

Hunter Valley Water Users Association

Comments on Draft Determination and Report into Bulk Water Prices May 2006

Thank you for forwarding a copy of your draft determination for comment.

Hunter Valley Water Users Association is disappointed that your draft determination does not appear to have seriously considered, or perhaps not clearly understood, the matters raised in our original submission in November 2005 as well as subsequent discussions and comments.

We do acknowledge the effort made by IPART to seek advice from various consultancies into the probity of DNR and State Water ambit claims and indeed have accepted many of the recommendations of those consultants.

However these reports are of a fairly global nature and once again the particular conditions applying to the coastal valleys have either been overlooked or ignored, possibly because of the comparatively low volumes of water when compared to the inland irrigation areas, and the draft determination does not address the peculiarities of the coast

Whilst Coastal Valleys may be smaller players than the Murray Darling Basin I can assure you that the irrigation industry is extremely important both to individual irrigators involved and to the regional communities which are serviced by the irrigation industry.

The major concerns of Hunter Valley water Users that do not appear to have been fully addressed in the draft determination are:

1. Cost sharing ratios

Using state wide cost sharing ratios does not allow for recognition of the impact of urban communities on the operations of both DNR and State Water and in particular the priority given to environmental, urban and industrial users over irrigators . For example figures obtained from State Water Coastal Valleys (Table previously forwarded) indicate that the ratio of storage costs / allocation for Glenbawn & Glennies Creek dams is Community (non invoiced) 40% : Consumptive users (invoiced) 60%.

Similarly urban development puts severe workload on DNR and the high level of rural subdivisions (lifestyle blocks) place additional pressures on unregulated streams and groundwater at the expense of irrigators.

2. Security Premiums

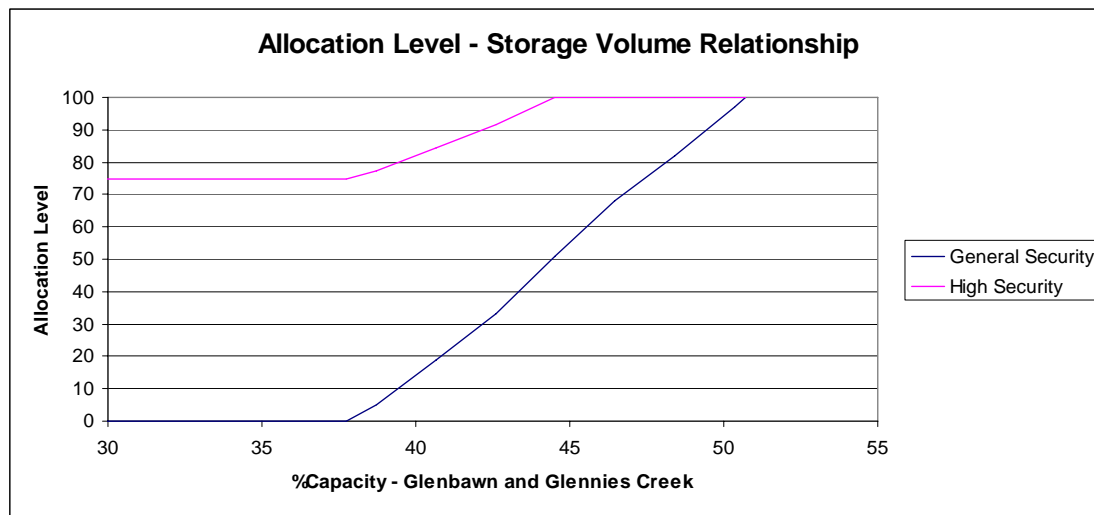
It is pleasing to note that IPART has finally moved to a limited extent on recognizing the additional costs of providing for high security users but we do not consider the figure used for the Hunter is reflecting the true cost having regard to the very high percentage of storage capacity (and consequent cost) that is required to meet the requirements of High security and major utilities through times of severe water shortages.

Modeling carried out by DIPNR for the Hunter Water Sharing plan showed that in the worst drought on record and at full development general security would have zero

allocation for 9 consecutive years whilst high security would be eligible for 100% right through. (The plan does have a minimal reduction on high security whenever general security gets below 50%)

The following table and graph illustrates this relationship for the combined Glenbawn/ Glennies Creek storages. Source: State Water Coastal

Storage Capacity	General Security	High Security	Major Utility
100.0	100	100	100
50.7	100	100	100
50.3	97	100	100
48.4	82	100	100
46.5	68	100	100
44.5	51	100	100
42.6	33	91.5	100
40.7	19	84.5	100
38.7	5	77.5	100
37.8	0	75	100
29.0	0	75	100



The draft determination suggests 2.2 as the correct ratio whilst the Hunter Regulated River water sharing plan uses a conversion figure of 3 (Rule 55 (6) copy attached). In the case of Macquarrie Generation the plan also allows for them to have carryover of 32400MI until storages get to 25% (Clause 46 (2)). This is of course in addition to their worst drought on record right and additional use of storages for the Barnard Water Scheme under certain conditions.

We also note that Macquarrie Generation in their submission last year objected to the proposed 4.5:1 ratio but suggested 3:1 would be acceptable to them. Unfortunately the current determination did not alter the ratio. We also note that Macquarrie Generation in their submission last year objected to the proposed 4.5:1 ratio but suggested 3:1 would be acceptable to them.

In light of the above we believe that the differential should be AT LEAST 3:1 and in the case of Macquarrie Generation a ratio of 4.5 to 1 is justified.

Cross Subsidies

Hunter charges include costs involved in operating the Paterson regulated system and running the Lostock Dam that supplies that system. There is no connection between

the Hunter Regulated and the Paterson Regulated although both rivers have a common estuary but this is well below the end of the regulated systems.

Lostock is only a very small storage (20,230ml) and only has total irrigation allocation of 9393ml, which is less than Toonumbar we would suggest the actual costs for Lostock would be similar to those requested for Toonumbar.

As Paterson users only pay the same as Hunter it is apparent that Hunter users are heavily subsidizing the Paterson. **In accord with COAG principals we believe this cross subsidy should be transparent and treated as a community service obligation.**

It is noted that the Hunter Regulated River WSP covers sections of the Hunter River and Glennies Creek but does not include the Paterson River. We understand that the Paterson regulated water sharing plan is to go on Public Exhibition on 26/6/06.

Hunter Water Users Association does appreciate the opportunity to comment through our process but do believe very strongly that the issues raised above deserve proper consideration and that with the adjustments suggested the Hunter Regulated system would achieve true full cost recovery in the shorter term.

The impacts of unjustified water cost increases; together with the additional costs incurred in Coastal areas through water saving measures such as pressurized piped delivery systems really do have extreme pressure on agricultural irrigation enterprises.

We also note that DNR has recently announced substantial staff reductions which I assume would reduce their services and cost base and are confident that IPART will note these changes in finalizing their determination.

We would also point out that the Hunter General security irrigators are now looking at a cut in allocation from the current 100% to certainly less than 10% for the ensuing year. This will obviously cause extreme hardship for those irrigators and now is not a very great time to be announcing large cost increases.

A handwritten signature in black ink, appearing to read 'Arthur Burns', with a horizontal line underneath the name.

Arthur Burns
President
Hunter Valley Water Users Association
21/6/06