



WAMC and WaterNSW 2025 water pricing review

Public Hearing Transcript

November 2024

Water >>

Acknowledgment of Country

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

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

Tribunal Members

The Tribunal members for this review are:

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The Independent Pricing and Regulatory Tribunal

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1.1 Welcome and introductions

Andrew Nicholls (IPART): Well, good morning, everyone. Let's make a start. We've got a big agenda ahead of us today. Welcome to today's public hearing. It's great to have so many of you with us today. My name is Andrew Nichols, and I'm the CEO of the Independent Pricing and Regulatory Tribunal or IPART.

I'll be managing the workshop today, so I'll just start with a little bit of housekeeping. If I can encourage you to keep your microphone muted, if possible, when you're not speaking, just to avoid feedback and any background noise. And we encourage you to keep your cameras on if your Internet connection is up to it, and also, if you're comfortable doing so of course, as it helps us to connect with everyone here in the meeting.

If you could put your name on the zoom window. There's some instructions for how to do that in the chat box, and if you are here representing an organisation, if you could also note the name of your organization as well. To help with accessibility, we have turned on Zoom captions, and there's a message in the chat on how to turn these on as well. Just so that you're aware and to ensure we have an accurate record of the discussion today, the hearing is being recorded. This recording will be available on IPART's YouTube channel until the end of this review process. A transcript will also be published on our website along with the presentation slides and the agenda for today. This is an important part of the process, so that stakeholders who can't join us today can find out more about the important issues that are being discussed here at the hearing today, and so that recording will be available through to the end of the review process.

Also, if I can just emphasise that being a public workshop today, the media, and in fact, anyone who's present here today are free to publish and refer to what is said during this workshop. And if there's anyone joining us via telephone today, we'll let you know later in the process, how you can also join us in terms of raising and lowering your hand and muting and unmuting. I'll also briefly go through how we plan to run our discussion today. Firstly, we want to encourage a meaningful and productive discussion today, and we're interested in hearing from as many of you as possible at this hearing and we will be providing several opportunities to speak during the discussion times today. We do have a large number of people, and so the aim will be, whether it's through verbal presentations or through notes in the chat, to hear from as many of you as possible. It's also all of our responsibilities to ensure that we have a safe and respectful environment where everybody feels comfortable to speak and feels safe to share their views.

And we invite everyone that's here today to share their views freely. But if I can also ask that we're respectful of each other and also respectful of each other's time, we do have more than 100 people registered today. If you can take that into account and keep your comments as focused as possible, that would be great, and of course maintaining a respectful environment in the way that we convey those points.

And please allow others to have their say, even if you don't agree with the points. We kindly ask that everyone remains patient and respectful in your communication and so please don't interrupt somebody who's speaking. Please put your hand up or drop a note in the chat. There are plenty of different ways that you can make sure that your viewpoint is being put forward. As I say, I will do my very best to get to each and every one of you today.

And if we're not able to get to everyone today, given the numbers allocated, please make sure you put your notes and key points in the chat. All of that information is taken into account as part of this review process and we will as appropriate, get back to you after the public hearing if there's some specific queries or questions that you raise. Okay well, with all of that sort of housekeeping out of the way, we might turn to the agenda itself for today.

So today, we're going to begin with a brief overview of our water review process, with an opportunity for those present to make any opening remarks. We will then hear from WAMC (the Water Administration Ministerial Corporation), known as WAMC, on its proposal, and then invite any comments or questions on that presentation.

You'll then hear from the IPART secretariat on the key issues and the context for this proposal, followed by another opportunity for discussion. Now, it's a long session. We're going to have a break at around 11:30am and we'll probably allow about 30 minutes in case people want to get a leg stretch or something to eat. We'll be back around midday to then hear from WaterNSW on its proposal, and then invite questions and comments on it as well. Then, following the same pattern, the IPART Secretariat will raise some of the key issues in the context, and there'll then be a final opportunity for discussion on all of the issues that you've heard today.

To kick off the process, I will now hand over to our Tribunal Chair, Carmel Donnelly, to start the hearing.

1.2 Welcome

Carmel Donnelly (IPART): Thank you, Andrew. Good morning, everyone, as Andrew said. My name's Carmel Donnelly. I'm the Chair of the Independent Pricing and Regulatory Tribunal known as IPART for short and joining me today are fellow tribunal members Jonathan Coppel and Sharon Henrick.

Thank you very much for making the time to join us today. You'll notice that we're also assisted by some of the IPART secretariat who are working on this review, including Fiona Towers, Matt Mansell, Eva McBride, and some others.

Now let me start by acknowledging the traditional custodians of the lands from where we are all joining today, and I'm joining you from Yuin Country. I want to recognise the ongoing connection of Aboriginal peoples to the land and water we now call NSW and pay our respect to elders, past and present and extend that respect to Aboriginal and Torres Strait Islander people joining us today.

I'd like to open by letting you know just how much we very much welcome and value your input into this important review of both WAMC and WaterNSW's rural and regional prices. People from IPART are here today to listen, and everything that is said today will be taken into account by the Tribunal. And it's an important part of our consultation. The online public hearing is, firstly, an opportunity for people who may not have the opportunity to put their views in writing in a submission, but just to tell us. And so that's very important.

And the reason that we are holding this online is to give as many people as possible around NSW a chance to join without having to travel, so we do thank you very much for the time. Now I will just make a few opening remarks about how IPART will be assessing these pricing proposals.

And I just might ask that we move on to the next slide. We are required to consider a range of matters under legislation, and they include, you know, is there an abuse of monopoly power? What impact will the prices have on quality and reliability and safety of service delivery impact and on environmentally sustainable development. We particularly will be looking at are the costs outlined in the pricing proposal accurate? Are they efficient? And what is the social impact on both farmers, other industries, including water utilities, the local water utilities like councils, and also their customers. And included in that is considering cost shares, and also considering capacity to pay. So, it's quite a broad framework that we will consider. I might just say these are going to be the prices that would commence from 1 July 2025, and the last time we did a review of these prices it was in 2021: a substantial review. Well, I might just ask for the next slide.

On top of what I've just mentioned, we have a robust, regulatory framework that we use to look at a number of questions about how well customers have been engaged, how well customer needs are being met and also whether the costs are completely robust, and other considerations like equity as well as the credibility, the ability to deliver.

And I will just end there, perhaps, by letting you know that that method that we will use to assess these prices is also outlined in the Issues paper for this review of Regional and rural water prices on our website as well as all of the documentation about these proposals. Sorry, there's someone talking, but I think they need to go onto mute. I think we have time, and I would welcome: As Andrew has outlined, there are going to be a number of opportunities for comments and for discussion and questions. But I would just like to invite any of the attendees today who would like to just briefly introduce yourself and what's important to you very quickly before I head back to Andrew, our MC and we get moving on to WAMC's presentation.

I might just ask that we stop sharing slides now. Claire, you've got your hand up, so please feel free to introduce yourself.

Claire Miller: Hi! Sorry. Excuse me. Claire Miller. I'm the Chief Executive Officer at the NSW Irrigators Council. We're paying particular attention to whether or not, NRAR and the Department and WaterNSW are, in fact, delivering their services efficiently, and whether or not they're actually prioritising, they can't do everything. And these price rises are absolutely exorbitant, and they seem to be just a case of keep on adding new services, new things. And so we're just really keen to you know, really get to the bottom of just how efficient, really, and how much more efficient could these entities be. We're also concerned about the cost sharing arrangements and also the impactor pays model. Thank you.

Carmel Donnelly (IPART): Okay, thanks, Claire. Now I have a few other hands up. I'm not sure who was next, so.

Andrew Nicholls (IPART): Mel might have been next, then Jarrah.

Carmel Donnelly (IPART): Mel. Okay. Andrew, we'll go, Mel. Then Jarrah, and then Jennifer. Mel.

Mel Gray (Nature Conservation Council): Thanks all. I'm Mel Grey. I'm the Water Campaigner at the NSW Nature Conservation Council. I'm here to support the WAMC submission from the Department for increased funding for the development of water sharing plans and policies. We have been advocating strongly in the community for significant improvements on water management in inland NSW.

And I'd like to speak about what's at stake and the risks to inland NSW if climate change isn't considered in extraction limits. And that the way that water determinations are made aren't reviewed, as is now legal requirements in several water sharing plans. Thanks.

Carmel Donnelly (IPART): Thanks, Mel, and we'll hear from you later, I'm sure, on those matters. Jarrah.

Jarrah O'Shea (RMCG - for MIL): Yeah, good morning, everyone. And thanks for hosting this session. My name is Jarrah O'Shea, consultant at RMCG, and I'm engaged by Murray Irrigation Limited today. And yeah, particularly concerned about the overall price increases. But I think specifically the operating expenditure increases and also proposed changes to price controls as well.

Carmel Donnelly (IPART): Thanks, Jarrah, thank you, Jennifer. I think you're next Jennifer McLeod.

Jennifer McLeod (CICL): Good. Thank you. So, I'm Jenny McLeod from Coleambally Irrigation. I'm the Policy and Communication Manager. So just to add to the comments made by Claire and Jarrah: We've been asked to respond to the pricing proposals, and IPART will be looking at efficiency and credibility.

The pricing proposals from both WAMC and WaterNSW are extremely difficult for us to analyse and build a good understanding of the costs and our capacity to respond to the questions IPART are asking is limited by the way, the pricing proposals are being put together. And we obviously are from the Murrumbidgee Valley, which is a very big valley in NSW, with a lot of entitlements and a lot of water use and we need to understand what are the real drivers, for our valley, of the proposed price increases, which from our perspective, are unacceptably high.

