



Independent Pricing and Regulatory Tribunal
New South Wales

Rural Water Pricing

Session C

Review of Water NSW Rural Prices

Public Hearing Transcript

Tuesday, 30 March 2021 at 1:30pm

Tribunal Members

The Tribunal members for this review are:

Ms Deborah Cope, Acting Chair
Ms Sandra Gamble, Tribunal Member
Mr Mike Smart, Acting Tribunal Member

Members of the Secretariat

Ms Liz Livingstone, Mr Matt Mansell, and Ian Dehlsen.

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1 Session C: Review of Water NSW Rural prices

1.1 Welcome

Ms Livingstone: Good afternoon everyone, we'll make a start on our final session for today. We're reconvening with Session C, which is our public hearing on Water NSW's prices for rural bulk water.

Some of you may have only just joined us for this part of today's proceedings, welcome. My name is Liz Livingstone and I'm the CEO of the Independent Pricing and Regulatory Tribunal. I'm going to manage the public hearing today, so I'm just going to remind you of a few of our housekeeping notes before we get stuck into the session.

Could you please keep your microphone muted if you're not speaking, that helps us avoid feedback and background noise. We encourage you to keep your cameras on if you're comfortable doing that, and your internet connection is up to it. That helps us to connect a bit better in an online environment. And then finally to make sure that we've got an accurate record of our feedback today, we are recording this session to YouTube, it won't be publicly available until after the event. We'll also be generating a transcript of today's event, and in a few days we'll place a link to the YouTube recording and the transcript on our website.

We'll start this afternoon's session with some comments from IPART's Acting Chair, Deborah Cope. And while some of you may have had a chance to review the information on our website about rural water prices for this review, we will have a short presentation to outline our draft decisions, so that we can all be on the same page.

Following that, as we did this morning, we'll have some question and answer opportunities where you can ask us and other stakeholders any questions that you have about this review. I encourage everyone to share your views and ask questions, you can use the chat box function in Zoom to type your questions, or you can raise your hand in Zoom and we'll come to you at the appropriate time. I'll now hand you over to Deborah Cope IPART's Acting Chair.

Ms Cope: Thank you Liz, and as Liz said my name's Deborah Cope and I'm the Acting Chair of the Independent Pricing and Regulatory Tribunal (IPART). For those who have just joined us this afternoon, with me are my fellow Tribunal Members Sandra Gamble and Mike Smart. And we're assisted by the secretariat staff including Matt Mansell and the members of the pricing review team.

IPART acknowledges the traditional owners of the lands on which we meet and the traditional owners of the lands and waters from which we are dialling into this video conference today. We pay our respects to their Elders, past and present and acknowledge the ongoing connection that Aboriginal people have to the land and recognise Aboriginal people as its original custodians. We would also like to acknowledge any Aboriginal or Torres Strait Island people who are here today.

I'd like to open by saying that we very much welcome and value your input into the review processes, and appreciate your time and the expertise that you bring to this review and this hearing today.

The public hearing is a very important part of our consultation process and we will consider the views that you provide today in making our final decisions on costs and prices for Water NSW's rural bulk water services.

Submissions on our Draft Report can be made up until the 16th of April, and our Final Report and Determination will be released in June 2021 with the prices that will apply from 1 July 2021.

I will now hand over to Liz to start Session C at the public hearing.

Ms Livingstone: Thank you Deborah. I will hand over to Ian Dehlsen in a moment to present on our draft prices, but I'd just like to remind you again that if you've got questions or comments during the presentation, use the chat box to type in your questions or comments or use the raise hand function in Zoom to indicate that you'd like to speak, and we'll get to you after the presentation is finished.

If you're using the chat box, it's helpful for us to know your name and the organisation that you're from, and further as this is a public hearing everyone including the media is free to report what is said here today. That said, we really want to hear your thoughts and hope that you'll all participate in the discussion. Over to you now Ian.

1.2 IPART Secretariat presentation

Mr Dehlsen: Thanks Liz. Can you hear me okay?

Ms Livingstone: Loud and clear.

Mr Dehlsen: Excellent and apologies the neighbour has pulled out the leaf blower at the most inopportune time, so hopefully they stay quiet on that.

We've prepared a few slides outlining our draft decisions for Water NSW on prices and customer impacts costs, cost drivers and how costs are shared. We'll then open up to additional discussion.

We have now released draft prices for Water NSW bulk water services over the next 4 years. Our draft decisions support the long-term security and reliability of water supply in regional and rural NSW.

Under our draft decisions, bills for typical Water NSW bulk water customers in MDB valleys would increase by about 10% to 30% on 1 July. These charges would then increase at the rate of inflation over the next 4 years.

Water NSW initially proposed its costs needed to increase by \$74 million or 17% compared to current levels. After we identified efficiency savings, we consider Water NSW costs only need to increase by 12% to adequately maintain and operate dams and other infrastructure.

The Commonwealth's Water Charge Rules require we set prices to recover Water NSW efficient costs. Because of this, draft prices are increasing by about 25% on average across the Murray-Darling Basin. While these are large increases, our analysis indicates that typical bills in NSW are comparable to bills in Victoria and Queensland.

Following a comprehensive review of efficiency of Water NSW's costs we have reduced Water NSW's proposed capital expenditure by about 20% and operating expenditure by about 11%.

We've also reviewed the NSW Government's contribution to the costs of the Murray-Darling Basin Authority or the MDBA, and the Border Rivers Commission, or BRC. From this review, we have decided to reallocate some MDBA costs from Water NSW prices to WAMC prices.

We have also decided to move to a building block approach for MDBA and BRC costs, which is more consistent with how we treat other capital expenditure.

Our draft decision is to increase Water NSW bulk water prices in all valleys. This includes price increases of about 25% on average across the Murray-Darling Basin.

The price increases vary widely by valley, with the largest percentage increases in the Lachlan, Peel, Hunter, Macquarie and Lowbidgee valleys.

Our prices are substantially lower than Water NSW proposed for most customers.

Compared to current prices, our draft prices increase:

- ▼ high security entitlement charges by about 2% to 44%
- ▼ general security entitlement charges by between 1% and 76%
- ▼ and usage charges by between 3% and 38%.

We have made a draft decision to largely maintain Water NSW's current price structures, including the current fixed and variable ratios for Water NSW rural bulk water charges and MDBA charges.

This figure shows current bills for a typical general security customer in light blue, bills under Water NSW's proposed prices in shaded grey, and IPART's draft prices in dark blue.

It illustrates that while typical bills are increasing across all valleys, they are increasing by less than was proposed.

The largest increases are in the Lachlan, Hunter, Peel and Lowbidgee valleys.

We note that for MDB valleys, we are required to set prices that recover Water NSW's full efficient costs of delivering services. This is because our prices must comply with the Commonwealth Water Charge Rules. This limits our ability to manage bill increases.

For coastal valleys where we set prices under the IPART Act, we have more flexibility. In the North Coast and South Coast valleys, we've made a draft decision to continue setting prices with reference to capacity to pay. This is because full cost recovery prices in the North Coast and South Coast valleys are substantially higher than in most other valleys. Under our draft prices, bills will remain constant in real terms in the North Coast and South Coast valleys. Customers in the Hunter Valley will experience bill increases of around 36%, as a result of increases in operating expenditure and lower forecast usage volumes.

