

Murrumbidgee Private Irrigators Incorporated (MPII)

in conjunction with the

**Yanco Creek and Tributaries Advisory Council
(YACTAC)**

Draft Submission to

Australian Competition and Consumer Commission

State Water Corporation

**Pricing application to the ACCC for regulated charges to apply from 1
July 2014**

Due by 13 September 2013

Jennie Hehir
CEO
P O Box 342
FINLEY NSW 2713
03 58834445
0428 832357
jenniehehir@bigpond.com

Introduction:

MPII and YACTAC represents water access licence holders on the full length of the Murrumbidgee River, and Yanco Creek System. Our members live from Batlow to Balranald and from Jerilderie to Moulamein. We also have a number of “operators” amongst our members. We are approximately one third of the diversions on the Murrumbidgee system with approximately 400,000 megalitres being made up of High Security and General Security entitlements dispersed amongst approximately 400 members.

We wish to have noted that both organisations are in full support of the NSWIC submission who has responded comprehensively.

General Comments:

Whilst MPII and YACTAC is pleased to be given the opportunity to respond to State Water Corporation’s submission to the Australian Competition and Consumers Commission (ACCC) on bulk water pricing 2014 -2018, we are disappointed with the lack of time provided to study the SWC pricing application. MPII and YACTAC in comparison to other organisation’s lack the resources to respond appropriately in the allowed timeframe.

Even though the SWC pricing application was made available electronically our request for a hard copy from the SWC was questioned therefore creating a further delay to respond.

Bulk Water Pricing:

MPII and YACTAC cannot flesh out of the SWC application any form of justification for the corporation to change their pricing structure, and consider the application lacks substantiation to do so. In comparison to prior SWC pricing applications the document does not provide like for like information. Moreover the application does not provide a detailed outline of changes in revenue requirement in each valley. Without this level of detail, why is SWC applying for a fundamental change in which bulk water charging will be set in NSW?

Whilst we are pleased to read in the SWC application that the MDBA and Boarder Rivers Commission fees will be removed, MPII and YACTAC do not understand how SWC can suggest that the removal of the Murray Darling Basin Authority (MDBA) and Border Rivers’ Commission (BRC) charges and the SWC’s depreciation rate are related to their tariff structure change.

SWC has managed to operate with a positive net profit result through the past pricing determination period delivering well below average water due to the dry sequence, unlike the majority of their customers experiencing financial hardship operating with huge losses on their financial balance sheet for more than one or two consecutive years.

In the event that annual allocations are high, the proposed charges would as outlined in SWC submission be less than the current pricing period. On the contrary, if the seasons returned to a dry phase causing low or zero

allocations, irrigators would be locked into paying a burdening higher fixed charge at a time of low or zero income.

MPII and YACTAC like other representative groups note the lack of justification in the SWC submission to increase fixed charges. We note that in the current Determination period SWC has so far under-spent (\$67 million) on its allowed capital expenditure and will reiterate that it appears evident that SWC is capitalising on its marketing power as a monopoly operator. In summary the proposed tariff structure change will have a significant financial impact on customer's in case of low water availability.

Metering service charges:

In relation to the rollout of the pilot meters and accounting process thus far. MPII is outraged with the lack of transparency surrounding the metering service charges (MSC) and request that a notice be enclosed with customers' accounts to explain pricing charges for each individual's particular meter. Due to the many variations in terms of number and size of meters installed for each customer, MPII advocate that customers should be given options on how to pay the tariffs to accommodate their unique requirements.

It is also evident in the SWC pricing application that meters and telemetry depreciation will be absorbed in future MSC at a rate of up to 300% in some valleys. This charge is unacceptable when the installation process has not been completed nor time allowed for complete and accurate operating and maintenance cost evidenced.

Whilst MPII and YACTAC agree in principle with metering in NSW, we are very disgruntled with the entire process thus far. This view has been communicated to SWC and the NSW Office of Water on numerous occasions. Similar to the overall proposed bulk water pricing charges, the customer will be burdened with depreciation charges in future SWC pricing determinations. The Commonwealth and State Governments and their agencies may argue that the irrigator has not had to pay for the installation of their new meters. However, many customers have indicated that they would prefer to pay for the installation and the meter themselves rather than having to accept ongoing depreciation expenditure in which they have no control. This option has not been available.

Not being aware prior to the SWC's pricing application that the SWC would in fact role meters into their regulatory asset base (RAB), MPII and YACTAC representatives had raised concerns with SWC on several occasions the potential of the current pilot metering projects costs incurred post installation being passed onto our members.

To this point the pilot metering project in the Murrumbidgee Valley has lacked engagement from the SWC with our members and many installations have created negative issues for irrigators once installation has taken place. There are instances where landholders are quoting up to four times the original cost

of installation has been spent to ensure meters are functioning accurately. Who will bear this outrageous explosion of expenditure?

Landholders are not prepared to pick up the tab via the proposed MSC to cover inferior meters and inappropriate installation construction.

Landholders are also critical of the socialization of MSC. SWC pricing application notes that basically meters with telemetry attached will be charged different pricing to those without. This hardly seems fair when many of our members have several meters on their landholdings.

The ACCC's role:

MPII and YACTAC members are clearly disturbed that the ACCC is now the overarching judicature for the SWC's pricing application for regulated charges which will apply from 1 July 2014.

MPII executive and their members have only been given one opportunity to discuss this new process with the ACCC. It was evident the ACCC lacked the expertise to rigorously examine the SWC pricing application that used to be an IPART process. The SWC pricing application is purely and simply an ambit claim that exploits this lack of expertise.

In summary MPII and YACTAC are of the view that the move from IPART to the ACCC will add complexity, uncertainty and price volatility.

The End