Lachlan
Valley
Water Inc

Response to IPART Draft Recommendations

Review of Rural Water Charging Systems

by Lachlan Valley Water

30 July 2012

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RESPONSE TO IPART DRAFT RECOMMENDATIONS ON RURAL WATER CHARGING SYSTEMs

1. Introduction

Lachlan Valley Water (LVW) is the peak valley-based organisation representing 650 surface water and groundwater irrigator members in the Lachlan Valley, including irrigators within Jemalong Irrigation Limited (JIL). This submission has been prepared on behalf of all members, however, members also reserve their right to make a separate submission.

2. Response

2.1 Tariff Structures

LVW supports IPART's Recommendation 2 to maintain the 40:60 fixed to variable ratio for State Water's tariff structure, with a volatility allowance reflecting only the annual holding costs.

We also support the recommendation that State Water explore a 90:10 fixed to variable ratio and suggest that industry representative groups should be involved in the investigation as well as the Commonwealth Environmental Water Holder. As the 90:10 ratio provides greater certainty of income for State Water we believe that it would be to State Water's advantage to have industry input and potentially a higher volume of water sales included in the initial 'trial'.

2.2 Government Cost Shares

LVW strongly supports IPART continuing to determine the government share of efficient costs in a transparent process, and that the cost shares be reviewed every 8 years from 2017.

We strongly recommend that the process outlined by IPART on page 11 to identify the cost impacts of servicing basic landholders rights and environmental contingency allowances be undertaken by NSW Office of Water (NOW) and State Water as a required input to the next price determination. Neither of these organisations can expect to keep transferring their revenue risk onto paying customers unless they implement the "user-pays" principle by identifying and recovering costs from all users of their services.

2.3 Financeability

LVW strongly opposes the concept of a financeability allowance as an additional revenue building block. This simply transfers the risk to customers, through advance payment, when there appears to have been no consideration of other methods that State Water can use to manage their revenue risk and potential impact on their credit rating.

State Water, as a state owned enterprise and a monopoly supplier of services, is not subject to the same commercial discipline as their customers who, when income fell during the drought, drew down reserves and reduced their costs.

LVW recommends that instead State Water be asked to analyse the costs and benefits of maintaining a reserve fund as a means of adjusting for revenue volatility.