



National Irrigators' Council
2022 Election Platform
Water & Energy Policy



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100% of **AUSTRALIAN RICE** is grown by irrigation

95% of **COTTON** is grown in Australia by irrigation

90% of Australia's **FRUIT, NUTS & GRAPES** are grown using irrigation

76% of **AUSTRALIA'S VEGETABLES** are grown by irrigation farmers

50% of Australia's **DAIRY & SUGAR** is produced thanks to irrigation

Foreword

Irrigated Ag & the Economy*:

- \$4.2 billion
Fruit & Nuts
- \$3.4 billion
Vegetables
- \$2.3 billion
Cotton
- \$2.2 billion
Dairy
- \$1.4 billion
Nursurries, Turf & Flowers
- \$684 million
Sugarcane
- \$380 million
Cereals
- \$291 million
Hay & Broadacre Crops
- \$246 million
Rice

*Australian Bureau of Statistics: Total Gross Value of Irrigated Agriculture Production in Australia, 2017-18

NIC is the voice of irrigated agriculture and the industries producing food and fibre for domestic consumption and significant international trade. Put simply, our industry is helping to feed and clothe Australia and our trading partners. Irrigated agriculture in Australia employs world leading practices in water management. The industry has extensively adopted and embraced new technologies and knowledge to ensure we are consistently growing more with less water. Australian farmers also operate under strict regulations and compliance mechanisms. These factors mean we lead the world in both farming practices and produce quality.

NIC's policy and advocacy are dedicated to growing and sustaining a viable and productive irrigated agriculture sector in Australia. As the industry group for irrigated agriculture, we actively engage with decision makers including politicians, their staff, the public service and other stakeholders. We inform, we listen and we debate ideas, but we always seek to collaborate in the best interests of all water users. We are committed to the triple bottom line outcomes of water use - for local communities, the environment, and for local and the national economies.

As a bipartisan organisation with members across Australia, we provide advice to governments, oppositions, minor parties and independent candidates as they consider policies for upcoming elections, and to the general public and media as they consider election platforms.

We start from a simple place by reminding all parties that bread, fruit and vegetables don't come from the supermarket – they are grown. Dairy, rice and cereals are available on our family dining tables thanks to local farmers. And, our clothes don't just appear in local boutiques – they start their journey on a local farm which is employing locals and supporting other regional businesses.

Irrigated agriculture contributes over \$18 billion to our national economy and delivers over ninety percent of our fruit, nuts, grapes and rice, and seventy-six percent of our vegetables. The industry is vital to our food security, health and trade.

This document sets out the recommendations of the NIC in two important public policy areas – **water** and **energy**. It also provides detailed background information which has helped the Council reach these recommendations.

While not provided in this platform, the NIC is also focused on other public policies – including skills and education, industrial relations and worker shortages, fuel security, international trade and tariffs, shipping, infrastructure and regional development, resources and communications – and we welcome engagement on these areas with candidates.





Water Recommendations

- Recognise irrigated agriculture's contribution to the economy, regional development and regional jobs.
- Ensure equitable responses to climate change in future national water reform between water users.
- Deliver a renewed and modernised National Water Initiative which is adaptable.
- Foster bipartisan leadership and use the Productivity Commission's 2018 five-year review to deliver the Basin Plan, including the remaining 605 GL SDL Adjustment Mechanism measures, while maintaining the confidence of the agriculture sector and dependent communities.
- Honour guarantee of no negative impact of 450 GL Efficiency Measures program with a continued focus on off-farm projects.
- Retain the current legislated cap on water buybacks.
- Ensure Basin Governments allocate adequate resources for compliance regimes, including to the Inspector-General of Water Compliance, to ensure confidence in the system for users, communities and the public.
- Address delivery constraints and losses for water users.
- Resolve over-recovery issues.
- Examine underuse to understand if rules are fit for purpose, including during periods of high rainfall, and identify opportunities for consumptive users to extract more water in valleys which have historic underuse.
- Maximise community involvement and confidence in environmental watering.
- Evaluate how complementary or non-flow measures, designed to deliver environmental improvement, can offset environmental water recovery targets.
- Increase transparency in Water Management Decision Making.
- Ensure outcomes of the 2021 ACCC Water Markets Report delivers practical changes without imposing additional regulatory costs on industry.



