

The Chair
Independent Pricing & Regulatory Tribunal
PO Box Q2920
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Dear Dr Keating

REVIEW OF NSW OFFICE OF WATER PRICES TO APPLY FROM 1 JULY 2011 – RESPONSE TO IPART'S DRAFT DETERMINATION & DRAFT REPORT

Ref: MB/SF2229

I refer to your letter of 20 July 2009 advising that IPART has commenced the review of bulk water prices proposed by State Water Corporation (SW) and NSW Office of Water (NOW) to apply from July 2010, and inviting input from interested parties on the draft determination.

Council has considered the IPART draft determination and draft report October 2010 for NSW Office of Water and appreciates the opportunity to comment before the Tribunal brings down its final determination.

Please find Council's submission attached.

Yours faithfully



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24 November 2010

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Tamworth Regional Council

**Response to IPART's Draft Determination & Draft
Report October 2010**

NSW Office of Water

2011 Pricing Determination

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1 Introduction

Tamworth Regional Council would like to thank the Independent Pricing and Regulatory Tribunal (IPART) for the opportunity to provide comments in relation to the Tribunal's Draft Determination and Draft Report on the review of NSW Office of Water (NOW) charges to apply from July 2011 to June 2014.

Council does not propose to address every issue; however comments on key concerns identified in the IPART draft determination are presented below.

2 NOW Draft Price Increases

Council in its earlier submission to IPART (March 2010) raised concerns about the exceptionally high entitlement and usage charges proposed by NOW, particularly for the Peel Valley.

Attached Table 1 shows the NOW current access and charges (2009/10) and IPART's draft increases to NOW's charges for the Namoi and Peel regulated river entitlement High Security (HS), General Security (GS), unregulated river and groundwater charges over the three year period from 2011/12 to 2013/14.

The proposed pricing increases impact users depending upon the volume of water used. The Table compares prices for the various classes of water on the basis of 100% Usage of Entitlement, 50% Usage of Entitlement and 0% Usage of Entitlement. The proposed pricing shift of more cost to entitlement increases the cost burden to water users that use a small proportion, or none of their entitlement, which is fundamentally wrong as it does not encourage water conservation.

The NOW draft price increases from 2009/10 to 2013/14 are summarised below;

- Peel regulated prices increase from **71%** for a fully active licence (100% Usage) to as high as **85%** for a sleeper licence with no annual extraction.
- The Namoi regulated price increases range from **61%** for a fully active licence to as high as **112%** for a sleeper licence.
- The Namoi / Peel unregulated price increases range from **78%** for a fully active licence to as high as **107%** for a sleeper licence.
- The Namoi / Peel groundwater price increases range from **74%** for a fully active licence to as high as **83%** for a sleeper licence with no water meter fitted.

The proposed increases are lower than originally proposed by NOW however are significant particularly in the Peel Valley (source of Tamworth water supply).

3 NOW Draft Price Increases & Approved SW Maximum Price Increases

Table 2 lists the combined IPART Draft NOW prices and IPART approved SW maximum price increases for most categories of water use in the Peel and Namoi valleys proposed under the 2010/11 price determination (Prices are \$/ML except for area based charges which are \$/ha, which is being phased out in unregulated rivers).

The SW approved and Draft NOW price increases are very high and it is important that IPART consider the combined impact on water users, particularly in the Peel valley. Unfortunately IPART has already approved significant price increase that may be applied by SW effective 1 July 2010 which are a large proportion of bulk water charges for regulated rivers.

The entitlement charges for HS water in the Peel are proposed to increase by **97%** over four years from \$12.66/ML in 2009/10 to \$24.96/ML in 2013/14, while GS entitlement charges will increase by **63%** from \$2.88/ML to \$4.68/ML. Peel usage charges will increase by **48%** from an already very high \$27.83/ML to \$41.11/ML over the four years. These charges are very high compared with most other valleys in NSW. HS access and usage charges in the Peel will increase to a combined **\$66.07/ML** which is well above the state average.

