

Bega Valley Water Users Association (Inc.)

ABN: 41 211 519 607
PO Box 983
BEGA NSW 2550

Submission to the Independent Pricing and Regulatory Tribunal WaterNSW's Rural Bulk Water Pricing Review 1st July 2017 to 30th June 2021

Introduction

1. The Bega Valley Water Users Association (Inc.) (BVWUA) is the representative body for the irrigators in the Bega Valley. The association represents the **unregulated** users on the Bemboka, Tantawangalo and the unregulated section of the Bega River and also the **regulated** users on the Brogo River and the **regulated** section of the Bega River.
2. The Brogo Dam is a small dam containing 9,011ML when full. It was originally designed to supplement the flow of water in the Brogo system and the lower reaches of the Bega river, for irrigators.
In later years it has been extended to town supply, which has reduced the availability of water to irrigators.
3. For the current determination there would be:
 - 18 Dairy Farmer users some with several licenses and some have access to other licenses through temporary transfers.
 - 1 Beef farmer who strategically irrigates to finish cattle
 - Town Supply servicing Quaama, Cobargo and Bermagui with some rural users on the pipeline.
 - Bega Cheese with a High Security license for factory industrial supply (inactive).
 - Bega Golf Club with a High security license.

In all around 22 active users.

This contrast with the number of active users at the previous 2010 determination:

- 21 Active Dairy Farmer users, those that have dropped out have done so because of cost, not having the confidence to spend money to renew infrastructure or have changed land use.
- Several Beef farmers who no longer believe it is cost effective to irrigate.
- Town Supply servicing Quaama, Cobargo and Bermagui with some rural users on the pipeline.
- Bega Cheese High security license for factory industrial supply.
- Bega Golf Club High security.

Probably around 28 active users.

This has shifted the user part of the cost to a lesser number of irrigators, potentially increasing the cost to the individual in the future.

4. Though not a true paradox we do enter this paradoxical situation of the 10% compounding increase in the price of water that is never going to reach full cost recovery as the cost of running the Brogo system is going to increase at the same time.
The second issue is that the price of water is fast approaching a point where farmers are reducing their use and are sourcing alternate feed.
5. Thankfully WaterNSW and IPART have recognised the situation and are asking questions about how the situation can be alleviated.

Background

1. The first thing that has to be recognised is that the Brogo system (and for that matter the Toonumbar system) were built more as a result of a political decision than a purely economic decision and these dams were never built expecting to ever achieve full cost recovery.
2. In making the above point, the presence of the of the Brogo Dam with its water security has allowed the dairy industry on the Brogo/Bega regulated system to grow substantially with more than 40% of the locally sourced milk going through the Bega Cheese factory, coming from this system. The figure being approximately 49 million litres of the 130 million litres of locally sourced milk coming from the Brogo system. This means that the Brogo Dam not only contributes significantly to the bottom line of Bega Cheese but also contributes directly and indirectly to the economy of the Bega Valley.
3. Dairy farms on the Brogo rely heavily on the use of fresh grass, with a supplementation of other products such as grain and with hay and silage in the winter and in dry periods. Grass is well known in the dairy industry as the cheapest and most productive input in a dairy cow's diet. To produce quality grass, it is essential to have good rainfall and/or reliable affordable irrigation water.

Issues

1. The Bega Valley Water Users Association Inc. (BVWUA) have argued in both the previous determinations that there will come a point in time when farmers will be priced out of the market.
There is already evidence for this in the decline of water usage in the South Coast regulated system over the last eight years. The 2006 and the 2010 determinations were based on approximately 40% usage, 5831ML and 5804ML respectively, but the average usage over the last eight years has been 3781ML approximately 27% usage. A significant drop in average usage considering five of those years were low rainfall years (page 32 WNSW 2017 – 21 Pricing Proposal). For the year 2014–15 and the current year we estimate the usage to be around 17.5% or 2,400 ML based on the first three quarters of the 2014-15 year and a similar rainfall pattern. Though this reflects the good seasons we have had, it will also reflect

the issue of increased pricing with the Community Service Obligation (CSO) having to pick up the revenue difference between the actual usage and the predicted usage.

