



LEGISLATIVE COUNCIL

The Honourable Christine Robertson MLC

Wednesday, 21 April 2010

Review of Bulk Water Charges by State Water Corporation
Independent Pricing and Regulatory Tribunal
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To Whom It May Concern:

I write with a submission to the Review of Bulk Water Charges by State Water Corporation. I apologise for the lateness of the submission.

I enclose a copy of a letter received from Mr Laurie Pengelly of the Peel Valley Water Users Association.

I wish to fully endorse Mr Pengelly's submission.

The disparity in water pricing between different valleys in New South Wales is unfair. Despite the 10% cap on average bill increases for general security customers on the North Coast, South Coast and in the Peel Valley, the Peel Valley will be most adversely affected by this determination.

I support Uniform Statewide Bulk Water Pricing to correct the inequity in water pricing in NSW.

The current proposal places a major impost on primary, secondary and tertiary industries across much of country New South Wales. In turn, there would be many adverse effects on country communities generally.

Yours sincerely,

A handwritten signature in cursive script, reading 'Christine Robertson'.

Hon. Christine Robertson MLC
Duty MLC for Tamworth

PEEL VALLEY WATER USERS ASSOCIATION INC.
 Rosebank, 824 Wallamore Rd, Tamworth NSW2340 Ph/Fax 02 67607152

10th April 2010

State Water Corporation Price Review 2010
 Independent Pricing and Regulatory Tribunal
 PO Box Q290
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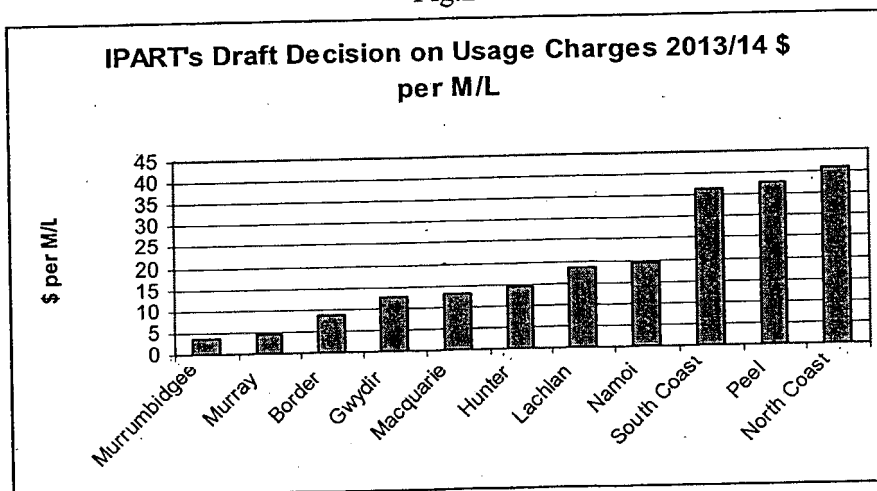
Submission to IPART – Draft Determination Bulk Water Prices from 2010

IPART's Draft determination for Bulk Water prices for the period 1st July 2010 to the 30th June 2014 clearly demonstrates that IPART's Valley based pricing structure is totally inappropriate for the Bulk water resources of NSW as shown in Table 1 and Figure 1 below.

Table 1. IPART's Draft Decision on Usage Charges 2013/14 \$ per M/L

VALLEY	\$ - M/L
Murrumbidgee	3.45
Murray	4.65
Border	8.73
Gwydir	12.66
Macquarie	13.18
Hunter	14.44
Lachlan	18.39
Namoi	19.17
South Coast	36.54
Peel	37.66
North Coast	40.76

Fig.2



This huge variation in Valley based usage charges which also occurs but to a lesser degree for the entitlement charge is totally inappropriate in NSW as **regardless of where water is used in the State, 1 ML of water will produce approximately the same amount of hay, grain or milk etc.**

Uniform Statewide Bulk Water Pricing is the only viable option left if NSW is to have a viable irrigation industry north of the Murrumbidgee.

What does Uniform State Wide Bulk Water Pricing look like?

Entitlement

High Security	920,000ML
General security	6,827,000ML
Likely usage	3,500,000ML

Note: Likely usage is well below State Water Corporations estimate use of 4,367GL

Notional User Share - \$55,000,000 PA (see State Water submission)

Tariff design based on ratio of fixed to variable revenues of 40/60

Resulting tariffs

Entitlement Charge

High security	\$9.50/ML	= Total income	\$8.74Million
General Security	\$1.90/ML	= Total income	\$12.97Million

Usage charge \$9.5/ML = Total income \$33.25Million

Total revenue (Notional User Share) \$54.96Million

Ratio fixed / variable cost 40 / 60

How easy is that?

No Water User could complain that they were being hard done by

- The High Security entitlement charge of \$9.50 ML at 5 times General Security reflects reasonably accurately the much better security of supply of High Security Licences.
- The General Security entitlement charge \$1.90/ML is significantly lower in most valleys than those in place at present. A low entitlement charge is necessary to assist Water Users to contribute to State Water's finances in years when little or NO Bulk Water is available for use and consequent farm incomes are low or negative.
- The usage charge of \$9.50/ML cannot be considered unreasonably high as 6 of the 12 States Regulated Rivers already pay more than this and the Peel, North Coast

and South Coast have paid a usage charge more than \$9.50 / ML since IPART's 2006 determination.

- The likely use of 3,500,000ML is well below State Water Corporations estimated consumption of 4,367,000ML which if achieved would allow State Water Corporation to have a surplus of income which it could put away for a rainy day or a dry day as the case may be. The concept of putting money / income aside to cater for low income years would however require a quantum leap forward in State Water Corporations and for that matter DWE / NOW's financial planning strategy.

In short State Waters funding is met and the whole irrigation industry pays a fair price for Bulk Water services and more importantly remains financially viable.

- **Environmental Protection – promotion of ecologically sustainable development via appropriate pricing policies.**

IPART promotes pricing as a mechanism to achieve responsible water use to protect the environment but IPART is not practicing what it preaches. **The Valleys which have the cheapest water, use the bulk of the water** in the Murray Darling Basin and use a large amount of the long term average surface water availability that is generated in their Valley as clearly demonstrated in the table below.

Valley	Usage Charge 2013 / 14 \$ ML	Av Surface Water Available (Valley Based)	Av SW use GL	% of SWA used
Peel	37.66	271 GL	13	5%
Namoi	19.17	694	238	34%
Murrumbidgee	3.45	4270	2246	53%
Murray	4.65	5211	4239	81%

Jacking up the usage charge to \$9.50/ML in the two Southern Valleys may go some way to achieving sustainable water use. The Murray and Murrumbidgee's combined surface water use accounts for 56% of the surface water used in the MDB and they use 68% of their combined valley based surface water availability. That is **the Valleys that use the most water and have the greatest impact on their riverine environment have by far the cheapest Bulk Water prices.** So much for promoting ecologically sustainable development via appropriate pricing policies.

IPART should introduce uniform statewide bulk water pricing now!!!

Yours faithfully

Laurie Pengelly
Representing the Peel Valley Water Users Association