This chart compares typical bills under our draft prices, to bills in Victoria and Queensland. We note these NSW bills include both Water NSW and WAMC charges. Although prices in NSW are increasing, bills do not appear to be out of line with bills in Victoria and Queensland.

Prices are generally increasing in the Fish River water supply scheme. These price increases are driven by increases in efficient operating costs.

We've also changed how we set prices for filtered water customers. As a result, usage charges are increasing more than fixed customers charges for filtered water customers. Because of our draft prices, bills were increased for most customers with the exception of minor filtered water customers.

We have worked with expert consultants to comprehensively review Water NSW's proposed expenditure to identify potential inefficiencies. In setting our draft prices, we've taken into consideration the recommendations made by our consultants, and have made significant cuts.

I'll start by discussing our draft decisions on operating expenditure, which is the main driver of price increases.

Overall, our draft decisions means that operating expenditure would be \$45 million higher over the 4 years from 2021 than when we last set prices in 2017. This equates to an increase of about \$11 million per year or 29%. This is still \$24 million or 11% lower than proposed by Water NSW.

We made reductions to Water NSW's proposed operating expenditure for general efficiency improvements, labour costs and efficiency and allocation of corporate overheads, amongst others. Most of these costs will go towards necessary maintenance on dams and other assets.

We also worked with our consultant to review Water NSW's capital expenditure since 2017, as well as what is proposed going forward.

The majority of Water NSW's capital expenditure since 2017 is on drought projects, including 3 large dam projects. In line with Government announcements and Water NSW's proposal, we have set draft prices assuming these projects will be fully funded by the Government.

Overall, we have reduced Water NSW's proposed capital expenditure for 2021 to 2025 by \$72 million, or 20%. Our adjustments are primarily made up of:

- ▼ a \$56 million reduction for the proposed fishway offsets program over the next 4 years and

-
- ▼ \$17 million in reductions for general efficiency gains.

On fishways, we are keen to ensure that Water NSW's regulatory requirements are fully met. However, we consider at this stage, the progress, scale and timing of the 11 proposed offset projects (in the Gwydir, Namoi, Lachlan and Macquarie valleys) do not justify the proposed costs.

We are seeking further information and stakeholder input and how we can best help Water NSW meet its obligations, while at the same time protecting customers from costs that are uncertain.

The MDBA delivers some bulk water services in the Murray and Murrumbidgee valleys, and the BRC does the same in the Border Rivers. These activities create significant costs. For example in the Murray valley, MDBA costs make up about 75% of total Water NSW costs.

The way these costs work, is the NSW Government pays the state share of MDBA and BRC costs upfront, and then recovers them for water users through MDBA and BRC charges.

Historically we have passed through NSW government payments in the year they occur. For the 2021 determination, we have adopted a building block approach for MDBA and BRC costs for the first time. This leads to lower prices, because the cost of capital assets are spread out over their useful lives rather than coming to you when they are built.

We have also reallocated \$13 million in proposed salt interception scheme costs from Water NSW bulk water costs, to WAMC's water management costs.

This slide discusses some of Water NSW's minor costs including the:

- ▼ revenue volatility allowance
- ▼ repayment of outstanding balances on the ACCC's 2014 unders and overs mechanism and
- ▼ rebates for Irrigation Corporations and Districts (ICDs).

For the sake of time, I'll just go through the revenue volatility allowance.

We have decided to provide Water NSW with a revenue volatility allowance to manage the risks of revenue shortfalls, because of lower than forecast water sales. Revenue shortfalls mean Water NSW can't recover its short-term costs, which impacts its credit rating or ability to deliver services.

Water NSW proposed IPART provide a volatility allowance of \$9.6 million over 4 years to purchase a risk transfer product from a third-party insurer. This product would compensate Water NSW in low water sales years, but allow it to keep additional revenue when water sales are higher than forecast.

We consider this approach shifts too much risk to customers.

As an alternative, we engaged consultants Frontier Economics to estimate the costs of managing this risk through a self-insurance product, which we consider to be a fairer basis to set the volatility allowance.

Our consultants estimate the cost of self-insurance at \$2.0 million over 4 years.

We note this is a significant reduction compared to what Water NSW has proposed and also that Frontier Economics' cost estimates are only preliminary, and we'll continue to refine them in the lead up to our Final Report.

This slide discusses our draft decisions on how costs are shared between customers and the NSW Government. Broadly we consider whoever creates the need to incur cost should pay for that cost.

We have decided to maintain the cost shares that we consulted on in our 2019 cost shares review. This is consistent with what Water NSW proposed.

In response to our Issues Paper and the last public hearing, stakeholders raised concerns about our cost-sharing framework. As part of this review we are considering stakeholder concerns and have looked into whether climate change, or the environment more broadly, as a driver of Water NSW's costs, as well as who should pay for fishways, and who should pay for drought-related expenditure. We have looked into these issues in our Draft Report, but do not consider at this stage that is appropriate to move away from what Water NSW has proposed.

Thank you everyone and I'll now hand back to you Liz for the Q and A.

1.3 Stakeholder Q&A session

Ms Livingstone: Thank you very much Ian, and just a reminder that if you do have a question or a comment. Send us a message via the chat box or raise your hand using the Zoom function, and we'll come to you.

Matthew from DPI Fisheries is first off the mark, and has some questions about fish passageways. Matthew would you like to ask those now?

Mr Gordos: Thank you as Liz said, I have two queries about the DSU, the dam safety upgrade fish ways. The first one is with regards to the cost share arrangement. The dam safety upgrade fishways were originally agreed to in 2009 with State Water at the time. At that time, there was a 50/50 cost share arrangement.

Those fishways were, and the program was put on hold in 2014 for the purpose of addressing concerns, primarily of the irrigators around the increasing cost of those fishways. We've since been working with Water NSW to look at those cost efficiencies, and we completed the strategic fish way implementation program in 2020, where cost savings were presumed to be achieved.

That would have to be demonstrated of course, but the difficulty is that those cost savings won't be realised by the irrigators who are the ones that raised the concerns and the reason the program was put on hold in 2014. This is because the cost share has moved from a 50/50 cost share arrangement in 2009-2014 to one that's now an 80/20 cost share arrangement. So the irrigators won't realise any of those cost savings, which is why the program was put on hold 7 years ago. And I just wanted to get commentary with regards to that.

Ms Cope: Oh thank you Matthew. So sorry and I missed your organisation, you're with the department are you?

Mr Gordos: I'm with the Department of Primary Industries Fisheries, we're the ones that have legislative control over the Fisheries Management Act, and fishways.

Ms Cope: So I just want to say that we think it is an important program, and there are a couple of things in your question. One is when we shifted the cost shares, it was as a result of the analysis that we did around what was driving the need for that, and whether it was the existence of the consumptive use of water with the dams, that was driving the need to undertake that expenditure. Now given you're very close to the program, I think your view on what's driving the need for that expenditure, and why we need to do it is really important, so I'd love to hear that.

