



Attn: 2018 water price review  
Essential Services Commission  
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## Review of Prices for GWMWater 2018-2023 Water Price Submission

The Commonwealth Environmental Water Holder (CEWH) makes the following submission in response to the *GWMWater 2018-2023 Water Price Submission* lodged with the ESC on 4 October 2017.

The Commonwealth's environmental water holdings are managed by me, as the Commonwealth Environmental Water Holder (the CEWH). The CEWH is a statutory position established under the *Water Act 2007* (the Water Act) to manage the holdings to protect and restore environmental assets in the Murray-Darling Basin, in accordance with the *Basin Plan 2012* (the Basin Plan), the Environmental Watering Plan and the Basin-wide environmental watering strategy.

Commonwealth environmental water has contributed towards achieving a range of environmental objectives across the Murray-Darling Basin, for the public benefit of Basin communities and ecosystems. These benefits include:

- providing river flows that support good water quality for the environment and users of the river systems and wetlands,
- connecting rivers to floodplains to maintain food chains and support fish movement,
- filling wetlands that support native fish, birds and other native animals, and
- supporting the recovery of the environment following recent droughts, and building resilience in preparation for future droughts.

Consistent with the *National Water Initiative (NWI) Pricing Principles*, the Commonwealth is committed to the promotion of tariff structures which send clear signals on the real cost of services provided by water authorities to their customers. Prices should be set by water authorities to promote the economically efficient and sustainable use of water resources; water infrastructure assets; and other government resources devoted to the management of water.

### The Commonwealth's Holdings in the Wimmera-Mallee System

Since December 2012 the Commonwealth has held a 28,000 megalitre (ML) share of the Wimmera and Glenelg Rivers Bulk Entitlement (the Bulk Entitlement). This is the lowest security share of the Bulk Entitlement managed by GWMWater. During this five year period,



the Commonwealth has received allocation only once (in late 2016-17); a total of 14,280 ML. This allocation represents an average yield of approximately 10 per cent per year since the entitlement has been owned by the Commonwealth. The Storage Management Rules for the Wimmera-Mallee System Headworks prescribes that the Commonwealth's entitlement only begins to accrue its share of allocation once annual inflows into the system exceed 192,550 ML, at which point all other entitlement shares are fully allocated and the high security system urban pipeline and recreation products have accrued an additional 95,000 ML, reserved in storage for the following year.

The Commonwealth's water entitlement in the Wimmera-Mallee system is managed in accordance with a Supply by Agreement between the Commonwealth and GWMWater per the *Storage Management Rules* and the *Operating Plan for the Wimmera-Mallee System Headworks*. Between February and August 2017 GWMWater engaged my Office and the Victorian Environmental Water Holder as part of an Environmental Water Pricing Working Group consultative forum leading into their submission to the ESC. During this consultation period, neither GWMWater nor the Storage Manager have proposed changes to the way that the Commonwealth's entitlement is managed or delivered in relation to the existing Supply by Agreement.

#### Impacts of the GWMWater 2018-2023 Water Price Submission

Over the past five years, the existing tariff structure has required the Commonwealth to pay a total of \$821,800 in fixed fees and charges to GWMWater to maintain its 28,000 ML share of the Bulk Entitlement, even though the entitlement has only been allocated 14,280 ML of water across that period. Despite this excessive cost to yield ratio, GWMWater have recommended a compound 20 per cent increase in the Environmental water tariffs across the first two years of the proposed price path. In comparison, the pricing proposal includes a decrease in net 'Urban Water' charges by 0.9 per cent and 'Rural Pipeline' charges by 0.1 per cent over the same period.

It appears that GWMWater is proposing a discriminatory course of action which appears to be in direct contravention of the NWI Pricing Principles, is inconsistent with the ordinary principles of trade practices and has an unreasonable market impact on one class of entitlement holder. Further, the proposal is not supported by any evidence of actual cost increases in relation to the management of environmental water accounts. It suggests that the pricing proposal appears to be motivated by seeking supplementary revenue from environmental water holders, which is baseless and seems unconscionable behaviour. In their forecast revenue model, GWMWater has also assumed a 50 per cent utilisation of the Commonwealth's water allocation per annum. Given the recent low yield of water against this entitlement, it is unclear what this assumption is based on.

In terms of delivery, GWMWater is delivering environmental water for the Commonwealth for the first time in 2017-18. The water will be delivered to the Wimmera River and Mount William Creek over several months. The process will involve a slow steady delivery from a fixed point over a number of months. The amount of effort required by GWMWater to commence and cease these actions in the future does not appear to warrant a substantial increase in either fixed or variable fees. We draw attention to the relatively low energy required to deliver the Commonwealth's environmental water through gravity fed releases



from headworks in comparison to the delivery costs for the piped product, which can apparently be undertaken at a reduced rate across the proposed price path.

The reliability and utility of the Commonwealth's entitlement in the Wimmera system is subject to the interpretation and application of the *Wimmera-Mallee Storage Management Rules for the Wimmera-Mallee System Headworks*. In September 2016 my Office was approached by GMMWater with a proposal to transfer between of 5,000 and 10,000 ML of unallocated water from Rocklands Reservoir to Toolondo Reservoir for the purpose of improving recreational opportunities at Toolondo (this allocation was in addition to the 3,090 ML of recreational water share prescribed within the Wimmera and Glenelg Rivers Bulk Entitlement). The proposal to allocate water for this purpose was made prior to a number of other shareholders of the system receiving their full share of allocation that year – or as in the case of the Commonwealth – receiving any allocation at all. Despite concerns raised by the Commonwealth Environmental Water Office, during October and November 2016 the use of unallocated water for this purpose was approved and a total of 10,300 ML of allocation was transferred to Toolondo Reservoir for recreational activities. Ultimately, this transfer was at the expense of additional water being allocated to the Commonwealth Environmental Water Holder – as the Commonwealth's share was the only entitlement that was not fully allocated during the 2016-17 water year. Given these arrangements, the Commonwealth Environmental Water Office requests that the ESC consider the impact of these such arrangements on the reliability and value of low security environmental water holders through this price determination process. The Commonwealth should not be required to cross-subsidise the costs associated with managing and delivering water for higher security entitlement holders, or for the use of unallocated water for purposes outside of the prescribed shares outlined in the Bulk Entitlement.

My Office will continue to promote the implementation of tariff structures which send clear signals on the cost of services provided by water authorities to their customers. The application of planning, maintenance and management charges for bulk water services should avoid undue price discrimination based solely on the class of entitlement holder, or the purpose for which the water is to be used. Given GMMWater have forecast operational and maintenance costs to remain relatively constant throughout the pricing period, the justification for such a significant increase in tariffs for the Commonwealth Environmental Water Holder is unclear, particularly given the proposed reduction in tariffs for consumptive users over the recommended price path.

If clarification or further information is needed with respect to this submission, please contact my office on [REDACTED].

Yours sincerely



Mr David Papps  
Commonwealth Environmental Water Holder

20 December 2017