



Murray Irrigation



***Submission to IPART on Information Paper - Prices
for WaterNSW regional and rural bulk water from
1 July 2025***

3 June 2025

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Executive Summary

Murray Irrigation commends the Independent Pricing and Regulatory Tribunal (IPART) for its diligence in reviewing WaterNSW's recent pricing proposal. We acknowledge and support IPART's recognition of key concerns surrounding the scale and justification of the proposed cost and price increases.

As representatives of customers in the Food and Fibre sector, one of Australia's most vital and productive industries, we are relieved and encouraged by IPART's support for industry affordability, transparency and accountability.

Since the publication of the draft decision, we have been contacted by many of our customers who are relieved with the draft decision by IPART. Customers were extremely concerned that the WaterNSW submission, if endorsed, would have impacted their business viability or sharply reduced the market value of their land and water entitlements. We thank IPART for its measured and common-sense evidence-based draft decision that protects rural and regional water users from disproportionate and unjustified cost burdens.

Murray Irrigation supports key elements of the draft decision, including: the three-year determination period; basing future prices off current prices, and; generally rejecting the extreme price increases that would have jeopardised the viability of many agribusinesses in the Murray Valley and beyond. We believe this will provide sufficient revenue for WaterNSW to meet its objectives if it manages its business efficiently.

While we welcome the draft decision, we suggest IPART should apply additional consideration to: the inclusion of safety costs above and beyond current costs, and; to the reduction in the rural valley water sales assumption that will further increase prices for customers in these difficult times.

Regulatory oversight must continue to play a critical role in ensuring pricing outcomes are fair, efficient and reflective of regional realities. IPART's actions have prevented a damaging outcome for water users, and we urge the Tribunal to maintain this level of scrutiny throughout the remaining stages of the determination process, and also in relation to the upcoming WAMC decision.

Murray Irrigation remains committed to working constructively with IPART and other stakeholders to ensure that pricing levels and structures remain equitable, sustainable and aligned with the long-term interests of rural and regional Australia.

This submission includes a brief explanation of our business, followed by our responses to each of the relevant questions from the draft decision.

About Murray Irrigation Limited

Murray Irrigation is Australia's largest private irrigation company. We deliver water to more than 1,300 family-farm businesses through 2,778km of gravity fed channels and operate more than \$1 billion worth of infrastructure. We also play a critical role in the delivery of water within the Murray-Darling system (Figure 1) and deliver water for environmental purposes and to reduce pressure on the Barmah-Millewa Reach.

