Murray Irrigation

IPART Discussion Paper – Prices for WaterNSW Regional and Rural Bulk Water from 1 July 2026

Murray Irrigation Submission

November 2025

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Executive Summary

- We thank IPART for commencing its review into WaterNSW charges for rural bulk water services.
- We note the requirement for new charges to commence on 1 July 2026.
- Given the major shortcomings already noted by IPART in relation to WaterNSW's proposed future charges, we do not believe there is enough time available for IPART to conduct a comprehensive review, while also ensuring that an appropriate level of stakeholder engagement can occur.
- As such, our strong recommendation is IPART retain its position from May of this year[1]:
    - Charges are set from 1 July 2026 to 30 June 2028.
    - Charges are based on current prices[2], adding increases for inflation only.
- This will enable progression of Treasury's review of WaterNSW's operating model, and provide WaterNSW the opportunity to engage with customers and develop a fresh and fair price proposal.
- This will also provide IPART enough time to complete the critical pieces of work it has identified, and also consult extensively with stakeholders on the outcomes of this work, namely:
    - Identification of WaterNSW's essential services for each rural valley;
    - Assessment of the efficient costs of providing these essential services; and
    - Revisiting current assumptions about who should pay for services, and in what proportions.
- In putting the above position forward, we note IPART has already advised this approach is: *likely to provide adequate revenue to support WaterNSW's financial sustainability in the short-term*.[3]
- By way of comparison, as an Irrigation Infrastructure Operator (IIO), Murray Irrigation has committed to only increase fees to its customers by CPI until 2029, apart from passing through WaterNSW/government costs.[4]
- In our submission below, we have provided answers to IPART's seventeen insightful questions, that we believe will both strengthen and sharpen the next price determination for WaterNSW.
- Where answers need more detail, this is flagged in Table One and provided in a separate section.
- We thank you again for allowing us to have input into your decision-making, and we look forward to continuing to actively engage in the forward process.
- Further consultation is welcomed, and we encourage IPART to make more opportunities available between this submission process closing, and the release of a draft determination in March 2026.

[1] IPART's May 2025 *Information Paper*: Information-paper-Prices-for-WaterNSW-bulk-water-services-May-2025.PDF, p. 15.
[2] Taking into account WaterNSW business transformation outcomes: WaterNSW business transformation - WaterNSW.
[3] Information-paper-Prices-for-WaterNSW-bulk-water-services-May-2025.PDF, p. 54.
[4] MIL+Annual+Report+2025__WEB+-+5+NOV.pdf, p. 7.

Murray Irrigation
Water Delivery Network

Murray Irrigation Limited operates Australia's largest private water supply network.

We play a critical role in the delivery of water within the Murray-Darling system, supplying the irrigation water that sustains our food-producing farms and local ecosystems.

Our open channel water delivery system delivers critical, productive irrigation and environmental water across 724,000 hectares in the Southern Riverina.

Murray Irrigation is an Australian unlisted public company, limited by shares, that works within the Murray-Darling system.

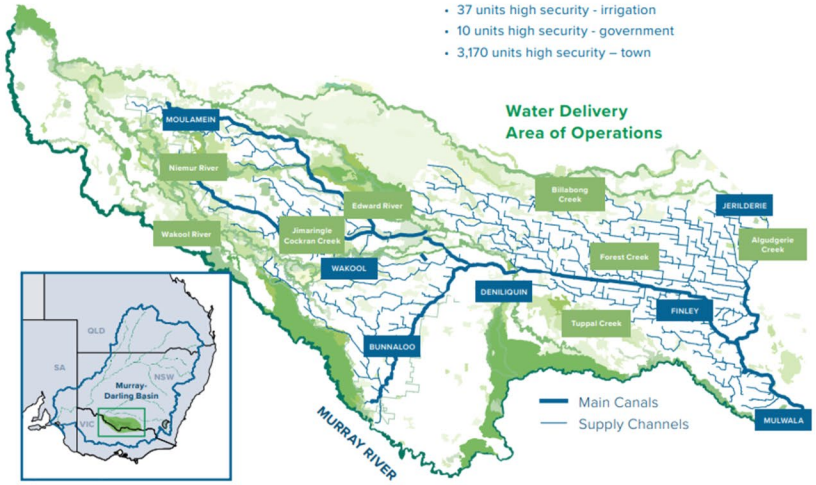
Located in southern NSW, Murray Irrigation uses approximately 2,755km of gravity-fed earthen channels to deliver irrigation water to our landholders, through efficient management of our NSW Murray Regulated River Water Access Licences (WALs).

