

Submission

IPART REVIEW OF PRICES FOR WATERNSW REGIONAL AND
RURAL BULK WATER FROM 1 JULY 2025 | INFORMATION
PAPER | DRAFT DECISIONS



May 2025

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About MI

Murrumbidgee Irrigation (**MI**) is one of the largest private irrigation companies in Australia serving over 3,093 landholdings that are owned by over 2,300 shareholder customers. Our core business is water distribution. We provide irrigation water and drainage services to the Murrumbidgee Irrigation Area (378,911 Ha), which is one of the most diverse and productive regions in Australia.

Preamble

This submission is prepared for IPART in response to the Information Paper for the *Review of Prices for WaterNSW regional and rural bulk water from 1 July 2025*, published on 14 May 2025.¹

MI notes that the review of prices for the Water Administration Ministerial Corporation (**WAMC**) is separate to this Information Paper and seeks further updates from IPART on the process and timeframes for that review.

MI has been an active participant of this review process. This submission follows (and reinforces) the matters raised by MI in our submission of 9 December 2024 to the Issues Paper (on both the WaterNSW Rural Bulk Water, and WAMC, reviews), as well as our engagement with IPART via the public hearing on 14 November 2024, and subsequent meetings. **Appendix 2** contains our previous submission.

MI thanks IPART for their engagement on these important matters, in ensuring water pricing is prudent, efficient and effective.

Contents

About MI	1
Preamble	1
Executive Summary	2
Introduction	2
Background	3
Issues Paper	3
Information Paper	3
Submission	4
Conclusion	6
Appendix 1: Detailed Findings of Information Paper	7
Appendix 2: MI Submission on Issues Paper (Dec 2024)	9

¹ [Prices for WaterNSW regional and rural bulk water from 1 July 2025 | IPART](#)



Executive Summary

MI strongly supports the draft decisions.

- MI strongly supports the draft decision to limit price increases to CPI and required safety activities (1.9%), while further work is done.
- MI agrees with IPART that the costs being proposed by WaterNSW are not *sufficiently justified as necessary and efficient or satisfy the other criteria IPART must consider under the IPART Act*.
- MI concur on the findings relating to the broader issues facing the operating model of WaterNSW (and WAMC), noting a tipping-point has been reached for rural bulk water management in NSW, where the current model is simply not viable.
- MI recommends IPART provide firm direction on what must occur over this 3-year determination period, to ensure the issues raised are properly reviewed over this period, with a resolution reached for the next pricing determination.
- We hope the NSW Government, WaterNSW and IPART see this period as an opportunity for positive and necessary change, to create a new, effective, financially viable and fit-for-purpose model, with confidence from customers (and the public).

Introduction

MI, and the water users in our region, are relieved by the draft decisions, noting the proposed price increases by WaterNSW would have had a genuine impact on the viability of irrigated agricultural production in our region.

For the Murrumbidgee, a 'case study farmer' (e.g. 500 ML general security entitlement, with 60% allocation) would have been paying \$436 *more* than the present under the initial proposal, whereas under these draft decisions, they will be paying \$50 *more*².

MI thanks IPART for undertaking further socio-economic investigations, which as suspected, do show significant impacts to the farmers in our region under the initial proposals.

MI anticipates the draft decisions may cause concern for WaterNSW. However, we feel it is necessary. A continuation of the previous model was unsustainable, and simply not viable. As MI raised in our previous submission, a tipping-point has been reached for rural bulk water management in NSW.

MI concur on the findings by IPART relating to the broader issues facing the operating model of WaterNSW (and WAMC), which we agree require review, such as: cost-sharing, how to better recognise community service obligations, and the distinction between WaterNSW's commercial and non-commercial activities.

MI emphasises the importance of IPART ensuring that this 3-year period does not go to waste, but is used to properly review these issues, and find resolutions, in time for the next determination period. Including with the final decisions guidance and direction for this process is strongly advised, such as recommendations to the NSW Government, an information paper further detailing these issues, a proposed roadmap for the 3-year review process, a proposed terms of reference for a review, and recommended timeframes.

Given the additional revenue WaterNSW indicated was necessary, it will no doubt raise questions of what will happen during this 3-year period. Ensuring adequate service delivery during the proposed 3-

² Calculation notes: Draft decision increase of \$50 is shown in Figure 6.4 from the Information Paper. The increase under the initial proposal is sourced from Attachment 26 of the [2024 Issues Paper](#), Table 50, comparing the 2024-25 indicative bills to 2025-26, under a CRBC scenario. This varies with the Alternative Scenarios presented, as well as the size of the user and entitlement type. This calculation is therefore indicative only to demonstrate the significance of the change in impact, in a general case.



year period is important. However, we are not convinced that that the proposed price increases were indeed necessary to maintain service delivery, to a minimum acceptable level. We believe by focusing on core-business, which has been the feedback from customers for some time, this should be feasible. To the extent that this feasibility is perceived to be not possible during this period, we believe there is a role for the NSW Government to step in, in some form, such as by reconsidering some regulatory requirements (given a substantive justification for the proposed increases related to (directly or indirectly) policy changes by the NSW Government).

Specific commentary on the draft decisions, and discussion points in the Information Paper, are outlined in this submission.

Background

Issues Paper

WaterNSW (and WAMC) both proposed large price increases, with **WaterNSW seeking a 53% increase in revenue for rural and regional NSW**. WaterNSW indicated the main drivers of the increases are macroeconomic factors and regulatory and government policy requirements which have imposed additional costs.

MI was deeply concerned by the initial proposals, as expressed in the previous consultation on the Issues Papers, considering this price rise exorbitant (amongst other issues raised). For the Murrumbidgee, the initial proposed increases were (by 2030):

- Regulated:
 - High security: 142% (19% annually)
 - General security: 130% (18% annually)
- Unregulated: 99% (15% annually)
- Groundwater: 97% (15% annually)

Information Paper

In summary of the key points in the Information Paper:

- **The Tribunal is not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as necessary and efficient.**
- **The draft determination is to limit price increases to CPI, plus specific safety increases** for key safety upgrades including crane and electrical safety, the new Dams Safety Levy, and initial funding to progress safety works at Warragamba Dam. For Rural Valleys customers, this means: 1.9% plus inflation from 1 July 2025, and then by inflation only on 1 July 2026 and 1 July 2027.
- **The Tribunal proposes a shorter-term pricing determination of 3-years** (until June 2028) as further work is needed to consider customer views and establish efficient costs:
- **The Paper finds broader issues facing WaterNSW, saying it may be timely for a further review of the WaterNSW operating model**, as it has emerged in this review that supply and demand challenges may be testing WaterNSW's operational model.

See **Appendix 1** for further information.



Submission

1. Do you agree with the draft decision to set a 3-year determination period?

Yes.

To clarify, it is our understanding that what is being proposed is to set prices for a fixed 3-year period (i.e. not that prices could be re-determined during this 3-year period). This is important for certainty and business-planning purposes.

MI recommends that in the final decisions, IPART makes the 3-year determination period tied to a process for the review and resolution of the issues found in this process. This is to ensure that this time period is used to reach resolution on these matters, for the next determination. This relates to the findings of the broader issues facing the operating model of WaterNSW (and WAMC), which we agree require review, particularly on issues surrounding cost-sharing, how to better recognise community service obligations, and the distinction between WaterNSW's commercial and non-commercial activities. Customers seek the involvement of IPART to ensure these critical issues get dealt with, and not ignored, over the course of the determination period. To this end, we also recommend IPART publish a proposed terms of reference for such a review alongside the final decisions, with recommended timeframes, as guidance. MI is concerned that given the significance of these issues, there is a risk that they will 'be kicked down the road', leading to an ongoing unviable operating model, and ongoing concerns for stakeholders. Accountability and oversight is required to ensure this happens.

