



# Peel Valley Water Users Association Inc

The only organisation that represents the Irrigation Industry in the Peel Valley

PO Box 952 Tamworth NSW 2340

[peelvalleywaterusers@bigpond.com](mailto:peelvalleywaterusers@bigpond.com)

## **Peel Valley Water Users Association**

### **Response to the Pricing Proposal submitted to IPART**

**By the Water Administration Ministerial Corporation (WAMC)**

**November 2024**

## **Executive Summary**

### **Submission**

- 1. Introduction**
- 2. Pricing Proposal increases**
- 3. Rationale**
- 4. Inflation**
- 5. Other Charges**
- 6. Metering**
- 7. Public Benefit costs borne by WAMC**
- 8. Answers to Questions posed by IPART**

## **Executive Summary**

Although we can comment on WAMC charges on their own, in the end it will be the combination of WAMC and WaterNSW charges which will ultimately drive the decision making of the water users in the Peel Valley. However, given that constraint, we make the following comments about the price rises proposed by WAMC.

Annual increases of 15% proposed are excessive and unacceptable.

Statements attributable to the three members of WAMC about the proposed price increases being in the best interests of customers are not borne out by the comments in the Attachment D, the Engagement Outcome Report where the participants outlined their deep concerns about the proposals.

Similarly, WAMC statements that the price increases of 15% per year are reasonable because users with larger entitlement ....have greater tolerance for price increases, does not apply to the smaller users in the Peel Valley.

The proposed price increases do not include inflation so will be embedded into ongoing price inflation in the economy.

Other charges, not included in the annual entitlement charge, are to be increased by large margins which will increase the costs of doing business and undertaking any transactions or maintenance activities.

Costs which have been attributed to the water user for the management of public interest should be borne by the community through the taxpayer.

## Submission

### 1. Introduction

The Peel Valley Water Users Association (PVWUA) has been representing the irrigation industry in the Peel Valley in the district surrounding Tamworth in NSW for many years. Its members include some two hundred licence holders who hold surface water licences from the Peel River as well as Groundwater licences from the Peel Alluvium and other unregulated sources of water in the valley.

The members produce a wide variety of crops from their irrigation enterprises - from fodder to grain to milk and other speciality products, and their produce is an important part of the regional feedstock industry as well as the local equine sports industry, and the local economy in Tamworth.

Tamworth Regional Council is the biggest water user in the Peel Valley, with a High Security entitlement of 16,400ML. Regulated surface water licence holders hold a total entitlement of around 30,000ML, however, the current Water Sharing Plan sets a Long Term Average Annual Extraction Limit of just 6,100ML annually for these General Security water users.

For decades, the Peel Valley water users have incurred the highest fixed and variable Regulated Water charges in NSW, and we still pay amongst the highest water usage charges in NSW currently.

We have included comments on the proposed WAMC charges, including Groundwater and Unregulated Water charges.

### 2. Pricing Proposal Increases

Table of comparative charges with only the northern four valleys.

Table 1: WAMC pricing proposal, entitlement and usage charges combined.

Valley	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Increase
Border	3.98	4.58	5.26	6.05	6.97	8.01	101%
Gwydir	3.05	3.51	4.03	4.64	5.33	6.14	101%
Namoi	4.03	4.64	5.33	6.13	7.05	8.11	101%
Peel	9.37	10.78	12.39	14.25	16.39	18.84	101%

The table above shows the proposed increase in the combined WAMC charge for both entitlement and usage for the Peel River system would rise from

\$9.37/ML to \$18.84/ML over the period, a total of 101% when the compounding effect is taken into account.

At \$9.37/ML, the Peel charge is already over double any of the other northern rivers and around four times the charges for the Murray and Murrumbidgee. This means the Peel charges are already significantly higher than the other river valleys. As a result, when percentage increase are proposed, the Peel actually pays a significantly higher increase per megalitre than any other valley. The dollar value of the increase is \$9.47/ML, compared to only \$4.08/ML in the Namoi.

