

Written by Terry Smith, Water user Menindee to Broken Hill Pipeline

Background.

On 16th June 2016 the NSW Government announced that a new water supply pipeline (the Murray pipeline) would be built from the Murray River, near Wentworth to Broken Hill. Up to this point no meaningful community consultation about this pipeline had been undertaken and the full business case for this project has still not been released to the public, any public consultation after the announcement was basically the NSW Government trying to sell the idea of the Murray pipeline to the public of Broken Hill. At the time of the announcement it is unclear if the NSW Government even realised that 11 graziers had access to the existing Broken Hill to Menindee pipeline (The Menindee pipeline), but it is believed the Government was unaware of this fact.

The NSW Government announced the Murray pipeline on the basis that the Darling River was becoming too unreliable of a water source. A water source that was directly controlled by same NSW Government which had allowed several changes to water sharing and extraction rules upstream of Menindee which to a certain degree are directly responsible for flows at Menindee becoming unreliable.

After the Murray pipeline was announced and the plight of graziers along the Menindee pipeline was brought to the attention of the NSW Government, the issue of supply to these customers was promptly handballed to Essential Water, thus Essential Water found itself with a problem it hadn't created and the 11 graziers in a predicament very much out of their control.

Originally access to water from the Menindee pipeline was granted to landholders along the route of the line as part of an access and easement agreement when the Menindee pipeline was constructed in the 1950's. Since its time of completion graziers along the Menindee pipeline have been setting up farm water infrastructure using the Menindee pipeline as a central water supply source, as it is the only permanent water supply of sufficient quantity that these properties have.

The water used by the 11 Graziers along the Menindee Pipeline is used predominantly to water stock with a small amount for household use. During an average season it is estimated that up to 50,000 head of sheep and 2,500 head of cattle are drawing water from the Menindee pipeline. In the act of placing water points around a grazing property, water is also provided for all the native animals that inhabit the rangelands. It is important to note that much of the water purchased by pastoralists is consumed by these native animals, principally kangaroos. There were approximately three kangaroos for every sheep on the western plains of NSW when the state-wide kangaroo population peaked at 17.4 million in 2016. This could mean that more than 50% of water purchased by landholders is consumed by animals that are property of the crown and of no financial gain to Graziers. The situation for pastoralists in the Menindee area is exacerbated as the Menindee Lakes dry up, forcing additional kangaroos onto nearby pastoral properties in search of water.

Businesses in Broken Hill that purchase untreated water have exclusive use of 100% of water purchased and in some instances have the ability to recycle this water several times over, Graziers drawing water from the Menindee pipeline cannot recycle stock water nor do they receive all they pay for due to losses to native animals.

Prevailing drought conditions are serving to increase water usage by livestock and native animals as all animals seek to compensate for moisture intake no longer readily available in pastures. Accordingly there is a corresponding increase in water bills for pastoralists drawing water from the pipeline, which is adding to the financial pressures already being exerted by the drought.

The 11 graziers along the Menindee pipeline have little in the way of an alternative water source, transporting water in with trucks is prohibitive in cost and time efficiency; section 11.3 of this IPART pricing review states pipeline usage at 77,000 K/L per annum, or 3080 semi-trailer loads of water. The volumes needed would devastate station tracks and government roads with several additional road train movements per day. Underground water is either unavailable, unusable or of insufficient supply. Dam water is available but storage is limited by capacity and reliability of recharge. Individual pipelines from the Darling River are also cost prohibitive and may also be unreliable due to Government mismanagement of the Darling River as alluded to in the opening statements, there would also be easement and access concerns for those graziers without river or lake frontage wishing to put infrastructure through neighbouring properties.

