

Public Hearing 16 August 2022



WaterNSW Response to IPART's How We Regulate the
Water Businesses Draft Report

Support for the framework



Efficient outcomes that are in the long-term interests of customers

- greater customer engagement, innovation and efficiency in the water sector

Effective delivery of our Corporate Strategy, Strategic Objectives and our annual Strategic Initiatives

- flexibility to deliver services valued by customers within a longer-term business planning timeframe

With change comes opportunity but some uncertainty

- substantial change to the framework requires time to assess the impacts, incentives and outcomes
- we are committed to working with IPART and customers along the journey that starts with the upcoming round of pricing reviews

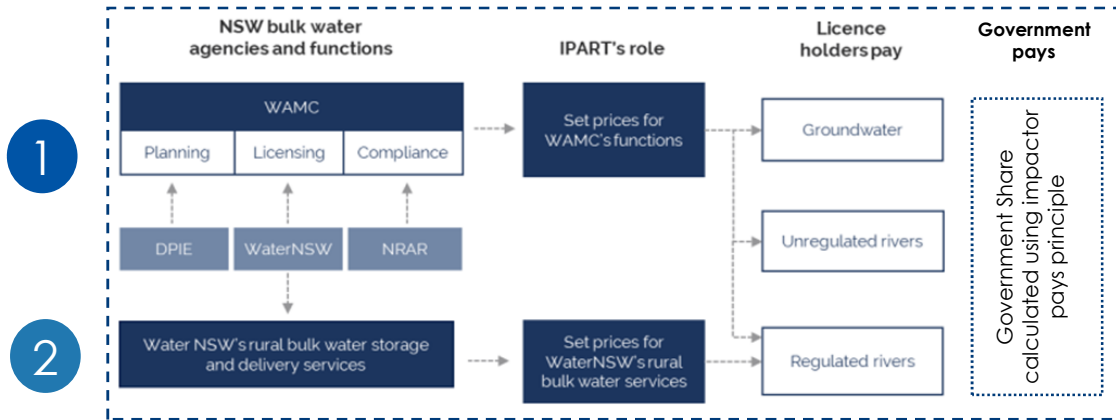
Corporate Strategy and Strategic Priorities



WaterNSW services



Rural valleys services



Sydney Water, 3 councils and raw / unfiltered water customers pay

Essential Water and offtake customers pay



Key positions



Timelines are tight

- More important to "get it right" than to rush
- It is also important to recognise pathways to meeting focus principles throughout the next determination period and over future determination periods.

Differential grading

- Recognises different services are at different levels of maturity
- Provides incentives to 'perform up' and deliver the same standard of services across the range over time
- Incentivises meaningful improvements to service delivery rather focussing on Pricing Proposal document
- Minimises risk of selecting "lowest common denominator" across services

Regulating WAMC

- A key outcome is to ensure the regulatory framework can be better tailored to the different customer bases, sizes and services provided by the businesses IPART regulates.
- A streamlined framework should be applied to WAMC to reflect the services provided to avoid increased regulatory compliance costs.

