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Bulk Water Pricing 2006/2007
Independent Pricing and Regulatory Tribunal
PO Box Q290
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Dear Sir,

REF: BULK WATER PRICING 2006/2007

West Corugan Private Irrigation District Board of Management represents the 300 irrigation, stock/garden stakeholders within the Private Irrigation District and views with considerable concern the apparent direction Govt Agencies are taking in relation to the irrigation industry, West Corugan has a General Security Access License for 80,092 ML coupled with a High Security License of 736 ML

DNR SUBMISSION

Tariffs and tariff structures

General Security : The proposal to recover costs on general security extractions via an access charge on megalitres of entitlement as opposed to a two-part tariff would provide DNR with a “comfort zone” of guaranteed funding that bears no relationship to the practical world of reduced access to entitlements. Drought, environmental flow issues and the CAP on diversions means that the chances of general security extractors having access to 100% of entitlements are diminishing. It is this Board’s opinion that a regime of fixed fees on total entitlements of general security is neither equitable nor acceptable.

High Security (Access Charge and Security Premium)

A single WRM access charge in regard to High Security is seen to be appropriate. These licenses are in fact secured and accessible to the holder annually. High security transfer water attracts a higher premium in the market place which does reflect the security benefits. Retention of a Security Premium is considered to be appropriate by this Board. DNR, as the regulatory body sets delivery and storage parameters for State Water’s dispersal of High Security and therefore DNR’s pricing should reflect the security aspect. The proposal whereby averaging the high security and general security fees would result in a higher fee for a general security product that is not even available in most years is simply not a proposition that should be considered.

Wholesale Discounts

Whilst it is accepted that wholesale discounting is more appropriate to State Water operations, there is still a valid premise that economies of scale do exist in DNR’s dealings with major bulk diverters and therefore discounting should remain so as to reflect those economies of scale. Discounting would be even more appropriate if DNR were successful in obtaining an unfair fee structure based on entitlement.

WRM cost shares.

User Share of the total cost appears to be escalating, while not only is the accessible volume diminishing but the community(govt) share of costs is also waning. Whilst West

Corugan does not have the resources available to investigate or test the proportional split, the increase of share on regulated rivers from 55% (IPART 2001) to a proposed DNR figure of 78% is somewhat frightening. West Corugan believes that there still has to be a more comprehensive analysis of cost sharing between extractive users and the total community. The myriad of benefactors of the lifestyle benefits, the recreational use, the environmental gains in past years all appear to be simply funded by the extractive user. Whether an individual is a user, beneficiary or impactor of the regulated waterways there must be an associated cost. This does not appear to be the case under current share arrangements.

DNR's CLAIM.

DIPNR came under considerable criticism during the 2005/06 determination for its tardiness in presenting a submission. A situation that caused unwarranted inconvenience across the whole industry.

DNR now has a submission in place that does not quantify any actual fees or charges. Estimated total operational costs etc coupled with proposed changes to the charging regime do not provide sufficient guidelines for the average consumer to judge or comment on the reasonability or otherwise of the submission. I believe that this observation is appropriate for the major cost items in the document with an example of the same situation with ancillary fees as follows.

Table A6.6 Proposed special assessment fees.

“For pumps, \$x for each L/s capacity greater than 50.” Does IPART fill in the value of “x” or does IPART specifically ask DNR to provide a figure. If IPART has to determine the value of “x” does it have sufficient information to know the impact of not only the x value but the capacity limit of 50 litres per second. This example is simply quoted as an example of the inadequacy of the whole document.

STATE WATER SUBMISSION

Efficient Operations ?

4.3.10 Page 29 of State Water submission. Considerable emphasis is placed upon the Integrated Financial System. Whilst West Corugan is not complaining, last season's water accounts have not been received to date. If this delay in billing is State wide then we can safely assume that perhaps State Water's efficiency claims are perhaps not as robust as they should be.

WHOLESALE DISCOUNTS

West Corugan obviously does not support the apparent moves to remove discounts to bulk diverters and in relation to that scenario makes the following comments.

- (a) The Tribunal's own decision in 1997 concluded that the costs of delivering a megalitre of water to areas and districts was lower on average than the costs of delivering to an individual.
- (b) State Water's previous submission this year stated “ State Water's costs to supply a 10 ML order to a river pumper are the same as supplying 1,000 ML to a Corporation”. (Page 38)
- (c) As is the case with all commercial aspects of bulk selling there is an economy of scale that should be factored into pricing arrangements.
- (d) The additional impost of “discount removal” would place an unjustifiable burden on bulk diverters who in turn must pass on the impost to individual stakeholders at a time of reduced access to entitlements. It must be borne in mind that the discounts apply to entitlements not consumption, therefore the impact of discount removal would be multiplied considerably in the current drought conditions.

- (e) West Corurgan currently provides State Water with ,
 - i. A four day advance water order, placed daily.
 - ii. A daily advance order
 - iii. Daily diversion figures
 - iv. A seven day in advance estimated average daily diversion
 - v. A once weekly summary of the weekly diversion and progressive diversion to date.
 - vi. Actual pump meter readings are also provided to State Water often on a monthly basis.

Cost Sharing

As with DNR cost sharing arrangements, there remains a doubt with State Water operations as to the equitable sharing arrangements . State and Federal Govt Agencies are placing ever increasing constraints, community and environmental issues onto the overall water industry , bulk water extractors still appear to be the major source of income for the benefit of the total community.

Overall Pricing Issues

Unconstrained Bulk Water Prices listed by State Water amount to nothing more than an unjustified ambit claim. To provide what amounts to a disclaimer on the same page (128) whereby it is stated that the prices would be unreasonable to most customers is a gross understatement. This Board can assure State Water that Unconstrained Bulk Water Prices are unreasonable to all customers.

Return on Assets – Upper Bound Price Recovery is simply an unreasonable methodology to be used in an industry where limited access to the product being charged for is becoming increasingly prevalent.

Use estimated at 1 Standard Deviation below average use dos recognize the insecurity of water access, however it is providing too low a minimum base upon which to base fees and charges with the resultant effect of creating an inflated price regime.

Security Premiums should be maintained for High Security Water as there is no question that there are additional cost factors to be borne for that water's high degree of security to be maintained.

THE TRIBUNAL'S DECISION

This Board (along with most other irrigators) does not have the resources at its disposal to dissect the DNR or State Water Submissions, therefore we do trust that IPART continues to be fully independent and does act with due diligence in the examination process.

It is obvious that the State Water Ambit claim if approved would signal the departure of countless irrigators from the industry, the scale of increases proposed is simply not affordable to the industry generally.

DNR'S failure to quantify pricing numbers is disappointing and West Corurgan would suggest that CPI increases are perhaps the most equitable methodology.

Yours sincerely,

Peter M Wallis
Manager ., West Corurgan
17th November 2005