



## Sustainable, productive and efficient water use in the Lachlan Valley

155 LACHLAN STREET, PO BOX 819, FORBES, NSW 2871

## **SUBMISSION ON WAMC CHARGES – 2021-2025 DETERMINATION**

### **1. Introduction**

Lachlan Valley Water (LVW) is the peak valley-based organisation representing 550 individual irrigator members in the Lachlan Valley, including irrigators within Jemalong Irrigation Limited (JIL). This submission has been prepared on behalf of all members and represents an overall valley position, however, our members also reserve their right to make their own independent submissions. Lachlan Valley Water is a member of NSW Irrigators Council (NSWIC) and supports the NSWIC response in general, and provides additional responses on the issues from a Lachlan perspective.

We have addressed the questions IPART has asked in its issues paper.

### **2. WAMC's proposed costs**

#### *1. How well has WAMC performed its water management functions?*

Overall these functions have been poorly performed and to a large extent this is recognised in the DPIE Pricing Proposal, which acknowledges that neither Government nor community expectations were being met early in the pricing determination period. There have been significant changes in the responsibilities and the way water management functions have been undertaken since 2016/17, with compliance around metering and water take being one of the major areas. The establishment of NRAR was intended to more effectively deliver compliance management, which was already being paid for by customers.

#### *2. Do you agree with WAMC's proposed areas of focus for water management (and their associated costs)?*

While the areas of focus are appropriate, Lachlan Valley Water does not support the associated level of costs for two reasons. One is that to some degree the costs represent work that DPIE-Water has already been paid to do in the past through water charges, particularly around areas such as improved accountability for water management decisions. We question why are customers being asked to pay again for such services.

The other question is to what extent are WAMC's main areas of focus being undertaken to meet wider community demands for information around policy and management, or Government objectives, as opposed to meeting customer demands? Water users have been through successive series of consultation on water sharing plans, water resource plans, floodplain harvesting, metering, the Basin Plan, and numerous reviews of Government policy and are becoming fatigued by all the consultation and what appears to be a drawn-out response by Government to much of this.

In our view processes such as the development of Regional Water Strategies are about meeting Government objectives to plan for the long term, as opposed to requests for such work by customers. A significant number of the options contained in the Lachlan Regional Water Strategy are project concepts that have been around for some time and have now been collated into another plan.

3. *How well has NRAR performed its water regulation functions?*

To date NRAR appears to have performed their water regulation functions effectively, although it is still relatively early in their period of operation, and further time is needed to fully assess how it manages both its licensing responsibilities and its regulatory and compliance management.

4. *Will NRAR's proposed activities and costs facilitate effective and efficient water regulation?*

The establishment of the Natural Resources Access Regulator (NRAR) was the result of this poor performance of existing responsibilities by both WaterNSW and DPIE-Water, and we expect that the proposed activities and high level of costs involved should facilitate effective regulation. NRAR needs to continue to deliver on this and provide fair and accurate information on their work in order to improve wider public confidence in the regulation of water access and take.

5. *How well have Water NSW and NRAR performed their licence processing functions?*

Some services, such as processing of basic landholder rights bore applications have been performed well, while others such as the charges for relinquishing licences have been less well managed.

6. *Do you agree WAMC should focus on providing better services (eg, more information and consultation) to customers, supported by higher levels of expenditure?*

There must be a clear distinction between the level of service and the information these agencies are currently required to provide to customers as part of their existing responsibilities, and any improved level of service. There should also be an assessment of whether the required level of service can be provided more efficiently, and at lower cost.

Secondly, there needs to be a clear explanation about the cost of providing any higher level of service. Only once that occurs will customers be able to make an informed decision on whether better services are worth the additional costs.

7. *Do you consider DPIE, NRAR and Water NSW consulted adequately with stakeholders on their pricing proposals?*

No, there was virtually no consultation on either pricing or required levels of service, and what did take place was a very high level presentation to the CAG by NRAR. The DPIE submission acknowledges<sup>1</sup> that the "proposal has been prepared, in large part, as a response to the expectations of stakeholders, external reviewers and legislators, expressed consistently over the regulator period."

