

- ▼ Please mute your microphone
- ▼ Please turn on your camera (webcam)
- ▼ We will start at 10:02 am



ONLINE PUBLIC HEARING

WAMC and WATER NSW rural bulk water

REVIEW OF PRICES FROM 1 JULY 2021

30 MARCH 2021

Agenda



MC – Liz Livingstone, IPART CEO



Welcome – Ms Deborah Cope, Acting Tribunal Chair

1

10:00am –11:00 am

Session A – Water NSW's metering reform proposal

2

11:00am –12:45 pm

Session B – WAMC price review

3

12:45pm –1:30 pm

Lunch break

4

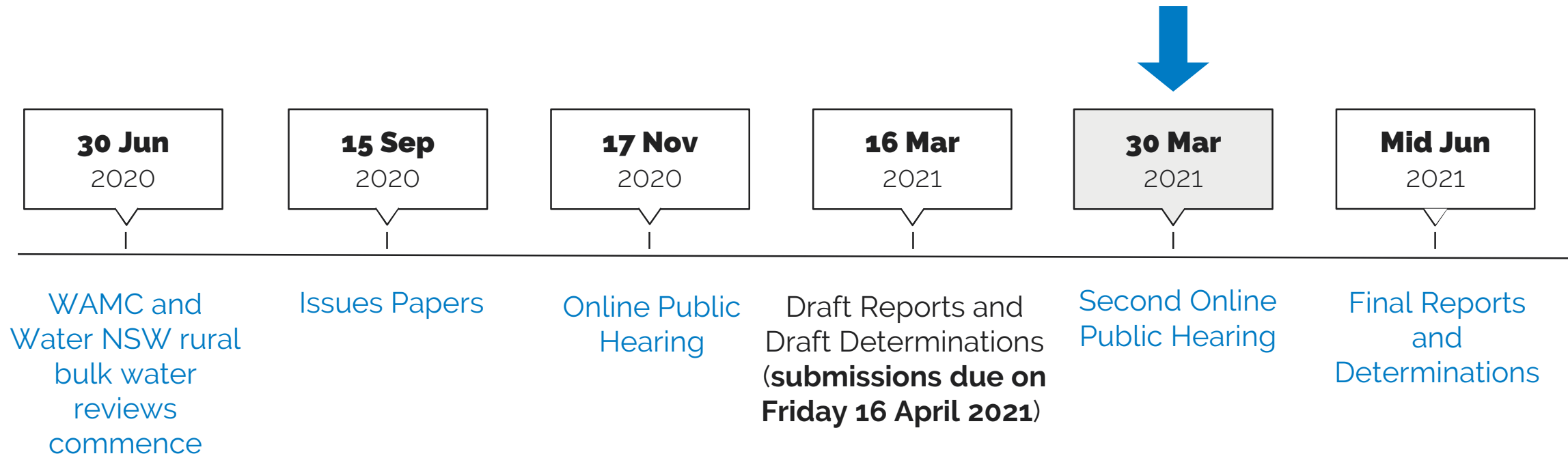
1:30pm– 3:15 pm

Session C – Water NSW rural price review

5

Closing remarks

Where our reviews are up to





Session A

Water NSW's metering reform proposal

1

Water NSW presentation

2

Stakeholder Q&A session

3

IPART Secretariat presentation

4

Stakeholder Q&A session

Water NSW Presentation



Costs of Non-Urban Metering Reform and approaches to pricing



IPART Public Forum - 30 March 2021



Important Information



1. Obligations for compliance to the non-urban metering reforms is the responsibility of the work approval holder
2. WaterNSW's objectives in developing its submission was to support water users through their compliance journey and minimise any risk of non-compliance.
3. Our ability to support water users as we had planned and priced in our submission is contingent on funding

What is involved?

1. For those whose works sit below the threshold, recording any water take or commence/cease to pump reporting to WaterNSW is required.
2. For those works that sit above any of the thresholds or are located in an at risk groundwater source one of the following needs to occur:
 - Install a new meter
 - Make the existing meter compliant
 - Change the pump size on the work approval to be below the threshold (if possible)
 - Make the works inactive so it cannot take water
3. There are ongoing obligations for the majority of all works in terms of recording and reporting and for metered works regular maintenance to ensure the equipment is working accurately

Principals of our Submission



1. Our submission was designed to support water users/customer in meeting their obligations
2. The reforms have been consulted on extensively by DPIE
3. It is important that these reforms are implemented with the intent of improving the measurement of water take
4. Costs were allocated by licence and meter rather than by entitlement as water user obligations are similar irrespective of pump or entitlement size
5. WaterNSW's submission sought to provide water users value for money and minimise risk in meeting their compliance obligations

Cost Materiality (per annum)



39,223
licence holders
will pay

\$77

20,628
privately
owned meter
holders will pay

\$345

2,822
government
owned meter
holders will
pay; **or opt out**
to become a
privately
owned meter
holder

\$1870

All water licence holders



Benefit	Included
Access to subject matter experts to help understand my obligations	✓
Ability to make changes to work approvals	✓
A call centre to answer your queries and provide support	✓
An online portal or a manual submission process to lodge your reporting obligations	✓
Help in registering to use our online portal as well as providing training and any other customer support as required	✓
Access to educational information either on the WaterNSW website or sent directly to you	✓
Ensuring the data that is submitted to WaterNSW by DQPs is accurate and correct (supporting your compliance)	✓
Contacting water users who do not self report to remind them of their obligations	✓
Providing a mechanism to make declarations avoiding monthly self reporting when no water is being taken	✓
Reconciling water take from LID to what has been self reported to ensure accounts are managed accurately	✓

\$77

Privately owned meters



Benefit	Meters with telemetry	Meters without telemetry
Access to the telemetry system required to support compliance or for WaterNSW to download the data from your LID	✓	✓
The ability to report that your metering equipment is faulty which is a water users obligation	✓	✓
A collection repository for your compliance information easily accessible by other agencies reducing the administrative burden on water users	✓	✓
Verification of meter master data at the point of collection and on site	✓	✓
Access to industry experts if required during the annual site visit		✓
Access to technical and user support if telemetry has been installed	✓	
Ability to opt in to telemetry		✓
Access to your water take data	✓	✓
Firmware upgrades to your LID	✓	
Ensuring your water account is accurate and upto date to assist water users make more effective decisions and support operational requirements	✓	✓

\$345

Government owned Meters



Benefit	Included
My Meter is made compliant for a small annual fee	✓
I don't have to pay for meter compliance upfront like those without a government owned meter - I am allowed to spread my payments over multiple years	✓
WaterNSW takes all the hassle and takes the responsibility for making the meter compliant so I can focus on my business	✓
I get access to telemetry and the data to make more informed business decisions	✓
My meter is maintained for one fixed charge per annum offering a no hassle service allowing me to budget with confidence	✓
I don't have to worry about the meter equipment breaking down and all the hassle that goes with it	✓
I don't have to find a DQP or undertake the expected annual meter maintenance obligations	✓
If I need help accessing my data, help is only one phone call away	✓
\$1870	

Government Owned Meters



1. The Meter Service Charge proposed (\$1269) provides a fixed annual charge for water users and risk free service
 - a) IPART analysis overstated costs as the telemetry fee of \$345 was already included in the proposed \$1269 annual charge for government owned meters
 - b) Current Meter Service Charge covers alarm management and reactive repairs (no planned maintenance)
2. Proposed annual cost of \$601 for making meters compliant only recovers 47% of WaterNSW's proposed costs in this determination period, WaterNSW carries the risk should customers subsequently opt out.
3. Customers can opt out if they don't believe this offers value for money

Recap



1. Our submission was designed to support water users/customer in meeting their obligations and minimise any risk of non-compliance.
2. Costs were allocated by licence and meter rather than by entitlement as water user obligations are similar irrespective of pump or entitlement size
3. WaterNSW's submission sought to provide water users value for money and remove barriers to the uptake of telemetry
4. Customers with Government owned meter customers can opt out
5. Obligations for compliance to the non-urban metering reforms remain the responsibility of the work approval holder
6. WaterNSW is continuing to work with IPART to clarify assumptions and costings

Questions?



