QUEENSLAND FARMERS' FEDERATION

Energy Queensland (Ergon and Energex) Revised Regulatory Proposals and Revised Tariff Structure Statements 2025-30

January 2025

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Prepared for
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Australian Energy Regulator

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Our members

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

About the Queensland Farmers' Federation

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

Our members are agricultural peak bodies that collectively represent more than 13,000 farmers who produce food, fibre and foliage across the state.

QFF's peak body members come together to develop policy and lead projects on the key issues that are important to their farmer members and the Queensland agriculture sector.

Together, we form a strong, unified voice leveraging our effectiveness by working together to drive policy and initiatives that support a strong future for Queensland agriculture.

Submission

QFF welcomes the opportunity to provide comment on the Energy Queensland (Ergon and Energex) Revised Regulatory Proposals and Revised Tariff Structure Statements 2025-30 (January 2025).

We provide this submission without prejudice to any additional submission from our members or individual farmers.

Introduction

The Queensland Farmers' Federation (QFF) welcomes the opportunity to provide feedback on the Australian Energy Regulator's (AER) Draft Decision regarding Energy Queensland's (Ergon Energy and Energex) distribution determination for the 2025–30 regulatory control period and the associated Tariff Structure Statement (TSS). Our Submission emphasises the critical need for network reforms that address inefficiencies in rural and regional areas, reduce overall energy costs, and ensure that tariff reforms effectively support the agricultural sector.

QFF's key priorities for the regulated distribution and pricing of energy for our members and agricultural customers in rural and regional Queensland are as follows:

- Affordability
- Reliability and security of supply
- On-farm sustainability
- Equitable tariff access and optionality
- Education and energy literacy

The rising cost of living, compounded by increasing electricity, fuel, and water prices, has placed significant financial strain on Queensland's agricultural growers and producers. As a result, one of our primary policy objectives is to advocate for tariffs that more accurately reflect the financial and operational challenges faced by the food, fibre, and foliage sectors.

Currently, the tariff and capital expenditure structures set by Energy Queensland have contributed to a higher cost of production of the end products of many Queensland growers and producers. This limits their ability to select tariffs that meet their operational needs, respond to price signals effectively, and improve financial viability through tariff incentives. The absence of

tariff optionality further exacerbates these challenges, making it more difficult for growers to remain competitive.

While the AER's Draft Decision recognises the need for tariff optionality—allowing customers to select from a range of tariff options such as time-of-use (TOU) pricing, demand tariffs, or Business primary and secondary load control tariffs—we believe the proposal does not go far enough. High eligibility thresholds and insufficient rural network investment may exclude many customers who would benefit from these tariffs. To make tariff reform truly effective, agricultural customers must have access to tariff options that suit their needs, along with adequate education on these choices before the new pricing structures are implemented.

Additionally, QFF calls for increased funding to improve on-farm Consumer Energy Resources (CER), such as solar photovoltaic (PV) systems and its exporting capacity, and for the development of initiatives like Farm Virtual Power Plants (VPPs) and agricultural microgrids. These demand management initiatives will enhance energy and network efficiency, supporting the sustainability of the agricultural sector in rural and regional Queensland.

To summarise Our Submission, QFF believes our key priorities and concerns can be addressed through the following actions and desired outcomes:

- Promoting consumer education, energy audit and efficiency programs to build energy literacy and on farm best practice.
- Setting a tariff ceiling of 8 cents N and 8 cents R (16 c/kWh).
- Reduce or remove the 120 kVA threshold for the large customer (100-160 MWh) TOU Energy tariff or introduce a TOU Energy tariff that accommodates large customers with a demand between 45 kVA and 120 kVA.
- Requesting additional TOU tariff options for the proposed 'solar soak' windows for small businesses, including a wider off-peak period and options that better align with wholesale price signals, ensuring lower off-peak rates even if it results in a higher peak rate.
- Allocating investment funds to support increased on-farm CER integration and solar exports.
- Include an analysis of the customer bill impact that accounts for the unique characteristics of irrigators and agricultural operations when determining the default tariff assignment.
- Expanding the rollout of community batteries, not solely owned by Ergon Energy and Energex, to increase embedded PV and storage across rural and regional Queensland.
- Introducing individual tariffs tailored to agricultural customers and irrigators' consumption patterns and load profiles.
- Continuing to offer all small and large customers primary and secondary load control tariffs, ensuring all rural and regional customers have access to these tariff options.
- Retaining the kW-based demand charging option for the Demand Small tariff.
- Ensuring transparency in expenditure proposals and decision-making processes.

