

## NOTICE OF LODGMENT

### AUSTRALIAN COMPETITION TRIBUNAL

This document was lodged electronically in the AUSTRALIAN COMPETITION TRIBUNAL on 10/11/2016 4:23 PM AEST and has been accepted for lodgment under the Practice Direction dated 23 September 2016. Filing details follow and important additional information about these are set out below.

#### Lodgment and Details

Document Lodged: Submissions

File Numbers: ACT 3, 4, 5, 7, 8 of 2016

File Title: Applications under section 71B of the National Electricity Law for a review of distribution determinations made by the AER in relation to United Energy Distribution Pty Ltd, CitiPower Pty Ltd, Powercor Australia Ltd, Jemena Electricity Networks (Vic) Ltd and AusNet Electricity Services Pty Ltd pursuant to Rule 6.11 of the National Electricity Rules

File Number: ACT 6 of 2016

File Title: Application under section 245 of the National Gas Law for a review of the full access arrangement decision made by the AER in relation to ActewAGL Distribution pursuant to Rule 64 of the National Gas Rules

Registry: VICTORIA – AUSTRALIAN COMPETITION TRIBUNAL

Dated: 10/11/2016 4:23 PM AEST

  
Deputy Registrar

#### Important Information

As required by the Practice Direction dated 23 September 2016, this Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Tribunal and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

The date and time of lodgment also shown above are the date and time that the document was received by the Tribunal. Under the Tribunal's Interim Practice Direction the date of filing of the document is the day it was lodged (if that is a business day for the Registry which accepts it and the document was received by 4:30 pm local time at that Registry) or otherwise the next working day for that Registry.



Australian Competition Tribunal  
Owen Dixon Commonwealth Law Courts Building  
305 William Street  
Melbourne VIC 3000  
**via email:** CompetitionTribunalRegistry@fedcourt.gov.au  
Associate.RobertsonJ@fedcourt.gov.au

10 November 2016

Dear Sir / Madam,

**Re: Applications under section 71B of the National Electricity Law for a review of distribution determinations made by the AER in relation to United Energy Distribution Pty Ltd, CitiPower Pty Ltd, Powercor Australia Ltd, Jemena Electricity Networks (Vic) Ltd and AusNet Electricity Services Pty Ltd pursuant to Rule 6.11 of the National Electricity Rules**

The New South Wales Irrigators' Council (NSWIC) and Cotton Australia appreciate the opportunity to comment on the *review of distribution determinations of UED, CitiPower, Powercor, Jemena and AusNet under Rule 6.11 of the National Electricity Rules*.

While NSWIC and Cotton Australia acknowledge that our members operate in a different jurisdiction with the exemption of some cotton plantings in Swan Hill Victoria we would like to share our experiences with the appeal of NetworkNSW to the Australian Competition Tribunal (Tribunal) for Essential Energy revenue determination in 2015. Due to the electricity cost pressures faced by growers and irrigators in NSW and Queensland, and with anticipated expansion of the cotton industry in Victoria, our organisations are highly supportive of an efficient National Electricity Market which truly functions in the long term interests of consumers.

We were encouraged by the recent Tribunal decision in relation to the South Australian Power Networks, which in contrast to the NSW determination, contain extensive discussions on the submissions made by participants. NSWIC and Cotton Australia welcome the recommendations made by the Tribunal which stated that '*when considering the elements of the NEO – price, safety, reliability and security of supply of electricity – the only element with which consumers were dissatisfied was prices*'. This is a sentiment which we clearly outlined during the NSW public hearings with the Tribunal and we wish to reiterate this comment to the Tribunal which currently reviews the Victorian distribution determinations.

Irrigated agriculture has been subject to significant structural adjustments in order to improve water use efficiency. These upgrades – which have been supported by the Federal Government – have led to a reliance on electricity by irrigators.

Overall, the irrigation industry in NSW has seen electricity price increases of up to 300 per cent over the last five years, predominantly due to network charges<sup>1</sup>, and these cost increases cannot be offset by increases in productivity or the hope of favourable international market conditions. Our growers are price takers in international markets and are faced with significant uncertainties about future output returns, input costs and climate conditions. In terms of risks, irrigators face significantly higher risks and uncertainties than networks and are not provided with a similar guaranteed return on their investment.

Benchmarking costs for cotton have indicated that energy was the second highest cost of production, with electricity representing the most substantial movement in costs - outstripping the consumer price index many times over. Irrigators are a vital part of rural communities and responsible for a significant proportion of economic activity and employment within many irrigated agriculture dominant communities.

NSWIC and Cotton Australia would like to highlight that irrigators and cotton growers have gone to significant lengths to increase our knowledge of electricity use on farm, the drivers of recent cost increases and the options to mitigate them. We have partnered with the Office of Environment and Heritage to undertake electricity trials with selected irrigators to determine on farm energy efficiency. Our industry has also invested in research and development to investigate energy use of farm and determine energy efficiency solutions. However despite considerable investigation into further on-farm efficiencies it has been impossible to identify a workable solution.

To assess further impacts associated with the transition of consumers from volumetric to demand based tariffs, Cotton Australia and NSWIC had extensive conversations with its members. We have received feedback that irrigators are actively looking for the most cost effective alternatives to electricity. Our members, who have often invested several hundreds of thousands of their own funds in electricity poles and wires, are considering leaving the network entirely, leaving stranded network assets due to the demand charges being incurred. Clearly this represents market failure in the National Electricity Market, and requires 'good regulation' to avoid these larger consumers leaving the grid.

The dynamics at play within the electricity market requires assessment. As the ever increasing electricity prices force our irrigators off the grid, we need to be aware of what impact this will have on those consumers that do not have any choice to avoid the increasing proportion of network costs they 'must' bear under the current regulations.

We believe that at this point in time, there is no roadmap for the National Electricity Markets in to the future – assessing how shifts in technology and user demands will change the requirements for the grid. Without considering the introduction of new technologies and the change in users needs, the entire market will be ill-prepared for the future, potentially leading to market disruptions and price impacts.

One mechanism to maintain the relevance of the grid requires growers, irrigators and the broader consumer base having the ability to access affordable prices for electricity. We would ask the Tribunal to fully consider the impact of any inefficient allocation of both operating and capital expenditure for the Victorian networks. Inefficiencies in the networks drive prices which are becoming (or in instances are already) unaffordable.

---

<sup>1</sup> According to a study completed by Cotton Australia and NSWIC, network charges make up between 50 to 65 per cent of irrigators' electricity bill.

While we recognise the challenges in operating a large infrastructure network, and maintaining investor interest, the electricity grid should be operated for the long term interest of consumers, including growers and irrigators, in order to maintain productivity, profitability and reinvest back in to their businesses and the communities. Current electricity pricing does not allow this to occur and indeed represents a significant challenge for many Australian households.

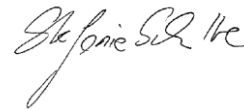
The dynamics of the Australian electricity market is shifting and we urge the Tribunal to support the AER decision which is in the long term interests of consumers aiming to drive down exorbitant increases in electricity prices.

Should you have any questions regarding our submission please do not hesitate to contact Felicity on 02 9669 5222 or [FelicityM@cotton.org.au](mailto:FelicityM@cotton.org.au) or Stefanie on 02 9251 8466 or [stefanie@nswic.org.au](mailto:stefanie@nswic.org.au).

Sincerely,



Felicity Muller  
Cotton Australia



Stefanie Schulte  
NSW Irrigators' Council