These costs significantly add to the cost of production for fodder and other crop production. Water costs are a significant part of the operating budget for these production systems and a doubling of the cost of water is a real burden. In the Peel, the fodder industry has to be set up to use irrigation and hold a significant amount of licence as the reliability of the allocation is low. As a result, many irrigators will have a larger licence than they would expect to use in a normal season, to provide them with a viable allocation in a season with lower water availability.

We cannot understand how the proposed price increases in the Peel Valley meet the objective on Page 1 of the IPART Information Paper, which contains the statement that: “We recognise that access to safe, reliable and affordable water at a fair price is critical to our communities, environment, and economy”, or how the proposed price increases comply with the National Water Initiative, which on page 2, Item 3 in the Introduction section states that - “Under the NWI, governments have made commitments to best practice water pricing including to: ..... (v) avoid perverse or unintended pricing outcomes.” We maintain that if the Peel Valley is expected to pay WAMC charges of \$18.84/ML in 2029-30 when the Namoi is expected to pay \$8.11/ML and the Murray is expected to pay \$4.85/ML, that is the dictionary definition of a perverse pricing outcome.

We again note that IPART has been accredited by the ACCC to regulate bulk water prices in rural valleys in NSW. The ACCC’s Annual Report contains the following statement:

“To achieve our purpose, we focus our resources on key activities to achieve 7 strategic objectives: ....

Address anti-competitive conduct and promote competition.....”

We recommend that IPART do not approve the proposed price in the Peel as the excessive increase in charges do not meet this objective of “address anti-competitive conduct and promote competition” in NSW?

### 3. Rationale

WAMC have made some contradictory statements about their aims and the impacts on their customers.

(a) In the WAMC Pricing Proposal Summary document, under the heading “Rationale for Proposed WAMC Pricing, there are comments which concern us.

The statement is made that “we propose a 15% increase each year, plus inflation, for water entitlement and water take prices.” Followed by the statement that “Review of past IPART decisions about the annual levels of price rises that are unlikely to risk price shocks, give confidence that annual price rises of 15% a year are unlikely to result in shocks”. Under the next heading of “What this means for Customer Bills”, the surprising statement is made that “Our proposed 15% price increase each year means that most bills would increase by a maximum of 15% per year (75% over the 5-year period).”

First, it appears that the WAMC Pricing Proposal is targeting a 15% annual increase, just because IPART approved 15% price rises previously. Second, the claim that 15% price increases over 5 years results in a maximum increase of 75% is entirely incorrect. A 15% increase year-on-year over a 5-year period results in a price increase which is just over 101% - plus inflation. However, in Appendix 1 of that document, the price increases over the 5-year review period are calculated correctly. At the time of preparing this submission, the annualised inflation rate was 2.8%, and if that rate of inflation was applied to the current WAMC charges, the charges would increase by a total of just under 15% over the entire duration of the 5-year review period.

We question how robust the WAMC figures are, and whether they are aiming for a 15% increase year-on-year because they think that, based on previous experience, IPART might agree. We also reject the concept that a doubling of charges over the review period is “unlikely to result in bill shocks”. On the contrary, doubling of charges over the review period is totally unacceptable to water users in the Peel Valley, and we recommend that IPART does not approve this pricing proposal by a government monopoly.

(b) In Attachment D – The Engagement Outcome Report, on page 37, we draw IPART’s attention to the following comments:

“Participants expressed their views about conditions they are currently experiencing: • They considered that lots of small water users cannot afford, in the current cost of living crisis, to pay large increases. • Some participants didn’t agree that they had more favourable conditions after 2021 with rising input costs making profit margins tighter and even unsustainable for some sectors. • They considered that the cost of business operations was increasing for many agricultural producers. • They were keen to support initiatives to keep customer bills low while also ensuring WAMC agencies kept delivering important projects.”

And also the following comments on page 59 :

“Just over 70% of working group participants felt that economic conditions in their region had deteriorated since 2021. • Some agricultural producers noted the increased costs to operate their businesses, including for fuel, electricity and machinery costs, as well as other cost of living factors such as inflation and market fluctuations for their product. • Some customers expressed concern regarding the additional costs of compliance with metering and felt the impact on different customer types was inconsistent.”

