

19 June 2018

Review of Queensland Energy Legislation Issues Paper  
Energy Industry Policy – Strategic Futures  
Department of Natural Resources, Mines and Energy  
PO Box 15456,  
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Submitted by email: [energyreview@dnrme.qld.gov.au](mailto:energyreview@dnrme.qld.gov.au)

### **Review of Queensland Energy Legislation Issues Paper**

Dear Madam/Sir,

Cotton Australia welcomes the opportunity to provide comment on the Review of the Queensland Energy Legislation Issues paper.

#### **Background**

Cotton Australia, is the peak national body representing cotton growers and ginners. While Queensland's cotton production is highly variable, the State's 600 growers often produce between 1 million and 1.5 million bales each year. The value of that production ranges between \$500 million and \$900 million (including the value of cotton seed) farm gate annually. Our growers in Queensland reside throughout the South-West and Central parts of the State. Energy and water are the key inputs for our industry's production.

As a member of the Queensland Farmer's Federation ('QFF') Cotton Australia endorses its comments regarding this issues paper. If there are any perceived inconsistencies in position between organisations, the position expressed in this submission is that of Cotton Australia's.

Consequently, Cotton Australia is an active participant and is heavily engaged in consultation processes relating to energy. We have consistently responded to Queensland Competition Authority discussion papers and have engaged fully with the Australian Energy Regulator revenue determination for Ergon in addition to the Queensland Productivity Commission Electricity Pricing Inquiry. Cotton Australia, is also a member of the Regulatory Proposal and Tariff Structure Statement Working Group and an invitee of the Agricultural Forum, both established by Energy Queensland.

#### **General Commentary**

Cotton Australia's submission will limit its comments to the following questions:

- Q2 Existing provisions in legislation Licensing
- Q3 Price control
- Q6 Energy efficiency and demand management
- Q7 Technical requirements

## Q9 Customer protections

### Q2 Existing provisions in legislation licensing

The energy network and the way it operates is changing. In Cotton Australia's view, the framework for energy legislation needs to reflect shift from a centralised system to a decentralised system with hubs/microgrids or community owned assets.

### Q3 Price control

Electricity pricing structures need to be addressed. Cotton Australia submits that an important part of addressing rising and unsustainable electricity prices, is creating affordable, simplistic, reasonable and predictable pricing that is reflective of the use.

The cotton industry like many other irrigation reliant industries are struggling to cope with unsustainable electricity prices in Queensland. Cotton gins and growers have been actively engaged in government initiatives to mitigate their rising electricity prices. Many have installed and adopted energy efficiency measures and invested in renewable energy technology, such as solar. However, in many cases these proactive measures have been nullified by constant rising electricity costs<sup>1</sup>, with no recourse insight.

For government to achieve its action of transitioning to a low-carbon energy sector current tariff structures and pricing mechanisms for regional and rural customers need to be addressed. The continuous increase in the cost of network services and the underlying regulatory framework governing network tariffs (i.e. time of use and demand driven tariffs) are the main reasons irrigators are considering 'going off grid' in an effort to reduce the cost of production. Irrigators leaving the grid will not assist with the sector in transitioning into a low-carbon sector.

Tariff pricing structures that accurately reflect the nature of use of customers would achieve a sustainable pricing mechanism that encourages customers to use the infrastructure available and not leave the grid. A key consideration needs to be the gathering of data to positively influence pricing controls. This is particularly important for the cotton industry and irrigators due to the unpredictable nature of the energy usage.

Similarly, some aspects of cost reflective pricing, such as the demand charges should not apply to existing connections but only new connections. It is well documented that everyone including the networks have already made their investment (gold plating) however the concept of Long Run Marginal Cost is all about getting a return in new investment.

A practical recommendation that Cotton Australia has made to Energy Queensland in other submissions is that they redevelop their tariff comparison tool available through websites, to assist transitional tariff users. This would enable users to decide what is the most cost-effective tariff is particularly in preparation for the loss of Transitional Tariffs in 2020. Cotton Australia submits that the easiest and most direct way to actively compare tariffs would be for distribution network service providers (DNSPs) to provide a tariff comparison attached to each bill. This directly provides the information to the customer and gives the power and information to that user for them to make

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<sup>1</sup> Farm Online National, Taskforce warning over lack of affordable electricity network  
<<http://www.farmonline.com.au/story/4663393/farmers-take-pulse-of-power-price-pain/>>



strategic decisions. This could be illustrated through a table that provides three alternative tariff structures relative to the current tariff the user is on.

