NSW Farmers' submission to

the IPART review of the

WAMC and WaterNSW pricing proposals

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About NSW Farmers

NSW Farmers is Australia's largest state farming organisation, representing the interests of its farmer members in the state. We are Australia's only state-based farming organisation that represents farmers across all agricultural commodities. We also speak up on issues that matter to farmers, whether it's the environment, biosecurity, water, animal welfare, economics, trade, workforce or rural and regional affairs.

Agriculture is an economic 'engine' industry in New South Wales. Despite having faced extreme weather conditions, pandemic and natural disasters in the past three years, farmers across the state produced more than $23 billion in 2021-22, or around 25 per cent of total national production, and contribute significantly to the state's total exports. Agriculture is the heartbeat of regional communities, directly employing almost two per cent of the state's workers and supporting roles in processing, manufacturing, retail, and hospitality across regional and metropolitan areas. The sector hopes to grow this contribution even further by working toward the target of $30 billion in economic output by 2030.

Our state's diverse geography and climatic conditions mean a wide variety of crops and livestock can be cultivated here. We represent the interests of farmers from a broad range of commodities – from avocados and tomatoes, apples, bananas and berries, through grains, pulses and lentils to oysters, cattle, dairy, goats, sheep, pigs and chickens.

We have teams working across regional New South Wales and in Sydney to ensure key policies and messages travel from paddock to Parliament. Our regional branch network ensures local voices guide and shape our positions on issues affecting real people in real communities. Our Branch members bring policy ideas to Annual Conference, our Advisory Committees provide specialist, practical advice to decision makers on issues affecting the sector, and our 60-member Executive Council makes the final decision on the policies we advocate on.

As well as advocating for farmers on issues that shape agriculture and regional areas, we provide direct business support and advice to our members. Our workplace relations team has a history of providing tailored, affordable business advice that can save our members thousands of dollars. Meanwhile, we maintain partnerships and alliances with like-minded organisations, universities, government agencies and commercial businesses across Australia. We are also a proud founding member of the National Farmers' Federation.

Executive summary

NSW Farmers welcomes the opportunity to respond to the public consultation by the Independent Pricing and Regulatory Tribunal (IPART) on the pricing proposals submitted by the Water Administration Corporation (WAMC) and WaterNSW for water prices over the next 5 years from July 2025. IPART's role is to set the maximum prices that WAMC and WaterNSW can charge their customers for water services, including storing and delivering water, water planning and licencing processes, and compliance activities. Customers include water users across agriculture, industry, town water suppliers, cultural users and environmental water holders.

Both WAMC and WaterNSW have proposed significant price increases which would result in unaffordable water bills for nearly all customers, but small and medium farmers would be most impacted. While small and medium farmers make up the majority of the customer base, they hold a smaller share of the overall water entitlements in NSW. The proposed price increases average out to up to 15% per year for groundwater system users, up to 23% per year for unregulated river users and up 35% per year for regulated river users. For some water users, this would equate to over a 200% increase in water costs by 2030 – NSW Farmers considers this to be a completely unacceptable proposal.

Through their consultations and supporting analysis, WAMC and WaterNSW have failed to take into account the distributional variation in customer size and performance that impact farm profitability. By relying solely on farm averages, it paints a distorted picture of farmers' ability and willingness to pay substantially higher water charge costs. It must also recognise that even though smaller farmers use less water, water charges make up a significantly greater proportion of their total costs. The proposed increases in water charges therefore have the potential to fall hardest on members of the community that have the least ability to pay. With respect to economic principles, this is neither economically efficient nor equitable.

A significant proportion of the additional operational and capital expenditure costs facing WaterNSW over the 5-year determination period are driven solely by changes implemented by the NSW Government. While changes in inflation and superannuation are largely outside the NSW Government's control, and represent real increases in the cost of delivering bulk water supplies, other are not (like land tax). At a minimum, the NSW Government should prorate the land tax revenues gained from WaterNSW back into the business.

