



Submission to the Independent Pricing and
Regulatory Tribunal NSW on:

*Prices for the Water Administration Ministerial
Corporation (DPI Water) from 1 July 2016*

Gwydir Valley Irrigators Association Inc

October 2015



making every drop count



GVIA

Gwydir Valley Irrigators Association Inc.

PO Box 1451 | 100 Balo St | MOREE NSW 2400

P: 02 6752 1399 | E: gvia@gvia.org.au

www.gvia.org.au | Twitter: @Gwydirvalley

ABN: 49 075 380 648

making every drop count

16 October 2015

Dr Peter Boxall, AO
Chairman
Independent Pricing and Regulatory Tribunal NSW
PO Box K35
Haymarket Post Shop
NSW 1240

Lodged online

Re: Submission by Gwydir Valley Irrigators Association Inc on DPI Water's Pricing Proposal for Water Administration Ministerial Corporation starting 1 July 2016

Dear Dr Boxall

Please see enclosed the submission from the Gwydir Valley Irrigators Association Inc (GVIA) to the Independent Pricing and Regulatory Tribunal NSW in reference to DPI Water's pricing proposal for water administration prices starting 1 July 2016 on behalf of the Water Administration Ministerial Council.

We have developed nine recommendations for consideration by the tribunal and answered each of the Questions for Stakeholders as part of the IPART Issues Paper, dated June 2015.

We welcome the opportunity to elaborate on our submission at the public hearing in Tamworth on November, 16.

Kind Regards

Zara Lowien
Executive Officer
Gwydir Valley Irrigators Association

Contents

1. Purpose of the Submission	4
2. Introduction	4
2.1. Recommendations	4
2.2. Questions for stakeholders	5
3. About the GVIA	8
3.1. Our region	8
3.2. What we do	9
3.3. Association contacts	9
4. General Comments	10
5. Past performance and reporting requirements	12
6. Revenue Building Blocks	12
6.1. Capital expenditure and return on capital	13
6.2. Water take forecasting	13
7. Price Control Mechanisms	14
7.1. Two-part tariff	14
7.2. User shares	14
7.3. Cost recovery	15
7.4. Efficiency savings	15
7.5. Minimum bill	16
8. Fee for Service	16
8.1. Metering service charge	16
8.2. Water consent transactions	16
9. Conclusion	16

1. Purpose of the Submission

This document has been developed by the Gwydir Valley Irrigators Association (GVIA) on behalf of its members as a formal submission for consideration by the Independent Pricing and Regulatory Tribunal (IPART) NSW during their determination of DPI Water's water administration prices beginning 1 July 2016.

This document represents the concerns and views of GVIA's members. However, each member reserves the right to express their own opinion and is entitled to make their own submission.

The GVIA and its members are members of the NSW Irrigators Council and we endorse the submission made by this organisation.

2. Introduction

The Gwydir Valley Irrigators Association (GVIA) Inc welcomes the opportunity to provide this submission to the Independent Pricing and Regulatory Tribunal (IPART) NSW on DPI Water's submission on water administration prices starting 1 July 2016.

Upon review of DPI Water's application for new prices and their assessment of past performance, the GVIA does not believe that DPI Water has provided an appropriate level of information to allow for a thorough assessment of the prudence and efficiency of costs. The submission lacks detail at a valley level, which is imperative considering users are now required to move towards full cost recovery as implemented through valley specific pricing.

It must also be recognized that while DPI Water provides monopoly services to water users, it does so as a NSW Government Department. As a result, the GVIA considers components of the revenue building blocks to be inappropriate and should be removed prior to finalizing revenue requirements.

The GVIA therefore, does not support the proposed prices for our valley and recommends that IPART NSW thoroughly investigate DPI Water's past performance; financial and outcomes in addition, to recalculating their revenue requirement and assessing the cost drivers for valley specific prices prior to finalizing their draft determination.

The GVIA acknowledges the attempt by DPI Water to improve accountability and drive efficiencies. As a result, we do not reject outright all components of this pricing application and agree with the inclusion of a 1.5% efficiency saving to offset inflation, the maintenance of a 70:30 fixed:variable, two part tariff and the increase in minimum bills.

We have provided nine recommendations for further investigation by IPART NSW, in addition to addressing the Questions for Stakeholders as included in IPART NSW's issues paper.

