



Review of prices for Essential Water
and the WaterNSW Pipeline

Public Hearing Transcript

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Thyme on Argent, 220 Argent St, Broken Hill NSW 2880
(or Zoom online)

Water >>

Tribunal Members

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The Independent Pricing and Regulatory Tribunal

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Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders, past, present, and emerging.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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1 Session A: Overview of the two price reviews

1.1 Welcome and overview

Ms Donnelly: Okay, let's make a start. Good morning everyone and welcome to IPART's hearing on Broken Hill Water prices. So, everyone's here for the right one, good. Let me start by acknowledging the Traditional Custodians of the land on which we're meeting today, the Wilyakali of the Barkindji Nation, and also to Traditional Custodians of lands wherever other people are joining us. We do have people in the room here at Broken Hill and joining us from other places. So we are on Aboriginal land, and we acknowledge the Traditional Custodians, pay our respects to Elders, past, present, and emerging, and all Aboriginal people joining us today, as well as our Aboriginal stakeholders and customers and colleagues.

My name is Carmel Donnelly, I'm the Chair of the Independent Pricing and Regulatory Tribunal known as IPART for short. I'm joined today by fellow Tribunal members, Deborah Cope and Sandra Gamble. We have some of our team here, and I'm going to ask them to also sort of just make themselves known. So, we have Matt, Maricar and Adrian and online we've got Milo and Joyce and Maria, who are going to help us orchestrate questions from both online as well as speakers in the room today.

So, forgive me if every now and again if I say to the team online, do we have anybody waiting in a queue for a question, etcetera. I'll try and make that happen smoothly. We very much value your input. It's a very important part of IPART's review to hear from everyone who has an interest in the water prices, to understand what customers want us to understand, and we're very much here to listen and understand. We've put out the draft report and draft prices. But this is a very important part of our consultation before we make final decisions. So everything that everyone says today we will take into account.

I do want to go through a few housekeeping items first, and some of them are for the Zoom people as well as in the room. And some are for in the room. But I'll just kick off first for in the room. If you're not familiar with this venue, if you go out those doors, turn left, and then turn left again down a corridor for the bathrooms, and also, if we need to evacuate, go that way for the fire exit, and there's an assembly area out the back, so safety.

In terms of running this meeting, we will have a roaming mic when we get to the question-and-answer sessions, and I'm going to ask you to put your hand up and wait for Adrian to get to you with the microphone, so that the people in the room and also on Zoom can hear your question or the views you want to share.

And also, we'll have for people online we're going to ask you to please put yourself on mute unless we call on you for your turn to come into the discussion. But if you can leave your cameras on that will be helpful for us if that's possible.

We will be recording today's session. It doesn't stream live, but we do record it, and later on we will have a transcript and a YouTube recording that we will make public, and that's for full transparency. Being a public hearing, you are most welcome to talk about what's gone on today. We do have some media present; you are perfectly welcome to publish and broadcast on the contents today.

I might move to the next slide and just give you a sense of the planning for today's session. I'm going to start with Session A, just give you a general overview of the 2 price reviews, and we will then have the first question and answer session. Then we will have a short break, get a cup of tea and we'll come back for Session B and my colleague, Deborah, will facilitate that. We'll have some presentations from IPART and Essential Water, and another question-and-answer session, and then we will have a break for lunch.

And we'll come back for Session C which Sandra will facilitate. We will have presentations also from WaterNSW, as well as IPART in that session and then another question-and-answer session. And then, as we get closer to wrapping up, whenever that ends up being, but by about 10 to 2 I'll come back and give you a bit of an overview of the next steps, where to from here, contacts that sort of thing. And we'll close the session at 2pm, just so you understand how we're going to run the day.

If you're joining us by Zoom, you're most welcome even now to start putting questions into the chat. If you've got questions so we'll see them coming up in a queue, and the team can let me know that we've got questions online.

I wanted to just let you know the Tribunal is very much here to listen, and we will also ask questions. So, we want to make sure we don't misunderstand, that we get the information we need, we have to consider all the relevant information. So, there might be more of a discussion than questions of us, and you're able to ask questions of Essential Water and WaterNSW with their presentations as well. So, it's very much a discussion that we're hoping to have.

I might move to the next slide and just give you the first overview. So, we've really got 2 reviews that we're undertaking at the moment. The first is the prices that Essential Water can charge water customers for the water, drinking water, wastewater, other water services direct to the public.

And also, the second review is the maximum prices that WaterNSW can charge both Essential Water for the water coming up from the pipeline from the Murray, and also offtake customers from that pipeline. So, there's 2 different reviews. And the first of those with Essential Water is what we're going to get into a bit more detail in Session B, and the second is Session C.

I might just add in terms of the pipeline. We have had some quite important advice as part of this review since we've put the draft report out. We've been advised that all of the approvals are in place for the NSW Government subsidy for the costs of transporting water on that pipeline from the Murray River up to Broken Hill, will continue to be covered for the period that we're setting prices, and that's up to the middle of 2026.

We might move to the next one. Now our goal here very much is setting the right price, setting a fair price. So, we understand, good quality drinking water and wastewater services. These are things that people can't do without, and there needs to be enough funds to deliver good quality services that the community needs.

At the same time, in setting those prices we look at what are the efficient costs, so we do go into quite a lot of detail in what are those costs, and we want to get that balance right. We think about customer affordability. We are interested in service standards, whether the quality of the services the water is right. We also consider climate change and the environment, and we also consider the way that both Essential Water and WaterNSW are running their business, the way they're doing business and their systems. So that's the sorts of things that we take in mind.

The last time that we reviewed prices was 2019. At that point the pipeline was just new. There were quite a lot of unknowns. So, in this review we've been able to take into account more information, more up-to-date data. So, we have done that, and keen to make sure we've got all the information there.

We have made decisions or draft decisions at this point about how long prices would be set. We look closely at the costs to look at what's the minimum required to meet the standard of the services that people need. We decide on the appropriate way for the price to be organised, there's service charges and usage charges for instance.

We've set draft prices that we've calculated should meet the required revenue that's needed to deliver those services to the appropriate standard. So that's sort of 4 steps on the slide that you can see now, sort of step through the assessment and analysis process that we've taken.

I will just say that the prices that you're going to see throughout the presentation today are before inflation. Once we set the final prices for that pricing period up to the middle of 2026, they would be adjusted each year for inflation, and that's the same as what's happened since 2019.

Just to give you a little bit of a summary of both Essential Water and WaterNSW before we go to questions. So, our draft decision for Essential Water is that they would have revenue coming in each year of \$24 million, which is around equal with 2019 level, not counting inflation, and doesn't include the cost of transporting water from the Murray on the WaterNSW pipeline. That's because that's covered by the subsidy.

We calculate that would mean that the draft price for a typical household each year, so not each quarter, would be that other amount that you can see on the screen of \$1,453, which is basically held steady before inflation. In Session B as I said, we'll talk more about how we've come up with that figure.

I might go to the next slide, and just at a high-level talk about WaterNSW. So, our draft decision there is that the revenue each year for WaterNSW would be required to be \$21 million per annum, which is about \$5 million lower than the 2019 decision.

And there's a decrease that we're estimating for both the cost, therefore, of transporting water into the pipeline covered by the subsidy, and also the offtake customers, and that's before inflation as well, and we'll cover that in more detail in Session C which is with Sandra, who will facilitate more.

1.2 Question and answers

Ms Donnelly: Now I might stop there. It would be really helpful for us to get into some question and answers. I'm going to go to people in the room first, and Adrian if you can I think there's Ms Nadge is going to go first. But before you start, Linda, let me just talk through a little bit of the organisation, then I'll go to the room. I'll go to the room, and then I'll check if there are people on Zoom and the Tribunal to ask questions as well. And I hope that all works smoothly, and also that you won't mind if there are some questions that we might be able to say, look, we're actually going to cover that in more depth later on. We want to understand what your questions are and issues now, but obviously, there's going to be plenty of time for questions and further information as well, and you might have questions that you could ask of Essential Water or WaterNSW as well. So, let's kick off with questions, and our first one.

Ms Nadge: Thank you, Chair, and thank you for the opportunity to speak. Am I allowed to give a little bit of an overview of my concerns?

Ms Donnelly: That would be very helpful. We're here to listen and understand. So, you're most welcome.

Ms Nadge: Thank you. I think there were only 11 people out of Broken Hill who put a submission. Is that correct? Very, very few people put a submission into the pricing...

Ms Donnelly: So that was the, if I can cut you off, sorry. But just to clarify, we put out an Issues Paper which was really to kick off the consultation and say what the issues were. We had 11 to the Essential Water, and 4 for WaterNSW. But submissions are open right now for the Draft Report, and the draft prices, and people have got till Friday to put them in, so we have another opportunity, we don't know how many people will.

Ms Nadge: Thank you. So, for people in the room who don't know me. My name is Linda. I am here with my husband here Trav. I own a business called Outback Astronomy on the Barrier Highway.

So back in October 2021, I put a submission into the draft of the pricing proposal from Essential Energy/Water. Anyway, if I refer to either, I mean the same entity. So basically, when I read the documentation, I became aware that there were a couple of things. In fact, there's probably about 100 things I could talk about, but I became aware of a couple of things that concerned me.

One was the very high corporate charges being levied against the Broken Hill community from the Port Macquarie office, which has got nothing to do with the costs incurred here in Broken Hill, and that was passing through the billing for our customers here in Broken Hill, which I thought was unfair. So, I spoke about that.

And the second thing that concerned me, at again a very high level, was the fact that pipeline water in Broken Hill is transitioning to the price of treated water, which I thought again, is very, very unfair.

There was no rationale in the paperwork from Essential Energy/Water, and there was no suggestion that the pipeline outside my place was changing, that there would be any additional works involved there.

And I put it down to the fact that the remote management of the water pricing and the lazy pricing analytics is basically causing that change, because I think it's easier for an entity to treat every customer as the same. But we're not the same. So I guess they're my 2 concerns, and how can I get further information that would justify the pipeline increase to I think it comes to within about 90%, or the plan was to put it within 90% of the price of untreated water within a few years, which I find quite outrageous, because historically the price of untreated water or raw water from the river was about 50% of the cost of treated water, and it's a huge change that has not been explained. There has been no customer consultation, and basically, it's going to result in no watering of grass or trees. Thank you.

Ms Donnelly: Thank you, Linda. So, first thanks for raising those issues, and I read your submission, your earlier submission as well. But it is really important for us to get an understanding of the situation and point of view, so we will consider everything you've said. I wonder whether anyone from Essential Water wants to say anything now. I'll say a few words first, or else we can do it in Session B, I've made a note of those issues so we could ask you then.

On your point about overheads. I will say that in our cost assessment in coming up with the draft prices and again, I want to stress their draft. We did assess that there's some productivity savings, or some savings that could be made from Essential Water, which is why we have come to the view in the draft prices that they do need to increase with inflation, in order to provide the services, quality of water etcetera, that people need, but not above that, that there could be areas where there could be savings in some of those corporate type costs. But we'll certainly take on board what you've said.

In terms of the offtake customers. This has been something that is a continuation of a 2019, our review and our prices from there, and reflects the change in where the water is coming from, so that now you've got with the new pipeline, the water is all being transported up from the Murray, and they're not 2 separate. So, the Essential Water pipeline isn't coming up from the Menindee, for instance.

So, the plan is to gradually transition everyone to have the same price for untreated water, but over a very extended period of time to have that happen gradually. So, our estimate is that by the end of this pricing period that we're looking at now in setting the prices middle of 2026. The people who were on the Essential Water offtake for untreated water, for instance, would then be paying about 85% of other untreated water customers, but moving closer, so we may talk about that a little bit more also in a later session. But that's just to sort of give the context for that draft decision so far.

And your other point about customer consultation is something that IPART is wholeheartedly, wanting to see, good consultation. So, we are wanting water businesses to get better and better at working with their customers and understanding where the priorities are.

I will also just acknowledge what you've said about greening and the environment, and that's also been an important issue that we've heard. But no doubt, is going to be something we talk about today further. And yes?

Ms Nadge: Just one other small point that I probably should have said. Is that my understanding is that all of the pipeline customers, people who take water directly from the pipeline, which is untreated. Most of those properties are bigger than your normal residential place. So, when you talk about an average or a typical bill, I think the number was about \$1,500 per annum.

Ms Donnelly: Yeah.

Ms Nadge: Something like that. Well, that price for me, because I also run a business, and I have to treat that water, and I know you don't care about the treatment cost. But my annual bill right now with treatment. I'm trying to think of the kilolitres, but basically the dollars, the consumption that we use on site which is 97% for the trees, and shrubs. My combined annual bill between treatment and consumption is over \$10,000 per annum, and all of the pipeline people have larger places, and I think that should be taken into consideration. Thank you.

