

22 July 2021

Independent Pricing and Regulatory Tribunal (IPART)
Review of Water Management Prices
E: ipart@ipart.nsw.gov.au

Dear Tribunal Members

CICL Submission Non-urban metering reform charges

Coleambally Irrigation Co-operative Limited (CICL) welcomes the opportunity to comment on IPART's supplementary draft report for non-urban metering reform charges from 1 October 2021.

CICL's earlier submissions to IPART have provided background information about CICL and identified our major concerns with the current review of WaterNSW and Water Administration Ministerial Corporation charges. This submission focuses specifically on the proposed charges for implementation of the Government's non-urban metering reform.

Overarching concerns

CICL strongly supports the implementation of improved metering across NSW. CICL welcomes the capital contributions being made by both the state and federal governments to support implementation.

However, as this reform proceeds it's increasingly clear there are significant challenges facing its implementation. Stage one of the reform involved a relatively small number of sites compared to the number of sites (works) that are anticipated in stages two to four.¹ Implementation of stage one has revealed multiple issues for implementation. CICL expects the extent of the issues will escalate as more sites are captured by the compliance date.

These challenges include but are not restricted to:

- The accuracy of data regarding the number of sites which will require a meter. CICL believes the underlying assumptions about licence numbers and works will prove incorrect as the reform proceeds. As an example, it has been reported that based on recent data supplied by the Natural Resource Access Regulator (NRAR) of the sites required to comply by 1 December 2020 (stage one), half of the sites were either inactive or 'out of scope,' with most of these sites, 'inactive'².
- Limitations on the number of qualified commercial contractors to provide the services necessary to irrigators to complete the process.
- Limitations on the supply of AS4747 accredited meters with the supply of some meters impacted by the COVID-19 pandemic.
- Limitations on access to services to allow telemetry connection.

It is CICL's view that this reform was not ready for implementation when it commenced and CICL believes the NSW government should be responsible for a greater share of the

¹ <https://www.mdba.gov.au/sites/default/files/pubs/Pattern-approved-non-urban-water-meters-04-2019.pdf>, accessed Wednesday 21 July 2021, pgs. 6-8.

² NSWIC Water metering implementation update from NRAR, Monday 13 July 2021.

costs of establishment and early implementation of this necessary, significant and important reform.

CICL recommends a cost share between government and water users of 50 percent and not 100 percent to water users as proposed by IPART.

CICL does not believe IPART, based on current information and the status of meter implementation is able to firmly establish WaterNSW' efficient costs. CICL acknowledges WaterNSW has completed further work and adjusted some of its costs since November 2020. However, CICL does not agree that Cardino, IPART's consultant, or IPART have sufficient information to determine WaterNSW' true efficient costs.

CICL argues that the efficiency of costs is strongly influenced by assumptions, including the number of sites to be upgraded. CICL believes there is likely to be significant errors in WaterNSW' assumptions.

It is also relevant that the costs being recovered from water users are only WaterNSW' costs associated with the administration of the NSW government policy. Water users who own their own meter remain responsible for the costs associated with ensuring their meters and their installations are compliant with the new standards and for their on-going maintenance. These costs are material to water users.

Price Structure

CICL welcomes IPART's decision to recover costs based on water access licences and meter installations and believes this fee structure reflects cost drivers associated with administration of the framework. CICL believes it is appropriate that water access licences that are not linked to a works approval also make some contribution to the costs incurred by WaterNSW to administer the reform as all Water Access Licence holders are beneficiaries of robust metering.

CICL also supports water users with government owned meters being charged a meter service charge to recover the costs of the ongoing maintenance of these meters. It is important going forward that cross subsidisation or socialisation does not occur (in either direction) between water users who own their meter and water users with government owned meters.

In relation to the proposed exit fee for capital costs incurred by government, CICL supports this approach in principle. CICL understands that currently the exit fee would be zero because government is funding the upgrade of the meter and it is only in the future, that an exit fee may apply.

CICL believes it is important IPART ensures implementation of an exit fee is consistent with the Water Charge Rules 2010 (*Cth*).

Telemetry and non-telemetry charge

CICL does not support the draft proposal which includes the telemetered sites having the same charge as non-telemetered sites.

CICL acknowledges that on a pure cost recovery basis, given the establishment costs of WaterNSW systems is being included, that recovery of telemetry costs from telemetered sites could be higher. However CICL makes the following points:

- The start up costs of telemetry systems should be funded by the NSW Government and not water users. CICL currently has an effective, real time communication system with

WaterNSW. It is government's new standards that are driving costs, for no change in the service to CICL.

- Increased uptake of telemetry is an opportunity to significantly improve water management and decision making by increasing the extent of real time data for both surface water use and groundwater use. Lower charges for telemetry will provide an incentive for water users to consider investment in telemetry. In addition, a lower charge rewards those water users that have already invested in telemetry which WaterNSW and the government can use to improve decision making.
- CICAL does agree with the proposed one-off rebate for telemetry, however, believes that in addition to this there should be a differential between telemetry and non-telemetry as per the point above.
- IPART is encouraging WaterNSW to achieve continuing efficiency adjustments and to capture the impact of innovation and new technology that enables irrigators to do more with less. Based on CICAL's experience, investment in 'real time' data is an opportunity to transform water management. CICAL believes the fee structure should provide an ongoing incentive for water users to invest in telemetry.

Application of the charges

CICAL supports the scheme management charge applying from the start of the determination period.

CICAL also supports new charges applying from the compliance date, as proposed. Commencement of the new charges in parallel with the compliance date will provide the incentive required for water users to make decisions about their works. Action by water users will be essential to WaterNSW and IPART being able to establish their efficient costs in preparation for the next pricing determination.

Conclusion

CICAL encourages IPART to apply the same thinking it applied to the efficient cost recovery from water users for NRAR costs to the recovery of costs for implementation of this important and needed reform. For NRAR cost determination, IPART recognised the importance of NRAR but acknowledge that at this point their costs were not efficient.

It is important the reform proceeds and WaterNSW is adequately resourced to support implementation effectively. As stated in this submission, CICAL believes changing the cost share between government and water users to 50 percent, not 100 percent, is the most appropriate way to achieve this outcome for the current determination.

For further information about CICAL and this submission please contact Jenny McLeod, Policy and Communication Manager on [REDACTED]

Yours sincerely

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Clifford Ashby
Chief Executive Officer