NSW Farmers recommends:

- Reviewing the pricing proposals with consideration for the broader operating environment in which rural water customers are running their farm businesses, with specific attention to the increased cost of other farm inputs;
- Addressing outstanding concerns with the impactor pays principle, cost sharing arrangements with the government on behalf of the public and extraordinary charges to implement complex government policies;
- Clarifying the justification for increased capital cost increases (including staffing), timing of proposed expenditure and attempts to reduce customer bill shock;
- Conducting more appropriate data analysis that provides a truer representation for the bulk of customers affected by price increases;
- Challenging the continued decline in service for rural water users in the face on increasing regulatory burdens and water price increases, with consideration for the monopoly water service model.
- Completing additional customer engagement following the independent expert analysis of the proposals, prior to the finalisation of the draft report by IPART (expected in April 2025).

1. Introduction

As IPART prepares to review the pricing proposals and prepare its draft decisions for how water will be priced for rural water users from 2025 to 2030, it is critical to consider what has occurred over the years since the previous pricing determination in 2021 and how that can inform the process for the next determination. NSW Farmers is concerned that issues raised during the previous determination in 2021 remain unaddressed, including the fair cost sharing of activities, the use of the 'impactor pays' model and the funding of metering policy implementation, amongst other issues. Unfortunately, as these issues are still relevant for this upcoming determination, we will again explain our concerns and strongly encourage IPART to take into account these perpetual issues within the current context.

The pricing proposals submitted by WAMC[1] and WaterNSW[2] follow an extended period of consultation by both agencies across many stakeholder groups, including a portion of the customer base that hold some of the nearly 40,000 Water Access Licences in NSW. As noted by IPART in their information paper[3], customers of WAMC and WaterNSW are a diverse group which results in the majority of entitlements being held by only a small number of licences. Customers are not only farmers using water for agriculture, but also includes town water suppliers, private irrigation corporations, industrial businesses and agencies holding environmental water licences. Consultation by both extended beyond just paying customers and also incorporated feedback from members of the general community and other stakeholders. While it is appropriate to seek and note down this feedback, the voice of the paying customer should always be prioritised – especially in the case of a monopoly service situation like water planning and delivery in NSW.

The rationale provided by WAMC and WaterNSW for their pricing proposals indicate that they both have failed to look beyond their own footprint and assess their proposed price increases against the broader operating environment that farmers find themselves in. Both agencies focus on the premise that because larger water users have had several years of excellent water availability, and the value of entitlements has increased over the same period, these customers will tolerate increased prices for water. NSW Farmers will highlight the limitations of assessing affordability of water price increases through generalised production data, which will further demonstrate the risks that exposes small to medium water users – the users who happen to be the majority of customers for WAMC and WaterNSW.

All of this needs to be considered in the context of the scale of water policy reform that is being undertaken by both the NSW and Australian governments in recent years, and the real but hard-to-measure impact these reforms are having on water users. Both WAMC and WaterNSW note the ever-increasing workload from statutory activities, like water plans and compliance exercises, as one of the reasons for the proposed price increase. NSW Farmers raises the consideration that the overburden of policy reform has created an unviable environment for all parties, with unrealistic expectations to deliver against statutory requirements and unworkable costs being passed onto water users. While many of the issues covered in this submission speak directly to the pricing proposals, it is important to remember that the cost of water is just one component of how, why and when farmers use water to grow food and fibre. If water prices continue to rise, and service from water agencies continues to fall, there is a real concern that the working environment for farmers in

[1] NSW Department of Climate Change, Energy, the Environment and Water, Water Administration Ministerial Corporation 2025-30 Pricing Proposal, 30 September 2024

[2] WaterNSW, Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal, 30 September 2024

[3] Independent Pricing and Regulatory Tribunal NSW, IPART is reviewing water prices for WAMC and WaterNSW, 1 November 2024

NSW will be damaged beyond repair. This could result in either smaller family farms becoming unviable and shutting down, or larger operations looking to move outside of NSW to a state with more friendly regulatory and business frameworks. Either outcome sees the NSW agricultural industry hamstrung, which would be detrimental to farmers, consumers and the government. Irrigated agriculture serves as an essential service and industry in NSW, purely through the production of food and fibre for domestic consumption and delivering ecosystem services for the broader community. It has been well publicised for a while now that consumers are in a cost of living crisis. Farmers are in a cost of production crisis, as well as also being affected by the general cost of living crisis. Price increases, as proposed by WAMC and WaterNSW, will only further exacerbate these crises and will genuinely contribute to flow on effects through the agricultural industry and broader community.