The other reason why we've changed the cost allocation for this one was, while we felt that the program was starting to happen and there were trials that had commenced. It wasn't clear to us that the sufficient work had been done to evaluate those trials, and work out what was going to happen next, to be sure about what was the right technology that was going to achieve the outcomes that are really important from this, and how much that would cost.

So your view on what stage you think the implementation is at, and the level of certainty about that program going forward, would also be really useful.

Mr Gordos: So thanks Deborah and that kind of gets on to my second question, but just getting back to the stakeholder share cost, I'd even make another point that the dam safety upgrades when they were originally decided upon, was the actual works themselves my understanding is that they were 100%, and sorry for the construction noise for everyone, the dam safety upgrades themselves were I believe 100% paid for by the NSW Government.

And these were a direct result of those dam safety upgrades, and so we're just curious as to why the dam safety upgrades were determined to be a different cost share arrangement, than the rest of the dam safety upgrades program. As these were an environmental requirement of those dam safety upgrades. So that that's just one commentary.

And then obviously there's the 50/50 and the change of that and how that's impacting because certainly the irrigators have expressed their displeasure to fisheries, and we don't we don't set these cost share ratios.

With regards to around the timing and the ability, the IPART draft determination, indicated two reasons. One was the capacity of Water NSW to deliver the 11 sites in the next determination period, and the other one was the timing.

I'll address the capacity first off. Over a 5-year period from 2009 to 2014 Water NSW constructed 25 fishways. For one of those programs, in the Nepean fishways program, they constructed 11 fishways over a three-year program, a three-year time frame.

That involved doing concept and detailed designs and constructing those fishways. So we feel that there is certainly capacity within Water NSW, over a 4 year determination period to be able to construct of the 11 fishways. Especially if the first two years of that determination period went into concept designs and detailed designs.

Well I should say actually detailed designs, they've already done concept designs for most of these sites, so they just have to do detailed designs, business cases and procurement. And they'd have the second 2 years of the 4 year period, to be able to do the construction.

With regards to the timing issues I just alluded to that a little bit, but I think this was because of how Water NSW proposed to undertake the works. They indicated to do two trial sites, and then that would be design, construction and assessment of those trial sites, and then go back and do the other 9 remaining sites.

I would agree with IPART's assessment that there isn't enough time within a 4-year determination period to do that. But I disagree that they need to actually do the trial of sites to begin with. As I indicated Water NSW has constructed over 30 technical fishways over the last 10 years. So they have ample experience in that.

We've been working with them over the last 7 years to refine and optimise their fishway design, procurement processes, and that was the whole purpose of the strategic fishway implementation program.

And so we think that there is certainly the capacity to go out and be able to do these structures now, they have concept level designs for 8 of the sites that they used in in submitting the costings for this program. And if they don't do the designs in this determination period, it will have to occur in the next determination period. And that will almost be 20 years after the original statutory determination was made. Which we feel is quite uncommon and uncalled for.

Ms Cope: So if you're saying that they can do the work on the other fishways now, what's the purpose of the trials?

Mr Gordos: I'd have to defer to Water NSW for that. There is a new construction technique that they're proposing, but any of the concerns over the functionality of it, the construction technique is actually using existing planned design principles, and any questions that we would have on that, we'd be able to address doing hydraulic modelling during the design phase within the first year to 2 years of the program.

But I'd have to defer that to Water NSW. As soon as we saw that in their submission and they wrote a letter to us indicating that that's how they were going to approach it, we knew what it meant which was that they wouldn't be able to do all 11 sites within a 4-year determination period.

Ms Livingstone: Just checking, is there someone from Water NSW who's able to talk to that proposed pilot process?

Mr Magaharan: Yes, g'day it's Ronan from Water NSW. Sorry about that just trying to find the unmute button. Thank you. So there's 2 different fishway designs that have been established while working with Fisheries over the last number of years. And for both of those our core concern there is ensuring that they do deliver on what the concept design calls for.

So the trials were as I understood agreed and that will give us confidence in those 2 different approaches to fishways before we build all of those.

Mr Gordos: I'd say that Fisheries don't agree to that.

Ms Livingstone: Okay thank you Ronan and thank you Matthew for that confirmation. While we're talking about fishways I'd like to go to Mel Gray from the Inland Rivers Network, who also would like to make a comment at this point. Thanks Mel.

Ms Gray: Thank you Liz. We've been following this process closely for a few years now as a network. And I'd just like to say that the community and environmental stakeholders we expect Water NSW to prioritise the construction of as many of these dam safety upgrade fishway projects as possible in the coming determination period.

We need Water NSW to get on with it. The efficiency assessments of these fishway implementation strategy has been done in 2018. The costly preliminary work for many of these projects, 8 of them, has already been done at significant public investment.

Water NSW should get on with the construction of the projects that have the background assessments done, they've got the concept work done, they're legally required dam safety upgrade fishways, instead of starting trial work on two experimental projects in the Gwydir and the Namoi.

We need Water NSW to stay focused and get on with it. Work on the other 9 fishways, which are dam safety upgrade fishways, can quickly proceed to detailed design and must be started in the 21-25 determination period. The cost will be covered by IPART in future pricing determinations if Water NSW work well with their partners in Fisheries, and given that the efficiency assessments have already been done, and achieved in theory. Any works that are started by Water NSW in the 21 to 25 determination period will be covered by IPART in the future.

The dam safety upgrade work on Burrendong, Keep-it, Copeton and Split Rock and Wyangala has been done for over a decade. All of the stakeholders agree that there was a legally binding agreement made to build these 13 dam safety upgrade fishways and only 2 have been built.

Water NSW need to get on with it. It's very bad faith by Water NSW that there is a history of fishway offset expenditure being allowed in previous determinations, and not being spent on fishways.

The public have been told by Water NSW staff in a public consultation about another project, that work was about to begin on the Marebone break fishway in the Macquarie, before the funds were redirected.

Water NSW must get on with building these legally mandated fish ways. There's been zero transparency lately. In the Issues Paper for the current 21-25 determination Water NSW provided no details, zero about the fishway projects. They only presented the proposed total capital expense.

Water NSW are wasting time and money proposing trial works to begin on experimental building techniques, instead of getting on with the construction of fish ways, that are already well advanced in designs. And I really don't have a question for Water NSW.

Ms Livingstone: Thank you Mel. I'll just check whether Water NSW wanted to respond at that point or happy for us to move on to further questions?

Mr Magaharan: Thank you Liz. I think we'll just close off by reiterating that we have been working closely with fisheries over a number of years, to find the optimum design. Those designs need to be tested, and hence the proposal to trial in response to IPART's draft submission, we are reviewing what we can do and implement throughout coming period.

Ms Gray: Can I just quickly respond to that. Water NSW have not spoken to Fisheries about the new 2 trial fishways, as Matt just clarified. There's been no transparency in this. They've come up with these 2 trials without conferring with Fisheries about that.

We see that the public see that, as a tactic to delay the requirement for Water NSW to get on and build. Start with the other 9, start with the other 8 that have got the concept design done. Just reading through the determination periods from 2010 on, the tactics are there for people to see.