- Strategically allocating distribution expenditure to support agricultural growth in regions facing reliability and accessibility challenges.
- Clarifying guidelines for valuing CER and improving transparency around embedded PV connections and system reliability.
- Approving investments in Farm VPPs and agricultural microgrids within the RIT-D and regulatory expenditure frameworks.

We refer to our previous submission from June 2024 for additional recommendations and look forward to continuing discussions with the AER and Energy Queensland to ensure the next regulatory control period supports affordable, reliable, and secure electricity for the agricultural sector across rural and regional Queensland.

1. Customer Engagement Strategy

A key concern for QFF and its members is the proposed cost-reflective pricing strategy by Ergon Energy and Energex, which could significantly impact the affordability of electricity for many agricultural customers and irrigators. While cost-reflective pricing offers established network benefits, it poses substantial challenges for agricultural customers who may struggle to adapt to complex tariff structures that do not align with their operational needs. As a result:

- Many agricultural customers may find it difficult to adjust their energy consumption or fully understand new pricing models.
- This lack of understanding could lead to missed savings or even financially detrimental outcomes.
- Some customers who would benefit from these tariff structures may be effectively excluded due to inaccessible thresholds or insufficient investment in regional network infrastructure.

To address these concerns, QFF strongly supports the implementation of a comprehensive customer education and engagement strategy led by Energy Queensland (Ergon Energy and Energex) in partnership with industry and community. This strategy must include agricultural customers and focus on:

- Informing agricultural customers about demand management opportunities.
- Explaining the components of different tariffs.
- Providing support and guidance on selecting the most appropriate tariff based on operational characteristics, including transitioning off default tariffs.

2. QFF Response to Network Tariff Structure Statement

2.1 TOU Windows and "Solar Soaking" Incentives

QFF was concerned about recent changes to the small business solar soaker tariff T22C in the 2024-25 notified pricing period, particularly the narrowing of price differentials between peak, shoulder, and off-peak periods. Specifically, shoulder period prices increased by 35%, off-peak by 27%, while peak period prices decreased by 20%. This shift has led to dissatisfaction among customers who had previously adjusted their usage to take advantage of lower off-peak and shoulder prices, thereby diminishing the benefits of "solar soaking."

QFF believes there is an opportunity to better align tariff incentives with the agricultural sector's ability to absorb excess intermittent renewable generation. Similar to the introduction of Tariff 62A, which helped manage peaking power from gas and coal-fired power plants, there is now a need to incentivise irrigators to adjust consumption during periods of high renewable energy abundance. Providing more effective tariff incentives for solar soaking would allow agricultural customers to:

- Reduce reliance on the grid during peak periods.
- Alleviate strain on network infrastructure.
- Assist with reduced day-time irrigation pricing.

While the zero Distribution Use of Service charge (DUOS) charge from 11:00 am to 1:00 pm offers benefits for customers who adjust their usage, QFF proposes the following adjustments to improve effectiveness:

- Extend the low-priced solar soak period for small businesses to align with the residential zero DUOS period, from 11:00 am to 4:00 pm. This would encourage consumption during the extended period and further reduce evening peak demand.
- Remove DUOS charges during the solar soak period for large customers, which would provide a clearer price signal to businesses and improve economic efficiency by minimising over-signalling of network costs during evening peaks.

We support the transition towards more effective tariff incentives and encourages demand shifting to off-peak periods in the upcoming regulatory reset.

2.2 Default Tariff Assignment for Small Business Customers

While cost-reflective pricing may reduce network costs over time, QFF has concerns about its potential impact on agricultural customers. The proposed tariffs could disproportionately affect agricultural customers who:

- Cannot shift usage away from peak periods (e.g., dairies with fixed milking schedules or horticultural growers managing daytime irrigation).
- Experience episodic spikes in consumption, followed by periods of low or no usage.
- Have limited resources to improve power factor efficiency.

QFF acknowledges the AER's Draft Decision to reject Ergon Energy and Energex's proposed default assignment policies, which would have transitioned all small business customers assigned to the TOU Demand and Energy tariffs, to the new default TOU Energy tariffs over a period of 6 months from 1 July 2025. QFF urges the AER to conduct and include a customer bill impact analysis in the Final Decision that reflects the characteristics of irrigators and agricultural operations, considering:

- Seasonal energy use variations
- Irrigation schedules
- Fluctuations in agricultural production

Given the diverse nature of agricultural operations, a uniform approach to tariff assignment is inappropriate. For instance, irrigators may benefit more from a TOU energy tariff than a TOU demand tariff, or vice versa. The key considerations for agricultural customers in this context include:

- Potential cost savings
- The ability to manually adjust to demand tariffs

This customer impact analysis would help ensure that default tariff structures align with the realities of agricultural operations. QFF is also willing to provide data to support this analysis.

