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## SUBMISSION

# WaterNSW Annual Review of rural bulk water regulated charges for 2019-20 - Draft Report

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## Introduction

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigation farmers and the irrigation farming industry in NSW. Our Members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries. Through our members, NSWIC represents over 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems.

NSWIC engages in advocacy and policy development on behalf of the irrigation farming sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

Irrigation farmers are stewards of tremendous local, operational and practical knowledge in water management. With over 12,000 irrigation farmers in NSW, there is a wealth of knowledge available. To best utilise this knowledge requires participatory decision making and extensive consultation to ensure this knowledge can be incorporated into best-practice, evidence-based policy. NSWIC and our Members are a valuable way for Governments and agencies to access this knowledge.

NSWIC welcomes this public exhibition as an opportunity to share local, practical and operational knowledge and expertise in water management. NSWIC offers the expertise from our network of irrigation farmers and organisations on an ongoing basis to ensure water management is practical, community-minded and follows participatory process.

This submission represents the views of the Members of NSWIC with respect to the *WaterNSW Annual Review of rural bulk water regulated charges for 2019-20, Draft Report*. Each member reserves the right to independent policy on issues that directly relate to their areas of operation, expertise or any other issues that they deem relevant.



## NSW Irrigators' Council's Guiding Principles

Integrity	Leadership	Evidence	Collaboration
Environmental health and sustainable resource access is integral to a successful irrigation industry.	Irrigation farmers in NSW and Australia are world leaders in water-efficient production with high ethical and environmental standards.	Evidence-based policy is essential. Research must be on-going, and include review mechanisms, to ensure the best-available data can inform best-practice policy through adaptive processes.	Irrigation farmers are stewards of tremendous knowledge in water management, and extensive consultation is needed to utilise this knowledge.
Water property rights (including accessibility, reliability and their fundamental characteristics) must be protected regardless of ownership.	Developing leadership will strengthen the sector and ensure competitiveness globally.	Innovation is fostered through research and development.	Government and industry must work together to ensure communication is informative, timely, and accessible.
Certainty and stability is fundamental for all water users.	Industry has zero tolerance for water theft.	Decision-making must ensure no negative unmitigated third-party impacts, including understanding cumulative and socio-economic impacts.	Irrigation farmers respect the prioritisation of water in the allocation framework.
All water (agricultural, environmental, cultural and industrial) must be measured, and used efficiently and effectively.			Collaboration with indigenous nations improves water management.



## Background

IPART is undertaking an Annual Review of the regulated charges that WaterNSW can charge for its rural bulk water services in the Murray Darling Basin (MDB) and the Fish River Water Supply Scheme (FRWSS) set under the *Water Charge Infrastructure Rules 2010* (WCIR) for the 2019-20 financial year.

This review is an opportunity for IPART to consider updating the bulk water charges, as well as Murray-Darling Basin Authority (MDBA) and Border River Commission charges for the third year of the 2017 determination period, if considered reasonably necessary. The determination is to have regard to changes in demand or consumption forecasts as well as price stability.

IPART's draft decision is to maintain the regulated charges as set under the 2017 Determination, which includes making adjustments for CPI. IPART determined that there is not strong evidence available to show a sustained or permanent change in water consumption that would support a change to the charges set in the 2017 Determination.

This review applies to all nine of the MDB valleys, and does not affect WaterNSW's North Coast, South Coast and Hunter Valley customers, for which prices are set under the *Independent Pricing and Regulatory Tribunal Act 1992 (NSW)*.

## Overview

NSWIC in-principle supports the draft decision to maintain the regulated charges as set under the 2017 Determination, given IPART found no evidence of a permanent structural change in water consumption (despite a 3.73% decrease as a result of the current drought).

NSWIC maintains the positions held on previous submissions to IPART, particularly those part of the 2017 Determination. These submissions include:

- 2018 (Nov) – Review of Rural Cost Shares ([HERE](#));
- 2018 (Nov) – Review of Rural Cost Shares (supplementary) ([HERE](#));
- 2018 (Jun) – Review of Rural Cost Shares ([HERE](#));
- 2017 – WaterNSW Regulated Water Charges (Issues Paper) ([HERE](#));
- 2017 – WaterNSW Regulated Water Charges (Draft Report) ([HERE](#)).

## Submission

### NSWIC supports the draft decision

NSWIC supports, in-principle, the draft decision that it is not reasonably necessary to make variations to WaterNSW's regulated charges as set under the *2017 Determination*, and only make adjustments to prices to reflect CPI.

NSWIC note that: *“There needs to be strong evidence that the 2017-18 actual data is reflective of a sustained or permanent change in water demand compared to the forecast used in the 2017 Determination. We currently do not have this evidence.”*<sup>1</sup>

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<sup>1</sup> Independent Pricing and Regulatory Tribunal (IPART) NSW, “WaterNSW – Annual Review of rural bulk water charges for 2019-20” *Draft Report* (April 2019) [p 10].



## Drought Conditions in NSW

NSWIC agree that the decision to maintain current prices is necessary in order to avoid price volatility and bill pressure during the current extensive drought. Any further increase in water charges would worsen the financial strain of water users who are battling reduced water availability from the devastating drought and zero/minimal water allocations. NSWIC appreciates the consideration of bill pressure during the drought by IPART.

## Change in total actual usage volumes

NSWIC notes the figure of a decline of 3.73% in total actual usage volumes in the eight valleys from 2016-17 to 2017-18, and largely supports the indication from WaterNSW that this decline is due to lower rainfall and drought. NSWIC anticipated that the percentage change in total actual usage volumes would be significantly larger, given the severe reduction in water supply<sup>2</sup> and low or zero general security allocation for water users across much of the state. NSWIC is seeking further clarification of this figure.

## Structural changes in water consumption

NSWIC notes the cautious approach taken by IPART to avoid basing decisions on the unpredictable nature of rainfall, further noting the stated lack of strong evidence to support a sustained or permanent shift in water consumption. NSWIC agrees that the full long-term structural impacts of the current drought may not be entirely known. However, there are definite indications that the nature of water consumption (e.g. the flexibility and seasonality of demand) is changing which should be monitored for future reviews.

## Peel Valley

NSWIC notes that in the 2017 Determination, IPART made a decision to change the tariff structure in the Peel Valley from 40:60 fixed to variable to 80:20 fixed to variable from 2018-19 onwards. Consequently, this led to a relatively large increase in entitlement charges (particularly High Security entitlement charges) with an associated reduction in the usage charge. These increases are a 99.9% increase in High Security entitlement charges, and 106% increase in General Security entitlement charges.

## Conclusion

NSWIC supports the draft decision to maintain the regulated charges as set under the 2017 Determination, given IPART found no evidence of a permanent structural change in water consumption (aside from the stated 3.73% decrease as a result of the current drought).

Kind regards,

NSW Irrigators' Council.

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<sup>2</sup> The Murray-Darling Basin has had less than 1% of average inflows in the previous water year, and consequently, a significant proportion of irrigation farmers with general security entitlements have been on 0% allocation of water for approximately 12 months.