

AER Delivers On Power Cost Relief For Irrigators

The NSW Irrigators' Council (NSWIC) has welcomed the Australian Energy Regulator's (AER) final decision on the regional network's electricity charges for the next 4 years but says more needs to be done to ensure that irrigators are getting long term relief from rising electricity costs.

The Council's Policy Manager Stefanie Schulte said the Council is pleased to see that the AER has stood firm against criticism of its draft determination by the NSW Government and the network companies, and only approved a total revenue allowance of \$3.8 billion compared to the \$5.5 billion requested by NSW's regional network, Essential Energy. The AER expects the decision to reduce power bills for NSW regional customers next year by 11.9%. Irrigators will keep a close eye on their network charges to ensure that the gains are not offset by further increases in retail prices.

"Electricity prices for irrigators have increased by over 300 per cent over the last five years, mainly due to network charges. Those price increases are unsustainable and something had to be done to address this cost acceleration for regional customers. Irrigators are price takers in international commodity markets for their food and fibre products, so they are not able to absorb such excessive electricity price increases, and power costs have begun to undermine their viability."

"The AER has answered what we considered was a totally unrealistic request by Essential Energy for further revenue increases and has set a revenue allowance that should bring some welcome relief to regional power users. Many irrigators have been facing the difficult decision of either switching off their pumps and pressurised irrigation equipment or going off the grid. We hope that the AER determination will provide a third option for irrigators in NSW - staying on the grid and remaining financially viable," Ms Schulte said.

"It is very important for both power users and for the network that we don't end up in a electricity network 'death spiral' where we have an expensive power network with a large number of stranded power assets and a declining customer base bearing unsustainable increases in power prices. The AER determination is a first step in the right direction, however we need to ensure that it translates into lower ongoing power costs for irrigators in NSW."

Ms Schulte said the battle to achieve better power tariffs for irrigators and other primary producers was far from over. She said recent changes to the electricity rules mean network tariffs will from now on need to be 'cost reflective', which remains a serious concern to irrigators in regional NSW because they often use large amount of power over a short time period and do not have the opportunity to utilise off-peak tariffs. This means that without easier access to off-peak power rates irrigators remain very vulnerable to future cost hikes.

"What irrigators really need is flexibility, with electricity tariffs that suit their requirement to draw power when seasonal conditions dictate water needs. They need tariffs that are based on overall annual power use, not cost reflective prices for short periods of use," Ms Schulte said

NSWIC has restated its commitment to working with Essential Energy, the regulators and policy makers to find a sustainable electricity cost solution for irrigated food and fibre producers in NSW into the longer term.

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For further information:
Stefanie Schulte: 02 9251 8466

Approved: RS / MM