



**Regional  
Development**  
*Australia*

FAR NORTH QUEENSLAND  
AND TORRES STRAIT INC

Energy White Paper Taskforce  
Department of Industry  
GPO Box 1564  
CANBERRA ACT 2601

p: 07 4048 1409  
f: 07 4031 1005

PO Box 2738  
Cairns QLD 4870

Via email: [EWP@industry.gov.au](mailto:EWP@industry.gov.au)

Friday 7<sup>th</sup> February 2014

Dear Sir/Madam

**RE: Submission to the Energy White Paper: Issues Paper.**

Regional Development Australia Far North Queensland & Torres Strait (RDA FNQ&TS) welcomes the opportunity to provide comment on the Issues Paper to inform the preparation of the Energy White Paper. RDA FNQ&TS seeks to reduce electricity prices and secure a viable, competitive and regionally generated energy supply. We are specifically committed to ensuring energy affordability, security and exploring long-term opportunities for regional and local generation and distribution, particularly in remote areas. We believe there are key opportunities to explore through the Energy White Paper (EWP) process where there is clear alignment between objectives.

RDA FNQ&TS provides a significant role in strategically facilitating, supporting and promoting regional development to deliver cultural, social, economic and environmental benefits across the region. We work in collaboration with key stakeholders, industry, local government, State and Federal Government and the community to deliver on our broad agenda to secure a prosperous future for the region and its communities. Our work is directed by the Regional Road Map, underpinned by six pillars and delivered through twelve Strategic Priority Packages (please refer to <http://www.rdafnqts.org.au/index.php/rda-initiatives/regional-road-map> for further information).

Pressures on business and community from increasing electricity prices must be addressed. Reform of energy policy and regulatory regimes is required to address complex challenges including regional transmission losses from centralized power generation and the convoluted cross-subsidy arrangements to deliver secure, reliable and affordable energy for the region – its industries and communities. To realize our economic potential, strategic, innovative and regionally based approaches are required. Innovations and improvements in efficiency will continue to improve alternative energy technology opportunities for the region. The long



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term energy future for FNQ&TS will involve a transition from Southern base load power generation to regionally and locally generated and distributed, cost-effective energy.

This submission seeks to provide brief comment on the Issues Paper against the Terms of Reference and raise issues relevant to our regional, rural and remote context. Please find attached for your information the RDA FNQ&TS submission to the Queensland Government's Draft 30 Year Electricity Strategy, from which much of the content for this submission has been drawn.

## 1. The Security of Energy Supplies

Energy users encompassing off grid (remote), fringe of grid (rural) and regional (on the grid) face related issues including:

- a) security of supply, for example, remote communities being isolated from road access for long periods of time during the wet season with a reliance on the regular provision of diesel fuel to maintain their generation;
- b) reliability of supply, for example, frequent "brown outs" for fringe of grid communities;
- c) affordability, while domestic and some retail users pay the same price for electricity as all users across Queensland under the Uniform Tariff Policy (UTP), electricity prices have risen significantly over the past few years.<sup>1</sup> The UTP is underpinned by a Community Service Obligation (CSO) payment to the GOC energy supplier and distributor, Ergon Energy. It is unsustainable for the Queensland Government to continue to make increasing CSO payments to Ergon Energy and for communities to bear cost of living pressures from high and rising electricity prices. Furthermore industrial users of energy are directly exposed to higher electricity costs associated with transmission costs (Transmission Use of System – TUOS charges) and energy losses (Marginal Loss Factors of up to 7%). This problem is exacerbated the further north you go.<sup>2</sup>

Regional energy security, reliability and affordability are a critical barrier to sustaining and growing our economic base and are placing increasing cost of living pressures on our communities. RDA FNQ&TS is promoting a strategic regional approach to securing a reliable, efficient and cost effective energy supply into the future to meet community and industry needs. A key component is for a strategic analysis of 10-30

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<sup>1</sup> Refer CCIQ Power Forum (7/11/13) presentations – for example over 17% increase for tariff 20, large industry users based on consumption of 5,375 kWh p.a., Energex. Dr Malcolm Roberts, CEO, QCA –

<sup>2</sup> Northern Queensland Strategy, *Energy, Water & Climate Adaptation Initiatives*, April 2013 – [http://www.rdafnqts.org.au/images/Nth\\_QLD\\_Strategy/RDA0135\\_FactSheet2\\_Climate\\_HR.pdf](http://www.rdafnqts.org.au/images/Nth_QLD_Strategy/RDA0135_FactSheet2_Climate_HR.pdf)



year energy demand and supply for the region to inform a North Queensland Energy Plan will help address the supply and cost of energy issues including options for progressing local/regional generation, utilization of continued infrastructure and innovative approaches to managing demand and delivering energy efficiency.<sup>3</sup> RDA FNQ&TS eagerly awaits the results of the Pentland feasibility study, managed out of Townsville Enterprise as the first stepping-stone to a North Queensland Energy Plan.

