

Submission to the Australian Competition and Consumer Commission (ACCC)

Review of the Water Charge Rules

The MDBA welcomes the opportunity to make a submission in response to the ACCC's Draft Advice on its Review of the Water Charge Rules. This submission builds on the earlier advice provided by the MDBA to the ACCC in June 2015.

This submission outlines MDBA's position on 2 issues:

1. The need for independent and regular reviews of the cost of River Murray Operations (RMO) including improving transparency in how States recover costs to meet their RMO contributions.
2. MDBA support for changes to water charge rules that facilitate efficient water markets.

1. RMO efficiency reviews and greater transparency around State cost recovery are needed

The MDBA manages and operates River Murray assets on behalf of the Commonwealth, NSW, Victoria and South Australia to ensure the delivery of bulk water to States as agreed under the Murray-Darling Basin Agreement. The annual budget for RMO is determined by the Ministerial Council each year based on advice from States in relation to recommended construction, operation and maintenance activities for the upcoming year.

Although the ongoing running costs of RMO were estimated to be between \$72 million (lower bound) and \$230 million (upper bound) in 2014/15 the Ministerial Council set the RMO budget at only \$55 million, with the 2015-16 budget set at \$61 million. A similar shortfall has occurred each of the past four years. These significant shortfalls between the efficient operation and maintenance costs and revenue collected has primarily been managed by deferring asset renewal and maintenance expenditure. This approach builds the asset risk profile and if maintained over an extended period will ultimately compromise the ability of assets to meet service requirements with consequential impacts to water users and potentially, public safety.

In addition, the MDBA is concerned that the uncertainty of this year-to-year funding approach will eventually result in higher costs to water users as long-term planning is compromised and program delivery is made more difficult and inefficient.

The MDBA is of the view that RMO should be subject to the same tests for efficiency and prudence that apply to other infrastructure providers under the Water Charge and Infrastructure Rules. Indeed, this was the Commonwealth Government's intention in legislating these rules.

Although possibly outside the direct scope of this ACCC Review (as the MDBA does not impose charges directly on users) the MDBA would appreciate the ACCC's views on the merits of the ACCC or some other body providing independent advice to the joint governments on the efficient costs of RMO services. This advice could take the form of a regulatory decision or simply as advice for the respective governments to consider. The MDBA considers that such a role would allow water users to have a clearer understanding of costs and cost recovery approaches as intended under the Water Act.

2. MDBA support for changes to water charge rules that facilitate efficient water markets
The MDBA supports changes to water charge rules that facilitate efficient water markets. This includes rule changes that remove discriminatory charging on the basis of water being traded. Given the MDBA's role as regulator of the Basin Plan's water trading rules and our focus on rules that improve market information and efficiency, the MDBA supports the ACCC's Recommendations 8A and 8B in relation to improving information about water prices and tradeable water rights.

Thank you for the opportunity to provide a submission to your review.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'James', written in dark ink.

Russell James
Executive Director
Policy and Planning
Murray-Darling Basin Authority

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