



Peel Valley Water Users Association Inc

The only organisation that represents the Irrigation Industry in the Peel Valley

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Peel Valley Water Users Association

Response to WaterNSW Pricing Proposal submitted to IPART

November 2024

Executive Summary

Submission

- 1. Introduction**
- 2. Pricing Proposal**
- 3. Public Benefit costs incurred by WaterNSW**
- 4. Government costs incurred by WaterNSW**
- 5. Rationale**
- 6. Inflation**
- 7. Use of Rolling Averages for Cost Calculations**
- 8. Pricing Proposal Alternatives**
 - a. Alternative 1 and 2**
 - b. Alternative 3**
- 9. National Water Initiative and Non-Urban Metering Reviews**
- 10. Environmental Water**
- 11. Answers to Questions posed by IPART**

Executive Summary

The Peel Valley Water Users Association (PVWUA) has been representing the irrigation industry in the Peel Valley in the district surrounding Tamworth in NSW for many years. Its members include some two hundred licence holders who hold surface water licences from the Peel River as well as Groundwater licences from the Peel Alluvium and other unregulated sources of water in the valley.

The members produce a wide variety of crops from their irrigation enterprises. They produce a range of grains and oilseeds. They make a variety of hay and fodder from crops like lucerne, oats, beardless wheat and grass crops. Specialty crops like turf grass and nut trees are grown and need much more consistency in water supply. This Range of produce is an important part of the regional agricultural industry, the local recreational equine sports industry, the regional residential housing industry and, consequentially, the local economy of Tamworth.

WaterNSW are proposing a Base Case Pricing proposal which assumes no changes to their current method of operating, allocation of costs and no changes to their proposed capital expenditure.

This pricing proposal for General Security Water is outlined in the Table below and compared to the other three northern valleys and the Murray Valley for some comparison.

Table 1: Base Case General Security Proposed 2029-30 Prices (\$/ML) Entitlement Charge

Valley	2024-25	2029-30	% Increase
Border	9.22	28.98	214
Gwydir	7.05	18.03	156
Namoi	14.87	35.12	136
Peel	10.73	36.85	243
Murray	7.71	22.47	191

Table 2: Base Case General Security Proposed 2029-30 Prices (\$/ML) Usage Charges

Valley	2024-25	2029-30	% Increase
Border	11.98	35.76	198
Gwydir	22.09	61.48	178
Namoi	38.22	100.85	164
Peel	34.53	154.29	347
Murray	6.89	18.54	169

The Base Case proposal is for prices in the Peel to increase by the highest percentage increase of any valley and increase to the highest absolute charges per megalitre in any valley. By any measure, prices going up by 347% in a five year period would be seen to be an absurdly high increase with deep resistance from the affected parties

The Peel Valley Water Users believes this pricing proposal is absolutely untenable and impossible to support in any way. The price rises are excessive and would cause untold damage to the water users and the industry that they undertake in the Peel valley.

There are a number of issues that we have with the method of building up the price proposal, the allocation of costs between the community and the water users, the capital expenditure proposed and the role of government in causing the price increases.

The increase in the operating costs is only around 42% and the increase in the capital costs for the rural valley is only 21% for the averages over this five year period versus the last. Why then are the water usage and entitlement charges being proposed at increases of over 300%. Many of the extra costs are internal, payable by WaterNSW to the NSW government. Costs for return on assets, depreciation, land tax and covering off of many of the governments other responsibilities

WaterNSW has said in their submission that their key outcome is to *“maintain a downward pressure on costs and support customer affordability”*. This proposed price increase surely cannot coexist with that statement.

The National Water Initiative has commitments to avoid perverse pricing outcomes. Surely the increases in the Peel, when compared to the other valleys, would be seen as a perverse outcome.

The proposed price increases under the Base Case scenario are so unrealistic and so unsustainable that even WaterNSW have themselves prepared three alternative pricing options for consideration by IPART. This clearly indicates that WaterNSW acknowledges that the Base Case is so fundamentally unacceptable that it may not gain approval from IPART. The Alternatives themselves contain a capped annual increase but would still deliver a 101% increase over the period which, although better than the 243% and 347%, would still not be acceptable in any other publicly scrutinised market.