So just get on with it please Water NSW, you've had far too long already.

Mr Magaharan: I'd just like to start respond to that, I think we have, as Matt has highlighted in his commentary, we have been working very closely with Fisheries over a number of years now on this project, to ensure that we're getting the best outcome for all stakeholders in delivery.

Ms Gray: But just to clarify, you haven't been working with them closely on the proposal to bring those 2 trial fishways forward into this determination period.

Mr Magaharan: We believe we have been doing that.

Ms Gray: We'll leave it at that.

Ms Livingstone: Thank you both, and Tom Green, you've made a couple of related comments about fishways, I wonder if you wanted to speak to those at this point?

Mr Green: Thanks Liz. Yeah look I mean I guess originally in the Lachlan there was an initial cost estimate of \$35 million for a fish lift, it was seen as too expensive, that was moved into the river. We were then lobbed with 50% of the \$25 million forecast cost. Because it's never been done, fisheries couldn't come up with better, cheaper designs. We're now at \$40 plus million and 80% of the cost, when we're not the impactor. It's a dam safety upgrade, the dam safety committee is the impactor, so I'm unsure why IPART isn't recognising that, when it holds itself to an impactor pays principle.

Ms Livingstone: Deb, did do you want to make any comment on that?

Ms Cope: I was just trying to remember, Matt, the history of the link between the dam safety upgrades and the fish ladders, have you got some of that?

Mr Mansell: So with the dam safety upgrades that relate to safety standards that existed pre-1997, were seen as legacy costs because they were things that should have been done before 1997, and hadn't been done.

So there was a policy decision that those dam safety upgrades would be 100% funded by Government. But for dam safety compliance work, and that's what we're talking about here in terms of fishways, that is required because the dam is there, there has always been a customer share, previously it was 50% and when we did a more comprehensive review of that as part of the 2019 review, we came to the view that actually licence holders should contribute 80% of those dam safety compliance costs.

So they they're quite, I mean going back to, I think the question is really about impactor pays and the view, is our view is, that the need to build these fish ladders goes back to the fact that the dam is there. We don't take a more narrow view, and think that it's purely associated with the dam safety upgrade, it's more associated with the fact that there's a dam there in the first place.

Ms Livingstone: Thank you Matt for that history. I wonder now if we can go to Mike Bennett who also had a question related to impactor pays and flood mitigation. Mike did you want to talk to that?

Mr Bennett: Can you hear me we?

Ms Livingstone: Yes we can hear you.

Mr Bennett: Okay thanks. Burrendong dam is probably the only dam in NSW which has a large part of the storage set aside for flood mitigation. And I think about 40% of the storage is flood mitigation. I think normal storage is 1.1 million megalitres and with the flood mitigation it's 1.61 or 1.617 megalitres. That also involves a massive spillway gates which are used to regulate floods.

So I wonder why flood mitigation is not an impactor in your costing and why you haven't asked for Water NSW to dissociate the costs of that flood mitigation area, with the normal storage area. And following on from Tom's question, is that really is flood mitigation an impactor, or should flood mitigation be counted as an impactor?

Ms Cope: So I'll start with that. In in our framework, flood mitigation is an impactor and the flood mitigation, is a cost that is borne by the Government, not by water users. But I'm not up on the actual detail of that dam.

Mr Bennett: Yes it's the only dam which has this massive size of mitigation in the state.

Ms Cope: In our model that flood mitigation costs, are met by the by the Government and taxpayers, not by water users.

Mr Bennett: Okay I haven't seen in your analysis where that is outlined.

Mr Mansell: We can certainly follow up with you Mike and talk through the details.

Mr Bennett: Okay thanks.

Ms Livingstone: Thank you. Louise, you've got your hand up?

Ms Burge: Yes thank you Liz. This issue discussion about fish ways is reflective of early comments about customers bearing the brunt of various processes within government itself, and any potential risk for cost sharing.

I'll just give one quick example, the Steven's weir fishway, you know was first mooted in the 1990s, and really has only been finalised in in the 2000s. So it highlights that there is no oversight or effective oversight provision, on processes of government that cause significant cost blow outs. Examples can be fishways or any other structure that the process of implementation can extend over numerous periods of time, including decades but it's the customer that bears the price of those cost increases, and we do not have an effective mechanism to co-partner, co-design or encourage greater efficiencies. I see that as an ongoing problem in any IPART determination, and we yet we never seem to be able to resolve it.

Ms Cope: I think Jim made some comments earlier about how he actually felt that the engagement was a really important issue, and that it's something that they need to improve significantly going forward, something that IPART has said a lot of times that it expects to happen, so yes I agree it needs to needs to improve.

Ms Livingstone: Mary Ewing, you also wanted to clarify something around the fishways would you like to talk to that point now?

Ms Ewing: Yes, look just going back I guess questioning Matthew Mansell, the requirement to build the fishways was triggered by work that on that was generated by pre-1997 requirements.

So I question your view that about the reason for therefore applying the originally 50/50 and now 80/20 pricing to the fishways that were triggered by dam safety upgrades on pre-related to pre-1997 issues.

Mr Mansell: Just to unpack that a bit more, really it goes to rather than just looking at the very near-term dam safety upgrade, and that triggering the need for a fish ladder, it's more the question of why is the dam safety upgrade needed, it's because there's a dam there. So it really does try to go back to ultimately what's driving the need for these costs to be incurred.

Ms Ewing: I'll take it up further in our submission.

Ms Cope: Please do.

Ms Livingstone: Thanks Mary. Jenny also had some follow-up questions around the difference between flood operations and flood mitigation. Jenny, would you like to speak to that?

Ms McLeod: Just after a bit of clarification really, just looking at the Water NSW customer shares. They've got an item, flood operations, which has shifted from 50/50 user versus government to 80/20 in the 2018-19 review.

I don't see a line item for flood mitigation, so I'm interested to know as Deborah made the comment that Government plays for flood mitigation, where that fits in this basket of costs and how is it different to flood operations?

Mr Mansell: Jenny I'm happy to take that one, so basically we've got one activity called flood operations, which is it might be helpful for us to unpack that because that contains both flood operations associated with the dam, but also flood mitigation work, that would that we think would need to happen even if it wasn't for extractive users. So both of those things are factored into the overall cost-share ratio of 80% users and 20% Government.

Ms McLeod: So is there anywhere where we can see what the flood mitigation costs are versus the flood operations costs that have the higher cost sharing ratio?

Mr Mansell: Basically, the costs are all put together into flood operations, and then we apply 80% user share to that and that's based on our understanding of the makeup of those costs between flood mitigation versus flood general flood operations associated with the dam. But perhaps Water NSW has more information on that?

Ms Livingstone: Joe, I'm not sure if you were trying to say something there.

Mr Pizzinga: Sorry I'm getting feedback, just bear with me, can you hear me better now?

Ms Livingstone: That's better, yes.

Mr Pizzinga: Yes I think Liz, Water NSW will be happy to provide a breakdown of the costs that make up the flood mitigation and flood works, so we can we can provide that separately to the stakeholders on this call thank you.