We would be willing to provide further comment or clarification on this submission at the public hearing in Tamworth if required.

2.1. Recommendations

1. IPART NSW request further detail from DPI Water on valley specific cost drivers from and provide background data to stakeholders for review.

2. IPART NSW to request all revenue building blocks to be reported at a valley scale for all water entitlements.
3. IPART NSW establish a unique price for floodplain harvesting take.
4. IPART NSW to provide mechanism for mid-determination price reductions following the finalisation of responsibilities between DPI Water and WaterNSW.
5. IPART NSW should encourage DPI Water to adopt a Customer Service Committee model for ongoing engagement and communication.
6. IPART NSW remove revenue requirement from RAB.
7. IPART NSW to consider alternative forecast methodology for northern river systems.
8. IPART NSW reject the FPH forecast for the Gwydir and request an updated forecast and the methodology applied, following the finalisation of the licencing programme.
9. IPART NSW in conjunction with stakeholders establish new user shares that take into account changes to activity codes.

2.2. Questions for stakeholders

1. Are DPI Water's proposed monopoly service activities for the 2016 Determination period appropriate?
No
2. What is the appropriate length of the determination period?
The proposed period is considered appropriate.
3. Are DPI Water's proposed operating costs over the 2016 determination period efficient, taking into account drivers of this expenditure and water management outcomes achieved?
No, further valley specific detail is required to better assess operating costs (See Section 4.General Comments).
4. What scope is there for DPI Water to achieve efficiency gains over the 2016 determination period?
DPI Water has considerable scope and should be encouraged (see Section 7.4 Efficiency savings).
5. What contributions to the Murray-Darling Basin Authority and the Dumaresq-Barwon Border Rivers Commission should be recovered from water users through DPI Water's water management charges over the 2016 determination period?
Costs should be minimised and the GVIA does not support the Gwydir Valley as being included in costs recovery.
6. Is DPI Water's capital expenditure over the 2011 determination period prudent and efficient, taking into account drivers of this expenditure and water management outcomes achieved?

Capital expenditure investment was required to improve business systems. However the GVIA believes that DPI Water must provide evidence on how the investment has provided benefit.

7. Is DPI Water's forecast capital expenditure program over the 2016 determination period prudent and efficient, taking into account expenditure drivers, scope for efficiency gains and proposed water management outcomes?

Further information on valley specific capital investment is required. However in principle, the GVIA supports investment in systems that will improve long-term efficiency and encourage DPI Water to move towards greater on-line capability.

8. What are your views on DPI Water's proposed depreciation allowance, including the assumptions (e.g., asset values and asset lives) underpinning the calculation of this allowance?

None

9. What is a suitable rate of return on DPI Water's regulatory assets?

The GVIA does not support DPI Water receiving a rate of return on assets (see Section 6.1 Capital expenditure and return on capital)

10. How has DPI Water performed over the 2011 determination period, including in relation to the 2011 schedule of monopoly service outputs in Appendix D?

DPI Water's financial performance was unclear and outcomes have improved but there remain outstanding activities that require attention (see Section 5 Past performance and reporting requirements).

11. Should reporting measures be included in the 2016 determination period?

Yes

12. Do the cost shares of the 2011 Determination remain appropriate (as outlined in Appendix D)? If not, what adjustments are required?

Past cost shares are not appropriate and require adjustment (see Section 7.2 User shares).

13. What are your views on DPI Water's proposed cost shares for the 2016 determination period?

Cost shares are not appropriate and require adjustment (see Section 7.2 User shares).

14. Is the current geographic split of water management charges appropriate? Or should we consolidate valleys into wider regions for tariff setting purposes?

No, the GVIA believe that disaggregation to the valley scale is appropriate (see Section 4 General Comments).

15. Is DPI Water's cost allocation model suitable for determining valley or regional based prices?

Greater clarity around valley specific drivers is required (see Section 4 General Comments).

16. Should two-part tariffs be maintained for DPI Water, or should we move to one part tariffs?

The maintenance of a two part tariff is supported (see Section 7.1 Two-part tariff).

17. To what extent does water trading act as a risk management mechanism for water users, and therefore remove the need for a two-part tariff?

The water trading act is a flawed mechanism to offset fixed prices as the system required a high level of water reliability to ensure there water allocation available to trade, which is not realistic in the Gwydir Valley.

