

Submission

IPART | WATERNSW RURAL VALLEYS PRICING REVIEW |
PRICES FROM 1 JULY 2026 | | DISCUSSION PAPER



NOVEMBER 2025

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About MI

Murrumbidgee Irrigation (**MI**) is one of the largest private irrigation companies in Australia serving over 3,093 landholdings that are owned by over 2,300 shareholder customers. Our core business is water distribution. We provide irrigation water and drainage services to the Murrumbidgee Irrigation Area (378,911 Ha), which is one of the most diverse and productive regions in Australia.

Background

This *WaterNSW Rural Valleys Pricing Review from 1 July 2026* (herein, this Review) is occurring as a result of the 1-year pricing determination (instead of the usual 4-year) following the *WaterNSW Rural Valleys Pricing Review from 1 July 2025* (herein, the 2024-25 Review), in which IPART found further investigations were required to set efficient prices.

In the 2024-25 Review, WaterNSW's proposed cost-reflective base case to meet regulatory obligations had a revenue requirement of \$196 million – which was 53% higher than the annual average revenue requirement in the previous 2021 determination period.

The 2024-25 Review also suggested that more fundamental broader issues required investigation, including to the operating model of WaterNSW, and to the setting of prices (including cost-shares, impactor-pays and pricing structures).

MI has actively participated in earlier reviews, and refers IPART to our earlier submissions, in addition to the below.

Overview

- (1) It is the position of MI that prices should only increase by CPI until IPART has confidence in the efficiency of WaterNSW costs, and until critical policy questions identified in the 2024-25 Review are resolved.
- (2) MI has concerns that this 1-year determination period is not long enough to resolve the substantial issues identified by IPART (and WaterNSW) in the 2024-25 Review. We note, however, the requirement for new charges to commence on 1 July 2026. In our view, there is a need for two concurrent processes to:
 - (i) set efficient prices (as per the above, limited to CPI), and
 - (ii) resolve the longstanding policy issues relating to the structural and operational challenges facing WaterNSW.

MI concur on the findings by IPART relating to the broader issues facing the pricing model for rural water services and the operating model of WaterNSW. It was evident given the revenue requirements of WaterNSW that a tipping-point has been reached to which a more comprehensive, bigger picture review of this kind is simply necessary. MI thanks IPART for exploring these broader issues.

The below finding from the 2024-25 Final Report was strongly supported by MI.



The Tribunal considers these challenges should be thoroughly reviewed by the Government, with full co-operation from WaterNSW, WaterNSW's customers and IPART, to arrive at a sustainable model for supporting NSW's regional and rural water sector and WaterNSW in the medium and longer term. The Tribunal recognises the additional regulatory burden associated with a thorough review, however expects that any regulatory burden will be outweighed by the benefits of a more sustainable operating model for WaterNSW.

It was our expectation, given the significance of these findings and recommendations from IPART, that the proposed thorough review would be occurring via a dedicated process (in collaboration with WaterNSW, the NSW Government, IPART and stakeholders). We are concerned that with the time limitation of charges needing to commence by 1 July 2026, this is not long enough to resolve these issues.

We also note the separate process occurring via the NSW Government and Treasury, in addition to this pricing determination.

MI is concerned that this very time-limited pricing determination process, separate to other reviews, will result in rushed process, and miss critical opportunity to resolve these important issues, with the necessary time, processes and expert input. This is a critical time, and critical opportunity, to get this done right (once and properly), and set a fit-for-purpose and sustainable funding model for the future.

This reinforces our recommendation to set prices for CPI only, while these processes resolve, and if required, for a a dedicated process to be established to investigate and resolve these broader issues - in collaboration with stakeholders, the NSW Government, WaterNSW and IPART. We believe more time and expert input is required to canvas possible pathways forward, and model various scenarios, to provide stakeholders with an appropriate information base to inform consultation feedback. While the Discussion Paper touched on possible solutions, and we have provided our preliminary positions in this submission, much greater detail is required for stakeholders to provide definitive positions.

MI also emphasises the uncertainty this creates, with farm business not knowing prices moving forward, making forward-planning challenging. This is no reason to rush to lock-in unjustified or inefficient costs – rather to set out a clear and transparent process for proper resolution. Committing to CPI-only until these substantial issues are resolved, is the only viable pathway we see for that.

