

QUESTION ON NOTICE

No. 672

asked on Thursday, 17 May 2018

MR T PERRETT ASKED THE MINISTER FOR NATURAL RESOURCES, MINES AND ENERGY (HON DR A LYNHAM)—

QUESTION:

With reference to the Queensland Productivity Commission figures that 60 percent of the state's more than 17,000 customers on obsolete farming and irrigation tariffs will be worse off after existing tariffs are switched off in 2020—

Will the Minister advise what the government is doing to fix this impending crisis for our state's farmers?

ANSWER:

The Queensland Competition Authority (QCA) is gradually phasing out legacy retail tariffs for businesses in regional Queensland because they are not based on the actual costs of supplying electricity. The QCA commenced the process in 2012–13 during the term of the Newman government, and is gradually adjusting these transitional and obsolete tariffs to smooth bill impacts on customers over time.

Most of these transitional and obsolete tariffs—including farming and irrigation tariffs 62, 65 and 66—will be phased out by 1 July 2020. According to the QCA, depending on the tariff, 24 to 43 per cent of small agricultural transitional tariff customers would pay less if they immediately switch to standard business Tariff 20. Customers should check with Ergon Energy to ensure they have the best electricity tariff for their situation.

The Queensland Government recognises that the remaining customers may face challenges adjusting to the standard business tariffs other regional businesses pay. In November 2016, the government announced a \$10 million Regional Business Support Package as part of its response to the Queensland Productivity Commission's enquiry. The package is intended to assist customers, including agricultural customers, on transitional and obsolete tariffs to prepare for the shift to standard tariffs by 2020.

The Regional Business Support Package includes the following initiatives relevant to agricultural customers:

- *Large Customer Adjustment Program (Trial phase)*—provides support to large customers through free energy audits and government co-contributions of up to 50 per cent of audit implementation costs. Ten customers have already been selected for the program and they include agricultural businesses like Mackay Sugar Farms, Howe Farms, Isis Sugar Mill, Queensland Sugar Limited and Bundaberg Walkers Engineering—which provides foundry services to the sugar and mining industries.

- *Agricultural Tariff Initiative*—launched in February 2017 is monitoring the experiences of around 200 agricultural businesses utilising various electricity tariffs. Designed in partnership with Energy Queensland, the Queensland Farmers' Federation, Cotton Australia and Canegrowers, the initiative aims to identify various agricultural load profiles and the operational and/or cost impacts to those profiles when operating under different tariff structures.
- *Large Customer Metering Program* to assist large electricity customers who need meter upgrades to help understand the impact of moving off the transitional and obsolete tariffs.
- *Awareness Program* to assist customers to understand the bill impacts of different tariff options and to promote case studies and information arising from the rest of the package which helps customers to lower their electricity bills.

In October 2017, the Queensland Government announced its Business Energy Savers Program as part of its \$2 billion Affordable Energy Plan. The Business Energy Savers Program included an extension of the Large Customer Adjustment Program to an additional 30 large customers on transitional and obsolete tariffs, and an extension to the successful \$2.69 million Energy Savers Plus Program run in partnership with the Queensland Farmers' Federation.

Participants in the \$10 million Large Customer Adjustment Program will receive a free energy audit, as well as a cash contribution to help realise savings on their electricity bills. Co-contributions will be up to 50 per cent of audit implementation costs capped at \$250,000. Applications for the program are expected to open in the near future.

The \$10 million Energy Savers Plus Program Extension supports agricultural businesses, including those on transitional and obsolete tariffs, to implement energy efficiency measures with funding provided for 200 energy audits over three years, and a co-contribution grant of up to \$20,000 to assist businesses in implementing the recommendations from the audit. Applications for the Energy Savers Plus Program Extension opened in April 2018 and closed at midnight on 29 May 2018.

Overall, agricultural businesses have access to over \$30 million in government energy savings programs.

But these programs have a much broader reach, with the learnings and findings from these audits and businesses to be used to develop case studies to help other farmers to identify and implement their own plans to reduce their energy costs.

These programs are over and above the support all Ergon Energy customers receive through the approximately \$500 million per year community service obligation payment which suppresses regional prices.