

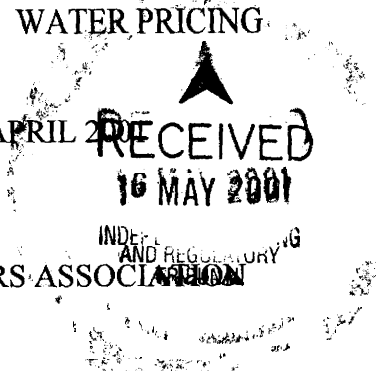
SUBMISSION TO IPART ON BULK WATER PRICING

In response to

DLWC SUBMISSION OF APRIL 2001

On behalf of

HUNTER VALLEY WATER USERS ASSOCIATION



Introduction

The Hunter Valley Water Users Association represents the **interests of water** users in the Hunter Valley but in practice most of our members are irrigators who draw water from the regulated Hunter River.

We do from time to time hold talks with other local water users associations and ground water irrigators.

For this submission we have worked closely with the Coastal Valley Customer Service Committee of State Water and fully endorse the submission to **IPART** by that committee. However in preparation of the CVCSC submission there were various items that needed to be dealt with by individual members and their nominating organisations separately.

For this reason we have framed this submission to be read in conjunction with the CVCSC submission and have concentrated on areas that are of particular concern to our association.

Comments on DLWC Submission

We do not accept DLWC claims of what costs are attributable to bulk consumers in order to determine 'full cost recovery' and are most alarmed at the narrow definition of customers inferred by DLWC throughout their submission.

We are particularly concerned that the DLWC continue to suggest that cost-sharing ratios should remain consistent across NSW. Surely if each valley runs separate accounts for the purpose of determining costs and as the basis of water charges it must follow that the cost share for the water must also be on a valley by valley basis. This is particularly important in determining who is the final beneficiary of an action and to what share.

No where is this principal more obvious than in the Hunter Valley which is highly industrialised and **urbanised**, where less than 5% of available water is used by irrigators, and yet they are expected to pick up the majority of costs of DLWC.

Our submission last year detailed a number of these inequities in the valley which were not acted on by **IPART** and we hope that those matters will be **further** considered in this median term determination.

We concur with CVCSC suggestion that the general economy of an area such as this is one of the major beneficiaries of having a **SECURE** water supply. Many of the industrial

developments of this area just would not have occurred without the security offered by having Glenbawn and Glennies Creek storage's even though some of those industries use only a comparatively small amount of water and hence only pay a minimal part of the costs for their security. Others of course such as Macquarrie Generation are by far the largest users of water in the valley and must be forced to pay their appropriate share.

Apart from attempting to define what is public good and what is private good it is also important to realistically determine the varying degrees of access by those consumers who can be identified and attempt to reflect preferential access rights in water pricing.

The Water Management Act 2000 is very clear that priority for access to water will be

- Basics rights holders (**riparian** stock and domestic users)
These users pay nothing for their water.
- Local water utilities. (town water supplies)
Currently pay \$9.17 per ml.
- Major Utilities (e.g. Macquarrie Generation). We have not been able to determine what their current payment is but as they are the highest consumptive user of water (normal use about 50% of total water extraction from the Hunter) and have absolute priority it is expected that they should pay at least half of the costs attributed to consumptive users.
- High Security (mainly industrial users)
Currently pay \$9.17 per ml
- General security (Irrigation)
Currently pay \$7.64 per ml.
- High Flow. Currently irrigators pay normal charges Macquarrie Generation pay nothing
- Recreation pays nil
- Aboriginal pays nil

And of course the environmental water flows can't normally be compromised.

Relativity between High Security & Low security users has been discussed in some detail by the Hunter River Management Committee and the present position of that committee is that water transfer rules should have a 3: 1 conversion rate for water transfers from general security to high security.

Acknowledging that it is unlikely that all charges could be determined in accordance with priority of access we would suggest that the fixed portion of water charges should be in the same ratio. I.e. High security: Low security = **3:1**

Fixed Costs V Usage costs

As the vast majority of DLWC costs are fixed it would seem appropriate that the major part of the charges should be fixed and the usage charges only reflect that portion of costs that is relevant to the actual delivery of that water.

We would further suggest that the fixed portion of the charge should be on available water only. This would mean that if a yearly entitlement was reduced by say 20%

because of water availability then the fixed charge should only apply to the reduced allocation for that year.

Resource Management Costs

As indicated earlier we believe that resource management is a core government function and that to attempt to recover these costs from consumptive users when they have no input into what level is required and the way the money is spent is untenable.

Coupled with this lack of influence and the fact that consumptive users access only a fairly small part of available water in this valley the absolute maximum share that could be chargeable should be related to the share of available water used.

Departmental accounting.

We are satisfied that State Water is making a genuine attempt at transparency in their accounting methods even though we disagree with some of their determinations. We do not however have the same confidence in those portions of costs that are attributed to other sections of the department and passed on to State Water for inclusion in the DLWC submission. In fact it appears to us that DLWC considers they can pass on whatever costs they- feel like without any accountability or justification at all. We are still concerned that the consumptive user is being forced to pay for items they do not want and in fact may be to their disadvantage.

Impact Assessment

We are particularly disturbed at the feeble attempt to make a meaningful assessment of the impact of price increases of this nature in the Hunter Valley.

The only crops looked at are vegetable crops, which form a very small part of the water usage in the Hunter. If the DLWC is fair dinkum in trying to assess effects of their submission they should be prepared to examine the effect on irrigated Lucerne, pastures, & crops for dairying & grazing which cumulatively probably account for **70+%** of irrigation water usage in the Hunter.

Summary

This association believes that before a median term determination on bulk water pricing can be finalised the Tribunal should

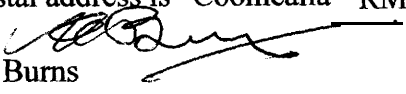
1. Determine what is efficient and necessary expenditure in each Valley.
2. Determine all those who are beneficiaries of this necessary expenditure in each valley.
3. Allocate costs of that expenditure to the various classes of beneficiaries in a **fair** and reasonable manner having regard to their priority of access.
4. Ensure that those beneficiaries who can't be readily identified have their share accepted by government as a public good.
4. Have regard to the effect of any determination on the various stakeholders concerned.

We do not think the current submission from DLWC provides **sufficient** material to satisfactorily make such a determination.

I would be most happy to further discuss any matter raised in this submission or in the submission **from** Coastal Valleys Customer service Committee should the Tribunal so desire.

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11/5/2001