

Office of the Chief Executive

Mr James Cox
Chief Executive Officer
IPART
PO Box Q290
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Dear Mr Cox

I am writing in response to some of the issues raised by Murray Irrigation at IPART's public hearing on 3 July 2012, in relation to their comments regarding the Murray-Darling Basin Authority's (MDBA) cost structure and pricing practices for River Murray Operations assets. In particular, I would like to address the allegations about lack of transparency in relation to River Murray Operations assets' costs and that these costs have 'risen dramatically'. We also address the inference made that a lack of ACCC regulation of the MDBA somehow disadvantages Murray Irrigation.

Transparency of River Murray costs

River Murray Operations assets costs are managed and reported under a number of categories:

- Category 1 – major water assets required for whole of system operation
- Category 2 – minor water assets (locks and weirs) that provide local benefits in river regulation
- Salinity – design, construction, operation, maintenance and renewal of Murray Valley salt interception scheme (SIS)
- Murray Mouth – dredging to keep the mouth open and maintain connectivity between the sea and the Coorong
- Environment – the cost of environmental activities in the River Murray system
- River Murray administration – MDBA staff costs in directing river operations and asset management

For IPART purposes Category 1 assets are further split into those required to regulate the Murray upstream of the Murrumbidgee Junction (category 1a), and those downstream (category 1b).

The full spreadsheet of River Murray Operations assets costs previously provided to IPART is included as Attachment 1 to this letter. The MDBA understands that these costs were, until recently, publicly available on the IPART website although we could not find them when writing this letter. The MDBA provided the information to IPART on the understanding it would be published by IPART. The MDBA rejects the claim that there is a lack of transparency in relation to River Murray Operations assets costs.

River Murray Operations assets costs have not risen dramatically

Total operations and maintenance costs are summarised in the chart (Attachment 2). The costs rise in periods of water scarcity because of the additional costs of using the low level outlet at Dartmouth Dam and higher costs of dredging at the Murray Mouth. It can be seen that they rose between 2006-07 and 2009-10.

Since 2009-10 the total costs of operations and maintenance have declined, although within this overall cost envelope the costs of salt interception schemes and the MDBA's administration costs have continued to rise over this period as new schemes continue to be commissioned and governments continue to pursue major reforms.

ACCC regulation

The MDBA recognises that the ACCC does not regulate MDBA as the MDBA does not strike a charge to irrigators. This is not, as argued by Murray Irrigation, a failure of the water charge infrastructure rules to meet the objectives of pricing transparency and cost recovery under the *Water Act 2007*. It is the result of funding arrangements between the three southern Basin States and the Commonwealth government set out in the Murray-Darling Basin Agreement. Those funding arrangements result in significant subsidies to irrigators in three states, in the absence of which there would be substantial increases to irrigators if full cost recovery principles were applied. In assisting IPART with its 2006 determinations, the MDBC staff had extensive discussions with IPART, State Water and NSW Office of Water (NOW) staff. Unfortunately, the same level of involvement was not available in 2009 and that may have led to perceptions of lack of transparency.

The MDBA is committed to assisting IPART where it can, particularly in relation to those MDBA costs which State Water or NOW are seeking to have included in relevant determinations.

In undertaking its current review, the MDBA encourages IPART to reconsider the issues raised by MDBA in October 2009 particularly those regarding the fixed and not variable nature of headworks costs.

I hope this clarifies the issues in relation to the transparency of the Murray Darling Basin MDBA's cost structure and pricing practices for River Murray Water. Should you require any further clarification or wish to expand on any matters raised above, please contact David Dreverman, Executive Director, River Management on (02) 6279 0161.