18. Do two-part tariffs promote greater metering and therefore enhanced water management outcomes?

Improved metering is adopted for a range of reasons but for highly variable water sources, two-part tariffs would be a contributing factor.

19. If two-part tariffs are maintained, what is the appropriate balance between DPI Water's fixed and usage charges (e.g., is the current 70/30 fixed to variable ratio suitable)?

The GVIA supports the current two-part tariff (see Section 7.1 Two-part tariff).

20. Are DPI Water's forecast water entitlement and usage (extraction) volumes reasonable?

The GVIA does not consider the forecasting model appropriate for highly variable systems like the Gwydir Valley (see 6.2 Water take forecasting).

21. What, if any, mechanisms should be introduced to address risk associated with variations between forecasts used in setting prices and actual levels of water usage?

IPART could consider a multi-determination period for the assessment of financial performance, to allow for cyclical variation in water availability or consider a formalised 'overs and unders' approach not dissimilar to that adopted by WaterNSW.

22. What are your views on DPI Water's pricing proposals in relation to special category licences, including any new special category licences proposed for the 2016 determination period?

None.

23. What is the appropriate level for the minimum bill, and what types of users, if any, should be exempt from paying the minimum bill?

The GVIA supports the proposed minimum bill (see Section 7.5 Minimum bill).

24. How should the price path account for customer impacts (e.g., in balancing DPI Water's transition to full cost-recovery)?

A constrained glide path as proposed is supported (see Section 7.3 Cost recovery)

25. What are your views on DPI Water's meter-related activities and charges for users on unregulated river and groundwater sources, including:

- a. The appropriateness of meter types, meter charges and the metering target
- b. The appropriate water user share of costs for DPI Water's metering activities?
- c. The affordability/impact on water users (own meter and government meter)?

None (see Section 8.1 Metering service charge).

26. Does the potential to trade water allocations provide an incentive for unregulated and groundwater users to install a meter?

Yes.

27. Does the potential to switch from a one-part to a two-part tariff provide an incentive for unregulated and groundwater users to install a meter?

As per Question 18.

28. Are DPI Water's proposed consent transaction charges for the 2016 determination period reasonable (i.e., do they represent the efficient incremental costs of assessing and issuing the licences and approvals)?

The GVIA supports the proposed water consent charges and discount for on-line applications (see Section 8.2 Water consent transactions).

3. About the GVIA

3.1. Our region

The Gwydir Valley Irrigators Association (GVIA) represents in excess of 250 water entitlement holders in the Gwydir Valley, centred around the town of Moree in North-West New South Wales. Our mission is to build a secure future for its members, the environment and the Gwydir Valley community through irrigated agriculture.

The region is highly dependent on agriculture and in particular irrigated agriculture for economic activity contributing over 40% of Gross Regional Product, employing 20-30% of the population and accounting for almost 90% of exports from the Moree Plains Shire in particular (Cotton Catchment Communities CRC Communities and People Series 2009).

The 2011 Agricultural Census estimates that the total value of agricultural commodities for the Moree Plains region was \$911,951,079 up from \$527,744,851 in the 2005-06 census. This is an estimated 7.83% of NSW's total agricultural production from a 1,040,021Ha principally used for agricultural crops¹.

The Gwydir is characterised as having low water reliability with the majority of water held as general security water with a reliability of 36%. Supplementary water entitlement is somewhat more reliable with 55% but accounts for less than a quarter of the total volume. Groundwater reliability is considered 100%.

Environmental water has been held in the Gwydir prior to the first water Sharing Plan and is primarily used to contribute waterbird and fish breeding events and to maintain the condition and extent of the internationally recognised Gwydir Wetlands. Entitlements owned for environmental purposes totals more than 150,000ML, made up of high security (375ML), general security (106,000ML), supplementary water (19,500ML) and an environmental contingency allowance (45,000ML).

¹ 2010 2011 Agricultural Census Report – agdata cubes, 71210D0005-201011 Agricultural Commodities, Australia

The main broad acre irrigated crop is cotton with irrigated wheat, barley and Lucerne also occurring depending on commodity prices the total broad acre irrigated area is approximately 80,000 ha (although recent results indicate this to be around 110,000 ha) but is rarely cropped in one year. In 2010-11 census data indicated the total production value of irrigated cotton was \$623M and is estimated to be worth three times that to the local community using the Cotton Catchment Communities Research Corporation economic multiplier for cotton regions².

