

Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Dear Sir

REVIEW OF PRICES FOR WATER NSW AND THE WAMC FROM 1 JULY 2021 TO 30 JUNE 2025 - DRAFT DETERMINATION

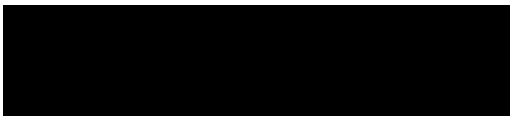
Ref: zw/BL

On behalf of Tamworth Regional Council, thank you for the opportunity to provide comments on the Draft Determination of IPART's Review of Prices for Water NSW and the WAMC from 1 July 2021 to 30 June 2025.

Council's submission follows.

Please contact the undersigned should you wish to discuss this matter further.

Yours faithfully



Bruce Logan
Director Water and Waste



15 April 2021

Tamworth Regional Council

Response to the Independent Pricing and Regulatory Tribunal

Review of Prices for Water NSW and the WAMC from 1 July 2021 to 30 June 2025 - Draft Determination

Table of Contents

1	Background.....	3
2	Comments on the Draft Determination	3

1 Background

The table below shows the licenses/entitlements Council holds to provide water to various centres across the Council area and the average annual consumption from those licenses/entitlements.

Centre	Water Source	Entitlement (MLs)	Average Annual Usage (MLs)
Tamworth	Peel River - Chaffey Dam - Regulated	16400	4974
Tamworth	Dungowan Creek - Dungowan Dam - Unregulated	5600	3311
Manilla	Manilla River - Split Rock Dam - Regulated	150	41
Manilla	Namoi River - Unregulated	421	316
Barraba	Manilla River - Split Rock Dam - Regulated	365	156
Barraba	James St Bores - Groundwater - Fractured Rock	180	0
Kootingal	Groundwater - Cockburn River Alluvium	530	0
Nundle	Groundwater - Peel River Alluvium and Fractured Rock	100	46
Bendemeer	Macdonald River - Unregulated	84	29
Bendemeer	Groundwater - Fractured Rock	10	10
Attunga	Groundwater - Peel River Alluvium	120	58
Tamworth	Groundwater - Peel River Alluvium and Fractured Rock	1055	500

2 Comments on the Draft Determination

Council would like to make the following comments in relation to the draft determination:

- Council welcomes the general reduction in charges levied by the Water Administration Ministerial Corporation (WAMC);
- the increase in prices in the draft determination for Water NSW charges is outrageous see **Attachment A**. No government owned corporation should be able to increase charges by these levels in a single year;

- c) the Independent Pricing and Regulatory Tribunal (IPART) should reconsider the capacity of users in the Peel to pay increased costs when evidence demonstrates that the cost of water in the Peel has risen by far greater than CPI for at least the last 15 years - see **Attachment B**. There is limited capacity for consumers to just keep paying more and more for the same commodity;
- d) the cost to residential consumers in Tamworth, Moonbi and Kootingal, if the whole increase as suggested in the draft determination is passed on in total by Council, will be \$14.84 for a consumer who in 2021-2022 consumes the average volume of water consumed by residences over the last 5 years;
- e) if IPART and the NSW Government are determined to adopt the charges as detailed in the draft determination, then the Water NSW charge increases should be capped and the total increase introduced over a number of years;
- f) under the draft determination, the cost of raw water in the Peel for High Security license holders will remain almost double the next highest priced valley in the Murray Darling Basin see Attachment C. Council continues to struggle with this huge inequity in pricing across the state, which is not of its making. Council strongly believes the cost of raw water should not be a financial burden for the people of Tamworth, Moonbi and Kootingal and Peel Valley Irrigators. It certainly isn't a burden for consumers in the Murrumbidgee where the cost for the same volume of high security water would be 10 times less than in the Peel;
- g) the cost of water from Council's own Dungowan Dam under the draft determination will be \$5.25 per Megalitre, yet water from the state-owned Chaffey Dam will be \$253.55 per Megalitre. Notwithstanding, Council has costs associated with the ownership and operation of Dungowan Dam the huge difference in costs needs further investigation and justification;
- h) Council has long been campaigning against the extraordinarily high cost of raw water in the Peel compared to other valleys in the Murray Darling Basin. To this end, Council has repeatedly called for postage stamp pricing for bulk water within NSW. Council makes the following points in support of postage stamp pricing:
 - o in the case of supplementary or off allocation flows, where water flows from one valley into another, there is some debate about the charges levied for that water if it is intercepted by a user in a valley that is not the valley the water originated from. For example, if flow in the Peel River results in supplementary or off allocation flows in the Namoi, the Namoi irrigators pay to intercept this water at the Namoi valley costs, even though if the water had been intercepted in the Peel the price to intercept would have been double. Postage stamp pricing does away with this issue;
 - o water shepherding rules. In a similar manner to the point above, in the event environmental flows are released from one valley for the purposes of addressing environmental concerns in a downstream valley, how much does the environmental water holder pay for that water. Is it the cost associated with the valley it was released from or the cost associated with the valley it ends up in. Postage stamp pricing would address this issue;
 - o legacy issues. The cost of supplying raw water in some valleys is higher because of decisions made by governments before the notion of 'users pays' was conceived. For example, in the Namoi Valley two dams were constructed, Keepit and Split Rock. With the benefit of hindsight, and the desire for users pays, it may have been

better to construct one larger dam rather than two. In doing so, the cost of raw water in the Namoi could have been reduced because no one argues that the operating cost of two separate smaller dams is higher than one larger dam. Present day users who are required to pay for raw water at costs which reflect the cost of operating two dams, or in the case of the Peel, one relatively small storage, were not consulted at the time the decision was made, or able to consider the decision to build the second dam/smaller storage in terms of increased ongoing costs;

