

Gwydir Valley Irrigators Association Inc.

458 Frome St, PO Box 1451, Moree NSW 2400

30 July 2012

Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

SENT VIA ELECTRONIC MAIL

Re: Submission on Executive Summary of Draft Recommendations on the Review of Rural Water Charging Systems

Dear Mr Cox

The Gwydir Valley Irrigators Association (GVIA) welcomed the 'Review of Rural Water Charging Systems' and the release of the Executive Summary of Independent Pricing and Regulatory Tribunal's (IPART) Draft Recommendations.

Although there are a number of constructive recommendations within the detail of the Executive Summary, the Association remains disappointed that IPART has continued to restrict the scope of this review by rejecting industry concerns and has instead pursued alternative ways to charge water users for an unchanged level of service.

IPART has sort to maintain State Waters' and NSW Office of Waters' revenue rather than make recommendations that would maintain a viable and economically sustainable pricing structure. Inefficiencies with the current pricing structure and the lack of accountability of performance have continuously been ignored by IPART. As a result, the GVIA believe that these draft recommendations have failed to fulfil the reviews terms of reference, in particular reference number three.

Recommendation 1

The GVIA do not support Recommendation 1 for a deferral arrangement for low water availability years but rather submit that a waiver is provided through a community service obligation payment. A deferral mechanism will place additional risk and costs onto other water users to maintain State Waters revenue and cover the short term interest liability incurred as a result of the reduced fixed revenue.

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The GVIA reiterates that a '5% of cumulative available water determinations at the end of the financial year' is not representative of the highly variable nature of the Gwydir Valley. The GVIA recommends a long-term average low available water determination value be calculated on a valley by valley basis. This value would represent the lower limit of water availability that is able to support a base level area of production to cover fixed costs and therefore, maybe different for individual valleys but determined on the same rules based process. It is recommended that either two consecutive years of that value (or below) is set as the trigger point or a two-year rolling average that allows for a small spike in available water in one year whilst continuing assistance allowing for recovery from low water availability.

Recommendation 2

The GVIA is in support of IPART's Recommendation 2, to maintain the current tariff structures for NSW Office of Water and State Water. The GVIA supports this position on the provision that there is further work to assess the opportunity of providing greater user choice and the customer base is expanded to include basic landholder rights and planned environmental water¹ in a timely manner.

Recommendation 3

The GVIA supports IPART maintain a role in determining cost share ratios every second determination cycle as outlined in Recommendation 3. However, the GVIA would like this review to be initiated immediately as part of the 2014 determination. This is particularly important considering that proposal by IPART to change (expand) the customer base over the proposed determination period¹ and therefore rendering the current determined shares will be inappropriate.

With the expansion of the determination periods for cost shares, it will be increasingly important for performance against these shares to be appropriately monitored and managed to ensure that task and activities required are being achieved. As a result the GVIA would recommend a mid-term performance review of the NOW and State Water is undertaken as a means to monitor progress.

Recommendation 4

No comment.

Recommendation 5

The GVIA rejects the recommendation to assess the need for a financeability allowance as proposed in Recommendation 5. This recommendation was determined without consultation; it was not mentioned at any of the public

¹ IPART Draft Recommendations, Executive Summary, page 11

consultation hearings or in the issues paper and hence, most industry representatives would not have had the time to consider the implications of such a proposal.

This proposal appears to be a new attempt either by State Water and/or IPART, to hit water users with a new billing requirement to secure and maintain the elevated revenue base of State Water. The fact that the allowance appears as an 'advance' for possible losses is unacceptable and would encourage inefficient business behaviour by State Water.

Recommendation 6

The GVIA does not agree with Recommendation 6 for State Water to request a revaluation of its regulated asset base as the proposal is unnecessary and unsubstantiated. If State Water were provided a glide path pricing structure the short-term changes (like from a pre-tax WACC to a post-tax WACC) could be absorbed and managed on a longer term base without negative customer impacts.

Thank you for the opportunity to provide this submission and participate in the review. Please do not hesitate to contact the Association for further information regarding this submission.

Kind regards



Zara Lowien
Executive Officer
Gwydir Valley Irrigators Association