Energy Recommendations



- Ensure energy market design avoids 'gold plating' and that proposed regulatory and/or policy changes include a cost benefit analysis and regional impact statement.
- Deliver a medium to long term price capped at 8 cents per kilowatt-hour for the electrons (R) and 8 cents per kilowatt-hour for the network (N).
- Implement national food and fibre tariff model/s.
- Enable Australian Energy Regulator (AER) to optimise the Regulated Asset Base (RAB) of electricity networks, similar to the pre-2006 National Energy Market rules, for transmission and distribution networks.
- Calculate Rate of Return for network owners based on low risk and low cost of finance models, as opposed to current super normal or monopoly profits based calculations.
- Recognise productive agriculture sector as large commercial and industrial consumers (C&I) and the industry's unique energy needs, acknowledging the sector is vital to Australia's food and fibre production and seeks to be competitive, provide jobs and export opportunities.
- Address the lack of genuine competition, the operation of the contract bidding process and design a market where consumers' interests are fairly represented.
- Undertake genuine and transparent consultation with rural landholders and communities during the development of new generation and transmission infrastructure to mitigate negative impacts.
- Remove network barriers to sharing local energy generation on local networks.
- Reduce the barriers to connecting on-farm generation to the grid.



Funding Requests

\$2 billion Complementary Measures Fund

Just adding water will not improve environmental outcomes for the Murray-Darling Basin. Water flows should be considered an input into taking environmental action, not as the outcome itself. That is, use of the water to get an outcome, not just to meet a target. To take real action and increase environmental outcomes, NIC is calling for the establishment of a \$2 billion fund to be administered by the Commonwealth Environmental Water Holder to invest in complementary measures.

Complementary measures may include: better management of creeks and floodplains; erosion mitigation and biodiversity improvement along creeks; revegetation along waterways increasing the resilience of threatened species; protecting landscapes from feral pigs; weed removal and restoration of aquatic vegetation along waters; supporting the rehabilitation of native fish habitat and species and restocking river systems with native fish, including improving social and economic prosperity from aquatic resources; and contributing to the achievement of cultural water objectives.

\$250 million Water and Energy Productivity Program

The program will provide energy solutions for the irrigated agriculture sector including smart water efficient practices, renewables, storage and hybrid systems. It will comprise a fund for on-ground energy productivity works, administered by ARENA (Australian Renewable Energy Agency), supported by an integrated R&D, and a demonstration and extension program delivered by the Ag Energy Taskforce and its partners.

Eligible technologies will include solar generation and battery storage (where applicable) and the appropriate suite of digital and engineering technologies needed to optimise energy efficiency and demand management on farm and smart grid connection solutions.

The program offers significant benefit to farmers, authorities responsible for bulk water allocation and electricity distributors who have to manage difficult peak loads in summer.

\$300,000 for Policy Engagement

The Ag Energy Taskforce seeks \$300,000 to enable the agriculture sector to meaningfully participate in consultation on energy policy and regulatory processes to put agriculture industries on an even footing with well-resourced energy companies. The agriculture sector cannot hope to match the resources of energy companies in the engagement processes as Australia's energy market transitions. Modest funding support will assist the Taskforce to employ a policy officer over a two-year period. Taskforce members will contribute at least \$66,000 in cash contributions and an estimated \$130,000 in-kind over the same period.

Agriculture is a key trade exposed sector and directly negatively impacted by high energy costs. It is critical that policy and regulatory decisions take full account of agriculture as a key consumer group and as a sector whose success is in the national interest. Engagement processes are regularly dominated by well-resourced energy companies and their peak bodies with teams and individuals backed by energy sector technical expertise to support their case. The Taskforce makes every effort to participate in the many consultations relating to NEM transition, engaging with key policy and regulatory bodies.

This funding will assist the Taskforce level the playing field. It will ensure governments and the energy sector can deliver long overdue outcomes for regional communities and help position regional Australia to take advantage of the opportunities presented as Australia's energy market transitions.

