

Peel Valley Water Users Association

Response to IPART Discussion Paper - Water

17 November 2025

Introduction

The Peel Valley Water Users Association represents irrigators and other water users in the Tamworth district who use water from the Peel River and its tributaries.

The district supports a range of permanent and annual cropping operations, nut tree plantations, turf farm production and hay production for recreational and agricultural use.

There are more than 300 licences in the Peel River Regulated Water Source and in the Peel River Alluvium Water Source and around 60 in the Unregulated Cockburn River Water Source which underpin the local industry.

Please consider this response in addition to our earlier response to IPART in May 2025.

Response to Questions

IPART have asked a list of questions and in order to provide efficient feedback we have answered these in turn.

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

The Tamworth District is quite different to other rural valleys in that the city of Tamworth relies on the water supply from Dungowan Dam and Chaffey Dam for the bulk of its town water supply. This means that there is a very large, very high security user in the regulated water system. I think, in this review, IPART should carefully consider whether that has other implications for the pricing of water in the Peel River Regulated system and whether the burden of providing that very high security is being adequately borne by the government.

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

In many respects the principal activity in the district has been lucerne or cereal hay production and the methods of growing that hay have not materially changed over

the last ten years. What has changed is the increasing mechanisation of the industry. Irrigation methods have moved from hand shift pipes to centre pivot irrigators, lateral move irrigators or hard hose irrigators and all these methods require less man power. Similarly, the hay production itself has benefitted from improved machinery, especially in regard to manual handling of hay bales where small bales are still produced but are handled by sophisticated equipment which reduces or eliminates the manual handling. Larger scale bales, either round or square have become more prevalent and have handling advantages. In grain production and in permanent plantings of nut trees, turf or other crops, the focus has been on reducing the amount of manual labour involved in the production system.

Over the years there has been increasing diversity of planting options. More crops are available to choose from and there is a more agile industry ready to take any opportunity that presents itself.

From our point of view, the current water pricing regime seems appropriate without considering whether major changes would drive changes in production. A balance of costs between owning and using the licence helps to keep usage costs reasonable for those who are actively irrigating, whilst still providing some income from the inactive users whose licences overhang the potential maximum usage in the valley.

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?

We think the simple answer to this question is no. Technological changes have meant that the business of recording water usage and maintaining up to date data is now different (and, we hope, easier), however we feel that the digitalisation of data collection has often meant a loss of face to face contact and, especially for an older cohort of irrigation farmers, a higher degree of difficulty in understanding how to navigate the water system.

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 to the current cost of debt for the MDB valleys?

I think the response to this question revolves around whether the IPART considers that it was appropriate for the WACC which was applicable to the Murray Darling Basin valleys to double from 1.8% to 3.6% using the current methodology. As water users, we think that this is completely inappropriate and would lead to much higher proposed costs based on a theoretical change to the Capital Cost. The WACC should

be something that moves slowly and reflects only the very long term changes in the economic environment. If the proposed 10 year transition to trailing average for the long term cost of debt will smooth out any changes in WACC, we would support it and suggest it is adopted. Similarly, the rationale for the 5 year transition to the current cost of debt appears to be that otherwise the cost of debt would leap in the current period and we would support any smoothing mechanism which avoids these sudden changes to the cost structure stemming from the changes to the WACC.

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

We believe that the 1 year determination of the rates for the Water Users in Rural Valleys has served a strong purpose in giving further time to properly assess the costs of the delivery of water to rural customers across the valleys. However we do not believe that this means the next pricing period is to actually include the 1 year extension, but will start from the end of the 1 year period.

As a result it is not appropriate for there to be any true up in the WACC rate applicable. This would only serve to artificially increase the costs borne by the water users at the start of the new period.

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

The counterfactual scenario which is currently used is a world without high consumptive water use. In the view of the Peel Valley Water Users Association, this is probably still appropriate but the question of whether the water users are being asked to pay for functions from which the broader community reap the benefits. This is obviously a major issue and cuts to the heart of some of the resistance from water users to functions which seems unrelated to the provision of bulk water. If there was no water users to pay for the cost of the dam operations, there would still be pressure on government to fund environmental requirements, recreational uses, asset maintenance, internal costs of debt and depreciation. The water infrastructure would still be an asset but one which was totally funded by the community (government either state or federal).

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

We do not agree with the Table 4.1 and think that some of the items need to be reassessed. For instance, Flood Operations, Hydrometric monitoring and Water Quality monitoring are items that, in our opinion, should be divided more equally between community and water users (ie 50% rather than 70-80%). Similarly, Dam Safety Compliance is the responsibility of the asset owner, in this case the NSW government, and should not be 80% recovered from the water users. Similarly, we do not think that the water users should pay for 80% of the environmental planning and protection costs and nor should they be responsible for 80% of their Corporate systems costs.

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?

