

Murray Irrigation Limited

Submission to IPART

Review of bulk water charges for NSW Office of Water (NOW)

DRAFT DETERMINATION – October 2010



Murray Irrigation Limited

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1.0 Introduction

Murray Irrigation is the largest private irrigation company in Australia. We hold five water access licences with the NSW Government. The single largest water access licence is the company's 1,111,957 unit shares of NSW Murray Regulated River General Security, which 67 percent of the total NSW Murray General Security volume. Our other significant water access licences include a conveyance licence, supplementary water licence and high security town water supply. Murray Irrigation supplies water to 1,200 family farm businesses who own 2,400 landholdings within our area of operations which covers 748,000 hectares. Murray Irrigation also supplies bulk water to four towns.

Further information on Murray Irrigation can be found at www.murrayirrigation.com.au

Murray Irrigation welcomes the opportunity to provide a response to IPART's 'Review of prices for the Water Administration Ministerial Corporation for the NSW Office of Water (NOW) – from 1 July 2011 Draft report' of October 2010. This submission contains brief comments on both IPART's draft determination and draft report.

Murray Irrigation is a member of NSW Irrigators' Council and supports its submission to IPART.

2.0 Positive outcomes to date

Murray Irrigation acknowledges the positive outcomes in the draft determination particularly:

- The commencement date and determination period.
- The decision not to include a volatility allowance for NOW.
- The decision not to increase the user share component of the Murray Darling Basin Authority (MDBA) costs.
- The finding to setting smooth cost price increases over the determination period.

3.0 The minimum bill

Murray Irrigation believes that the minimum bill should be increased to reflect the cost of providing services to small customers. Whilst IPART has attempted to minimise annual price increases, in the case of small accounts, a more significant increase is warranted.

As at the 30 June 2010, there were 1,006 stock and domestic licences within NSW Murray Valley, this represents 33 percent of all licences in NSW¹. There is currently an embargo on stock water licences; however, domestic water licences are still able to be applied for. There are almost as many stock and domestic licences in the NSW Murray as there are general security licences.

These stock and domestic licences take a significant amount of time and resources to manage and Murray Irrigation believes that a minimum charge of \$95 is not high enough to cover the costs that these licences impose on NOW. Murray Irrigation suggests that a minimum bill of \$200 would be a more suitable figure.

¹ NSW State Water Corporation WAS system, 30/6/2010

Irrigation customers are effectively subsidising the provision of stock and domestic services to a large number of NOW and State Water customers. IPART should be taking stronger steps toward pricing that is more cost reflective and, in turn, (or 'discounts') the removal of this cross subsidisation.

4.0 Wholesale discounts or rebates

Murray Irrigation is disappointed that IPART has chosen not to reintroduce the wholesale rebate for NOW charges. There are significant efficiencies and therefore cost savings provided through Murray Irrigation having a bulk licence and issuing contractual rights to customers including administrative efficiencies. These cost savings are not reflected in the proposed price determination for the NSW Office of Water.

Murray Irrigation again requests the reintroduction of wholesale rebates for the NSW Office of Water.

4.0 Hydrometrics

NOW has identified a number of changes to hydrometrics since the 2006 determination. The main changes include expansion of NOW's hydrometric network by 128 stations, resulting in additional monitoring and maintenance requirements. Murray Irrigation restates its previous position that regulated water users contribution to the hydrometrics costs through State Water Corporation costs and that additional cost is Government's responsibility, not water users.

5.0 NOW Costs

Government water charges were 15 percent of Murray Irrigation's costs in 2009/10 and increased by eight percent from the previous year. Government water charges are our fourth largest cost behind depreciation, employment and materials and contract payments. The IPART determinations will result in our Government charges continuing to increase faster than the consumer price index (CPI).

The Pricewaterhouse Cooper *"Review of the NSW Office of Water's Water Management Expenditure 30 June 2010"* report confirms that NOW was unable to provide any documentation that they had accurately allocated expenses to IPART related activities and non-IPART related activities. How then can any determination be made to increase costs when insufficient financial information is available to accurately determine what, if, any increases are justifiable.

Murray Irrigation believes that before any increase in costs are approved accurate information and accounting of expenses needs to be provided by NOW to determine what costs directly relate to delivery of regulated water.

As long as IPART continues to provide NOW with opportunities to increase its revenue NOW will not change its behaviour, improve its accountability or improve its efficiency.

Conclusion

Murray Irrigation recommends that IPART increase the minimum charge and only provide for CPI increases to the other regulated charges.