\$150,000 for Two Annual Energy Forums

The Ag Energy Taskforce, convened by NIC, requests \$150,000 for two Government-Energy Industry Forums per annum to provide regional and rural energy users an in-depth insight into policy and regulatory reforms that will impact these energy users. It is envisaged the forums would bring together market institutions and government regulators including the AER, AEMO, AEMC and the ESB, state government agencies, and industry players including network and transmission owners with regional and rural representative groups to:

- identify rules changes, policy, regulatory processes and reform underway that may have impacts on regional and rural users;
- provide an overview of the energy policy and reform agenda for the proceeding six-months; and
- provide an opportunity for representative groups to provide holistic feedback to regulators and energy industry stakeholders.



Water Policy

Irrigated Agriculture's Contribution

Irrigated agriculture plays a critical role in growing Australia's food and fibre. The industry provides food security and major trade with international partners. One hundred percent of Australian rice, over ninety-five percent of our cotton, ninety percent of our fruit, nuts and grapes, seventy-six percent of our vegetables and over fifty percent of our dairy and sugarcane are grown thanks to irrigation. Over \$18 billion is generated annually by irrigated agriculture.

The industry generates jobs and income in regional areas. During assessment of viability and cost/benefit of new or expanded irrigation schemes, flow on benefits for regions and for the broader economy must be taken into account. There is an ongoing role for Government in financing new and expanded irrigation in suitable areas. In implementing National Water Initiative (NWI) principles, Government and pricing authorities must be enabled to take into account the flow on impacts of their decisions on local economies and food production.

Recommendation:

Recognise irrigated agriculture's contribution to the economy, regional development and regional jobs.

Climate Change

NIC's climate change policy sets out the challenges for Australia's productive irrigated agriculture sector posed by climate factors. Farmers have long been at the forefront of leading adaptation and response to drought and climate issues. They are able to grow food and fibre in a dry and variable climate due to the development of water storage, irrigation infrastructure and with the application of new technologies and knowledge. This investment is enabling productive capacity while ameliorating climate impacts. Partnerships between irrigators and the Commonwealth Environmental Water Holder are delivering water to environmental sites through local irrigation systems.

As a renewed NWI is developed with predicted future water decline, the irrigation sector is willing to bear its fair share in response to climate change, but notes all water users have a role to play in delivering efficiencies across the entire system, including environmental water (planned and held), river operations, urban water/towns, stock and domestic, and extractive industries. Irrigated agriculture must be supported by policies which enable it to play its part in the response to climate change without the risk of perverse outcomes.

Recommendation:

Ensure equitable responses to climate change in future national water reform between water users.

National Water Reform

The 2004 National Water Initiative (NWI) set the foundation for national water reform and provided the governance for Australia's water resource management. The NWI has enabled comprehensive improvement in water management throughout the Murray Darling Basin and Australia more broadly. Importantly, the NWI provides a system that was designed to manage Australia's water resources against the backdrop of climate challenges and continues to do so.

Over the seventeen-year period of the NWI there have been major achievements. Two Productivity Commission (PC) reviews conducted on national water reform in 2017 and in 2020-21 found: *most jurisdictions have largely achieved their 2004 NWI commitments, while all except Western Australia and the Northern Territory have enacted legislation to create secure, NWI-consistent water access entitlements for consumptive uses.*

Water planning arrangements are established for all areas of intensive water use, and environmental sustainability is supported by formal provisions of water for the environment and improvements in the balance in overallocated systems. Benefits are emerging from the provision of water for the environment focused on improved native vegetation and wetland conditions, supporting and protecting rare and threatened biodiversity, supporting the migration and breeding of native fish, waterbirds and frogs.

Water markets have been created, allowing water to be traded to higher value uses; they are enabling a valuable business management tool providing certainty and flexibility for business in changing market conditions and during periods of drought. Water accounting is generally providing practical, credible and reliable information about where, when and how much water is being used. Most states and territories are currently working to implement metering policies for non-urban water users.

The sector has continued to produce food and fibre while adapting to water reform, driving water efficiencies and with a commitment to environmental improvement. However, the sector is concerned that triggers and rebalancing of water entitlements, as noted by the PC, may inequitably target the productive sector.