We think that it can be very difficult to identify impactors where the impactors are represented in the community by loose groups advocating for their interests. Here, even the advocacy groups may not have good records of who their supporter are, and the supporters may have very different levels of commitment. Overall, however, the groups may have powerful voices in the management of the water assets and impose costs on the delivery or availability of water which are rightly attributed to the m but which in practice, it is almost impossible to see how the costs could be recovered. I am thinking of environmentally based groups or even recreational fishers groups where there is no solid list of the members because they move in and out of the groups freely and the NSW government has no realistic way of tracking those members nor mechanism for recovering any costs. In these cases, the NSW government may be able to say they could identify the impactor by nominating the membership of the group, but as discussed, the impactors would themselves, not be willing to pay any cost assigned to them.

It is really only the water users, who have a financial relationship with the government through WaterNSW, that stand out as being able to be identified and then have the costs of some water services recovered through their water charges.

As well, in the case of the Tamworth City water supply there is also a layer of government policy and ambition which might add other factors into the case for who is the impactor. For instance, local businesses which are expanding and being supported by Governments, may also mean that water supply and reliability become more important factors in the governments overall regional development policy and the provision of water supply to a new abattoir may impact government agencies as well as the business.

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

This question carries an element of judgement as the most appropriate method of allocating costs shares will depend on the viewpoint from which you start. As an irrigator advocacy group, The Peel Valley Water Users has for many years, advocated that they should not be asked to pay an unfair share of the costs of running the water system in their valley and that many of the costs which had been added to WaterNSW's budget, should have been borne by the people of NSW. These include costs of running environmental programs, costs of supporting the government's indigenous policy objectives, costs of land tax on land already owned by the government, costs of WACC and depreciation on assets already written down in the government's books. The latest system has, through the cost proposals which came forward from WaterNSW last time, proven to be unworkable.

10. Over what determination period should we set prices?

Unless there is a compelling reason otherwise, we believe that the prices should be set for a five-year period.

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?

From the perspective of the water users, the clarity and simplicity of price controls being fixed and based on a simple per megalitre charge are the best outcome. Our businesses are not responsible for the level of water availability or overall usage and penalising the water users for these factors seems unreasonable. It may be that WaterNSW feels that it is a business, and it is trying to avoid having to cope with irregular income, but in attempting to do that, it is transferring the costs and the risk back onto the water users. We already have the variable impacts of water allocations, weather, markets, logistics and every other farming industry uncertainty and we do not want to add water pricing to them.

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

We agree that a rolling 20-year average model, although sounding promising, actually is prone to quite large variations as five-year periods roll off the averaging period. Perhaps some combination of a levelized 20-year average usage blended with a five-year forecast average use might provide more useful figures. From the water user's aspect, we feel it is important to avoid large changes in water prices,

due to changes in water usage which are an artifact of the system used to create the water use figures.

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

At the moment, as outlined in the paper, WaterNSW provides water charges in two parts, with a charge for entitlement and a charge for usage. Currently Peel is sitting with 80% of its costs recovered from the fixed charges. We think this is appropriate as there is a large number of licences in the Peel which are considered to be assets and which have the potential to be activated, but which are currently not being used, either at all or to their full extent. As well, a large portion of the water entitlement is owned by the Tamworth Regional Council and WaterNSW allocates a provision for 70% of that licence plus the estimated transmission losses to be held in reserve in Chaffey Dam. Charging 80% on the licence entitlement is a fairer way of sharing the costs between these users and the general security water licence holders who irrigate and pay the water user charge.

One idea which was raised during the WaterNSW consultation period was whether it would make sense for WaterNSW to allocate costs on a more regional basis rather than valley by valley. I think this idea has merit and we think that the main benefit may be in reducing the operating costs through simplifying the operating model. It was suggested that capital expenditure would be more efficient if it was region by region rather than valley by valley. If there are real operating costs and capital cost efficiencies to be gained from moving to region-by-region pricing model, we think they should be explored.

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

Although it would be possible to introduce these changes sooner rather than later, in practical terms, any change to the method of charging for water would need extensive consultation and may need two or three years to be introduced. I think the first step is to identify clearly the proposed changes and then to identify who are the winners and losers and mount the case for the losers that it is in the best interests of all the industry to adopt the changes. None of this sounds simple or speedy. The most likely impact will be push back from those valleys whose charges will rise more quickly compared to the average compared to the support of those valleys whose charges will rise more slowly compared with the average. We do not believe that it will have any material impact on water usage patterns or industry expansion or contraction given the relatively small nature of any proposed changes.

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

We have no comment on this question as it is outside our area and our expertise.

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

Again, we have no comment on this question, except to mention that the level of cost of both the MDBA and the BRC is one that should not be borne by the water users to a large extent. We believe that the proportion of costs being carried by the government should not reduce if that results in higher costs for the water users.

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

The Peel Valley Water Users represents irrigators who principally produce fodder crops but whose output also extends to nut trees, ornamental trees, lawn turf and grain crops.