Carmel Donnelly (IPART): Thanks, Jenny, and look I just might say a few words. We have done some work to hopefully assist with people from different valleys understanding what the potential price impacts for them might be. There is on our website, an information paper that presents in detail, valley by valley, the proposed pricing for both WAMC and WaterNSW. Now it's based on the full cost-recovery scenario for WaterNSW but there's a lot of information there. If you haven't had a chance to look at that, that may assist. But I will just also say that at the end of today we will no doubt give you some contact details, and it might be that in preparing your submission you're able to have a conversation with someone in our team who can point you to: I mean, I know these pricing proposals. Some of them are 500 and something pages, and some of them are more like 1000 that we're dealing with, point you to a way to see what the impact is in more detail for you.

Nonetheless, we will be asking those questions about what's driving the costs and looking at it in detail. So, we welcome you looking into this Jenny and others, and giving us a submission which submissions are due by the 9th of December. But we will also be asking those questions that you raise. If you're unable to look into it, let us know what the question is and we'll look into it in our assessment. I'm just looking to see whether anyone else wants to speak at this point. I'm sorry, Jennifer. I can see "the drivers of the costs", and we will look into that. We will most definitely be looking into that as well. If not, then I will hand back to Andrew for us to move on with the agenda. So, thanks to those people who've introduced themselves just at this preliminary discussion. So back to you, Andrew.

Andrew Nicholls (IPART): Great. Thank you, Carmel. Thanks for those who've introduced yourselves. But there'll be plenty of opportunity for everyone to have their say throughout the course of the hearing today. We'll now move to our first session, and we're going to kick things off by a presentation from WAMC. So, we've broken up today into a presentation from WAMC and then from WaterNSW. We're looking at these together because combined, they have the effect on bills that people are paying in rural and regional NSW. But because they are separate determinations that we make: we make one for WAMC and one for WaterNSW, we will be discreetly looking at each component as 2 separate sections of today's hearing. Just to give you a bit of an explanation about the approach that we're taking.

We're going to kick off with a presentation from WAMC, which will run for about 20 minutes or so, and then after that we'll open up for discussion on any questions or queries you might have about what you've heard. Then we'll move to a presentation from IPART and have a second round of conversation. But without any further ado, I will call on Amanda Jones from the Department of Climate Change, Energy, the Environment and Water, otherwise known as DCCEEW, Andrew George from WaterNSW, and Craig Knowles from the Natural Resources Access Regulator or NRAR.

Those 3 agencies collectively manage the affairs of WAMC. And so, I'll pass now to Amanda, Andrew and Craig to walk us through their presentation. Thank you.

1.3 WAMC presentation

Amanda Jones: Thanks very much, Andrew. Amanda Jones here and thank you all for your questions. I think that really sets out our challenge very well that, at the end of the day, we need to find a balance between all these competing drivers and demands and that's really the purpose of today. So, thank you all very much for joining.

I'd like to acknowledge the Wallumedegal people of the Dharug Nation. That's where I and my colleagues are today, and we're joining you from Parramatta. Next slide, please. WAMC's functions are set out really in the Water Management Act to provide sustainable management of water sources for now and for future generations. Water entitlements in NSW are estimated to be worth about \$41 billion. But then the value of our natural water sources in NSW is valued at about \$470 billion.

Together, the Department sets the rules water, NSW implements the rules, and NRAR enforces the rules to deliver WAMC's water management services and protect our water sources. WAMC is unique in being both a service provider and a regulator, but it is mostly a regulator. We must deliver these activities. They are not discretionary, and it is important that we do it efficiently. To achieve this, the agencies have worked together to deliver services and minimize the risk of duplication. For efficiency, we have developed joint IT and business improvement programs and undertaken joint engagement with customers and stakeholders to develop this IPART proposal. Next slide, please.

WAMC's performance has improved over the last 4 years. We have delivered on almost all of the performance measures set by IPART in its 2021 price determination despite challenges of increased workload during this period, including events such as the mass fish deaths at Menindee, and supporting subsequent external reviews and actions, the independent panel review of connectivity in the Northern Basin, some litigation and responses in relation to water sharing plans and floodplain harvesting decisions, delays in some activities due to wet weather and flooding.

This slide highlights some of the key achievements during this determination period: I'll just mention a few: Finalising the regional water strategies which set out a 20-40 year horizon for water management, resubmitting 20 water resource plans to the Commonwealth. We've delivered system improvements in the WAVE project, the Water Insights portal and the Water Licensing Improvement Program. We've established licensing of floodplain harvesting in the Northern Basin and we've undertaken education and engagement about compliance activities, including holding many sessions on farm. Next slide, please.

There are 4 key drivers that have shaped our proposal for 2025-30. The first is our legislative responsibilities. As I've mentioned, our services are statutory: required under the Water Management Act. We aim to deliver these services at the lowest possible cost, not just to customers, but also to the taxpayers of NSW, who pay for these services as well. But over the next 5 years our water sharing program is fivefold what IPART provided funding for in the last determination, and it is becoming much more complex with the challenge of accounting for climate risk in our water sharing plan rules. This requires more science and modelling, both hydrological and economic. The second driver is implementing the long-term strategic planning that we've done and actually leveraging the work that's underpinned those strategies like the State Water Strategy, the Regional Water Strategies, the NSW Groundwater Strategy, and we are currently finalising a NSW Aboriginal Water Strategy.

In the next pricing period, we'll build on the investment made, including building on the climate risk methodology we have developed. For example, the office of the Chief Scientist and Engineer has just established an Independent Panel to review the next iteration of our climate risk methodology to confirm if it is fit for purpose to include climate impacts into our statutory Water Sharing Plan rules.

The third driver is to continue to improve. We've made improvements during this last period. We've had a greater coordination between the 3 agencies, greater transparency about decision making, significant improvements in program delivery and better accounting and systems and processes. We need to build on these improvements to deliver an ambitious efficiency program with target reductions in average annual operating expenditure compared to 2023-24 actuals.

The fourth driver rather is customers and the community. The 3 agencies engaged jointly with the community and with customers to inform this IPART proposal, and we've made commitments in the new customer charter about how we will engage going forward and report publicly on our performance. We also engage continuously with stakeholders on how to deliver our core statutory functions.

Next slide, please. I won't go through this slide in detail, but it gives you the stats on the engagement that we have undertaken. Once your customers are diverse, from somebody on a small property running a few cattle through to our irrigation corporations, government water entitlement holders, local water utilities, mines and power stations, and others. The WAMC agencies undertook comprehensive engagement and recognized this diversity. We engaged with a range of stakeholders to help inform this pricing proposal. While WAMC largely performs regulatory functions, we've also used what we've heard through this engagement to shape the priorities of our pricing proposals.

Our engagement was comprehensive and included a voice of customer survey, customer advisory groups, newly established water working groups and, as you can see from the stats on the screen, it was intensive. The feedback on this engagement, along with the need to meet our statutory obligations is what has shaped our proposal. Next slide, please.

So, we need to be very accountable for the outcomes we deliver, and we need to report on those transparently over the next 5 years. We've taken the customer feedback we've heard and the consideration of our statutory requirements. We have 4 key outcomes. The first is enhanced customer experience. Investment in the joint technology roadmap that we've developed is all about making it easier for customers to get the information they need and to improve the speed and ease of transactions with WAMC.

The second outcome is the sustainable water management of our resources. And here we really need to adapt to climate change and take that into account in our water sharing plans going forward. The third is we really need to provide confidence. That confidence will come through transparency about data sharing, transparency about evaluating our water sharing plans and reporting publicly on their performance, and also with stronger compliance, education and support and enforcement. And the fourth outcome is value for money. We must deliver these services efficiently, and we have a strong efficiency program in the proposal. Next slide, please.

WAMC prices today are below the full cost recovery as levels of price rise have been capped during the current period. We are proposing a managed path towards full cost recovery at a pace that avoids the risk of price shocks, charts a path to full cost recovery for an increased level of efficient WAMC costs, reflects the diversity of our customers where a small number of large customers hold most of the water entitlements (4% of licensees hold 80% of water licenses, whereas many small licenses hold a small amount of water entitlements. 50% of licensees hold about 1% of water entitlements. We need to respond to this diversity in our customers.

Our proposal is to continue the price cap of 2.5% per year plus inflation for around 24,000 small water users who pay the minimum annual charge. These customers only hold about 3% of water entitlements. For customers with larger entitlement volumes, we propose an annual 15% increase plus inflation over the 2025 determination period. While this increases the pace of the transition to full cost recovery relative to the pace of the 2021 determination, it means that, like the current determination, prices continue to be set below cost reflective levels to manage bill impact on customers.

Our analysis indicates that most of these businesses generally have a greater tolerance for price increases and can transition at a faster pace to cost reflective prices. Over the current determination period, there has been consistently high levels of water availability and strong profitability in key industry sectors. And we propose that water users should pay 42% of proposed efficient WAMC costs, and the NSW Government share should be 58%. Next slide, please.