(3) In terms of MI's positions on those broader issues:

- a. MI does not see the impactor pays principle, nor its counterfactual, as fit for purpose in the contemporary era. As a result, MI is concerned that current cost-sharing arrangements result in water users paying a large proportion of costs for public-interest activities.
- b. The notion that a rural water utility serves 'customers' with the environment as simply an 'externality' is outdated, and not reflective of how water management in NSW operates. Rather, the environment is an essential service of WaterNSW, to meet community sentiment of the need for regulated and managed river systems, as well as being the largest customer of WaterNSW.
- c. There would be demand for regulated and managed rivers, with appropriate infrastructure for a variety of purposes, irrespective of irrigated agriculture.



- (4) In terms of this determination, MI notes the approach of IPART to not require WaterNSW to submit another proposal, *'but will need more information on key aspects of the existing proposal from WaterNSW'*, as part of managing resourcing burden given the short turnaround time from the last review.

MI has a number of concerns:

- (i) There were a number of issues raised regarding that proposal in the 2024-25 process, including IPART stating in the Final Report that: *"the Tribunal is not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as necessary and efficient, or that it is clear what share of the efficient increases should be passed on to customers and what proportion should be passed on to government. The Tribunal is not willing to allow price increases for customers until convinced that the customer share of WaterNSW's costs is appropriate"*.¹ There were also significant concerns raised in the Atkins Report. Given the nature and significance of issues, we query whether IPART has confidence that those issues can be 'tweaked' in the WaterNSW proposal, or whether a new proposal will ultimately be required. We do not believe information-gaps is the problem, rather addressing the broader issues that have given rise to this situation is required to target the core of the problem – which is a much larger issue.
- (ii) The proposal had exorbitantly large price increases for customers (as acknowledged by WaterNSW) – the concerns raised by MI in our earlier submissions stand, regarding affordability.
 - a. For background, WaterNSW required a 53% increase in revenue, which would mean for the Murrumbidgee, increases (by 2030):
 - i. Regulated:
 - 1. High security: 142% (19% annually)
 - 2. General security: 130% (18% annually)
 - ii. Unregulated: 99% (15% annually)
 - iii. Groundwater: 97% (15% annually)
- (iii) The information in the proposal will be outdated to inform prices from 1 July 2026.

More specific positions are provided throughout this submission in response to the questions posed in the Discussion Paper.

MI sympathises with IPART that this is a challenging period for rural water service pricing, but hopes this tipping-point becomes an important time to develop a sustainable and fit-for-purpose model for the future.

Recommendations

1. **Set prices for CPI adjustments only**, until such a time as IPART: (a) has confidence in the efficiency of WaterNSW costs, and (b) until critical policy questions identified in the 2024-25 Review are resolved.
2. **Establish a separate, dedicated process, to reach resolution on the broader policy issues** – noting it will require more time than this determination period allows.

¹ [Final-Report-Review-of-prices-for-WaterNSW-Rural-Valleys-from-1-July-2025-June-2025.PDF](#) [ix].



Submission

1. What are the issues you consider IPART should further consider as part of this review?

Importance: Very high

Key points:

- The broader issues identified in the 2024-25 Review such as:
 - impactor-pays principle and cost-sharing;
 - distinction between WaterNSW's commercial and non-commercial activities, including community service obligations;
 - whether the regulatory requirements on WaterNSW are fit for purpose;
 - changing customer base and what this means for financeability;
 - institutional and constitutional arrangements, including the operating model of WaterNSW.
- The standard issues for pricing determinations, such as:
 - efficiency of costs of WaterNSW;
 - affordability for customers;
 - other requirements as per the IPART Act.
- Changes since the initial WaterNSW proposal, including significant job cuts since that time, which would have significantly affected the revenue requirement.
- Responding to concerns raised in the Atkins Report – such as cost estimation.

Background / detail

The 2024-25 determination process raised a number of issues, beyond a typical pricing determination, that required broader consideration of underlying policy, structural and operational issues. It was the expectation of stakeholders that a shorter determination period (1-year) was adopted to allow time for the resolution of these fundamental policy issues. However, given current timeframes, and information available to date, we are concerned whether adequate time, resourcing, and process is occurring to enable consideration and resolution of these matters prior to the next determination.