- Council supports requiring monopoly suppliers to provide detailed cost break ups associated with the delivery of bulk water in a particular valley. This can help identify inefficiencies or unnecessary waste. However, Council contends there is no reason why, having calculated the cost of the service in each valley, these costs could not be aggregated and divided by the total amount of water delivered across the state to determine the postage stamp price; and
 - to date, IPART has repeatedly rejected postage stamp pricing for a variety of reasons. Yet in the same draft determination by IPART in relation to charges levied by WAMC, IPART has accepted charges that will see all groundwater customers in the Murray Darling Basin (excluding the Murrumbidgee Valley) pay the same access and usage charges for groundwater, regardless of location. To Council, this seems to be almost a postage stamp price for groundwater across NSW. If postage stamp pricing is able to be applied for groundwater, Council is asking why the same justification can't be applied to surface water, and questioning whether the reasons provided for rejecting postage stamp pricing for surface water previously are actually valid.
- i) groundwater entitlement holders in the Peel Valley Alluvium do not pay any charges to Water NSW, they only pay charges to WAMC. This would suggest Peel Valley alluvium groundwater is in no way linked to the surface water in the Peel River. According to Water NSW's water balance report in the 2019-2020 water year, there was 1,601 Megalitres of unaccounted water and in 2018-2019 this figure was 6,070 Megalitres (NB this does not include evaporation). It is considered that all of this unaccounted water is actually being lost through aquifer recharge. This is a significant quantity of water that is being released from the dam for no other purpose than to recharge and therefore it could be argued that surface water entitlement holders are subsidising Peel Valley Alluvium groundwater entitlement holders, given they appear to be directly benefiting from the presence of the dam and the release of water from that dam. It is considered IPART should investigate this issue further and if necessary, adjust charging more equitably across all consumers who benefit from the presence of Chaffey Dam.

Attachment A – Cost Changes under the Draft Determination by Centre

Tamworth

				Tamworth (Peel)	Tamworth (Dungowan)	Tamworth Scott Road Groundwater	Tamworth Groundwater	Total
			Ent (MLs)	16400	5600	118	1055	
			Ave. Usage (MLs)	4974	3311	118	500	
2020-2021 Charges	Water NSW Charges	Ent	Charge (/ML)	\$44.77	\$0.00			
			Amount	\$734,228	\$0	\$0	\$0	
		Usage	Charge	\$19.78	\$0.00			
			Amount	\$98,386	\$0	\$0	\$0	
			Sub Total	\$832,614	\$0	\$0	\$0	\$832,614
	WAMC Water Charges	Ent	Charge (/ML)	\$2.67	\$2.31	\$3.86	\$3.86	
			Amount	\$43,788	\$12,936	\$455	\$4,072	
		Usage	Charge	\$4.76	\$2.47	\$3.13	\$3.13	
			Amount	\$23,676	\$8,178	\$369	\$1,565	
			Sub Total	\$67,464	\$21,114	\$825	\$5,637	\$95,041
			Total	\$900,078	\$21,114	\$825	\$5,637	\$927,654
IPART Draft determination 1/7/21 to 30/6/25 - Charges are	Water NSW Charges	Ent	Charge (/ML)	\$64.39	\$0.00	\$0.00	\$0.00	
			Amount	\$1,055,996	\$0	\$0	\$0	
		Usage	Charge	\$25.59	\$0.00	\$0.00	\$0.00	

				Tamworth (Peel)	Tamworth (Dungowan)	Tamworth Scott Road Groundwater	Tamworth Groundwater	Total
for yr 1 - 2021-2022			Amount	\$127,285	\$0	\$0	\$0	
			Sub Total	\$1,183,281	\$0	\$0	\$0	\$1,183,281
	WAMC Charges	Ent	Charge (/ML)	\$3.22	\$0.94	\$3.71	\$3.71	
			Amount	\$52,808	\$5,264	\$438	\$3,914	
		Usage	Charge	\$4.83	\$3.66	\$2.15	\$2.15	
			Amount	\$24,024	\$12,118	\$254	\$1,075	
			Sub Total	\$76,832	\$17,382	\$691	\$4,989	\$99,895
			Total	\$1,260,113	\$17,382	\$691	\$4,989	\$1,283,176
			%age increase	40%	-18%	-16%	-11%	38%

