

Matthew Mansell
Director Water Pricing
Independent Pricing and Regulatory Tribunal of NSW
E: Matthew.Mansell@ipart.nsw.gov.au

14th April 2021

Dear IPART,

This letter is in response to the IPART Review of WaterNSW's Rural Bulk Water Prices from 1 July 2021 to 30 June 2025 and the Water Administration Ministerial Corporation water resource management charges with particular focus on the proposed Murrumbidgee Regulated River and Murrumbidgee Ground Water charges.

Introduction

This submission is made by jointly by Murrumbidgee Private Irrigators' Inc. (MPII) and Murrumbidgee Ground Water Inc. (MGI).

MPII represents regulated and unregulated water users in the Murrumbidgee valley outside of the Irrigation Corporations, Murrumbidgee Irrigation and Coleambally Irrigation Cooperative.

MGI represents ground water users in the Murrumbidgee valley which is the largest and most dynamic ground water source in NSW.

Each organisation provides concurrent views in the submission where they relate to the common charges incurred by members of both groups and views specific to surface water are made by MPII, while views relating to ground water are made by MGI. Both organisations are members of NSW Irrigators' Council and support the submission from NSWIC.

Proposed Charges

MPII and MGI find the increase in prices for the average user by 20% over this determination, from \$4,405 to \$5,275 annually to be exorbitant as there has been no change to the service provided, nor the actual costs from the previous determination. The increase in the costs across all categories with the exception of the Murrumbidgee General Security Entitlement Charge for MDBA, are greater than 8%, with a maximum being the proposed 24% increase in the usage charge.

While the charges proposed by IPART are less than those proposed by WaterNSW, this is no endorsement of the IPART proposed charges. This submission makes comment under various categories to justify the position that these proposed charges are excessive and are not required.

The WAMC price proposals are similar to those of WaterNSW, a 16% increase for Murrumbidgee users, with no change in real terms to the service provided nor the cost of providing that service. Hence there is no justification for an increase above inflation.

The proposed increase of 20% for ground water charges is not reasonable, IPART suggests that this is part of a transition to full cost recovery, MGI would like to understand these full costs, as there are currently very few costs in managing the Lower Murrumbidgee Deep ground water source. Many of the costs are paid based on users' meters, applications to alter users' extractions, etc. which are all activity based and charged via other channels, therefore the true costs of managing the Lower Murrumbidgee Deep ground water resource are quite modest.

Typical Bill Analysis and impact on GVIAP

MPII & MGI have great difficulty accepting IPART's analysis of the Typical Bill Analysis and submit that its conclusions are erroneous. Total water charges are part of the costs that must be managed within an irrigation business, it is measured before costs and comparisons with the water trade market are interesting yet irrelevant, as the only way to avoid water rates is to cease irrigation and divest water assets.

IPART's analysis correctly interpreted would suggest that water charges in total are far too high, this is because the water input is the main driver of annual crop irrigation businesses in the Murrumbidgee and a cost that grows at ~20% in a determination and is currently up to 11% of revenue is a massive issue for irrigation businesses.

As the Australian Bureau of Statistics notes at the following link,
[https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4610.0.55.008Explanatory%20Notes 12016-17?OpenDocument](https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4610.0.55.008Explanatory%20Notes%2012016-17?OpenDocument)

GVIAP is not a measure of productivity, so extreme care must be taken if attempting to use GVIAP to compare different commodities. Rather, it is a more effective tool for measuring changes over time or comparing regional differences in agricultural production.

Consultation on Proposed Charges

MPII & MGI submit that consultation on these proposed charges by WaterNSW, has been problematic at best, while disruption due to COVID-19, this is only a small part of the issue herein. WaterNSW has an established framework for engaging with customers, being the Customer Advisory Group (CAG) in each area, however this forum was not fully utilised in the Murrumbidgee for consultation on proposed charges.

In 2019 the CAGs were demoted in favour of a kitchen table discussion format with the wider community of NSW, maybe even rural NSW. This proposition for consultation may be useful in some settings, however, to build understanding and gain informed comment from

stakeholders including water users, a targeted and structured process must occur, this has not been the case for this pricing determination.