Currently there are also pecans, walnuts, oranges and olives being grown within the region covering approximately 1,500 hectares, generating an estimate \$31M with considerable benefits to the local community as a high intensity, permanent crop. There is however, significant and potential for expansion into horticulture and improve high security water utilisation on permanent cropping.

3.2. What we do

GVIA members hold entitlements within the Gwydir regulated and un-regulated surface water areas, in addition to groundwater resources. All of which are managed through water sharing plans, which have been progressively developed since early 2000. Total river water availability for irrigation is 26% of the long term average flows. There is around 575,000ML available to irrigators from regulated entitlement (high security, general security and supplementary water). There is also nearly 30,000ML available from groundwater aquifers. In addition, unregulated water is used for irrigation purposes with the use well below the volumetric licences.

The Gwydir Valley Irrigators Association organisation is voluntary, funded by a cents/megalitre levy on regulated, unregulated and groundwater irrigation entitlement. In 2014/15 the levy was paid on in excess of 93% of the eligible entitlement (excludes entitlement held by the State and Federal Government).

The Association is managed by a committee of 11 irrigators and employs a full-time executive officer and a part-time administrative assistant, as well as hosting a Regional Facilitator funded through Local Land Services and the Cotton Research and Development Corporation.

Much of the activity the association revolves around negotiating with government at a Federal, State and Local level to ensure the rights of irrigators are maintained and respected. While the core activities of the Association are funded entirely through a voluntary levy, the Association does from time to time, undertakes special projects, which can be funded by government.

The GVIA and its members are members of both the National Irrigators Council and the NSW Irrigators Council.

3.3. Association contacts

Gwydir Valley Irrigations Association
ABN: 49 075 380 648

² Social and Economic Analysis of the Moree Community, 2009. Cotton Catchment Communities CRC

100 Balo Street (PO Box 1451)
Moree, 2400
Chairman: Joe Robinson
Executive Officer: Zara Lowien

Ph: 02 6752 1399
Fax: 02 6752 1499
Mobile: 0427 521 399
Email gvia@gvia.org.au

4. General Comments

The GVIA does not support DPI Water's proposed prices for water administration costs in our valley on the basis that the revenue requirement is incorrect and valley specific cost drivers are unclear.

Whilst the GVIA was initially overwhelmed by the length of DPI Water's submission, upon further review we considered that the submission lacked detail and was highly repetitive. As the GVIA is a valley based organisation, we require the valley specific detail for revenue building blocks and cost drivers, which was not easily deciphered and was sometimes inconsistently reported.

The GVIA recommends that IPART NSW thoroughly review the background data that DPI Water has used to determine valley specific cost drivers as we found little evidence within the submission to justify the prices requested in our valley. The GVIA believe that the provision of valley specific information in a spreadsheet would be of assistance to stakeholders and help to further improve transparency of cost allocation and pricing.

IPART NSW request further detail from DPI Water on valley specific cost drivers and provide background data to stakeholders for review.

This information is increasingly important as users are now required to move towards full cost recovery of through valley specific pricing. However, whilst DPI Water disaggregates in most cases the regulated and unregulated rivers, they have aggregated groundwater sources into; inland (with and without Murrumbidgee) and costal water sources. As a result, the GVIA has had difficulty reviewing the components of groundwater prices for our valley. We do not support the aggregation of groundwater systems and that this process reduces transparency for users.

The GVIA recommends that IPART NSW should request that all components of revenue building blocks are provided for each individual valley and that groundwater systems are disaggregated.

IPART NSW to request all revenue building blocks to be reported at a valley scale for all water entitlements.

The GVIA also believes that inclusion of forecasts and prices for floodplain harvesting entitlement is premature, as the implementation of this licencing programme is still underway. The issuing of floodplain entitlements will be a result of the completion of the Healthy Floodplains project, possible through Commonwealth funding. Access of floodplain

entitlements is a legitimate activity that does not require ongoing intervention or comprehensive monitoring by DPI Water and as such is a low cost entitlement. Due to the nature of these entitlements, the GVIA recommends that a unique price for floodplain harvesting water take should be established, rather than adopting the regulated or unregulated water take price.