Over the current period, the efficient water resource costs as determined by IPART, which is the red line on this chart, have been outstripped by our actual costs. This has been due to challenges that were not anticipated in the 2021 determination, like the mass fish deaths at Menindee, like responding to a number of independent reviews and NRC reviews of our water sharing plans, and due to some delays due to flooding. Also the scope and complexity of implementing floodplain harvesting reforms in Northern Basin, and non-urban metering reforms have far exceeded the 2021 cost forecasts. The costs of developing critical strategies, modelling and methodologies that now provide the foundation for incorporating climate impacts and new data into our water sharing plans going forward and a recognition of the need for higher levels of compliance activity to respond to both community and customer expectations.

We also had to remake 20 water resource plans for submission to the MDBA and the Commonwealth and we are now more accurately recording and forecasting WAMC expenditure. The gap in this expenditure was made up by the NSW and the Australian Governments, who paid for 48% of the costs occurred in the current period.

They picked up this shortfall because these costs were also related to reforms. If you could click again, this slide's animated. Thank you. And perhaps one more time. Thank you. What you can see in the period going forward is that while we have upward pressure on our costs, we are looking to be more efficient in delivering a bigger program of work. We have upward pressure on our costs because of the need to deliver a significantly larger water sharing plan and flood management plan program and also to take into account the complexity of climate change into our water sharing plan rules.

There are reforms that now have become WAMC business-as-usual functions as well with regard to adjustment to the Murray-Darling Basin, the continuity and need for greater levels of compliance activity to meet community and customer expectation and the importance of investing in whole-of-sector digital services to improve customer experience, enhance transparency and operational efficiencies over the next 5-10 years and also as a result of the cessation of government gap funding, particularly for Murray-Darling Basin reforms. We do have an ambitious strategy to be more efficient while delivering this increased program over the forward years. The key elements of our efficiency plan are in the proposal, and they do include some modest investment in technology so that we can improve data management, we can have faster and easier customer transactions and improve customer metering experience and compliance management.

We're taking a risk-based approach to target effort on increased volume of water sharing plan reviews and replacements. We're improving our financial management and our project and program management, and we are integrating our engagement and communications approach. So, thank you, that is all from me, but I'd now like to hand over to Craig Knowles, the Chair of NRAR.

Craig Knowles (NRAR): Good morning, everyone, and thank you to IPART for hosting this important workshop. I'm joining my colleagues from Southern Victoria; I'm travelling at the moment. So, whilst paying my respects to the traditional owners, I also hope that the web link holds up for as long as I'm able to stay online with you all today.

I'm going to make a formal statement on behalf of the NRAR Board. I've been the chair of the Board since its inception in 2017. By way of preamble, I want to record the following. Firstly, I think it's important that we all remember that 2017 represented a broken time for water. Confidence in water management and the NSW Government's administration of water back then had been lost and consequently NRAR was created with a mandate to rebuild and win back the public's confidence and ensure effective compliance and enforcement of our most precious resource - of course water. We're now 6 and a half years old. We have a successful record of confronting some of the most egregious acts of environmental vandalism and criminality and we've gone some way to win back the confidence of industry and the public. That's been a hard-fought journey, and there is much more to be done, but the independence of NRAR, the independence of the Board has been an essential component to winning back and keeping the public's confidence.

Our independence has been enshrined in our legislation and has enabled us to act in a frank and fearless manner to reestablish the confidence that the public have in our compliance and enforcement activities and of water management in NSW. Although there has been a great deal of progress made since the ABC Four Corners episode: "Pumped" and subsequent inquiries that followed back in 2017, more needs to be done to ensure the independent regulator endures, and that communities, industry, the environment, and the cultural assets which rely on water remain protected and supported. We have a legislative mandate. We operate under legislation with clear statutory objectives to ensure effective, efficient, transparent, and accountable compliance and enforcement measures for the natural resources management legislation and to maintain public confidence in the enforcement of the natural resources management legislation.

Important to say that other than for specific and quite limited purposes, NRAR is not subject to the control and direction of the Minister for Water. Our role is to administer the compliance regimes that govern the extraction of water from our rivers and aquifers for whatever purpose and value, be they economic, social, environmental, and cultural. As Amanda has just said, this water has a tradable value of somewhere between 35 to low 40s billions of dollars and contributes somewhere between \$3-\$4.5 billion in productive value annually. Not to mention, perhaps, the priceless intrinsic value to communities, cultural practices and the environment. An effective compliance regime that has the public's confidence serves to both protect this asset while providing social license to its users.

Our stakeholder engagement over the last 6 years has revealed that our enforcement activities are valued, and our education efforts are welcome with a clear preference for on-farm visits and connectivity. Regarding the WAMC determination, NRAR certainly acknowledges that price affordability will be an important consideration by IPART in this particular price determination. The NRAR Board acknowledges the proposal to impose a price cap of 2.5% per annum plus CPI for small water users and 15% per annum plus CPI for larger water users over the determination period.

The price cap I think, is an important concession noting that continued subsidy mainly from NSW taxpayers via Treasury, and the Consolidated Fund will be required to ensure operational viability for NRAR for the ensuing determination period. It should also be noted that the subsidy results in water users paying a fraction of the cost of water delivery and management services equating to approximately \$4 per license per week for most water users. Set against an asset worth somewhere between \$35-\$41 billion, these compliance prices are a small input cost that provides for a consistent framework for investment and risk management by users as well as assuring water users social license to operate. At \$33.5 million per annum, NRAR's forecast costs are less than 20% of the total forecast WAMC costs. We would submit that the forecast increase from IPART's 2021 determination reflects NRAR's very low starting base, the need to update inadequate compliance frameworks and a critical need to scale up to a level that now, more adequately reflects an efficient and effective regulatory and compliance structure for such a critical and valuable component of the State's agricultural production capacity.

More specifically, the primary drivers of NRAR's cost increases since 2021 are the increased compliance activity to service reforms such as metering and floodplain harvesting, responding to water user preferences for face-to-face on-farm advice and guidance, Crown Solicitor's Office shifting \$2.5million dollars per annum litigation costs across to NRAR and the replacement of our decade-old case management system and reduction of cyber security risks. These drivers contribute to our efficiency and our effectiveness as an organisation and underpin our ability to meet our legislative objectives. They reflect an appropriately structured compliance agency to meet contemporary needs and community expectations, especially when compared to the wilfully and woefully inadequate mechanisms of the past. I'd note that efforts to benchmark these costs against other State water regulators have been of limited value noting the vast differences in operational enforcement realities. For example, NSW manages over 60% of the Murray-Darling Basin covering an area of over 600 000 square kilometres. We would certainly, as an Independent Board, caution IPART against such comparisons in this determination process.

Regarding IPART's requirements and expectations, my board wishes me to raise concerns it has with our status as a provider of monopoly water services, especially as they relate to our operation as a compliance and enforcement agency within the WAMC Framework, as well as the customer-centric aspects of IPART's preparation of pricing proposals. On the first point: NRAR is an enforcement agency. We're a law enforcement agency. We do not make water available. We do not own water facilities or supply water. Thus, we submit that NRAR does not readily fit the definitions of the monopoly services outlined in the 2004 IPART *Water Services Order*. And whilst not directly relevant to this determination process, as we are clearly part of the current WAMC submission, the NRAR board does wish to foreshadow our intention to assess our depiction and future inclusion as a provider of monopoly water services under the 2004 Order.

On the second point, IPART's 2023 water regulation handbook places weight on the 3C's of customers, costs and credibility, and the use of a "flexible, proposal driven approach" where the business, in this case NRAR, is also expected to understand the customer's preferences (emphasising the word preferences) in developing their pricing proposals. Specifically, IPART calls for delivery of services and expenditures that are customer centric, reflect customer engagement feedback and promote better customer outcomes. And so while NRAR has actively participated in extensive stakeholder research and engagement, both as part of the WAMC process and beyond, the NRAR Board believes that asking our regulated community how much they should pay for an efficient compliance and regulatory regime is counterintuitive, especially against a background and history of poorly enforced compliance regimes, inadequate systems, and as such increased opportunities for the regulated community to avoid proper regulatory and compliance scrutiny. Bluntly, some water users, acclimatised by this history of poor oversight, know that starving NRAR of resources makes avoidance easier and compliance less likely, and their feedback as customers adds little to our compliance mandate, and is certainly not in the wider public interest.

If I can just stress that the issue of the relationship between regulators and customers has received considerable attention in, for example, the Banking Royal Commission back in 2009. In the final report of the Banking Royal Commission, Commissioner Hayne made several remarks that are equally relevant to all regulators who exercise statutory powers. He sought to dispel the notion that, in his example, financial services and banks were clients of ASIC, to whom they provided services. This Hayne claim propagated the falsehood that compliance was in some way voluntary, and adherence to the law selective, based on what was commonly commercially acceptable.

Similarly, and I think importantly, the NSW Independent Commission against corruption in its report into managing corruption risks in regulatory work makes clear, and I quote, "it does not make sense to conceptualise regulated parties or complainants as customers." Regulators are often required to make unwelcome decisions which do not necessarily equate to positive customer feedback. Characterising regulated parties as customers misconstrues the relationship they have with a regulator.

As chair of the NRAR Board, I believe we are answerable to all citizens via our statutory base, the Government and the Parliament. In fact, it's fair to say we were so conceived because of a failed customer-centric model. We therefore submit that regulated entities are not customers and should not be perceived as such. While efforts should always be made to streamline compliance processes and maintain strong professional relationships, this should not come at the expense of robust and well-resourced monitoring and compliance systems. Dissatisfaction from a regulated entity about such a need is not necessarily a sign of a flawed process. It may, in fact, show the opposite. At NRAR we neither buy nor sell services. We do not transact commercially, nor do we negotiate on outcomes beyond our legal bounds.