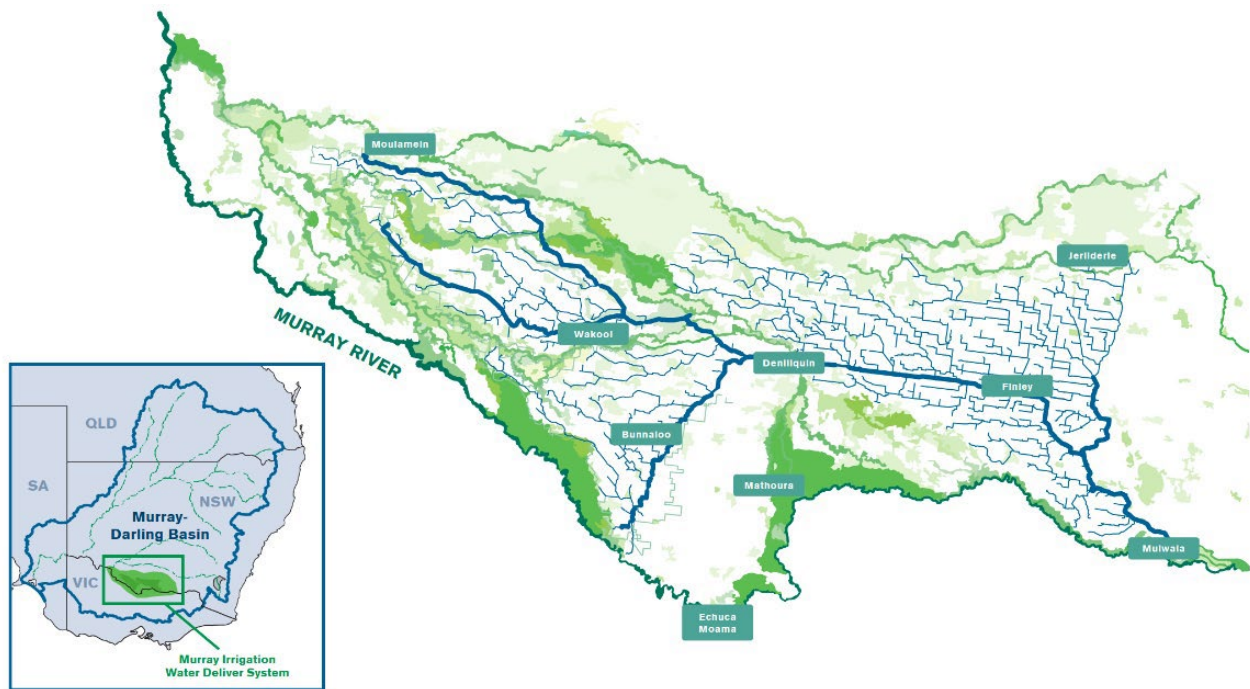


Figure 1. Location of Murray Irrigation's Area of Operation

Murray Irrigation is licensed by the NSW Government and manages mostly NSW Murray (general security) water entitlements, along with smaller volumes of other NSW Murray water entitlement types (conveyance, high security, and town entitlements). Water is supplied and metered into Murray Irrigation from the Murray Regulated River system at just two points. In addition to asset management and customer services related to water delivery, Murray Irrigation's licence includes requirements for both real time and frequent monitoring, compliance and reporting to NSW Government agencies. These commitments are comprehensive and require significant resources to be applied by Murray Irrigation.

The company has 762,306 NSW Murray general security water entitlements. This represents approximately 50 percent of all NSW Murray River general security water entitlements on issue. Average water delivery to Murray Irrigation's customers since the creation of Murray Irrigation as an irrigator-owned company in 1995 has halved, from around 1,200GL in 1995 to around 600GL today. During this transition we have observed sharp declines in local irrigation-dependent industries such as dairy and rice (i.e. since the introduction of the Murray-Darling Basin Plan and the water recovery programs related to this initiative). Meanwhile our infrastructure, which was installed largely in the 1940s and '50s (canals, regulators, supply outlets, bridges, culverts, etc), has continued to require maintenance and replacement, despite water delivery volumes halving over this time.

Murray Irrigation is committed to the long-term sustainability of our operations and the communities who depend on us. Achieving the balance between environmental responsibility and agricultural production is at the core of our business model.

Together with our farmers, we have developed agile solutions to the challenges of drought and water shortages and are acutely aware of the importance of water for our local ecosystems and communities.

1 Determination period

Do you agree with the draft decision to set a 3-year determination period?

Murray Irrigation supports IPART's draft decision setting a three-year determination period.

On the surface, three years appears to be a reasonable timeframe to provide certainty for both customers and WaterNSW by locking in charges at current levels. Price stability over this period can assist customers to plan and budget while also enabling WaterNSW to implement necessary reforms.

However, we are concerned that a three-year period may not be sufficient for WaterNSW to undertake and complete the substantial work required to restore stakeholder confidence in its ability to act as an efficient service provider. Given the scale of transformation needed, a longer period of four to five years may be necessary to meaningfully demonstrate progress and outcomes.

Therefore, we accept a three-year period as a minimum starting point, with consideration of a longer-term approach where appropriate. The final determination could include a clause specifying that, in the absence of any further determination, only CPI increases are allowed in years 4 and 5 (2028-29 and 2029-30).

Murray Irrigation opposes allowing WaterNSW the opportunity to apply for a new price determination within the next three years. WaterNSW faces a significant workload in reviewing its business systems and efficient cost structure, and the liaison with government regarding regulatory obligations should not be rushed. Consistent with the notion of customer centricity, WaterNSW should embark on a significant engagement program that genuinely listens to customers and embeds their preferences within its next regulatory submission. This process, if undertaken properly, would take at least 18 months to complete and must be done before WaterNSW considers preparing its next price proposal.