It is important that IPART remains fully mindful of the views of water users about the existing economic circumstances facing the agricultural sector, which have not improved since the Engagement Report was written.

(c) Also, in Attachment D – The Engagement Outcome Report, the following statement is made in Section 2.4.2 :

“The context for the water working group engagement - The engagement with the working groups took place at points in time when: • there was media interest in households’ increased costs of living, including concern about increased costs for essential services such as electricity • businesses were increasingly concerned about the impacts of inflation and the increased cost of suppliers, wages, fuel, interest rates and goods and services.”

We highlight to IPART that nothing has changed in regard to the increased costs referred to since the time of the engagement, and water users remain under severe cost pressure for all agricultural inputs – not only those mentioned, but several others including insurance, fertiliser, chemicals, transport, and every other agricultural input.

On Page 23 of the WAMC Pricing Proposal, WAMC have claimed that: “We consider that a 15% per year, plus inflation, cap on WAMC’s water management charges is reasonable for users with larger entitlements because

our analysis indicates these businesses generally have greater tolerance for price increases ...”

Noting that the Peel Valley already pays the highest WAMC charges of all inland valleys in NSW, we totally reject the above statement because users in the Peel Valley do not have larger entitlements.

There are several individual irrigators in downstream valleys with larger entitlements than the long-term extraction limit of all Peel Valley water users combined.

We recommend that IPART publicly release the WAMC analysis which indicates that businesses in the Peel Valley have any tolerance for the proposed price increases if such analysis exists.

#### **4. Inflation**

It must be noted that the proposed increases are not to include any consideration of inflation. That is, the CPI increase will be added to the proposed base increase. In real figure, the inflation impact could be around 3%, so the proposed increases will result in actual price increases of some 18% per cent per year. Over the period, this adds up to a total increase of 128%, not the 101% which is quoted as a inflation free figure.

Around the State, this inflationary impact will, to some extent, flow through to fodder prices, grain prices, cotton prices, almond prices, milk prices, and community recreational activities. At a time when Governments of all ilks are trying to limit the inflationary effects of their policies, it would seem important that the IPART recognise this factor in considering proposed increases.

#### **5. Other Charges**

WAMC is recommending an increase in a number of the other charges associated with dealing with administrative matters.

In Table 86 of the WAMC Pricing Proposal, a list of charges for 24 transactions requiring Departmental consent is provided. Of these, only 5 are existing charges, and the proposed increase of those 5 charges ranges from 154% to 522%. Of the 19 proposed new charges - in some cases a combination of new charges apply - the average cost is \$3,776 per transaction, and the minimum proposed new charge is \$1,930.62 – (to surrender a water supply work or use approval).

We strongly recommend that IPART pays plenty of attention to the justification for each of these proposed charges. The transactions involved are normal

functions of a government department, and water users have no alternative to using the government services for these transactions. Proposed price increases of from 154% to 522% by a monopoly for existing functions, and the addition of 19 new charges averaging \$3,776 each should send a loud signal to IPART. The water users who are compelled to use these services do not support the proposed changes on the basis that they are grossly excessive. We recommend that IPART remains mindful that these are extra charges which are quite separate to, but in addition to the substantial price increases that are proposed for water entitlement charges and water usage charges.

WAMC should be reviewing the forms and requirements to see if they can simplify the process rather than increasing the charges.

Similarly, in Table 86 of the WAMC Pricing Proposal, a list of proposed increases are shown for groundwater transactions, ranging from an increase of 84% to 145%. Water users have no alternative than to use these services, and a charge of \$5,467.20 for a basic departmental function is unacceptably excessive. IPART is encouraged to look closely at the justification for these charges.

## **6. Metering**

At the time of preparing this submission, non-urban water metering charges in the Peel for the review period were still subject to further changes to be announced in early 2025. The details of those changes are not known, so it is unclear whether any additional charges will be involved.

