



Pastoralists' Association

of West Darling Inc.

Registered under NSW Government Fair Trading

25th April, 2019.

Essential Energy price review 2019
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

**Submission to the Independent Pricing and Regulatory Tribunal
Review of Essential Energy's prices for water and sewerage services in Broken Hill**

The Pastoralists' Association of West Darling (PAWD) represents the interests of pastoralists in the far west of NSW, including those who draw water from the Menindee - Broken Hill and Umberumbeka – Broken Hill pipelines for stock and domestic use. Water supplied to pastoralists from these pipelines is essential to the survival of their livestock and sustainability of their businesses during dry times. It is with this background in mind that PAWD makes the following submission to the Independent Pricing and Regulatory Tribunal (IPART) review of Essential Energy's prices for water and sewerage services in Broken Hill.

The IPART review includes a recommendation that the unit price charged for untreated water supplied directly from the Menindee and Umberumbeka pipelines is increased from \$0.78/kL to \$1.58/kL this year. This recommendation represents a significant impact on water affordability for pipeline customers. Furthermore, the timing for the adoption of the recommendation could not be more inopportune. The region is currently experiencing the worst drought in living memory, with a corresponding increase in demand for water, and financial hardship for family pastoral businesses.

Not all water drawn from the pipeline generates an economic return for pastoralists. Native animals, principally kangaroos, also benefit from stock watering points established by pastoralists for their domestic livestock. Kangaroo population data supplied by the NSW Office of Environment and Heritage indicates that the number of kangaroos exceeds the number of sheep on the western plains of NSW by a ratio of 3:1. It is probable that in excess of 50% of water provided by pastoralists is used by kangaroos and other native animals. The situation for pastoralists in the Menindee area is exacerbated as the Menindee Lakes dry up, forcing native animals onto pastoral properties in search of water. All native animals are the property of the Crown, which is an important contributing factor to consider when setting water prices.

The proposed price rise increases the probability that pastoralists cease to draw water from the pipeline during good times when surface water is available on-property. This outcome would result in reduced income from the sale of water for Essential Energy, but at the same time pipeline maintenance costs would still accrue. Furthermore, water would stagnate in the pipeline if not being drawn on, increasing the probability that water quality and safety would deteriorate. In this respect, the recommended price rise may actually end up being a counter-productive outcome for Essential Energy.

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Increasing the cost of water from the pipeline will have a negative impact on property values and disposable income. A reduction in disposable income will have flow-on effects for the local economy, where pastoralists do most of their business. Reduction of property values and disposable income are unacceptable consequences of the draft recommendation.

PAWD understands that suggested pricing for water from offtakes in the new Wentworth to Broken Hill pipeline is lower than the proposed \$1.58/kL for water from the Menindee and Umberumbeka pipelines, and clarification as to this point is requested.

PAWD does not believe that the proposed price increase for water from the Menindee and Umberumbeka pipelines is fair or justified. It is disappointing that the issues raised in this submission do not appear to have been considered as part of developing the draft report. Accordingly, it is PAWD's view that IPART's recommended pricing structure for existing pipeline users is unreasonable.

Our recommendation is that current pricing structure for pipeline customers is retained.

Yours faithfully,

Lachlan Gall
President.