#### Recommendation

1. Develop, promote and support regionally appropriate and effective strategies to address the current and future energy needs of regional, rural and remote communities and industries in the Far North Queensland & Torres Strait region, and more broadly across Northern Australia.<sup>4</sup>

## 2. Regulatory Reform and Role of Government

RDA FNQ&TS welcomes moves to improve policy integration and coordination across Federal and State spheres. The EWP needs to clearly 'map' the complex regulatory arrangements, policy development processes and responsible entities, (Federal or State government departments or other agencies). For example, the Issues Paper refers to exploring and reforming tariff arrangements however it is unclear what role the Federal Government – department and/or regulatory bodies – have in relation to the setting of tariffs, particularly while there is a current review of UTP and regional pricing arrangements by the Queensland Competition Authority.<sup>5</sup> It is also not entirely clear where the flagged 2014 review of relevant energy market bodies fits within the EWP process. Therefore, no comment can be made on approaches to coordinate and integrate policy within the EWP although it should be a key deliverable from the EWP process.

A key barrier to both domestic and industrial energy users engaging with the policy regime to reduce electricity expenditure is a lack of clarity and understanding about who is responsible for which part of the industry and how to access relevant information, processes and decision makers. Limited regional stakeholder engagement in these processes is further exacerbated by the tyranny of distance from agencies and departments with simple communication barriers, reliance on teleconferencing rather than more expensive video conferencing, continuing to have an impact. Clear understanding of the regulation of the industry and responsible regulatory bodies is fundamental to facilitating informed engagement around policy development.

RDA FNQ&TS supports increased competition of generation and supply of energy to our region to improve efficiencies and bring prices down. We are aware of the current Queensland Government external review to

<sup>3</sup> RDA FNQ&TS *Energy and Water Transformations in FNQ&TS – Strategic Priority Package 3* (in draft, to be finalized 1<sup>st</sup> quarter 2014); NQS *Energy, Water & Climate Adaptation Initiatives* (as above).

<sup>4</sup> Noted as a key focus of the Joint Select Committee for Northern Australia process informing the development of the Northern Australia White Paper.

<sup>5</sup> <http://www.qca.org.au/electricity-retail/AdviceUTPRPR/>



identify a range of issues associated with the potential lease or sale of all or parts of Ergon Energy, which would enable the introduction of competitive energy supply and retail to the region.<sup>6</sup> The report from this process is anticipated by the end of February 2014. RDA FNQ&TS is committed to strong regional engagement in discussions around privatization and/or increasing competition in the region to ensure regional issues are considered and the implications of any decisions at a regional level are fully understood, and mitigated where appropriate.

RDA FNQ&TS is actively involved in supporting and promoting the renewable energy industry in the region<sup>7</sup> and supports the continuation of the current Renewable Energy Target for 2020 (please refer to Section 7. for further comment on alternative and emerging energy sources).

Whilst RDA FNQ&TS is supportive of effective demand management strategies it is unclear as to when and how smart meters may be available in regional Queensland. A long lag time between South East Queensland uptake of smart meters from retail providers and availability in regional Queensland is anticipated. This is tied up with the need for increased competition for energy distribution and retail across regional Queensland. Further the applicability of smart meters to fringe of grid and off grid industry and community consumers is unclear.

## 2.1 Major Projects Assessment and Approval

RDA FNQ&TS supports the reform and streamlining of major project development assessment and approval processes, ensuring appropriate safeguards are in place protecting vulnerable people and communities as well as the environment and cultural values. We have been active in participating in this policy area contributing to the Productivity Commission's review of major project approval processes and the recent Qld Assessment Bilateral (submissions attached). Building regional assessment capacity is a crucial component of delivering effective assessment processes. As the FNQ&TS region is blessed with two World Heritage Areas, RDA FNQ&TS supports the regional location of senior assessment staff to elevate their level of knowledge and expertise to improve assessment process outcomes for proponents, the community and government. RDA FNQ&TS seeks to address other barriers to sustainable development regarding land tenure, securing appropriate water supplies and meeting infrastructure needs. These are key issues that are more appropriately progressed through the Northern Australia White Paper (NAWP) process.

