



**Independent Pricing and Regulatory Tribunal (IPART)  
Rural Valleys Bulk Water Pricing Review**

**JEMALONG IRRIGATION LTD SUBMISSION**

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**1.0 INTRODUCTION**

Jemalong Irrigation Ltd (JIL) welcomes the opportunity to comment on the Rural Valleys Bulk Water Pricing Review. JIL is a member-owned irrigation infrastructure operator located in the Lachlan Valley of New South Wales. The organisation manages a closed, gravity-fed distribution system that supplies water for broadacre cropping, grazing and fodder production. These enterprises play a significant role in the regional economy and support long-term employment within the community, subsequently also supporting ongoing enrolments in the local public school.

The Jemalong–Wyldes Plains irrigation system was originally designed, constructed and operated by the New South Wales Government. In 1995, the scheme was privatised and operational control was transferred to the irrigators and landholders within the district. Since privatisation, JIL has been solely responsible for operating, maintaining and improving the network without government capital support. This history continues to shape the organisation’s financial capacity and its sensitivity to rising bulk water charges and regulatory obligations.

JIL supports the positions advanced by Lachlan Valley Water and the New South Wales Irrigators’ Council. Their submissions outline important issues regarding affordability, transparency, cost allocation and the treatment of public-benefit activities. JIL seeks to

complement those submissions by providing valley-specific and district-specific evidence that reflects the unique circumstances of the Lachlan Valley and the challenges faced by smaller infrastructure operators such as JIL.

## **2.0 SUMMARY OF KEY MESSAGES**

### **Affordability is critical**

Producers in the Lachlan Valley operate on narrow margins and have limited capacity to absorb large increases in bulk water charges.

### **Equal treatment across entitlement holders**

Identical classes of water entitlement should be charged in a consistent manner. Proposals to charge government-held entitlements entirely through fixed charges would create inequity and distort market behaviour.

### **Public-benefit costs should not fall solely on irrigators**

Many activities undertaken within the water management framework benefit government programs, the environment and the broader community. These costs should be fairly shared among customer groups.

### **Investment must be efficient and justified**

Only necessary and efficiently delivered infrastructure should be recovered through fees and charges. Overspends or poorly scoped projects should not be added to customer charges or recouped through increased charges.

### **Structural reforms require transparency and clear timing**

Shifting a higher proportion of charges into fixed components during a period of significant price increases can obscure the true impact of those increases. Charging model and structural reforms should be evaluated separately, once base pricing impacts are clearly understood.

### **Rebates for irrigation operators are essential**

Rebates help ensure fair treatment between customers supplied directly by WaterNSW and those supplied via irrigation infrastructure operators (IIOs) such as JIL. Rebates reflect the service being provided by IIOs on behalf of WaterNSW.

### **3.0 CUSTOMER ENGAGEMENT, TRANSPARENCY AND CONSULTATION**

JIL supports the concerns raised by Lachlan Valley Water regarding the inadequacy of consultation during the development of the pricing proposals. Many irrigators and operators felt they did not receive the level of detail needed to understand the financial implications of the proposed changes.

As a smaller operator, JIL does not have a wide customer base over which costs can be spread. Sudden increases in bulk water charges have an immediate and significant impact on the financial viability of members. Early, clear and valley-specific information is essential for JIL to plan its operations, communicate with members and maintain financial stability.

JIL encourages the Tribunal to require:

- clearer justification of cost drivers.
- valley-specific modelling.
- transparent calculation methodologies.
- sufficient time for meaningful consultation.
- Better engagement to support more robust and workable long-term pricing outcomes.

### **4.0 OPERATING COSTS AND THE CLASSIFICATION OF COSTS**

The classification of operating costs—particularly those deemed “outside the control” of WaterNSW—has major implications for irrigators. When costs are placed into this category, they are more easily passed on to customers.