Ms Cope: That would be useful.

Mr Pizzinga: Sorry Liz did you get that?

Ms Livingstone: Yes we could we got. So thank you. We're pleased that you'll follow up on that. Michael Pisasale, you've got a question on a different topic, would you like to ask that now?

Mr Pisasale: Thanks Liz. I just wanted to raise the topic of discounts or fee discounts to IIOs/ICDs. Murray Irrigation pays over \$10 million a year on a typical average allocation season to governments for pass through charges. There's two off takes, we deliver the entire logistics of delivering water to about 2,000 land holdings, all the compliance, all the reporting, all the administration.

We are one big customer that manages all those logistics, yet our rebates is about 5%. I would have thought that given all the stuff we do, the rebate would be closer to 20% or 30%, given the sheer volume of activities that we do from the entire logistics of delivery, and managing all those aspects to customers.

I know IPART have a process for determining those discounts and I guess I just encourage IPART to review that discount process. We feel we carry a huge amount of those activities and for governments we must be a very easy customer to use. We're just one big customer we get one really big bill, and I guess we'd appreciate IPART just to look into that further, about applying those discounts, thank you.

Ms Cope: Was there any anything you wanted to add there Matt around the detail of that?

Mr Mansell: Yes, just to encourage Michael in his submission to flag that point, we're more than happy to take another look at it.

Ms Livingstone: Thank you and I'll just point you all also to a comment that Amanda from DPIE has shared around WAMC, and cost shares there where flood management is a 100% Government cost share.

Sometimes it gets confusing when we're talking about all the different entities on the one day but just wanted to clarify that now. Now Douglas you have made an observation and you did preface it by saying that you didn't want to take up people's time discussing it now, but we do have time if you'd like to talk to that, because I do think it's a quite an important comment that you've made, if you'd like to speak to it now.

Mr McCloskey: Sure look very quickly and I don't want to take up time because I think there are lots of more direct issues that that users and community have. But it just it occurs to me that a lot of the examples that people are raising, and there are issues around how costs are shared with things like fishways projects, is an indication of the ongoing implications of decisions that the infrastructure decisions that are made, and the real need to consider these implications upfront, and to engage users in the community in how those decisions are made up front.

And I just noted that the recent Productivity Commission report highlighted this suggestion that you know there needs to be significant reforms in how these decisions are made, and I think some of the discussions that we're having now really indicate the need for that. I mean I think there is limited scope for IPART necessarily to untangle some of these issues, but I think some of the discussions that we're having really do indicate that there's there is a bit of a failure of decision making processes, in some of these cases, or at least not an opportunity for users and communities who end up bearing some of these costs or those implications, to understand them and shape them up front. As I say, I don't want to waste too much time talking about it now because I'm there is very limited on ability to do anything about it but we will...and I think it's worth noting for ongoing address.

Ms Cope: Thank you Douglas. I think it's a really important point, and one of the things that this is illustrating really needs to happen is the conversations around infrastructure investment, and what's planned, and the planning process processes, need to actually have more information in them, for people about what potential cost impacts of the different options are, because it is really difficult for industry and water users to be able to meaningfully engage, if they don't know what the financial impact is going to be of the different options on them going forward.

Ms Livingstone: Mary you've got a point about cost shares, would you like to talk to that now?

Ms Ewing: Yes thank you on a different subject I guess.

The question of the 40% fixed 60% usage versus 80/20 pricing ratios and how we can actively and accurately consult our members on that with the draft Water NSW prices that came out, prior to the IPART draft determination.

We did analysis for the Lachlan, and it was quite favourable towards 80/20 pricing however now that prices have changed, you know different components have changed significantly, and we're still uncertain about where the final prices might be. Is IPART open to allowing us more time to consult with our members, you know more informatively on pricing on price ratios I should say? Thank you.

Ms Cope: We've got some legislated timelines within which we need to work. So I understand the problem you're referring to absolutely, and to a large extent what we would like to see going forward is those conversations had with the communities when the pricing proposals are being developed, so that it's actually well before it hits our door, that the community is having conversations about what sorts of price structure suits best, and what the trade-offs are for them. So that's what we would like to see, what are you trying to achieve at the moment though Mary, what's the critical issue for you? You are on mute.

Ms Ewing: Sorry I guess to be able to accurately inform our members of what the current draft prices would be say at an 80/20 ratio given that the Lachlan bears a reasonably large proportion of the risk allowance or the volatility allowance and you know we want to provide accurate information to people, to allow them to make informed and considered decisions.

Ms Cope: Can we take that one on notice Mary, and have a bit of a think about it?

Ms Ewing: Yes you can, thank you.

Ms Livingstone: Thank you. Joe, not sure if you can hear us, we thought you might have wanted to make a comment earlier.

Mr Pizzinga: Yes thanks Liz. I was just going to make a comment in line with Deborah's commentary. I think the economic framework review that's also happening at the same time, over the next year provides us a real opportunity to better understand the best framework to engage with customers around some of our regulatory proposal planning.

So I just wanted to add that there's a bit of work being done in the in the background which I would hope would provide some shift if you like and some better guidance as to what a better way to engage with our customers to support a further developed and stronger economic framework.

Ms Livingstone: Thanks Joe. Mike Bennett you've got a question about water sales forecasts?

Mr Bennett: Yes I just questioned the water sales forecast being used, particularly in light of the comprehensive study done by DPIE, and the Murray Darling Basin Authority which was presented towards the end of 2018, which looked at the actual recovery in the rivers.

I know the Macquarie quite well but the forecast tends to underestimate the flow by 25% and this of course increases the potential prices for users. To include the millennium drought in a 20-year time series seems to be very dubious statistically and I just wonder why that that was used, and the modelling which was based on very detailed work wasn't used?

Ms Cope: Matt is that one for you, or is it one for Water NSW.

Mr Mansell: Yeah so I'm happy to have first go at it, but if Water NSW might add to that, that would be helpful. So we definitely had a look at the available data, the data that was available to us to look at, and whether there would be a better way of forecasting water take, water usage over the next 4 years.

And based on the information available to us now and given the large year-on-year variability in water usage between all the all the different water sources, our view was that using a 20-year rolling average meant that over time those unders and overs could be washed out, and that ultimately Water NSW and customers weren't left with any residual risk.

But having said that we've also flagged that we certainly don't think that a 20-year historical average provides a perfect forecast of what water usage will be over the next 4 years and we're certainly open, we're encouraging WAMC, and Water NSW to use the data that's available to them, to have a look at whether we can do something better than a 20-year average going forward.

Mr Pizzinga: Yes, I think Matt, from Water NSW's perspective, we're happy to look at alternatives. I think the key thing for us is to make sure that the wherever we move to, two things, we minimise the impacts on price volatility, but also we ensure that Water NSW is able to achieve the revenue allowance that it needs, to meet its operating costs and return on and of capital. So happy to look at alternatives and willing to learn, but need to consider those two aspects.

Ms Livingstone: Thanks Joe. Michael Martinson at Water NSW, did you have something you wanted to say?

