

SUBMISSION TO THE ACCC-

OBJECTION TO THE DRAFT DECISION FROM THE ACCC TO INCREASE PEEL VALLEY REGULATED WATER USAGE CHARGE.

DATE: Monday 14th April, 2014.

We are a dairy farming family on the Peel River at Hallsville Tamworth, NSW we milk 210 cows and primary production is our life. If the ACCC choose to go forward with this pricing increase it will well and truly put more financial strain on our business then we can afford. We will have no choice other than to close up business. We firmly believe that water pricing should be the same throughout the whole of NSW.

The following comments relate to impediments that have been imposed by Governments on the irrigation industry in the area surrounding Tamworth. The impediments fall into two main categories, and they both clearly discriminate against irrigators in the Peel Valley.

1. Water Pricing in the Peel Valley

The ACCC will hand down its draft determination into State Water's proposed price increases on 28th February 2014, but we do not expect that the draft will contain any significant variations from State Water's proposed prices, which have been listed below.

The following table shows a comparison between the proposed water usage prices for the Peel Valley, and other valleys in NSW whose prices are currently undergoing review by the ACCC

Extract from State Water's submission to the ACCC - Table 14.3
Proposed General Security usage charges (\$/ML)

	2013/14 (current charges)	2014/15 (charges next financial year)	% Change
Border	\$9.43	\$6.28	(33%)
Gwydir	\$12.97	\$11.95	(8%)
Namoi	\$19.98	\$19.88	(0.5%)
Peel	\$41.61	\$74.34	79%
Lachlan	\$18.04	\$18.20	1%
Macquarie	\$13.98	\$14.68	5%
Murray	\$4.97	\$2.46	(50%)
Murrumbidgee	\$3.78	\$3.16	(16%)
Hunter	\$14.77	\$21.85	48%
Lowbidgee	0	\$3.16	n/a

The table demonstrates that in the Peel Valley:

- The prices are already the highest in NSW in the areas which are under review by the ACCC, and they are already more than double the next closest prices – even before any proposed price increases are implemented
- The prices will increase by the highest percentage out of all of the valleys under review
- The prices will increase significantly, at the same time as the prices in 5 other valleys are decreasing - (some are decreasing significantly)
- The prices will be the highest in NSW in the areas which are under review by the ACCC

- (e) The prices will be 3.7 times higher than the adjoining Namoi Valley, 3.4 times higher than the adjoining Hunter Valley, and 30 times higher than the Murray Valley water charges.

We cannot understand why State Water is permitted to continue this pricing discrimination against the Peel Valley, and we believe that it is grossly unfair and grossly inequitable. It is difficult enough for irrigators in the Peel Valley to make ends meet without a State owned monopoly imposing such unreasonable charges in the Peel Valley.

We are members of the Peel Valley Water Users Association, which has lodged a comprehensive submission to the ACCC.

Access to water in the Peel Valley

The Peel Water Sharing Plan commenced from 1st July 2010, after a decision by the Government at the time to make the funding of the upgrade of Chaffey Dam contingent on the completion of the Plan. As a result, the Peel Water Sharing Plan was a rushed process, and it contains significant errors that need correction if the irrigation industry in the Peel Valley is to have any future at all.

Two examples of errors in the existing Plan that must be corrected are:

- (a) Long term average annual extraction limit has been set too low

The total quantity of all the General Security water licences that have been issued to irrigators in the Peel Valley is around 31,000 ML. However, the extraction limit that is set in the Plan is 6,100 ML annually. And that is despite the major users (the Council and the irrigators combined) using less than 5% of the long term average annual flow in the Peel River.

The reason that the figure of 6,100 ML is so low is that it is based on historical usage – during the last 50 years when hand-shifted irrigation pipes were the only method of irrigation available. The problem is that automated irrigation systems such as travelling irrigators, hard hose irrigators, centre pivots and lateral boom irrigators have almost completely replaced hand-shift irrigation pipes, and significantly, the NSW State Government is currently operating a funding program promoting the installation of these automated systems. As a consequence, more irrigators are adopting modern irrigation techniques, and the extraction limit of 6,100 ML is already out of date – irrigators will not be viable if this figure remains unchanged.

- (b) The Environmental Contingency Allowance has been set too high

The Peel Water Sharing Plan is one of very few valleys in the North West which has an Environmental Contingency Allowance built into the Plan, and the current figure is 1,600 ML each year. The augmentation of Chaffey Dam is behind schedule, but once completed, the Plan allows for 5,000 ML as an Environmental Contingency Allowance each year.

Compared to the total quantity of water available for irrigation of 6,100 ML, the figure for the Environmental Contingency Allowance of 5,000 ML is simply too high - particularly since more than 95% of the long term average annual flow in the Peel River is already contributed to the environment and downstream users.

Further, irrigators and the Council pay all of State Water's charges on the Environmental Contingency Allowance, and this is unfair and unreasonable.

The final proof that the Environmental Contingency Allowance must be reviewed, is that the ECA is only considered to be environmental water while it remains in the Peel River – once it flows out of the Peel River and joins the Namoi River it is no longer considered to be environmental water, and it is available

to irrigators in the Namoi Valley for extraction. The result is that the Peel Valley is gifting to the Namoi Valley, an amount of water that is equal to 82% of all the water that is available to the Peel Valley irrigators – and we have paid all charges for water which we cannot access. If this is not unfair and unreasonable, then we don't know what is.

Yours Sincerely,
Terry & Valda Tout