IPART NSW establish a unique price for floodplain harvesting take.

However, the GVIA must acknowledge the effort by DPI Water to be more accountable for their activities and expenditure on behalf of users. The changes implemented and proposed to business systems and indeed the transformation of activity codes appears to be major attempts by DPI Water to address outstanding concerns around transparency and accountability. The GVIA will be interested in reviewing progress reports against DPI Water's self-established standards of service for operational activities.

We also support the reductions in overhead and operational costs, as there is a realisation of cost efficiencies with the centralisation of shared services within the NSW Government. As the delineation of task between WaterNSW and DPI Water continues to develop, the GVIA believes further savings should be generated. As a result, we believe there should be mechanisms for reductions in prices if specific activities are removed from DPI Water within the determination period.

IPART NSW to provide mechanism for mid-determination price reductions following the finalisation of responsibilities between DPI Water and WaterNSW.

Despite attempts by DPI Water to improve their engagement with customers when developing the current pricing proposal, there continues to be a lack of clarity around the determination process and components of the proposal within the customer base. The culmination of two concurrent water price related reviews by the ACCC; the annual review of WaterNSW prices and rules review, would have also contributed to poor communication outcomes.

Nonetheless, the GVIA question the engagement strategy adopted by DPI Water which relied on developing and distributing fact sheets. It is difficult to monitor the effectiveness of factor sheets, as you never know whether stakeholders read or understand the information. Also as outlined earlier, customers at the time would have also been receiving information on the two other pricing reviews, which would have diluted the audience.

The GVIA recommends for DPI Water to further improve engagement in a more structured and regionally relevant manner, they should consider adopting the WaterNSW Customer Service Committee model. This model would allow customers a forum to discuss financial and outcome performance of DPI Water and receive programme updates on water source specific activities. The forum would also be an opportunity for DPI Water to receive feedback directly from an engaged and informed group of customers.

IPART NSW should encourage DPI Water to adopt a Customer Service Committee model for ongoing engagement and communication.

5. Past performance and reporting requirements

Following a review of Part B – End of Determination Report by DPI Water, the GVIA's concerns regarding the continued under performance of the Department in the past was again realised, despite the efforts of DPI Water to provide an overly positive portrayal and distract readers with an overwhelming volume of seemingly unnecessary information.

For example, the Department's lack of preparedness to undertake core activities like the scheduled review of major a water sharing plan as outlined in C07 – Water Management Planning, is of a significant concern to GVIA. Our experiences during the initial review phases of the Water Sharing Plan for the Gwydir Regulated River Water Source highlighted that the Department had unfilled their commitment to water users in monitoring and reporting on water sharing plan performance. To date, the GVIA remains in negotiation with the Department about outstanding issues as part of the review of this water sharing plan.

The GVIA does acknowledge that DPI Water is undertaking a significant corporate restructure that may help to bring about a cultural change to address engrained behaviours. However, the outcome of these changes remains unclear.

Further to this, the GVIA had difficulty reconciling the financial performance of the Department especially at a valley level and therefore find it difficult to ascertain if past pricing was prudent and efficient. In particular the GVIA discovered discrepancies between tables within the main report and the appendices. For example, in Table 5.2 Four Year Revenue outlines the regulated Gwydir valley revenue to be \$4.298M whereas the table in Appendix A.1 Revenue by Year and Water Source has the value at \$4.235M. The discrepancy results in either a \$319,000 or \$256,000 variation from the IPART NSW allowed revenue for the period outlining a significant difference in over-recovery at a valley scale for the period.

Such discrepancies also extend to operating expenditure and it is unclear on what the total operating costs for the Gwydir valley for the past five year are. For example, in Table 4.1 Historical five-year management costs by code, the valley total of \$6.924M does not align to the total operating expenditure for the Gwydir of \$6.587M in Table A.2. Operating expenditure by year and by pricing water source. Assuming a 66% user share of operating costs as outlined in Table 4.1, the overall operating position of DPI Water in the valley can be considered to be -\$49,000 and - \$334,000 due to over-expenditure by DPI Water.

The GVIA needs to understand the past financial performance of the Department to assist us in assessing whether the proposed revenue requirements are adequate. The GVIA does not consider the report by DPI Water as sufficient and request a review of the background material at a valley specific level is undertaken prior to finalising the next determination.