- Tables 1. and 1.1 below based on the latest breakdown between High Security and General Security Water on the Brogo system serve to illustrate the increasing cost of water and the increasing cost to government through the CSO contribution especially if the actual extraction is below forecast extraction. **Table 4 on page 30 of WaterNSW Pricing Submission further illustrates this issue.** Table 1.2 below shows the forecast extractions for the last two determinations and the actual average over the last eight years.
- The next table illustrates the cost to the user with a 500 ML license, at different levels of use over the next determination note there are no CPI increases included in these figures.

Table 1									
Brogo Dam Revenue for the year 2016-17 40:60 Fixed:Usage									
Charge Rate	Usage Rate	100%	\$	40%	\$	27%	\$	17%	\$
\$ 21.12	High Security	1,175	\$ 24,816.00	1,175	\$ 24,816.00	1,175	\$ 24,816.00	1,175	\$ 24,816.00
\$ 10.09	Fixed Charges	13,946	\$ 140,715.14	13,946	\$ 140,715.14	13,946	\$ 140,715.14	13,946	\$ 140,715.14
\$ 40.38	Usage Charges	13,946	\$ 563,139.48	5,578	\$ 225,255.79	3,765	\$ 152,047.66	2,371	\$ 95,733.71
			\$ 728,670.62		\$ 390,786.93		\$ 317,578.80		\$ 261,264.85
Brogo Dam Revenue for the year 2020-21 40:60 Fixed:Usage with a 2.5% CPI increase each year									
Charge Rate	Usage Rate	100%	\$	40%	\$	27%	\$	17%	\$
\$ 30.92	High Security	1,175	\$ 36,331.00	1,175	\$ 36,331.00	1,175	\$ 36,331.00	1,175	\$ 36,331.00
\$ 15.91	Fixed Charges	13,946	\$ 221,880.86	13,946	\$ 221,880.86	13,946	\$ 221,880.86	13,946	\$ 221,880.86
\$ 63.67	Usage Charges	13,946	\$ 887,941.82	5,578	\$ 355,176.73	3,765	\$ 239,744.29	2,371	\$ 150,950.11
			\$ 1,146,153.68		\$ 613,388.59		\$ 497,956.15		\$ 409,161.97

Table 1.1				
40:60				
		Predicted 2016-17	IPART 2016-17	
User Share of Revenue		\$ 753,000.00	\$ 753,000.00	
Actual Use				
	High Security	1,175		
	Fixed Charges	13,946		
	General Security	2,371		
Government CSO Contribution	ML = User \$	\$ 261,264.85	\$ 398,000.00	
		\$ 491,735.15	\$ 355,000.00	

40:60				
		Predicted 2020-21	WaterNSW 2020-21	
User Share of Revenue		\$ 971,000.00	\$ 971,000.00	
Actual Use				
	High Security	1,175		
	Fixed Charges	13,946		
	General Security	2,371		
Government CSO Contribution	ML = User \$	\$ 409,161.97	\$ 466,000.00	
		\$ 561,838.03	\$ 505,000.00	

Forecast Extraction per Year		2006	2010	Average 8 Years
		Determination	Determination	Actual
		ML	ML	ML
South Coast		5,831	5,804	3,781
IPART				
Actual extraction may be well below forecast				

