BARWON-DARLING WATER

SUBMISSION to:

IPART Draft Report

– Review of prices for the Water Administration Ministerial Corporation

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Submission from:

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Thanks for the opportunity to make this submission

Barwon-Darling Water Inc (BDW) is the peak body representing water users on the unregulated Barwon-Darling River – including local government, irrigators, and basic right users.

We represent all licence holders and water users on the Barwon-Darling – from Mungindi on the Queensland border to the Menindee Lakes.

Following are our thoughts on some of the questions that have been asked by IPART – as follows:

Our views on the proposed 3-year determination length?

Barwon-Darling Water supports the three-year determination period to undertake a wholesale review of WAMC's operating model, budget and performance.

While WAMC budgets continue to increase far beyond IPART's allowed expenditure targets, IPART still maintains that licensing fees should be *gradually* raised to achieve full cost recovery.

These two trends of increasing budgets and an insistence on an incremental pathway to full-cost recovery are leading to unsustainable price rises. Barwon-Darling Water requests that this period is used alongside the WaterNSW review to overhaul rural water pricing in NSW with lasting solutions that provide affordability and sustainable water management.

The three-year period is a valuable opportunity to review and restructure the rural water pricing model for WAMC, alongside WaterNSW. This review should be overseen by the relevant Ministers (the Treasurer and Minister for Finance) led by an independent consultant with input from relevant bodies including WaterNSW, WAMC, MDBA, NRAR, NSW-DCCEEW, and state and valley-based peak bodies.

We see the rural water pricing model as fundamentally broken and not capable of being permanently fixed unless its core assumptions and cost structure are overhauled. This is not possible within the current framework and for this reason, we ask that this review is led by the shareholding Ministers.

While we understand some of the circumstances facing WaterNSW are not identical to WAMC, there is considerable overlap in functions and cost drivers. For this review, we believe that all options should be on the table, including:

- Determining whether WAMC's corporate model is fit-for-purpose and capable of providing affordable service delivery for rural water users.

- Deciding if the current cost share arrangements between water users, WAMC and WaterNSW are fair.
- Re-examining the ‘impactor pays’ assumption used in pricing determinations.
- Scrutinising WAMC cost-recovery targets and efficiency of service delivery.
- Ensuring that IPART decisions safeguard the long-term viability of the irrigation sector and food security in NSW.

This process should not just tinker around the edges of the current model but should be an extensive review that develops a new approach to rural water pricing.

We are reaching a crossroads where issues of affordability cannot be ignored. This three-year period should not be wasted, as it is a great opportunity to find lasting solutions to the existing pricing model.

How reasonable is it to assume the forecast water take from floodplain harvesting will be 30% of the floodplain harvesting entitlements?

We believe that this 30% figure is likely to be accurate, although there will be differences in various valleys.

In the Northern Basin, 30% is seen as a reasonable estimate, but may be too optimistic, as most landholders felt they would, on average, access below 30% (depending on geographical location on the floodplain).

Factors that may influence floodplain take are on-farm dam storage capacity, rules surrounding other forms of water access, pumping infrastructure efficiency and timing of rainfall. One barrier to taking a full allocation of floodplain harvesting water is dam capacity, which will vary between farms. Dam capacity is affected by previous weather patterns – for example, if a floodplain harvesting event happens after a period of heavy rain, irrigators may already have filled storages with rainfall runoff or supplementary water. If this is the case, they may not be able to take a full allocation. Conversely, if it happens immediately after a dry period, they will have more capacity to fill up storages.

In some valleys, like the Namoi, restrictive rules on supplementary water take mean that irrigators have a stronger incentive to take maximise floodplain take.[1] In other valleys where supplementary access is more generous, there is higher availability of other forms of water, and potentially less need to take a full floodplain harvesting allocation. Additionally, if adopted, policy changes arising from the independent

[1] Namoi irrigators can only take 10% of supplementary water between 1 July-31 December and also had each supplementary water share reduced from 1ML to .37ML

connectivity expert panel review may reduce supplementary access, which may lead to more call on floodplain harvesting water in other valleys.

We are supportive of IPART's decision to charge floodplain harvesting licences on a variable rate, given that floodplain harvesting is opportunistic and will require little oversight once fully operational.

However we request that irrigators not be asked to pay for the inefficient rollout of floodplain harvesting licensing and measurement. The floodplain harvesting reforms have been delayed by staff and hardware shortages, as well as problems with incomplete or inaccurate modelling.

Do the 2.5% and 5% caps on prices strike the right balance between cost recovery and impacts on customers?

