

MURRAY VALLEY PRIVATE
DIVERTERS (INC)

Public Submission: 23 July 2021

to

**Independent Pricing and Regulatory
Tribunal**

**Review of Water NSW non-urban metering
reform charges**

Introduction

Murray Valley Private Diverters (MVPD) represents private entity river pumpers in the NSW Murray Valley and its tributaries The Edward River, Wakool River, Niemur River and other creeks and streams.

We appreciate the opportunity to comment on the Independent Pricing and Regulatory Tribunal – Review of Water NSW Non-Urban Metering Reform Charges

MVPD notes that IPART is reviewing the prices for Water NSW and the Water Administration Ministerial Corporation (WAMC) in relation to Natural Resource Management and Metering of Bulk water in NSW.

We also understand that a component of this also relates to the Mathews Report and the NSW Government's responses to metering and management of water in response to that inquiry. The NSW Government's response applies to both Water NSW and WAMC rural bulk water reviews.

IPART draft reports (March 2021) for Water NSW and WAMC reviews, we note did not include decisions on Water NSW's additional charges/costings for non-urban metering reforms at the time. Since then Water NSW has submitted further options for charging.

As such, IPART delayed the commencement of the 2021 determination period to 1st October 2021. Our members therefore are under current pricing until that date.

Opening Statement:

Murray Valley Private Diverters (MVPD) is concerned that Water NSW submission to IPART and IPART's response have not adequately considered the background to NSW Government water policy that now are to affect Water NSW Meter Charges.

The Mathews Inquiry led to the formation of NRAR, but also to proposed regulations that would bring NSW Northern Basin irrigation 'take' towards Australia's national metering standard (AS4747). This matter has been ongoing and considered problematic for many decades. In short, the AS4747 Standard is being applied to the Southern Basin but has not to the Northern Basin.

Water NSW submission and IPART's response in our view has not considered the equity issues in relation to Water NSW new charges and how costs of bringing the Northern Basin towards National Standards, are now being socialised and thus a percentage of the costs are being borne by Southern Basin irrigators (the majority of which) are already compliant.

MVPD seeks IPART recognition that bringing meter owners to National or NSW regulatory and compliance levels should not result in additional costs being imposed on to individual irrigators in the Southern Basin who were considered compliant under the Southern Basin Metering Program.

Recommendation:

- **IPART amend its draft determination to prevent Northern Basin Compliance costs being socialised onto Southern Basin Irrigators who have Government owned meters through Water NSW & WAMC charges**

IPART DRAFT DETERMINATION:

- ❖ A 'scheme management charge' would apply as an annual fee per licence (\$/licence). This fee would apply to all licensed customers.
- ❖ A 'telemetry charge' would apply as an annual fee per metering installation for customers that use telemetry (\$/meter). This fee would apply to customers with privately owned and government owned meters.
- ❖ A 'non-telemetry charge' would apply as an annual fee per metering installation for customers that do not use telemetry capacity (\$/meter). This fee would apply to customers with privately owned and government owned meters.
- ❖ Two additional charges would apply to customers with government owned meters - 'meter service charge – operating costs' and 'meter service charge – capital costs'. These charges would be applied as an annual fee per metering installation (\$/meter).¹

IPART report states:

- ❖ Water NSW provided its revised proposal in its submission to IPART's Draft Reports on the Review of Water NSW's rural bulk water and WAMC's water management prices.
- ❖ The scheme management charge, telemetry charge and non-telemetry charge will vary if more customers use telemetry. See Table 1.2 for further information.
- ❖ Cost for telemetry/non-telemetry is not included in the 'meter service charge – operating costs' for government owned meters.
- ❖ Customers with privately owned meters will not pay these charges because they will need to purchase and maintain a new or replacement meter themselves at their own expense.

IPART's draft decision is to apply the same continuing efficiency adjustments of 0.7% per year to capital expenditure as for operating expenditure, totalling \$0.1 million in efficiency savings over the 2021 determination period (see Table 2.13).

Government owned meters

IPART reports notes:

- ❖ The NSW Government will contribute funding to Water NSW to cover the capital costs of upgrading government owned meters. The aim of the funding is to ensure that the costs of bringing these meters into compliance with the non-urban metering rules is not borne by users. We have therefore made a draft decision to set a meter service charge – capital costs of \$0 a year for the 2021 determination period.
- ❖ In addition, the NSW Government and Australian Government will each provide \$9 million in funding to deliver a telemetry rebate program across NSW. The

rebate will automatically be applied as a one-off \$975 credit on a water bill when an eligible water user with a meter connects to the NSW Government's telemetry system. This will provide a financial incentive for metered non-urban water users to use telemetry to remotely transmit their water take information.