It is a reasonable view that the failures in administration and loss of public confidence which led to NRAR's establishment in 2017 were indeed a direct result of regulatory capture and a compliance framework that had become too customer centric, excessively focused on customer feedback, and which produced an unhealthy and partisan response to customer preferences and outcomes.

And I need to stress at NRAR we do not wish to return to that type of organisational culture. So, in summary, the NRAR Board believes that since 2017, we've developed an efficient and effective compliance agency. We question the applicability of the 2004 Monopoly Services Order, which is more appropriately designed for service operators and suppliers, and in that context and more recent commentary by organs such as the Banking Royal Commission and ICAC, the applicability of the customer-centric approach to our regulated community whilst undertaking a broad range of compliance functions.

In conclusion, and on behalf of NRAR and the NRAR Board, I'd like to thank you for the opportunity to present and to wish you well in your deliberations, and we certainly look forward to learning the outcomes of any commentary you may have on our performance. Thank you. I'll hand back to Amanda or to Andrew.

Carmel Donnelly (IPART): And could I perhaps jump in? Thank you very much Craig, for that statement on behalf of NRAR and the NRAR Board. I just want to reassure you that we've heard what you've said. We'll take that into account without going into detail on the various matters, but certainly we'll take that on board, and consider it carefully. So, thank you.

Craig Knowles (NRAR): I appreciate it. Thank you.

Andrew Nicholls (IPART): Great. Thank you, Amanda and Craig. I am just checking Amanda that that's the conclusion of the WAMC presentation?

Amanda Jones: It is. Thank you.

Andrew Nicholls (IPART): Great. Thank you. Appreciate it, all right. We might just take about 10 minutes or so, just if there's any points of clarification or queries on anything that you've just heard. We will then have a presentation from IPART, and then we will have the full, open discussion, so can I just check in if anybody wanted to ask any questions. I see Claire Miller; you've put a comment there. Did you want to speak to that? I don't want to put people on the spot by the way, today, if you don't feel comfortable speaking in front of a large audience, you can drop things into the text, and we will pick those up. But, Claire, did you want to speak to that point?

Claire Miller: Oh, no, it speaks for itself to the questions that I have. But perhaps we'll raise those in the open discussion. Okay.

Andrew Nicholls (IPART): Fantastic. Thank you, Claire. Thank you. Anybody else would like to ask any points of question or clarification.

Carmel Donnelly (IPART): Andrew. There's a comment from Tanya.

Andrew Nicholls (IPART): Tanya. I'm happy to take that as a comment. But if you wanted to speak to that, that would be fine.

Tanya Thompson: No, I think it states at all. I think what Craig has said is indicating that all irrigators are actually stealing water, and that simply is not the case.

Andrew Nicholls (IPART): Thanks Tanya. Craig, did you want to reply to that.

Craig Knowles (NRAR): Yeah, I don't think my statement said that at all, and I fully acknowledge that overwhelmingly as I've done and said for years, the majority of farmers and irrigators and people on the land who are in a productive capacity want to do the right thing, and oftentimes it's the rules and regulations that make it complex for them to achieve compliance, and it is a very small minority of people who have the effect of shredding the social license for the majority, and that's demonstrably been the case, and the headline in 2017 that put a spotlight on that problem in NSW is probably the best exhibit I can present to this public discussion, but I do not want to be construed as criticising all irrigators and farmers. That's never been my position over many years of public statements, and indeed my point remains that it is for governments, and perhaps IPART to give commentary onto the applicability of the Monopoly Services Order and a customer centric model over an organisation that has a legislative compliance function, especially off the back of more contemporary commentaries like the Banking Royal Commission and commentaries by ICAC for the small few in the regulated community being horrible for the vast majority of good and compliant operators.

Andrew Nicholls (IPART): Right. Thank you, Craig. You dropped out a little bit in the middle there with your connection, but I think we certainly captured the majority of that. So, thank you. Jarrah.

Jarrah O'Shea (RMCG - for MIL): Yeah, thank you. And thanks, Craig. I think, in addition to points that have been raised by Claire and others, I suppose, Craig, you've talked about both the public good benefits of your compliance work, and also to an extent, I suppose there's private benefits for current entitlement holders. How have you assessed the relationship between the 2 in determining cost shares to be attributed from customers versus Government.

Craig Knowles (NRAR): If I may quickly...

Andrew Nicholls (IPART): Go, sorry.

Craig Knowles (NRAR): I'm very happy to defer to the people who are back in Sydney on the specifics, but in general terms I would make the observation that a healthy compliance regime is good for everyone, because it allows the productive community to warrant and demonstrate provenance, assure the provenance of their production supply chains. Given that so much of Australia's food and fibre production is destined for overseas markets, and where provenance and credibility of supply chain assurance is essential, I see a healthy, rigorous compliance regime as an important function of that overarching need for the agricultural and food and fibre production sector to actually sell their goods into markets that are demanding more and more of that type of assurance.

Andrew Nicholls (IPART): Thanks, Craig. I think Jarrah's question and George has asked or made a similar point online, raises an interesting question about the split between the government CSO type contributions and user contributions. I don't want to put anyone from WAMC on the spot. But did you want to make any response to those points or queries at this point.

Grant Barnes (NRAR): Yes, yes, I would, thank you. Grant Barnes, here, Chief Regulatory Officer for NRAR. The budget for our organisation this financial year is \$45 million to which water users contribute \$6 million. It makes up 12% of our budget. The remaining 88% is funded by the NSW Treasury on behalf of the taxpayer.

Andrew Nicholls (IPART): Thanks, Grant. Alright. Are there any other questions or comments at this point before we move to a full discussion shortly after we have an IPART presentation. If not, we might jump to that presentation. I will now thank you for those comments, and I'll ask Matt Mansell, the Director who's running this review process to give us a short presentation, and then we'll have full open discussion. Thanks.

1.4 IPART presentation

Matt Mansell (IPART): Thank you, Andrew, and good morning, everyone. My name is Matt Mansell, and I'm a Director in the IPART Secretariat, leading the WAMC and WaterNSW price reviews.

The purpose of this presentation is to highlight and seek your feedback on what we consider to be some of the key issues relating to WAMC's proposed expenditure and prices over the next 5 years.

This chart summarises WAMC's allowed, actual and proposed operating expenditure over the current 2021 and upcoming 2025 determination periods. The light blue bars show that IPART allowed approximately \$76 million in operating costs per year over the 2021 determination period.

The black line shows that WAMC reports to have spent more than twice the allowance, \$158 million per year on average over this determination period. The teal bars show that WAMC proposes to spend an average of \$150 million in operating costs per year over the 2025 determination period. While WAMC states that its proposed operating expenditure over the determination period is less than what it spent over the 2021 determination period, we note that WAMC's proposed operating expenditure is almost double what IPART allowed over the 2021 determination period. WAMC's proposal states that its operating costs have increased, due to several factors, including increased workload around water planning, changes to funding arrangements for water management activities and increased compliance and enforcement activity.

We are investigating these claims and will seek to determine the appropriate scope and efficient level of operating costs for WAMC over the next 5 years. This chart summarises WAMC's allowed actual and proposed capital expenditure over the current determination period, as well as the upcoming 2025 determination period.

The light blue bars show that IPART allowed approximately \$10 million in capital expenditure per year over the current period. The black line shows that WAMC reports to have made capital investments that are broadly in line on average, with the allowance over the period. The teal bars show that WAMC proposes to invest an average of \$24 million in capital expenditure per year over the 2025 determination period. We know that WAMC's proposed capital expenditure over the upcoming period is more than double what IPART allowed over the 2021 determination period.

WAMC's proposal states that the increase in proposed capital investments relate to several initiatives, including digital business projects to improve efficiency and enhance customer service, investments in critical surface water hydrometric monitoring assets to improve asset reliance and the availability of water information and investments to improve the reliability of groundwater information.

We are reviewing WAMCs proposed capital investments and will seek to determine an efficient capital expenditure allowance for WAMC over the 2025 determination period. Can we move to the next slide. Oh, yeah, we've got it sorry. In our last WAMC Price review we applied the cost sharing framework to allocate WAMC's efficient costs between WAMC customers and the NSW Government.

Because WAMC charges were set below full cost recovery, this meant that WAMC's efficient costs have been funded from a combination of WAMC charges (shown by the teal bars), a government subsidy to account for prices being set below full cost recovery. (this is shown by the navy-blue bars) and the government share of efficient costs (shown by the light blue bars). Over the current 2021 determination period WAMC charges funded around 55%. The government subsidy funded around 14% and the government share funded around 31% of WAMC's total revenue requirement of about \$99 million per year. For the 2025 determination period, WAMC is proposing to increase its total revenue requirement to about \$177 million per year. WAMC is proposing to limit the impact of this increase in costs on customers by capping increases in water management charges to 15% per year before inflation. This requires a larger government subsidy to fund the gap. Under WAMC's proposal, WAMC charges would contribute 34% of WAMC's total revenue requirement in the first year of the 2025 determination period. This contribution would then increase to 53% of WAMC's total revenue requirement by the fifth year of the determination period.