 Call us on **1300 662 077**

 Visit us at **waterNSW.com.au**

IPART Secretariat presentation



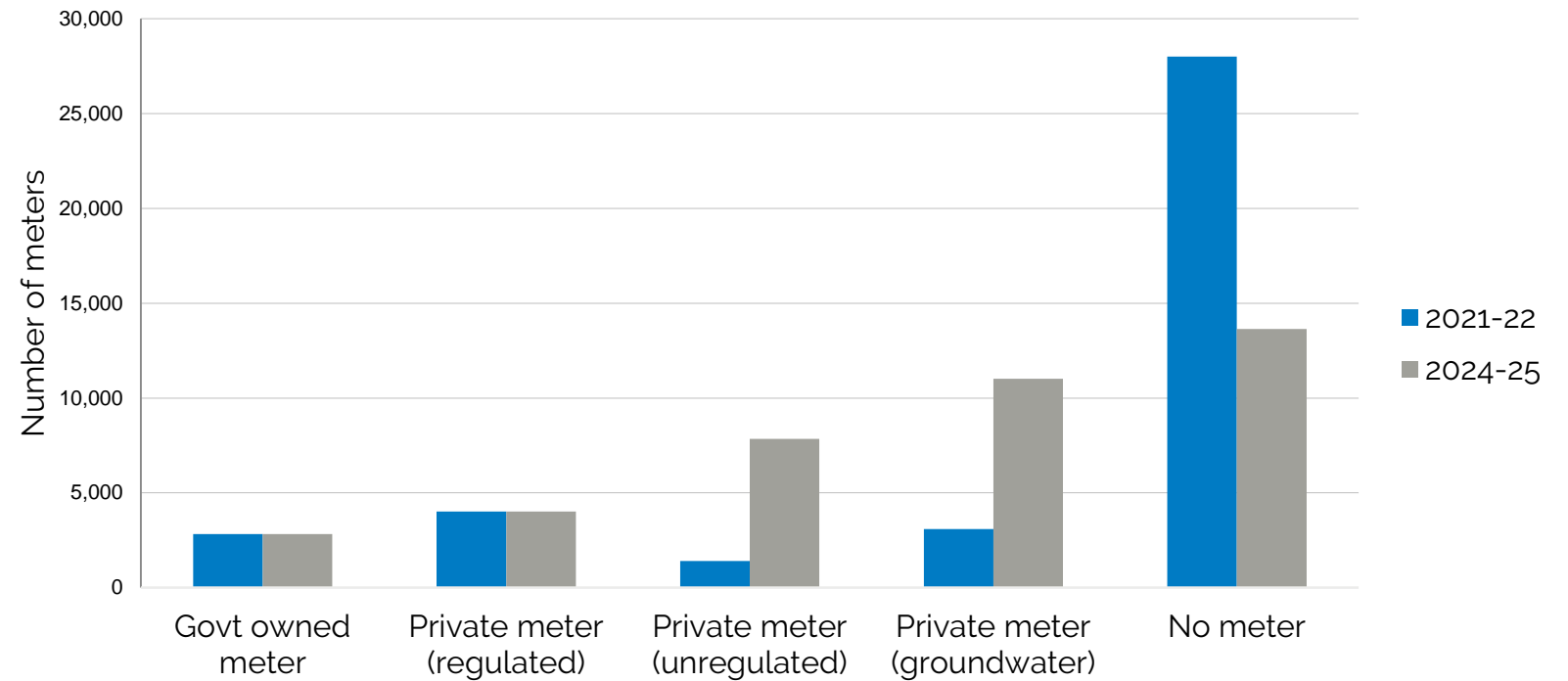
- ▼ Overview of metering program
- ▼ Water NSW's proposed new metering prices
- ▼ Our preliminary position and key issues



Water NSW expects 14,700 meters will need to be installed or replaced by 2025

Overview of metering program

Meter distribution across water users



Note: The 'no meter' category includes private meters which are non-compliant under the metering reforms, and therefore need to be replaced.

Proposed new metering prices



Water NSW is proposing significant increases to metering charges

Privately owned meters	\$/year
IPART draft decision	207
- Meter reading/ water take charge	207
Proposed metering charge - total	422
- Telemetry/non-telemetry charge	345
- Scheme management charge	77

Licence holders without a meter	\$/year
IPART draft decision	N/A
Proposed metering charge - total	77
- Scheme management charge	77

Government owned meters	\$/year
IPART draft decision	403-690
- Meter service charge	403-690
Proposed metering charge - total	1,947
- Meter service charge – operating	1,269
- Meter service charge - capital	601
- Telemetry/non-telemetry charge	Note
- Scheme management charge	77

Note: Water NSW has advised the telemetry/non-telemetry charge is included in the operating costs of the meter service charge

Our preliminary position and key issues



We have not set draft charges for the new metering policy



**Proposed costs
are still at a
preliminary stage
of development**



**We have concerns
about the significant
bill impacts**



**How should costs of
metering reforms be
recovered**

We are seeking stakeholder feedback on Water NSW's proposal,
our preliminary position and key issues raised