Forecast Extractions in Previous Revues

WaterNSW 2017-21 Pricing Proposal Page 32

WaterNSW at 2017-2021 PRICING 40:60 FIXED/USAGE(Real \$2016/17 i.e. Adjusted for Nominal CPI) Compounded 10% - BROGO																		
Compounding <u>Only change blue cells</u>																		
10.0% Table 1																		
2016-2017 Brogo River Pricing at different Rates of Usage(Does not include DPI Water Charges) - CURRENT YEAR																		
Base Rate	Charge Rate	USAGE Rate	100%	\$	75%	\$	60%	\$	50%	\$	40%	\$	27%	\$	17%	\$	0%	\$
21.12	21.12	ML high Security	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
10.09	10.09	ML General Security	500	5,045.00	500	5,045.00	500	5,045.00	500	5,045.00	500	5,045.00	500	5,045.00	500	5,045.00	500	5,045.00
40.38	40.38	ML Usage	500	20,190.00	375	15,142.50	300	12,114.00	250	10,095.00	200	8,076.00	135	5,451.30	85	3,432.30	0	0.00
	50.47	TOTAL	500	25,235.00	375	20,187.50	300	17,159.00	250	15,140.00	200	13,121.00	135	10,496.30	85	8,477.30	0	5,045.00
Actual cost of water used per ML				50.47		53.83		57.20		60.56		65.61		77.75		99.73		
CPI			0.0%															
2017-2018 Brogo River Pricing at different Rates of Usage(Does not include DPI Water Charges)																		
Base Rate	+ CPI	USAGE Rate	100%	\$	75%	\$	60%	\$	50%	\$	40%	\$	27%	\$	17%	\$	0%	\$
23.23	23.23	ML high Security	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
11.10	11.10	ML General Security	500	5,549.50	500	5,549.50	500	5,549.50	500	5,549.50	500	5,549.50	500	5,549.50	500	5,549.50	500	5,549.50
44.42	44.42	ML Usage	500	22,209.00	375	16,656.75	300	13,325.40	250	11,104.50	200	8,883.60	135	5,996.43	85	3,775.53	0	0.00
		TOTAL	500	27,758.50	375	22,206.25	300	18,874.90	250	16,654.00	200	14,433.10	135	11,545.93	85	9,325.03	0	5,549.50
Actual cost of water used per ML								62.92		66.62		72.17		85.53		109.71		
CPI			0.0%															
2018-2019 Brogo River Pricing at different Rates of Usage(Does not include DPI Water Charges)																		
Base Rate	+ CPI	USAGE Rate	100%	\$	75%	\$	60%	\$	50%	\$	40%	\$	27%	\$	17%	\$	0%	\$
25.56	25.56	ML high Security	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
12.21	12.21	ML General Security	500	6,104.45	500	6,104.45	500	6,104.45	500	6,104.45	500	6,104.45	500	6,104.45	500	6,104.45	500	6,104.45
48.86	48.86	ML Usage	500	24,429.90	375	18,322.43	300	14,657.94	250	12,214.95	200	9,771.96	135	6,596.07	85	4,153.08	0	0.00
		TOTAL	500	30,534.35	375	24,426.88	300	20,762.39	250	18,319.40	200	15,876.41	135	12,700.52	85	10,257.53	0	6,104.45
Actual cost of water used per ML								69.21		73.28		79.38		94.08		120.68		
CPI			0.0%															
2019-2020 Brogo River Pricing at different Rates of Usage(Does not include DPI Water Charges)																		
Base Rate	+ CPI	USAGE Rate	100%	\$	75%	\$	60%	\$	50%	\$	40%	\$	27%	\$	17%	\$	0%	\$
28.11	28.11	ML high Security	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
13.43	13.43	ML General Security	500	6,714.90	500	6,714.90	500	6,714.90	500	6,714.90	500	6,714.90	500	6,714.90	500	6,714.90	500	6,714.90
53.75	53.75	ML Usage	500	26,872.89	375	20,154.67	300	16,123.73	250	13,436.45	200	10,749.16	135	7,255.68	85	4,568.39	0	0.00
		TOTAL	500	33,587.79	375	26,869.56	300	22,838.63	250	20,151.34	200	17,464.05	135	13,970.58	85	11,283.29	0	6,714.90
Actual cost of water used per ML								76.13		80.61		87.32		103.49		132.74		
CPI			0.0%															
2020-2021 Brogo River Pricing at different Rates of Usage(Does not include DPI Water Charges)																		
Base Rate	+ CPI	USAGE Rate	100%	\$	75%	\$	60%	\$	50%	\$	40%	\$	27%	\$	17%	\$	0%	\$
30.92	30.92	ML high Security	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
14.77	14.77	ML General Security	500	7,386.38	500	7,386.38	500	7,386.38	500	7,386.38	500	7,386.38	500	7,386.38	500	7,386.38	500	7,386.38
59.12	59.12	ML Usage	500	29,560.18	375	22,170.13	300	17,736.11	250	14,780.09	200	11,824.07	135	7,981.25	85	5,025.23	0	0.00
	73.89	TOTAL	500	36,946.56	375	29,556.52	300	25,122.49	250	22,166.47	200	19,210.46	135	15,367.63	85	12,411.61	0	7,386.38
Actual cost of water used per ML								83.74		88.67		96.05		113.83		146.02		
												13.93	DPI Water					
												109.98	TOTAL					

Further issues that have been identified by farmers are:

