

MURRAY VALLEY PRIVATE DIVERTERS (INC)

PUBLIC SUBMISSION 9th December 2024 IPART REVIEW – WATER NSW AND WAMC PRICING 2025 - 2030

Murray Valley Private Diverters (MVPD) represents irrigation interests for private pumpers, trusts and other smaller water delivery organisations in the Southern Riverina of NSW.

MVPD encourages further discussions with IPART on proposing charge increases affecting the Murray Valley relating to Water NSW and Water Administration Ministerial Corporation (WAMC). Current proposals for Water NSW and WAMC charges for general security entitlements is not accepted nor do they enable continuation of the diverse agricultural production systems in the Murray Valley that underpin social, economic and environmental outcomes.

The National Water Initiative proposed the concept of full cost recovery and while this was not supported by a range of irrigation stakeholders, it remains the preferred model for Governments.

However the full cost recovery concept requires clearer boundaries about what type of charges can be applied to irrigators and it should not be a methodology for Governments to cost shift core business to private enterprise. It is critical that those paying the fees should have the capacity for great scrutiny of costs and there should be a major review of Cost Share charges under the full cost recovery.

MVPD also reinforces concerns that the full cost recovery principle remains a major impediment to business stability for many irrigation or mixed dryland/irrigation farming businesses in the Murray Valley. The capacity to continually absorb price increases has not just reached a tipping point, but under proposed changes will make access to water unviable for Murray Valley agricultural production systems.

This is accentuated by Government policies affecting the Murray Valley, which has dramatically reduced the reliability of General Security entitlements. High Security entitlements have not suffered the same reliability impacts as General Security.

The reality for Murray Valley agricultural businesses include, reduced reliability impacting annual allocations/water availability (approx. 47%), higher prices for annual trading on temporary water markets, increased pricing under full cost recovery and disproportional impacts on Government determined cost shares that should instead be attributed to public benefit outcomes.

Murray Valley customers have major concerns with:

- NWI principle of full cost recovery - water policy changes
- WAMC monopoly pricing, policy development and application
- Water NSW pricing proposals/ methodology /cost shares
- Murray Darling Basin Authority (MDBA) pass through charges
- IPART – identification of risks and issues

FULL COST RECOVERY MODEL

NWI and Pricing Principles

MVPD argues Federal and NSW Government water policies have not met NWI Property Rights and Pricing principles.

In the Murray Valley water policy changes, environmental water recovery and operational changes for Hume Dam and Murray River have undermined property rights and principles enshrined in the National Water Initiative (NWI). This has particular effect on NSW Murray Valley General Security entitlements.

The pendulum has moved further from water policy described in the NWI, with higher weighting towards environmental protection. This combined with political decisions on climate related modelling and other more general public policy positions, has reduced the core focus of Governments and water management authorities from the customer base who is still predominantly paying the costs (irrigation customers) to other interests.

Despite such major changes in public policy and cost shares, the principles of full cost recovery are still being applied and on upward projection, to irrigators. This requires major review.

- Government employment conditions are also exceeding private enterprise ability to pay under ‘full cost recovery’
- Irrigation based customers also do not have necessary levels of input into policy, management or programs that could influence costs
- NSW Government decisions on issues that relate to Government treasury/budget requirements, such as Land Tax
- Change in definition of term customer and user, whereby certain aspects of irrigation entitlements (eg Murray Valley General Security) has a lower value in terms of public policy but is still defined as benefitting customer under ‘user pays’ principle.

IPART also increased the proportion of cost shares that rural customers must pay. This included things such as Dam Safety, environmental planning, water quality and environmental monitoring.

Involvement of the customer base through stakeholder representation for environmental and types of monitoring is also not a common practise. External consultancies or university based monitoring also features strongly.

This created significantly higher costs being attributed to rural water users, without adequately considering the social and economic impacts and the true understanding of beneficiaries of a regulated Murray and Edward River system.

Recommendation:

- ***Review of full cost recovery costing model***
- ***Review of cost shares***

WATER ADMINISTRATION MINISTERIAL COUNCIL (WAMC)

Has a monopoly on water planning and management. There are significant concerns of Murray Valley customers (in particularly General Security) that WAMC monopoly roles does not value or enable genuine community engagement to a standard that should be considered necessary under the concept of ‘*user pays or full cost recovery principles*’

This includes efforts via NSW Murray Valley CAG meetings where for in excess of 10 years, customers have continued to request WAMC related meetings and/or have direct consultation on numerous WAMC related customer matters or policies without success.