JIL supports stronger scrutiny of:

- whether costs are truly beyond WaterNSW’s control
- opportunities for improved efficiency
- the relationship between expenditure and direct customer benefit
- areas where costs should be shared with government, particularly where activities serve broader public objectives and outcomes
- For operators like JIL, increases in operating costs flow immediately and directly into members’ charges. Strong oversight is therefore essential to protect affordability and viability.

### **5.0 INVESTMENT, INFRASTRUCTURE VALUATION AND EFFICIENCY**

Bulk water charges are significantly affected by the valuation of WaterNSW’s infrastructure. JIL agrees with the concerns raised by Lachlan Valley Water that infrastructure values have

risen substantially over time and that some past overspends appear to have been included in prices without clear justification, distorting the real value of infrastructure assets.

JIL considers only infrastructure that is:

- needed
- well-scoped
- efficiently delivered
- demonstrably beneficial to customers

should be recovered through prices.

Overspends and poorly managed projects that cause budget blowouts should not be added to the valuation base from which charges are calculated.

In the Lachlan Valley, where producers primarily operate lower-margin enterprises, increases in infrastructure valuation translate to significant increases in fixed charges. This places disproportionate pressure on water users.

## **6.0 AFFORDABILITY AND PRICE SHOCK IMPACTS**

Affordability and sustainable viability is of central concern for JIL and its members. The broader agricultural sector is already facing increased costs for interest, fuel, chemicals, insurance and machinery, among other operating costs. Bulk water charges form part of this financial pressure being placed on primary producers.

Although cotton has in recent times emerged in parts of the district, the region's overall industry base is still defined by cereals, oilseeds, fodder production and livestock. These enterprises generate lower returns per unit of water and cannot easily absorb large increases in fixed costs.

For this reason, JIL encourages the Tribunal to adopt a pricing approach that:

- moderates the pace of increases
- recognises the limited adaptability of local enterprises
- avoids steep changes in fixed charges
- considers the challenging cumulative cost environment facing regional communities

Affordability is essential to maintaining farm viability, regional employment and long-term confidence in the irrigation industry.

### **6.1 STRUCTURAL FACTORS IN THE PRICING MODEL THAT COMPOUND PRICE IMPACTS IN THE LACHLAN VALLEY**

A clear causal relationship exists between lower reliability, higher relative costs and

reduced industry resilience. Lower water reliability reduces the volume of water over which WaterNSW's largely fixed operating costs can be recovered. With fewer megalitres delivered across the system, those costs must be spread over a smaller base, producing a higher per-ML expense for the producer. As water costs rise and margins shrink—particularly for broadacre producers in our district—farm profitability declines and the risk of irrigators exiting the industry increases. In practical terms: lower reliability → lower volumes → higher per-ML costs for producers → reduced profitability → increased exit risk. There is real risk of the irrigation industry collapsing in our district as a direct result of water pricing pressures.

This structural disadvantage is most evident when statewide percentage increases are applied uniformly across valleys. For systems such as the Lachlan, Macquarie and Gwydir, which already have a high per-ML cost base due to lower reliability and limited irrigation activity, any nominal percentage increase generates a significantly larger real-dollar impact at the farm gate. Identical percentage rises therefore do not produce equivalent outcomes across the state.

A further compounding factor is JIL's operational requirement to order and convey additional water—typically 20-30% above the delivered volume—to move water effectively through its gravity-fed network. Government bulk-water charges apply to the full conveyed volume, not only the delivered component. This means that any increase in WaterNSW charges is amplified when it reaches JIL water users.

Together, these factors demonstrate that the Lachlan Valley experiences disproportionately larger and more volatile price impacts than higher-reliability systems. This structural vulnerability must be considered in order to achieve equitable and sustainable pricing outcomes.

## **6.2 IMPACT OF CONTINUOUS ACCOUNTING ON USAGE AND COST RECOVERY**

JIL urges IPART to recognise that reduced activation in the Lachlan is a systemic feature of the Continuous Accounting framework rather than a discretionary choice by irrigators. Future pricing structures should ensure that valleys characterised by high variability and necessary reserve-holding behaviour are not penalised through elevated charges arising from conditions inherent to the water-accounting system itself.