1. If the price of water keeps rising at the rate it has been irrigators will be priced out of the market. The projected costing for 40% usage/allocation in the **Year 2021** will be \$96 per ML and by the **Year 2025** will be \$139 per ML, **plus** DPI Water Charges, **plus** CPI, **plus** rising electricity costs, **plus** increasing labour costs, **plus** increasing pasture cost (Seed & Fertilizer).
2. Irrigators are reluctant to improve irrigation infrastructure to make their water use more efficient as they believe the cost of using that infrastructure will become too expensive.
3. Bought in feed will be an alternative to irrigated pasture as the overall cost of irrigation becomes too expensive.
4. As irrigators cease to use the water, the cost of running the dam is thrown onto a smaller and smaller user base compounding the problem.
5. In the future the dam could become a town supply dam with the costs borne by State and local government.
6. See Appendix 1. Which is the BVWU submission to IPART on rural water charging systems in 2012 which captures the thoughts of farmers that are increasingly relevant in today's pricing climate.

The basic issue is; we have a small isolated asset, which costs a considerable amount of money to run, with a small user base, which will be priced out of the market long before full cost recovery will ever occur.

How should we view the future pricing for the Brogo System?

1. Given that it has been established and recognised by both WaterNSW and IPART that the Brogo System and for that matter the Toonumbar System are never going to reach full cost recovery we need to examine options as to how to resolve the issues.
We need to have certainty of a continued supply of affordable water for the users.
2. As there has been a pilot study undertaken on the Toonumbar System with a recommendation from WaterNSW and the Brogo Irrigators that it be extended to the Brogo System as well.
In the light of this the BVWUA recommends that the price of water be frozen at current levels on those systems until the studies are complete. There is an opportunity to make some serious decisions about these systems and it needs to happen before this determination is finalised.
We don't want to be confronted with an even more dire situation at the next determination.
3. **The BVWUA recommendation is to delay any pricing decisions at least until the both studies are complete.**

Issues the NSW Irrigators Council and the BVWUA have identified; that are in need some increased explanation:

1. WaterNSW's notional revenue requirements for the North and South coast are proposed to increase (they will decrease in the Hunter it decreases by 27%).
2. WaterNSW proposes to increase its operating expenditure in the North Coast (by 17.8%) and South Coast (by 13.7%).
3. **WaterNSW has proposed a 3410.2% increase in CAPEX in the North Coast, a 1262.6% increase in the Hunter and a 1262.6% increase in the South Coast. (not all of this is attributed to users - in the North coast it is 76%, in the South coast 82% and in the Hunter 70%)**

4. WaterNSW has proposed a closing (user) Regulated Asset Base of approximately 36 million as of 2020-21 (which is a 65% increase since 2013-14).
5. WaterNSW has proposed a post-tax WACC of 7.5% (which is higher than the WACC for inland valleys because of the way the rate of return is calculated under the ACCC rules)
6. WaterNSW has proposed that high security entitlement charges would increase in the North Coast and South Coast (considerably). General security entitlement charges will also increase in all coastal valleys. Furthermore, usage charges would increase in the North Coast and South Coast (due to the transition to full cost recovery - capped at 10%).

Every one of these issues needs to be examined in detail.

Issue three was one of the particular issues we asked WaterNSW about at our meeting at Irrigators Council on the afternoon of Tuesday the 27th September 2016.

Their explanation was, that we apply the “MEERA” accounting method to our calculations and that is the result of that calculation.

The issue that arises is that the additional CAPEX (if it flows through to the user share) causes the regulated asset base of WaterNSW to grow which will cause ONGOING costs for irrigators.

WaterNSW appears to want a blanket amount of money to be allocated to the business for CAPEX, with no specific allocation to works on individual systems.

Given that WaterNSW has not allocated specific capital works to the Brogo Dam, BVWUA questions whether these costs are cost effective and prudent given the already high costs in the coastal systems.

BVWUA asks that every aspect of WaterNSW charging needs to be examined, to establish the relevance of the established pricing methods in their application to the Coastal Valleys.

IPART have flagged quite a few questions confronting the Brogo and Toonumbar Systems.