The average size of the rural operators in the Peel is smaller than their counterparts further down the Namoi Valley. As a result, the average operator has smaller turnover and is more price sensitive than might otherwise be expected.

We think this means that there is very limited ability to pay high water charges and continue operations unchanged. If water charges increase too much, irrigators will leave the industry, reducing their water usage through lack of economic opportunity and leaving the last remaining irrigators to cover an increasing large share of the costs of operating the water infrastructure.

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IPART – Information Paper - Prices for WaterNSW bulk water services - May 2025

Submission; Peel Valley Water Users Association

Chair: John Richards - contact [REDACTED]

IPART has published the information paper on prices for WaterNSW bulk water services and has asked for feedback on the following questions.

We are providing feedback according to the IPART questions and have also added some overall feedback on the IPART Paper.

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

The Peel Valley Water Users Association is strongly in favour of the IPART proposal to issue a Draft Determination for a three year period which will give WaterNSW time to undertake strategic discussions with the NSW government of the important issues and review whether WaterNSW, as currently regulated, is actually the most appropriate model. Some of the proposals put forward by WaterNSW as alternatives, such as having a regional pricing proposal, would need to have a careful and extensive review before they could be implemented. That is not to say that they do not have merit.

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

We believe that the next three years gives WaterNSW time to concentrate on several aspects.

Firstly there would be benefit in forensically examining their direct costs using the services of organisation such as those that IPART used to interrogate the WaterNSW proposal. Many of the costs that were not discussed in the consultation could be included in this review.

Secondly there needs to be further discussion with the state government on financial engineering aspects. One is the imposition of an expected return based on weighted average cost of capital and asset value and whether this is, in fact, appropriate in this circumstance. Depreciation costs should also be reviewed.

Thirdly, we believe that WaterNSW should take on board the discussion from the Water Users about what should be a community obligation and what should be a water user obligation.

This split of responsibilities between the community (through the NSW Government) and the water users (through WaterNSW charges) for various types of cost associated with the less tangible aspects of managing the water system should be the subject of investigation and discussion. The costs of fish health, environmental health, associated land management and first nation's cultural values to name a few, might fall into this discussion.

As these costs become increasing prominent in WaterNSW budget, it is apparent that they will not be able to be paid for by the water users without endangering the existence of the productive industries.

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

PVWUA believes that WaterNSW needs to be compliant with the safety and other legislation and should not be operating in an environment where the equipment is a risk to the operators. We think that it is necessary to maintain any equipment to a basic standard similar to that imposed on any other commercial operation.

6. 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)?

We are a little unclear what the result would be from this draft proposal. If the Peel Valley is considered on its own, the impact of moving from the previous 20 year rolling average figure to the modified rolling average figure would be an additional increase of 8.86% as the volume of water in the denominator of the calculation decreases from 12,625ML/year to 11,597ML/year.

We think this is unreasonable and is not reflective of the future water use but is more reflective of the severe impact on water availability that the drought of the 2018-2020 period was responsible for. On a State wide basis, the change in water usage for this new period compared to the previous period was much more modest with the rolling usage falling from 3,964,658ML/year to 3,806,128ML/year which would imply a price rise of 4.16%.

Considering that these figure reflect the dry weather conditions during the last five years of the rolling average period, they are less severe than the Peel Valley figure on their own, but still result in an artificial increase in the water charges based on short term historical data. I would rather see the period of averaging extended to 25 or 30 years. The only argument for using the more volatile shorter time period figures would be if there had been shown to be a sustained trend out of irrigation and water usage.

In summary, we do not support using the updated rolling average water usage figures to adjust the WaterNSW charges, because we believe those figure have been skewed by the last record period. A better method would be to extend the record period with the new data.

IPART have discussed and investigated the impact of the proposed price rises on agricultural operations. This move, to adjust the denominator in any calculation, if it was applied over the whole state water usage, would add nearly 5% to all the costs being proposed by IPART.

If it was applied to the Peel River on a basin by basin approach, it would add a further 8.86% to the Peel River regulated river charges.

We do not believe this is fair or appropriate.

General Comments

We commend IPART on the approach to achieve efficient and reasonable cost increase from WaterNSW. The use of experts in cost control has supported many water user's views that some of the costs proposed have not been adequately tested by WaterNSW.

We also support the observation that WaterNSW should have presented to the water users their views on what costs would be, rather than trying to build up costs by asking "what would you think we should do?" and then adding up all the resulting work programs.

We strongly support the idea that the costs be as per the draft determination for the three year period as we believe that it will take this long for WaterNSW to sort out whether we are using the most appropriate model and whether the government –water users cost split needs changing.

We believe that efficiencies in operation could be achieved by WaterNSW by amalgamating some of the valleys into management units but that this proposal needs lots more work so that all the water users understand and support the outcome.

Overall we believe that IPART have produced a very valuable and constructive Information Paper.

Peel Valley Water Users Association