2. In your view, what should WaterNSW focus on over the next 3 years?

1. **Core business** – a focus on core business, with a renewed focus on listening to customers with a bottom-up (not top-down) approach, to ensure customer expectations are met.
2. **Review of operating model** – the issues found by IPART in this Information Paper (relating to the broader operating model of WaterNSW) are significant, and a focus for WaterNSW and the NSW Government over the next 3-years must be finding a way forward for a new, fit-for-purpose and financially-viable model. Customers must be engaged with this process, as well as IPART.
3. **Transparency & accountability** - noting it has been impossible to review expenditure under this process, as information is not provided at the level required (i.e. valley-level), nor the models (unlike in other jurisdictions where this is publicly available). Part of this should also include being able to account for the avoided costs incurred by WaterNSW as a result of the efficiencies driven by Irrigation Infrastructure Operators (IIOs), and reflecting this in pricing outcomes.

3. Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Greater Sydney's prices from 1 October 2025?

N/A

4. Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Greater Sydney 2020 price review?

N/A

5. Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Rural Valleys prices from 1 July 2025?

Yes – to the extent that those costs are efficient, considered essential to meeting safety obligations, and only if costs go beyond what can already be delivered from existing revenue amounts (including with reprioritisation of expenditure), or efficiency savings (noting the significant efficiency savings indicated by WaterNSW). As a principle, meeting safety obligations is critical, but it is also critical IPART scrutinises whether price increases are truly required to meet these obligations.



6. Should IPART further adjust WaterNSW's current Rural Valley prices to account for changes in water sales volumes from the 2021 price review (ie, 3,964,658 ML/year) to this draft decision (ie, 3,806,128 ML/year)?

More information is required.

MI notes that the Information Paper indicates that water sales volumes have fallen in all valleys since the last price review. This means updating prices to account for changes in water sales volumes would result in higher prices in all valleys. For the Murrumbidgee, the current determination is based on 1,531,279 ML/year, whereas the draft decision proposes to be based on 1,493,305 ML/year.

It is our understanding that the proposed 1.9% increase in the draft decision is already based on these updated water sales volumes (ie, 3,806,128 ML/year across the valleys). IPART are considering *further adjusting* WaterNSW's base prices to account for changes in water sales volumes, to maintain WaterNSW's expected revenue. More information is required on what that *further adjustment* to base prices would mean for the total percentage increase and impact on customer bills at a valley-level (on the understanding that the *further adjustment* is not reflected in the information presented in the draft decisions).

MI recommends that the way in which revenue volatility is managed/accounted for should form part of the broader review, to be investigated over the next 3-years.

7. Should the Yanco Creek levy remain constant in nominal terms at \$0.90 per ML or be changed (for example, indexed to CPI)?

N/A

8. Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Rural Valleys 2021 price review?

If subject to the broader review, for a renewed approach in the next determination.

Overall - a number of decisions in the 2021 review (such as cost-shares, the impactor-pays principle, accounting for public-interest cost-drivers that have redefined "the customer", government policy cost-drivers which have moved to a gold-standard beyond that demanded by customers, etc) are problematic. These problems are detailed in the previous submission by MI (see **appendix 2**). We appreciate IPART recognising many of these problems in this latest Information Paper, and strongly agree with the recommendations for a broader review of the operating model, inclusive of these matters.

The view of MI on maintaining many of these previous decisions is thus:

- (a) We have significant concerns with many of the decisions in the 2021 price review;
- (b) We appreciate the significant, but important, work required to inform a new approach;
- (c) Carrying over these previous decisions must be contingent upon these matters being reviewed and resolved over the course of this 3-year determination period, for a renewed approach in the next determination.

ICD rebate – as a principle, if there is any increase in prices above CPI, the ICD rebate should also rise by a proportionate amount. IPART should consider further increasing this rebate to cover a broader range of activities carried out by ICDs.

9. Do you agree that IPART's draft pricing decisions are likely to provide adequate revenue to support WaterNSW's financeability for up to 3 years?

Customers do not have sufficient information to answer this question, as much of this information is not publicly available to interrogate.



However, based on the significant revenue increase which WaterNSW claimed was necessary in their pricing proposal – if legitimate – the adequacy of revenue for service delivery over this period does need to be examined. However, we do not feel cause for concern.

MI makes the following points for consideration:

- Ensuring adequate service delivery during the proposed 3-year period is important.
- MI agrees with IPART in that we are not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as necessary and efficient. For this reason, we do not believe there will be catastrophe under the draft decisions – provided WaterNSW (and the NSW Government) act appropriately.
- It will be critical for WaterNSW to focus on core business during this period, and prioritise expenditure accordingly. This has been a longstanding request from customers.
- The onus must be on WaterNSW and the NSW Government to resolve financing during this period. To the extent that increased costs are driven by changes to government policy (both directly and indirectly), WaterNSW must work with the NSW Government to review the cost-effectiveness / viability of these requirements.
- While we anticipate WaterNSW will find these draft decisions troubling (given the proposal), such an outcome is a necessary impetus for change. Without this impetus, an unviable and unsustainable financing model would continue to operate in NSW, to the detriment of all water users (including waterways).
- Customers cannot be put in a position to pay inefficient, unjustified and exorbitant costs in the meantime. The outcome of the draft decisions puts the onus on WaterNSW and the NSW Government to make changes – which should never have got to this point, and would only continue if customers were left to pick up the costs with no accountability.

Conclusion

MI and the water users in our region thank IPART for their work on this review, and for making these necessary findings and draft decisions.

We appreciate such significant findings and decisions were not easy, and resolving some of these significant matters is not straight-forward. However, as outlined in our earlier submission, a tipping-point has been reached in NSW for rural bulk water management, where change is simply necessary. The current model is no longer fit-for-purpose, nor financially viable, for WaterNSW nor its customers (or the waterways in which we all depend on). It is time for NSW to move to a new future-proofed model, and the findings and draft decisions of this Information Paper are a necessary starting point for that process.

We welcome the calls for a broader review, and support the draft decisions for the interim period (which we believe keep onus on WaterNSW and the NSW Government to resolve issues in the meantime). In the final decisions, we encourage IPART to provide firm direction on what must occur over this 3-year period in order to resolve these matters (such as a draft terms of reference, and timeframes), to ensure the ‘can is not kicked down the road’, and resolution can be reached for the next determination.

MI welcomes the opportunity to further engage with IPART throughout this review, as well as for future reviews of the operating model of WaterNSW, to ensure a fit-for-purpose and viable model into the future.

