



# National Irrigators' Council

Level 2, NFF House, 14-16 Brisbane Ave  
Barton ACT 2600

Ph: 02 6273 3637  
ABN: 92133308326

Lyn Camilleri  
Director Adjudication  
Australian Competition and Consumer Commission  
GPO Box 3131  
CANBERRA ACT 2601

Attn: Sara Mirabella

## **Re. A91567 & A91568 - SACOME & Ors - submission**

Thank you for the invitation to comment on the application for authorisation from SACOME & Ors regarding their proposal to establish a joint electricity purchasing group to jointly tender, negotiate and contract for the supply of electricity.

I would put on record that one of the companies involved in the application, the Central Irrigation Trust (CIT), is a member of the NIC. CIT's CEO, Gavin McMahon, is Chairman of the NIC. Mr McMahon has declared a conflict of interest and has not participated in preparation or consideration of this response.

The NIC supports the application and believes it will provide a strong public benefit and would assist in ameliorating the impacts of lack of competition or, in NICs view, market failure, in the electricity sector.

NICs comments are limited to our area of interest, that being irrigated agriculture and thus this letter will only respond to some of the points.

### **Likely future without**

Electricity price rises are impacting competitiveness in the international and domestic food market of Australian producers. Electricity prices contribute significant cost to the production cycle. This is through the use of pumps by Irrigation Infrastructure Operators to move water through irrigation systems and into piped or pressurised systems. Individual producers also use energy for their own pumping, along with things like refrigeration and storage of produce.

It should be noted that many of the water efficient irrigation systems introduced in recent years, because of water policy and the desire for more efficient resource use, also result in increased use of energy through greater need to pump and pressurise systems.

CIT is one of the applicants in this group and as an example NIC understands that electricity makes up about 32% of the costs for CIT and that over the last seven years they have experienced increases in electricity costs of up to 107%. Electricity price is therefore a significant component of the cost they pass on to their customers – primarily in irrigated agriculture.

Given this, in response to issue 2, NIC would suggest that the current experience in the South Australian energy market shows that industry, including irrigators, are not able to secure reliable and similarly priced electricity contracts.

On issue 3, it is unlikely, given the immovable nature of the business and assets, that CIT itself would cease operations, however, continuing cost increases could see their member producers decide to move out of irrigated agriculture. There are several negative impacts of this, firstly a smaller base of users commences a vicious circle where there are less customers to pay for system costs resulting in even higher prices and more departures. The second negative impact is on competitiveness of local agricultural product as much higher costs are built into the cost of production.

NICs members would contend that the National Electricity Market is simply not a competitive market. Many of our members would contend that it is a failed market. Experience in South Australia particularly, but also evidence recently in Queensland would seem to indicate that the market rules and operation are not producing competition in the supply of electricity, that system is being 'gamed' and that interaction with other markets eg the international market for gas, is producing negative results for Australian consumers.

NIC supports this proposal because it might give an irrigation company in South Australia some collective power in a market which is failing to deliver competitive outcomes.

### Areas of Competition

NIC does not have the relevant expertise to comment in detail on this point other than to say that from the organisations' perspective South Australia does appear to operate quite distinctly as a separate market. We note the significant recent media coverage given to the lack of capacity of interconnectors and therefore the inability to meet recent peak demand by sourcing it from interstate.

### Public Benefits and Detriments

As outlined above, the current escalation in energy costs is having a significant detrimental impact on irrigated agriculture and that feeds in to the cost of local production of food and fibre.

Given Australia's abundant resources of renewable and non-renewable energy it is a clear failure when the market results in prices for energy that are among the highest in the world. NIC's view is that the NEM is not producing a competitive market and therefore the cost of

producing food and fibre is also being made less competitive. The clear public benefit of an irrigation company being able, through the greater strength of a collective buying group, to secure lower and more stable prices is that these prices will then flow on to lower input costs for producers of food and fibre. Those producers in turn will be more competitive and able to provide the Australian public with local produce as well as earning Australia export dollars in a competitive international market.

NIC is not aware of any detrimental impact of the proposal. We are not able to comment on the other sectors represented in the application.

Period of Authorisation

NIC considers the period to be appropriate.

Thank you for the opportunity to comment on this proposal.

A handwritten signature in black ink, appearing to read 'Steve Whan', with a long horizontal flourish extending to the right.

**Steve Whan**

CEO

21 February 2017