

# MURRAY VALLEY PRIVATE DIVERTERS INC

## SUBMISSION – April 2016

Dr Peter Boxall AO  
Chairman  
Review of price for the Water Administration Corporation  
Independent Pricing and Regulatory Tribunal  
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Dear Sir

Murray Valley Private Diverters (MVPD) represents irrigation interests for private pumpers, trusts and other smaller water delivery organisations in the Southern Riverina.

We would like to thank IPART for its continued review of water pricing, its capacity to consult and for continued recognition of the challenges faced by many irrigation businesses. Challenges that continue to erode business capacity to absorb full cost recovery implications of Government charges, including limited options to drive efficiencies in Government departments, incapacity to influence how policies are designed and implemented and adverse climatic conditions.

MVPD has limited resourcing and as such this does not permit detailed analysis of the full suite of issues covered under the draft determination of IPART. As a member of NSW Irrigator's Council, a number of issues may be addressed through their submission, however a number of issues in the Murray Valley will not be picked up through broader State representation.

The concept of full cost recovery continues to pose risks to irrigators. To some extent, full cost recovery is somewhat open ended, despite having defined parameters around user cost shares. Full transparency on costs, avoidance of duplication of services and increased efficiencies are mechanisms to assist in management of water charges, however consideration of new processes to increase efficiencies may need to be considered by IPART in the future.

### Cost Shares

MVPD appreciates that IPART has recognised that it is inappropriate to re arrange cost shares to apply additional cost shares of regulated water charges onto groundwater users and/or riparian landholders.

Government charges for groundwater entitlement holders in the Murray 016 areas are a significant burden already to groundwater dependent irrigation business. Entitlement holders pay for their own bore installation costs and ongoing maintenance. They also pay annual metering charges and pay for monitoring of the 016 groundwater region and associated Government costs.

Under the National Water Initiative (2004) users in the 016 area have lost up to 68% of their entitlements with no compensation as entitlements at the time were not recognised in a water sharing plan. A very limited structural adjustment package for the Murray Valley has been the cause for continued concern and has not addressed the business challenges faced by entitlement holders.

In addition, groundwater entitlement holders have experienced further water right losses under the Southern Valley Metering Project.

MVPD rejects submissions that propose increased changes to cost shares for regulated charges and implications that a percentage be put to groundwater entitlement holders. This submission also does not support suggestions to IPART that riparian landholders should bear a share of the regulated water supply charges currently applied to irrigators.

It is worthwhile noting that many riparian landholders in the Murray Valley already contributed a cost share to the regulated supplies through fixed and variable charges on their water entitlements recognised in the Murray Valley Water Sharing Plan. Many of these people are members of the Murray Valley Private Diverters (inc)

Riparian rights are limited in extent and any potential charging program may not be warranted under a cost benefit analysis. Riparian landholders also have limited rights in regards to policies on dam storage levels but can face considerable asset risks in the event of a flooding event that could arise when policies of dam storage aim to maximise water storage for irrigation purposes.

MVPD acknowledges legitimate concerns about subdivision issues in suburban development zones, and potential exploitation of riparian rights. These could increase water use but should be addressed through planning policies and limits on subdivision.

In situations where riparian rights have been incorrectly used, State Governments do and should have the capacity to apply compliance standards to ensure no abuse of riparian rights. Stock and Domestic licenses may be held in conjunction with general security entitlements in the Murray Valley and Trusts already contribute to Government charges.

## Southern Valleys Metering Project

The National Water Initiative required standardised metering with telemetry services to improve river operations and river information. The Murray Pilot area in the Murray Valley has resulted in major loss of water entitlements to businesses.

Murray Valley pumpers (outside Murray Irrigation Limited) had existing meters that were recognised by Government and performed to business standards. A policy shift under the National Water Initiative has resulted in an asset loss that has not been accompanied by any compensatory measures. This is contrary to compensatory rights recognised under the National Water Initiative, the subsequent Federal Water Act 2007 and water recovery process driven by the Murray Darling Basin Plan.

Private pumpers required to participate in the new metering program (Southern Valleys Metering Project) describe ongoing concerns with the meter reading variances between existing meters and the new meters installed. Examples include water assets decreased by up to 20%. This figure is based on the assessment of old meters still in situ and new meters installed, reading the same pumping rates.

The metering affects both groundwater and surface water. Businesses have identified losses up to 20% of the water value. On a 1000ML license this can equate to approximately \$225,000.

There is no recognition by the NSW Government in regard to these ongoing concerns and there appears to be limited capacity to challenge the changes to water entitlements as NSW Government only allows meters to be independently tested in Government recognised testing facilities with no capacity to perform in situ testings in real life circumstances.

This remains an unresolved issue with subsequent impacts on business equity and no resolution to this issue be even considered by the NSW Government.

It is also unclear how or why new meters should attract a service fee from the time of installation and why such fees are banked in advance of future servicing requirements on an ongoing basis.

