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Lachlan Valley Water Inc

Sustainable, productive and efficient water use in the Lachlan Valley

**Submission to IPART
on Review of WaterNSW
non-urban metering reform charges**

July 2021

**SUBMISSION ON REVIEW OF
WATERNSW NON-URBAN METERING REFORM CHARGES**

1. Introduction

Lachlan Valley Water (LVW) is the peak valley-based organisation representing 550 individual irrigator members in the Lachlan Valley, including irrigators within Jemalong Irrigation Limited (JIL). This submission has been prepared on behalf of all members and represents an overall valley position, however, our members also may make their own submissions. Lachlan Valley Water is a member of NSW Irrigators Council (NSWIC) and supports the NSWIC response in general, and provides additional responses from a Lachlan perspective.

This submission addresses the draft decisions listed in the Supplementary Draft Report from June 2021, but does not address the recommendations regarding government owned meters as this does not apply to the Lachlan region.

2. Response to draft findings and decisions

1. That the efficient costs of implementing the NSW Government's non-urban metering reforms under WaterNSW's proposed base case is \$47.9 million.

LVW welcomes IPART's decision that the efficient level of costs is 12.3 % less than WaterNSW's revised proposal, but we consider that there's still significant uncertainty about the accuracy of WaterNSW's costs in view of the conclusions made in Cardno's draft report that "*WaterNSW's expenditure proposals rely on a large number of assumptions which lack supporting evidence*"¹. The Report goes on to note that "*a number of the major assumptions, such as working weeks per year...are overly conservative or inaccurate*".

For this reason LVW supports the NSW Irrigators Council (NSWIC) position that WaterNSW has not provided sufficient information to allow IPART to make a draft decision on efficient costs, and that unless the accuracy of efficient costs can be demonstrated it is not appropriate that these costs should be recovered from users.

2. That the efficient costs of implementing the NSW Government's non-urban metering reforms vary based on the proportion of customers that voluntarily opt in to telemetry as set out in Table 2.14.

We concur that the efficient costs will vary depending on how many customers opt in.

3. That a 100% user share is appropriate for expenditure incurred by WaterNSW implementing the NSW Government's non-urban metering reforms.

LVW strongly disagrees with the recommendation that a 100% user share is appropriate for the costs incurred by WaterNSW in implementing metering reforms.

¹ Cardno Review of WaterNSW's Metering Reform Costs, p42

With regard to Box 3.1 *How do we determine who should pay for efficient costs?*, we submit that the party that caused the need to incur the cost for this program was WaterNSW due to inadequate performance of their existing compliance responsibilities to check and read meters. Over the last 20 years WaterNSW and its predecessors have reduced the number of staff members whose role it was to do on-ground inspection and read meters, and while we accept that WaterNSW can decide how to undertake these services, the meter compliance management should still have met the required standard, and it did not.

Therefore, LVW considers there needs to be a clear distinction between the capital costs of implementing the new metering framework and program developed in response to the Matthews Inquiry, which should be met by the government, and the ongoing operating costs.

Licence holders in the Lachlan and Belubula already have privately-owned meters, and some also have existing telemetry systems in place, but all will incur, or have done already, significant additional costs to either install new meters or validate their existing meters, and to install new telemetry devices. Licence holders should not be required to also meet the additional and high costs to implement the metering reform program.

In summary, LVW supports the NSWIC position that the government is the impactor due to compliance failures and very slow implementation of the National Framework for Non-urban Water Metering, and that the costs of establishing the new metering framework and program should be met by the government.

4. To recover the wider costs of introducing the reform, such as recording and reporting, customer self-reporting, general enquiries and education, through a 'scheme management charge' to be applied to all licence holders from 1 October 2021.

As stated above, we recommend there should be a clear distinction between the costs to establish the metering reform program, which should be met by government, and the ongoing operational costs.

LVW recommends that only the ongoing operational costs should be met by licence holders, and supports the ongoing scheme management charges being based on a per licence basis.

5. To recover the costs of compliance activities, water take assessments, meter reading and meter data services through:

- **A telemetry charge to be applied annually to customers who use telemetry**
- **A non-telemetry charge to be applied annually to customers who do not use telemetry**

There are significant capital costs to establish the telemetry system, and to operate it while relatively few meters are connected, and LVW understands IPART's finding that the efficient costs to be recovered will decrease as more customers use telemetry.

But at the same time, there is an inconsistency between this and the fact that someone with telemetry will incur significant costs to install their own device(s), but will not see any financial benefit for doing this and thereby reducing the on-ground meter read requirements for WaterNSW until a significant number of licence holders install telemetry and there is an economy of scale. Additionally, the proposed reductions in the telemetry charge as more sites install telemetry seem relatively low.

In LVW's view this is not a positive approach to support the increased adoption of telemetry.

While LVW welcomes and is supportive of the NSW government's provision of a \$975 rebate for those who do install telemetry devices, at this stage it is also unclear how many licence holders who are not required to install telemetry devices will do so.

Therefore, LVW recommends that the appropriate pricing approach is that the capital cost of establishing the telemetry system should be met by the government, and that the telemetry and non-telemetry charges should recover the operational costs.

6. To set charges for WaterNSW's non-urban metering reforms as set out in Table 5.1 and Table 5.2

As noted earlier, LVW considers the NSW government should meet the capital costs associated with the non-urban metering reforms, and therefore the charges set out in Tables 5.1 and 5.2 are not the appropriate charges.

7. To apply transitional arrangements in moving from existing to new metering charges:

- **Scheme management charges to apply annually from 1 October 2021**
- **Telemetry or non-telemetry for customers with privately owned meters to be prorated using the number of days remaining in the financial year from the relevant compliance date.**

LVW supports the transitional arrangements for the new charges coming into effect.