

Submission to IPART Review of:

Water NSW's Rural Bulk Water Prices from 1 July 2021

**Water Management Prices from 1 July 2021 On Behalf of Water
Administration Ministerial Corporation**

This submission is made by **Richmond & Wilsons Combined Water Users Association** on behalf of its members, who are situated on the **NSW North Coast**, and include users of water from both **Regulated and Unregulated Water sources**.

Richmond Wilsons Combined Water Users Association is made up of water licence holders whose water use is derived from the Richmond River catchment area. We are a group who do not have large financial resources and the executive do not receive a wage to represent the members in negotiations with Government and regulatory bodies.

We are concerned that there has been a very limited time period between release of the Issues Papers by IPART and the deadline for submissions, and we are grateful that there has been a small extension of that time allowed for our group to complete a submission.

Government entities such as WAMC and its offshoot Water NSW have a large number of highly qualified staff and consultants available to them when preparing pricing proposals. In contrast to that submissions by our water users and their representative group are being put together by individuals who are working in and operating their own farming enterprises, who generally do not have specific tertiary qualifications in water or environment and who, at this time particularly, are working under difficult circumstances to provide our nations residents with the food and fibre they require.

The Issues Papers and other documents associated with the proposed pricing of water and other charges are detailed and contain much information. They are not an easy read for non-academics, and do not easily reveal the reasons behind the proposed large increases for some charges to licenced water users in our area.

In recent times there has been an up swell of activism by groups opposed to the use of water for irrigation. Media outlets have joined activists and sought out and amplified any situations of irregular water use. Government entities have reacted to this by increasing regulation and compliance activities, thus increasing their costs, as well as compliance costs for water users. The pricing proposals now being considered are seeking to pass the increased costs to Government onto the water licence holders by way of increased charges. Water users have no way of passing the costs back to those who have caused the increase- the general public who require increased scrutiny of water use.

Our members believe that all stakeholders in the water sphere need to be responsible for the costs associated with the management of water in NSW. Where costs are incurred by regulatory bodies because of increased public demand for transparency, then those costs need to be recouped not just from licenced users but also from the Government, on behalf of its citizens who demand the

activities that lead to the increased costs. Where monitoring of water levels is used for flood warning instead of or as well as for licenced water use management then the costs of the monitoring should not all be borne by water users by way of licence and other charges. Where Riparian Rights water users, recreational water users or any other non-licenced water users benefit from management, for example quality monitoring, then the share of costs paid by licenced users should not be larger than their proportion of use.

It seems that the costs proposed to be born by North Coast unregulated water users are the highest in the state, yet we see little service in our area for the fees we pay. Why are these fees so high? Are licenced users being expected to pay for things such as gauges which are used not for regulating irrigation, but instead for flood monitoring? There is little groundwater use for irrigation on the North Coast- are licenced users being expected to pay for groundwater monitoring which substantially benefits non irrigators. It seems that North Coast water users are being asked to pay for things which do not benefit them but rather are for the 'public good'.

Are licenced water users being expected to pay the cost of increased regulatory activities, whereas the demand that has resulted in increased regulation and compliance costs has been driven by the public? In the IPART Issues Paper "Review of Water Management Prices" Figure 4.1 North Coast Regulated and Unregulated charges are shown to have been calculated as by now being at full cost recovery, according to the 2016 determination. Because of proposed increase in expenditure it is now planned to increase charges by 5% per annum plus inflation. This would seem to indicate that costs have risen above what was expected and the logical conclusion is that at least part of increased costs are due to public demand for higher levels of accountability.

At the last IPART hearing on the Regulated system on the North Coast (Toonumbar Dam) water charges, Richmond Wilsons Combined Water Users Association put a proposal of changing the formula of 40:60 fixed to variable/usage charges to 90:10 and that proposal was adopted. That lead to more affordable water use from the Toonumbar System and in the recent drought encouraged many previously dormant licence holders to activate and therefore increased total revenue to Water NSW. Apparently because of reluctance by licence holders to use the water ordering system the Water NSW usage data may not reflect this increased usage, however payments for water usage should show an increase. We believe that the current proposal to keep Water NSW charges for North Coast Regulated customers unchanged is the correct approach. We believe that if a similar ratio or 80:20 ratio was more widely adopted throughout the state it would reduce the Water NSW income volatility risk dramatically and negate the need for Risk Transfer Product.