We agree that *with increased pressures as a result of climate change expected over coming decades, increased knowledge and further developed technologies will be critical*, as noted by the ACCC, however any burdens of climate change must be shared.

Recommendations:

Deliver a renewed and modernised National Water Initiative which is adaptable.

Ensure equitable responses to climate change in future national water reform between water users.

Recognise irrigated agriculture's contribution to the economy, food security, regional development and regional jobs.



Murray Darling Basin Plan

The Basin Plan represented significant sacrifice for irrigators, and major social and economic pain for Basin communities. It did however hold the prospect of providing certainty for irrigation food and fibre producing industries, while providing an opportunity to achieve environmental outcomes.

Achievements to date under the Basin Plan must be recognised. Wins have been hard earned. It must be acknowledged that the Basin was the first regulated system under the NWI and continues to be one of the most significant water management plans in the world. It was an historic agreement which continues to rely on bipartisanship of the Commonwealth and Basin State Governments for its success.

Drought conditions in recent years have put the spotlight on the Basin Plan with some suggesting the Plan be paused or scrapped. NIC believes it would be unacceptable to divert in any significant way from the Plan and premature to assess the success of the Plan after twelve years. It was designed as a long-term project and success must be measured by outcomes over the long-term. Early reports indicate significant improvements in some key indicators of environmental health across the Basin.

The review should proceed as scheduled, acknowledging the significant progress made to date. Any changes to the Plan should be an evolution, not a revolution, and the triple bottom line outcomes of the Plan must be respected and maintained.

Recommendation:

Foster bipartisan leadership and use the Productivity Commission's 2018 five-year review to deliver the Basin Plan, including the remaining 605 GL SDL Adjustment Mechanism measures, while maintaining the confidence of the agriculture sector and dependent communities.

605GL SDL Adjustment Mechanism Measures

Concern remains about those Sustainable Diversion Limit Adjustment Mechanism (SDLAM) projects assessed as being 'at risk'. They form a major part of the Basin Plan and the 605GL/year target. SDLAM projects are the responsibility of Basin Governments, however failure to implement the projects rests largely with the agriculture sector and Basin communities with major implications.

At-risk measures impact the capability of others to operate as envisaged given interdependencies, which in turn present challenges to successfully achieving the environmental outcomes and water savings. In particular, concerns remain on the rescoped Menindee Lakes and Yanco Creek projects in New South Wales. Information on the Better Baaka and Better Bidgee projects remain elusive - with significant concern projects may fail to be operational by June 2024 or deliver necessary offsets.

NIC has long advocated that some SDLAM projects may require more time to ensure they meet objectives, a fact also noted by the Commission. Although commitments have been made by Ministers, NIC remains concerned failure to achieve the 605GL/year targets will result in water buybacks. NIC does not support water buybacks.

Recommendations:

Foster bipartisan leadership and use the Productivity Commission's 2018 five-year review to deliver the Basin Plan, including the remaining 605 GL SDL Adjustment Mechanism measures, while maintaining the confidence of the agriculture sector and dependent communities.

Retain the current legislated cap on water buybacks.

450GL Efficiency Measures

Water efficiency measures projected to recover up to 450GL per year more water for the environment were an add on measure to the Basin Plan. A guarantee was given there would be neutral or positive community impacts from these projects.

NIC expects Governments to meet this condition by: retaining the definition of socio-economic impact agreed by Basin Water Ministers in December 2018; pursuing all off-farm options for delivering efficiencies; and engaging with communities to design any future programs so they meet the needs of those communities.

Recommendation:

Honour guarantee of no negative impact of 450 GL Efficiency Measures program with a continued focus on off-farm projects.

Retain Legislated Cap on Water Buybacks

The cap on water buybacks was secured in 2015 with bipartisan support from the Federal Government and Opposition along with State Basin Water Ministers. The cap supports business confidence for the irrigated agriculture sector and greater certainty for Basin communities and local jobs.

NIC remains opposed to buybacks. Buybacks have significantly larger negative impacts on communities than water obtained through efficiency measures as conclusively proven through detailed community level socio-economic analysis from the MDBA.

