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11<sup>th</sup> December 2007

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

Dear Sir,

## **REVIEW OF THE OPERATING LICENCE FOR STATE WATER CORPORATION**

Thank you for the opportunity to provide a submission to the Review of State Water Corporation's operating licence. The Murrumbidgee Private Irrigators' represents the interests of river pumpers – that is irrigators who pump directly from rivers and creeks on the Murrumbidgee River and its tributaries. Our total entitlement is approximately 680,000 megalitres which is approximately one third of the entitlement held on the system.

We wish to make comments on issues which affect our members.

### **Water Management Act – Temporary Transfers**

We believe that the powers conferred in State Water's Operating Licence should reflect their current operational responsibilities. We are particularly keen to see State Water be given the necessary powers to ensure that temporary water trades are expedited in the least amount of time. Currently we are seeing inter- State trades take up 87 days. This is not the fault of State Water entirely but it is imperative that State Water be given the necessary powers to ensure that farm businesses are not being adversely affected because of unwieldy bureaucratic and administrative systems.

### **Regulatory Framework**

State Water should have the absolute minimum regulation it needs to undertake its work. We believe that there is a minimum level required – in fact we would expect this. State Water is having to comply with a great number of regulatory instruments and this means one thing – increased costs and therefore prices. The new operating licence should minimize regulatory burdens and avoid unnecessary overlap.

With regard to the new Commonwealth Water Act, we have signaled that New South Wales Water pricing determined by IPART gives us some level of knowledge about what our costs are likely to be over the foreseeable future. While we have not always

been happy with the outcome of pricing determinations, it is a process whereby we have had the opportunity to participate. We also have a predetermined pricing path which takes into account (for example) how sunk assets are to be treated prior to 1997. We believe that the operating licence does not need to have a separate requirement for pricing to comply with the new Water Act requirements as IPART already take into account various "signals" when it is setting its prices. For example much was made of the National Water Initiative and its effect on pricing in the last bulk water pricing determination.

### **Memoranda of Understanding**

The Memoranda of Understanding should be internal documents which set out in a formal sense how the relationship between the parties should be undertaken. We would agree with State Water that they should not have sole accountability for negotiating a new MOU. This is simply ludicrous. The other parties have no incentive to engage in the development of an MOU unless they are also going to be held accountable. If this situation was to continue we could see State Water having to agree to conditions in an MOU mainly for reasons of expediency. Any MOU should not hinder State Water's ability to undertake its activities efficiently and effectively and nor should it put a cost impost on the business. This means extra costs for irrigators who are already feeling the strain of the drought.

We have concerns also about the Service Level Agreements (SLA's) between DWE and State Water. The services provided within the SLA's are not contestable and therefore there is no way that we can be sure we are getting value for money. We are of the strong view that State Water should be able to put out to competitive tender such services as Hydrometrics so we as end payers can be assured we are getting value for money. We know from the irrigation companies that their monitoring and metering is undertaken at far less cost than the government departments can do it for.

We have grave concerns about the WIX project. Irrigators have a basic need – they need to be able to put in a water order and find out how much water they have in their account at any given time. This is very simple – irrigation companies have had this system for at least a decade. We have been promised WIX for the last four years. It seems to us that it can be likened to the second coming of Christ – imminent but not yet here!!! The software has been written by one person in house. As we understand there are no manuals and as yet we are unsure how the product will be supported – that is in terms of support for farmers using the product and also continuing development of the overall product.

Given this we believe that State Water should be using an "off the shelf" product which is fully supported by an accredited software company. As we are all aware, the vagaries of funding of government departments over the last 5 years have seen a decrease in the number of staff and activities which are being undertaken. We could not count the number of times we have dealt with staff who are then gone because they have taken a package. (We do note that our costs have not decreased in line with reducing staff numbers and activities undertaken). This could mean that at the moment the government is funding the development – in a year's time they may not. Also there is nothing to stop this one person going to another job and then what would happen. We believe that WIX poses unnecessary risks for us as irrigators. We will be the main users of this system as most irrigators are within the irrigation districts and they have their own system.

It is our belief that the water ordering system should be standardized for the valley thereby enabling synergies – who knows State Water may find it cheaper to contract out this part of its business?

### **Information Requirements of Customer Services Committees**

The provision of information to Customer Services Committees has been appalling. If State Water was a public company it would have been suspended from the Stock Exchange. We are particularly interested in valley wide accounts and State Water should be providing these. Given State Water's woeful performance in this area then we believe that the operating licence should provide for better information to be given to CSC Committees. State Water is a monopoly provider of services and therefore there is a greater onus on them to be transparent. We have been critical in the past of the lack of credible information and this has not changed. We are hopeful that State Water has now got on top of its issues and that the appointment of its new CEO will see a more business-like approach to provision of information.

### **Water Delivery Operations**

State Water has done an excellent job in delivering water to systems such as the Yanco Creek System during this year. We are unaware of instances on the Murrumbidgee where this has been a problem.

With regard to the provision of water balances this does highlight the point that there is a need for a major upgrade of metering and monitoring along the Murrumbidgee River. Where possible as much of the metering and monitoring should be automated. This would enable State Water to more readily provide water balances by September 1.

### **Meter Performance**

We believe that meters should not be owned by individuals – they should be owned by whoever is selling the utility product. It is therefore impossible for State Water to be held responsible for ensuring that metering performance measures are in line with the National Water Initiative. As State Water has no control over the imposition of conditions on works approvals in respect of metering then the Operating Licence should not impose any obligation. However if it is apparent that a meter has been tampered with then State Water should have the ability to force the licence holder to cease pumping.

### **Performance Indicators**

There are a range of performance indicators which should be readily available for customers to see. These are financial, regulatory and customer service. While we are reluctant to see them as part of the operating licence we believe it is the only way that we can make sure State Water is being transparent. There needs to be a range of performance indicators reported on and it may be worthwhile State Water engaging the CSC Chairs in deciding what are the activities people want to see reported.

### **Summary**

There are a number of things we believe need to be included in the Operating Licence to strengthen the transparency of State Water's activities so that we can be assured we are getting value for money. We also believe that State Water should

operate under the minimum amount of regulation as possible in order that it can more efficiently and effectively deliver its services.

One thing that has not been clearly spelled out to us is what happens if State Water does not meet its obligations under the Operating Review. The operations of State Water are vitally important to the well being of our members businesses and as such we need to assured that any breaches of the operating licence which impinge on our businesses will be dealt with. We believe this is an issue which IPART needs to provide some leadership on and where necessary IPART should be regulating by using sanctions for non-compliance.

We would like to thank the Tribunal for the opportunity to make a submission.

CEO