This together WAMC capacity to develop and/or to implement policies is not compatible with any standards acceptable in private business standards..

This includes:

- Regulation – design and application
- Water planning – design and application
- Environmental policy
- Licensing – reduction in consultation/advertising, increased costs
- Murray Darling Basin decisions including Basin Plan and/or Murray River management
- Compliance and enforcement
- Administration efficiencies
- Metering (aspects)

Recommendation:

- ***IPART reject WAMC proposed billing increases of 2.5% & 28% per year***
- ***IPART support WAMC proposal that NSW Government pay a larger subsidy to avoid price shocks (currently forecast to see 42% of costs to be incurred by customers)***
- ***IPART reject current engagement by WAMC as inadequate, fails to meet necessary requirements, a model that should be rejected under a cost recovery model for customers***
- ***WAMC charges to customers for additional water planning is rejected until WAMC costs are fully reviewed, can demonstrate/efficiencies/and there is full transparency by the NSW Government in relation to what is/should be attributed under IPART pricing and/or cost shares to rural water customers***

WAMC metering charges:

Recommendation:

- ***IPART reject WAMC’s proposed non-urban metering charges including:***
 - ***Scheme management charges change (%) = 34.7 %***
 - ***Telemetry charge change = 2.5%***
 - ***LID downloads/validation change = 98.7%***
 - ***Meter service charge change = -5.3% (accept)***

- *MVPD recommends changes on full cost recovery/and/or cost shares to ensure NSW Government adequately self-funds its political policies*
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WATER NSW

COLLABORATIVE APPROACH TO PRICING

Water NSW describes pricing proposals as ‘*working collaboratively with our customers*’ⁱ

MVPD acknowledges the efforts Water NSW has made through the Murray Lower Darling Water NSW Customer Advisory Committee (CAG) in relation to presentations on pricing proposals for their submission to IPART, period 2025 to 20230.

MVPD seeks recognition of its concerns however that;

- Reliance on presentations of pricing proposals does not allow sufficient transparency, consultation or stakeholder input into pricing itself
- There is no collaboration or consultation on programs where broader NSW Government/Water NSW policy or its implementation, directly impact on pricing and or supply of water (excluding capital works)
 - Eg Barmah Choke bypass options
 - Climate or other environmental policies
 - External consultancies where issues determined are not consulted on regionally/locally and report findings have overlooked or not incorporated important matters
- IPART requirement at the last determination period for Water NSW to extend its customer reach beyond formal CAG advisory committees also raises concerns. For example;
 - Kitchen Table discussions.
 - Lack of communication about who, whether individual experience of participants is appropriate to provide informed feedback on a suite of complex matters and;
 - Weighting, how such feedback is incorporated by Water NSW in its pricing decisions.

GREATER PRESENCE WHERE OUR CUSTOMER LIVE AND WORK

Water NSW wording does not resonate with NSW Murray Valley customers needs nor experiences in addressing issues of concern. Murray Valley customers continue to highlight frustrations with centralised decisions with limited opportunities locally for issues to be understood, or acted upon.

- Decisions on policy, pricing, and programs do not reside locally in the Murray Valley and therefore customer concerns cannot be addressed locally, Navigating the complexities of decision makers on important matters remains elusive.

TREND COSTS: (eg land tax, dividends, labour)

Water NSW summarises their proposed trend costs, including for labour, land tax valuations, digital costs, efficiency savings and insurance. MVPD acknowledges all private business are facing increased costs, however Government cost structures are often not reflective of the reality of private enterprise or private business;

Land Tax Valuation:

- MVPD does not accept Government policy or pricing implications for NSW land tax

Dividends:

- MVPD does not accept pricing proposals by NSW Government onto Water NSW and its customers

Labour:

Water NSW submission notes:

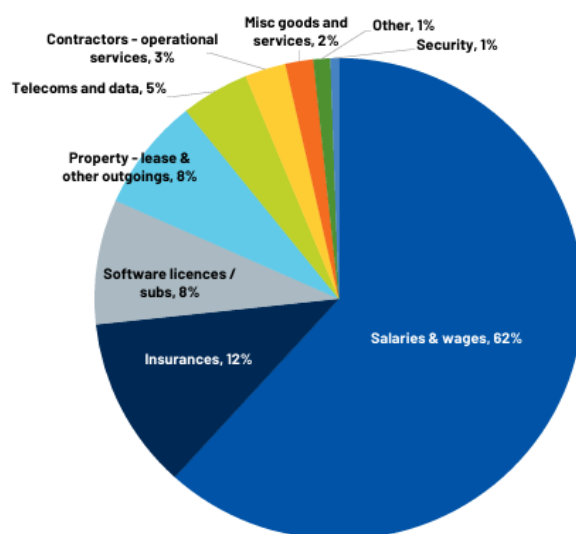
- Wage costs are expected to outstrip inflation over next few years
- 60% of Water NSW operating expenditure is labour and competition for finding and retaining talent.