2.3 Export Transition Strategy (Calculation and Transition)

QFF supports the AER's Draft Decision on two-way tariffs, particularly the explicit export tariff transition strategy required by the National Energy Rules. We fully support the AER's recommendation to conduct a customer bill impact analysis for low-voltage business customers affected by two-way pricing, prior to implementation.

We urge Ergon Energy and Energex to prioritise equitable access to pricing structures that support on-farm Consumer Energy Resources (CER) integration. While the mandatory enforcement of two-way pricing in 2028 may create difficulties without adequate support structures, allowing customers to opt into dynamic connection agreements could provide a viable alternative, contingent on the availability of necessary signalling infrastructure.

QFF supports the AER's recommendation that Ergon Energy and Energex provide more detailed information on dynamic connection agreements, ensuring that these agreements are accessible to all customers, particularly those in rural and regional areas. Infrastructure investments must be made to support the implementation of these agreements.

Finally, QFF advocates for a thorough demonstration of dynamic operating envelopes before the implementation of two-way export tariffs. This will ensure that the necessary technological infrastructure is in place, enabling agricultural businesses to transition to more efficient export systems without being left behind.

2.4 Access to Primary Load Control Tariff Options

Irrigators in rural and regional areas, especially in St George, have long faced barriers to accessing load control tariffs due to a lack of necessary signalling infrastructure. This issue, raised by Cotton Australia consistently with both Ergon Energy and the QCA, has put irrigators at a significant competitive disadvantage. Without access to tariffs like Dynamic Load Tariffs 60A and 60B, St George irrigators are forced to rely on traditional energy sources, such as diesel, leading many to exit the grid.

QFF shares Cotton Australia's concerns regarding the lack of tariff options and infrastructure, which limits access to flexible load tariffs. We believe this issue stems from network inefficiencies, rather than regulatory failures, and request urgent investment in infrastructure upgrades to enable more tariff choices for irrigators.

Infrastructure improvements would allow Ergon Energy and Energex to:

- Expand load control tariff options.
- Manage peak demand on the network in certain regional parts of Queensland.

- Promote more equitable pricing for rural and regional customers.
- Support energy efficiency in agricultural regions.
- Broaden access to dynamic connection agreements.

For the 2025-30 regulatory period, QFF hopes to see expanded access to flexible load tariff options for irrigators. If network constraints or the cost of signalling equipment prevent implementation in rural areas, QFF urges the AER to approve alternative technologies that could enable access to these tariffs.

2.5 100 MWh Upper Consumption Customers Threshold

QFF once again urges the AER to review Ergon Energy's classification methodology for SAC Large customers, which assumes that all customers will exceed the 100 MWh threshold, regardless of actual consumption. It is known that this classification threshold results in disproportionately high supply and demand charges for agricultural customers with low or no consumption during off-season months, following periods of high usage. To mitigate these costs, some farmers have resorted to impractical measures, such as:

- Reverting to diesel generators, undermining emissions reduction objectives.
- Installing additional meters, which are costly and difficult to implement.
- Shifting consumption outside of peak periods, potentially compromising output quality.

As an example, in 2020, a cane farmer, experienced an unexpected increase in costs after his irrigation sites were classified as large customers. Despite investing over $200,000 in new infrastructure to reduce costs, he still faces uncertainty about future energy options and return on investment.

QFF urges the AER, Energy Queensland, and the Queensland Government to reconsider this classification threshold and methodology and provide contingencies to avoid penalising agricultural customers for typical energy use fluctuations.

2.6 Review of the Large Customer Tariff "Service Fee"

QFF continually receives concerns from growers and producers regarding the impact of the SAC Large customer classification, particularly the substantial increase in the daily fixed charge/ service fee as a result of this classification. The current Ergon Energy 2024-25 notified prices are provided below:

Type	Tariff	SAC Class	Service Fee	Cost per Month	Cost per Year
Demand	Tariff 24 A	Small	$1.628	$49	$594
Demand	Tariff 44	Large	$49.150	$1,495	$17,940
Primary Load	Tariff 34	Small	$1.529	$46	$558
Primary Load	Tariff 60 A	Large	$48.431	$1,473	$17,677

QFF is particularly concerned about the disparity in the service fee between Business Load Control tariffs (T34 for small customers, T60 A for large customers). Despite both tariffs offering the same benefit to the network, the service fee for large customers is substantially higher.

