



Australian Government

Department of the Environment, Water, Heritage and the Arts

Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox

STATE WATER CORPORATION PRICE REVIEW 2010

Thank you for the opportunity to provide a submission to IPART's review of prices for State Water Corporation from July 2010.

The first part of this submission outlines the functions of the Commonwealth Environmental Water Holder. The second part addresses a number of the issues IPART identified for stakeholder comment.

Commonwealth Environmental Water Holdings

As part of the Commonwealth's \$12.9 billion *Water for the Future* initiative, the Australian Government is building a portfolio of water to help protect and restore the waterways and environmental assets of the Murray Darling Basin.

Water is being acquired through two *Water for the Future* programs which will operate over 10 years. The *Restoring the Balance in the Basin* program provides \$3.1 billion to purchase water titles in the Murray Darling Basin directly from willing sellers. The *Sustainable Rural Water Use and Infrastructure* program provides \$5.8 billion to invest in improvements in irrigation efficiencies. A share of the water savings from improved irrigation efficiency is to be transferred to the Commonwealth.

Water acquired through these programs is transferred to the Commonwealth's environmental water holdings. As at the end of September 2009, the Commonwealth had exchanged contracts on 612 gigalitres of purchases. Details of the purchases are at Attachment A. Of this amount, 332 gigalitres had been approved by state governments, settled and registered on state government registers. As a result the Commonwealth's environmental water holdings as at September 2009 are as detailed at Attachment B.



INVESTOR IN PEOPLE

GPO Box 787 Canberra ACT 2601 Telephone 02 6274 1111 Facsimile 02 6274 1666

www.environment.gov.au



MEMBER

The Commonwealth's environmental water holdings in NSW are substantial and are expected to grow further. Fees and charges are payable to State Water Corporation against them. The holdings are a mix of high, general and supplementary titles and are predominantly held in regulated catchments.

The Commonwealth *Water Act 2007* (the Act) establishes a statutory position, the Commonwealth Environmental Water Holder (CEWH,) to manage the holdings. The Act requires that the holdings be used:

- to protect or restore the environmental assets of the Murray-Darling Basin or assets outside of the Basin where water is held for that area, so as to give effect to relevant international agreements; and,
- in accordance with the Murray-Darling Basin's environmental watering plan, a mandatory part of the plan for the Murray Darling Basin which the Murray-Darling Basin Authority is required to develop by 2011.

During 2008-09 the first use of water acquired as a result of Commonwealth purchases occurred at ten sites in NSW, South Australia and Victoria. Watering the sites was designed to sustain River Red Gums and provide drought refuges for birds and fish. These actions will give the sites the best chance of recovery when natural inflows increase.

Further information, including the 2009-10 CEWH business plan and a draft longer term framework for prioritising use of the holdings, is available at <http://www.environment.gov.au/water/policy-programs/cewh/index.html>.

Issues for Stakeholder Comment

Service levels

An important principle underpinning the establishment of the Commonwealth environmental water holdings, and similar arrangements within the Murray Darling Basin jurisdictions, is that the entitlements purchased for environmental use should be treated equally with equivalent entitlements. In this regard our perspective is the same as other State Water Corporation customers and we expect that services should be provided efficiently and be responsive to customer requirements.

The acquisition and management of water entitlements for environmental benefit is a relatively new development. To maximise the gains of these reforms it will be important that service providers within the water sector work closely with environmental water holders and plan accordingly.

Consumption forecasts

Given climate change we consider that future water consumption estimates should be based on the best available science and water availability forecasts. In this context we

agree that State Water Corporation pricing could be improved by moving away from forecasts which use the last 100 years as a basis for the future pricing period.

However, relying on averages from the last 15 years would also in our view not be appropriate given the very protracted drought that has occurred across this period. We suggest that IPART should consider adopting a forward looking approach that transitions to new long term consumption forecasts that take into account the effects of climate change. A useful input into this consideration will be the CSIRO Murray Darling Basin Sustainable Yields Study.

If you require any further information or wish to clarify or expand on any matter in this submission please contact Mr James Tregurtha, Director, on (02) 6274 1476 or James.Tregurtha@environment.gov.au.

Yours sincerely



Mr Ian Robinson
Commonwealth Environmental Water Holder

19 November 2009

Attachment A

**Restoring the Balance in the Murray Darling Basin Program
Contracts Exchanged (1 October 2009)**

River System	Security	Entitlements (ML)
Queensland		
Border Rivers	Medium Priority	5,325
Total QLD		5,325
New South Wales		
Gwydir	General Security	70,538
	Supplementary	16,744
Barwon-Darling	Unregulated	28,603
Lachlan	High Security	300
	General Security	79,119
Macquarie	General Security	54,249
	Supplementary	1,888
Murrumbidgee	General Security	47,606
	Supplementary	20,820
Namoi	General Security	4,805
NSW Other	Various	475
Murray	General security – above choke	98,875
	General security – below choke	17,459
Total NSW		441,464
Victoria		
Campaspe	High reliability	3,673
Goulburn	High reliability	60,675
	Low reliability	5,181
Ovens	High reliability	50
VIC Other		392
Murray	Above Choke – High reliability	28,855
	Below Choke - High reliability	42,344
	Above Choke – Low reliability	3,860
	Below Choke - Low reliability	3,588
Total Victoria		148,317
South Australia		
Murray	High	16,435
Total		
Murray	High	87,634
	General \ Low	132,782
Grand Total		611,859

**Commonwealth Environmental Water Holdings
(1 October 2009)**

River System	Security	Registered entitlements ^{1,2,3} (ML)
Queensland		
Border Rivers	Medium	275
Total QLD	Medium	275
New South Wales		
Gwydir	General	66,650
	Supplementary	6,900
Lachlan	High	390
	General	68,013
Macquarie/Cudgegong	General	37,813
	Supplementary	250
Murray	General	26,376
Murrumbidgee	General	47,606
	Supplementary	9,764
Namoi (upper)	General	105
Namoi (lower)	General	3,728
	High	390
	General	250,291
Total NSW	Supplementary	16,913
	Victoria	
Campaspe	High	1,405
Goulburn	High	19,847
	Low	3,402
Murray	High	33,757
	Low	4,817
Ovens	High	50
Total Victoria	High	55,059
	Low	8,218
South Australia		
Murray	High	797
Total		
	High	56,245
	Gen/Low	258,784
	Supplementary	16,913
GRAND TOTAL	High/Gen/Low	331,942

Notes:

1. Formal transfer of ownership to the Commonwealth takes place on registration of the entitlement by the relevant State water authority. The entitlement becomes part of the Commonwealth environmental water holdings at that time.
2. Registration can occur a number of months after the exchange of contract, so the amount in the holdings differs from exchanged contract figures reported by the Restoring the Balance in the Murray-Darling Basin program.
3. Allocations of water against these entitlements are made periodically and will depend on seasonal conditions and the amount of water held in storages.