We are concerned that WaterNSW may not continue to be sustainable if it feels the need to keep undertaking services not related to its core function of water management and delivery. The NSW Government Statement of Expectations¹ (2022) clearly identified a straight and narrow path for WaterNSW to "*operate efficiently ensuring ongoing management of corporate and other costs meets the regulated level of expenditure and deliver increased value for customers.*" Yet in 2025, WaterNSW proposed significant fee increases that were neither sought nor supported by customers.

2 WaterNSW focus areas

In your view, what should WaterNSW focus on over the next 3 years?

Core obligations

Murray Irrigation agrees with IPART's comment concerning the challenge associated with "*the distinction between WaterNSW's commercial and non-commercial activities.*" We encourage WaterNSW to focus on its core service obligations – delivering water to towns, primary producers and irrigation corporations across

¹ Statement of Expectations for WaterNSW 26/4/2022. NSW Government.

NSW. Service effectiveness should be assessed by the degree to which WaterNSW delivers on this core obligation.

Cost effective service delivery

Murray Irrigation agrees with IPART's recognition that more work needs to be done by WaterNSW regarding justifying its operating and capital expenditure. Beyond prioritising fit-for-purpose operations, the focus should be on efficiently delivering these services so that customers and other stakeholders have confidence in WaterNSW's ability to provide a critical business input.

Business alignment with customer expectations

Murray Irrigation is pleased that our day-to-day working relationship with WaterNSW remains strong and constructive. We value the professionalism and collaborative spirit demonstrated by its staff we interact with, which is essential for advancing shared goals around sustainable water management.

However, we noted in our December submission that WaterNSW customer engagement, while costly, had shortcomings and did not meet the minimum requirements for being rated "Standard". These included the lack of engagement with Murray-Lower Darling customers, an absence of clarity regarding actual proposed price increases, the use of unrepresentative community panels, and the lack of incorporation of engagement learnings within its price submission. A 'willingness to pay' analysis should incorporate crystal clear bill impacts for paying customers (rather than non-paying community members) so that they can understand the trade-offs involved in providing services to customers.

Accountability

Murray Irrigation notes that IPART has flagged the need for a broader, fit-for-purpose assessment of WaterNSW to ensure its operations, priorities and service delivery align with customer expectations. It is critical that WaterNSW's structure and strategic direction reflect a clear commitment to delivering value for money and efficient outcomes for customers of this monopoly supplier.

Cost Sharing

Murray Irrigation proposes that a beneficiary-pay cost-sharing model be applied in part to allocate costs equitably among the valleys. This means that, wherever feasible, the beneficiaries of any environmentally or socially driven WaterNSW expenditure is borne by the broader community or the government, rather than solely by irrigators.

Furthermore, revenue from each valley should cover the costs associated with its own operations or services. This will minimise cross-subsidisation and encourage financial accountability by promoting a fairer distribution of costs aligned with customer priorities.

Transparency

It is Murray Irrigation's view that customers deserve a full and transparent understanding of the true costs associated with the services they receive. This includes not only operational costs but also the rationale behind fees and charges. Information that would have outlined local expenditure in the Murray Valley was either obscured or simply does not exist.

3 Greater Sydney – Safety-related costs

Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Greater Sydney's prices from 1 October 2025?

This issue is beyond the scope of Murray Irrigation's operations. Consequently, we make no comment regarding customer prices in Greater Sydney.

4 Greater Sydney – Carried forward decisions

Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Greater Sydney 2020 price review?

This issue is beyond the scope of Murray Irrigation's operations. Consequently, we make no comment regarding customer prices in Greater Sydney.

5 Rural Valleys – Safety-related costs

Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Rural Valleys prices from 1 July 2025?

Murray Irrigation fully supports the need for WaterNSW to maintain high safety standards across its operations. The safety of employees, contractors, customers and the broader community is a fundamental responsibility and should be integrated into the core functions of the organisation.

As an irrigation corporation, we effectively prioritise safety compliance by seeking business efficiencies to fund safety enhancements. The issues raised by WaterNSW are common across the industry and our default approach seeks to identify ways to avoid passing additional costs onto customers.

Accordingly, we are concerned by the approach of funding proposed safety-related costs through additional customer charges rather than through internal efficiencies or prudent reprioritisation of existing expenditure. From a regulatory perspective, it is reasonable to expect that safety is embedded in business-as-usual operations and not treated as a separate, add-on expenditure line.