The current fee structure fails to account for the seasonal demand patterns of agricultural businesses, which often experience short bursts of high demand but have low average consumption. QFF urges the AER to:

- Review the service fee structure for both Demand-based and Business Load Control tariffs for large customers.
- Consider more flexible pricing models that better align with the unique needs and consumption patterns of agricultural customers.

2.7 Retaining kW-Based Demand Option for Demand Small Tariff

QFF acknowledges that the transition to kVA-based demand charges enables Ergon Energy and Energex to recover revenue for reactive power and enhances network planning. However, this change will have significant impacts on many agricultural customers, particularly those with poor power factor and equipment efficiencies, as they will face higher demand charges. It is important for customers to fully understand these changes and their implications.

To mitigate the impacts for agricultural customers, QFF recommends the following actions:

- Implement an opt-in volumetric threshold, applying mandatory kVA-based charges only to customers who exceed 160 MWh in annual consumption.
- Collaborate with the Queensland Government and Energy Queensland to identify agricultural customers with poor power factor efficiency and assist them in upgrading their equipment through Power Factor Improvement audits and/ or rebate programs.

2.8 Threshold for Large LV Customer Access to New TOU Energy Tariff

QFF and its members have long advocated for improved access to tariffs that meet the operational needs of both small and large agricultural customers. In particular, we have called for the introduction of TOU Energy tariffs, such as the “solar soaker” Tariff 22C, for large customers, alongside the continued availability of consumption-based tariffs like Tariff 43. However, we were disappointed to learn that the proposed 120 kVA threshold for eligibility to the new TOU Energy tariff would exclude many agricultural customers who could otherwise benefit from load shifting.

Based on feedback from our members and QFF’s own energy audit projects, we have found that customers with an average annual consumption between 100 MWh and 160 MWh typically have demand levels ranging from 45 kW to 90 kW. These customers would not be eligible for additional tariff options, limiting their ability to effectively manage energy consumption and optimise costs. Our primary concerns are as follows:

- The 120 kVA threshold excludes many agricultural customers who have demand below this level but could still benefit from TOU Energy tariffs. These customers should not be denied the opportunity to manage their energy use more effectively.
- Removing the threshold, reducing the threshold to 60 kVA, or introducing another TOU Energy tariff for customers with demand between 45 kW and 90 kW, would better reflect

the energy needs and operational characteristics of agricultural businesses, as well as other large customers.

- Expanding tariff optionality and eligibility for a Large customer TOU Energy tariff would also support broader jurisdictional emissions targets by incentivising agricultural businesses to shift energy use away from peak periods and soaking intermittent renewable energy source.
- Increasing the large customer/upper consumption threshold to 160 MWh per year would address our issue's raised and would offer more tariff options for customers consuming between 100 MWh and 160 MWh annually.

To better align with the operational needs of agricultural businesses, QFF recommends the following TOU Energy tariff options for SAC Large customers:

- **No kVA Threshold for TOU Energy Tariff**
  - A TOU Energy tariff without a kVA threshold, available to all large customers.
- **60 kVA Minimum Eligibility Threshold for TOU Energy Tariff**
  - A TOU Energy tariff with a 60 kVA demand threshold, available to large customers with higher demand spikes.
- **45-120 kVA Eligibility for TOU Energy Tariff**
  - A TOU Energy tariff available to customers with a demand spike between 45 kVA and 120 kVA.

We note that Energy Queensland has modelled a reduction of the 120 kVA threshold for the TOU tariff. It is our understanding that under NER Clause 6.18.8, the AER has the authority to either amend a TSS presented by a DNSP or modify the TSS independently. We respectfully urge the AER to exercise this authority in accordance with the Rule. We strongly encourage the AER to consider this change and, as a result, either reduce or remove the 120 kVA threshold, or introduce a TOU Energy tariff that accommodates large customers with a demand between 45 kVA and 120 kVA.

3. QFF Response To Expenditure Proposal

3.1 General Response

During the 2020-2023 regulatory period, Ergon Energy and Energex made substantial investments in network infrastructure, resulting in significant growth in their regulated asset bases. While these investments were intended to improve network reliability, they have also contributed to higher electricity prices for rural and regional households and businesses. As a result, agricultural customers, particularly those unable to offset electricity costs through self-generation or load management, are burdened due to these increased network costs.

QFF therefore supports the AER's proposed reduced forecast revenue, capex for both networks, and the reduced ex-post overspend for Ergon Energy. Moreover, QFF recommends that the AER take the following general points into account in its final decision for the 2025-2030 regulatory control period:

- We urge the AER to adopt a transparent, principles-based approach in assessing Ergon Energy's 2025-2030 regulatory proposal, prioritising the long-term interests of all customers.