Excerpts from IPART's Final Report of the 2024/25 determination process are outlined below, with emphasis on the key issues identified by IPART for further consideration:

- *WaterNSW also indicated this discussion could consider **whether WaterNSW, as currently constituted and regulated, is the most effective model or whether other arrangements may be more appropriate.***²
- *As a result, the Tribunal proposed a shorter-term pricing determination to allow more work to be done on the pricing review. In our Information Paper published in May we suggested a 3-year determination would allow **a review of broader challenges highlighted through this review**, at the time we suggested that a 1-year determination would not provide enough time for consideration of the broader challenges.*³
- *The 1-year determination allows time to consider **what other actions are needed to address the sustainability risks arising from declining sales of bulk water in regional NSW and proposed rising costs of maintaining assets and ensuring safe and reliable water services.** In addition to IPART's work, this could include **a review of the WaterNSW operating model and how best to ensure sustainable supply of bulk water and manage potential social, business and economic impacts in regional NSW.***⁴
- *These challenges are broader than what a standard price review is designed to address, and go to the heart of bulk water supply in rural and regional NSW. We have questions around*

² [Final-Report-Review-of-prices-for-WaterNSW-Rural-Valleys-from-1-July-2025-June-2025.PDF](#) [ix]

³ Ibid.

⁴ Ibid [x].



whether WaterNSW's Rural Valleys operating model is fit for purpose, or indeed whether it is possible for WaterNSW (or any such business) to fulfill its current responsibilities and obligations without customer prices increasing to a point where customers, including customers in the NSW agricultural sector face would significant disruption.⁵

- Our pricing decisions provide time for WaterNSW, the NSW Government and IPART to address several broader challenges relating to rural bulk water services including:
 - **the tension between affordability and cost recovery in WaterNSW's Rural Valleys current pricing structures**
 - **the risks and costs of adapting to climate change and increasing climate variability**
 - **the lack of distinction between WaterNSW's Rural Valleys commercial and non-commercial activities.**⁶
- It appears that WaterNSW undertakes some **non-commercial activities related to water security, safety, environmental and social outcomes**, particularly in regional and rural NSW. We have heard from stakeholders who are concerned they are paying for obligations which do not improve the quality of services or water being received. This raises the question of **whether some WaterNSW functions are more appropriately seen as community service obligations which may be better funded by Government.**⁷
- The Tribunal considers these challenges should be thoroughly reviewed by the Government, with full co-operation from WaterNSW, WaterNSW's customers and IPART, to arrive at a sustainable model for supporting NSW's regional and rural water sector and WaterNSW in the medium and longer term. The Tribunal recognises the additional regulatory burden associated with a thorough review, however expects that any regulatory burden will be outweighed by the benefits of a more sustainable operating model for WaterNSW⁸.

In response to Question 1 – these items emphasised in bold are the issues we consider must be reviewed.

2. How has water use and crop production changed in your local area? Does the current method of water pricing support these changes?

Importance: Medium

Key points:

- Reforms have shifted water use away from consumptive uses like agricultural production towards the environment.
- In 2010-11, 11.25% of *water entitlements* in the Murrumbidgee were for the environment (in addition to water *not* on a water access entitlement – called Planned Environmental Water (PEW) which makes up the bulk of the total water resource). The percentage of *water entitlements* held for the environment is now 31.7% (in addition to PEW).
- The Discussion Paper includes diagrams on the percentage of water entitlements by valley for each user type (see 2.3), but we believe this presents a distorted view by only looking at entitlements, and not the full water balance (i.e. the water not on an entitlement). If the full water balance is considered, the share of water used by 'customers' is significantly reduced.
- Crop production is not considered relevant to this review in determining efficient costs of a water utility. How a farmer determines to use their water entitlement is at the discretion of the farmer, based on a number of factors.
- IPART needs to consider the relative size of consumptive water use, and the declining consumptive pool, in determining both what a reasonable share of the costs is, but also the

⁵ Ibid [19].

⁶ Ibid [25].

⁷ Ibid [xi].