Ms Donnelly: Okay, thank you. Certainly, I've heard you on that. And you're right. The number that we're talking about before \$1,453 is a typical household that's assuming usage of around 300 kilolitres a year. And actually, the average residential usage would be a little lower than that in Broken Hill itself. So, I might just see if anyone else. Yes, sir, and if you wouldn't mind giving us your name when you...

Mr Hennes-Wilson: Sure, and my name's Phil Hennes-Wilson. I'm just a local. You mentioned the pipeline before, and the unknowns. What actually are the unknowns we are talking about?

Ms Donnelly: So, when I mentioned that I was saying that in 2019 last time IPART set prices, there were more unknowns, and I meant it was just early days for the pipeline, and so we had to make our decision based on estimates and expectations about things like, what the usage would be, those sorts of things. Whereas now, with this time around, we've been able to base our calculations on real information, actual information. And we will just get you the mic.

Ms Cope: I'm microphone challenged but I think I got it. Because the pipeline wasn't operating, one of the big costs of the pipeline is electricity, and because the pipeline wasn't operating, and we didn't know how much water was going to be going through it. We had to make assumptions about what time, because electricity for the pipeline is on a time-of-use charge, it's lower in off-peak and higher in-peak.

So, we had to make assumptions about how the profile of the electricity was going to sit, what the electricity price was likely to be, and how that would affect the cost. So that was one of the biggest things. So now that we've got several years of operation, we've got a much better understanding of how the pipeline is being operated, how much water is going through it, when it's being pumped, and what that means for the costs of transportation through the pipeline.

Mr Hennes-Wilson: Won't that extra charge of electricity put into the design of the pipeline in the first instance?

Ms Cope: Yes, it was very much reflected. It was known that you would need to run the pumps, using electricity to do it. What the unknown bit was is, how practical was it to pump how much of the water in the off-peak, so they could get the lowest possible price. How much would need to be pumped during the shoulder, and how much would be pumped during the peak.

We now understand that, and, in fact, the numbers now tell us that it costs less to run it than we thought, and therefore the amount of money that's going to WaterNSW to run the pipeline in the next determination will be less. Those numbers, however, don't have an impact on Broken Hill itself, because for the period of the determination before, that number was covered by the Government, and we know that for this determination that will all be covered by the State Government as well. The group that it affects most is there are a few graziers that are on the pipeline who take water directly from the pipeline, and their prices are going down as a result of this.

Mr Hennes-Wilson: Okay, so we talked about the price of water and the transport of water. So, you're having 2 goes at the one bill.

Ms Cope: The price of water, so there is no cost that goes to WaterNSW in that bit of the price of water. Essential Water has a separate license for how much water they take, and I might have to throw to one of the Essential Water people for the detail of that. Pipeline costs are simply the costs of transportation. There is no water price built into that at all.

Mr Hennes-Wilson: Okay.

Ms Donnelly: Anyone from Essential Water want to pick up a comment on that. Yeah, and if you could introduce yourself.

Mr Jenner: Yeah. So, Luke Jenner Chief Operating Officer of Essential Water. I'm happy to sort of take the question about the cost allocation. So, firstly, the allocation of costs from the Essential Energy organisation through to Essential Water is determined by the Australian Energy Regulator (AER).

We've made the decision to reduce the amount of costs that we pass on to Essential Water by about \$4.6 million over the course of this pricing determination, so roughly \$1.2 million a year. But I think it is important to acknowledge that the Essential Energy parent, if I can use that phrase, does provide a significant number of services to Broken Hill and the Essential Water customers. So, there's the contact centre, HR services, accounting services, audit services, and one that has really picked up in recent years is the level of cyber security services that we need to provide. In fact, we're undertaking quite a big review of cyber security to Essential Water, and most people are probably aware there has been a number of fairly successful cyber-attacks on water infrastructure across the globe recently. So that's another area of service that probably isn't always front of mind but is really critical to the people of Broken Hill.

So, we are very mindful of trying to keep that cost allocation as low as we can. But if we weren't getting those services from Essential Energy, then we would need to effectively increase the direct cost within Essential Water to itself in Broken Hill to be able to provide those services.

And then I think the questions been answered about the transport of water. The bill that you've seen proposed today the \$1,453, that covers the cost of the water from the Murray River. The cost of our licence to take that water from the Murray River. It's transported to Broken Hill by WaterNSW, and that cost is covered 100% by the NSW Government. And then the cost of us treating that water at Mica Street or Menindee, and then distributing it to the customers is part of that bill.

Ms Donnelly: Thank you. Other questions or comments from the room?

Ms Webster: Look, I'm Barbara Webster. I'm just a local here. I was just wondering are there solar panels to help with the transport? So, when the Government decides to stop paying for the transport, there'll be solar panels to back it up.

Mr Jenner: In terms of whether there's solar panels for the transport, that's really a matter for WaterNSW, it might be better off to ask them the question because that's not Essential Energy's or Water's responsibility. But what I would say, Barbara is once the water gets to Broken Hill, and there's some reservoirs outside of town, Essential Water then needs to pump that into Mica Street, and we have built a 500-kilowatt solar plant there to cover the cost of that electricity.

And one of the big, good natural resources we got in Broken Hill is sunshine, and through the day that cost is 100% covered by the solar energy, and we do try to run that through the middle of the day when the energy is free. So, and it's probably, it's a good point to make that we had a lot of unknowns about our chemical costs and our electricity costs when we sat here in 2019 as well, because we're unsure about the quality of water from the Murray, and the condition it would arrive in and those sort of things. But pleasingly, we have been able to maintain fairly low electricity and chemical cost because the quality of the water from the Murray is so good.

Ms Donnelly: Thanks. Linda?

Ms Nadge: A couple of points. Thank you for some of that clarity. However, the only reason Essential Energy reduced those corporate costs was to make the numbers look better and to fit within rule setting that guided the maximum charging of those type of fees.

And that overcharging has been going on since, I only read back to 2010. But I think there was a consultant called Halcrow, then in 2014 SKM from memory. There was another one in 2019 called Aether, and another consultant in March 2022, 4 consultants all said the same thing that the overcharging was creating a significant issue.

So, I'm sorry I disagree that you dropped the prices for the magnanimous benefit of the community. I think the price was dropped because you had no option, and you had too.

And secondly, the water quality out of the Murray, as we treat water onsite, one of our biggest issues now is the very fine particulate matter. It costs us a small fortune to treat 3% of water that I have to use to service customers who come to my business. So yes, it's great that it's clear. But it's deadly clear, and you still can't dip a cup of water in the Murray River and drink it. You would become very ill, that water it needs treating, and people who are on the pipeline have got the option, of course, to truck in water, or to try and catch rainfall.

But you have to remember this is a semi-arid environment, and we don't have the rainfall that is held or that is received across the rest of the State, probably from about Bathurst East. So, most of the State is arid, Broken Hill particularly so.

There was one other thing. The flowing of water both ways in the pipeline does not justify the doubling of the price of untreated water. Stephen's Creek Reservoir, as my understanding says, it's an emergency water supply, so that water has to be flowing both ways to be an emergency supply.

So, I don't understand why customers are being penalised for higher increases for the price of untreated water, just because Imperial Lake was decommissioned, and Stephen's Creek took over that role. So, I mean, there's quite a lot of things that I don't understand as a customer, but it's going to change customer behaviour, what you're doing to the price.

Ms Donnelly: Thank you. We'll take all of that into account. I might just ask one more time if there's anyone else in the room that who would like to speak now. We're going to have later question and answer sessions, and if the team can let me know, if we've got questions from Zoom people that I need to go to. Not yet. Okay, alright, so anyone else would like to speak from the room?

Mr Schultz: Hi, I'm Daniel Schultz, from 2Dry FM. I guess I have a question around some of the other customers, and I don't know if your session really relates to the customers at Menindee and Sunset Strip, but it's sort of related, I guess, to the pipeline project, as well as you know, Essential Water servicing those communities.

And there's a big issue around water quality. So yes, the quality of the Murray is better, but the quality coming out of the Menindee Lakes and those areas is a lot poorer, and I guess, I haven't seen any kind of assessment, and how you're going to address the water quality at Menindee and Sunset Strip. Particularly given the last dry period where the water quality was undrinkable, and they were trucking water. And there's no kind of analysis of how you're going to address the next dry period in regard to water quality and servicing those customers.

Ms Donnelly: An important question. And look, I will just say we have noted that while there is feedback that the water quality has improved in town itself, for people outside of Broken Hill there are still some issues with water quality. I'm going to see if Deborah would like to speak, and then if anyone from Essential Water would like to.

Ms Cope: And I think I'll leave the bulk of that to Essential Water. But yes, when we were here last time that was a fundamental issue, and very much take the point when the lakes dry, and the rivers are very low, there's a really big issue there.

My understanding as part of the last determination there was funding to upgrade the water treatment plant at Menindee, so I haven't heard any reports about exactly what that's done to the water quality there. But my expectation is, and I'll be very happy if there's anybody from Menindee that can tell me from on the ground what difference that's made. But my expectation is that there has been a difference and that would probably help when there's poor input water quality. But I might throw that to Essential Water to give you the detail.

Mr Jenner: Yeah. So, we opened a new water treatment plant in Menindee about 3 months ago. I think IPART might of went and had a look at it yesterday. It is a new state-of-the-art plant and the water quality that's coming out of there is orders of magnitude better than what it was previously, and I think is even better than what we're seeing in Broken Hill at times. So that has been a significant improvement. That was about a \$4 to \$5 million investment that was approved as part of the last regulatory period.

In terms of Sunset Strip, we've actually got a project that we've been trying to get moving to provide treated water to Sunset Strip, and we need to consult with customers on that because some customers are happier to have untreated water at a lower price.

Unfortunately, we've come up with some hurdles around Indigenous artifacts that we've found along the way. So, we're currently kind of reassessing that project to see if there's a way that we can get treated water to Sunset Strip without going over those sensitive areas. But it's certainly front of mind for us. Not sure if there is anyone from Menindee here, but there has been a significant improvement in water quality in the last few months in Menindee since that plant opened.

Ms Donnelly: Thank you. And I might just ask particularly not just in Menindee but if there's anyone either here or online that wants to tell us about water quality or reliability issues, it's we're not just interested in what the price should be. We're interested in what you get for your money in terms of the quality of the services as well. So, I just wonder if there's anyone firstly in the room that's got some experience about water quality that we need to understand. Yes, sir.

Mr Hennes-Wilson: The water quality is definitely much better than it was, and Essential Energy, said their chemical cost I think that has to have gone down some considerable amount. You don't turn the tap on anymore and there's a chlorine smell. It was pretty rank there for a long time. But I think you know, even in children in town, the quality of the water on their skin is not affecting any more. So, you can drink it straight out of the tap. I'm not quite sure what's going out on the highway there for her to have so many foreign bodies in her water.

Ms Donnelly: She's got on untreated water.

Mr Hennes-Wilson: So it's come from Stephens Creek has it?

Ms Donnelly: It hasn't been through Mica Street treatment. Thank you. That's good. Now, I'm just going to check if we've got anyone online? Alright, so we're due to probably have a break soon, and then come back for the next part, which is a bit more detail into the Essential Water part of the review. So, I would like to just do a last call, if you like, for questions or comments anything that hasn't been raised. Yes, sir?

Mr Ford: Yes, the question I'd like to know is, how much is our water going to go up?

Ms Donnelly: Okay. So, what we have put into the draft prices is that it's our view that it needs to go up for inflation, but no higher than inflation, so that Essential Water's got enough to cover the costs of giving good quality, water, and wastewater services.

So, on the Essential Water side, for a typical household, using say 300 kilolitres. The figure that we put up before was it's \$1,453 per year. Now it's holding steady at that. But it would need to go up with inflation. That's the same approach we've taken since 2019. Of course, in the last few years inflation has been very low. It does vary from year to year. So, each year it would go up with the inflation.

Mr Ford: It's just going to date back to 2019 when the pipe was completed?

Ms Donnelly: We've held it steady at that for the Essential Water. But because we've had quite a bit of inflation in recent times, people would probably be aware. For this next year we're expecting it to go up from to \$1,527 to factor in the inflation from the last year, and then it will depend what inflation is. So that's for a household here.

Mr Ford: So, sort of a money terms around \$150 a year plus?

Ms Donnelly: More, sort of \$70.

Mr Ford: \$70?

Ms Donnelly: And that's the fact that we've had a high inflation year. But obviously inflation if it isn't going up at that rate then it wouldn't be that amount each year, it would just be for inflation, and we've had some years where it's been very low inflation.