Yours sincerely



Rhondda Dickson

Chief Executive

1 / 8 / 2012

Attachment 1: RMW Operations and Maintenance costs

Category	IPART Code	Description	Actual 2006/07	Actual 2007/08	Actual 2008/09	Budget 2009/10	Forecast 2010/11	Forecast 2011/12	Forecast 2012/13	NSW Share	NSW Contribution 2006/07	NSW Contribution 2007/08	NSW Contribution 2008/09	NSW Contribution 2009/10	NSW Contribution 2010/11	NSW Contribution 2011/12	NSW Contribution 2012/13
1a		River Operations	613,151	699,116	745,833	631,270	676,731	681,870	708,300	42.92%	263,164	300,061	320,112	270,941	290,453	292,659	304,002
Dartmouth		Preventative Maint	1,641,920	1,809,806	1,357,334	1,776,249	1,829,051	1,901,539	1,888,733	42.92%	704,712	776,769	582,568	762,366	785,029	816,141	810,644
Hume		Planned maintenance	6,146,908	3,004,977	2,146,460	1,689,300	2,008,620	1,813,552	2,524,748	42.92%	2,638,253	1,289,736	921,261	725,048	862,100	778,377	1,083,622
Yarrowonga		Hydrometric	1,370,041	1,481,658	1,454,495	1,609,440	1,624,920	1,684,400	638,900	42.92%	588,022	635,928	624,269	690,772	697,416	722,944	274,216
Torrumbarry		Water Quality	644,151	616,409	622,563	743,632	772,740	803,470	833,900	42.92%	276,470	264,563	267,204	319,167	331,660	344,849	357,910
Menindee Lakes		Dam Safety	1,282,506	1,419,421	1,651,187	1,483,662	1,054,905	1,030,060	1,069,264	42.92%	550,452	609,215	708,689	636,788	452,765	442,102	458,928
River Gauging (NSW & Vic)		Real Estate	228,811	246,320	267,401	247,440	268,660	265,480	275,100	42.92%	98,206	105,721	114,768	106,201	115,309	113,944	118,073
Water quality (NSW & Vic)		Rec & Tourism	276,983	278,770	298,920	332,041	286,711	296,231	320,901	42.92%	118,881	119,648	128,296	142,512	123,056	127,142	137,731
Maintenance contingency		Navigation	4,984	12,516	15,226	7,592	8,016	8,311	18,360	42.92%	2,139	5,372	6,535	3,258	3,440	3,567	7,880
		Support Services	2,824,104	3,034,861	3,350,678	3,585,413	4,421,465	3,299,043	3,229,879	42.92%	1,212,106	1,302,562	1,438,111	1,538,859	1,897,693	1,415,949	1,386,264
		TLM Env delivery	-	-	-	5,400	5,600	5,800	6,000	42.92%	-	-	-	2,318	2,404	2,489	2,575
		Category 1a	15,033,559	12,603,854	11,910,097	12,111,439	12,957,419	11,789,756	11,514,085		6,452,404	5,409,574	5,111,814	5,198,229	5,561,324	5,060,163	4,941,845
1b		River Operations	718,830	763,305	732,448	736,500	762,800	801,500	827,000	42.92%	308,522	327,611	314,367	316,106	327,394	344,004	354,948
Euston		Preventative Maint	128,138	196,003	182,707	321,300	327,800	339,000	349,000	42.92%	54,997	84,124	78,418	137,902	140,692	145,499	149,791
Lock 9		Planned maintenance	1,272,625	930,467	786,172	745,200	911,000	565,000	301,000	42.92%	546,211	399,356	337,425	319,840	391,001	242,498	129,189
Lake Victoria		Hydrometric	298,781	811,132	558,828	375,000	326,000	335,000	346,000	42.92%	128,237	348,138	239,849	160,950	139,919	143,782	148,503
Barrages		Water Quality	99,637	139,338	143,076	130,000	135,000	145,000	150,000	42.92%	42,764	59,804	61,408	55,796	57,942	62,234	64,380
River Gauging (SA)		Dam Safety	181,757	231,139	142,334	199,300	196,800	201,000	205,000	42.92%	78,010	99,205	61,090	85,540	84,467	86,269	87,986
Water quality (SA)		Real Estate	643,886	703,792	867,233	962,000	922,000	866,000	795,000	42.92%	276,356	302,068	372,216	412,890	395,722	371,687	341,214
		Rec & Tourism	121,674	173,598	141,544	120,600	170,500	128,000	131,000	42.92%	52,222	74,508	60,751	51,762	73,179	54,938	56,225
		Navigation	373,587	402,299	387,451	596,700	733,000	1,047,000	358,000	42.92%	160,344	172,667	166,294	256,104	314,604	449,372	153,654
		Support Services	1,396,425	1,818,161	2,703,448	1,991,500	1,673,400	2,207,150	1,472,900	42.92%	599,346	780,355	1,160,320	854,752	718,223	947,309	632,169
		TLM Env delivery	-	58	10,377	7,000	7,000	7,000	8,000	42.92%	-	25	4,454	3,004	3,004	3,004	3,434
		Category 1b	5,235,340	6,169,292	6,655,619	6,185,100	6,165,300	6,641,650	4,942,900		2,247,008	2,647,860	2,856,592	2,654,645	2,646,147	2,850,596	2,121,493
