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7 May 2010

Review of Bulk Water Charges for State Water Corporation
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

To whom it may concern:

RE: Submission regarding draft determination prepared by IPART on State Water Bulk Charges

Western Murray Irrigation Limited (WMI) submits this brief submission for consideration by IPART in making the final determination. WMI lodged a submission in October 2009 and presented at the public hearing in Griffith.

The following provides WMI comments on the draft determination:

- WMI agrees with the four year determination period.

- WMI supports the retention of the 60/40 ratio of fixed charges and volume related charges.

- WMI agrees State Water must achieve a defined level of revenue and notes the difficultly with forecasting consumption. WMI understands the calculations to be applied when consumption is less than forecast however there is less explanation as to what happens when consumption exceeds the forecast.

- The introduction of the 20 year moving average will pick up the recent dry trends but it will need to be tested in this determination as to accuracy of the forecast of the future extractions.

- WMI notes the total real increase for the four-year period for high security entitlement holders is 14%, considerably less than the 49% increase requested by State Water. WMI believes the 14% increase is reasonable in light of revenue volatility, a higher return on capital component and revenue requirements. The increase does not overly penalise high security based on the nature of the entitlement.

  WMI still has concerns about the application of an additional high security "scarcity" premium above the previously determined 1.5 times. In recent years high security has also not received full allocation and this should be factored into the calculation. The water market has been extremely volatile and market users are much more informed about entering the market. High security benefits from accessing the market should not be overestimated when general security can carry over and receive the same price. Further detail to ensure the calculation is transparent needs to be provided with the final determination. There is an expected 500+ GL to be carried over this year and its delivery takes precedence over the following years high security allocation. Most of this carryover will be in general security licences. WMI also cautions IPART about applying a scarcity premium for four years without knowing the full impact of the sustainable diversion limits to be applied under the basin plan.

- WMI agrees with a volatility charge on general security entitlement to recover charges in years where allocation and usage is reduced. The risk of less reliable water allocation is borne by the entitlement holder. Over time this risk will also be borne by the large general security holdings of the Commonwealth Environmental Water Holder.

- WMI believes State Water should put in reserve any excess funds rather than transferring profits to Treasury. This would assist in dealing with revenue shortfalls.

- WMI remains concerned about the lack of detail about the Murray Darling Basin Authority costs and how these will be recovered. It is unacceptable to industry that the MDBA have not provided the information needed to be dealt with in this determination. It is hoped this information may be available for the NSW Office of Water determination. The efficiency adjustment of 1.25% may not be adequate and unspecified costs should not be passed on to users.

- WMI supports the retention of the rebate noting the starting rebate for WMI is $39,000 with a CPI adjustment each year.

- WMI supports the metering service charge once State Water has installed new meters noting the landholder is not responsible for the capital cost and installation of the meter.

- It is pleasing to see the additional efficiency target being applied to State Water's annual operating expenditure.

- To enable State Water to achieve its overall investment grade credit rating of BBB the NSW Government should increase its equity. State Water should not have the benefit of transferring all risk of operating its business to the consumptive user.

Yours sincerely,

Cheryl Rix

Cheryl Rix
General Manager