Session A

Closing Remarks



Session B

Review of WAMC's prices

1

IPART Secretariat presentation

2

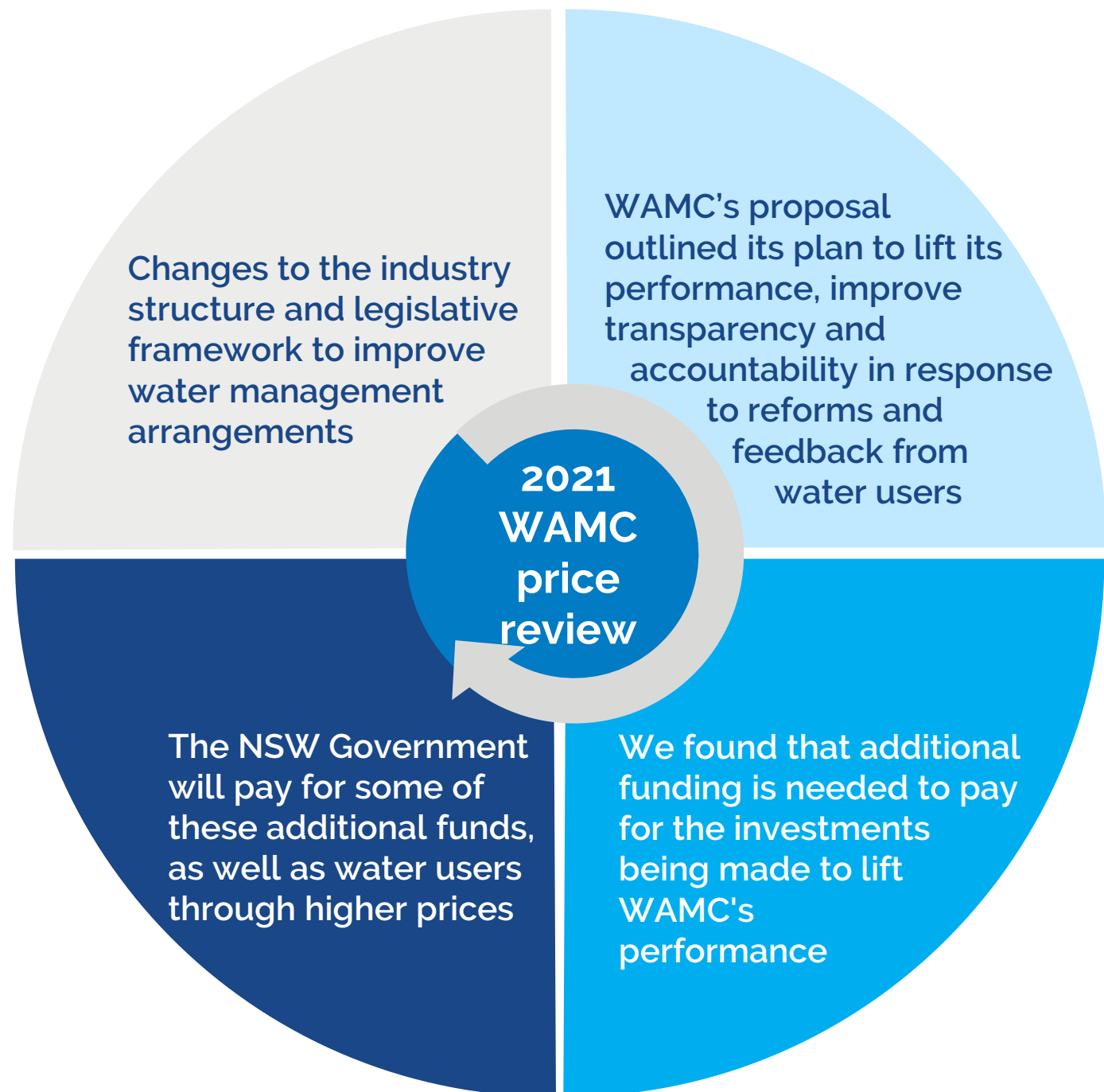
Stakeholder Q&A session

IPART Secretariat presentation

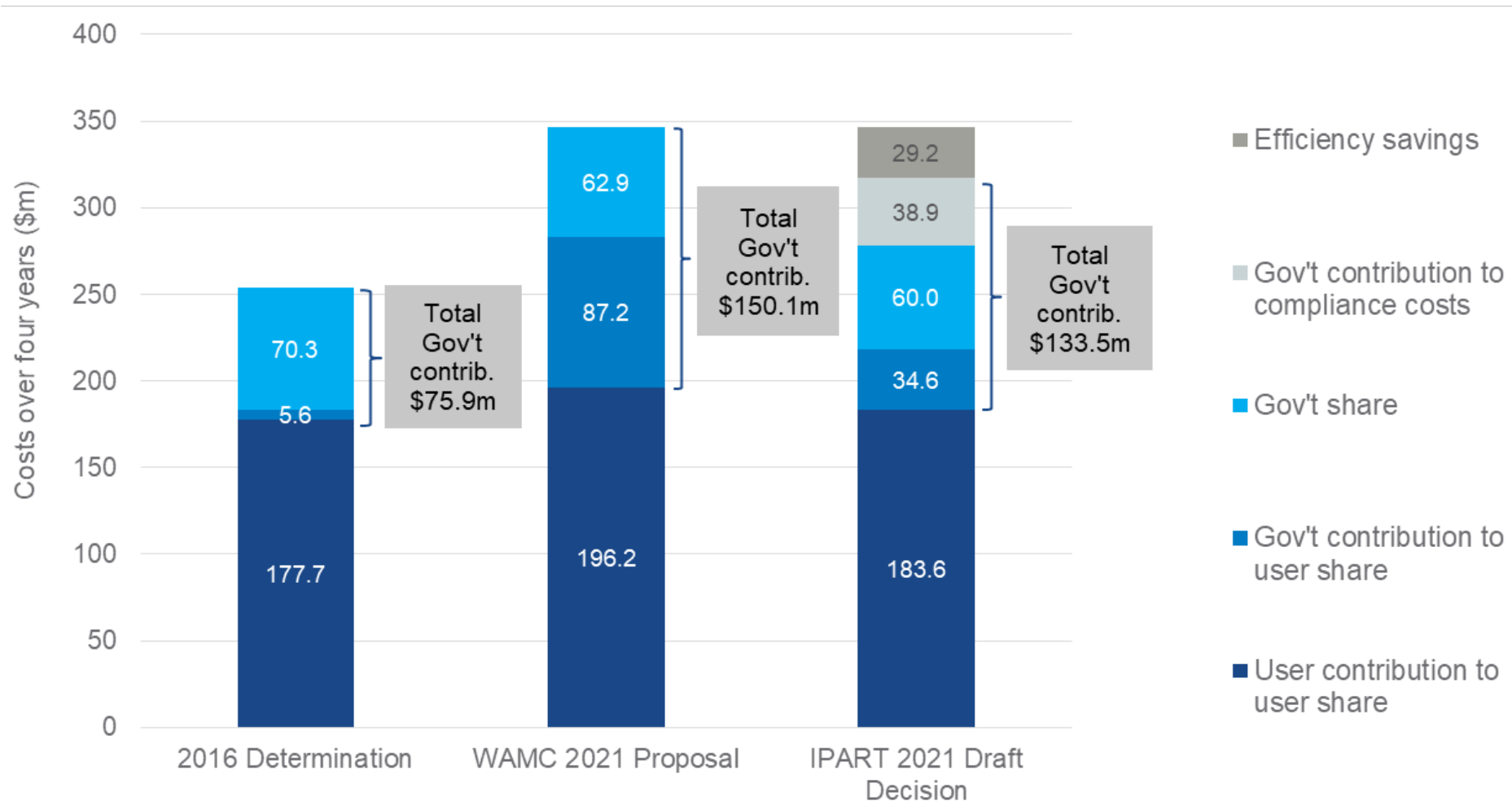


- ▼ Draft decisions on prices and customer impacts
- ▼ Draft decisions on costs
- ▼ Draft decisions on how costs are shared

Key strategic themes of the 2021 WAMC price review



NSW Government & water users' contributions





We are unbundling prices to three components

To enhance transparency and ensure all water users pay their fair share of efficient costs

Unbundling prices

Water sources	WAMC charge	MDBA charge	BRC charge
Regulated rivers			
Border	✓	✓	✓
Gwydir	✓	✓	
Namoi	✓	✓	
Peel	✓	✓	
Lachlan	✓	✓	
Macquarie	✓	✓	
Murray	✓	✓	
Murrumbidgee	✓	✓	
North Coast	✓		
Hunter	✓		
South Coast	✓		
Unregulated rivers			
Far West	✓	✓	✓
North West	✓	✓	
Central West	✓	✓	
Murray	✓	✓	
Murrumbidgee	✓	✓	
North Coast	✓		
Hunter	✓		
South Coast	✓		
Groundwater			
Border	✓	✓	✓
Inland	✓	✓	
Murrumbidgee	✓	✓	
Coastal	✓		



