

30 January 2025

Essential Services Commission

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Re: Consultation on Minimum Electricity Feed-in Tariffs – Impact on the Dairy Sector

Dear Commissioners,

Australian Dairy Farmers (ADF) expresses their concern regarding the proposed reductions in minimum feed-in tariffs outlined in the ESC's Draft Decision, to take effect from 1 July 2025. While we understand the rationale behind the changes, namely lower wholesale electricity prices due to increased daytime solar generation, we urge the Commission to consider the unique circumstances and implications for the dairy sector.

About Australian Dairy Farmers (ADF)

Australian Dairy Farmers (ADF) is the national peak Industry Representative Body (IRB) representing all dairy farmers from across Australia's six dairy producing states. ADF's membership includes the State Dairy Farming Organisations from each State as well as direct farmer members.

Key Considerations for the Impact of Tariff Changes on the Australian Dairy Industry

Australian dairy farming operates at the intersection of agriculture and energy consumption, with distinct characteristics that merit specific attention:

1. Unique Energy Demands

Unlike traditional commercial enterprises, dairy farms have irregular and high energy needs, particularly during early mornings and evenings.

The suggested strategy of maximising solar energy use during the middle of the day to mitigate tariff decreases is not always feasible due to the timing of energy-intensive activities like milking and refrigeration. These operational requirements make it challenging to align energy use with periods of peak solar generation, highlighting the need for tailored solutions to support dairy farmers in adapting to these changes.

The scale of solar installations on dairy farms is typically larger than residential systems but smaller than those of large industrial users, creating unique operational challenges.

Dairy farmers lack the flexibility of residential or large-scale users to align their energy consumption with daylight hours due to the nature of farm operations. Additionally, they often have larger energy generation capacities than smaller operators, further complicating efforts to optimise self-consumption and manage surplus energy effectively.

2. Economic Vulnerability

The dairy industry operates on slim margins, making any reduction in revenue, such as the proposed cut in feed-in tariffs, a significant concern.

Farmers and processors are already navigating rising operational costs, climate variability, and market pressures. Consultants have advised, and many farmers have invested in large solar installations, often exceeding their immediate needs, based on assumptions about stable feed-in tariffs. A sharp reduction in tariffs poses a financial risk to these investment

3. Void of Information and Support

There has not been sufficient education or knowledge sharing about the likely reduction in feed-in tariff payouts and the broader implications for feeding energy into the grid.

This lack of awareness has led to misaligned expectations and financial decisions among farmers. Greater investment is needed to upskill and educate farmers on load management, battery storage options, and energy-efficient practices to better adapt to these changes. Additionally, farmers need access to resources and training that focus on optimising existing systems, including strategies for self-consumption and reducing reliance on grid electricity.

4. Barriers to the Renewable Energy Transition

This policy change, combined with other regulatory challenges, creates a significant deterrent to renewable energy adoption.

Other regulatory challenges such as complex planning permit processes for solar installation, high capital outlays, and limited grants or funding will ultimately deter farmers from adoption renewable energy on-farm. Innovative solutions like microgrids, which could alleviate some of these pressures, are hampered by existing regulatory barriers, including restrictions on private power lines crossing land titles. Addressing these systemic issues is crucial to fostering a viable renewable energy transition for the sector.

Recommendations

We urge the Commission to conduct a more detailed analysis of the proposed changes' implications for dairy and other agricultural industries, including:

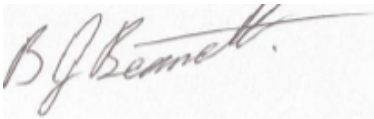
- Increasing information awareness within the agricultural sector through a stronger and targeted communications campaign to ensure stakeholders understand the changes and their implications.
- Examining the potential impact on individual farmers exceeding tariff. Energy-intensive operations and larger solar installations often result in exceeding thresholds, creating financial burdens due to misaligned expectations about tariff structures. A thorough review is needed to assess how these thresholds affect financial viability and economic sustainability across the sector.

- Working with other state departments to enable microgrids through modifying prohibitive regulations. Restrictions on private power lines crossing land titles hinder efficient microgrids, limiting farmers' ability to optimise energy use and reduce grid dependency. These barriers make microgrid development unfeasible, despite the potential for shared energy solutions to lower costs and boost resilience. With feed-in tariffs offering reduced value, regulatory reforms are essential to improve renewable energy adoption, ensure economic viability, and support the agricultural sector's transition to cleaner energy.
- Develop tailored solutions to address the unique challenges faced by sectors like dairy, which operate between commercial and residential energy users. These solutions should consider the limited flexibility of dairy operations to shift energy use, the sector's distinct energy demands, and the reliance on renewable energy investments that may not align with traditional tariff models.

In conclusion, the proposed changes risk placing additional strain on an already pressured sector, threatening the broader transition to sustainable and energy-efficient farming practices. ADF calls on the ESC to ensure that the impacts of these changes are fully understood and mitigated before implementation.

Thank you for the opportunity to provide feedback. We would welcome the chance to discuss these points further or provide additional data to support this submission. Please feel free to contact, Nathan Pope, Policy Manager on 0438 603 681 or via email npope@australiandairyfarmers.com.au

Yours sincerely,



Ben Bennett
President and National Council Chair
Australian Dairy Farmers