

Farmer groups welcome regulator's challenge on electricity pricing

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The Australian Energy Regulator (AER) will challenge the Australian Competition Tribunal's recent decision to set aside its determination on electricity network charges, a move welcomed by the NSW Irrigators' Council and Cotton Australia.

Late in 2015 the AER had made a determination on the network revenue allowance of electricity networks in NSW, at the time hailed as a win for growers because 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, in early 2016 the networks appealed the AER's determination to the Australian Competition Tribunal, which subsequently reversed some of the AER's determinations to the detriment of electricity consumers.

"Acceptance of the Tribunal's decision could have been disastrous for irrigators and growers in NSW, with farmers facing skyrocketing electricity price increases, as had happened with previous determinations," says Stefanie Schulte, NSW Irrigators' Council Policy Manager. "We are glad the AER has listened to our concerns and is standing up for electricity consumers in NSW."

Under the Tribunal decision the AER had been instructed to remake a considerable part of its network revenue determination – the revenue that can be recovered through consumer bills. In its previous NSW network determinations, the AER reversed the windfall profits previously achieved by the networks and reversed the trend of exponential increases to irrigators' electricity bills.

While the Tribunal agreed with the AER on some matters, it had rejected the regulator's decision on how to calculate the network businesses' operating expenses, which are a significant driver of consumers' electricity bills.

The AER is now challenging the Tribunal's decision through the judicial process to determine if the rules were correctly applied and the outcome delivers 'a materially preferable outcome for consumers'.

Cotton Australia General Manager, Michael Murray, says the state's electricity network businesses have been operating inefficiently for far too long, 'gold-plating' network infrastructure beyond that required by electricity consumers.

"NSW growers have sustained electricity price increases of 300% over the past five years, which has severely impacted the profitability of irrigating farm businesses," Mr Murray says.

"The AER's original determination had addressed business inefficiencies by reducing the network's allowable operating and capital expenditure, thereby decreasing electricity bills and bringing much-needed relief for irrigators and growers in NSW."

“We are calling for a return to the AER’s original determination, and we support the AER in its appeal to the Federal Court. Furthermore, we are advocating for a limit on price increases for the 1 July 2016 tariff deadline and beyond.”

Ms Schulte says farmers have watched the interaction between the AER and the Tribunal on electricity pricing with increasing alarm.

“The number of appeals and counter-appeals flying back and forth between the NSW networks and the regulators only highlights the deeply flawed nature of our electricity pricing regulatory system,” Ms Schulte says.

“Consumers, including farmers under drought and other pressures beyond their control, are paying a heavy price for the convoluted legal arguments that are playing out within the courts.”

“We urge the COAG Energy Council to take leadership on electricity pricing and resolve this issue. Australia already has the highest cost electricity in the world, we don’t need to go any higher.”

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