Prices would vary across 11 regulated water sources

Over the next 4 years, draft prices would decline in 1 water source and increase in 10 water sources compared with current 2020-21 prices

Draft prices for regulated water sources

Regulated water source	Current 2020-21 (\$2020-21)	Draft Report 2024-25 (\$2020-21)	% change from 2020-21 to 2024-25
Border	\$4.06	\$5.50	35.5%
Gwydir	\$3.03	\$3.32	9.6%
Namoi	\$4.57	\$4.06	-11.2%
Peel	\$7.43	\$8.64	16.3%
Lachlan	\$3.35	\$3.69	9.9%
Macquarie	\$3.56	\$3.91	10.0%
Murray	\$2.64	\$2.93	11.3%
Murrumbidgee	\$2.35	\$2.68	14.1%
North Coast	\$10.09	\$11.13	10.4%
Hunter	\$5.26	\$5.81	10.4%
South Coast	\$8.66	\$9.56	10.4%



Prices would vary across 12 unregulated water sources

Over the next 4 years, draft prices would decline in 2 water sources and increase in 10 water sources compared with current 2020-21 prices

Unregulated water source	Current 2020-21 (\$2020-21)	Draft Report 2024-25 (\$2020-21)	% change from 2020-21 to 2024-25
Border	\$4.78	\$4.93	3.2%
Gwydir	\$4.78	\$4.93	3.2%
Namoi	\$4.78	\$4.93	3.2%
Peel	\$4.78	\$4.93	3.2%
Lachlan	\$5.60	\$5.46	-2.5%
Macquarie	\$5.60	\$5.46	-2.5%
Far West	\$6.66	\$7.54	13.3%
Murray	\$6.85	\$7.68	12.1%
Murrumbidgee	\$9.08	\$10.07	10.8%
North Coast	\$9.52	\$10.50	10.4%
Hunter	\$3.43	\$3.78	10.4%
South Coast	\$3.24	\$3.58	10.4%

Draft prices for unregulated water sources



Prices would vary across 4 groundwater sources

Over the next 4 years, draft prices would decline in 2 water sources and increase in 2 water sources compared with current 2020-21 prices

Draft prices for groundwater sources

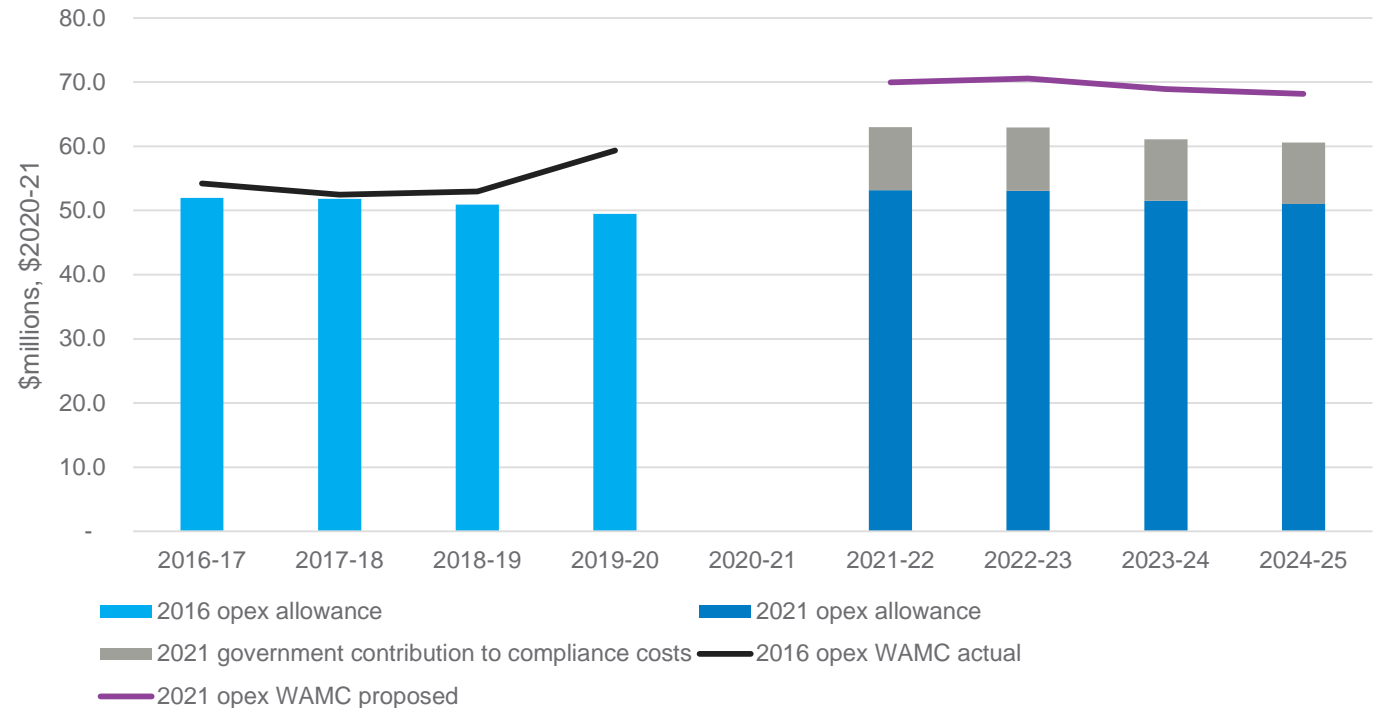
Groundwater source	Current 2020-21 (\$2020-21)	Draft Report 2024-25 (\$2020-21)	% change from 2020-21 to 2024-25
Inland	\$6.99	\$5.85	-16.3%
Inland - Border	\$6.99	\$6.28	-10.2%
Inland - Murrumbidgee	\$4.64	\$5.36	15.4%
Coastal	\$5.05	\$5.58	10.4%



Operating expenditure is slightly higher than 2016 allowance

IPART's draft decisions

- ▼ Operating expenditure (opex) is 25% less than WAMC's proposal for the 2021 period
- ▼ Recommends the NSW Government pay for higher compliance costs
- ▼ Acknowledges WAMC has identified some efficiency savings