MVPD recognises that expertise is highly valuable however in general, governments staffing conditions enable labour conditions and associated costs that could not be reasonably expected in private enterprise.

This includes weekly hours worked and examples such as additional remuneration payments during Covid.

- Working from home – additional payments over and above reasonable general costs incurred

Figure 43 - \$18 million cost savings since 2022-23 by category



Water NSW

PRICING TARRIFS/IMPACTOR PAYS PRINCIPLE

IPART pricing determinations continue to enable Water NSW and WAMC costs shares to be disproportionately applied to rural water customers. This is without rural customers having the ability to have adequate or any consultation on policies, services, nor ability to discuss more cost effective delivery solutions

- Environmental policies
- Environmental service charges
- NSW State water policies – Northern and Southern Basin
- Climate change modelling and its influence on NSW Government policy
- Valley by valley pricing – shared costs
- Fixed & variable pricing – cost shares
- Customer consultation changes eg reduction in CAG meetings/consultation changes
- NRAR

Recommendation:

- *IPART to further explore customers concerns about development/application of policy, related cost shares and review of proposed decisions to enable costing efficiencies*
- *Develop systems for consultation that ensure WAMC are required to directly collaborate with customers who incur pricing implications of full cost recovery and/or reliability impacts directly influencing capacity to pay*

MANAGING RISK

MVPD is concerned that Water NSW focus is on managing its own financial risks but has not taken into account the full suite of risks being imposed by IPART Pricing determination nor NSW Government policy decisions on Water NSW rural customers

This includes;

- Capacity to pay increased costs as per Water NSW pricing proposals
- Government policy risks on water availability
- Water NSW & WAMC policy changes that restrict or inhibit water order deliveries, water quality and environmental refugia or ability to ensure base flows in smaller regulated systems.

Recommendation:

- *A full evaluation of the term ‘managing risks’*
- *NSW Government policy change that mandates closer communication and collaboration between NSW DCCEEW, Water NSW and its customers in the Murray Valley*
- *Recognition that WAMC policies/DCCEEW are directly impacting Murray Valley General Security entitlement reliability contrary to the principles of the NWI and are impacting environmental, social and economic stability*



Bullatale Creek August 2024



Impacts on irrigation, house water

/quality, Stock

PRICING – MURRAY VALLEY – CAPACITY TO PAY

MVPD rejects Water NSW pricing proposals for 2025 to 2030 on the basis that the NSW Government through WAMC and Water NSW actions have not been consistent with:

- Meeting enshrined principles of the National Water Initiative (NWI)
- Has resulted in a decline of Murray Valley General Security entitlements to now an approximately reliability factor of 47%
- Water NSW and WAMC do not reflect customer requirements for genuine and meaningful engagement on important matters affecting NWI principles, supply related issues, and/or reliability factors
- MVPD does not support any changes to variable pricing

MVPD is extremely concerned and can provide documented evidence that the NSW Government has made policy related decisions that have disproportionately impacted the NSW Murray Valley

NSW Government water decisions are creating:

- A reduction in capacity to maintain historically diverse agricultural farming systems in the Murray Valley
- Reduced capacity to withstand or prepare for drought
- Inability for rural farming businesses (family farms) to absorb inflationary and additional unsustainable water pricing and administration costs

NSW Government supported the Murray Darling Basin Plan which has direct impacts on;

- Water availability and supply security

- Water markets (eg temporary)
- Regional flooding risks
- Loss of reliability associated with climate modelled precautionary principle

Table 2.1 Proposed price increases by 2030 (annualised increases in brackets)