Mr Martinson: Liz yes thank you, thanks for that. Hi everyone, I just wanted to pick up an earlier comment or a few earlier comments I suppose on fishway passages.

I guess I'd just like to flag, just to I guess put our view out there, that really the view about significantly reducing the funding for fishway passages, really wasn't proposed by Water NSW. We proposed a program of about \$72 million to get to get on with it in terms of what Mel Gray was saying earlier, to get on with it and do it over the next four years.

In 2017 we were seeking or we sought funding for feasibility studies for fishway passages which were approved and which we did get on and do over the current period. I guess from our perspective we put out a program that was looking at really complying with our obligations over the next the next four years. And what's come back through the Atkins process was saying that \$72 million should be reduced by \$56 million and based on 2 pilot programs over the period.

So I guess I just wanted to comment as much as anything I suppose, to say to a certain extent we agree with the comments that we do want to get on with it, but funding is a key element of us being able to do that. And I guess from our perspective, we hope that from the take out today that IPART and their consultants revisit that issue. Thank you.

Ms Livingstone: Thanks Michael. Michael Drum, and another Michael has comments about cost ratios and the direct costs, Michael did you want to speak to that?

Mr Drum: Yes it's more of a comment, more than anything. From our point of view in the Macquarie, we're a little concerned about the shifting cost ratios and so I suppose it's just picking up a bit of what Mary and Jenny were sort of mentioning before and partly the conversation about engagement.

Ultimately the change in ratios today changed the costs today, but the risk for users in the future is that those direct costs grow out even further. How do we engage with what the scope of works over the next period in time, so that in the next determination we don't have an exponential growth in those areas? We could not only see in the increased in cost share, but then we see an increasing direct cost or dollar cost into the future in future determinations. So you're basically getting a double hit. Just how do we engage in that process over time, so that we make sure that users understand what their commercial exposure is in that process?

Ms Cope: Thank you Michael. I just wanted to mention that we had quite a detailed review of the cost shares, which was before this it was, what year was that Matt when we went through that, and we did purposely did it between determinations, so that we had time to go through the issues.

Mr Mansell: It was 2018-2019.

Ms Cope: Yes, so and we sort of picked through this very carefully at that point in time, but I do take your point there is a lot of increased cost in these proposals, we before recommending, before putting together prices that had higher costs in them, we really wanted to make sure that the cost was necessary in order to make the industry sustainable going forward, and that's what we the conclusion that we've come to.

I don't know if it's worth somebody though from either the department or Water NSW just talking a little bit about why more money needs to be spent, because a lot of this is driven by the fact that there is some big additional money that needs to be spent on the system, and it would be useful to be really clear to people about why that is.

Ms Livingstone: If we've got any volunteers from either Water NSW or DPIE to speak to that? Both proposals from WAMC and Water NSW put forward a case that additional expenditure was needed so it would helpful if either could talk to that?

Mr Pizzinga: Sorry Liz. Is the question centred on the additional spend for fishways, or just our additional our capital program?

Ms Cope: Well just generally, because I think one of the big things for people is that what we're asking people to pay for is significant, it's a lot of money and there needs to be a really solid reason why that money needs to be spent. Now as I said we've come up with numbers because as IPART we felt there was a justification for it, but it's kind of not our justification, it's the utilities and the Government's justification because we don't own the works, we just run the ruler over them.

So I just thought it might be useful for people to get the view of why is this really important.

Mr Pizzinga: Yes okay, I might just talk to opex first of all. I think IPART showed a slide earlier today looking at the trajectory of our opex performance over the current determination, and the proposed 4 years going forward.

And you'll see that our actual expenditure and forecast expenditure is in line with our actual out turn costs in this period, and as we've outlined in our proposal, we've overspent against the current allowance quite significantly in this period.

And Water NSW has had to fund that overspend. The overspend is driven by a number of things, first of all, we under-forecasted. So we ourselves probably underestimated the true cost to meet our obligations and service our customers in this determination period.

For example we didn't include any overtime costs, we didn't factor in any increases in salary and wages costs, and we hadn't factored in a significant uplift in our IT costs to do a couple of things. First of all, to make sure that our IT infrastructure is current, because it hadn't actually been updated for some period of time. IT technology now tends to be more in the cloud, than capital, so there was an increase in our IT operating costs, so that was another factor.

There was a fairly large shift in our compliance obligations, and us having to account for changes in regulations. For example the Matthews inquiry and us making sure we were able to support that, during the current period. That increased our compliance costs as an organisation.

Last but not least is, we under-forecasted our corporate support costs in a number of areas i.e. making sure our staff were appropriately trained to meet our safety obligations, but also elements of corporate governance and risk management. So that's one element.

In regards to our capital program, our capital program is very much in line with our asset management strategy, and our renewal program to make sure that our assets continue to meet customer service requirements. So from an expenditure perspective, they're the significant shifts in our expenditure.

The other thing that's impacting on prices which IPART spoke to a little bit about earlier today, is the methodology we use to recover our revenue being the 20-year average. And because that 20-year average has dropped particularly over the last 5 years that sees an impact in our prices, that's impacting our prices in this, in the proposed determination period over the next 4 years. That impact alone is approximately 4% to 5%, and you know Water NSW could have in the last 2 years, increased our prices to take on board the outcome of our the 20-year average, but we decided not to do that and defer that to the next determination period.

Mr Drum: Sorry I guess just to make a comment just on that. I suppose one thing that makes it difficult for, I suppose my members or our members, in particular is to understanding those cost increases. It's one thing for cost increases to occur as a result of regulatory change, and that's pretty understandable.

The stuff that gets a little bit more difficult to understand and swallow from a member's business point of view, is where they've got to start covering the cost of potentially inefficient operations in a business, that's not the fault of their own. Over-time, salaries, IT they're all things that we would hope that Water NSW, like any other business would be able to understand themselves, and have that not come as such a big shock all in one hit.

So that's just a more general comment we can pick that up as part of our submission, but that's where from my members' point of view, we failed to understand and why there needs to be such a big hit to their businesses for some of those cost items.

Mr Pizzinga: Yes just to elaborate, it wasn't that we hadn't, that the fact of the matter is that we hadn't included any overtime, or an uplift in our IT costs. We've had to respond to a number of major incidents over the last 4 years being drought, and most recently floods, all of which have been you know aimed at helping our customers.

But to your question, I just I do want to make it clear it's not like we were inefficient with our management of overtime, or our IT costs. The fact of the matter is we hadn't encompassed them in our determination, and I ask that you go to our pricing proposal, there is a really good graph there that illustrates the costs in supporting our rural valley customers, leading up to fin year 16. They are pretty much in line with the costs that are encompassed in our pricing proposal. There was a significant drop off in our operating cost request over the last four years, in the vicinity of \$12 million per annum, in part due to the under forecasting and in part due to really wanting to drive significant efficiencies which we were unable to achieve in full.

A lot of which was due to the reform, and a number of incidents that occurred over the last 4 years but interested to see your feedback to our proposal.

Ms Cope: Thanks Joseph.