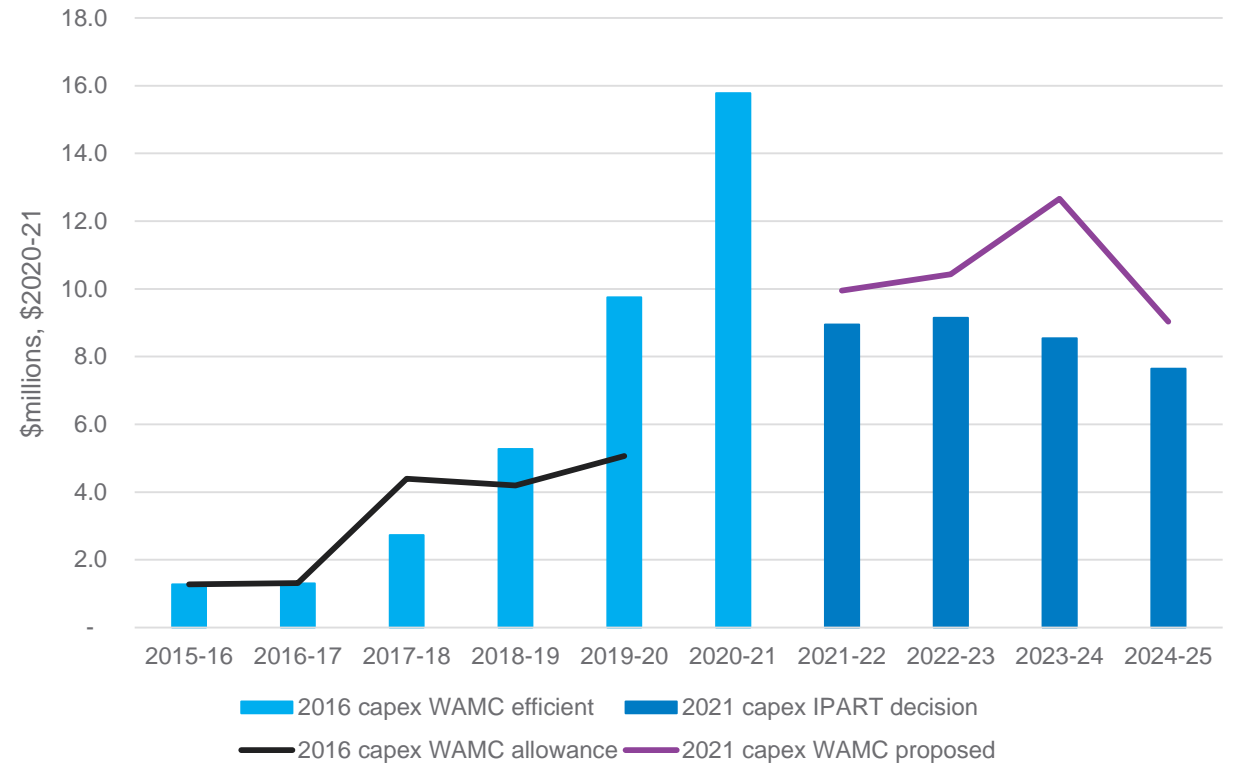




Efficient capital expenditure is higher than the 2016 allowance

IPART's draft decisions

- ▼ Includes corporate support systems costs in 2016 efficient capital expenditure (capex)
- ▼ Capital expenditure is 18.5% less than WAMC's proposal for 2021 determination period





MDBA and BRC costs are higher than WAMC proposed

Total MDBA & BRC costs across WAMC and Water NSW determinations

- ▼ Efficiency adjustments reduce total proposed costs: **↓7.3% MDBA & ↓2.5% BRC**
- ▼ Reallocation of costs across WAMC & Water NSW reviews (incl. Salt Interception Scheme)
- ▼ Building block approach applied for first time



WAMC's efficient MDBA costs

- ▼ \$11.8 million higher than proposal,
- ▼ Mainly due to \$13.1 million Salt Interception Scheme costs reallocated from WNSW to WAMC
- ▼ Still 11.2% lower than 2016 allowance

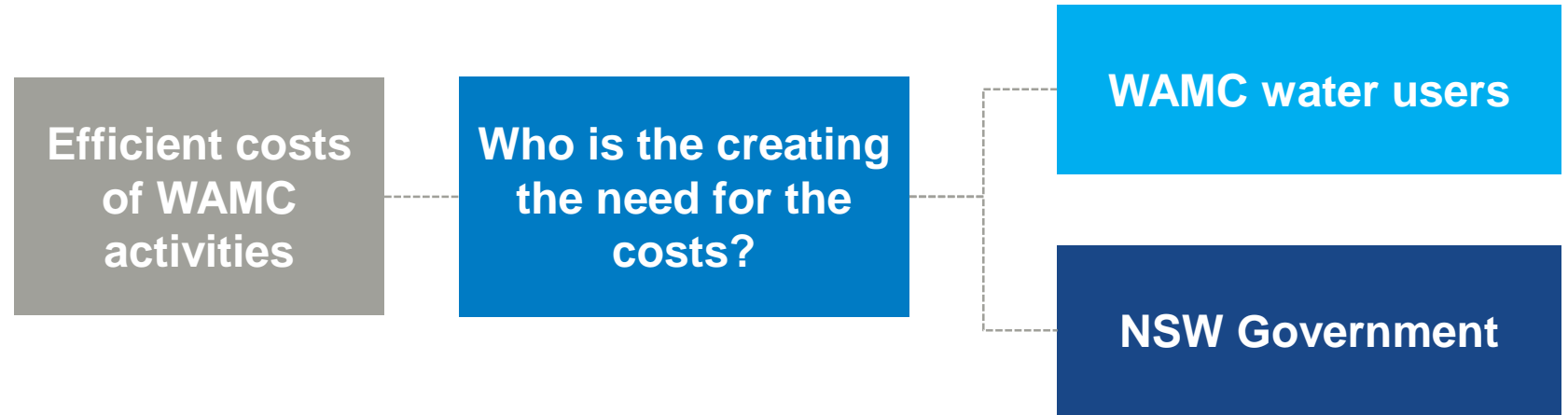


WAMC's efficient BRC costs

- ▼ \$0.4 million higher than proposal
- ▼ BRC corporate cost reallocation
- ▼ \$1.8 million higher than 2016 allowance

How costs are shared

WAMC's cost shares are generally consistent with our 2019 review



Key issues

- ▼ **Higher user share** of total revenue requirement compared to 2016
- ▼ Impacts of **climate change** accounted for in our framework
- ▼ Lower user share for **regional planning** activities



Session B

Closing Remarks

Next steps

Provide feedback

Our Draft Reports were released on 16 March 2021
Submissions on our Draft Reports are due on 16 April 2021

Complete survey

Complete our online survey to provide feedback on this
online public hearing

Contact us

Matthew Mansell
p: 02 9290 8473
e: Matthew_Mansell@ipart.nsw.gov.au



WAMC and Water NSW rural
bulk water price reviews

Online Public Hearing

Lunch break 12:45 – 1:30 pm

Please mute your microphone

Please turn on your camera (webcam)

We will start at 1:32 pm



Session C

Review of Water NSW Rural prices

1

IPART Secretariat presentation

2

Stakeholder Q&A session

IPART Secretariat presentation



- ▼ Draft decisions on prices and customer impacts
- ▼ Draft decisions on costs
- ▼ Draft decisions on how costs are shared

Key messages from our draft report

Our draft decisions are aimed at supporting the long term security and reliability of water supply in regional and rural NSW

We have comprehensively reviewed the efficiency of Water NSW's costs

Our key Decisions



Water NSW bills would increase by **10%-30%** in MDB valleys



We have reduced Water NSW's proposed capex by **20%** & opex by **11%**



We have reduced MDBA costs by **38%** and BRC costs by **40%**



We changed how we set filtered water prices in Fish River



We have capped price rises in the Coastal Valleys at **3%**



The government would pay all drought management and water security costs



Price increases would vary by valley

Our draft decision is to generally maintain current price structures
From 1 July 2021, prices would increase on average by 23% for entitlement charges and 21% for usage charges

