



John Pierce
Chairman
Australian Energy Market Commission
PO Box A2449
Sydney South NSW 1235

19 December 2013

Dear Mr Pierce

Cotton Australia welcomes the opportunity to comment on the proposed the Distribution Network Pricing Arrangements rule change.

Cotton Australia is the key representative body for Australia's cotton growing industry. The cotton industry is a small but integral part of the Australian economy, worth over \$2 billion in export earnings and employing 8 000 people.

The industry's vision is: Australian cotton, carefully grown, naturally world's best. Cotton Australia works with industry to achieve this vision by providing a policy and advocacy role, research direction, stewardship and building our farmer's capacity in their own communities. We are proud of our efforts to ensure an efficient and sustainable cotton industry. Our 'myBMP' is a voluntary farm management system which provides self-assessment mechanisms, practical tools and auditing processes to ensure that Australian cotton is produced with in line with best practice.

In recent times, the industry has made structural on-farm irrigation adjustments, which have seen significant improvements in water efficiency. However these new irrigation systems are also more energy intensive and often exceed 160,000 kWh. The timing of cotton farm irrigation is driven by the need of the crop and weather patterns. As such, there is limited scope for adjusting energy use patterns to minimize costs as on-farm electricity demand.

We are very concerned about the impact of increasing electricity network prices on farm profitability. Despite relatively stable year-on-year electricity demand, our growers have seen their electricity bills triple since 2009. The increase is largely driven by increases in network costs, which comprise 55–65 per cent of a cotton grower's electricity bill and in most cases these costs are well over \$100,000.

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Many growers are on demand driven tariffs which include network access, consumption and capacity charges, as well as significant peak and shoulder charges. As analysis prepared by the NSW Irrigators' Council shows, these tariffs do not suit the usage patterns of irrigated farms, such as cotton. Flexibility is required to set network tariffs that are better tailored to the electricity demands of farmers.

Cotton Australia considers the proposed rule change, to adjust the network pricing principles to set network prices on a cost reflective basis, is an important step towards accessing flexible and efficient tariffs from network providers. Cotton Australia also welcomes any effort to make the electricity market less complex and more transparent for consumers and we support the associated rule changes. These changes will provide:

- certainty for consumers on how and when network prices will change
- the opportunity for consumers to be consulted in the price setting process.

In particular, Cotton Australia supports the requirement for network providers to have regard to how their proposed tariff structures and prices may impact on different classes of consumers. We would ask that particular consideration is given to the agricultural sector.

Thank you again for the opportunity to comment on the proposed rule change. Please do not hesitate to contact me on 02 9669 5222 or leahr@cotton.org.au if you wish to discuss this submission in more detail.

Yours sincerely

Leah Ross
Policy officer