QUEENSLAND PRODUCTIVITY COMMISSION

Cairns Public Hearing
14 April 2016

Summary of Discussion

The Queensland Productivity Commission held a Public Hearing in Cairns on 14 April 2016 to discuss its inquiries into electricity pricing and solar feed-in tariffs, following publication of the Draft Reports. The forum provided interested parties with the opportunity to present evidence and views to the Commission, relevant to the two inquiries.

A summary of those views and associated discussion, prepared by officers from the Commission, is presented below.

Presentation by Phil Pollard, Cairns and District Australians In Retirement

Key points

- Self-funded retirees do not have access to large superannuation reserves, because compulsory super saving did not exist when many were working.
- The majority of the self-funded retirees have the bulk of their savings in low risk investment and bank savings, at a time of historically low interest rates. The returns on these personal savings and assets are just matching the current CPI.
- People in retirement, and particularly those who choose to self-fund, are now lowering their living standards and are at risk of running out of money. Their needs for air conditioning, particularly living in hot tropics of Far North Queensland, increases with their age and deteriorating health.
- The inability of seniors to pay the cost of their electricity bill has seen serious implications for food and other essentials.
- The Government should not intervene in the solar PV market. It should address the cross subsidisation by those consumers unwilling or unable to install solar PV. It should consider the impact of renewables on the network.
- The Queensland Government should immediately remove the headroom charge of 5%, given the absence of competition in regional Queensland.

Presentation by Sharon Denny, Australian Sugar Milling Council

Key points

- Sugar mills are Queensland's second largest source of renewable energy. Mills generate around 1,000 GWh of electricity a year.

- Mills are also electricity importers drawing a consistent amount of power outside of the crush season and drawing significant amounts of power for short periods of time during the crush season each time they restart.
- Regional Queensland is currently saddled with a highly inefficient and costly electricity network, because successive Queensland Governments have deliberately traded off efficiency against exploitation of resources.
- The UTP compensates for inefficient government decisions and investment in electricity generation and networks. CSO payments are effectively an equalisation payment for poor risk management by government investment in inefficient energy infrastructure.
- The Queensland Government is transferring money to itself through CSO payments on inflated network asset bases. Regional Queensland has little influence in relation to investment decisions.
- Every sugar milling company has investigated a range of opportunities with Ergon Energy over recent years, to run more often and generate a constant supply of electricity with some stored generation. There's no interest from Ergon Energy taking projects further.
- The AEMC recently introduced new rules that require electricity distributors to structure their networked tariffs to reflect efficient costs. However, they are broad principles and provide networks with the power to unilaterally impose their own choice of tariff on particular customers.
- Network businesses' incentives aren't actually aligned with consumers' long-term interests. Networks are likely to structure their tariffs in a manner that reduces the financial attractiveness of distributed generation, energy efficiency and other non-network solutions.
- In four years' time, when mills transition from tariff 22 to tariff 48, at least 2 mills will have to close. Mills will need to explore demand management options that reduce productivity or on-site generation, such as diesel.

Presentation by Jennifer Brownie, Far North Queensland Electricity Users Network

- Electricity is an essential service, largely controlled by monopolies, and as such it is highly regulated. It cannot evolve with the market.
- Prices have sky rocketed since the National Electricity Rules came into effect. They are not in the long term interest of Australia and Queensland consumers
- The Queensland Government should reduce the 2015/16 regulated retail prices in regional Queensland by 5% for all residential and business customers.
- A food, fibre and manufacturing tariff, which increases network utilisation and efficiently uses surplus energy generated by solar PVs, should be introduced.
- The Queensland Government should, through its seat on the COAG Energy Council, set National Electricity Rules that are in the long term interest of consumers - not the entity who owns or leases electricity businesses and assets.
- A review of the impact of solar power purchase agreements should be implemented.

- A 24 month no-harm policy in relation to the introduction of smart meters and time of use tariffs in Regional Queensland should be adopted.
- Queensland electricity bills should be presented in a standard format to assist consumers in understanding their electricity bills, and enabling them to adapt to changes in the retail market.
- The Queensland Government should invest in renewable technology to reduce greenhouse gas emissions.
- The Queensland Government should work with consumer organisations to improve demand forecasts.
- The Queensland Government should not pass-through any costs from merging Ergon Energy and Energex and separating the retail business.
- A business case on the viability of Ergon Energy providing cyclone insurance to customers should be provided.
- The Queensland Government should commit to a buyback of the solar bonus scheme.