

IPART – Information Paper - Prices for WaterNSW bulk water services - May 2025

Submission; Peel Valley Water Users Association

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IPART has published the information paper on prices for WaterNSW bulk water services and has asked for feedback on the following questions.

We are providing feedback according to the IPART questions and have also added some overall feedback on the IPART Paper.

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

The Peel Valley Water Users Association is strongly in favour of the IPART proposal to issue a Draft Determination for a three year period which will give WaterNSW time to undertake strategic discussions with the NSW government of the important issues and review whether WaterNSW, as currently regulated, is actually the most appropriate model. Some of the proposals put forward by WaterNSW as alternatives, such as having a regional pricing proposal, would need to have a careful and extensive review before they could be implemented. That is not to say that they do not have merit.

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

We believe that the next three years gives WaterNSW time to concentrate on several aspects.

Firstly there would be benefit in forensically examining their direct costs using the services of organisation such as those that IPART used to interrogate the WaterNSW proposal. Many of the costs that were not discussed in the consultation could be included in this review.

Secondly there needs to be further discussion with the state government on financial engineering aspects. One is the imposition of an expected return based on weighted average cost of capital and asset value and whether this is, in fact, appropriate in this circumstance. Depreciation costs should also be reviewed.

Thirdly, we believe that WaterNSW should take on board the discussion from the Water Users about what should be a community obligation and what should be a water user obligation.

This split of responsibilities between the community (through the NSW Government) and the water users (through WaterNSW charges) for various types of cost associated with the less tangible aspects of managing the water system should be the subject of investigation and discussion. The costs of fish health, environmental health, associated land management and first nation's cultural values to name a few, might fall into this discussion.

As these costs become increasing prominent in WaterNSW budget, it is apparent that they will not be able to be paid for by the water users without endangering the existence of the productive industries.

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?

PVWUA believes that WaterNSW needs to be compliant with the safety and other legislation and should not be operating in an environment where the equipment is a risk to the operators. We think that it is necessary to maintain any equipment to a basic standard similar to that imposed on any other commercial operation.

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)?

We are a little unclear what the result would be from this draft proposal. If the Peel Valley is considered on its own, the impact of moving from the previous 20 year rolling average figure to the modified rolling average figure would be an additional increase of 8.86% as the volume of water in the denominator of the calculation decreases from 12,625ML/year to 11,597ML/year.

We think this is unreasonable and is not reflective of the future water use but is more reflective of the severe impact on water availability that the drought of the 2018-2020 period was responsible for. On a State wide basis, the change in water usage for this new period compared to the previous period was much more modest with the rolling usage falling from 3,964,658ML/year to 3,806,128ML/year which would imply a price rise of 4.16%.

Considering that these figure reflect the dry weather conditions during the last five years of the rolling average period, they are less severe than the Peel Valley figure on their own, but still result in an artificial increase in the water charges based on short term historical data. I would rather see the period of averaging extended to 25 or 30 years. The only argument for using the more volatile shorter time period figures would be if there had been shown to be a sustained trend out of irrigation and water usage.

In summary, we do not support using the updated rolling average water usage figures to adjust the WaterNSW charges, because we believe those figure have been skewed by the last record period. A better method would be to extend the record period with the new data.

IPART have discussed and investigated the impact of the proposed price rises on agricultural operations. This move, to adjust the denominator in any calculation, if it was applied over the whole state water usage, would add nearly 5% to all the costs being proposed by IPART.

If it was applied to the Peel River on a basin by basin approach, it would add a further 8.86% to the Peel River regulated river charges.

We do not believe this is fair or appropriate.

General Comments

We commend IPART on the approach to achieve efficient and reasonable cost increase from WaterNSW. The use of experts in cost control has supported many water user's views that some of the costs proposed have not been adequately tested by WaterNSW.

We also support the observation that WaterNSW should have presented to the water users their views on what costs would be, rather than trying to build up costs by asking "what would you think we should do?" and then adding up all the resulting work programs.

We strongly support the idea that the costs be as per the draft determination for the three year period as we believe that it will take this long for WaterNSW to sort out whether we are using the most appropriate model and whether the government –water users cost split needs changing.

We believe that efficiencies in operation could be achieved by WaterNSW by amalgamating some of the valleys into management units but that this proposal needs lots more work so that all the water users understand and support the outcome.

Overall we believe that IPART have produced a very valuable and constructive Information Paper.

Peel Valley Water Users Association