WaterNSW stated in its Proposal² that “...we commit to a cumulative efficiency target of 1% of opex per annum...” and that this “... achieves \$133 million in savings over five years by investing in digital transformation and innovation.”

Therefore, we recommend that IPART requires WaterNSW to fund any new or ongoing safety-related initiatives through these efficiency gains rather than approving increases in charges beyond CPI. This aligns with IPART’s longstanding emphasis on cost efficiency and value for money.

Where WaterNSW seeks to recover safety-related expenditure through regulated charges, it should be required to publish clear evidence that:

- The expenditure is genuinely new and cannot be offset through operational savings;
- All efficiency opportunities have been exhausted; and
- The investment is directly aligned with publicly reported and measurable safety improvements.

6 Updated demand

Should IPART further adjust WaterNSW’s current Rural Valley prices to account for changes in water sales volumes from the 2021 price review (ie, 3,964,658 ML/year) to this draft decision (ie, 3,806,128 ML/year)?

Murray Irrigation is opposed to further increases in prices as a result of this proposed demand change.

WaterNSW’s 2023-24 Annual Report³ notes that “WaterNSW delivered 5,436 gigalitres of water in regional NSW”, which is significantly above the forecast adopted by IPART in 2021. In fact, the whole of the 2021-22 regulatory period has experienced water sales far in excess of the 20-year average, with approximately 2,000 extra gigalitres sold. In light of the additional revenue generated by WaterNSW over 2021-2025, no further changes should be made to WaterNSW’s revenue to account for these demand changes.

While additional prices would be material for customers, we do not believe that this revenue would be material for WaterNSW. Furthermore, this revenue is not necessary to support WaterNSW’s Financeability (see below), and the shorter regulatory period reduces the residual risk borne by WaterNSW in managing water sales fluctuations on behalf of its customers. In any event, demand risk should instead be funded instead through WaterNSW’s significant efficiency gains.

In the event that IPART decides to account for changes in water sales volumes, we encourage IPART to also include best estimates for the near-complete 2024-25 year within its 20-year average.

Any adjustments, if made, should be undertaken on a valley-by-valley basis. This will ensure cost reflectivity from rural valley to rural valley and is fairest for all customers across all valleys.

² WaterNSW, Pricing Proposal 2025-30, November 2023.

³ WaterNSW Annual Report 2023-24.

7 Yanco Creek levy

Should the Yanco Creek levy remain constant in nominal terms at \$0.90 per ML or be changed (for example, indexed to CPI)?

This issue is beyond the scope of Murray Irrigation's operations. Consequently, we make no comment regarding customer prices affected by the Yanco Creek levy.

8 Rural valleys – Carried forward decisions

Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Rural Valleys 2021 price review?

Irrigation Corporation District (ICD) rebates

ICD rebates compensate Irrigation Infrastructure Operators (IIOs) like Murray Irrigation for undertaking services that WaterNSW would otherwise need to deliver, including metering, compliance, planning and environmental water management. By performing these functions, we reduce WaterNSW's costs and regulatory obligations. However, the ICD rebate has not kept pace with rising costs or WaterNSW's proposed price levels, meaning our customers are effectively subsidising services state-wide. We recommend the rebate be indexed annually in line with CPI and adjusted in step with any price increases approved by IPART. This will ensure fairness and reflect the true value of avoided costs.

Fishways and cold-water pollution

Murray Irrigation supports IPART excluding these costs from WaterNSW prices. Our customers believe that environmental expenditure with public good attributes should be funded by government rather than by end-use irrigators who do not receive any benefit from this expenditure. Our customers do not support paying for this service (and certainly do not support paying twice for this service, with this expenditure proposed in the last pricing period). If, as suggested by IPART, it is possible for WaterNSW to make submissions for costs to be included in its Regulatory Asset Base (RAB), we would support a thorough post-project review to ensure that the project was delivered as efficiently and effectively as possible.

MDBA costs

Murray Irrigation supports basing Murray-Darling Basin Authority (MDBA) costs on the costs approved in the previous determination period. We encourage IPART to leave no stone unturned in the future analysis and evaluation of the prudence and efficiency of these costs.