Impact on TRC Town Water Users

Tamworth Regional Council operates town water supplies at Tamworth, Barraba, Manilla, Attunga, Bendemeer, Kootingal / Moonbi and Nundle. The seven town water supplies draw bulk water from various surface and groundwater sources in the Namoi and Peel valleys with approximately 93% of extractions from the Peel valley.

The IPART Draft NOW prices and IPART approved SW maximum prices for bulk water if applied will have a significant impact on Tamworth Regional Council town water supplies plus other water users in the Peel and Namoi Valleys. The consequences of price increases would be severe, particularly in the Peel Valley which already is subject to exceptionally high bulk water charges for regulated water.

Impact of IPART Draft NOW Prices on TRC Water Supplies

Table 3 shows the projected impact of the IPART Draft NOW price increases on Council's town water supplies to 2013/14. The NOW prices **increase by \$40,000 or 80%** from \$50,000 to \$90,000 which is a significant impost on local water users.

Impact of IPART Approved SW Prices & IPART Draft NOW Prices on TRC Water Supplies

Table 4 shows the projected impact of the IPART Draft NOW prices and IPART approved SW maximum prices on Council's town water supplies over four years from 2009/10 to 2013/14. The overall cost would increase from \$386,000 to \$680,000, **an increase of \$294,000 or 76%** which is very high.

Table 5 shows the price increases from 2009/10 to 2013/14 which Council would pay in an average year for **bulk water for Tamworth** supplied from Dungowan and Chaffey Dams. In an average year Council would pay \$667,000 and **in a drought year would pay \$801,000** which would be \$134,000 more. The 2009/10 prices currently paid for an average year for Tamworth water supply amount to \$378,000 which is significantly less than the proposed price increases.

The proposed maximum price increases are considered too steep and if applied will severely impact water users in the short and longer terms. IPART should reconsider the proposed price increases and limit any price increases to a much more modest level.

4 Issues Raised by Council for Further Consideration by IPART

Council in its earlier submission to IPART on the NOW and SW proposed pricing raised many concerns as summarised below:

- steepness of proposed increases, particularly for the Peel valley;
- impact of proposed price increases on Peel valley water users including Tamworth water supply customers;
- projected reduced annual extractions by customers going forward will drive up considerably the price of bulk water, and lead to over charging in years when extractions exceed the low level predicted;
- proposed conversion factor for HS to GS to rise above the 2006 level of 6.3 can not be justified given the low level of security of HS water in the Peel;
- the drive by NOW and SW for full cost recovery in the Peel valley should not be allowed due to the unique situation of a small dam in a small catchment, which would make water too expensive;

-
- ability of Peel water users including the residents of Tamworth city and the towns and villages to pay the exceptionally high prices proposed for 2010 onwards, on top of already very high prices. IPART has previously approved large increases in electricity charges and State Water charges which has a further negative effect on users capacity to pay. IPART needs to consider the cumulative effect of all price increases not just look at each individual situation.
 - council paid 25% towards the estimated cost of Chaffey Dam construction costs and should be recognised in bulk water pricing (to date has not been recognised by NOW, SW or IPART);
 - implications of the future augmentation of Chaffey Dam from 62GL to 100GL at an estimated cost of \$36 Million, part of which Peel water users including Council will be expected to pay (to date has not been recognised by NOW , SW or IPART);; and
 - Council has previously raised the need for a single price for each category of water across all Valleys in the State. This would even out the costs of access and delivery of water on a state wide basis, and introduce a level playing field for all water users.

A real concern to local water users including Council is that there appears to be no relief to the exponential increase in water charges for the Peel valley, with significant price hikes proposed over the next four years and IPART foreshadowing the drive to full cost recovery moving forward.

5 Summary

Overall IPART in its Draft Report & Draft Determination has taken on very little of the concerns raised by Council in its earlier submission on proposed NOW price increases and Council requests the Tribunal to revisit the concerns raised and only allow modest increases in the Peel, not the exceptionally high prices proposed in the Draft Determination.

It should also be noted that these proposed price increases are only for NOW charges. Council also pays bulk water charges to SW, and IPART has already approved significant price increases for SW going forward. The combined impact of bulk water pricing by both State owned monopolies needs to be taken into consideration when determining prices for each service provider.