Of course, we haven't got a crystal ball to predict what that will be, but what we have been able to in our draft decisions, what we have been able to decide is that it doesn't, except for going up with inflation, so that Essential Water is able to keep pace with the costs to deliver the services, there are no other increases needed.

And sorry I'm not sure if you were here for the early part for WaterNSW.

Mr Ford: No, I wasn't sorry.

Ms Donnelly: We have had all advice that all the approvals are in place for the subsidy for the pipeline to continue. The costs for Water NSW will reduce a little before inflation, so it's basically inflation but some savings.

Mr Ford: Is it also just the residents of Broken Hill that are going to get this rise in water, put on them? Or my understanding is, that at some stage and you can tell me if I'm wrong, that some of the mining companies that are going to open up will be tapping into that mine. Are they going to get pay the same sort of rates that we're paying? Or are they going to get better concessions and we pay for the pipeline that bigger companies use?

Ms Donnelly: Yeah. We're obviously really interested in understanding everything that needs to be factored into that final decision. But what we're proposing is for the customers for Essential Water who are getting treated water, the service charge stays the same, usage charge stays the same basically, but then they go up with inflation, and it's for all types of customers.

There are some other people who are offtake from the pipe, and whichever pipe they're taking it off there are different factors into their pricing. So, we will have another session after our morning tea break where we're going to go into more detail, and there'll also be opportunity to ask questions from Essential Water. And then another session, after lunch around the pipeline and WaterNSW customers.

Ms Webster: Hello, look, I'm quite aware that it's normal practice to bump prices up with the inflation. But since people who are on unemployment benefits and people maybe not pensioners I'm not sure. The lower scale of the workers since their wages are not reaching inflation, how can you justify charging inflation for the water?

Ms Donnelly: It's a very important question. And we have in coming to these draft prices, and we will before we come to the final ones. We're really thinking about affordability and about impact on people. Some of the things that we've taken into account is holding that base price steady, so that it's only inflation. But I take your point. The inflation's been steeper.

Getting the advice about what's happening with the subsidy, so the approval is being placed to hold that.

We've also done some comparisons then with the price for Broken Hill, with that subsidy covered, and comparing it to other parts of NSW, it's about middle.

But all the same we consider the pensioner rebate. We have in a separate review, made some recommendations to Government that they have a look right across the board in NSW at the way that the pensioner rebate is set up, and we'll also obviously be considering what's available in terms of hardship from Essential Water.

But we're here to listen. And you know, before we make a final decision, really understand the impact. So, I do thank you for that.

Mr Ford: Sorry I have a one more.

Ms Donnelly: That's fine.

Mr Ford: Now my mind has gone blank. You're taking the certain factors of putting up prices of water, and the amount that certain towns use. Is it taken into consideration in this town, that we have got very high lead level, and we are pretty much told water your lawns, water your gardens, especially in summer when it's dry, it keeps the lead down for the kids? Those sort of factors, and plus the heat.

I mean the temperature here to compare 1,000 kilometres that way. There's a lot of difference. We're copping it at 40/44 degrees, and dry heat. They might cop it at 44 degrees in a wet heat. And are those considerations being looked at as well? Because we will use a lot more come summertime to keep the dust down, to keep ourselves cool.

And over there most towns have got reverse cycle air conditioners. I think you find here a lot of us still got the old swampies, which are good. But they still use water.

Ms Donnelly: Yeah. I will just say this is all part of the process to come out here and consult and make sure that we're considering all the relevant information. You've raised some good points, which I can also say that we met with Broken Hill City Council yesterday, and they were very clear in making us aware of those issues, so that will all be taken into account in us making a final decision.

And the purpose of putting out the draft decision and doing the consultation is so that we make sure that the final decision is considering everything that's relevant. And so, we've come out, and you know, for seeing ourselves and hearing from people, and that's been very useful. So yes.

I might suggest that we have a break, a quick break now for a cup of tea, and then move on. Now, we're due to come back at 5 past, so if you're able to make it a 10-minute break we'll see you back here at 11:05am. Thank you.

2 Session B – Review of Essential Water's prices

2.1 Introduction

Ms Cope: [Inaudible] We turn our approach to setting prices for Essential Water. Now that we've got more information on the pipeline, and how it operates, and we've had greater insight into the cost and water demand in town.

We've also been able to identify some efficiency savings, which has allowed us to, as we were talking before, to minimise the price increases, so that they only reflect inflation but recognising that there is a challenge with inflation going forward.

So, one of the things and I'm going off script now, staff don't know I'm going to say this. One of the things that I'd be interested in when we've finished the presentations is around some of the conversations that we've been having around the use of water in town. How that's changing. We're coming out of a drought, a period of time when you had a lot of water restrictions. The town has got less grass than when I saw it 10 or 15 years ago, and it's really clear why that's the case.

So, what are people thinking about water use, because when we look, we go through the core numbers and when we looked at the way water use had changed over the last determination, we thought it would go up., It didn't. Water restrictions had continued for quite some time, and have only recently been removed. So I'm interested in how more is being used, and what you see the future of that for use in Broken Hill.

Now back on to script. So, I'll now hand over to Matt, who will talk to you about what we've actually got in the draft report around Essential Water and then, as I said, Essential Water will be presenting, and that will be Luke Jenner from Essential Water. Matt?

2.2 IPART presentation

Mr Mansell: Thank you, Deborah. This presentation summarises IPART's draft decisions on water prices that Essential Water can charge its customers in Broken Hill and surrounding communities. We have made draft decisions to allow \$54 million in operating costs and \$77 million in capital project plants over the next 4years. This excludes the cost of the WaterNSW Murray to Broken Hill Pipeline, which is currently subsidised by the NSW Government.

These draft decisions mean that Essential Water will need to recover around \$24 million a year in revenue through its prices. This revenue requirement is at a similar level to Essential Water's current revenue requirement. Therefore, our draft decision is to increase most customer prices by inflation only.

The exceptions to this are usage prices for chlorinated water and untreated water supplied to customers on Essential Water's pipelines. Consistent with our 2019 decision, these usage prices will continue to transition towards the standard untreated water price over the upcoming determination period.

And finally, the NSW Department of Planning and Environment has confirmed that all necessary approvals are in place for the pipeline subsidy to continue over the upcoming determination period. Next slide.

I'll now go through our draft decisions on Essential Water's efficient costs. Our draft decision is to set operating costs, excluding the use of the pipeline, at around \$54 million over 4 years. This is 7% higher than the level of costs we set in the 2019 determination, but 9% lower than Essential Water had proposed.

We found that Essential Water continues to face a challenging operating environment in serving a relatively small number of customers that are spread across a large geographic area. Essential Water expects its labour and contract costs to increase over the next 4 years. This is because it requires more resources to undertake reactive works to service its existing infrastructure.

In addition, Essential Water has an experienced workforce, and faces challenges relating to managing the risk of losing skills and institutional knowledge as a relatively large share of its employees approach retirement.

But we think there are opportunities to help offset these upward cost pressures. For example, we think Essential Water should explore sharing resources with Essential Energy to help overcome labour constraints and skills shortages. In addition, we think Essential Water will be able to achieve lower energy and material costs because it can now access clean and secure water from the Murray to Broken Hill pipeline.

Since operating costs are expected to be higher than the levels we set in 2019, we compared Essential Water's operating costs under our draft decisions against other water utilities. In NSW we found that Essential Water's operating costs are close to the average level on a per customer basis across NSW.

Now moving to capital costs. Our draft decision is to set the capital expenditure allowance at around \$77 million over 4 years. Essential Water proposed several capital projects to upgrade its aging infrastructure. This includes replacing the Wills Street wastewater treatment plant, undertaking water and sewage reticulation repairs and replacement, and replacing the Mica Street service reservoir.

We have largely accepted Essential Water's proposed capital costs, but have made some reductions to reflect opportunities for Essential Water to become more efficient over time. We've also made an adjustment to account for the delay in commissioning the graziers' pipeline project that was originally scheduled to begin during the current determination period, but is now expected to be completed during the upcoming determination period. Next slide.

After deciding on efficient costs, we have then estimated the revenue level that Essential Water needs to recover over the next 4 years. This slide shows changes in Essential Water's total revenue from what was decided in our 2019 review. On the left-hand side is the level that we set in the 2019 review. Then in the middle we have what Essential Water proposed, and then, on the right-hand side we have our draft decision for this review. The last bar on the right-hand side shows our overall draft decision to set revenue at around \$44 million per year.

I note that a key factor keeping downward pressure on Essential Water's revenue requirement is the current low interest rate environment. Under this draft decision Essential Water would recover around \$24 million each year from customers. This revenue level is similar to the current level set in prices. The remaining \$20 million in revenue, which is associated with the cost of transporting from the Murray River to WaterNSW pipeline would be funded by a subsidy from the NSW Government.

Our draft decisions on costs and revenue mean we can keep most prices stable before inflation. For service charges, service charges for all customers would remain stable before inflation.

For usage charges, usage charges for treated and standard untreated water would remain stable before inflation. Usage charges for chlorinated water would increase by 4% or around 7 cents per 1,000 litres per year before inflation.

For chlorinated water customers their usage price is currently less than the untreated water usage price paid by most customers. The 2019 we found Essential Water's cost of supplying chlorinated water was higher than the cost of supplying untreated water. We therefore decided to gradually transition the chlorinated water usage price to the standard untreated water usage price. Our draft decision is to maintain this transition path over the upcoming determination period.

Usage charges for untreated water supplied to Essential Water's pipeline customers would increase by 7% or around 9 cents per 1,000 litres per year before inflation.

Prior to the Murray to Broken Hill pipeline, untreated water customers located along Essential Water's pipeline paid a lower usage price than other untreated water customers located in Broken Hill. This is because they were considered incidental customers located along these pipelines whose primary purpose was to supply water into Broken Hill.

Since the Murray to Broken Hill pipeline came into operation, the primary purpose of the Essential Water's pipelines has changed. The purpose of these pipelines is now primarily to supply untreated water to customers located along these pipelines.

In our view, Essential Water's pipeline customers should now be treated the same as all other untreated water customers. All untreated water now runs through the same network. Therefore there is no longer a case to further subsidise untreated water usage prices for Essential Water's pipeline customers. In our 2019 review we decided to gradually transition the untreated water usage price for Essential Water's pipeline customers to the standard untreated water usage price paid by other untreated water customers. Our draft decision in this review is to maintain that transition path over the upcoming determination period. The next slide.

Based on our draft decisions on costs and prices, water and wastewater bills for typical households will remain stable before inflation. For chlorinated water customers and Essential Water's pipeline customers' bills would increase above inflation.

Over 4 years water bills for customers using the chlorinated water would increase by around 2.5% on average each year before inflation and bills for Essential Water's pipeline customers would increase by around 3.3% each year before inflation. That concludes this presentation. I will now hand back to Deb.

Ms Cope: Thank you very much everyone for listening to the presentation. We'll now move on to Essential Water's presentation. But is there any questions of clarification that people are burning to ask now before we move on, or you're happy to wait till we get to the end of the Essential Water's presentation. Okay, I'll hand over to Essential Water then. Thanks very much Luke.

2.3 Essential Water's presentation

Mr Jenner: Thanks everybody for making your way here today. My name is Luke Jenner. I'm the Chief Operating Officer for Essential Energy and the Essential Water businesses is part of my portfolio and business that I've had a lot of association with over the years, especially during the time when we were working with WaterNSW and Government to get the very important pipeline to secure the future of water security for Broken Hill. Can I just go to the next slide?

I would like to acknowledge the Traditional Custodians of the land on which we meet today. The Wiljali people, and I'd also like to specifically call out the Danggali and Barkindji people whose lands Essential Water operates on each and every day, as we supply water to the communities that we serve.

Just on the next slide. I think everyone knows more or less what Essential Water does. But I would just like to point out we do need to remember that we're also providing sewerage services to Broken Hill as well. So, we've talked a lot today about drinking water, but there's the other side of water consumption, which is the sewerage, and it's very important to acknowledge that we will talk a little bit this morning about some of the projects that we've got on.

We do serve about 10,000 residential customers, so outlets and that provides drinking water to 18,000 people in Broken Hill. We are very proud of the fact that we've got 100% compliance to water quality standards.

And that from a reliability perspective, we've achieved 98% reliability. We are starting to see some improvements in reliability. The new Murray River pipeline did contribute to some pipe bursts around town, which the local teams have very diligently been working through. But we are looking forward to increasing the availability of water to our customers. It is worth noting we do have quite an old network, a lot of it that was installed in the 1960s.

Just on the next slide. We're really focused on meeting the needs of our customers, and we do truly value your feedback, and it's great to see some people here today that I recognise from the 2019 session, which was a lot different, I guess, because we were working through some of those unknowns in relation to the pipeline.

