

19 October 2020

Independent Pricing and Regulatory Tribunal (IPART)
Review of Water Management Prices
E: ipart@ipart.nsw.gov.au

Dear Tribunal Members

CICL Submission Review of Water Management Prices from 1 July 2021

Coleambally Irrigation Co-operative Limited (CICL) welcomes the opportunity to participate in IPART's Pricing Determination for Water Administration Ministerial Corporation (WAMC) charges from 1 July 2021. CICL is a member of NSWIC and has contributed to NSWIC's submission to this review.

This submission does not address all our concerns with the proposed WAMC charges or answer the questions asked in the issues paper, these are covered by the NSWIC submission. This submission focusses on our primary issues with the proposed WAMC charges for the regulated Murrumbidgee.

About CICL

CICL is based in the Riverina and supplies irrigation and drainage services to nearly 500 farms via an open, earthen, gravity fed, channel network. Coleambally Irrigation has a dual governance arrangement, CICL and Coleambally Irrigation Mutual Co-operative Limited (CIMCL). CICL's infrastructure (excluding its earthen channel and drainage network) has a modern engineering equivalent asset value of \$168M.¹

The CICL area of operations is 456,821 ha including 317,281 ha which is serviced by the West Coleambally Outfall Channel. The intensively irrigated area is approximately 80,000 ha. We supply water to nearly 500 farms operated by approximately 325 businesses.

Our members grow a range of irrigated crops. Their farming systems are predominately annual production, and there is some investment in permanent plantings.

CICL operates and maintains the irrigation supply and drainage system and delivers a range of corporate services on behalf of its members. CICL's diversions are measured at our off take from the Murrumbidgee River. Our metering technology is owned, operated and maintained by CICL along with all our internal measurement.

CICL was previously government owned and on separation from government our customers' 'statutory water' rights were converted to contractual rights or 'irrigation rights' (CICL water entitlements). CICL's Water Access Licences include water entitlements of different types holdings of general security and conveyance entitlements collectively equal to 98 percent of our total water entitlements. Our [website](http://www.colyirr.com.au) contains more detailed information about our operations.

CICL is regulated by the Natural Resources Access Regulator (NRAR), not WaterNSW, for licences and approvals.

¹ Jacobs Coleambally Irrigation MEERA Valuation, November 2016.

Overarching concerns

The pricing proposal for WAMC charges, if accepted by IPART, will result in significant charge increases for CICAL which will be passed on to our members. Alarming the proposed charges do not result in WAMC charges at the end of the determination period equalling full cost recovery of the proposed 'user share'.

Fundamentally CICAL does not believe the arguments for the price increases are caused by the impact of CICAL on WAMC services or for improved services demanded by CICAL.

Since separation from government in the early 2000s CICAL has made significant investments in water measurement both at its off take but also internally to improve confidence in the robustness of our water management performance. We believe CICAL and our members have been let down by government's failings, but we are now being asked to fund government's rectification and ongoing enforcement across NSW.

We also believe water users should not be funding the Department of Industry, Planning and Environment's (DPIE) policy development. This is a core responsibility of government. The pricing proposal and government work programs do not satisfactorily separate policy development and planning from implementation.

CICAL requests IPART in its review clearly segregate the costs associated with policy, planning and rules development from other DPIE functions and provide evidence to demonstrate water users are not funding development of government policy. This request also applies to Basin Plan implementation, which is a government responsibility.

CICAL also expects costs incurred by DPIE, that have previously been funded by water users or external funding but where the work was not completed, should not be paid for by water users in the next determination period.

Government organisation restructure should not introduce new costs to be recovered from water users, for example operation of the Environmental Water Advisory Groups. Government's enthusiasm for organisational change should deliver efficiencies not introduce new costs to water users.

In the case of WaterNSW – WAMC services, it is essential that increases in costs associated with the transfer of functions from the DPIE's predecessor to WaterNSW should be not be paid for by regulated water users. The transfer of functions was intended to reduced costs and create efficiencies, not the reverse. Investments in new systems and data management to support the transition should not be paid for by regulated water users.

