

Namoi Water

PO Box 548 Narrabri NSW 2390

Ph: 0267 925 222 Fax: 0267 925 225 Email: namoiwater@optusnet.com.au

Contact: EO John Clements

Namoi Water submission to the IPART review of Prices for Water Administration Ministerial Corporation for water planning and management

At the start of this submission let me again lodge Namoi Water's concern over this process; specifically IPART seems now to be the vehicle to connect monopoly services to a funding source called irrigators. Additionally, IPART has fallen into the process of building and implementing the NSW policies required by intergovernmental agreements without any instruction from the NSW government to do so. Worse, IPART combines this policy development process with the formulation of the price determination. The policy is developed and informs the determination all in the same process. Namoi Water is unsure. Are we in a policy process or a pricing determination or a hybrid policy development and pricing all in one?

IPART obviously lacks the capacity or instruction to accurately assess complicated policy statements and then design a policy on pricing. IPART, in the absence of NSW government instruction, has now entered into the process of designing then balancing the governance, regulation and physical management of natural resources at the same time as protecting consumers from excessive, predatory monopolist activities conducted by government agencies.

This is not IPART's role. Yet IPART adopts this role to the convenience of the state government that does not have to run a genuine public process to implement the general agreement entered into in a succession of IGAs. This perpetuates the disconnect in assessing the impacts of the IGA on the irrigation industry and its rural communities.

Again, let me also state Namoi Water's concern that the Commonwealth Water Act 2007 refers to the ACCC for advice on pricing with no reference to the Trade Practices Act. The ACCC is an arm of government with delegated authority under the Trade Practices Act; no TPA no ACCC. Yet this referral treats the ACCC as a gun for hire and allows (illegally?) the ACCC disconnection from its legislative guidance under the Trade Practices Act.

The continued trend we find in these processes is for agencies, such as IPART and perhaps the ACCC, being put in the position of developing pricing policy without firm legislative or policy instruction and then administering the policy they have designed without instruction. IPART should not be developing pricing policy. Using an external consultant such as Price Waterhouse Cooper to rule on the pricing principle contained in the NWI does not somehow legitimise IPART as policy developer by default for the NSW Government.

NOW has not provided detailed financial information proving costs

IPART should refuse any increase other than CPI for NOW based on the lack of detail and credibility in the financial information offered by NOW to IPART.

Attempts by NOW to dress up its failure to be able to document its costs on a valley basis by spinning an approach to IPART, using issues such as of the need to recognize interconnectivity of aquifers, should be rejected outright. NOW is unable to document its financial activities at any scale. Its response is to cover this deficiency by producing modeled costs and broad scale figures. An organisation that cannot detail its accounts is not focused in any way on controlling its costs. NOW is able to do this because it is a monopoly and IPART is not bringing this monopoly to account. We ask IPART to reject NOW's request for new costs until NOW is able to present accounts capable of being audited, directly linked to outcomes and therefore proving a capacity for cost control, review of outcomes and audit of costs.

How do you check a regulator for price efficiency?

- Accurate accounts for all locations and activities that are audited.
- Budgets tied to specific activities and outcomes.
- Specific examination by the NSW Auditor General of outcomes against budgets and the maintenance of accurate financial accounts.

IPART needs to insist on financial accounts tied to outcomes and budgets relating to specific activities. IPART should not be involved in the development of these policies and procedures – it is not IPART. In the absence of complete financial accounts IPART should not be ruling on pricing.

Which activities should NOW retain?

Cost recovery is a policy of the NSW government. With cost recovery comes the need for financial accountability to the businesses that pay these costs.

NOW is a sacred cow that does not deserve the continued protection from financial accountability offered it by IPART, among others. Namoi Water requests that all activities other than compliance roles be described and tendered out for competitive attention by the private sector. NOW should not be ruled out of tendering, the tender should be offered out through Industry and Investment.

IPART cannot walk both sides of the street here. Either IPART is serious in bringing NOW to financial account or not. Accepting the specific request of NOW for price increases supported by vague financial data will bring IPART into disrepute. We offer a means of bringing NOW to the financial accountability owed the people who are required to pay for water resource management and regulation.

Issues outstanding from the last determination

The two part tariff for unregulated water users has become a debacle with NOW simply refusing to communicate the capacity of unregulated water users to reduce their bills. We note in this determination that NOW's real intent to levy the full amount always is enshrined - no two part tariff just a bigger bill. This issue, particularly the conduct of NOW toward unregulated water users, should be examined by parliamentary inquiry.

Supplementary water access for groundwater users who have had significant water acquired by the NSW and Commonwealth governments.

In 2006 a structural adjustment means was offered through the provision of a reducing supplementary license, as detailed in the table below from our water sharing plan. IPART has endorsed the Office of Water in billing for the first year's water access over all ten years; meaning by year ten the bill is for 100% with only 10 % remaining licensed for access.

Table 1: Available Water Determinations (AWD) for Supplementary Water Access Licences

Year of the Plan	Water Year	AWD for supplementary access licences (ML per unit share)
1	2006 – 2007	0.9
2	2007 - 2008	0.8
3	2008 – 2009	0.7
4	2009 – 2010	0.6
5	2010 – 2011	0.5
6	2011 – 2012	0.4
7	2012 – 2013	0.3
8	2013 – 2014	0.2
9	2014 – 2015	0.1
10	2015 - 2016	0

Murray River infrastructure cost and Murray River salinity management cost

Late in the 2006 determination process a senior DWE official asked that the Murray infrastructure and salinity costs be socialized across the entire system. IPART accepted this request without proper examination. The southern system has lower costs because of effective scale. To further reduce the legitimate costs by socializing Murray specific costs is unacceptably biased against the northern system and this specific decision should be referred, among other matters, to a parliamentary inquiry.

Recommendations

- IPART reject NOW's request for price increases until NOW constructs budgets and accounts linked to agreed outcomes and audited externally.
- NOW's non compliance activities be reviewed and described as part of an inquiry and recommendations be made to tender NOW services in a competitive tender process.
- An inquiry is structured to coordinate and develop the policy response of the NSW government to the three water IGAs (1995, 2004, 2007). This inquiry to investigate all financial impacts and linkages to other legislation and NSW policy.

- IPART desist from policy development and confine its activities to reviewing efficient price structure of government monopoly services.
- IPART reject NOW's request to charge for groundwater supplementary license at year one rates of access.
- An inquiry is structured to recommend pricing policy to the NSW government for adoption through regulation. IPART to be instructed by this regulation as to cost shares, dividend policy and activities to be reviewed under pricing determinations.

Namoi Water supports the submissions of its constituent groups, and we attach the submission from the Dungowan Water Users for IPART's review.