Yours sincerely,



Appendix 1: Detailed Findings of Information Paper

Further details of the key points in the Information Paper:

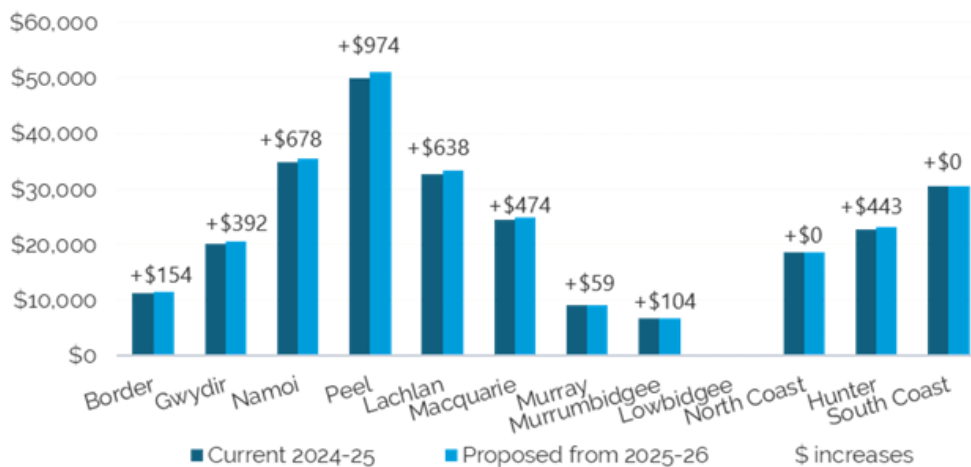
- **The Tribunal is not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as necessary and efficient.**
 - IPART says: *“We are not yet convinced that all of the increased costs being proposed by WaterNSW are sufficiently justified as necessary and efficient, or satisfy the other criteria IPART must consider under the IPART Act.”*
- **The draft determination is to limit price increases to CPI, plus specific safety increases** for key safety upgrades including crane and electrical safety, the new Dams Safety Levy, and initial funding to progress safety works at Warragamba Dam.
 - For Rural Valleys customers, this means: 1.9% plus inflation from 1 July 2025, and then by inflation only on 1 July 2026 and 1 July 2027.
- **The Tribunal proposes a shorter-term pricing determination of 3-years** (until June 2028) as further work is needed to consider customer views and establish efficient costs:
 - WaterNSW wrote to the Tribunal to suggest delaying a determination by one year and issuing a short-term determination with a modest uplift in revenue plus increases to reflect inflation. This was to enable time for discussion, including on whether WaterNSW, as currently constituted and regulated, is the most effective model or whether other arrangements may be more appropriate.
 - IPART agreed that more time was needed, but felt one year would not be sufficient, proposing instead 3-years.
 - It is noted that the current pricing determination for rural valleys expires on 30 June 2025 and transfers from Commonwealth to NSW jurisdiction, IPART must set maximum prices for WaterNSW rural valleys with a new determination to commence on 1 July 2025. IPART cannot extend the time for when WaterNSW’s new maximum prices will apply to rural and regional customers beyond 1 July 2025.
- **The Paper finds broader issues facing WaterNSW, saying it may be timely for a further review of the WaterNSW operating model**, as it has emerged in this review that supply and demand challenges may be testing WaterNSW’s operational model.
 - Specific issues raised include: the tension between cost recovery pricing and affordable prices, the costs and consequences of water supply volatility, and the distinction between WaterNSW’s commercial and non-commercial activities.
 - WaterNSW raised concerns that its circumstances are unique when compared to other water utilities, suggesting there is misalignment between WaterNSW’s circumstances and IPART’s regulatory approach, including conflicts over customer affordability and service delivery that it appears WaterNSW cannot resolve. WaterNSW also raised concerns about whether current institutional arrangements are adequate, however this is a matter for government and outside the remit of this review.
 - Of interest, the Paper indicates that IPART stands ready to continue working with WaterNSW and the NSW Government to “consider how to improve rural bulk water cost shares and better recognise community service obligations” – a matter raised by MI and other stakeholders throughout the course of the review.

The new Bill impacts under the draft prices are shown below, for medium users (500ML entitlement, 100% allocation), for high-security (Figure 6.3) and general-security (Figure 6.4). This is a significantly better outcome for water users in the Murrumbidgee than under the initial proposal (which was exorbitant). For the Murrumbidgee, a typical farmer (example uses a 500 ML general security entitlement, with 60% allocation) will be paying \$50 more (under these draft decisions), compared to \$436 more (under the proposal)³.

³ Calculation notes: Draft decision increase of \$50 is shown in Figure 6.4 from the Information Paper. The increase under the initial proposal is sourced from Attachment 26 of the [2024 Issues Paper](#), Table 50, comparing the 2024-25 indicative bills to 2025-26, under a CRBC scenario. This varies with the Alternative Scenarios presented, as well as the size of the user and

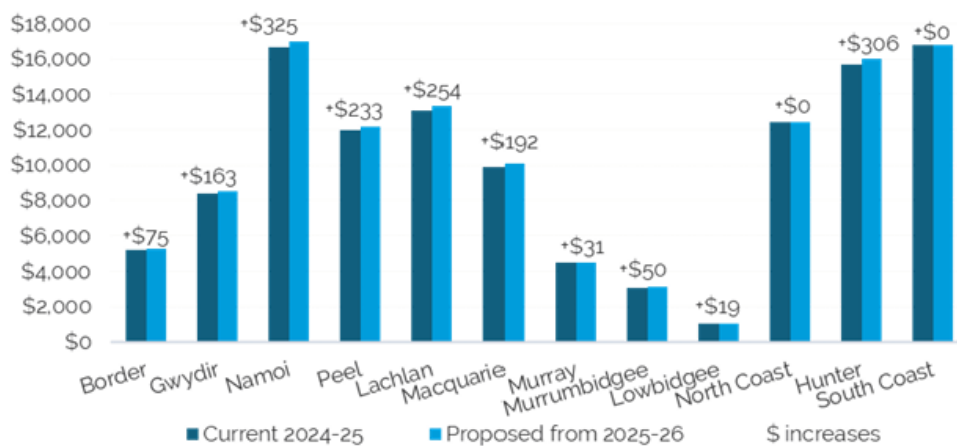


Figure 6.3 Draft example WaterNSW bills for high security, medium users (500ML entitlement, 100% allocation, \$2024-25)



Note: Bills include MDBA and BRC charges and exclude WAMC charges. There are no high security entitlement holders in Lowbidgee.
Source: IPART analysis.

Figure 6.4 Draft example WaterNSW bills for general security, medium users (500ML entitlement, 60% allocation, \$2024-25)



Note: Bills include MDBA and BRC charges and exclude WAMC charges.
Source: IPART analysis.

entitlement type. This calculation is therefore indicative only to demonstrate the significance of the change in impact, in a general case.



Appendix 2: MI Submission on Issues Paper (Dec 2024)

9 December 2024



Independent Pricing and Regulatory Tribunal (IPART)

By Email: ipart@ipart.nsw.gov.au

To whom it may concern,

Submission: IPART Review of Prices for Water Administration Ministerial Corporation (WAMC) and WaterNSW regional and rural bulk water from 1 July 2025

This submission is prepared in response to the Issues Paper for the IPART review of the:

- Prices for Water Administration Ministerial Corporation (**WAMC**); and
- Prices for WaterNSW regional and rural bulk water from 1 July 2025.

This submission has been prepared and authorised by Murrumbidgee Irrigation Limited (**MI**).

Introduction

MI welcomes the opportunity to provide feedback in response to this initial public consultation on the IPART review of the WAMC and WaterNSW pricing proposals, to take effect from 1 July 2025.

MI is of the view that the proposed price increases are exorbitant, with price increases in the Murrumbidgee proposed to double (unregulated and groundwater) and more than double (regulated) by 2030.