Ms Livingstone: Thanks Joseph, and Amanda from DPIE just wondered if you had any further comments to add from a broader government perspective, on what's driving some cost increases in the sector

Ms Chadwick: We would like to contribute to the conversation and apologies Jim Bentley's just stepped out of the room at exactly the wrong time to take a phone call so I'm going to have to do this all on my own.

As those of you who were here for the morning session would have learnt in relation to the Water Administration Ministerial Corporation, it's a matter of fact that the water sector through a series of reviews in 2016-17 and then in that early part of this recent determination period, was subject to a number of reviews that identified where the sector had failed to perform to the level of the statute, and also to the level expected of water users.

And since then there's a considerable amount of work that's been undertaken by the department with implications for Water NSW and through that you would have seen and hopefully been part of our consultation processes, around things like the establishment of the Natural Resources Access Regulator, the bringing forward of metering reforms, the completion of all of the water sharing plans, and then their implementation.

Things like that we acknowledge, we were well behind on the section 44 audits of the water sharing plans, and so DPIE, as the policy agency and NRAR's establishment, Water NSW's role in doing all of those things.

What this is intended to do is to create a context in which the holders of entitlement have greater certainty that the water to which they expect to be entitled is being protected, available to them, as per the statutory and water planning arrangements, but also to ensure that we have sustainably managed resources into the future.

So a number of things as laid out in our submission have been driving the increases in costs and I think a comment that was made a little bit earlier was about efficiency of costs. The comment that Jim Bentley made earlier in the morning session, was an acknowledgement that for in our operation and also in NRAR's around \$74 million of costs that we otherwise were intending to put forward in our submissions, were held back we realised that that shift in cost was just too much.

And so we put on ourselves a very significant efficiency drive and through the Draft Report IPART's increased the sharpness of that efficiency drive, but we are very firmly of the view that there is an important goal to be achieved to be better in the delivery of service, both in terms of the quality of that service, but also in its cost effectiveness. Thank you.

Ms Livingstone: Thanks Amanda, and Matthew Gordas you've got a question would you like to ask that?

Mr Gordas: Yeah thank you. I just have two points and really requesting a comment, or clarification from IPART. In our briefing that we had with IPART a few weeks ago, they indicated that if Water NSW had the capacity to initiate and undertake the fishway works ahead of schedule, that they should do that and that they'd be able to recover those charges through the RAB process in the next determination period. If those costs were viewed as efficient. Is that correct?

Ms Cope: So that's our standard process Matthew that the utility undertakes capital investment during the period of determination that wasn't allowed for. They can come at the beginning of the next determination, we look at whether that was efficient and if that capital investment was efficient, then it's rolled into the regulatory asset base

Mr Gordas: So because Water NSW has indicated my understanding that they have the capacity to be able to deliver these works, so if they have the capacity to undertake them then they should begin them, since they're regulatory requirement?

Ms Cope: Yes and the issue with recovery then will be a delay when it starts.

Mr Gordas: Yes the other point was just getting on to a point that Mary Ewing was asking which was the dam safety upgrades, the trigger for the fishways, the Fisheries Management Act states if a dam or weir is altered or modified, and that was the trigger. So it wasn't the fact that the dam existed there, the *Fisheries Management Act* for fishways is not retrospective. It's actually related to when works are actually done that alter or modify it, which is what the dam safety upgrade works did, so the trigger point was actually the dam safety update upgrade works actually occurring at the dam, which brought about the requirement for the need for fishways.

Ms Cope: Thank you for that clarification Matthew.

Mr Pizzinga: Liz can I just make a comment about Water NSW's ability to fund these projects which may subject to prudence and efficiency that IPART may add to our RAB in the next period.

I just want to make it clear that Water NSW doesn't have, without the return on and off, we don't have the balance sheet capacity to overspend against approved regulatory allowances. So whilst we facilitated that for the customer's benefit in this determination period, where we did for a number of reasons overspend to do all we could to provide water security to customers, in part because of that, we just do not have the capacity to continue to overspend against regulatory allowances.

Ms Cope: Okay thank you for that Joseph. There's a couple of points there. One is that and I'd just like to make clear we don't actually tick off individual projects, that's actually not what our process is. We look at projects as a way of gauging the efficiency of what's happening, but at the end of this process Water NSW is given a bucket of money, and it can do with that bucket of money whatever it thinks is necessary at the time in order to deliver the services that meet the needs of its customers, and it meet its regulatory requirements.

So there is capacity to move things around, I did I take your point about capacity, if you've got capacity that has not been demonstrated so far, please engage with the staff and talk to them about that, but from our point of view, what we're about here is setting the pool of money and then it's up to the businesses to spend that efficiently and effectively going forward.

Ms Livingstone: Thanks, Jenny McLeod can we go to you next?

Ms McLeod: I just have a comment at the risk of taking the conversation backwards, a number of decisions were made by government to reform it's the way it would, it delivers its water services, including transfer of functions from WAMC to Water NSW and this relates to both the WAMC and Water NSW determinations.

And very clearly the outcomes that have been realised and the assumptions about cost savings and improvements in efficiency, the assumptions were incorrect. And we've got significantly higher costs being incurred to be then recovered from water users and so we're bearing the consequence of that decision making, when we were told it was going to deliver improvements and efficiency gains.

And the other issue which is relevant to the changes in staffing levels which has been driven very much driven by government decisions to improve efficiency, and I can remember sitting in the room at the Irrigators Council, where we urge Governments not to progress with reform and restructure, and remove significant corporate experience but because of in sort of centrally imposed efficiency gains those things happened, and we're now all wearing the consequence of that in terms of the implications for our sector which are now being passed on to water users. So it's a comment as opposed to a question.

Ms Cope: I'd just like to note though and we mentioned this before it was in the original presentation that in looking at the costs around things that are driven by the regulatory changes, not only have we looked at the efficiency of the current costs imposed an efficiency driver, but also removed what we were thinking were what we call catch-up costs, things that we thought were increased activity as a result of the regulation not meeting people's expectations in the past. So there are quite a lot of cost reductions that came through those processes, but yes we take your broader comment on board.

Ms Livingstone: Michael Pisasale, back to you on MDBA charges.

Mr Pisasale: Thanks Liz, I just want to raise a concern about the MDBA charges or the pass-through charges. I noticed with the Murray valley they're quite substantial. We noticed that the Atkins report was critical of the services of the MDBA.

I guess to give an example in terms of infrastructure yeah and entitlements like Murray is very similar to the Murrumbidgee in that sense, yet our fees are almost double in terms of those charges.

I guess our thoughts would be there is a lot of concerns about the transparency of MDBA charges. There's some frustrations expressed earlier and I guess our thoughts would be, whether we should actually benchmark our fees to a similar low level until IPART was satisfied, until a much more comprehensive review of those actual efficient services that and IPART were satisfied of those outcomes. So I guess just a comment there about pass-through charges. Thanks.

Ms Cope: We did do quite a lot of work on the MDBA charges this time, and you've seen that from the consultant's review, because we had heard that comment in the past and we felt that there wasn't enough transparency in there, that's why we got the consultant to do it.

