Submission to the ACCC Draft Advice

18th February 2016

Environmental Water Holder

In Section 3.3.4 of the Goulburn- Murray Water, water plan 4 document, this statement is printed;

"**The key issue for environmental water holders was the pricing arrangements. These pricing issues primarily relate to the delivery of water and they continue to be considered, including through a process being facilitated by the Department of Environment, Land, Water and Planning."**

In Section 11.12 of the GMW water plan 4 documents the statement is made,

"GMW is proposing to retain its current approach to charging Environmental Water Holders in the Price Review 2016 period. This approach comprises (dot point 3**) – A supply arrangement has been put in place which means the Victorian Environmental Water Holder (which delivers water to Victorian sites for the Commonwealth Water Holder and Murray-Darling Basin Authority) pays an Infrastructure Access Fee based on a delivery share equivalent approach (i.e. the ML of water to be delivered is converted to an equivalent delivery share)."**

There is no reference to a new 'equivalent delivery share' which can be accessed by all customers in the Schedule of Charges from GMW for the 2015-16 year. In this case the environmental water user does not pay the same as irrigators for their water delivered through the IIO delivery system.

The comments in the ACCC Draft Plan for Water Charge Infrastructure Rules 2010 page 64 titled ' The purpose for which water has been or will be used by a customer, and dealings with location related rights', that "environmental water users should pay the same infrastructure charges, not more and not less", this comment has not been adhered to by GMW .

Casual Usage Charge

Rule advice 5-B Note: these provisions should not remove the requirement for a person to hold delivery right if they are to have water delivered to them by an infrastructure operator without incurring higher charges (e.g. casual usage charges).

On Pages 64 and 65 of the Draft Advice, details of the intent that the rule 5-B should not prevent an operator from having casual use charges available. The discussion of the casual use charge was not explored further in the ACCC Draft Plan to understand what impacts casual usage charges have and whether the casual usage charge is compliant with the Objectives of the Water Act. As noted in the ACCC Draft Advice Peter Beex's submission in the Issue Paper called for the removal of the casual use charge.

Rule advice 5-B is unclear with the casual usage charges added in brackets to the note. Without the note regarding the casual usage charges (the second note) the intent of Rule Advice 5-B is clear with all the intent of the rule.

This leads to the discussion of an acceptable use of the casual usage charge and does it comply with the Basin Water Charging Objectives. Should a customer be allowed to use only delivery shares - delivery rights purchased/owned to deliver water, or should the customer be allowed casual usage for the entire water delivered at the discretion of the IO/IIO (Rule Advice 5C should prohibit this with note 1) or should there be a mix of delivery shares and casual use. GMW has a mix of fixed charges (IAF) to variable charges (IUF) ratio of 90-10. Should 10% be the maximum allowable casual use amount?

The multiple applied in the TNAC rule states that a multiple of up to 10x the water delivery right for calculation of termination charges. This gives the effect that the TNAC charge is set in a consistent way across the MDB but not a consistent charge amount compliant to the Basin Water Charging Objectives. However the casual usage charge is set with various multiples across the MDB and is not consistent in charging multiples.

At what point does the charge represent the actual cost of infrastructure usage. If the charge is set at five times the Infrastructure Access Fee (IAF) that will possibly cover the costs for five years within the network. However the five times rule would not account for charge increases during the following years and would not represent the amount payable if the amounts were charged at the price each year of the five years as would be the case for delivery share holders.

The casual usage fee is at odds with the Basin Water Charging Objective (d) to give the effect to the principle of user-pays. It is not determined at which point does the casual usage charge irrigator cross the line from under paying to over paying. It is also at odds with Rule 5-C (a) 'The purpose for which water has been, is, or will be, used;' as the casual usage charge favours a class of operator who requires water less frequently, an environmental water holder who needs to water a forest area every five- ten years, to a horticulturalist who requires water every year.

The Rule Advice 6-E. The IIO has the option of providing a trading platform for delivery shares.

The trade of delivery right is discussed on page 192 of the Draft Advise for the intent of how IIO's should have a trading platform. Rule Advice 6-E sets that IIO's who fail to have a trading platform for delivery shares is penalised to 1x the IAF charge for termination/surrender as opposed to 10x if the IIO has a trading platform.