Key issues raised in this submission include:

- The proposed price increases are exorbitant and are far beyond the capacity and willingness to pay for water users. MI is concerned that the proposal will lead to a significant exit of the irrigation industry, as farm businesses will become financially unviable with such large costs. The social impact of this (on the regional and national economy), as well as on food and fibre production capabilities, must be considered by IPART.
- Even with the proposed price caps, there remains a significant price shock, and ongoing concern of the ability for water users to pay. IPART must consider these price increases in the context of the cumulative impacts of many ongoing reforms on water users, which collectively are increasing the cost of doing business. MI is concerned that the Deloitte Report (Attachment 30) is based on heavily flawed methodology, and the findings are therefore highly inaccurate.
- The current model to determine water pricing is not fit-for-purpose (i.e. the impactor-pays model, based on a no-development scenario). Water management is in the public-interest,



and increasingly the cost drivers are to meet growing community expectations for higher standards and regulations (typically to the detriment of consumptive water users).

- The current water pricing model is becoming evidently financially unviable, as we are simultaneously experiencing a decline in the customer base (i.e. declining water availability and reliability driven by reforms) and the ability to pay (driven by ongoing reforms, increasing the cost of doing business), and an increase in community expectations bringing new and enhanced costs. MI is concerned that we have reached the cross-over point, where community expectations for water management have exceeded what customers can pay.
- IPART must closely scrutinise the pricing proposals of both WAMC and WaterNSW, given the significant increases in costs, as well as historical overspends, to ensure it is prudent and efficient. IPART must also closely scrutinise the standard of services, to ensure reasonable levels of service are being provided (including both to avoid unreasonably and unnecessarily high standards in policy settings/design which comes at high cost, as well as unreasonably low standards in implementation and delivery, which also comes at a cost – both of which we are observing).

MI ultimately recommends that IPART needs to reconsider the funding model for rural water management, so that the NSW Government are paying a larger proportion of costs, particularly for public interest items, and where community expectations have driven the standards of activities to a gold-standard beyond what is reasonably required (or demanded from customers). This will ensure customers are protected, and the NSW Government are accountable and have the incentive for cost-effectiveness and efficiency in the design of policy settings and regulatory requirements that meet an appropriate standard.

About MI

MI is one of the largest private irrigation companies in Australia serving over 3,093 landholdings that are owned by over 2,300 shareholder customers. Our core business is water distribution. We provide irrigation water and drainage services to the Murrumbidgee Irrigation Area (378,911 Ha), which is one of the most diverse and productive regions in Australia.

Background

IPART sets the maximum prices that the WAMC and WaterNSW can charge their customers for water services. These prices are determined on a four-yearly basis, with the outcome of this review set to apply from 1 July 2025.

WAMC prices are to cover the costs for water agencies (DCCEEW, NRAR, WaterNSW) to undertake management activities such as planning, licensing and compliance, which covers all users in regulated, unregulated and groundwater systems. WaterNSW regional and rural bulk water charges cover water storage and delivery services in regulated rivers.

Costs are allocated between water customers and the NSW Government on behalf of other uses, based on an 'impactor pays' principle (i.e. depending on which party created the need for the activity).

WAMC and WaterNSW are both proposing large price increases. As a statewide average, analysis suggests proposed prices would increase over the next 5 years (on top of inflation) by:

- 3% to 35% a year on average for regulated rivers;



- 9% to 23% a year on average for unregulated rivers;
- 15% a year on average for groundwater systems.

The proposed increases for the Murrumbidgee are shown below.

Overview of proposed price increases for the Murrumbidgee (by 2030):

- Regulated:
 - High security: 142% (19% annually)
 - General security: 130% (18% annually)
- Unregulated:
 - 99% (15% annually)
- Groundwater:
 - 97% (15% annually)

The matters to be considered by IPART in reviewing these pricing proposals are outlined in Box 1.

Box 1: Excerpt from *Independent Pricing and Regulatory Tribunal Act 1992* (NSW)

15 Matters to be considered by Tribunal under this Act

(1) In making determinations and recommendations under this Act, the Tribunal is to have regard to the following matters (in addition to any other matters the Tribunal considers relevant)—

- the cost of providing the services concerned,
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services,
- the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales,
- the effect on general price inflation over the medium term,
- the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,
- the need to maintain ecologically sustainable development (within the meaning of section 6 of the [Protection of the Environment Administration Act 1991](#))⁴ by appropriate pricing policies that take account of all the feasible options available to protect the environment,
- the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets,
- the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body,
- the need to promote competition in the supply of the services concerned,
- considerations of demand management (including levels of demand) and least cost planning,
- the social impact of the determinations and recommendations,
- standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

⁴ Note: this is defined in the POEA Act as: 'ecologically sustainable development requires the effective integration of social, economic and environmental considerations in decision-making processes'.



WAMC

Overview

Proposal

- WAMC has proposed to cap increases in water management charges at 2.5% for customers paying the Minimum Annual Charge (MAC) to 15% for customers not paying the MAC (in addition to inflation).
- It also proposed that MDBA and BRC prices increase, reflecting full cost recovery.

Response

- The proposed WAMC price increases are exorbitant and are far beyond the capacity and willingness to pay for water users.
- Capping the increase at 15% per annum remains a significant price shock, and the overall increase over the determination period is not financially viable.

Cost-recovery

Proposal

WAMC's pricing proposal includes a notional customer share of forecast efficient costs for the 2025 determination period of 79%.

Table 3.1 Level of cost recovery in each water source in year 1 and year 5 of WAMC pricing proposal for water management charges

	Regulated rivers		Unregulated rivers		Groundwater	
	2025-26	2029-30	2025-26	2029-30	2025-26	2029-30
Border	53%	79%	30%	44%	51%	85%
Gwydir	51%	75%	30%	44%	51%	85%
Namoi	44%	66%	30%	44%	51%	85%
Peel	36%	59%	30%	44%	51%	85%
Lachlan	38%	57%	36%	56%	51%	85%
Macquarie	44%	66%	36%	56%	51%	85%
Far West			41%	62%	51%	85%
Murray	45%	66%	22%	35%	51%	85%
Murrumbidgee	51%	75%	30%	48%	43%	72%
North Coast	13%	22%	35%	57%	30%	47%
Hunter	40%	65%	32%	50%	30%	47%
South Coast	19%	31%	64%	98%	30%	47%

Source: WAMC proposal, IPART analysis.

Response

The customer share of forecast costs is too large, and not proportionate, as it is significantly beyond the extent of water usage by consumptive water users.

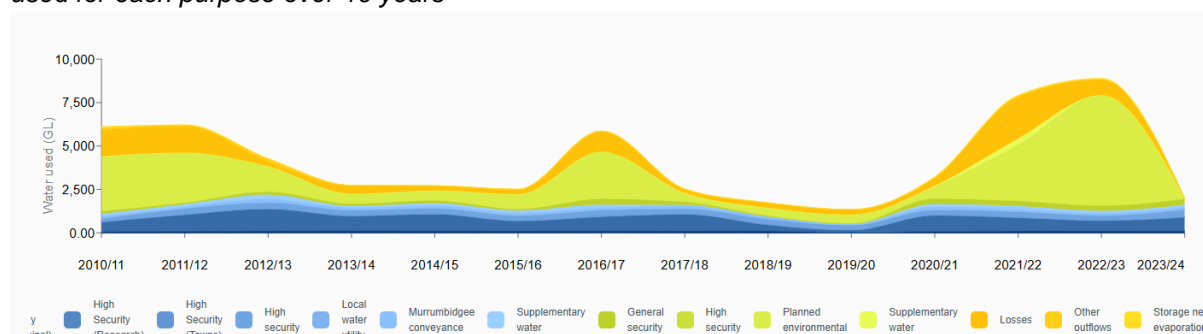


It is noted that the level of cost recovery in the Murrumbidgee would increase from 51% to 75% (regulated), 30% to 48% (unregulated) and 43% to 72% (groundwater). This is significantly above the proportion of water used for consumptive purposes.

