



17 April 2017

Mr Scott Chapman
Principal Analyst - Water Pricing
PO Box K35
HAYMARKET POST SHOP NSW 1240

Email: scott_chapman@ipart.nsw.gov.au (*sent by email only*)

Dear Mr Chapman,

Draft Determination and Report - Water NSW Regulated Water Charge Review 1 July 2017 – 30 June 2021

Letter of support for NSW Irrigators Council's submission

The Ricegrowers' Association of Australia (RGA) represents the interests of around 1200 voluntary rice grower and industry supporter members, predominantly based in the irrigation areas of the NSW Murray and Murrumbidgee valleys. The RGA is a member of the NSW Irrigator's Council.

The RGA would like to document its support for the recommendations put forward in the NSW Irrigators Council's submission to the Draft Report.

In addition, the RGA would like to highlight the importance of resolving the following issues prior to the final determination:

- The RGA questions the significant cost over-runs for the Southern Valley Metering Project. We understand these cost overruns have been incorporated into the charges for water users.

The RGA is concerned that this sets a worrying precedent for future capital works program which are to be funded by the Commonwealth or another party (in particular for those projects that are as a consequence of the Basin Plan implementation). It is disappointing that the economic risk of poor planning and budgeting is to be borne by the water users who have no influence over these projects. The RGA therefore encourages IPART to ensure sound business cases are presented for all capital works programs.

- Further to the above, the RGA is concerned about the proposed significant increase to WaterNSW's Capital Expenditure allowance, despite WaterNSW incurring significant underspends in the last few determinations. The RGA reiterates its request to IPART to ensure WaterNSW produces sound business cases (and budgets) for all capital works programs. Furthermore, it is critical that IPART ensure that the funds budgeted for capital works during the period 2017 – 2021 have not already been accounted for as part of the charges set for previous determination period.
- Finally, the RGA is frustrated by the lack of transparency in the determination of the Murray Darling Basin Authority charges, despite these charges being significant for rice growers, accounting for 69% and 22% respectively of water charges for the Murray and Murrumbidgee Valleys. We note that this lack of transparency is a direct contradiction to

the oversight that is now required of the irrigation infrastructure operators, despite there being the same level of risk that the operator will take advantage of its monopoly position.

As highlighted in the draft report, stakeholders are not able to assess the efficiency or validity of the costs imposed on them by MDBA activities:

“[IPART] have continuing concerns about the lack of independent scrutiny in the development of MDBA costs...[and they] appreciate the concerns raised by users that insufficient transparency means there is no assurance that only prudent and efficient costs are passed through”.

Regular transparent reviews of the structure and costs of the river operations and asset management functions of the MDBA are required (separate to the policy and regulatory functions). This should be done in close consultation with water users.

In addition, to ensure irrigators only pay their fair share of costs, and given the “environment” is now the biggest customer, more transparency is needed regarding the operation costs and investments in capital assets required to deliver environmental water.

The RGA thanks IPART for the opportunity to provide comment regarding the Draft Report - WaterNSW - Prices for rural bulk water services from 1 July 2017 - March 2017.

Please do not hesitate to contact Rachel Kelly, RGA Policy Manager, to discuss this matter further on [REDACTED]

Kind Regards

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Jeremy Morton

PRESIDENT

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