⁸ Ibid [20].



contemporary operating environment of a rural water utility. At present, consumptive water users are carrying a disproportionate burden of costs to manage the entire system.

- The role of a rural water utility is not simply about delivering water to farmers and others (with the environment as an *externality*), but the utility (here WaterNSW) has a role as an environmental manager, carrying out activities to benefit the broader system to meet public interest demands for sustainable and regulated river systems.

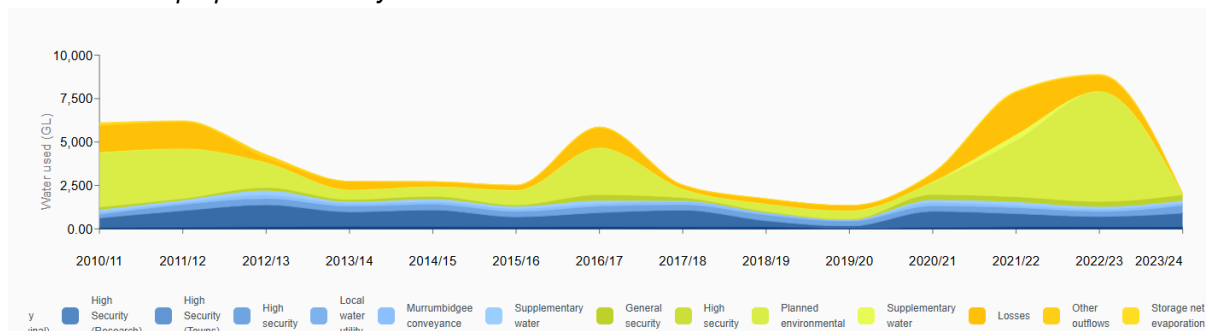
Background / detail

To demonstrate, the Water Sharing Plan (WSP) for the Murrumbidgee Regulated River Water Source states:

*By limiting long-term average annual extractions to an estimated 1,925,000 megalitres per year, this Plan ensures that **approximately 50% of the long term average annual flow** in this water source (estimated to be 4,360,000 megalitres per year) will be preserved and will contribute to the maintenance of basic ecosystem health.*

Diagram 1 below, sourced from the WaterNSW WaterInsights platform, for the Murrumbidgee Regulated water source, shows the relative proportion of water used for each purpose over 10 years, with diversions in blue (including town water supply and other uses), environmental purposes in green, and operational use in orange (including losses, evaporation and other outflows). Figure 1 shows that water diversions represent only a relatively small proportion of the total water balance. This is the group or ‘customers’ having to pay for a much broader suite of services to manage the full water resource for a wide range of outcomes, users and purposes.

Diagram 1: WaterInsights Murrumbidgee Regulated River Water Source relative proportion of water used for each purpose over 10 years



For the most recent water year with full data available (2022/23), the breakdown of these volumes is shown below.



Water year 2022/23: 8,885 GL	Local water utility: 13 GL
Storage net evaporation: 46 GL	High security: 262 GL
Other outflows: 0.00 GL	High Security (Towns): 20 GL
Losses: 912 GL	High Security (Research): 0.24 GL
Supplementary water: 15 GL	High Security (Aboriginal): 0.70 GL
Planned environmental: 6,342 GL	General security: 578 GL
High security: 0.00 GL	Domestic & stock: 21 GL
General security: 307 GL	Conveyance: 0.00 GL
Supplementary water: 129 GL	Coleambally conveyance: 107 GL
Murrumbidgee conveyance: 130 GL	Basic landholder rights: 1.69 GL

These proportions will continue to change (reduced proportion for agriculture) as reforms continue, such as the recovery of an additional 450 GL of water under the Basin Plan, and potential/likely recovery arising from the SDL Adjustment Mechanism (SDLAM) Reconciliation (latest estimates show another 315 GL could be removed from the Southern Basin).

In terms of the ongoing viability of the funding model, it must be recognised that there are inverse trends of:

1. Increasing costs (driven by demands for new or higher standard activities) for water management; and simultaneously,
2. Decreasing customer base to recover costs from, in terms of the declining volume of water used for consumptive purposes, the declining reliability of water (driven by reforms and climate), and the declining capacity to pay (as the cost of doing business is increasing from multiple factors).