We support IPART's rejection of the WAMC proposal for a continuous 15% price rise for licence holders.

And while we disagree with some of assumptions built into WAMC pricing model, a 5% increase is seen by many as a reprieve.

However, we do not support the proposed two-tiered pricing model, where very small licence holders pay only a 2.5% increase while others are charged more. This creates a precedent whereby government may use to seek ever higher percentage rates of price increases imposed on larger licensees on the dubious grounds that this group can afford the higher fees.

Further, we believe that IPART should only determine further price increases following an exhaustive review of WAMC's efficiency, whether the WAMC structure is fit-for-purpose to drive efficiency, and the relevance of the impactor-pays principle in determining cost-sharing.

We also believe that the 82% cost recovery target is incompatible with a productive irrigation industry and cannot be justified given the ever-increasing WAMC budgets and changing community expectations around water management.

We appreciate that IPART has signalled that it is open to a review of its pricing model; and we would like to see all paying customers – including members of Barwon-Darling Water, being consulted in this process.

Barwon-Darling Water supports a degree of cost recovery but does not agree with IPART's use of the impactor-pays principle that apportions most of the cost of WAMC functions to licence holders.

This principle is the driving force behind IPART's insistence that WAMC should transition towards 82% user cost recovery and is ultimately leading to constant price hikes, regardless of performance, efficiency, scope of programs or the water user's capacity to pay.

Under the current pricing determination, irrigators will contribute 43% of the WAMC budget but even at the lower figure, 5% annual price hikes are already challenging farm budgets. Under IPART logic, water fees should be nearly double what they are now to contribute 82% of funding, assuming WAMC budgets don't increase.[2] Given the proposed 15% price hikes were deemed unaffordable, licence fees nearly doubling over the next 13 years would push many irrigators beyond breaking point.

Under its current model, IPART seems to assume that 82% cost recovery must be achieved, regardless of circumstances or consequences. We believe that under the current approach, annual increases of at least 5% will be baked in with little scrutiny on the overall assumptions behind 82% cost recovery and no clear understanding of the long-term implications. As part of this review, this figure needs to be re-assessed to ensure that it represents a fair cost share.

We also believe that 82% cost recovery goes beyond what is required for efficient water management and services (as is defined under IPART's terms of reference).

The current WAMC budget includes climate change planning, compliance and enforcement via NRAR, management of environmental flows, and Aboriginal water programs, among other things. These activities for the benefit of the wider community and should be funded by the taxpayer, rather than falling primarily on the shoulders of water licence holders. It is essential that these cost recovery goals and assumptions are scrutinised before the next determination period.

IPART has acknowledged that affordability was a major concern for licence holders in the WaterNSW and WAMC pricing reviews. The proposed 15% price rises for all but the smallest water users were both exorbitant and insufficiently justified. In the short term, most irrigators will accept the 5% rise, but this three-year review period is a great opportunity to find a lasting solution, rather than continuing the commitment to full cost recovery, year-on-year price hikes, and uneven cost-shares.

To find the right balance, IPART needs to abandon its insistence that WAMC move towards full cost recovery, re-think the current cost sharing arrangements and undertake a serious scrutiny of water management costs in NSW.[3] With each IPART determination, water fees seem to grow, service levels decline, and irrigated farming becomes less viable.

Our members feel that they should only pay for the costs associated with baseline service delivery but are being constantly lumped with new charges for programs that often benefit the wider community.

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[2] We note that Treasury has granted DCCEEW $92.6 million in its [2025-26 budget](), well above the $72.7 million that IPART deemed as efficient expenditure in its draft determination.
[3] Encompassing WAMC, WaterNSW, NSW-DCCEEW, NRAR, the NRC, and MDBA

We understand that as a vital natural resource, water use has stringent regulations and that the public demands a high level of accountability on its management. These community expectations have led to the creation of the Murray-Darling Basin Authority (MDBA), NRAR, the NRC, and a range of government programs and planning delivered by state and federal governments.

This is leading to cost blowouts, as WAMC has exceeded its operating budget by 45.2% to 134.5% between 2021 and 2025.[4] Some cost drivers are noted as 'increased water planning', 'compliance and enforcement' and the need to comply with the *Water Management Act 2000.* Major reforms such as non-urban metering, floodplain harvesting and the creation of NRAR have also increased the WAMC budget. Many of these initiatives were created due to changing public expectations around natural resource management and should not be totally lumped onto the irrigation sector.