Under a 'user pay's principle, irrigators affected by the Southern Basin Metering Project have no capacity to driver efficiencies in the original design or roll out of the program. Farmers report that it was not uncommon to see different contract vehicles and providers attending numerous times to the same meter site on the same day. Part way through the roll out of the program, components of the meters also had to be replaced and there has been no transparency about how additional costs are absorbed.

## Murray Darling Basin Authority

Political statements associated with the announcement of the Federal Water Act 2007 gave clear indications that the Act and resulting Murray Darling Basin Plan would be at no net costs to the states.

In July 2008, NSW Office of Water provided advice to IPART that the Intergovernmental Agreement on Murray Darling Basin Reforms – included a principle of no net cost to states of implementing the Basin Plan and Commonwealth Water Act 2007

At the time costs to the States were estimated at around \$10 Million per year. It is unclear to irrigators how subsequent Commonwealth advice on the application of the principle of ‘no net cost’ has actually been applied. In 2008, States received advice that implementation of national reforms (not covered by no net costs) required States to provide proof of expenditure in order to seek reimbursement of costs from the Commonwealth. This process is equally unclear.

It is also not known how much money the Federal Government provided to the States initially to cover the ‘no net cost principle’, how those funds were spent and were they confined to expenditure relating to the Water Act and Basin Plan.

It is widely assumed that the original cost estimates for preparation and implementation of the Basin Plan have been exceeded but it is not transparent how and where these additional costs have been attributed. The MDBA consultation methodologies were not of a standard that encourage efficiencies of service and this also has led to increased costs, both to the MDBA and NSW.

This includes:

- Transformation of licenses to meet ACCC rules
- Additional gauging sites
- Constraints Management Strategy – not an itemised/recognised consideration in 2007
- Community consultation
- Preparation and development of the Sustainable Diversion Adjustment Mechanism (project development/consultation)
- NSW Pre Requisite Policy measures/operational river changes

There are concerns on further costs incurred by NSW in relation to meeting the requirements under the Federal Water Act 2007 of:

- Water Sharing Plans – accreditation
- Water Resource Plans – preparation and accreditation

### **Example 1: SDL Adjustment Mechanism Projects**

There is no transparency about potential budgetary shortfalls arising from business case developments for the Sustainable Diversion Adjustment Mechanism (SDL). Initially projects preparation was to go through 3 phases

1. Pre feasibility
2. Feasibility
3. Business case

Political timeframes set in 2012 have since proven unrealistic and are not conducive to due diligence on project development.

The development of Business cases, are now being described as Concept Plans. It is not clear how any project cost over runs will be met. It is impossible for States to adequately prepare, costs and undertake community consultation with SDL projects in the required timeframe of June 2016.

MVPD notes that IPART has recognised that ‘the quality of information supporting DPI Water’s proposed MDBA costs has improved’, however there is still considerable lack of transparency with MDBA costs both now and in the future.

### **Example 2: The Constraints Management Strategy.**

In 2010 the MDBA was provided written advice of river operational constraints that would be associated with the 2750GL proposed water recovery target under the Basin Plan.

This advice was ignored. In 2013, State Governments recognised community concerns on constraints and instructed the MDBA to prepare a Constraints Management Strategy. The first report could only identify that ‘further investigation was required’.

The second Constraints Annual Progress Report 2014 – provided incorrect /misleading information on what affected communities were prepared to accept in terms of increased river levels for the Murray River in the Edward to Wakool Junction River Reach.

As a result of the initial failure of the MDBA, costs would now be significantly higher and these costs affect not only Governments (Federal and State) but also agricultural businesses.

MDBA land inundation mapping to assess potential third party impacts with constraints continues to be revised and has still not been provided to the community in order to progress assessments. It is understood that at least three amended versions have been prepared.

Following a complete breakdown in the MDBA consultation process on constraints, the NSW Government assumed control for investigations and implementation of management for constrains issues.

- MDBA costs 2013 – June 2015
- NSW State Costs 2015 – continuing

It is not clear how the totality of costs have been attributed.

**Recommendation:**

*Ensure that Natural Resource Management Policies are developed in conjunction with affected stakeholders to create efficiencies in Government policy development and implementation*

This submission raises points and examples which may be considered outside the Joint Programs and therefore not considered in IPART draft determination considerations.

However, there are additional risks to irrigators in this next pricing determination period. The Water Act 2007 and the Basin Plan will not be fully implemented and with any reduced Federal funding to the MDBA, this may lead to further uncertainty about the transparency of MDBA costs.

DPI Water proposals to recover costs associated with the Murray Darling Basin Authority (MDBA) activities, require increased transparency and further review.

MVPD understands that irrigator contributions to the MDBA for joint programs is required however there is continued concerns that without complete transparency about the total MDBA costs and how they are transparently applied, the ‘user pays’ principles leaves irrigators vulnerable.

Yours faithfully

Louise Burge  
Vice Chair, Murray Valley Private Diverters (inc)