1. Given we are obliged to follow the Water Charge Infrastructure Rules when setting prices in the Murray-Darling Basin valleys, are there issues where we should apply the same approach when determining prices for the three coastal valleys?
Answer: We cannot answer this from a technical point of view but if there is a benefit to the Coastal Valleys then it should be investigated.
2. Is there is any reason why the price path for WaterNSW’s Murray-Darling Basin and coastal valleys should not be aligned at four years?
Answer: This seems to be a logical thing to do, but without a restructuring of the cost to the irrigators, will lead to less and less water being used.
3. Has WaterNSW’s capital expenditure in Coastal valleys over the previous determination period been prudent?
Answer: Again this requires some investigating as the CAPEX of the previous determination does not appear to be reflected in a lowering of OPEX for future determinations.
4. Should we maintain our standard approach to setting the Weighted Average Cost of Capital (WACC) in the coastal valleys, or should we adopt the same approach as in the Murray-Darling Basin valleys?
Answer: We believe it would be advantageous if it lowers the WACC.
5. Should the annual price review (as required under the Water Charge Infrastructure Rules) be extended to the coastal valleys?

Answer: No as it would add additional cost to the Coastal Valleys.

6. Should the coastal valleys not transition to full cost recovery?

Answer: BVWUA direct answer to this is NO. We would like to think that we could get to full cost recovery, **but that is not practical**. Irrigators will have stopped using the water long before we got there.

These are very relevant questions to ask if the determination goes ahead without a commitment from government for the freezing of the current prices.

In reference to chapter 15 of the "IPART Review of prices for WaterNSW"
Other Issues. Page 122: Setting Prices in Valleys Where Prices Are Not Fully Cost Reflective.

The issues listed and possible solutions will only be relevant if we can have the current prices frozen at least until the North and South Coast Pilots are completed.

Bega Cheese and the Bega Valley Water Users Association have made representation to Minister Blair to freeze prices with no commitment so far.

NSW Irrigators Council is supporting us in our endeavours to gain a practical outcome for the irrigators in making representations to the government as well.

Conclusion

The Bega Valley Water Users Association have a deep understanding of the difficulty of the current pricing situation as it directly affects our members.

The Brogo Dam is of great benefit to the current users, to Bega Cheese and the wider community both economically and recreationally.

At this stage we believe that if affordable irrigation is to survive in the immediate future in the regulated river portion of the Bega Valley; it will only happen through a freeze in pricing, the continuance of direct government subsidies and a continuing community service obligation.

BVWUA fully supports the NSW Irrigators submission and encourages IPART to consider all points of the submission. especially relating to the Coastal Rivers.

The BVWUA looks forward to any further practical suggestions from IPART as we need a positive outcome for irrigators.

Any points that require further clarification or discussion, please contact Stephen Guthrey Mobile:

██████████ or Email: ██████████

Yours sincerely

████████████████████

For
Guy Lucas
President – BVWUA

Appendix 1.

Bega Valley Water Users Association (Inc.)

ABN: 41 211 519 607
PO Box 983
BEGA NSW 2550

Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

10th July 2012

Dear Mr Cox,

RE: Submission to IPART on rural water charging systems

The Bega Valley Water Users Association is made up of irrigators on the regulated Brogo River and unregulated rivers on the south coast. Bega Cheese also has a strong interest in the outcome of this process. One of Bega Cheese's fundamental activities is converting raw milk into Bega Cheese branded products. For that to continue we need to ensure Bega Cheese has a viable and sustainable milk pool. Over 70 % of local milk supplying farms to Bega Cheese has irrigation to some degree. We want to see an outcome that enables farms to invest in their future and the future of the local community.

This submission will focus on the impacts of full cost recovery on the Brogo Dam. The dam is currently at about 50% along the path to full cost recovery (inclusive of user and Government cost share) and already has some of the most expensive bulk water charges in the state (greater than \$50 per ML SWC and NOW combined). We are certain that a continuation down this path will see farmers cease irrigation in the valley and force all costs back to Government to maintain the dam. We appreciate the last IPART determination capped pricing at 10% PA plus CPI. This whoever is prolonging the uncertainty for farmers, they are reluctant to invest in irrigation infrastructure when they know they will soon be priced out of the water market. This leads to inefficiency and reduces overall farm productivity, both these are negative influences for long term farm viability and sustainability. Therefore, if a similar 5% CAP was imposed on the Brogo as is what is suggested on the Peel then we will see an inevitable decline in farm use of irrigation and consequently farm profitability.