Prices

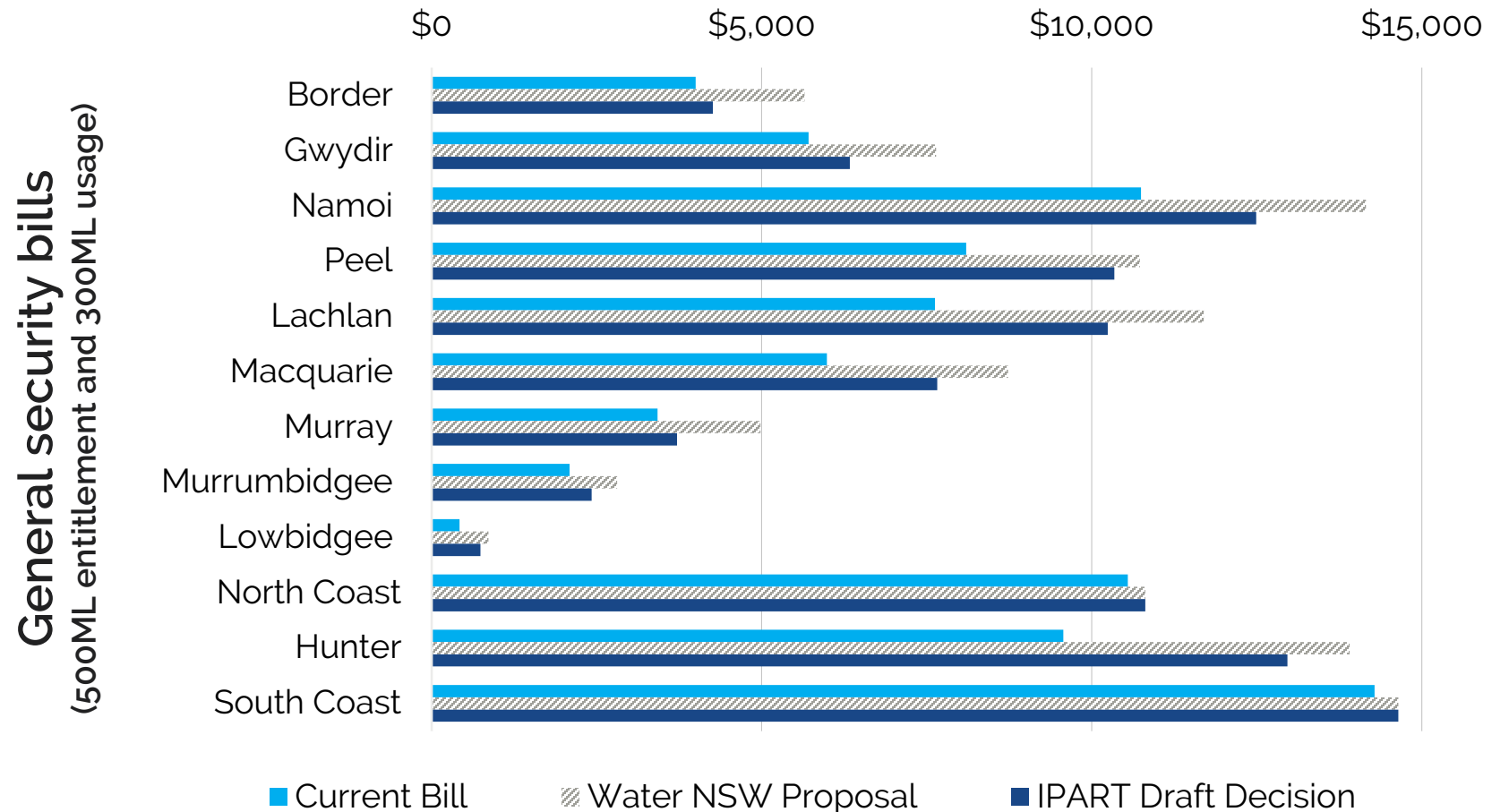
Valley	↑ HS entitlement charge	↑ GS entitlement charge	↑ Usage charge
Border (inc BRC)	6%	4 %	9%
Gwydir	36%	1%	16%
Namoi	44%	8%	22%
Peel	39%	36%	25%
Lachlan	44%	20%	38%
Macquarie	32%	23%	30%
Murray (inc MDBA)	14%	3%	22%
Murrumbidgee (inc MDBA)	17%	7%	23%
Lowbidgee	N/A	76%	N/A
North Coast	2%	3%	3%
Hunter	34%	35%	37%
South Coast	3%	3%	3%

Bill impacts – MDB and Coastal valleys

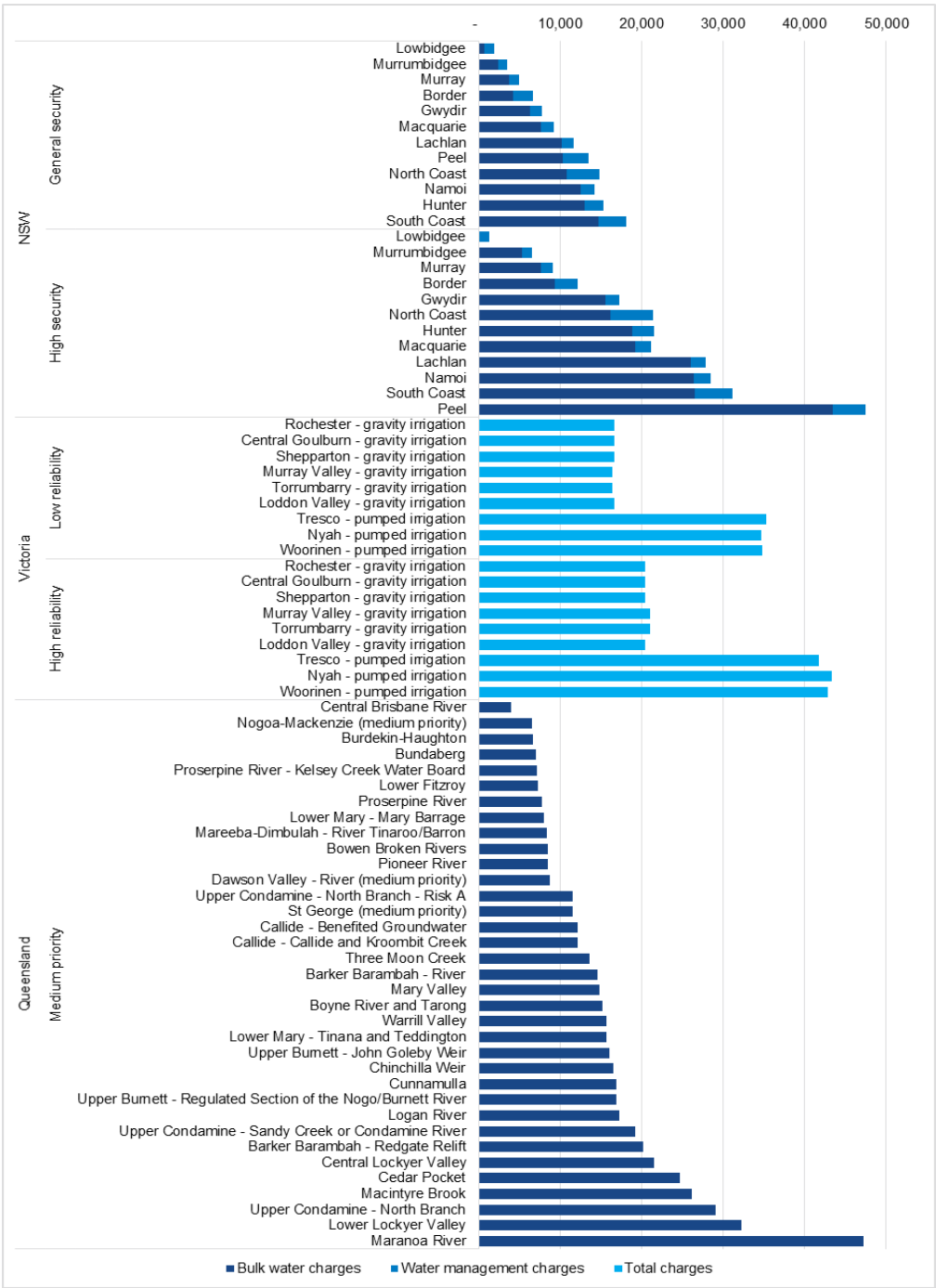


Bill are rising by 10%-30% in most valleys

Increases are driven by increased operating expenditure necessary to maintain ongoing reliability and security