MVPD Response :

- MVPD does not support a universal 'Scheme Management Charge' being applied equally to customers in the Northern Basin and Southern Basin.
 - Southern Basin Government owned meter holds should not bear the cost burden of bringing Northern Basin irrigators into National Metering standards and NSW regulatory compliance regime.

- MVPD does not support the introduction of a new 'telemetry' charge to apply as a new annual fee to existing meters for Government owned meters (Southern Basin)

- MVPD does not support the two proposed additional charges to customers with Government owned meters (Operating Charge and a Meter Service Charge)
 - There is insufficient explanation why these additional charges are needed when Water NSW already recovers its operational costs under existing meter service charges

- MVPD does not support Water NSW /DPIEW decision to require Government owned meters (Southern Basin) to now require 'additional data- loggers', which results in an on going cost burden (excluding initial capital costs) which is to be applied meters holders. This is considered unnecessary when existing telemetry services can provide equivalent information. There has been no cost benefit analysis of the additional 'data-logger' requirements and the decisions appears more related to processes to bring the Northern Basin into a compliance regime.

- MVPD however, welcomes the Government decision to contribute to the upgrading of Government owned meters installed under the Southern Basin Metering Project, but a number of unresolved issues remain
 - Water NSW Program buried the meters underground (not supported at the time by landholders)
 - Water NSW is not prepared to 'unbury' the meters which we understand is necessary in order to make them fully compliant.

- MVPD is concerned that '**un-burying**' the meters is a vital requirement if individual landholders wish to 'opt' out of Government meters (due to proposed pricing increases). Landholders have made repeated request to Water NSW to resolve this issue. This issue is also very relevant:
 - Once Government owned meters reach 'end of life' and who would wear the costs of future inspection requirements (meters would need to be on the surface of land not buried)

- MVPD encourages IPART to remember that the Southern Basin Metering Project was not voluntarily and now together with the more flexible options being offered to Northern Basin irrigators, those with Government owned meters will be further disadvantaged
 - A significant number of individual irrigators also lost water property rights when the newly installed meters had higher meter readings replace existing compliant and properly installed privately owned meters. No compensation was ever paid and landholders had very limited options to request independent assessment of the way Government owned meters operated or were installed.
 - A substantial fee was required to be paid if individual landholders disagreed with the installation and readings of the Government owned meters
 - A major issue and cause for concerns, is that the only mechanism available to landholders was for the meter to be sent to a City Laboratory at the cost of the individual. This meant no site verification was permitted to check accuracy of the Government owned meters

- By contrast, a significant number of water extractors in the Northern Basins still do not have AS4747 Standard meters and many are without telemetry, **or even meters**, as in the case of Floodplain harvesting. (2021)

- In addition, Northern Basin irrigators are allowed under NSW Government regulations to make individual choices on meters and engage a Duly Qualified Persons (DQPs) to verify accuracy of **meters on site**. Government owned meters in the Southern Basin were **NOT permitted to have 'in-situ'** assessments/verification or analysis of any concerns re potential 'over reading'. Meter 'over-reads' have resulted in a substantial number of irrigators incurring major loss of equity in their water entitlements without compensation or capacity to have 'in-situ testing to verify meter operations.

- At the same time while the standards and compliance measures have been significantly different over many decades, the NSW Government new proposed regulations will impose a significant burden under a proposed socialised costing system, to Southern Basin Publicly owned meter owners. Therefore, irrigators in the Southern Basin (with Government meters) are further disadvantaged.

- MVPD acknowledges that IPART has reduced the proposed fee scenario of Water NSW (some components), but the reduction does not acknowledge the inequitable and socialisation of regulatory and compliance costs (Water NSW/WAMC) and additional regulatory burdens (eg data loggers), that are now being applied to landholders with Government owned meters.

- MVPD is also extremely concerned about levels of equity: the Federal Government is subsidising the roll out of meters in the Northern Basin. By contrast there is no such assurance to customers in the Southern Basin (Government owned meters)

where indications are that Water NSW will not continue public ownership of such meters at the end of their life expectancy (eg within 5- < 10 yrs).

