



# National Irrigators' Council

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The Hon. Michael Sukkar MP

Assistant Treasurer

PO Box 6022 | Parliament House | Canberra ACT 2600

cc. Deputy Prime Minister; Minister for Resources, Water and Northern Australia; Minister for Agriculture, Drought and Emergency Management; Minister for Energy and Emissions Reduction

Wednesday 13 January 2021

Dear Assistant Treasurer

I write in response to your recent media release calling for submissions to the 2021-22 Federal Budget. The National Irrigators' Council is the convener of the Agriculture Energy Taskforce – an organisation comprised of the peak agricultural bodies in Australia.

Agriculture is not the first industry people consider when it comes to energy reliability and costs, but local farmers and regional businesses are heavily impacted. It is vital that the voices of Australia's productive agriculture sector are heard by governments and the energy sector, particularly regarding pricing determinations, competition, and policy and regulatory frameworks.

Agriculture was worth \$60 billion to the Australian economy in 2017-18, with an achievable goal of growing to \$100 billion per annum. It is a key export earner generating income for Australia while creating tens of thousands of jobs – not only on farms, but in the supporting industries and local businesses.

Australian agriculture's viability and export competitiveness is being negatively impacted by massive increases in electricity prices which have occurred over the past decade. Powerful energy sector interests continue to dominate processes and existing energy consumer representative bodies lack the specific and technical expertise and focus required to represent the needs of rural energy users.

Our attached submission is requesting budget funding for a policy adviser to support the Agriculture Energy Taskforce and agriculture industry in navigating the challenges of our energy market transition, contribute to the public policy debate on energy issues, and to help champion the rights and needs of rural and regional energy users.

The Taskforce is also calling on the Government to categorise rural energy users as vulnerable and to make Regional Impact Statements a mandatory part of all regulatory and policy decision making processes for the energy sector going forward. The Taskforce also strongly supports the National Farmers Federation proposal for government and energy industry forums.

Agriculture and regional communities are too important to fail, and together we need to take the energy handbrake off to keep the sector growing the food and fibre which feeds and clothes our nation, and powers our international trade and economic success. If you would like any further information or to discuss this proposal, please feel free to contact me on 0407 083 890 or at [ceo@irrigators.org.au](mailto:ceo@irrigators.org.au).

Thank you for your time and consideration. Kind Regards,

Isaac Jeffrey

Chief Executive Officer | National Irrigators' Council

Convener of the Agriculture Energy Taskforce

# Agriculture Energy Taskforce

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## Federal Government Budget 2021-22 Submission: Project Officer Funding



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## Overview

Agriculture is not the first industry people consider when it comes to energy reliability and costs, but the productive agriculture sector and regional businesses are heavily impacted. It is vital their voices are heard by governments and the energy sector, particularly with regard to the pricing determinations processes, competition issues and policy and regulatory frameworks.

Agriculture was worth \$60 billion to the Australian economy in 2017-18, with an achievable goal of growing to \$100 billion per annum. It is a key export earner generating income for Australia while creating tens of thousands of jobs – not only on farms, but in the supporting industries and local businesses.

Agriculture's viability and export competitiveness is being negatively impacted by massive increases in electricity prices which have occurred over the past decade. Powerful energy sector interests continue to dominate processes and existing energy consumer representative bodies lack the specific and technical expertise and focus required to represent the needs of rural energy users.

It is a critical time for energy policy in Australia. Agriculture and rural communities must not be forgotten as the economy transitions to lower emission energy sources. This is against the backdrop of the significant uptake of renewable energy sources, the reconfiguration of the energy grid and associated market design, and as options such as greater use of microgrids and stand-alone power systems are considered.

Rural Australia has a key role to play as both energy consumers and energy generators. The regions must be afforded a voice at the table at each level to be consulted on the development of national energy policy through the technology and related roadmap processes; the regulatory decision making on network operation and investment; and the ongoing decisions made on pricing.

