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Submission

WaterNSW rural bulk water prices from 1 July 2021

The Inland Rivers Network (“IRN”) is a coalition of environment groups and individuals that has been advocating for healthy rivers, wetlands and groundwater in the Murray-Darling Basin since 1991.

IRN is pleased to have the opportunity to make a submission to the WaterNSW rural bulk water prices from 1 July 2021. This submission will focus comment on fishways, as connectivity is an essential element of healthy rivers which underpin the well-being of river dependent communities and a thriving regional economies.

Fish passage: The overall cost efficiencies of WaterNSW include the efficiencies of meeting all of their obligations, not only to the supply of water to irrigators but the protection of environmental factors related to the means of supply, i.e. dams and pipelines. Fish passage is disrupted by dams and weirs, and WaterNSW have not been meeting their legal obligations to compensate for this disruption. Financing fish passage is an integral part of WaterNSW budgeting.

IRN is concerned at the lack of detail about the projects that would be funded with the budget proposed in this issues paper. While cost efficiencies are important, this paper encourages the reader to consider cost efficiencies primarily, and not the legal and environmental necessity of the projects being built.

There are eleven existing obligations for WaterNSW to construct fishways under s218 of the Fisheries Management Act, as offsets for dam safety upgrade projects. These projects are mandated by ministerial orders.

Obstructions to fish passage in NSW rivers has played a major role in native fish numbers plummeting by 90% in the last one hundred years. Addressing fish passage is a very important undertaking if this decline in population is to be slowed and turned around.

Each fish passage structure must be properly designed for its purpose. While a fishway allows fish passage, they must link with usable fish habitat, and fish refuges, particularly running river habitat. Standing weir pools are less valuable for native fish, but good for blue green algae and carp.

Once operational, fishways must be monitored to determine if they are effective for their purpose and modified if problems are found. It is also essential that maintenance be performed, and optimal management be maintained.

If adequate provision is made for fish passage and fish habitat, there will be less need for expensive 'rescue' actions such as water aeration, and removal of fish for insurance populations.

Questions for comment:

1. How well has Water NSW delivered its bulk water services since 2017?

The efficiency of delivery of bulk water services includes the cost of essential environmental works. Works such as fish passage have been neglected and need to be budgeted and delivered.

2. Was Water NSW's capital expenditure over the 2017 determination period efficient?

No, as the eleven legally required fishway projects from previous dam safety upgrade obligations were not funded.

A reprieve was granted by then NSW Water Minister Katrina Hodgkinson for the eleven dam safety upgrade projects not to be funded in the 2011 – 2013 pricing determination period. IRN believes this reprieve was only valid for one determination period.

These projects should have been funded in the 2014 – 2017 determination period, and constructed in the 2017 to 2020 period.

3. Is Water NSW's proposed expenditure on maintenance efficient?

There must be priority in maintenance budget to ensure existing fish passage structures are well maintained.

When fish passage structures inevitably become clogged with logs sticks and debris, they lose their effectiveness. Rock ramp fishways must be continually weeded, and sapling trees removed regularly. The fish ladder on the Macquarie River at Warren is often blocked with debris, and is therefore not able to be used by fish.

There needs to be a clear line item in WaterNSW maintenance budgets for the maintenance of fish passage structures, and full reporting to the public on the repair of fishways.

4. Do you have any comments on Water NSW's operating activities and associated operating costs?

No comment

5 Is the current structure of the RTP efficient and equitable?

No comment

6 How should Water NSW manage its revenue volatility risk?

No comment

7 How should Water NSW most efficiently meet its requirements for fish passageways?

As stated in this issues paper, "*... those that create the need to incur the costs should pay the costs.*" The phrasing of this question is inappropriate. The efficient provisions of fish passage projects is a matter for the experts charged with overseeing the projects, it is not a matter for WaterNSW customers to provide comment.

The most expensive part of the design work like the hydrological studies has already been done, at significant public investment. Whatever the costs are to build state of the art fish passage structures, then that is what must be spent.

The important issue is that there is a legal requirement for WaterNSW to construct eleven fish passage projects as overdue dam safety upgrade offsets, and that this obligation must be met.

There is insufficient detail in this issues paper to comment on what WaterNSW plans to achieve with the \$72 million for Environmental Planning and Protection.

"These projects are mostly fish passageways, and are offsets to dam safety upgrades in the Namoi, Gwydir, Macquarie and Lachlan valleys." This vague statement raises the following questions:

- What proportion of the \$72 million is for fishways?
- How many fishways are included?
- Are all of the eleven overdue dam safety upgrade projects included?
- There are a total of twenty seven WaterNSW owned sites that are to be designed and constructed in the first five year phase of the Strategic Fishways Implementation Program (SFIP). What is the timetable for these projects?
- Are there other environmental projects in this funding?
- Why are there no individual site cost details provided?

In the ACCC 2014 to 2017 pricing determination, the following pricing for fish passage projects was proposed:

- Gwydir River: Environmental Planning and Protection (fish passage works) \$18.3 million
- Lachlan Valley: Environmental Planning and Protection (fish passage works) \$24.92 million
- Macquarie Valley:
 1. Dam Safety Compliance (pre-1997 compliance requirements, and is therefore fully funded by the NSW Government) \$13.24 million.
 2. Environmental Planning and Protection (fish passage works) \$7.97million.

It is not clear why these projects have not been completed, and what the money was spent on.

Issues paper on page 13 says: *By contrast, environmental expenditure is forecast to increase significantly (\$72 million compared with \$3 million).* The reason for the increase is because the costing for the construction of the eleven mandated dam safety upgrade fishways was not included in the 2017 – 2021 pricing.

The way the increased proposed budget for Environmental Planning and Protection in the 2021 determination period is presented does not reflect the change in costing share ratio from 50/50 customers/government to 80/20 customers/government.