To answer the questions posed in the IPART Issues Paper Review of Water Management Prices from 1 July 2021

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

Water NSW has not been effective in its management functions in our area. For example in the recent drought there was little if any participation in implementation of pumping restrictions and cease to pump orders. Information was not readily available to licenced users to allow them to comply with licenced conditions e.g. salinity levels in the Tidal Pool are reported in units which do not match those stipulated in the Water Sharing Plan and a conversion was not made available until after Richmond Wilsons Combined Water Users Group lobbied for it, and we are still questioning its accuracy. In the Regulated Toonumbar

dam system there was a failure in equipment which saw uncontrolled leakage of water through a faulty valve which threatened to empty the dam at a time when water needed to be conserved.

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

While we have no argument with their focus of water management however it is not the responsibility of licenced water users to pay for activities that are designed for the good of the whole community. Government has responsibility to fund planning and implementation of plans.

Works to address things such as salinity and erosion are not specifically to the benefit of licenced water users and therefore they should not be expected to contribute more than their fair share to these activities.

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

It is too early in its operation as new entity for us to assess its performance.

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

The aggressive policing approach of NRAR has not improved efficient water regulation. The abandonment of DPIE's focus on advice and education has led to ill feeling between government departments and licenced water users, the majority of whom try to comply with all regulatory requirements. The proposed expenditure of \$69.3 million dollars in the determination period would probably be enough to meter all licence holders with meterable size pumps, who do not already have meters. This would then negate the need for NRAR to even exist, as the meters could be monitored for compliance by a computer program.

We do have grave concerns about the proposed consent transaction charges (as shown in Table A.11 of the Issues Paper) as they appear to be additional charges. The regulatory function that NRAR was created to carry out has been a public demand and therefore much of the cost for that function should be borne by the public through Government contribution, whereas these charges appear to have to have been created to totally fund NRAR by licenced water users.

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

We believe that there is costly duplication in the approvals process that has now been put in place. If there was just one department doing approvals costs and efficiency would be enhanced. As things stand there is little prospect of efficiency being achieved.

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

We do not believe there should be a need for extra expenditure if WAMC puts in place efficient systems for delivering better consultation and information to customers. Online forums have proven to be an effective and efficient way of delivering such services in other organisations e.g. Water NSW ROSSCo's.

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

NO. Our organisation are not aware of any consultation taking place.

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?*

Coastal water licence holders are opposed to being charged for any costs that are not related to water use by coastal licence holders, including costs related to MDBA, BRC, floodplain harvesting or any other activity not relevant to our usage.

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

It was unreasonable for Water NSW to use allocated funding for a completely different purpose to that for which it was allocated. Licenced water users should not be made liable for cost which have previously been funded.

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

We do not believe so.

In the tidal pool of the Richmond River system there are several gauges which are in place to measure salinity. Some are not reported on the website for long periods of time and none of these gauges actually measure in the units specified in the Water Sharing Plan for management of water extraction.

There are many flow gauges which are primarily used for flood monitoring and we believe that water licence holders should only be expected to pay a proportion of cost for these gauges which reflects their actual usage for management of water extraction by licenced users.

Other areas have depth pegs and depth gauges which are not reported on Water NSW websites for management of extraction, are only read by water users themselves, if they are accessible, so are therefore inefficient.

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

It would not appear so.

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

We do not agree that the cost share ratios as set out in the proposal are suitable. They are arbitrary and fail to take into account the actual water licence- holders real proportion of costs for each area. All activities for which government, both State and Federal are liable and Community Service Obligations should be taken into account. On the North Coast our prices in the unregulated system are more than double most other areas of the state. It appears that the formula used to set prices takes into account the volume of megalitres held in a number of licences. This approach works to the disadvantage of licence holders in the North Coast area because there are many licences and they are generally of small volume. This causes each licence holder to be paying much higher charges per megalitre. If the Minimum charge was raised (to, for example \$300) this would allow a significant reduction of the charge per megalitre used overall and therefore make water use more affordable in general in our area.

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

As governments change their minds as often as the average person changes their underwear and therefore departments change direction maybe determinations should be aligned with the electoral cycle.