2. Assessment of the proposed price increases and the impact to farmers

The initial review by IPART of the pricing proposals by WAMC and WaterNSW quickly leads to the crux of the issue – customers will be hit with large price increases. In summary, proposed prices increases average out to up to 15% per year for groundwater system users, up to 23% per year for unregulated river users and up 35% per year for regulated river users. These would all be on top of inflation; as of December 2024, the Consumer Price Index was 2.8%. For reference, over the past determination period, CPI peaked at 7.8% in December 2022.

For WAMC, they have proposed to cap increases in their charges at 2.5% per year plus inflation for the approximately 24,000 small water users who pay only the Minimum Annual Charge, and 15% per year plus inflation for all other customers. WAMC state in their proposal that most participants supported a 2.5% per year increase cap, while only a small number were ok with a 5% or 10% increase. The proposed 15% increase that has been put forward in the pricing proposal was not tested with WAMC customers during their engagement.

For WaterNSW, they have proposed a cost reflective base case – meaning what they have determined as the lowest sustainable cost to meet their legislative and regulatory obligations, as well as customer preferences. This base case is presented as up to 36% per year increase for customers with high security entitlements, and up 37% per year increase for customers with general security entitlements. Again, inflation would be included on top of these price increases. WaterNSW received feedback during their consultation that if these higher costs were passed through, customers would not be able to afford the water bill price increases.

In the information paper, IPART explains that this is the first time WAMC and WaterNSW have submitted pricing proposals under the new 3Cs framework. The 3Cs framework – encompassing ‘Customers’, ‘Costs’ and ‘Credibility’ – was developed by IPART to assist how a range of matters are considered when assessing pricing proposals that are required under the IPART Act. IPART notes that the common goal for all stakeholders in the review process is to ‘deliver customer value’. Based on stakeholder engagement during the development of the pricing proposals, WAMC developed 4 customer outcomes, with one of these being prices based on ‘value for money’. WaterNSW developed their own customer outcomes through the engagement process, with one of these being a commitment to ‘maintain a downward pressure on costs to support customer affordability’. If there was no deeper review than simply assessing whether WAMC and WaterNSW have met their respective customer outcomes, then both would fail at the first hurdle. In turn, IPART should not in good conscience deem that these agencies have adhered to the 3Cs framework, which is centred on delivering value for customers, simply due to the unreasonable expectations on farmers to absorb cost increase on top of cost increase.

Impact on farmers

The *Deloitte NSW Farming sector gross margin analysis* seeks to use data, principally drawn from the ABARES Farm Data Portal, to determine whether farms are profitable enough to absorb the proposed increases in water charges. A critical issue with utilising ABARES data however is that it is reported as 'farm averages' for a given region, commodity or other category, and therefore hides the variation in farm financial data that is necessary to understand the proportion of farms that may be unreasonably impacted by significant increases in costs. It is well known that the distribution of farm profits are extremely skewed, with a smaller number of large and highly profitable enterprises distorting the average upwards, away from the majority of farms that have far more modest incomes.

Utilising the ABARES Farm Data Portal for the same time period that Deloitte uses (Financial Years 2013-2022), the average results for Farm Income[4] and Farm Business Profit[5] are shown in Table 1. The results show that for all broadacre businesses nationwide, the lowest 25% of businesses do not make enough income to pay a substantial wage to the farmers, whereas the middle 50% only make just enough income to pay a normal wage[6] to the farmer.

Table 1: Key financial performance statistics for Farms. Source: ABARES Farm Data Portal, averages of 2013-2022.

