



Lower Macquarie Groundwater Irrigators Association

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Mr James P Cox
Acting Chairman and Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290,
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16 June 2010

Dear Mr Cox,

Re: Water Administration Ministerial Corporation Price Review 2010

I write on behalf of the Lower Macquarie Groundwater Irrigators Association (LMGIA) in response to the abovementioned review of prices, as currently charged by the NSW Office of Water. The LMGIA represents the interests of around 90 entitlement holders in the Lower Macquarie Groundwater Sources.

The LMGIA echoes the widespread dissatisfaction at the proposal put forward by the NSW Office of Water (NOW), where significant price increases are requested but not supported by adequate and transparent information on which to base a response. Failing this, stakeholders are seriously inhibited in our ability to provide meaningful input to the review process, and surely it must be questioned if IPART is able to make an informed Determination?

The LMGIA supports the submissions to this review which are provided by peak groups NSW Irrigators Council and Macquarie River Food and Fibre. As you would appreciate, the LMGIA has a particular interest in the groundwater charges proposed by the NSW Office of Water and we therefore reiterate the points put forward by NSWIC and MRFF in this respect:

- The proposal to amalgamate groundwater areas to “inland and coastal” must surely result in cross-subsidisation between groundwater sources and should be rejected by IPART
- A four year determination remains a reasonable duration for pricing determinations – LMGIA is of the view that if NOW is unable to present a case for increased prices within the timeframe set for review, the current prices should remain unchanged
- The inclusion of a return on assets, particularly in the order of 7.9%, is clearly an inappropriate request from a government agency
- A cap of 15% on average annual real increases, as per the current Determination, must remain in place

- In light of the current uncertainty around the roll-out of State metering projects, consideration of a meter service charge is premature and we suspect that such a charge is unlikely to be applicable at all during the period of the Determination
- Any costs incurred in the development of the Murray Darling Basin Authority's Basin Plan and delivery of State Priority Projects are, by agreement, to be covered by the Commonwealth Government and therefore should result in no additional charge to irrigators

In the absence of any useful valley specific information in NOW's submission, it is difficult for a group such as ours to add much to the response provided by our peak organisations. The LMGIA would however, like to share with IPART some of the experiences of our members during the current Determination:

- The billing process over the current Determination has not functioned in an efficient and timely manner. Entitlement holders in the Lower Macquarie Groundwater Sources have gone full water years without receiving bills and have now recently received bills that have accumulated to up to 3-years worth of charges. Not only does this demonstrate the inadequacy of NOW's processes, it provides a significant burden to entitlement holders who are then required to pay up to 3 times their annual charge in one hit.
- On-ground staff in the valley have been seriously stretched resulting in either delays or non-delivery of meter reading services, which has added to the problem of untimely and inefficient billing, and in some instances inaccuracies in terms of both charging and water account debiting.
- These types of examples may help explain the significant difference in the allowed vs actual expenditure for the Macquarie in the illustration of "Variation by valley for groundwater source" in Figure 6.4 on page 99 of the PricewaterhouseCoopers-Halcrow draft report. Alternatively, the variation might suggest that the allowed expenditure in the previous determination was set too high for the Macquarie. In either case, the LMGIA submits that the variation requires further explanation by NOW and closer scrutiny is required at the valley level as part of the review process.
- The LMGIA would also like to raise concerns in relation to charges applying to supplementary access licences in the Lower Macquarie Groundwater Sources. Supplementary access licences were made available to qualifying entitlement holders as an adjustment mechanism as part of the Achieving Sustainable Groundwater Entitlements Program. As IPART may be aware, the actual volume of water available through these supplementary licences is to be reduced, through annual Available Water Determinations, to zero over the 10-year term of the relevant Water Sharing Plan. A discrepancy has occurred, however, where licence holders are being charged the starting amount of their supplementary access licence rather than the amount that corresponds to the actual water that has been made available to them. The LMGIA raises this issue with IPART in the hope that they are able to address the over-recovery that has resulted from this discrepancy. The LMGIA is able to provide further information and explanation on this issue should it be required.

Given the examples provided above, the LMGIA has serious reservations about NOW's ability to deliver existing administration and management roles in a timely and efficient manner, let alone their ability to deliver new projects and responsibilities in such a way, particularly in the absence of clearly defined business cases. Our views appear to be supported by the conclusions from the PricewaterhouseCoopers-Halcrow consultancy, which consistently questions the "efficiency and transparency" of NOW's expenditure.

In conclusion, the LMGIA submits that in the absence of adequate information to assess the efficiency of NOW's operations, the IPART Determination cannot proceed. We submit that given NOW's failure to respond to repeated requests to provide this information, charges should remain unchanged (other than CPI adjustments) from the current period. Failing this, we submit that the Determination must at least be delayed until such time that information is provided that allows for a proper review of efficiency.

Yours sincerely,

Ian Corderoy
Chairman, Lower Macquarie Groundwater Irrigators Association