We believe that a comprehensive systems and process review is warranted in relation to the MDBA component of charges. There is a persistent and unacceptable lack of transparency surrounding how these charges are developed, allocated and justified to customers. Despite being a significant cost component, the rationale for these charges remains opaque, and customers are provided limited opportunity to interrogate or understand the methodology behind them.

Given the material impact of MDBA charges on overall pricing, it is both reasonable and necessary that these charges be subject to the same level of scrutiny, governance and independent review as other aspects of WaterNSW charges. This includes adopting a rigorous, evidence-based approach to cost allocation, with clear documentation and stakeholder engagement to ensure legitimacy and trust in the process.

If IPART is unable to determine whether MDBA costs are prudent and efficient, we recommend limiting its pass-through to customer prices to increases no greater than CPI.

9 WaterNSW financeability

Do you agree that IPART's draft pricing decisions are likely to provide adequate revenue to support WaterNSW's financeability for up to 3 years?

As a private water service provider, Murray Irrigation understands how to make ends meet. Even when conditions are tough and water is scarce, we manage our business efficiently and avoid passing unnecessary costs onto our customers.

We support the application of the benchmark assumptions for Financeability, as noted in Box 6.2 of the draft decision.

WaterNSW is a monopoly service provider with access to reliable, low-risk revenue and supported by its status as a state-owned corporation. The IPART Information Paper states that WaterNSW will have a healthy interest cover of 2.7. We note the Bureau of Meteorology Urban National Performance Report 2023-24 cites Melbourne Water with an interest cover of 1.5 and the Queensland Bulk Water Supply Authority with an interest cover of 1.4. While these are not direct 'like-for-like' comparisons with WaterNSW, they are both bulk water suppliers with large geographical footprints and an annual water distribution, and they provide useful context if IPART is considering what a reasonable minimum level of interest cover is for WaterNSW.

We believe that WaterNSW has access to sufficient revenue to effectively deliver its core services, provided there is a disciplined focus on operational efficiency, service prioritisation and cost control. Rather than seeking additional funding from customers, WaterNSW should be expected to concentrate its resources on delivering its core functions; namely the safe, reliable and efficient management of water infrastructure and services. Non-essential and peripheral activities should not be pursued at the expense of customer affordability or core service delivery.

In the event that WaterNSW claims financeability issues, we would expect to see WaterNSW publish its financial models in support of such a claim. This would include its financial template provided to IPART. If WaterNSW claims financeability concerns but does not publish detailed financial modelling, we would consider this implies that WaterNSW has a lack of confidence in its own modelling.

WaterNSW has access to NSW Government borrowings, guaranteed revenue and a very healthy cash flow. Taken together, WaterNSW has the fortunate financial capacity to absorb more expenditure without raising prices. In WaterNSW's [Statement of Corporate Intent 2024-25](#), it forecast a significant increase in Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) from \$158 million to \$286 million by 2026-27.

This demonstrates that, even without curtailing its ever-increasing operating expenditure, WaterNSW would still be producing near stable EBITDA returns in the presence of CPI-only price increases.

If financeability is used by IPART as a reason for higher WaterNSW prices, we contend that these higher prices should only apply to the extent that WaterNSW maintains solvency. Further price increases should not be used to bolster WaterNSW's already significant cashflow.

We encourage IPART to apply strong scrutiny to WaterNSW's expenditure proposals to ensure that only those costs which are efficient, justified and central to its mandated role are approved. Customers should not bear the cost of inefficiencies, legacy issues or discretionary activities that do not clearly contribute to improved service delivery or long-term value.

We also encourage IPART to use the 2021 Determination operating expenditure figures as the baseline for future determinations. By signalling this in the 2025 Decision and Determination, IPART will be drawing a line in the sand and encouraging WaterNSW to efficiently manage to this level of expenditure.

10 Other matters for IPART consideration

Food and fibre national security

The Murray Valley region plays a critical role in Australia's national food and fibre production, underpinning domestic supply chains and food security. The Commonwealth Department of Agriculture, Water and Environment has outlined in its ['Delivering Ag2030'](#) paper its vision for the Australian agricultural sector to be a \$100 billion industry by 2030. In addition, the incoming Albanese Government has committed to the development of a *National Food Security Strategy* during this term ([Feeding Australia: Albanese Labor Government's plan to secure our food future | Ministers](#)). In this regard, the role of the Murray Valley region is becoming even more important given current global uncertainty, including rising tariff barriers and geopolitical instability. Supporting producers of food and fibre in this region is not just a local issue – it's essential for maintaining our national strategic interests.