This is a fundamental problem for the future viability of the current model.

3. Have you observed improvements in the levels of rural water services provided by WaterNSW to explain the increase in its base costs over time?

Importance: High

Key points:

- MI has not seen a noticeable change in the level of service from WaterNSW (positive or negative), noting the below changes in regulatory requirements or responsibilities.
- There has been increased regulatory requirements, including for higher 'gold' standards, but these have not been demanded by customers (and are often seen as going above and beyond what is necessary). These are largely to meet general public demands, and are the result of policy design by the NSW Government that lacks incentive for cost-effectiveness, or proportionate and justifiable expenditure, given the current pricing structures.
- There has been a shift of some functions out of WaterNSW, such as compliance to NRAR, which we would expect would see decreasing costs for WaterNSW.
- Many IIOs, including MI, have achieved significant cost savings in recent years, including through technology, innovation, and automation – and we believe these same opportunities should be available for cost-savings to WaterNSW too.
- MI is concerned about the possible implications of recent staffing cuts to WaterNSW on service levels going forward. Focus should stick to core business, and appropriate levels of



service to achieve success for core business, rather than a broader scope of works to non-essential activities, as part of managing this risk.

4. What is the appropriate methodology to calculate WaterNSW's WACC and should IPART apply a 10-year transition to trailing average for the long-term cost of debt and a 5-year transition for the current cost of debt for the MDB valleys?

Importance: Medium

Key points:

- MI is of the view that WaterNSW should be considered as one entity for the purposes of the WACC – this would lower uncertainty (spreading risk across the entity) and result in a lower WACC which could be passed onto customers.

5. Would it be appropriate to include a true-up when setting maximum prices to account for not updating the WACC in the 1-year 2025 Determination?

Importance: Low

Key points:

- No.
- We are concerned that this would remove incentive for pricing proposals to meet requirements, and for prior customer engagement.
- WaterNSW should consider options to diversify income, via other revenue making opportunities (e.g. natural capital, renewables, etc).

6. What do you consider the appropriate counterfactual to WaterNSW's operations under the impactor-pays principle?

Importance: Very high

Key points:

- MI does not see the impactor pays principle, nor its counterfactual, as fit for purpose in the contemporary era.
- The notion that a rural water utility serves 'customers' with the environment as simply an 'externality' is outdated, and not reflective of how water management in NSW operates. Rather, the environment is an essential service of WaterNSW, to meet community sentiment of the need for regulated and managed river systems, as well as being a large (the largest) customer of WaterNSW.
- There would be demand for regulated and managed rivers, with appropriate infrastructure for a variety of purposes, irrespective of irrigated agriculture. In our view, the following activities would still be required even without irrigated agriculture:
 - Secure water supplies for critical human water needs
 - Water infrastructure such as dams for flood mitigation
 - Water quality monitoring, and environmental planning and protection
 - Regulation of flows (including both Held and Planned Environmental Water) to achieve environmental objectives, such as to keep rivers running for longer during dry periods
 - Regulation of flows to optimise Basic Landholder Rights access
 - Corporate costs to manage the above
- The counterfactual of '*a world without high consumptive use of water resources*' is not appropriate in contemporary times, given resource development to regulate rivers in NSW



occurred over the course of the past century. At some point it will become necessary to draw a line in the sand about current levels of development, rather than comparison to no or low development times. Most of the rural water infrastructure in NSW was developed prior to current regulation and pricing principles, largely as Government projects to develop inland Australia, as nation-building projects following world wars. At some point this will need to be considered a legacy matter, and ongoing rural water management will need to be based on current infrastructure levels.

- Further, since this infrastructure has been developed, much has been fundamentally repurposed. If irrigated agriculture was hypothetically to cease to exist tomorrow, it is unimaginable that this infrastructure would be demolished or stranded. Rather, it would continue to be used for the variety of other purposes it serves, as outlined above (such as river flow regulation).
- MI does not agree with the Discussion Paper that the impactor-pays model is consistent with the NWI principles.
- MI would like to see further exploration by IPART of possible alternative counterfactuals, including scenario modelling, such as a **‘current development’ counterfactual**. We emphasise further work is required to model and understand various options.