Some of the things we know about Essential Water when we've spoken to our customers. There's a very high awareness of our brand, which is great. We have a very good brand in the town, a high satisfaction with our services provided. We know that customers are highly satisfied with their water and sewage services, and there's been a significant uptick in that since the Murray River pipeline came on stream. And customers who contact Essential Water, are highly satisfied with our service.

On the flip side, though we're very, very cognisant of the fact that from an affordability perspective we don't enjoy that same reputation. Although two-thirds of residents have seen their water quality improve in the last few years, in their estimation we only got moderate levels of satisfaction with value, and only half our customers are highly satisfied with respect to value.

So, we really do understand that water costs are a key issue for this Broken Hill community, and I would just like to acknowledge the comments that were made in relation to dust suppression, and the use of swampies and things like that. There are needs for Broken Hill customers that don't exist on the east coast. So, I think that's a good point.

It's probably particularly relevant on the next slide, which we'll go to now, which really shows where Broken Hill water prices sit compared to the rest of the State. On average, water prices in Broken Hill are 8% lower than the average across the State. But, as I said, we do acknowledge that there are different and unique needs for the usage of water within Broken Hill.

Just on the next slide, as I said before, our real aim is to keep bills affordable and achieve a reasonable share of costs for all of our customers. The intention as IPART has already discussed, water and wastewater bills to remain stable before inflation. We have proposed a modest increase, and we proposed a 1.6% increase above inflation, and I might talk at the end about our position on that which is now less than 1.6%.

We're very pleased to hear that the Government has acknowledged that they will contribute 100% to the cost of the Murray River pipeline. We think that's an excellent outcome for customers. We do acknowledge that some usage prices would increase by more than inflation, and that was covered very well by IPART. So, thank you for that.

We're also looking to hold trade waste prices constant before inflation for the fixed charge. With the usage prices transitioning to the Department of Planning's guideline prices and we are very happy to work with trade waste customers to work through what pre-treatment options are available to treat that trade waste before it's discharged into our network, which would move it into a lower risk category, and therefore lower their prices.

Just on the next slide. Look, it is a very challenging operating environment at the moment, both locally and kind of on a wider business. It is a very small water business compared to a lot of water businesses across the State. So we employ about 65 people, and, as I said, service about 10,000 connections. If you compare that to a lot of water businesses across NSW, they service, you know, 50,000 connections, and are much larger. So we don't enjoy the economies of scale that some other businesses do.

As the locals have really well articulated today, it's a very harsh physical environment. Out here we do have an aging water and sewer network. As I mentioned, a lot of it was installed in the 1960s. And we do find it hard to access skills in Broken Hill, and we from time to time have to find ourselves bringing contractors in from out of town, and we would really like to change that by improving the level of local employment. So next year we are intending to recruit for 2 apprentices and 1 trainee to try and get and build our local skills and capabilities.

From the wider environment, COVID-19 proved a very big challenge for Broken Hill as the locals would know. Broken Hill enjoyed quite a covid-free environment, whilst much of NSW wasn't so lucky, and from an organisational risk perspective we wanted to make sure that we didn't inadvertently introduce COVID-19 to the community. So we did stop a lot of contractors that previously would have come to town doing work for us, and so that has delayed some of our capital programs. But we absolutely stand behind that decision. The war in Ukraine has provided some pretty significant cost pressures for physical infrastructure that we need to buy.

There's unprecedented investment in infrastructure across NSW and Australia at the moment. Essential Energy had on the amount of investment that's happening in the electricity industry as we all race towards net zero is consuming a lot of resources, and that's putting significant cost pressure on.

And we are also seeing that come through in significant increases in cost of materials. Some material prices we've seen are increasing by 29%. And of course we are seeing higher energy prices. Wholesale electricity prices have almost doubled, and so that is another factor that we are looking to put into consideration.

Just on the next slide we are absolutely committed to improving our performance over this coming regulatory period from an asset management perspective. As I said, there were some delays in repairing and refurbishing old infrastructure because of the availability of resources and contractors. And we've had to spend a bit of time responding to breaks and leaks rather than undertaking preventative work.

But we've done a few things over the last regulatory period to try and make it easier for our team members including the purchase of a new vacuum truck, which makes it very easy to excavate pipes when they fail, and that's been a really well received by our local teams.

We've got more opportunity to work out how we identify and prioritise work. That's a real key factor for us, and we're committed to delivering improvements in that regard over this coming period. Committing to working a lot smarter, and as I said, really investing in training new apprentices as we do have a quite an aging workforce in Broken Hill.

And what we're seeing both at Essential Water and our wider business is that effectively we've got 3 years of retirement happening within a very short period of time, because a lot of people delayed their retirement over the last 2 or 3 years during COVID, because they weren't able to travel. And now that opportunities are available, people are availing themselves of it. So that's one of the reasons we're really kicking that apprentice and trainee program into gear.

IPART have identified some ways that they believe we can improve the way we measure our performance, and we're absolutely committed to improving the way we do measure our performance, and we'll certainly be taking that feedback from IPART on board.

Just on the next slide. We do have a significant investment program, but we are recovering those costs over many, many years to try and limit the bill impact. So this is largely talking to our capital program. The biggest investment that we've got is the \$30 million Wills Street wastewater treatment plant. That plant was built prior to World War II in about 1938. It is showing its age, and it does need a significant rebuild. And so that is one of our big headline projects.

I think there is some significant risk there in terms of costs. We're already starting to see some of the preliminary costs come through just for the design and project management, are a lot more than what we anticipated. And again, that's a reflection of the external environment. The amount of infrastructure investment happening across the State.

The next piece of largest work for us is the water and sewer reticulation system. I've touched on that before. We do have over 120 kilometres of cement water mains, and they're the ones that we had significant number of bursts after the Murray pipeline came online, and that is a big program for us to make sure that we are continuing to replace those ahead of them bursting.

Mica Street Service Reservoir Number One was built in 1892, it's starting to fail, and is beyond refurbishment. So we're converting a decommissioned reservoir into a new one, at a cost of \$3 million.

Likewise, the Rocky Hill reservoir needs relining at a cost of about \$2 million, and the Mica Street water treatment plant, which was installed in circa 2010, needs some concrete remediation work done at a cost of \$2 million. And it's probably worth noting that Essential Energy did take court action against the proponent that constructed that plant on our behalf, and did receive a settlement to mitigate the cost to our customers. Given that that plant is so new.

So just in terms of those cost pressures I spoke about. You can see on the right-hand side; the Australian Bureau of Statistics' construction producer price indices are skyrocketing. And you can turn on the news any day of the week, and then you'll hear about the costs of building materials and those sort of things far outstripping inflation.

And so we are seeing non-residential building construction increase by 21%, which is a pretty significant increase, and bridges and roads output increasing by 10%. So this, as I said, is significant activity in infrastructure happening across the State.

And some of the estimates are that the cost of construction in regional and remote NSW is about 34% higher than it would be in Sydney, because it's just not the availability of contractors and materials.

Just on the next slide, we are looking forward to meeting the opportunities of our customers and do what we can to make sure that this business is providing you with a reliable, quality supply of water that is absolutely front of mind for us, and this was a very stressful business to manage 4 years ago, before we had the Murray River pipeline, and it's great that we're all enjoying the benefit of that.

As I said, we are investing in our staff and community, ensuring those special skills are available, upgrading our aging infrastructure. We do have a Water Storage Strategy that we're working through. Stevens Creek is the emergency reservoir, as people have already mentioned, and we also have the reservoir an Umberumberka. And Imperial Lake, we are in the process of gifting that at zero cost to Land Care, for them to use that as a community facility, and I think that's going to be a great investment in the social fabric of Broken Hill.

As I said, the NSW Government has already committed to keeping water pipeline prices as they go to customers at zero, which is absolutely fantastic, and Government has still committed to continuing those pensioner rebates, and IPART mentioned that they've made a submission to Government to review some of those rebates so again that's really good.

As I mentioned in my response to Barbara, we have got solar panels to reduce the costs of pumping and help mitigate some of those electricity price increases, and we'll certainly continue to look at that where it's appropriate. And we are looking at the opportunity for greater use of recycled water for parks and gardens across Broken Hill to help with some of that greening that Deb mentioned.

Well, I just go to the next slide. Whilst we've accepted the majority of the feedback from IPART we would urge you to reconsider our expenditure allowances in some areas to meet our customer needs. And this is really relating to operational expenditure. So I think from a capex expenditure perspective we're in violent agreement with IPART.

From an opex expenditure perspective. We really do want to continue to invest in our local workforce and to do that we do need a little bit more opex, or we've asked for a little bit more opex. We would estimate that the additional effects that we're seeking, whilst it was 1.6% that we put in our draft submission, that with some changes in the macroeconomic environment that would now be circa 1%. But obviously we will accept and respect any decision that IPART makes. That's it in a nutshell. But, as usual, very happy to take any questions, Caramel, that the community might have.

2.4 Questions and answers

Ms Cope: And thanks very much, Luke. So we'll now go to questions, and I might start if there is anybody in the room that would like to raise any questions. At the back first, and then next, and after this will then go to online.

Mr Ford: Well, I've got a couple of questions. Firstly, going back in 2018, and it was my understanding, and it could well still be the way it is that John Holland was going to be the contractor for servicing the pipeline. That was at a costs of I think, of around \$120 million over 20 years. Is John Holland still going to do the repairs on the pipe, or what they call maintain it?

Mr Jenner: That that is probably a question for WaterNSW. But I think I'm happy to answer it on the basis that there's a consortium, as I understand, that consists of John Holland, and I think it's called Trility Water Services that operate that pipeline on behalf of WaterNSW. So my understanding is that is absolutely the case.

And as IPART described the last regulatory period that price of operating that pipeline was sort of like circa \$24 million a year, it dropped to \$20 million a year. So there has been some operational efficiencies that have been found, and that the important thing is the cost of that pipeline and the maintenance and the operation of it. None of that cost is flowing through the Broken Hill customers, none of it. It's all been for this upcoming regulatory to the Government has committed to covering the full cost of that.

Mr Ford: But we're just paying back the cost of the pipeline?

Mr Jenner: No, even the cost of return on or of the asset. So the cost of building the pipeline that's also being covered 100% by the NSW Government. So there's no costs at all for that pipeline, making it through to customers.

Mr Ford: Okay, well, that's fair enough. That's one thing we all wanted to know. The other one you said a little bit earlier. It's really hard to put a price on such a small population. What I'm sort of trying to work out is it doesn't matter? We're still human beings out here. Doesn't matter how big the town is. But we should be still getting the same rights as everyone else. So why is it so much harder to put a price on water for being such a small town. I understand there's the infrastructure cost that you've explained really well, and the updates that we have to do.

Mr Jenner: I think what I was trying to say, and I didn't say it correctly, so apologies, but with a smaller customer base, those costs are spread across a smaller number of customers, and it's now a challenge we face in our electricity business as well. Where we have, you know, electricity across 95% of the State, and only 870,000 customers. So if you're in a larger centre, you're spreading those costs. That's the point I was making.

Mr Ford: Yeah, well, maybe that's where the Government should be subsidising. Those are the things we can't help that we really got a population of 18,000. If we had a population of 36,000 the way, as you said, the price of water wouldn't be going up as much.

Ms Cope: So I think that's exactly why the decision was made to pay for the cost of the Pipeline in recognition that you need to have safe, affordable drinking water into a town, and I just sort of note the discussion earlier we are concerned about looking at the affordability of prices, which is why we checked where Broken Hill sits in comparison to other centres, including the bigger centres, and you're about in the middle.

So it's not like at the moment the water prices are significantly out of sync with what other people are paying. The unique things here that we really want to explore around the differences in the way water is used, and why it's important to this area.

Mr Ford: Well I think everyone in Broken Hill is pretty very good at using water and on the water restrictions. I think everyone done their best. Going back years ago, with the lead population, once again, I'll come back to that. Very high lead levels of Broken Hill. We were told to get rid of our rainwater tanks. Now people are putting, you know because of the price of water, because we didn't have water for a number of time. Anything to come off the roof was going back into rainwater tanks.

We are good at trying to save water. We understood what was going on with the drought. I think a lot of us now, we're still going back about before the Pipeline where in Menindee now's got 8 years of water supply up there.

The other question I quickly want to ask you, between sorry where I was going with this. The pipeline it's going from Stephens Creek back down towards Menindee Way, are the ratepayers paying for that, or is it that separate again?

Mr Jenner: So the costs for that pipeline are covered in the pricing proposal. Those costs are very low at the moment because we've decommissioned all pumping stations along that...