Under the Base Case and Alternative 3 we believe that the costs of holding water entitlement in the Peel Valley, for those irrigators who use little or no water may become oppressive and there will be pressure for water to be transferred out of the valley downstream. This would simply increase the burden for the existing water users and exacerbate the problem.

These proposed entitlement price increases mean that the holding costs may also drive licence holders to become more active in an attempt to gain more value from their licence. This is also a perverse outcome in the Peel Valley where pressure on the water supplies in the valley would normally mean that water users should be encouraged to only use water when there is a strong production requirement to do so, not a manufactured financial reason.

Submission

1. Introduction

The Peel Valley Water Users Association (PVWUA) has been representing the irrigation industry in the Peel Valley in the district surrounding Tamworth in NSW for many years. Its members include some two hundred licence holders who hold surface water licences from the Peel River as well as Groundwater licences from the Peel Alluvium and other unregulated sources of water in the valley.

The members produce a wide variety of crops from their irrigation enterprises - from fodder to grain to milk and other speciality products, and their produce is an important part of the regional feedstock industry as well as the local equine sports industry, and the local economy in Tamworth.

Tamworth Regional Council is the biggest water user in the Peel Valley, with a High Security entitlement of 16,400ML. Regulated surface water licence holders hold a total entitlement of around 30,000ML, however, the current Water Sharing Plan sets a Long Term Average Annual Extraction Limit of just 6,100ML annually for these General Security water users.

For decades, the Peel Valley water users have incurred the highest fixed and variable Regulated Water charges in NSW, and we still pay amongst the highest water usage charges in NSW currently.

The comments in this submission mainly relate to the charges applicable to Regulated Water in the Peel Valley – namely High Security and General Security fixed charges, and Water Usage charges, because these are the highest charges, with the highest percentage

increases for the Peel Valley. Our submission addresses the WaterNSW Base Case, the three alternative scenarios for Rural Valleys presented by WaterNSW, and we also offer some comments on the Pricing Proposals generally.

We have also included comments on the proposed WAMC charges, including Groundwater and Unregulated Water charges under a separate submission.

2. Pricing Proposal

WaterNSW are proposing a Base Case Pricing proposal which assumes not changes to their current method of operating, allocation of costs and no changes to their proposed capital expenditure.

This pricing proposal for General Security Water is outlined in the Table below and compared to the other three northern valleys and the Murray Valley for some comparison.

Table 3: Base Case General Security Proposed 2029-30 Prices (\$/ML) Entitlement Charge

Valley	2024-25	2029-30	% Increase
Border	9.22	28.98	214
Gwydir	7.05	18.03	156
Namoi	14.87	35.12	136
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Table 4: Base Case General Security Proposed 2029-30 Prices (\$/ML) Usage Charges

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Border	11.98	35.76	198
Gwydir	22.09	61.48	178
Namoi	38.22	100.85	164
Peel	34.53	154.29	347
Murray	6.89	18.54	169

Table 5: Base Case High Security Proposed 2029-30 Prices (\$/ML) Entitlement Charge

Valley	2024-25	2029-30	% Increase
Border	17.66	66.47	276
Gwydir	22.61	57.81	156
Namoi	36.90	84.09	128
Peel	75.43	330.22	338
Murray	14.83	44.99	203

The Base Case proposal is for prices in the Peel to increase by the highest percentage increase of any valley and increase to the highest absolute charges per megalitre in any valley. By any measure, prices going up by 347% in a five year period would be seen to be an absurdly high increase with deep resistance from the affected parties

And similar to our submissions to all previous IPART Pricing rounds, we again highlight the huge inequity in the proposed water usage prices by WaterNSW in 2029-2030 in the Peel Valley of \$154.29/ML, compared to just \$18.54/ML in the Murray Valley. Similar pricing inequities apply to both High Security entitlement and General Security entitlement charges in the Peel Valley relative to other valleys. We will show in this submission, similar to previous submissions, that the proposed price increases are inequitable and onerous.

3. Public Benefit costs incurred by WaterNSW

There are a number of components of the Water Pricing makeup where there is a portion of the costs borne by the water users and a portion of the costs borne by the public through the NSW taxpayer. Over time these costs have escalated in value and the rationale for water users bearing the proportion of costs that has been traditionally carried has reduced.

We think these costs include capital costs related to environmental outcomes for community benefit such as the construction of fish passage structures, the construction of cold water pollution reduction measures.

