



QUEENSLAND  
FARMERS'  
FEDERATION

# AER Issues Paper 2025-30 Regulatory Proposals Provided by Ergon and Energy Queensland

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The united voice of  
Queensland agriculture

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## Our members

- Canegrowers
- Cotton Australia
- Queensland Fruit & Vegetable Growers
- Nursery & Garden Industry Queensland
- eastAUSmilk
- Australian Cane Farmers Association
- Queensland United Egg Producers
- Turf Queensland
- Queensland Chicken Meat Council
- Pork Queensland
- Bundaberg Regional Irrigators Group
- Burdekin River Irrigation Area
- Central Downs Irrigators Ltd
- Fairburn Irrigation Network
- Mallowa Irrigation
- Pioneer Valley Water Co-operative Ltd
- Theodore Water Pty Ltd
- Eton Irrigation
- Queensland Oyster Growers Association
- Lockyer Water Users Forum

# About the Queensland Farmers' Federation



## **The Queensland Farmers' Federation (QFF) is the united voice of agriculture in Queensland.**

We are a member-based organisation representing the interests of peak agriculture industry organisations (both state and national). Through our members, QFF represents more than 13,000 primary producers across the cotton, cane, horticulture, dairy, nursery and garden, poultry, pork, and intensive animal industries.

We unite the sector to engage in a broad range of economic, social, environmental, and regional issues through advocacy, policy development, and project activity. We work with the government of the day on behalf of industry, farmers, and the community to provide powerful representation and contribution to the policy direction, sustainability, and future growth of Queensland's agriculture sector.

Our Council of member representatives and policy committees set the strategic priorities for policy development and advocacy, while our Board ensures our corporate governance.

QFF draws on the expertise and industry knowledge of our members, and through our commitment to collaboration and considered policy development, we lead Queensland's agriculture sector towards a strong future, ensuring our members are ahead of the game and have a voice at the table on the issues that matter to their members.

## **Submission**

QFF welcomes the opportunity from the Australian Energy Regulator (AER) to provide comment on the 2025-30 regulatory proposals provided by Ergon and Energy Queensland. We provide this submission without prejudice to any additional submission from our members or individual farmers.

In response to the AER's Issues Paper on Ergon's Regulatory Determination Proposal, we aim to address some key areas where efficiencies can be enhanced to reduce network costs and deliver lasting benefits to the agricultural sector.

During the 2020-25 regulatory period Ergon has made significant investments in its networks. We have noted that these investments have resulted in substantial growth in their regulated asset bases, leading to increased costs and electricity prices for regional households and businesses throughout Queensland.

Agricultural customers, particularly those unable to offset electricity costs with energy from their own resources and who have no ability to reduce peak demand, bear a significant brunt of these network cost pass throughs. It remains of paramount importance that the AER, Ergon and Energy Queensland consider the significant role that strategically allocating distribution expenditure in rural and regional areas, amidst increasing electrification, will have in underwriting the growth of the Queensland's agriculture sector.

QFF therefore advocates for a transparent and principles-based approach to assessing Ergon's 2025-30 regulatory proposal, with a focus on the long-term interests of agricultural customers regarding

efficient network use and development. We stress to the AER the importance of exploring additional avenues for price reductions beyond those proposed by Ergon and Energy Queensland.

This approach must seek to prioritise achieving optimal policy and investment outcomes for agricultural customers, rather than solely recovering increased costs resulting from inefficient capital expenditure, risk-aversion strategies, and the likely risk of asset stranding due to poor network utilisation outcomes.

In identifying opportunities for further cost reductions, QFF urges the AER to actively pursue them. We believe that our detailed response will provide valuable input for the AER's considerations and will assist in shaping a fair and effective network tariff structure.

