

Irrigators back submission saying affordability & reliability key issues in electricity grid 'modernisation'.

The National and NSW Irrigators' Councils have welcomed an Agriculture Industries Energy Taskforce submission to the [House of Representatives Inquiry into "Modernising the electricity grid"](#), saying it highlights irrigators' fears about "modernisation" being another excuse for exorbitant network costs.

NIC CEO, Steve Whan, said "it is a blight on our system that Irrigators don't feel they can embrace upgrading of the electricity grid without fear of being put out of business by electricity price hikes.

"NIC convened the Ag Industry Energy Taskforce because Australia's soaring electricity prices are putting at risk our ability to compete with the world as a provider of food and fibre.

["In this submission"](#), we have been a part of saying to Government that, while there is a need to ensure that the network is able to deal with the way generation and use is changing, it is vital that recommendations on 'modernisation' don't become another excuse for network owners to push up prices.

"Some of Australia's most important agricultural products (for both domestic and export consumption) have production processes that rely heavily on power, in particular, irrigators who pump and pressurise water or producers who process, package or refrigerate food and fibre products. Australia should have a comparative advantage for those producers - offering reasonably priced power from the grid. Instead many food and fibre producers are being forced to consider off grid solutions (ie turning to diesel) or face being uncompetitive and out of production."

NSW Irrigators' Council CEO, Mark McKenzie said "The way the electricity grid is valued and the way prices are regulated are core to any discussions around expanding or augmenting the grid.

"Under the current system, agricultural consumers are paying inflated prices for alleged network congestion that does not exist in their areas. Food and Fibre producers find themselves in an environment where monopoly service providers appear to completely dominate prices, essentially guaranteeing network owner's returns at the expense of Australian businesses' competitiveness."

Steve Whan said "The Taskforce acknowledges that the future electricity grid must be reliable; it needs to cope with the transition to lower carbon emitting sources of energy supply; and it needs to be able to deal with distributed generation.

"However, unless the fundamental regulatory obstacles are tackled; unless there are some adjustments in network costs (i.e. a reduction in those costs), it is difficult to see how any additional investment to modernise the grid can come without serious negative impacts on agricultural competitiveness, jobs and the economy."

Media Contact: Steve Whan 0429 780 883
Monday 8 May 2017

(attached: summary of key recommendations from submission)

The Taskforce recommendations to the inquiry are:

- Reliability and affordability of energy supply are key concerns of agricultural producers;
- Further investment to enhance network reliability should not come at the expense of affordability.
- Australian agriculture is exposed to global markets and must remain competitive. Where electricity bills have increased by up to 300% over a five-year period, viability and profitability of food and fibre producers are compromised.
- An electricity pricing relief can be achieved through the writing down of distribution network assets which are currently over-valued and under-utilised.
- Grid planning needs to occur to take advantage of renewable, co-generation and tri-generation capacity.
- Installation of smart meters across the network will assist with planning and delivery of future grid needs.
- Network tariffs should be designed to ensure that irrigators and other businesses in non-congested parts of the network are not forced to meet the costs of network investments made to overcome congestion in other parts of the network.
- The governance framework for electricity must be changed. These changes include, but are not limited to, the propose-respond model; calculation of weighted cost of capital and regulated asset base (RAB); access to consumer information and allocation of institutional responsibilities.
- Agricultural producers are making substantial investments in renewable energy sources as a way to control costs. These substantial investments have been made at high capital cost and in many cases the generation capacity is not being fully utilised. Opportunities associated with distributed energy generation should be investigated including peer to peer trading.
- Agricultural industries have made substantial investment in energy R,D&E but despite research and implementation, cost savings can be difficult to achieve. Reform is needed at the electricity grid scale.
- International electricity markets need to be assessed to allow for adoption of best practice in relation to security of generation capacity from renewable; adoption of 'modern' regulatory approaches to incorporation of new technologies.