We also believe that a number of the operational costs around public safety, bushfire protection and weed control are principally for the public benefit, not the water user's benefit and as a result, we believe that the allocation of these costs between the public and the water users need to be revisited

4. Government Costs incurred by WaterNSW

It is important to note that there are a number of government driven costs that are charged to WaterNSW and make up part of the price increases. This seems completely unfair and a case of the government double dipping.

- (i) For instance, the NSW government charges WaterNSW Land Tax for the holdings which surround the structures and dam areas both as part of the catchment and as part of the dam surrounding area. The NSW government does not charge Land Tax on agricultural land so it seems entirely inappropriate that WaterNSW is charged Land Tax for these areas.
- (ii) Water NSW also has to pay a return to the NSW government for the use of the asset based on the Weighted Average Cost of Capital (WACC). The increase in the WACC has added markedly to the costs incurred by WaterNSW yet the assets in question have not changed over the period being considered. This increase in WACC is arbitrary and is not a real cost incurred by NSW government so need not be increased by such a great margin in this review period.
- (iii) Depreciation charges are incurred by WaterNSW based on asset lives that have been determined by the Corporation. There are some inconsistencies in these asset lives which needs to be corrected and there is also some suggestion that the asset lives used need to be reviewed. Dams are long lived assets and have asset lives which are probably far longer than the figure used in the Depreciation schedule. Over the life to date of these assets, we believe that they would have already been depreciated and that the current depreciation schedules are an

opportunistic way of NSW government recouping more from WaterNSW through driving higher pricing proposals.

5. Rationale

On page 24 of the IPART Information Paper, under section 4.2.1 IPART notes that WaterNSW developed 6 key outcomes to guide its service delivery over the next 5 years, and that WaterNSW's first commitment to its customers is "to maintain a downward pressure on costs to support customer affordability".

We disagree that there is any such commitment by WaterNSW when it is proposing increases in the Peel Valley of 338%, 243%, and 347% - on what are already amongst the highest existing charges across NSW. Platitudes such as that quote are meaningless when WaterNSW proposes exorbitant price increases which are the complete antithesis of the spirit of that quote.

On page 2 of the National Water Initiative, Item 3 in the Introduction section states that - "Under the NWI, governments have made commitments to best practice water pricing including to: (v) avoid perverse or unintended pricing outcomes." We respectfully submit to IPART that water users who would be expected to pay either a High Security entitlement charge increase of 338% or a General Security entitlement charge increase of 243% - plus an increase of 347% in their usage charge - would be incurring a "perverse pricing outcome". That is particularly the case for valleys west of the Dividing Range, where the lowest comparative price increases are 109% increase for High Security entitlement, 109% increase for General Security entitlement, and 60% increase for water usage charges. We therefore submit to IPART that the prices being proposed by WaterNSW for the Peel Valley are indeed "perverse" and therefore WaterNSW would be in breach of the terms of the National Water Initiative if the proposed prices were to be implemented.

IPART has been accredited by the ACCC to regulate bulk water prices in rural valleys in NSW. The ACCC's Annual Report contains the following statement:
"To achieve our purpose, we focus our resources on key activities to achieve 7 strategic objectives:

- *Address anti-competitive conduct and promote competition....."*

We submit to IPART that the WaterNSW Base Case pricing option, which proposes the charges as shown later in this section for High Security or General Security Entitlement charges - plus Water Usage charges - is anti-competitive, and it does not promote competition, because it places the Peel Valley at a substantial pricing disadvantage to every other valley in NSW. We therefore further submit that this proposed pricing structure is discriminatory to the Peel Valley, and it fails to meet the first of the ACCC's stated strategic objectives.

It seems clear that the rationale for price increases of this magnitude is not borne out by the framework that the agencies operate under.

6. Inflation

It is noted that any of the proposed pricing proposal increase in annual charges exclude inflation in their numbers.

To reach the real values which will be charges by the agencies, the Consumer Price Index number for the relevant period will need to be added to the whatever price increase is approved.

Over the last five years the inflation rate has been

2020	0.8%
2021	2.9%
2022	6.6%
2023	5.6%
2024 (estimate)	3.4%

And \$100 at the start of the period would be equivalent to \$120.73 at the end of the period. Inflation will account for another 20% rise in general costs which will need to be recouped by producers from extracting higher prices or increasing efficiency in their destination markets.