Bills compared to other jurisdictions



NSW

Victoria

Queensland



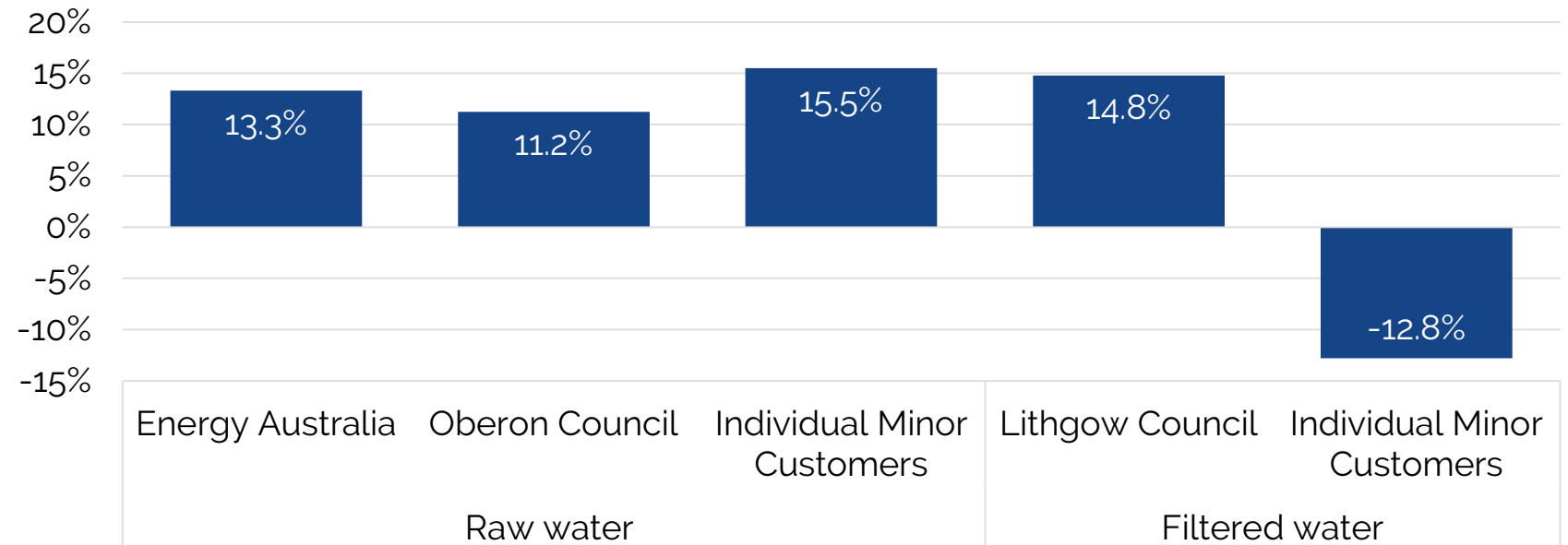
Prices in the Fish River scheme would rise for major customers and fall for some minor customers

Price rises are driven by higher operating costs

We have changed how we set prices for filtered water meaning usage charges are increasing more than fixed charges

Prices & impacts – FRWS scheme

Bill impacts (% change from 2020-21 to 2021-22)



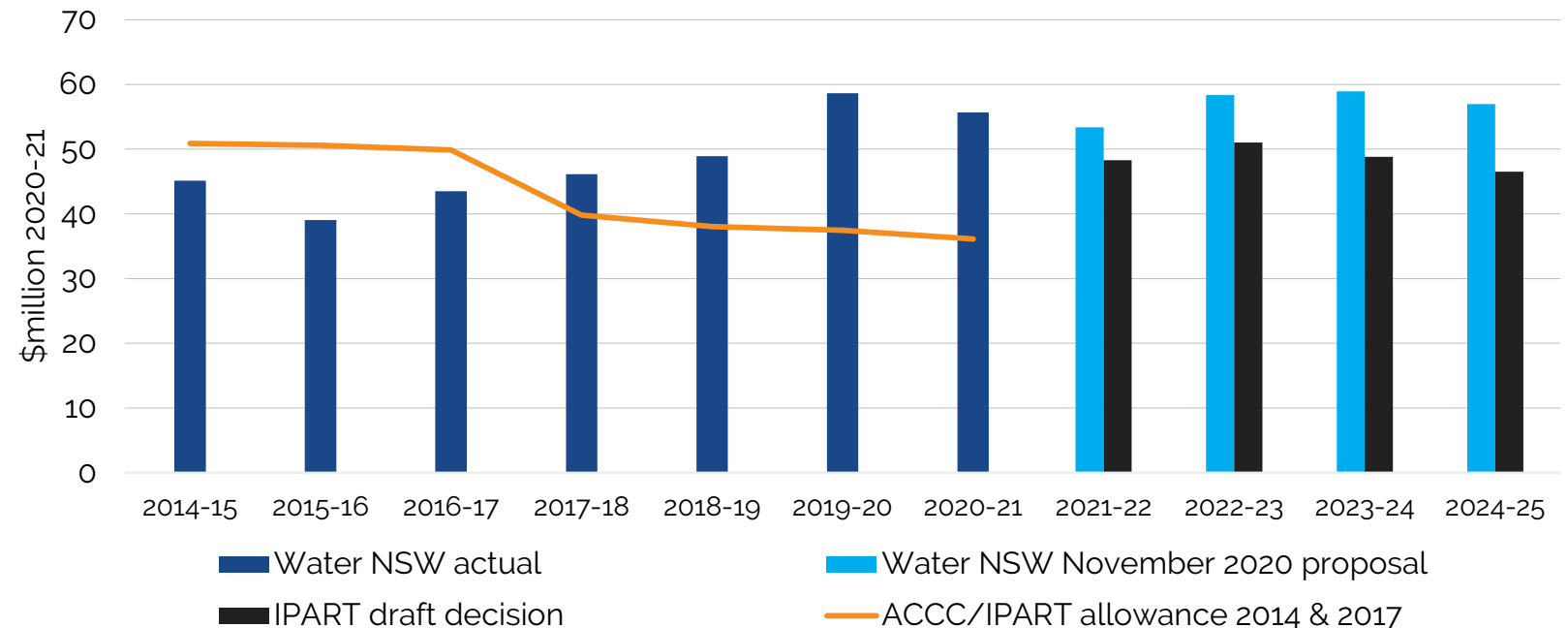


Efficient operating expenditure is higher than we used to set prices in 2017

The level of operating costs we used to set prices is:

- \$45 million or 29% higher than we used in 2017
- \$24 million or 11% lower than Water NSW proposed