It is essential IPART in their analysis demonstrates WaterNSW costs associated with groundwater and unregulated water use are separated and there is no cross subsidy between regulated water users, groundwater users and unregulated users.

Natural Resources Access Regulator (NRAR)

CICAL questions why, as a regulated water user in the Murrumbidgee, it should be asked to fund the increased costs associated with the establishment and operation of NRAR? The drivers for the establishment of NRAR were not caused by concerns with operation of IIOs or concerns with compliance in the regulated Murrumbidgee, where regulated take, except for basic landholder rights, is metered with real-time data available for most meters servicing irrigation farms.

CICAL's primary position is that the cost of the Independent Regulator should have a 100 percent government cost share. This will maintain the regulator's independence.

If IPART does not accept this position, CICAL believes there is a sound argument for a lower proportion of NRAR's costs to be recovered across the regulated Murrumbidgee (and NSW

Murray) where historically there has been greater government or private investment in metering and telemetry.

It is of note that CICL customers make significant contributions via CICL charges to CICL's metering at its off take and CICL's internal metering and compliance activities, with CICL responsible for internal compliance of its members' surface water use. Details of CICL's modernisation journey and investment in metering is at Appendix one. This investment was jointly funded by government and CICL with CICL responsible for its maintenance and future refurbishment.²

CICL believes IPART should not be socialising NRAR's compliance costs across all water users equally.

Murray-Darling Basin Authority (MDBA) Costs

CICL supports any MDBA costs that IPART includes in the pricing determination for water users being included as a separate line. This will increase the transparency to water users of the costs of joint programs which NSW has agreed to fund.

The DPIE and NRAR submission describes the non-river management programs as follows:

Non-River Management programs encompass several natural resource management programs with a focus on improving environmental outcomes through monitoring, analysis, and reporting. This is broken down into functions of:

- *the Living Murray Program – restoring health of the River Murray system*
- *environmental monitoring and evaluation*
- *basin salinity management*
- *water resource modelling*
- *metrological assessment*
- *water markets and inter-state trades*
- *Indigenous engagement in the Basin.*³

It also states;

*The amount we recover relates to protection of NSW interests - economically and environmentally - and the integration of Joint Programs with the NSW policy and legislative framework.*⁴

CICL has the following concerns with the proposed recovery of MDBA costs from regulated water users in the Murrumbidgee:

- The governance framework for the joint programs is complex and not transparent to water users. The multijurisdictional layers must add costs to the delivery of projects which water users should not be responsible for funding.
- The governance framework provides no opportunity for input from water users.
- Significant elements of the joint programs should have no water user share for example Indigenous Program, Living Murray, environmental monitoring and evaluation.
- The rationale for the extent of attribution of joint program costs to the regulated Murrumbidgee is unclear.

CICL rejects the proposition that costs agreed to by NSW as a partner government in the MDBA should automatically be passed onto water users. CICL believes there is a strong

² Government in return for its capital received water entitlements which represented a share of the estimated water savings.

³ NSW Department of Planning, Industry and Environment and Natural Resource Access Regulator, Detailed Paper F pg. 6.

⁴ NSW Department of Planning, Industry and Environment and Natural Resource Access Regulator, Detailed Paper F pg. 3.

case, given the governance around MDBA costs, that these costs are subject to a much higher government share for the following reasons:

- Water users have no input into the services provided.
- The governance framework associated with the MDBA is complex and therefore more expensive than if the governance framework was straight forward.
- Costs associated with the joint programs are not subject to independent review.

CICL is also concerned the governance arrangements may result in duplication of effort between the MDBA and the states, for example water resource modelling.

IPART, when reviewing the proposed transfer of MDBA cost to water users, should provide assurance that there is no duplication of costs.

Funding for WaterNSW meters

CICL notes WaterNSW has excluded the costs of non-urban metering reform from its pricing proposal with further information to be provided in December 2020.⁵

The government has recently changed its policy and no longer intends to hand back government owned meters to water users. WaterNSW is to upgrade these meters to the new non-urban metering standard.