Finally, Council, with funding from the Federal and State Governments, is endeavouring to encourage people to the Tamworth region through its membership of the Evocities group of Councils. Price rises like those proposed contribute to making regional areas less attractive. It is counterproductive for the State Government to fund and support a campaign to encourage people to move to regional areas on one hand and then increase prices in those same regional areas rendering them less attractive on the other.

TABLE 1					
BULK WATER PRICES NAMOI & PEEL VALLEYS - IPART DRAFT APPROVED PRICE INCREASES NSW OFFICE OF WATER FOR 2010/11 TO 2013/14					
Catchment/Water Source	2009/10 Charges	2011/12 Charges	2013/14 Charges	Increase Over 4 years to 2013/14	
	NOW	NOW	NOW	Amount	Percent
Peel Regulated					
HS - Entitlement	\$1.17	\$1.51	\$2.17	\$1.00	85%
GS - Entitlement	\$1.17	\$1.51	\$2.17	\$1.00	85%
Usage	\$2.12	\$2.39	\$3.45	\$1.33	63%
<i>*Comparison Usage 100% Entitlement</i>	\$3.29	\$3.90	\$5.62	\$2.33	71%
<i>*Comparison Usage 50% Entitlement</i>	\$2.23	\$2.71	\$3.90	\$1.67	75%
<i>*Comparison Usage 0% Entitlement</i>	\$1.17	\$1.51	\$2.17	\$1.00	85%
Namoi Regulated					
HS - Entitlement	\$1.21	\$1.84	\$2.56	\$1.35	112%
GS - Entitlement	\$1.21	\$1.84	\$2.56	\$1.35	112%
Usage	\$1.46	\$1.26	\$1.75	\$0.29	20%
<i>*Comparison Usage 100% Entitlement</i>	\$2.67	\$3.10	\$4.31	\$1.64	61%
<i>*Comparison Usage 50% Entitlement</i>	\$1.94	\$2.47	\$3.44	\$1.50	77%
<i>*Comparison Usage 0% Entitlement</i>	\$1.21	\$1.84	\$2.56	\$1.35	112%
Namoi/Peel Unregulated					
Annual charge (mimimum)	\$60.00	\$97.90	\$97.90	\$37.90	63%
Irrigator/Stock & Domestic Area Based (\$/ha)	\$11.38	\$0.00	\$0.00	-\$11.38	-100%
Irrigator Entitlement - no meter	\$2.78	\$3.44	\$4.96	\$2.18	78%
Irrigator Entitlement - Metered	\$1.68	\$2.41	\$3.47	\$1.79	107%
Irrigator Metered - usage	\$1.10	\$1.03	\$1.49	\$0.39	35%
<i>*Comparison Usage 100% Entitlement - Metered Irrig</i>	\$2.78	\$3.44	\$4.96	\$2.18	78%
<i>*Comparison Usage 50% Entitlement - Metered Irrig</i>	\$2.23	\$2.93	\$4.22	\$1.99	89%
<i>*Comparison Usage 0% Entitlement - Metered Irrig</i>	\$1.68	\$2.41	\$3.47	\$1.79	107%
Town & Industry with Entitlement - Entitlement	\$1.68	\$2.41	\$3.47	\$1.79	107%
Town & Industry with Entitlement - Usage	\$1.10	\$1.03	\$1.49	\$0.39	35%
<i>Comparison Usage 100% Entitlement - Town WS</i>	\$2.78	\$3.44	\$4.96	\$2.18	78%
<i>Comparison Usage 50% Entitlement - Town WS</i>	\$2.23	\$2.93	\$4.22	\$1.99	89%
<i>Comparison Usage 0% Entitlement - Town WS</i>	\$1.68	\$2.41	\$3.47	\$1.79	107%
Peel / Namoi Groundwater					
Annual charge (mimimum)	\$60.00	\$97.90	\$97.90	\$37.90	63%
Entitlement - Metered	\$2.47	\$3.21	\$4.52	\$2.05	83%
Entitlement - No Meter	\$2.47	\$4.59	\$6.46	\$3.99	162%
Usage - Metered	\$1.24	\$1.83	\$1.94	\$0.70	56%
<i>*Comparison Usage 100% Entitlement - Metered</i>	\$3.71	\$5.04	\$6.46	\$2.75	74%
<i>*Comparison Usage 50% Entitlement - Metered</i>	\$3.09	\$4.13	\$5.49	\$2.40	78%
<i>*Comparison Usage 0% Entitlement - Metered</i>	\$2.47	\$3.21	\$4.52	\$2.05	83%
* NOTE: Nearly all water users use much less water than the 100% water licence Entitlement.					

