

Review of Water Charge Rules
Australian Competition and Consumer Commission
GPO Box 520
MELBOURNE VIC 3001

Dear Sir

SUBMISSION ON WATER CHARGE RULES

Ref: *BL/SF2229*

On behalf of Tamworth Regional Council thank you for the opportunity to provide comments on the ACCC's review of Water Charge Rules.

Council's submission follows.

Please contact the undersigned should you wish to discuss this matter further.

Yours faithfully

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Director Water and Waste

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26 February 2016



Tamworth Regional Council

Response to Australian Competition and Consumer Commission's

Review of Water Charge Rules

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1 Background

Tamworth Regional Council holds a 16,400 Megalitre local water utility license for bulk raw water delivered from Water NSW's Chaffey Dam to supply the City of Tamworth in the North West of NSW.

Chaffey Dam is in the Peel Valley and is part of the Murray Darling Basin.

Average annual usage of this allocation is approximately 4,813 ML's. Under the most recent ACCC determination for State Water (now Water NSW) up to and including the 2016-17 financial year, the annual cost to Council to access this average quantity of water is shown in the table below. It should be noted that charges detailed are for Water NSW only and do not include additional charges levied by NSW Department of Primary Industry – Water (DPI Water)

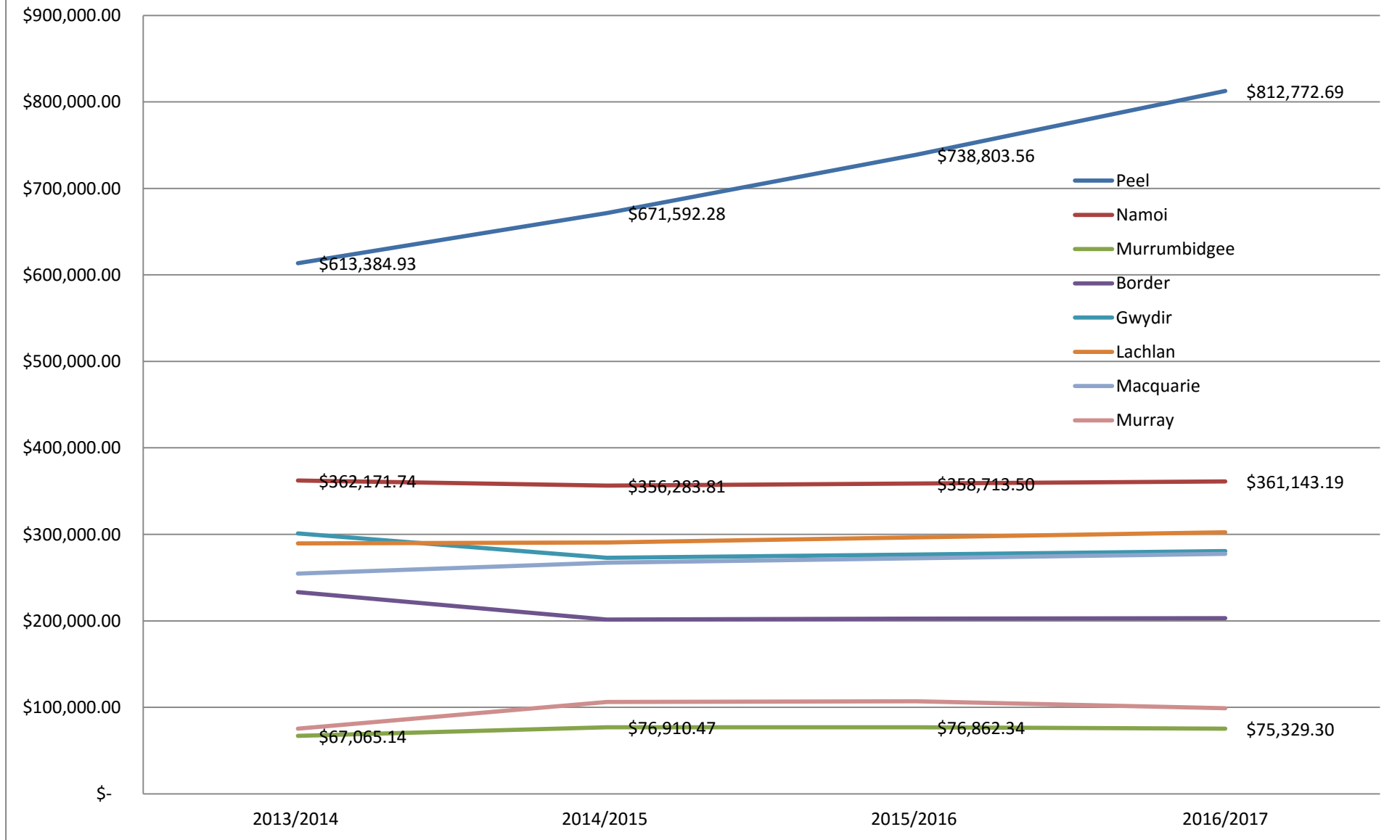
Year	Ave Annual Usage ML's	Ent. ML's	Peel				
			Usage Price /ML	Usage Cost	Ent Price /ML	Ent Cost	Total
2013/14	4813	16400	41.61	\$200,268.93	25.19	\$413,116.00	\$613,384.93
2014/15	4813	16400	45.56	\$219,280.28	27.58	\$452,312.00	\$671,592.28
2015/16	4813	16400	50.12	\$241,227.56	30.34	\$497,576.00	\$738,803.56
2016/17	4813	16400	55.13	\$265,340.69	33.38	\$547,432.00	\$812,772.69

If it was possible to move the population of Tamworth to another centre within the Murray Darling Basin and access this quantity of water from the rivers in that location the cost of the same quantity of water in 2016-27 is shown in the table below and graphically on the following page.