7. Do you agree with the current cost share ratios listed in Table 4.1? If not, how and why should they be amended?

Importance: Very high

Key points:

- MI does not agree with most of the current cost-share ratios because:
 - water users are paying a very large proportion of costs, including for public interest activities;
 - current cost-shares do not reflect WaterNSW broader role to meet public interest objectives, such as regulated rivers for environmental objectives;
 - current cost-shares do not put incentive on the NSW Government for cost-effective policy design, leading to regulatory requirements with poor consideration of financial viability;
 - the water landscape has changed significantly since the framework was developed in 2001 (and reviewed in 2018/29), including the size and nature of the customer base, and the broader roles of the utility to meet community service obligations and regulatory requirements for public interest objectives (i.e. environmental, critical human water needs, natural disaster resilience, etc);
 - the above has led to very substantial and increasing operating costs being incurred by a declining customer base. This is not a financially viable operating model moving forwards. A tipping point has been reached which will require either halting services (which we do not believe is an option given public interest), or exorbitant prices (also not an option given affordability).
- MI is of the view this should be subject to a standalone review, as per the other broader policy issues flagged as requiring consideration in the 2024-25 Review, to enable thorough investigation, analysis of possible options and solutions to be developed and consulted on.
- Examples of activities in which we believe the cost-share ratio requires significant reconsideration, includes:
 - Environmental planning and protection (80% customer share)
 - Flood operations (80% customer share)
 - Dam safety compliance (80% customer share)
 - Water quality monitoring (80% customer share)
- The above are all activities we believe would be demanded in the absence of irrigated agriculture.

Background / detail



MI is concerned that we have reached a tipping point where the demands on water management standards and activities has exceeded the capacity of the consumptive water sector to pay for it. This has a two-fold impact of:

1. Outpricing consumptive water use – with many farmers fearing that their businesses will not be financially viable under the proposed price increases (combined with the cumulative effects of other ongoing reforms too); and
2. Underfunding water management – where the demands (driven by increasing community expectations) cannot be appropriately or sufficiently funded (e.g. we have seen this with fish passageways which are important environmentally, but very expensive, and have not progressed with a key reason being that it's beyond the ability for consumptive water users to pay).

MI notes that the cost-drivers for water management are increasingly complex, and often external (given the general public's interest in water management and increasing community expectations), which is driving more gold-standard activities, beyond what direct customers may need, and beyond what may be considered adequate/reasonable. The current model poorly considers this nuance of what level or standard is being demanded, (i.e. if it's to enable the minimum baseline activity, or whether it's for a gold-standard), and how community expectations are driving these at higher costs.

MI notes that the matters to be considered by the Tribunal under the IPART Act, involves '*the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services*' and '*standards of quality, reliability and safety of the services concerned*'. MI is concerned that without reconsidering this model, there is no incentive on Government to be more efficient in determining cost-effective and fit-for-purpose policy settings and *standards* (nor to communicate the effectiveness of current policy settings to avoid the need for major reform where public sentiment may not be appropriately informed). The NSW Non-Urban Metering Reform is a prime example of this.

MI recommends that the model is reconsidered to recognise the significant cost driver of increasing community expectations, above and beyond reasonable general standards or needs of direct customers. In our view, this should result in the NSW Government paying a greater share to cover the gap driven by heightened community expectations. This would mean there is incentive on the NSW Government to be more efficient in determining cost-effective and fit-for-purpose policy settings, mindful that going above and beyond a reasonable baseline will be a cost they need to incur. If this current model is to continue, at minimum, the cost-share arrangements require significant amendments to better reflect public interest items, or items where standards are being driven by non-direct-customers.