We note that under WAMC's proposal, WAMC charges would remain below full cost recovery levels over the 2025 determination period, and the government subsidy would be contributing between 44% falling to 26% of WAMC's total revenue requirement over the 2025 determination period. WAMC has proposed to cap increases in its water management charges to 2.5% per year for customers paying the Minimum Annual Charge and 15% per year for all other customers. We understand that WAMC tested the level of customer support for levels of annual increases of 2.5%, 5% and 10% per year during its customer engagement and we are keen to hear from customers what a 15% per year increase would mean to you.

This table shows WAMC's proposed increases in bills over the 2025 determination period with the annualized increases shown in brackets. These figures include MDBA and BRC charges where relevant and are shown before inflation. For customers not paying the minimum annual charge, WAMC's proposed bill increases range from 39% over 5 years, or 7% per year for customers in Border regulated rivers and up to 161% over 5 years, or 21% per year for customers in Border unregulated rivers.

We note that some bills would increase by more than 15% per year, and some bills would increase by less than 15% per year. This is driven mainly by the inclusion of MDBA and BRC charges where relevant, which WAMC proposes to set at full cost recovery levels. WAMC is also proposing to introduce new charges for floodplain harvesting licenses in Border, Gwydir, Namoi, Far West and Macquarie.

The outcomes of the NSW Government's Non-Urban Metering Review were announced in August of this year. The resulting changes to the metering framework aim to ensure 95% of licensed water take in NSW is measured, recorded, and reported by December 2026. WAMC is proposing changes to metering charges to recover the cost of implementing the outcomes of the Non-urban Metering Review. 4 out of the 5 existing metering charges would increase under WAMC's proposal.

WAMC is also proposing to introduce 2 new metering charges: an alternative assessment charge of \$665 per transaction for small and low risk users and an attestation charge of \$82 per year to apply to all water license holders, if the attestation obligation is implemented within the 2025 determination period. That brings me to the end of the IPART presentation. I will now hand back to Andrew.

1.5 Discussion

Andrew Nicholls (IPART): Right. Thank you, Matt. Well, that concludes the formal presentations. It's now really over to you as part of an open discussion. If you've got any questions or comments today. There are 2 ways that you can make them. The first is to drop them into the chat box, and I'll aim to get to as many of those as I can, and, as I said at the outset, if we run out of time, we will certainly still take into account any comments that are made in the in the chat box.

Julia Wokes: Fine. Thank you. That's good.

Andrew Nicholls (IPART): If you just stay on mute for the moment, everyone. The other way to do it is to raise your hand using the Zoom hand function. And then again, I'll aim to get to you as best as I can in the order that you put your hands up if you are online. I'm not sure if we've got any that are calling from a phone, you can mute or unmute using Star 6, and you can raise or lower your hand using star 9. Alright so, I'm happy to open it for discussion. Was there anyone that wanted to make an opening statement or any questions at this point or comments. I'll go to Mel, and then I'll go to Claire.

Mel Gray (Nature Conservation Council): I would let Claire go first if she likes. Claire.

Claire Miller: Off you go. You go first.

Mel Gray (Nature Conservation Council): Thank you will do. Yeah. Thank you. The NCC, The Nature Conservation Council supports the proposed pricing to enable the Water Group to carry out their timetable of policy work.

We also support the submission as it pertains to NRAR's expenses, and we concur with Mr. Knowles comments, in particular regarding regulatory capture. However, we'll just be speaking about the Water Group part of the submission today.

Sound water management is critical to maintaining the habitability of inland NSW, its unique and irreplaceable, internationally significant wetlands, rivers, and hundreds of threatened and endangered species. NCC and our membership have been fighting to keep inland NSW habitable by advocating for critically important improvements in water management over the past decades. Extraction limits, long-term annual average extraction limits function to maintain the levels of historic extraction, as at 1994 or 1995. They do not consider the environmental requirements of rivers and wetlands, nor do they consider climate change forecasts.

Water allocations can only be made by considering the worst droughts from before water sharing plans in regulated catchments were made meaning that only a fixed inflow data set covering, basically, the last century can be used to calculate available water determinations and all droughts that happened since the water sharing plans were made must be ignored.

So it was little surprise to us that in 2020, 90 regional towns in NSW were just months away from evacuation, due to running out of water. Smaller communities were already having water trucked in mainly due to the goodwill of charities. Rivers were cut off like the Macquarie Wambuul was cut off at Warren. The community rescued fish out of the river, freshwater mussels. Anything they could get. The Darling Barka was dry for over 400 days. Science can attest that this was not natural. Horrible fish kills have plagued the lower Darling Barka and have been broadcast internationally ever since. An example in the Macquarie Wambuul, where I live, the drought of record is capped to July 2004.

As a result, the huge dam, Burrendong Dam, which has a capacity of 1,154, Gigalitres (and just for scale. Dubbo region extracts about 8 gigalitres a year). This dam is assumed that it will fill every 2 years because that data is capped. Regardless of the climate and the outlook, water is released from the dam until they are prepared to pump the dead water out of the bottom of the dam, and the dam gets to 0%.

Now this very almost happened and a region the size of Dubbo, with an economy of well over \$4 billion a year, more than the entire economy of the water extractive industry in the whole state and a population of over 43,000 people was just one of the 90 regional towns that were months away from evacuation. Does sound like I'm over exaggerating, but I'm not. So, with so much at stake and for the public good, in 2021, NCC took the very serious step of taking the then Environment Minister and water ministers to the Land and Environment Court, where we alleged that climate change was not considered when a water sharing plan was remade and given the objectives of the Water Management Act, that it would be reasonable to expect that they should have been considered. In particular of the objects b) to protect, enhance, and restore water resources, water sources, their associated ecosystems, ecological processes, and biological diversity, and their water quality.

In the years leading up to the scheduled hearing In February 2024, the NSW Government spent \$298,866 - nearly \$300,000 on preparing for the case. The current ministers, Sharpe and Jackson of the new Government settled the case with NCC stating, "we refer to your organisation's ongoing interest in the risks climate change presents in water and environment policy, and how those risks are being managed by the NSW Government. We thank you for the interest and commitment that your organisation has shown. We're also aware of your particular concern around ensuring climate change, and its impacts are adequately taken into account in determining the allocation of water. Both the Minister for Water and the Minister for Environment have identified this as a key priority for water sharing policy and are agreed with the Nature Conservation Council on the importance of considering climate change risks in policy decisions."

They went on to describe a method for reviewing long-term annual extraction limits. so that they would consider the protection of the water source, their dependent ecosystems and species within the relevant water sharing plan area, the health of hydrologically connected water sources and their dependent ecosystems and the species in other water sharing plan areas, future climate change projections all while taking a precautionary, adaptable approach considering projections for a hotter, drier future, etc. and the cultural, social and economic outcomes of...

Andrew Nicholls (IPART): If we could just try to keep it moving a little bit, because we are a bit tight for time today. Thank you.

Mel Gray (Nature Conservation Council): Sure. Okay. So now a legal precedent has been set and water sharing plans now have a review clause in them. The LTEs must be reviewed as I just described. It's also in a whole heap of other water sharing plans that are out for comment.

And also in regulated water sharing plans, there is a clause that prescribes a review of the drought of record or the minimum inflow. So, for that work not to be done to honour those now legislated requirements that the ministers have committed to consider climate change and the ecological requirements could possibly attract further very expensive legal actions. And it would also lock in the rapid ecological collapse of the Darling Barka and leave major regional communities at risk of evacuation and the unimaginable costs that that would be involved.

Carmel Donnelly (IPART): Mel. I'm wondering if I could just jump in, because it seems to me that you're reading from a statement which we would very much welcome as a written submission. And I'm just a little bit concerned that we want to get the balance right and allow people who would just like to have a conversation raise a question to be able to do that. We do recognise there are some people who just won't have the opportunity to put in a written submission. But you've obviously got this statement available, and we would very much welcome getting it in writing. So can I ask you to just wrap up so that we're able to hear from more people please.

Mel Gray (Nature Conservation Council): Yeah, I just had finished thanks Carmel.

Carmel Donnelly (IPART): Alright. Thank you very much. I'm going to go to Claire, I think next, weren't we, Andrew?

Andrew Nicholls (IPART): Yes, Claire's next.

Carmel Donnelly (IPART): Thank you.

Claire Miller: Hi, so can you just go back to that last slide that you had up about the increase in metering costs and the ways in which that was going to be sort of recovered in some ways from customers. I have a question about it, it's just something I just would like to raise with IPART.

Carmel Donnelly (IPART): So I think that's slide 9.

Claire Miller: But the reason I'm raising that is to pick up Jenny McLeod's earlier point. What are the drivers? Really? Because we can't, you know, this one's actually a good one, because finally, we can see in there. Well, we've got this big driver in a cost and a huge increase in costs here. And I just would ask that when IPART is examining this, you need to look at why is there this sudden - Why is there this increase in a particular cost?

Is it actually due to the fact that the Department got it wrong in the first place, was not able to implement this policy efficiently and effectively. It completely over-egged it to begin with, and it was told where it would fail. It's then had to do this Review. Now, we're being slogged with more costs to implement the review when the problem was of the Department's own making in the design of that particular policy, the implementation of that policy.

We've seen a lot of water users having to pay hundreds of thousands of dollars of their own money for compliance, because WaterNSW lost paperwork for their works, and then had to sort of fight through to get works recognised. And then on top of that now we're facing a huge charge being passed on to us because of the department's failure to actually do this design of this policy in an effective, practical, implemental way. And our concern is that we'll see a lot of those same mistakes, despite the review - could possibly just continue. So I'm just drawing your attention to this, because we finally have one here that really shows us very clearly a driver for a huge cost that IPART needs to really put the Department and WaterNSW's feet to the fire to say, well, whose fault is this?