2a		River Operations	138,235	164,761	184,601	172,760	180,385	186,556	185,369	47.16%	65,191	77,701	87,058	81,474	85,070	87,980	87,420
Mildura		Preventative Maint	134,477	198,630	123,084	178,900	152,000	190,000	161,400	47.16%	63,419	93,674	58,047	84,369	71,683	89,604	76,116
Wentworth		Planned maintenance	45,030	84,251	244,516	800,000	80,000	-	-	47.16%	21,236	39,733	115,314	377,280	37,728	-	-
		Hydrometric	-	-	-	-	-	-	-	47.16%	-	-	-	-	-	-	-
		Water Quality	-	-	-	-	-	-	-	47.16%	-	-	-	-	-	-	-
		Dam Safety	129,142	135,811	128,865	116,196	115,044	118,892	122,440	47.16%	60,904	64,048	60,773	54,798	54,255	56,069	57,743
		Real Estate	6,624	6,208	2,813	5,400	5,600	5,824	6,000	47.16%	3,124	2,928	1,327	2,547	2,641	2,747	2,830
		Rec & Tourism	127,925	131,310	117,337	178,344	123,016	127,588	132,160	47.16%	60,329	61,926	55,336	84,107	58,014	60,171	62,327
		Navigation	170,262	587,769	1,249,080	182,260	162,640	168,520	175,400	47.16%	80,296	277,192	589,066	85,954	76,701	79,474	82,719
		Support Services	280,368	298,087	200,958	334,140	286,030	276,040	233,520	47.16%	132,222	140,578	94,772	157,580	134,892	130,180	110,128
		TLM Env delivery	-	-	-	21,000	22,000	22,500	23,000	47.16%	-	-	-	9,904	10,375	10,611	10,847
		Category 2a	1,032,063	1,606,827	2,251,254	1,989,000	1,126,715	1,095,920	1,039,289		486,721	757,780	1,061,691	938,012	531,359	516,836	490,129
2b		River Operations	771,011	911,826	968,280	979,200	1,024,500	1,070,000	1,116,000	22.16%	170,856	202,061	214,571	216,991	227,029	237,112	247,306
Locks 1-8		Preventative Maint	97,967	184,973	178,655	126,800	134,900	136,000	138,000	22.16%	21,710	40,990	39,590	28,099	29,894	30,138	30,581
		Planned maintenance	161,971	448,981	122,303	87,000	253,000	129,000	150,000	22.16%	35,893	99,494	27,102	19,279	56,065	28,586	33,240
		Hydrometric	-	-	-	-	-	-	-	22.16%	-	-	-	-	-	-	-
		Water Quality	-	-	-	-	-	-	-	22.16%	-	-	-	-	-	-	-
		Dam Safety	58,340	103,004	74,857	309,500	206,500	149,000	149,000	22.16%	12,928	22,826	16,588	68,585	45,760	33,018	33,018
		Real Estate	-	-	-	-	-	-	-	22.16%	-	-	-	-	-	-	-
		Rec & Tourism	193,983	187,103	223,585	222,800	175,200	182,000	184,000	22.16%	42,987	41,462	49,546	49,372	38,824	40,331	40,774
		Navigation	703,129	1,026,864	2,212,832	2,833,600	1,761,000	1,858,000	842,000	22.16%	155,813	227,553	490,364	627,926	390,238	411,733	186,587
		Support Services	1,593,189	2,132,890	2,548,250	2,219,800	2,553,300	2,740,300	1,574,600	22.16%	353,051	472,648	564,692	491,908	565,811	607,250	348,931
		TLM Env delivery	281,603	140,406	237,161	345,400	356,000	371,000	381,000	22.16%	62,403	31,114	52,555	76,541	78,890	82,214	84,430
		Category 2b	3,861,194	5,136,047	6,565,922	7,124,100	6,464,400	6,635,300	4,534,600		855,641	1,138,148	1,455,008	1,578,701	1,432,511	1,470,382	1,004,867
Salinity		Salt interception schemes	4,364,883	4,650,100	4,663,978	5,670,800	6,443,800	6,920,700	7,251,000	33.33%	1,454,961	1,550,033	1,554,659	1,890,267	2,147,933	2,306,900	2,417,000
		Salt interception schemes	4,364,883	4,650,100	4,663,978	5,670,800	6,443,800	6,920,700	7,251,000		1,454,961	1,550,033	1,554,659	1,890,267	2,147,933	2,306,900	2,417,000
Murray Mouth		Sand pumping program	-	-	-	-	-	-	-	33.33%	-	-	-	-	-	-	-
		Murray Mouth	-	-	-	-	-	-	-		-	-	-	-	-	-	-
Environment		River Operations	0	0	0	0	0	0	0	42.92%	-	-	-	-	-	-	-
		Preventative Maint	240,387	55,209	428	351,000	357,000	357,500	371,000	42.92%	103,174	23,696	184	150,649	153,224	153,439	159,233
		Planned maintenance	0	0	0	0	0	0	0	42.92%	-	-	-	-	-	-	-
		Hydrometric	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Water Quality	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Dam Safety	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Insurance	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Real Estate	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Rec & Tourism	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Navigation	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-

