



20 April 2016

Dr Ron Ben-David
Essential Services Commission
Level 37
2 Lonsdale Street
MELBOURNE VIC 3000

Dear Dr Ben-David

G-MW WATER PLAN – DRAFT ESSENTIAL SERVICES COMMISSION'S [ESC] DECISION

Greater Shepparton City Council would like to express its concern regarding the Essential Services Commission's [ESC] decision to not support a move to uniform pricing across the six irrigation districts in the Goulburn and Murray Irrigation District [GMID].

As the ESC is aware, Shepparton District customers are paying considerably higher fees than other districts within the GMID. Unfortunately this places customers within the Shepparton District under additional financial pressure whilst still receiving a service that is ultimately no different to that of the other districts.

At times of natural disasters such as floods and droughts etc, Shepparton customers are placed under even further pressure whilst still needing to compete with their neighbours in the other districts who operate within the same markets and economic climate. By eliminating this disparity in pricing the ESC would be ensuring that an equal playing field is achieved within the entire GMID which Council believes is pertinent in supporting the sustainability of operators within the agricultural sector and the Greater Shepparton region.

It should be noted that Council places great emphasis on the attraction of investment to the Greater Shepparton region and recognises the significant disparity amongst neighbouring shires. Potential new investors may consider this disparity in water charges and as a result be more inclined to locate themselves in other districts within the GMID. This not only impacts investment but also, once again the Shepparton property owner's ability to sell their land.

The ESC has submitted that it will not support uniform pricing based on the 'user pays principle' developed by the Australian Competition and Consumer Commission [ACCC]. The ACCC however has acknowledged that applying the user pays principle is far more complex when legacy issues exist. Council believes there are legacy issues that exist in the Shepparton District that have not been adequately considered by the ESC.

GMW commissioned Deloitte Access Economics to examine irrigation boundaries and the impact on prices. It found that when irrigation boundaries were determined in the 1990's, the Broken Creek, despite being supplied from the Goulburn was made part of the Murray Valley Irrigation District rather than Shepparton. If the Broken Creek was part of the Shepparton District, Shepparton's prices today would be \$532 less.

It should also be highlighted that within the 'Deloitte Access Economics: Goulburn-Murray Water - Review of Tariff Strategy' the report highlights that the reason for Shepparton customers paying more than the other districts include:

- "In 2008, the Future Flow modernisation project was undertaken in the Shepparton area, upgrading channels and replacing frames. Unlike the Connections Project (from which Shepparton is excluded), no rationalisation of service points was undertaken in Future Flow, and GMW has estimated that 15% of service points could have been removed. GMW has also advised of barriers to channel rationalisation in the Shepparton District. This means that unlike the other districts, Shepparton has not benefited from the rationalisation that is occurring as part of the Connections Project, increasing the costs of maintaining its assets.
- Currently, Shepparton's assets are older than the other districts, meaning there is a higher maintenance and replacement capital requirement. GMW has advised that this is particularly affected by the need for bridges and syphons on the East Goulburn Main, which are allocated to Shepparton."

It is Council's view that Shepparton customers should not be experiencing the full financial burden of a system that has not been and will not be fully rationalised under the Connections Project. Greater Shepparton City Council supports the move to uniform pricing across the entire GMID and hopes the ESC will reconsider their decision.

Should you wish to discuss this matter further, please do not hesitate to make contact with me on (03) 5832 9884.

Yours sincerely



Peter Harriott
CHIEF EXECUTIVE OFFICER

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