14. *If we set a shorter period for WaterNSW 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?*

While it may be seen by some to be a benefit in holding reviews to both at the same time we have not necessarily found it to be so for the purposes of making submissions. The information has many cross overs and the way it has been presented, and the questions are asked, can be somewhat confusing as to which proposal is being discussed. We are certainly not interested in doing this on a more frequent basis.

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

We believe that it is very important to take into account customer ability to pay. Continual increases in capital expenditure and operating expenditure are unsustainable and will result, if costs are passed on to licenced users, in inability to pay, devaluing of the licenced volume held by the licence holder and in our coastal area is likely to see surrender of licences. This would lead to a spiralling cost increases for remaining licence holders and eventual implosion of the whole water management system. North Coast licenced water users are already paying the highest fees and even the 5% annual increase proposed is not sustainable. If our charges were changed to a 60:40 ratio (fixed:usage), or a 70:30 ration, it would encourage water usage by those on a two art tariff and make holding a licence more affordable while giving WAMC a more secure income, allow WAMC to reduce the usage charge and therefore allow then to bring down the overall price.

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

Costs for administering licenced water use in the MDBA and BRC areas should not be borne by users outside those areas.

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?*

To continually reset what the costs are and therefore have the goal of full cost recovery being changed with every review is not sensible. If costs increase because of factors outside of the scope of licenced users control the costs associated with those new factors should be recovered from those who create the need for higher expenditure. If we use the theory of impactor pays then we need to look at who is the impactor in this case and currently it is not the licenced user, but is in fact the members of the public, media and government who require increased accountability.

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?*

If all fixed charges were increased to higher percentage of total cost then there would be security of income provided to Water NSW and WAMC and negate the need for implementation of a demand volatility adjustment mechanism.

To answer the questions posed in the IPART Issues Paper Review of Water NSW's Rural Bulk Water Prices from 1 July 2021

1. *How well has Water NSW delivered its bulk water services since 2017?*
On the North Coast not well, largely because of leaking valves.
2. *Was Water NSW's capital expenditure over the 2017 determination period efficient?*
Richmond Wilsons Combined Water Users Association are not in a position to determine if expenditure was efficient.
3. *Is Water NSW's proposed expenditure on maintenance efficient?*
As per question 2
4. *Do you have any comments on Water NSW's operating activities and associated operating costs?*
We are not in a position to comment on this.
5. *Is this current structure of the RTP efficient and equitable?*
If advice for question 6 is followed then there would be no need for RTP.
6. *How should water NSW manage its revenue volatility risk?*
If the 90:10 ratio for Toonumbar is maintained there is no risk for that water source.
Therefore Water NSW should look at following this model for other regulated systems.
7. *How should Water NSW most efficiently meet its requirements for fish passageways?*
The requirement for management of fish passageways is a whole of community obligation and therefore government should be meeting the bulk of this cost. Advantage should be taken of any available Federal Government funding opportunities.
8. *What are your views about Water NSW's overall level of core capital expenditure over the 2021 determination period?*
Any core capital expenditure being driven by environmental requirements should be funded by government.
9. *Should governments bear all the costs of increasing water security and availability for licence holders?*
If the need for water security measures are outside the control of licenced users they should be paid for by government as the supplier of the service.

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

As above

11. *Over what determination period should we set prices?*

The electoral cycle

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 consultations?*

Unforeseen policy do add to the difficulty of forecasts e.g. the sudden political need to create NRAR, with the associated costs (which should be borne by those who created the demand- ie the public). Covid-19 should have made customer consultation easier because of increased uptake of technology as seen in ROSSCo meetings.

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.*

The 90:10 ratio for Toonumbar is working well currently but needs to continue retaining the principle of ability to pay.

14. *We are required to set prices that recover Water NSW's efficient costs in the MDB valleys. If efficient costs are increasing, how should costs be recovered over the determination period?*

So long as the costs for the MDB are collected from MDB users and are not transferred to any other licence holders.

15. *How should we set prices in coastal valleys?*

On the North coast there has been a considerable activation of previously dormant licences since the last determination, which we attribute to the implementation of the 90:10 ratio and ability to pay principle. A 'steady as she goes' approach is recommended in the North Coast regulated section

16. *What is the appropriate mix of fixed and usage charges?*

See above

Chris Wagner

Chairman of Richmond and Wilsons Combined Water Users Association

Chairman of Richmond and Wilsons Tidal and Fresh Water Users Association

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