Social Impact Assessment and the related need to leverage proponent investment in/contribution to social services infrastructure, to offset negative social impacts, are key components of an effective and equitable assessment and approval process. RDA FNQ&TS will be encouraging an increased focus on managing and spreading the benefits from projects to strengthen community cohesion and deliver broader regional outcomes. We note the importance of early community engagement and involvement in decision making to

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<sup>6</sup> <http://statements.qld.gov.au/Statement/2013/12/20/advisors-named-for-scoping-studies>

<sup>7</sup> through participation on the Tropical North Queensland Renewable Energy Steering Committee and support for the TNQ Renewable Energy Industry Profile (2012) <http://www.tradelinked-cairns-png.com/img/TNQ-RenewableEnergyIndustryProfile.pdf>



secure long term, mutually beneficial outcomes for community and industry proponents. Key challenges facing an array of energy resources projects relate to community opposition and the failure to build a 'social contract' with communities to enable projects to proceed.

We note the rapid and significant changes in the planning and development assessment and approval process at the Queensland level – specifically changes to planning legislation, the introduction of the single State Planning Policy, one-stop-shop assessment through SARA and the boosted role of the Office of the Coordinator-General. RDA FNQ&TS is keen to ensure the revamped framework provides sufficient direction, guidance and support for regional energy generation and transmission projects; the direction of the State Wind Farm Code will be an important contribution to this framework.

## Recommendations

2. **Map the complex regulatory arrangements, policy development processes and responsible entities** relating to the energy industry and its regulation.
3. **Commit to improving engagement with regional stakeholders** including funding to facilitate group sessions and overcome communication issues.
4. **Bolster social impact assessment processes** in relevant development assessment and approval processes to ensure appropriate consideration of relevant social impacts and consider the role of 'offsets' and other measures to leverage long term investment in social infrastructure to meet community needs and address concerns.
5. **Maintain the current Renewable Energy Target** of 20% renewable energy production by 2020.
6. **Implement a range of strategies to deliver demand side management benefits** with consideration of the relevance, applicability and uptake of smart meters in regional and rural areas of Australia, including Far North Qld & Torres Strait.



### 3. Growth and Investment

RDA FNQ&TS would welcome strategic efforts to bolster regional investment and growth in the energy sector. Complementary strategies and programs could form part of the EWP and NAWP. Regional work has been done to promote regional opportunities and to seek investment, for example the Gulf Savannah Renewable Energy Investment Profile<sup>8</sup> and related documents.<sup>9</sup> Investment opportunities need to be leveraged to deliver a cost effective and reliable energy supply to local and regional industry and domestic users, and to provide other potential benefits including R&D, and training and skills development opportunities.

There are significant opportunities to transform remote energy generation and consumption through uptake of alternative energy options. Measures to support community transition from diesel generators to solar or wind or other cost effective generation need to be considered. This is an area with strong links to the NAWP.

RDA FNQ&TS supports the National Energy Customer Framework, the AER Consumer Engagement Guideline for Network Service Providers and other measures to increase provider-consumer engagement. We seek to reinforce previous points regarding the need for ongoing investment in engagement with regional stakeholders to facilitate a two-way educative learning process, boosting regional consumer capacity for informed participation. RDA FNQ&TS would be happy to assist with any efforts to coordinate regional engagement in relevant energy processes.

An 'outcomes' based, responsive risk management approach could be effectively utilized within the regulatory regime to manage the use of new technology that outpaces the existing regulatory frameworks, facilitating and promoting the uptake of innovative solutions.

#### Recommendations

7. Deliver strategies and programs to bolster regional investment and growth in the energy sector (complementary effort with the NAWP).