6. Revenue Building Blocks

The following outlines the areas where the GVIA has concerns with the building blocks used to determine the total revenue requirement for DPI Water and hence, valley prices. As noted earlier, the GVIA has had issues in assessing the appropriateness of valley specific costings in the amalgamated 'inland groundwater' water source. As a result, this section applies to the regulated Gwydir river water source, unregulated Gwydir river water sources only.

The GVIA cannot make a determination on the appropriateness of groundwater specific building blocks on the information supplied by DPI Water. As a result, we reserve the right to make further comment following the review of valley specific groundwater information.

The GVIA has not provided commentary on all revenue building block components as we do not have the resources to do so. However, as outlined earlier if supporting documentation was provided the opportunity to review calculations and assumptions would be simplified and therefore more commentary and recommendation may be forthcoming.

6.1. Capital expenditure and return on capital

The GVIA rejects the requirement for DPI Water to have a rate of return on assets. DPI Water is a government department and therefore does not need to derive income from assets but rather ensure there is efficient revenue to meet operation and maintenance costs. The GVIA recommends that IPART NSW remove the revenue requirement from the RAB.

IPART NSW remove revenue requirement from RAB.

Secondary to this, the GVIA could not reconcile the return on the RAB as part of the DPI Water submission and believe that further scrutiny is required. For example, if you apply DPI Water's methodology³, the opening RAB value as of 1 July 2016 does not equate to the \$20.95M⁴ but by our calculations should be \$20.383M⁵ and after applying the WACC, neither RAB amount equates to the total revenue of \$2.026M in Table 7.11, which would see additional revenue being required.

The GVIA believes that as a Government Department, DPI Water does not require a weighted average cost of capital. If such a factor is required, the GVIA believes a WACC of 4.6% is elevated and whilst DPI Water operates in a similar environment to Sydney Water Corporation, WaterNSW and Hunter Water Corporation its business structure is fully guaranteed by Government and therefore a similar WACC is inappropriate.

6.2. Water take forecasting

In previous submissions to IPART NSW, GVIA has warned that the adoption of the 20-year moving average extraction had the very real capacity not only to lead to artificially high usage charges, but also lead to very significant over-recovery as the chances of exceeding the average consumption forecast has been significantly increased. A review of revenue from the past period highlights that for high dynamic systems, like the Gwydir Valley this concern is real as consumption significantly exceeded the new forecast level for the Gwydir River for two out of the last three years.

GVIA warned IPART NSW repeatedly that seasonal conditions can change rapidly and that the conditions experienced in the recent past, are no predictor of what is to be experienced in the near future.

In the Gwydir, the flow on from high surface water availability is a reduction in groundwater use, impacting the forecast for the inland groundwater systems. As the Lower Gwydir

³ Page 180, DPI Water pricing submission

⁴ Page 182, DPI Water pricing submission

⁵ Sum of \$6.95M RAB as of 30 June 2016 and the forecast capital expenditure of \$15.433M (from Table 7.7 on page 181)

groundwater source is amalgamated with inland groundwater sources, it is difficult to ascertain how DPI Water has forecast water take and whether the forecast for the Gwydir reflects this relationship or is indeed accurate.

As a result, the GVIA recommend IPART NSW consider the risk of significant over recovery and inefficient prices and review the forecasting methodology for northern valleys in particular, this should also include a disaggregation of groundwater sources.

IPART NSW to consider alternative forecast methodology for northern river systems.

The GVIA also questions the forecast for floodplain harvesting take as supplied by DPI Water as 118,000 ML. The Gwydir is the valley most advanced in the implementation of the programme and we do not believe we are in a position to understand what licence volume is available yet what the forecast take may be and not historical record of take. It is therefore unclear on how DPI Water determined this forecast volume.

The GVIA recommends that IPART reject the current FPH forecast and request updated forecast of FPH take following the finalisation of valley wide licencing.

IPART NSW reject the FPH forecast for the Gwydir and request an updated forecast and the methodology applied, following the finalisation of the licencing programme.

The GVIA will also initiate discussions with DPI Water over an appropriate mechanism is to forecast this new licence category.

7. Price Control Mechanisms

7.1. Two-part tariff

The GVIA supports a two part tariff to be adopted in all systems as it in principle, allows an irrigator to contribute to revenue when they take water, presumable for economic return therefore businesses are more likely to have cash flow to support additional costs. However as outlined earlier we are concerned that due to poor consumption forecasting, elevated water take prices are occurring.

