



Mr Sebastian Roberts  
General Manager - Water Branch  
ACCC  
GPO Box 520  
MELBOURNE VIC 3001

Dear Mr Roberts

### **ACCC Draft Decision on State Water Pricing Application: 2014–15 — 2016–17**

The Commonwealth Environmental Water Office (CEWO) makes the following submission in response to the *Australian Competition and Consumer Commission (ACCC) Draft Decision on State Water Pricing Application: 2014–15 — 2016–17*. The Commonwealth is a large customer of State Water Corporation (SWC). As at 31 March 2014, the Commonwealth environmental water holdings included 919 GL of regulated entitlements managed through SWC, with an average annual yield of 562 GL. In 2012–13, the Commonwealth paid SWC \$6.9 million for entitlement and usage charges either directly or through water corporations and environmental water delivery partners.

The Commonwealth is committed to the promotion of tariff structures which send clear signals on the real cost of services provided by water authorities to their customers, and we endorse the ACCC's decision to *determine charges that reflects an efficient level of cost and the principle of valley based cost reflective pricing*. However, we consider that the draft proposals relating to new metering charges for “environmental” gauging stations; and the bulk water charges for the Lowbidgee valley, is not in keeping with the intent of the ACCC's decision, and is an attempt to cost-shift onto environmental water holders, which is inappropriate.

#### Hydrometric gauging station charges for environmental water holders

The CEWO considers that the ACCC have ignored the issues raised in our September 2013 submission to the ACCC on the SWC 2014–17 pricing application.

The SWC pricing application presumes that the 23 identified gauging stations to which Commonwealth environmental licences are now linked exist only for environmental water delivery purposes. On this basis, it is proposed that the full cost of hydrometric monitoring at these sites should be passed through to the Commonwealth in the form of a fixed metering charge. However, and as acknowledged by SWC in their June 2013 pricing application to the ACCC, these gauging stations form part of SWC's existing metering network and were set up as a foundation for all customers—they were not constructed to provide additional services for environmental use. Further to this, were environmental water delivery to cease,



there is no evidence to suggest that SWC would no longer require these gauging stations to meet their obligations to monitor instream flows for all customers and support broader reporting requirements, including those under the Murray-Darling Basin Plan.

The Commonwealth is committed to the promotion of cost recovery principles in the application of tariffs and the principle that those costs should reflect the services provided to the customer. As with all other entitlement holders, the fees and charges payable by the Commonwealth contributes to funding the entire network of hydrometric gauging stations managed by the NSW Office of Water on behalf of SWC, including those not directly used to account for the delivery of Commonwealth environmental water. On this basis, the CEWO contends that passing on the full annual cost of \$19,578 per gauging station (adjusted annually for inflation) for the management and maintenance of this infrastructure is excessive and does not reflect pricing for service principles. In comparison, the ACCC have proposed that extractive customers contribute an annual metering service charge of no more than \$3,591 for the use of government funded in-channel meters, which provide a comparative service for irrigators (refer *Attachments to ACCC Draft Decision on State Water Pricing Application: 2014-15 – 2016-17, Table 9-2, p.228*).

Further to the above, despite the proposal for environmental water holders to pay for all of the costs associated with the gauging stations that we are currently utilising, but that others are not, there is no reciprocal arrangement for environmental water holders to not pay for gauging stations that are not currently being used to deliver environmental water.

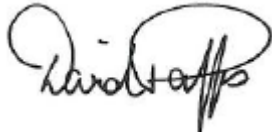
#### Lowbidgee valley fees and charges

The CEWO notes that the revenue raised through the proposed Lowbidgee supplementary entitlement charges recovers 100 per cent of the revenue requirements for the Lowbidgee area of the Murrumbidgee catchment (refer *Attachments to ACCC Draft Decision on State Water Pricing Application: 2014–15 — 2016–17, Table 8-2, p.198*). The draft decision also states that any revenue raised through the delivery of allocation from these entitlements are in excess of the revenue requirements for the Murrumbidgee catchment (refer *Attachments to ACCC Draft Decision on State Water Pricing Application: 2014–15 — 2016–17, s.8.5.3, pp.220-221*).

The potential use fees for the delivery of water from the Commonwealth's Lowbidgee entitlement are significant. Based on the proposed Lowbidgee 2014–15 usage rate of \$3.38/ML, the Commonwealth would be liable to pay SWC in the order of \$1.29 million should the full volume of 381,000 ML of supplementary allocation be delivered. As these fees are in excess of the revenue requirement for the Murrumbidgee catchment, the ACCC proposes that they be retained in an 'unders and overs' account and be used to cross-subsidise fees and charges for other Murrumbidgee entitlement holders in subsequent years. We believe this proposal discriminates against Lowbidgee entitlement holders and contradicts the principle of valley based cost reflective pricing. If the entitlement charges cover 100 per cent of revenue requirements for the Lowbidgee, there is no justification for charging additional use fees for the delivery of water against these licences.

If clarification or further information is needed with respect to this submission, please contact me on (02) 6275 9245.

Yours sincerely

A handwritten signature in black ink, appearing to read "David Papps". The signature is stylized with a large initial 'D' and a cursive 'P'.

David Papps  
Commonwealth Environmental Water Holder

17 April 2014