



Electricity costs

High electricity costs are destroying the viability of many irrigated agriculture businesses and eroding Australia's international competitiveness

Key messages

The National Irrigators' Council is seeking:

- A 30% reduction in electricity prices.
- A food and fibre tariff for the irrigated agriculture sector.
- A \$250 million water and energy productivity program¹ to fund and accelerate adoption of energy solutions in irrigation that enable smart, water efficient irrigation practices (pressurised, water efficient irrigation is energy intensive and data intensive)

Action needed

We call on the federal government to take action to address the critical industry and market reform necessary to fix the broken regional electricity pricing system.

- We need electricity pricing, policy and programs that drive water-efficient irrigation practices and increased electrification of pumping, thereby reducing diesel consumption and increasing the energy productivity of Australian agriculture.
- As part of this National Irrigators' Council is working to secure:
 - a national food and fibre tariff model tailored to the unique needs of producers
 - a regional electricity policy framework that drives efficient demand management at the ends of networks and avoids large electricity users moving off the grid (leaving stranded network assets)
 - Policy and R&D that advances farm-scale renewable energy as part of integrated region energy supply and demand management solutions, thereby leveraging existing distribution assets.
 - Examination of a rule change at the Australian Energy Market Commission (AEMC) to change the way the regulated asset base (RAB) of network companies is calculated.
 - The write off of underperforming network assets to avoid consumers paying for past over-investment in network infrastructure (poles and wires).

¹ The water energy nexus is well documented globally. Optimal water efficiency in irrigation can only be achieved by piping irrigation networks and pressurising delivery, ideally regulated using smart, automated control systems. Operating such systems, however, entails far higher energy usage than flood and other gravity based systems, which are wasteful of water.

State and Federal governments have invested billions in water efficiency programs without addressing the energy part of the equation. We argue that a national irrigation energy productivity program funded by ARENA is needed to develop and incentivise adoption of irrigation systems that optimise both energy and water usage. In addition to increasing energy and broader agricultural productivity, the program would help reduce pressure on national bulk water resources, and in so doing may reduce water allocation conflict in the Murray Darling Basin and other irrigation catchments.

The proposed \$250 Million program would comprise R&D, demonstration pilots, extension and outreach, and training for service providers, linked to a capital fund that farmers can access for new infrastructure. In a variation from existing ARENA programs, funding criteria would embrace the portfolio of measures required to optimise energy productivity and sustainability and would not be restricted to renewables. Funded works would include digital control systems, pump and layout optimisation and hybrid energy solutions (eg network energy supplemented by solar). The program would also cover energy planning for irrigation districts to identify demand management, load shifting and distributed generation opportunities.

Background

Australia has the highest electricity prices in the world.

National Irrigators' Council (NIC) has long argued for a 30% reduction in electricity prices through the Australian Energy Regulator (AER) pricing determination process, to remove the burden of high costs on food and fibre producers.

- For too long irrigators have struggled with crippling electricity costs as a result of Australia's corrupt electricity pricing system.
- We are making every effort to ensure that network supplied electricity remains a cost-effective energy source for Australia's food and fibre producers.
- The energy productivity of Australian agriculture has declined more than 33% since 2008.
 - The Government's aim to double the productivity of Australian agriculture is an impossible task without also increasing energy productivity and at the same time providing energy security for farmers to stay in business, let alone increase scale.
- Typically government regulated network costs and other charges account for around 70% of a farmers' electricity bill while the actual cost of electricity makes up just one-quarter of the electricity bill.
 - It is a perverse outcome of an electricity pricing policy that allows networks to burden customers by passing on the costs of unwise and, in some cases, redundant investments.
 - These costs are forcing irrigators to go off grid.
- Something is seriously wrong when small scale diesel generation is a better option for farmers than using a modern electricity network.
 - Australia is a low cost energy producer; this is our comparative advantage.
- We acknowledge the work of the AER through the draft pricing determinations in Queensland, New South Wales and South Australia in delivering significant price reductions.
 - Yet due to electricity networks vigorously challenging the AER determinations and the constraints within the Australian Energy Markets Commission (AEMC) rules that govern the regulatory process, irrigators in these states find themselves back facing outrageous electricity cost pricing regimes.

What we are doing

Irrigators will continue to identify and implement alternative energy solutions by progressing the necessary work undertaken to date with relevant bodies. This includes:

- Working with the Alliance to Save Energy 2xEP campaign to develop and advocate cross sectoral solutions
- Working with the Australian Renewable Energy Agency (ARENA) to identify renewable energy technologies
- Identifying opportunities to secure grants through Energy Consumers Australia (ECA), and
- Identifying opportunities through the Clean Energy Regulator and the Clean Energy Finance Corporation.

*The National Irrigators' Council (NIC) is the national peak body
for irrigated agriculture in Australia.*

Our objectives are to protect or enhance water as a property right and to promote the
importance of irrigated agriculture.

Our vision is for a vibrant, sustainable irrigation industry

Our mission is to secure the long term interests of our Members and our industry

*The Council supports 27 Member organisations covering the Murray Darling Basin states, irrigation regions and
the major agricultural commodity groups. We are the voice of irrigators who produce food and fibre for Australia
and significant export income.*

*The Council aims to develop policy and projects to ensure the efficiency, viability and sustainability of Australian
irrigated agriculture and the security and reliability of water entitlements.*

*The total gross value of irrigated agricultural production in Australia in 2013-14 was \$14.6. {ABS} Irrigated
agriculture produces essential food such as milk, fruit, vegetables, rice, grains, sugar, nuts, meat and other
commodities such as cotton and wine.*