8. **Can you provide examples where it may be difficult to identify impactors? Or of situations where an impactor is easy to identify but unable or unwilling to pay the cost share assigned to them?**

Importance: High

Key points:

- Storage and management of Planned Environmental Water (PEW) to meet environmental objectives outlined in Water Sharing Plans (and other instruments like Long Term Water Plans). This includes, more broadly, all the water in the system above what is on a water access entitlement.
- Demands from the general public / broader community beyond 'customers' – it is evident that the general public has an interest in rural water management (particularly in the Murray-Darling Basin) – this results in:



- A) Demanding certain new activities - for example, people may advocate for a new fish passageway, which the Government may commit to, without either party having substantial incentive to consider costs, or selecting a cost-effective design.
- B) Demanding different standards of service – i.e. non-customers demanding higher gold standards than the standard of service demanded by the customer - for example, non-customers may advocate for more high-tech metering to improve confidence, which customers will then have to pay for, even if they don't consider such a standard necessary (above and beyond what customers demand). This is despite the activity itself still being demanded by the customer, just to a more reasonable or cost-effective standard.
- C) Regulatory requirements – stricter regulatory requirements to how dams and rivers are operated, including (but not limited to) changes to the WaterNSW operating licence.
- Critical human water needs – which is a large focus of the operating licence to service local water utilities and stock and domestic water (which are the priority for Available Water Determinations, well above other customers) with water at potable water standards – despite being a smaller volume of water and smaller entitlement size and therefore less costs paid. This provides a higher level of service – in terms of water quality but also security of supply – compared to natural conditions.
- Towns – additional water security provided by regulated system; water quality; flood protection; amenity value of flowing rivers (for recreation purposes, and tourism benefit).
- Historical impacts – such as pollutants, including PFAS contamination, as well as the high-prevalence of carp which impacts water quality.
- Climate change – which drives a different risk profile to how dams and rivers are operated, including their role in natural disaster management (both droughts and floods), such as storing larger volumes as drought reserves.
- Utilisation of existing system – for example, that infrastructure has enabled the regulation of river flows, which has created community expectation for continuous flows and other objectives made possible from regulation of rivers (such as end of system flow targets in WSPs).

9. What do you consider the most appropriate method for allocating cost shares for WaterNSW's rural operations

Importance: High

Key points:

- MI is pleased to see IPART exploring further options for methods of allocating cost-shares.
- Further information, and modelling of specific details, would be required to assist stakeholders in forming a view on which option is the most appropriate. MI is interested in seeing further information of both options presented in the Discussion Paper: beneficiary pays and externality-adjusted pricing.
- In principle, customers should be paying for a service being provided, rather than to achieve government policy objectives.

10. Over what determination period should we set prices?

Importance: Moderate

Key points:

- MI is of the position that prices should only increase by CPI until such a time as (a) IPART has confidence in the efficiency of WaterNSW costs, and (b) until critical policy questions identified in the 2024-25 Review are resolved.



- Subject to the above - the length of the determination period should be as long as is needed to achieve the above two aims. We note IPART initially indicated a 3-year timeframe, which has now been reduced to 1-year.
- Given the low confidence that the broader issues (policy issues) can be resolved by 1 July 2026, we believe it would be most appropriate to make an early decision on a proper process with an adequate timeframe, with a CPI increase from 1 July 2026. This would prevent the need for a decision for 1 July 2026 rushing an important process.
- Generally, the standard 4-year cycle is supported by MI. However, a shorter period is likely required, given the WaterNSW proposal will be becoming out of date. The length ultimately depends on the length required to resolve the underlying issues.

11. What are your views on WaterNSW's proposed revenue cap? Is further consideration of the form of price control a priority for you for the upcoming determination period?

Importance: Moderate

Key points:

- MI does not support the proposed revenue cap. As a large organisation, it is understood that risks can be effectively pool and managed, so the actual revenue risk is relatively low.

12. What factors should we take into account when assessing the most appropriate approach to forecasting water usage?

Importance: Moderate

Key points:

- Changes to forecasting water usage requires further investigations, and details on what changes would specifically entail, and what impacts this would have.
- MI generally is of the view that 20-year forecasting remains reasonable, and that the ups and downs of climate variability is reflected in those long-term forecasts.
- Our main query relates to how changes in the use of water entitlements, from consumptive to environmental use, is factored in, and the transparency of environmental water holder pricing.