NIC is committed to genuine reform focused on a viable, productive irrigated agriculture sector and environmental reparation and improvement, with a genuinely balanced Basin Plan delivering triple bottom line outcomes – economy, environment and community.

Recommendation:

Retain the current legislated cap on water buybacks.

Resolve Over-Recovery

The over-recovery of environmental water in the Gwydir, Macquarie and Lachlan Valleys remains unresolved. NIC seeks a commitment from governments and agencies to address this anomaly. The Productivity Commission 2018 report on the five-year assessment of the Murray Darling Basin Plan, noted the lack of a clear process to address over-recovery. The Commission further stated: any attempts to transfer over-recovered water to the efficiency measures program should not be countenanced in areas where water cannot meaningfully contribute to the environmental objectives of that program in the southern Basin.

Recommendation:

Resolve over-recovery issues.

Strong Water Compliance Regimes

Irrigators support strong compliance and have zero tolerance for water theft. The sector pays a significant amount of funds for compliance via fees with an expectation that those funds will be spent effectively. An effective compliance regime will build confidence in the system by industry, community and the public. It also ensures the value of a water entitlement as a property right is not undermined.

The role of the Inspector-General is now legislated and underway with existing compliance functions and powers of the MDBA transferred to the Inspector-General. The Productivity Commission recommended this structural reform and NIC supports the Inspector-General.

Recommendation:

Ensure Basin Governments allocate adequate resources for compliance regimes, including to the Inspector-General of Water Compliance, to ensure confidence in the system for users, communities and the public.

Delivery Shortfalls and Conveyance Losses

In demanding high levels of compliance from water users, irrigators equally expect transparent accountability from river operators and governments, particularly regarding allocations decisions, losses in the system and the management of delivery shortfalls. Better information around management decisions must be addressed and arrangements need to be urgently put in place to manage shortfall events – as noted by the ACCC Water Markets Report. The ACCC also noted MDBA and the States should commit to active and ongoing monitoring and communication about trends and drivers of conveyance losses.

MDBA is working on solutions to specific problems in the Southern Basin, but there is an expectation that the New South Wales and Victorian Governments demonstrate they are committed to finding solutions.

Recommendation:

Address delivery constraints and losses for water users.

Address Underuse

While the Water Act 2007 requires action to address water use which exceeds legal limits, there are no provisions to require actions to address underuse against those limits. During the period of Cap accounting from 1997 to 2019, cumulative credits of 20 million megalitres were accrued by water users. These credits have been extinguished as SDL accounting has commenced.

In the first year of SDL accounting, a credit of 1.6 million has already accrued. Many of the rules which were in place to ensure compliance with Cap have been rolled over into the new Basin Plan Water Resource Plans. Systemic underuse will therefore result with credits accumulating. Measures to address this issue and allow water users to take water up to agreed limits are as valid as measures to ensure no growth in use which results in the SDL being exceeded. This matter must be resolved.

Additionally, during periods of high rainfall opportunities must be identified for consumptive users to extract more water in valleys which have historic underuse. This could be applied in a way which did not compromise other entitlement holders.

Recommendation:

Examine underuse to understand if rules are fit for purpose, including during periods of high rainfall, and identify opportunities for consumptive users to extract more water in valleys which have historic underuse.

Transparency in Water Management Decision Making

NIC supports recent announcements to modernise and integrate Basin river modelling to provide more timely and accurate information about water availability. The new system will enable existing MDBA and state government models to better talk to each other and help Murray-Darling Basin water managers make more timely, reliable and transparent water management decisions.

Increasingly available improved technology will enable systems to be continually upgraded to enhance capability to build our understanding around environmental factors and what future climate impacts will mean for water availability, river hydrology and the way rivers are operated, and should be adopted.

In addition, NIC calls for greater transparency around water allocations decisions at both levels of government, and more transparency and accountability from the Basin Officials Committee and the Basin Ministerial Council.

Recommendation:

Increase transparency in Water Management Decision Making.

