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Lachlan Valley Water Inc

Sustainable, productive and efficient water use in the Lachlan Valley

Submission to IPART on Promoting a Customer Focus

July 2021

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SUBMISSION

PROMOTING A CUSTOMER FOCUS

1. Introduction

Lachlan Valley Water (LVW) is the peak valley-based industry organisation representing 550 irrigator members in the Lachlan Valley, including regulated river, unregulated river and groundwater users.

This submission relates primarily to customer engagement by WaterNSW as it is the business that supplies water to rural customers, and which LVW engages with about river operation and water delivery matters. Alongside this, water charges are a significant cost component for rural customers and there is a strong interest in engaging actively with WaterNSW on pricing proposals.

2. Understanding customer preferences

Should IPART require a customer engagement plan to be submitted in the lead-up to a pricing proposal? How far in advance of the proposal due date should it be submitted? Should this be published?

Should IPART move to a system of grading the quality of proposals?

In LVW's view a workable customer engagement plan is useful to guide how the more complex water pricing issues can be effectively discussed with customers. We also believe that a workable plan would be one where customers' views have been sought on the key elements of the engagement plan, rather than a plan that has been developed externally. WaterNSW could use their existing Customer Advisory Groups to provide feedback on the engagement plan.

We support the objective of IPART to promote the long-term interests of customers and suggest there is a benefit to grading the quality of proposals only where is also a response linked to the grading result.

3. The guidance IPART provides

Are IPART's customer engagement principles current and fit for purpose? How could they be improved?

Do you agree with the additional 3 principles relating to incorporating customer preferences and performance? Is something missing?

LVW supports the principles listed under Box 4.1, and in relation to rural water pricing considers two of the most important principles are **Representative** and **Clear and accurate information and communication**.

In order to get useful feedback, the sample of customers consulted needs to have good understanding of the operations of WaterNSW as well as being representative of the wider range of customers. In our view WaterNSW already has Customer Advisory Groups (CAGs) that largely, but not completely, represent the range of customers, and we therefore suggest WaterNSW should engage with them earlier and more informatively on pricing issues.

Clear and accurate information is essential in relation to the delivery of bulk water to rural customers, where there is a diverse range of customers with different priorities. It is only with accurate information, and sufficient lead time, that a Customer Advisory Group, or any other group representing customers, can make any reasonable assessment of a pricing proposal, and consult more widely with other customers as required. Clear information on the trade-offs between service and price is important, and a good example of this is how different fixed:usage pricing ratios would affect different categories of customers, e.g, high security and general security licence holders.

In relation to the additional 3 principles, LVW strongly supports that the pricing proposal should clearly demonstrate links between customer preferences and proposed service levels and projects. Currently there is little ability for customer representatives to weigh up the pros and cons of different service levels unless accurate information is available regarding the benefits and costs of both Option A and Option B.

LVW also supports that the business decision-making processes should appropriately integrate the outcomes identified through customer engagement.

4. Customer advisory or negotiation groups.

How fit for purpose are the current customer advisory groups? How could they be enhanced?

Is there need for a subsidiary customer advisory group developed with expert skills to represent customers?

As noted earlier, WaterNSW has a wide range of customers, and significant differences between valleys both in terms of customers and operational issues. Customer advisory groups aim to represent all customers in their region, including local water utilities, industry and licences owned by the NSW and Commonwealth governments. Many CAG members also hold different categories of licences eg, both regulated river and groundwater, as well as widely varying licence volumes, so the CAG generally has good coverage of different types of customers. In some regions it may be useful to engage with unregulated licence holders more actively.

LVW's view is that the customer advisory groups generally have a good level of knowledge of their valley and how water resources are managed, but that high level, generic discussion about water-related issues is not the most effective way to consult with them, and that valley-based debate is important to improve outcomes.

This relates particularly to pricing, where detailed information about the costs of different levels of service in each valley are necessary to allow informed decisions on preferred options in each valley. Earlier and more open provision of information to CAGs on proposed capital programs, discretionary projects to improve efficiency of operation, and pricing options would be an effective way to manage this in our view. It is also essential that this

information is provided with sufficient time for CAG members, and industry groups, to evaluate the information and consult more widely with licence holders on preferred options.

With regard to a subsidiary customer advisory group with expert skills, LVW questions whether this would actually provide better representation of customers across the whole spectrum, and considers that providing the CAG members do represent the full population of water users in that region, then a subsidiary group is not required.