### **Summary of key issues and recommendations**

The key priorities for the regulated distribution and pricing of energy to our membership organisations and agricultural customers across rural and regional Queensland, include:

- 8 cents (N) + 8 cents (R) tariff ceiling
- Individualised tariffs
- Transparency in expenditure proposals
- Expenditure that enables an increase in DER integration
- Consumer education and energy audit/efficiency programs

QFF provides the following considerations to the AER and Ergon to achieve these priorities:

- We emphasise to Ergon the importance of consumer engagement, raising concerns about affordability and equitability, and recommending addressing crucial issues such as individualised tariff structures for specific industries and agricultural operations.
- Informed consent is vital for successful tariff reform, requiring thorough customer education and the option for customers to select tariffs aligning with their operational needs.
- We are in favour of narrowing peak pricing windows and introducing 'no-price' windows during midday to promote BESS utilisation and ease peak demand pressures.
- We raise concerns about the impact of export tariffs on agricultural customers with seasonal consumption patterns. We urge the monitoring of Ergon's export charging strategy, recommending increased Basic Export Level and transparent publication of calculations to benefit DER integration.
- We request tailored network tariffs for large agricultural customers with episodic energy requirements. We suggest reinstating inclining block tariffs, addressing impacts of demand charges, and reviewing classification methodology for fairness.
- We recommend a robust, evidence-based business case for future expenditures, supported by an AER ex-post review of past capex, consideration of tangible benefits to agricultural customers, and a detailed assessment of capex proposals to ensure prudence, efficiency, and affordability.

- We urge the AER to ensure that any increase in expenditure, particularly in repex, is justified by tangible benefits in terms of improved accessibility, safety and reliability of the rural and regional electricity network.
- We are inclined to support Ergon's proposed augex investment priorities but there is need for a genuine focus on improving sub-transmission and distribution networks in rural and regional communities.
- We would like to see more effective and strategic allocation of capex and DER-related expenditure to enhance network capacity, particularly for agricultural customers facing constraints on exporting energy, and to implement network designs supporting uninterrupted energy export.
- We support the 100% roll-out of smart meters by 2030 but installation costs must be affordable and there must be access to equitable tariffs suitable for Large agricultural customers transitioning from existing tariffs as a result of this mandatory rollout.
- Other additional areas of consideration highlighted below.

## Our Response

### 1. Consumer engagement

QFF acknowledges Energy Queensland for its efforts in engaging with consumer advocates throughout the preparation of Ergon's 2025-30 regulatory proposal. We view Energy Queensland's approach as comprehensive, involving detailed sessions with stakeholders, the sharing of valuable information, and a genuine commitment to enhancing consumers' understanding of Ergon's own operations that will become evident throughout the next regulatory period.

Despite these efforts, concerns regarding affordability still persist. We have raised several critical issues with Ergon, including individualised tariff design concepts, affordability and capital investment allocation, which remain unaddressed or have not undergone sufficient analysis or investigation. QFF would like to see more localised workshops and focus groups in the future to better convey the impacts of these changes and promote feedback mechanisms.

### 2. Network tariffs

Ergon's strategy for establishing network tariffs in the upcoming regulatory period is based on a cost-reflective pricing approach. This method aims to 'transition the strength of the price signal', meaning costs that are unrestrainedly passed to customers in a manner that addresses demand response and the penetration of renewable generation.

This suggests that the proposed tariff structure is less focused on adapting to specific practices or business requirements, especially those of agricultural customers, and more on using tariffs as an economic instrument to influence consumption behaviours in line with market demands and anticipated future requirements. This includes efforts to reduce consumption during peak periods and accommodate the increase in electric vehicle charging and solar exporting.

While we note that this strategy seeks to place downward pressure on network costs, which might appear to be in the long-term interest of all customers, we have reservations about its implications for agricultural customers and their practical operations. It is our opinion that the tariffs proposed by

Ergon are purposefully uneconomical and designed to increase the proportion of the revenue recovery onto specific customer groups, including those:

- Unable to adjust their usage away from peak periods.
- Experiencing episodic periods of high energy consumption followed by low or zero consumption.
- With limited resources and inefficient power factor efficiency.
- Likely to exceed the basic export limit and incur additional costs.

### **Informed consent prior to Tariff Assignment**

QFF deem it essential for Ergon to thoroughly consider the customer implications of this cost-reflective pricing strategy and demonstrate a genuine understanding of the varying electricity demand profiles of agricultural customer profiles. Despite the extensive theoretical rationale behind cost-reflective pricing, many agricultural customers will encounter challenges in modifying their consumption patterns or comprehending the tariff structures, potentially resulting in unrealised benefits or negative impacts.