In view of the very significant cost increases we do not consider this is adequate consultation and that all three agencies should have made far greater effort to consult in more detail. A natural response when asked about desired levels of service is to prefer higher levels of service, so a key aspect of effective consultation would be to ask customers how much extra

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<sup>1</sup> DPIE Pricing Proposal to IPART for prices from July 2021, p 20

they would be prepared to pay for the higher level of service. This would then more clearly inform agencies whether these levels of service are required.

During past pricing determinations customers have requested the provision of valley-specific pricing information and more consultation on pricing and levels of service, so it is disappointing that this has not occurred.

8. *How important is it to improve the incentives for DPIE to actively engage in negotiating MDBA and BRC contributions to ensure only efficient costs are passed onto WAMC customers?*

Not applicable in the Lachlan.

9. *Was it efficient for Water NSW to apply capital expenditure from its water monitoring program to cover its shared capital costs?*

No, we do not consider it was efficient. If the transfer of WAMC functions to WaterNSW was not well managed, and the shared capital costs occurred as a result of industry re-organisation, then we do not consider it appropriate to apply unspent capital from water monitoring to meet other costs which were not generated by customer demands.

10. *Is WAMC's water monitoring program efficient?*

In our view the monitoring program is useful and efficient.

11. *Given the increase in WAMC's capital costs, is the arrangement of Water NSW providing WAMC's capital program efficient?*

Lachlan Valley Water supports NSWIC position that IPART review what economies associated with water monitoring programs were available, and why they were not applied.

### **3. Who should pay for WAMC's costs**

12. *Do you agree with the cost share ratios set in the 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.*

Lachlan Valley Water supports the position taken by NSWIC on cost sharing and that in view of the major proposed increases in costs and the restructure of how WAMC services are supplied, a new cost sharing framework for setting prices, consistent with the National Water Initiative principles, should be applied.

13. *Over what determination period (ie, how many years) should we set prices?*

Lachlan Valley Water supports a 4 year determination period

14. If we set a shorter period for Water NSW rural bulk water prices, are there benefits in aligning WAMC's determination period with Water NSW rural bulk water? What are the costs and benefits of setting a one-year period for WAMC to potentially align with Water NSW rural bulk water? Alternatively, what are the costs and benefits of setting a longer period (eg, five years) and aligning these two determinations at the next review?

LVW considers there are benefits in aligning the WAMC and WaterNSW bulk water determination periods, but that would be significant costs in setting a one-year period for WAMC prices if a further submission was then required in 12 months to set prices for the next 4 years to align with WaterNSW bulk water. Potentially there would be a high workload for both the NSW agencies and customers in developing and responding to another submission in the next year.

#### **4. What does this mean for prices**

15. What are your views on WAMC's proposed price structures?

We are generally in support of the proposed price structures.

16. *Is there merit in setting separate charges to recover MDBA and BRC costs?*

Not applicable for the Lachlan.

17. *How should we transition prices to achieve full cost recovery? Or, what is a reasonable price path that would enable transition to full cost recovery? How would this affect customer affordability?*

Most water sources are at, or close to, full cost recovery for the current determination period up to 2019/20. The question is whether the projected increases in costs for the period 2021-2025 are reasonable and efficient. We do not consider that these increases are justified and that they should be fully reviewed by IPART as part of the pricing determination.

18. *Do you agree with Water NSW's proposal to introduce a demand volatility adjustment mechanism for WAMC to address its revenue risk? Should we effectively allocate more risk to customers?*

We do not support WaterNSW's proposal to introduce a volatility adjustment mechanism, and support the position expressed in IPART's Issues Paper that such a mechanism is not warranted when a large proportion of the revenue is secure and unlikely to change as a result of variance in usage.