



Office of Environment & Heritage

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Independent Pricing and Regulatory Tribunal (IPART)
Online submission
<https://www.ipart.nsw.gov.au/Home>

Dear Sir/Madam

Response to draft prices for WaterNSW's Rural Bulk Water Services from 1 July 2017

Thank you for the opportunity to respond to your draft pricing determination 14 March 2017.

OEH manages water that is allocated to the environment to improve the health of rivers, wetlands and floodplains in partnership with local communities and government agencies. All environmental water is delivered to meet the objectives of the *Water Management Act 2000* (WMA), the *Commonwealth Water Act 2007* (Cwth WA) and other relevant water management objectives.

OEH has responsibilities for the management of environmental water in NSW in 3 key areas:

1. water provided for the environment under the WMA
 - a. advises the Minister for the Environment on concurrence to the making of water sharing plans
 - b. manages planned environmental water allowances set out in relevant water sharing plans where a decision to release environmental water for a specific purpose is required
 - c. advises WaterNSW in performing its obligations for the implementation of water sharing plans (specifically planned environmental water provisions). Whilst carrying out this function, OEH is **not** a customer of WaterNSW for retail services.
2. management of the NSW environmental water holdings
 - a. The Minister for the Environment holds approximately 176 GL of regulated and 10.6 GL of unregulated entitlements across the Gwydir, Macquarie, Lachlan, Murrumbidgee, Murray and Lower Darling valleys, and the Barwon Darling
 - b. The WAMC holds approximately a further 350 GL of regulated entitlements managed by OEH
 - c. managing the licensed holdings can include direct water orders, trading allocated water to enable the delivery of water to rivers and wetlands, and water market trading for partial cost recovery and to maximise environmental benefits across the portfolio
3. co-ordinates environmental water deliveries in NSW
 - a. OEH is the only entity which holds Adaptive Environmental Water licenses under the WMA and associated water use plans, which allow for water to be delivered for environmental purposes
 - b. OEH works in partnership with the Commonwealth Environmental Water Office and the Murray Darling Basin Authority to deliver allocations held by the Commonwealth Environmental Water Holder (CEWH) and the intergovernmental Living Murray initiative respectively.

Further information on NSW water management can be found on our website:
<http://www.environment.nsw.gov.au/resources/environmentalwater/140308-env-water-management.pdf>.

OEH has a productive working relationship with WaterNSW through a Memorandum of Understanding between agencies for the delivery of environmental water and the identification and implementation of improvements to water delivery infrastructure to improve environmental outcomes.

Environmental gauging station charge

OEH does not support the proposed 'environmental gauging station' charge either in quantum or in principle.

The environmental water gauging station charge is a 'new' charge that has not been levied in the past, nor consulted on by WaterNSW. These stations currently exist and have so done prior to the existence of environmental water holders. These stations had a prior function that has not been replaced and they provide no particular or exclusive benefit to environmental water holders. If the metering charge for in-stream meters was proposed to be implemented for specific gauging stations in the future, the specific environmental requirements in each situation would require consultation from WaterNSW and DPIW. DPIW is the water regulator responsible for the Water Take Measurement Strategy which will specify how the national standards will be implemented in NSW for the measurement of licensed take.

In its pricing proposal to IPART, WaterNSW (June 2016, pg 117) states the following:
"National standards for water meters have been developed under the National Water Initiative and apply to meters installed after 1 July 2010. After that date, new water meters are required to be pattern approved (by the meter manufacture or supplier) in accordance with requirements of the National Measurement Institute. As the 21 environmental gauging stations reach end of life, they need to be replaced by an upgraded station that meets the new standard."

The statement *"After that date, new water meters are required to be pattern approved (by the meter manufacture or supplier) in accordance with requirements of the National Measurement Institute"* is incorrect. Each state has interpreted the Commonwealth National Measurement Standards and applied them differently. DPIW is currently developing a Water Take Measurement Strategy (WTMS) that will guide the implementation of the national standards in NSW. This will include an approach(s) to the measurement of licensed environmental water to be left in-stream. In the WTMS discussion paper "Water take measurement in NSW, a way forward", DPIW states that there is *"uncertainty about what measurement technology is needed in different circumstances, who should be responsible for maintaining that technology and how the data gathered from it will be used. While there is strong evidence of broad in-principle water user support for accurate measurement, there is also evidence of water user concern about the detail of future measurement requirements, and the potential financial impact. In response to this, DPI Water is developing a new strategy for measuring take of water through water access licences"*.

OEH understands the WTMS will provide a risk-based and cost-effective approach to implementing the national standards in NSW and will not be focussed solely on metering, or be 'one-size-fits-all'. Initially, the standards for the measurement of take have been focussed on pump meters and there has been no suitable consultation process (before the WTMS process began) to address in-stream gauges where environmental water is ordered and is to remain instream. There are a range of potential solutions for in-stream gauging stations which could include both physical measurements and accounting methods to estimate environmental water take to adequately address risks.

The current IPART determination is based on the most expensive of the potential solutions and this option has not been demonstrated to have a real benefit, and may not be required in the current proposed form, or at all. OEH considers removal of the ability to charge the environmental gauging station charge from 2017 as a separate regulated charge on environmental water holders as appropriate. It has not been levied to date, there is currently uncertainty on how the national measurement standards will be implemented in NSW for licence holders and the necessary

consultation processes have not yet taken place. The previous ACCC determination which included the ability to charge an environmental gauging station charge assumed that implementation of the national standards had been specified for instream gauging stations in NSW. This assumption was incorrect.

A point of clarification

On page 151 of its draft report, IPART states that "NSWIC and OEH recommended that new charges should not be approved prior to the completion of DPI Water's Water Take Measurement Strategy. As such, we have decided to maintain the current pricing structure." The OEH comments on the WTMS were specifically about the environmental gauging station charge which has never been levied and did not relate to, or imply any general comment on metering charges. The WTMS should be finalised, and case by case consultation completed, before any particular gauging station is upgraded, making OEH subject to a charge that has not previously been levied. Further, OEH does not agree with the list of 21 gauging stations that WaterNSW has proposed as environmental water has not ever been ordered to a number of these gauges. OEH maintains it has the right to nominate the point where water is to be delivered (not WaterNSW).

OEH requests a meeting with IPART, WaterNSW and DPIW to workshop a fair and reasonable means of metering in-stream environmental water deliveries. Initial meetings with both DPIW and WaterNSW have made some progress on this issue, but all parties need to reach a common understanding based on agreed information.

Please contact Justen Simpson, Manager, Environmental Water Governance at Justen.simpson@environment.nsw.gov.au or 6229 7140 to discuss this issue further.

Yours sincerely



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