



Our ref: OUT20/2627

Michael Martinson  
Manager Economic Regulation  
WaterNSW  
1 Parramatta Square  
169 Macquarie Street  
Parramatta NSW 2150

Dear Mr Martinson

### **Murray Darling Basin Authority and Border Rivers Commission Cost Recovery Arrangements**

I am writing to advise of the costs arising from the forward program of the Murray-Darling Basin Joint Venture and the Dumaresq-Barwon Border Rivers Commission (DBBRC) that should be included in the WaterNSW submission to the review of prices for Rural Bulk Water Services in the Murray-Darling Basin, commencing 1 July 2021.

The Murray-Darling Basin Authority (MDBA) administers Joint Programs on behalf of the Murray-Darling Basin jurisdictions. The costs outlined in this letter are based on the Joint Program budget forecasts included in MDBA 2019-20 to 2022-23 Work Plan and Budget (Amended 17 December 2019).

The Joint Programs include natural resource management related non-river operations (Non-RM) and bulk water infrastructure projects relating to river operations (RMO). The Water Administration Ministerial Corporation (WAMC) pricing submission for water management charges has historically sought recovery of the user share of the State's MDBA Non-RM costs from water users. RM contributions are passed on to water users via WaterNSW's Rural Bulk Water Services pricing determination.

The NSW Government currently recovers around 35% of the annual DBBRC via the WAMC Determination and 65% via the NSW Rural Bulk Water Pricing Determination, based on historical natural resource management and river operations costs respectively. This has been revised to 42% WAMC and 58% Rural Bulk Water for the 2021 Determination price path based on the DBBRC five year budget forecast out to 2024-25.

Table 1 in the attachment to this letter provides the cost recovery between the Rural Bulk Water Services and WAMC (water management charges) Determinations.

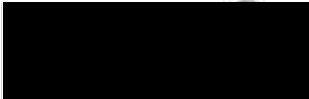
Table 2 provides the non-RM costs that reflect the WAMC share of funded activities and uses Independent Pricing & Regulatory Tribunal (IPART) cost sharing criteria to determine the costs that are attributable to water users.

Please note that the MDBA data provided extends only to the 2022/23 financial year, which is the limit of Joint Venture forward planning at this point in time. In the absence of MDBA Work Plan and Budget data out to 2025/26, past practice has been to repeat the previous year for the remainder of the price path period (i.e. in this case, 2022/23 figures).



IPART will review the prudence and efficiency of MDBA and DBBRC operations in its review of prices for both the WaterNSW (Rural Bulk Water Services) and the WAMC (water management charges) Determinations. In this regard, I note that the Commonwealth Minister for Water Resources recently announced the first triennial review of River Murray operations costs, due to be completed during 2019-20 and published on the MDBA website.

Yours sincerely,



Amanda Chadwick  
Executive Director  
Reform Implementation

13 March 2020

Attachment A

**Table 1: MDBA Joint Program and DBBRC costs and WAMC/ WNSW split (\$19/20 '000)**

<b>NSW contribution to MDBA and DBBRC</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
NSW Contribution to MDBA	\$30,199	\$32,318	\$32,318	\$32,318	\$32,318
NSW Contribution to BRC	\$1,856	\$1,896	\$1,953	\$2,011	\$2,011
Total NSW Contribution	\$32,055	\$34,213	\$34,270	\$34,329	\$34,329
<b>MDBA Contribution based on forecast total cost as at February 2020</b>					
WNSW Bulk Water	\$23,825	\$25,868	\$25,868	\$25,868	\$25,868
WAMC	\$6,374	\$6,449	\$6,449	\$6,449	\$6,449
<b>DBBRC Contributions based on forecast total cost as at February 2020</b>					
WNSW Bulk Water	\$1,073	\$1,097	\$1,130	\$1,163	\$1,163
WAMC	\$782	\$799	\$823	\$848	\$848
<b>Total MDBA and DBBRC contribution</b>					
WNSW Bulk Water	\$24,899	\$26,965	\$26,998	\$27,032	\$27,032
WAMC	\$7,157	\$7,248	\$7,272	\$7,297	\$7,297

**Table 2: WAMC cost recovery from users for MDBA and DBBRC (\$19/20 '000)**

	2021/22	2022/23	2023/24	2024/25	2025/26
<b>NSW Contribution to MDBA</b>	\$30,199	\$32,318	\$32,318	\$32,318	\$32,318
WAMC share of MDBA costs	\$6,374	\$6,449	\$6,449	\$6,449	\$6,449
User share of WAMC MDBA costs	\$4,485	\$4,580	\$4,634	\$4,526	\$4,526
Government share of WAMC MDBA costs	\$1,889	\$1,869	\$1,815	\$1,924	\$1,924
User share %	70%	71%	72%	70%	70%
	2021/22	2022/23	2023/24	2024/25	2025/26
<b>NSW Contribution to DBBRC</b>	\$1,856	\$1,896	\$1,953	\$2,011	\$2,011
WAMC share of DBBRC costs	\$782	\$799	\$823	\$848	\$848
User share of WAMC DBBRC costs	\$740	\$755	\$778	\$801	\$801
Government share of WAMC BRC costs	\$43	\$44	\$45	\$47	\$47
User share %	95%	95%	95%	95%	95%
<b>Total WAMC MDBA and DBBRC user allocation</b>	\$5,225	\$5,335	\$5,412	\$5,327	\$5,327