Sample	Industry/Class	Population (FY2022)	Farm Income	Farm Business Profit	Water charges
National	All Broadacre	50,574	$230,763	$89,014	$4,240
	Performance – Low	12,405	$8,319	-$121,117	n/a
	Performance – Middle	24,848	$130,854	-$3,622	n/a
	Performance – High	12,455	$612,162	$477,595	n/a
	Cropping	8,174	$534,359	$319,638	$14,153
	Cropping - Small	1,695	$62,673	-$73,532	$3,734
	Cropping - Medium	1,211	$271,157	$50,820	$10,177
	Cropping – Large	5,304	$1,035,317	$746,184	$25,328
NSW	All Broadacre	16,428	$183,550	$57,623	$8,261
	Region – Riverina	3,829	$279,373	$140,920	$29,362
	Cropping	2,063	$510,322	$332,432	$48,743

With respect to Cropping enterprises, the smallest 20% again do not make enough gross income to pay the farmers a normal wage.

Breakdowns for broadacre and cropping enterprises by performance or size are not available within NSW or ABARES regions. However, based on comparing the averages alone, it would be reasonable to assert that up to **50% of all broadacre farms, and 20% of cropping farms do not make substantial incomes to fully pay**

[4] Total Cash Receipts – Total Cash Costs

[5] Farm Income - (Depreciation + Imputed Farm Labour – Change in stocks)

[6] 'Normal wages' are the imputed value of farm labour, since farmers are typically not paid salaries unless they are employees.

those farmers a normal wage. Therefore, *any* increases in business costs that impact these farms incomes will directly affect the farmer's take-home pay, which are already low compared to other farms and the wider economy.

Finally, it must be noted that water charges, as measured in the same ABARES data, are a much higher proportion of total costs for smaller farms. Across Cropping farm size[7] categories Water Charges are, as a proportion of Farm Income:

- Small: 6%
- Medium: 4%
- Large: 2%

That is, for a small cropping farm, a doubling of water charge costs would decrease farm income by 6%. For a large cropping farm, the same doubling would only decrease farm income by 2%. For a medium cropping farm, a decrease in farm income of 4% (about $10,000) would lead to a decrease in Farm Business Profit of 20% — a substantial impact on its long-term performance.

However, simply looking at all broadacre farms by farm size is potentially misleading, since the sample includes irrigated and dryland agriculture. In the NSW Riverina Region, which has the greatest proportion of irrigated farms, water charges make up for 10.5% of farm costs on average, more than twice that of the nationwide average. While information on water costs by farm size are not available for the Riverina region, we can estimate that the impact on small and medium farming business in that regional would be extraordinary. A 100% increase in water charges would potentially wipe off more than 40% off the farm business profit for a medium farm, and cause small farms to become completely unsustainable.

Through their consultations and supporting analysis, WAMC and WaterNSW have failed to take into account the distributional variation in customer size and performance that impact farm profitability. By relying solely on farm averages, it paints a distorted picture of farmers' ability and willingness to pay substantially higher water charge costs. Any potential determination by IPART must recognise the variation in farm businesses, and take into account the proportion of those businesses which already do not pay substantial wages to the farmers, and can therefore not absorb significant cuts to their pay. It must also recognise that even though smaller farmers use less water, water charges make up a significantly greater proportion of their total costs.

As detailed in IPART's information paper and our above assessments, a 15% price increase (excluding inflation) amounts to a 100% increase in water charges over 5-years, which would potentially decrease farm incomes by 12% ($7,520) for the most exposed cropping businesses. Even for medium sized farms, a decrease in farm incomes of 8% ($21,700) would amount to an approximate 40% drop in final farm profit, substantially impacting their ability to reinvest capital and drive business productivity into the future, or to prepare for adverse events such as floods, droughts, and fires.

If water charges are not capped and go to 22% per annum (excluding inflation), the impacts are far more pronounced and lead to a 170% price increase, which would reduce small farm incomes by 20% and lower farm business profits to -$86,200 which are completely unsustainable. For medium sized businesses, farm business profits could potentially decline by 70%, to $16,200, which pushes the average to edge of unsustainable, and likely pushes many into negative territory.