We've reduced those costs significantly from what was proposed, so there's an efficiency element imposed in that. I think again Matt can you correct me if I'm wrong, I think there's also some issue with the reallocation of the costs which is affecting the Murray.

Mr Mansell: Yes, that's right. The salt interception program has been reallocated away from Water NSW to WAMC so everybody contributes not just Murray and Murrumbidgee. That has obviously put downward pressure on prices in the Murray and Murrumbidgee.

Ms Cope: But yes we share the need to be vigilant about the pass-through costs.

Mr Pisasale: Thanks.

Ms Livingstone: Claire, you've made a comment in the chat, I just wondered if you wanted an opportunity to speak to that Claire Miller? You there? Okay we might move on then Claire, but let me know if you do want to speak to it. Michael Martinson you've got your hand up would you like to talk?

Mr Martinson: Thanks Liz. Just a very quick comment regarding opex and I guess a couple of the earlier comments raised with respect to Water NSW's costs of current period that were higher than allowance.

I guess just wanting to make it clear that really, the impact of that has really been borne by Water NSW and not customers. So for the opex allowances that's entirely important for business for the current period, and I guess really where we're at in the process is that while we'll beat the impact of that, now it's really time for our partner consultants, to really review what the efficient costs are moving forward.

From our perspective if there were overruns we think they're for valid reasons, we've provided that information to IPART and their consultants. They're reviewing that, they've made their recommendations as part of the draft reports and the draft determinations. So I guess just wanting to highlight, that really where we're at now is IPART and their consultants taking a fresh look to see what are the efficient costs moving forward but recognising Water NSW and not customers have borne that cost. Thank you.

Ms Livingstone: Thanks Michael, a couple of other people have their hands up. Sally Dye we'll go to you now.

Ms Dye: Thank you Liz, I'm going to harp back to the MDBA charges particularly in relation...

Ms Livingstone: The audio that we're hearing from you is quite tricky to hear. I wonder if there's.....

Ms Dye: No I'm sorry, I've got very poor reception....

But it's just about whether the consultants managed to differentiate between the cost of flood management and flood mitigation, for the MDBA fees and charges, because given that the MDBA are into creating larger flows and managing environmental water, I'm just concerned that the irrigators are actually paying for those services, or [inaudible]. Were they able to differentiate those things out?

Ms Livingstone: Thanks just to help everyone here, I think Sally's question and maybe Sally if you mute yourself now, because we're getting some feedback.

But Sally's question was around MDBA charges and whether we had been able to differentiate between flood mitigation and flood management costs in those in particular I think. Matt did you want to speak to that?

Mr Mansell: Yes well I'll have to take that one on notice. I'm happy to get back to Sally just to provide information we've got on that, and to the extent that's something we can look more into we're happy to do that between the draft and final.

Ms Livingstone: Thank you Sally so we will get back to you on that one, and sorry about the audio issues there and if I didn't properly represent your comment but we will be in touch with you. Chris Magner, would you like to speak?

Mr Magner: Yeah I've got a couple of questions regarding NRAR costs and the cost shares. Can you explain to me why in the unreg on the North Coast and the South Coast we are so much higher than everybody else, it seems that we're dramatically higher, I can't understand why what's the issue?

Ms Cope: I'm wondering whether that's a question for one of the NRAR agencies, have we got a representative from NRAR right here at the moment?

Ms Livingstone: I'm not sure that we do because the WAMC charges were covered in the morning session.

Ms Cope: Yes okay, so we can have a go at answering that Chris, but we may need to get somebody to get back to you on the level of detail to you know give you specifics on exactly what's driving those costs but I don't know Matt do you have anything there on those higher costs in in those regions?

Mr Mansell: Yes basically it's driven by how the costs are allocated between the water sources, you know you depending on how those costs are allocated they, if you do it for example on a licence basis or an entitlement basis, it can result in different allocations.

And I think it would be we've got some more information on that ,I'm you know more than happy to contact Chris and provide that information, you know obviously it's at a level of detail that's difficult to speak to right now, but I'm happy to pass that on.

Ms Cope: Yes I think that'd be useful given it's specific to a particular area, and it's quite detailed then I think do you mind if we get back to you on that one Chris and work it through with you?

Mr Magner: Yes that'd be fine, but I think you've just raised the issue that I've been hammering out for some time is, that because we've got hundreds of very small licences on the coast, the formula that they're using, when they put in the numbers of licences that goes against the coast, especially North Coast and South Coast, it goes against us dramatically in the unreg pricing, because of the way that they charge.

And it's not just for NRAR, it's on all of the other components of the formula that is used, that throws us out of balance, and I think we're being charged for the unreg section especially at a much higher rate, than what we would be if we were if it was calculated in a different manner.

Ms Cope: Okay thank you, thank you for that. My understanding is that's what came in in the original proposal, it's not something that we've set but we will have a look at your issue. Thank you.

Mr Magner: Thank you.

Ms Livingstone: Jenny McLeod, you've made a comment about relative costs in the river Murray and Murrumbidgee, I wondered if you wanted to speak to that and clarify?

Ms McLeod: Well I suppose the MDBA has to constantly appreciate IPART's in its Draft Determination, making some cost reductions there. But for the Murray, my understanding is for Water NSW, MDBA costs relate to costs incurred under the River Murray Water banner, so they're all for activities that are undertaken in the Murray valley, and they're not for activities undertaken in the Murrumbidgee valley, which are direct Water NSW costs that are included in the Water NSW charge.

So probably conversely to Michael, our question would be what's the rationale for the percentage of those costs that are allocated to Murrumbidgee valley because they're actually not for Murrumbidgee valley activities?

Ms Cope: Again sorry, about this Jenny. Can we take that one on notice, because it's something that we'd like to actually look into and check the detail, and it's a bit hard to sort of respond on the fly to it, so if you're happy we can have a look at that one?

Ms McLeod: Yes sure thank you.

Ms Livingstone: Thanks, we don't as far as I can tell have any hands up or more questions at this point. I'll just open that to the floor to check is there a question either from any of the participants including Tribunal members, for us or for Water NSW or for other stakeholders?

No oh no, I saw my own hand on someone's photo there, so we're like, I won't ask a question, but thank you very much for that q a session that means that we will finish up slightly earlier than planned but I'll hand over to Deb now to close our session, thanks Deb.

1.4 Closing remarks

Ms Cope: On beyond behalf of IPART, I would like to thank you all very much for your participation in today's hearing. It's been really helpful for us to hear your views and thoughts.

The transcript and link to the recording for today's proceedings will be available on our website in a few days. We'll consider what we have heard today when we make our decisions. If you'd like to talk to somebody from IPART about Water NSW's rural bulk water review, you're very welcome to contact one of the team members whose contact details are on our web page or inside the front cover of the report.

We're also interested in feedback that you have on our online public hearings and how we can improve those, as previously mentioned we'll be accepting submissions until 16 April and our final reports and determinations will be released in June 2021 with prices to apply from 1 July 2021.

So I hope today has been helpful and as of interest to you and as helpful as it has been to us. We thank you very much for your time, a full day is a lot of time out of people's schedules, and there have been a lot of people who have been here for the whole day so thank you very much, we really appreciate it.