Corporate structure
Established 1995 (formerly government owned)
Australian unlisted public company, limited by shares

Head office	Deniliquin
Customer centres	Deniliquin and Finley
Depots	Deniliquin, Finley and Wakool
Staff	121.57 (FTE)

Water access licences
NSW Murray Regulated River as at 30 June 2025:

- 768,431 units general security – non-government
- 203,889 units general security – other
- 279,786 units conveyance
- 121,704 units supplementary water
- 37 units high security - irrigation
- 10 units high security - government
- 3,170 units high security – town



Murray Irrigation

728GL	**water use on farm** (5-year average droplet on crop)
1.4 million	units of NSW Murray Regulated River Water Access Licences
4,292	supply points (including unmetered)
2,060	landholdings supplied with water
2,755km	gravity-fed earthen channel supply system
724,000ha	area of operations
25,000ha	sub-surface drainage catchment
1,422km	gravity-fed earthen channel drainage system

Murray Irrigation

1 Table One: Murray Irrigation's Responses to IPART's Consultation Questions

CONSULTATION QUESTION	RESPONSE
1. What are the issues you consider IPART should further consider as part of this review?	The focus areas proposed by IPART are appropriate. However, the limited timeframe available for this review means that a full reassessment of costs, pricing structures and cost-shares cannot be undertaken appropriately. The June 2025 Final Decision and the supporting expenditure review by AtkinsRealis showed, there are significant gaps in community engagement and supporting evidence behind much of WaterNSW's proposals. In the time since WaterNSW's original October 2024 proposal, it announced significant job cuts and foreshadowed service reductions that render much of its original proposal void. We recommend that IPART needs to seek a fresh submission by WaterNSW so that customers can meaningfully comment on the price-service trade-offs that will affect them.
2. How has water use and crop production changed in your local area? Does the current method of water pricing support these changes?	By way of a ten year comparison, in 2012-2013, we delivered water to 1,165 farm businesses. Fifty-eight percent of these businesses grew annual pasture, 43% grew rice, and 36% grew permanent pasture.[5] In 2022-2023, 15% of farm businesses grew annual pasture, 25% grew rice, and 4% grew permanent pasture. Also in 2022-2023, 24% of the water we delivered was for the environment.[6] We believe the current method of water pricing does not reflect the changed pattern of water-use in our footprint. We provide further advice on key changes we would like to see in our response to question 6 below.
3. Have you observed improvements in the levels of rural water services provided by WaterNSW to explain the increase in its base costs over time?	It is difficult to objectively assess WaterNSW's service levels. There is very limited interaction between most of our customers and WaterNSW. We undertake nearly all customer-facing activities, offsetting WaterNSW's costs making it hard to understand how WaterNSW service levels have changed. We have not been advised of any significant improvements in service. We further note that some services historically undertaken by WaterNSW are now separated to NRAR, and we have not seen commensurate cost decreases by WaterNSW. Also, some technology programs such as WAVE have been costly without delivering material service improvements or efficiencies. As noted in our Executive Summary, between now and 2029 we will maintain our strong track record of high quality service delivery, at minimal extra cost to customers. We would welcome the opportunity to provide further information to IPART, or its expenditure consultants, on how we intend to achieve containing costs to CPI over the medium term.
4. What is the appropriate methodology to calculate WaterNSW's WACC and should IPART apply a 10-year transition to trailing average for the long-term cost of debt and a 5-year transition for the current cost of debt for the MDB valleys?	The WACC should be set consistently across all WaterNSW businesses. This would properly reflect risks and considerations at the entity level and make it easier for WaterNSW to assert that its scale is contributing to benefits for all customer groups. WaterNSW has not provided modelling that shows how different transition periods will affect price levels over time. We encourage WaterNSW to demonstrate transparency in relation to this issue.
5. Would it be appropriate to include a true-up when setting maximum prices to account for not updating the WACC in the 1-year 2025 Determination?	We do not support a true-up for the WACC. The one-year determination was a necessary and pragmatic step to maintain regulatory coverage. It was also important for limiting price increases for customers in the absence of robust evidence from WaterNSW. The one-year determination was not noted as a revenue deferral mechanism. Any retrospective adjustment would undermine customer confidence, and would provide a financial reward to WaterNSW for a price proposal that did not justify an increase in prices. In addition, under the ACCC's pricing regulations, Murray Irrigation would not be able to apply any proposed true-up retrospectively.