This sits in the background when the community is looking for lower inflation and governments of all ilks are trying to introduce policies to lower inflation and reduce the cost of living impact on consumers.

While they are doing this, the key agencies in the supply of water for the irrigated production of food, fibre, fodder and speciality crops are driving large inflationary cost increases through the general economy.

While the economy struggled under CPI rises of 6.6% in 2022, these agencies are happily discussing prices rises of around 30% per year for five years with no acknowledgement that there will be a significantly inflationary effect for the water price increases.

Perhaps the point is best made by the Minister who holds both the portfolios for Housing and Water. On November 14, 2024 the Minister said:

“I talk too much about how expensive it is to rent in Sydney. I do. Rent prices in Sydney are not reasonable. What tenants have to pay in rent in Sydney is unreasonable. We have seen it go up double digits in the past few years. When will we get to the point where people pay reasonable rents in Sydney?”

We take the point that double digit rises are unacceptable and in the same vein, ask when we get to a point where the water users in the Peel Valley pay reasonable charges for the water?

7. Use of Rolling Average for Water Usage Calculations

In their pricing proposal, WaterNSW indicate that they are using a twenty year rolling average for calculating the expected average usage volume over the period. This usage

volume becomes the denominator and is used to calculate the future charges. The lower the denominator, the higher the charges.

In the Peel Valley, this impact alone is responsible for a 38% increase in the applicable proposed charges as outlined in Appendix 26 to the WaterNSW Pricing Proposal.

Given the completely arbitrary nature of this methodology and the large impact on charges, we believe it would be entirely reasonable to revisit this particular methodology and review the number of years which are included in the rolling average. Particularly in this case, where the movement of the average in the new 20 year period compared to the previous 20 year period has a large impact.

Our last five years have shown quite low usage, given the extensive drought and the quite wet years that followed.

The rationale behind using a 20 year average usage is to reach a fair baseline figure to calculate the WaterNSW charges, but in this case, changing the rolling average period is exacerbating the increases which are already high.

We suggest the IPART consider increasing the rolling average period to 25 years or using the same figures as have previously been used in the last determination.

8. Pricing Proposal Alternatives

a) Alternatives 1 and 2

Alternatives Pricing Proposals 1 and 2 have been grouped together by the Peel Valley Water Users Association because they deliver the same pricing outcome for the valley. The key differences between Alternative 1 and Alternative 2 relate to their treatment of project and capital costs in other valleys.

These Alternative Pricing Proposal have been developed by WaterNSW as an alternative to the Base Case because of the obvious lack of public support that the base case encountered in the consultation period.

One of the first areas that is addressed in the Alternative Pricing Proposals is the balance of cost shared between the water users and the public.

In the Alternatives, the costs associated with dam safety compliance and environmental planning and protection have had their allocations changed. In both these the level of payment by the water users has been reduced from 80% to 50%. . The paper also notes that these will be reviewed in the future.

It is our view that even the 50% being proposed is too high for the proportion of costs which should be borne by the water users. If the water users were to stop using any irrigation water, the public would still need the confidence that the dams are safe and the environmental planning and protection requirements have been met. In fact, any dam

failure would have huge catastrophic impact on the valley below including on towns and public infrastructure.

A more realistic cost sharing would be where the public paid 70% and the water users paid 30%.

The second area which the Alternative Pricing Proposals address is the expected life of the digital assets. Using a more realistic view, they have calculated the impact of increasing the life of these assets to 7 years. At the same time, there is no attempt to review the asset life of the major assets, the dams and associated infrastructure in the calculation of costs

Thirdly, they have realised that there is considerable impact in the construction of environmental assets which bring no benefit to the water users and they have removed these costs from their calculations.

Most importantly, the Alternatives 1 and 2 offer an annual price increase cap of 15%. This is some recognition that the proposal to increase prices by 30% per annum is completely unacceptable to the water users and seen to be excessive by the public.

These Alternative Pricing Proposals also have a contribution by the NSW Government in allowing the proposal to carry a deficit forward into the next pricing proposal in the order of \$60M.

From this point of view, the Peel Valley Water Users agrees completely with the WaterNSW observations about the areas which need adjustment in the cost calculations and the necessity of a contribution by NSW government. Where we differ is in the scale of these numbers.

