolve and adapt to other energy sources, away from the grid, that is becoming cost prohibitive to our food, fibre and foliage sectors.

[4] Regulated retail electricity prices in regional Queensland 2023–24 (qca.org.au)p.14.

[5] 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

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

Yours sincerely

Jo Sheppard
Chief Executive Officer