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PEEL VALLEY– WATER NSW RURAL BULK WATER SERVICES

This submission is lodged on a personal and individual basis. The context of my experience is as a resident of Tamworth.

Historically Tamworth and the Peel seem to have suffered high water user charges. Seemingly the basis of this is advised as “User Pays”. Whilst this may have some element of merit there appears to be a persistent skew in the outcomes when considered alongside other Valleys.

The inherent breakup of this relates to the Peel River which has water source storage capacity of 106 GL and outputs of on average about 280 GL annually into the Namoi Valley.

It is noted there are plans afoot to merge the Peel and Namoi Valleys into a single Water Sharing Plan, a move that I do not support. It is possible to view this water pricing exercise/determination in the context of a situation being contrived to justify (in the minds of the proponents and beneficiaries of such a merger) to manipulate the figures behind the case in order to justify a certain position/outcome.

From a logical consideration, operationally, Water NSW operates with a central NSW Head office based in Sydney with satellite offices and operations (for Rural) generally aligned with the relevant valleys.

In compiling this submission I have, as a lay person attempted to digest and understand the very considerable volume of reports. Specifically I have been looking for the basis and detail as to how the costs have been attributed to Valleys and the basis for these.

It appears that there is an attempt to distribute the significant Head Office costs via some mechanism which is obscured by the comprehensive “roll up” of the report “REVIEW OF WATER NSW’S RURAL BULK WATER PRICES FROM 1 JULY 2021 TO 30 JUNE 2025”

In the documentation referenced I have found under “Proposals” Attachment 1 – Cost allocation manual, a document which is referenced as being associated with Regulated prices for Greater Sydney 2020-2024, Attachment 4 – Cost Allocation Manual, certainly confusing??.

I would call this document a high level accounting/procedural basis and in the absence of any other information, it is all I have to base my deliberations upon. Details of Cost allocation appears to commence at 3) Cost Allocation Principles referencing IPART’s Cost Allocation Guide and from there-on being based upon Water NSW interpretation of that IPART document. At 4) Table 2 there is a General Ledger Account information table where the Valley sits at Level 3.

Following from this whilst agreeing that the basis appears to be there, the reality is in how those costs are coded and allocated.

Given the amount of work involved in putting such a report together, there is a “David versus Goliath” aspect to me in preparing my submission.

Being reasonably happy with the premise (noting later comments) of the “Report”, I have to be reliant upon the contents as I personally do not have the resources to conduct the necessary level(s) of investigation.

- Has the attempt to adopt user pays gone too far?
- How are allocations verified and who verifies these.

- Are these factually checked in detail as part of the IPART deliberations or is the word of Water NSW accepted.
- Is the purported allocation of costs more of a technical argument that incurs costs which in themselves become a very part of the impost under consideration?
- It is agreed that certain Valley specific functions can be directly allocated, however, this becomes far less transparent when shared costs become involved ie IT system costs and the like.
- The mechanism of the allocation of shared costs is not provided, perhaps fairly it should be the aggregate allocated pro-rata across water sales for the whole state.
- When one sees a ratio of ten (10) in the range of Valley prices the issue of fairness is certainly brought to the fore.
- From the report "REVIEW OF WATER NSW'S RURAL BULK WATER PRICES FROM 1 JULY 2021 TO 30 JUNE 2025" at table 7.8 asset lives, the Customer RAB and Government RAB for Peel Valley are on the low side of other determinations.
- The high cost of High Security entitlements for the Peel Valley will affect the residential water users, meanwhile moving to an 80:20 tariff basis (60:40 in most other Valleys) has favored other users. The ratio High Security \$62.08 to General Security \$5.88 is 10.55 times, well in excess of any other Valley. Does this constitute a political decision or is there another reason which needs to be explained?
- Currently Chaffey Dam serves Environmental, High Security (Town supplies) General Security and Stock and Domestic in a ratio of Entitlements 16 GL High Security to 38 GL General Security. Water is stored in the dam for both allocations. Per Megalitre Entitlement Charges are set (proposed 2021-2022) (information from Draft Decision Table 1.1)

High Security at \$62.08 (from \$44.77 currently) 35.8% increase

General Security \$5.88 (from \$4.33 currently) 35.8% increase

Usage costs are equal for both High and General Security going from \$19.78 currently to \$24.68 24.8% increase

Arising from this analysis is the very high increase in rates which is certainly not attributable to CPI increases. Advice presented in IPART draft determination suggests a 53.6% increase in Water NSW operating expenditure and a 44.2 % decrease in Water NSW capital expenditure since 2017 determination.

Whilst there appears some rationality in Capital expenditure, the level of increase in Operating expenditure should be subject to further explanation to the users/public as they far exceed reasonable expectations at CPI rates of increase.

In Closing

Perhaps a more robust basis might be to review what is allocated to User Pays rather than attempting to have a complicated system of splitting the cost of shared resources. This approach simplifies the allocation of costs and minimizes the potential for mis-coding or mis-allocating costs. In this context it may be more appropriate to amalgamate some of these cost centers to be spread on a state wide basis (ie more of a postage stamp principle) as the very concept of the detail of the splits being carried out in practice is at least somewhat tenuous. Subject to efficiencies (which should always be the basis of business), I would only support the true user pays principle if these resources stated as part of the Peel Valley were demonstrably visible as being totally Peel Valley centered ie for example located in a dedicated Peel Valley office (an impractical premise though). With the progress of the digital age even this is difficult to remain transparent on. This leads me to the view that the basis of the level of "User Pays" is tenuous and perhaps providing at best unfair outputs.

Whilst it may not be within the remit of IPART, it is certainly my experience in “working with figures” that some thought be given to the results obtained. Notwithstanding, there are aspects of procedural fairness if not procedural process outcomes, to the costs being passed to users, which, if nothing else, would to me be deserving of comment.

The skewed pricing put forward for Peel Valley versus other Valleys needs further explanation and justification.

As intimated at the commencement of my submission, despite the volume of the report, and it being presented as an “Organisational Level” the level of detail necessary to confirm the basis of the Costs specific to the Peel River is not available to me.

For this reason I am unable to comment more specifically and to an extent am precluded from sustaining my argument due to a lack of detail necessary.

The basis of my submission is that there be a fair and equitable distribution of costs, something which seems very unequal to me in the proposal put forward for the Peel Valley.

Thank you for considering my submission.

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16 April 2021