TABLE 2

BULK WATER PRICES NAMOI & PEEL VALLEYS - IPART APPROVED STATE WATER & IPART DRAFT APPROVAL NSW OFFICE OF WATER FOR 2010/11 TO 2013/14

Catchment/Water Source	2009/10 Charges			2011/12 Charges			2013/14 Charges			Increase Over 4 years to 2013/14	
	SW	NOW	Total	SW	NOW	Total	SW	NOW	Total	Amount	Percentage
Peel Regulated											
HS - Entitlement	11.49	1.17	\$12.66	\$16.39	\$1.51	\$17.90	\$22.79	\$2.17	\$24.96	\$12.30	97%
GS - Entitlement	1.71	1.17	\$2.88	\$2.07	\$1.51	\$3.58	\$2.51	\$2.17	\$4.68	\$1.80	63%
Usage	25.71	2.12	\$27.83	\$31.12	\$2.39	\$33.51	\$37.68	\$3.45	\$41.11	\$13.28	48%
Namoi Regulated											
HS - Entitlement	9.31	1.21	\$10.52	\$12.78	\$1.84	\$14.62	\$14.68	\$2.56	\$17.24	\$6.72	64%
GS - Entitlement	7.44	1.21	\$8.65	\$8.48	\$1.84	\$10.32	\$8.23	\$2.56	\$10.79	\$2.14	25%
Usage	12.55	1.46	\$14.01	\$18.43	\$1.26	\$19.69	\$18.08	\$1.75	\$19.83	\$5.82	42%
Namoi/Peel Unregulated											
Annual charge (minimum)		60	\$60.00		\$97.90	\$97.90		\$97.90	\$97.90	\$37.90	63%
Irrigator/Stock & Domestic Area Based (\$/ha)		11.38	\$11.38		\$0.00	\$0.00		\$0.00	\$0.00	-\$11.38	-100%
Irrigator Entitlement - No meter		2.78	\$2.78		\$3.44	\$3.44		\$4.96	\$4.96	\$2.18	78%
Irrigator Entitlement - Metered		1.68	\$1.68		\$2.41	\$2.41		\$3.47	\$3.47	\$1.79	107%
Irrigator Metered - usage		1.1	\$1.10		\$1.03	\$1.03		\$1.49	\$1.49	\$0.39	35%
Town & Industry with Entitlement - Entitlement		1.68	\$1.68		\$2.41	\$2.41		\$3.47	\$3.47	\$1.79	107%
Town & Industry with Entitlement - Usage		1.1	\$1.10		\$1.03	\$1.03		\$1.49	\$1.49	\$0.39	35%
Peel / Namoi Groundwater											
Annual charge (minimum)		60	\$60.00		\$97.90			\$97.90	\$97.90	\$37.90	63%
Entitlement - Metered		2.47	\$2.47		\$3.21	\$3.21		\$4.52	\$4.52	\$2.05	83%
Entitlement - No Meter		2.47	\$2.47		\$4.59	\$4.59		\$6.46	\$6.46	\$3.99	162%
Usage - Metered		1.24	\$1.24		\$1.83	\$1.83		\$1.94	\$1.94	\$0.70	56%