Form of price control

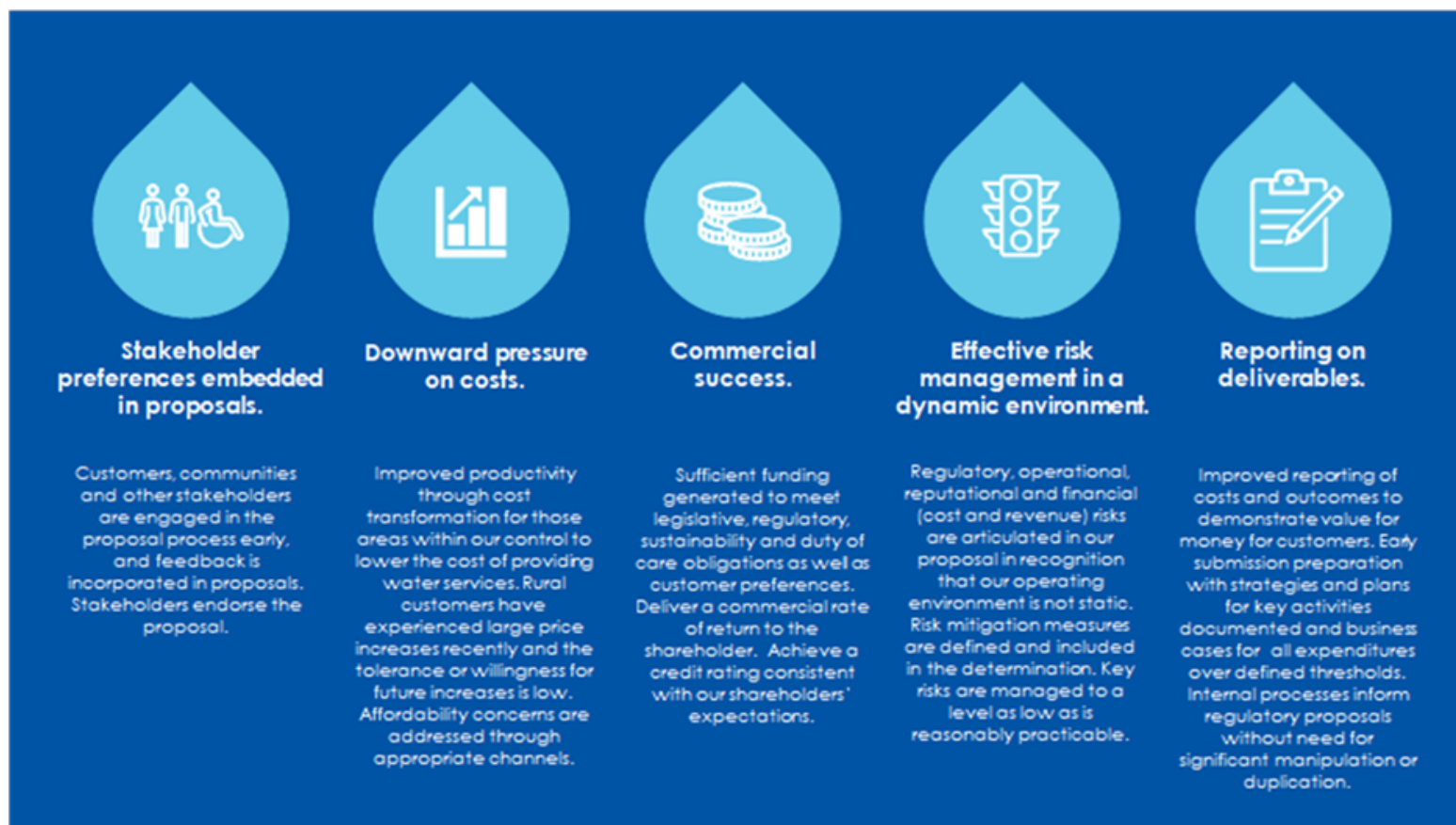
- The form of price control is a key risk management tool to address volume risks while ensuring a fair sharing of risks between a business and its customers
- Alternative forms should be available to all proposals, irrespective of grading.

Modelling proposals

- The current approach to calculating depreciation based on RAB categories is well-established cost reflective and should be the default position with IPART's proposed change an option that businesses could nominate
- Default positions for sharing unregulated income may be appropriate for small projects but alternatives should be available on a case-by-case-basis for larger projects to encourage greater utilisation of assets

Regulatory Strategy

What does success look like?



Thank you

A little bit about us



- WaterNSW plays an integral part in water supply across our State. However, the bulk of our customers reside in regional communities across NSW.
- Water is the lifeblood of regional communities; and historical participation in price regulation may have been limited; 'on the ground' engagement in the topic is extremely high.
- The majority of our staff are directly or indirectly connected with irrigation / agricultural activities; while also being an integral part of all the communities they serve.
- Our journey to improve our understanding and connection with our regional customers and communities is an ongoing one and we're continuing to deepen our engagement.
- We recognised early that our ability to become more efficient and to put downward pressure on water prices for our regional customers & communities starts with our ability to innovate.
- We're very proud that our staff have continue to innovate and to see new ways to deliver value to our customers.