

PART	
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Monday 14<sup>th</sup> November 2005

Mr Jim Cox  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
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### Macquarie Valley Water Price Increases

Dear Mr Cox,

I am a water user in the Macquarie Valley. I would like to emphasise the following issue in addition to those raised by Macquarie River Food & Fibre:

The pricing methodology is in my opinion blind to the market forces which already operate with regard to the "High Security" premium or apparent cross subsidy (page 120). The carry-over of water is a privilege not offered to high security entitlements in years of plenty. High security users are already disadvantaged by this system which causes loss of share.

Some more detail about the actual use of high security licences might be interesting here, would it be fair to say that unused high security water (maybe from smaller irrigators, shire councils and stock and domestic) helps to mitigate the "losses" in the system? DNR is already getting (and the rest of the river) a free ride out of the high security users.

In most years carryover water and environmental water are occupying the largest volumes of Burrendong and costing SWC lots of money to manage, not high security. It is only in the rare years of drought that the predominant water is high security, and holders of these access entitlements have already paid significant premiums in the permanent water market to get a share.

SWC is a bit miffed that it is missing out on the trade of capital rather than just being satisfied with operating revenues, and so it is targeting high security users as apparently having the capacity to pay. A bit like charging more for petrol if it goes into a "luxury" car.

If high security licences were such a free wave then there would be an even greater premium in the permanent entitlement market. Is SWC proposing to develop some other lever in the market to distort how we value water?

Bill Williamson