Peel Valley Water Users Association
PO Box 952, Tamworth NSW 2340

25th November 2010

Review of the Water Administration Ministerial Corporation's Water Management Charges
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Sirs/Madams

Re Comments on IPART's Draft Determination

Despite many submissions to IPART from irrigators in the Peel Valley over the years, and despite presentations by representatives from this Association to the recent IPART hearing in Moree and previous hearings in Tamworth, IPART has once again proposed price increases that are discriminatory against the Peel Valley when compared to both the adjoining Namoi and Hunter Valleys, and the Murrumbidgee Valley in particular.

It is clear that IPART does not value the input from the irrigation community of the Peel Valley, and after many unsuccessful attempts to have a more equitable charging method introduced by the regulator of State owned monopolies, the members of this association have finally declared that enough is enough.

Attached is a copy of a letter to Minister Costa advising him that the members of this association have withdrawn any indication of financial support for the upgrade of Chaffey Dam, because we believe that we are already pre-paying our share of the upgrade by way of excessive water charges in this valley compared to other valleys.

We hope that IPART will realise that this decision has been brought about by the excessive charges in the Peel Valley (which have been granted by IPART to State Water and the NSW Office of Water), and the fact that the Peel Valley has been subject to discriminatory pricing relative to other valleys for far too long.

Yours faithfully

Udu Monticone
President

Cc Tony Windsor, Peter Draper

Peel Valley Water Users Association

PO Box 952, Tamworth NSW 2340

Mr Phillip Costa
Minister for Water and Minister for Corrective Services
Level 34, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

10th November 2010

Dear Minister Costa

Re: (1) Thank you for visiting Tamworth
(2) Our position on the Chaffey Dam upgrade

On behalf of the members of the Peel Valley Water Users Association, I would like to extend our thanks to you for visiting Tamworth last week to hear the concerns of the local stakeholders regarding the proposed Murray Darling Basin Plan. We are indeed grateful that you made the decision to hear the concerns first hand, and we also acknowledge the fact that you undertook the visit at a time when you had other priorities to deal with.

Since our meeting with you, the Association has held it's Annual General Meeting, at which the membership confirmed it's intention to advise you of our position regarding the augmentation of Chaffey Dam. The following motion was passed at a previous meeting in May this year, and was confirmed at last week's meeting: –

"The General Security Water Users of the Peel Valley will be subjected to excessively large increases in bulk water prices being levied on them by State Water and the NSW Office of Water through the IPART process, commencing from 1st July 2010. The Peel Valley's usage charge will be **TEN TIMES** that of the usage charge which will be levied on General Security Users of the Murrumbidgee.

Due to the financial strain that these water charges will have on the viability of the General Security Water Users in the Peel Valley, the members of the Peel Valley Water Users Association reluctantly inform the NSW Government that our members are unlikely to be financially able to contribute in any significant way to the cost of the proposed augmentation of Chaffey Dam. We are however, more than willing to negotiate on this issue as our livelihood and future depends on the augmentation taking place."

It is also our intention to notify IPART of this decision as part of the Association's submission on the draft determination for charges by the NSW Office of Water, before the closing date for comments on 27th November.

By way of background to this decision, although there was an indication made several years ago that the irrigators would consider making a financial contribution towards the cost of the upgrade, that indication did not originate from the membership, and it has never since been ratified by the members.

The critical point is that the circumstances affecting the irrigation community in the Peel Valley have changed so much since the time the indication was first made, that we have no alternative but to withdraw any perception that the irrigation community is in a position to contribute financially to the cost of the upgrade.

The circumstances that have changed from the time when discussions originally occurred are -

1. The General Security Regulated water users in the Peel were paying $19.50 per ML ($5.27 entitlement and $14.23 usage). However, as a result of IPART's recent determinations this figure has rocketed to $53.84 per ML in 2013-2014. These charges are ten times the Murrumbidgee, twice the adjoining Namoi Valley, and three times the adjoining Hunter Valley. The excessive charges in the Peel Valley render it unlikely that irrigators could viably fund an additional charge for the upgrade to Chaffey Dam.
2. The upgrade of Chaffey Dam was contingent solely on the completion of the Water Sharing Plan for the Peel Valley. Once the Water Sharing Plan had been completed, the upgrade was made contingent on something else – on this occasion it is the Menindee Lakes, which is an issue that is completely unrelated to the Peel Valley
3. The irrigators embarked on the Water Sharing Plan process in good faith, and in addition to the disappearance of the link to the upgrade of Chaffey Dam, the Water Sharing Plan "resumed" about 24,900 ML of Regulated General Security entitlement, and about 40,000 ML of Groundwater entitlement. However, irrigators are still required to pay the entitlement charges on the full original entitlement of 31,000 ML of Regulated General Security water (although the Long Term Average Annual Extraction Limit set under the Water Sharing Plan is only 6,100 ML) and the full original entitlement of 49,800 ML of groundwater (although the Long Term Average Annual Extraction Limit set under the Water Sharing Plan is only 9,334 ML).
4. In addition to the above "resumptions" under the Water Sharing Plan, the "Guide to the Murray Darling Basin Plan" is proposing yet further "resumptions" in the Peel Valley of up to perhaps 37% of the 6,100 ML for Regulated General Security water, and up to perhaps 37% of 7,300 ML for Groundwater (Why 7,300 ML has been used instead of 9,334 ML is not clear to us at this stage). The Water Sharing Plan affirms that 95% of the long term average flow in the Peel River flows out of the end of the Peel River into the Namoi River, <u>even before</u> the Water Sharing Plan cutbacks were implemented, so we not only find it objectionable that such harsh cutbacks were introduced in the Peel Valley under the Peel Water Sharing Plan, but that any further cutbacks are even being contemplated by the MDBA.
5. The cost of upgrading Chaffey Dam was originally $12 - $13 million. Recent costs have been quoted as high as $36 million, but at this point in time there is no final cost estimate, no start date for the project, and no completion date for the project.

Given this background, and also given the fact that a financial contribution by irrigators would not result in any increase in their access to water, we trust that you will understand the Association's decision to withdraw any notion of an offer of financial support for the upgrade. The banks are probably reviewing their investments in the irrigation industry as a result of the MDBA process, and they are therefore unlikely to increase their lending to irrigation businesses in order for them to contribute towards the upgrade of Chaffey Dam, when those businesses will derive nothing whatsoever in return for their financial contribution.

It is therefore untenable for this Association to leave the impression anywhere in the public arena that a financial contribution will be forthcoming under these circumstances.

Notwithstanding any of the foregoing, we remain willing to participate in a future round of new negotiations regarding a possible financial contribution, once there is a properly costed plan for the upgrade that includes a completion date for the project, and one that is not contingent on any external factors.

Yours sincerely

Ildu Monticone
President