



Independent Pricing and Regulatory Tribunal
New South Wales

Rural Water Pricing

Session A

Water NSW's proposal on metering reform

Public Hearing Transcript

Tuesday, 30 March 2021, at 10am

Tribunal Members

The Tribunal members for this review are:

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

Members of the Secretariat

Ms Liz Livingstone, Mr Matthew Mansell, and Ms Shirley Lam.

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1 Session A: Water NSW's metering reform proposal

1.1 Welcome

Ms Livingstone: Good morning everyone. We'll make a start now my name is Liz Livingstone and I'm the CEO of the Independent Pricing and Regulatory Tribunal (IPART). I'm going to manage our public hearing today and want to start with a few housekeeping notes. The first is, could you please keep your microphone muted if possible, when you're not speaking so that we can avoid background noise and feedback. We encourage you to keep your cameras on if you can, and your internet connection is up to it. That helps us to connect with you a bit better in this online environment. Our hearing is being recorded to YouTube today so that we've got an accurate record of the meeting. That recording won't be made publicly available until after the event. Today's hearing will also be transcribed. We'll place a copy of the transcript as well as a link to the YouTube recording on our website in a few days' time.

In today's public hearing we have three sessions. Session A is about Water NSW's proposed costs for implementing non-urban metering reform, and that will be for about an hour. Session B is due to start at 11am, and in that session we'll cover the Water Administration Ministerial Corporation or WAMC price review. We'll then have a lunch break before we start Session C. In that session we'll talk about Water NSW's rural bulk water prices. At the start of each session IPART's Acting Chair, Deborah Cope will provide some welcome remarks and an update on where our reviews are up to. Some of you have probably had a chance to review the information on our website about our draft decisions, but we'll have some short presentations in each session to outline our draft decisions, so that everyone can be on the same page.

After each presentation we'll have a question and answer discussion so that you've got the opportunity to ask us IPART, DPIE, NRAR and Water NSW questions or to provide your comments. I encourage everyone to share your views and ask questions. We'll use the chat box in Zoom. So let us know if you have a question by entering your details there, or you can use the raise your hand function in Zoom and we'll look out for that, and come to your appropriate time. I'm now going to hand over to Deborah Cope, IPART's Acting Chair to introduce our first session, thanks Deborah.

Ms Cope: Thank you Liz. As Liz said, my name's Deborah Cope. I'm the Acting Chair of the Independent Pricing and Regulatory Tribunal (IPART). With me today are my fellow Tribunal Members, Sandra Gamble, and Mike Smart. We're assisted by the Secretariat staff including Matthew Mansell and members of the pricing review teams.

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

Welcome to this public hearing, it is great to have so many of our key stakeholders here today. We recognise that regional and rural customers and communities have endured a long and extreme drought, bushfires, ongoing COVID-19 pandemic, and recent flood events. So we recognise that your time is precious, and we thank you for being here today.

I'd like to open by saying that we very much welcome and value your input into these reviews, and appreciate your time, and the expertise that you give when you participate in these reviews and in the public hearing today.

As you know, we've released two draft reports on the 16th of March, one for Water NSW's rural bulk water prices and one for WAMC's water management charges. The public hearing is a very important part of our consultation process, and we will consider the views that you provide today in making our final decisions on costs and prices for WAMC, and Water NSW's rural bulk water prices. Submissions to our draft reports should be made by the 16th of April. Our final reports and decisions will be released in June 2021, which will contain the maximum prices that will apply from July 2021. I'll now hand back to Liz to start Session A.

Ms Livingstone: Thanks Deborah. Our first session is on metering and we received a supplementary pricing submission from Water NSW specifically about metering in November 2020. That sets out its proposed costs for implementing the NSW Government's non-urban metering reform program. We didn't have that information at the last public hearing, and thought it was important to have a dedicated session to discuss it with you today.

Water NSW has proposed costs for metering reform are significant and would increase bills by a reasonable amount for some Water NSW and WAMC customers. IPART supports the NSW Government's comprehensive reforms on metering. However, our view is that Water NSW's proposed implementation program is still at a preliminary stage of development. As a result, we don't think we have sufficient information yet to set prices for the upcoming determination period.

Our goal in this first session is to give you an opportunity to ask questions directly of Water NSW about its metering proposal. We appreciate this may be the first time you've had that opportunity, because this information was not included in Water NSW's original pricing proposal, which we discussed at our public hearing last November.

Following your questions to Water NSW, we'll also briefly discuss our preliminary position on the metering proposal and then we can take questions about the process from here. At this point, I'll hand over to David Stockler from Water NSW, to present. But please remember that if you've got any questions or comments during the presentation, just use the chat box to let us know or use the raise hand function, to indicate that you'd like to speak and we'll get to you after the presentation.

If you are typing in the chat box, please let us know your name and the organisation that you're from and just a reminder, that this is a public hearing so everyone including the media is free to report what is said here today. That said, we really want to hear your thoughts and hope you'll all participate in the discussion. I'll now hand over to David, thank you.

1.2 Water NSW presentation

Mr Stockler: Good morning. Thank you Liz and thank you to IPART for this opportunity for us to speak to you for about five or ten minutes on our metering submission and Water NSW's proposed pricing to support this important piece of reform. It's also an important opportunity for us to continue the ongoing dialogue which we've been having with customers over many months leading up to our rural valley WAMC and our metering submission. Next slide. Thanks Cameron.

Three points of important information I'd like to cover is just clarifying that the obligations for compliance in the non-urban metering reform is the responsibility of the work approval holder. Our objective in developing our submission was to support our customers and water users through their compliance journey, and help them minimise any risk of non-compliance. But our ability to support our customers and water users as we have planned and proposed and priced in our submission is contingent on funding. Thanks Cameron.

So what's involved, two key points for those with works that sit below the threshold, recording of any water take or commence or cease-to-pump, there are reporting requirements for those customers, and or for those approval holders and we'll speak to that a little bit more when we get to the \$77 scheme administration charge. For those that sit above the threshold, or are at an at-risk water source, they have a number of obligations that are required, whether it be install a new meter, or make a meter compliant, or changing their configuration or works approvals.