The 15% increase per year outlined in Alternatives 1 and 2, seems to be still much too high and would add to the hardship of our water user members. Doubling the price of water over the 5 year period of the pricing proposal, would add significantly to the costs of the produce in the market and would add to inflation.

b) Alternative 3

Alternative 3 is a slightly different approach which concentrates on regional pricing. This may have some considerable benefit for the efficiency of managing the water NSW assets as management units are currently based in north and south regions and the proposal is to manage capital and operational expenditure by each region rather than on a valley by valley basis.

Whilst we are very interested in this proposal, the figure proposed mean that almost all the Peel Valley water users will be worse off unless they are using over 60% of their water allocation. Considering that in the Peel Valley, the General Security entitlement is nearly 30,000ML and the Long term Average Annual Extraction Limit is only 6,100ML, this seems highly unlikely.

Our calculations show that a water user who is not using his entitlement will be charged \$32.95/ML for WaterNSW charges at the end of the pricing period versus \$10.44/ML currently, an increase of over 215%.

For an irrigator using 25% of their water the increase is 138%, someone using 50% has an increase of 109% and only when the usage reaches 75% does the increase fall below the other Alternatives at 93%.

This very high carrying cost for water licences may have unintended consequences. Any move of water out of the Peel Valley to the Namoi valley would only exacerbate the issue by reducing the number of megalitres over which any charges can be calculated, thus further driving up the per megalitre cost.

We therefore ask that IPART review the allocation of costs between fixed and variable pricing for the Peel valley in Alternative 3 and note that we would not support this proposal, despite the potential for cost efficiencies, because of the unfair increases for water users in our valley.

9. National Water Initiative and Non-Urban Metering Review

IPART will already be aware that the National Water Initiative is currently under review and that a New National Water Agreement will be released in 2025. Similarly, IPART will be aware that the NSW non-urban metering system is undergoing a review with significant changes expected to be announced in early 2025.

As both reviews may have considerable ramifications for water users, what provisions has IPART made to deal with any price changes for water users that may be required as a result of these reviews?

10. Environmental Water

WaterNSW are proposing in this Pricing Proposal to move the large Environmental water allocations to a regime of 100% fixed cost after previously having a combination of fixed and variable costs making up their charges. There was not much discussion of this in the consultation process and very little investigation of the impacts of this move on the other water users.

However, it would seem that moving the larger water users or allocation holders such as the Commonwealth Environmental Water Holder or the State government's planned water holding in the Peel onto a fixed cost regime may have some consequences in the usage patterns.

Any cost associated with the usage does tend to encourage the circumspect usage of the water involved and completely removing any consideration of the costs of using water may encourage environmental water users to use their water even if the environmental benefits are negligible.

In an environment where water conservation is important in the Peel because of the pressure on the long term water supply for the citizens of Tamworth, this does not seem the right outcome.

We understand that this would smooth out the revenues for WaterNSW and possibly ensure that the revenue is higher in low water years, thus taking the pressure off the other water users, but of itself, it seems possible that the policy would drive some unexpected outcomes.

11. Answers to Questions Posed by IPART Discussion Paper

Question 1

How will WAMC's proposed prices impact customers?

PVWUA response: We disagree with the WAMC comments that a 15% annual increase won't cause bill shocks – on the contrary, a 15% annual increase which doubles the existing charges over the forthcoming review period will cause severe consequences in the Peel Valley – please see our response to specific issues in our submission.

Question 2

What factors should we consider so that prices we set for WAMC are appropriate for different customer types? How well has WAMC considered these factors in the development of its proposal?

PVWUA response: We recommend that IPART sets water prices that are affordable and equitable across NSW. The prices proposed by WAMC and WaterNSW are neither affordable nor equitable for the Peel Valley. We also recommend that IPART focusses attention on the WAMC cost structures – there appears to be an unconstrained desire by these entities to massively increase spending at every IPART review.

Question 3

Do the proposed 2.5% and 15% caps on prices strike the right balance between cost recovery and impacts on customers?

PVWUA response: As in the previous answer - We disagree with the WAMC comments that a 15% annual increase won't cause bill shocks – on the contrary, a 15% annual increase which doubles the existing charges over the forthcoming review period will cause severe consequences in the Peel Valley – please see our response to specific issues in our submission.

Question 4

What do you think about WAMC's engagement process? Do you think that WAMC has engaged effectively with customers and stakeholders?