[5] murray-irrigation-annual-report-2012-2013.pdf, p. 10.
[6] murray-irrigation-annual-report-2023.pdf, p. 8.

CONSULTATION QUESTION	RESPONSE
6. What do you consider the appropriate counterfactual to WaterNSW's operations under the impactor-pays principle?	We agree with IPART that this is an important policy consideration to undertake; however, it should be supported by detailed economic scenario planning that allows us to fully understand the cost implications for our customers. Detailed economic scenarios must be developed to inform all policy questions that may change existing cost-shares. Noting this important caveat, the counterfactual should recognise that major infrastructure and operational functions would still be required even without irrigation. This would include flood mitigation, regulated environmental water delivery, urban water supply, and broader corporate system management. Critical urban supplies will always be necessary as they underpin 150+ years of community development in regional areas. **See below for a more detailed response.**
7. Do you agree with the current cost share ratios listed in Table 4.1? If not, how and why should they be amended?	We recommend IPART undertakes a standalone review of cost shares so that significant input from WaterNSW and other stakeholders can be incorporated. Noting our caveats at question 6, modern cost shares should reflect the range of water users who currently take advantage of WaterNSW's services. Based on the counterfactual that many listed services would still be required in the absence of irrigation water, adjustment of many of the listed items in Table 4.1 should occur. For example, environmental planning and protection should be much lower – potentially nil, as many of these services have been instigated by non-water users.
8. Can you provide examples where it may be difficult to identify impactors? Or of situations where an impactor is easy to identify but unable or unwilling to pay the cost share assigned to them?	We can no longer consider irrigation water users as the sole impactors. The integrated and optimised system that delivers environmental water, flood mitigation, urban water and irrigation water has no single user driving or causing the bulk of expenditure. For example, with the exacerbation of climate change, many system storages contribute increasing levels of flood protection services for which it is difficult, or impossible, to find a single impactor to charge. IPART should explore this policy question as part of its counterfactual work at question 6. As an example, there may be learnings that IPART can draw on from Goulburn Murray Water's Regional Urban Services and Ancillary Fee, which is used to charge urban customers for the general recreation services it delivers.
9. What do you consider the most appropriate method for allocating cost shares for WaterNSW's rural operations?	As noted above, this is a major issue that should be thoroughly supported by a standalone review undertaken by IPART. A cost share review should consider stakeholder views, and ensure fairness and affordability, while also providing efficient investment signals. Appropriate economic scenario planning should be made available so that customers can understand the cost implications for their future bills.
10. Over what determination period should we set prices?	A short determination period of 24 months is most appropriate. IPART's 2024-25 review identified major shortcomings in WaterNSW's cost data and it would be inappropriate to use this low-confidence data to set multi-year prices. By 1 July 2026, WaterNSW's data will also be two years out of date. Pending a full proposal by WaterNSW, IPART could use a similar approach to local government rate pegging with prices changing by (near) CPI only while WaterNSW undertakes the significant effort necessary to rebuild community and regulator confidence.
11. What are your views on WaterNSW's proposed revenue cap? Is further consideration of the form of price control a priority for you for the upcoming determination period?	There is too much uncertainty in WaterNSW's costs and forecasts to justify a revenue cap. As we noted in our submission to you in December 2024 (page 16), the apparent customer support was only based on a comparison with much higher fixed charges. Further, we noted counter-cyclical price impacts that unnecessarily added complexity. We remain opposed to its introduction.