So it's important to note that there are ongoing obligations for the majority of all work approval holders, in terms of recording and reporting, and also for metered works with respect to ongoing annual or regular maintenance to ensure that the equipment is adequately maintained and operable. Thanks Cameron.

So some high level principles of our submission as I touched on earlier, we designed our proposal to support our customers and water users in meeting, in helping them meet their obligations. These reforms have been consulted on extensively by DPIE Water. And Water NSW has had a number of discussions through our customer advisory groups over many months.

It's important to note that these reforms are implemented with the intent of improving the measurement of water take, which I think is overall supported by both the public and water users themselves. Costs were allocated by licence and meter, rather than by entitlement, as we saw these water obligations are of a similar type, and nature, irrespective of the actual entitlement size. And this too will come up through some of the discussion today. So our submission really sought to provide as I said earlier, water users value and support and minimise their risk, in their ability to meet their compliance obligations.

So in a high level summary, the cost materiality that was proposed, and the number of people impacted by those, were that for the \$77 scheme administration charge, applied at a licence holder level. There are approximately 39,000 customers for whom that charge would apply.

For privately owned meters which circa 20,000, there would be a \$345 per annum charge, for either telemetry or a manual download of their LID, which is the data logger on their meter.

For the 2,800 odd government-owned meter holders, they have a choice. We've proposed a \$1,870 charge which is made up, we'll give some more detail on that, but made up of approximately \$600 to upgrade the meter to meet the new requirements. The \$345 telemetry or manual download charge, and the balance is for annual maintenance repairs and ongoing service of that equipment.

I do stress though for those government-owned meter holders, there is a choice there. If that proposal does not represent value, the option available to all those customers is to opt out and become a privately-owned meter holder, who's then subject to the \$345 charge plus the \$77 charge. But with that comes the responsibility to fund their meter equipment, and all the ongoing service and maintenance obligations that come with that. Thanks Cameron.

So as I said, this is the \$77 charge which we propose to be applied on a licence level because we believe all participants in the market will benefit from the services. I'm not going to read through them, but in summary it is a scheme administration and that does apply to our customers, both with or without a meter.

It provides funding for us to provide support, an online portal to help customers meet their reporting obligations, follow-up customers who may have not met their obligations in terms of self-reporting. So a follow-up, helping them avoid a potential non-compliance, and a few other things that are listed there, that I won't take up too much time. Thanks Cameron.

As I touched on earlier, \$345 dollars is a charge applied to, either download and support the telemetry, or a manual download of the LID, which is required annually. At this point in time Water NSW has levelled those charges. Over time, however, we expect the telemetry component to come down, as the uptake increases.

So in short, the more people that join into telemetry, there will be a broader base to amortise those costs, and we expect there to be a cost differential, where in the future, telemetry is at a lower cost, than a manual read or download. Thank you.

And finally, the \$1,870 that I referred to before for government-owned meters only, which as I said is comprised of approximately \$600 to upgrade the meter, \$345 for the telemetry or manual download, and also the balance for that ongoing hassle-free fixed price certainty, to ensure that the equipment is maintained and kept operable at all times. Thanks Cameron.

So just a little bit more on the government-owned meters. We propose a fixed annual charge. IPART have corrected this in the pack today, but there was an overstated cost, where the telemetry fee was added onto the \$1,269, as opposed to being included. So we just sought to clarify that.

The current meter service charge which some of our customers will be aware of, currently covers alarm management and only reactive repairs, so there is no planned maintenance involved in that, and that is a very big difference between the current state, and the future state. And it's just worth noting in the \$600 charge proposed by Water NSW to upgrade the meter, the government-owned meter fleet, over the next two, three, four years, only recovers 47% of the costs involved through this pricing submission.

So Water NSW continues to carry that risk it has to be funded in this determination period, and we continue to carry the risk should customers then choose to opt out and have that equipment abolished, and become a private meter owner. And as I said before at all times the government-owned meter customers have that choice to opt out. Thank you.

So in summary and recap, our submission was truly designed to support our customers in helping them meet their compliance obligations and minimise any risk of non-compliance, whether it be equipment related or reporting obligations. Costs were allocated at a licence level, rather than at an entitlement level, because as I said, we believe water the obligations assimilate irrespective of the entitlement.

Our submissions sought to provide our customers and water user's value for money, and remove barriers to the uptake of telemetry, that will eventually lead to lower cost of telemetry. Customers of government-owned meters can absolutely opt out, but I do need to remind everyone that the obligations for compliance to the non-urban metering reforms do remain the responsibility of the work approval holder. And Water NSW is absolutely continuing to work with our colleagues at IPART to help clarify any assumptions and hopefully finalise costings and prices.

So thank you very much for affording us the time. I hope you got some value of the presentation and I look forward to your questions later in the presentation. So back to IPART, thank you.

1.3 Stakeholder Q&A session

Ms Livingstone: Thanks very much David. So we do have time now, if you'd like to take the opportunity for you to ask questions directly of Water NSW about their pricing proposal. I can't see that we've got anything in the chat box yet, and I wonder if any of the Tribunal Members had a question as we wait for others to come through.

Ms Cope: I do have a question, thank you Liz and it might not be so much to Water NSW, as perhaps to other stakeholders. Is, do people think that the option of opting out of the government meters is something that people are likely to look at. And I also note that the charges apply to pumps that are 100 millimetres or larger, and I was wondering whether there is likely to be a shift to smaller pumps. And so the question on that for Water NSW, is that an issue or something that they've looked at, and for others about whether that's something that's likely to happen.

Ms Livingstone: Thanks Deborah and I'd open the floor, if there are any people who are considering their options as irrigators in this space. Do you have any thoughts on those questions that Deb raised?

Mr Pisasale: I've just had a just a comment Liz.

Ms Livingstone: Thanks Michael.