For successful tariff reform, agricultural customers must first develop a comprehensive understanding of their tariffs prior to sending price signals to them and before transitioning to them. In essence, informed consent is vital for this process. Achieving this requires Ergon to implement a comprehensive customer education campaign and provide customers with the opportunity to select tariffs that align with their operational characteristics. Ensuring these prerequisites are met is essential for agricultural customers to effectively realise the benefits of Ergon's cost-reflective pricing strategy.

### **Proposed time-of-use windows**

In agriculture, there exists a diversity of electricity load and consumption profiles:

- Some may prioritise off-peak use for cost-saving, while others must use equipment regardless of price signals.
- Flexible operations enable some to optimise energy use, but constraints like equipment configuration and labour hinder others.
- Time-of-use tariffs could lead to disadvantageous price signalling, increasing charges, especially during broad peak price charging windows, disproportionately affecting irrigators.

Given the diverse consumption profiles under consideration, QFF are in favour of narrowing the peak pricing window to be confined to the hours between 5 pm and 8 pm for both small non-residential and large business customers. However, a pilot program per industry should be prioritised prior to full scale implementation, which would prove effective in assessing the impact to the above consumption profiles.

Additionally, we are also in favour of the implementation of 'no-price' windows during midday hours. We note that this approach aims to promote the utilisation of BESS among all customers during these specified times. We believe this will help to mitigate peak demand pressures later in the day, thereby exerting downward pressure on peak demand prices for customers unable to adjust their

consumption outside of peak periods. However, we must have an assurance from Ergon that this will be the case.

### **Export tariffs and two-way pricing**

While we acknowledge the proposed export tariffs as part of a “two-way” pricing structure are aimed at alleviating grid congestion and enabling networks to customise pricing mechanisms, we note to the AER the potential impact of this strategy. We express concern that this approach may disproportionately affect agricultural customers with seasonal energy consumption patterns, particularly those experiencing episodic periods of high self-consumption followed by periods of low or zero self-consumption, necessitating the export of large quantities of solar energy back to the grid during these times.

We encourage the AER to closely monitor Ergon’s export charging strategy to ensure demonstrable benefits to both the local network capacity and agricultural customers. Specifically:

- Increase the Basic Export Level (BEL) for solar exports without charge above the proposed 1.5kW to a kW level that better reflects the aggregate solar system size, export capacity, and local demand in agricultural regions.
- Strategic allocation of charges resulting from increased exports must support the augmentation of the specific regional or rural lines where solar energy was integrated into the network, rather than going towards cross-subsidising more population-centric areas.
- Export charging must result in a reduction of overall capex and augex.
- DER performance must be incentivised outside of the designated penalty periods by encouraging agricultural customers to optimise their exports to enhance local grid stability.
- The AER must quantify the impacts of these charges and transparently publish their underlying calculations – providing clarification on the potential impact of export tariffs on agricultural customers, including considerations of average solar system size and anticipated export volume.

### **Large customer tariff assignments**

High network charges are triggered when consumption exceeds 100 MWh per annum, impacting agricultural customers with periodic energy requirements. These customers often experience periods of high energy usage followed by periods of low or zero usage. While Ergon’s TSS Explanatory Statement asserts its inability to modify the small customer threshold,<sup>1</sup> QFF continues to request of Ergon to implement network tariffs specifically tailored for large customers consuming between 100 and 160 MWh per annum as a more equitable solution.

Firstly, we reiterate our response above that not every agricultural operation shares the same consumption patterns as traditional businesses or industries. Ergon’s proposed Large ToU Demand & Energy NUOS tariff would replace the multi-tiered structure with a single ToU tariff charging for both demand and consumption. Meaning that daytime periods would include lower costs, while evening periods would incur much higher costs. As such, QFF requests the AER to:

- Closely analyse Ergon’s proposed approach to tariff assignment.

- Mandate Ergon to actively pursue an appropriate tariff assignment for agricultural customers based on their operational characteristics.

