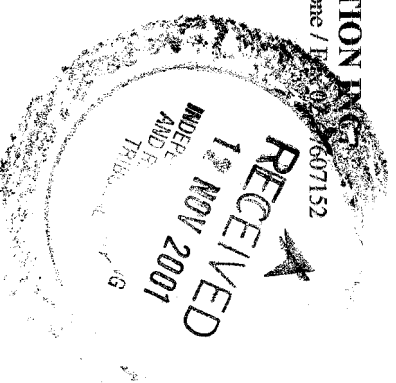


6th November 2001

SUBMISSION TO
Independent Pricing and Regulatory Tribunal
PO Box Q290,
QVB Post Office NSW 1230



SUBJECT: Department of Land and Water Conservation
Bulk Water Prices from 1st October 2001
Draft Report – Submission by Peel Valley Water Users Association

INTRODUCTION

If the prices for bulk water proceed as listed in IPART's draft determination, the regulated water users of the Peel Valley will be **murdered** by a combination of water pricing, and the water reform process.

The Regulated Water Users of the Peel Valley will have the dubious distinction of having the **highest** prices for bulk water of 16.74 + CPI in 2003/04 coupled with the **lowest** reliability of supply at 53% of all of the regulated systems in New South Wales. The DLWC and IPART has the hide to charge an entitlement charge of \$7.63 for water it cannot ever supply as the start of season allocation when Chaffey Dam is spilling is only 80%.

Something is seriously **wrong** with both the IPART and Water Reform Process as it applies to the Peel Valley.

The Water Users of the Peel Valley have been caught up and victimised by a process, which set out to improve the riverine environment and promote a level playing field through the National Competition Policy and the COAG agreement.

The plight of the Peel Valley Water Users is akin to the treatment that farm hands received when fringe benefits was introduced to curtail tax abuse in the top end of town.

The Water Users of the Peel Valley made 13% of the submissions to IPART in this round of hearings but use only 0.2% of regulated water in NSW. Alarm bells should be ringing. Clearly the cost sharing rules developed by IPART and the environmental concepts developed by the water reform process to facilitate cost sharing and riverine environment enhancement for the large river valleys is **NOT** applicable to the Peel, which by any standards is an extremely small system with a total entitlement (including Tamworth City Council) of only 48GL compared to the average river entitlement in the NSW portion of the MDBC of 789GL out of a total entitlement of 6496GL.

New rules need to be developed so that the Peel and for that matter the Coastal rivers which are in a similar situation to the Peel are treated fairly and equitably by both IPART and the water reform process.

Some Issues which IPART needs to reassess in its determination on bulk water prices for the Peel are as follows

1. CHAFFEY DAM

Chaffey Dam was to be built in two stages. Stage 1 has been in operation since 1980 and stage 2 is unlikely to ever be built, as Governments are loath to aggravate the Green lobby.

Stage 1 was built for the following purposes listed in order of priority.

Priority 1

To ensure that Tamworth City had a secure water supply for its 35,000 population, Tamworth City Council contributed a relatively small amount to the construction of the Dam. \$2.88 million out of a total cost of \$31 million, about half of Tamworth City Council's contribution was by way of a public works grant, hence the ratepayers of Tamworth actually contributed about \$1.5 million of ratepayer funds over a period of years.

For this contribution, Tamworth City received a High Security allocation of 16,400ML, which effectively means that their full entitlement will be available in all but extreme drought years. In contrast, the General Security Users at Tamworth City Council's current usage receive 80% start of season allocation when Chaffey is spilling and have NO access to water when the dam is less than 50% capacity. *WHO is the beneficiary of Chaffey Dam?*

Priority 2

Flood Mitigation largely to protect Tamworth City from flooding. For example, Chaffey Dam reduced the maximum flood height at Tamworth of the most recent flood, which occurred on 20th November 2000 by about 1.0 meter (estimated by the DLWC's Barwon Region Senior Assets Engineer). The Peel peaked at Tamworth at 6.8 meters. 7.8 meters would have been likely to have breached the levy protecting the City centre.

