

Australian Competition and Consumer Commission
Level 20
175 Pitt Street
SYDNEY NSW 2000

via electronic mail: waternswreview@accc.gov.au

6 May 2015

Dear Sir/Madam,

Re: Annual Review of Regulated Charges: 2015/16 - Draft Decision

The NSW Irrigators' Council (NSWIC) welcomes the opportunity to provide comments to the draft decision on Water NSW's annual review of regulated charges for 2015/16.

NSWIC represents irrigators and the irrigation industry. The Council has 25 member organisations which include valley water user associations, food and fibre producers, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries. We support the development & growth of sustainable irrigated agriculture and engage in all water related issues that are of relevance to our members.

The access to and affordability of water is crucial for food and fibre producers in NSW. In this context, NSWIC notes that the ACCC's draft decision proposes bulk water charge increases of over 10 per cent (in real terms) in some valleys. Such excessive price increases are a serious concern to NSWIC as they are more than three times the CPI increases over the same timeframe. Even though the Council acknowledges that the dollar value of these charges remain below those of Water NSW's highest regulated charges, NSWIC contends that such a comparison is invalid and unjustified. The ACCC has agreed with NSWIC that no cross-subsidisation should take place between valleys and as such, a comparison of charges in one valley with charges in another valley has no relevance as irrigators only pay for the infrastructure that delivers water in their valley. Irrigators within a particular valley have made business decisions based on the charges that are applicable to their valley and not another valley and hence a comparison of total dollar values of bulk water charges should not be made.

Furthermore, Water NSW stated in its own submission that bulk water charge increases are "not in the best interest of its customers", which NSWIC believes is an admission that Water NSW is better able to handle the annual price volatility for consumption variability than its customers.

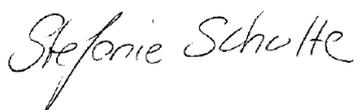
In addition, NSWIC made a number of submissions to the ACCC in which the Council emphasised its concerns with the annual consumption review process and the 'Overs & Unders Mechanism' (UOM). In its submissions NSWIC noted that those mechanisms could lead to significant price volatility which could adversely affect irrigators' operating practices and their overall financial position. Given the significant price increases that are proposed in the ACCC draft decision, it appears that our concerns have been confirmed. NSWIC does not comprehend how the ACCC is able to justify such price increases given that Water NSW's pricing application would have lead to lower prices and less volatility over the 2015/16 water year.

Also, NSWIC emphasises that the draft decision only provides indicative bulk water charges for 2015/16 as no actual usage figures for 1 January to June 2015 were yet taken into consideration. As the majority of the ACCC's draft decision is based on estimates and forecasts, NSWIC does not have confidence that the price increases which are proposed in the draft decision show the full extent of possible price increases in 2015/16. NSWIC urges the ACCC's to ensure that the price volatility is kept to a minimum and the Price Stability test is strictly applied and compared to a sensible benchmark (i.e. CPI) as was the case in the previous IPART determinations.

Finally, NSWIC remains extremely concerned about the lack of regulatory oversight of Murray-Darling Basin Authority (MDBA) charges. As the ACCC draft decision outlines, the majority of the cost increases in the NSW Murray valley and a proportion of the costs in the Murrumbidgee valley result from charges related to the MDBA's River Murray Operations. It is absolutely unacceptable that 64% of the NSW Murray valley's total revenue requirement for 2015-16 remains outside the current review process and is not subject to scrutiny by a regulator. NSWIC calls for an urgent change in the existing regulatory framework in order to bring these charges under the same regulatory review process as Water NSW's bulk water charges. To streamline the process, NSWIC proposes that the River Murray Operations cost of Water NSW (construction authority) are reviewed by the ACCC as all other costs associated with bulk water charges. Such a change must take place to assure irrigators in those valleys that the full scope of their charges are adequate, efficient and thoroughly reviewed.

Please do not hesitate to contact NSW Irrigators' Council Policy Manager Stefanie Schulte (stefanie@nswic.org.au) if you wish to discuss any of the comments in this submission in more detail.

Yours Faithfully,



Stefanie Schulte

Policy Manager
NSW Irrigators' Council