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Independent Pricing and Regulatory Tribunal of NSW
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12th 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 with particular focus on the proposed Lowbidgee Supplementary charges.

Introduction

Ravensworth Agriculture Company Pty Ltd ("Ravensworth Agriculture") is located between Hay and Balranald in NSW where the business operates two significant irrigated properties – Ravensworth and Lake Marimley on the Murrumbidgee River system.

The principal of the business, Ron Harris, comes from an enduring lineage of wheat, cotton, beef and sheep producers, and runs the business in partnership with his wife, Suzanne and eldest son Adam. This family run business is a cohesive and dedicated team based on – site and spread across eastern Australia.

The business is a significant employer in the Riverina and produces irrigated crops including, cotton, maize, wheat, barley and other rotation crops, while also adding significant value to its products via the major feedlot located on the Ravensworth property. The feedlot is also a significant local buyer of cattle and cattle feed within the region.

Various water entitlements are owned by the business and additional irrigation water is bought in at various times depending on demand. One of the major water entitlements held by the business is the largest privately held parcel of Lowbidgee Supplementary water.

Proposed increases to Lowbidgee Supplementary charges

Ravensworth Agriculture is extremely concerned IPART's proposed increase to WaterNSW charges by 76.2% from \$0.84/ML to \$1.48/ML. The proposed increase would represent an increase in cost to Ravensworth Agriculture of over \$60,000 annually, to total over \$143,000 annually with no proposed improvement to any aspect of the water entitlement, such as reliability, delivery or utility.

While lower than the WaterNSW proposal of a 105% increase, this increase is by no measure prudent nor efficient. IPART's analysis of impacts from the proposed prices on the users is at best incomplete as it shows little understanding of the profile of the Lowbidgee water entitlement holders.

While some entitlement holdings for environmental purposes are large, there are other users with large holdings along with a number of small users. Due to the inherent features of the water entitlement the majority of users both small and large make very little economic gain from this water entitlement.

Small users or large users should not be asked to pay an unjustified and unreasonable increase in water charges.

Analysis of average users

There are 747,000 ML of Lowbidgee Supplementary entitlement on issue held on 24 licences, therefore the average Lowbidgee Supplementary licence is 31,125 ML. IPART's analysis of the average bill increase is perplexing as Ravensworth Agriculture calculates the average entitlement to be 31,125 ML and an increase of \$0.64/ML, from \$0.84/ML to \$1.48/ML represents an annual increase of \$19,920 to this bill.

The average bill would then be \$46,056, this is in contrast to the stated increase on page 9 of the Draft Review by IPART from the current level of \$420 annually to \$740 for the next determination.

Ravensworth Agriculture also submits that the lower base amount and the increase upon that amount is irrelevant to the average bill, as stated on page 10. An increase in cost is just that, an increase in cost. The WaterNSW submission has not adequately justified the need for any of the Operating or Capital Expenditure.

Proposed increase in Operating Expenditure within Lowbidgee area

On page 137 of the Draft Review, IPART states that the proposed increase in Lowbidgee charges will mainly be due to increase in operating expenditure.

There is no explanation of the additional charges and Ravensworth Agriculture suspects that either the analysis is flawed, or there is an expectation that a particular segment of the users will require a greater level of service for the determination period.

If the latter is true and environmental users require a higher standard of service, then these users should pay for that service and IPART should not require costs to be spread across all users. If the former is correct the analysis of the operating expenditure needs to be presented to users and justified in the review for the next determination.

IPART would be aware that the Lowbidgee area is relatively small in terms of WaterNSW's 'valleys' and Lowbidgee users have visibility of the operations across the Lowbidgee area, therefore it is difficult to understand where the additional Operating Expenditure can be directed.

Proposed Capital Expenditure within Lowbidgee area

Ravensworth Agriculture has many concerns around the quantum and location that the proposed \$5.4 million of Capital Expenditure would occur. This is also a significant amount considering the large quantum of Capital Expenditure during the previous determination.

As IPART would be aware there are significant government holdings of Lowbidgee Supplementary water and these are concentrated within the Nimmie – Caira and Redbank South areas of the Lowbidgee system, while the majority of the entitlement in the Redbank North system is privately held. There has been significant investment in the Nimmie – Caira area across the previous determination and very little in other areas. How much of the Capital Expenditure during the previous determination is benefiting the entirety of the Lowbidgee area and its users? At face value it appears that Capital Expenditure is particularly uneven in the Lowbidgee.

Ravensworth Agriculture supports fit for purpose infrastructure that meets appropriate standards, however we do not support ‘gold plating’ nor different standards across the system. If a particular user requires a greater level of infrastructure that user should pay for the service.

Conclusion

Ravensworth Agriculture thanks IPART for the opportunity to make this submission, concerning as it is for the company.

Ravensworth Agriculture believes the IPART Review of WaterNSW’s Rural Bulk Water Prices from 1 July 2021 to 30 June 2025 as they relate to the proposed Lowbidgee Supplementary charges is of significant concern and the proposal will adversely impact on the company in a highly destructive manner.

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

Yours faithfully,

Ron Harris

Managing Director
Ravensworth Agriculture Pty Ltd

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