

Independent Pricing and Regulatory Tribunal

09/09/2022

Level 16, 2-24 Rawson Place

SYDNEY NSW 2000

Submission via email

Submission on Draft Determination – Essential Water Pricing Review

Foundation Broken Hill previously submitted a response to the Issues Paper and this submission is a follow-up to that as well as a response to the draft determination and public forum on the 6th September 2022 in Broken Hill.

As an overarching statement we welcome the capping of price increases to CPI only, rejecting Essential Energy's proposed average annual increase of 1.6% above CPI.

As noted in the draft determination this is an acknowledgement that Essential Energy need to find corporate and operational savings within Essential Water costs.

The impact of price rises, even if limited to CPI only, is significant for the local community and direct concerns raised by people at the public forum reflected this. Even with CPI only increases to water and sewerage prices there is still a significant impact on many sectors of the community, such as pensioners and others, whose disposable personal income does not correspondingly increase by CPI – effectively creating a greater-than-CPI increase for their water and sewerage prices.

As a follow-up to our issues paper submission, we provide the following specific comments.

Future Consideration of Mining Operations in Broken Hill

There has been discussion on the impact of a new mine commencing within the determination period and the impact it will have on water operations and in turn pricing.

There must also be consideration of the impact of existing Broken Hill mining operations ceasing in the next decade or so.

Any discussion must include the mining companies themselves, both existing and emerging operations, so that they can have direct input into the analysis of the impact of any changes and the timing of these changes.

There should not be broad assumptions made about mining operations without having that direct conversation with them.

We would urge discussions around transition pricing so that the impact on the community of significant changes to mining locally can be understood and managed.

Forecasting for growth – not decline

We reiterate our comments from our issues paper submission.

Foundation Broken Hill is concerned with the continued view of some government departments and similar entities that Broken Hill is in a state of ongoing decline.

While we acknowledge that the Broken Hill population has trended down over many years, we take a very different view of Broken Hill's future. We encourage any forecasting to look at the landscape of mining and other activity in the region to gain a more realistic view of growth into the future.

These current and future projects point to a positive future for Broken Hill as mining reboots the City; creating direct and indirect jobs, stimulating housing demand, and growing opportunity across all sectors of the economy.

Corporate Overheads

It has been acknowledged that capping of price increases beyond CPI reflects the need for Essential Energy to find corporate and operational savings within Essential Water.

It was quoted in the public forum that Essential Energy is effectively reducing their corporate overheads from \$5.4M per year down to \$2.6M per year over the term of the determination period. This corporate overhead figure noted towards the end of the determination period is starting to be a more realistic corporate cost for what should be considered as a standalone water business.

We urge IPART to consider how this will be managed to ensure that this reduction does happen.

If the IPART pricing is effectively just setting a high-level revenue position for Essential Water over that period, how can IPART be assured that the corporate overheads, and any other direct costs from Essential Energy, are effective and providing a level of service needed by the water business. Or to put it another way, if corporate overheads increase costs to the water business, and the forecast revenue stays as expected, effectively capping overall costs, this will mean that direct services on the ground must be reduced to compensate for any increased corporate overhead expense.

It is critical that IPART find ways of ensuring that these internal Essential Energy costs, which are external to Essential Water, whilst still needed, are effective, relevant, and controlled. The devil will be in the detail and IPART must look beyond simplified industry comparisons and metrics to fully appreciate the impact the corporate overheads and other internal charges are having on pricing.

IPART's consultants have for several determinations highlighted concerns around the setting of corporate overheads.

There must also be some thought put to how previously excessive corporate overheads have been embedded into prior determination pricing and carried forward into current pricing, and how going forward this can be recognised and rectified.

Closing Remarks

The community heavily relies on IPART to thoroughly review Essential Water pricing.

Whilst the draft determination is capping price increases beyond CPI, there should not be a complacency in the community that this position will remain forever.

External groups and organisations can generally only make comment and air concerns on the impact to the community and highlight areas of social disadvantage that increasing water and sewerage pricing may have.

It is near impossible for any external organisation, like ours, to undertake a detailed review. We simply do not have the resources or data required to delve into the intricate detail of the proposed pricing and determination findings. We do not have access to the low-level data that underlies the Essential Water operations and proposals.

It is up to IPART to be the communities advocate and inquisitor.

Please feel free to contact me for any further information or discussion.

Yours faithfully,



Travis Nadge
Chief Executive Officer
Foundation Broken Hill