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IPART Annual Review of Water NSW's Rural Bulk Water Regulated Charges in the Murray-Darling Basin and Fish River for 2020-21

Dear Review Team,

The NSW Irrigators' Council (NSWIC) is the peak body representing the irrigation farming industry with over 12,000 water access licence holders who access regulated, unregulated and groundwater systems in NSW. The Council is an apolitical entity that engages in advocacy and policy development on behalf of all our stakeholders.

We welcome the Draft Report for the Annual Review of Water NSW's Rural Bulk Water Regulated Charges in the MDB and Fish River for 2020-21. We appreciate the opportunity for NSWIC to contribute towards a robust and dynamic water pricing regime that is fair for all productive water-users in NSW.

NSWIC supports IPART's draft decision to apply a Consumer Price Index (CPI) increase only to water charges in 2020/21. NSWIC also considers the volatility allowance introduced by IPART in 2017 mitigates, to a large extent, the impact of lower water deliveries on WaterNSW revenue.

This letter provides our comments on some specific issues within the Draft Report below.

Sections 1.2 and 3.3: Merit in applying discretion to updating prices at each annual review

NSWIC agrees with IPART's recommendation that there is merit in continuing to apply discretion to each annual price review, rather than simply adopting a formulaic approach as suggested by WaterNSW. We support this because it allows the assessment to be based on the available evidence that is relevant to the factors impacting forecast water deliveries (change in consumption forecast, and price stability). This approach is practical, adaptable and transparent, and is therefore preferable to a formula which may not be flexible enough to take account of unexpected changes to factors that are likely to impact future volumes delivered.

With regard to the question posed in Section 3.3 about what a more formula-driven approach to updating prices may look like, NSWIC finds it difficult to make in-depth comments when WaterNSW has not provided any details about how the proposed formulaic approach would operate. It is not appropriate to adopt a new approach unless WaterNSW can provide clarity about what inputs go into the 'formula' and how the calculation that follows will be

implemented. It is therefore necessary that WaterNSW provides information on the inputs that would go into the formula, allowing its performance to be tested and impacts evaluated. The proposed formulaic approach is likely to restrain IPART's future flexibility.

Sections 2.5.1 and 3.2: Whether changes in water usage represent a sustained shift in demand

We agree with the conclusion reached by IPART that both allocations and usage have declined over this Determination period, and that these declines have been driven by the reduced rainfall due to the severe drought throughout much of NSW. Reduced usage due to low water availability, therefore, does not indicate a sustained shift in demand that would lead to higher charges. We share IPART's concerns that annual changes to prices would "impose risks and costs on customers through higher price volatility and uncertainty" (page 6 – 7).¹

We acknowledge that a change in Water NSW's efficient costs (page 8) may put pressure on prices independent of a sustained shift in demand, but do not consider information on this factor is sufficient to affect the pricing decision at this point.

Section 3.2.1 Actual and forecast deliveries

We agree with the conclusion by IPART that the severe and prolonged drought conditions appear to be easing. The latest Bureau of Meteorology seasonal forecast suggests that rainfall in coming months is likely to be higher than the long-term median rainfall across most of south-eastern Australia, where there is over 75% chance of receiving between 25 and 200 mm.² This translates to encouraging inflow to dams and storages, which will see between 150 and 350 GL into Hume Dam by the end of the current water-year in June.³

In conclusion, NSWIC endorses IPART's finding that there is no evidence of sustained shift in demand, and that both demand and usage are likely to increase as water availability rises with rainfall in the next water-year (2020-21). We therefore support IPART's decision that the WaterNSW charges to apply in 2020/21 are as set out in the 2017 Determination for 2020-21, allowing only for the change in CPI.

NSWIC looks forward to contributing further comments when IPART undertakes its comprehensive review of WaterNSW proposed prices, currently scheduled to commence in 2020.

Yours faithfully,



Luke Simpkins
CEO

¹ Draft IPART report Water NSW Annual review of rural bulk water charges for 2020-21 (www.ipart.nsw.gov.au)

² <http://www.bom.gov.au/climate/outlooks/#/rainfall/climatology/seasonal/1>

³ <http://www.bom.gov.au/water/ssf/>