Mr Pisasale: Hi everyone, it's Michael Pisasale. I guess just a query on that opt-out scenario, I guess there's, what I saw there was a bit of a financial risk there for Water NSW and more just a consideration. If I was a customer, I'd be on the government charges until my meter was upgraded, and then I'd opt out straight away. And I guess that then means that I've theoretically installed a meter at a pretty low cost.

I just wonder, is that potentially something to think about, that if you're on a government charge, next year you get your meter upgrade, which clearly would cost more than \$1800 a year, and if that's just happened, then there should be some sort of I guess termination fee, or something. Just a consideration there, because then all of a sudden it's a shrinking pool of income then, for the remaining people who are choosing to still opt in for that charge.

Ms Livingstone: Thanks Michael. That's an important point, and I'm not sure David, if you wanted to comment on that?

Mr Stockler: Yeah, thanks for the question Michael, terrific couple of points. It's absolutely a risk that we continue to carry. I do remind the asset doesn't necessarily get handed over, so the point of upgrading the meter, and then opting out, doesn't necessarily mean you walk away with the meter. But there is absolutely that shrinking cost base issue, and customers originally advocated for us to upgrade meters, because of the fleet based approach, and the economies of scale that came with that.

So if the base does shrink, potentially economies of scale, over time shrink. And I just wanted to make a quick point to Deborah's point. There are multiple pump aggregate conditions, so whilst there might some people might shift to lower size situations. The aggregate rule does kick in as well, so it's not a just a one-way trajectory I guess.

Ms Cope: Sorry, what do you mean by the aggregate rule?

Mr Stockler: So multiple pumps.

Ms Cope: All right, yep okay. So you would have to be taking less water through your pump, rather than having a number of pumps that take the same amount of water.

Mr Stockler: It's linked to the works, rather than the entitlement, probably parked that.

Ms Livingstone: Thank you. Louise you had your hand up earlier, would you like to ask a question Louise Burge?

Ms Burge: Yes thank you. A question goes to the public ownership in the southern basin of meters. As you know the Southern Basin Metering Program was a mandatory condition opposed on southern basin customers.

A number of issues have been raised with Water NSW over the years. One is that the metering applied had telemetry systems installed, and it was only the fact that there has been a new consideration that a data logger must be added or facility must be added to existing telemetry meters. So we're suffering an increase in costs, and future costs as well, because of a system that is retrospectively adding a data logger, which in effect, the capacity to have full telemetry metering is already available. That's the first question.

The second question is the ongoing issue when the Southern Basin Metering Project was activated and carried out, a lot of the meters were buried by Water NSW contractors, and against the wishes of the customers. And now we are being, the issue is not resolved, so for maintenance of meters, we have to or we're in the situation where we would have to dig up meters. Dig up parts of channels, in order to provide regular maintenance to a meter.

We wish for the issue of buried meters, which not, the customer didn't do, but Water NSW did, to be resolved. And it remains unresolved. So it would seem highly inequitable in terms of fees and charges, that this issue is not addressed before customers, you know either have the option to opt in or out, or indeed you know, reach a sensible position in future for fees and charges in relation to a mistake, that actually was done by Water NSW or their contractors.

Ms Livingstone: David do you have any comments on that?

Mr Stockler: Yeah thank you. Hi Louise, good morning. So just first point, first the new LID, you're quite correct. The required, the regulations require a new LID to a new standard, to be installed whether it be on a government-owned meter or privately owned meters. The current telemetry equipment on the southern fleet does not meet those requirements. So it is a cost that it needs to be born, to meet the regulation.

With respect to digging up meters. One of the benefits of being part of the government fleet is a fleet-based approach to maintenance and compliance. And part of our costs are to dig up a number of those sites, to prove the installation and accuracy of that equipment, and based on that, we can then apply that to the fleet. So it's not necessarily to dig up each meter, to prove that as part of the fleet.

So I just wanted to clarify, because the cost to dig up is borne by Water NSW and then socialised across the fleet. But at the same time, the benefits of being part of the fleet are socialised and those efficiencies. So it's not a cost being pushed on to the water holder or customer directly, with respect to digging up their site or anything of that nature. So it's part of administering and managing a fleet.

Ms Burge: Just in relation to that. On the previous IPART submissions have or pricing reviews, have had ongoing maintenance built into those fees and charges. And when the Southern Basin Metering Project was first enacted, customers were receiving bills for maintenance on a brand new fleet. Now I think this comes back to the efficiencies of government processes, and decisions where a major program such as the Southern Basin Metering Project, is now deemed non-compliant, purely because of a data logger requirement. The question then raises is about the comparison of standards between the northern and the southern basin. The southern basin is incurring a you know a Rolls-Royce gold-plated standard and yet in the northern basin there is a much more flexible process for private customers, so a question of inequity and you know early maintenance charges which on a system, now not compliant.

Mr Stockler: If I could just quickly clarify. So a couple of points, there is an existing meter service charge for the southern fleet, which includes costs for ad hoc, as need basis repairs and maintenance. It doesn't include the new cost which we've proposed for that annual piece. But that contract and those costs that are built-in, are based on not visiting each site every year, it's based on say a one in ten or whatever fault. So some sites may be very expensive to repair, some may not incur any costs. And that's again back to the fleet based approach. So that's what those existing fees are for.

With respect to the inequity. I don't think that's quite right. The northerners have an obligation sorry, anyone outside of the government-owned meter fleet, irrespective of where they are, had the same obligations in terms of the standard of the LID and the metering. And anyone outside of the government-owned fleet needs to bear those costs, the capital costs of the equipment themselves.

Ms Burge: Except David, I think you'll be aware that the northern basin can use existing MACE meters for an indefinite period, unless they break down. And that has been confirmed by your own department. So southern basin doesn't have that opportunity, northern basin from my understanding, when I've asked these questions at CAG and also through other processes, the answer was with MACE meters they can be used indefinitely.

Mr Stockler: Okay, yeah sorry, I am sorry Liz, I will throw it back to you. But no, that's not quite all correct Louise, but we can take that offline, as we have in a number of CAGS. The southern metering equipment will continue to be used, it's the LID that's being upgraded.