Murray Darling Basin Water Markets

Australia has a world leading water market system. NIC supports the system of water entitlements and trading. Despite significant effort and investment, the water market is difficult to navigate, lacks transparency and in many cases, timely information for participants. A more streamlined, user friendly water market platform will improve information flows, transparency and ease of operation.

NIC has also advocated: reduced complexity and confusion around the different exchanges and products; sufficient publicly available information for a competition authority to make an informed judgement about what constitutes anti-competitive or unfair behaviour; opportunities identified for strengthened water market governance, including harmonisation of registers which could assist more timely information and greater transparency; and, identify early wins where specific measures are doable, without imposing additional regulatory costs on irrigation farmers and businesses.

The ACCC report on Murray Darling Basin Water Markets did not find any evidence of misconduct. The outcome of the work of the Government panel appointed to oversee the ACCC report and recommendations is currently awaited. NIC expects the responses to the report to be proportional to the issues and problems identified and cautions against outcomes that would result in over-regulation for little benefit.

Recommendation:

Ensure outcomes of the 2021 ACCC Water Markets Report delivers practical changes without imposing additional regulatory costs on industry.

Environmental Watering

NIC advocates the need to establish the objectives and the benefits of environmental watering, including detailing target sites and its water objectives, and the need for greater community and catchment involvement in environmental watering decisions. Benefits can be achieved by better coordinating environmental watering with natural flows and releases, by undertaking complementary measures (refer below) to improve the river habitat and riparian zones and involving First Nations' knowledge.

Complementing and building on the work of the local engagement officers, NIC suggests the Commonwealth Environmental Water Holder draw on local knowledge and information in managing environmental water to prevent any negative impacts and provide benefits for communities, including water to recognised cultural sites.

Recommendation:

Maximise community involvement and confidence in environmental watering.

Complementary Measures

NIC has long argued for a shift in thinking away from a sole focus on flow measurements and targets, to a focus on achieving environmental outcomes through on ground environmental actions – or complementary measures. This approach will deliver the Basin Plan's environmental objectives over time without additional collateral damage to regional communities.

Just adding water as part of an identified flow target as a single tool does not alone deliver an environmental outcome. The reference to a 'flow' must be seen as an input and not an outcome. The Productivity Commission and Sefton reviews provided strong recommendations relating to complementary measures and waterways management to achieve improved environmental outcomes while reducing the collateral damage to regional communities.

Measures include: better management of creeks and floodplains; erosion mitigation and biodiversity improvement along creeks; revegetation along waterways increasing the resilience of threatened species; protecting landscapes from feral pigs; weed removal and restoration of aquatic vegetation along waters; supporting the rehabilitation of native fish habitat and species and restocking river systems with native fish, including improving social and economic prosperity from aquatic resources; and contributing to the achievement of cultural water objectives.

The Basin Plan itself acknowledges that other actions, along with water recovered for the environment, can provide environmental benefits. NIC is calling for an evaluation of how complementary waterways management can offset environmental water recovery, particularly in the context of broader national water reform frameworks and against the backdrop of Australia's climate scenarios which predict less rainfall in many regions, reduced inflows into systems and reduced water availability.

Recommendation:

Evaluate how complementary or non-flow measures, designed to deliver environmental improvement, can offset environmental water recovery targets.



Energy Policy

Improve Australia's Agricultural Competitiveness

Energy policy and regulatory failure, resulting in high energy costs, continues to impact negatively on Australia's agriculture sector. High energy costs are impacting agriculture production and industry processing. Agriculture industries are economic drivers in local economies and provide benefits to the national economy. Industries such as cotton, rice, sugar, wine, almonds, horticulture and dairy are major users of energy. Inaction risks our ability to meet the demand for clean, green food and fibre; risks international competitiveness; and risks Australia's aim to be the 'food bowl' of Asia.

Agriculture industries are demonstrating a significant uptake of solar power projects. Australian farmers and agriculture industries are embracing technology to enhance production and operational efficiencies. They are adopting renewable energy solutions to manage the cost of electricity, off-set unavoidable peak demand charges and working to decarbonise the 'energy mix'. However, the lack of affordable storage options and increased network costs has led to some turning back to diesel generators. As storage becomes more affordable, it will increase industry take up of renewables, enabling power production for time constrained uses. Agriculture industries and farmers will invest in these opportunities not solely from an emissions reduction perspective, but if there is an economic imperative and sound business case to do so.