In Table 90 of the WAMC Pricing Proposal, two new charges (of \$665.19 per transaction and \$81.64 per licence) were proposed to be introduced. Three other existing charges were proposed to be increased (by 2.5%, 34.7%, and by 98.7%), while one charge was gratuitously reduced (by 5.3%). This is an example of how metering is an ongoing and continually escalating cost for producers, in return for which they get no benefit – other than the grief of dealing with another government-imposed technology which seldom works efficiently and rarely delivers the intended results properly.

It is important for IPART to remember that metering charges are just one of the additional charges that all water users must pay over and above water entitlement and water usage charges.

## **7. Public Benefit costs borne by WAMC**



The proposed shares of capital expenditure and operating expenditure that are attributable to customers in Table 39 of the WAMC Pricing Proposal are always debatable, but one stand-out example requiring correction is that W05-03 Environmental Water Management is 80% allocated to water users. Environmental Water is 100% a community issue, and therefore the costs should be wholly allocated to the government share, with a user share of zero. The need for the water user share to be zero is accentuated by the fact that proposed expenditure for this line item over the next review period is approximately double the IPART allowed expenditure in the current period. (See Table 26 on page 75 of Attachment F).

In relation to the funding of NRAR:

“NRAR sought views on the cost share (funding split) for NRAR compliance, describing that taking account of all NSW Government funding of NRAR, the current cost share for NRAR compliance is: • 85% funded by the NSW Government • 15% funded from licensed customers.”

Our view is that NRAR is effectively a policing agency, which provides no benefit to water users. Therefore, the cost of NRAR should be 100% borne by the community, in the same way that the NSW Police force is funded by the community (taxpayers). No portion of the costs of operating the NSW Police force is allocated to individuals, so why should water users in rural valleys bear any portion of the costs of operating NRAR?

The foregoing question is important in the context of the statement in the conclusion to Attachment F which states on page 195: “NRAR’s costs to be recovered from water users through IPART’s 2025 price determination average \$33.5 million annually over the price period from 2025 to 2030”. That amounts to \$167.5 million over the five-year review period and we maintain that the user share should be zero, not \$167.5 million. We dispute that this is an “impactor pays” cost – it is a community cost as explained above.

While still on NRAR, NRAR relies on statements such as the following on page 196 of Attachment F: “70% of the NSW community hold the belief that illegal water take is still occurring” The first problem with that statement is that “the community” includes people who are uninformed on water issues, and have probably never spent much time in irrigated areas of NSW, so their opinion should be treated with caution. And the statement that “70% of the NSW community hold the belief ...” confirms our previous point that the NSW community should bear the whole of NRAR’s costs.

Section 3.5 of Attachment D – The Engagement Report, contains the following statement:

“Community members (non-licensed holders) support both increased NSW Government and water user funding for water management and planning.”

Also on Page 5, the following statement is made –

“69% of non-licensed customers supported increased funding for water management.”

Those statements demonstrate the folly of including the views of community members (who are not customers) in financial matters – they have no financial stake, they do not pay the bills, they generally have minimal knowledge of water user charges, and they don’t care by how much IPART increases charges. Their views also skew the percentages shown in the outcomes.

## **8. Answers to Questions Posed by IPART Discussion Paper**

### **Question 1**

How will WAMC’s proposed prices impact customers?

*PVWUA response:* We disagree with the WAMC comments that a 15% annual increase won’t cause bill shocks – on the contrary, a 15% annual increase which doubles the existing charges over the forthcoming review period will cause severe consequences in the Peel Valley – please see our response to specific issues in our submission.

### **Question 2**

What factors should we consider so that prices we set for WAMC are appropriate for different customer types? How well has WAMC considered these factors in the development of its proposal?

*PVWUA response:* We recommend that IPART sets water prices that are affordable and equitable across NSW. The prices proposed by WAMC and WaterNSW are neither affordable nor equitable for the Peel Valley. We also recommend that IPART focusses attention on the WAMC cost structures – there appears to be an unconstrained desire by these entities to massively increase spending at every IPART review.

### **Question 3**

Do the proposed 2.5% and 15% caps on prices strike the right balance between cost recovery and impacts on customers?

*PVWUA response:* As in the previous answer - We disagree with the WAMC comments that a 15% annual increase won’t cause bill shocks – on the contrary, a 15% annual increase which doubles the existing charges over the forthcoming review period will cause severe consequences in the Peel Valley – please see our response to specific issues in our submission.