This dynamic does not reflect inefficiency or poor system performance; it is a direct consequence of the accounting framework applied in a highly variable valley. The current cost-recovery model therefore places the Lachlan at a structural disadvantage compared to valleys with greater reliability and higher annual water utilisation.

Under continuous accounting, irrigators in low-reliability systems must retain reserves to manage the substantial uncertainty surrounding future seasonal water determinations. This behaviour is rational and unavoidable, but it results in structurally lower annual usage across the valley. When these suppressed activation levels are then used as the basis for

recovering largely fixed river-operation costs, the outcome is disproportionately high per-megalitre costs per year for Lachlan Valley producers.

Jemalong Irrigation Ltd (JIL) considers that the interaction between Continuous Accounting, low water-allocation reliability, and an increasingly fixed-charge pricing framework is generating unintended and adverse outcomes for the Lachlan Valley.

## **7.0 STRUCTURE OF WATER CHARGES**

Fixed and usage charges for water users.

### **7.1 INCREASING THE PROPORTION OF FIXED CHARGES**

JIL is concerned about proposals to shift more of the total charge into the fixed component during a period of significant price increases. Making fee-structural changes at the same time as large price increases can obscure the real impact of the increases, reducing transparency for customers.

For clarity, structural reforms should be evaluated separately, once the effects of price increases are fully understood. Only then can the potential benefits—such as reduced volatility impact—be properly assessed.

### **7.2 CHARGING GOVERNMENT-HELD WATER ON A FULLY FIXED BASIS**

JIL opposes the proposal to charge government-held water entitlements entirely through fixed charges. This would create unequal treatment of identical water categories, introducing unfairness and distorting market behaviour. It risks creating two separate pricing regimes within the same entitlement class. Proposing free usage for government-held water while charging primary producers for the same, is immediately inequitable and undermines fairness in the charging model.

Charging should follow the principle of *same service, same price*.

### **7.3 EQUITY AND CONSISTENCY**

A consistent charging structure ensures fairness, transparency and confidence in the market. Differential pricing based on ownership undermines these principles and the integrity of the charging model, and should not be pursued.

## 8.0 REBATES FOR IRRIGATION INFRASTRUCTURE OPERATORS

Rebates for irrigation operators remain essential to ensuring fair treatment between customer groups. They:

- maintain price parity
- prevent double-charging
- reflect the service provided by private operators
- support the sustainability of privately managed irrigation networks

JIL strongly supports the continuation of these rebates.

## 9.0 HISTORICAL DEVELOPMENT CONSTRAINTS

For much of the period when the Jemalong–Wyldes Plains system (Now Jemalong Irrigation Ltd-JIL) was government-run, policy restrictions limited the adoption of higher-value irrigated crops. These settings constrained the development of cotton, rice, horticulture and permanent plantings for decades.

Although restrictions have eased—allowing some higher-value crops to emerge—their scale remains limited. Early government policies created a legacy where higher-value irrigation industries in the Jemalong Irrigation district are either non-existent or still in early development.

As a result, the Lachlan Valley region continues to rely on broadacre enterprises that are more sensitive to increases in fixed water charges.

### 9.1 COUNTERFACTUAL AND HISTORICAL CONTEXT: HOW EARLY POLICY SETTINGS AND NATIONAL PRIORITIES SHAPED TODAY'S IRRIGATION LANDSCAPE

Understanding the current economic structure of the Lachlan Valley requires an appreciation of the historical decisions and national priorities that shaped irrigation development in the region. The Jemalong–Wyldes Plains scheme, like many irrigation areas across New South Wales, was established in a period when government-controlled development, national security concerns and the limitations of global transport played a major role in policy thinking.

For much of the early and mid-20th century, large-scale water infrastructure across the Murray–Darling Basin—including dams, weirs and government-operated irrigation districts— were constructed in response to national objectives such as **food security, drought-proofing, post-war recovery and soldier settlement**. Irrigation was seen as a strategic investment that would support domestic self-sufficiency at a time when global shipping was slow, expensive and unreliable, and when Australia's geographic isolation created genuine supply risks.