In contrast the irrigation farmers of the Valley were inundated with floodwater as 46,000 ML per day raced down the valley. Once your farm is underwater it is not all that relevant how deep it is. In my case it cost \$13,000 to rebuild and repair my pump site. I know of others whose costs exceeded \$20,000. *WHO is the beneficiary of Chaffey Dam?*

Priority 3

Irrigation and Recreation. Both these pursuits were really after thoughts for stage 1 and were to be catered for in stage 2 of the dam. The dam is however used extensively for rest and recreation and of course supports what was once a viable irrigation industry. Again *WHO is the beneficiary of Chaffey Dam?*

NOTE The cost sharing ratios developed by IPART attributed to the head works of the states major dams which are principally used for irrigation are NOT applicable to Chaffey Dam and should not be costed against the irrigators of the Peel as the major beneficiaries of the Dam are clearly the people of Tamworth and the bulk of the cost attributed to Chaffey Dam are clearly those of the Tax payer (NSW Government) and of course Tamworth City Council which has a secure water supply and to all intents and purposes dominates and dictates the use of Chaffey Dam.

2. RELIABILITY OF SUPPLY

The table in appendix 1 clearly demonstrates the parlous position of the General Security Users of the Peel Valley. When Tamworth City Council activates its Sewerage Effluent Re Use Scheme and activates growth of its entitlement, General Security users of the Peel Valley will be phased out of business.

IPART will note that during the 1990's before the water reform process was activated, the average start of season allocation for the Peel Valley Water Users was a quite acceptable 75%. If Tamworth City Council goes ahead with its re use scheme and activates its full entitlement the other Water Users of the Peel Valley will have virtually a non existent start of season allocation of 6%. *WHO is the beneficiary of Chaffey Dam?*

3. IMPACTOR PAYS

It is interesting to note that IPART has decided to use the IMPACTOR PAYS approach to attribute costs against the water user.

The following scenario is a variation of the impactor pays approach, which IPART should consider. That is water use and its impact on the riverine environment.

The impact of the water users of the Peel Valley on the end of stream flow of the Peel into the Namoi at Carroll Gap over the period of normal years is about 6% and drops to only 2% if large flood events are taken into account.

Professor Cullen from the Australian National Universities centre for Fresh Water Research has indicated that irrigation diversions of less than 30% impact over the end of stream flow is acceptable socio economic / environmental outcome.

When it is remembered that long term average diversion in the Murray Darling Basin impacts on the Murray's river discharge to sea by about 80% the Peels impact of 2 – 6% is negligible and all costs and product codes attributed to the environment in the Peel should have their cost sharing ratio brought back in line with the Peel's real impact on the environment.

These cost sharing ratios were determined by IPART as a "best guess", his be guess, which may be applicable to the larger irrigation river systems. It is inappropriate high for the Peel.

4. SOCIO ECONOMICS STUDYS

The so-called socio economic studies done by the Department of Agriculture can only be described as a farce. Refer the submission by the Peel Valley Water Users Association to IPART dated 15th May 2001 "A Critique by the Peel Valley Water Users Association of the NSW Agriculture Economic Assessment of Water Charges in the Peel Valley"

This issue was the subject of a presentation at the Armidale IPART public consultative meeting. Jason Crean of the Dept. of Agriculture's presentation recognised that the irrigation areas in two of the nodes (so called representative farms) had been reduced by 22% and 40% respectively. However his presentation and the information used by IPART in its determination did not address the resultant massive change in gross farm income from the lower areas under irrigation. Nor has IPART factored into its analysis any of the many errors and false assumptions, which comprise this report. Has IPART seriously questioned the contents of the NSW Agriculture Dept's assessment along the lines of the Peel Valley Water Users critique? All information referred to in this critique is public information and easily verified.

To give IPART some real idea of the socio economic implications of the impact of Bulk Water pricing in the Peel, I have enclosed a graph of Bulk Water Charges as a function of my farms variable costs for the past, present and future. It is clear from this graph that is full cost recovery using IPART's current methodology will destroy the Peel irrigation industry.

