

BN18/8630

Dr Peter Boxall AO  
Chair  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop, NSW, 1240

Dear Dr Boxall

### **Submission to the review of rural water cost shares – draft report**

Thank you for the opportunity to make a submission to IPART's draft report on rural water cost shares. This submission is made by the NSW Department of Industry – Lands and Water Division (DoI) including the Natural Resources Access Regulator (NRAR).

DoI establishes the rules for managing surface water and groundwater to ensure its long term sustainability for water users and water dependent ecosystems. NRAR is the newly established independent regulator responsible for efficient, effective and transparent compliance and enforcement of the rules to maintain public confidence in natural resources management legislation.

Overall, the division considers the draft report has improved the cost sharing framework. We support IPART's draft decision to continue to allocate costs between water customers and the NSW Government based on the impactor pays principle. As we noted in our submission to the Issues Paper, the impactor pays principle helps to promote economically efficient outcomes and is currently applied within DoI for program evaluation.

The division also supports IPART's draft decision to maintain an activity-based cost sharing framework on the basis that the costs of changing to a service-based approach are likely to exceed the benefits. A change to a service-based approach would not have been practical for DoI and NRAR in the lead up to a pricing submission next year.

IPART's draft decisions have resulted in changes to cost share ratios for some Water Administration Ministerial Corporation (WAMC) activities. The largest change related to environmental water management, with the revised ratio being more consistent with IPART's impactor pays principle. These updated ratios will inform our pricing submission. As noted in our submission to IPART's issues paper, we will review the current activities in light of the establishment of NRAR and other water reforms as part of our pricing submission.

We also note that IPART is proposing to consider during the next price review the possibility for valley-specific cost share ratios, and removing certain categories of costs from the activity framework. We will consider both these issues in preparing our pricing submission.

Thank you again for the opportunity to provide comments in response to the draft report. Our primary contact for this submission is Phil Connolly, Manager Economics on 4904 2518.

Yours sincerely

A black rectangular redaction box covering the signature of Liz Livingstone.

26/11/18

**Liz Livingstone**  
Deputy Secretary Lands and Water