Cost recovery is not possible as budgets continue to grow with endless new work programs and environmental goals. The options are to either abandon full cost recovery or WAMC budgets need to be trimmed significantly. If NSW deems these WAMC programs as essential, these should be funded via Treasury. As part of the three-year review, there needs to be serious scrutiny of how water charges can be made affordable while WAMC delivers its core functions.

What are your views on a potential alternative cap of prices for water management services at 10%?

We do not support raising the price cap to 10% as we do not support the premise that WAMC prices should be increased year-on-year under the current cost-share model.

We do not view the goal of 82% cost recovery as either fair or realistic and believe that this needs to be lowered before the next pricing determination.

It is clear from the volume of submissions that IPART received to its draft pricing determination that WaterNSW and WAMC price hikes could threaten the viability of many farming operations. Given the blowback against the 15% rises requested by WAMC in late-2024, 10% annual increases would also be a serious concern for licence holders. IPART recognised that "prices at even the proposed capped rate, with inflation could have substantial impacts on some customers".[5]

IPART also needs to consider the impacts of these price rises in a broader context. WaterNSW fees were also set to increase, input costs like fertilisers and energy continue to rise, water markets have tightened due to Commonwealth buybacks and

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[4] IPART: Review of prices for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June 2028, Draft Report, pp. 49

[5] Ibid, pp. 37

farmers face chaotic weather patterns across the state. Given this environment, there would be staunch opposition if the 10% figure was pursued.

What are your views on our proposed performance metrics? Could these be improved?

We support the drive to improve accountability and measure WAMC performance.

Our members feel that service delivery has been steeply declining, despite fees constantly rising. We are also concerned that WAMC consistently goes over budget with few repercussions and feel that this needs to be scrutinised. We believe that the four proposed outcomes represent a reasonable starting point for measuring performance.

We believe that there should also be some mechanisms put in place to ensure that roles are not duplicated between State and Commonwealth DCCEEW, the NRC or the MDBA. Some examples include NSW-DCCEEW setting aside money for long-term annual average extraction limit (LTAAEL) reviews, despite the fact that the MDBA already undertakes monitoring of sustainable levels of take through SDLs.[6] NSW-DCCEEW also must review 58 WSPs multiple times: once by the NRC, then provide a DCCEEW response, then the final development by NSW-DCCEEW. These were noted by DCCEEW as a cost driver and this process could easily be streamlined, simplified and improved.[7] This is especially relevant as DCCEEW notes that modelling personnel are in short supply.[8] The three-year review could allow for these processes to be improved.

Barwon-Darling Water members are also concerned that WAMC has little incentive to exercise budget restraint or drive efficiency. Treasury seems to routinely ignore IPART's determinations on WAMC's efficient cost of business, for example with ~$40 million more handed down than WAMC proposed to IPART in 2025-26 Budget on 24 June 2025. We expect Treasury to support IPART by imposing expenditure discipline on WAMC. Otherwise there appears to be little the point in IPART and stakeholders going through the price determination process.

What are your views on a potential price structure review?

We would highly recommend a 'root and branch' review of the WAMC structure, operations, budgeting and expenditure. In previous submissions we have pointed out that prices are increasing faster than users' capacity to pay and this threatens the viability of irrigated agriculture in NSW. We do not see that lasting solutions to water

[6] Stantec, Expenditure review of Water Administration Ministerial Corporation, pp. 64
[7] Ibid, pp. 65
[8] Ibid, pp. 64

pricing are possible within the current framework and believe all options should be considered in the coming three years.

We believe that the NSW Treasurer and NSW Finance Minister should take the lead on the WAMC and WaterNSW's pricing reviews, as we believe enduring solutions to water pricing are not possible in the current structures. All options should be on the table for this evaluation and the evaluation needs to find a balance that supports the viability of irrigation in NSW and ensures environmental sustainability and public confidence in water management. Several issues need to be addressed and sufficient time must be allowed to work through them, and we believe work should begin immediately.

We do not agree with a cost-share model flowing from the 'impactor-pays' principle s it unfairly apportions costs that should be apportioned to the wider community. We see that many of the primary WAMC functions are driven by public expectations around water management and planning. While these regulations may be expected by the community, they are not central to the running of an efficient business where "customers pay no more than needed"[9] and the impacts of water use are already managed through various mechanisms, like the SDLs, metering, and mandatory water take reporting. We believe that affordability issues will not be comprehensively addressed until this principle is abandoned.

Changing community expectations around water management are driving the need for increased regulations (not just the needs of irrigators). This in turn leads to a lopsided cost-sharing arrangement, where licence holders pay on average 82% of the WAMC costs – often funding programs that provide significant public benefit.