CONSULTATION QUESTION	RESPONSE
12. What factors should we take into account when assessing the most appropriate approach to forecasting water usage?	A 20 year average remains a reasonable forecasting method. Short term impacts tend to work through naturally over the longer term. Any new method should be subject to proposal and engagement by WaterNSW, demonstrating its improvement over the current approach. Use of a consistent 20 year average provides long-term stability and ensures WaterNSW's revenue aligns with actual usage over time.
13. What do you consider the most important issues relating to WaterNSW's rural pricing structures?	Maintaining a significant variable component within tariffs ensures the alignment of costs with the benefits customers get from water availability. With much higher fixed costs, farm profits become more variable and the ability to efficiently invest scarce capital will be hampered. WaterNSW has many revenue sources right across NSW, including Sydney, which provides it with a portfolio of uncorrelated (or semi-correlated) revenue sources. WaterNSW's geographic scope contains sufficiently different climatic zones that are rarely all in simultaneous drought. This natural variation means WaterNSW should be able to absorb a degree of risk, and it has not outlined how its whole-of-business revenue risk necessitates higher fixed charges. At a local scale, individual irrigators are exposed to rainfall risk only on their property. It is simply more efficient for WaterNSW to absorb and pool this risk on a state-wide scale.
14. Are any of these changes to pricing structures feasible within the timeframe of this review and what are the likely impacts?	No major changes to any of the pricing structures should be implemented from 2026-27. We reiterate the limited timeframe and the uncertainty in WaterNSW's cost data. Any reform options should be developed and tested through consultation led by WaterNSW, and be supported by clear evidence of benefits. IPART may wish to let WaterNSW pursue a reconsideration of this issue if it can demonstrate that an alternative structure is more efficient and better meets the needs of customers. We remain opposed to a 100% fixed tariff, and regional pricing. We support the continuation of the principles that lead to a High Security Premium.
15. Are there any other factors we should consider when setting Irrigation Corporation and Districts (ICD) rebates?	Murray Irrigation performs many functions across its 724,000 hectare area that would otherwise fall to government agencies. This includes water planning, Entitlement Registry, metering compliance, irrigation water use monitoring, works approvals, regulatory compliance, environmental releases, environmental management and flood management. Murray Irrigation plans, funds and delivers these services directly with our customers. Absence of an ICD rebate would mean our customers are paying twice for the same services. Given the value of this work, ICD rebates should reasonably be higher than previous determinations. Pending a full review, ICD rebates should at least be indexed in line with overall price movements to maintain fairness. Murray Irrigation manages almost 65% of the general security entitlements and associated customers in NSW Murray zone 10.
16. What are your views on the proposed approach to assessing efficient costs of the MDBA and the BRC?	IPART should ensure MDBA costs passed through to customers are efficient and supported by clear evidence, including a fresh independent review. A more detailed breakdown of costs would increase customer confidence in MDBA services. IPART may wish to consider whether the efficient cost of providing services for the Murrumbidgee Valley could be applied to the Murray, including full consideration of MDBA pass through charges. This is because Murrumbidgee services may be more accessible to IPART given its location wholly within NSW, and that the Murrumbidgee does not incur increasingly opaque costs applied by national and interstate agencies unlike the Murray Valley.
17. What factors should we take into account when assessing customer capacity to pay?	IPART should not assume irrigators have capacity to absorb large price increases. Any assessment should consider factors we raised in our submission to you in June 2025 (page 12). These include: the limitations of using gross margins; the misleading effect of the average; declining terms of trade; and that static modelling ignores real-world decision-making. Murray Irrigation and irrigators in our region have made significant water-efficiency savings over many years, and it would be inappropriate if these hard-fought efficiency gains were lost through the application of higher WaterNSW prices.