Mr Ford: It's just gravity fed now

Mr Jenner: It's just gravity fed you would be aware that it used to burst and there was these big geysers along the pipeline when it was pressurised, but it's obviously disappeared now that it's just gravity fed.

There's 12 or 16 graziers that take water off that pipeline. We do have a proposal in place to replace that pipeline with a smaller one, and we were successful in getting \$5 million grant from Government for that project. The difficulty is the Indigenous, we've found some significant Indigenous artifacts on the route which we need to be very respectful of. So we're kind of revisiting that project at the moment. Yeah, but that the cost to keep that pipeline are very minimal, because its literally just gravity fed.

Mr Ford: You might be able to answer this question. I've been wanting to know for the last few years where's the water that goes through the streets, years ago it used to go out an Imperial Lake and fill Imperial Lake up. Where does that water go to now?

Mr Jenner: You mean, I guess not quite sure I understand the question.

Mr Ford: You got Imperial Lake, right. We in our streets, all the water pretty much runs down the creek out behind Imperial Lake, and it swings back into Imperial Lake. I just, this is probably just my own person wanting to find out. Where does that water go?

Mr Jenner: Is that water, you mean the water like the run-off from the streets? I might get Aaron; you might be able to answer that one.

Mr Ford: Yeah, there's a big wall. But it was our water. But where's it gone? So the mines are. Every time this place floods the mines get it all now.

Mr Jenner: [Inaudible] Yeah, that's managed by the Department of Planning. That's not Essential Water that controls that.

Ms Cope: I think we're going to need to take note of that one. But given that there is nobody in the room that actually has responsibility for that, it's a bit hard to address that in this public hearing. Yeah, note the point. So now we'll go to Linda.

Ms Nadge: Thank you. There was a comment in, I think it was in the pricing proposal, that said blue-green algae would be less of a problem for pipeline customers. And it was associated with the Mica Street concrete remediation work. I don't understand how that would be a protection for pipeline customers. It was specifically mentioned associated with that remediation.

Can you further explain what that really means, especially since the raw water coming up from the Murray goes out to Stevens Creek as an emergency supply, and I can't, and I'm not aware of it having any treatment at Mica Street before it goes.

Mr Jenner: I might need Aaron to answer that one.

Mr Molloy: Yeah. So one of the projects that got delayed due to COVID it up at Mica Street because we've only got 4 full-time operators up there. So we were very protective of those guys. The proposal is to have all the raw water that comes in from the bulk water storage, we put into the oxidisation tank, which is the first tank up at Mica Street, because Mica Street water treatment plant was sized to treat 37.9 megalitres a day. There was only ever 3 trains built. In the case that Broken Hill's population would increase, the infrastructure was already there in place, ready to just build an additional clarification train, I guess. To then be able to treat additional water for the town.

So as part of that, everything in Mica Street is sized appropriately to handle the additional water. So at the moment the treated water is going all into the oxidization tank, where, if there's algae, powder activated carbon is added to take the algae out of the water, and then from there the proposal is to build the 7 and 8 filter, because we've got 6 treated water filters. Build additional filters, not the actual clarification train though, and then put all the water through those filters to remove the powder-activated carbon, and then we've got additional pump age and everything that's in place up at Mica Street that was part of the RO plant when that was required.

So we'll be able to use infrastructure that's already in place to then put that water back into the raw water network. But, as I said, unfortunately due to COVID that one has been delayed, but technical spec, and everything is ready to go out to the market at the moment.

Ms Nadge: So semi-treatment. So basically, I mean thank you for that. It kind of half makes sense, but it basically. But yeah, I can imagine you've got a big diagram. That's it. But basically, that particular water treatment would be lost once you have to store water in the Stevens Creek storage. But I don't want you to comment on that. But my point is, it's not 100% accurate to comment for a start because of that, basically, anyway.

But my other, my other comment, it comes back to the definition of, and yeah, the water flow north and south. You know whether the water comes from Stevens Creek or from Wentworth as a pipeline customer. Someone along the line decided that the historically untreated water should be raised up, and that all the customers in this town are going to be either vanilla or chocolate, or whatever flavours you want. But the granularity of the customer base has been removed, and I don't think that's, I mean, if you want to talk about customer use.

Some, you know small homeowners will have a price signal that drives them. Some of the larger properties have got business enterprise or productivity, and they have a price for that purpose. But I think the removal of the granularity, someone somewhere has decided, and I don't know where whether it was IPART, or whether Essential Energy or Water decided to do it. But someone has decided to remove that granularity. Do you know where that came from? Because I believe whether the direction comes from the north or the south for me is an irrelevant comment in many ways.

And I also think that historically when the pipeline was put in the 50s, I also think no one thought in economic terms about whether the direction of the water was from the East or the North. I think the price was what it was, and these assets have a very long lifetime, and I presume that the current Murray or Wentworth to Broken Hill pipeline has about an 80 year at least life cycle, and I would have thought that therefore you shouldn't be trying to get the revenue out of the customers so quick, so soon. I just think it's overkill.

Ms Cope: So, the reason for the decision was, and I actually can't remember whether it came through the original proposal or as part of IPART's process 4 years ago, but it was built into that determination 4 years ago, that all of the untreated water customers on the system were now on the same system, and therefore it was difficult to justify why some of them were paying much higher prices than others, so that the decision was then made to slowly transition, I think it was over about 10 years. So it wasn't a quick change, so that all untreated water customers were paying the same price for their water, and they weren't treated differently. So that's the justification, I'm not sure I can give you any more information about it than that at the moment.

But yes, we do have a much better understanding of your situation. I can't give you a response at the moment. But we will take what you've said away. We do need to think about it, and we need to talk about it as a Tribunal.

Mr Taylor: Okay, I just need some clarification. My name is Peter Taylor. I've got down here. You've got a draft decision cost is 7% over 4 years. Is that correct, that was yeah on the \$54 million?

Ms Cope: That was in operating costs.

Mr Taylor: Yes, so we have an increase of 7% there.

Ms Cope: Yes.

Mr Taylor: Okay, then we have a 2% Essential Water wants to propose a change each year of 2%. So that's 8% over the 4 years on top of...

Ms Cope: No, I don't think so. Do you want to come up, Matt? And just walk through that slide, maybe.

Ms Donnelly: And just while Matt's getting ready, I think the 7% was the rate of increase for the offtake untreated water, was that right Matt?

Mr Mansell: I think it was just operating costs.

Ms Donnelly: Alright, well over to you.

Ms Cope: If we get the slide up we can check that was the numbers.

Mr Taylor: That was slide number....page 14.

Mr Mansell: Yes.

Mr Taylor: Am I looking at the wrong...up, up and more? What's that on? So that 7%.

Mr Mansell: So, basically what we're saying there is that operating costs, what we've said are the efficient level of operating costs are increasing 7%.

Mr Taylor: Right?

Mr Mansell: But in order to get from operating costs and capital costs, there's a couple of steps. How we work out the efficient operating expenditure, the efficient capital expenditure. We recognise the capital expenditure invests in assets that have variable lives typically. And so, while the asset is in use, and then providing a service to the community, the business can earn a return on that investment, and they get depreciation as well.

So basically, when you take into account the changes in operating and capital costs, and then the increase in investment that's in the ground, that's known for the return on investment and then the fact that interest rates are low right now, and you put all of that together.

Essential Water's original proposal for about a 1.6% increase in prices per year, and then inflation on top of that and we've gone through and reviewed all those elements and made what we think adjustments to reflect efficient costs. We come out at zero price change.

Mr Taylor: Here you got the 2% that they were looking for each year as a proposed. Was it Essential Water proposed change each year 2% as the draft decision on prices? I'm just trying to get an overall picture of how much the increase will be as it, you know. Is it 15% a year, and so forth? Because my water bill at the moment is \$2,000 a year. You know you're going at 7% this and \$300, you know. So it's just an overall...

Ms Cope: Are you a treated water customer?

Mr Taylor: Yes.

Ms Cope: So your overall increase will only be inflation. So no increasing price other than inflation.

Mr Taylor: Other than inflation. That's okay.

Private citizen: You just getting away from all this infrastructure talk for a little while, and wondering why the increase is based on inflation when we know nothing, is keeping up with inflation. We'd rather at all these price increases based on the increase of pensions or people's wages. And has anyone worked out, how many people in Broken Hill are actually working, that can afford these increases, because, I would say, 50% of Broken Hill are either on benefits or retirement. And who's going to be able to afford all these things.

Ms Cope: Did you want to take that one?

Ms Donnelly: Yes, I can. Sorry. Okay, I'll just. Thank you for that, and I think you make a very important point. We have considered affordability, and I mentioned it earlier we in particular did meet yesterday with Council, who were very clear to us about understanding the situation and the challenges for many people financially in Broken Hill and the surrounding areas. So, while so far, we've considered whether or not the costs, on average, for a typical household, how they fit across NSW, we're certainly still considering and taking in information and understanding about what the impacts are in terms of affordability. And look it's something that we need to make the fairest decision on balance. The looking at how people who have got particular financial challenges are going to deal with that.

But also, we're hearing on the other side, that the costs increasing in Broken Hill are above inflation. So there's a lot that's coming back to the Tribunal that we're hearing during our time here, and with the consultation about unique circumstances in Broken Hill. So I just want to thank you for raising it. We will take everything on board in making our final decision.

Ms Cope: Now, do we have any questions online? No, okay. Is anything else in the room. We're just about to bump up to our, we might take one more for this session, because we're getting very close to our lunchtime, and I don't like standing between people and a sandwich.

Mr Schultz: I'm not sure if this is relevant here because of this seems to be a discussion about pricing, but I guess it's relevant a little bit more to your presentation, Luke, about measuring performance. There is kind of an ongoing issue with trust around water quality and access and water quality data. So customers' experiences previously, old water quality and those experiential kind of things around water quality, haven't really been met in particular areas.

And then there's a guarantee from, say, Essential Water that the water quality does meet standards. But there are different kinds of standards, and the National Drinking Water Guidelines have experiential kind of aspects within the standards.

There is also an issue with accessing and having published and publicly available data of water quality. So there's a big gap where we you know, there isn't publicly available data, particularly in NSW, where that relies on water utilities to make that data publicly available. So you don't make it publicly available. So it's very hard to measure nationally the water quality standards. And so I wondered if there was any plan to make your data publicly available for researchers to understand where water quality is at across the State.

Mr Jenner: So, you're right. I mean the Australian Drinking Quality Water Guidelines is a thousand pages, so it's a pretty hefty read. My understanding, and Ross feel free to correct me if I'm wrong, is that we do publish our water quality data quarterly on our website for Broken Hill and Menindee. So if you go and have a look, it should be available there. It is available there.

So I'll be honest about 4 or 5 years ago we did have some hiccups where we weren't publishing it on time, as we should have been, and we've corrected that. But please go and have a look at it, and if it's not answering your question, I'm sure Ross, or Aron, or one of the local people, will be very happy to answer any questions you've got, because we are very proud of the water quality in Broken Hill.

And look, I'll be the first to acknowledge that when we were sitting here 4 years ago, it wasn't great. We heard from the floor about that. Some of the issues, you know it met the standard, but that was that was about it, because of the quality of water we were getting in the drought was so poor.

But please go and have a look at the website if it's not what you're after. Just let us know. Yeah, we've certainly got nothing to hide. We want to be open and transparent, Ross you might have something you want to add.

Mr Berry: Yeah, sure. Our water standards, I guess, are measured by Health NSW and we undergo yearly audits from Health NSW with our water quality. We've recently just had a full audit done on our systems by Health NSW and so that data is available through our drinking water management systems. And absolutely, I can talk to you offline about those. So yeah, absolutely.

Ms Cope: Over to Linda.

Ms Nadge: Thank you. One other thing that I raised in my submission in October last year was the way, and I'm not sure if every water utility does this. I thought the majority of water utilities in NSW arrange their pricing in a mechanism outside of the electricity pricing regime.

So at the moment the price of water in Broken Hill is caught up with the regulatory pricing for Essential Energy through the Australian Energy Regulator. So the regime put in price for electricity, and I think that fundamentally is contributing to the higher costs, and therefore the higher revenue requirements.

Mr Jenner: So that sort of gets us back to that corporate overhead argument, and I've left my notes up there. But I think because I'm going from memory, Linda. But those corporate overhead charges are reducing by something like from \$4.5 million a year down to about \$2.6 million a year over the next 4 years.

So we are doing what we can to reduce that corporate overhead and I kind of reiterate what I said before, there are real services that are being provided to Essential Water by Essential Energy. It's not some charge to keep a shiny office in Port Macquarie. They're genuine services like cyber security, human resources, finance, and if Essential Water didn't have access to those things, then we would need to be sourcing those things ourselves, which I think would come at an even higher cost to the community.

