



Lachlan Shire Council

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The Heart of NSW

13 April, 2010

Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office
NSW 1230



Dear Sir,

Lachlan Shire Council wishes to lodge an objection to the draft determination on the proposed water charges to take effect from 1 July, 2010.

The Lachlan has been in drought for the best part of 9 years and licence holders and Councils on the river have been severely restricted in access to water during that time. In fact in many years general allocation holders have received no water entitlements and high security and town water allocations have been reduced. In 2009/2010 town water licences were reduced to 50% and as a result Council had to introduce stringent water restrictions. Lachlan Shire Council was forced to purchase water allocation from adjoining towns to meet basic requirements.

Under the draft determination, increases in water bills for high security customers will vary from 4% in the Murrumbidgee to 85% in the Gwydir Valley in total over the 4-year period. For general security customers, bills will increase from 1% in the Murrumbidgee to 65% in the Lachlan Valley in total over the same period.

The IPART draft determination estimates that for example as a result of the increased charges for customers with 500ml consumption and 60% allocation the **State Water income from the Lachlan would increase by 65% from \$4680m to \$7727m by 2013/2014** and from the Macquarie by 47% from \$4,076m to \$5,989m.

The draft determination sight the following as reasons for the proposed increases:

- an increase in the forecast efficient revenue that State Water requires for operating and capital expenditure;
- an increase in the appropriate rate of return on State Water's capital investment
- a decrease in the forecast annual extractions compared to those used to set prices at the 2006 Determination;
- the inclusion of an allowance for revenue volatility in State Water's revenue requirement.


At a time when most consumers in this region have had little or no water and have been seeking a waiver of fixed charges as a result the projected increases are clearly unfair.

Lachlan Shire Council submits that the impact of the proposed increases on consumers should be a head of consideration in the determination and therefore the determination would take into account the impact of increases particularly in fixed charges on licence holders who have received little or no allocation and their capacity to raise revenue to pay the charges. In effect when a licence holder receives no allocation of water but still has to meet fixed charges they are forced to borrow money to pay for something they don't receive. People don't mind paying a little more for something when it is scarce however the prospect of paying more and not receiving anything is very objectionable.

At the moment Wyangala Dam which is the main reserve of water in the Lachlan is at 7% and the prospects of any allocation of general or high security water by State Water's own submissions is very low and yet we have predictions of a 65% increase in revenue for State Water. To suggest to those licence holders that a significant expansion of State Water's management capacity is necessary at this time of "no allocation" is unacceptable.

We respectfully request that the determination be reviewed and that the impact on consumers is taken into account as a factor and that the reliance by State Water upon fixed charges be reduced.

Yours faithfully,



George Cowan
General Manager