If the eleven s218 mandated projects had been included in the 2017-2021 determination period, the 50/50 customer/government cost share ratio would have been applied. Now, the cost share ratio has changed to 80/20 customer/government, making the project appear to be more expensive when they may not necessarily be. The proposed budget of \$72 million under an 80/20 customers/government cost share ratio could very well represent efficient project delivery – unfortunately there is not enough information in this issues paper to know.

The way this funding proposal is presented, with scant information and no clarity around the change of pricing split between WaterNSW customers and the government, IRN expects that IPART will receive a lot of letters from irrigators unhappy with the perceived jump in budget.

8 What are your views about Water NSW's overall level of core capital expenditure over the 2021 determination period?

There is a lack of information in this determination paper about the impacts of the major drought-related projects will have on pricing.

Issues paper page 14 *Expenditure on major drought-related projects is likely to fluctuate*

The political fast tracking of the Wyangala dam wall raising, the Dungowan dam and the Mole River dam means there is no clarity on the impact these projects are expected to have on water charges in the 2021 – 2025 determination period and beyond.

Issues paper page 15 *We are unsure if the NSW Government will subsidise the ongoing operation and maintenance costs for these dams.* This lack of clarity is unacceptable.

9 Should governments bear all the costs of increasing water security and availability for licence holders?

Governments don't 'bear costs', taxpayers do. This question should read should taxpayers bear all the costs of increasing water security and availability for licence holders.

Our answer is No.

The Macquarie River re-regulating storage project only benefits general security irrigation customers. There will be no benefits for the public from this project, therefore the public should not be paying for the capital expenditure, nor the ongoing maintenance.

The NSW Government is fast-tracking the Dungowan dam project, Mole River dam and the raising of Wyangala dam wall under the Water Supply (Critical Needs) Act 2019.

The Mole River and Wyangala project will not increase town water supplies, only general security water accounts. There are more effective ways of improving Tamworth's water supply than constructing a dam on Dungowan Creek, like water tanks on homes and water recycling as well as good demand management.

The NSW taxpayer should not be expected to fund increasing water security and availability for licence holders.

10 Who should pay for future expenditure on major drought-related projects, including asset renewals and upgrades?

Ninety towns in NSW were at risk of running out of water in the summer of 2019/20. In the majority of cases, and in particular in the case of towns that are in the Murray Darling Basin, water security was compromised due to over-allocation and over extraction. Ill-informed and over ambitious past decisions by NSW Governments that encourage high levels of extraction have culminated in regional centres having less water security.

IRN advocates for reductions of water access licences through voluntary open tender buy-backs. It is critical that more water be secured for rivers, so that aquifers and wetlands can continue to act as water stores in times of drought for communities and wildlife.

IRN sees no benefit to the general public in the proposed dam projects currently in the planning stages in NSW. In particular the raising of the Wyangala dam, the Mole River dam and the construction of the Macquarie River re-regulating storage are specifically designed to benefit general security water licence-holders. The business case for each of these projects should specify the beneficiaries, and those beneficiaries should pay. Unfortunately there are no public business cases. We see all of these proposed dams as being detrimental to the environment, and through that, detrimental to the general public who rely on that environment.

11 Over what determination period should we set prices?

IRN believes four years would be preferable.

WaterNSW are proposing a one year determination period, so that the increased costs associated with supplying water to Broken Hill through the recently constructed Wentworth to Broken Hill pipeline can be kept at a lower rate for one year longer, providing temporary relief for customers in drought-affected NSW.

Water NSW states: While Water NSW seeks a one-year determination period that attempts to 'mirror' a deferral by keeping our proposed revenue requirement constant in real terms, we are unfortunately not in a position to extend this deferral beyond one year. This is due to the significant financial pressures on our business resulting from the higher costs of providing bulk water to rural customers relative to the current regulatory allowances.

The stress to existing processes of setting prices for water delivery when expensive infrastructure projects are fast tracked is clear.

The ongoing costs of supplying water from large infrastructure projects was not appropriately addressed before the locally unpopular Wentworth to Broken Hill pipeline was constructed. Now, WaterNSW know they will have to eventually present the people of Broken Hill with costs 'higher than the current regulatory allowances' to deliver water through a pipeline that the community was overwhelmingly against.

The proposed dam projects in the planning stage now in NSW will exacerbate this situation by magnitudes.

12 Are there policy and industry reforms that make four-year forecasts of costs and usage difficult? Has COVID-19 hampered Water NSW's customer consultation?

No comment.

13 Do you agree with the cost share ratios set in our cost share review? If not, for which activities should we modify the cost share ratio? Please specify an updated cost share ratio and explain why it is appropriate.

No comment. [I thought we could agree to the 80:20 ration as a better reflection of the beneficiaries of WaterNSW activities]

Conclusion

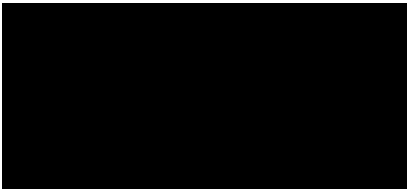
Priority must be given to the eleven overdue dam safety upgrade projects that are legal requirements.

There is no detail in the draft pricing determination about how many fishways are being proposed for design within the \$72 million proposed design budget for the 2021 determination period. The pricing determination needs to set out how many projects will be designed and the cost per project.

IRN objects to the wording of question 7. *How should Water NSW most efficiently meet its requirements for fish passageways?* This question is inappropriate for WaterNSW customers. There is insufficient detail in this issues paper for any meaningful comment.

Should these overdue projects not be built in the 2021 determination period, there won't be another opportunity for them to be constructed until 2027.

For more information please contact,



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