

Hunter Valley Water Users Association

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HVWUA submission to the Independent Pricing and Regulatory Tribunal (IPART) Discussion Paper - WaterNSW Rural Valleys pricing review 2025-26

Dear Tribunal Members,

Introduction

1. Hunter Valley Water Users Association (HVWUA) thanks IPART for their review of important issues associated with the cost of WaterNSW rural valley operations. In particular we support the review of WaterNSW base cost efficiency, the impactor-pays principle and cost-share arrangements, and affordability.
2. The challenges identified by IPART during the 2024-25 WaterNSW pricing review reflect issues raised by HVWUA in our December 2024 and May 2025 submissions. Issues raised in these HVWUA submissions remain relevant and should be considered by IPART during the current review.
3. HVWUA supports the submission lodged by NSW Irrigators' Council (NSWIC).

About Hunter Valley Water Users Association

Hunter Valley Water Users Association (HVWUA) represents over seven hundred water users who access groundwater, regulated and unregulated water sources across the Greater Hunter region. Industries represented by our membership include the thoroughbred industry, dairy, viticulture, horticulture, beef and cropping.

Founded in 1994, HVWUA seeks to ensure the future of water use and industry in the Greater Hunter region by supporting the sustainable and productive use of water resources. We engage in advocacy to promote secure water rights for water users, advocate for best practice water policy, and encourage industry profitability and sustainability.

HVWUA is a member of the NSW Irrigators' Council. We partner with the NSWIC Coastal Valley Forum to develop locally relevant state and national policies and strive to provide advice to all stakeholders and decision-makers.

Responses to IPART's Discussion Paper

WaterNSW rural bulk water services

4. WaterNSW bulk water services to customers in the Greater Hunter region have decreased. This includes declines in:
 - a. monitoring, reporting and publishing of water quality and flow data. For example:
 - i. poor gauge station maintenance and no new stations to improve reporting;
 - ii. limited on-ground meter reader staff resourcing; and
 - iii. negative changes to online data accessibility through WaterInsights Portal.
 - b. customer service and general communications. For example:
 - i. long response wait times due to poor front-line staff resourcing;
 - ii. inconsistent advice provided by front-line staff due to different interpretation of policy and processes and high staff turnover;
 - iii. the loss of WaterNSW experience and knowledge of Hunter water source management due to workforce reductions;
 - iv. the loss of local staff expertise, support services and trust in WaterNSW capabilities due to closure of WaterNSW local office in Muswellbrook;
 - v. cost prohibitive consent transaction costs without benefit for customers;
 - vi. delayed licence and approval processes due to poor historic customer data management,
 - vii. out-of-date and lapsed licences and approvals due to poor alignment of property conveyancing processes with WaterNSW; and
 - viii. lack of engagement with education about water use obligations like metering and reporting due to poorly designed communication materials.
5. Increasing requirements placed on WaterNSW (e.g., updates to operating licence, telemetry requirements for metering) mean that service levels will continue to decline.
6. A local WaterNSW meter reader position will cease in 2026 as a result of current workforce reductions. HVWUA are concerned about how this reporting responsibility will be fulfilled by WaterNSW, as the data is important for other water users within the water source. WaterNSW has responded that things will look different into the future, however it is unclear what plans have been made for this situation specifically.

7. HVWUA note the following water use changes in the Greater Hunter region, with many identifying that water and energy costs are changing the rural operating landscape:
- a. Water use within the region has declined - farms still have water entitlements, but less are irrigating. Some landholders have chosen to close their operations, subdivide and sell their land. Resultant landholders often do not irrigate despite having river access and a water access licence.
 - b. In some areas there has been a shift away from small dairy farms using water spray lines to bigger farms producing hay, beef and thoroughbred breeding. Bigger farms have transitioned away from spray lines, and are adopting techniques such as pivots, soft/hard hose irrigators and moisture probes that increase water efficiency.
 - c. Rising water prices make it less cost-effective to irrigate and graze beef cattle. This is also felt by the dairy industry. Lucerne growers often need to be supported by off farm income.
 - d. Intensive cropping operations are moving into other areas in NSW, and in some circumstances to other states. Transportation costs of final produce are also increasing.
 - e. Once a long-term drought begins and water entitlement usage increases, these trends will be exacerbated due to the increased cost of water and it will become increasingly clear that irrigation is not viable in the Greater Hunter region.