Metering Charges

The proposal to significantly increase metering charges is of great concern to MPIO & MGI, this is against a background of decades of poor metering regulation and policy in NSW, regardless of the views of industry. Through the Water Reform Action Plan (WRAP) the NSW Government has determined to actually improve the metering arrangements which MPIO & MGI supports. The way this is implemented and the costs therein are the issue, many of the costs associated with metering, compliance, water planning etc. have been built into water charges over many years. Now with the WRAP, water users are paying for another service, that is already being paid for as part of the fixed and variable water charges.

The privately owned meters in the Murrumbidgee system were previously read at no direct cost, as this is a key part of the water users' charges and a key obligation of the WaterNSW function, this is now being added to with no reduction in the bulk water charges and is a separate substantial cost.

With respect to government owned meters, the NSW Government determined to change the policy from a hand back of government owned meters to irrigators of those meters to those meters being retained by government. At no point in the consultation around ownership were the vastly increased costs for users with government owned meters communicated to users. The 144% increase in costs must have been foreseen by WaterNSW and were not communicated, MPIO & MGI believe that this is not appropriate and the omission of this information from users should mean that WaterNSW carries any additional cost, not water users.

The cost of the WRAP must be borne by the NSW Government, it is their reform and substantial parts of this reform are to the benefit of stakeholders other than users, hence the cost should be paid by the NSW Government. MPIO & MGI are not opposed to the reform, rather the beneficiary of the reform should pay the cost of that reform.

Operating Expenditure

An increase in OPEX is justified provided an increase in service, or the cost of that service has occurred. In the Murrumbidgee, services have been removed during the last determination with the removal of a number of Customer Field Officers, and other staff, therefore if anything costs have decreased and this should be passed on to users. The proposed charges instead are increasing, even with telemetered meters, which are being paid for as separate line items.

Capital Expenditure

MPIO queries where the \$35 million of CAPEX will be spent in the Murrumbidgee and requests how this expenditure will either reduce the future CAPEX, OPEX in the valley? There is scant detail on these works within the state, let alone the valley.

MDBA Charges

MPII & MGI, while pleased by smaller increases in the charges for MDBA costs, notes that this is in part due to a change in treatment of the capital costs, however we hold concerns for the impact of this approach on future determinations. Hence a smaller increase and even a slight decrease in the MDBA General Security Entitlement charge hides a change in approach rather than an inherent improvement in efficiency of the operations by MDBA.

It should also be noted that the sole contractor to MDBA for services within NSW is WaterNSW and in the case of Victoria it is Goulburn Murray Water. Ultimately the assets are held by either NSW or Victoria and the MDBA functions the same as those provided by WaterNSW, it is simply that MDBA is the vehicle for the cross jurisdictional management of water.

The interrelationship between WaterNSW & MDBA points to the inherent circularity of the situation rather than a focus on who the funds are paid to, the emphasis must be on efficient costs to enable the best outcomes for efficient resource management. This has not been the case in previous determinations, MPII & MGI notes the efforts to improve transparency by IPART, however this process is less than 5% of the way to the destination on this matter.

Natural Resources Access Regulator

The cost of NRAR is a function of the NSW Government and should be paid for by the NSW Government, NSW Police are funded by the NSW Government, water should be the truly independent in operation and funding.

Duplication of Service

MPII & MGI are concerned about the duplication of services and roles between WaterNSW, NRAR and to a lesser extent, DPIE. We would support further definition around the roles performed by each organisation with the objective of efficient resource management and cost. Any future restructures must provide better outcomes for stakeholders in rural NSW, with members of MPII & MGI being an important subset within the Murrumbidgee system.

Tariff Structure

WaterNSW has not provided sufficient information for constructive comment on the tariff structure in the Murrumbidgee, while it remains a matter of interest for MPII & MGI, comprehensive information must be provided to enable informed comment.

Any discussion on tariff structure should also note that a significant discount to users should apply for a change to a higher proportion of fixed charges, due to the risk being moved between government and users. This is not an endorsement of any change to tariff structure, rather a comment that in previous iterations of this discussion, there has not been full recognition of the shift in the risk that would be carried by users under a tariff with a larger fixed component than the current situation.

Conclusion

MPII and MGI both thank IPART for the opportunity to make this submission to the proposed WaterNSW and WAMC charges from 1 July 2021 to 30 June 2025.

Should IPART wish to discuss any part of this submission please contact myself on the details below.

Yours faithfully,

Iva Quarisa

CEO
Murrumbidgee Private Irrigators' Inc.
Murrumbidgee Groundwater Inc.

[REDACTED]
[REDACTED]

PO Box 5023
Griffith DC NSW 2680