Manilla

				Manilla (Manilla River)	Manilla (Namoi River)	Total
			Ent (MLs)	150	421	
			Ave. Usage (MLs)	41	316	
2020-2021 Charges	Water NSW Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$18.40	\$0.00	
			Amount	\$2,760	\$0	
		Usage	Charge	\$21.52	\$0.00	
			Amount	\$882	\$0	
			Sub Total	\$3,642	\$0	\$3,642
	DPI Water Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$2.73	\$2.31	
			Amount	\$410	\$973	
		Usage	Charge	\$1.84	\$2.47	
			Amount	\$75	\$781	
			Sub Total	\$485	\$1,753	\$2,238
			Total	\$4,127	\$1,753	\$5,880
IPART Draft determination 1/7/21 to 30/6/25 - Charges are for yr 1 - 2021-2022	Water NSW Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$30.18	\$0.00	
			Amount	\$4,527	\$0	
		Usage	Charge	\$29.63	\$0.00	
			Amount	\$1,215	\$0	
			Sub Total	\$5,742	\$0	\$5,742
	DPI Water Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$2.49	\$0.94	
			Amount	\$374	\$396	
		Usage	Charge	\$1.57	\$3.66	
			Amount	\$64	\$1,157	
			Sub Total	\$438	\$1,552	\$1,990
			Total	\$6,180	\$1,552	\$7,732
			%age increase	49.7%	-11.5%	31.5%

Barraba

				Barraba (Split Rock Dam)	Barraba (James St Bores)	Total	
			Ent (MLs)	365	180		
			Ave. Usage (MLs)	156	0		
2020-2021 Charges	Water NSW Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$18.40			
			Amount	\$6,716	\$0	\$0	
		Usage	Charge	\$21.52			
			Amount	\$3,357	\$0	\$0	
			Sub Total	\$10,073	\$0	\$10,073	
		DPI Water Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$2.73	\$3.86	
	Amount			\$996	\$695	\$0	
	Usage		Charge	\$1.84	\$3.13		
			Amount	\$287	\$0	\$0	
			Sub Total	\$1,283	\$695	\$1,978	
				Total	\$11,357	\$695	\$12,051
	IPART Draft determination 1/7/21 to 30/6/25 - Charges are for yr 1 - 2021- 2022	Water NSW Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$30.18		
Amount				\$11,016	\$0		
Usage			Charge	\$29.63			
			Amount	\$4,622	\$0		
			Sub Total	\$15,638	\$0	\$15,638	
DPI Water Charges Draft IPART determination 1/7/21 to 30/6/25			Ent	Charge (/ML)	\$2.49	\$3.71	
		Amount		\$909	\$668		
		Usage	Charge	\$1.57	\$2.15		
			Amount	\$245	\$0		
			Sub Total	\$1,154	\$668	\$1,822	
					Total	\$16,792	\$668
			%age increase	48%	-4%	45%	

Kootingal, Nundle, Bendemeer and Attunga

				Kootingal Groundwater	Nundle Groundwater	Bendemeer (Macdonald River)	Bendemeer Groundwater	Attunga	Total
			Ent (MLs)	530	100	84	10	120	
			Ave. Usage (MLs)	0	46	29	10	58	
2020-2021 Charges	Water NSW Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)						
			Amount	\$0	\$0	\$0	\$0	\$0	
		Usage	Charge						
			Amount	\$0	\$0	\$0	\$0	\$0	
			Sub Total	\$0	\$0	\$0	\$0	\$0	\$0
	DPI Water Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$3.86	\$3.86	\$2.31	\$3.86	\$3.86	
			Amount	\$2,046	\$386	\$194	\$39	\$463	
		Usage	Charge	\$3.13	\$3.13	\$2.47	\$3.13	\$3.13	
			Amount	\$0	\$144	\$72	\$31	\$182	
			Sub Total	\$2,046	\$530	\$266	\$70	\$645	\$3,556
			Total	\$2,046	\$530	\$266	\$70	\$645	\$3,556
IPART Draft determination 1/7/21 to 30/6/25 - Charges are for yr 1 - 2021- 2022	Water NSW Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)						
			Amount	\$0	\$0	\$0	\$0	\$0	
		Usage	Charge	\$0					
			Amount	\$0	\$0	\$0	\$0	\$0	
			Sub Total	\$0	\$0	\$0	\$0	\$0	\$0

				Kootingal Groundwater	Nundle Groundwater	Bendemeer (Macdonald River)	Bendemeer Groundwater	Attunga	Total
	DPI Water Charges Draft IPART determination 1/7/21 to 30/6/25	Ent	Charge (/ML)	\$3.71	\$3.71	\$0.94	\$3.71	\$3.71	
			Amount	\$1,966	\$371	\$79	\$37	\$445	
		Usage	Charge	\$2.15	\$2.15	\$3.66	\$2.15	\$2.15	
			Amount	\$0	\$99	\$106	\$22	\$125	
			Sub Total	\$1,966	\$470	\$185	\$59	\$570	\$3,250
			Total	\$1,966	\$470	\$185	\$59	\$570	\$3,250
			%age increase	-4%	-11%	-30%	-16%	-12%	-9%

