



GVIA

Gwydir Valley Irrigators Association Inc.

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making every drop count

23 April 2021

Mr Scott Chapman

IPART NSW

scott_chapman@ipart.nsw.gov.au

Sent via Electronic Mail

Re: Gwydir Valley Irrigators Association, submission on draft determination for Rural Bulk Water Delivery and Water Administration prices in NSW from 2021.

Dear Mr Chapman

We write in regard to Independent Pricing and Regulatory Tribunal of NSW's draft determination on maximum prices for both WaterNSW's Rural Bulk Water Delivery and Water Administration Ministerial Corporation (WAMC) in NSW, from 2021.

We thank IPART NSW for allowing our organisation the opportunity to engage at the public hearings, prior to and during consultation period on draft determination and provide feedback on behalf of our members.

About us and our region:

The Gwydir Valley Irrigators Association (GVIA) represents more than 450 water entitlement holders in the Gwydir Valley, centred around the town of Moree in North-West New South Wales. GVIA members hold entitlements within the Gwydir regulated and un-regulated surface water areas, in addition to groundwater resources. All of which are managed through water sharing plans, which have been progressively developed since early 2000.

Our mission is to build a secure future for its members, the environment and the Gwydir Valley community through irrigated agriculture we can do this together by making every drop count in the river or the aquifer, on-farm, for the environment, or for our community¹.

The GVIA organisation is voluntary, funded by a nominal levy, cents/megalitre on regulated, unregulated and groundwater irrigation entitlement. In 2018-2019 the levy was paid and supported by more than 91% of the eligible entitlement (excludes entitlement held by the NSW and Commonwealth governments).

Our members are also members of the NSW Irrigators Council and as we are an active member of their pricing portfolio team, we support their comprehensive submissions into this pricing review.

The Moree Plains Shire within the Gwydir Valley, is one of three local government region. It alone is highly dependent on agriculture and irrigated agriculture for economic activity

¹ For more information, see our corporate video on <https://vimeo.com/177148006>

making every drop count

contributing over 72% of the value of gross domestic product (cotton is around 60%), employing 20-30% of the population and accounting for almost 90% of exports from the Shire².

The 2011 agricultural census estimates that the total value of agricultural commodities for the Moree Plains Shire region was \$911,951,079 up from \$527,744,851 in the 2005-06 census. This is an estimated 7.83% of NSW's total agricultural production from a 1,040,021Ha principally used for agricultural crops³.

Our region is characterised as having low water reliability with most water held as general security water with a reliability of 36% (that means irrigators could expect in the long-term just over a third of their entitlement can be accessed). Supplementary water entitlement is somewhat more reliable with 55% but accounts for less than a quarter of the total volume. Groundwater reliability is considered 100% but there is less than 30,000ML available.

We note while IPART NSW's draft determination presents a lower than requested revenue for all the agencies involved, there are cost increases and some costs (metering costs for example) that are yet to be incorporated, which are driving up prices for many of our members. The upward trend in prices has continued for many pricing proposals, well above inflation at a time when many water users have had diminishing water availability and diminishing services. More work must be undertaken between the regulator and the agencies, with stakeholders to curtail this ongoing, upward trend.

Our core issues include:

Cost share ratios: Changes to ratios back in 2019, there is a higher proportion of costs being burdened on water users. We recommend these are again reviewed following feedback throughout this pricing proposal.

Pricing principals: Increased community scrutiny of water use and the need for greater transparency to build confidence in water management, which have driven costly reforms support a shift from the impactor pays principle to a consideration of beneficiary pays system. Alternatively, if we remain with impactors then poor government performance, should be included as an impactor.

Revenue risk: The draft determination presents the third, approach in as many pricing periods to managing revenue risk of agencies. We continue to contend that this risk is often overstated. Water users in our region are seeking certainty and in doing so, welcome more data and input into alternative tariff structures to inform their position around pricing proposals.

Metering reforms: We agree with IPART NSW there remains a lack of data to interrogate on metering reforms. We are finding the systems required to implement the reforms remain inadequate, there is insufficient economies of scale to see the efficiencies realised and hence, there is no cost benefit and no farm management benefits being realised for water users as part of the reforms. We support all agency costs to implement the required reforms to be a result of the NSW Government policy being "the impactor" with the entire community being "the beneficiary" not just water users, therefore these costs once determined should

² Cotton Catchment Communities CRC Communities and People Series 2009

³ 2010 2011 Agricultural Census Report – agdata cubes, 71210D0005-201011 Agricultural Commodities, Australia

be borne by government. This is consistent with IPART NSW draft decision on compliance costs.

