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920 Sextonville Rd
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26/10/09

Mr J Cox
Chief Executive Officer
P O Box Q290
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Dear Mr Cox

Water Issues Paper and State Water Bulk Water Pricing Submission

Thank you for the opportunity to provide comment on the issues papers reviewing prices for State Water Corporation and the Water Administration Ministerial Corporation and the State Water Bulk Water pricing submission. I am writing on behalf of the Toonumbar Water Users Association which represents water users supplied by Toonumbar Dam on the regulated sections of Iron Pot and Eden Creeks. Our Association will be very interested in the content of the Water Administration Ministerial Corporation report as some of the issues that concern the Association will potentially be the result of other resource management decisions made by the Water Administration Ministerial Corporation.

The association has a number of concerns with the effect upon our members of the proposed pricing by State Water Corporation and with the basis of the costs that underpin the proposed prices.

Costs of Toonumbar dam and associated operations of the regulated creek system.

State Water has provided costs to the Coastal Valleys Customer Service Committee for the operation of the Toonumbar system as follows:

2006/07	\$737,000	
2007/08	\$919,000	
2008/09	\$670,000	
2009/10	\$705,000	IPART Submission Forecast
2010/11	\$714,000	IPART Submission Forecast

State Water undertook a restructure to reduce costs in 2008, yet clearly, costs for the Toonumbar system have not substantially been reduced and costs are approximately the same as with the old structure. This is despite the fact that staffing levels have already been reduced at Toonumbar dam by two full time staff which should lead to cost savings of around \$500,000.

Recently State Water leased out the Conference centre and associated golf course. The Coastal Valleys Customer Service Committee has previously been advised that the net cost to State Water of the Conference Centre was of the order of \$150,000 to \$200,000. This cost was shown in the valley accounts and paid for by the Government subsidy. Additionally as from next year the staffing levels at Toonumbar dam will be reduced from two fulltime staff to one resulting in a further saving of approximately \$80,000. These savings do not appear in the State Waters forecast in its pricing submission.

In previous years prior to the State Water restructure, the Coastal Valleys Customer Service Committee has been advised that the cost of operating and maintaining Lostock dam in the Hunter Valley was approximately \$400,000 per annum. Lostock Dam is a similar dam to Toonumbar in both size and construction.

Despite these savings, projected costs continue to increase and it appears that State Water has made no allowance for the reduction in costs associated with the lease of the Toonumbar Conference facility and the further reduction in staff working at Toonumbar Dam.

The association would have expected to see forecast costs in the IPART submission of approximately \$400,000. Thus the costs shown in the submission, taking into account the points raised, does not provide our Association with any level of confidence in State Waters costs let alone its endeavours to reduce costs.

Water Management and the proposed Water Sharing Plan.

Licensed Water Users in the region supplied by Toonumbar dam rely on the supply principally to drought proof their agricultural enterprises as rainfall provides a large amount of the water requirements. In this regard, Toonumbar dam is too small to provide a fully secure general security water supply to enable intensively irrigated agricultural production along the lines of that undertaken within the Murray Darling Basin.

Some of the potential decisions of the Water Administration Ministerial Corporation may reduce security for water users.

To date, no Water Sharing Plan has been developed for the Toonumbar Regulated Water Source (Toonumbar dam) although it is expected that a draft plan will be advertised for comment within the next 6 months.

At a meeting to discuss the proposed water sharing plan on 14 February 2008, officers of the Department of Water and Energy advised that they intended to include a 1000 ML /annum Environmental Contingency Allowance (ECA) to cover environmental disasters with water released from Toonumbar Dam. The provision of the ECA would result in the highest allocation at the start of the year, with a full dam, being 90% instead of the current 100%.

It is understood from discussions with officers of the Department of Water and Energy that options to be proposed for public discussion include extending the boundary of the regulated river into the Richmond River and potentially to the tidal limit. Extending the length of river supplied by Toonumbar Dam could create an additional 6,000ML of entitlement including over 3000ML of Town Water supply. This scenario would potentially result in initial allocations at best being around 30% as each 1000ML of additional entitlement equals 10% reduction in allocation. With a greater demand on the dam it is envisaged that the dam would be unlikely to be full at the start of the year and thus initial allocations would not reach 30%. If the town water supply was to have the same security of supply as in other water sharing plans {i.e. two years} there would be no water to allocate to general security licence holders. It would then have to be questionable why one would want a general security licence especially when the prime use of the dam is to provide drought security and at the very time the water is needed it would probably not be available. This concern becomes even more pertinent when one realises that two families have relocated their dairying businesses from Queensland in the belief that the water supply from Toonumbar Dam is secure.

In addition, while the Water Sharing Plan is being prepared, the NSW government is developing a Regional Town Water Supply for the NSW North Coast. The fact that this may impact on the future use of Toonumbar dam only adds further to the uncertainty associated with general security supply from Toonumbar dam.

In summary, the uncertainty surrounding the resource management of Toonumbar Dam and the lack of confidence in State Waters cost forecasts for Toonumbar Dam leaves our association with no option but to ask the Tribunal to defer any increase in water prices for State Water Corporation and the Water Administration Ministerial Corporation until these issues are resolved. The Association therefore formally requests IPART to maintain water prices at the present level for the Toonumbar Regulated River system.

Yours faithfully,

Sam Tonge
On behalf of the Toonumbar Water Users Association