



RM (C/18/29782) comment by Justice for Domestic Users on WIRO Draft Guidance

nick to: water

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From:

To: <water@esc.vic.gov.au>

History: This message has been replied to and forwarded.

Hello

Despite some significant improvements since its 2015 Guidance Paper, including the addition of Attachment 1 referencing all the mandatory matters that must be taken into account, ESC's Draft Guidance paper for the 2020 price review is flawed. These flaws need to be rectified before a reasonable person would consider it to be a satisfactory guidance document required by legislation.

1. S.8A(1)(f) of the ESC Act effectively obliges the Commission to consider the National Water Initiative (NWI) Pricing Principles since it requires "consistency in regulation between states and on a national basis", yet the draft Guidance Paper makes no reference to these. All these principles are relevant and should be cited in the list in section 2.10 of the Guidance paper of matters that must be considered in the Pricing Submission but the two cited below are particularly relevant:

(a) Cost recovery principle 4 (Cost allocation) applying to water planning and management costs states that "Costs are to be allocated between water users and governments using an impactor pays approach". (An impactor is defined to be any individual, group of individuals or organisation whose activities generate costs, or a justifiable need to incur costs. The impactor pays approach seeks to allocate costs to different individuals, groups of individuals or organisations in proportion to the contribution that each individual, group of individuals or organisation makes to creating the costs, or the need for the costs to be incurred.)

- This issue of cost allocation is critical since GMW incurs a range of costs which are charged to licenced users but which are incurred wholly or partly due to the activities of other parties (e.g. farm dam management, water used by riparian rights (S.8) holders, enforcement activities occasioned by water thieves, etc). These costs can be considered to be community service obligations which the Government is obliged to pay, not users.

(b) Cost Recovery Principle 5 (Differentiation of costs) applying to water planning and management costs states that "Water planning and management costs are to be identified and differentiated by catchment or valley or region and by water source where practicable. Water planning and management charges should in turn, recover the costs of the activities concerned and be differentiated by catchment or valley or region and by water source (e.g. regulated, unregulated or groundwater sources) where practicable."

- This issue is also critical since at present costs across different river and groundwater systems are shared regardless of the different costs attributable to the different systems. For example the additional costs entailed in implementing and enforcing restrictions between different systems are ignored. At present 12% of streams in the Goulburn-Broken system have restrictions, whereas across the western river systems the

figure is 55%.

2. The Draft Guidance Paper betrays a fundamental misunderstanding of clause 8(b)(i) of the WIRO, namely “the promotion of efficient use of prescribed services by customers”. In several places in the draft guidance document conflates this requirement with the economic efficiency and financial viability requirements of the WIRO specified in clause 8(b)(ii) and clause 8(b)(iii). In particular, the requirement is listed under the Attachment 1 column “economic efficiency and viability matters”, when it most certainly should be listed under the “customer matters” column.

- This issue is critical since the current lack of any usage charge component in the diverters and groundwater tariff structure is completely contrary to this obligation of the pricing structure.

3. The issues of water quality and reliability need to be specifically mentioned in the guidance paper. One member of our group resents the fact that GMW makes no distinction in its pricing structure between the right to access water that is clear, and the right to access water that is more mud than water. In addition, diverters who are on streams that are subject to restrictions must surely resent being charged the same amount as diverters on streams not normally subject to restrictions.

- While S.8(2) of the ESC Act is cited in the Guidance Paper, issues of quality and reliability – given their neglect to date – warrant specific mention in the list of matters which the price submission must refer to in section 2.10 of the guidance paper. At the very least, the list in section 2.10 should oblige the price submission to clearly and comprehensively address all the legislative requirements identified in Attachment 1.

4. Climate change is not mentioned. The recent Productivity Commission report into National Water Reform identifies climate change as something that the next iteration of water reform needs to address. I note that the S 33(3)(e) obliges the Commission to have regard to any other factors that it considers are relevant in making a price determination but that no such factors are countenanced in the guidance paper. How G-MW anticipates its pricing structure will respond to climate change – including declining rainfall, higher temperatures and declining streamflows needs to be a requirement of its pricing submission.

I also ask that you place me on the emailing list for all future communications by the ESC relating to the 2020 price review for G-MW.

Nick Legge
Justice for Domestic Diverters