Carmel Donnelly (IPART): Thanks, Claire, let me reassure you, certainly noted all the questions that you've raised and yes, we will do our job. Our job is to have to undertake a very thorough assessment, and we will look into those questions absolutely. Thank you.

Andrew Nicholls (IPART): Great. Thank you very much.

Claire Miller: Sorry. Can I just ask another.

Andrew Nicholls (IPART): Yeah. Sure. Go. Claire.

Claire Miller Yeah, I will have some others, but I'll let others go. You've talked about it somewhere in all of this in the WAMC - it might have been in Amanda Jones' one. There's talk about you've done analysis that larger water users can pay 15% a year. We'd actually, we need a line of sight on this internal analysis to justify why, you would be trying to basically put a cap on small water users, but you'll make up the difference by hitting big water users. On what basis have you decided that they can afford this? Given that by the nature of being large water users, they're also going to be paying millions of dollars extra in water charges thanks to these increases for WaterNSW as well. So, we need to see this analysis. We've got to have some sort of line of sight here on the justifications that the Department or that WAMC are putting forward. Thank you.

Andrew Nicholls (IPART): Thank you, Claire. Obviously to Carmel's Point. Obviously, we're looking at all of those things very carefully if anybody from WAMC wants to comment that's fine. But otherwise we're happy to take those as comments for input. Okay, I might jump then to Jarrah.

Jarrah O'Shea (RMCG - for MIL): Yeah, thank you. So just with that graph, I think what I found striking was that as much as there appears to be more compliance related expenditure at the moment, and you know, in relation to some public benefits. For me, I find it a bit strange that aside from the transition, the government share is dropping from 31% to 21%. So, I think my take on that is that you know, notwithstanding the short-term transition, but it probably sets in train a longer term impact where customers, end-use producers are paying a higher share of a higher number for services that are largely public good. So look, I think, firstly, I would encourage IPART to look into the prudence and efficiency of those. But, secondly, is there a comment from WAMC about why the reduction from the government share from 31% to 21%.

Andrew Nicholls (IPART): Thanks, Jarrah. We've noted your first comment. Was there any response that WAMC wanted to make to that question at this point. Amanda you're on mute, I think.

Carmel Donnelly (IPART): I think, Amanda, you've got to take yourself off mute in Zoom. Thanks, can't hear you.

Andrew Nicholls (IPART): We still can't get you, Amanda.

Carmel Donnelly (IPART): There may be 2 mute settings, one on your laptop and one on your zoom.

Jarrah O'Shea (RMCG - for MIL): Think it's join audio, isn't it?

Carmel Donnelly (IPART): Yeah. you've got to have it.

Andrew Nicholls (IPART): I can see some frantic swapping of headphones happening. Now we've got you. Thank you, Amanda.

Amanda Jones: Thank you very much. So, I just thought I'd respond to a couple of the themes that have been raised so far. So, the first was a question going back to the drivers of cost and the allocation between users and the Government, and the application of impactor pays.

And I wanted to assure all of the participants that the WAMC proposal is based upon the methodology that's been endorsed now over a number of different price determinations around the application of impactor pays and the cost share principles.

So those ratios were reviewed in the course of putting together our proposal, and the proposal articulates that there's one of the shares that we think the Government should pay for that activity more of the costs, and that relates to strategy work where we think some of the costs, a greater share relate to climate change, which we think should be paid for more by the Government, and that is articulated in the proposal.

The basis of those principles when applied, have the effect that when we apply analysis then to the national revenue requirement there's an allocation of costs, of total efficient costs between the users and the Government, but the proposal is underpinned by recognition that while prices are below full cost recovery today we need a managed path towards full cost recovery, and that price shocks are important to be avoided.

So, the contribution that the Government would make if our proposal was accepted is 42% of the costs on, sorry, users would pay 42% of the costs on average over the determination. I wanted to assure that underpinning the proposal is a much increased contribution from Government. I think some of the commentary is losing sight of that. In terms of that managed path towards full cost recovery, Claire, you asked a question about the analysis - I'm not quite sure which chapter it's in - I think it's 9, but it's there included in the proposal the analysis that we have of profitability by different sectors, recognition of water availability. But if there's any part of that analysis that you would like to discuss in any more detail, I'm really happy that I and my team meet with you so that you can see the basis that we reach those conclusions and have a more informed response from the Irrigators' Council to IPART, based on your understanding of what it is that we did. So that offer is absolutely available to you. And I guess the last one that we touched on was the non-urban meeting reforms and the core principle that was being applied in the development of the review was a recognition that those reforms needed to be delivered more efficiently and more effectively, and that drove the policy recommendations which then are reflected in prices. So, you'll see that there are new charges there for some of the small users for whom the technology assumptions that were underpinning the reform of the past - we imposed an unreasonable cost. So the non-urban meeting reform recommendations endorsed by the Minister set in place a new process for some of those customers that recognize those unacceptable costs, and then reflected in the determination is, the new charge that would enable those customers to take advantage of self-reporting options for the future. Thank you.

Andrew Nicholls (IPART): Right. Thank you, Amanda. Just before I go to Jennifer, Jarrah, you put your hand back up. Is that a supplementary on the question you just asked, or a different point.

Jarrah O'Shea (RMCG - for MIL): Yeah, look supplementary.

Andrew Nicholls (IPART): You go with your supplementary, then I'll go to Jennifer.

Jarrah O'Shea (RMCG - for MIL): Okay, thank you. So look, thanks. Thanks, Amanda, for your commentary. I suppose looking at the IPART graph that was just displayed is that as much as you've noted the average of 42%, that to me would appear to include both essentially collection under the revenue requirement or a subsidy as well as the government cost share, and then transitioning from 31% to 21%.

That change actually imposes more significant, longer-term costs on customers than is current. So hopefully, that's the graph that is appearing. Thank you. Yes. So, with the government share of 31% for the current period and going to 21% for the future period, my concern is that the blue share which is the subsidy which I understand you're trying to eliminate would actually result in a higher user share than is current, not reduction in the current user share.

Andrew Nicholls (IPART): Thanks, Jarrah. Anyone want to take that question? Carmel.

Carmel Donnelly (IPART): I would just add that we're working through a lot more analysis in parallel with the consultation at the moment, and one of the things that I'm interested in is, this chart shows percentage share, the other way of looking at it is actually the absolute dollars.

So perhaps we'll cover that more when we do our assessment and get to our draft report. We'll share some more information about this, so that you can see it from both sides. But that said, we'll take on board everything that's been said, and thank you, Jarrah.

Andrew Nicholls (IPART): Thanks, Jarrah. I'll go to Jennifer.

Jennifer McLeod (CICL): Thank you. I have a comment about the cost shares, and I have a question about the water market reforms. My comment on the cost shares is I participated in the water working groups which I'm glad I didn't have to do multiple valleys, just the southern valleys. The key overriding issues that arose from both the customer and community perspective was the total increasing costs and questions around the cost shares for a number of the activities particularly in the water management and planning where I think NSW is a is an outlier compared to other states. So, whilst Amanda just said that cost shares have been looked at multiple times, I think IPART's analysis of the cost shares - that impactor pays, is something that needs much further work.

And in the case of water management and planning, where I'm hearing loud and clear, our new water sharing plan is going to take into account climate change, and in the assessment of the water that will be available. I would question, if that is the case, why should water users who are actually going to end up with less water as a result, particularly general security users, should be paying at the 50% rate, which is what's currently proposed. So that's a comment on the importance of looking at cost shares. My question relates to the water market reforms, which are a Federal reform that are impacting on both WAMC and some of the assets of WaterNSW. I'd like to understand better what those costs are, and you might want to take this on notice. But I'd like to understand what those costs you're expecting will be, and how you're intending to recover those from water users.

And I understand the Commonwealth has committed some funding, and I'd like to know if there's a gap between what the commonwealth is expected to fund versus the actual cost that NSW will incur.

Andrew Nicholls (IPART): Thanks, Jennifer. We can take that one on notice unless anybody has an immediate response. Amanda Jones.

Amanda Jones: Yeah. Look just happy to provide any more detail that that you require, Jenny. That's absolutely fine.

Andrew Nicholls (IPART): Great. All right. That's a question on notice. Thank you for that. Just before I go to Michael, Tanya you've raised a comment online about (about efficiency and pruning of costs. Did you want to speak to that question, Tanya?

Tanya Thompson: It's really just seeking clarity. There was a comment when the graphs were up with regards to the previous determination, which didn't actually meet full cost recovery. And so just like I've stated in there that instead of the organisations, WAMC and WaterNSW actually pruning the expenditure, they just looked elsewhere to cover the proposed expenditure, and I would have thought that if IPART determined that their costs were in excess of what was prudent, that those organisations would actually have to reduce either their levels of service or their exposure to that expenditure. But it doesn't appear to be what they actually do. They just say, well, this is our expenditure, and we need to therefore get an income from a different source. So I was just seeking further clarity on that.

Andrew Nicholls (IPART): Thanks, Tanya. Amanda. Did you want to respond to that? And you're on mute again? You might have to do the headphone swap. You're still on mute.

Amanda Jones: So sorry, Tanya. I just wanted to reflect on where things were at back in 2021, when the last determination was made. So, at that time IPART reached a view on our efficient costs.

Andrew Nicholls (IPART): We've lost you Amanda.