	Regulated rivers		Unregulated rivers		Groundwater			
	High security	General security						
Border Rivers	245%	(28%)	207%	(25%)	179%	(23%)	98%	(15%) ^b
Gwydir	167%	(22%)	170%	(22%)	95%	(14%)	98%	(15%)
Namoi	146%	(20%)	152%	(20%)	95%	(14%)	98%	(15%)
Peel	341%	(35%)	312%	(33%)	95%	(14%)	98%	(15%)
Lachlan	271%	(30%)	150%	(20%)	99%	(15%)	98%	(15%)
Macquarie	173%	(22%)	179%	(23%)	99%	(15%)	98%	(15%)
Far West	-	-	-	-	54%	(9%)	98%	(15%)
Murray	192%	(24%)	184%	(23%)	96%	(14%)	98%	(15%)
Murrumbidgee	142%	(19%)	130%	(18%)	99%	(15%)	97%	(15%)
Lowbidgee	-	-	111%	(16%)	-	-	-	-
North Coast	26%	(5%) ^a	29%	(5%)	101%	(15%)	101%	(15%)
Hunter	120%	(17%)	118%	(17%)	101%	(15%)	101%	(15%)
South Coast	16%	(3%) ^a	21%	(4%)	89%	(14%)	101%	(15%)
Fish River Water Scheme	55%	(9%)	-	-	-	-	-	-

a. For North Coast and South Coast, WaterNSW proposed to keep prices constant (before inflation), and that NSW Government fund the difference between full cost recovery prices and actual prices.

b. Groundwater bills exclude BRC prices, because these are paid by a small number of customers in the Border valley. Appendix A includes bills for these customers.

Note: The increases are based on bills for metered general security entitlement holders with 60% usage, excluding very small entitlement holders who pay WAMC's minimum annual charge. For the Fish River Water Scheme, the increase is the weighted average for all customers. Increases include the proposed changes to Murray-Darling Basin Authority and Dumaresq-Barwon Border Rivers Commission prices.

Source: WAMC proposal, WaterNSW proposal, IPART analysis.

MVPD strongly rejects:

- **Proposed charges of 192% for High Security and 184% increase for General Security**

Murray Darling Basin Authority

In July 2008, NSW Office of Water provided advice to IPART that the Intergovernmental Agreement on Murray Darling Basin Reforms – included a principle of no net cost to the states of implementing the Commonwealth Water Act 2007

The Federal Government provides funds to the States, but MVPD has raised concerns about the lack of transparency related to NSW Government's receipt of Commonwealth funds to implement the Water Act 2007. It is not clear what money was provided, how it was spent, whether funds remain and whether there has been a substantial funding shortfall to implement a more complicated Basin Plan process than originally envisaged.

There is no transparency on how funds received by NSW have been utilised and how/if any Federal Government contributions did or continue to offset Water NSW or WAMC charges onto customers in the Murray Valley

In 2024, it should be deemed unacceptable that the Murray Darling Basin Authority (MDBA) can increase its charges by up to 60% without any review process, justification or transparency with its costings.

Recommendation:

- ***IPART recommend to the NSW Government thatt MDBA pricing pass through costs are not acceptable in current form***
- ***IPART recommend a system of external review (eg ACCC) on all MDBA activities/costs***
- ***IPART recommend the NSW Government require full transparency of all MDBA operational charges to clearly define what is core MDBA planning costs, what policy related costings and costs directly attributed tot Murray River /Dam operations.***
- ***IPART ensure full cost recovery principles do not include Government policy costs from the Water Act 2007 to either Water NSW /and or MDBA***
- ***IPART ensures the NSW Government provides full transparency on Federal funding associated with the Water Act 2007, Basin Plan, SDLAM projects, Water Resource Plans and other related policy actions***

MURRAY VALLEY GROUNDWATER CHARGES:

Water NSW consultation on Murray Valley Groundwater Pricing changes has been grossly inadequate, if at all. It seems awareness of proposed pricing changes are restricted to customers looking up Water NSW website.

Water NSW information paper (page 61 and 62) heading states: “*Groundwater proposed cost reflective prices and bills*”;

A.26 Inland.

Table 60 Inland Prices for groundwater, \$/ML, \$2024 – 25

MVDP has not had access to any detailed cost discussions on Murray Groundwater issues. Nor has there been any direct consultation via direct contact with customers on pricing proposals.

Information on pricing changes appears to be made available via customer visits to Water NSW website and information therein is extremely limited. There are no details to understand costings.

It is not also clear why Murrumbidgee pricing is separately noted on page 63 and 64, however Murray Valley is not. Therefore MVDP is assuming that Murray Groundwater charges proposed are included in A.26 Inland (Table 60).

MVDP strongly rejects the scale of groundwater charges proposed.

- ***There has been no direct consultation on groundwater charges***
- ***There is no pricing transparency or justification documents accompanying table 60, pages 61 and 62. Pricing % increases in various categories do not allow transpaent indications of cost rises.***
- ***Water NSW and WAMC do not undertake public consultation on groundwater matters for example, continue to license additional bores without public advertising***
- ***There is urgent need for Water NSW provide additional consultation on the details of proposed groundwater fees.***