Within this broader environment, the Jemalong–Wyldes Plains Irrigation District was developed under government ownership and subject to policies that controlled what types of irrigated enterprises could be established. Rules limiting the development of higher-value irrigated crops shaped land-use patterns for decades, influencing skills, investment decisions and the region’s long-term agricultural landscape.

### **Counterfactual Perspective — What Might the Lachlan Valley Look Like Today Without These Constraints?**

If higher-value irrigated enterprises had been permitted earlier, and if irrigation development had not been influenced by wartime security and food-supply concerns, the Lachlan Valley might now possess:

#### **1. A more diverse and higher-value industry base**

With earlier adoption of crops such as cotton, rice, horticulture or permanent plantings, the region could have developed a more profitable, diversified and resilient irrigation sector.

#### **2. Greater financial capacity to absorb bulk water price increases**

High-value enterprises generate stronger gross margins per megalitre. A region built around such industries would be much better positioned to absorb increases in fixed charges.

#### **3. Stronger investment and earlier modernisation**

High-value sectors tend to drive innovation and reinvestment. Without early restrictions, the Lachlan Valley may have modernised its irrigation systems earlier and developed a stronger private capital base.

#### **4. A more liquid and valuable water entitlement market**

A diversified irrigation economy might have supported higher entitlement values, greater demand for water and a more active market—providing irrigators with additional flexibility and resilience.

#### **5. Reduced exposure to structural price shocks**

A broader industry base is inherently less vulnerable to rapid changes in input costs such as bulk water charges. The region’s current reliance on lower-margin industries is a direct legacy of earlier policy constraints.

### **Implications for This Pricing Review**

The Lachlan Valley’s current sensitivity to rising water prices is not a reflection of inefficiency or unwillingness to diversify. It is the product of:

- early government-imposed cropping restrictions,
- national priorities focused on defence, food security and settlement, and
- Australia’s historic transport and supply vulnerabilities.

These factors were outside the control of present-day irrigators and JIL.

For this reason, pricing decisions should recognise that the region has inherited a structural disadvantage that makes it more exposed to large increases in fixed charges or rapid structural reforms.

## **10.0 ECONOMIC SENSITIVITY IN THE LACHLAN VALLEY**

The Lachlan Valley’s reliance on broadacre enterprises limits its ability to transition rapidly into higher-margin industries. This increases vulnerability to cost pressures and price shocks.

## **11.0 CHALLENGES SPECIFIC TO IRRIGATION INFRASTRUCTURE OPERATORS**

Operators such as JIL must maintain networks, comply with regulation, modernise systems and plan for long-term asset replacement—all without government capital support. Stable, transparent pricing is essential for these operators to manage their responsibilities effectively.

## **12.0 PUBLIC-BENEFIT WATER AND FUNDING RESPONSIBILITY**

Many water management activities create public benefits. Their costs should be shared appropriately between government and water users. Irrigators should not bear a disproportionate cost burden.

## **13.0 RECOMMENDATIONS**

- Maintain affordability by recognising the limited capacity of Lachlan Valley producers to absorb cost increases.
- Ensure equal treatment for all entitlement holders.
- Strengthen oversight of operating and infrastructure project costs.
- Separate pricing structural reform from periods of price escalation.
- Improve valley-specific transparency and consultation.
- Continue rebates for irrigation operators.
- Recognise the long-term legacy of government-imposed cropping restrictions and national-security-driven development.

## **14.0 CONCLUSION**

JIL appreciates the opportunity to contribute to this review. The organisation supports the broader positions of Lachlan Valley Water and the New South Wales Irrigators' Council while adding important district-specific evidence.

Ensuring affordability, fairness and transparency, will support the resilience of irrigated agriculture in the Lachlan Valley and safeguard the sustainability of the region's irrigation networks into the future.

JIL remains committed to working constructively with the Tribunal and industry partners to achieve balanced and durable pricing outcomes for the future.

Thank you for your consideration of our submission.