Carmel Donnelly (IPART): Amanda, you're on mute again.

Amanda Jones: So back in 2021 after decisions been made on the efficient costs of WAMC, there was also a recognition of what was happening in regional NSW. So, there'd been an extended period of drought. There'd been floods, I think Cowra had even had an earthquake, you know, really serious disruptive effects as well as COVID. So, there was a combined decision from both IPART, and a proposal from WAMC that it was appropriate at that time to set prices below full cost recovery. So, we need to transition from there. But regional NSW was in a really tough place in that period of time, as I'm sure you knew very well. Thank you.

Andrew Nicholls (IPART): Right. Thanks, Amanda, and I think to the general comment about looking at efficiency, that's certainly a central aspect of what we will be doing as part of the review process. Thank you for those comments, Tanya. I'll go to Michael, and then I'll go to Claire. Michael.

Michael Pisasale: Thanks, Andrew. Michael Pisasale from Murray Irrigation. Yeah, I guess more of a query for NRAR. I guess I was just curious to know that, I guess, given the significant work that has been done to catch up on compliance matters since 2017, I was curious to know - Are you expecting the same rate of compliance workload, and hence costs moving forward?

Grant Barnes (NRAR): It's a good question. I think we have seen substantial improvements in compliance since our establishment in 2018, particularly in the area of those who would have taken water in excess of their entitlements. Or, to put another way, I think we can confidently say that the incidences of widespread theft of water as alleged in 2016-2017 no longer occurs, and I think that's a fabulous achievement by industry with, I hope you'd acknowledge, the assistance of NRAR and its surveillance and compliance efforts. There is, though, more work to be done with how works are used. So, we still commonly encounter works that aren't fully compliant but still take water.

We also have abundance of work ahead of ourselves to address the issue of unauthorised flood works that have in many situations existed in the landscape for decades. That is a substantial program of work that needs to be done I think over many years and with the assistance of the Department, following closely through the flood management planning work that's underway at the moment. So simple is I think we've done some good work, but I think there's a lot more ahead of ourselves to get to a level of general compliance that the public would expect.

Andrew Nicholls (IPART): Thanks Grant and Michael for that question. Claire.

Claire Miller: Just coming back to Amanda and perhaps it's just to sort of point something out also for IPART to please take into account here. Appreciate the offer for us to sit down with you and to go through that analysis. That's great. There are so many documents that have been dumped out here on pricing. We cannot get through all of them. I'm going to be really blunt. We certainly can't do the analysis on all of them, we're a very small organization. And at the same time as this big pricing consultation occurring, the Department's also dumped on us water sharing plans and unregulated systems, multiple of them. They've got some very significant changes that are being proposed, and they're expecting us to provide informed and considered feedback on that as well. We've also got the metering regulation that's going through. We've also got the land-holder negotiation scheme. That's also a concurrent consultation.

So it starts feeling a little bit token, I've got to say, because you're dumping us with so much stuff on complex issues, with very real implications for the viability of farms and water users. I just would ask IPART, please - we are not in a position to undertake an independent analysis, to counter whatever you know. I will go and find your analysis in your report wherever it is, in the multiple reports that have been dumped out there. But it's not fair to put the onus back onto any of us stakeholders here today and expect us to be able to do the work or to have the expertise or have the time and resources to provide detailed counter arguments on very specialist areas like an analysis like that. It is just not fair, and I don't want it to be then thought, we're all good with this. We're good with whatever the Department has provided, or WaterNSW or anybody else. I think it's up to IPART to take a sceptical view and to do that deep analysis itself and then to be really transparent about it, because normally I look at what you do and say, well, you know. you've just gone with all the same sorts of assumptions and same sorts of models to justify when there may be other ways of looking at it. So I just would like to make that point. Thank you.

Carmel Donnelly (IPART): Thanks, Claire, and I will jump in there and reassure you we think it's very important to consult at this stage. Obviously, it's a very short time since we've received these lengthy proposals but we've put them in the public domain, and we're doing this consultation. It does give us a good opportunity to hear from people what questions are being raised, questions that we will look at. We will take all of this on board. We will have questions and requests for information, and, in fact, we have the power to issue notices and get further information from the regulated water businesses and entities for these pricing reviews and we will look at all those matters thoroughly.

We operate very transparently, so that analysis that we've undertaken we would lay bare in our draft report and draft determinations in March, and you will have another opportunity to comment then. So, part of the purpose right now of our engagement is for us to be able to surface and understand the questions from different stakeholders and then take on that work to do that work thoroughly, and that is our job. So, you can rest assured that we will do that. So, I just want to let you know you're right. It's not possible for every stakeholder to do the independent analysis. And that is our role, and we'll do it.

Claire Miller: Thank you very much.

Andrew Nicholls (IPART): I'll jump to Amanda next perhaps, and then I'll come back to you, Claire, just to say that there will be another round of consultation in the New Year after we've done that analysis, and after we've come up with a preliminary view as to where we think things should go, and there will be ample time to have another opportunity as well, just to assure you all that there's a very transparent and consultative process here. I'll go to Amanda, and then, Claire, I think you had some other points. So, Amanda.

Amanda Jones: Thanks, Andrew, and look, Claire, thank you for making that point. We have got a lot of work on, and, in fact over the next 2 years, particularly with water sharing plans and flood management plans, we do have a very intense program. and unfortunately, that's driven by statutory deadlines that we have to respond to. We are thinking about how we can make this work for all of our stakeholders over the coming couple of years because the program is dense. We're looking to publish a program at the beginning of next year, and to actually work out how we can best facilitate people's participation in responding to that program of work.

With the Landowner Negotiation Scheme, we have extended the timeline for consultation on that and with the current pricing proposal we are absolutely happy to assist you. If you've got particular questions. If you want to know where information can be found. If we can assist it's an open offer to meet with you, to work with you to help you in any way that we can. So, thanks, Claire.

Claire Miller: I appreciate the open offer, Amanda, but for us where are we going to find the time to do that? In between trying to deal with all these different consultations, and I've got to say I'm pretty tired of hearing oh, but there's a statutory deadline, we can do nothing about it. If it's a statutory deadline, you knew it was coming up. So why do these things get dumped on us 9 months before the deadline dates? You could have started this 2 years ago. So coming back to IPART, when we talk about efficient processes and clear planning within the Department, these things all add cost when it gets delayed like this, because now the Department's going to spend some extra money trying to sort of work out what the program is. You've really got to go in and take a look at how efficiently the Department is, in fact, even doing those statutory obligations so that we do not end up in a situation where we are now because with a statutory deadline, everybody knows when it is and yet we wait till 9 months before the statutory deadline on a water sharing plan, as I say, with some very complex things in there and we are running out of time. We just don't often have the time to come and ask all the questions that we need to do and to do the deep dives that we need to.

So, Amanda, I appreciate the offer. I will see if we can try and fit something in. We're not going to be able to fit something in, though, to be honest between now and the 13th of December, when we're supposed to be putting that submission in, when we also have a 9 December deadline on our pricing department. I'm just being honest here. It's too much. We are being overloaded out here, and we're paid to do this. I can't imagine what it's like for small community groups out there and stakeholders and people on the front-line. They're just being absolutely overwhelmed. Got to find a way through this.

Andrew Nicholls (IPART): Thank you, Claire. I appreciate your open and honest feedback on those challenges, certainly reiterating that we are certainly available. But we will have another round of consultation, which hopefully will give you a bit more time after so you can then see the analysis that we've applied as well. I don't know if anyone else wanted to comment on that, otherwise I'm happy to take that as a comment and very good feedback. I might go to Jarrah.

Jarrah O'Shea (RMCG - for MIL): Yeah, look on that, rather than a separate question. Amanda. Thanks for the offer of additional information. Certainly, the financial templates that you've provided to IPART would be helpful to enable stakeholders to have a true understanding of some of the cost breakdowns, if they were able to be provided.

Andrew Nicholls (IPART): Yeah, so does somebody want to answer the question on the provision of cost data.

Amanda Chadwick, Executive Director: I'm happy to give you a call and figure out what it is you're looking for, and how to best assist.

Jarrah O'Shea (RMCG - for MIL): Thanks, Amanda.

Carmel Donnelly (IPART): And I might just jump in, too, and say that IPART does generally publish as much as we can. That's part of a review process. If we have a claim for confidentiality, often the Tribunal will want to have an explanation of that and consider whether they uphold that claim. So we are still going through the process of working out whether we have all the information we believe we need. So, we may be seeking further information as we go through our analysis over coming months in particular, thanks.

Andrew Nicholls (IPART): Great thanks, Jarrah and Carmel and Amanda for those comments. I'll go to Tom, and then I'll pick up Tanya's question in the chat. So Tom first.

Tom Green Lachlan Valley Water: Thank you. Look! It was just to echo Claire's sentiment on the department, and I think IPART need to look very critically at its efficiency and its engagement. We asked 9 months ago for engagement on a water sharing plan review. The Department dumped it last week and wants it done before Christmas. And we asked 9 months ago for it - let's start this process. I think it's critical that IPART looks at its timelines that it is deploying policy because it's continual. They keep saying they're going to do something, and they frankly don't. And it's, as Claire said, you know, middle of harvesting, we got to pull up and do it. Now IPART we knew was coming. We do this, but now we've got 5 other things the department drops before Christmas. It's very frustrating, and they just want more money to do. They have no engagement at a regional level whatsoever. It's just so frustrating. Thanks.

