

**SUBMISSION TO THE ACCC**

**RELATING TO THE INCREASE OF FIXED WATER CHARGES BY  
MURRUMBIDGEE IRRIGATION, IMPACTING ON USERS IN  
THE WAH WAH STOCK AND DOMESTIC AREA**

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ON LANDHOLDERS.**

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## **Introduction**

Recently landholders in the Wah Wah Stock & Domestic (WWS&D) area received a letter from Murrumbidgee Irrigation (MI) advising them that their fixed water charges would increase by 40% on their 2014 - 15 charges and their usage charges would increase by 5% on their 2014 - 15 charges.

Many water supply companies' fees are made up of a high percentage of fixed charges which protects them from lower sales and allows them to charge exit fees as per the ACCC rules, it would appear that this has the potential to cause adverse effects on water users.

For water users high fixed charges provide no incentive to save water and these charges leave them with high cost in years when they have a small allocation and a lower ability to create income due to lower water allocations.

In the case of the WWS&D water users the fixed charges make up 95% of the cost of water and as these charges are not based on the amount of water delivered there is no incentive for any water user in the WWS&D area to be any more efficient than the farmer who uses the most water to fill their farm dams.

The company delivering the water has less incentive to sell the product they provide as they already have a guaranteed income through their high fixed charges. If there is no incentive for the company to increase the efficiency of the product or service they provide the danger is they will continuously have to increase their charges to fund their inefficiencies.

While there is a need to run the scheme at a profit it is also important that any future charges reflect the amount of water delivered and give people an incentive to save water.

The rules the ACCC have for termination fees which allows operators to charge 10 times the fixed costs have encouraged operators to increase the fixed component of water charges.

This has reduced the charges for usage and therefore has reduced the incentive to save water because most of your charges are fixed so you have them no matter how much water you use.

This would seem to be contrary to the MDB plan which sets out to save water.

### **Background to the Wah Wah Stock & Domestic area;**

- The Wah Wah Stock & Domestic area covers over 250,000 Ha and is at the western end of the Murrumbidgee Irrigation area
- The WWS&D has a small number of votes and therefore has no representation on the M.I. Board
- Water is delivered via a network of open channels to over 600 farm dams on around 50 individual farms.
- It takes 12,000 megs of water to deliver an allocation of 2,000 megs
- The service we are provided with delivers water for Stock & Domestic use in open channels to farm dams. While everybody in the WWS&D area receives this service the cost for individual farmers varies greatly and as the water is not metered the amount of water delivered does not reflect the amount charged for this service.
- MI were granted funding to construct a pipeline to replace the open channel system in November 2011
- Work has not started on the pipeline due to constant delays even though the great majority of landholders support the pipeline.
- Water currently delivered in the open channel system often has high levels of blue green algae and is not suitable for Stock & Domestic use.
- M.I. have written to farmers informing them that factors out of their control effect the water quality and it is ultimately the water user who has to decide if the water is suitable for the intended use.
- Stock & Domestic water is only delivered on two occasions per year and each farmer has a limited time to fill their farm dams.
- If an individual farmer decided not to fill their farm dams due to the quality of the water then they would not have any water for their house use or to water their stock for over 6 months. This would mean they

would have to destock their farm, their garden would die and they would find it very hard to live at their home without water.

- The supply channels go through many properties to deliver water so even if a farmer decided they did not want the water their stock would still be able to drink the water as it flowed through their property.
- The fees and charges for stock & Domestic water are made up of 95% fixed charges which you have to pay even if you decide not to receive any water, the fixed charges vary between \$100 per meg of allocation to over \$350 per meg within the WWS&D area.
- The above make it virtually impossible for a farmer to decline receiving water
- With the expectation that a pipeline would replace the open channel system there has been no upgrades to the present open channel system by M.I. for at least the last 10 years.
- It would appear reasonable that the major costs of running the present open channels are currently made up of costs associated with delivery of the water to farms such as; cleaning of channels, spraying weeds, clearing derbies from channels, repairing water leaks & stock damage, operation of excavators, the cost of channel attendants delivering water and vehicle costs associated with this.
- It is hard to see how these usage costs make up less than 5% of the total costs.

If M.I. collects total revenue from farms in the WWS&D area of \$500,000 per year and 95% of the fees are fixed then it is reasonable to conclude that only \$25,000 per year is attributed to usage costs.

In the case of the WWS&D area the fixed charges are unrealistic and have created a system in which some water users are heavily subsidising other water users.

The ACCC rules have allowed fixed charges to dramatically increase so companies like Murrumbidgee Irrigation can set high termination fees to protect them from water users exiting their area of operation.

What would happen if the same rules applied to those companies supplying electricity to their customers?

Unlike the companies providing electricity Murrumbidgee Irrigation have no competitors, they are able to increase charges by 40% in one year, the product they deliver is often not suitable for the intended use and as the charges are 95% fixed users have to pay even if they do not receive any of their product.

## **Summary**

We believe that the rules which the ACCC have for termination fees has adversely effected water users in the WWS&D area and as stock & Domestic water is not tradable then these rules should not apply to the WWS&D area.

Murrumbidgee Irrigation took over an outdated system of fees and charges when the company took over the WWS&D area from the Department of Water Resources and the fees and charges should be changed to address the anomalies which now exist in the charges for the WWS&D area.

M.I. have operated the WWS&D system for over 20 years so the question is; why after all these years and no change to the operation of the system is there a need to raise fees and charges by 40% in one year?

Unless there is a modernisation or change in how water is delivered it would appear difficult to justify such an increase.

Don Low

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Wah Wah Stock & Domestic Water Users