[7] Farm size based on total cash receipts. Small: <$500k, Medium $500k-$1m, Large: >$1m

While it is impossible to know what the impact of inflation may be, it should be noted that farmers cannot simply transfer this impact these onto their customers through higher prices as they are price takers in markets. Farmers typically remain profitable in the face of inflation only by reducing their own costs — often firstly their own wages. The ability to simply cost-shift inflation onto customers without absorbing some of it through greater efficiency is a hallmark of inefficient monopolistic behaviour, and therefore, IPART must disallow it in WaterNSW's current pricing proposal.

Ability and willingness to pay

Small and medium sized farms do not have an ability, let alone a willingness to pay for substantially higher water costs. While farm income data shows that the cash revenues less costs of operating a farm business are notionally positive for most, these are misleading representations of farm profitability as it does not take into account the value of the farmer's labour. Farmers themselves need the ability to earn a living wage in order to compensate for their own costs of living, and the data shows that many that operate small and medium sized farms do not.

The proposed increases in water charges therefore have the potential to fall hardest on members of the community that have the least ability to pay. With respect to economic principles, this is neither economically efficient nor equitable. A Pareto-efficient outcome would imply that the proposed benefits of the WAMC's program of works do not come at the expense of those unlikely to benefit from them. A more relaxed efficiency assumption would imply that at the very least, society overall would not be made worse-off by the changes.

NSW Farmers notes that that the increase in operational costs are substantially driven by regulatory changes including:

- **A change in land tax determinations**, causing land tax obligations to increase by 22% in 2023, including land previously not valued by the Valuer General. These increases effectively give the NSW Government a dividend as a result of owning land used to provide critical water services. At a minimum, the NSW Government should prorate what it gains in land tax from NSW Water back into the business when determining cost share obligations in order to avoid unfairly raising revenue which is passed on as a cost to customers.
- **Increased salaries and wages to meet regulatory and legislative requirements**, including:
    - Enhanced water quality management system
    - Water quality monitoring enhancements
    - Early warning system to changes in water flows and quality
    - Establishment of a data management framework
    - Expanded research and education
    - Cooperation Protocol with Fisheries
    - Other Regulatory obligations, such as producing water sharing plans and related rules

In addition, increases in capital expenditure are driven by several initiatives, 66% of which are motivated by 'changing community or regulatory expectations'. These include:

- Upgrades of Warragamba Dam and other storages
- Upgrades to fish passageways and cold water pollution
- Dam safety upgrades

- Investment in the Digital Technology Roadmap

A significant proportion of the additional regulatory requirements arise from new Operating License conditions that IPART recommended to the minister, commencing July 2024. While a cost-benefit analysis of the changes indicated that the proposed requirements delivered a net positive result[8] NSW Farmers considers that it is not efficient to attempt to meet those obligations in such a short period of time, in a manner that necessitates significant additional staff, rather than utilising existing capacity in a staged fashion. At the very least, it should be made clear whether the surge in staffing requirements is expected to be temporary, or represents a permanent increase in WaterNSW's role as a supplier of bulk water.

Likewise, NSW Farmers considers that the sharp spike in capital expenditures over the next 5 years is a strong indicator that the proposed works and programs are not efficiently allocated across time. In particular, the front-loading of various Fishways and Cold Water Pollution Projects across only a few years is responsible for a significant proportion of the increased capital expenditure and cost in the Rural Valleys. Moreover, there is insufficient socioeconomic analysis of impacts from the Cold Water Pollution strategy. WAMC's proposal does not adequately justify why all the relevant capital works should be undertaken in the near-term, rather than in a staged manner that minimises shocks to customer's fees or whether more costs for these programs covered by the government.

It is well noted throughout the proposals that the Customer Service Obligation subsidies continue for North and South Coast water users, due to the decisions from an earlier determination. These water users will also need to begin implementing metering and telemetry equipment throughout the next pricing period. IPART should consider the impact of the increasing divide between inland and coastal water users in regard to water costs, if the proposed price increases are accepted. There are other groups of water users, for example the Hunter Valley, that align more with coastal water use patterns (including the limited trade opportunities).