PVWUA response: The WAMC consultation process walked through many of the proposed areas of expenditure but failed to present a coherent overall proposed increase by which the various components of the cost could be assessed. Even more fundamentally flawed is the concept of asking people who have no financial interest in meeting WAMC costs, how much expenditure should be incurred.

Question 5

Did WAMC's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?

PVWUA response: The WAMC consultation process outlined the current costs and discussed them one by one without providing a view of what would be a satisfactory overall increase and working back from there. The second method provides a much more disciplined approach to overall cost increases. Furthermore, the process included stakeholders who had little direct financial involvement in meeting the costs of the WAMC budget which did little to improve the process.

Question 6

Did WAMC consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?

PVWUA response: We are not able to comment on behalf of Aboriginal peoples and communities. However, we note that the Tamworth Aboriginal Land Council hold water licences in the Peel Valley in the region below Tamworth, so implementing the .

Question 7

Are WAMC's customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?

PVWUA response: The ambitions expressed by WAMC fail to align with their actions in proposing excessive cost increases

Question 8

Does WAMC's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?

PVWUA response: Customers are very unwilling to pay increases of 15% plus CPI so possibly 18-20% annually for the services provided by WAMC

Question 9

How would the proposed metering charges affect you?

PVWUA response: In the Peel, proposed metering changes have already imposed punitive costs of around \$6000-\$12000 per site and considering the smaller licences and the low risk of water theft, the costs already seem inappropriately high. The Non-urban metering review has made some finding and recommendations, which if enacted, will help in some cases, but the whole metering project has been very poorly conceived and managed and reflected an absolute disregard for particular consequences of poorly drafted legislation. Additionally the technology which was selected had not been adequately tested for use in adverse conditions or for robustness under the proposed operating conditions and as a result, has had some significant problems.

Question 10

How would the proposed consent charges affect you?

PVWUA response: No comment as we believe this is under review.

Question 11

What are your views on WAMC's proposal to largely maintain the current cost share ratios? The exception is regional planning and management strategies, where WAMC has proposed reducing the customer share from 65% to 50%.

PVWUA response: We would support a complete review of all cost share ratios, provided that water user participation was involved in the review, and we consider that there is justification for increasing the Government share for a number of activities. The Water Users believe that the current share being paid by the Water Users is far above the correct level, considering the community involvement in the process.

Question 12

Is there any new information about WAMC's activities we should take into account when setting cost shares? For example, are there changes to:

- Who is causing the need to undertake an activity?
- Who is benefiting from an activity?
- The scope of an activity?

PVWUA response: We recommend that a thorough independent review of activities performed by WAMC should be undertaken, with a full justification of the need for the activity and the costs thereof. There needs to be a more effective check on a monopoly which is proposing to double most charges for water in the Peel Valley over the forthcoming review period, plus inflation, and at the same time massively increasing existing supplementary charges, and also introducing several substantial new supplementary charges.

Question 13

How will WaterNSW's proposed prices impact customers?

PVWUA Response: At this stage we do not know what WaterNSW's proposed prices are for the Peel Valley. We completely reject the pricing structure under the Base Case scenario, and we sincerely hope that IPART will not approve the Base Case pricing option. Increase proposed under the base case will have a disastrous effect on the local irrigation industry, driving many participant out of the industry and incentivising the transfer of water out of the valley, exacerbating the price pressures on those that remain. Regarding the Alternative Scenarios 1,2, and 3, despite these proposed increases being less than the Base Cost Price Reflective proposal, is still fundamentally unfair and excessive as outlined in our detailed comments under the respective headings in our submission.

Question 14

What factors should we consider so that prices we set for WaterNSW are appropriate for different customer types? How well has WaterNSW considered these factors in the development of its proposal?

PVWUA response: We recommend that IPART sets water prices that are affordable and equitable across NSW. The prices proposed by WaterNSW are neither affordable nor equitable for the Peel Valley. The submission lists a number of factors which should be considered and we believe that despite WaterNSW considering these factors individually, they have not been properly considered together to produce a reasonable pricing proposal.

Question 15

What do you think about WaterNSW's engagement process? Do you think WaterNSW has engaged effectively with customers and stakeholders?