2 IPART's Counterfactual and Cost-Shares

The counterfactual should recognise that major infrastructure and operational functions would still be required even without irrigation. This would include flood mitigation, regulated environmental water delivery, urban water and corporate system management. Critical urban supplies are necessary to underpin 150+ years of community development. The appropriate, efficient costs for irrigators should be assessed through scenario planning. This would inform policy questions about how cost shares could be updated. Due to time constraints, we recommend IPART undertake this work independently of the current WaterNSW price determination.

We acknowledge the historical approach adopted by IPART dating back to the introduction of the *National Water* Initiative (NWI). Under the impactor-pays principle, irrigators have traditionally paid for the transportation of water throughout NSW because the infrastructure was originally built to support irrigation communities and the people living within them. The simplicity of regulations and water operations at the time meant that it may have been appropriate to consider an impactor-pays approach. Combined with the lower charges of the then State Water, any incidental funding of environmental or other obligations was not extremely costly to end water users.

However, over the last two decades we have seen seismic shifts in management of water delivery systems.

- **Operating rules** are far more complex to serve multiple beneficiaries.
- **Climate change** has exacerbated the frequency and severity of floods.
- **Infrastructure** is more expensive, driven by increased compliance requirements to support ecological and third-party benefits.
- **Environmental water** is far more prevalent, and rather than just using unregulated flows, environmental managers apply sophisticated watering regimes that are designed to maximise ecological and cultural values.
- **Town users** are entirely reliant on WaterNSW infrastructure.
- **Recreation** based on a secure supply of water in rivers and lakes is promoted by riverine managers and required for tourism in many regional towns.
- **Buybacks** to support environmental outcomes have reduced the volume of water for consumptive irrigation and increased environmental water volumes.
- **Efficiency** of irrigators has improved as irrigators take less water (reducing environmental and community impacts) for any given crop production level.

In modern water management for the Murray system, one of the primary objectives of river operations is maintaining at least a minimum flow in the river. Deliveries for consumptive and other uses is dependent on this flow being met. General Security allocations are typically only made available once all other users have been assigned their water needs.

Whether or not irrigators continue to rely on WaterNSW infrastructure, the use of NSW's rivers, dams and regulation structures for environmental water delivery, flood protection, recreational use and community consumption remain essential for the prosperity of inland NSW.

We doubt that any material infrastructure would be abandoned or decommissioned if consumptive use for irrigation ceased. Rather, we suggest that all major dams, regulating structures and environmental works would continue to be used to maximise myriad benefits other than consumptive use. If irrigators ceased irrigating, there would be very limited avoided costs for WaterNSW – even its corporate systems would still largely be required.

A counterfactual could also consider the following future scenarios.

- New technologies enable lower water extraction from rivers, resulting in reduced system use.
- Irrigators do not require water at certain times of the year—what would this mean for infrastructure operation and cost recovery?

We consider that simple application of "Impactor-pays" or "Beneficiary-pays" fails to reflect the complexity and interdependence of multiple users of the vast array of infrastructure. Furthermore, we note the interconnection between questions relating to the counterfactuals and those relating to cost shares.

It is also important to consider other factors driving costs beyond impactors and beneficiaries. Other factors include more stringent government regulation to achieve environmental benefits for the enjoyment of all NSW residents – including those in Sydney. While a full disaggregation of the driver of cost changes is difficult to undertake, it is clear that there are many drivers of costs that have been neither requested nor suggested by end-users of irrigation water in regional NSW.

Direct application of a single Impactor-pays approach will create significant cross-subsidies that will increase over time. A more nuanced and careful approach that includes taking into account all beneficiaries would result in fairer outcomes for all.

Regarding the proposal to consider externalities similar to the work IPART has done with transport charging, we would encourage IPART to consult widely and openly to determine the true level of interest in such a major once-in-a-generation reform. This cannot be done appropriately within the timeframe IPART currently has available.

3 Affordability, Capacity to Pay and Social Impacts

We note previous work by IPART to understand water user capacity to pay and we continue to express caution about using quantitative tools to generalise for all irrigators in a particular valley and/or growing a particular product. We note alignment of this question with section 15(1)(k) of the IPART Act[7] which states the Tribunal is to have regard to:

> "… (k) the social impact of the determinations and recommendations."