The impactor-pays principle is not consistent with many other public enerprises in NSW. For example, public transport in NSW typically generates around 25% cost recovery from fees, with the rest subsidised by the government.[10] This is because public transport produces public benefits like reduced traffic, pollution and provides equity (in delivering affordable mobility).

We believe that under the current model, IPART does not properly consider the public benefit provided by WAMC functions. WAMC charges cover climate change management and adaptation, environmental modelling of rivers, compliance with water laws, water quality monitoring and regulatory planning. These have immense public benefit, through improved biodiversity, water quality, climate change preparedness, flood mitigation, and help improve public confidence in natural resource management. In turn, this benefits tourism, cultural outcomes, [11] recreation, and improves disaster management.

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[9] IPART: Review of prices for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June 2028, Draft Report, pp. 25

[10] IPART: Maximum Opal Fares, 2020-2024

[11] Aboriginal outcomes or preserving nationally significant flora and fauna, for example

The assumption that irrigators are the primary impactors also ignores the original purpose of dam construction and inland development – that is, developing downstream areas for food and fibre production to shore up food and water security for the nation. This was an important part of nation building process and has provided tangible benefits to the public, keeping rivers running during drought, providing agricultural output and town water supply. It also gave the public a reliable supply of locally produced food and fibre.

We believe that the public benefit of environmental management and food security should be considered in IPART's pricing determination. This would lead to a fairer cost shares and can be easily justified to the public, under the argument of environmental preservation and local resilience in food production.

Opposition to the cost recovery targets has been outlined in previous sections of this submission. We again stress that IPART's 82% cost recovery target is unfair and unachievable without damaging the irrigation sector in NSW. If the proposed 15% per annum price hikes were deemed unaffordable, then we believe the ultimate cost recovery goal should be abandoned given at a minimum, water fees could need to double annually over the next thirteen years. This would be untenable – especially considering the similar rises in WaterNSW fees for regulated customers.

We support compliance and enforcement of rules and regulations. We welcome any intervention that increases public trust in water management and value the importance of independent monitoring of water diversion. However, users still must be sure that they are getting value for money under the current compliance arrangements and that the increased costs are sufficiently justified.

NRAR's own statistics show that compliance is very high amongst water users – with an annual average of 375 enforcements taken per year across the 39,000 licences in NSW[12]. This represents a compliance rate of above 99%. We do not agree with Stantec's assessment that there is a "lack of strong compliance culture among water users", based on 70% of the community believing that water theft continues.

This ignores the strong compliance figures outlined earlier and we believe community perception is a crude metric to adopt – it says nothing about the scale of perceived water theft.[13] We also believe that through its media releases and publications, NRAR perpetuates the community misperception by emphasising the actions taken without context, which leads to the perception that water theft is still widespread (despite statistics to the contrary).[14]

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[12] NRAR states that it monitors 39,000 licences while the 375 figure is from the 2024 WAMC pricing proposal, where NRAR outlines that it took 1500 enforcement actions over the previous five year period (pp. 50)

[13] For example, water theft is still technically occurring, even if this is at low rates. There is no nuance in this response and a more appropriate poll would have allowed people to allocate perceptions on the scale of water theft.

[14] For example, in this media release 'Spring-summer compliance data shows fines issued up almost 70%' the headline implies low compliance, while the article ends with "a lot of people

Water users also effectively pay double for compliance, as they pay for metering infrastructure, telemetry and reporting costs (on top of the charges that support water planning via WAMC and the MDBA). We support these measures, but there needs to be some consideration given to cost-effective and efficient compliance costs. Duplication of roles has been a major concern among members, and this is but one example.[15]

Finally, a large part of NRAR's budget is dedicated to education and customer engagement, justified by the surveys that show that NSW has the most complicated water regulations in the country.[16] Stantec notes that it "would expect that a significant proportion of this cost would not be required in a well-functioning and mature water management environment, where licence conditions were easy for users to understand and for NRAR to enforce."[17] Water users are paying the government to educate them on complicated regulations created by the Government.

As noted by IPART, NRAR should be able to "transition from its current establishment phase to a maintenance role that utilises targeted and risk-based approaches requiring fewer resources".[18] NSWIC believes that given the high compliance rate, and improvements in monitoring via telemetry and metering, efficiency is an important goal.

Costs of compliance should be commensurate with expected infringements and NSWIC wants to be sure that the public are getting value for money in compliance activities. Likewise, users should not be subsidising NRAR to explain complex water regulations to users – this should be addressed by the MDBA and NSW and Commonwealth DCCEEW (who design the rules).