Cost sharing

A significant proportion of the additional operational and capital expenditure costs facing WaterNSW over the 5-year determination period are driven solely by changes implemented by the NSW Government. While changes in inflation and superannuation are largely outside the NSW Government's control, and represent real increases in the cost of delivering bulk water supplies, other are not. For example, the large increases in Land Taxes payable due to an increase in land values represents a revenue stream for the NSW Government that is ultimately passed on to WaterNSW customers, completely detached from the services they pay for. At a minimum, the NSW Government should prorate the land tax revenues gained from WaterNSW back into the business.

In addition, it is unclear the extent to which the work being undertaken by WaterNSW as a part of its expanded Licence Obligations represent the core work of a bulk water utility, or the core work of government administration through DCCEEW or the NRC. For example, the requirement to set up a data management framework to provide other Government agencies with information, the expansion of research and development over the whole state beyond declared catchment areas, and the establishment of Cooperation Protocols with Fisheries all imply activities that relate to the general administrative and governance responsibilities of DCCEEW, rather than WaterNSW.

[8] https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Cost-benefit-analysis-report-2023-WaterNSW-operating-licence-review-February-2024.PDF

The need to deal with increasing obligations arising from water sharing plans, such as the active management of environmental flows, is a substantial cost item for WaterNSW. However, WaterNSW customers do not pay for, or directly benefit from, enhanced environmental water flows. While it is acknowledged that the provision of environmental water in part addresses negative externalities associated with the operation of a bulk water system, which should be internalised accordingly, they also produce a significant proportion of public benefits (positive externalities) that should also be internalised through adequate public financing. The same is true for the costs associated with the enhanced Land Management Program, that meets obligations set out under the Biosecurity Act and bushfire mitigation requirements, which are a core part of government business and provides wider economic and social benefits. There is also a discrepancy with the proposal by WaterNSW to increase and then peg the fixed price at 100% for Licensed Environmental Water (LEW) holders, with justification that these high use customers should be afforded "…more stable and predictable prices, (and) lower long-term bill impacts for the environment". This further exacerbates the affordability gap that will develop between high use customers like environmental water holders, and small to medium farmers – why should these conditions not be considered for those using water for productive means?

NSW Farmers strongly asserts that those aspects of the increasing costs facing WaterNSW that are driven primarily by governance obligations or deriving public goods, be principally financed by government through the cost-sharing arrangements.

3. For IPART to consider during this pricing review

At the end of IPART's information paper, it states that they will engage independent external experts to review the proposed increases in expenditure by WAMC and WaterNSW and whether the proposals are required, justified and lastly, supported by customers. NSW Farmers strongly encourages IPART to consider an additional customer engagement opportunity to accompany this independent review by experts and further test the assumption of customer support. WAMC and WaterNSW have supplied a combined nearly 2,000 pages of material as part of their pricing proposals, attachments and appendices. It is grossly unfair, bordering on insulting, to expect farmers to have the capacity to comprehend the detail, and fully test the impacts of what is proposed in these provided documents, in the weeks since their public release. There has also been a significant time and cost for the engagement process and compilation of the length proposals by both WAMC and WaterNSW, which again is another cost that is required to be recovered from customers. It is critical that IPART must consider whether there has been an efficient use of resources through this proposal development process. IPART is expected to complete a full review of the proposals in their entirety before handing down its decision. Therefore, IPART should, in good conscience, use the independent expert findings to conduct further customer engagement that is considered when setting water prices for the next 5 years.

Further to the above major concerns regarding impacts of water price increases to farmers, affordability and cost sharing, there are some additional considerations that NSW Farmers wishes to raise in relation to the pricing proposals. We strongly encourage IPART to take into account the following factors as the review progresses towards a decision for the next water pricing determination period.