**Q6 Energy efficiency and demand management**

**Q7 Technical requirements &**

**Q9 Customer protections**

Cotton Australia will address these three matters in a collective response.

Our members need to stay competitive but rising electricity costs cannot be offset by growers because they are price takers in international commodity markets. Despite their vital importance to rural and regional communities, our growers like other irrigators continue to be a ‘cornered demographic’ in the context of electricity – constrained in its access to, reliability of, and by the cost for electricity through its rural location.

For example, many irrigators have installed renewable energy sources on farm and attempted to feed excess energy generated back into the grid, however they have encountered a range of operational and regulatory barriers that has limited their opportunities. These include:

- Lack of technical expertise within the irrigation/farming community to engage in solutions with network companies and validate the claims of equipment (solar etc) providers.
- Technical limitations regarding grid energy export and voltage management.
- Lack of farmer knowledge about tariff transition.

All these barriers result in additional delays and costs to the grower simply wanting to install renewable energy technologies on their Queensland farm. This is a frustrating situation as we note in NSW, Cotton Australia members are able to do so in the absence of such.

For that reason, Cotton Australia recommends the legislative frameworks established by the electricity and gas Acts are reviewed on a more frequent basis than 10-year intervals. This would be more reflective of the changing landscape that the energy market is encountering and would enable the legislative framework to incorporate and enable new technologies rather than hinder.

There is a desperate need for real time data. Internal research indicates that seasonal time of use tariffs are not applicable to cotton growers using irrigation, making a food and fibre tariff all the more pertinent<sup>2</sup>. Hence smart meters would go some of the way of clarifying what the user is actually using vs paying for.

We note that despite the advent of the “Power of Choice” the speed of changing over to new meters is slow. Also, that for a user simply wishing to take the initiative and ‘upgrade’ the replacement cost of new for old can be prohibitive (in the order of \$600/meter plus installation and call out fees).

A further limiting factor is that information about where there is capacity in the grid to accommodate and capitalise on renewable installations is not widely available. This is particularly the case for small scale generators where such information influences size of potential infrastructure (MW) as

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<sup>2</sup> Forthcoming research commissioned by the Agricultural Industries Energy Taskforce supported by Energy Consumers Australia grant.

well as its location, in terms of ease of physical grid connection but also current constraints on the locality's network. On top of this the reasoning processes used by DNSPs to determine whether the installation is acceptable or not is not very transparent. This in itself adds a layer of administration burden to the process as several rounds of approvals will need to be secured first and even then a project may not be permitted.

It is Cotton Australia's view that distributed generation – through PV generation – should be seen as an opportunity to generate energy and drive down future capital costs or a means to avoid additional capacity being installed for the purpose of meeting peak demand.

To better understand how additional renewable technologies can be incorporated into the grid Cotton Australia has with Queensland Farmers Federation and NSW Irrigators' Council commissioned research. The project will build the evidence base around the existing challenges and obstacles in the installation of renewable energy sources in rural Australia (i.e. with focus on Queensland and NSW). The analysis will assist in educating irrigators/farmers about potential future opportunities as well as risks and challenges in the installation of renewable energy generation on farm.

The aim/outcome is to provide irrigators/farmers with greater options and opportunities to make more informed decisions about their future energy supply. In addition, we aim to enable a more productive dialogue between irrigators/farmers and the network businesses about potential future opportunities.

The research is funded via an Energy Consumers Australia grant with the results being scheduled for later this year.

### **Conclusion**

In Cotton Australia's view: electricity bills are not affordable, reliability risks in the system are increasing, and the ability to access or install renewable infrastructure on farm under the current policy settings is uncertain. The Electricity Act in particular needs to be updated to reflect the changes in the transmission and distribution of electricity and support safe installation and operation of new renewable energy technologies wherever they are located within Queensland.

For further information on this submission please contact Michael Murray – [michaelm@cotton.org.au](mailto:michaelm@cotton.org.au) or 0427 707 868.

Kind regards,



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Cotton Australia