



**Coleambally Irrigation Co-operative
Limited**

**Response to the IPART Issues Paper
on the Review of the Operating
Licence for State Water Corporation**

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Coleambally Irrigation Co-operative Limited
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Submitted by:

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Submitted to:

The Review of Operating Licence for State Water Corporation Independent
Pricing and Regulatory Tribunal PO Box Q290 QVB Post Office NSW 1230

1. BACKGROUND

Coleambally Irrigation District is located 650km southwest of Sydney in the Riverina. Coleambally was constructed for the purpose of irrigated agriculture with construction commencing in the late 1950s and the town officially being opened in 1968. The area now has a population of approximately 1200 people.

The irrigation area was constructed to make use of water diverted westward as a result of the Snowy Mountains Hydro-Electric Scheme. It covers an area of 79,000 ha of intensive irrigation, 42,000 ha irrigation/dry farms and 297,000 ha Outfall District stations delivering water supply to 452 farms. Water is diverted to the area from the Murrumbidgee River at Gogelderie Weir. Coleambally Irrigation has a bulk license of 629 GL of water, which is used for the irrigation area.

Drainage water flows via Yanco and Billabong Creeks before entering the Murray River. Much of the drainage water is reused downstream of Coleambally.

Irrigation water is used for crops such as rice, wheat, barley, oats, canola, soybeans, maize, sunflowers, lucerne, grapes, prunes and pastures for sheep and cattle.

The location of the Coleambally township and Coleambally Irrigation Co-operative Limited's (CICL) administrative regions are shown in Figures 1.1 and 1.2.