Recommendation:

Recognise productive agriculture sector as large commercial and industrial consumers (C&I) and the industry's unique energy needs, acknowledging the sector is vital to Australia's food and fibre production and seeks to be competitive, provide jobs and export opportunities.

Genuine Competition

The electricity market is not operating in the national interest nor does it enable a genuinely competitive market. The 2018 ACCC report on retail electricity noted that *National Electricity Law should be amended to provide the AER with powers to address behaviour which has the effect of manipulating the proper functioning of the wholesale market, together with the necessary investigation powers and appropriate remedies and The current market manipulation powers in respect of gas market supply hubs represent a good framework for equivalent powers in respect of the electricity market.*

After many years of consultation and engagement on energy policy, NIC continues to find a significant gap in the understanding of the impacts of high energy prices on productive agriculture where rural industries are challenged to maintain viability and to remain competitive.

Recommendation:

Address the lack of genuine competition, the operation of the contract bidding process and a provide a market where consumers' interests are fairly represented.

8 Cent Electron and 8 Cent Network Price Ceiling

NIC believes Government should implement policy and regulatory frameworks which deliver a price ceiling of 8 cents per kWh for electrons and 8 cents per kWh for distribution. This cap will give agriculture industries the confidence to invest and the ability to grow food and fibre with a reasonable return, while remaining internationally competitive.

The market sets prices but lacks genuine competition. Market rules build in opportunity for excess investment to be baked into network prices while returning excess profit. Policy failure to plan for transition away from coal has reduced competition in generation and the domination by big vertically integrated players results in limited retail competition. The growth of variable renewable energy into the National Energy Market also poses challenges around system security and grid design. Governments must ensure affordable and reliable supply when solar and wind are not generating.

NEM transition presents opportunities for the agriculture sector and regional communities to be part of these changes - in stand-alone systems and microgrids, the Technology Investment Roadmap, ARENA's Bioenergy Roadmap and as policy and planning matures, Renewable Energy Zones.

Recommendation:

Deliver a medium to long term price capped at 8 cents per kilowatt-hour for the electrons (R) and 8 cents per kilowatt-hour for the network (N).

Irrigator Tariff

Mandatory assignment of network tariffs should apply for all customers that have metering capable of supporting cost-reflect tariffs (a smart or interval meter). Offering optimised food and fibre irrigation tariffs can result in higher productivity and business confidence. In one area, tariff limitations are threatening the closure of an entire irrigation scheme, which cannot be acceptable.

The 2018 ACCC inquiry recommended that the take up of cost-reflective network pricing be accelerated and that Governments should agree to mandatory assignment of cost-reflecting network pricing on retailers, ending existing opt-in and opt-out arrangements.

Farmers and irrigators have significant capacity to engage in specific programs to temporarily reduce load at peak times. Queensland irrigators have worked with their energy providers on specific use tariffs, with Ergon now making available a new suite of irrigator tariffs. The ability to access the dynamically operated load control tariff series for irrigators (T33, T34 and T60B) is a working example of optimisation. Accompanying the tariffs is the need for sufficient education, knowledge and suitable equipment (including the meters) for those wishing to take advantage.

There is potential for many irrigators and primary producers to participate in peak demand shifting. Depending on the watering needs of crops, on farm infrastructure or other requirements such as cooling, permanent arrangements can be made to avoid peak use, encouraging greater energy system load, reduce network demand pressures in the evening and provide irrigator customers with increased tariff choices to support improved productivity. Automated watering systems can reduce the need for manual labour and make overnight watering more practical.

The ESB notes the limited penetration of smart meters for residential and small business customers across the NEM (outside of Victoria) is also limiting tariff reform uptake. Smart meters at end-user premises, as opposed to simply metering energy use for bulk billing purposes, are required to provide vital information. Smart meters allow both distributor network businesses and electricity end users access to better information on how energy is consumed, and how to better control that use, including in end-user generation systems.

Recommendation:

Implement national food and fibre tariff model/s.

