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# Lachlan Valley Water Inc

Representing and Uniting Lachlan Valley Water Users

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## **Submission to IPART**

### **Draft Report on Rural Cost Shares Review**

November 2018

# **SUBMISSION - IPART DRAFT REPORT on RURAL WATER COST SHARES**

## **Introduction**

Lachlan Valley Water welcomes the opportunity to make a submission on the draft report on Rural Water Cost Shares.

Lachlan Valley Water (LVW) is the peak valley-based organisation representing 550 groundwater and surface water users in the Lachlan Valley, including irrigators within Jemalong Irrigation Limited (JIL). This submission has been prepared on behalf of all members and represents an overall valley position, however, our members also reserve their right to make their own independent submissions.

Lachlan Valley Water is a member of NSW Irrigators Council (NSWIC) and supports the NSWIC submission.

In particular, LVW endorses the recommendation from NSWIC that this review should be treated as a first step, and that there must be an opportunity for stakeholders to provide further input once the costs of the Natural Resources Access Regulator are incorporated into pricing.

Our submission provides comment on the report from a Lachlan perspective.

## **Impactor pays principle**

LVW accepts IPART's decision to maintain allocation of costs on an impactor pays basis. We also agree with the NSWIC position that adopting a 'counterfactual' starting point is overly simplistic. The assumption that a world without the need for regulated infrastructure and services is the base case will, in our view, make it difficult to accurately identify the extent to which the different categories of users cause the need for the costs to be incurred under a range of different climate conditions.

For example, the Lachlan is a highly variable system. A 1997 report by the NSW Government<sup>1</sup> states that prior to the construction of Carcoar and Wyangala Dams there were several periods of no-flow in the Lachlan River – 111 days at Cowra in 1908, 224 days at Forbes in 1898/99 and 229 days at Booligal in 2019/20. The report also notes that major droughts occurred during 1902, 1917, 1924, 1937-38, 1940-45, 1968, 1982-83 and 1994.

The Wyangala and Carcoar Dams not only support irrigation development but provide very valuable security for town water supplies, for regional economic development, and for basic landholder rights. Community expectations are that the priority use of this infrastructure will be to provide water for critical human needs, then for other uses according to the priority determined by the Water Management Act 2000. Under extreme dry conditions such as the Millenium drought, dam and river operation is primarily to meet high priority needs rather than the wider population of consumptive users, and this needs to be recognised within the cost shares.

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<sup>1</sup> P 11, Lachlan Catchment, State of the Rivers Report – 1997, Department Land and Water Conservation

The report acknowledges that allocating costs when there are multiple impactors requires careful consideration. LVW submits that the counterfactual approach must be required to establish a method to identify as accurately as possible the extent to which different categories of impactors cause the need for the cost to be incurred. Also that it should determine the differing levels of cost involved in meeting these demands taking into account that the climatic conditions can be highly variable.

### **Activities-based cost sharing framework**

LVW supports the draft decision to maintain the activity-based cost sharing framework. We agree that until it is clear that changing to a service-based framework will provide greater transparency and accuracy in the attribution of costs, and that the implementation costs do not exceed the benefits, then there should be no change.

### **Cost shares**

#### **W04-01 Surface water modelling**

LVW does not consider the proposed increase in user cost share from 50% to 80% is justified. We believe this does not recognise that a greater proportion of the modelling now undertaken by NSW is associated with implementation of the Murray Darling Basin Plan, and that the impactor is Government policy. LVW recommends that the 50% user share be maintained.

#### **W05-03 Environmental water management**

LVW believes there are two issues to consider with this cost share. Firstly, we support the NSWIC position that environmental water management should be treated as a legacy issue because the decisions to build dams and other infrastructure were made with the intent of assisting regional development, and because these structures were built to the standards applicable at that time. Now that community standards have changed the management of environmental water is required to meet a set of different expectations and the cost of doing so should be treated as a legacy cost.

Secondly, there is the need to distinguish between the costs associated with managing planned environmental water (ie, that provided for in the Water Sharing Plan) and those related to licenced environmental water. The costs associated with managing licenced environmental water are the responsibility of the licence-holders. It is our observation that both types of water tend to be managed concurrently, so there is a need to accurately attribute these costs to the different categories of environmental water.

#### **Environmental planning and protection**

LVW disagrees that without high consumptive water use there would be no need for WaterNSW to undertake activities for environmental purposes. As outlined above, one of the contributors to the provision and management of environmental water is that dams have altered the seasonality of flow patterns. In the Lachlan this has resulted in the development of translucent flow rules under the Water Sharing Plan which aim to mimic natural flows. Even if there were no consumptive water use, it is likely that Wyangala Dam would remain in place and the translucent flow rules would continue. Consequently, the management of planned environmental water by WaterNSW is a legacy cost.

### **Valley-specific cost shares**

LVW supports the introduction of valley-specific cost shares where the impactors' contribution is significantly different to the standard cost share ratio.

LVW has previously advocated that an efficient cost share ratio should take into account the costs created by the demands of other users such as basic landholder rights. We support the reduction in the customer cost share ratio for water delivery and other operations to 90% in five valleys including the Lachlan.