



Murray Irrigation

Submission on the IPART's draft determination for the NSW DPI Water pricing application 2015

April 2016

Submission

Murray Irrigation welcomes the opportunity to provide the Independent Regulatory and Pricing Tribunal with this submission on the draft determination for prices to be charged by the Water Administration Ministerial Corporation (DPI Water).

Murray Irrigation provided an earlier submission on the issues paper and appeared at the Griffith Public Hearings on [date].

In this submission we focus specifically on issues of significance to Murray Irrigation's business. The Company is a member of NSW Irrigators' Council and support their submission on the broad range of issues facing irrigators across the State.

1.1 Water Sharing Plans

As mentioned in our previous submission, Murray Irrigation has been frustrated by the lack of progress for the review and rewrite of Water Sharing Plans.

In the preceding determination period 2010-2014 the WAMC identified a budget for water planning and management which included Water Sharing Plans. This period included the timeline for the review of 31 Water Sharing Plans coming to the end of their initial 10-year term. The review and re-write was due to be complete by 1 July 2014.

The consultants to IPART, Synergies, also expressed concerns about the two-year delay (from 2014 to 2016) in delivering water plan reviews, which has imposed additional costs on users.

We acknowledge that the previous determination was extended for two years with no increase, however, that extension does mean that the WAMC has had two further years of collecting money under that budget line item. Synergies found this delay has resulted in \$14 million in additional costs being incurred for this activity.

The WAMC has also had a further two years to develop and rewrite these plans. This has not been finalised in the NSW Murray, nor to our knowledge in any other valley.

Murray Irrigation submits that the WAMC should be obliged to reduce their fees against that cost code by the amount collected in the previous determination to recompense for work not undertaken.

Recommendation: Reduce WAMC fees for water sharing plans by the amount collected in the previous determination to cover the review and rewrite of all 2004 Water Sharing Plans.

1.2 MDBA Charges

In 2011, IPART determined that DPI Water could not recover the proposed full user share of the contribution to the MDBA due to concerns about the efficiency of the forecast MDBA contributions.

In Murray Irrigation's opinion these concerns have not been allayed and there is still a lack of transparency of MDBA's costs and how they are attributed to activities.

The WAMC application attributes 55 percent of MDBA costs to users which will see an increase in user MDBA contributions from \$1.69 million to \$5.10 million. That is an increase of over 300 percent.

Murray Irrigation believes that the water management activities and joint programs that DPIW is responsible for contributing to the MDBA (as opposed to River Operations which WaterNSW contributes) are activities conducted for the public benefit and therefore there should be a far higher contribution by the Government.

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The IPART draft determination identifies the five activities undertaken by the MDBA for which DPIW makes a contribution:

1. Salt interception schemes
2. River channel management
3. Post water management
4. Hydrometric services
5. Water quality monitoring.

Murray Irrigation would argue that, even applying the “impactor pays” principle, the user share for these activities should be far less than the ascribed 55 percent. Certainly in the modern era of holistic water resource management, the activities and impact of environmental management programs – ostensibly undertaken for the public good – should contribute a more significant component of the contributions.

Murray Irrigation is also of the view that users should not contribute in any way to environmental programs such as the Living Murray which have come about due to Government policy and therefore should be the responsibility of Government alone to cover the costs.

Recommendation: Reduce the user share of MDBA contributions due to lack of transparency of activity costs and the fact that such activities are conducted for public and not just irrigator benefit.

Further, during the last determination period, ostensibly due to budget restrictions but also partly due to the lack of transparency and to stop the money churn – whereby the NSW Government makes a contribution to the MDBA to pay a NSW Government entity to conduct an activity – the then NSW Minister of Primary Industries, Katrina Hodgkinson cut contributions to the MDBA, however, there was no pro-rata reduction in MDBA contributions collected from irrigators through NSW Office of Water (now DPIW) charges.

According to our records, just before the funding cut, the MDBA contribution from the NSW Office of Water was around \$16.8 million budgeted for the year 2012-13 with an IPART approved user share of \$1.69 million or 10 percent. Minister Hodgkinson capped future contributions to the MDBA for both State Water and the Office of Water at \$8.9 million yet NOW continued to collect \$1.69 million and State Water (now WaterNSW) collected around \$7.7 million from NSW Irrigators. That shows that at the time State agencies were collecting more fees for MDBA contributions than they were actually paying.

Murray Irrigation believes this must be rectified. As a bare minimum the \$490,000 collected from irrigators over the period that was in excess of contributions made to the MDBA should be returned or deducted from the MDBA charges for the next determination.

Recommendation: Reduce the user share of MDBA contributions to recognise the over-recovery of MDBA contributions in the preceding determination period.

Since Minister Hodgkinson took this action in 2012, the MDBA have taken steps to have the decision reversed which has resulted in contributions creeping up in the ensuing years despite the issue of transparency not being addressed in a manner that is meaningful to those ultimately paying for the services – irrigators.

Irrigators have no meaningful access to the MDBA’s corporate plan and associated activity budgets. In the Federal budget papers, the MDBA’s expenditure is not broken down into separate business units providing clear oversight to prevent cross-subsidisation of activities that should be Commonwealth funded against joint programs. We believe that, but have no way of knowing whether, the MDBA activities are subject to a sufficient level of independent review to ensure it is efficient expenditure.

We also hold concerns about the fact that the NSW Government is yet to agree to an ongoing budget for the MDBA contributions, rather negotiating on a year-by-year basis at this stage. If IPART’s draft determination is accepted, NSW Irrigators’ could again find themselves in a position where they are

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paying a fixed contribution (via DPIW) to the MDBA while the State Government significantly reduces its contributions.

Recommendation: Reduce the user share of MDBA contributions and ensure it is collected proportionately to the total sum paid by the State Government to avoid over-recovery.

1.3 Impactor pays

Murray Irrigation is concerned about the selective use of the Impactor Pays principle.

We acknowledge that irrigators contribute do impact on the costs of DPIW's activities, however, we believe there are many other groups that also impact but do not contribute to the costs. Examples being recreational water users, riparian and basic landholder rights, flood protection and recreational users as well as the environment (there are no fees collected to manage rules based environmental water).

As mentioned in our previous submission, DPIW should assign a user share to these other impactors. Where the cost cannot be recovered from the users, the Government should bear the cost. This would be in acknowledgement that irrigators are not the sole impactor or beneficiary of river planning and management activities conducted by DPIW.

Recommendation: Reduce the user share to recognise other impactors on DPIW activities or identify a volume of inaccessible users (riparian, recreational etc) and ascribe their user share to be recovered from the Government as a Community Service Obligation.

1.4 Duplication of activities

As mentioned in our previous submission, Murray Irrigation is concerned that determining prices while there is ongoing agency reform may result in duplication of cost recovery.

While this issue was addressed at the Griffith Hearing with the Deputy Director General, Gavin Hanlon, explaining that the intention is for the activity cost codes to be able to be identified and transferred, Murray Irrigation is not convinced that the IPART process allows for that, nor that the draft determination adequately addresses that issue.

Recommendation: Ensure there is adequate oversight to ensure costs are not being recovered through multiple agencies for the same activity due to transition of responsibilities.

Conclusion

The overarching position of Murray Irrigation is that many of the activities carried out by the DPIW, including via MDBA Joint Programs, are carried out for the benefit of the whole community yet the selective use of the "impactor pays" principle means that irrigators are contributing more than their fair share.

IPART's draft decision to accept DPIW's proposed 72 percent user share, where "users" are only irrigators and those shares are predominantly recovered from regulated water users, does not significantly recognise the other impactors on DPIW costs and activities.