Local Networks

Existing network rules and pricing are yet to provide affordable and reliable electricity to regional and rural communities. Distributed energy resources can optimise consumer outcomes from networks for the generation of electricity. An arrangement where a processor (for example, a sugar mill with bio generation) joins a local network, sharing and trading power with related consumers and others inputting distributed generation can be more affordable and reliable than the centralised system. Current regulations however are biased to centralised solutions. There are significant costs and barriers to establishing local networks, involving grid connection. How regional networks are priced is central to the success of these local energy networks.

Recommendation:

Remove network barriers to sharing local energy generation on local networks.

Connecting On-Farm Generation to the Grid

The cost, pricing and access regime for regional distribution networks is the biggest barrier to new innovative energy solutions led by consumers, such as on-farm generation and local energy cooperatives. Despite significant underutilisation of network assets, little has been done from a regulatory or pricing perspective to encourage more effective utilisation that would reduce network costs for all regional users and spur regional economic growth through access to affordable energy.

Recommendation:

Reduce the barriers to connecting on-farm generation to the grid.

Regulated Asset Base and Gold Plating

NIC advocates a comprehensive assessment of the economy-wide costs and benefits of revising the electricity network and transmission businesses' regulated asset base (RAB) to efficient levels. The ACCC 2018 review recommended that the governments of Queensland, NSW and Tasmania should take immediate steps to remedy the past over-investment of their network businesses in order to improve affordability of the network. With appropriate assistance from the Australian Government, this can be done:

- in Queensland, Tasmania and for Essential Energy in NSW, through a voluntary government write-down of the regulatory asset base
- in NSW, where the assets have since been fully or partially privatised, through the use of rebates on network charges (paid to the distribution company to be passed on to consumers) that offset the impact of over-investment in those states.

Such write-downs would enhance economic efficiency by reducing current distorting price signals. The amount of the write-downs and rebates should be made by reference to the estimates of overinvestment by the Grattan Institute and should result in at least \$100 a year in savings for average residential customers in those states.

The RABs of Australia's electricity networks have been artificially inflated and inefficiently grown to excessive levels. The current regulatory framework is enabling regulated network businesses to build in unacceptably high returns. The AER's lack of a performance measurement framework to examine the extent of the profitability of regulated electricity and gas businesses has enabled gold plating.

The Sapere Research Group work commissioned by the Ag Energy Taskforce in 2018 showed that electricity networks are more than \$2.6 billion higher than they should be – making super-normal profits, because in a real-world situation they are low risk and consequently have low financing costs, not because they are outperforming.

Recommendations:

Ensure energy market design avoids 'gold plating' and that proposed regulatory and/or policy changes include a cost benefit analysis and regional impact statement.

Calculate Rate of Return for network owners based on low risk and low cost of finance models, as opposed to current super normal or monopoly profits based calculations.





Vision

Our vision is for a vibrant, respected and sustainable Australian irrigation industry.

Mission

Our mission is to secure the long-term interests of our members and our industry.

Objectives

- Continue to be recognised by Government and Industry as the national peak body for irrigated agriculture.
- Protect the security of water as a property right.
- Promote the importance of irrigated agriculture and enhance its social license.
- Advocate for affordable and reliable energy for the productive sector.

Values

1. **Community** – Our members want strong, healthy and vibrant communities, because they are locals too.
2. **Collaboration/Bipartisanship** – We will seek to collaborate and engage with stakeholders from all walks of life to discuss issues, explore ideas and work together to achieve solutions.
3. **Integrity** – Trust, honesty, truth and respect are what we will bring to the table and what we believe we see in others.
4. **Leadership** – We will strive to represent our members, their local communities and those directly and indirectly involved in irrigation to advocate for a strong sector which benefits all.
5. **Prosperity** – We will seek policy settings which enhance the economic, social and environmental prosperity of members and their local communities.
6. **Sustainability** – Our members understand that water is a precious resource and as such seek to promote best practice in water use and management, including through partnerships with environmental water holders.
7. **Innovation** – Our members are committed to investing in and promoting technology, and best practices in water and energy.



National Irrigators' Council

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