



National Irrigators' Council

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AEMC
Consultation ERC0284

Re. [NATIONAL ELECTRICITY AMENDMENT \(COMPENSATION FOR MARKET PARTICIPANTS AFFECTED BY INTERVENTION EVENTS\) RULE 2020](#)

Thank you for the opportunity to make a submission on this rule proposal from AEMO.

The National Irrigators Council (NIC) is the peak national body for irrigators with members across NEM states, NIC convenes the Ag Energy Taskforce which brings together a range of peak agricultural bodies all concerned about the impact high energy costs are having on Australia's capacity to be a competitive producer of food and fibre.

This will, by necessity, be a brief submission. Unfortunately, despite being a critical export exposed industry with energy as a significant input cost, the agriculture sector lacks the resources and in-house expertise to make a detailed submission on some of the technical aspects of this proposal.

NIC would however hope that our lack of detail does not diminish the importance of our concerns about a proposed rule change which appears to be designed, by energy market participants, to protect their revenue at the expense of energy consumers, who are not at fault and have no opportunity to avoid the additional cost.

NIC accepts that there is sometimes a need for AEMO to intervene to protect electricity supplies for consumers. We can understand that market participants feel their businesses should not be required to incur unbudgeted expenditure or losses for faults not of their making.

The problem is that the current arrangement makes that exact assumption for some consumers, it puts unbudgeted, unexpected and recently, retrospective, cost on consumers for system problems that they have absolutely no influence over, and with no way of avoiding the additional cost.

NIC notes recent experience in South Australia (cited in the discussion paper) where the failure of the interconnector and resulting intervention resulted in NIC member, Central Irrigation Trust (CIT), receiving a retrospective \$60,000 increase in their power bill for a single month.

CIT supplies irrigation water to 1,200 Riverland fruit, vegetable, grape and nut farmers, these businesses are already burdened with increased cost because of drought and high energy prices.

NIC does not accept that current arrangements forcing energy consumers to pay for action resulting from other parties failures are equitable; and on that basis we strongly oppose any rule change that seeks to expand the ability to apply for compensation.

We note that the justification for passing through costs for AEMO interventions to consumers in the discussion paper is that consumers are the beneficiaries of power being maintained.

We would agree that consumers benefit from reliable power supply, but do not believe they should be treated as a bottomless insurer for faults, be they network faults, system inadequacies or policy failures.

NIC strongly disagreed with the contention that the cost to consumers of this recommendation is not significant and that the assessment framework need not focus on price as one of its key criteria. Price to consumers, and the equity of who bears it, should be a key consideration.

NIC notes that these proposals are the recommendations from an AEMO working group made up entirely of industry participants - with no consumer representation. That, in itself, is unacceptable.

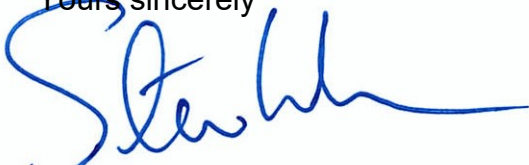
Agriculture is one of Australia's most important industries. It grows our food and fibre and generates \$60 billion per annum for the Australian economy.

Unfortunately, this rule change proposal, as with so many others, has no specific consideration of impact on agricultural consumers who are high energy users (like irrigation infrastructure operators), let alone on rural communities and businesses.

The recent experience in South Australia of the pass through of AEMO ancillary charges has left our members with fundamental concerns about the equity of a system which prioritises the budgets of energy companies over the viability of agricultural and other businesses.

On that basis we strongly urge AEMC to not approve this rule change request and instead review the basis for, and equity, of costs passed through to consumers.

Yours sincerely



Steve Whan
CEO

Attached: NIC media release on South Australian AEMO ancillary costs



National
Irrigators'
Council

Media Release

SA Irrigator slugged with retrospective \$60,000 per month electricity price rise

The National Irrigators' Council (NIC) says the Australian Energy Market Operator's (AEMO) allocation of charges is inequitable, after infrastructure failures in Victoria left a South Australian Irrigation company with a 26,000% increase in, so-called, 'ancillary charges' between July 2019 and March 2020.

The latest increased charges were passed through to customers after infrastructure failures in Victoria left South Australia without an operating interconnector.

Central Irrigation Trust received notification on 2 April of increased "**AEMO – Ancillary Charges**" - from 1.3842 c/kWh in February to 2.352 c/kWh, backdated to 1 March 2020. This was accompanied by the helpful advice that the best way to reduce costs was to reduce consumption. In July 2019 the same charge was 0.009 c/kWh.

This latest, one month, 70% increase in 'ancillary charges' resulted in an overall increase of 25% in the irrigators price of consumption. **A \$60,000 per month increase in their bill.**

NIC CEO Steve Whan said "this is another example of energy market rules with scant regard for the national interest. NEM rules say these charges can be passed on, even though the consumer had nothing to do with the problem that caused the additional cost.

"Central Irrigation Trust pumps water from the Murray to supply 1,200 Riverland fruit, vegetable, grape and nut farmers. The electricity costs paid by the Trust have to be passed on to farmers making their cost of production prohibitive.

"Irrigation companies and farmers have worked to be as efficient as possible in water use, they also minimise energy use, but being water efficient often results in using more electricity to run water efficient systems.

"Our farmers have worked through drought, extreme heat and now the disruption of COVID, to keep producing the food we need, and they should not have to put up with retrospective price increases due to someone else's failure.

"This is not the first time irrigators have been slugged by sudden changes in AEMO charges. Last year the same company received news that a recalculation of Marginal Loss Factors meant their charges would rise \$150,000 in one hit. Again, nothing to do with their use, instead it was because South Australia was exporting more power to Victoria.

"It doesn't seem to matter which way the worm turns; energy authorities can slug consumers, rather than those whose decisions are responsible for the increased cost. Farmers and rural energy users are sick of market rules that feather-bed infrastructure owners at the expense of vital national industries like agriculture."

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