Ms Burge: That wasn't my comment though. My comment was that the inequities that existing meters in the northern basin, can be continued to be used even if they don't meet standards and I'll refer particularly to the MACE meters.

Ms Livingstone: Thank you Louise, and look David provided some comment on that, and it might be that DPIE, the policy owner will have some comments on that in this Q and A session as well. I'd like though to give opportunity for some others to ask some questions as well, and Jenny McLeod, I think you have a question. Would you like to ask that now?

Ms McLeod: Good morning, yes I've just got a couple of questions. One relates to, David you referred to the charges applying per licence. I'm assuming that applies where the licence is linked to a work approval.

And the second question, maybe it's more of a comment, is some of the things you refer to as being benefits that will apply to customers, are actually things that, and I'm thinking about you know the DPI water portal, where there's guidance, a lot of information, and there's guidance in terms of helping people understand their compliance obligations. I'm interested in the separation of costs that are Water NSW future ongoing costs, versus set-up costs and things have already been done by DPIE. And we need confidence that we're not paying both for DPIE costs, and Water NSW's costs and that we're also not paying for establishing costs that have already been completed.

Mr Stockler: Yeah sure, Hi Jenny, good morning. Yeah so to clarify the first question first. No, the \$77 flat fee applies to all licences irrespective of size or type. And it is a scheme administration charge.

With respect to the set up cost now, I can provide you assurance and IPART, and the prudency and efficiency consultants, go through all that to make sure there is no duplication. There is, you're quite right, there's information available in the public domain with respect to obligations and such. The costs that we've factored in are more around support. So most water users will need some level of support in establishing or starting to meet their new obligations. But there's also a whole heap of reporting tools that don't currently exist on the DPI website if you like, for people that need continued maintenance and continue attention for people as they increase their self-reporting and such.

Ms Livingstone: Thanks David. Claire Miller, you've got some questions about telemetry I understand. Are you there Claire?

Ms Miller: Sorry, it seems to me that there's a real push here to structure the pricing so that people are euphemistically encouraged to go across the telemetry instead. We do have an awful lot of you know much smaller irrigators, you know groundwater licence holders for example, who, to go to telemetry is going to be a huge cost impost for them.

Alternatively they face a huge cost impost to have squads of people to come out and manually, you know sort of check and ground truth their reporting every month. But there's no, it would seem to me there's surely got to be savings, if people are going to go towards telemetry, that's going to be a saving for Water NSW. But we don't see any indication that people might actually get the benefit from that. If they do the investment in telemetry, which is at their own cost.

Mr Stockler: Yeah thank you Claire. Good morning, thanks for the question. You're quite right, intuitively one would expect telemetry to be at a lower than a person in a van driving around, and at this point the numbers are not there, so you have a higher fixed cost base over relatively few users. So we've levelled the charges at this point, to certainly remove any barriers for the uptake of telemetry, and I would expect, as I said in my introduction, in future determinations, the cost of telemetry service to be less than that of a person driving around. It's just not the case in the early days, when there is a significant set up and build, and a relatively low or progressive uptake as the tranches kick in, and a number of the people you speak to, sort of the smaller water users are at the tail end of that. And sorry, if I could just stress, because they'll only be exposed to that charge once they're in that regime.

Ms Miller: The problem here is from what I can see, past pricing determinations, is irrigators keep being promised, look if you just go with us this time, we promise there's going to be these great efficiencies, and we're going to see prices go down in future. Except next time, four years later on the next pricing determination, you've come up with a whole lot of new things. But if you just do telemetry, I promise you that in four years' time, you'll see, the you know the benefits, the costs will go down. But they never actually do, we don't see the efficiencies in costs, you know the efficiencies of scales of economy, that we were promised when you know the different agencies were all split up.

We see very little sort of you know so, I'm just having I guess it's a comment here, but we're not seeing the kind of rigor around your costings and justification across the agencies, that we would expect to see when you're proposing such mammoth cost imposts on irrigators. Now we'll probably get into the whole impactors pays versus user pays models later in the day, but you sort of you say we're just not seeing that Water NSW and other agencies are applying the kind of you know rigor to their own costings that we would expect to see. And you keep putting off into the never-never when apparently those you know supposed efficiencies and so forth are going to actually deliver a dividend in smaller, in smaller charges to the irrigators.

Mr Stockler: Yeah, thank you for your comment. Claire, good morning. I'll take much of that as a comment. But I do stress that these are new regulations, new reforms. So with those new regulations and new reforms come new obligations for both water holders and licence holders and Water NSW. But I'll take the rest as a comment thanks.

Ms Livingstone: Thank you, and thank you Claire. Chris Magner from Richmond Wilson's Combined Water Users Association. Chris would you like to ask your question now or make a comment?

Mr Magner: Thank you. The concern I've got with especially in the non-government meters and it appears the way David's presented there, that it's going to be just across the board charge, irrespective. Most of our people on the coast that will come under the licensing, under the metering, will be fairly small operators and small entitlements in comparison to our cousins across the hill.

We're concerned that those charges, are not just to implement a system that would be just a blanket fee, irrespective of the size of the meters, the size of the structure, the size of the entitlement. I think we're being hit on the coast a little bit too hard, and this is just one of the items that I see here in this whole document, that we're just getting, wearing the costs of the department, because we're all little blokes, and we're, there's heaps of us, but they can just seem to keep slugging us along with every charge that they can. I think, I don't think it's just, and I don't think it's fair.

Ms Livingstone: Thanks for that comment, and there's an issue there that goes to variation of charges, David did you want to comment on how Water NSW came up with your approach to have effectively flat charges across different meter types etc.

Mr Stockler: Yeah thanks Liz. Good morning Chris, nice to see you, it's been a while. Thanks for the question. Look we did do a whole heap of analysis, and IPART and their consultants will continue to do analysis on ability to pay, and willing to pay, and capacity to pay and those kind of things, that I know you're very familiar with.