WaterNSW expenditure

8. HVWUA are concerned by the lack of budget discipline demonstrated by WaterNSW. It is unacceptable that *“WaterNSW operating costs have increased faster than expected, and by more than expenditure allowances in our 2017 and 2021 determinations.”*¹
9. In the 2021 pricing determination, the Hunter regulated river high security entitlement charge increased by 40.9%, general security charge increased by 41.1% and usage charge increased by 40.7% due to WaterNSW operating and capital expenditure increases. This is not a fair, affordable or sustainable rate of water price increase and caused financial hardship for irrigated agriculture water users.
10. HVWUA **recommends** IPART review conferred licensing and approval functions currently in the WaterNSW operating licence to determine the most cost-efficient agency and funding arrangement for these functions.
11. HVWUA **recommends** IPART review and ensure WaterNSW base-costs are efficient when setting prices for 1 July 2026 onwards.

¹ [Discussion-Paper-WaterNSW-Rural-Valleys-pricing-review-2025-26-October-2025-\(2\).PDF](#) - page 15

Impactor pays and cost sharing arrangements

12. As WaterNSW attempts full cost recovery (FCR) from water users, this causes water prices to increase. With the ever increasing costs of farming, water becomes a less necessary item and therefore is not used. As more users stop utilising water this results in a smaller base to share the cost and therefore increases the cost again for the remaining consumers. This unsustainable spiral is impacting irrigators in the Hunter.
13. IPARTs current cost allocation between customers and the NSW Government has the cost burden resting on irrigators due to the IPART counterfactual of a “world without high consumptive use of water resources”.² HVWUA do not consider this counterfactual to be a realistic scenario, due to the food and fibre needs of modern society. We disagree that water users are the sole impactor that creates the need for water extractions, because irrigation supports food and fibre production for the benefit of all residents in NSW who are consumers (and therefore drive the need) for these products.
14. HVWUA **strongly supports** the evidence provided by NSW Irrigators’ Council regarding the varied purposes of WaterNSW infrastructure. We **recommend** that IPARTs counterfactual acknowledge these uses of WaterNSW infrastructure beyond high consumptive water use:
 - a. recognising their public and environmental benefit;
 - b. allocating costs more equitably across all beneficiaries; and
 - c. reflecting community values that drive waterway management expectations.
15. HVWUA **strongly supports** the proposal by NSW Irrigators’ Council regarding revised cost share ratios and the supporting rationale.

Pricing and other issues

16. HVWUA **recommends** the length of determination be set at IPARTs default length of 5 years to provide security for water users through price stability and ability for forward planning. This will also provide ample time for pricing review consultation processes.
17. HVWUA **recommends** WaterNSW proposed revenue cap should be further analysed with a detailed impact assessment completed to demonstrate its impact on long-term affordability for regulated river customers. HVWUA do not consider this to be as high a priority as reviewing impactor-pays and cost sharing arrangements.
18. HVWUA **recommends** that during IPARTs draft report consultation, stakeholders and the WaterNSW Customer Advisory Groups are given access to the WaterNSW long-term demand forecasting model that is under development.

² [Discussion-Paper-WaterNSW-Rural-Valleys-pricing-review-2025-26-October-2025-\(2\).PDF](#) - page 19

19. HVWUA are concerned the demand forecasting model is similar to other Departmental water sharing plan reviews and projects which have used assumptions such as maximum entitlement usage and basic landholder right uptake, worst-case climate scenarios, and long-range predictions rather than historic data³. These assumptions are grossly unrealistic, and have dire real-world impacts once applied. This approach demonstrates water agencies adversity to risk and highlights the need for water user consultation.
20. Demand forecasting is a multi-layered system which should incorporate historic demand data and a range of weather scenarios (not just the most extreme). Other factors to take into account could include commodities pricing, electricity pricing, town water supply, urban development, population change data, emergence of renewable energy, and the practical cumulative impacts of changes in NSW water policy and regulation.
21. HVWUA **recommends** that pricing structures be valley-based to ensure service transparency and accountability. We do not support WaterNSW proposed regional pricing, which appears to have benefit only when FCR is achieved. FCR is an aspirational and practically unrealistic outcome, particularly in NSW coastal valleys.
22. HVWUA **recommends** that Irrigation Corporation and District (ICD) rebates should continue to compensate Irrigation Infrastructure Operators (IIOs) for services WaterNSW would otherwise need to deliver. This should be indexed annually in line with inflation and adjusted to align with price increases approved by IPART to reflect the value of avoided costs.
23. HVWUA **recommends** that IPART consider the capacity to pay of Hunter irrigated agricultural water users to ensure water pricing remains within the efficient pricing band. There is merit in considering a subsidy for agriculture in the Hunter Region, as:
- a. Coastal NSW is characterised by smaller entitlement volumes, lower utilisation of water, poor water trading markets, and water user hesitancy to upgrade infrastructure to improve efficiency due to uncertainty over future costs of water.
 - b. In 2017, utilisation of water system capacity in the Hunter Valley was calculated at between 57% and 75%⁴. Analysis performed by HVWUA⁵ using Hunter Regulated River historical data from WaterNSW Water Insights portal indicates:
 - i. In the 10 years between 2013/14 and 2023/24, consumptive water use accounted for between 1.74% to 57.6% (average 25.09%) of total water use in the system. The remaining water usage is attributed to planned environmental water and operational water. Water that is not extracted and flows through the river system into the ocean is not included in this data.
 - ii. In the 10 years between 2013/14 and 2023/24, rural consumptive water use accounted for between 1.57% to 42.48% (average 17.48%) of total water