With the current heightened level of activity in the energy policy space during this period of transition, engagement with the Australian Energy Market Commission, Australian Energy Market Operator and the Australian Energy Regulator will continue to be important. Engagement is critical if we are to rectify the situation where rural consumers pay more than fair and sustainable prices for power. In addition, the agriculture sector must be fairly positioned to take advantage of the huge potential for rural Australia to be a leader in the adoption of new energy technologies.

The Agriculture Energy Taskforce (the Taskforce) has worked over a number of years to ensure the voice of rural industries is heard. Taskforce members are not energy sector experts yet they each deploy their respective resources to contribute to the work of the Taskforce on a part-time basis.

The agriculture sector needs a full-time expert resource to work with peak agricultural bodies, other rural user groups as well as the bodies responsible for the energy related regulatory, pricing and operational frameworks to ensure the sector is able to engage effectively over the next few years. This engagement will not only ensure regional businesses have a seat at the table and are heard, it will ensure governments and the energy sector can deliver long overdue outcomes for regional communities in the energy space through genuine consultation.

Agriculture and regional communities are too important to fail, and together we need to take the energy handbrake off to keep the sector growing the food and fibre which feeds and clothes our nation, and powers our international trade and economic success.

## The Funding Request

The Taskforce is seeking \$300,000 in direct funding assistance from the Australian Government over two years to employ a dedicated resource to drive agricultural engagement in energy policy.

Taskforce members will contribute at least \$66,000 in cash contributions and an estimated \$130,000 in-kind over the two year period.

The duties of the policy adviser would be:

- Implementation of the Taskforce strategic plan, with particular focus on the three priority areas identified by Taskforce members:
  - Consumers taking more control, reducing costs and emissions via new technologies, including engagement in the Technology Roadmap and associated processes (including bioenergy, hydrogen and others);
  - Addressing inappropriate market structures and frameworks for the future – engagement and input with policy makers and regulators over rules, regulatory guidelines and decisions;
  - Advocacy on specific issues and regulatory processes;
- Research and drafting, in consultation with taskforce members and supporters, relevant submissions, policy papers and related documents;
- Liaison with Taskforce participants and supporters;
- Liaison with relevant regulators, Government agencies and other energy bodies (for example, Energy Consumers Australia); and
- Attendance at relevant hearings and forums.

The position would report directly to the National Irrigators' Council (NIC) Chief Executive Officer, as convener of the Taskforce, with other regular reporting to Taskforce participants and funding organisations. The person will be employed by the NIC. Funds and budget will be managed by NIC with an end of financial year report provided to funding participants.

## Why does the Taskforce require assistance?

It is challenging for the agriculture sector to participate on an equal footing with the electricity industries' processes without the appropriate level of technical expertise and without highly paid specialists with in-depth knowledge of the industry who are able to speak the industry language. This puts agriculture at a significant disadvantage as it seeks to convince regulators that the long term interests of consumers, and in our case irrigated agriculture, must be a priority.

To ensure the voice of agriculture is heard during the energy debate, Taskforce members dedicate a significant amount of time and staff resources to properly respond to the various pieces of work as part of the debate, but we require a specialist policy adviser to assist during the period of transition in the energy market.

## Budget Alternatives

The Taskforce, as well as members individually, work well with existing bodies such as Energy Consumers Australia (ECA) and have been supported by ECA with funding for one off projects.

Existing consumer advocates have an understandable focus on household energy users, particularly vulnerable individuals, mainly in cities.

Some organisations focus their advocacy on business users which may include farmers, but none have resources and expertise available to focus on the specific needs and opportunities for agriculture and rural communities.

The Taskforce appreciates the activity of other energy consumer representative bodies, but feels there is a significant gap. The Taskforce has appreciated project-based funding received from ECA (and funded via levies on consumers) for particular projects, however this does not enable the Taskforce to build the expertise required to engage on an ongoing basis in the current policy processes.

## Regional Impact Statements

Rural energy users should be considered vulnerable.

In addition to the above request for funding through the 2021-22 Federal Budget, the Taskforce would ask the Government to consider making Regional Impact Statements a mandatory part of all regulatory and policy decision making processes for the energy sector going forward.

