

## FACT SHEET

# Review of prices for the Water Administration Ministerial Corporation – NSW Office of Water – from 1 July 2016

Based on *Issues Paper for the review of prices for the Water Administration Ministerial Corporation – NSW Office of Water*  
June 2015

We are conducting a review of the maximum prices that the NSW Office of Water (NOW) can charge for the monopoly water management services it delivers on behalf of the Water Administration Ministerial Corporation (WAMC).<sup>1</sup>

NOW is a government agency responsible for the planning and management of all surface water and groundwater resources across NSW. The activities undertaken by NOW are directed at achieving the aims of the *Water Management Act 2000* (NSW). These aims are to provide for the sustainable and integrated management of the water sources across NSW for the benefit of both present and future generations.

In general terms, NOW's planning and management responsibilities involve the the licensing and protection of water users' property rights (entitlements) to access water, including:

- ▼ developing statutory water sharing plans, which set the rules for sharing water between extractive users and the environment
- ▼ determining the volume of water available for allocation each year to towns, water users and the environment, particularly during times of severe water shortage
- ▼ the policies and procedures for the permanent trade of water entitlements and the annual trade of available water, and
- ▼ monitoring the quantity, quality, and health of aquatic ecosystems and water extractions.

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<sup>1</sup> The WAMC is the statutory body under *Water Management Act 2000* (NSW) responsible for water management in New South Wales. Its water planning and management activities are delivered by NOW.

NOW's water planning and management activities, and therefore its charges for these activities, cover regulated rivers (ie, rivers with a dam), unregulated rivers (rivers without a dam) and groundwater sources across NSW. Water management charges apply to all categories of water access licences and are paid by licence holders. These include irrigators, mines and other industries, environmental water holders, local water utilities and major utilities supplying water to cities and towns.

Our review is not looking at setting prices for Water NSW's monopoly services. Water NSW's (formerly Sydney Catchment Authority and State Water Corporation) activities relate mainly to the physical storage and delivery of bulk water in regulated rivers. NOW's activities are primarily concerned with water planning and management - that is, protecting the water entitlement system across regulated rivers, unregulated rivers and groundwater.

## IPART'S PRICE REVIEW

Water planning and management activities provided by NSW Office of Water (NOW)

### IS...

to set prices for NOW's water management and planning services  
the sustainable management of water sources across NSW

### ISN'T...

to set prices for Water NSW's bulk water services  
the physical storage and delivery of bulk water

#### OUR PROCESS AND OBJECTIVES

##### Assessing expenditures



Our goal is to determine the efficient costs of providing water management and planning services and to ensure proposed expenditures are justified.

##### Allocating the costs



Costs will be allocated between water users and the community, and across water users.

##### Seeking stakeholder input



We will provide opportunities for stakeholders to make written and verbal submissions.

## 1.2 What is IPART's approach to the review?

In this review, we will set prices to apply from 1 July 2016 (the 2016 Determination). The current determination set prices for the period 1 July 2011 to 30 June 2014 (the 2011 Determination).<sup>2</sup> Since 1 July 2013, prices have remained constant in nominal terms at 2013-14 levels following NOW's requests, and IPART's subsequent decisions, to defer the upcoming price review for a year on two separate occasions.

<sup>2</sup> IPART, *Review of Prices for the Water Administration Ministerial Corporation – Determination and Final Report*, February 2011.

We have released an Issues Paper to assist in identifying and understanding the key issues for this review and to encourage stakeholder comment. This fact sheet outlines the contents of the Issues Paper and how you can provide input to the review. The Issues Paper is available at [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

In making this determination, we will need to balance the diverse needs and interests of stakeholders, as well as ensuring that NOW is adequately funded for the services it provides. Our approach to the review is presented in Box 1. The Issues Paper is structured around this approach.

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### **Box 1 IPART's approach to the review**

The main steps in our review are:

1. decide on the length of the determination period
2. decide on water management charges, which involves:
  - a) identifying the specific water management services to be included in estimating the costs to be recovered through these charges
  - b) determining the full, efficient costs NOW is likely to incur in providing water management activities over the determination period
  - c) deciding on the appropriate share of these costs to be recovered from water users through water management charges
  - d) deciding on the price structure, then (where applicable):
    - allocating the user share of costs across water sources and valleys
    - determining the entitlement volumes and usage forecasts to set water management charges
3. decide on meter service and reading charges
4. decide on consent transaction charges
5. assess the impact of our pricing decisions on key stakeholders
6. decide whether we should establish a reporting framework or any other regulatory measures for NOW over the determination period.

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## **1.1 Summary of issues for consideration**

We invite stakeholder comments on a range of issues, including the length of the determination period, the structure of water management charges, mechanisms for sharing revenue risks between NOW and users, and the efficiency of NOW's operating and capital expenditures.