³ See Appendix A for historic data on Hunter Regulated River water usage

⁴ [WaterNSW Review of prices for rural bulk water services from 1 July 2017 to 30 June 2021](#) - Page 150

⁵ See Appendix A

use in the system. Agricultural water users account for an average of 73.47% of consumptive water use.

iii. When comparing water use against the water volume allocation for each licence type set with the Hunter Regulated River Water Sharing Plan, we see that there has been under-usage of rural consumptive water between 2013/14 and 2024/25:

1. General security: 8.89% - 58.65% (average 35.67%)
2. High security: 14.61% - 56.19% (average 31.93%)
3. Domestic & stock: 14.04% - 32.16% (average 21.42%)

c. In Deloitte's study of affordability and farmers' ability to absorb price increases, data collected from 2015-16 to 2021-22 found that coastal profit margins as a share of revenue were -27.4 per cent on average, with a range from -1 per cent to -67 per cent, the lowest out of all NSW regions.⁶ Due to the coast's negative profit margins as a share of revenue, coastal regions are highly vulnerable to changes in water price.

24. HVWUA considers these factors should be considered when analysing capacity to pay of irrigated agricultural farmers in the Hunter:

- a. Cost of inputs like water, electricity, interest rates, fuel, wages, and insurances;
- b. chronic under-usage of water entitlements;
- c. water users ability to absorb water price increases.
- d. impact of dry periods - water usage increases seen during dry periods coincide with when farmers have the highest cost of production and lowest profits.
- e. ensuring water is the same price for all irrigated agriculture customers, regardless of commodity.

The HVWUA committee is available to answer questions and provide further information.

Yours sincerely,

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⁶ [2024-Pricing-Proposal-WaterNSW-Attachment-30-WaterNSW-gross-margins-analysis.PDF](#)

Appendix A

Historic Data on Hunter Regulated River Water Use⁷

Table 1: Volume of water used for each purpose (2011/12 to 2024/25)

Water Year	Volume of water (ML) for each purpose										
	Basic landholder rights (c)	Domestic & stock (c)	General security (c)	High security (c)	Local water utility (c)	Major utility (c)	Supplementary water (c)	Planned environmental	Losses	Other outflows	Storage net evaporation
2011/2012	5400	525.9	35686.5	6700.4	6149.1	23202.2	43238.6	944802	0	0	21699
2012/2013	5400	298.8	13490	4157	5632.6	32051	56616	1031771	0	40482	30016
2013/2014	6000	378.1	47269.2	7181.7	6615.2	28401.7	32423.1	333911	115205	8680	21716
2014/2015	450	465.7	54749.9	6735.4	7107.6	30688.3	15637	192131	0	0	54611
2015/2016	450	358.8	43660	3914.4	6517.8	30162.4	14812.9	565631	0	0	43731
2016/2017	450	306.3	40228.6	3301.4	6692.5	27007.9	29805.4	403300	0	0	44309
2017/2018	450	279.6	43591.7	3213.9	6462.1	25496.3	23359.1	313149	0	0	48557
2018/2019	450	513.2	81430	8260.2	8245.6	46825.6	15	73149	0	0	43088
2019/2020	450	446.1	75658.7	12362.8	7577.1	25862.2	4992.6	58148	0	0	35591
2020/2021	450	575.6	72226	18041.7	5878.8	35447.9	27134.5	171221	50717	0	7615
2021/2022	5515	327.1	20350.2	5150.3	5852.2	21760.6	42399.5	1071144	20120	0	3669
2022/2023	5515	251.3	11468.1	3863.2	4282.1	0	16844.3	2358897	17747	0	4737
2023/2024	5515	326.8	20963.9	4456.3	4881.7	0	51322.9	2831447	196053	0	8938
2024/2025		372.9	40529.7	7809	6871.5	29517.4	10426.3				