- This means that customers with Government owned meters in the Southern Basin may have to fully self fund a future conversion to private ownership

1.5 IPART : List of draft decisions for stakeholder feedback

QUESTION 1 :

That the efficient costs of implementing the NSW Government's non-urban metering reforms under Water NSW's proposed base case is \$47.9 million over the 2021 determination period (see Table 2.1). Page 14

MVPD RESPONSE:

- MVPD members met compliance standards (AS4747 Standards) when their existing meters were replaced to Government owned meters as part of the Southern Basin Metering Project.
- Telemetry data can already be accessed by Water NSW already. As part of the Mathews Inquiry, decisions were made by the NSW Government that separate *data loggers* should also be installed.
- The review now means that the AS4747 Government owned compliant meters no longer meet a new revised standard.
- MVPD urges IPART to consider that AS4747 telemetered meters already have provision for data collection through the existing telemetry process. To require an additional data logger is in effect, replicating an outcomes where data can be collected through existing telemetry systems.
- We also understand that there is a forthcoming review of National Metering Standards (AS4747) and these types of issues may well be reassessed.

Until that National Metering Standard Review is completed, MVPD recommends:

- NSW Government/Water NSW halts requirements for the installation of data loggers to existing compliant AS4747 meters installed through the Southern Basin Metering Project
- IPART determinations do not include pricing in relation to further 'data logger' inclusion costs to existing telemetered AS4747 standard meters (Southern Basin Metering Project). The need for additional data loggers is then re considered following the proposed review of the National Metering Standards (AS4747

OPT in/ OPT out Telemetry (page 12):

IPART draft determination (page 12) discusses OPT in telemetry concept, but the vast majority of irrigators in NSW Murray (part of the Southern Basin Metering Project) already meet the requirements.

It is not clear whether IPART's reliance on CARDNO consulting group analysis, included sufficient analysis by CARDNO on the Southern Basin Metering Project and why additional costs are to be incurred on meters that already have telemetry compliance.

- Water NSW is now in 2021, encouraging irrigators with Government owned meters to 'opt' out, but the issue of buried meters is disadvantaging irrigators with publicly owned meters
- MVPD argues that special consideration for a further reduction in Water NSW's proposed fees/charges should apply to those who are currently within the Southern Basin Metering Project and that any funds spent should be redirected to maintenance of existing services, with the intention of ensuring efficiencies in the provision of services and application of NSW Government policy
- MVPD welcomes IPART's recommendation to reduction but argues there is insufficient transparency in Government funding for telemetry and further upgrades and Water NSW's proposed fee increases in the Southern Basin Metering Project areas (where charges still do not adequately for pricing issues with publicly held meters, current AS4747 Standards, applied maintenance charges over current and future IPART pricing determinations).

MVPD notes IPART comments that efficient costs are **12.3% less than Water NSW's** revised base case. However MPVDP is concerned that Water NSW /DPIE WAMC charges have a charging component that can be attributed to the introduction of new regulatory and compliance regimes in the Northern Basin. The costs therefore relate to previous NSW Government policy failures (Northern Basin) .

- Federal, and the NSW Government have committed funding towards the roll out of new metering standards across NSW Murray Darling Basin. However there is insufficient transparency for customers to know what is being subsidised by the Federal Government and what additional fees for compliance are being socialised across all customers through this IPART determination period.

MVPD does not support IPART's conclusion (**page 13**) that Water NSW subsequent provision of additional information and further assessment by CARDNO which determines that Water NSW efficiency savings will ensure customers are not paying for costs that have not been demonstrated as efficient.

Question 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. Page 26

IPART reports (P26) states:

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.

Under the new metering rules, water users will need telemetry for all approved surface water works, except for those with surface pumps less than 200 mm or those directed to install telemetry by an order of the Minister. However, even if users are not required to have telemetry, they may voluntarily install telemetry equipment. xv
In its revised proposal, Water NSW modelled 5 different rollout and telemetry opt-in scenarios:

- Model 1 – 0% of meters move to telemetry (this is Water NSW's preferred base case)
- Model 2 – 25% of meters move to telemetry
- Model 3 – 50% of meters move to telemetry
- Model 4 – 75% of meters move to telemetry
- Model 5 – 100% of meters move to telemetry.xvi

MVPD RESPONSE:

- MVPD is concerned that NSW Government/Water NSW has not sufficiently demonstrated that the existing efficiency formulas is equitable, feasible or realistic
- Further explanation or clear separation of charges by Water NSW of the 'opt in telemetry' capacity or 'opt' out, under the section of Government owned meters is required.
- MVPD is not clear why IPART is referring to 'opt in telemetry' and further details are required to explain 'opt in scenarios' for Government owned meters'
- MVPD is also concerned that the Southern Basin will incur socialised costs on related to the term....'catch up'. Water NSW modelled 5 different models (& formulas) on the basis of percentage of uptake of telemetry. There is insufficient explanation for Water NSW's conclusions and a lack of transparency in relation to the differences in the Southern Basin for telemetry up to non – Government owned meters
- MVPD customers are also concerned there is existing insufficient transparency in relation to management of Government owned meters, management fees already recovered in existing determinations

- MVPD encourages IPART to recognise that a substantial proportion of the implementation costs is from developing additional software to replace the already very efficient and effective almost real time telemetry with something that is expensive and less efficient. Once the software is developed and paid for, surely the annual running cost should be reduced.

IPART's paper also notes that Water NSW/IPART consider that efficiency costs should decrease as more customers opt in to telemetry. This also means that the cost per meter of providing telemetry services decreases as more customers opt in and utilise IT systems with largely fixed costs.

MVPD however is concerned:

- NSW Government/Water NSW is seeking to encourage people to opt out of Government owned meters through raising pricing, discouraging those remaining within the schemes
- Indications from the NSW Government/Water NSW recently, indicate that there will be a further transition out of publicly owned meters.
- Therefore; Water NSW's argument and IPART's acceptance that efficiency costs should decrease as more customers opt in to telemetry is hard to understand.
- Further it is likely that the opposite might occur. IF Water NSW encourages more people out of Government owned meters, those remaining are likely to incur higher fees in future

MVPD is concerned that CARDNO's assessment may not have sufficiently (or at all) considered this (Government transitioning customers from Government owned meters) and therefore IPART's assessment may need review

MVPD appreciates IPART's decisions to reduce government owned meter operating costs by \$1.2 million or 10.6%.

However, CARDNO's recommendation for the annual adjustment for the reduction of the consumables for each site visit from \$75 per visit to \$65 per visit, while this adjustment is welcome, MVPD encourages IPART to reconsider the breadth of issues raised in this submission

MVPD is also concerned that IPART has not addressed the issue of Trust or groups based owned and managed irrigation schemes.

- Customers are concerned there may be a risk of 'double dipping' of charges
- A Private Scheme or Trust may be charged by Water NSW or with WAMC fees where the Trust or operating entity, is the holder of the WAL License
 - It is not clear if individuals within such schemes will then also be charged

MVPD encourages IPART to explore this risk and directly discuss these types of issues with some example entities. Eg Eagle Creek Trust.

Irrigators within the Southern Basin Metering Project have constantly raised concerns regarding the following;

- Southern Basin Meters were buried against the wishes of landholders and thus any decision to opt out of Government owned meters continues to remain unresolved
- That telemetry services were supposed to reduce the number of sites visits required and thus charges and number of required 'site visits' required in the future should be less and costs relating to this are still not transparent
- Charges imposed by Water NSW for previous meter service charges have already been captured by Water NSW in previous determinations, and there is insufficient evidence of what actual meters require servicing, what costs were involved, what percentage related to depreciation
- In addition, the Southern Basin Metering Project replaced in most cases fully functioning privately owned meters. Water NSW did not pay for any outstanding depreciation on those privately held assets.

An urgent issues for Water NSW to disclose is:

- Water NSW needs to fully disclose its intent towards customers at the end of the life expectancy cycle of the Government owned meters.

MVPD also notes that Cardno considered that there remains potential for Water NSW's forecast costs for downloading LIDs not connected to telemetry to be overstated .xviii

This would occur where any additional customers voluntarily opt into telemetry and Water NSW no longer incurs the additional costs of downloading data from LIDs for customers not connected to telemetry. While Cardno noted that Water NSW's base case was credible, it noted that there is potential for Water NSW's proposed operating and capital expenditure forecasts to be significantly reduced if any government supporting subsidy is introduced to encourage an increase in the number of meters moving to telemetry.

Question 3 That a 100% user share is appropriate for expenditure incurred by Water NSW implementing the NSW Government's non-urban metering reforms. Page 29

IPART state that customers who own meters are driving the need for upgrades and therefore in order to be compliant, should be required to incur 100% of the costs. IPART also state the nature of these activities is similar to water take, regulation & compliance activities which also incur 100% of take.