Secondly, as smart meters continue to roll out in line with the QEJP targets, QFF requests the reinstatement of the Large customer consumption-based tariff for all SAC large customers with both smart and basic meters, whose consumption does not exceed 160 MWh annually. This would better accommodate the episodic energy requirements of large agricultural customers, while excluding much larger commercial and industrial customers.

Thirdly, the transition from kW-based demand charges to kVA-based demand charges in the Demand Small NUOS tariff would significantly impact agricultural customers with inefficient equipment – those with a poor power factor will see a significant increase in demand charges when calculated on a kVA basis. As such, we ask the AER to consider:

- Restricting kVA-based charges to customers with a power factor near Unity (1.0) or not below 0.85, to mitigate the impact on agricultural customers with low power factor efficiency.
- Implementing an 'opt-in' volumetric threshold, applying kVA charges only when annual consumption exceeds 160 MWh, providing relief for customers with lower usage.
- Alternatively, collaborating with Ergon to assist agricultural customers identified as having poor power factor efficiency, ensuring they receive support in improving their equipment's efficiency. Support measures would include conducting Power Factor Improvement audits and implementing a rebates program to accelerate equipment efficiency enhancements.

Lastly, QFF urges the AER to review the methodology of Ergon's Large SAC Customer classification, which is based on an assessing a customer as if they are 'anticipated' to exceed the 100 MWh threshold, regardless of aggregate annual consumption ever exceeding the threshold. This results in exorbitant supply and demand charges for months with zero or low consumption following short periods of higher usage.

### 3. Capex

Ergon is expected to exceed its forecasted capex in the current regulatory period by 74 percent or \$2,057 million, primarily driven by repex, which accounts for over 90 percent of this overspend. We understand that this increase in repex has been largely attributed to the need to effectively address deteriorated assets. Nevertheless, this oversight will inevitably result in significant overspending with plans for further increases to capex from 2025-2030 to address these issues. Ergon further anticipates a significant increase in capex during the 2025-2030 regulatory period, forecasting a 20% increase over the previous period and amounting to a \$5,805 million increment. We note that this capex projection would increase Ergon's proposed RAB to \$21,388.6 million.

Transparency in Ergon's expenditure and investment priorities is especially crucial to foster accountability, trust, and informed decision-making. By openly disclosing where and how funds are allocated, Ergon would demonstrate its commitment to efficiency, prudent management, and meeting community needs. This transparency ensures stakeholders, including customers, regulators, and policymakers, have access to crucial information.

Moreover, it would encourage dialogue and engagement, allowing stakeholders to provide feedback, raise concerns, and contribute to the decision-making process. Ultimately, a revised approach to



open dialogue would better enhance Ergon's credibility, strengthen public confidence, and support the achievement of shared objectives in delivering reliable, affordable, and sustainable electricity to regional Queensland.

In recognising the significant impact that a substantial network charge has on all SAC customer tariffs:

- We support the AER's ex-post review of past capex and the proposed comprehensive review of Ergon's 2025-30 capex proposals.
- We encourage the AER to assess not only the prudence and efficiency of Ergon's spending but whether if Ergon's investment priorities have ensured tangible benefits to agricultural customers as a result of this expenditure.

### **Repex and augex**

Ergon's proposed \$2,579 million repex represents a 10% increase over its actual spend in the current period. While we understand the emphasis of investing in replacement assets, it is essential for the AER to ensure that any increase in repex is justified by tangible benefits, such as improved safety, reliability, and efficiency of the rural and regional electricity network.

We support the AER in conducting a thorough review of Ergon's repex proposal and note a number of factors for consideration in this evaluation:

- The need to verify whether the current risk and replacement levels adequately balance cost and risk.
- The rationale behind the shift in risk tolerance and address why compliance obligations were overlooked in the current regulatory period. Exploring lower volume options and prioritising riskier assets in rural areas can enhance efficiency in this regard.

Moreover, we note that Ergon's proposed \$789 million augex is an 80% increase over the current period. We are inclined to support Ergon's augex investment priorities on the condition that expenditure is effectively and efficiently directed towards improving sub-transmission and distribution networks in rural and regional communities, particularly those power lines directly affecting or adjacent to our members' properties, which have historically suffered from neglect.