⁷ <https://waterinsights.watarnsw.com.au/12801-hunter-regulated-river/research> - Comparing water usage in prior years dataset

Table 2: Analysis of water used for each purpose

Analysis of water used for each purpose						
Water Year	TOTAL WATER USE VOLUME (ML)	TOTAL CONSUMPTIVE WATER USE (ML)	CONSUMPTIVE WATER USE AS % OF TOTAL WATER USE	TOTAL RURAL WATER USE (ML)	TOTAL RURAL WATER USE AS % OF TOTAL WATER USE	TOTAL RURAL WATER USE AS % OF TOTAL CONSUMPTIVE WATER USE
2011/2012	1087403.7	120902.7	11.12	91551.4	8.42	75.72
2012/2013	1219914.4	117645.4	9.64	79961.8	6.55	67.97
2013/2014	607781	128269	21.10	93252.1	15.34	72.70
2014/2015	362575.9	115833.9	31.95	78038	21.52	67.37
2015/2016	709238.3	99876.3	14.08	63196.1	8.91	63.27
2016/2017	555401.1	107792.1	19.41	74091.7	13.34	68.74
2017/2018	464558.7	102852.7	22.14	70894.3	15.26	68.93
2018/2019	261976.6	145739.6	55.63	90668.4	34.61	62.21
2019/2020	221088.5	127349.5	57.60	93910.2	42.48	73.74
2020/2021	389307.5	159754.5	41.04	118427.8	30.42	74.13
2021/2022	1196287.9	101354.9	8.47	73742.1	6.16	72.76
2022/2023	2423605	42224	1.74	37941.9	1.57	89.86
2023/2024	3123904.6	87466.6	2.80	82584.9	2.64	94.42
2024/2025	TBD	95526.8	TBD	59137.9	TBD	61.91
Average (2013/14-2023/24)	937793.1909	110773.9182	25.09	79704.31818	17.48	73.47

CONSUMPTIVE WATER is the total water for Basic Landholder Rights, Domestic & Stock, General security, High security, Local water utility, Major utility, and Supplementary water.

RURAL WATER USE is the total water for Basic Landholder Rights. Domestic & stock, General security, High security and Supplementary water.

Table 3: Hunter Regulated River Water Sharing Plan licence allocation and annual usage (2013/14 to 2024/25)

Water Year	General security (ML)	% allocation used	High security (ML)	% allocation used	Domestic & stock (ML)	% allocation used	Local water utility (ML)	% allocation used	Major utility (ML)	% allocation used
WSP Allocation	129000		22000		1790		11000		36000	
2013/2014	47269.2	36.64	7181.7	32.64	378.1	21.12	6615.2	60.14	28401.7	78.89
2014/2015	54749.9	42.44	6735.4	30.62	465.7	26.02	7107.6	64.61	30688.3	85.25
2015/2016	43660	33.84	3914.4	17.79	358.8	20.04	6517.8	59.25	30162.4	83.78
2016/2017	40228.6	31.18	3301.4	15.01	306.3	17.11	6692.5	60.84	27007.9	75.02
2017/2018	43591.7	33.79	3213.9	14.61	279.6	15.62	6462.1	58.75	25496.3	70.82
2018/2019	81430	63.12	8260.2	37.55	513.2	28.67	8245.6	74.96	46825.6	130.07
2019/2020	75658.7	58.65	12362.8	56.19	446.1	24.92	7577.1	68.88	25862.2	71.84
2020/2021	72226	55.99	18041.7	82.01	575.6	32.16	5878.8	53.44	35447.9	98.47
2021/2022	20350.2	15.78	5150.3	23.41	327.1	18.27	5852.2	53.20	21760.6	60.45
2022/2023	11468.1	8.89	3863.2	17.56	251.3	14.04	4282.1	38.93	0	0.00
2023/2024	20963.9	16.25	4456.3	20.26	326.8	18.26	4881.7	44.38	0	0.00
2024/2025	40529.7	31.42	7809	35.50	372.9	20.83	6871.5	62.47	29517.4	81.99
Average		35.67		31.93		21.42		58.32		69.72