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**Submission to the Independent Review
into The Future Security of the National
Electricity Market Preliminary Report
December 2016**

20 February 2017

wfa

Winemakers'
Federation of
Australia

Contents

1. Introduction	1
2. Winemakers' Federation of Australia.....	1
3. Electricity and the Australian wine industry.....	1
4. General Comments.....	2

1. Introduction

The *Independent Review into the Future Security of the National Electricity Market*, chaired by the Chief Scientist, Dr Alan Finkel AO, has undertaken a public consultation process on its Preliminary Report to inform the development of recommendations for the future of Australia National Electricity Market (NEM). The Preliminary Report was presented to Council of Australian Governments (COAG) Leaders' Meeting on 9 December 2016.

On 14 December 2016, the Department for Environment and Energy sought public submissions responding to the Preliminary Report and some key questions outlined within the report.

The Winemakers' Federation of Australia welcomes the opportunity to provide a submission responding to the report. Recent increases to price are severely impacting on wine and grape businesses viability and our ability to compete on a global market. This and the unreliability of current supply has further highlighted a need to reform the NEM. Continued unreasonable increases in cost of electricity and unreliable supply will have a devastating impact on the industry and the regional communities it supports.

2. Winemakers' Federation of Australia

The Winemakers' Federation of Australia (WFA) is the national peak body for Australia's winemakers. Our objective is to represent the interests of Australian winemakers and grape growers of all sizes on national and international issues affecting the Australian wine industry, through a single organisation.

Government recognition of WFA as a representative organisation is on the basis WFA represents the entire Australian wine industry, including members and non-members. WFA is recognised as a representative organisation under the *Australian Grape and Wine Authority (AGWA) Corporation Act*. WFA is incorporated under the *SA Associations Incorporation Act 1985*.

WFA membership represents around 80% of the national wine grape crush. WFA represents small, medium and large winemakers from across the country's wine-making regions, with each having a voice at the Board level. WFA Board decisions require 80% support so no one category can dominate the decision-making process. In practice, most decisions are determined by consensus. WFA works in partnership with the Australian Government and our sister organisation, Australian Vignerons (AV), to develop and implement policy that is in the wine industry's best interests.

WFA's activities are centred on providing leadership, strategy, advocacy and support that serves the Australian wine industry now and into the future.

3. Electricity and the Australian wine industry

The Australian wine industry includes approximately 2,900 commercial wine producers and 5,160 wine grape growers¹. These businesses span 63 geographical indication regions across Australia and support a number of regional economies. The businesses vary in size from large (>100,000 tonnes of grapes crushed per year) to

¹ Australian Grape and Wine Authority, (2015) Economic contributions of the Australian Wine Sector. www.wineaustralia.com

micro (< 50 tonnes of grapes crushed per year). The total industry is estimated to have crushed a total of 1.81 million tonnes of grapes during the 2016 vintage².

For wine producers, electricity is by far the most significant input in terms of total energy use. On average electricity accounts for around 70% of wine production sites total energy use³. Electricity is used throughout the production process including refrigeration, heating, compressors, lighting, as well as in packaging lines, bottling, warehousing and wastewater treatment facilities. Depending on the type of operation, electricity costs can account for as much as half of the total cost of production. The greatest electricity demands occur during the vintage period mainly between January and April each year.

Vineyard operations in general are less energy intensive than wine production however depending on scale, practices and location, electricity can form a major component of business costs. Electricity costs can account for up to a quarter of the total vineyard business costs. The main use of electricity in the vineyard is for pumping of irrigation water and demand is highly seasonal and varied.

The majority of grape and wine production regionally based. Whilst the majority have access to the power grid, some users have experienced limitations in supply and/or reliability of electricity from the grid. The risk presented by an unreliable power supply can have significant economic impact on vineyards and wineries, especially if extended power blackouts occur during the peak vintage-period.

Compounded by increasing prices for electricity, this risk has led to many wine businesses installing their own solar power generators, and in certain cases, either choosing to remain off-grid or to use diesel powered generators or pumps to help reduce their electricity costs, and manage the risks associated with reliability problems. Adoption of Solar energy technology within the Australian wine industry has been widely embraced, with some businesses able to offset total electricity costs by 20-30%. This investment has continued into larger and more effective systems over time. Furthermore, the Australian wine industry has seen a rise in interest and scrutiny regarding environmental credentials, sustainable production and carbon/water footprints. This is expected to increase in future and it is therefore important to ensure producers have the ability to utilise renewable energy sources in order to maintain global competitiveness and access markets.

4. General comments

The Winemakers Federation of Australia welcomes the review into the *Future Security of the National Electricity Market* and is pleased to comment on the initial report on behalf of the Australian wine industry.

The Independent Review of the NEM is of vital importance to the Australian wine industry. It is hoped that its recommendations are carefully considered by COAG Leaders and the Federal Government to address significant reform of the NEM. Its outcomes have the potential to severely impact on the competitiveness of the Australian wine industry into the future.

The Australian wine industry has become increasingly concerned about the increasing cost of electricity and the potential for business disruption through decreased reliability of supply. These concerns have been accelerated

² WFA, 2016 Vintage Report www.wfa.org.au

³ WFA, (2013) Entwine Australia National Report 2012-2013

in recent years as costs have risen to unacceptably high levels and the symptoms of an inherently broken system have become more apparent.

The Preliminary Report provides a clearly articulated overview of many of the problems with the NEM, their causes and some of the options to resolve these problems. At this time the WFA is not in a position to address the detailed questions posed in the Preliminary Report, however will advocate for the best interests of the Australian wine industry and support outcomes which:

- Seek to reform the NEM with a core focus on reduction of electricity cost for businesses.
- Provide support for wine business adoption of innovative technology to deliver lower cost, improved reliability or lower emissions electricity options.
- Deliver outcomes which allow for improved consumer choice and ability to have greater control over electricity supply and cost.
- Support national coordination of the NEM
- Reform of the governance structures of the NEM

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