MVPD Response:

- Southern Basin Metering Project participants should not incur 100% of expenditure for regulatory, compliance or program failures that the NSW Government or Water NSW, has not delivered.

- Nor should the Southern Basin existing compliant meter participants incur further costs as a result of additional compliance measures (data loggers) that have largely occurred as a result of inadequate metering and compliance in the Northern Basin.
- The requirement additional data loggers capacity on existing telemetered meters cannot be justified, including a lack written information to validate the claim
- Rules on meters are still not being universally applied in the Murray Darling Basin including in Northern NSW. The NSW Government, as a result of lobbying, is to permit continued use of certain types of meters (eg MACE) provided certain conditions are met, they can in effect, continue in use indefinitely.
- This means that there is a two- tiered standards regime in NSW.
- In the Southern Basin compliant AS4747 Standard telemetered meters are now consider non- compliant, purely because of the lack data loggers (despite data being available in telemetered meters).
- Compliant costs for new metering standards are being socialised across all meter users – ie Northern and Southern Basin. This means that Southern Basin compliant meter costs transferred as fees and charges through Water NSW and DPIE policy areas are incurring costs for bringing Northern Basin irrigation extraction to a level of acceptability by Governments. This is despite the Northern Basin still continuing to have a *variation capacity* to an applied National AS4747 Standard in the Southern Basin.
- Southern Basin compliant meter owners are being penalised for the failures in process over many decades in the Northern Basin through cost shifting. Departmental work (DPIE

Other Program examples where full cost recovery cannot be justified:

- 1) Southern Basin Metering Project: Water NSW budgeted to supply and install 9000 meters but only installed approximately 2000 meters. Customers were then required pay for Water NSW's budgetary failures through increased prices overseen in subsequent IPART determinations
- 2) Water NSW 20 Years Infrastructure Plan:
 - a. Program involved engagement of independent contractors to develop proposals/options
 - b. Consultants did not consult customers and therefore customer issues/advice/or preferred options were never considered
 - c. Water NSW through its Customer Advisory Groups (eg NSW Murray/Lower Darling) repeatedly did not effectively consult on details despite numerous request
 - d. One notable meeting occurred outside of formal CAG meetings, which proved entirely unsatisfactory as a means of consultation. For example representative customers when shown a power point with no detail were expected to rank levels of priorities to guide future Water NSW processes and investment.
 - e. Further request to have properly informed opportunities never occurred and customers could identify even early on, mistakes with consultant's work

MVPD RECOMMENDATION:

That IPART do not apply 100% user share for Metering costs:

- **when customers are not provided with opportunities to be consulted or to ensure ‘efficiencies of design or delivery of projects’ or ‘services’**
- **IPART’s argument that customers are driving the need for upgrades and therefore should incur 100% of the costs fails to recognise and differentiate how NSW Government regulatory failure in the Northern Basin is now causing additional WAMC and Water NSW charges to Southern Basin Government owned metered customers**
- **NSW Government/Water NSW failure to apply consistent standards in the Northern Basin, are resulting in Regulatory Compliance costs ((NRAR) and WAMC/Water NSW) are being disproportionately applied to customers with Government owned meters in the Southern Basin. Customers with Government owned meters should not incur additional costs**

Question 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 annually to all licence holders from 1 October 2021. Page 32

MVPD notes IPART reference to a proposed Scheme Management Charge:
A scheme management charge could apply to either individual meter owners or all licence holders. It includes the wider costs associated with the introduction of the reform, such as recording and reporting, customer self-reporting, general enquiries and education whereby the benefits extend beyond any individual user.xxii

MVPD RESPONSE:

MVPD is concerned that the failures of the NSW Government and Water NSW to effectively administer levels of take and compliance in the Northern Basin are now leading to socialisation of those costs to the Southern Basin

There is no separation of costs between Northern Basin and Southern Basin. This is even more difficult to accept when considering that the Southern Basin is largely covered under NSW Government publicly own meters.