We have noticed since the last determination that farmers are now changing their behaviour due to cost of irrigation. This is a disturbing development and a clear indication that current pricing policy is having the negative impacts we have previously indicated. Below are a number of farmer's quotes in respect to irrigation activity:

Norm Pearce – I have 3 travelling irrigators and watered as required, but I may now never use them again. I had looked at upgrading my system to pods but this will cost \$90,000. The worry is even if he I do upgrade and I do my numbers on today's costs water and power can still go up. I spent \$100,000 for extra allocation and it looks as though all it will be good for is for the fish in the Brogo to swim in. At this stage I will not irrigate and will buy in feed.

Steve Jauncey – I had travellers and a bike shift system on perennial pastures and in the past as soon as it started to dry out we would start irrigating and, if needed go 20 hours a day, 7 days a week. We will now only grow a crop like corn or sorghum for silage through summer for better water use efficiency as we cannot afford to irrigate perennial pastures as we did in the past. We may irrigate to make a spring or autumn break on areas of high fertility paddocks with good pasture. We also will wait for as long as possible before starting to irrigate in the hope of rain so as not to get a huge bill as the cost scares me.

John Hergenhan – We used to irrigate all the time and have cut back to night time only. I think we may stop all together or just water seed to get it out of the ground in spring and autumn. We have done our sums and the costs are too high. Gary Hunt (SWC) told us we would only get 40% allocation at the most and are charged on 100% of our water. We are now looking to buy in hay and silage and try and make that work.

Ken Kimber – We have upgraded to pivots and solid set with the most efficient pumps available and still frightened to turn them on. We will wait for as long as possible to turn the pumps on even if this does cost them some production. We are now been forced to bring in hay and silage from other areas. We also have been offered water allocation by other farmers but if we buy or lease it we still only get to use 40% of it and have to pay for 100%.

Dean Evans – We have 140 sprinklers and a 330 meg licence and in my opinion it is not worth having. The last time we irrigated it cost \$20,000 for the quarter for power and water. Even if the dam is full and running over you still get a bill.

Steve Guthrey – We used to irrigate whenever required but will now only irrigate to make a spring or autumn, will in turn reduce the amount of water we will need to use. We have stopped investing in irrigation infrastructure as without a cap on water pricing even if we put in a new system we will not be able to afford to use it.

Trevor Pearce – We have not irrigated in 3 to 4 years and I feel we will not irrigate again. We need to update infrastructure but due to the increasing cost of water and fuel we are reluctant to do so as we could do this and still not be able to afford to irrigate. We have 178 megs of water and have to pay for this licence every year and would like to lease or sell it but no one is interested.

Guy Lucas – We used to have bike shift and could never keep up and have enough water. We did a new upgrade to solid set system at a cost of \$300,000 and are now set up to irrigate only at night and can water the irrigation area twice a week. Kg's of dry matter per hectare of irrigation has increased. However with the rising cost we now feel we would have been better off investing in a truck to bring in hay and silage rather than investing in the irrigation system.

One of the key issues we are confronted with each determination is that one determination cannot bind a future determination. The Brogo water users need future certainty when it comes to water pricing and the looming threat of a continual march towards full cost recovery is a chain around the neck of agriculture in this region. We would like to see a mechanism that either creates a CSO locked in and binding for future pricing determinations or to review Government cost shares on the coast in isolation to the rest of the State. Now that it has been confirmed that IPART and not ACCC will continue to be the price regulator for the coastal valleys it is an opportune time we believe to review cost shares specifically for coastal regions. This will yield a very different result than the current system which is applied across the State. Government cost share would be increased reducing the overall target of cost recovery from bulk water users.

Encouraging ways that the billing might better match business cash flows via:

1. Varying the timing of water bills in relation to farm cash flows
2. Vary the ratio of fixed to variable charges
3. Options for differential fixed charges
4. Options for differential variable charges
5. Use of modern telemetered meters

The above options we believe are insignificant when compared to the cost impost of full cost recovery, however we offer the following comments.

1. This option probably has little impact for dairy farmers due to the nature of the cash flow within the business. Each farm operates differently and finding a time that would suit the majority would be a difficult exercise.
2. Having the flexibility for individual irrigators to change rates or ratios over a season may be useful and would need further clarification before implementing.
3. As above
4. As above
5. If the initial and ongoing cost of the telemetered meters is not more than recovered in efficiency or reduced cost to irrigators then this would not be a viable solution.

We thank you for the opportunity to comment on this review. If you have any questions please do not hesitate to contact me on [REDACTED]

Yours Sincerely

[REDACTED]

Geoff Johnston
President - BVWUA