

## Office of the Chief Executive

TRIM Ref: D16/33859

Mr Peter J Boxall AO  
Chairman  
WaterNSW Rural Bulk Water Prices  
Independent Pricing and Regulatory tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Dr Boxall

NSW is required to fund a share of the Murray-Darling Basin Authority (MDBA) Joint Programs as set out in the Murray Darling Basin Agreement (the Agreement) which is Schedule 1 to the Commonwealth Water Act 2007. NSW proposes to recover part of this contribution through charges levied by WaterNSW on water users.

WaterNSW has been advised of the annual amounts to be recovered from users by way of letter from the NSW Department of Primary Industries – Water. The amounts are based on the MDBA corporate plan for the period 2016-17 to 2019-20. It is noted that the MDBA joint programs budget is negotiated and approved by the governments that are signatories to the Agreement on an annual basis. While large changes from these amounts are not expected, it is not clear how NSW proposes to manage any change from the indicative numbers included in the MDBA 2016-17 corporate plan. It is presumed that any variance would be accounted for in the Treasury component of the NSW contribution to the joint programs.

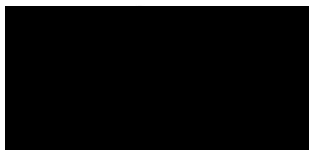
A component of the NSW share of the joint program is also met by charges levied by DPI Water. With some functions having transitioned from DPI Water to Water NSW (e.g. hydrometric and compliance functions) at the start of 2016-17 it is assumed that the associated component of water charges included in DPI Water pricing is not also included in the WaterNSW revenue requirement.

The WaterNSW pricing determination is proposed to extend to 2020-21. Preliminary MDBA joint program budgets for 2020-21 are in the course of being prepared but are yet to be considered by governments. It is likely that a number of capital projects will be included leading to an increase in budget above the 2019-20 year. Under the Agreement capital works are funded by governments in the year they are implemented. Whether NSW would seek to recover the cost of these investments from users, the share that would be attributed to WaterNSW customers and how this would be incorporated into pricing is unclear. Further advice on the likely NSW share of the 2020-21 budget could be made available once governments have considered a preliminary budget. This is expected to be late November 2016 at the earliest.

IPART has suggested that it will review the efficiency of the MDBA's costs. MDBA would be amenable to supporting a review. It is noted that the majority of services are delivered by State based agencies and careful consideration would need to be given as to how those activities were to be examined. Attention is also drawn to the *Independent Review of the Efficiency of River Murray Operations* commissioned by the joint venture governments in 2014. The final reports are available on the MDBA website at <http://www.mdba.gov.au/publications/research-report/independent-review-efficiency-river-murray-operations>. These report provide useful information on how the joint programs are managed and an assessment of the efficient costs of the joint programs.

Should you require additional information on the MDBA Joint Programs or this submission then please contact Mr Andrew Reynolds, General Manager Assets on [REDACTED] or via email at [REDACTED]

Yours sincerely



Phillip Glyde

17 October 2016