

## **Submission in response to issues paper: Review of the access regime that applies to the South Australian water industry**

**Submission of:** Clare Valley Wine & Grape Association

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### **About the Clare Valley Wine & Grape Association**

The Clare Valley Wine & Grape Association (CVWGA) is an industry organisation representing the interests of wine producers and grape growers in the Clare Valley geographical indexation.

CVWGA is a not-for-profit incorporated association, funded by voluntary contributions to the Clare Valley wine Industry Fund, grants and fee-for-service activities. Our purpose is to ensure the prosperity and sustainability of our member businesses and the Clare Valley community and one of our key objectives is a clear path forward for the region with water.

### **About the Clare Valley wine industry**

The Clare Valley is an important wine region for South Australia as a whole, generating nearly \$40 million in total grape revenue, similar to the Adelaide Hills and closely behind Barossa and McLaren Vale. Domestic and export sales combined revenue, estimated at \$150 million, contributes significantly to the state's economy. The wine industry also underpins regional tourism with the Clare Valley Tourism Region contributing \$152 million of visitor expenditure to the State's economy in 2022 which surpassed the SA Tourism Commission 2025 target of \$132 million. The Clare Valley SCA Gourmet Week plays a crucial role in attracting visitors to the region with a record 9500 people visiting the region for the event in 2023.

#### **3.1.1 Nature and Characteristics of Demand**

**What factors have led to the increase in voluntary access agreements over the past decade? Are current access seekers looking to expand? Are prospective access seekers considering any new third party access arrangements?**

- Since 2004 Clare Valley grape growers have had access to Statewide-priced retail water through the Clare Valley Water Supply Scheme and off-peak transportation arrangements during the winter months, introduced to improve the utilization of infrastructure.
- A decade ago the price of retail peak water was \$3.45/L and the transportation price of off-peak water was \$1.12/kL. About 15 water users had invested in storage to take advantage of off-peak water transportation arrangements and about 80 used the retail product during summer months.
- The price of Statewide-priced retail water was unaffordable for grape growing in the Clare Valley and the Clare Valley Wine & Grape Association negotiated with SA Water

the introduction of a peak transportation arrangement at night in 2015, offering affordable water for irrigation during the summer months.

- Demand for both of these transportation products has increased over the past decade due to the deterioration of the native water resources and an increasing requirement of water for grape vines as a result of a changing climate.
- The average rate of irrigation has increased over the past decade from 0.5ML/ha to at least 1ML/ha. With future requirement likely to be up to 1.75 to 2ML.
- Significant reduction in yield has been observed following successive dry years as a result of restricted irrigation.
- A significant uptake of the transportation arrangements have occurred since 2015 due to the introduction of the peak transportation arrangement, the renegotiation of the arrangement in 2108/19 and green fields development of new vineyard area since 2018.
- Increase in access agreements is currently constrained by access to the network. Currently the network is at capacity (flow rate) and it is not possible to open a new account for peak or off-peak products.
- Increased water requirements to maintain the current vineyard area is driving demand for more water for irrigation.
- There is currently unmet demand for both peak and off-peak access arrangements.
- Despite the current challenges to the Australian wine industry, there has not been a reduction of vineyard area in the Clare Valley.

### **3.1.2 Market power and competitive pressures**

**Are substitute supply options available for current and prospective access seekers and how feasible are these options? To what extent do access seekers have bargaining power when seeking access to declared pipeline infrastructure?**

- Clare Valley water users have limited supply options. The only alternative to the SA Water pipeline are declining native water resources. Also, salinity levels from groundwater are generally too high for sustainable grape growing.
- A Preliminary business case was delivered last year to the State Government by Kellogg Brown & Root, recommending further investigation into the feasibility of alternative supply options. Four options were recommended for further investigation. The two preferred options based on the River Murray had marginal cost benefit ratios and the recycled water option was deemed not feasible as a stand-alone project.
- CVWGA negotiated a peak access agreement in 2015, taking advantage of cheaper power costs during the nighttime period. It has refined this agreement, resulting in a 60% take-or-pay arrangement.
- CVWGA believes there is limited bargaining power to negotiate further with SA Water to improve the affordability of the product.
- In recent months, SA Water has announced a significant price increase in both the peak and off-peak transportation products.
- In 2016, SA Water advised that the Statewide retail-minus avoidable cost pricing methodology would provide little saving (approx. \$██████) on the Statewide price.
- Limited market power and limited alternatives result in Clare Valley water users having little bargaining power given they are dealing with a monopoly.

### **4.1 Benefits and costs arising from the presence of an access regime.**

**To what extent do stakeholders see value in having an access regime as a form of protection for access seekers?**

- The primary value of the access regime to water users is to provide certainty of price which is important for vineyard planning.
- Both access arrangements are indexed to CPI.

**To what extent do stakeholders see value in the information disclosure requirements under the access regime?**

- Any transparency in price increases confidence of water users and their business decision making.

**What other benefits does the access regime deliver?**

- Improve affordability of water for grape growing.

**What are direct and indirect costs of the access regime?**

- Direct costs include the cost of permanent and temporary water and fees involved in water transfer.
- Indirect costs include added administration related to water purchases and transfers and the costs of negotiation and engagement.

**4.2 Alternatives to the current access regime**

**To what extent would a national access regime apply in the absence of a state regime?**

- We do not have enough information to comment on this question.

**5.1 Access Prices**

**Do stakeholders consider current access pricing to be transparent?**

- There has been no transparency on how access prices have been set and this needs to be improved.

**To what extent have current access pricing arrangements impacted on entrants in the retail segment of the market?**

- The access arrangements have had little affect on peak supply usage in the Clare Valley region as most growers still use some retail water.