

## **Review of prices for WaterNSW's Rural Bulk Water services from 1 July 2017**

**Submission made to the Independent Pricing and Regulatory Tribunal of NSW**

**PO Box K35**

**Haymarket Post Shop, NSW, 1240**

**Prepared and submitted by;            Australian Modern Dairy  
   Ravensworth  
   Hay, NSW, 2711**

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This submission by Australian Modern Dairy is made in respect of WaterNSW's pricing proposal for customers in the Lowbidgee valley that includes the Nimmie-Caira, Redbank North and Redbank South areas, and is located in the in the lower reaches of the Murrumbidgee River valley, between Hay and Balranald.

The submission reflects some points that have previously been made in the submission made by Australian Modern Dairy to IPART on the Review of the WaterNSW operating licence.

Australian Modern Dairy (AMD) is the largest water entitlement holder in the Redbank North area of the Lowbidgee and is the largest user of licensed water entitlements for agricultural production in the Lowbidgee.

WaterNSW currently operates water supply works within the three areas of Lowbidgee.

Licensed water entitlements in the Lowbidgee, including Redbank North, Redbank South and Nimmie-Caira provide access to water during periods of supplementary flow only (Supplementary Water (Lowbidgee) Access Licences). Availability of 'supplementary flows' in the Lowbidgee is highly variable, depending on seasonal conditions, and access is likely to reduce in the future as a consequence of climate change.

Australian Modern Dairy understands that there are currently only three Water Access Licences in the Redbank North area, that provide water to 18 users.

Prior to 2012, licensed water holders in the Lowbidgee were charged an area based fee by State Water (now WaterNSW) to recover the costs of operating and maintaining the water supply infrastructure.

Since 2014, licensed water users in the Lowbidgee have been subject to a fixed charge based on a volumetric entitlement for WaterNSW and water management charge for NSW DPI-Water based on per megalitre used. Australian Modern Dairy now pays significant charges for water supply and distribution, including capital upgrades.

WaterNSW owns and operates the Redbank North channel that distributes water to licensed water users use in the Redbank North area. Diversions from the river into Redbank North channel is assessed through a meter owned and maintained by WaterNSW, and located on the Redbank North channel just downstream of the river offtake. There is only one additional meter along the Redbank North channel, meaning that the allocation and billing of water use between the 3 licence holders (and 18 water users) is not based on accurate measurement at each point of take.

The meter at the river offtake is also known to be inaccurate, particularly under low flow conditions, which means that Redbank North customers are paying DPI a management charge for water they haven't received. In addition, there are significant volumes of water lost to the channel due to blow outs and lack of maintenance, and these losses are currently paid for by Redbank North customers through their DPI usage charge. Whilst it is acknowledged that the DPI charges are not the subject of this pricing review, the requirement for accurate metering and adequate channel capital upgrade and maintenance should be included within the services provided by WaterNSW.

The charges currently levied by WaterNSW in Lowbidgee are based on entitlement alone and do not reflect the variability of access experienced by Lowbidgee licence holders. WaterNSW has only proposed a fixed charge based on entitlement in this pricing review.

Given the highly variable nature of access to Lowbidgee Supplementary water, AMD submits that charges for bulk water services provided by WaterNSW should include a variable component based upon water diverted by individual licence holders for consumptive purposes, not just a fixed charge. However, the current lack of accurate metering of water use for each of the 18 Redbank North will make the introduction of a variable charge problematic (despite the fact that DPI Water already do this to cover the costs of their river management services).

In respect of capital works and maintenance, AMD has previously requested that WaterNSW undertakes works and delivers appropriate levels of service in the Redbank North area, to ensure that licensed water users are only charged for water they are able to divert for

productive purposes. However, this has not been undertaken and AMD continues to pay for works and services that are not being provided by WaterNSW.

Further, as the first customer on the channel system, AMD is potentially paying for water that is delivered to other users in the Redbank North area.

AMD has previously sought clarification of the costs of services provided by WaterNSW for the Redbank South and Nimmie-Caira areas so that users in the Redbank North area can be assured that they are not unfairly subsidising costs of services provided to users (NSW and Commonwealth environmental water holders) in those areas.

There has been no consultation between WaterNSW and AMD regarding capital expenditure in the Lowbidgee area.

There has been minimal capital works undertaken by WaterNSW in the Redbank North area in recent years and AMD is unaware of any capital works intended for the area in the forecast period 2017 to 2021.

AMD believes there has been a significant underspend of charges received by WaterNSW to-date on capital works in the Redbank North area, and the Lowbidgee in general, and this underspend may continue in the forecast period. AMD is concerned that the charges collected within Redbank North may be redirected to other areas within the Lowbidgee, or more broadly throughout the Murrumbidgee valley.

AMD submits that WaterNSW should introduce a consultation process with licensed users in the broader Lowbidgee area, that includes a transparent process to identify expenditure within the area. This will enable users to participate in the prioritisation of capital works and identifying where increasing licence fees and charges are being spent.

In consideration of the issues raised in this submission Australian Modern Dairy asks that the Independent Pricing and Regulatory Tribunal of NSW considers the future role of WaterNSW and considers all options for the future operations and maintenance of infrastructure used in water supply and distribution in the Redbank North area.

As the current services provided by WaterNSW benefits only three licensed water holders and 18 users in the Redbank North area, options for future management including privatisation of the Redbank North channel, the decommissioning of the channel and the transfer of existing entitlements to private diversion infrastructure on the river could be considered.

## Summary of this submission

- The current and proposed fixed charge against entitlement does not reflect the highly variable access to 'supplementary flows' provided to Lowbidgee users. In many years, users will be paying for services provided by WaterNSW but not receiving any water.
- The insufficient metering in Redbank North means that (DPI) charges already attached to water use are unfairly shared between licence holders, and prevents the introduction of an equitable, variable charge by Water NSW that better reflects the highly variable nature of Supplementary water. AMD recommends that IPART consider a fixed and variable charge for users in the Redbank North area.
- The lack of capital upgrades and maintenance on the Redbank North channel means that users are paying for water that is lost to consumptive use.
- There has been limited capital works undertaken by WaterNSW in the Redbank North area and AMD is unaware of any proposed works in the coming years.
- AMD recommends the establishment of a consultative process that enables user input into prioritising capital works and expenditure in the area, and a transparent process of reviewing expenditure to ensure that money collected from water charges in the Redbank North area is equitably shared across the Lowbidgee.
- As the services provided by WaterNSW to the Redbank North area benefit only 3 licence holders, serving 18 water users, AMD recommends IPART review options for future management of the Redbank North area, that may include privatisation of existing infrastructure.

Thank you for the opportunity of making a submission to the Review of WaterNSW rural bulk water prices from 1 July 2017 and I look forward to your consideration of the issues raised. If you require any further information or wish to discuss these issues further, please contact Ms Kaye Dalton in the first instance on 0407 222599 or Ron Harris on 0404 444600.