

INQUIRY INTO WATER AUGMENTATION

Organisation: Tamworth Regional Council

Date received: 1 August 2016

The Director – General
Purpose Standing Committee No 5
Legislative Council
NSW Parliament
Macquarie Street
SYDNEY NSW 2000

Dear Sir

SUBMISSION - INQUIRY INTO WATER AUGMENTATION IN RURAL AND REGIONAL NEW SOUTH WALES

Ref: BL/709

On behalf of Tamworth Regional Council thank you for the opportunity to provide comments on the NSW Legislative Councils' Inquiry into water augmentation in rural and regional New South Wales Council's submission follows.

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

Yours faithfully

Bruce Logan
Director Water and Waste

1 August 2016



Tamworth Regional Council

Response to NSW Legislative Council's

**Inquiry into water augmentation in rural and regional
New South Wales**

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1 Introduction

With reference to the terms of reference of this inquiry this submission from Tamworth Regional Council will concentrate on item (f) only.

f) examine social, economic and environmental aspects of water management practices in New South Wales and international jurisdictions, including the following case studies:

- i. Broken Hill town water supply/Menindee Lakes system
- ii. South Western NSW water management practices
- iii. North Western NSW water management practices

2 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)

			Peel				
Year	Ave Annual Usage ML's	Ent. ML's	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

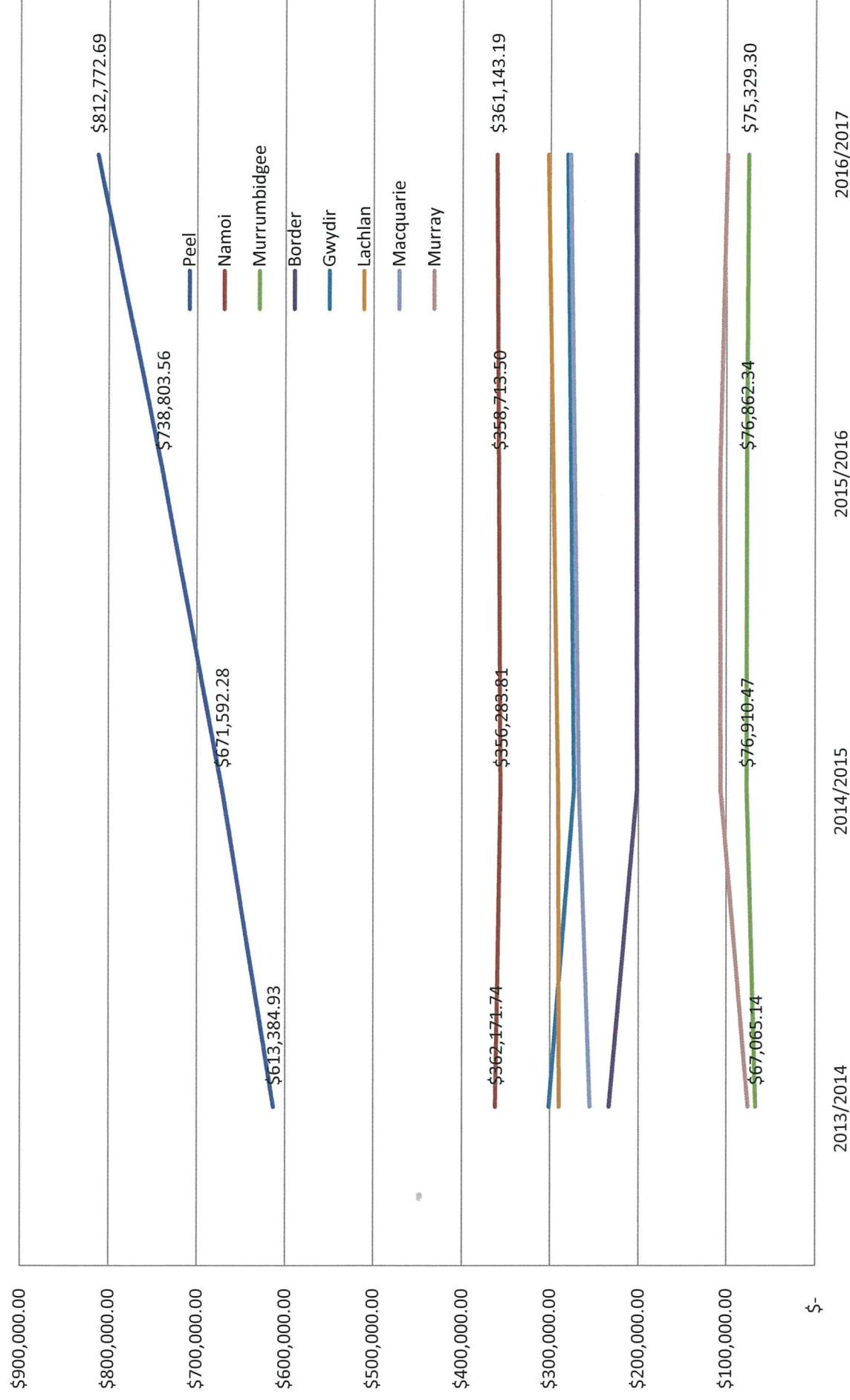
If it was possible to move the population of Tamworth to another centre within the Murray Darling Basin and access this quantity of water from the rivers in that location the cost of the same quantity of water in 2016-17 is shown in the table below and graphically on the following page.

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
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The table shows that it costs $\frac{1}{2}$ as much to access the same quantity of water in the Namoi as compared to the Peel and $\frac{1}{10}$ 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.

However to date and both IPART and the Australian Competition and Consumer Commission have repeatedly indicated there is no need for postage stamp pricing in NSW and successive State Governments have talked a lot about the issue of extraordinarily high raw water costs in the Peel but so far have done nothing to actually address the matter.

3 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 inefficiency's 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.

4 Are we being consistent?

The NSW Independent Pricing and Regulatory Tribunal (IPART), has recently handed down its recommendations on the charges of monopoly service provider, 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 proposed a single meter charge for any meter reading west of the Great Dividing Range in NSW.

Council forwarded a submission to IPART on this issue indicating its 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 and 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 IPART and the State Government believes 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.

5 Conclusion

Whatever other findings are eventually handed down by this Committee, Council urges the Committee to address the huge disparity in pricing for bulk raw water across the state of NSW. The economic issues associated with the continuation of present pricing practises are evident as more and more irrigation farmers in the Peel valley are forced out of business by extraordinary high prices and Tamworth City itself risks becoming less attractive to investment because of the high cost of treated water, which, in part, is due to prices paid to State Government agencies to provide that water.