While we endorse Ergon's strategy to strengthen the rural distribution network to enhance electricity supply quality and reliability in vulnerable areas, we question how Ergon will appropriately apply the resilience-related expenditure in these areas. We welcome the prospect of consultation with Ergon and the AER regarding how exactly resilience-related expenditure in rural areas will be quantified and managed so as to better reflect the experiences and impacts of agricultural customers along these 'vulnerable area' networks.

### **DER-related expenditure**

We support the potential of Ergon's "grid visibility" program to improve the visibility and data on low-voltage network conditions. By investing in upgraded information systems and data analytics, Ergon can identify network constraints, leading to more precise and less restrictive management of DER integration. In recent years, the absence of accurate and transparent data, and a lack of strategic network augmentation, has compelled Ergon to enforce conservative export limits, thereby limiting

the benefits of DER for local demand response and innovative technologies like agricultural microgrids.

QFF request that Ergon be more involved in on-farm behind-the-meter DER investigations to not only enhance grid stability, but to promote on-farm renewable energy integration and support agricultural communities. By actively participating, Ergon gains deeper insights into local energy dynamics, manages DER impact on the grid, and creates tailored solutions to meet customer or community needs.

As Ergon moves forward with implementing cost-reflective and two-way tariff pricing structures, strategic investments in rural and regional networks become essential for effectively managing and integrating higher levels of DER. However, uncertainties within the current framework for network investment under the RIT-D have recently resulted in a lack of investment applications, impeding the necessary infrastructure augmentation required for increased exporting in rural and regional areas. We urge the AER to:

- Clarify guidelines and provide clear methodologies for valuing DER, encouraging strategic investment allocation that promotes efficient infrastructure development while preventing agricultural customers from bearing disproportionate burdens.
- Enhance the disclosure and granularity of new generator network connection capacity data to support early-stage on-farm DER investigations.
- Increase data availability on system reliability and stability to improve market and end-user understanding of network capacity.
- Disclose all potential future network constraint investments, including smaller investments in the low-voltage system that may not traditionally undergo the RIT-D process.

Please review additional findings and recommendations provided in QFF's market research on the 'Localised Energy in Regions' study, available [here](#).

#### 4. Metering

QFF in principle supports the roll-out and deployment of smart meters by 2030, aligning with the target under the Queensland Energy and Jobs Plan. Our support primarily lies in supporting our members' individual strategies for digital meter installations in their respective regions. Ensuring affordable installation costs is paramount, particularly to ensure agricultural customers can access tariffs suitable for their operations. One potential solution is subsidising installations for farms needing multiple NMIs upgraded.

Given the anticipated acceleration of smart meter rollout due to the AEMC's report on metering services, it is expected that most agricultural customers will transition away from closed tariffs. Therefore, we urge the AER to reinstate tariff 43 as an open tariff throughout the upcoming regulatory period.

## Conclusion

QFF has welcomed the opportunity to engage with the AER regarding Ergon's 2025-30 regulatory proposals. As we navigate through the energy transition, it is imperative to address key areas where efficiencies can be enhanced to reduce network costs and deliver lasting benefits to the agricultural sector.

It is imperative for Ergon, Energy Queensland, and the AER to strategically allocate expenditure in rural and regional areas to support the growth of Queensland's agriculture sector. Key areas of concern include the proposed cost-reflective pricing strategy, informed consent and tariff assignment, time-of-use windows, export tariffs, large customer tariff arrangements, capex, and DER-related expenditure. QFF has provided specific recommendations to address these concerns, and we emphasise the importance of customer engagement, affordability, equitable tariff structures, and transparent decision-making processes.

In moving forward, QFF urges the AER to carefully consider these recommendations and work collaboratively to ensure the fair and efficient distribution of energy to agricultural customers across rural and regional Queensland.

If you have any queries about this submission, please do not hesitate to contact Mr Samuel Laffer at

[REDACTED]

Yours sincerely

[REDACTED]

Jo Sheppard

Chief Executive Officer



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