7.2. User shares

The GVIA continues to have concerns with the proportion of user share for some activity codes. With the transition to the new coding system, we believe that the creation of new hybrids of new user shares has occurred where a number of previous codes have been amalgamated. Further investigation and discussion on establishing user shares for the new activity code system should be established and actioned prior to the completion of this pricing determination.

Further to this, the GVIA also questions the inconsistency between regulated river and groundwater programmes. In particular for W01 Surface water monitoring, W02 Groundwater monitoring and W04 Water modelling and impact assessment, where activities should have a consistently applied 50% user share component.

The GVIA questions the allocation of 100% user share of activities, when the activity also provides benefits to state planned and held environmental managers as with W04-03 water resource accounting and others.

IPART NSW in conjunction with stakeholders establish new user shares that take into account changes to activity codes.

7.3. Cost recovery

The GVIA notes that the Gwydir remains on a constrained 2.5% glide path towards full cost recovery. We support this process for a gradual movement towards full cost recovery.

However we are concerned that DPI Water is using the opportunity of the licencing of floodplain harvesting entitlements as a means to provide additional mechanism to achieve full cost recovery.

DPI Water as part of their submission stated that “the implementation of the floodplain harvesting water take framework has been funded through a Commonwealth government grant, and as such there has been no cost to water access licence holders. The marginal level of associated activities will add no additional operating costs to revenue needs”⁶.

The GVIA rejects that under efficient and prudent costings that future FPH entitlement holders should shoulder the burden for the maintenance and operation of other water entitlement activities. The spreading sharing of revenue should only be appropriate, if those entitlement holders gain benefit from the operation and maintenance activities.

Not all regulated or unregulated entitlement holders will be future floodplain harvesting entitlement holders. Therefore, the simplistic approach by DPI Water to share revenue will disproportionately affect users within the valley based on their entitlement portfolio. The GVIA does not support cross subsidisation between entitlement types and therefore, rejects the inclusion of FPH entitlement as a means to progress full cost recovery in the Gwydir Valley.

As outlined earlier, the GVIA recommend IPART NSW reject the FPH prices and request DPI Water establish entitlement specific price based on revenue required to implement that entitlement type.

7.4. Efficiency savings

Our members must offset inflation to ensure their businesses maintain viability and we expect the same from user funded government agencies like DPI Water. As a result, the GVIA support the inclusion of an efficiency saving for DPI Water’s operations, which should at a minimum offset increases in inflation.

DPI Water should continue to explore opportunities to improve business systems and move towards greater on-line processing as a means to continue to drive efficiency and provide uninterrupted service to customers. The GVIA believe that efficiencies should not be achieved at the cost of serviceability of customer needs and therefore, required further detail on how DPI Water aim to achieve these efficiencies.

⁶ Page 190 DPI Water Submission to IPART NSW.

7.5. Minimum bill

The GVIA supports the increasing of minimum bill component to cover general overheads for all entitlements.

8. Fee for Service

8.1. Metering service charge

The Gwydir Valley has a high level of metering, with approximately 80% of the water extracted in the valley metered via irrigator owned electronic meters. The GVIA on behalf of its members opted not to participate in the NSW Sustaining the Basin: Metering Project as we believe there was little benefit in the Gwydir from such a project. As such we do not consider that meter service charges will be applied in our region and have not reviewed the appropriateness of such charges.

We agree to the current contractual arrangement for meter readings with WaterNSW but would recommend that further opportunity for on-line user reporting be explored.

8.2. Water consent transactions

The GVIA supports a discounted price for on-line applications for all water consent transactions and believes that further improvements in technology in this area will help drive business efficiency savings in the future.

9. Conclusion

The Gwydir Valley Irrigators Association (GVIA) Inc welcomes the opportunity to provide a submission to the Independent Pricing and Regulatory Tribunal (IPART) NSW on DPI Water's submission on water administration prices starting 1 July 2016.

The GVIA does not support the proposed prices for our valley and recommends that current prices are maintained until further detail can be provided to support DPI Water's request.

We have provided nine recommendations for further investigation by IPART NSW, in addition to addressing the Questions for Stakeholders as included in IPART NSW's issues paper.