Southern Basin irrigators are also incurring NSW policy costs and are paying in effect, for the policy failures of the NSW Government in managing and ensuring compliance of levels of take in the Northern Basin. Problems which were publicly known and which extended over many decades

MVPD recommendation:

- **A Scheme Management Charge should differentiate between management and compliance actions in the Northern and the Southern Basin**
- **IPART should review the basis for such a charge applying to the Southern Basin when administration costs, compliance costs are already passed through to irrigators charges as per Water NSW fees**

Question 5 To recover the costs of compliance activities, water take assessments, meter reading and meter data services through: Page 33

- 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.
- 4.2.1 Water NSW proposed setting the same charge for telemetry and non-telemetry services

IPART report states (page 33) 4.2.1 Water NSW proposed setting the same charge for telemetry and non-telemetry services

IPART report notes on page 34, NSW Irrigators' Council (NSWIC) position which strongly disagreed with the pricing outcomes regarding telemetry. NSWIC noted that telemetry was not a legislative requirement, nor was it included in the national standards. In its view, the reason for telemetry was to service NRAR, by providing a simple and secure connection for NRAR to collect evidence in the event of a prosecution case.

MVPD is concerned about the above statement and therefore the implications on requirements to be imposed on the Southern Basin.

- MVPD Supports full telemetry for all irrigation based water extractions in the Murray Darling Basin
- If telemetry is not a legislative requirement, can IPART and Water NSW explain why NSW Government owned meters (Southern Basin) now have to go beyond current telemetry facilities to be compliant by now requiring additional 'data loggers'
- This suggest that the Southern Basin (customers of Government owned meters) further are disadvantaged by rule variations being applied by the NSW Government and administered through WAMC and Water NSW charges

MVPD RESPONSE:

MVPD is extremely concerned with Water NSW's approach to set the same rate of charge for Telemetry meters and non-telemetry meters. There are clearly different levels of service both provided by telemetry and non telemetry meters, in addition Water NSW has not demonstrated why a non-telemetry, related service and compliance associated with such meters, is of equivalent costing ratios as fully telemetered meters!

Water NSW and the NSW Government have also previously and publicly claimed that telemetry meters lead to increased efficiencies, and that 'real time data' will increase Water NSW capacity to more effectively managed rivers and irrigation extractions.

Therefore, Water NSW's approach in 2021, suggest that telemetered meters and non telemeters should have the same levels of efficiency and therefore this is the basis for their justification in seeking the 'same' telemetry charge across all meters.

- 1) Southern Basin Meters currently owned by the NSW Government have 'real time data collection'
- 2) A fleet based system of management (with associated reduced costs) is also used for compliance and management of data collection with NSW Government owned meters (Southern Basin Metering Project)
- 3) A fleet based system usually implies that Government employees or alternatively, 'contactors' engaged to deliver any external services, should also be assumed to be economically efficient bringing a reduction in costs

Water NSW argues that the application of the same charge rate to telemetry and non telemetry, would mitigate the impacts of a potentially higher apportionment of costs to telemetry customers during the establishment phase of the metering scheme program.^{xxxii} Water NSW expects telemetry costs would reduce over time as telemetry volumes increase.^{xxxiii}

MVPD argues there is no evidence of this claim provided by Water NSW and Water NSW is attempting to social costs of NSW Government/Water NSW's failure to ensure regulatory compliance in the Northern Basin.

MVPD RECOMMENDATION:

- **IPART should not support Water NSW argument that the same charge rate for compliance, water take assessments, and meter data services should be applied to telemetry and non-telemetry meters**
- **IPART should also recognise the difference costs that would be associated with**
 - **Government owned meters (Southern Basin Metering Project) compared to privately owned meters that do not have telemetry**

Question 6 To recover the costs of bringing government owned meters up to regulatory compliance and maintaining them to the required standard through a 'meter service charge – operating costs' and 'meter service charge – capital costs' to be applied annually to customers with compliant government owned meters. Page 36

IPART's reliance on Cardno's recommendations which confirm that telemetry is less expensive than non-telemetry when voluntary uptake is 25% (see Table 4.2 above) does not adequately identify the base differences in costs in 2021 determination period.

MVPD argue that based on its own assessment and public statements previously made by Water NSW and the NSW Government, all of which acknowledge that 'telemetry- based meters' have levels of efficiency and that non telemetered meters don't have.

IPART report states:

Further, it gets progressively less expensive at even higher levels of voluntary uptake, as fixed costs – such as IT systems – are spread over a greater number of water users.

Non-telemetry costs do not vary as telemetry uptake increases. However, a blended telemetry/non-telemetry charge would decrease as telemetry uptake increases given the contribution of telemetry charges to the blended charge. The scheme management charge (levied on all water licence holders) would also be lower if more customers opt in to telemetry

Question 7 To set charges for Water NSW's non-urban metering reforms as set out in Table 5.1 and Table 5.2. Page 40

MVPD notes IPART's decision following Water NSW re-lodgement of revised capital cost assessments following NSW Government decision to provide capital costs to upgrade Government owned meters.

