

WIMMERA IRRIGATORS ASSOCIATION

Written submission following a meeting with Essential Services Commission representatives in Horsham on Thursday February 14th 2008 at 10.30 AM.

GWMWater Water Plan 2008 – 2013 Updated February 2008

Issues of Concern:

1. Irrigation Sector Debt:

- The waiving of the cash and renewals debt accrued over recent years was confirmed in GWMWater's correspondence (dated September 21st, 2007) to the Wimmera Irrigators Association.
- The "new" tariff structure which is to be implemented during the 2008/13 Water Plan, following the cessation of the "Drought Tariff" structure, was designed in conjunction with irrigator representatives with one of the aims being to "not to incur any future accumulating debt as a result of low or nil allocation irrigation seasons".
- Footnote Number 2 of Table 1.5.1: *Specific Increases for Typical Customer Groups 2008-2009 (P. 9, "GWMWater Water Plan 2008- 2013 Updated February 2008")* states that the "Irrigation tariff will continue to be a drought tariff until water supply capability is restored. Revenue shortfalls will be recovered in subsequent years of the regulatory period". What revenue shortfalls? Irrigators are under the impression that there will be no revenue shortfalls from now on.
- Irrigation Sector Budgets still suggest that the recovery of the accumulated cash and renewals debt (Regulatory Cost of Debt) which has been waived, as above, remains a component of the budget and hence a component of the "average delivery price" of \$64.00/ML upon which future tariffs have been designed. Irrigators last received a copy of an irrigation sector budget back in April of 2007.

2. Irrigation Sector Budgets:

- Early irrigation sector budgets presented to irrigator representatives as far back as early 2006 have all arrived at an "average delivery price" of \$64.00/ML or greater.
- Late in 2006 an irrigation sector budget was presented with an "average delivery price" of \$64.00/ML based upon an exposure to headwork costs (pre Wimmera Mallee Pipeline) of 18% for the irrigation sector. The figure of 18% was challenged and was subsequently reduced to 14.2% resulting in an "average delivery price" of approximately \$56.40/ML. The reduction in "average delivery price" was quickly negated and returned to \$64/ML due to "the need to include additional, overlooked, irrigation distribution costs".
- Early in the second half of 2007 at a Rural Tariff Working Group Meeting held at Warracknabeal the meeting was presented by another irrigation pricing scenario, by one of the Corporation's consultants, which resulted in an "average delivery price" of \$50.00/ML despite the inclusion of further additional distribution costs (over and above the earlier identified additional distribution costs). For some reason this scenario never saw the light of day at any subsequent customer consultative committee meetings.
- As mentioned earlier, as far as irrigators are aware the "Regulatory Cost of Debt" remains a component of the irrigation sector budget despite indications that the debt has been waived. The annual cost to irrigators of the "Regulatory Cost of Debt" was/is approximately \$56,500.00 per annum.
- Cynically it appears as though the "average delivery price" of \$64.00/ML was going to remain regardless of any other variations within the sector budget.

3. Capital Expenditure:

- The capital expenditure as stated in the draft plan does not reconcile with indications of future capital expenditure when irrigators were discussing such options as using only Pine Lake to supply irrigation water. Irrigators were told that Pine Lake could require capital expenditure in the order of \$10 – \$14M in order to ensure that it complied with the current standards for water storages. If as a result of the Headworks Review process capital expenditure of this magnitude is required then how will these costs be allocated across or to the various customer segments of GMMWater?

4. Pine Lake:

- One scenario being considered in the Headworks Review is to only operate the Pine Lake at 50% of its capacity. If this is the preferred outcome then irrigators are concerned that this could lead to two regular, and related, outcomes particularly if the water harvested into Pine Lake comes principally from the Wimmera River which is known for its higher turbidity and salinity levels
 - Pumping of the water held below gravity outlets.
 - A decrease in the quality of water delivered (i.e. increased salinity).

