

NSW irrigating farmers outraged over decision to send back energy regulators' determination

29/2/16

Irrigating farmers are dismayed that the Australian Competition Tribunal has sent back an Australian Energy Regulator (AER) determination that would have ended the trend of rampant electricity price increases for primary producers.

Late in 2015 the AER made a determination on the network revenue allowance of electricity networks in NSW. The determination was a win for growers and irrigators, as it reduced the ability of energy networks to recover costs from consumers. Consumers, including farmers, had already begun to see savings of around 15% on electricity bills.

However, the networks appealed the AER's determination to the Australian Competition Tribunal, seeking increased revenue from customers, and on Friday (26/2/16) the Tribunal sent back the decision to the AER. While the Tribunal largely endorsed the AER's approach in terms of equity, it accepted some of the appeals and directed the AER to re-make its determinations, particularly in the areas of debt and methodology to determine operating expenses.

Cotton Australia General Manager, Michael Murray, says the state's irrigators are dismayed at the Tribunal's decision.

"The energy networks launched their appeal because they want to recover their allowed revenue through fixed charges, but energy users - including households - should not be paying excessive network costs nor for the gold-plating of NSW poles and wires," Mr Murray says.

"The AER must now take time to consider the Tribunal's response and re-make its decisions. Overturning the ruling puts us back on the path of rampant electricity price increases. Even worse, the electricity networks have the option to recover any discount that flowed from the AER's original decision, and it is almost certain they will do this and increase charges to consumers over the short term."

"Farmers have put up with rampant year-on-year electricity charge increases for too long, and the Tribunal's decision merely extends the grief of farmers under financial stress from drought and other pressures."

Mark McKenzie, CEO of the NSW Irrigators Council, says the Tribunal's decision could herald a return to the 'bad old days' of excessive charges for irrigators.

"Irrigating farmers in NSW are subject to excessive tariffs from multiple directions," Mr McKenzie says. "They are subject to high demand tariffs charged by energy providers, which are calculated on the highest amount of electricity used in a half-hour window within a month."

"Furthermore, because there is currently no difference in peak or shoulder tariff charges, farmers have unsustainably high electricity tariffs regardless of whether they irrigate and use electricity in peak or off-peak periods."

“We also have concerns about Tribunal’s impact will prompt the AER to take a wrong turn on energy infrastructure investment charges. It is obvious that the failure to implement sensible and efficient tariffs will result in network infrastructure becoming stranded assets, which will further increase electricity costs for those unable to change their energy mix.”

ENDS

Media contacts:

Mark McKenzie
CEO, NSW Irrigators’ Council
0412 075 245

Michael Murray
General Manager, Cotton Australia
0427 707 868