13. What do you consider the most important issues relating to WaterNSW's rural pricing structures?

Importance: Moderate

Key points:

- Fixed to variable ratios:
 - MI supports variable pricing structures that avoid farmers facing significant, high bills in years of no or low water use.
 - High fixed charges would impact farm business decision-making and planning, likely leading to more conservative approaches in order to manage this risk. It is considered more economically efficient and appropriate for WaterNSW to carry these risks than farm businesses.
 - It would be expected that over the long term, maintaining higher variable charges (rather than fixed) would have minimal impact on WaterNSW. It would also be expected that WaterNSW as a large utility, would have more capacity to bear this risk or ebbs and flows than farm businesses.
 - An option of 100% fixed charges is strongly opposed as this places an unfair burden of risk on water users.
- High security premium:
 - MI is of the position that the current 2-factor method for the calculation of the HS premium remains reasonable (based on the security factor and reliability ratio).



- It is noted this was last reviewed in 2017-18. MI does not see reason for further review. Given significant other policy reforms occurring in coming years (such as the NSW Minimum Inflows Review) which may change reliability of entitlements, it could be premature to review this at this time.
- Regional-based pricing:
 - MI is strongly opposed to regional based pricing, particularly the scenarios proposed.
 - Valley-based pricing is needed to reflect valley-level services being provided, the very unique circumstances (and costs) of each valley, as well as very different customers bases.
 - MI does not consider it appropriate for the Murrumbidgee valley to be amalgamated with all of the Southern region particularly the South Coast.

14. Are any of these changes to pricing structures feasible within the timeframe of this review and what are the likely impacts?

Importance: Low

Key points:

- No – it would not be reasonable to make most of these changes to pricing structures in time for 1 July 2026, if following proper process.
- Water users would require more detailed information about what any proposed change would mean for their valley, and for their individual circumstances, to make informed decisions. This information has not been provided.
- Given the timeframes for this review, we also do not see how appropriate consultation could occur in time.

15. Are there any other factors we should consider when setting Irrigation Corporation and Districts rebates?

Importance: High

Key points:

- MI is of the position ICD rebates must be increased.
- Irrigation Corporations (ICs) provide significant savings for WaterNSW and the NSW Government – it is noted that the bulk of water use in the Murrumbidgee valley occurs within ICs.
- ICD rebates are paid to ICDs based on avoided cost incurred in relation to 'customer billing' and 'metering and compliance' (relates to both operating and capital expenditure). MI is of the view this should be expanded to include a broader range of activities.
- Given the revenue requirements claimed by WaterNSW to continue meeting requirements, it should be expected that the costs for ICs is also increasing.
- IPART should consider further increasing this rebate, given the significance of cost increases (i.e. to be proportionate), and to cover a broader range of activities carried out by ICs.
- WaterNSW indicated that the methodology for calculating the rebate has not changed since the last determination – however – further information on what this method is, is required.
- Pending a full review, ICD rebates should at least be indexed in line with overall price movements to maintain fairness.

16. What are your views on the proposed approach to assessing efficient costs of the MDBA and the BRC

Importance: Moderate

Key points:



- MI understands that in the 2024-25 Review, IPART did not have sufficient information at that time to determine the prudent and efficient costs of the MDBA and the BRC. MI is unsure how this information will become available within the timeframe for this review.

17. What factors should we take into account when assessing customer capacity to pay?

Importance: Very High

Key points:

- MI strongly supports consideration of customer capacity to pay, as an essential part of the requirements for consideration under the IPART Act. MI thanks IPART for their considerations on capacity to pay to date, and valuing affordability for customers.
- IPART cannot assume irrigators have capacity to absorb large price increases, particularly not to the extent of the original proposal.
- MI notes that concerns were raised in the 2024-25 Review regarding the economic analysis provided by Deloitte that suggested farmers will have the ability to absorb the proposed price increases, and the results that it will lead to only small percentage changes in profit margins. MI and other stakeholder outlined many of these limitations (see MI submissions), including: the need to remove dryland farming from impact assessment of water charges, limited publicly available data, outdated data, and issues with the gross margin calculation in that it excludes fixed and overhead costs such as depreciation, interest payments, rates and permanent labour – which are significant. MI is concerned whether sufficient information is available to robustly determine capacity to pay.
- Further consultation is required with water users to better understand capacity to pay and willingness to pay.

Please feel welcome to contact us with any questions.

Yours sincerely,

[Redacted signature]

[Redacted name]

[Redacted contact information]