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Agriculture Industries Electricity Taskforce

Australia has the highest electricity prices in the world. The Agriculture Industries Electricity Taskforce[1] calls on the federal government to address the critical industry and market reform necessary to fix the broken regional electricity pricing system.

Unsustainable electricity costs are destroying the viability of irrigated agriculture businesses and eroding Australia's international competitiveness. An international comparison of Australia's key agricultural trading partners conducted in 2012[2] showed that Australia's average electricity prices had grown by 40 percent since 2007. Cost increases for irrigated agriculture have been in excess of 100% for most and as high as 300% for others over the same period.

The Electricity Taskforce, representing Australia's key agricultural industry organisations, was established in 2014 to advocate for a more sustainable system to remove the burden of high electricity costs on food and fibre producers. Members of the Taskforce have long advocated for in the order of a 30% reduction in electricity prices through the Australian Energy Regulator (AER) pricing determination process.

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 the energy security that farmers need 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.

The Taskforce acknowledges the work of the AER through the draft pricing determinations in Queensland, New South Wales and South Australia in delivering significant price reductions. However, due to the electricity networks vigorously challenging the AER determinations and the constraints within the Australian Energy Markets Commission (AEMC) rules that govern the regulatory process, the sector is back where it started, facing unacceptable costs across those states.

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[1] *Members of the Electricity Taskforce: National Irrigators' Council; NSW Farmers Association; National Farmers' Federation; Cotton Australia; NSW Irrigators' Council; CANEGROWERS; Queensland Farmers Federation, Central Irrigation Trust (SA), Bundaberg Regional Irrigators Group (BRIG)*

[2] *'Electricity Prices in Australia: An International Comparison': A report to the Energy Users Association of Australia by Carbon + Energy Markets, 2012.*

The Taskforce seeks:

- 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:
    - a national food and fibre tariff model tailored to the unique needs of producers
    - a $250 million water and energy productivity program [3]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)
    - 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.
- write off of underperforming network assets to avoid consumers paying for past over-investment in network infrastructure (poles and wires).

Taskforce members will progress the significant work undertaken to date with relevant bodies to identify alternative energy solutions for the sector. This includes working with the Alliance to Save Energy 2xEP campaign to develop and advocate cross sectoral solutions, the Australian Renewable Energy Agency (ARENA) to identify renewable energy technologies, securing grants through Energy Consumers Australia (ECA) and identifying opportunities through the Clean Energy Regulator and the Clean Energy Finance Corporation.

The Taskforce will also continue its campaign to advocate to government to ensure that network supplied electricity remains a cost-effective energy source for Australia's food and fibre producers.

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[3] *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 that 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 identity demand management, load shifting and distributed generation opportunities.


National Farmers'
FEDERATION


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IRRIGATORS'
COUNCIL


COTTON
AUSTRALIA
Advancing Australian Cotton


CANEGROWERS


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FARMERS


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