

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

Dear Sir

Response to IPART's Discussion Paper – Water NSW Rural Valleys Pricing Review 2025-2026

On behalf of Tamworth Regional Council thank you for the opportunity to provide comments on the Discussion Paper Water NSW Rural Valleys Pricing Review 2025-2026.

Council's submission follows.

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

Yours faithfully,

[Redacted signature block]

20 November 2025

Tamworth Regional Council

Response to the IPART's Discussion Paper – Water NSW Rural Valleys Pricing Review 2025-2026

The table below shows the licenses/entitlements Council holds to provide water to various centers 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	5135
Tamworth	Dungowan Creek – Dungowan Dam – Unregulated	5600	3109
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	Peel River	80	39
Nundle	Groundwater - Fractured Rock	20	7
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

IPART has sought feedback on specific matters as detailed below. A *staff comment* is included for those where it is considered Council could provide feedback.

1. What are the issues you consider IPART should further consider as part of this review?
 - a) *Is the funding model presently applied still appropriate. Council would submit the current funding model is broken.*

Page 66 of the Prices for Water NSW Bulk Water Services – Information Paper May 2025 released by IPART, shows the estimated bulk raw water across jurisdictions by 29/30. This table indicated the cost of raw water in NSW is significantly higher than in Queensland and Victoria. What financial models, to recover costs, are these states using and, if applied in NSW, what would be the impact on charges.

It seems there is a real focus on users pays and full cost recovery for bulk water sales which is not evident in other charges levied by the State – e.g. car registration and train travel in Sydney. Assuming it is acceptable for the State to apply different criteria to other activities why can't the approach for bulk water sales be changed.

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:

- *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;*
 - *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;*
 - *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, IPART has set maximum charges for all groundwater customers in the Murray Darling Basin (excluding the Murrumbidgee Valley) the are the same 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, 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.*
- b) *What cost does IPART's detailed review of Water NSW charging impart on the Water NSW business. Can this be justified? Are there other ways for assessing what is fair and reasonable charges for monopoly providers.*
- c) *IPART's end goal appears to be blindly applying economic principles without considering the consequences. Council's concerns is that the cost of bulk raw water will continue to rise to satisfy these principles but it will no longer be economic to actually use the water as an input into a business that relies on it. This will lead to less water being consumed and, in an effort, to apply full cost recovery, further increase in costs spread across an ever-diminishing pool of users. At some point it may be that no crop provides sufficient return to justify the cost of accessing bulk raw water – this point is certainly approaching in the Peel Valley. Has any consideration of the economic impact of diminishing primary production across the State have and is that factored into the modeling used to assess charges.*

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

In the Peel Valley, general security water is primarily used to produce lucerne, generally on small farms. Anecdotally there is evidence the age of the farmers producing lucerne is increasing and the financial viability of the business is decreasing to the point where some are reducing production or stopping completely.

Council is concerned further increases in charges will only increase the number of farmers who stop lucerne production, the impact of this needs to be considered on the State generally and on other users in the Peel. Council believes within 5 -10 years the number of irrigators in the Peel will have decreased. The cost to Water NSW of operating Chaffey Dam will have increased and, because there are less users to spread charges across, Council will be left paying the bulk of the costs of Water NSW operating and maintaining Chaffey Dam. Whilst it is understood there is an economic argument that water should be used for that use which provides the highest economic return, storing water in dams is of no value if there is no use that provides an economic return because of the high cost of the water.

3. Have you observed improvements in the levels of rural water services provided by Water NSW to explain the increase in its base costs over time?

The level of service being provided by Water NSW has improved over the last 5 -10 years – in some cases Water NSW has taken on work that should be completed by others.

Council is concerned recent announcements by Water NSW including the reduction in staffing due to reduced income, must lead to a reduction in services previously offered, just what these services are, and the impact of these reductions is not know yet

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 for the current cost of debt for the MDB valleys?

This is an argument for economists and council staff are not qualified to comment. However, any rules adopted should be applied consistently across all State Government operations, whether State Owned Corporations or Government Departments. It seems there is a real focus on users pays and full cost recovery for bulk water sales which is not evident in other charges levied by the State – e.g. car registration and train travel in Sydney. Assuming it is acceptable for the State to apply different criteria to other activities why can't the approach for bulk water sales be changed.

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

Council does not have sufficient knowledge to provide a view on this issue. If Council does not understand the question or have expertise to provide an answer, then it seems likely that the majority of Water NSW's customers will also not be able to provide a fully informed response on this issue.

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

See other comments.

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

Council agrees with the cost share ratios listed, but again when the cost of users paying these shares is greater than the capacity of the users to pay, a new approach should be considered.

Again, what is the benefit to the state of irrigated primary production and what would be the impact on the State if primary production fell because of the high input costs such as water, needs to be considered.

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?

In terms of the environment, it could be argued the environment benefits more from a dam being in place than without. We saw this in the Peel during the 2019-2020 drought when water was still being released from Chaffey Dam for environmental purposes right up to when it reached minimum level. Had the dam not been in place then it is considered the environment in the Peel River would have been subjected to drought conditions far more quickly and with more severity. If this argument is supported, then a case can be raised for the environment to pay more.

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

Council does not object to users pays principles and to the allocation of cost shares, but this approach needs to be tempered with consideration of who benefits from the irrigated primary production and what would be the impact of less irrigated agriculture. If this consideration was included, then it is possible the state would pay a greater share of the costs.