Ms Nadge: Yeah understand. And it's good to know that those costs are being put under the microscope. But isn't there an eligibility within the regulatory pricing regime to double dip on corporate overheads for capital and opex.

Mr Jenner: I'm not sure I totally understand that question. But what I would say is those overheads are scrutinised by both the AER from an electricity perspective, to make sure they're right, and then IPART scrutinise, I do not want to speak for IPART, but IPART then scrutinise to say, well is the amount that is then being allocated to the water business appropriate. So there's 2 independent sets of eyes on those corporate overheads.

Ms Donnelly: Yeah I can assure you; we reassure you, Linda. We look very closely. We're alive to, you know those sorts of issues, and I've also made a note of some of the things that you've raised today that are your concerns. So we're able to double-check what we've done before we come to the final decision. So thanks for raising it. But we're very much alive to not allowing that kind of, you know, if you like, double counting of the costs, etc.

Mr Jenner: So those charges Linda are dropping from a proposed \$5.4 million in FY 24 down to \$2.6 in FY 27. So we're halving those over the period. So, as I said, we are working hard to minimise the costs that flow through to the water business, at the same time making sure that it's secure, and I know it seems like a very ephemeral thing. But cyber security definitely keeps us awake at night, and Essential Energy as a business is to spend spending \$58 million a year on cyber security, and it's absolutely critical because you know, no one wants to get in a situation with the electricity grid or the water grids not available because of a cyber-attack and I can assure you those attacks are happening every day.

Ms Nadge: Thank you. And I just want to repeat that those costs that your business is facing are faced by every other business as well, including hacking and cyber security. It's not just a one-way street for utilities. Every business is facing them.

Ms Gamble: Yeah, I just wanted to also make the comment that IPART is also the regulator of WaterNSW on a number of different fronts. So, we regulate them in relation to the Greater Sydney system, and also rural valleys in terms of infrastructure costs. So we also scrutinise the overhead allocation of WaterNSW quite a lot, and make sure that there's no double counting for the work that they do on the Wentworth pipeline on the Murray Darling Basin, on the coastal valleys, and the Greater Sydney. So we're the regulator on all of those things, and we're very conscious that we want to make sure that there's no double counting in that either.

Ms Nadge: It actually was mentioned by one of the consultants about the double counting, so I didn't kind of pluck it out of the air. I just wanted to make you aware that it was actually published in one of those reports.

Ms Gamble: That's right. That's why we get consultants to look at that to make sure that we're conscious of the risk, and we make sure that that is properly managed.

Ms Horbino: And if I can just add one thing, Linda. So we did look at that for this review. We didn't find anything. But one thing that we did do differently this time around is, we did do some sense checking in terms of overheads, how it's tracking with other local water utilities, because there's some data that the Department has published. And what we found is that the overhead cost for Essential Water is about trending around the average of what's across the state. So that's one of the things that. Yes, that's right, that's right. And as soon as we take out the Pipeline cost, and what has been since 2019, it is trending towards the average of closer to the average across the state.

Ms Nadge: I know that you're going to shut me down, but just the historical, because some of this stuff is pretty complicated, and it's really hard reading. So I don't blame anyone for not wanting to read these reports, but there has been a history, and it's important for people to know that some of the revenue requirements have been so high in the past, because of these very high prices, and you know, on-costs that were charged back here. And I think the history of that is now being corrected, which is good. But there's still a legacy of some of that higher cost, and which is probably, you know maybe it's been so embedded It's going to be around forever. I don't know. But I think there should have been a break-even business case for the water out here. It just is starting to look less and less like that.

Ms Cope: I think we're probably going to need to stop there for lunch. Thank you very much everybody for your comments and for your questions. They are really valuable, and we found it really interesting, and we'll take it all into account when we move into the next stage of this process. So we'll now break for lunch and be back at about 1 o'clock. So there'll be a chance for people to talk to us separately over lunch if you'd like to, because we'll all be hanging around then. And then we'll come back for the session around the Pipeline and WaterNSW. So thank you.

3 Session C: Review of WaterNSW Pipeline prices

3.1 Introduction

Ms Gamble: Good afternoon. It's great that you all come back. So, I'm Sandra Gamble. I'm one of the Tribunal Members, and I'd like to warmly welcome you to the third part C session of today's public forum, obviously the most exciting one. Let's see if we can do better.

So, I'm here to talk about WaterNSW pipeline prices, and of course they're one of the costs that Essential Energy includes in the prices to consumers and are largely covered by the subsidy. So, I'm going to introduce Maricar, one of the Tribunal Secretariat members soon to give a presentation, and then we'll have Mike Martinson from WaterNSW talking online. He'll be joining us virtually. You'll see his bright, shining, smiling face up here, and then you'll have a chance to ask some questions like we did with the other sessions.

So, in 2019, we undertook the first review that took into account these pipeline prices. And at that time the pipeline was not yet in operation, so there were a few assumptions and estimates made. But now we have actual costs that we can take into account. So, we have some certainty on that.

So, the pipeline has helped to improve water security in Broken Hill, which is critical given the region is in a very arid area, and climate's not going to make that any better. There's a history of drought and community needs for water to manage their lifestyle are now at elevated levels, especially in relation to lead.

Since its operation, WaterNSW has collected actual data and used this to justify their proposal, and this has provided us with better pipelines of the operating environment and demand which we've used to make our draft decision.

I just wanted to point out our draft decision is just that. This process of running a public forum and having submissions is to test some of the thinking in our draft decision, and we'll be taking those things firmly into account when we make our final decision.

So, we're at the process of setting prices for 4 years for the pipeline, as we are for Essential Water. So, I'd like to hand over to Maricar now, and she'll run you through our presentation before I hand over to Mike.

3.2 IPART presentation

Ms Horbino: Thank you, Sandra. I have a few slides that summarise our draft decisions for the WaterNSW pipeline. Key messages in this slide are broken into 2 parts. The first 2 boxes relate to the cost of transporting water from the Murray River to Broken Hill using the pipeline. The last box indicates the bill impact on pipeline customers.

So, over the next 4 years we have made a draft decision to set the total operating cost for the pipeline at around \$16 million. For total capital expenditure we have decided to set it around \$10,000. Based on this cost our draft decision is to set the total revenue required by the pipeline at around \$21 million per year, which is lower than what we said back in 2019.

In the next slide I will talk more about the key drivers, and how our draft decisions differ from our last review in 2019.

So, from costs to bills our draft decision is to set lower prices for Essential Water and offtake customers from 1 Jan 2023. This means the annual bills that they pay would decrease from the current levels, and that's before inflation, and that's currently our draft decision.

So, I'll now step through our findings on costs. So, for draft operating costs, as what I've said before we have made a draft decision to set it around \$16 million over the 4-year determination period or around \$4 million per year. This is higher than what we set in 2019 by around 11% on average each year, and this trend is mainly due to higher energy costs.

Energy costs vary depending on the energy demand of the WaterNSW pipeline and energy prices. When we last set prices in 2019, we carefully considered how to set a reasonable energy cost allowance, because the pipeline was not yet operational. At the time we relied on a set of assumptions to estimate how much energy the pipeline would need to operate. We also developed an approach to set benchmark energy prices to ensure that energy costs we set are no higher and no lower than they need to be.

For this 2022 review, we now have about 2 years' worth of actual data which helps us set some of the aspects of the energy cost over the next 4 years. So, our draft decision is to increase the pipeline's energy cost allowance. This is because the pipeline would need more energy to transport more water than what we expected back in 2019.

Energy prices have also increased since our last review. When setting the draft costs we have also considered some of the pipeline's operational requirements in our review, which Deb touched on in our earlier session.

For capital costs, we have made the draft decision to set WaterNSW's pipeline future capex program at around \$10,000. The amount may sound small, but we consider that this is reasonable given the pipeline is relatively new.

So, after deciding on efficient cost, we then estimate the revenue level the pipeline needs to recover. The boxes on the bottom half of these slides refer to this. Under our draft decisions the total amount of money that WaterNSW needs to deliver water to Broken Hill along the pipeline would be around \$82 million in total over the next 4 years. This is 21% lower than the average annual revenue requirement set in 2019.

The key driver for this decrease is a decline in the return on assets for the pipeline. Return on assets represent around 50% of the pipeline's revenue, and generally reflects the changes in asset base and in the rate of return or WACC. Since our 2019 review the WACC has declined from 4% to 2.9%, which in turn resulted in lower return on asset per year from \$16 million to about \$11 million per year over the next 4 years.

So, in the previous slide that you saw, I explained how the pipeline's driving your level on their draft decisions, has declined since the 2019 review. So, as a result of this, our draft prices for the pipeline are lower when compared to current prices.

So, for Essential Water this means access prices and usage prices will decrease by around 21% and 3% respectively and that's for the first year of determination period, and before inflation.

For offtake customers fixed prices and usage prices would decrease by around 17% and 3% respectively. Our draft decisions on prices means bills paid by Essential Water and offtake customers for using the pipeline would decrease over the 2022 determination period, and that pretty much concludes our presentation. I'll hand it over to Sandra.

Ms Gamble: So, Deb's just reminded me that I should remind you that the subsidy that the NSW Government provides covers the cost of the pipeline. I also have some late-breaking news, and I'm not passing on to Mike Martinson. I've just been told that we're going to have the pleasure of Fiona Smith, who's the Executive General Manager, Strategy and Performance at WaterNSW to give an introduction, and then she'll be handing over to Mike. So, I'll introduce Fiona. Can we turn her up on the screen? There you are. Thanks for that. And welcome, Fiona. I'll hand over to you.

3.3 WaterNSW presentation

Ms Smith: Thanks Sandra. I promise I won't keep Mike off the mic for long. I'd like to begin by acknowledging the Traditional Custodians of the land on which we variously meet today and pay my respects to Elders past, present, and emerging. So, thank you for the opportunity to join you today to be part of the discussion about the WaterNSW pricing proposal for the Broken Hill pipeline.

And as the executive responsible for Strategy and Performance at WaterNSW I'm joined here today with colleagues from our economic regulation team. So, Mike Martinson and Stevan Munich, and we also have a representative from our operational team too, Dominic Lattouff.

So, if we go to our slide 2 overview slide WaterNSW is a state-owned corporation operates under an operating licence, and it's issued and monitored by IPART. We operate the state's rivers and water supply systems under rules set out by the regulators. And with more than 40 dams across the State we supply two thirds of the water used in NSW to regional towns, irrigators, to Sydney Water Corporation and to local water utilities.

But the Broken Hill pipeline, it runs along the Silver City highway. It transports bulk water from the river Murray and Wentworth to Essential Water in Broken Hill and it represents a distance of around 270 kilometres and an elevation of approximately 280 metres, and the pipeline transfers water from the River Murray to a bulk water storage owned and operated by WaterNSW.

This bulk water storage has a capacity of 830 megalitres, so it's capable of meeting Broken Hill's demand for 22 days. And the pipeline itself was fully operational in April 2019 and has, since that time, been critical in ensuring a safe and secure water supply to the Broken Hill community, which is one of the hottest and driest regions in the country.

And we're delivering approximately 30% more water than IPART's forecast in the 2019 determination which is largely due to the pipeline becoming the primary source of water for Broken Hill, with less water being sourced from Essential Water's own infrastructure.

We're meeting all of the water security targets and aim to operate the pipeline in a way that keeps water prices low for our customers. So, our proposal builds on our 2018 pricing proposal prepared when the pipeline was being constructed and expected use and costs of the pipeline were, as we heard before, a little bit uncertain.

So, when we prepared our current proposal, we had the benefit of almost 2 years of operating data, and the insights from this period have informed our forecasting of water demand over the 2022 determination period.

The efficient cost of providing these services and the minimum prices necessary to recover these costs, and we consider that this operating performance should provide our customers, and IPART with confidence of our proposals.

So, IPART first determined the maximum prices that WaterNSW could charge for the water transportation services provided by the pipeline in 2019 for a 3-year period. So, from 1 July 2019 to the 30th of June 2022 in its May 2019 determination.

WaterNSW recognises that our pricing proposal is a cost input for the Essential Water determination, which in turn sets water prices for the Broken Hill community, and as such, and in order to ensure that we do what we can to keep water prices as low as possible, as an organisation we focus a lot on cost control and efficiency.

So, in June 2021 WaterNSW submitted its WaterNSW pricing proposal for the Wentworth to Broken Hill pipeline to IPART for transportation services along the pipeline from 1st of July 2022.