TABLE 3											
TAMWORTH REGIONAL COUNCIL TOWN WATER SUPPLIES - PROJECTED IMPACT OF BULK WATER SUPPLY IPART DRAFT APPROVED PRICE INCREASES FOR NSW OFFICE OF WATER FOR 2010/11 TO 2013/14 PERIOD											
Town/Village	Supply	Water Source	License Volume (ML's)	Cons. (ML's)	2009/10			2013/14			Percentage change
					Entitlement Charge /ML	Usage Charge /ML	Cost	Entitlement Charge /ML	Usage Charge /ML	Cost	
Tamworth	Dungowan Dam	Dungowan Crk - Unreg	5600	3378	1.68	1.1	\$13,124	3.47	1.49	\$ 24,465	
	Chaffey Dam	Peel River - Regulated	16400	5665	1.17	2.12	\$31,198	2.17	3.45	\$ 55,132	
Total			22000	9043			\$44,322			\$ 79,597	80%
Manilla	Split Rock Dam	Namoi River - Regulated	150	10	1.21	1.46	\$196	2.56	1.75	\$ 402	
	Namoi River Weir	Namoi River - Unreg	800	409	1.68	1.1	\$1,794	3.47	1.49	\$ 3,385	
	Bore	Namoi - Ground water	60	0	2.47	1.24	\$148	4.52	1.94	\$ 271	
Total			1010	419			\$2,138			\$ 4,058	90%
Barraba	Barraba Creek	Namoi River - Unreg		87	1.68	1.1	\$96	3.47	1.49	\$ 130	
	Manilla River	Namoi River - Unreg	381	80	1.68	1.1	\$728	3.47	1.49	\$ 1,441	
	Connor's Crk Dam	Namoi River - Unreg		10	1.68	1.1	\$11	3.47	1.49	\$ 15	
	Town bore	Namoi - Ground water	40	0	2.47	1.24	\$99	4.52	1.94	\$ 181	
Total			421	177			\$934			\$ 1,767	89%
Bendemeer	Macdonald River	Namoi Unregulated	74	40	1.68	1.1	\$168	3.47	1.49	\$ 316	
	Town bore	Namoi Ground water	10	0	2.47	1.24	\$25	4.52	1.94	\$ 45	
Total			84	40			\$193			\$ 362	87%
Nundle	Town bores	Peel - Ground water	100	136	2.47	1.24	\$416	4.52	1.94	\$ 716	72%
Attunga	Town bores	Peel - Ground water	145	70	2.47	1.24	\$445	4.52	1.94	\$ 791	78%
Moonbi Kooting	Town bores	Peel - Ground water	530	307	2.47	1.24	\$1,690	4.52	1.94	\$ 2,991	77%
TOTAL			24290	10192			\$50,137			\$90,282	80%
ADDITIONAL ANNUAL COST OF IPART DRAFT APPROVED BULK WATER PRICE INCREASES PROPOSED BY NSW OFFICE OF WATER										\$40,145	
NOTES:											
1) License volumes for Tamworth are correct (have volumetric conversions)											
2) Some towns and village licence volumes are not all yet finalised with NOW regarding volumetric conversions.											
3) All water supply consumptions except Tamworth (10 year average figures) are based on 2004/05 usage.											
4) Fees and charges assume all water supply licences in TRC have a volumetric licence.											

TABLE 4

TAMWORTH REGIONAL COUNCIL TOWN WATER SUPPLIES - PROJECTED IMPACT OF BULK WATER SUPPLY IPART APPROVED STATE WATER PRICES & IPART DRAFT APPROVED NSW OFFICE OF WATER INCREASES FOR 2010/11 TO 2013/14 PERIOD

