

From:
David Gee
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To:
Mr Jim Cox
Acting Chairman and CEO
I.P.A.R.T.
ipart@ipart.nsw.gov.au

Re: Draft Bulk Water Prices

Dear Sir,

Split Rock Water Users Association represents the 82 licence holders lying on the Namoi regulated river system between Split Rock dam and Keepit dam. We are mainly small irrigators on Lucerne/beef/ and dairy farms.

In response to the IPART draft report we offer the following comments.

- (1) We join other irrigator groups in supporting your decision to preserve the 40:60 split in access/ usage charges. This ratio is the one factor allowing an irrigator some control over water budgeting.
- (2) On preserving State Water's investment grade credit rating of BBB , We would argue this is crucial, and of the options offered the only viable course is for the State Government to increase its equity position. Any other solution would saddle irrigators with a basket case Corporation. This issue demands a once off fix from the State Government. To put this charge on present day irrigators would be punitive.
- (3) On IPART's price rise recommendations for this valley, we find it disingenuous for IPART to claim farm costs for smaller irrigators will only rise by 9 percent. Power costs and water usage costs are inseparable. A 35 percent hike in water costs over 4 years and a 42 percent jump in pumping costs over 3 years (also approved by IPART) will greatly exceed your estimate. IPART may treat each separately but we do not have that luxury.
- (4) This valley will particularly hard hit by IPART's adjustment to general security water usage charges. Up 52.7 percent over 4 years. Worse still the 40 percent increase that is front end loaded into the first year, July 2010 to June 2011. This is the highest general security usage increase anywhere in the State. We find it hard to reconcile why valleys such as the Peel, which have not achieved full cost recovery, are to be capped to a 10 percent annual rise, while the Namoi pays a 40 percent usage charge rise next year. We ask you to reassess this component.

(5) On the decision to grant State Water a volatility allowance (making up 5percent of these increases), we ask you to monitor this new provision. It has been our experience that State Water chose deplete Split Rock dam from 90 percent capacity to just 3 percent full in 2 years (2005/6). This amount of water took over 10 years to accumulate. The dam has never recovered. It raises the question of whether State Water in this case created its own revenue volatility by electing to take its revenue in one lump instead of sustainable water releases.

Yours faithfully

David Gee

Split Rock Water Users Association.