

Hunter Valley Water Users Association Submission to IPART Review of Prices for State Water Corporation from July 2010

Comments on Draft Determination

The Hunter Valley Water Users Association represents the water users of the regulated sections of the Hunter Valley as well as co-operating with water user's associations on unregulated streams and ground water systems throughout the Hunter Valley

The Association is also a full member of NSW Irrigators Council and strongly represented on the State Water Coastal Valleys CSC.

We appreciate the opportunity to comment on your draft determination and will mainly restrict our comments to Hunter Valley issues being fully aware that Irrigators Council has already commented on the more general issues in that determination.

Volatility and increase in WACC

Whilst we note your comments on the need for State Water to have a more assured income base we note that the Hunter variability of usage is very low due in part to a more reliable climate and more moderate allocation of storage reserves than some other areas. That coupled with the fact that we have, and agree with, a 60% entitlement /40% usage charging basis has the affect of double penalizing our valley by the introduction of a volatility charge and of course the increase in the WACC only magnifies this affect.

The sudden change in seasonal out look since this enquiry started tends to emphasize the uncertainty of forward predictions. We appreciate the suggestion that State Water 'may choose' to place any profits from the volatility allowance as a reserve but are mindful that a large proportion of any 'profits' are required to be paid to Government as a dividend. It is essential that this fund not be distributed but kept as a genuine reserve to cover the dry years.

State Water financial position

We note the comments on the impact of the determination on State Water's financial position (point 1.6.2 pp18) and suggest a combination of increased equity funding and deferment of some of the less critical capital expenditure (thematic) items could allow for maintenance of satisfactory credit ratings.

Capping of North and South Coast and Peel valleys

We note and support that IPART has recognized the position these valleys are in and has called for the government to recognize a CSO for these areas. We are disappointed that IPART has not recognized the Paterson Valley in the same way but still expects the Hunter to subsidise their costs instead of the government CSO. It seems strange that it is considered that Namoi should not be asked to subsidise the Peel but the same principal doesn't apply on the coast.

Barnard Storage.

We understand that since our original submission that State Water and Macquarie Generation have been in discussion as to how the costs of Barnard water storage, release and accounting should be apportioned and are hopeful that an agreement between the parties will be reached before your final determination. Should this be the

case we would hope that this cost be removed from State Water costings thus reducing the total to be paid by other users. Should the agreement be not be ratified before your final determination we believe gazzeted prices should be reduced if and when such an agreement s reached.

Finally we appreciate the manner in which IPART conducts this enquiry and the opportunities we have to make submissions.

Whilst we realize that we can't achieve everything we want we trust you will note and consider the above points and also the submission from NSW Irrigators Council

Arthur Burns
President
Hunter Valley Water Users Association.