The costs of upgrading the government owned meters to the non-urban metering standard should be funded by government and this cost should be transparent. In cases where the meter is owned privately, it is the water user's responsibility to upgrade the meter.

Government owned meters in the Murrumbidgee were primarily funded with external government funds. The costs of bringing these meters to the new standard should be funded by a separate Treasury allocation and **not** form part of regulated water charges in the Murrumbidgee with the costs of the upgrade socialised across all water users, including CICL.

Transaction charges

WaterNSW has raised with the Customer Advisory Group the under recovery of costs associated with some transactions. CICL supports recovery of the efficient costs for these services from applicants and does not believe these costs should be cross subsidised by other water users.

Conclusion

Water administration and management in NSW has been tumultuous for well over a decade. The NSW Ombudsman's 2018 report, Water compliance and enforcement, is highly critical of the transformation reform which involved transferring functions from DPIE's predecessor to WaterNSW. Failings of this process and its resourcing have exposed all irrigators to reputational damage, and subject to IPART's determination, increased costs.

Organisational restructures have eroded the core competency of government and depleted corporate knowledge. CICL believes the continuum of change has impacted on the performance and effectiveness of DPIE. These changes have been imposed at a crucial time as DPIE has endeavoured to meet the requirements of the Murray-Darling Basin Plan in parallel with securing water for critical human needs for some communities.

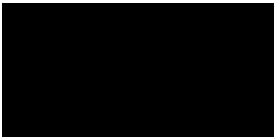
CICL looks to IPART to clinically review the pricing proposals for efficiency but also justification of the user share. CICL believes, given the extent of additional funding being sought for WAMC activities from water users, it is time to reconsider the user share. It is important IPART acknowledges the cost impost to general security water entitlement

⁵ WaterNSW Pricing Proposal June 2020, pg38.

holders of the pricing proposals. The impact of water reform, changing community expectations of water access, and reduced inflows means water users holding the lower reliability water entitlements have reduced access to water, but unless IPART changes its approach to the user share, it will be at a higher cost. This will be viewed by water users as paying more for less service.

For further information about CICL and this submission please contact Jenny McLeod - Policy and Communications Manager on [REDACTED].

Yours sincerely



Clifford Ashby
Chief Executive Officer

Attachment

Appendix 1 – CICL and water measurement⁶

CICL's modernisation journey was based on the philosophy "if you cannot measure it you cannot manage it".

Since the early 2000s CICL has invested in technology to improve the measurement of water from its off take, through its channel system and onto farm.

In parallel, CICL has invested in complex hydraulic modelling software, solar powered technology and radio networks that allow remote monitoring and control of our infrastructure and automation of our farm delivery service using Total Channel Control (TCC).

This approach has delivered improvements in water efficiency and irrigation service.

Measurement from the River

CICL has one extraction point from the Gogeldrie Weir pool on the Murrumbidgee River. This extraction point (off take) has undershot radial gates that are remotely controlled by CICL.

CICL's diversions are measured by an Accusonic (brand name) meter. It is an Acoustic Transit Time type meter and considered best in its class for accurate metering of off takes of our type.

CICL contracts a hydrographer to undertake an independent gauging once per month to verify the accuracy of diversions. We also complete quality assurance tests throughout the year to provide confidence in our metering.

Measurement onto farm

CICL controls and measures its irrigation water deliveries onto farms predominantly by using Rubicon's Flumegate™. CICL has also installed a small number of Rubicon's Slipmeters™.

These meters are all equipped with telemetry and their opening and closing is controlled via CICL's TCC network. The accuracy of these meters in the field is within +/- five percent.

Confidence in the accuracy of measurement onto farm is important to CICL and its members. We have a robust approach to quality assurance. This includes CICL checking the set up of its farm meters twice yearly, fully "commissioning" 20 percent of our farm meters each year and engaging an external certified meter validator to audit a representative sample of our gates each year.

Stock and garden meters

CICL measures all diversions from our channel system, including stock and garden water. This approach reflects the value we place on water and ensures equity between our members.

⁶ www.colyirr.com.au, accessed Monday 12 October 2020.