Attachment 1: RMW Operations and Maintenance costs																	
Category	IPART Code	Description	Actual 2006/07	Actual 2007/08	Actual 2008/09	Budget 2009/10	Forecast 2010/11	Forecast 2011/12	Forecast 2012/13	NSW Share	NSW Contribution 2006/07	NSW Contribution 2007/08	NSW Contribution 2008/09	NSW Contribution 2009/10	NSW Contribution 2010/11	NSW Contribution 2011/12	NSW Contribution 2012/13
		Support Services	-	-	-	-	-	-	-	42.92%	-	-	-	-	-	-	-
		Environ Services	1,548,003	1,946,795	1,984,716	2,748,764	2,755,696	2,830,700	2,747,432	42.92%	664,403	835,564	851,840	1,179,770	1,182,745	1,214,936	1,179,198
		Environment	1,788,390	2,002,004	1,985,144	3,099,764	3,112,696	3,188,200	3,118,432		767,577	859,260	852,024	1,330,419	1,335,969	1,368,375	1,338,431
RMW Office		River Operations	3,928,621	5,374,759	5,518,484	11,855,500	12,111,441	11,326,659	11,757,833	28.21%	1,108,264	1,516,220	1,556,764	3,344,437	3,416,638	3,195,251	3,316,885
		RMW Office	3,928,621	5,374,759	5,518,484	11,855,500	12,111,441	11,326,659	11,757,833		1,108,264	1,516,220	1,556,764	3,344,437	3,416,638	3,195,251	3,316,885
Total - O&M		Total operations & ma	35,244,050	37,542,883	39,550,497	48,035,703	48,381,771	47,598,185	44,158,139		13,372,575	13,878,875	14,448,552	16,934,709	17,071,881	16,768,504	15,630,650

Attachment 2: River Murray Water operations and maintenance costs