To demonstrate, the Water Sharing Plan for the Murrumbidgee Regulated River Water Source states: *By limiting long-term average annual extractions to an estimated 1,925,000 megalitres per year, this Plan ensures that **approximately 50% of the long term average annual flow** in this water source (estimated to be 4,360,000 megalitres per year) will be preserved and will contribute to the maintenance of basic ecosystem health.*

Diagram 1 below, sourced from the WaterNSW WaterInsights platform, for the Murrumbidgee Regulated water source, shows the relative proportion of water used for each purpose over 10 years, with diversions in blue (including town water supply and other uses), environmental purposes in green, and operational use in orange (including losses, evaporation and other outflows).

Diagram 1: WaterInsights Murrumbidgee Regulated River Water Source relative proportion of water used for each purpose over 10 years



For the most recent water year with full data available (2022/23), the breakdown of these volumes is shown below.

Water year 2022/23: 8,885 GL	Local water utility: 13 GL
Storage net evaporation: 46 GL	High security: 262 GL
Other outflows: 0.00 GL	High Security (Towns): 20 GL
Losses: 912 GL	High Security (Research): 0.24 GL
Supplementary water: 15 GL	High Security (Aboriginal): 0.70 GL
Planned environmental: 6,342 GL	General security: 578 GL
High security: 0.00 GL	Domestic & stock: 21 GL
General security: 307 GL	Conveyance: 0.00 GL
Supplementary water: 129 GL	Coleambally conveyance: 107 GL
Murrumbidgee conveyance: 130 GL	Basic landholder rights: 1.69 GL

These proportions will continue to be reduced as reforms continue, such as the recovery of an additional 450 GL of water under the Basin Plan. IPART needs to consider the relative size of consumptive water use, and the declining consumptive pool, in determining what a reasonable share of the costs are. At present, consumptive water users are carrying a disproportionate burden of costs to manage the entire system.



Cost-drivers

Proposal

- WAMC proposes an increase of 125% for capital expenditure (which accounts for 14% of total expenditure, as the majority of costs are operating expenditure).
- The proposal nominates a decrease of 17% in operating expenditure from the expenditure in the current period. However, the actual operating expenditure was much greater than IPART allowed in the 2021 determination, so the proposed operating expenditure for the 2025 determination is an effective increase of 98% from the previously allowed operating expenditure.

Response

Overview:

- (a) The cost drivers listed as driving higher WAMC costs are largely to meet community expectations of gold-standard activities and public interest items and are not being driven by customers (to the contrary, they will serve to impact/restrict consumptive water users).
- (b) MI is concerned by the significant overspends of actual versus allowed operating expenditure and is of the position customers cannot be simply expected to pick up overspends (particularly when the result of poor performance and inefficiencies).
- (c) MI is very concerned that WAMC are not operating efficiently, and this is resulting in higher costs.

These are further detailed below.

(a) Response - WAMC cost drivers

WAMC states that the key factors driving the proposed cost increases are those in Column 1. Column 2 presents our view on the cost-drivers of these.

Table 1: Response to some of the key factors driving costs, as identified by WAMC

Key factors driving costs as identified by WAMC	Response to the cost-drivers
<i>A significant increase in the number of statutory water plans that need to be replaced, amended, extended or reviewed. WAMC will be required to replace 40 plans, amend 39 plans, extend 21 plans, review 37 plans and audit 18 plans.</i>	<ul style="list-style-type: none"> • The number of WSPs has not changed between determination periods and are subject to statutory timeframes for their ongoing review and renewal. These work programs should have been anticipated and do occur on an ongoing basis. • The changes being made in WSP reviews are not to the benefit of water users, in fact, we are seeing substantial reductions in the volume and accessibility of water to the detriment of productive users, such as with new WSP rules that limit access, and the reliability of water on a water entitlement. • Water plans are designed to manage the water resource, which is a public interest activity. Even in the absence of irrigated agriculture, water planning would still be required.



<p><i>Incorporating the climate risk and climate change data into the water sharing plans.</i></p>	<ul style="list-style-type: none"> • It is pleasing to see WAMC acknowledge at the public hearing that climate drivers warrant a greater funding share by the NSW Government. This principle should be reflected in all areas of the proposal that relate to climate change. • Water sharing plans already factor in climate change. It is highly misleading for it to be suggested that they don't as the counterfactual to this work. The current arrangements are described below. • The climatic record used as input for water planning decisions is based on the full available climate record. This includes in determining the Long-Term Annual Average Extraction Limit (LTAAEL) and the priorities according to which allocations must be adjusted if extraction limits are exceeded. This is based on modelling of inflows and extraction over the full climatic record held by the Department up to the date of the finalisation of the relevant hydrological model. This is specified in the WSP. The misconception that all climate records are not reflected after the WSP was made, relates to the setting of reserves for the bulk sharing regime – however, the LTAAEL continues to be based off all available climatic information. • IPART must thoroughly interrogate the current policy settings which already exist in relation to climate change, to identify whether the extent of work proposed is actually required, or whether it goes above and beyond, or reinvents the wheel. • It must be noted that climate change is expected to mean more extreme water availability, on both sides of the spectrum (wet and dry), and work plans to date tend just to focus on the dry scenarios.
<p><i>A material increase in the extent of compliance and enforcement activity required to meet the principal statutory objectives under the NRAR Act</i></p>	<ul style="list-style-type: none"> • It is noted that NRAR said at the public hearing that widespread water theft does not occur, and most water users do the right thing. • NRAR identified that a large part of their work program is to address 'unapproved' flood works. It is noted that there are significant issues where many of these works are considered to be 'not approved', due to failures or significant delays in these approvals being issued from WAMC. This is an example of poor performance by WAMC, and water users should not have to pay the costs of this.
<p><i>Investment in digital business improvement strategies.</i></p>	<ul style="list-style-type: none"> • Digital technologies should be an efficiency measure and should lead to reduced costs.

(b) Response - overspends of actual versus allowed

- It is concerning to see the significant overspend of actual vs allowed operating expenditure.
- In principle, water users should not have to pick up the bill where operating expenditure has exceeded the allowed operating expenditure, particularly by an extent as large as this (see table 3.2 below).
- The extent of the overspends is unacceptably large, and IPART must closely examine what has caused these, including both the efficiency of expenditure, as well the contribution of poor performance in causing many of these issues (see below section).



Table 3.2 WAMC's operating expenditure covers 3 operational areas and has changed significantly in the current period (\$2024-25)

	Current Period			2025 Determination Period					% increase from 2021	
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29		2029-30
Water Management										
Allowed	66.03	65.94	63.19	62.56						
Actual	113.36	133.87	163.81	174.64						127%
Forecast					142.67	143.35	133.31	135.22	127.98	112%
MDBA										
Allowed	10.47	10.47	10.28	10.10						
Actual	10.54	9.85	10.79	11.41						3%
Forecast					13.97	11.90	12.40	12.59	12.39	23%
BRC										
Allowed	1.20	1.13	1.36	1.07						
Actual	0.45	0.52	0.79	0.79						-46%
Forecast					0.78	0.80	0.83	0.81	0.84	-32%
Total Opex										
Allowed	77.71	77.54	74.83	73.73						
Actual	124.35	144.24	175.39	186.84						108%
Forecast					157.42	156.05	146.54	148.62	141.22	98%

Source: WAMC proposal, IPART analysis.

