

4 May 2016

Australian Competition and Consumer Commission
Level 20
175 Pitt Street
SYDNEY NSW 2000

via electronic mail: waternswreview@acc.gov.au

Dear Sir/Madam

Re: ANNUAL REVIEW OF WATER NSW REGULATED CHARGES: 2016-17 - DRAFT DECISION

The NSW Irrigators' Council (NSWIC) welcomes the opportunity to provide further feedback on the Australian Competition and Consumer Commission (ACCC) Draft Decision in the annual review of the Water NSW regulated charges for 2016/17.

NSWIC represents 12,000 irrigators and the irrigation sector across NSW. The Council's 25 member organisations includes valley water user associations, food and fibre producers, irrigation corporations and commodity groups from the rice, cotton, dairy and horticultural industries. NSWIC supports the development & growth of sustainable irrigated agriculture and engages in all water related issues that are of relevance to our members, including decisions on regulated charges.

As we outlined in our last submission to the ACCC on this annual review, access to and the affordability of water is crucial for irrigated food and fibre producers in NSW. In this context, NSWIC notes that the ACCC's draft decision again proposes bulk water charge increases of over 10 per cent in some valleys (including the Macquarie and Lachlan High Security charges and the Murray usage charges). NSWIC again submits that such extreme price volatility is of serious concern, as these increases are far in excess of projected CPI increases over the same timeframe.

NSWIC believes that the continuous increase in regulated charges warrants further discussion about the appropriateness of ACCC's 'Overs and Unders' mechanism (UOM) and the associated 'price stability test'. While NSWIC supports a 'price stability' consideration by the ACCC, we believe it is grossly inappropriate to base this test on an 'expected bill' impact analysis using a 500ML entitlement per user scenario. NSWIC believes it is crucial that the ACCC employs more sophisticated methods to assess customer impacts - with an analysis of the total costs associated with holding a water entitlement in NSW (including the additional costs imposed via the charge components of the Water Administration Ministerial Corporation, Murray-Darling Basin Authority, and Border Rivers Commission).

Further, NSWIC has made a number of submissions to the ACCC in which the Council emphasised its continuing concerns with the annual consumption review process and the UOM. In its previous submissions the Council noted that those mechanisms could lead to significant price volatility for irrigators which adversely affects their enterprises through their inability to effectively manage costs and the impact of those costs. Given the significant price increases that are proposed in this ACCC draft decision, and in previous annual reviews, the Council's concerns have again been confirmed. NSWIC believes this is a serious shortcoming of the ACCC determination process and requires urgent review of the determination processes.

NSWIC again highlights that the ACCC draft decision only provides indicative bulk water charges for 2016/17, as no actual usage figures for 1 January to June 2015 were available as the basis of a determination. Therefore as the majority of the ACCC's draft decision is based on estimates and forecasts rather than recent hard data, NSWIC does not have confidence that the proposed price increases are or can be justified.

NSWIC urges the ACCC to ensure that the price volatility is absolutely minimised and the 'Price Stability' test is applied with a sensible cost benchmark used (i.e. CPI), as was the case in the previous IPART determinations.

NSWIC commends the issues raised in this further response to the Draft Decision on Water NSW's Annual Regulated Water Charges 2016 - 2017 for the consideration of the Commission in finalising its final decision.

Please do not hesitate to contact me at (stefanie@nswic.org.au) if you wish to discuss any of the comments provided in this submission in more detail.

Yours Faithfully,



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