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From: [REDACTED]
Sent: [REDACTED]
To: Water NSW Review
Subject: [REDACTED] Submission on Annual Review of Regulated Charges 2015-2016

[REDACTED]

Dear Sir/Madam,

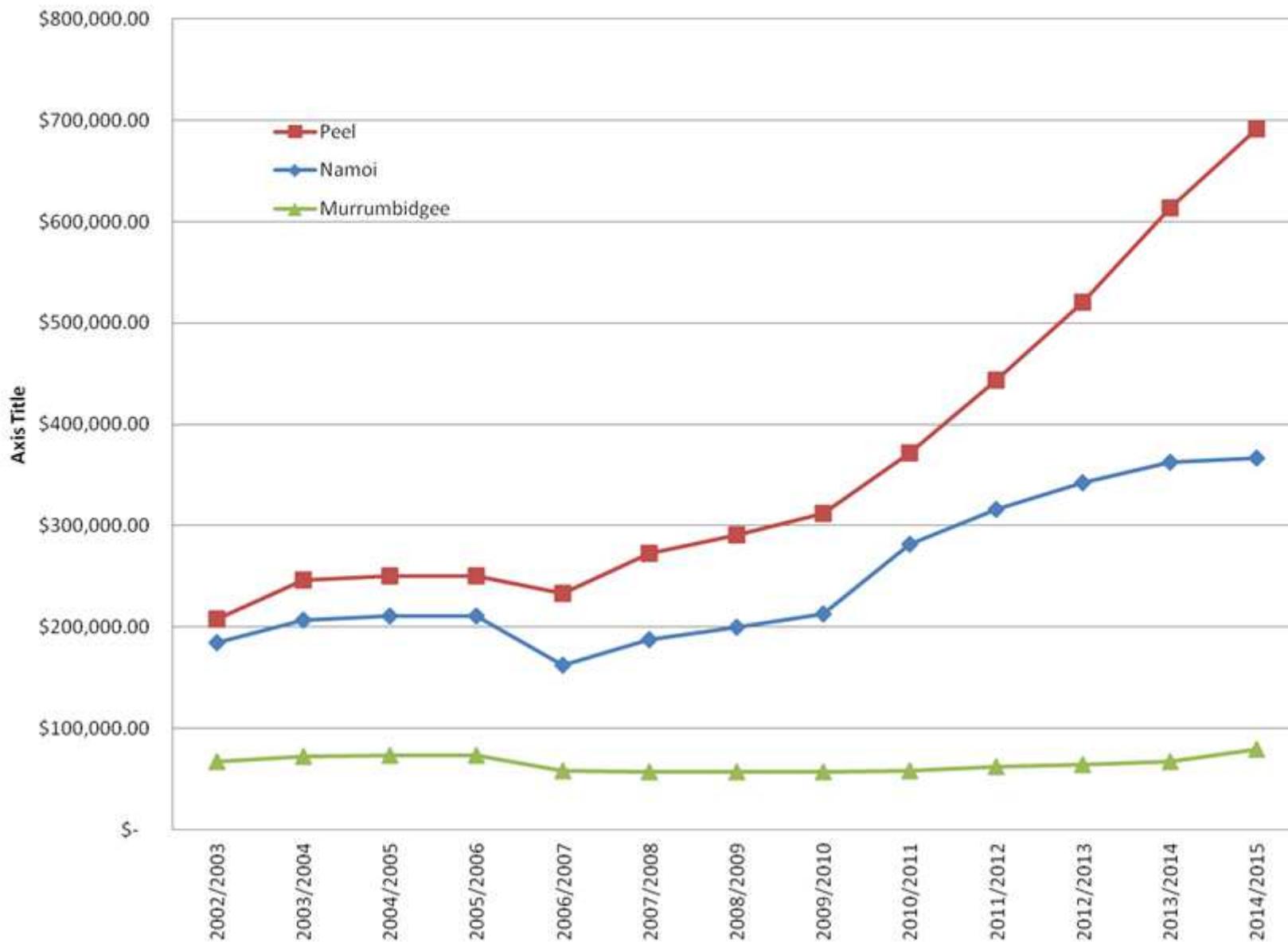
Thank you for the opportunity to provide submissions on the ACCC's draft decision relating to the annual review of regulated water charges 2015-2016.

Whilst Council accepts the ACCC's draft decision to not agree to State Water's request and maintain charges as set in the ACCC's 2014 Determination Council remains vehemently opposed to the huge variation in charges for water in various valleys across the Murray Darling Basin and highlights again Council's concerns as follows;

1. Increases in charges since 2002-2003

- The cost of high security water in the Peel River has already increased by 233% since 2002-2003 to the current price in 2014-2015, from the various determinations. See chart below;
- Council believes determining authorities should take into account this fact when considering any future price rises because, while the determining authority may consider the annual increases are acceptable, when those price rises start from a point already many times what other valleys pay, the benefits of such a decision fast evaporate;

Increase in State Water Charges since 2002-2003



2. Tamworth is being penalised because of its location

- In 2014-2015 if Tamworth was moved to where Wagga Wagga is on the Murrumbidgee and sourced its high security water from that river the cost would be one ninth of the cost it is from the Peel;
- Even if Tamworth moved to Gunnedah – 75 Kilometres away and sourced it's water from the Namoi, a river which the Peel drains into, the cost of sourcing water in 2013-2014 would reduce by 41%;

3. Equity

- Council has significant concerns that current prices unfairly discriminate against towns and cities that, through no fault of their own, happen to be receiving water from a state owned source that is, relatively speaking, expensive to operate. The cost of water should not be a primary consideration for industry wishing to relocate to particular regional areas, but repeated significant price rises, already experienced in the Peel and proposed for the future, are contributing to the cost of water becoming just such a consideration;

4. State Wide postage Stamp Pricing

- Council has previously, and continues to, support the introduction of postage stamp pricing across the State, or at the very least, the merging of the Peel and Namoi Valleys for pricing purposes;
- whilst the principle of user pays is accepted there are many examples where economic rationalism should be, and has been, set aside and a common sense approach applied – postage stamp pricing for raw water is one of them;
- State Water modelling suggests the following state wide prices would arise in 2013/14 if determined using a postage stamp (all valleys across NSW pay the same) recovery methodology;

Postage Stamp Price (all valleys):

- state usage charge \$7.37; and
- state high security entitlement charge \$5.89.

Under this scenario Tamworth's water charges for 4,813ML would reduce from \$691,325 in 2014 -2015 to \$132,068. That is the new cost would be 1/5 of the old.

State Water modelling suggests that a combined price for Namoi and Peel valleys if they were to merge would be:

Namoi Peel combined:

- usage charge \$21.54; and
- high security entitlement charge \$19.75.

Under this scenario Tamworth's water charges for 4,813ML would reduce from \$691,325 in 2014-2015 to \$427,572. A reduction of 30%;

- Council could charge each of its seven water supply schemes differing costs based on the cost to produce and supply treated water, just like State Water. However, Council has decided to apply postage stamp pricing across the communities in its Council area so that everyone pays the same regardless of cost. If Council can see the equity in such a decision why can't State Water, the State Government and the ACCC?

Thank you for the opportunity to provide comment.

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