

4 March 2016

Mr Rod Sims
Chairman
Australian Competition & Consumer Commission (ACCC)
GPO Box 520
Melbourne Vic 3001

Dear Mr Sims

Re: Review of Water Charge Rules

The National Farmers' Federation (NFF) is pleased to provide a brief submission in response to the draft Water Charge Rules advice that has been released by the ACCC for public consultation.

On matters related to water and irrigation, NFF is the only national body that brings a 100% farmer-focused viewpoint. We represent the interests of farmers that are affected by water management decisions including irrigators, riparian and floodplain landholders. For clarity, NFF does not represent the interests of irrigation infrastructure operators. Our constituents are the customers – and in privately owned schemes owners - of irrigation infrastructure operators.

NFF is concerned that the unique governance arrangements of private infrastructure operators in NSW, South Australia and now Queensland have been discounted by the ACCC. In addition to these governance arrangements, private irrigation infrastructure operators, unlike some other monopolies, are not profit maximising businesses. In our view, the governance structures of the IIOs provide sufficient avenue for end users to debate issues on service and price and that further reform in relation to pricing is unwarranted.

NFF is pleased to see the ACCC reconsider the need for Network Service Plans. In NFF's view, the costs of developing these plans far outweighed any benefit to the customer that could be achieved by forcing an expensive discussion on service levels.

NFF is particularly concerned about the ACCC's pursuit of the principle of non-discriminatory pricing. While the idea of protecting the consumer is admirable, the adoption of this principle in the context of private irrigation infrastructure operators will be in NFF's view to the detriment of the customers of these businesses in the short, medium and long term.

The proposed changes will stifle the types of innovation in service delivery that are in the interests of all customers. Water reforms associated with the implementation of

the Murray Darling Basin Plan and increased water trading have resulted in significant changes to customer profile and levels of demand in our irrigation networks. IIOs must have the ability to attract new entrants (such as farmers, food processing or industrial customers) and be able to negotiate with these new entrants on a range of terms including service and price. New entrants that increase the utilisation of water distribution assets will ultimately deliver benefits to the customer base as whole as well as the flow on benefits to communities.

In NFF's view, the non-discrimination rules as drafted risk innovation in the interactions between the IIOs and the Commonwealth Environmental Water Holder. IIOs will be hamstrung in their ability to provide discounts to the CEWH, even where there may be efficiency in the provision of service.

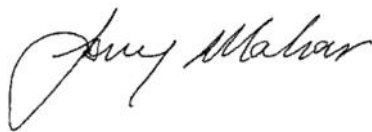
As drafted, the non-discrimination provisions are also likely to hinder the ability of companies to adequately recover the costs of providing services to small users, such as domestic blocks.

NFF is concerned that the proposed changes to the Schedule of Charges will place a significant impost on IIOs, as most do not have the businesses systems in place to support the detailed specification required. In NFF's view, any benefits arising from such specification would not outweigh the costs of their implementation.

In summary, NFF's view is that the proposed changes to the water charge rules are unacceptable. Rather than improving the efficiency of service delivery, the changes will be a net regulatory burden for private IIOs. The costs associated with regulatory compliance will be passed down to the individual irrigation customers that NFF represents. Our view is that the governance structures and price setting processes of individual IIOs provide customers with the opportunity to have their say.

If you have any questions in relation to this submission, please contact Ms Jack Knowles, Manager NRM Policy on 02 6269 5666 or by email jknowles@nff.org.au .

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tony Mahar', written in a cursive style.

TONY MAHAR
Deputy Chief Executive Officer