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To IPART,

Please except this email ([REDACTED]) submission on your Issues Paper - Review of Rural Water Cost Shares - April 2018.

Cost sharing principles

1 Do you agree that WaterNSW and WAMC's costs should be allocated between water customers and the Government (on behalf of the broader community) using the impactor pays principle – ie, those that create the need for the cost to be incurred should pay the cost?

- The impactor pays model is the most efficient. [REDACTED] considers that this model has been incorrectly applied in the past (eg environmental water gauging stations) because the cause of the environmental costs arise from the existence of the dam and consumptive water use. Applying additional environmental charges directly to environmental water licence holders and not other licence holders misrepresents the need for the services which would exist whether there was environmental water licence holders or whether those services are required through legislation.

Current cost sharing framework

4 Do you agree with the issues identified with the current cost sharing framework?

- Yes in relation to Environmental Planning & Protection: “the need to provide an environmental service results from the delivery of a service to a water user... the water user is the impactor of that environmental service and should pay for that cost”. Also see comments on question 1.

5 Are there any other issues with the current cost sharing framework that should be considered in this review?

- Whilst environmental water holders do not create the need for environmental services, they pay the same licence fees and receive the same water supply service as other licence holders. [REDACTED] is not seeking to change this arrangement, however if IPART is considering applying additional costs to environmental water holders, it should consider the significant contribution they are already making to mitigate the environmental impacts of consumptive use, through payment of the licence fees and water use to mitigate environmental impacts.

Service-based cost sharing framework

“A service-based approach involves defining and applying cost share ratios to services rather than activities... Environmental services - These include releases of environmental flows in accordance with statutory obligations and operation and maintenance of environmental gauging stations”

7 What are the potential challenges and barriers to moving to a service-based approach?

- There is a risk of inadvertently shifting costs paid by water users onto environmental water licence holders simply because the environment holds a licence. For example environmental gauging stations required for operation of the system on behalf of all licence holders (see comments on question 1 and 4) are charged solely to environmental water holders ([REDACTED]). In moving to a service based approach, there is a risk that other

environmental actions taken by WaterNSW are incorrectly assigned to environmental water licence holders and not the whole licence pool. This risk also exists under the current arrangements.

- Figure 4.1 *“Examples of services that could be provided by a dam... provides environmental flows to the surrounding ecosystem”*. The requirement for environmental flows is created by the presence of dams and water supply infrastructure for consumptive water use.

[REDACTED]

I would welcome the opportunity to meet with IPART and fully explain our position in this complex area. [REDACTED]

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