Assessing irrigator capacity to pay requires a cautious and realistic approach, especially given the significant price increases above CPI that have been proposed by WaterNSW. Irrigated farm businesses in the Murray Valley cannot absorb these increases. They will cause significant financial stress. As outlined by RMCG in our independently commissioned farm business affordability analysis[8], any assessment needs to be much deeper than simple gross margin analysis as this gives an incomplete picture of financial resilience. Gross margins exclude labour, overheads, capital servicing and interest which have risen significantly since the pandemic. When full costs are considered, many customers of Murray Irrigation operate on slim margins that leave little buffer for external shocks.

It is inappropriate to consider affordability using costs as a percentage of revenue or total cost. For businesses with low profit margins, even a small increase in total expenditure can translate into a large proportion of profit. For example, an agribusiness with revenue of $1 million and net margin of 10% would have a net profit of $100,000. Under WaterNSW's proposed price increases, this net profit figure could reduce by more than a quarter. The proposed increases could have material impacts on business liquidity and hence continuity, particularly in a spell of dry years.

The value of water entitlements is also affected by higher fixed charges. Any upward shift in these charges reduces the net return available from holding entitlements. In turn, this places downward pressure on long-term entitlement values which are a significant contributor to business equity across the Murray Valley and beyond. A sustained decline in valuations would have major impacts on growers and their communities, including reduced borrowing capacity, tighter borrowing caveats, business succession difficulties and greater exposure to climate and market volatility. IPART should

[7] IPART Act, https://www.austlii.edu.au/cgi-bin/viewdoc/au/legis/nsw/consol_act/iparta1992426/s15.html

[8] https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Online-Submission-Murray-Irrigation-Name-suppressed-1-Jul-2025-115601178.PDF, pp13-20.

be cautious about price proposals that risk weakening the long-term value of tradeable water market assets given their central role in regional stability and farm resilience.

Reliance on long-term averages can also mask the volatility that impacts irrigated agriculture. Recent years have seen significant variation in farm performance as farm incomes fall when seasonal or market conditions deteriorate. Averages drawn across strong years can lead to a false conclusion of business resilience, as businesses that appear viable *in average conditions* may not be able to survive one or two difficult years. IPART should recognise that affordability needs to be assessed at times of difficulty and foreclosure. In addition, IPART should also recognise that some businesses have capital structures, geographic conditions and soils that place them at a comparative disadvantage to other businesses.

Given these factors, we remain concerned by the social impacts that would occur if bulk water price increases above CPI were affirmed by IPART. Financial conditions in many sectors have deteriorated since 2022 and the combined effect of price increases in WAMC, WaterNSW and MDBA passthroughs will be cumulative. We recommend IPART proceeds cautiously supported by realistic assumptions and a full consideration of economic pressures faced by irrigators.

We contend the onus is on WaterNSW to demonstrate efficient costs underpinned by a deep and genuine engagement process that considers the risks to affordability, entitlement values and social impacts across NSW. Until this time, we recommend IPART carefully scrutinises all costs and assumptions to prevent the imposition of significant social impacts.

4 Other Matters for IPART Consideration

In addition to the comments and answers we have provided above, other matters that remain particularly important for us include the following:

- Supporting and maintaining the critical role the Murray Valley plays in national food and fibre production.
- Greater transparency regarding proposed MDBA passthrough costs.
- Retention of ICD rebates which are at least indexed inline with overall price movements.

We have provided additional detail on these and other matters in the submissions we have made to IPART over the past twelve months. You can access relevant content at the following:

- IPART+draft+Decision+to+WAMC+Price+Proposal+-+MIL+Submission+to+IPART+-+1+July+2025.pdf, p. 8
- Submission_to_IPART_on_Information_Paper_re_WaterNSW_Bulk_Water_Charges_3_June_2025.pdf, p. 11
- WaterNSW_and_WAMC_Proposed_Charges-_IPART_Submission_9_December_2024.pdf, p. 13