

Irrigators to see massive electricity price hikes following Federal Court decision

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NSW irrigating farmers are shocked and appalled at the Federal Court's decision yesterday (24/5/17) to block the path to reduced electricity prices, a decision that will cost farmers thousands of dollars a year.

The Australian Energy Regulator (AER) had sought to contain excessive spending by power companies for the 2014-19 period, arguing in the Federal Court that NSW electricity distribution businesses were inefficient. The AER's determination significantly cut power prices, but the energy companies successfully appealed to the Australian Competition Tribunal, forcing the AER to take the issue to the Federal Court.

The NSW Irrigators' Council (NSWIC) and Cotton Australia have long argued that power companies have irresponsibly over-invested in distribution infrastructure over successive years. The cost of distributing electricity from power stations can form up to 70% of an irrigator's electricity bill. Efficiencies in spending by networks have a huge impact on an irrigator's electricity pricing.

NSWIC Policy Manager, Stefanie Schulte, says hard-working farmers across NSW are dismayed at the news, which heralds inevitable price increases in coming years.

"This decision is extremely disappointing for irrigators and other rural businesses across the state," Ms Schulte says. "Worryingly, it sets a precedent on how the AER will be able to regulate the cost of electricity pricing into the future. Given the alarming rate of electricity price increases over the past decade it is certain that, without a strong regulator to stop persistent gouging by the electricity companies, the increases will continue indefinitely."

"The Federal Court's decision does absolutely nothing to increase transparency within the electricity system. With the advantage now firmly to electricity distributors, there is no longer a brake against increasing electricity prices. The AER, through the Limited Merits Review process, has been shown to be a toothless tiger."

Cotton Australia Policy Officer, Felicity Muller, says the Federal Court's decision comes at the same time as power generation costs are increasing, and current electricity retail mark-ups are under review by the Australian Competition and Consumer Commission (ACCC).

"Given the increasing costs of electricity production and the ACCC review, the likely cost impost to farmers could be even higher than anticipated," Ms Muller says.

"If energy costs continue to climb at their current rate, or even higher, we are likely to see an exodus of farm businesses from the grid. This has enormous consequences for those remaining farmers and rural communities, who will bear the brunt of the flight from the grid, as well for the environment, as farmers will be forced to turn to diesel in order to run farm equipment."

"Both Cotton Australia and the NSWIC urge the AER to pursue a further legal challenge. We also call on the Council of Australian Governments (COAG) to assume a leadership role and prevent

farm businesses from suffering even further. Previous determinations by COAG, the Finkel Review and a House of Representatives Inquiry all point to the need for action – it is time for the Federal Government to take charge.”

Approved: RS/MM

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