We certainly looked at the difference between charging say the scheme administration costs on either an entitlement basis or a licence basis. With that we really do feel that the \$77 represents reasonable value and the more equitable way is on a licence basis, so everyone with a licence is a market participant, and therefore accesses services within that market. And that's what that charge is for. So with respect to the yeah, as I said the ability to pay, willingness to pay, that that will be something that undoubtedly will be discussed by IPART and analysed.

Ms Livingstone: Thank you David.

Mr Magner: That's fine in the reg system, in the unreg system, that model has not been implemented at all. We haven't got the model of the willingness to pay in the unreg system.

Mr Stockler: I might leave that. I don't know. IPART makes those considerations in any pricing determination.

Ms Livingstone: I think we always apply a lens of looking at affordability, and the ability for different customer groups to pay certain charges. More so than specific willingness to pay studies in particular areas. But that's definitely something that we consider.

We have some more questions, Jeremy Morton I think you've been waiting a little while would you like to ask your question?

Mr Morton: Yeah hi thank you. I do have a specific question about unregulated water sources, so in this case the NSW Murray, and metering charges that relate to unregulated licences. I've been having a look through, I can't find but if you could help me out about what the actual metering charges will be for unregulated licences?

Ms Livingstone: David, could you talk to what Water NSW's proposal is?

Mr Stockler: Yes that there's no difference from our perspective. They depend, as in the early slide Jeremy, I outline a very high level some of the obligations. They do consider unreg and groundwater as well. So for the specifics, you'd probably refer back to some of the pages on the department's website that guide for different water users, what their obligations are when they kick in.

Mr Morton: Okay, so can I jump in. So what it does say here is that for unregulated rivers with general security licence, that's what it says so, and it's got 500 mega litres and it's got 2,582 on your 2021 bill. Is that what I would be expecting as an unregulated user, and you know and I'm not sure how the because it just says 500 mega litres, 500 you know for each valley. I'm not sure if that's a pro rata, or whether that's talking about pump size, I'm not clear about what that actually means as well. So I'm trying to work out what I can expect my bill to be, based on the information that I can read.

Ms Livingstone: Thanks Jeremy. If David if you don't have that information to hand, and Jeremy you're reading from one of our reports on an IPART report thing. We'll get the team to look at what you're looking at, and get a message to you to answer that specific question in the chat function. Just give our team a little bit of time to find what you're looking at and someone will contact you.

Mr Morton: Okay, so I'm looking at page 159, which is where this metering stuff is in the WAMC stuff yeah.

Ms Livingstone: Great

Mr Morton: And I just make a comment as well, so if we look at the utilisation of water in the NSW Murray. It's about 50,000 entitlements. Utilisation is expected to be about 5,000 mega litres a year. So yeah, I'm trying to get a sense of what we're looking here for in terms of compliance, the amount of water that's actually going to be used, and then the costs that are going to be recovered for a compliance. If it's like the numbers that I'm looking at, it's obscene to say the least.

Ms Livingstone: So and it sounds like you're looking at broader than just the metering costs as well. So someone will message you and clarify that and we'll put the information in the chat function, so that we cover that off. Thank you. Mary Ewing from Lachlan Valley Water, would you like to ask a question?

Ms Ewing: Yeah thanks Liz, question to David. The proposed costs for downloading the LID data, verifying it against the meter read information are high, but currently at least annual meter reads, and more frequently in most areas are required, so what's driving these higher costs?

Mr Stockler: Hi Mary, nice to see you. Yeah so just the crux of the question is the current charge is less than the proposed charge of the \$345. Yeah so that there is a slight difference or, there is a difference and that is currently it's a meter read. Whereas the requirement going forward is a meter download, so that there is and there's a number of customers that currently don't have a meter read at all. So I know you're comparing apples for apples, or trying to compare apples for apples, that is current people who have a CFO come and do a meter read, versus then we have to come and do an LID download. But there are many, many thousands of customers that currently don't have a meter read on one-part tariff that will progressively be moving to two-part tariff.

Ms Livingstone: Thank you David. And Sophie Baldwin, I think you may have a question, would you like to ask that?

Ms Baldwin: Yes I do, sorry I just got a little bit confused there is there not a consistent standard for metering right across the basin, and is there different types of meters in different areas is that how it works, or sorry it might seem like a bit of a dumb question, but I just was a bit unsure about some of the information being delivered, so I just thought I would just ask that.

Ms Livingstone: David are you happy to answer that, I appreciate it's a policy question more than Water NSW's, but I think you're well placed to answer.

Mr Stockler: Thanks Liz, there's no one else here, it's somewhere between a policy and a real world question. Yes there's loads of different meters out there, but there is now one regulation and one standard, and so depending on your current situation, different people have a different number of steps to meet those new obligations.

Ms Baldwin: Yep thanks.

Ms Livingstone: Thank you. Sally Dye, you've been waiting patiently, would you like to ask your question now?

Ms Dye: Yes, thank you Liz. David you referenced the possibility of publicly held meters being returned to private ownership if the land holders desired that. My concern is that Water NSW as lawyers alluded to earlier, buried a lot of those meters and technically, I believe they're not compliant because Solomon told me once that, you no longer have buried meters, they have to be easily accessible for any inspection that's necessary.

If those, if but in our circumstance, if we had a buried meter and we wanted to go back to private ownership, it would be Water NSW's responsibility to bring those buried meters out of the ground, to make them compliant with the current standards I would have thought. And is that part of the cost that you are attributing in the \$600 socialised across everybody, or how is that going to be addressed, if individuals are in a circumstance and do opt go back to private ownership. But having been participating in the scheme and paying fees and charges to Water NSW for a number of years to cover repairs, maintenance, depreciation and whatever else. I would have thought the moral obligation would be on Water NSW, to make good on those meters, and bring them up to compliant levels, given we've all been participants in that expected compliant level.