MVPD agrees that this component (capital costs) would be reduced to zero (\$0) for the 2021 determination period.

MVPD however, is concerned as raised in other section of this submission, that a number of issues remain unresolved with Government owned meters.

MVPD however does not support the proposed charges outlined in table of charges 4.3 Page 39 for Government owned meters

The price components outlined in Table 5.1 for the determination period commencing 2021 are considered unjustified as outlined in this submission

These included:

- Scheme Management Charge
- Telemetry charge
- Meter service charge:

MVPD appeals to IPART to reconsider the slight downward adjustment from Water NSW proposed charges, as customers do not believe the proposed scale of charges to be fair, equitably applied and to represent efficiency reflective of private enterprise.

IPART report also states:

- Adjusting the 'meter service charge – capital costs' to reflect recent government funding. The NSW Government will provide funding for Water NSW to offset the capital costs of upgrading government owned meters. We have taken this into account in our draft decisions and set a meter service charge – capital costs of \$0 per year for the 2021 determination period. In the absence of this funding, users with government owned meters would have faced a higher meter service charge – capital costs of \$587 per year

This raises the question again, what happens when Government owned meters in the Southern Basin reach their life expectancy (approx. 5 yrs)

- If it becomes cost prohibitive for existing customers to opt out of Government ownership, customers face the following scenarios
 1. Requirements to fully self fund alternative privately owned meters, without the benefits being provided to the Northern Basin (Government Funded)
 2. Costs for future Infrastructure works to 'unbury' Government meters to return same meters to Government ownership (note: Landholder opposed burying of the meters when compulsorily installed), if customers opt for convert to private ownership and thus will require new meters and associated works
 3. If customers have the option (after approx. 5 yrs) to remain with Government owned meters, this IPART report indicates a likely capital cost will be incurred in future (currently assessed in 202 at approx. \$587 per meter.

MVPD is very concerned that under the current strategies, and assessed using figures within this determination period (from 2021), customers would incur costs of at least \$1700 per meter.

- Many of MVPD customers have multiple meters and thus a single customer will incur annual costs of min approx. charge \$1740 (on today's cost scenario) per meter
- If an average customer has for example 4 meters it is likely that meter charges alone will be approximately \$6970

MVPD strongly recommends IPART re assess the concepts of Government entities definition of efficiency and full cost recovery.

It highly likely that a continuation of open -ended cheque book approach to 'full cost recovery' will prove uneconomic for Water NSW customers.

This becomes even more challenging, with continued NSW Government policy changes and also completion of the Murray Darling Basin Plan, which is undermining NSW Murray General Security Irrigation entitlements.

Question 8; To apply the following transitional arrangements in moving from existing to new metering charges: Page 44

IPART's Proposal:

- Scheme management charge to apply annually from the start of the determination period, 1 October 2021. Page 44
- Telemetry or non-telemetry charge for customers with privately owned meters to be prorated using the number of days remaining in the financial year from the relevant compliance date set out in the *Water Management (General) Regulation 2018*. Page 44
- Telemetry or non-telemetry charge and government owned meter service charge – operating costs for customers with government owned meters to be prorated using the number of days remaining in the financial year from the later of the

relevant compliance date set out in the *Water Management (General) Regulation 2018* or the date the meter is made compliant. Page 44

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MVPD response:

- MVPD welcomes IPART's proposals to delay the application of full metering charges for Government owned meters in order for Water NSW to have incentives to meet relevant compliance dates and that water users do not pay for services they are not receiving. (ie if meters aren't compliant)
- MVPD however does not support the basis for the actual charges themselves (as stated in this submission)

MVPD also notes IPART's reference to 6.5 which refers to future costs with existing bulk water charges for regulated rivers. IPART state that if Water NSW if activities are no longer undertaken by Water NSW the issue of -over recovery or double counting will need to be addressed. IPART has noted further information is required.