### **Question 4**

What do you think about WAMC’s engagement process? Do you think that WAMC has engaged effectively with customers and stakeholders?

*PVWUA response:* The WAMC consultation has been better than previously but it is important to be cautious about asking people with no financial interest to comment on charges being applied to a third party

**Question 5**

Did WAMC's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?

*PVWUA response:* The WAMC consultation process outlined the current costs and discussed them one by one without providing a view of what would be a satisfactory overall increase and working back from there. The second method provides a much more disciplined approach to overall cost increases.

**Question 6**

Did WAMC consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?

*PVWUA response:* We are not able to comment on behalf of Aboriginal peoples and communities. However, we note that there are no known Aboriginal financial stakeholders in the Peel Valley.

**Question 7**

Are WAMC's customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?

*PVWUA response:* The ambitions expressed by WAMC fail to align with their actions in proposing excessive cost increases

**Question 8**

Does WAMC's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?

*PVWUA response:* Customers are very unwilling to pay increases of 15% plus CPI so possibly 18-20% annually for the services provided by WAMC

**Question 9**

How would the proposed metering charges affect you?

*PVWUA response:* In the Peel, proposed metering changes have already imposed punitive costs of around \$6000-\$12000 per site and considering the smaller licences and the low risk of water theft, the costs already seem inappropriately high. The Non-urban metering review has made some finding and recommendations, which if enacted, will help in some cases, but the whole metering project has been very poorly conceived and managed and reflected an absolute disregard for particular consequences of poorly drafted legislation. On top of that, the technology has had some significant problems.

**Question 10**

How would the proposed consent charges affect you?

*PVWUA response:* No comment as we believe this is under review.

**Question 11**

What are your views on WAMC's proposal to largely maintain the current cost share ratios? The exception is regional planning and management strategies, where WAMC has proposed reducing the customer share from 65% to 50%.

*PVWUA response:* We would support a complete review of all cost share ratios, provided that water user participation was involved in the review, and we consider that there is justification for increasing the Government share for a number of activities.

### **Question 12**

Is there any new information about WAMC's activities we should take into account when setting cost shares? For example, are there changes to:

- Who is causing the need to undertake an activity?
- Who is benefiting from an activity?
- The scope of an activity?

*PVWUA response:* We recommend that a thorough independent review of activities performed by WAMC should be undertaken, with a full justification of the need for the activity and the costs thereof. There needs to be a more effective check on a monopoly which is proposing to double most charges for water in the Peel Valley over the forthcoming review period, plus inflation, and at the same time massively increasing existing supplementary charges, and also introducing several substantial new supplementary charges.

### **Question 13**

How will WaterNSW's proposed prices impact customers?

*PVWUA Response:* At this stage we do not know what WaterNSW's proposed prices are for the Peel Valley. We completely reject the pricing structure under the Base Case scenario, and we sincerely hope that IPART will not approve the Base Case pricing option. Increase proposed under the base case will have a disastrous effect on the local irrigation industry, driving many participant out of the industry and incentivising the transfer of water out of the valley, exacerbating the price pressures on those that remain. Regarding the Alternative Scenarios 1,2, and 3, please see our detailed comments under the respective headings in our submission.

### **Question 14**

What factors should we consider so that prices we set for WaterNSW are appropriate for different customer types? How well has WaterNSW considered these factors in the development of its proposal?

*PVWUA response:* We recommend that IPART sets water prices that are affordable and equitable across NSW. The prices proposed by WaterNSW are neither affordable nor equitable for the Peel Valley.

### **Question 15**

What do you think about WaterNSW's engagement process? Do you think WaterNSW has engaged effectively with customers and stakeholders?

*PVWUA response:* The engagement process was very lengthy, and probably very expensive, but at least it was an attempt to consult with water users. The process was less than satisfactory, for the following reasons:

- There was minimal timely documentation following each meeting, such as formal minutes or notes summarising the topics discussed, a summary of major outcomes, or similar.
- The number of non-stakeholder attendees generally outnumbered the stakeholders at the meetings, so the outcomes were skewed in favour of the

non-stakeholders who had no financial involvement in the issues under consideration.