We proposed a package that would result in average customer bills decreasing by 4% in real terms by the end of the 2022 determination period. We proposed reductions in the access price for Essential Water and offtake customers of 5.3% and 2.7% before inflation. And increases in the usage price for Essential Water and offtake customers of 3.5% and 4.8% respectively.

WaterNSW proposed a 5-year determination period with risk mitigation measures to support an efficient allocation of risk and provide WaterNSW with accountability for those factors within our reasonable control. If appropriate risk mitigation measures are not implemented, we proposed a shorter determination period such as 3 years to reasonably manage risks in the outer years, and to align with our other determination timeframes.

We consider the draft determination generally represents a well-balanced approach to the regulation of our pipeline charges. We do provide some specific comments on a number of issues or concerns that we've identified. So, what I'd like to do now is to hand over to Mike and Stevan to run through some more detail around our proposal.

Mr Martinson: Thanks Fiona. We thought it would be a good place to kick off is looking at the key dimensions of our proposal. This is a graphic that we had in our pricing proposal that really set out the overall framework. So, we thought it'd be useful to go back and see which elements were accepted or otherwise. And I guess as an initial snapshot just echoing Fiona's thoughts, we think overall that it is a well-balanced package. But if we go through some of the specific elements, there are some things IPART accepted and some things that IPART did not accept.

I guess, kind of working through it at a high level IPART accepted our proposal for shut down, standby and restart charges to not be regulated, and instead to be negotiated with Essential Water, which is maintaining the current practice.

IPART did not accept our proposal for a 5-year determination period and instead recommended a 4-year period largely due to uncertainty over the potential commencement of a new mine in the later years of the period, and we'll touch on that a little bit more in this presentation.

IPART did not accept our proposal for greater use of risk management tools such as cost pass throughs and other reopener provisions. I will also touch on this in the presentation.

We were pleased that IPART accepted in principle our proposal for an electricity cost true-up following the June 2002 [2022] energy crisis in the NEM when AEMO had to step into the market. We've identified some other matters that should be considered in the true up that we'll touch on in a bit of detail as we move forward.

IPART generally accepted our operating and maintenance costs outside of electricity. We'll park the electricity side; with the exception of continuing efficiencies and regulatory submission costs we'll briefly touch on that. But other than those items, IPART's largely accepted our own costs.

IPART also accepted many elements of our approach to benchmark electricity costs but made some key adjustments that we'll discuss in the presentation.

We also suggest, and it'll be pretty evident from our presentation that IPART should adjust the wholesale price assumptions which have increased significantly as I think other speakers today have touched on, but we'll provide some slides that show that it's really been quite a stark increase in the benchmark electricity costs.

We're also pleased that IPART accepted our approach to the allocation of corporate support costs that we believe leads to efficient costs for the pipeline, rather than treating the pipeline as a standalone entity that was the case in 2019.

IPART maintained its standard approach to forecasting inflation and did not accept our approach for the glide-path approach based on the AER's methodology. We note that this is really a matter for the upcoming WACC review, and we won't be discussing this further today. Finally, I guess, when we put all those pieces together IPART did not accept our proposed price levels as it adopted a lower WACC and the lower costs identified above.

We also note that IPART did not provide a calculation of the revenue adjustment to ensure no windfall gains and losses arising from the 6-month delay to the determination timeline, and we'll touch on this in the presentation. Next slide, thank you.

So overall, we think the draft determination represents a well-balanced approach to the regulation of our pipeline charges, and we present, I guess our findings in the determination.

So IPART did propose a 4-year period, which became 3.5 years due to the 6-month delay of the pipeline. The revenue requirement, and Maricar had put this up previously, revenue requirement is about \$16 million or 16% lower than we had proposed. But almost 90% of that reduction is due to a lower WACC and the corresponding impact on other revenue requirement elements such as the tax allowance.

Pretty much all of the remaining reduction, about \$1.5 million per annum, to the revenue requirement over the – sorry, over the 4 years not per annum – arises from IPART's proposed reductions in the forecast energy cost, and therefore energy costs form a major element of this response.

So, in the determination IPART decisions had led to a lower usage charged by about 3% which would apply to Essential Water and offtake customers, but a significantly lower access price of around 20% before inflation for Essential Water and offtake customers by about close to 17%. Next slide, thank you.

So, we maintain support for a 5-year determination rather than IPART's 4-year determination period, which again, is 3.5 years due to the deferral. And we think this provides a more appropriate balance between reducing regulatory burden on WaterNSW and customers from participating in regulatory processes and managing the risks of unseen events or circumstances.

We recommend several changes to IPART's proposed energy cost allowance, and I'll touch on this in detail. I won't go through it in this slide.

And we recommend that no top-down continuing efficiency should apply. And this is on the basis that pipeline's costs are largely market tested, and the economic effects of the pandemic, including increasing inflation, higher input costs, global supply chain issues and higher wage growth driven by recent labour shortages, suggest that a productivity adjustment of around 0.7% per annum should not be applied over the next period.

We acknowledge IPART's in-principal acceptance of our proposed energy true-up mechanism to manage uncertain and uncontrollable items. And we propose additional elements to meet IPART's criteria for a cost pass through in recognition that some of these costs are both volatile and substantial, and Stevan Munich will talk to these when we get to that point in the presentation. Next slide, please.

We support IPART's intent to ensure that there are no windfall gains or losses arising from any revenue adjustment for the 6 months' timeline delay. And we think in addition to the items that IPART had identified in terms of adjusting the WACC and adjusting for inflation, but, there also needs to be adjustments for material cost changes to be addressed in the final determination. The increase in the cost of energy is the only addition to IPART's nominated adjustments that we're proposing.

We think that there's also adjustments that are required to the allowed revenues and the final determination before the draft findings pass IPART's financeability tests and Stevan will touch on this in his presentation.

We also think IPART should apply its framework for risk management from the current framework review, and in particular access to the partial reopener that largely reflects our original proposal in the final determination. We think adoption of this element of the new framework should address IPART's concerns around revenue risk should a new mine open.

Lastly, on this slide is IPART's allowance for regulatory submission preparation costs, we think is too low, and it doesn't reflect, even though it's a slight increase from the allowance of 2019, but we don't think that it reflects a fixed cost nature of the effort required to prepare our proposal. And a good example that we'll see from the next few slides really relates to the cost of energy forecast. And we think that some of these costs of preparation occur regardless of the size of the business. So next slide, please, thank you.

So, we proposed a 5-year determination period to balance the uncertainty of forecasts and the regulatory burden of determinations, and we think this is consistent with IPART's Framework Review, where the intention is for larger periods that include appropriate risk management mechanisms.

In the draft decision IPART has set a 4-year period due to the uncertainty largely around the potential opening of a new mine in Broken Hill at the back end of the period. Our view is that on the basis that IPART accepts the need for a proposed energy true up mechanism and feedback from the Framework Review on IPART's proposed cost pass through approach, we suggest that there is sufficient risk management in the framework that would justify a longer period for the pipeline. Next slide, please. And the following slide thanks.

So, jumping into the discussion on energy costs. From the introduction, it's pretty clear that, setting aside WACC, the largest reduction virtually all of the remaining reduction in our proposal related to the cost of energy. What this slide highlights is the components of the energy cost calculation and whether these components have moved significantly since we lodged our proposal.

The costs of energy include wholesale energy costs, which is really the cost of purchasing wholesale energy. And we have seen material cost changes which we'll touch on in this area.

Another key area of the energy cost is renewable energy costs. And that's complying with large-scale renewable energy target and small-scale renewable energy schemes and the cost of complying with the NSW Energy Savings Scheme and there have been moderate changes since our proposal was lodged.

There are other elements of the proposal. There's things like the cost of losses, market fees, ancillary services, retail costs or margin, where there's minor changes since our submission, which we're not picking up in our submission.

Finally, network and metering provides a significant component of the energy costs. This is covered by AER published network tariffs and metering charges which are not included. So, there's moderate changes with our proposal. We won't be focusing on the network element in our submission today.

So really, the focus then, is on the element that's changed material since our pricing proposal was lodged which is the wholesale cost of energy. So next slide thank you.

So, this slide really highlights that the wholesale cost of electricity has risen almost 5 times since our proposal was lodged.

When we put in our proposal in June 2021 the cost of energy, and we could engage our expert independent consultants on this, Frontier Economics that helped us prepare this proposal. But the benchmark price was around \$57 a megawatt hour, which then led to a wholesale price of between \$52 and \$54 per megawatt hour over the period.

Wholesale prices, and I guess if you look on the chart, the little red oval on the left that shows where the future prices were in May 2021 at around the sort of below market, the sort of \$50 to \$55. As you can see over the period of probably the next sort of 6 months or so, prices were – kind of – would gradually increase in the second half of 2021 but then really started to increase in early 2022.

As you can see in the chart on the oval on the right-hand side, is that prices started to increase rapidly in May 2022 and stayed at levels around \$270. That's two – seven – zero dollars per megawatt hour, or about 4.7 times a price from when our submission was lodged.

The focus on energy costs became national news when on the 15th of June 2022 the Australian Energy Market Operator (AEMO) suspended the electricity wholesale spot market in all 5 participating NEM states, saying it had become impossible to operate, and it's the first time the wholesale stock market has been suspended across the NEM since the NEM was created in 1998.

Really unprecedented wholesale prices have resulted in rapid repricing of retail price contracts offered to customers, and in some cases retailer insolvency leading to some retailer-of-last-resort provisions that is, the benchmark retail prices over the forecast period have shifted significantly. To ensure pipeline prices reflect the efficient cost of providing services, it's critical that the final report factor in these price movements. Next slide, thank you.

So, we recommend some changes to IPART's proposed energy cost allowance, and specifically the main change, or the main proposal is that IPART should update the wholesale cost of electricity to reflect the current benchmark costs and the current market conditions. That should be calculated to the end of June 2022, so effectively the latest date practicable prior to the start of the new determination had it commenced on the original date of one July.

There's other elements that we think need to be included, and those are IPART should accept their external consultant's advice regarding the fixed energy forecast. The fixed energy forecast has a quite significant impact on the overall cost of energy. There's an amount of energy that's used, that is fixed, and assumptions around whether that is in the cost of that are in peak, shoulder or off-peak demand, has quite a significant and surprisingly significant impact on the electricity cost.

We also think that IPART should adjust their stylised pumping profile for the variable energy cost and the maximum demand cost to reflect our operating environment. And I guess one element, I guess on that, I'm happy for you to leave the slide for the new one. But one element I wanted to pick up is that we think that irrespective of the fact that there is a – IPART is supportive of our – energy costs true up we think it's important that IPART does update the electricity costs over the period, and we think that that's standard practice, standard regulatory practice by IPART and other regulators, and that it helps to make sure that the future costs of electricity reflect efficient costs and the market's expectations.

I guess, cutting to the chase in terms of the energy cost update, so this slide it's a bit busy, and there's a few numbers in it. But what it does is it provides our originally proposed electricity costs, as well as an update based on June 2022 data, which is as close to the original commencement date of the new determination period as possible.

So, we originally proposed electricity costs in the order of \$1.5 million per year. We note that IPART's consultants, the CIE, largely accepted our proposed costs of the review and accepted 99% of our proposed costs. However, IPART's draft determination did not accept our proposal and reduced our proposed cost by about 24% or about taking it down to about \$4.7 million over the period.

When we look at our updated costs, there is a significant increase in electricity costs, and the wholesale costs in particular. So, the table at the bottom provides the updated estimates, and in our written submission to Tribunal this Friday, we'll set out in detail how these calculations have been undertaken. They're consistent with the framework and the approach that was done for our initial proposal.

But as you can see, while there's some large percentage changes in some items, really the key area where the costs have increased significantly are on the wholesale cost of energy. So that's really, I guess, as far as we want to take things on the energy side. So, I'll hand over now to Stevan Munich who'll talk through our approach to managing risk. Stevan, over to you.

Mr Munic: Testing is that good?

Mr Martinson: All good.

Mr Munic: In the next few slides we'll discuss our comments in relation to the energy true up mechanism, cost pass through framework, the 6-month delay in the start of the next determination period, and the financeability test. Over to the next slide.

As mentioned previously the energy true up, we commend IPART for recognising the merits of introducing an end of year true up to manage the movement in the benchmark cost of energy. Specifically, IPART said in its draft that it would consider whether an adjustment to prices is required, and whether and how best to make a revenue adjustment at the next review.

We do, however, seek greater clarity from IPART as to how it intends to apply the true up mechanism in the next subsequent determination period in 2025. As an example, we refer to the IPART WACC methodology and cost of debt true up as a good example of IPART providing this clarity to industry as to how it intends to apply its pricing mechanisms in future regulatory periods.