MVPD is also concerned about this issue, particularly given State based costs and any related fees from either Water NSW or the Murray Darling Basin Authority (MDBA)

Question 9 Not to provide an unders and overs mechanism to Water NSW for the rollout of the non-urban metering reforms. Page 48

IPART states it is not appropriate for Water NSW to have an unders and overs (UOM) mechanism to mitigate the financial risks arising from cost uncertainties or other factors that within its control; or a delay in the roll out for Government owned meters (which it is responsible for delivering)

- In its original proposal, Water NSW proposed that IPART introduce an 'unders and overs' mechanism (UOM) to protect customers and Water NSW from any unintended windfall gains or losses associated with forecasting the costs of implementing the reform program.xlvii
- In its April revised proposal, Water NSW also proposed an exit fee to mitigate the financial risks associated with customers leaving the government owned meters program after investment has occurred. Water NSW notes that risk, and the need for a UOM, will be materially increased in circumstances where IPART does not accept the proposed application of exit fees.xlviii

IPART state "We do not consider that it is appropriate for Water NSW to have a UOM to mitigate its financial risks arising from cost uncertainty or other factors that are within its control, higher or lower unit costs or a delay in the rollout for government owned meters based on its ability to deliver the program"

MVPD supports full financial accountability for services within Water NSW control (such as program management, roll outs etc) and within a dedicated timeframe. Costing scenarios should always reflect good management, planning and program efficiencies.

MVPD does however caution that the definition of 'in its control' when managing water and broader NSW Government policy remains problematic for customers. As a general principle, MVPD supports unders and overs for other costs incurred by Water NSW which may be more reflective of drought or other adverse conditions

Question 10 To set an exit charge for the 2021 determination period of \$0.48

MVPD welcomes IPART decision to not support an exit charge for Government owned meters within this determination period.

- Water NSW has not resolved outstanding issues (outlined in this submission)
- NSW Government/Water NSW has not provided information to its customers on issues related to the 'life expectancy period' and what will occur with Government owned meters once that period is reached

MVPD agrees with IPART that current fee collecting arrangements plus Government funded capital upgrades preclude the need for an 'exit' fee should customers choose to opt out in this current determination period.

CONCLUSION:

MVPD notes IPARTS assessment of impact on customers

- New metering fees will increase bills for customers
- That fees increases will consider factors including whether privately or government owned
- That additional costs faced by customers relative to their existing bills are greatest for customers with government owned meters
- Governments upgrading of Government owned meters will have some mitigation funding (NSW/Federal Govt)
- IPART believes scheme management charges for telemetry and non telemetry scenarios would decrease as more customers opt for telemetry services

Table 8.3 Indicative impact of draft decisions on bills on regulated rivers with privately owned meters with telemetry (\$/year, \$2021-22)

Valley	ML entitlement	2021 billa	Additional metering charges	% increase caused by metering
Border	100	1,050	300 - 233	29% - 22%
Gwydir	1,000	9,633	300 - 233	3% - 2%
Namoi	500	11,495	300 - 233	3% - 2%
Peel	100	1,436	300 - 233	21% - 16%
Lachlan	200	2,221	300 - 233	14% - 10%
Macquarie	100	978	300 - 233	31% - 24%
Murray	75	672	300 - 233	45% - 35%
Murrumbidgee	150	778	300 - 233	39% - 30%
North Coast	100	1,629	300 - 233	18% - 14%
Hunter	80	1,758	300 - 233	17% - 13%
South Coast	90	2,406	300 - 233	12% - 10%

MVPD does not support the proposed increased charges in IPART's 2021 determination period.

- **This submission has outlined a number of issues that have not had sufficient transparency or justification for proposed pricing increases**
- **IPART /Water NSW has also not provided transparency or explanation why on Table 8.1, and Table 8.3 charges for the Murray will increase higher than those applied to the Murrumbidgee**
- **MVPD does not support the concept of 'full cost recovery' where it remains difficult to accurately assess costs, but actual information remains with a 'monopoly provider'**
- **MVPD welcomes IPART's responses to some issues but is concerned that there is no dialogue between external consultants and customers and thus information provided to IPART may not adequately assess all issues**
- **MVPD again raises the ongoing concerns relating to MDBA charges which without full transparency remain open to manipulation and cost shifting**
- **There also remains a clear lack of transparency relating to:**
 - **Federally funded programs and NSW Governments costs transfers under 'full cost recovery'**
 - **MDBA charges relating to delivery and management of environmental policy and other internal policy or administration cost centres**
 - **Water NSW internal inefficiencies, consultancies and internal policy efficiencies and related costs**
- **Full cost recovery where irrigation customers bear increasing costs of political or environmental policy decisions**