

Ag tells ACCC - electricity market doesn't work

Agricultural groups say independent research that shows failure of regulation and monitoring is resulting in electricity prices 'exceeding efficient supply costs'; confirms that the electricity market – at every level – is failing to work in the interests of consumers and the nation.

Steve Whan, CEO of the National Irrigators' Council, says "Australia's energy price crisis is jeopardising our capacity to provide affordable food and fibre for Australians and crueing our international competitiveness."

This week the [Agricultural Industries Energy Task Force has made a submission](#) to the ACCC's [Electricity Supply and Prices Inquiry](#). The submission includes a research paper prepared for the Task Force by the independent [Sapere Research Group](#).

Steve Whan said "many Australian consumers probably don't realise that many of their foods come from irrigated agriculture, or that those irrigators are seeing their costs explode as electricity prices go up.

"The hard-working people that produce our dairy products, fruit and vegetables, cotton and sugar, all use large quantities of power. It runs the pumps to water the crops, it powers the packing sheds and dairies and it keeps the product cool so it arrives fresh.

"This submission provides case studies that should worry policy makers. One tells of a Queensland Irrigation district which says that demand tariffs '*post 2020 will lead to scheme close down risking \$35 million of infrastructure being mothballed*'.

"There are Victorian dairy farmers who are coping not only with low prices but also massive cost increases in running the dairy. A horticulturalist in South Australia who has installed five diesel generators to guarantee reliability but also faces a 126% increase in power cost for the packing shed and a small NSW Irrigation scheme facing a 40% increase amounting to around \$100,000 in extra costs.

"The ACCC has been given an important task dealing with this complex problem. There are issues identified in the Finkel report that are outside the ACCCs remit. They require national leadership.

"But the ACCC certainly has the opportunity to recommend very real change to the electricity market."

The independent research undertaken for this report concludes in part:
'The causes of excess costs and prices include failures of:

- *economic regulation to constrain costs and prices in the regulated parts of the supply chain – transmission and distribution; and*
- *regulatory monitoring of competitive markets to limit costs and prices in the competitive parts of the supply chain – wholesale and retail.*

Excessive costs, profits and prices across the NEM are not consistent with the NEO and are suggest a major failure in the governance arrangements established under the Australian Energy Market Agreement, 30th June 2004.’ (Sapere Research 2017)

Steve Whan said “this study makes it absolutely clear that the market is currently operating in a way that allows owners of electricity assets and retailers to gouge returns that are far higher than are economically justified, and consumers are paying for it.

“Irrigators’ recognise that there is a complicated mix of a need for policy certainty, along with a strong need for market reform to fix this crisis.

“NIC has defined a reasonable cost as one that is no higher than 8 cents per kilowatt for the electrons and 8 cents for the network.

“We would hope this ACCC report is an opportunity to reform the operation of the market so that prices reflect reasonable costs and to introduce much better monitoring of competition.”

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