- **Reliance on the 'impactor pays' model** – the experience of water users, especially those farming small to medium sized enterprises, through the current determination period has reiterated the limitations of the ‘impactor pays’ model that IPART relies upon in setting water prices and cost sharing arrangements. The cost-drivers within water management are complex and external, as well as being heavily influenced by shifting public expectations and a changing climate. Farmers cover well above their fair share of costs and IPART cannot continue to endorse the ‘impactor pays’ model when the rural customer base will likely decline and the agriculture industry in NSW that relies on water continues to be set up to fail.

- **Declining customer service and ongoing engagement** – water users in regional and rural areas continue to experience a declining level of service from WaterNSW, which includes the limited opportunity to engage with staff on a local level. Farmers again question what they are paying for through their WaterNSW bills when they cannot access the support and services they need to help run their businesses. Strategies to better engage actual customers through ongoing customer advisory groups and water working groups need to be reviewed as rural water users are overwhelmed with ongoing NSW and Australian government water policy reforms.

- **Public expectations to be covered by government on their behalf** – while a varied portion of costs and services are covered by the government on behalf of the NSW public, stakeholders through the pricing proposal engagement processes supported a fairer sharing of costs that better reflect the demands of and benefits to the general public. Compliance activities, water planning, environmental protections, increasing Aboriginal peoples engagement in water, and climate change adaption deliver public benefit and as such should be funded completely by the public through the NSW government. When costs are shared across are larger user base (i.e. the general public), the impact on smaller user groups can be minimised and the need for drastic price increases is significantly reduced.

- **Additional charges and transaction costs** – the pricing proposals detail cost recovery measures for floodplain harvesting implementation and the non-urban metering reform, as well as increases to some fee-for-service charges. The delayed and ineffective rollout of the non-urban metering reform should not mean that water users need to continue to cover for the changing and increasing costs associated with the policy’s implementation. Farmers already need to lay out a significant amount of money and time to become and remain compliant, all while rules change and services needed to support metering are reduced. Cost sharing for these policy programs should be reviewed to ensure that those that have already invested into metering are not disadvantaged compared to those that will need to become compliant in the future. IPART should closely compare the proposed transaction cost increases against the lacking experience that water users have had to deal with during the current determination period, and the expected level of service forecast for the upcoming period. Costs for broader gauging and metering reading programs should be covered by the government.

- **Consideration of affordability during dry times –** in addition to general affordability concerns raised throughout this submission, there needs to be careful consideration of how costs are imposed on water users during times of reduced water allocations. During extreme dry periods, the water priority hierarchy rightly supports supplying town water, stock and domestic, critical human needs and the environment, which leaves productive water users with significant reduced or zero allocations against their entitlements. The costs associated with their entitlements become prohibitively expensive when farmers have a significantly reduced capacity to generate income to cover these fixed costs. IPART should carefully examine the cost sharing proposals that asks farmers to continue to cover additional water management activities and programs while their access to water is reduced during dry periods. This may include a cost scheme that is proportionate to the allocations allowed against entitlements.

To support our detailed issues and concerns with the pricing proposals by WAMC and WaterNSW, NSW Farmers asks that IPART consider our submission alongside NSW Irrigators' Council's 'Pricing Report'[9] from August this year. The Pricing Report provides additional details and supporting evidence on the broader water pricing framework in NSW.

4. Concluding comments

Over numerous water pricing determination periods, as well as operating licence reviews, farmers who access water to grow food and fibre have been very clear on their expectations on water prices and service delivery of agencies like WAMC and WaterNSW – it is not acceptable to continue to support a broken pricing model that only ever sees water costs for farmers increase. IPART needs to seriously consider the ramifications of allowing these increased prices as proposed to flow through to rural water bills, as they will be responsible for exposing farmers and further risking ongoing productivity in NSW.

NSW Farmers represents a key portion of rural water user customers, in particular small to medium enterprise farm businesses, and we extend the offer to IPART to engage with these customers on a deeper level to road-test assumptions and provide further context the how water is and should be priced.

[9] NSW Irrigators' Council, Pricing Report – August 2024