These impact statements would ensure decision makers consider the actions and inactions of policy change in the energy sector on rural and regional Australians, including the agriculture sector, local businesses and communities.

## Regional Energy Forums

The National Farmers Federation, a member of the Agriculture Energy Taskforce, in its Budget Submission has put forward a proposal 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.

The cost would be \$150,000. It is envisaged that 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.

NFF has agreed to organise and coordinate the forums, should that be necessary.

The Agriculture Energy Taskforce strongly supports this proposal.

## Background

### What is the Taskforce?

The Taskforce was established in September 2014 to enable the peak bodies to work in collaboration to advocate on behalf of Australia's agriculture sector to alleviate the impact of high electricity costs on agricultural industries, local businesses and communities.

The Taskforce includes a group of peak agricultural bodies seeking to advocate to decision makers, the impact of high energy costs on food and fibre production in Australia and the flow on effects. The Taskforce is convened by the NIC. A list of members is available in Attachment 2.

### Why do we need the Taskforce?

It is critical that the voice of the agriculture sector is heard during the debate on the unsustainable cost of energy in Australia. High costs are impacting on Australia's capacity to be competitive in the international market for agricultural product and undermining the viability of producers of fresh food and natural fibre consumed by all Australians. These pressures are also impacting many rural businesses, resulting in loss of employment opportunities in rural and regional communities.

These impacts are particularly severe on product produced by the agriculture sector who need power to pump water or product which requires processing, packaging and/or refrigeration. High costs are already having the effect of making Australia less competitive and less productive for some sectors. The Taskforce has shown Australia has already lost some international markets due to our product being no longer competitive.

These outcomes are unacceptable for a country with abundant energy resources and with a national objective of providing Australians with affordable food and fibre - let alone an objective of being a 'food bowl' for Asia.

### Taskforce objectives and actions

Objectives: The key objective of the Taskforce is to achieve in the order of a 30% reduction in power prices, with a long-term price ceiling of 8 cents for electrons (R) and 8 cents for the Network (N) component.

Actions: The Taskforce has argued the need for a comprehensive examination and overhaul of the Australian Energy Regulator (AER) pricing determination process where networks build in questionable costs into their submissions to the AER.

To date, the electricity networks' regulatory pricing framework is enabling an excessive guaranteed return on investment and encouraging over investment in network assets. Networks should not be rewarded for over-investment, 'gold-plating' and under-utilisation of assets; change is necessary to ensure that this behaviour is no longer permitted. As part of a series of reforms needed, it is imperative that the regulated asset base (RAB) is re-valued to remove the impact of over-investment from the underlying cost base.

The Taskforce identified a series of actions to be taken as part of a broader approach to remove distortions and deliver a fairer system within the national energy market (NEM).

The Taskforce agreed there was an urgent need for scrutiny of:

- the AER network pricing determination process which would examine:
  - a change to the way the regulated asset base (RAB) is calculated, taking into account lower electricity consumption;
  - the weighted average cost of capital presented to the AER by network companies;
  - the capital expenditure and operating expenditure presented to the AER by network companies;
  - the demand forecasts underpinning electricity network companies' proposals to the AER;
- the gold plating by network companies where the current under-utilisation of networks is pushing up electricity costs for remaining users;
- network companies' attempts to optimise profits; and
- the performance of networks in relation to global benchmarks and actual service delivered.

Taskforce advocacy also involves engaging the various bodies like the Australian Renewable Energy Agency and the Clean Energy Finance Corporation whose role it is to support and facilitate the uptake of renewable technology with the aim to deliver lower energy cost solutions. The Taskforce shares knowledge on the range of technology available and applicable to the sector and assists in facilitating these opportunities which might include diesel and diesel/solar hybrid solutions, powering irrigation pumping systems using solar photovoltaic energy and other approaches such as renewable bioenergy running on biogas from waste streams associated with intensive livestock industries.