<sup>8</sup> [http://www.gulf-savannah.com.au/images/stories/documents/Gulf%20Savannah\\_Investment%20Profile\\_web%20version\\_smallest.pdf](http://www.gulf-savannah.com.au/images/stories/documents/Gulf%20Savannah_Investment%20Profile_web%20version_smallest.pdf)

<sup>9</sup> Tropical North Queensland Regional Economic Plan - <http://www.advancecairns.com/files/media/original/027/675/a3f/advc12654-tnqrep-64ppa4e.pdf> ; RDA FNQ&TS Regional Road Map <http://www.rdafnqts.org.au/index.php/rda-initiatives/regional-road-map>; TNQ Renewable Energy Industry Profile - <http://www.tradelinked-cairns-png.com/img/TNQ-RenewableEnergyIndustryProfile.pdf>



8. Focus on supporting remote community transition to cost-effective, secure alternative energy generation.

#### 4. Trade and International Relations

RDA FNQ&TS acknowledges the importance of current FTA negotiations with Korea, China and Japan and seeks to clarify how best to position the region, and Northern Australia more broadly, to maximize any opportunities regarding energy market access, products and services. There is an existing skills base regarding alternative energy production and distribution which could be of significant benefit to our near neighbours in particular – PNG, Timor Leste, Indonesia and Pacific nations. This is a matter that crosses over with the NAWP.

#### Recommendation

9. Identify measures to maximize regional trade opportunities specifically between FNQ&TS, and Northern Australia more broadly with our near neighbours – PNG, Timor Leste, Indonesia and Pacific nations.

#### 5. Workforce Productivity

RDA FNQ&TS supports the development of flexible, responsive vocational education and training programs to meet energy industry needs covering a raft of capabilities that are required. These programs need to be:

- regionally delivered;
- tailored to meet regional/local training and skills needs; and
- linked with relevant tertiary study at James Cook University.<sup>10</sup>

There may be scope to consider establishing a Centre of Excellence for Alternative Energy solutions in Cairns based on the strong renewable energy industry in the region and abundance of renewable energy available across the region.<sup>11</sup> Ergon Energy is currently progressing such a proposal with the Australia Renewable Energy Agency (ARENA). This would present an opportunity to harness public-private partnership –leverage industry buy in to build a truly effective tailored training center meeting industry needs, focus on R&D, including commercialization and maximize opportunities for international trade.

<sup>10</sup> RDA FNQ&TS, Strategic Priority Package 7 – Business and Resources Sector Development – [http://www.rdfnqts.org.au/images/Packages/Bus\\_Resources\\_Groth\\_Package\\_v\\_07\\_12.01.21.pdf](http://www.rdfnqts.org.au/images/Packages/Bus_Resources_Groth_Package_v_07_12.01.21.pdf) (revised version to be released 1<sup>st</sup> Quarter 2014).

<sup>11</sup> CCIQ Far North Queensland – Business Priorities Report, April 2013 – Identified a key opportunity for establishing a renewable energy precinct in the region (p.8). <http://www.cciq.com.au/assets/Documents/Advocacy/Region-FarNorthQld-web.pdf>



## Recommendation

10. Explore options to develop a vocational education and training program to FNQ&TS and consider establishing a Centre of Excellence for Alternative Energy in Cairns.

## 6. Driving Energy Productivity

RDA FNQ&TS supports co-generation as an appropriate mechanism for value adding to existing agriculture and other industry activities.<sup>12</sup> The proposed iFED project in the Etheridge Shire is an example of a large scale, greenfields project with a 90MW co-generation plant.<sup>13</sup> There may be relevant links with these types of projects and the Agriculture White Paper process as well as the NAWP.

RDA FNQ&TS welcomes the reform of tariff structures, however as previously mentioned it is unclear what role the Federal government has in relation to the establishment and regulation of tariffs, and the relationship to, for example the current QCA review.

## 7. Alternative and Emerging Energy Sources and Technology

RDA FNQ&TS is currently delivering a major regional energy efficiency information project (funded through the Energy Efficiency Information Grants program) to SMEs and Not-For-Profits utilizing industry tailored information, group information sessions, subsidized energy audits and a suite of cutting edge communication/media tools. We are confident of significant savings by participants and believe the project could serve as an example of securing energy efficiencies at a regional scale when projects are developed and delivered in situ by a trusted third party. We are happy to provide further information on our Tropical Energy Saver Project with the website going live at the end of the February.

