

Chris Magner  
P.O Box 173,  
Casino 2470

  
16<sup>th</sup> April 2017

Submission to IPART from Richmond Wilson Combined Water Users Association (RWCWUA) re Water NSW Rural Bulk Water Pricing Review Draft Determination Report.

This submission is best read in conjunction with the submission made by Toonumbar Water Users Group

We wish to thank IPART for the opportunity afforded to comment on the Draft Determination. We also wish to commend IPART for the work that has been put into developing the new method of calculating water charges for the coastal dams of Toonumbar and Brogo. It is the writers belief that for many years there has been a fundamental flaw in the approach to determining the ratio of fixed to variable costs, in that licence holder representatives on the then State Water Customer Service Committee (CSC) have been asked by State Water to nominate their preferred ratio of either 40:60 or 60:40 fixed to variable for these costs before any review of charges had taken place and without understanding that only actual average usage was being taken into consideration in the variable price determination. This year it was suggested to CSC by David Stockler of Water NSW that a ratio of 80:20 might be considered, but no total cost was presented for Toonumbar or Brogo and therefore CSC members were being asked to make a decision without full information. David Stockler stated that Water NSW would prefer this ratio as it would provide them with more security of income.

RWCWUA congratulate IPART on their investigation into North Coast and South Coast water pricing and recognition that is not possible to achieve full cost recovery for Water NSW from the licence holders on these dams.

RWCWUA support the formula IPART has developed which takes into consideration licence holders ability to pay, with the exception that we believe the figure used to set the upper limit was incorrect as demonstrated in the Toonumbar Water Users submission to the Draft Determination.

RWCWUA support the Toonumbar Water Users proposed variable charge of \$18.87 and we recommend that the fixed price should be \$8.91. The method that we have used to calculate this \$8.91 is as follows:

We used the total allocation of General Security licence of 10,203ML from the document "Water NSW Prices for NSW Rural Bulk Water services from 1 July 2017: Capacity utilisation

study” by Vanessa O’Keefe, Independent Water Management Consultant; Daren Barma, Barma Water Resources (document 1)-Table 1 page 4

10,203ML was then multiplied by \$7.40, which was the price proposed in the Draft Determination (document 2), Table 6-7 on page 13. That gave us a figure of \$75,502.20

We take the 570ML average yearly usage given in document 1, page 6 point 4.1a. and multiply it by the \$45.94 which is the proposed usage price given in document 2. That gives us \$26,185.80

Then add those two figures together to get the total expected annual revenue of \$101,688 to Water NSW from Toonumbar General Security licence holders.

If you then take the \$18.87 calculated by Toonumbar Users, and detailed in their submission, and multiply it by the 570ML expected annual average usage you get \$10,755.90. Take this figure away from the \$101,688 of expected revenue and you are left with \$90,932.10 that needs to be recovered as a fixed cost. Divide \$90,932.10 by the total General Security allocation of 10,203ML and you get \$8.91/ML fixed component.

We therefore recommend that the fixed component be \$8.91/ML and variable be \$18.87/ML. Our recommendation would see the fixed to variable cost ratio very close to 90:10. This recommendation does not reduce the income to Water NSW and in fact is likely to increase it as the reduced usage charge makes it more likely that licence holders will use water.

In the papers presented to Toonumbar Water Users by Water NSW at a North Coast Strategy meeting in Casino earlier this year a table was included which gave the expected prices if the three coastal valleys were to be merged. The fixed price given was \$9.21 and variable \$18.65. The figures that we have recommended compare favourably with this.

Chris Magner

Chairman RWCWUA and Deputy Chairman of Water NSW Coastal Valleys  
Customer Service Committee