(c) Response – WAMC efficiency of expenditure and performance

- MI is concerned that a key driver of the overspends has been inefficiencies and poor performance.
- Specifically, many policies and programs have been poorly designed and poorly implemented, which has driven increased costs to correct (including reviews, redesign, extended timeframes for resourcing etc).
- Two (of many) examples of this include:
 - NSW Non-Urban Water Metering Reform – the range of problems have been highlighted in a recent Government review⁵, which has followed repeated calls from the industry since the inception of the program that the policy settings were not feasible. Had the policy been designed appropriately from the beginning (including taking on board the concerns raised by the industry from as early as 2018/19), these blow-outs would not have occurred and would not be an issue in this determination period (as the timelines for implementation would have already occurred, so the rollout would be complete).
 - NSW Water Resource Plans – according to the NSW Government, “all twenty NSW WRPs were withdrawn following receipt of formal advice from the MDBA indicating the plans did not meet all accreditation requirements”⁶. One of the 3 reasons cited

⁵ [Review of the non-urban metering rules | NSW Government Water](#)

⁶ [Finalising water resource plans | NSW Government Water.](#)



was “*internal and other minor referencing issues*”. The NSW Government downplayed this, and claimed that “*withdrawal and resubmission of WRPs, once formal advice from the MDBA is received, is a normal process followed by all states with their Basin Plan commitments and the accreditation process*”. However, it must be noted that the NSW process was considerably more drawn out than other states, who did not encounter these same challenges.

- There must be a reasonable level of performance expected by WAMC. Greater scrutiny and accountability must occur to ensure that performance is adequate (particularly in designing feasible policy settings) and does not lead to cost blow-outs.



WaterNSW Rural Bulk Water Charges

Overview

Proposal

- The WaterNSW proposal would lead to bill increases by between 0% and 37% per year (varying by valley, type of user, etc).
- The WaterNSW proposal indicates that the efficient costs of providing regulated services will lead to revenue requirement increases of 44% on average (excl. inflation).
- WaterNSW notes that while their proposal is considered balanced, it “will result in higher costs, that if fully passed through to customers, would lead to price increases beyond what customers told WaterNSW they could afford”, and states that IPART will need to consider WaterNSW’s funding requirements and at the same time consider customer affordability.
- WaterNSW has provided the Cost Reflective Base Case (CRBC), as well as 3 alternative scenarios with smaller price impacts (involve setting prices below cost reflective levels). This involves capping bulk water price increases at 15% per year (plus inflation), as well as other cost reallocations (note: proposed MDBA and BRC charges would be outside the 15% price cap).
- For the Murrumbidgee, Table 48 (Attachment 26) shows the proposed prices under the CRBC, and Table 52 (Attachment 26) shows the indicative bills under the CRBC. The annualised increase is 19%, but cumulatively over the determination period, this would lead to indicative bills more than doubling from 2024-25 to 2029-30.

Table 48 – Murrumbidgee – Proposed prices – Standard Water Use Customers (\$2024-25) – CRBC

Murrumbidgee		Cost Reflective Base Case (CRBC) – 40% Fixed Tariff Structure – Standard Water Use Customers					
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Annualised increase
	\$2024-25	\$2024-25	\$2024-25	\$2024-25	\$2024-25	\$2024-25	
High Security Fixed Charge (\$/ML)	\$4.86	\$5.62	\$6.69	\$7.96	\$9.48	\$11.28	18%
General Security Fixed Charge (\$/ML)	\$1.67	\$1.96	\$2.33	\$2.78	\$3.30	\$3.93	19%
Variable Usage Charge (\$/ML)	\$5.79	\$6.76	\$8.04	\$9.57	\$11.40	\$13.57	19%

Table 52 – Murrumbidgee – Indicative bills – Standard Water Use Customers (\$2025-26) – CRBC

Murrumbidgee		Cost Reflective Base Case (CRBC) – Indicative bills (\$2025-26) – Standard Water Use Customers					
General Security (\$2025-26)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Annualised increase
Small Customer (100ML)	\$514	\$620	\$738	\$879	\$1,045	\$1,245	19.3%
Medium Customer (500ML)	\$2,572	\$3,101	\$3,688	\$4,393	\$5,227	\$6,223	19.3%
Large Customer (1000ML)	\$5,144	\$6,202	\$7,376	\$8,786	\$10,454	\$12,446	19.3%
High Security (\$2025-26)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Annualised increase
Small Customer (100ML)	\$1,065	\$1,276	\$1,519	\$1,807	\$2,153	\$2,562	19.2%
Medium Customer (500ML)	\$5,325	\$6,382	\$7,593	\$9,037	\$10,764	\$12,810	19.2%
Large Customer (1000ML)	\$10,650	\$12,764	\$15,187	\$18,073	\$21,527	\$25,620	19.2%

The details of the alternative proposed prices and indicative bills under the alternative scenarios can be found in Attachment 26.



Response

- MI strongly agrees with WaterNSW that the prices and indicative bills under the CRBC are beyond what customers can afford.
- Further, MI is also of the view that the prices and indicative bills under the alternative scenarios (i.e. with the 15% cap per year) are still very significant, and also beyond what customers can afford.
- MI is concerned by the magnitude of the increases to revenue requirements of 44% (before inflation), which seems excessively large.
- MI supports the proposal in Alternative Scenario 1 of reducing the user share for the 'environmental protection and planning' and 'dam safety' cost share categories for customers to 50% (from 80%), due to fairness and equity concerns of customers having to fund policy-driven environmental investments. A higher government share will provide incentive for government designed regulatory requirements to be at a standard that is cost-effective.
- MI notes that Alternative Scenario 2 involves removing fish passage and cold water pollution projects – MI recommends that funding is sort from the Federal Government as part of the remaining components of the Murray-Darling Basin Plan to fund these works, so that they can continue, without the financial burden. This is an example of where the current funding model risks important water management activities not being able to progress, as the costs are simply too high to be recovered from customers.
- MI is concerned by the size of the proposed placeholder for post-tax real weighted average cost of capital (WACC) of 4.3% for rural valleys, which is significantly higher than the 2021 determination (1.8%), and the current determination for Greater Sydney (3.6%). While we note the impact of macroeconomic factors, the impact of changes to the methodology must also be considered (noting MDB valley prices were previously subject to the ACCC WACC methodology which uses an 'on the day' approach to set the cost of debt, but this is now based on the trailing average approach for setting the cost of debt allowances). MI recommends a single WACC for Greater Sydney and the rural valleys.

General issues

Who should pay for water management?

Background

The efficient costs of WAMC and WaterNSW's rural bulk water services are allocated between water customers and the NSW Government based on the impactor pays principle (i.e. whichever party created the need for an activity). This is based on a counterfactual starting point of a world without high consumptive use of water resources. The cost-shares (i.e. the ratio of customer and NSW Government shares of costs) were reviewed in 2019. The following decisions were made in the final report.