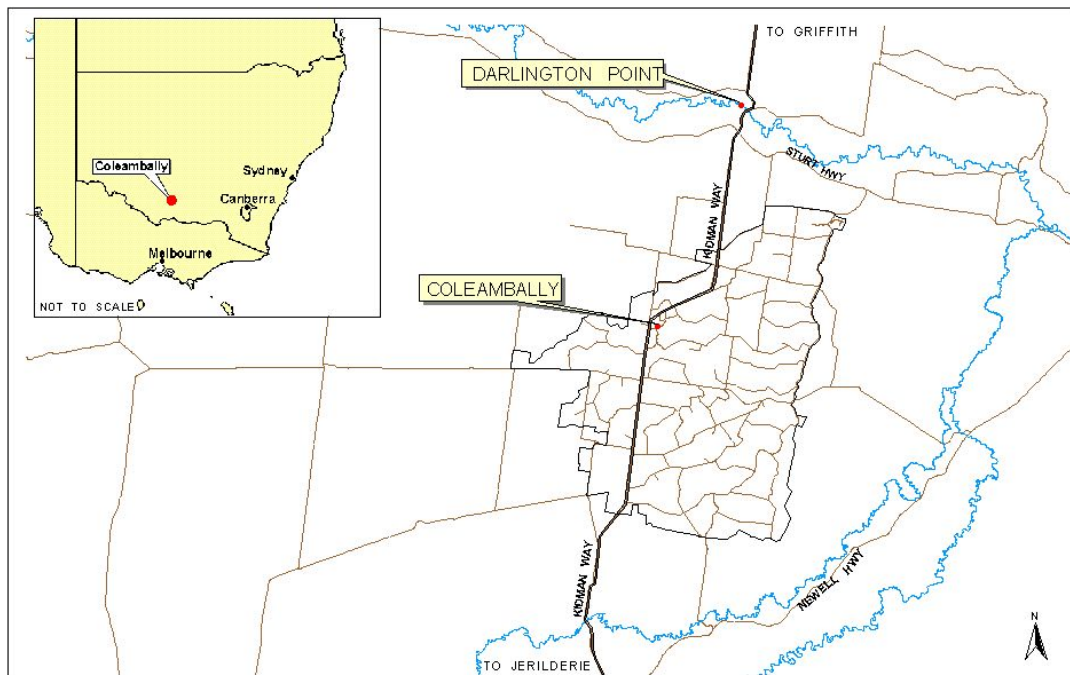


Figure 1.1 Location of Coleambally township

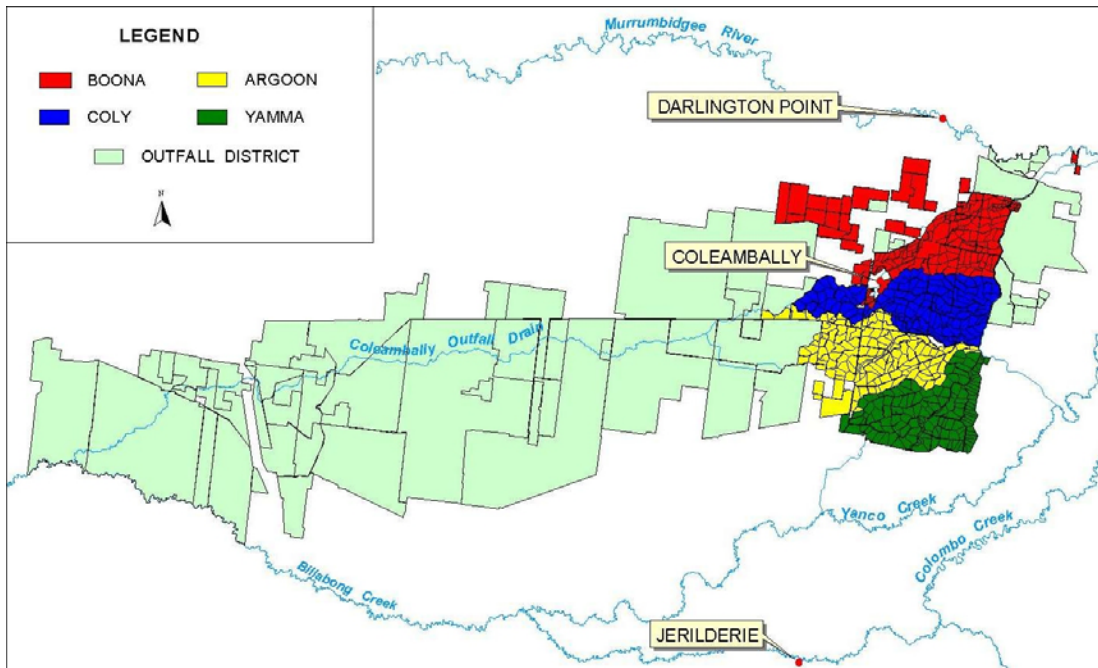


Figure 1.2 CICL operational area showing regions

CICL is required to distribute water to its customers within its operational area in a sustainable manner. The environmental and economic sustainability of the area is to be achieved through the implementation of Land and Water Management Plans.

2. INTRODUCTION

CICL fully endorses the submission made by New South Wales Irrigators' Council (NSWIC) relating to State Water's Operating License.

In the main CICL also supports many of the suggestions put forward in State Water's own submission on its Operating License. CICL's submission reinforces specific comments attributed to NSWIC and State Water's and flags additional areas we consider requires further attention.

CICL has concerns in regard to the impact of National Water Initiative (NWI) objectives on the operational environment of State Water and encourage IPART to carry out a critical review on an annual basis of those aspects of the NWI that will undoubtedly impact on State water and its customer base.

3. DELEGATED FUNCTIONS OF STATE WATER

The Tribunal welcomes comments on:

- *whether the delegated functions outlined above include all the appropriate functions that need to be delegated to State Water for it to effectively perform its role*
- *whether any of these functions should be exclusively conferred on State Water or confined in any way*
- *whether the Operating Licence should address how the exercise of these functions is to be coordinated between State Water and DIPNR.*

CICL's Response:

CICL endorses the comments presented by State Water. From a customer's perspective delineating the distinction between what is a DIPNR or State Water matter in the first instance can be problematic and creates unnecessary tensions between the parties.

We concur that the existence of a Customer Contract would be beneficial in articulating responsibilities and relationships between the parties. Such contracts exist in other States.