Valley	2016-17 Annual Cost of a 16,400 ML license using 4,813 ML of water
Peel	\$ 812,772.69
Namoi	\$ 361,143.19
Murrumbidgee	\$ 75,329.30
Border	\$ 203,106.46
Gwydir	\$ 280,649.82
Lachlan	\$ 302,490.06
Macquarie	\$ 277,344.76
Murray	\$ 99,028.99

The table shows that it costs ½ as much to access the same quantity of water in the Namoi as compared to the Peel and 1/10 as much in the Murrumbidgee.

Local Water Utility Water NSW Costs by Valley



Council and irrigators within the Peel Valley have long been campaigning against the extraordinarily high cost of raw water in the Peel compared to other valleys in the Murray Darling Basin. To this end Council has repeatedly called for postage stamp pricing for bulk water within NSW. It is pleasing to note the ACCC's acknowledgment of this issue and the devotion of a significant portion of the review to discussing the particular issues associated with pricing within the Peel Valley, however, it is also noted the ACCC does not support the introduction of postage stamp pricing and offers no other measures to address the pricing anomaly in the Peel.

Whilst Council does not agree with the ACCC's view about postage stamp pricing Council is concerned that the rules governing water charges should not exclude the introduction of postage stamp pricing at some future stage should the position of the ACCC, or the relevant government change.

2 The case for Postage Stamp Pricing

Council supports requiring monopoly suppliers to provide detailed cost break ups associated with the delivery of bulk water in a particular valley. This can help identify inefficiencies or unnecessary waste. But Council contends there is no reason why having calculated the cost of the service in each valley in the Murray Darling Basin these costs could not be aggregated and divided by the total amount of water delivered across the state to determine the postage stamp price.

Council makes the following points in support of postage stamp pricing

- In the case of supplementary or off allocation flows, where water flows from one valley into another, there is some debate about the charges levied for that water if it is intercepted by a user in a valley that is not the valley the water originated from. For example if flow in the Peel River results in supplementary or off allocation flows in the Namoi, the Namoi irrigators pay to intercept this water at the Namoi valley costs, even though if the water had been intercepted in the Peel the price to intercept would have been double. Postage stamp pricing does away with this issue.
- Water shepherding rules. In a similar manner to the point above in the event environmental flows are released from one valley for the purposes of addressing environmental concerns in a downstream valley how much does the environmental water holder pay for that water – is it the cost associated with the valley it was released from or the cost associated with the valley it ends up. Postage stamp pricing would address this issue.
- Legacy issues. The cost of supplying raw water in some valleys is higher because of decisions made by governments before the notion of users pays was conceived. For example in the Namoi Valley two dams were constructed, Keepit and Split Rock. With the benefit of hindsight it may have been possible to construct one larger dam rather than two. In so doing the cost of raw water in the Namoi could have been reduced because no one argues that the operating cost of two separate smaller dams is higher than one larger dam. Present day users who are required to pay for raw water at costs which reflect the cost of operating two dams were not consulted at the time the decision was made, or able to consider the decision to build the second dam in terms of increased ongoing costs.

3 Is the ACCC being consistent?

The NSW Independent Pricing and Regulatory Tribunal (IPART), a body which it is understood has been licensed by the ACCC to consider charges of monopoly service providers such as Water NSW, is currently considering a pricing submission from the NSW Department of Primary Industries – Water for charges for water management services provided by DPI Water, with the new prices to apply from 1 July 2016.

In their submission DPI Water have proposed a single meter charge for any meter reading west of the Great Dividing Range in NSW.

It is Council's belief that there would be differences in the cost of reading meters in individual valleys, attributed to the type and number of the meters, distances between meters, accessibility and other factors. In fact similar issues apply to the cost of delivering water via a regulated stream west of the Great Dividing Range. Yet for meter reading it is proposed that valley based pricing is not appropriate and a postage stamp price for meter reading be adopted (at least for the areas west of the range), but the same arguments cannot apply to the cost of delivering bulk water.

The ACCC seems to be going to great lengths to justify not allowing postage stamp pricing for bulk water delivery yet allowing one of its agencies to actively consider the exact same thing for meter reading by NSW DPI Water.

It is noted that the meter charge is a proposal at this stage but when this issue was raised with IPART at a public forum to discuss the submission from DPI Water, there was no suggestion that a single meter reading charge for west of the great divide was inconsistent with valley based pricing and therefore would not be accepted by IPART.

4 Conclusion

Council does not accept the ACCC's position on postage stamp pricing and can provide a number of reasons why postage stamp pricing should be adopted.

Notwithstanding these reasons Council's main concern is that the changes to water rules should not preclude the introduction of postage stamp pricing at some time in the future should the ACCC's position change, or one, or more, governments seek to introduce postage stamp pricing for water delivery in NSW.