- We also recommend that the AER explore additional opportunities for price reductions beyond the proposals put forward by Ergon Energy and Energy Queensland. The focus should be on achieving the best possible outcomes for agricultural customers, rather than merely recovering costs associated with inefficient capital expenditure, risk-averse strategies, and potential asset stranding resulting from poor network utilisation.
- As Ergon Energy and Energex move toward implementing cost-reflective pricing and eventually two-way tariffs, it is critical that strategic investments are made in rural networks to accommodate higher levels of on-farm CER and electrification.
- We urge the AER and Energy Queensland to explore innovative alternatives for installing the necessary albeit expensive signalling equipment to support the uptake of small and large customer flexible load control tariffs in rural and regional parts of Queensland.
- QFF supports the affordable rollout and deployment of smart meters by 2030, in line with the Queensland Energy and Jobs Plan. Our support is focused on helping our members with individual strategies for digital meter installations in their respective regions. It is essential that installation costs remain affordable, especially to ensure agricultural customers can access tariffs that suit their operations. One potential solution could be subsidising the installation of meters on farms that require multiple upgrades.
- Transparency in Ergon Energy and Energex's expenditure and investment priorities is fundamental to building accountability, trust, and informed decision-making. By clearly disclosing how and where funds are allocated, Ergon would showcase its commitment to efficiency, responsible management, and addressing community needs. This transparency ensures that stakeholders, including customers, regulators, and policymakers, have access to crucial data and information, enabling better consumer engagement.

3.2 On-Farm Solar PV

QFF urges the AER to prioritise projects and investments that enhance the integration of on-farm embedded PV in the next regulatory control period. Our market research, *Localised Energy in the Regions*, has highlighted the critical role of CERs in driving changes in energy behaviours and supporting both state and federal renewable energy and electrification targets. This growing interest in CERs has been a key focus of our advocacy efforts.

The regulatory investment framework must seek to:

- Support integration of embedded PV systems with inverters over 30 kW.
- Enable efficient energy export and fair feed-in tariff (FiT) compensation for customers with embedded generators exceeding the 30 kW inverter capacity size.
- Address the oversight of CER integration in its Draft Decision, which overly prioritised cost recovery over long-term benefits.
- Encourage proactive engagement by Ergon and Energex in assessing on-farm CERs for improved grid stability and tailored solutions for farmers.

3.3 Farm Virtual Power Plants (VPPs)

VPPs are emerging as a critical mechanism for grid stability, especially in rural Australia. By aggregating behind-the-meter assets like batteries and solar PV, VPPs can provide fast-response grid services. Farm-based VPPs have the potential to significantly improve grid stability, support the integration of renewable energy, and boost agricultural energy efficiency. To facilitate this, we recommend the following actions to the AER:

- Encouraging re-connection of agricultural loads like irrigation pumps to the grid, supported by battery storage.
- Aligning energy demand with solar generation through farm VPPs to improve efficiency and reduce costs.
- Supporting farm VPP trials by reducing regulatory investment thresholds or leveraging the Demand Management Incentive Scheme (DMIS), to enable long-term success and viability of VPP projects.

Conclusion

Our Submission emphasises the need for a regulatory framework that supports agricultural customers in rural and regional Queensland, particularly in light of the rising energy costs and unique operational challenges faced by the sector. From advocating for more flexible tariff structures, including TOU tariffs and solar soaking incentives, to urging targeted infrastructure investments, we seek to advocate for energy policies that foster affordability, sustainability, and energy efficiency within the agricultural industry.

We strongly support initiatives such as the integration of on-farm CER, including solar PV systems and farm VPPs, as key emerging enablers for long-term energy resilience for Queensland's growers and producers. However, there is a clear need for regulatory solutions that address the specific demands of agricultural businesses, particularly irrigators who often face significant challenges with current tariff and infrastructure limitations.

The recommendations put forward in this Submission aim to balance cost-effective energy management with the growing need for renewable energy adoption, all while ensuring equitable access to affordable tariff options and supporting grid stability. As the energy and distribution sector continues to evolve, it is essential that the AER and Energy Queensland (Ergon Energy and Energex) prioritise investments that balance energy affordability and system reliability, ensuring that agricultural customers can thrive in an increasingly electrified future.

QFF looks forward to continued engagement with the AER and Energy Queensland to ensure that the regulatory period from 2025 to 2030 provides a sustainable, reliable, and affordable energy environment for the agricultural sector.

If you have any queries about this submission, please contact Mr Samuel Laffer at samuel@qff.org.au.

Yours sincerely

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