Food and fibre producers in our region export a proportion of their produce. This contributes to state and national wealth and supports the prosperity and social security of the nation.

Encourage ex-post reviews going forwards

Where WaterNSW has not met its performance standards or expenditure benchmarks, IPART should initiate a formal ex-post review process. These reviews should assess the causes of underperformance, identify lessons learned and recommend corrective actions. Embedding this approach will improve accountability and continuous improvement across WaterNSW and the broader sector.

Financial incentive schemes

It is clear from the regulatory period just ended that the three financial incentive mechanisms designed to reward efficiency, innovation and customer value should be mandated for inclusion in future pricing

proposals by WaterNSW. These schemes are essential to align WaterNSW outcomes with customer and community expectations.

Customer outcomes

WaterNSW customer outcomes still need to be clearly measured, reported and published. Transparency in this area is crucial to ensure that service levels, responsiveness and community value are being delivered. Annual and public engagement on customer outcome achievement is critical, and we recommend IPART requires both reporting on customer outcomes and subsequent engagement to occur regionally, including in the Murray Valley.

Reduction in value of water entitlements

Murray Irrigation reiterates our previously stated concerns regarding the decline in the value of water entitlements. Any material increase in water access and usage prices could significantly impact the value obtained from water, and hence reduce the market value of entitlements. This has significant implications for irrigators, investors and the long-term sustainability of the region's agricultural economy. These impacts need to be acknowledged and factored into future decision-making, and we continue to encourage IPART to explore the extent to which this issue could materialise.

Comparisons with other businesses

Murray Irrigation acknowledge IPART's efforts to benchmark WaterNSW's costs against interstate IIOs. However, we hold concerns about aspects of this comparison.

Murray Irrigation receives bulk water from WaterNSW at two service points. Beyond this, we operate and maintain more than \$1 billion of infrastructure to deliver water to end users. This means the WaterNSW service is best characterised as bulk water delivery, which is distinct from the full storage-to-meter services provided by entities such as Goulburn-Murray Water (GMW). The Essential Services Commission's (ESC) [2024 review of GMW](#) indicates only around 20% of its operating expenditure relates to bulk water services.

Therefore, comparing WaterNSW's and WAMC's bulk water prices directly with the combined bulk and distribution-level charges of GMW or interstate providers risks misrepresenting cost equivalence. These structural differences must be considered in any benchmarking exercise to avoid reaching misleading conclusions. We acknowledge the complexity of accurately undertaking benchmarking of rural water service providers.

Revenue cap and fixed charges

During its customer engagement, WaterNSW expressed a preference for utilising either or both of a revenue cap and/or higher fixed charges to reduce its revenue volatility. Murray Irrigation customers strongly oppose both options.

We agree with IPART that such changes would result in a significant risk reallocation, where primary producers subject to fluctuating returns and highly exposed to geopolitical uncertainties would face more risk than a government-owned company with \$1 billion worth of assets. It is clear that WaterNSW is better placed to manage and respond to this demand risk than the customers it serves.

It is Murray Irrigation's view that any future introduction of a revenue cap and/or fixed charges should be heavily scrutinised by IPART and only proceed following genuine customer engagement

Invitation for IPART to attend our region - Murray Valley

Murray Irrigation warmly invites IPART members and officers to visit the Murray Valley region to gain first hand insight into the local context facing our primary producers. We are confident Tribunal members and officers will further appreciate the genuine challenges and contributions of the region, and we commit to providing genuine country hospitality for staff who can attend.

11 Relevance for upcoming WAMC decision

While issues in this paper are primarily noted to assist IPART in undertaking a review of WaterNSW prices, there is a degree of overlap with matters relevant to the WAMC decision. Many of the challenges, stakeholder concerns and broader policy implications are interconnected across both entities. This includes issues such as pricing, customer outcomes and water entitlement impacts. It is important to recognise that some of these issues and our responses may also be of relevance for the WAMC determination and should be considered in this context as well.