The IPART Issues Paper Water, released September 2018 Table 9.2 on page 52 outlines the variable charges for water that NSW Water propose Essential Water pay on a per megalitre (M/L) by weekly demand basis, in this table the more water Essential consume per week the cheaper the purchase price in \$ per M/L terms. The majority of this water will be purchased for less than 40c a kilolitre (K/L) and on sold for \$1.58 per K/L as untreated water if the Water NSW recommendations were adopted. In response to the issues water paper the IPART Draft Pricing Murray River to Broken Hill pipeline April 2014 document, IPART recommends pricing be set even cheaper, at \$194.78 M/L or 19.47 cents K/L, as part of the recommended pricing structure there will be a daily use charge on the Murray Pipeline. Also in this document table 10.3 page 95 recommends proposed pricing for untreated water users along The Murray pipeline, these recommended prices vary from \$1.33 K/L for smaller users, to \$0.36 for larger users. Larger users also receive a graduated price reduction going forward.

If the proposed price increase goes ahead on the Menindee pipeline many of the 11 Graziers will be turning off mains supply during a normal or wetter than average years when dam supply and surface water is in abundance. This outcome would result in reduced income from the sale of water for Essential Water; this will increase the purchase price per M/L for essential as economies of scale diminish. At the same time pipeline maintenance costs would still accrue on the Menindee pipeline. Furthermore any water in the line would stagnate if not being drawn down; increasing the probability that water quality would deteriorate and become unusable and need to be dumped.

After consultation with several of the graziers along the Menindee pipeline there was agreement that an incremental price rise of \$0.05 per annum from current price \$0.78 K/L to a price of \$0.98 K/L would be an acceptable and affordable compromise. A graduated price rise would give graziers time to adjust business plans to factor in the additional costs in what is already a very difficult time. This incremental price rise should take place after the commissioning of any new Menindee pipeline. This graduated price rise is also more in-line with Essential Water's proposed increase (table 8.2 Page 98)

The grazing properties along the Menindee pipeline have been sought after on the rural real estate market due to the fact that they had a secure, affordable water supply and a market premium was paid to secure these assets. Any adverse changes to the security or affordability of the Menindee pipeline water will have a negative effect on the capital value of these properties.

There seems to be little justice in the fact that the good people of Broken Hill have a \$480 million pipeline and have no increase in water costs, yet the graziers who find themselves in a situation they have had no control over are going to have water costs more than double in one jump from \$0.78 to \$1.58 to help pay for a \$10 million pipeline, that to all intents and purposes could have been budgeted for in the business case for the Murray pipeline. If the NSW Government had located the pumping station for the Murray pipeline not on the Murray River east of Wentworth but on the Darling River north of Wentworth it could have pumped from the same weir pool. This water is all held back by the weir west of Wentworth and downstream the confluence of the two rivers. This seemingly simple option would have saved millions in construction costs, which could have been paid for a new Menindee pipeline to supply the graziers. This option would have also shortened the Murray pipeline by several kilometres reducing ongoing pumping and maintenance costs.

In Summary I would request IPART to take into account the following factors before the final pricing determination.

- The Menindee pipeline supplies essential water to working businesses that in turn reinvest heavily into the local economy.
- There is little capacity for these businesses to change water use characteristics or re-use or recycle any of the water purchased.
- The Graziers are purchasing large amounts of water and supplying infrastructure to water large numbers of native animals and birds with no recompense from government.
- There is little option for these businesses to find alternative sources of water.
- There has been no consultation from government with any of these businesses to try and find a suitable or better solution.
- A one off doubling of water prices would cause an economic shock to these businesses that could be as high as \$800.00 to \$ 1000.00 per week.
- Any economic shock to these businesses will have a multiplier effect through those businesses and into the local economy.
- Having affordable water along the Menindee pipeline creates economies of scale through usage that benefits the end user, the supplier and the township and people of Broken Hill.
- There seems to be very little consistency with the proposed pricing of untreated water varying from \$0.36 to \$1.34 K/L (Murray pipeline) \$1.58K/L (Menindee pipeline) \$1.63K/L (standpipe in Broken Hill). For what is essentially all the same water within the same pipeline system.

Terry Smith

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