Town/Village	Supply	Water Source	License Volume (ML's)	Cons. (ML's)	2009/10			2013/14			Percentage change
					Entitlement Charge /ML	Usage Charge /ML	Cost	Entitlement Charge /ML	Usage Charge /ML	Cost	
Tamworth	Dungowan Dam	Dungowan Crk - Unreg	5600	3378	1.68	1.1	\$13,124	3.47	1.49	\$ 24,485	
	Chaffey Dam	Peel River - Regulated	16400	5665	12.66	27.83	\$365,281	24.96	41.11	\$ 642,232	
Total			22000	9043			\$378,405			\$ 666,697	76%
Manilla	Split Rock Dam	Namoi River - Regulated	150	10	10.52	14.01	\$1,718	17.24	19.83	\$ 2,784	
	Namoi River Weir	Namoi River - Unreg	800	409	1.68	1.1	\$1,794	3.47	1.49	\$ 3,385	
	Bore	Namoi - Ground water	60	0	2.47	1.24	\$148	4.52	1.94	\$ 271	
Total			1010	419			\$3,660			\$ 6,441	76%
Barraba	Barraba Creek	Namoi River - Unreg		87	1.68	1.1	\$96	3.47	1.49	\$ 130	
	Manilla River	Namoi River - Unreg	381	80	1.68	1.1	\$728	3.47	1.49	\$ 1,441	
	Connor's Crk Dam	Namoi River - Unreg		10	1.68	1.1	\$11	3.47	1.49	\$ 15	
	Town bore	Namoi - Ground water	40	0	2.47	1.24	\$99	4.52	1.94	\$ 181	
Total			421	177			\$934			\$ 1,767	89%
Bendemeer	Macdonald River	Namoi Unregulated	74	40	1.68	1.1	\$168	3.47	1.49	\$ 316	
	Town bore	Namoi Ground water	10	0	2.47	1.24	\$25	4.52	1.94	\$ 45	
Total			84	40			\$193			\$ 362	87%
Nundle	Town bores	Peel - Ground water	100	136	2.47	1.24	\$416	4.52	1.94	\$ 716	72%
Attunga	Town bores	Peel - Ground water	145	70	2.47	1.24	\$445	4.52	1.94	\$ 791	78%
Moonbi Kooting	Town bores	Peel - Ground water	530	307	2.47	1.24	\$1,690	4.52	1.94	\$ 2,991	77%
TOTAL			24290	10192			\$385,742			\$679,765	76%
ADDITIONAL ANNUAL COST OF PART APPROVED STATE WATER PRICES & DRAFT APPROVED NOW BULK WATER PRICE INCREASES										\$294,023	
NOTES:											
1) License volumes for Tamworth are correct (have volumetric conversions)											
2) Some towns and village licence volumes are not all yet finalised with NOW regarding volumetric conversions.											
3) All water supply consumptions except Tamworth (10 year average figures) are based on 2004/05 usage.											
4) Fees and charges assume all water supply licences in TRC have a volumetric licence.											

TABLE 5											
TAMWORTH REGIONAL COUNCIL - TAMWORTH WATER SUPPLY - PROJECTED IMPACT OF IPART APPROVED BULK WATER SUPPLY PRICES & IPART DRAFT NSW OFFICE OF WATER PRICES 2009/10 TO 2013/14											
					2009/10			2013/14			
Town/Village	Supply	Water Source	License Volume (ML's)	Cons. (ML's)	Entitleme nt Charge /ML	Usage Charge /ML	Cost	Entitleme nt Charge /ML	Usage Charge /ML	Cost	Percentag e change
Tamworth Water Sourced Dungowan & Chaffey Dams											
Tamworth	Dungowan Dam	Dungowan Crk - Unreg	5800	3378	1.68	1.1	\$13,124	3.47	1.49	\$ 24,465	
	Chaffey Dam	Peel River - Regulated	16400	5665	12.66	27.83	\$365,281	24.99	41.11	\$ 642,724	
Total			22000	9043			\$378,405			\$ 667,189	76%
Tamworth Water Sourced Chaffey Dam (drought)											
Tamworth	Dungowan Dam	Dungowan Crk - Unreg	5800	0	1.68	1.1	\$9,408	3.47	1.49	\$ 19,432	
	Chaffey Dam	Peel River - Regulated	16400	9043	12.66	27.83	\$459,291	24.99	41.11	\$ 781,594	
Total			22000	9043			\$468,699			\$ 801,026	71%
NOTES:											
1) License volumes for Tamworth are correct (have volumetric conversions)											
2) Tamworth Water supply consumptions based on 10 year average figures to 2004/05.											