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10. Over what determination period should we set prices?

Given the assumed high cost to Water NSW of preparing the documents for IPART's review and the time and cost to stakeholders in responding to the various engagements on the issues, a longer period between reviews is supported – at least 4 -5 years. This will also allow some certainty for investment decision by irrigated primary producers.

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?

Council does not have sufficient expertise or knowledge of just how this would work to comment on this issue.

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

Council is faced with a similar problem when forecasting water usage and preparing budgets. Obviously depending on the period chosen to reflect average consumption the numbers could change significantly – include a drought period and the average use would fall, don't include a drought period and the average use would be to high.

Council believes if it has to deal with fluctuations in income based on water consumption from year to year then Water NSW should deal with this too.

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


See earlier comments – the huge disparity in charging between valley is Council's number one issue.

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

Certainty is essential when making decisions. If whole scale changes are proposed, which will significantly change the current charging for bulk raw water, then sufficient lead time must be provided to allow primary producers, and other stakeholders, to consider the proposed changes with their decision making

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

No comment

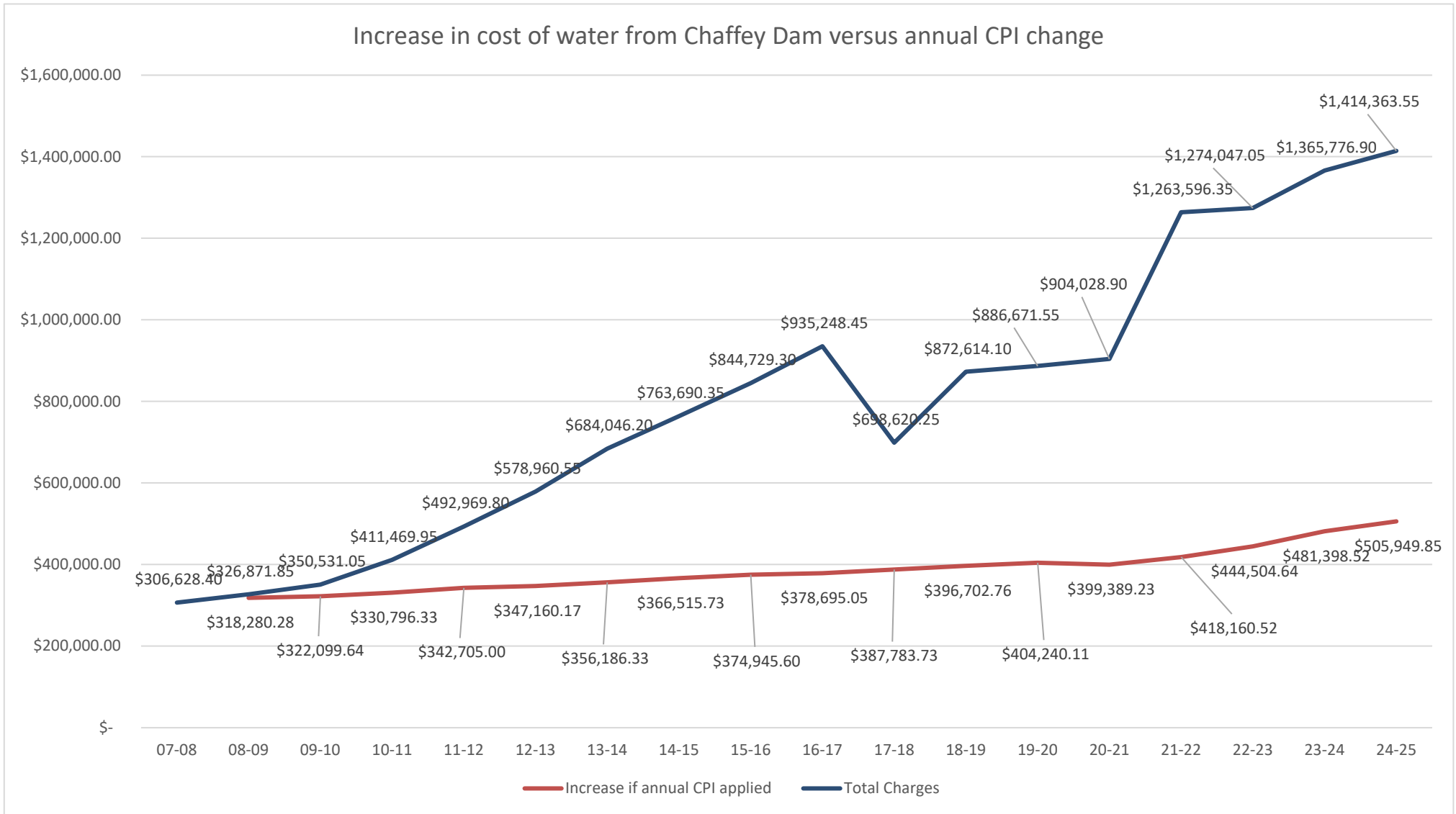
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16. What are your views on the proposed approach to assessing efficient costs of the MDBA and the BRC?

No comment

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

Again, this is an argument for the economists and not something Council feels qualified to comment on.

Annexure 1 – Comparison of increase in charges versus CPI



Annexure 2. Comparison of how much Council would pay for the same water if Tamworth was located in a different valley