NSWIC also questions whether the IPART 2024-25 pricing determination process for WAMC has been rendered irrelevant when Treasury has already provided $56.2m to NRAR in the NSW Budget handed down on 24 June. This is 54.8% higher than the $36.3 million proposed in WAMC's pricing proposal and that IPART deemed to be an efficient cost in its draft determination released in early June.

We ask that IPART investigate the justification for this substantial increase in funding and as it raises issues around the IPART determination process. This is particularly important, given the 100% cost share allocated to water users.

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are already doing the right thing, and we are encouraged by that" and "the number of breaches is small compared to the 39,000 licences monitored by NRAR"

[15] Stantec also notes the Regional Water Strategies as being "a duplication of effort as other mechanisms are in place to gather this formation for water sharing plans"

[16] Or at least, the least well understood by users

[17] Stantec, Expenditure review of Water Administration Ministerial Corporation, pp. 267

[18] IPART: Review of prices for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June 2028, Draft Report, pp. 53

We believe WAMC needs to demonstrate far greater efficiency, as despite hopes that new regulations would lower budgets, in most instances our members have seen the opposite. This is most apparent in compliance, where despite the large-scale investments, there has been no associated decrease in oversight or compliance costs.

The non-urban metering rollout introduced stringent standards on water users including independent installation of meters and telemetry for larger water users. In theory, this should allow for more cost-effective monitoring of take, as tamper-proof meters feed water take data to the WaterNSW system in real time.

There have been issues in the metering rollout, as noted by IPART in its draft determination, and we are still yet to see any improvements in monitoring. This is well captured by the statistic that "80% of metered entitlement incurs only 15% of projected costs under the existing framework.[19] Spending 85% of the metering budget to pursue 20% of entitlements is not a sound use of resources.

As IPART notes "given the shift in compliance focus to higher-risk users, who account for the majority of water take but a smaller share of projected costs, we would expect a reduction in the efficient cost of the scheme. However, WAMC proposed a 1.4% increase in average annual costs for the 2025–30 period compared to 2023–24 allowances."[20]

Stantec gave similar commentary in its Expenditure Review noting a lack of risk tolerance and an unwillingness to adopt "less than perfect" solutions even when these would be more practical. It states that WAMC "has not consistently and robustly considered the trade-offs between service level, cost and risk in proposing its expenditure review" and that they did not adopt "less than perfect" solutions when consequences might be minor.[21]

We believes that many of the programs run by WAMC fall under policy planning and should have a 0% user share, as was determined by Stantec for activity W06-05. It is difficult to make a clear assessment on particular programs, as these and the relevant cost shares are not clearly laid out in the IPART draft determination, although some programs are named within certain categories.

Among the policy planning programs are the minimum inflows review, connectivity review, regional water strategies, the coastal sustainable extraction project and NRC water sharing plan (WSP) reviews.[22] We see that these programs are clear examples of policy planning, rather than policy implementation that water users might arguably pay for in part.

[19] IPART, Review of prices for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June, 2028, Draft Report, pp. 130
[20] Ibid, pp. 130
[21] Stantec, Expenditure review of Water Administration Ministerial Corporation, pp. 19
[22] Connectivity appears to have an 80% user share (W05-03)

Additionally, all new policies and changes to regulations require significant investments in policy planning. We are unclear on how these costs are shared between users as there was no clear rationale or cost breakdown for each activity proposed by WAMC. We would appreciate some clarity on this issue from IPART, as the IPART draft determination states that some aspects of policy planning might be user-funded, according to NWI principles, but others not.

Water sharing plans are likewise a large component of WAMC's work, that are currently funded 70% through licence fees. These reviews are long processes that involve numerous stages of analysis, factoring in environmental, social, economic and cultural outcomes. Much of this work is unrelated to the needs of irrigators yet is largely funded by licensing fees. We believe this falls under planning and that its current cost share cannot be justified.

There appears to be considerable grey area in the definitions of policy planning versus policy implementation. Stantec has understood policy planning as "broad strategies for managing water" and policy implementation is "catchment scale" or "localised water plans". In our view, many current programs now encompass many issues beyond catchment-scale issues, and we believe that the user-share should reflect this.[23] This needs to be addressed during the three-year review.

Representatives from Barwon Darling Water are available to further discuss any of the matters raised in this submission.

Please contact Ian Cole on 0429 722 857.

[23] For example, the 2024 NRC review of the Murrumbidgee includes Aboriginal water ownership, town water supply and climate change planning