Mr Stockler: Thanks for the question Sally, good morning. So just a couple of clarifying points as I said earlier, part of being the fleet, part of the government-owned meter fleet is they don't all have to be dug up. We rely on a fleet based approach for compliance, and that's based on a percentage of sites inspected and verified or validated to ensure they're correct.

At the point of which you or a water user may decide to opt out, it doesn't necessarily mean a transfer of the asset. So the asset is a government-owned asset, and that would be an individual discussion between the water holder or and Water NSW as part of, so if you were to say I want to opt out, but I want to keep the meter, that would be that there's a discussion and a negotiation that needs to come at that point.

Ms Dye: David you're effectively holding so many people to ransom then, because at the cost of unburying those meters, and doing complete new installations with new meters is prohibitive. So people won't be in a situation to be able to afford to do that, so therefore they are being held ransom effectively by the system to remaining in the public ownership field.

Mr Stockler: Oh look I'll take that as a comment Sally, but no we're not holding anyone to ransom. Customers absolutely have a choice and if it's more cost effective for them to go their own way, they're very that is absolutely their decision to make. We think our submission represents fair and reasonable value for the \$600 odd to make those meters compliant, and then the other costs to ensure they're ongoing serviceability and operability. But if customers don't feel that way, that's an individual decision to make.

Ms Dye: David the second part of what I said in q2 was that there are at least 12 meters I believe in the Murray Valley that are publicly owned and were installed by Water NSW, part of the public process that are not compliant and would need to be replaced to become compliant. I'm assuming those costs are included in that socialised cost and that that \$600 will be a once-off rather than an ongoing annual charge.

Mr Stockler: Well two parts to the question. The first question is yes, I'm well aware of the meters that don't meet the requirements and they will be replaced, that is correct. As part of the first tranche of 182 odd which needs to be completed as soon as possible.

The \$600 is a charge per annum, over the course of this determination and as I said, Water NSW bears the risk, being the other 53% of costs projected to be incurred in the next two to four years, we carry that risk that we may never recover that, whether or not customers opt out, whether or not we're allowed to or IPART make a determination in a future process. But we carry that risk of approximately 50%.

Ms Dye: So I just want to confirm that you've just said that the \$600 meters to upgrade and not be an ongoing charge beyond the four years of this determination.

Mr Stockler: No that's not at all what I said. It's a \$600 per annum charge for the proposed, for the duration of the next four years. And at which point we'll make a new submission, and I can't speak for IPART, and IPART won't compel a future Tribunal either, but that will be assessed at that next determination.

Ms Dye: I'm sorry I must be confused. I thought you said that \$600 was specifically for upgrading, but once things were upgraded that wouldn't be required anymore.

Mr Stockler: The \$601 is for the upgrade, but it's \$601 over for four years.

Ms Livingstone: Just to help clarify, what has Water NSW assumed about the asset life of the meter, because I assume that's got something to do with how much you're recovering each year, and might be a bit indicative of how much how long that capital charge would apply.

Mr Stockler: Yeah we're projecting 10 years to go.

Ms Livingstone: Okay

Ms Cope: And are you also projecting David that the full upgrade program will have happened by the end of the four years?

Mr Stockler: Oh absolutely. We need to ensure compliance, so we don't inadvertently expose our customers, to where we who are on that on a journey to demonstrate meeting compliance the same as privately held customers.

Ms Cope: Okay so the current assumptions built into the pricing is that those charges are for upgrade and that the upgrades will be completed at the end of the four years, is that what you're saying?

Mr Stockler: Correct but just to clarify, but we only recovering 50% of those costs in this determination.

Ms Cope: Yeah I understand that. I also had a question if I may Liz, around just so I can understand the issue around moving from a public meter to a private meter. If your public meter is currently buried and you decided to move to a private meter, would there need to be a process to dig that meter up in order for you to do that, or could you put in and is it practical to put in a new meter at a different connection point, that would then leave the existing meter to Water NSW, however it wanted to deal with it.

Mr Stockler: That's exactly right Deborah. It's an individual, one of our principles in all the way through the metering reforms has been an individual decision, individual discussion between Water NSW and its customers. And that that would be an individual decision that, you're quite right a number of customers may take the opportunity to relocate the meter, or upgrade to a different type of equipment or technology that that they prefer, as part of that process.

You know similar to other sectors you'd call that abolishing the meter, and that would be an individual discussion of whether the meter needs to be exhumed or whether it just gets disconnected and left under the earth. That's an individual discussion.

Ms Cope: Okay and just for my understanding because I'm not sort of up on the technicalities, is that moving of a meter usually an extremely expensive process, or can it be, is it much different from replacing a meter within its existing location?

Mr Stockler: I think that's there's a whole heap of variables there, I wouldn't speak to, but it really depends on individual situation and why or for what purpose and what.

Ms Cope: Yeah, it looks Liz like Louise might have something that she can add to my question.

Ms Burge: Thank you. Just on that issue it comes back to if a meter is to be abolished, if a person chooses to move into a private ownership, abolished, can it be assumed then that Water NSW will impose those disconnection fees onto, or the obligation onto the customer in the event that the customer moves, because it doesn't sound like Water NSW has reached a sensible resolution on those buried meters.

And secondly, the point of any upgrading in systems, we need to resolve and IPART needs to consider, if government contracts are not delivered according to their original design or specification, as we saw in the Southern Basin Metering Project, where a rollout of the metering program was expected to deliver about six or nine thousand customers, and in fact it only delivered two. And under the last IPART determination in Coleambally hearing, I think we identified through Water NSW's response that customers were in fact charged for the original budgetary errors, in the rollout. Going forward as a principle, does IPART accept that customers should be charged or are able to be charged when Water NSW programs, are either go over budget, or not budgeted accurately.

Ms Cope: So we look at the efficiency of what Water NSW does. If Water NSW operating costs are more than what has been budgeted for during the determination, they wear that cost. If their capital costs are more than what was budgeted for, through the determination, then they have to justify that that was efficient, in order for it to be passed on. So that's kind of the way that we approach it. But I think we've also got quite a lot of other people, so if we can take your other points, because I think your other comments we will take on board, and Liz we might it might be worth going to some others.