**Table 6.2 WAMC customer shares for operating and capital expenditure**

Activity	2015-16 price review	2018-19 cost share review
W01-01 Surface water quantity monitoring	70	100
W01-02 Surface water data management and reporting	50	50
W01-03 Surface water quality monitoring	50	60
W01-04 Surface water algal monitoring	50	40
W01-05 Surface water ecological condition monitoring	50	50
W02-01 Groundwater quantity monitoring	100	100
W02-02 Groundwater quality monitoring	100	100
W02-03 Groundwater data management and reporting	100	100 ^a
W03-01 Water take data collection	100	100
W03-02 Water take data management and reporting	100	100
W04-01 Surface water modelling	50	80
W04-02 Groundwater modelling	100	100
W04-03 Water resource accounting	100	100
W05-01 Systems operation and water availability management	100	100
W05-02 Blue-green algae management	50	40
W05-03 Environmental water management	0	80
W05-04 Water plan performance assessment and evaluation	50	50
W06-01 Water plan development (coastal)	70	70
W06-02 Water plan development (inland)	70	70
W06-03 Floodplain management plan development	0	0
W06-04 Drainage management plan development	0	0
Activity	2015-16 price review	2018-19 cost share review
W06-05 Regional planning and management strategies	70	70
W06-06 Development of water planning and regulatory framework	75	80
W06-07 Cross-border and national commitments	50	50
W07-01 Water management works	50	80
W08-01 Regulation systems management	100	100
W08-02 Consents management and licence conversion	100	100
W08-03 Compliance management	100	100
W08-99 Water consents overhead	100	100
W09-01 Water consents transaction	100	100
W10-01 Customer management	100	100
W10-02 Business governance and support	70	80
W10-03 Billing management	100	100

**Table 6.3 WaterNSW's customer shares for operating and capital expenditure**

Activity	Category of expenditure	2016-17 price review	2018-19 cost share review
Customer support	Operating	100	100
Customer billing	Operating	100	100
Metering and compliance	Operating and capital	100	100
Water delivery and other operations	Operating and capital	100	95
Flood operations	Operating and capital	50	80
Hydrometric monitoring	Operating and capital	90	90
Water quality monitoring	Operating and capital	50	80
Direct insurances	Operating and capital	100	100
Corrective maintenance	Operating and capital	100	95
Routine maintenance	Operating and capital	100	95
Asset management planning	Operating and capital	100	95
Dam safety compliance	Operating and capital	50	80
Dam safety compliance pre-1997	Capital	0	0
Environmental planning and protection	Operating and capital	50	80
Corporate systems	Operating and capital	100	80
Irrigation Corporation District (ICD) rebates	Operating and capital	100	100
Renewals and Replacement	Operating and capital	90	95
Risk Transfer Product	Operating	100	100

Source: Aither, Rural water cost sharing review Final Report, January 2019, pp 85-98.

Proposal

WAMC's proposal is to largely maintain the current cost share ratios, with the exception of reducing regional planning and management strategies from 60% to 50%. Under this proposal, the cost-share for customers would be 79% of the total notional cost (or 42% of the proposal) with the remainder allocated to the NSW Government. Under the WaterNSW charges, the CRBC proposal is also based on these cost-share ratios, noting alternative scenarios propose reducing some components.

Response

MI does not consider the current pricing framework of the impactor-pays principle, based on a counterfactual of a world without high consumptive water use, as an appropriate nor viable model, particularly moving forward.

MI is concerned that we have reached a tipping point where the demands on water management standards and activities has exceeded the capacity of the consumptive water sector to pay for it. This has a two-fold impact of:

1. Outpricing consumptive water use – with many farmers fearing that their businesses will not be financially viable under the proposed price increases (combined with the cumulative effects of other ongoing reforms too); and
2. Underfunding water management – where the demands (driven by increasing community expectations) cannot be appropriately or sufficiently funded (e.g. we have seen this with fish passageways which are important environmentally, but very expensive, and have not



progressed with a key reason being that it's beyond the ability for consumptive water users to pay).

MI notes that the cost-drivers for water management are increasingly complex, and often external (given the general public's interest in water management and increasing community expectations), which is driving more gold-standard activities, beyond what direct customers may need, and beyond what may be considered adequate/reasonable. The current model poorly considers this nuance of what level or standard is being demanded, (i.e. if it's to enable the minimum baseline activity, or whether it's for a gold-standard), and how community expectations are driving these at higher costs.

MI notes that the matters to be considered by the Tribunal under the IPART Act, involves '*the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services*' and '*standards of quality, reliability and safety of the services concerned*'. MI is concerned that without reconsidering this model, there is no incentive on Government to be more efficient in determining cost-effective and fit-for-purpose policy settings and standards (nor to communicate the effectiveness of current policy settings to avoid the need for major reform where public sentiment may not be appropriately informed). The NSW Non-Urban Metering Reform is a prime example of this (see above).

Even if the impactor-pays model is to continue, the counterfactual (without high consumptive water use) is inappropriate and requires reconsideration, as it will always result in water users bearing a large portion of costs. In a developed society, there will necessarily be a level of consumptive water use to sustain the population (i.e. for domestic use, and agricultural production), for resilience to climate extremes (i.e. flood mitigation, and monitoring), but also in modern society to manage for environmental outcomes. These are in the public interest. The public-interest role served by the agricultural sector, in providing food and fibre, as well as economic activity (including from exports and flow on economic outcomes) needs to be considered.

Finally, in terms of the ongoing viability of the funding model, it must be recognised that there are inverse trends of:

1. Increasing costs (driven by demands for new or higher standard activities) for water management; and simultaneously,
2. Decreasing customer base to recover costs from, in terms of the declining volume of water used for consumptive purposes, the declining reliability of water (driven by reforms and climate), and the declining capacity to pay (as the cost of doing business is increasing from multiple factors).

This is a fundamental problem for the future viability of the current model.

MI recommends that the model is reconsidered to recognise the significant cost driver of increasing community expectations, above and beyond reasonable general standards or needs of direct customers. In our view, this should result in the NSW Government paying a greater share to cover the gap driven by heightened community expectations. This would mean there is incentive on the NSW Government to be more efficient in determining cost-effective and fit-for-purpose policy settings, mindful that going above and beyond a reasonable baseline will be a cost they need to incur. If this current model is to continue, at minimum, the cost-share arrangements require significant amendments to better reflect public interest items, or items where standards are being driven by non-direct-customers.



MI also notes that a large driver of increased revenue requirement for WaterNSW is to meet a significant number of new regulatory requirements, such as changes to the WaterNSW operating licence. MI is of the view that the cost-shares for these should be heavily borne by the NSW Government, on behalf of the public, as the driver of these new requirements.

Ability to pay

Many farmers are fearing that their businesses will not be financially viable under the proposed price increases (combined with the cumulative effects of other ongoing reforms too, as well as other drivers).

MI therefore disagrees with many of the key findings of the Deloitte report (see Attachment 30) that suggests farmers will have the ability to absorb the proposed price increases, and the results that it will lead to only small percentage changes in profit margins. The limitations of this study are too significant for it to provide any meaningful or accurate indication of ability to pay. Many of these limitations are acknowledged in the report:

- *'The data for irrigators has greater uncertainty'* – the report has a lot of focus on dryland farming, which we would have considered out of scope for a water charges report. To be accurate, the report needs to be redone, looking at only farmers who utilise the water entitlements in question for their businesses (i.e. irrigators). The consideration of dryland farming profits skews the data and is not relevant.
- *'Publicly available data on the agricultural sector is limited'* – the report states that there is much richer data on broadacre commodities, which interestingly, is where the report also finds that “bulk water price increases could have a material impact on many customers in this group” and “certain high irrigation market segments such as cotton and rice are likely to be particularly exposed to bulk water price increases”. MI is concerned that the optimism for other sectors may be due to poor data and incorrect assumptions, and actual data may tell a different story.
- *'the data underpinning the analysis is dated'* – the last GVIAP release was for the 2017-18 financial year, and the last data for Water Use on Australian Farms was released for the 2020-21 financial year. There have been considerable changes since this time, including to water market prices, and costs to meet changed regulatory requirements (such as metering).
- The gross margin calculation excludes fixed and overhead costs such as depreciation, interest payments, rates and permanent labour – which are significant.

