

2 March 2018

Manager Customer Service
Essential energy
PO Box 5730
Port Macquarie NSW 2444
Submitted via yoursay@essentialenergy.com.au

Essential Energy's 2019-24 Draft Regulatory Proposal

Dear Madam or Sir,

Thank you for the opportunity to comment on Essential Energy's 2019-24 Draft Regulatory Proposal.

Introduction

Cotton Australia is the key representative body for Australia's cotton growing industry, supporting about 1,200 cotton farming families in NSW, Queensland and now into Victoria. These 152 Australian regional communities produce around 2.7 million bales from across the 263,339 hectares of growing area. In 2015/16 the Australian cotton crop was worth \$1.3 billion.

Energy along with water are key inputs to cotton production and come with operational challenges. Structural on-farm adjustments have seen significant improvement in water efficiency using pressured delivery with a typical irrigation system tending to exceed 160,000kWh in consumption. Time of operation is driven by the need of the crop and weather patterns, limiting scope to adjust energy patterns to minimise costs as an on-farm electricity demand.

With 60% of the growing area being covered by Essential Energy's northern and southern distribution networks the 2019-24 Regulatory Proposal directly impacts the profitability of a significant portion of Australia's cotton production.

General observations:

Cotton Australia endorses the separate submission being provided by the NSW Irrigators' Council. As the cotton industry's peak body and a member of Essential Energy's Customer Advocacy Group, we would also like to take this opportunity provide a few additional comments.

- Primary producers who have been on one of the now obsolete network distribution tariffs and who have not yet installed an interval meter would have very little understanding about what the change would mean for them financially.
- Irrigators have no choice in their tariff assignment as many irrigation business are classified as large electricity consumers.
- Cotton Australia is still of the view that the current charging mechanism for the capacity charge component does not align with irrigators operation and unfairly penalises primary producers in the form of higher charges and greater costs.

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- Similarly Cotton Australia members will be concerned that future price increases occur while Operating and Capital expenditure falls.
- Consequently, we share NSW Irrigators' Council concerns regarding the weighted average cost of capital (WACC), a key driver of Essential Energy's future revenue allowance. That is, the calculations provided by Essential Energy of 6.34% weighted average rate of return is far too high.

As a member of Essential Energy's Customer Advocacy Group (CAG), Cotton Australia would like to formally acknowledge:

- the extensive work undertaken to provide an extended consultation phase to regional customers as summarized on p84 of the Draft Proposal.
- the opportunity the CAG meetings provided to 'unpack' draft public documentation prior to its release and the benefit that these additional briefings provided for Cotton Australia to then discuss the implications with our geographically dispersed membership.
- that Essential Energy genuinely taking on these comments, editing the material to be more reader friendly for an 'everyday user' and the use of the infographics tool to convey complex information in more digestible chunks.

Regarding the consultation timeline (p84) we note that as the Draft Proposal currently reads it infers the meeting held with Cotton Australia and NSW Irrigators was part of the pricing reference group activities. Hence Cotton Australia and NSW Irrigators' Council were part of the 'pricing reference group' who had given their support to how the current capacity charges were calculated. For the record at that one meeting Cotton Australia and NSW Irrigators' Council indicated our preference for Essential Energy considering alternative ways to calculate the current capacity charge component.

Conclusion

As a final observation, the effort required at the front end of consultation has confirmed to Cotton Australia that further education plus, information provision that explains the impacts to the bill must be made available to those impacted by the change. This information must also include what alternative options there are to mitigate the impact of prices. As the public consultation work by Woollcott found customers prefer price over reliability when they must choose between the two.

Cotton Australia would welcome an opportunity to further discuss with Essential Energy issues raised in this submission. Please do not hesitate to contact me on 02 9669 5222 or jenniferb@cotton.org.au.

Yours sincerely,



Jennifer Brown
Policy Officer
Cotton Australia