



**Murrumbidgee  
Irrigation**

Murrumbidgee Irrigation Limited ABN 39 084 943 037

Postal Locked Bag 6010, Griffith NSW 2680 Web [www.mirrigation.com.au](http://www.mirrigation.com.au)

Offices • 86 Research Station Rd, Hanwood NSW 2680 • Dunn Ave, Leeton NSW 2705

Contact T (02) 6962 0200 F (02) 6962 0209 E [info@mirrigation.com.au](mailto:info@mirrigation.com.au)

16 April 2021

Independent Pricing & Regulatory Tribunal

Via email: [ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au)

**Re: Review of WaterNSW's Rural Bulk Water Prices and WAMC charges for 1 July 21 – 30 June 25**

Murrumbidgee Irrigation is one of the largest private irrigation companies in Australia servicing over 3,000 landholdings owned by over 2,500 customers, the majority of whom are shareholders in the Company. Our core business is water distribution. We provide irrigation water and drainage services to over 4,000 metered outlets in the Murrumbidgee Irrigation Area (360,000 Ha). We welcome the opportunity to make a submission to IPART on the proposed Water NSW Regulated Water Charges and WAMC charges for 2021-25.

Our observations with respect to Water NSW's lack of any drive for efficiency and limited transparency of Valley based costs mirror those of the *Atkins Expenditure review of WaterNSW Rural Bulk Water Services and Corporate Cost Allocation* provided to IPART as part of this determination process which state:

*"In general, we found there was limited evidence of efficiency drive. It was not a significant feature of the presentations and documents provided," and*

*"We found that there is limited ownership of Determination cost performance especially at individual valley level, the level at which prices are set. WaterNSW was not able to produce documents showing that cost variance within individual valleys, or at Rural Valleys level were subject to routine and robust internal interrogation, challenge and management action."*

We are concerned that water users continue to fund an inefficient government bureaucracy whose costs are neither efficient nor prudent and that this has resulted in the proposed 12-24% increase in charges for the Murrumbidgee water users. Throughout the last determination WaterNSW's scope of services has diminished. Significant regulatory, compliance and infrastructure roles are now being undertaken by NRAR and DPIE Water. Water users had expected this to translate to improved efficiency and reduced charges which is clearly not the case.

**ICD Rebates**

We support the continuation of the ICD rebate and disagree with Water NSW's assertion that these costs are transferred to other Water NSW customers. By definition, the rebate is for avoided costs. Customers in our irrigation district should not be expected to fund WaterNSW for services actually delivered and funded by Murrumbidgee Irrigation.

We note the same assumptions for the ICD rebate have been followed by WaterNSW as for the 2017 determination. We reiterate our comments from previous submissions that actual avoided costs would be preferable to a per ML surrogate. The amount of water on a Water Allocation Licence does not directly reflect the level of service or customer cost burden absorbed by irrigation infrastructure operators. Further, we are perplexed as to why the rebate appears to decrease year

on year across the determination period when during the same period the benefit to WaterNSW in avoided costs appears to increase year on year.

As noted above, Murrumbidgee Irrigation services in excess of 4000 metered outlets and issues over 3000 water accounts annually. This provides significant avoided costs for WaterNSW. In addition, as highlighted in the Cardno review, WaterNSW's proposal to recover metering reform costs, "...does not meet good practice elements that provide assurance that the expenditure is appropriate, nor does it meet WaterNSW's own assurance framework (Approval to Spend)."

As an irrigation infrastructure operator, Murrumbidgee Irrigation installs and maintain meters as well as manages telemetry systems and customer compliance obligations including for our own two river offtake meters. Once WaterNSW's actual metering reform costs are better understood we seek IPART's assurance that all of these costs will be reflected in an increase in the ICD rebate as recognition of actual avoided costs.

In addition, we note that there are around \$0.250 million of costs borne by Murrumbidgee Irrigation annually that are not currently recognised in the ICD rebate that are clearly avoided WaterNSW costs. These costs relate to the operation and maintenance of Bundidgerry Creek and its structures. The basis of these costs has previously been provided to IPART as part of our 2017 supplementary submission and includes visual inspections, removal of debris by heavy plant, rock beaching and erosion protection as well as the replacement of ageing assets. Murrumbidgee Irrigation maintains that these are avoided costs to WaterNSW and as such should be recognised as part of our ICD rebate.

### **Dam Safety efficient costs**

We are not able to ascertain if dam safety costs are demonstrably efficient, appropriately funded (with respect to capital operational budgets) or fairly shared. We seek assurances from IPART that WaterNSW's dam safety costs relate only to Murrumbidgee assets and are clearly prudent and efficient costs.

### **Cost Share Framework**

Murrumbidgee Irrigation notes that IPART has recently reviewed the current cost share framework and has chosen to retain the impactor pays model. We maintain that achieving social, economic and environmental outcomes across the Murray Darling Basin requires a beneficiary pays approach so that environmental, community and recreational benefits are fully recognised and contribute to funding for new infrastructure and existing asset management.

Dam safety and fish passageways are two clear examples where a beneficiary pays model would be more appropriate. Similarly, policy planning and implementation are functions of government and should always be government funded.

### **MDBA transfer of costs to the Murrumbidgee**

Murrumbidgee Irrigation has previously identified a concern at the lack of transparency of MDBA pass through costs. The Murrumbidgee share of these costs has increased again in this determination. We are still unable to assess the efficiency and validity of these pass-through costs in a valley where the costs are not even used to deliver the regulated water supply. This is not acceptable.

We strongly encourage IPART to review the appropriateness of applying these costs to the Murrumbidgee to ensure that Murrumbidgee water users are not subsidising costs that relate only to the other valleys.

### **Comment on Revenue Volatility Allowance**

Water users look to IPART to ensure fair and efficient cost sharing. We note that not all water users have the same level of investigative ability or understanding when it comes to risk transfer products. As such IPART plays an important role in ensuring that the default structure is fair, efficient and not unnecessarily complex.

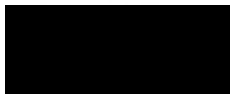
### **Summary**

Murrumbidgee Irrigation recognises the efforts of IPART in reaching this draft cost determination, including through funding additional reviews and would be pleased to assist IPART with more information if required.

We would like to reiterate the importance of transparency in costs calculations so that all customers have confidence that only fair and efficient costs are being recovered. We remain concerned that valley cost shifting is still occurring and that the significant costs incurred by irrigation infrastructure operators, that directly reflect avoided costs to WaterNSW, continue to be underestimated.

The revised (reduced) scope of WaterNSW was expected to increase transparency and reduce costs around the services they provide. As noted by IPART, costs have increased, there is no evidence of any focus on efficiency nor evidence for ensuring that valley-based costs are transparent. This is clearly not acceptable in a State Government owned agency.

Yours sincerely

A solid black rectangular box used to redact the signature of Brett Jones.

**Brett Jones**

Chief Executive & Managing Director