



SUBMISSION

on

**WATER ADMINISTRATION ADMINISTRIAL
CORPORATION DRAFT DETERMINATION**

TO

**INDEPENDENT PRICING AND REGULATORY
TRIBUNAL**

DECEMBER 2010

SUBMITTED BY:

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Western Murray Irrigation Limited (WMI) provided a submission to the review of the NSW Office of Water (NOW) prices paper and also presented at the Public Hearing in Sydney. It is pleasing to see stakeholder comments reflected throughout the draft determination.

WMI endorses the following:

1. Increase in the minimum bill by 60% from \$60 to \$95. The amount is at the lower end of what is supported by industry. IPART should confirm it believes it will recover fair costs and request NOW to track consolidation or cancellation of licences to determine if the fee has any impact in the determination period.
2. Increases in NOW's charges for consents. NOW should not under recover on these charges. WMI also supports the two tiered approach for those applications received before and after noted expiry dates. The increases in consent charges should be clearly communicated to customers once the final determination is issued to allow decisions to be made about the timing of dealings.
3. MDBA cost recovery remaining at \$1.7 million. It is unacceptable there has been no independent review of the MDBA costs and there has been no information provided to users. It is also pleasing to see only five of the sixteen activities to do with Commonwealth reforms are to be recovered from users.
4. Depreciation and cost of capital to be applied only from 1 July 2011.
5. No revenue volatility allowance with any shortfall to be funded from the NSW Government.
6. 70% of the forecast revenue is to be from fixed charges and 30% from metered usage. WMI did not support 100% recovery from fixed charges however notes that as meters are installed and two part tariffs are introduced the actual revenues in some valleys may vary and the recovery percentages may also need to differ. WMI fully supports the target of 95% of all water extractions are to be metered.
7. Usage forecasts to be based on a 20 year rolling average to provide consistency with State Water. This year has started off much wetter than average and as a result usage will once again be low.
8. The full list of requests outlined in the letter dated 6 October to David Harriss Commissioner for Water.
9. A consultative committee structure to allow for greater accountability and better assessment of overall performance of the Department.
10. An annual report to industry on NOW's performance.

WMI remains concerned that:

1. The holder of stock and domestic basic rights on rivers will not be charged for the water they use in this determination. A fixed tariff should be established so this can provide NOW the ability to introduce and implement policy in the next three years and include these holders in the next water sharing plans for the individual valleys. The drought has clearly highlighted the inequity of these users drawing a limited resource free of charge without any monitoring or restriction.
2. The next determination falls when the water sharing plans are due to be finalised and will now run concurrently with the State Water determination.

3. Some valleys are at 100% cost recovery e.g. Murray whereas some remain under 100% for the life of the determination to meet the 20% cap on price increases. It means the overall cost recovery rises from 88% in 2009/10 to 94% in 2013/14 and it provides a perception some valleys are penalised over others. It is understood the levels of cost recovery under this draft determination occur in the context of significant increases in costs and prices (generally over 100%). The significant increases continue to put NSW water entitlement holders and users at a distinct competitive disadvantage to other States users. WMI understands IPART has identified this issue but industry needs further representation on this matter with both State and Federal Government and entities such as the Australian Competition and Consumer Commission.
4. Charges were waived for zero share licence holders without the approval of the Minister. NOW should raise those charges on the 5,515 licences and recover them on a retrospective basis. The estimate of unrecovered charges of \$330,900 per annum is high and raises equity issues given the basis of why zero share licences are being established. A large majority of these would be interstate owners who use these licences as holding points for NSW entitlement.
5. It is noted on page 94 that NOW presented at the public hearings that it continues to pay some irrigation corporations contributions to augment or replace ageing assets or infrastructure. WMI was not aware of this and is not in receipt of any such contributions. WMI notes that by having one licence managing hundreds of customers the company effectively reduces the costs for private diverter entitlement holders.
6. Judgments have had to be made on monopoly services. The recommendation by IPART to ring fence monopoly services is important to reduce areas of uncertainty.
7. Scenario 2 may not encapsulate aspects raised in the Basin Plan Guide released by the Murray Darling Basin Authority in October. It is recognised the guide was not available when the review of prices was being undertaken. NOW should have the opportunity to raise with IPART if the level of full time equivalents is adequate given they should have now had the time to review the guide and the implications for the State.
8. WMI notes discussion on page 176 and page 177 of the report about the ability of water entitlement holders to trade water to reduce the impact of the NOW charges. As in any market prices go up and down. Currently the temporary water price is at \$35 a ML (well below the \$200 and above) noted the draft determination. Similarly the permanent water prices have also softened in the last six months.
9. WMI notes on page 105 general security entitlement in the Murray has been increased by 46,916 ML (a 2% increase) since 2006. It is not stated but this increase is likely to be an environmental licence created due to a water savings project. It is also unclear if this creation of licenced entitlement will be repeated. The NSW Government has recently passed amendments to the Water Management Act to allow licences to be created and transferred to the Commonwealth Government. New entitlements should spread the cost amongst users provided these environmental licences are receiving the same charges as the standard general entitlement licences.
10. The 7% rate of return has been picked as a midpoint between 5.8% and 8.2%. It concerns WMI that there will be much greater impacts from this rate of return in the future particularly if Commonwealth funded assets such as the meters are added to the asset base of NOW. While the rate of return is being passed onto consumers it is not being passed onto the other beneficiaries of the use of the assets namely the environment, the general population and recreational users of our waterways. WMI would recommend a lower rate of return in light of the fierce opposition of industry to a Government Department seeking a rate of return.