5. NATIONAL COMPETITION POLICY

I doubt if National Competition Policy had the aim in m of destroying the irrigation industry of the Peel Valley.

The Peel Valley irrigation industry has functioned in the Valley for the best part of 100 years. Over this time it has proven to be environmentally sustainable and has had only a minor effect 2 – 6% on the long-term average end of stream flow of the Peel. It supports the socio economic fabric and is particularly beneficial to the economics of Tamworth in time of drought when other farming enterprises are in survival mode.

Bulk Water pricing is about to end this relationship. Compare the figures on the effective price of Water in the Murrumbidgee and the Peel as proposed by IPART for 2003 /2004.

Effective Price Bulk Water – Murrumbidgee @ 73% usage	
2003/2004	Full cost recovery
\$5.68	\$5.68
Effective Price Bulk Water – Peel @ 21% usage	
2003/2004	Full cost recovery
\$45.44 ML + CPI	\$69.92 ML + CPI

It is bad enough at 100% usage of entitlement that the Peel would pay \$16.77 in 2003, 2004 compared to the Murrumbidgee's \$4.37, but when utilisation of entitlement (pages 7 Draft) and full cost recovery (Page 55 Draft) are taken into account it is clear that the Peel has no future using the current methodology. \$5.68 /ML AT FULL COST RECOVERY for the Murrumbidgee gives a massive advantage to the Murrumbidgee Lucerne growers and Dairy farmers compared to the Peel \$69.92 ML at full cost recovery or even \$45.44 at 2003 / 04 prices plus of course the dreaded CPI.

Is this National Competition Policy? If so it stinks!!

All of the assets involved are NSW State assets owned by all of the people of NSW not just those of the particular river valley.

Bulk Water charges should be a uniform statewide charge, not valley based charges.

CONCLUSION

The Peel Valley Water Users Association is convinced that under the current regime of bulk water pricing coupled with the water reform process that we have no future as clearly demonstrated by our effective price of water.

Our association requests a meeting with IPART's tribunal members so that we can examine ways to enable the irrigation industry of the Peel to continue to be viable and support the socio economic fabric of the Valley as it has done in the past.

Yours faithfully

Laurie Pengelly

Laurie Pengelly
Representing the Peel Valley Water Users Association

P.S. The PVWUA back in 1998 recognised that we needed to develop new industries for the Peel which would be able to handle bulk water price rises & be as valuable to the community as Lucerne hay production & dairying. We worked closely with NSW Ag. Timworth on this issue over the last part of 12 months & resulted in offering the farmers of the region to name 32 different enterprises at an "Emerging Opportunities in Agriculture" field day held in October 1998. A copy of the programme is included. These industries were selected but NO NEW INDUSTRIES were selected. Do You Have Any Ideas For Future Industries - NIL

PEEL VALLEY IRRIGATION - RELIABILITY OF SUPPLY - GENERAL SECURITY START OF SEASON ALLOCATION

Year	Chaffey Dam Storage ML	Annual Allocated Allocation	% Allocation of front TCC @ 10,000ML No Reuse	1993/94 Allocation of Current TCC @ 10,000 Reuse in	1999	2019	16,400ML No Reuse Scheme	16,400ML No Reuse Scheme at
90/91	61,020	100	80	66	60	57	35	15
91/92	60,000	100	72	58	52	49	27	7
92/93	55,300	100	61	47	41	38	16	0
93/94	44,800	80	36	22	16	13	0	0
94/95	44,700	50	36	22	16	13	0	0
95/96	14,200	0	0	0	0	0	0	0
96/97	32,400	40	13	0	0	0	0	0
97/98	60,100	100	76	62	56	53	31	11
98/99	62,200	100	81	67	61	58	36	16
99/20	61,000	80	72	58	52	49	27	7
Average		75	53	40	35	33	17	6

- 30% transmission loss

** No allowances for the cumulative effect of the Dam not spilling; from 91/92 to 97/98

*** Assume loss of return flow is made up from Chaffey in all years

No useful irrigation

BULK WATER AS A % OF FARM VARIABLE COSTS