### What does the Taskforce do?

Taskforce members work together to monitor Government action, check progress on advocacy and to identify the next phase of work required. Taskforce advocacy is progressed through a range of mechanisms including engaging the Minister for Environment and Energy and putting the case for affordable and reliable energy for the sector. Advocacy also includes submissions to Government related inquiries where industry input is invited regarding pricing and regulatory decisions to ensure that proposals put forward by industry are properly considered.

To date, the Taskforce and individual members have provided submissions to:

- Federal Government Energy White Paper (2014)
- Senate Inquiry into Electricity Network Companies (2014)
- Australian Government Green Paper on Australia's Agriculture Competitiveness (2014)
- Australian Government Competition Policy Review ((2014)
- AER electricity network reset process for Queensland (2015)
- AER electricity network reset process for South Australia (2015)
- Review of Governance arrangements for Australian Energy Markets (2015)
- ACCC inquiry into retail electricity supply and pricing (2016)
- Review of the Limited Merits Review (2016)
- Productivity Commission review of Australian agriculture (2016)
- AER Profitability measures for gas and electricity (2017)
- COAG Energy Council: Consumer participation in revenue determinations (2017)



- Independent Review into future security of the National Electricity Market (Finkel) (2017)
- House of Representatives inquiry into modernising Australia's electricity grid (2017)
- House of Representatives inquiry into water use efficiency in Australian agriculture (2018)
- AER review of the Rate of Return Guidelines (2018)
- Energy Security Board on the National Energy Guarantee (NEG) (2018)
- ACCC: Monitoring Electricity Supply (2018)
- AER: profitability Measures for Network Businesses (2018)
- ACCC: Guidelines on Prohibiting Energy Market Misconduct Bill (2019)
- AEMC: Stand-Alone Power Systems (2019)\_
- AEMC: Wholesale Demand Response Mechanism (2019)
- AEMC: National Electricity Amendment (Compensation for Market Participants Affected by Intervention Events) Rule 2020 (2020)
- ARENA: Bioenergy Roadmap (2020)
- NSW Department of Planning, Industry & Environment: Energy Security Target and Safeguard (2020)
- Department of Industry, Science, Energy & Resources: Technology Investment Roadmap (2020)
- Energy Security Board: Post 2025 Market Design

## Attachment 1. Indicative Budget

<b>Ag Energy Taskforce Project proposed expenditure (ex GST)</b>			
<b>Item</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Total</b>
<i>Expenditure</i>			
Salary	\$140,000	\$140,000	\$280,000
Superannuation	\$13,300	\$14,000	\$27,300
Insurance	\$2,000	\$2,400	\$4,400
Travel costs	\$12,000	\$12,000	\$24,000
Meeting costs	\$2,000	\$2,000	\$4,000
Telephone	\$960	\$960	\$1,920
Office hosting costs	\$5,000	\$5,100	\$10,100
Computer	\$2,500		\$2,500
Ergonomic desk	\$1,200		\$1,200
Consumables	\$300	\$300	\$600
NIC administration cost	\$5,000	\$5,000	\$10,000
Research project funding (if required)	\$30,000		\$30,000
<b>Total proposed expenditure</b>	<b>\$214,260</b>	<b>\$181,760</b>	<b>\$396,020</b>
<i>Proposed Income</i>			
Government grant	\$150,000	\$150,000	\$300,000
One off research funding	\$30,000		\$30,000
Cash contribution required from members	\$66,020		\$66,020
<b>Total proposed income</b>			<b>\$396,020</b>

## Attachment 2: Taskforce participating organisations

- Cotton Australia (CA)
- CANEGROWERS
- National Farmers Federation (NFF)
- NSW Irrigators' Council (NSWIC)
- NSW Farmers
- Queensland Farmers (QFF)
- National Irrigators' Council (NIC)
- Central Irrigation Trust (CIT)
- Bundaberg Regional Irrigators Group (BRIG)
- Australian Grape & Wine (AG&W)
- Pioneer Valley Water (Mackay)
- Dairy Connect
- Murrumbidgee Groundwater