PVWUA response: The engagement process was very lengthy, and probably very expensive, but at least it was an attempt to consult with water users. The process was less than satisfactory, for the following reasons:

- There was minimal timely documentation following each meeting, such as formal minutes or notes summarising the topics discussed, a summary of major outcomes, or similar.
- The number of non-stakeholder attendees generally outnumbered the stakeholders at the meetings, so the outcomes were skewed in favour of the non-stakeholders who had no financial involvement in the issues under consideration.
- In the Peel Valley, the largest entitlement holder, and largest water user (Tamworth Regional Council) did not participate in the consultation process. Whether TRC held their own separate private meetings with WaterNSW is not known to us.
- The engagement process never delivered WaterNSW's proposed pricing in the Base Case to water users, nor any of the Alternative Scenarios 1,2, and 3. Therefore, after a very lengthy engagement process, water users were no better informed on proposed pricing at the end of the process than they were at the beginning. The extensive consultation considered many aspects of the build up of the pricing proposal but the actual Base Case Cost Reflective pricing proposal and the Alternatives 1, 2 and 3 were not tabled before being submitted to IPART. In essence the consultation did not allow any discussion of the crucial part of the submission, the actual proposed pricing!

Question 16

Did WaterNSW's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?

PVWUA response: The level of content was generally acceptable during the consultation process, apart from the fact that the key element – namely the proposed prices – was missing. Regarding stakeholder participation, please see the above answer to Question 15.

Question 17

Did WaterNSW consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?

PVWUA response: We are not able to comment on behalf of Aboriginal peoples but we note that the Tamworth Aboriginal Land Council owns water licences in the Peel Valley.

Question 18

Are the WaterNSW customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?

PVWUA response: If this question about customer outcomes includes fixed and variable water charges, then we would suggest that WaterNSW's proposed fixed and variable water charges in the Peel Valley are excessive, very inappropriate, and we trust that IPART will determine that they are not achievable. If stakeholders in the Peel Valley had been given the opportunity to discuss the proposed prices in the Base Case, and Alternative Scenarios 1,2 and 3 during the consultation sessions, we would have made this point loud and clear to WaterNSW.

Question 19

Does WaterNSW's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?

PVWUA response: The WaterNSW Base Case option is totally unacceptable for the Peel Valley. We are not authorised to comment on behalf of the biggest water user in the valley, namely Tamworth Regional Council, and we expect that they will lodge their own submission. TRC is in a different situation to the irrigators in the valley, because TRC can simply pass on the increased charges to ratepayers. Irrigators, however, cannot pass on the costs, because they are competing in a market where adjoining valleys pay less for water, and therefore have a government-supported advantage. Other producers in the Peel Valley (such as dairies) are locked into fixed price contracts for their products and would be severely impacted by the proposed increases. The irrigation industry in the Peel Valley rejects the Base Case proposal. Regarding the alternative pricing scenarios proposed by WaterNSW, despite these proposing a lower level of price increase, we still contend that the increase is excessive and unreasonable and please see our comments under those headings earlier in our submission.

Question 20

Would you prefer prices to remain stable over the determination period or do you support WaterNSW's proposal for a revenue cap where prices adjust by up to 5% per year in response to changes in water sales?

PVWUA response: This question is somewhat theoretical for the Peel Valley – “where prices adjust by up to 5%” - seriously? The Peel Valley is again facing enormous, proposed price increases – of 338%, 243% and 347%, (before inflation), so the question whether “prices adjust by up to 5%” is totally illusory.

Question 21

If you are a Licenced Environmental Water holder or Lachlan Valley customer, how will the proposed changes to price structures affect you?

PVWUA response: Not applicable

Question 22

What are your views on WaterNSW's proposal to maintain the current cost share ratios? What do you think of the alternative options provided that could increase the Government share for some activities?

PVWUA response: We would support a complete review of all cost share ratios, provided that water user participation was involved in the review, and we consider that there is justification for increasing the Government share for a number of activities.

Question 23

Is there any new information about WaterNSW's activities we should take into account when setting cost shares? For example, are there changes to:

- Who is causing the need to undertake an activity?
- Who is benefiting from an activity?
- The scope of an activity?

PVWUA response: We consider that a thorough independent review of activities performed by WaterNSW should be undertaken, with a full justification of the need for the activity and the costs thereof. There needs to be a more effective check on a monopoly which is proposing price increases of 338%, 243% and 347% in the Peel Valley, plus inflation, and plus additional charges over the forthcoming review period.