



**Murrumbidgee
Irrigation**

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Independent Pricing & Regulatory Tribunal
Level 15, 2-24 Rawson Pl
Sydney NSW 2000

By email: scott_chapman@ipart.nsw.gov.au

Re: Review of prices for WaterNSW's Rural Bulk Water Services from 1 July 2017

Murrumbidgee Irrigation is one of the largest private irrigation companies in Australia servicing over 3,000 landholdings owned by over 2,500 customers, the majority of whom are shareholders in the Company. Our core business is water distribution. We provide irrigation water and drainage services to the Murrumbidgee Irrigation Area (660,000 Ha). We are pleased to make a submission to IPART on the proposed WaterNSW Regulated Water Charges for 2017-21.

Murrumbidgee Irrigation is a member of NSW Irrigators' Council and actively supports the submission lodged by that Council. We note that the NSWIC submission is substantial and covers in detail areas of concern to irrigators across the State. We will not be reiterating all of those concerns in this submission. However, we would like to emphasise the following issues that are of particular concern to us as an Irrigation Corporation and our customer members.

ICD Rebates

We would like to acknowledge the efforts of IPART to date, in understanding the value and apportionment of the ICD rebate. We note IPART's findings that the WaterNSW's proxy for customer numbers significantly disadvantaged customers in the Murrumbidgee and that customer sites are a more appropriate calculator for avoided costs.

We remain concerned that Murrumbidgee Irrigation is being significantly disadvantaged by the calculation of the rebate. There does not appear to be any relationship between the number of sites (as provided to IPART) and the calculated ICD discount. Based on information in the Murray Irrigation (MIL) Annual Report, MIL has fewer sites than Murrumbidgee Irrigation and yet the value of their ICD discount is almost double that of Murrumbidgee Irrigation. We note the different cost structure of the Murray that will have some impact – but double the costs does not appear efficient.

Similarly, in the Murrumbidgee Valley, Coleambally Irrigation (CICL) has approximately half the volume of Water Entitlements but only around one sixth (15%) the number of sites as Murrumbidgee Irrigation. We struggle to account for why Murrumbidgee Irrigation's proposed ICD discount is barely twice that of CICL if it is calculated on a per site basis.

We would be pleased to provide IPART any additional information on this matter that can assist in a fairer final determination. We are unable to understand the inequities in the application of the ICD discount between like ICD's and particularly why a 25% reduction has been applied to the Murrumbidgee in the draft determination.

We note that the ICD rebate does not represent transferred costs to other WaterNSW customers. By definition it represents avoided costs. Customers in our irrigation district should not be expected to fund WaterNSW for services actually delivered and funded by Murrumbidgee Irrigation. It is disingenuous of WaterNSW to describe this as a cost burden to other users because of their accounting processes. A more pragmatic way of providing for these avoided costs may well be to provide ICDs with different GS and HS bulk water charge that recognises the costs borne by ICDs in managing and maintaining a metering, billing and compliance service that would otherwise fall to WaterNSW.

MDBA transfer of costs to the Murrumbidgee

Murrumbidgee Irrigation along with NSWIC and its other irrigator members has previously identified a concern at the lack of transparency of MDBA pass through costs. We support IPART's decision to apply an efficiency factor to proposed MDBA costs and suggest that the factor should be increased due to the lack of transparency around the costs themselves.

We are concerned that what remain to be substantial increases in costs, will particularly impact HS customers in the Murrumbidgee – the majority of whom are customers of Murrumbidgee Irrigation. These customers will be impacted doubly by the increased pass through costs and the change to 80:20 recovery of those costs.

We strongly support the recommendations by Aither with respect to the need for independent review, incentives for efficiency improvement and transparency of cost sharing. It is inappropriate to increase these pass through costs and impact HS customers until this is done.

Determining fixed:variable structure

IPART has asked for comment on the following:

1. Whether all customers or a majority should approve a move to an 80:20 fixed to variable price structure; how a majority is determined (customer or entitlement) and whether this should be weighted differently for HS entitlements
2. Whether all or majority of CSC members should approve a move to 80:20
3. Other considerations IPART should be mindful of?

Irrigators look to IPART to ensure fair and efficient cost sharing. While it may be appropriate for larger customers (such as the CEWH and ICDs) to elect a preferred fixed to variable cost structure (having assessed the impacts of volatility allowances and other risk transfer products) it is not appropriate to assume the same level of investigation and understanding for all customers. IPART should ensure that the default structure is fair, efficient and not unnecessarily complex.

The approval of any cost structure changes should fall to IPART as part of a determination process in order for all stakeholder views to be represented. This role should not fall to customers or CSCs,

which are advisory bodies and not elected representative committees. We note that ICDs and other large customers will be significantly disadvantaged where either “customers” or CSCs are required to approve cost structure changes by majority. Murrumbidgee Irrigation is one customer and one member on a CSC but accounts for half of the water entitlement in the Murrumbidgee Valley with over 3600 metered customer sites.

Summary

Murrumbidgee Irrigation remains concerned at the dramatic reduction in the ICD rebate and the apparent disparity in calculation between like Irrigation Corporations. We would be pleased to work with IPART further on this matter to ensure a fair outcome.

Yours sincerely



Brett Jones
Managing Director