

14 April 2021

The Tribunal
NSW Independent Pricing and Regulatory Tribunal
[IPART - Lodge a submission \(nsw.gov.au\)](https://www.ipart.nsw.gov.au)

Dear Tribunal Members

CICL's response to IPART's draft WAMC determination

Coleambally Irrigation Co-operative Limited (CICL) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal's (IPART's) draft determination for the Water Administration Ministerial Corporation (WAMC) from 1 July 2021.

This submission focuses on the draft determination for regulated river charges applying in the Murrumbidgee.

CICL supports IPART's continuation of valley specific pricing but remains concerned that WAMC costs are not based on actual valley based costs and resourcing. CICL would welcome consideration of alternative models that result in Murrumbidgee water users only paying their fair share of the efficiency costs.

CICL appreciates the draft determination includes lower charges than those sought by WAMC (including Murray-Darling Basin Authority (MDBA) charges) and that IPART has capped price increases at 2.5 percent per annum plus CPI. However, the draft determination is a material increase, in particularly in the entitlement charge, which at the end of the determination period will be nearly 20 percent more than the current charge.

Continuation of this trajectory for both WAMC and WaterNSW charges is not sustainable for water users as they face continued adjustment pressures because of changing government priorities and reduced inflows.

CICL appreciates the analysis completed by IPART's consultants which has informed IPART's draft determination. The complexity of the WAMC model is challenging and time consuming to analyse and unpick to determine whether the services provided by the Department of Planning Industry and Environment (DPIE) versus WaterNSW and the Natural Resources Access Regulator (NRAR) are efficient and represent a fair allocation of costs to water users, particularly regulated water users.

CICL is pleased Cardino has recognised that policy development is not a WAMC monopoly service.¹ However, CICL's overarching concerns raised in its October 2020 submission to IPART continue to apply to the draft determination. These concerns are:

1. that policy development costs are not clearly excluded from WAMC charges and the WAMC activities under water management planning are effectively policy development, however, these activities have different cost shares between government and water users.
2. that activities funded by external funding, for example the Snowy Hydro Legacy funding for regional water strategies and Commonwealth funding for many Basin Plan activities, including Water Resource Plan development and Sustainable Diversion Limit supply projects, are not clearly excluded from the costs which are recovered from water users.

¹ Cardino (2021) Expenditure review of Water Administration Ministerial Corporation.

Operating expenditure

CICL strongly supports IPART applying scope adjustments, catch up efficiency and continuing efficiency to WAMC operational expenditure. It is important each of the organisations achieve these efficiency improvements and performance is reported through the annual output measures. CICL's observation is when constrained by funding, the DPIE just fail to complete activities. For example, the review of the performance of Water Sharing Plans. It is important pressure is placed on WAMC to continue to deliver efficient services.

CICL supports exclusion of some of the intergovernmental costs on the basis they do not relate to services but are in fact policy initiatives.

CICL believes that a higher proportion of intergovernmental costs are policy development and that the amount excluded should be at least 50 percent of the cost.

CICL does not support the inclusion of Nimmie Caira operational costs (\$0.3M per year) in the user share. Like the Living Murray Works and Measures, the ongoing costs of these works are government initiatives and should continue to be funded as part of the government share. Government is the driver of these costs and the environment is the beneficiary. Government being responsible for funding these activities will also ensure government has a direct incentive to ensure their expenditure is effective and efficient.

Capital expenditure

CICL strongly supports IPART applying catch up efficiency and continuing efficiency targets to WAMC capital expenditure.

A key driver for the capital expenditure of \$15.8M to be included in the regulatory asset base is for WAMC investment in corporate systems.² CICL makes the point again that the structural reform of the water sector and transfer of functions completed by the government was intended to deliver cost savings and improvements. The benefits assumed have not eventuated and water users are being asked to fund the corporate systems WAMC requires to undertake their activities competently. The impact of poor previous government decisions should not be added to the cost of water users.

The impact of government's continued review and restructure combined with under resourcing of the water sector has been well document through the Matthews review³ and the NSW ombudsman⁴. CICL does not support these costs being included in the regulatory asset base.

MDBA costs

CICL supports IPART's proposal to separate out the costs for MDBA activities from other WAMC costs and welcomes the reductions in MDBA costs to be recovered from water users.

CICL also supports IPART's decision to apply efficiency adjustments to MDBA costs.

CICL understands and supports the rationale for including NSW user share contributions to MDBA capital costs in a regulatory asset base (RAB) and for the starting RAB to be set at zero.

CICL supports IPART's decision to include the cost of MDBA operated salt interception schemes in the WAMC draft determination and not the WaterNSW draft determination that only applies to regulated water users.

CICL's view is that the government share of this activity should be 50 percent in recognition that salinity impacts are driven not just by irrigated agriculture but also dryland farming and

² IPART Draft report review of prices for WAMC, March 2021.