Whilst RDA FNQ&TS is supportive of the use of biofuels, increasing competition for good quality agricultural land may lead to potential conflict to utilise this land for food production. Noting in particular the focus on doubling agricultural production in Queensland<sup>14</sup>, the 'food bowl' discussions relating to the NAWP and the Agriculture White Paper Process.<sup>15</sup>

<sup>12</sup> RDA FNQ&TS, Agricultural Futures – Strategic Priority Package 5 –

[http://www.rdafnqts.org.au/images/Packages/Agriculture\\_Futures\\_Package\\_v\\_10\\_13.03.18.pdf](http://www.rdafnqts.org.au/images/Packages/Agriculture_Futures_Package_v_10_13.03.18.pdf)

<sup>13</sup> <http://www.dsdip.qld.gov.au/assessments-and-approvals/etheridge-integrated-agricultural-project.html>  
<http://i-fed.com.au/project/>

<sup>14</sup> Queensland's Agriculture Strategy 2040 <http://www.daff.qld.gov.au/business-trade/development/queenslands-agriculture-strategy> ; and RDA FNQ&TS submission to the process  
<http://www.rdafnqts.org.au/images/submissions/DAFF-QLD-Agricultural-Submission-07.12.12.pdf>

<sup>15</sup> The Multiple Land Use Framework could be applied to address these issues, with a need to ensure the framework is regionally appropriate for FNQ&TS.





## 8. Summary of Recommendations

1. **Develop, promote and support regionally appropriate and effective strategies to address the current and future energy needs of regional, rural and remote communities and industries in the Far North Queensland & Torres Strait region, and more broadly across Northern Australia.**<sup>16</sup>
2. **Map the complex regulatory arrangements, policy development processes and responsible entities relating to the energy industry and its regulation to ensure effective policy coordination and integration across State and Federal spheres.**
3. **Commit to improving engagement with regional stakeholders including funding to facilitate group sessions and overcome communication issues.**
4. **Bolster social impact assessment processes in relevant development assessment and approval processes to ensure appropriate consideration of relevant social impacts and consider the role of 'offsets' and other measures to leverage long term investment in social infrastructure to meet community needs and address concerns.**
5. **Maintain the current Renewable Energy Target of 20% renewable energy production by 2020.**
6. **Deliver a range of strategies to deliver demand side management benefits with consideration of the relevance, applicability and uptake of smart meters in regional and rural areas of Australia, including Far North Qld & Torres Strait.**
7. **Deliver strategies and programs to bolster regional investment and growth in the energy sector (complementary effort with the NAWP).**
8. **Focus on supporting remote community transition to alternative energy generation.**
9. **Identify measures to maximize regional trade opportunities specifically between FNQ&TS, and Northern Australia more broadly with our near neighbours – PNG, Timor Leste, Indonesia and Pacific nations.**
10. **Explore options to develop a vocational education and training program to FNQ&TS and consider establishing a Centre of Excellence for Alternative Energy in Cairns.**

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<sup>16</sup> Noted as a key focus of the Joint Select Committee for Northern Australia process informing the development of the Northern Australia White Paper.



## Conclusion

RDA FNQ&TS supports the efforts of the Federal Government to deliver a range of key reforms within the energy sector to address supply, security and affordability issues. We are keenly interested in the development of pathways to support innovative, flexible and place-based options for energy generation and distribution, including local/regional demand.

Please do not hesitate to contact me with any queries regarding our submission or to discuss related matters. I look forward to engaging with the Department to progress the matters raised in our submission to deliver the energy security and affordability our region needs.

Yours sincerely



Sonja Johnson  
Chief Executive Officer

### CC:

Minister for Industry – the Hon Ian MacFarlane MP  
[Ian.Macfarlane.MP@aph.gov.au](mailto:Ian.Macfarlane.MP@aph.gov.au)

Minister for Infrastructure and Regional Development – the Hon Warren Truss  
[Warren.Truss.MP@aph.gov.gov.au](mailto:Warren.Truss.MP@aph.gov.gov.au)

Minister for Water and Energy Services, the Hon Mark McArdle MP  
[EnergyandWater@ministerial.qld.gov.au](mailto:EnergyandWater@ministerial.qld.gov.au)

Treasurer and Minister for Trade – the Hon Tim Nicholls MP  
[Treasurer@ministerial.qld.gov.au](mailto:Treasurer@ministerial.qld.gov.au)

### Attached:

RDA FNQ&TS Submission to Draft Queensland 30 Year Electricity Strategy (6/12/13)  
RDA FNQ&TS Submission to the Productivity Commission Review of Major Projects Assessment Processes (26/3/13)  
RDA FNQ Submission Qld Draft Assessment Bilateral Agreement (EPBC assessment process) (6/12/13)