- In the Peel Valley, the largest entitlement holder, and largest water user (Tamworth Regional Council) did not participate in the consultation process. Whether TRC held their own separate private meetings with WaterNSW is not known to us.
- The engagement process never delivered WaterNSW's proposed pricing in the Base Case to water users, nor any of the Alternative Scenarios 1,2, and 3. Therefore, after a very lengthy engagement process, water users were no better informed on proposed pricing at the end of the process than they were at the beginning. The extensive consultation considered many aspects of the build up of the pricing proposal but the actual Base Case Cost Reflective pricing proposal and the Alternatives 1, 2 and 3 were not tabled before being submitted to IPART

**Question 16**

Did WaterNSW's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?

*PVWUA response:* The level of content was generally acceptable during the consultation process, apart from the fact that the key element – namely the proposed prices – was missing. Regarding stakeholder participation, please see the above answer to Question 15.

**Question 17**

Did WaterNSW consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?

*PVWUA response:* We are not able to comment on behalf of Aboriginal peoples and communities. However, we note that there are no known Aboriginal financial stakeholders in the Peel Valley.

**Question 18**

Are the WaterNSW customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?

*PVWUA response:* If this question about customer outcomes includes fixed and variable water charges, then we would suggest that WaterNSW's proposed fixed and variable water charges in the Peel Valley are very ambitious, very inappropriate, and we trust that IPART will determine that they are not achievable. If stakeholders in the Peel Valley had been given the opportunity to discuss the proposed prices in the Base Case, and Alternative Scenarios 1,2 and 3 during the consultation sessions, we would have made this point loud and clear to WaterNSW.

**Question 19**

Does WaterNSW's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?

*PVWUA response:* The WaterNSW Base Case option is totally unacceptable for the Peel Valley. We are not authorised to comment on behalf of the biggest water user in the valley, namely Tamworth Regional Council, and we expect that they will lodge their own submission. TRC is in a different situation to the irrigators in the valley, because TRC can

simply pass on the increased charges to ratepayers. Irrigators, however, cannot pass on the costs, because they are competing in a market where adjoining valleys pay less for water, and therefore have a government-supported advantage. Other producers in the Peel Valley (such as dairies) are locked into fixed price contracts for their products and would be severely impacted by the proposed increases. The irrigation industry in the Peel Valley rejects the Base Case proposal. Regarding the alternative pricing scenarios proposed by WaterNSW, please see our comments under those headings earlier in our submission.

#### **Question 20**

Would you prefer prices to remain stable over the determination period or do you support WaterNSW's proposal for a revenue cap where prices adjust by up to 5% per year in response to changes in water sales?

*PVWUA response:* This question is somewhat theoretical for the Peel Valley – “where prices adjust by up to 5%” - seriously? The Peel Valley is again facing enormous, proposed price increases – of 338%, 243% and 347%, (before inflation), so the question whether “prices adjust by up to 5%” is totally illusory.

#### **Question 21**

If you are a Licenced Environmental Water holder or Lachlan Valley customer, how will the proposed changes to price structures affect you?

*PVWUA response:* Not applicable

#### **Question 22**

What are your views on WaterNSW's proposal to maintain the current cost share ratios? What do you think of the alternative options provided that could increase the Government share for some activities?

*PVWUA response:* We would support a complete review of all cost share ratios, provided that water user participation was involved in the review, and we consider that there is justification for increasing the Government share for a number of activities.

#### **Question 23**

Is there any new information about WaterNSW's activities we should take into account when setting cost shares? For example, are there changes to:

- Who is causing the need to undertake an activity?
- Who is benefiting from an activity?
- The scope of an activity?

*PVWUA response:* We consider that a thorough independent review of activities performed by WaterNSW should be undertaken, with a full justification of the need for the activity and the costs thereof. There needs to be a more effective check on a monopoly which is proposing price increases of 338%, 243% and 347% in the Peel Valley, plus inflation, and plus additional charges over the forthcoming review period.