³ [Independent investigation into NSW water management and compliance](#)

⁴ [Water: compliance and enforcement - a special report to parliament - NSW Ombudsman](#)

urban and industry effluent and water and waste water treatment discharges. In addition, the significant reduction in the volume of water being extracted by irrigators, because of the successive government water reforms that have increased the volume of water available to the environment, will have salinity benefits that are being recognised in the salinity registers, creating credits for both the states and the commonwealth to use.⁵

Cost shares

CICL, as a member of NSWIC, supports the arguments presented by NSWIC on the cost sharing decisions.

CICL welcomes the draft decision to reduce the user share for regional planning and management strategies to 60 percent from 70 percent. However, CICL remains of the view that many of the planning activities are policy development activities and the user share should be zero, as it is for flood plain harvesting.

CICL draws IPART's attention to the recent decision by the NSW Government to gift Wagga Wagga city council an interim high reliability licence of up to 1,800ML to support Lake Albert's extraction from the regulated Murrumbidgee.⁶⁷ The value of this water is conservatively \$12.6M. The water is to provide water for recreational use by Wagga Wagga. This decision is an example of how changing government priorities is influencing decision making and believes it is an argument for WAMC services to have lower user shares. This is particularly the case for general security water entitlement holders who are more often impacted negatively by changing government priorities, but it is these holders who contribute most of the revenue.

NRAR funding

CICL is aware that IPART have reduced the expenditure to be recovered from water users by 62 percent and confirmed that government should continue to fund NRAR in its establishment phase because of the importance of its work. CICL believes a more sustainable solution is for NRAR to be fully funded by government. This will avoid NRAR being funded by the individuals it is regulating, maintaining its independence and leaving government responsible for ensuring it is adequately funded.

Consent transaction charges

CICL understands the draft consent transaction charges that would apply to CICL are the higher type A consent transactions.

CICL has serious concerns with IPART setting higher consent transactions for CICL compared to type B transactions administered by WaterNSW and believes that all consent transactions, irrespective of the entity being regulated, should be the same. For example, why would it cost 60 percent more to approve a zero share application for an Irrigation Corporation compared to an application by another entity.

The argument that consent transactions for Irrigation Corporations regulated by NRAR should be higher because they are more complex is spurious. Our recent experience with the application for a new groundwater extraction works approval was the process was slow and that NRAR was not at all prepared for its role. They were reliant on both WaterNSW and DPIE staff to provide technical guidance. The added complexity was NRAR's involvement in the process, not the nature of the application, as the same application form and application process applied to both an Irrigation Corporation and any other entity.

⁵ MDBA 2020, Basin Salinity Management 2030, 208-19 comprehensive report.

⁶ Wagga Wagga Daily Advertiser 1 April 2021.

⁷ Wagga City Council argue this is a credit for water discharged. CICL does not support this argument, as the discharge volume is in the Murray-Darling Basin Plan baseline.

The type A transactions do not include water access licence dealings which are listed as type B consent transactions. CICL's most common transaction, apart from allocation assignments, is water access licence dealings.

Our members hold irrigation rights or contractual rights to a share of our water access licence (WAL). They do not have their own work approval. We are an off river constructed channel system and our members have no direct relationship with WaterNSW or NRAR for surface water.

CICL is required to comply with the Water Market Rules (Cth) and when a member decides to sell their irrigation rights to a party outside of our WAL this commences a transformation process and a change on the share component of our general security WAL. The transactions are processed by WaterNSW not NRAR.

From our perspective, this approach has been working efficiently and should continue.

CICL supports consent transaction charges being adequate to fund the efficient administration of these activities and that, as far as practical, a user pays approach should apply. Cardino has identified weaknesses in both WaterNSW and NRAR's methodology to verify their costs associated with consent transactions.⁸ CICL supports IPART's decision to apply a 20 percent efficiency reduction to the proposed WAMC charges.

CICL notes the draft charges are significantly higher than current charges and most water users will not be aware of the proposed increases.

Non-urban water metering framework

CICL's views on the costs associated with implementation of the non-urban water metering reform are included in our submission on the draft determination for WaterNSW from 1 July 2021.

In summary, CICL believes government regulations are the impactor and that government needs to be responsible for set-up costs and implementation of the non-urban water metering reform. Water users who own their own meter are incurring their own costs of compliance with the non-urban metering standard.

CICL is aware that some water users will argue that the cost impost of this reform, implemented per licence, will be too high and are arguing for alternative methods of sharing this cost. CICL does not support the cost of implementation of this reform being socialised across entitlement holders.

CICL also believes that government undertook to upgrade the government owned meters at their cost, whereas WaterNSW's proposal is to have these costs recovered from water users.

The points made by CICL in its submission to IPART on WaterNSW response to IPART's request for information on metering reform costs (January 2021) remain valid.

If you require clarification of points made in this submission or further information please contact Jenny McLeod, Policy and Communication Manager, on [REDACTED]

Yours sincerely

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Clifford Ashby
Chief Executive Officer

⁸ Cardino (2021) Expenditure review of Water Administration Ministerial Corporation.