A full list of issues and questions for stakeholders is in our Issues Paper. Some of the key issues are discussed below.

## Contributions to the Murray-Darling Basin Authority and Dumaresq-Barwon Border Rivers Commission

The NSW Government is obligated to contribute to the costs of two cross-jurisdictional water management bodies – the Murray-Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC).

In relation to MDBA and BRC contributions for this review, we can only include the NSW Government's contributions to these costs in NOW's prices if either:

- ▼ NOW is required by the NSW Government to pay the MDBA and/or BRC contributions, and the Minister gives a direction to IPART to include the contributions in NOW's prices, or
- ▼ NOW makes a case that:
  - these contributions are for the provision of monopoly services provided on behalf of NOW (rather than provided independently by MDBA and/or BRC, as per functions conferred directly on them), and
  - they represent the efficient costs of providing these monopoly services.

## The structure of water management prices

Generally, we aim to set cost-reflective prices. Currently, NOW's water management charges vary by water source and by valley, which aims to reflect the different costs of providing water management services in each area. Valley-based prices can also enhance transparency and accountability around NOW's costs.

However, consolidating water management prices within geographic areas with similar cost structures would result in simpler price structures, which could be easier to apply and administer. Also, to the extent that there is uncertainty about NOW's cost allocation method, valley-based pricing may result in some arbitrary price differences between valleys.

For this review, we will consider the scope to rationalise NOW's schedule of water management charges, taking into account the principle of cost reflective pricing and the potential impacts on water users and NOW.

We will also consider the appropriateness of fixed (\$ per ML of water entitlement) and usage charges (\$ per ML of water extracted or water take), in view of the:

- ▼ structure of NOW's water management costs and how these costs vary with water usage or availability
- ▼ ability of parties to manage water availability risk (eg, through water trading)
- ▼ robustness of water usage (extraction) forecasts used to set usage prices
- ▼ administrative simplicity or efficiency of the tariff regime, and

- ▼ expected roll out of meters for unregulated river and groundwater users, and the recognition of the costs associated with installing, maintaining and reading a meter.

### Metering charges for unregulated rivers and groundwater customers

We set NOW's metering charges for unregulated river and groundwater users, as meter-related charges for regulated river users are paid through Water NSW (formerly State Water Corporation, as determined by the ACCC for 'inland' valleys and by IPART for 'coastal' valleys).

At our last price determination, we decided that ongoing metering costs should be recovered via separate charges rather than including the costs within the general operating expenditure base, whereby they would be recovered from all users via water management prices.

We seek stakeholder comment on the efficient costs of providing NOW's metering services, including the appropriate user share, and types of users that should be subject to metering charges, in view of the affordability and efficiency of NOW's metering program.

## 1.2 Have your say about NOW's water management charges

We encourage NOW and stakeholders to raise and discuss any issues that they believe are relevant to the review. Stakeholders are invited to make submissions via our online submission forms:

[http://www.ipart.nsw.gov.au/Home/For\\_Consumers/Having\\_your\\_say/Lodge\\_a\\_submission](http://www.ipart.nsw.gov.au/Home/For_Consumers/Having_your_say/Lodge_a_submission)

NOW's submission, which will include its pricing proposal, is due **11 September 2015**, and we will make this submission publicly available on our website soon after this date.

Submissions from all other stakeholders are due by **9 October 2015**. We may not accept late submissions.

Our normal practice is to make submissions publicly available on our website <http://www.ipart.nsw.gov.au>. Further information on how stakeholders can make a submission and IPART's submission policy is available on our website, as well as at the *Invitation for submissions* page of our Issues Paper.

We plan to hold three public hearings to provide further opportunity for stakeholders to present their views:

- ▼ Monday, 16 November 2015 – Tamworth
- ▼ Monday, 23 November 2015 – Sydney, and
- ▼ Monday, 30 November 2015 – Griffith.

We intend to webcast the Sydney public hearing for greater accessibility (ie, to allow stakeholders that are unable to travel to participate in the public hearing).

We will release a Draft Report in March 2016, to provide further opportunities for stakeholders to present their views.

An indicative timetable for the review is provided below in Table 1.

**Table 1 Indicative review timetable**

<b>Task</b>	<b>Timeframe</b>
Release Issues Paper	22 June 2015
Submission from NOW due	11 September 2015
Public submissions due	9 October 2015
Public Hearing – Tamworth	16 November 2015
Public Hearing – Sydney	23 November 2015
Public Hearing – Griffith	30 November 2015
Release Draft Report and Draft Determination	8 March 2016
Receive submissions on Draft Report and Draft Determination	4 April 2016
Release Final Report and Determination	7 June 2016

**Note:** These dates are indicative and may be subject to change.