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Mr Charles Millsteed
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Lodged: www.qca.org.au/submissions/

Dear Mr Millsteed

Regulated Retail Electricity Prices for 2024-25

Thank you for the opportunity to provide input to Queensland Competition Authority's (QCA's) draft paper for the Determination of Regulated Retail Electricity Prices in regional Queensland for 2024-25.

Queensland Cane Growers Organisation Ltd (CANEGROWERS) is a not-for-profit public company with the sole purpose of promoting and protecting the interests of sugarcane growers since inception in 1925.

Representing over 70 percent of Australia's sugarcane growers, CANEGROWERS is the peak body for the sugarcane industry. With 13 district offices in Queensland, our strong regional presence ensures that services and advocacy are provided in local communities as well as at the highest levels of industry and government decision-making. CANEGROWERS is also a member of Queensland Farmers' Federation (QFF) and endorses QFF's concurrent response to the Queensland Competition Authority's (QCA) draft determination.

CANEGROWERS recognises the role that the QCA plays in the price determination, and we understand that the scope of the undertaking is in accordance with the Ministerial Delegation. While the consultation process is open to stakeholder participation and feedback, the existing framework hinders meaningful innovation. There appears to be very little that the QCA can do with the feedback that they receive from all stakeholders, and instead the advice to stakeholders is to instead consult with Government. This continues to detract from the confidence we have in this process.

CANEGROWERS believes that this approach to feedback should change and that the QCA should assess feedback, suggestions, and recommendations from stakeholders and present these to the Minister along with recommendations for any further analysis required to develop ideas which are considered to have merit or may contribute to improving affordability or flexibility in pricing. Given the energy transition underway in the economy, there needs to be a process which creates a better space for exploring and developing non-traditional approaches which allow better incorporation of renewable energy sources while still being able to access network supplied energy.

Over 85% of the sugar produced in Queensland is exported. Unlike many of our global competitors we are unsubsidised and fully exposed to the fluctuations in the world sugar market. The Queensland sugar industry relies heavily on irrigation. Electricity used in that task is a major input cost that affects the international competitiveness of irrigators across the sugar industry and in other agricultural industries across the state. The profitability of sugarcane can vary depending on a range of factors such as weather conditions, crop yields, input costs, and market prices. With electricity accounting for approximately 20% of the direct growing cost (before harvesting costs) for an irrigated producer, profitability can be heavily affected by tariff levels, as well as the suitability of tariffs to operational requirements.

Energy requirements for irrigation can shift significantly depending on rainfall patterns in any given season. During excessively dry seasons, typical Small Business customers could suddenly find themselves to be classified as Large Business customers and paying for their usage under a very different tariff regime. CANEGROWERS suggests that the QCA considers an irrigation specific tariff for those users that are above 100MWh but less than 160MWh set on a time-of-use basis similar to Tariff 22C.

Tariffs

CANEGROWERS supports the food and fibre sector call for an affordable tariff that has a ceiling of 16 cents per kilowatt hour (excl GST). This is based on a network charge (N) not exceeding eight cents and a retail charge (R) not exceeding eight cents. This needs to at least be available during the critical growth stages of the crop, such as during summer months. Where tariffs exceed these levels, those components should be critically assessed to better understand why this benchmark of affordability could not be achieved and what could be done to close the gap. The current energy transition should be carefully monitored to ensure that targets are not pursued that put primary industries at risk due to unsustainable energy prices.

Tariff 22C (and 12C) has generated significant interest amongst agricultural customers and while this structure is not suitable for all irrigators, there are opportunities for some to optimise their schedules and avoid peak times to some extent and maximise their daytime off-peak usage. Unfortunately, the incentives created by this tariff are being diluted for 2024/25 as the off-peak rate is set to increase by over 15%, the shoulder rate increases by 28% while the peak rate decreases by 9%.

The tariff reductions for the T20 small business tariff as well as the T34 interruptible supply are welcomed. However, after increases amounting to over 50% in the tariff rate over two years, it could have been expected that the cost generation impacts of the high prices experienced during late 2022 would have had much less of an impact on wholesale energy prices and a sharp reduction would have occurred. It would be good if the QCA determination could report on a summary of the wholesale prices measured and some of the reasons behind cost movements.

Metering

CANEGROWERS shares the concerns of the Queensland Farmers Federation relating to the rollout of advanced digital meters and the impact this will have for large customers currently on tariff 43. Those irrigators that would have to leave tariff 43 as a result of a meter change would see a significant cost jump. This situation would be improved where there are alternatives for large customers that are near to the threshold such as what we have suggested above.

Given the limitation of your delegation I acknowledge that the QCA is not in a position to consider many of the points that we have put forward. However we reiterate that the QCA is in an excellent position to manage the stakeholder feedback loop, and formally provide this feedback, along with their own advisory regarding that feedback, to Government. We request that QCA leadership discuss this opportunity with the Minister and explore how it may be incorporated into the current annual process.

Please do not hesitate to contact Chris Gillitt, CANEGROWERS Manager – Farm Business Resilience, if you require further information.

Yours sincerely

Dan Galligan
Chief Executive Officer