

Peel Valley Water Users Association Inc

The only organisation that represents the Irrigation Industry in the Peel Valley
PO Box 952, Tamworth NSW 2340
peelvalleywaterusers@bigpond.com

Summary of points for discussion with Kevin Anderson and Barnaby Joyce

At the meeting scheduled for 9.30am on 14th April 2014 - on Bulk Water Charges in NSW

1. We are aware of the method that State Water employs to calculate bulk water charges in NSW.
2. It is well known that the method of calculating bulk water charges has resulted in grossly inequitable water charges across NSW for years. It is illogical for a Government owned monopoly to resolutely adhere to a method of calculating their charges when everyone knows in advance that the outcome will always be inequitable.
3. The inequitable water charges in the Peel Valley have been brought to the attention of both the current regulator and the previous regulator – but neither of them has done their job of ensuring that the bulk water charges in NSW are fair and equitable.
4. The problem of inequitable water charges in the Peel Valley was brought to the attention of our current Local Members at both the State and Federal Government level before they were elected, so the problem is well known to our elected representatives.
5. The fact that the method of calculation produces inequitable outcomes is a matter that now needs to be addressed by our elected representatives, because all of our other attempts at resolving the problem via the usual processes have failed.
6. It is reasonable for constituents to expect that when there is a Coalition Government at the State level, and when there is also a Coalition Government at the Federal level, the two levels of Government will co-operate to permanently overcome inequitable consequences of Government decisions such as the water charging calculations that have discriminated against the Peel Valley for years.
7. To resolve the problem, there are two alternatives. Either:
 - 7.1. Change the method of calculating the charges to an alternative method that produces a fairer and more equitable result, or
 - 7.2. Introduce a permanent arrangement to work around the inequitable outcomes that are produced by the flawed method of calculating the charges.

These two alternatives are both explored in more detail on the following page -

Change the method of calculating the charges to an alternative method that produces a fairer and more equitable result

- The National Water Initiative and the Commonwealth Water Act (2007) have determined that valley-based pricing is the most appropriate method of calculating water charges.
- In order to prevent extortionate charges by State authorities, the legislation in the Commonwealth Water Act (2007) prohibits the charging of prices that would cause a “perverse outcome”. However, what constitutes a “perverse outcome” is not defined in the Act – so it is left to interpretation - and the State authorities can effectively charge whatever they like.
- The ACCC apparently doesn’t believe that a water usage charge of \$2.49 per ML in one area of NSW and \$55.13 per ML in another area is a “perverse outcome”
- What is required to correct this anomaly, is that either what constitutes a “perverse outcome” is defined in the Act, or alternatively the method of calculating the water charges is changed, from valley-based pricing to an alternative method such as state-wide pricing – which is the fairest outcome for all, because everybody then pays the same amount for water usage across the whole of NSW.

Introduce a permanent arrangement to work around the inequitable outcomes that are produced by the flawed method of calculating the charges.

- Because both the ACCC and IPART acknowledge that full cost recovery is unachievable in the Peel Valley, our Local Member in the NSW State Government could introduce a Bill limiting the water usage charges in the Peel Valley to the weighted average figure of all the water usage charges in NSW. This would have the dual benefit of introducing a fairer charge for water in the Peel Valley, and also eliminating the ever-present threat that any State Government can simply eliminate the existing subsidy in the Peel Valley, resulting in a further increase of almost \$20 per ML to \$71.92 per ML
- The State Government could investigate the privatisation of Chaffey Dam. There are precedents for this course of action – such as Murray Water Ltd and Murrumbidgee Irrigation Ltd.
- The introduction of an “Environmental Levy” could be investigated. It is a fact that the valleys in the Murray-Darling Basin with the greatest impact on the environment (those that extract the greatest amount of water from the river system) pay the lowest charges for water usage, and those valleys that have the least impact on the environment (those that extract the least amount of water) pay the highest charges in NSW. This anomaly could be corrected by the introduction of an “Environmental Levy” to subsidise the Peel Valley to a figure equal to the weighted average for all water usage charges in NSW