However if the IIO, at their discretion, decides to encourage the casual usage fee in preference or greater flexibility than to customers trading delivery shares (either purchasing/selling or making payment when selling delivery shares) in fact they have created a complimentary platform in opposition to the delivery share trading platform. This will give the effect that the 1x rule will have little consequence in encouraging the trade of delivery shares on the trading platform as these delivery shares will be less required as irrigators may choose casual use option. The casual usage charge is also at odds with the Basin Water Charge Objective (c) to facilitate the efficient functioning of water markets. The casual use charge will make the delivery shares trade less efficient as there will be less delivery shares traded on this platform then would be the case if irrigators had to procure delivery shares to fulfil their water overuse through the delivery network.

	Delivery Shares	Water Delivered 2013-14 ML	Ratio of D/S to Water Delivered
Murray Valley	2632	223945	3.17
Shepparton Central	1778	127290	2.09
Goulburn	3815	318699	3.23
Rochester	1910	164500	3.13
Loddon Valley	2056	166097	3.34
Torrumbarry	2867	348288	2.22

Table 1

Table 1 above shows the delivery shares held in the GMID and the corresponding usage in 2013-14. The column on the right shows the ratio of volumes of water deliverable with delivery shares to the actual delivered water. Murray Valley has 3.17 more delivery share capacity then what is required to supply 223945 ML of water. All the other districts are also overburdened with delivery shares.

Location	Casual Usage Charge	Infrastructure Access Fee	IAF per ML	Ratio of CUC to IAF
Shepparton Central	$ 76.15	$ 4,454.00	$ 29.69	2.56
Goulburn	$ 55.85	$ 3,290.00	$ 12.19	4.58
Rochester	$ 50.50	$ 2,933.00	$ 10.86	4.65
Campaspe	$ 49.65	$ 2,714.00	$ 10.05	4.94
Loddon Valley	$ 57.61	$ 3,332.00	$ 12.34	4.67
Murray Valley	$ 52.12	$ 3,069.00	$ 11.37	4.59
Torrumbarry	$ 54.08	$ 3,131.00	$ 11.60	4.66

Table 2 Relationship of casual usage to Infrastructure Access Fees within the GMID

Column 1 shows the districts within the GMW irrigation districts

Column 2 shows the casual usage charge payable per ML of water used within the irrigator's district above their water right/ delivery share.

Column 3 shows the IAF payable per delivery share held by an irrigator.

Column 4 shows the cost of 1 ML of water delivered within the irrigator's delivery share. That is the allowable ML's of water that can be used per delivery share divided into the annual IAF amount payable. Note that for the GMID, except Shepparton, 270ML are able to be delivered into the irrigators system per delivery share held. Shepparton is allowed 150ML for every delivery share held.

Column 5 is the multiple for IAF payable for each ML of water delivered into the irrigator's network divided into the casual usage charge. Note that the multiples are varied with Shepparton having only 2.56 times the IAF per ML charged rate where Murray Valley has 4.59 times the IAF charged rate.

From table 2 it can be demonstrated that there is no relationship between casual usage charge and the IAF. The Infrastructure Access Fee is used for the cost of maintaining infrastructure. The casual usage fee is a 100% variable charge for a 100% fixed cost. There is no calculation to determine when the user pay determination would be for the casual usage charge and as shown the multiples are varied numbers and are not consistent with the BWCOP.

Rule 5-B is abundantly clear without the inclusion of casual use charges.

Holders who have delivery shares must pay the IAF yearly, for GMW there are four instalments for the fixed charge starting in October, November, January and February. However the casual usage fee is a variable charge and is charged for usage from August to March payable in April and then a second bill payable in June for the remainder of use from April and May.

As stated above the inclusion of casual usage charges in Rule 5-B is opposed to the Water Charging Objectives (c) and (d).

Casual Usage Fee is also misleading when added to Rule advice 5-B, 5-C and diminishes the intent of Rule 6-E.

Yours sincerely,

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Cobram