For State Water to operate in a fashion that is achieving maximum business efficiency it must have the necessary authority to make decisions that are critical to its business operation. For this to occur there needs to be clarification between what is seen as operational activities as distinct from those that are regulatory functions. We agree that State Water needs to be enabled to '*enforce compliance with its operational requirements for water ordering, extraction, metering, transfers, payments and site safety,*' however for this to work effectively there must be clear avenues of appeal and it is perhaps in this area where DIPNR can play a role.

It is also possibly a moot point in relation to providing the service of flow measurement, as while State Water may argue that such an activity is critical to their business function it would be equally valid to suggest that it is critical to DIPNR's business function in terms of hydraulic modelling of catchments and basins, with the output of such models guiding the regulatory framework. The critical mass of staff needed to maintain skills, knowledge base and career advancement should guide the decision in this regard.

CICL agrees that it is imperative that State Water be given the accountability in regard to the announcement of Supplementary Flow events such that advice is provided to customers in the most efficient means possible. It is a given that such announcements must in the first instance comply with basin rules etc that are established by DIPNR as part of State Water's Operating License.

Making State Water accountable for intra-valley temporary transfers will streamline the process, and CICL supports such a move. In terms of Permanent Water Transfers the requirements of the National Water Initiative indicate a central water registry. CICL suggests that matters relating to permanent water transfer need to be considered within this context. At this stage this area appears nebulous.

4. REGULATORY OVERLAP OF THE OPERATING LICENSE

Given the regulatory framework State Water operates within, the Tribunal welcomes comment on how potential regulatory overlap should be addressing in setting the terms of the Operating Licence.

CICL's Response:

State Water's response to this aspect is reasonably comprehensive. However, the potential role for the Natural Resources Commission as proposed by State Water is unclear as is their and the CMA's role within the broader purview of State Water's operations.

5. PERFORMANCE STANDARDS AND PERFORMANCE INDICATORS

The Tribunal welcomes comments on:

- *Appropriate performance standards and indicators for State Water, taking into account the need for these to be reasonable, measurable and auditable (as discussed in 5.1.1 and 5.1.2).*
- *Whether any components of State Water's system (eg, the Fish River water supply scheme) should be subject to different or additional performance standards and indicators.*
- *All of the other issues discussed above.*

CICL's Response:

Appendix 3 of State Water's submission, and that submitted by the New South Wales Irrigators' Council provides a reasonably comprehensive range of Key Result Areas and Performance Standards. However CICL offers the following additional performance standards.

Financial Performance:

State Water costs (\$'s) per megalitre delivered to customers and benchmark against other similar organisations.

Cost per megalitre per sector (i.e. irrigation, urban and environment).

Customer Satisfaction:

Timely delivery of financial data for consideration and input to the renewals program.

6. ASSET MANAGEMENT OBLIGATIONS

The Tribunal welcomes comments on what asset management obligations should be included in State Water's Operating Licence.

CICL's Response:

Whilst State Water has developed the 30-year Total Asset Management Planning approach, we consider it imperative that Customer Service Committees (CSC) be more fully involved/engaged in this planning approach. In the case of 'long life' assets, useful lives can often be extended significantly with maintenance at a cost significantly less than the 'modern day' equivalent replacement. Costs associated with renewals play a fundamental role in setting water pricing for customers. As such it is critical for CSC's

to provide a ‘sanity check’ such that they have confidence in the rigor of the Asset Management Planning.

7. ENVIRONMENTAL PERFORMANCE

The Tribunal welcomes comments on:

- *whether any potential environmental impacts of State Water’s operations are not adequately regulated through the broader regulatory framework*
- *if so, whether obligations to manage or minimise these impacts should be included in the Initial Operating Licence – either as part of system performance standards discussed in Chapter 5 or as a general requirement of the licence.*

CICL’s Response:

CICL considers it appropriate for State Water to report against a range of environmental indicators that are meaningfully benchmarked.

We concur that State Water cannot be held accountable for missing flow data that currently falls under the responsibility of DIPNR. However we remain unconvinced that this of itself creates the need for State Water to take over all hydrographic duties from DIPNR (as per previous comment – Section 3).

Regulatory responsibility in relation to the Cold Water Mitigation Strategy needs to be clarified i.e. State Water or DIPNR.