Costs & drivers - operating expenditure



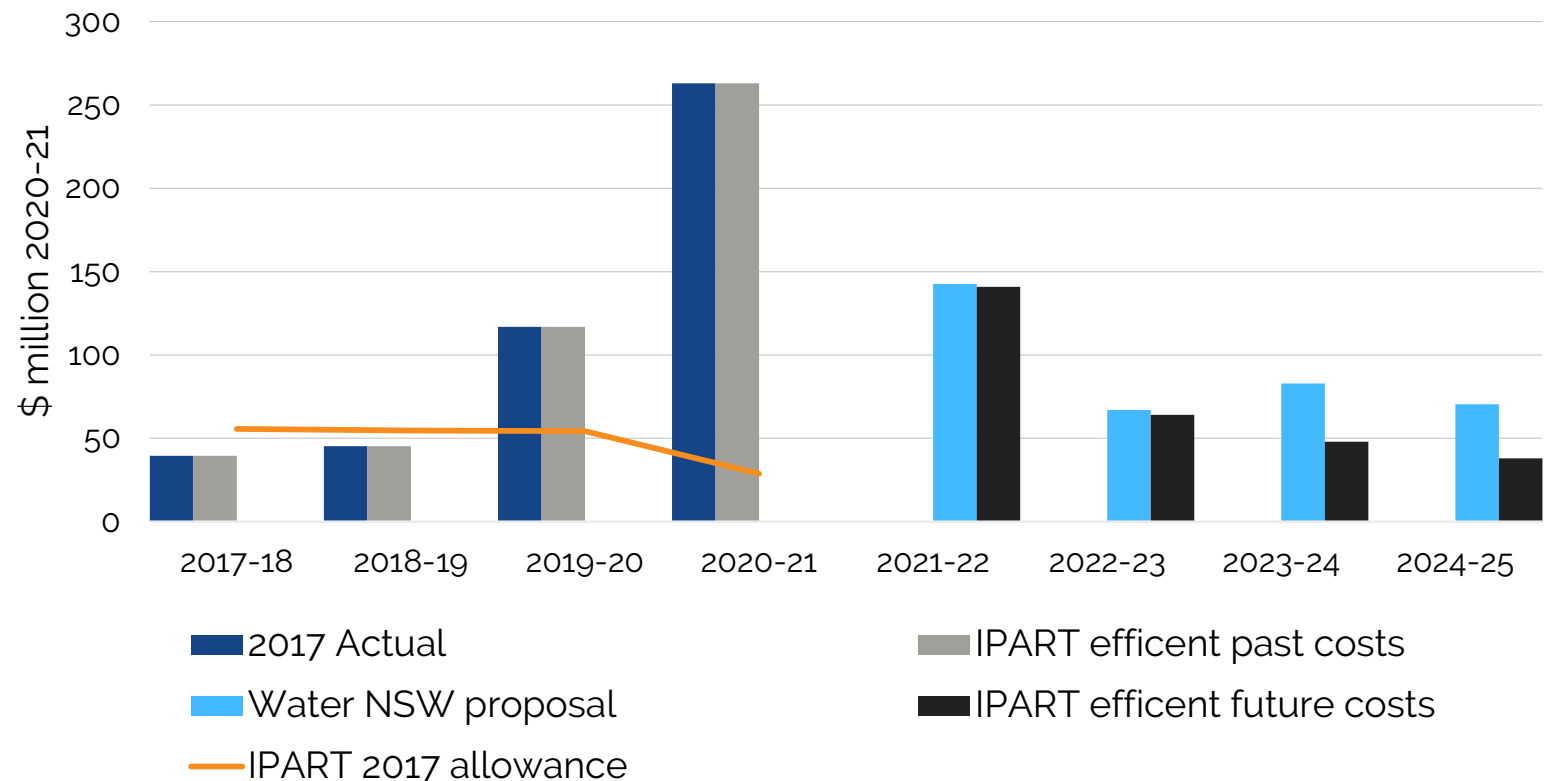
Costs & drivers - capital expenditure



Efficient capital expenditure is lower than proposed

The level of capital expenditure over the 2021 determination period we used to set prices is:

- \$72 million or 20% lower than proposed by Water NSW
- \$105 million or 56% higher than we used to set prices in 2017



Costs & drivers – MDBA and BRC



Murray Darling Basin Authority (MDBA) charges

\$39m or 38% lower than proposed by Water NSW

38%
decrease

- \$13m allocated to WAMC costs
- \$18m through recovering capital over life of the assets
- \$8m of efficiency adjustments



Border Rivers Commission (BRC) Charges

\$1.7m or 40% lower than proposed by Water NSW

- Capital expenditure recovered over the life of assets
- Efficiency adjustments
- Allocated more costs to WAMC

40%
decrease

Costs & drivers - other costs



Revenue Volatility (RV) Allowance

Because we set usage prices based on an average forecast, Water NSW risks losing revenue when water sales are lower than forecast

\$9.2m

Water NSW's proposed cost for a Risk Transfer Product to manage this risk

\$2.0m

IPART's draft RV allowance based on our consultant's estimated self-insurance costs

Unders and Overs Mechanism (UOM) Payback

\$6.3m

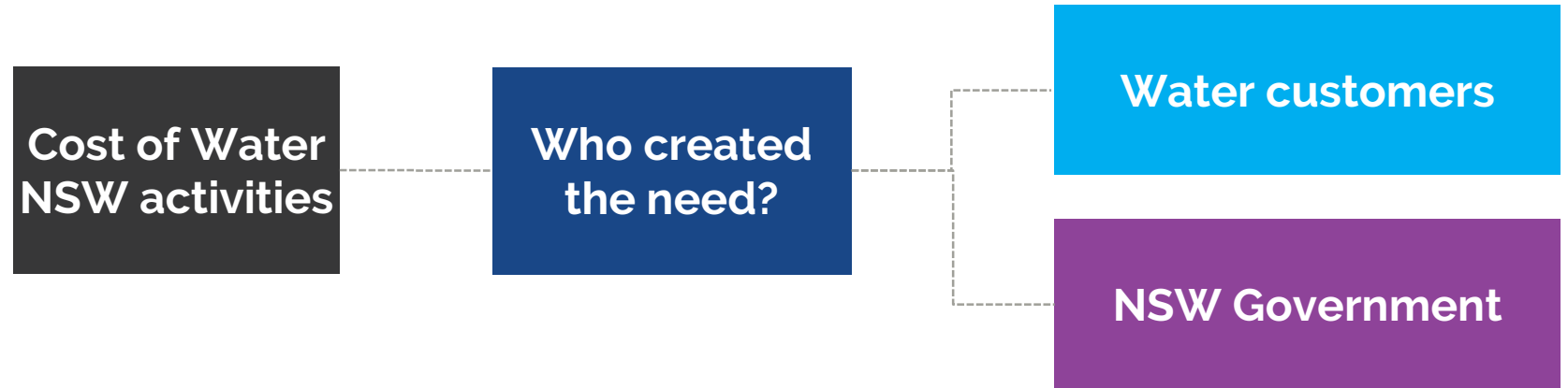
Recovers ½ of the remaining balance from the 2014 UOM

Irrigation Corporation and District (ICD) Rebates

\$4.8m

Rebates ICDs for the avoided costs of metering, billing etc.

Water NSW's cost shares are consistent with our 2019 review



How costs are shared

Stakeholders had concerns with this framework

We considered:

- ▼ Whether the environment or climate change creates costs
- ▼ Who should pay for fishways
- ▼ Who should pay for drought related expenditure



Session C

Closing Remarks

Next steps

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