Ms Livingstone: Yeah, and Jim Bentley raised his hand a little while ago and I assume Jim you'd like to clarify something about metering. If you're still there.

Mr Bentley: Of course I'm still here Liz. I really just wanted to clarify that we are here. So it's fine that you're putting questions to Water NSW, and that's fine, but David said he's the only one here. I wanted you and our audience to know that I and several of my team are listening intently to every word and happy to take any questions you want to direct to us, but I have nothing additional I need to clarify.

Ms Livingstone: Okay, you might be peppered with questions now. Jeremy you had another question, I wonder if we can go to you now? Jeremy Morton

Mr Morton: Yeah hi, so was that the question I sent in earlier today, because I haven't actually got a, I haven't got another one, unless I haven't taken my hand down maybe.

Ms Livingstone: But my intelligence systems are have highlighted you again, but if you don't have a question we can move on now. I wonder if it is because some of the other questions relate more to what happens with the process, if IPART doesn't set prices, we might just move swiftly to Shirley Lam, who will give a brief presentation from IPART on our current position, and then we'll have an opportunity for people to ask questions of the Tribunal about its position. Thanks Shirley.

1.4 IPART Secretariat presentation

Ms Lam: Thanks Liz. So I will now discuss our preliminary position on meter reform costs. While we support the NSW government's new metering reform policy, we consider Water NSW's proposed implementation program is still at a preliminary stage of development. So therefore our view at this time is that we have not yet received sufficient information to determine the efficient metering costs and so we have not set draft charges for the new metering policy.

I want to stress that this does not mean we think Water NSW's efficient metering costs are zero, or that it should not be implementing the NSW government's metering reform policy. If we can establish efficient metering costs, and we are able to set prices for metering at the end of the review process, water users will be required to pay the metering costs. Based on the concerns and uncertainty raised in our review so far, it is likely that the Water NSW proposal would be at the upper end of potential price increases. We are also considering the next steps if we are unable to determine the efficient costs and set prices for metering at the end of the review process.

We note that the onus is on Water NSW to meet the efficiency threshold for IPART to include additional metering costs into prices. And we expect that Water NSW's proposal and any additional information should demonstrate, I guess rigour in its processes. Validation and testing of its assumptions, and appropriate risk assessments. So that we can have assurance that it's proposed costs are efficient.

So we are now working with Water NSW, and our consultants to obtain the necessary information to establish efficient costs, and to ensure that water users only pay for the efficient metering costs to include in prices.

So we are also going to consider all the feedback that we have today, and in our submission process to before making our final decisions. So we have concerns about the potentially significant bill impacts of Water NSW's proposal on the water sector, the affected communities and broader economy.

Looking at the typical bill increases for customers with a 100 millimetre meter for privately owned meters, bill increases would range from 4% to 70% depending on the water source. And for government owned meters, bill increases would range from 50% to 160% considering both WAMC and Water NSW rural costs.

Generally the bill increases for water users with privately owned meters are lower than the bill increases for government-owned meters, and that's largely because privately-owned meters will be liable for the cost of installing and upgrading and maintaining their own meter, which is not captured in our prices.

So the main drivers of water users, with government owned meters, due to the new metering standards driving up the bills and prices. So finally our draft report also raised questions about the costs, how the cost of reforms should be recovered from water users.

So those questions that we raised to so far in the discussion including the telemetry, or non-telemetry charges, or whether they should be the same. Or if they should defer to reflect the different underlying costs of servicing each type of meter.

Our preliminary view is that these costs should be cost reflective, if it's practical to do so. And we also ask whether the scheme management charge, should apply to the individual meter owners or to all licence holders. Our preliminary view is that there are arguments supporting either options, so we are keen to get stakeholder feedback so I'll now hand over back to, Liz for the rest of the q and a session.

1.5 Stakeholder Q&A session

Ms Livingstone: Thank you Shirley, and for those with a keen eye on our schedule today, we are running a little bit over, but we plan to keep this session going to about quarter past before a break, then was on the original agenda. So I hope that's not too inconvenient for people. Claire Miller did have questions and they might be for a mix of people, but Claire I'll hand over to you, to ask your questions now thanks.

Ms Miller: It's just it's actually a question obviously raised there, and I've just had a few direct messages coming back, which is at the time that you know they had the department taskforce, for a lot of these policy changes including metering. It wasn't actually sort of you know the pricing impost part of it, was not really sort of even worked through or discussed with stakeholders at the time.

So if you are wondering why people are so shocked about what's being proposed here, it's because quite frankly it's news to them. They're assured for instance you know, don't worry about it the market will respond, you know always this great faith that the market's going to you know deliver cheap meters or whatever.

But you know really, this is the first time that irrigators have so, I just wondered if you know any of the departmental people or Water NSW sort of wanted to comment on that, because certainly you know out there among our members, there's a very strong recollection there, well there's no recollection of really the cost impost of these policy this policy package, being discussed with people at the time it was being put together.

Ms Livingstone: Jim would you like to comment on that?

Mr Bentley: Well only I think to say that what Claire has said is factually correct. That as the policy positions were being developed, and consulted on the cost implications were not known. So I have, I'm not disagreeing with Claire's statement of the facts.

Ms Miller: Thank you Jim.

Ms Livingstone: And Claire, it was part of our motivation in having this this session today, realising that people wouldn't have seen the costs in this level of detail, at least before.

Ms Cope: I just wanted to add to that, because it's actually not our usual practice to run a public hearing at this point in this sort of process. So we've added this in specifically, because we wanted to make sure that people had an opportunity to comment.

Ms Miller: Thank you.

Ms Livingstone: Thanks. Jenny, I think you've got a question for IPART about what happens if prices aren't set?

Ms McLeod: It's Jenny McLeod from Colly. So based on the discussion so far, if IPART can correct me if I'm wrong, so whilst IPART at this point have said they can't determine the efficient costs, we may see in the final determination IPART making a determination for metering charges.