MI also question the notion that larger water users have a larger capacity to pay, as this is based on highly flawed assumptions. Larger water users are already paying more via higher usage charges. Water users are experiencing significant cost increases from multiple factors, and these cumulative impacts must be considered.

MI recommends extreme caution in how this report is used and considers that major changes to the methodology and assumptions would be required for it to offer any meaningful information to this process.

Cost-driver of climate change

Proposal



- Attachment 15 looks at WaterNSW's climate change risk assessment and adaptation planning.
- The document outlines costs arising from multiple rainfall and flood events since 2021, and states that WaterNSW is looking to implement other climate adaptation actions.
- The document states that climate change measures are not expected to significantly impact costs over the determination period.

Response

- MI is of the view that climate change is a cost-driver, and under the impactor-pays model, should be considered the impactor on a number of items (with costs to be borne by the NSW Government).
- MI is concerned that a narrow view of climate change is being taken when it is stated that it won't significantly impact this determination period, as the indirect ramifications of climate change (including heightened community fear and expectations) need to be considered.
- Climate change also must consider the impacts in terms of both increased droughts and floods – focus tends to only be on dry scenarios.
- MI also notes that both WAMC and WaterNSW have undertaken significant climate change work programs (particularly coming out of the 'Tinderbox drought') during the years of the last determination period, such as Regional Water Strategies and other drought planning activities, and therefore questions the remaining workload on this front over coming years.
- MI also notes that current water sharing arrangements are built to be responsive to climate change, such as water allocations that vary based on how much water is actually available.

Recognising the role of IIOs

Proposal

- Irrigation Corporation District (ICD) rebates are paid to ICDs based on avoided cost incurred in relation to 'customer billing' and 'metering and compliance' (relates to both operating and capital expenditure).
- WaterNSW has indicated that the methodology for calculating the rebate has not changed since the last determination, and they will make no change to existing cost allocations of 100% customer share.
- Table 40 from the WaterNSW Pricing Proposal shows the annual revenue requirement including the ICD rebate component.



Table 40 – WaterNSW annual revenue requirement by determination and in total (\$2024–25)

Regulatory indicators	Current determination - Annual average	Greater Sydney - Annual average	Rural Valleys - Annual average	WAMC WNSW share - Annual average	Draft proposal - Annual average	Total FY26–FY30	Annual average variance %
Total revenue requirement	\$409.1	\$340.2	\$196.4	\$53.4	\$590.0	\$2,950.0	44.2%
Operating expenditure	\$197.8	\$132.3	\$87.4	\$29.3	\$249.0	\$1,245.1	25.9%
Return of assets (depreciation)	\$85.5	\$89.6	\$35.6	\$18.2	\$143.5	\$717.3	67.7%
Return on assets	\$110.1	\$100.8	\$64.9	\$3.2	\$168.9	\$844.6	53.5%
Return on working capital	\$3.4	\$2.1	\$1.4	\$0.9	\$4.3	\$21.7	26.6%
Regulatory tax allowance	\$6.9	\$9.1	\$3.4	\$1.6	\$14.0	\$70.1	102.9%
Cost of debt true-up	\$0.0	\$1.3	\$0.2	\$0.1	\$1.6	\$8.0	n/a
FY25 true-up	\$0.0	\$5.1	\$0.0	\$0.0	\$5.1	\$25.3	n/a
ICD rebates	\$2.0		\$2.0		\$2.0	\$10.2	3.0%
Debt raising costs* / Volatility allowance	\$1.5		\$0.0		\$0.0	\$0.0	n/a
UOM adjustment	\$1.9		\$1.5		\$1.5	\$7.4	-21.7%
Community service obligation (CSO)**	\$8.9	\$1.1	\$4.4	\$21.5	\$27.0	\$134.9	204.1%
Regulatory indicators	Current Determination 2024–25	Greater Sydney 2029–30	Rural Valleys 2029–30	WAMC WNSW share 2029–30	Draft proposal 2029–30		Variance \$
Regulated asset base (RAB) @ period end	\$4,188.9	\$3,371.4	\$1,676.2	\$85.5	\$5,133.1		\$944.2
User RAB @ period end	\$3,158.0	\$3,371.4	\$1,046.5	\$71.3	\$4,489.3		\$1,331.3
Government RAB @ period end	\$1,030.9		\$629.6	\$14.2	\$643.8		-\$387.1

* Treated as opex if ACCC WACC method is used, included in return on assets if IPART WACC method is used.

** Greater Sydney CSO relates to recreational Land management. Rural Valleys existing CSO for north coast and south coast valleys. WAMC WaterNSW share of CSO is subject to change regarding DCCEE's decision for LEW customer cost recovery.

Response

- MI strongly supports the ongoing inclusion of the ICD rebate, as ICDs perform activities/functions to customers within their areas of operation that otherwise would need to be performed by WaterNSW.
- MI seeks further information about the methodology for calculating the ICD rebate.
- IPART should consider further increasing this rebate, given the significance of cost increases (i.e. to be proportionate), and to cover a broader range of activities carried out by ICDs.

Other

- With over 1700 pages of information provided as part of this public consultation process (simultaneously with over 8 other public consultation processes at state and federal levels), it is not possible for stakeholders to have critically analysed the full extent of information available at this time. We also note this is a particularly busy time of year for the agricultural sector, and we are concerned this will impact responsiveness to this process. IPART should not consider a lack of responsiveness as a lack of interest, or acceptance of the proposals.



Stakeholders will be relying upon IPART for thorough and rigorous critical analysis of the pricing proposals.

- MI also note that despite the 1700 pages of information, a lot of key information appears to be missing (particularly at a valley-scale), which is needed for water users to make an informed response to this process.
- An ongoing problem with engagement processes by WaterNSW has been the inclusion of broader 'community' views outside the direct customer base, as this has meant: (i) direct customers who are paying the bills were a minority; and (ii) the broadening of the engagement base meant a lowering of the levels of water literacy. The methodologies used to determine viewpoints also seldom presented the trade-offs in terms of price points, which led the participants to select highest standards without understanding the ramifications (or not caring to understand as not a direct customer).

Conclusion

MI is very concerned by the proposed price increases and emphasises that it is beyond the capacity for water users to pay, with detrimental impacts to the agricultural sector.

MI is of the position that water management has reached a tipping point where the current funding model is not viable, as the demands on services, infrastructure, and other activities - particularly those driven by heightened public interest leading to gold standards (of policy design, not delivery) - has exceeded the capacity for direct customers to pay.

Ultimately, MI recommends IPART needs to reconsider the funding model for water management overall, including to ensure the NSW Government have incentive (and not disincentive) for regulatory requirements and policy settings to be cost effective and efficient.

MI appreciates IPART's comments at the public hearing that recognised the tribunal are not bound by previous decisions and hopes the severity of these pricing proposals is a catalyst for change in the current approaches to rural water pricing. The problems with these pricing proposals are well beyond just minor amendments but signify the need for a more fundamental overhaul in the current models. MI welcomes ongoing engagement as part of this process, noting the Draft Report will be published in March 2025, and Final Report in June 2025.

Please feel welcome to contact us with any questions.

Yours sincerely,

[Redacted signature block]