CICL concurs with State Water’s proposal for management of storage foreshores. State water is best placed for delivering this service. We also concur that this is a cost that relates to a broader community benefit and as such is not one that should be directly passed onto its customers. As such costs must continue as a CSO paid to State water by Government.

CICL concurs that State Water must be consulted by both DIPNR and the CMA in relation to catchment based activities that impact on inflows to storages and activities impacting on water quality.

Similarly whilst State Water may be responsible for reporting on a range of water quality parameters, State Water should not be responsible for environmental impacts and reporting that fall outside their operational control. In such instances Government through a CSO should cover costs associated with monitoring and reporting that are not directly related to State Water’s operation.

The Tribunal welcomes comments on:

- *the requirements (in terms of content, consultation and reporting) related to State Water's EMP that should be included in the Initial Operating Licence*
- *the environmental performance indicators that State Water should be required to monitor and report on (either as part of its EMP or as part of its system performance standards and indicators discussed in Chapter 5).*

CICL's Response:

State Water's draft Environmental Management Plan adequately covers these aspects.

The Tribunal welcomes comments on:

- *whether there are aspects of the MoUs between State Water and each of DEC, NSW Fisheries and DIPNR that need clarification or strengthening*
- *whether any terms or conditions included in these MoUs should be included as an obligation in State Water's Initial Operating Licence.*

CICL's Response:

Relevant agencies best placed to respond.

8. CUSTOMER SERVICE OBLIGATIONS

The Tribunal welcomes comments on:

- *whether there are important service related issues for State Water's customers other than those specified above*
- *if so, whether customers service obligations included in the Initial Operating Licence should reflect these issues*
- *what customer service performance standards and indicators should be included in the licence.*

CICL's Response:

NSWIC has responded comprehensively to these matters. CICL believes that State Water in consulting over the Customer Service Committee's charter and membership will establish a framework that is effective in delivering on customers' expectations. There can be no doubt that State Water is making very positive progress in this regard.

The Tribunal welcomes comments on the implications (if any) on State Water's relationship with 'regulated river customers':

- *of the fact that customers are created via access licences with DIPNR (eg, must State Water consult with DIPNR before taking certain action in relation to the customer?)*
- *of operating the Fish River water supply scheme.*

The Tribunal welcomes comments on whether the Initial Operating Licence should include customer service obligations related to the services it provides to unregulated rivers and groundwater users (who are DIPNR's customers).

CICL's Response:

As previously mentioned, this arrangement creates an unnecessary tension between customers, State Water and DIPNR and is a matter that requires clarification. This could be mitigated if State Water were given the authority to administer the access licenses for DIPNR and supported through customer contracts. This would allow DIPNR to step back and take up a role in relation to an appeal process where conflict arises between State Water and customers.

9. COMMUNITY ENGAGEMENT OBLIGATIONS

The Tribunal welcomes comments on:

- *the most effective form of community consultation*
- *appropriate components of CSC and CCC membership*
- *whether the State-wide CCC is an effective forum/vehicle for community consultation*
- *requirements related to community consultation that should be included in the Initial Operating Licence.*

CICL's Response:

NSWIC has adequately responded to these aspects. CICL does not believe that forming a Statewide Community Consultative Committee would add any value. Customer Service Committees established on a 'valley' basis are best placed to assist in guiding decision making. Membership of these committees is currently being refined to ensure interest groups are adequately represented.

10. PROVISIONS IN RELATION TO AUDITING THE OPERATING

LICENCE

The Tribunal seeks comments on the following:

- *The most appropriate auditing and reporting approach for State Water (eg, a broaderscope, fixed audit approach, or a risk management approach).*
- *The areas of State Water's operations that a more targeted audited approach should focus on.*

CICL's Response:

CICL strongly supports the ongoing role of IPART in relation to the ongoing audit requirements of State Water's Operating License and the transparency IPART brings to the process, particularly in terms access to results/outcomes of the process.

CICL concurs with NSWIC in that the audit process should also capture the performance of Government Departments and Agencies at the interface level with State Water i.e. it may be that Departmental performance has been critical in State Water underachieving in specific areas.

NSWIC's submission addresses these elements.