The events over the past few months in the energy market have highlighted the need for additional features to be included in the true up assessment as mentioned by Mike. In our response to the draft determination, we will be proposing a cost adjustment to the true up mechanism for the potential value of reliability and emergency reserve trader charges and generation compensation charges, which are levied on market participants and are outside of our control and the impacts of these charges can be quite substantial.

In addition to this, we'll also propose a cost adjustment to consider the benchmark cost of renewable energy schemes including the large-scale, small-scale and the NSW Energy Saving Scheme.

In the next slide in regard to the cost pass through framework, we proposed the targeted cost pass through framework to address the risk of certain defined events, unforeseeable events, and uninsurable events that may impact on the efficient costs of providing pipeline services. These events included tax events, natural disasters, insurance-related events, and regulatory change events, among other events which are outside of our control.

In this draft decision we note that IPART has not accepted our proposed cost pass through mechanism, we do however note and as flagged in the previous slides, that this statement appears to be inconsistent with the findings of the IPART economic framework.

In that review in one of its draft papers IPART noted the need to include or endorse the need for a cost pass through framework for the determination of water agency pricing to manage cost uncertainty. And in our response to that review, we supported this proposal. So, we ask that IPART consider our concern whether its proposed cost pass through framework, as described in that separate IPART economic framework review, would apply to our Broken Hill pipeline determination.

And just for reference in the next slide we have we've set out the flow chart from one of the papers of that framework review. The flow chart depicts the process for assessing whether certain costs known pre-determination should be subject to the 5 mechanisms below there.

So, the upfront costs passed through, a partial reopener of the determination, a full reopener of the determination, a letter of comfort, a true up mechanism or whether the costs should be forecast in advance in the base amount, by either the utility and or IPART in setting allowances.

So as flagged previously by Mike, this framework might be one way to address the cost and volume uncertainty raised by IPART in response to the re-entrance of a potential new mine operating in Broken Hill over the next 4 years. And we ask that IPART consider the application of this framework for our pipeline determination.

In the next slide, so, as highlighted previously IPART had delayed the commencement of the next determination period to 1st January 2023. As a result of this delay WaterNSW has been levying the existing determination charges from 1st July 2022 until the start of the next determination period on 1st January 2023. As mentioned by IPART in its draft decision this may create windfall gains and losses and WaterNSW does support IPART's intent to ensure no gains or losses arise out of the 6 months delay.

So as mentioned, we do agree with IPART's proposal to include a cost adjustment for changes in the WACC, foregone inflation, and an adjustment should WaterNSW over or under recover its revenue requirement over the 6-month delay period.

However, we note that there's been material cost changes which need to be included in the final determination that would otherwise have been included in the revenue requirement had the new determination taken effect on 1st July. This includes any increase in the regulatory allowances for the pipeline, which should have been in effect on 1st July 2022.

As mentioned in the previous slide, and by Mike, we've highlighted that there's been a material increase in the cost of energy for the next 4-year determination period, and in particular for the FY22-23 financial year. Had the determination taken effect on 1st of July and if those costs were accepted, that additional cost would have been recovered from customers from 1st July 2022. So, we request that this material increase in the cost of energy should be included in the final determination had it taken effect on the 1st July 2022.

Over in the next slide, these slides, this side takes us through our concerns with regards to financeability. The financeability test has a key role to play in promoting customer's long-term interest in ensuring that WaterNSW has the ability to finance its regulated activities, and to provide those regulated pipeline services.

To meet those financing requirements IPART has proposed 3 tests of financeability which you can see there to your right in Table 8.8, real interest coverage ratio, the real funds from operations over net debt and net debt over the RAB.

We note that IPART has not identified material financeability concerns for WaterNSW. However, we note that one limb of the financeability test was not satisfied. This is the real FFO to net debt ratio. The target ratio being 7% and over, and over the next 4 years under the draft determination revenue requirement this is 4.7%, increasing marginally to 4.9%. This measure is an important measure of our ability to generate cash flows, and to repay the principal of the debt for the pipeline.

IPART noted that the failure of this limb of the financeability test was due to the fact that the WACC was set too low, or there was an insufficient depreciation allowance or a combination of both of these factors, and we agree with those comments.

We suggest, however, that IPART should adjust these factors in this final determination, and until all limbs of the financeability assessment is satisfied.

IPART suggests that a higher WACC between the draft and final report may improve upon the results, but on the other hand, a lower WACC will make the financeability outcomes even worse for WaterNSW. As a minimum in setting the WACC for the final determination we submit that IPART should use more current market data for the WACC parameters, for instance, an averaging period to 31st May 2022.

In determining the forecast inflation for the WACC and calculation of the geometric average use the RBA's one-year forecast from the February 2022 statement and monetary policy, which we understand IPART would have used had it set prices on 1st July 2022. This would ensure that financeability outcomes for WaterNSW are not worsened.

We've reached the end of our presentation so I'm happy to take any questions or invite any questions. Thank you.

3.4 Questions and answers

Ms Gamble: Well thanks, Fiona, Mike, and Stevan. I'd like to just ask the audience here if you have any questions. I know we have one online, at least, but I'll open it to the floor here first, and see if you have any questions. Okay, I think we can move straight online. Have we somebody there to ask that question directly, or would you like me to ask it on their behalf? Well, there's one from Kylie Lawrence. I can't read that now. [inaudible] That is a question that is a little bit beyond our scope. But I think, Deb, would you like to answer that?

Ms Cope: Failed microphone again. So, we have as we've said before, we've got an understanding from the Government that the costs of the pipeline will be covered for the whole of this determination period. We don't have any indication of what's going to happen after that, and we don't have any indication that that won't continue, but I can't give you any iron clad guarantees on that.

What I can say is though, that if that changed at any point, we would be back here having these conversations with everybody in the room. We would not change prices without redoing this whole process again. And we would need to take the affordability into account as part of doing that process. So, it's a bit of a hypothetical at the moment, so I can't give you an answer, but I can tell you with an iron clad guarantee that nothing would happen without a very long and detailed conversation with the local community about what that meant, and how we would deal with it.

Ms Gamble: Okay, do we have any other questions online? I'm actually struggling to read the questions from here, there's no other questions, okay then. I do have a question that somebody else has raised on the channel that I've got here, and that is in terms of the energy true up mechanism, WaterNSW do you have a view of what that would look like?

Mr Martinson: I might tackle that one. Look we do, and as part of our submission we will set it out in detail, and I guess we had set it out in our initial proposal. When we were looking at wholesale energy cost changes and network cost changes, but effectively it's trying to, if we look at the different components in isolation, if we're looking at the wholesale cost of electricity, it would effectively be looking back at the end of the period to say, what was the benchmark cost of electricity over that period and adjust accordingly.

So, not dissimilar from IPART's costs true up for the cost of debt, and we set out, I guess, the formulas and the detail – the specifics – behind how we think that would work in our initial proposal, and also our proposal that we are lodging on Friday.

In terms of network costs, I guess it's a similar approach. The fact that the AER – so an independent regulator – sets the electricity charges for Essential Energy, which then I guess we have to pay in terms of operating the pipeline. We set out a process where it's effectively just looking at what would be effectively passing through the network charges that are used for the pipeline. Recognising that again, it's outside of our control, and it's set by another independent regulator.

So, without taking up too much time on this, there's a fairly detailed set of calculations in terms of how the process would work, but effectively from a principal perspective it comes back to looking at assumptions that were made at the time reviewing that ex-post to see whether or not costs had changed materially.

And I guess it's one to highlight. But it's really, it's not just something we are asking for cost increases, but if there were cost decreases, we would not be seeking those. The framework we've put up is one that's a symmetric approach to this, and it really is recognising that really the costs are outside of our control, and therefore the cost changes, whether those are up or down, should be adjusted in a period, in the subsequent regulatory period.

Ms Gamble: Okay, thanks, Mike. I have a question from Deb Cope that she'd like to ask of WaterNSW.

Ms Cope: So, I'm testing my memory here, so you might correct me if I'm wrong. But we asked the question when we did the last review about had you thought about solar as an alternative to grid electricity, and my recollection is that the answer then was yes, and we've done the numbers, and we've looked at the contracts that we can get, and it's actually cheaper to get it off the grid. However, at this point it looks like those numbers have shifted quite a lot in the terms of the cost of the electricity. So, have you redone the alternatives just to make sure that what you're proposing is the most efficient way of powering the pipeline?

Ms Gamble: Mike?

Mr Martinson: I'm happy to tackle this. So, yeah, in terms of solar and you're right, Deborah, from the 2019 determination, and I guess the original construction contract at the time was looked at in terms of what was the most cost-effective approach in terms of providing energy. Whether or not that was from solar, or whether it was to be sourced from the grid. So, in terms of the cost of connecting to the grid is what was built into the capital cost. That's in effectively what's in the ground at the moment.

That said, we continue to look at whether or not solar moving forward is something that might be attractive and might be a lower cost option moving forward. So in the current time, we are exploring those options. But at this stage, we don't have any further updates in terms of whether or not it would be, you know, retrofitting solar at this point, whether it's increasing costs or the like. So, it's certainly something that's on our radar screen. It's an analysis that we're currently looking at undertaking, and if it proves to be something that is in the long-term interest of customers, and it ends up being a lower cost option, then we would expect in our next determination we would be proposing that outcome.

Ms Gamble: Okay, thanks, Mike. I just have one more question, and it's not surprisingly on electricity as well. So, I noted in your slides you're talking about electricity from a number of different components point of view. So, you've got the wholesale price, you've got the network price, you've got the renewable energy price or the cost, and the reserve trader and the ancillary services. Does that mean WaterNSW that you're procuring energy on a wholesale basis, or you're planning on buying it on the spot market, or are you considering buying it on the retail market, in which case it would be market-tested and potentially sort of provided on a competitive basis?

Mr Martinson: A couple of, so good question. In terms of setting the benchmark price for electricity, the approach that we've put forward, that I think both Frontier and the CIE have basically, I think, endorsed the approach that it makes sense to look at over a determination period in setting a benchmark price. But there are some external checkpoints and external measures in terms of what should set those prices moving forward. So, as an example, the wholesale energy price that tends to be used by retailers also in terms of setting their costs, tends to be based on a 40-day average of the ASX Futures. Network costs set based on the AER's approved charges as we've touched on.

So, there's a couple of different elements in terms of setting the benchmark over a period. The approach that we've put up, I think, is the appropriate one, that does look at the market measures from a benchmark price.

In terms of what that means for retail contracts moving forward, as you're no doubt aware, it's very difficult to get any contracts that are longer than a few-year period. And we would expect that retailer contracts would reflect the same measures that ourselves and our experts, and IPART's experts would look at in terms of assessing what we think that future price is.

So the long and the short of it is, I think the approach that we've set out is the right one in terms of the mechanism to set the benchmark price. What that means in terms of signing up to a retail contract moving forward, you're right, we are unlikely to sign up to just being fully exposed to the wholesale spot market, and we would be looking at signing up to retail contracts. But I guess, just noting that those are likely to reflect the same measures that we're incorporating into our proposal in any case. So, hope that answers your question.

Ms Gamble: Okay, thanks, Mike. I'm conscious we've got 7 minutes left until 2 o'clock, and I know that Carmel would like to make some closing remarks, so I'd like to pass over to Carmel right now. Thank you.

3.5 Closing remarks

Ms Donnelly: Thanks Sandra. And let me start my closing remarks by thanking everybody who's come along today and joined us by Zoom. It's been extremely useful. We really value your input. There's certainly been questions that have been asked today that have raised matters and perspectives for me, that I now understand better, and that's been extremely useful for the Tribunal. I hope you found it useful as well.

We will take into account everything that's been said today. So, I might just talk a little bit about what happens next through that process. If we can go to the next slide too. So, we will after today publish a link to the recording for this, so that's publicly available for everyone, and we'll also publish a transcript.

We are inviting submissions. There's a few more days until the end of the week, until we have submissions that are due in on Friday the 9th, and we'll consider all of those, and we do usually publish submissions unless there's a good reason that people have asked for confidentiality. So as soon as we're ready and able to do that, we'll make them available so that everyone can see what's come in on the submissions.

Our process, then, is to consider everything that's been said today. Everything's been said in the submissions, and produce our final report, which will come out in November for the prices to start from January next year.

In the meantime, and I think there's another slide, we do welcome you getting in touch with us. Matthew Mansell, who's here, but also, we've given you his phone number and his email address. If there's something that you would like to get in touch with us about, do feel free to do that. And also, I think we have contact details in all of our different reports. When you open the report, you can see who to get in touch with and happy to talk further or exchange information if there's something that would be useful for us, so we make the best possible decision. So that said, I want to just come back and thank you very much for making the time and coming along today, and I think we can close the public hearing. So, thank you very much everybody.