



## Australian Government

### Commonwealth Environmental Water

Our reference: 2011/13368

Dr. Peter Boxall AO  
Chairman, Review of Rural Water Charging Systems  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVD Post Office NSW 1230

Dear Dr. Boxall

Commonwealth Environmental Water makes the following submission to the 'Review of Rural Water Charging Systems' by the Independent Pricing and Regulatory Tribunal.

#### Background:

1. The Commonwealth environmental holdings in NSW, as at 31 May 2012, included 730 GL of water entitlements with an associated long term average annual yield of 431 GL. These holdings included high security, general security, conveyance, and supplementary water entitlements.

#### Responses on review matters:

1. The assessment criteria (p.2 of the IPART discussion paper) are reasonable, however, throughout the discussion paper IPART equates "customers" with irrigators. Commonwealth Environmental Water is a significant customer of State Water, and there are other environmental managers with large entitlement holdings in NSW (RiverBank and the Murray-Darling Basin Authority with respect to the Living Murray program). The circumstances of all customers should be considered adequately in the review.
2. IPART has been asked to identify options for the billing of bulk water charges that might be better matched to business cash flows. Commonwealth Environmental Water is funded through appropriation and has a more uniform cash flow than most irrigators.
3. Commonwealth Environmental Water submits that not all customers in a valley necessarily should have the same two part tariff structure. There should be choice available so customers can choose the tariff structure that best matches their cash flow.
4. There may be potential for Commonwealth Environmental Water to pay a higher proportion of fixed charges and a lower proportion of variable water charges than most other entitlement holders. The risk premium inherent in current pricing



arrangements should be reduced for customers willing to pay a higher ratio of fixed to variable costs.

5. From the discussion paper it is apparent that State Water's costs are largely fixed however its revenue is highly variable. Subject to pricing, tariff choices that allowed customers to pay a higher proportion of fees as fixed costs could be in the interests of State Water and its customers.
6. Conveyance entitlement will be part of the Commonwealth environmental water holdings in some valleys. There should be a determination of tariffs associated with conveyance entitlements in each valley.
7. For certainty of budgeting, the tariff structure should be the same for each year in a determination.

If clarification or further information is needed with respect to this review, please contact me on (02) 6274 2906.

Yours sincerely



Steve Costello  
Assistant Secretary  
Policy and Portfolio Management Branch  
Commonwealth Environmental Water

5 July 2012

(submitted electronically)