An increase in the salinity levels of irrigation water will result in increased consumption of water by irrigators in order to offset a loss of production levels with an indirect, but important, implication for the environment.

Irrigators want an assurance that any pumping costs would be equally apportioned across all customer segments. Now that we have been included in the Bulk Entitlement Order, all customers are supposed to be responsible for cost sharing across to the whole system. Irrigators also question the need for pumping anyway, when other storages such as Rocklands Reservoir maybe able to supply water of superior quality.

The Association also questions why we are required to pay the same charges for secondary quality water as other users pay for comparatively superior quality water.

5. Wimmera Mallee Pipeline:

- It has been stated that the Taylors Lake, Belfield and Wartook storages will be maintained solely (ring-fenced) to supply the Wimmera Mallee Pipeline (WMP) in order to maintain water quality for pipeline customers. Will this approach lessen the security of supply for irrigators especially if Pine Lake and Rocklands Reservoir were to operate at reduced capacities or if Pine Lake was to be decommissioned? Can Taylors Lake service irrigators plus the WMP? Irrigators find this scenario ironic given that GMMWater worked extremely hard to dissuade irrigators from pursuing consideration of a “ring-fenced” irrigation supply based on Pine Lake because it was considered to be outside the spirit/principles of the Bulk Entitlement Order.
- How will the headworks costs associated with the storage of environmental and recreational water be apportioned upon the completion of the WMP? The outcomes of the Headworks Review will also impact on this answer. Irrigators believe that one of following outcomes should be implemented
 - That State Taxpayers pay for the headworks costs associated with the storage of environmental and recreational water because the benefits are enjoyed by the nation not just residents of the region.
 - If the above position is not supported then the costs associated with storing environmental and recreational water be equitably shared across the GMMWater customer base rather than apportioned on a volumetric principal. Irrigators, approximately 220 in number, represent only a very small percentage of the total customer base of GMMWater. It should also be noted that all irrigators are also “Domestic and Stock” customers of GMMWater.

6. Fees and Charges:

- Wimmera River Weir Pool Charges: “Table 11.4.2 Rural Tariffs” (P. 149, 150) indicates an annual tariff of \$136.00/ML. No consultation has occurred on the determination of this charge. How was it determined and how does it relate to the “new” tariff structure?
- Correspondence from GWMWater, to the Wimmera Irrigators Association and dated 21st September 2007, advised that “*it is not likely that reconfiguration process would lead to reduced charges, but would instead limit the potential for increased charges.*”. No indication of the likely impact of reconfiguration on future tariffs or the time frame for its implementation has been seriously considered through a consultative process with irrigators. A unit cost of \$9,000 to \$15,000 for the provision of new water meters has been suggested. What costs will be allocated to each irrigator for new meters and when?
- The Water Plan states that tariffs are contingent upon the full use of the annual allocation of irrigation water. The extended drought, and hence the lack of irrigation allocations in recent years means that on-farm infrastructure is in a state of disrepair and will not be reinstated until irrigators have full confidence in the ability of GWMWater to be able to deliver water on a regular basis. It is therefore highly likely that the annual allocations will not be used in full in the first years of return of annual allocations.
- The extended drought has also resulted in very little, if any, annual maintenance of the irrigation distribution system being undertaken. Irrigators anticipate that distribution system “start up costs” will be significant in the first and maybe second year of operations of the system. Are these costs included in the current tariffs and if not how will these costs be managed by GWMWater?
- In Table 1.5.1: *Specific Increases for Typical Customer Groups 2008-2009* (P. 9) the “2008/09 Price Increase % Nominal” the figure of 36% for Irrigation is stated. This maybe correct in this interpretation, but when compared to the tariff structure in place prior to the introduction of the Water Plan process it is misleading. In 2002/2003 the “average delivery price” was approximately \$42.00/ML whilst in 2008/09 it will be about \$64.00/ML. In this time frame the “average delivery price” has risen substantially with virtually no water being delivered.

Rob Atkin
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Wimmera Irrigators Association

20/02/2008