

8 January 2021

Ms Kami Kaur
General Manager, A/g
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

via email: VIC2021-26@aer.gov.au

Dear Ms Kaur

Response to Powercor Revised Proposal 2021-2026: Request to upgrade Tyrendarra, Strathdownie Cape Bridgewater and Gorae West to three-phase power

I write to express Fonterra's concerns with Section A.4 of *Draft Decision - Powercor Distribution Determination 2021 to 2026* (September 2020) by the Australian Energy Regulator.

Fonterra is Australia's second largest dairy processor and we sell products in both local markets and to over 100 export countries. Fonterra collects milk from more farmers in South West Victoria than any other region in Australia. Fonterra directly employs over 1,250 people in Australia, mostly in regional areas and had an annual revenue of over \$1,500 million in Australia in 2019/20.

Fonterra supports the proposed power line upgrade from single phase power to three phase infrastructure in South West Victoria. This is to reiterate our earlier advice provided to Powercor in October 2019 which was noted by the EMCa Report of August 2020.

Dairy growth in SW Victoria is currently limited by inadequate electricity infrastructure. Existing farms cannot expand and new farms cannot be established under current conditions.

We believe the AER needs a decision-making process that is more robust and strategic and considers the wider economic benefits of infrastructure investments. In particular AER should consider:

- The inability of infrastructure to be built effectively built if the user pays principle is the sole evaluation criteria, particularly in rural areas where population density is lower (but still increasing). Consequently the SWER line performance gaps across Victoria are unlikely to be addressed by the current AER evaluation model.
- Recent commitment by the Federal Government of the need to invest in better grid stability to support private investment in renewable generation. Fonterra is committed to emissions reduction in its full supply chain and increased use of renewable energy on farms is an important opportunity that is currently limited in areas with SWER connections.
- The importance of resilient regional food production enterprises in times of supply chain disruption including pandemic and fires.

Fonterra believes the natural assets and existing skill base in South West Victoria otherwise provides a unique opportunity for greater prosperity in agricultural production. We also believe that dairy generally provides a higher local economic and social benefits than most other agricultural enterprises as milk is perishable and needs to be processed locally. Dairy is a year around operation so the benefits are perennial. Dairy is also more dependant on electricity than any other farm enterprises given the daily need for chilling, washing and milk pumping.

We ask that you re-consider this draft decision as part of a wider review of the AER decision making process. If there is anything you feel that Fonterra can provide that will assist with this matter, please don't hesitate to get in touch directly.

Yours sincerely,



Jack Holden
GM Sustainability, Asia
Pacific Fonterra Group Ltd

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