And if then going forward, those charges recover less than Water NSW operational costs, then that's a risk that Water NSW will bear. In terms of the capital cost, if in the next determination IPART identifies that the capital costs that they, the capital investment they made was actually efficient, then that will be captured in a future charge. Is that, have I understood the sort of scenario going forward correctly.

Ms Cope: That's the way that we, that's our standard way that we treat costs when they come through subsequent to a determination yes, that's correct. But we haven't got a firm view yet on what the option, all the options are if we don't set the prices in this determination.

We're still working through those options about whether, it's based on our understanding of what the efficient cost would be, whether it's a price that it's not regulated, or whether it's a price that they would need to look at the capital cost recovery later, in a later determination. We just don't have enough information yet to be able to make that decision, but we are working through that at the moment.

Ms McLeod: So apart from the capital costs, I suppose I'm keen to know in terms of in future determinations recovering additional operational costs, that's not a risk that we're exposed to, or are you suggesting that because we're in this unusual circumstance, it potentially is?

Ms Cope: That's not our usual practice to do that, so there it has been in the last four years Water NSW has spent a lot more on operating cost, than what was allowed for in the determination.

In this determination the operating costs are increasing, but only for to reflect those that expenditure in future periods. There is no adjustment for the loss as a result of operating cost in the past period.

Ms McLeod: Thank you.

Ms Livingstone: Thanks Deb. We might take one more question in this session from Zara, which flows I think on a similar theme. Zara, would you like to ask your questions now?

Ms Lowen: Yes, thanks Liz. Can you guys all hear me? My question is around the timing of this decision. So I appreciate that IPART have not made a decision on the metering charges yet. When will we know, so we can assess the full price implications going forward?

And what risks do water users have, that somewhere in the next determination period if that decision isn't made before the due date, when will we see potentially those metering service charges come in?

I then have a supplementary question if I could about just understanding why the telemetry, no telemetry charge, is the same and it doesn't seem to be changing over time as telemetry ramps in or did David cover that in his?

Ms Cope: So I think I'll take the first bit, and then leave the second bit to David. On the when will you know, one of the things that we've been talking about internally at the moment, is what processes can we use to provide people with some information as soon as possible. But we're waiting for the public hearing, so we understood properly what the issues were, in order to work out what that process will be.

So I think sorry my answer to you is going to have to be watch this space we are conscious that it's important to give people as much information as soon as possible, and we are trying to work out what's the best way that we can do that.

Ms Livingstone: Thanks Deb, and David if you could comment, I think you did cover it earlier, but the telemetry versus non-telemetry charge.

Mr Stockler: Yeah thanks. Just totally happy to go over it, hi Zara. It is absolutely counterintuitive, and we were also a little bit surprised when it was so marginal, because difference between telemetry and a human going out of vehicle, driving distances, staying on site for a period of time to download.

The way the telemetry cost base exists, until we have greater numbers on it, we're not there at a cost efficiency. So efficiencies of scale, need scale, and we haven't got the scale yet. So at this point, telemetry is actually more expensive than sending someone out there, because of that cost-based and amortised over small user base.

So when you say you don't see it coming down, you're quite right for this determination period. We've levelled them, because we certainly didn't want to send a perverse or unintended consequence of dis-incentivising the uptake of telemetry. Because it's absolutely you know our, the vision, and expectation that you know in 2020 and moving forward, would be harnessing technology to drive down cost.

We're absolutely supportive of that I know the other agencies, NRAR and the department also want the uptake telemetry to grow continue to grow. So we level those costs to remove any disincentive, not investing in the telemetry, not getting into telemetry and then over time it will come down.

Ms Cope: David, do you have any feel for what portion of take-up you need, before that cost starts to switch over?

Mr Stockler: We have done a lot of analysis, it's probably not something I'd deal with off the cuff. There is a fair bit of work, it also depends on the construct of the agreement behind it that have been struck with existing providers. And yes it's quite a complicated basis you can imagine. Something we'll definitely expect, and would like to discuss further with IPART as part of this process, and continuing to flesh out those costs.

Ms Cope: We can bother you on that later.

Ms Lowen: If I could follow up on that. I think that's a really excellent point, because it's that break-even point, so when we get that economies of scale. I think it also goes back to some of the discussions that we had through the reform process, where the department and the taskforce were very keen to push the pricing discussion aside through the IPART process.

But there was also a belief at the time from customers that the reform set up costs would definitely be borne by government, and so maybe that break-even point is the point at which customers could be leveraged. Whereas up to a point until costs are recovered at that break-even point, that maybe that's when government should be stepping in, to as a setup, as a service, to set up that new process.

Because that is definitely the understanding we had, that a certain expectation of the setup to move to the new set of rules, would be borne by government, as a new forced rule. And then the ongoing, so the private costs, and the other aspects would be borne by water users to be compliant. But the back end, definitely was a government expectation we believed at the time.

Ms Livingstone: Thanks Zara, and happy to take that as a comment. I'm just conscious of time and DPIE, no doubt can comment on government funding in subsequent sessions, but we will leave the question and answer on metering there.

I'll just hand over to Deb now to close this session. We'll then take a five minute break, it'll be a short break and come back just after 11:20am. Let's aim for 11:20am and we'll start shortly after that. Thanks Deb.

1.6 Closing remarks

Ms Cope: Thank you Liz, and on behalf of IPART I'd like to thank you all very much for your participation in Session A of today's proceedings.

It's been a great benefit to us to hear your views, and we really appreciate the efforts and contributions made by everybody here today. Metering reform is an important and complex issue, and we'll consider all that's been said today when we make our final decisions.

We're working with Water NSW and our consultants to ensure that only efficient metering costs are included in the regulated prices. If you would like to talk to someone in IPART about metering, you're welcome to contact one of the members the team members, whose contact details are on the website, or in the inside front cover of our Draft Report. We also accept written submissions as I said before by the 16th of April, and you can make submissions on our website.

We'll now as take a five minute break until Session B, and where we will discuss the Draft WAMC water management charges, so we shall see you in a minute.