Andrew Nicholls (IPART): Thanks, Tom. I'll take that as a comment as well, and appreciate that honest feedback, Tanya. You've raised a question about capacity to pay analysis and the future of irrigation. Did you want to speak to that point? Don't want to put you on the spot.

Tanya Thompson: Thank you. There's a lot of change within the water space. The availability of water for irrigation organisations is decreasing. It's going to significantly change in the next 2 years by the time that the Murray-Darling Basin plan is delivered in full. That will change the capacity of organisations ability to actually pay.

We've had some statements in the general public media in Victoria about the state of irrigation organisations and their clients being able to pay their bills, and we are going to face the same thing in NSW.

You can price yourself out of the market, and I just don't know whether the different departments within NSW and the Commonwealth have an understanding that there is a threshold, and we're getting very close to that threshold and a tipping point. and no one wants to go over that tipping point. Thanks.

Andrew Nicholls (IPART): Thank you, Tanya. Happy to take that as a statement rather than a question, unless somebody would like to respond.

Carmel Donnelly (IPART): Oh, look! I will just say, look! We'll certainly consider all of that. So, thank you for raising it. Yep, yep.

Andrew Nicholls (IPART): That's a very good point, I think. Yeah, that's very helpful. Thank you, Tanya. Are there any other comments or questions at this point. Jarrah and then Mel.

Jarrah O'Shea (RMCG - for MIL): Yeah. And look, I don't want to use up too much of the talking stick. But yeah, I suppose with regards to the customer engagement that you've referred to - You've also stated that a lot of the costs are what you think to be compliance. So given the extensive customer engagement, what do you think are the key ways that customer engagement directly influenced and led to I suppose proposals being included.

I know there was a lot of effort that went into the customer engagement. But I'm struggling, in reviewing your submission, to determine and to understand how the customer engagement actually directly led to initiatives in your submission.

Andrew Nicholls (IPART): Thank you for that, Jarrah. And certainly, we've asked the question in our slide deck around there wasn't a testing of a 15% option as well. So, we are interested in exploring that as well as part of our inquiries. But I don't want to again put people on the spot. But Amanda or Amanda? Yes, Amanda.

Amanda Jones: Yeah, look, there basically are 4 key outcomes that I briefly mentioned in the in the slide presentation. But in the actual proposal itself I think it could be in Chapter 3 or 4 but we can get back to you on exactly, Jarrah, which section it's in. There's an actual mapping between customer feedback and the initiatives and costs in the proposal. So we have mapped that I'm happy to indicate to you where it is.

Andrew Nicholls (IPART): Thanks Amanda. Mel.

Mel Gray (Nature Conservation Council): Yeah, just quickly acknowledging the need for significant change across the board, for everybody, and the expenses associated with that, but just pointing out that there's been a lot of cost. Incredible cost from the environment's point of view and from communities because of things like fish kills. And as we've mentioned a few times, the cost of not making real improvements in water sharing now cumulatively as we move forward, could quite easily become catastrophic.

Andrew Nicholls (IPART): Great. Thank you. Thank you, Mel. Happy to take that also, as input. Thank you. Michael.

Michael Pisasale: Thanks, Andrew, I guess one thing we picked up earlier was, some of the costs were identified to implement digital technology. Theoretically, the reason why you do this is to dramatically improve efficiency and streamline activities to save costs. Yet there is a constant trajectory upwards. So I guess we encourage IPART to review, you know, the role that digital technology can play but with a specific point of how you can actually become more efficient with costs in future.

Andrew Nicholls (IPART): Amanda.

Amanda Jones: Yeah, look absolutely agree with that point, Michael, and I can assure you that we've assumed the efficiencies in the forecast costs. We have assumed, about \$20 million of costs have come out of that forecast assuming that we do implement the fairly modest digital programs that we have identified. So yeah, we're not double counting there, we're backing ourselves that if we do the work, we get it done, we make the efficiencies.

Andrew Nicholls (IPART): Right. Thank you. And a great question, thank you for that. Any other points or questions. I think, Claire, you'd previously online raised metering policies, is that something you wanted to go to at this point?

Claire Miller: No, I've already talked about the policy and my concerns that the problem here is actually departmental failure to develop practical, implementable, and effective policy in the first place and that's then just had this snowballing effect of trying to fix it, which has added cost and cost, and is about to add even more cost to that. And I don't really see why water users should have to pay for that.

Andrew Nicholls (IPART): Great. Thank you. Appreciate the comment. All right. Any other questions or comments. We've got about 5 minutes left in this session, so if there are any other burning comments or questions, jump in now before we take a break. We've got a couple jumping in, so I've got a question from Sharon, who's one of our tribunal members just for context, and then to Jarrah, and then just a comment from Amanda online, which I think we'll take as a comment, and then we'll probably wrap up at that point. Sharon.

Sharon Henrick (IPART): I did have a question for WAMC if that's okay. Obviously, there's been a discussion about efficiency, and I appreciate that WAMC is telling us that it's going to be actively looking for efficiencies going forward, that it's not double counting. But I also wondered what is the actual track record for efficiency and if that's been measured in the past, or if there's any information that WAMC might be able to provide to reassure these interested stakeholders, that it is actually capable of delivering on those efficiencies.

Andrew Nicholls (IPART): Amanda.

Amanda Jones: Yes, thank you, Sharon. The proposal does go to reporting against the previous commitments in the current determination. We also identify some of the drivers of the additional costs that we incurred and the sources of that funding. There's no doubt that we have improved over the last 4 years. There's no doubt there's absolutely room for improvement and that's what we're proposing to do, going forward. So, we're going to build on the improvements that we've made, including better accounting for our costs. And yeah, look, obviously the Tribunal will do its work as Andrew and Carmel have emphasized today, and we expect to be able to and to have to demonstrate our capacity to deliver efficient costs going forward.

Andrew Nicholls (IPART): Thanks, Amanda Jarrah.

Jarrah O'Shea (RMCG - for MIL): Yes, and on a related point. I suppose, in terms of providing assurance regarding efficiencies. I think it's always an option for regulated entities to jump on board with efficiency schemes and incentive schemes. So the 3 IPART schemes that are, you know, noted and referred to positively in the Handbook: the Outcome Delivery Incentive, the Efficiency Benefit Sharing, and the Capital Efficiency Sharing I think. We also note that these weren't proposed to be implemented by WAMC in this review.

Andrew Nicholls (IPART): Thanks, Jarrah, happy to take that on board as a as a comment. unless anybody wants to respond. Okay, are there any more questions or comments in the last couple of minutes that we've got? Tanya.

Tanya Thompson: Just one point, and I'm not sure whether I'm in the correct area to talk about this. But in the licensing of WaterNSW there was a significant change and increase in the bulk water responsibilities. Some of the responsibilities for Sydney Water were transposed and now incorporated into the responsibilities for the bulk water licence of WaterNSW: talking about water quality and a number of other initiatives, and that significantly impacted the costs to deliver those services.

We undertook some consultation, and it appears to the general community that were in those meetings that there was not a lot of uptake in the feedback that we gave back. And it's the feeling like it doesn't matter how much we're consulted, there doesn't seem to be much change in what was originally proposed. And so there are voices which were listened to, but not heard. And so it's the licensing changes within NRAR as well.

It's my understanding that the Government has pushed different licensing in this determination than what was in the previous determination, and then all of those costs are then compounded to a significant rise and increase. And it's those areas that we have no control over that is actually basically blowing out the charges, in my opinion. So it's more a comment. I'm not sure whether people are really aware of the changes of those licensing rules and their impact but essentially, it's the people at the end of the line that actually are charged for that.

Carmel Donnelly (IPART): Tanya, thanks for that. I might make a few comments, perhaps, on the NRAR point that you made, and we'll look at that, but in terms of WaterNSW, which we're going to talk about after the break. But the operating licenses for water businesses, IPART reviews them. The tribunal reviews and puts forward recommendations to the Minister about operating licence conditions, and we have done that recently for WaterNSW.

We look at everything that through consultation comes up as a suggested operating license, and we look at the cost of it and the benefit firstly, so we don't recommend things that don't yield enough benefit for the cost. And then the second thing, it is a condition of their license that they deliver the performance required in the license efficiently. So, we will be looking at whether or not any arguments that prices need to go up to enable compliance with the operating license - We'll be looking at that very closely. So, it's not a given. I'll just reassure you of that.

Andrew Nicholls (IPART): Thanks, Carmel, and if I can also add that one of the reasons we're conducting this hearing back to back and putting out an Issues Paper that looks at what the combined impact is on all rural and regional water users rather than breaking it up exactly to your point that at the end of the day all of these things result in a single bill outcome. So we're very alive to those cumulative impacts. So very much appreciate that as a comment.

Well, that brings us to 11:30, which is where we've indicated we will take a half-hour break. That's probably slightly more than we normally would in a public hearing but we're conscious that this is a fairly long session and we're about to run into the lunch break. So, we will give everyone half an hour. If you want to go and grab something to eat, get the blood sugar up, and otherwise just stretch and stop sitting for so long. We will see you back here sharp on 12 o'clock, where we will move into WaterNSW.

You're free to keep your connection on if you want to, but if not, you can rejoin at 12 o'clock, and I thank those who might be dropping off at this point, because some people may not be in regulated rivers, and may not be as connected into the next session. So, if you are dropping off at this point, we do very much thank you for your contributions this morning. It's a very valuable part of our processes here at IPART. But for everyone else we will see you back online sharp at 12.