Telemetry requirements: There is significant market failure and system constraints which are rendering government approved telemetry, as unworkable. Without significant re-design, water users will need to own and operate two telemetry system to meet their own farm management needs and that of the government. It seems the security requirements demanded by NRAR are driving these challenges, requiring a new system to be established (“the Data Acquisition Service”) which is still not linked with the existing water management databases. In our view, this demonstrates NRAR are the sole the “impactor” and “beneficiary” of this system. A transitioning arrangement through government subsidies on metering charges, should be considered to encourage telemetry by providing financial incentive similar to the existing two-part tariff system for usage charges, as opposed to the current, regulatory requirements.

MDBA Costs: The changes in MDBA costs result in these being a significant driver of prices in our region on a proportionate basis (34.6% of the notional revenue requirement in our valley). This significant change and given the Gwydir Valley has limited contributions (of around 3.4% of Basin’s water source⁴) and is largely, a disconnected system within the Murray Darling Basin we find the decision to include our region as an impactor at this high ratio in MDBA costs, unclear and should be revised.

Fish passage: Whilst we recognise the environmental benefits that improved fish passage will have in our region, however we did raise concerns with the approach to pilot the Gwydir valley, particularly when other projects were likely to see investment in that location as an inefficient approach. Hence we welcome the revised approach. It is important to note that as part of the Dam Safety Upgrade’s these offsets were determined and fall under the agreed cost sharing arrangements at that time and not any newly derived arrangements thereafter. We note that as delays continue, the costs of fishways rise and the time lag, to realise any fish passage improvements continues to be drawn out and this program must be finalised.

WAMC draft prices: It is unclear to why unregulated fixed prices as outlined in the draft determination and presented below, increase with floodplain harvesting, whereby all prices decrease with the inclusion of floodplain harvesting entitlements in our valley. We recommend this is reviewed and the drivers determined.

Table 1: summary of prices in the Gwydir Valley presented in the determination.

Regulated users		Unregulated users (two part tariff)		Unregulated users (single tariff)	Groundwater	
Fixed	Usage	Fixed	Usage		Fixed	Usage
\$1.84	\$1.48 (\$0.93 FPH)	0.94 (\$1.78 FPH)	3.66 (\$1.94 FPH)	\$4.60 (\$3.72 with FPH)	\$3.71	\$2.15
13% increase	5% (-34% FPH)	-57% (-18% FPH)	59% (-16%)		-4%	-31%
11% increase		11% decrease		3% increase	No change	

⁴ <https://www.mdba.gov.au/water-management/catchments/gwydir>

WAAC: We in principle agree with IPART NSW decreased WAAC as a reflection of the current economic drivers. We note that we had a discussion with WaterNSW during our recent Customer Advisory Group meeting that they opposed this change as it decreased “their buffer” on prices. I note we do not accept that the WAAC provides WaterNSW a buffer in their pricing approach. We encourage WaterNSW should improve their budgeting and forecasting of their true costs rather than relying on perceived buffers which, effectively lob water users with higher charges.

Cumulative financial burden: Our members are in the middle of significant metering reforms, with the region’s compliance deadline being 1 December 2021 and with new floodplain harvesting metering requirements due to start as well. As a result, there is significant private financial costs being incurred to address these new rules, either by transitioning the existing meters or by replacing them with new AS4747 compliant meters and government telemetry. This should be made a consideration by IPART NSW when considering the affordability of prices for water users, particularly those water users with smaller entitlements who appear to disproportionately carry costs under the draft determination.

These key issues stem from our ongoing concern that water users will continue to wear the financial and reputational impact of the current and past performance of NSW water agencies. This is then reflected in increased revenue proposals by the agencies.

The actions of the Natural Resources Access Regulator this week, to create media controversy with inadequate and misleading data to promote themselves demonstrates our concerns. Being that the NSW Government is willing to set our industry up to fail and let us take that fall. Worse again, it appears NRAR are willing to exploit this information for their own benefit to justify their existence.

With this in mind, we support the ongoing requirement by IPART NSW to request output measure reporting of the agency’s and encourage the tribunal to consider third-party input or validation of this process.

We support the key recommendations of the NSW Irrigators Council submission.

We look forward to further engaging with IPART NSW on this determination, particularly around how to better determine the appropriate level of metering costs.

Kind regards



Zara Lowien
Executive Officer
Gwydir Valley Irrigators Association