

# Namoi Water

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## Submission to independent Pricing and Regulatory Tribunal Review of Prices for the Water Administration Ministerial Corporation (DPI Water) from 1 July 2016

April 2016



Photo : Lake Keepit

**Namoi Water** : Supporting sustainable water use in the Namoi Catchment and representing water users in the Peel, Upper and Lower Namoi Catchment Area

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## **Introduction**

Namoi Water is the peak industry group for irrigated agriculture in the Upper Namoi and Lower Namoi Valleys in the North West of NSW. We are a non-profit, non-political organisation supporting our members to achieve a sustainable irrigation industry that meets the environmental, economic and social needs of our local communities. Namoi Water makes this submission on behalf of our membership collectively, however each member reserves the right to independent view and submission on any issues they deem relevant.

During the hearing process and in our submission Namoi Water highlighted a number of issues associated with the consultation. Again we reiterate the flaw in the consultant receiving little feedback from water users relating to the previous determination. We seek a significant change in the consultation process, IPART should consider alternatives and despite scheduling being a limitation it is not considered insurmountable barrier to obtaining better input from those impacted by the monopoly service.

Our major concern still remains the transparency of charges levied and service delivery reporting. It is not clear where services costed in the previous determination and not delivered and how IPART includes these inefficiencies in the future revenue allowance.

Namoi Water also believes the amalgamation of valleys is questionable, as a valley that supports postage stamp pricing we do not see how the trend of regionalising costs will provide greater efficiency than State wide? Either or the options put forward and justified under existing interpretation is the need for valley specific pricing is continued or we move to state based pricing – anything in between is sending a confusing message and price signal to irrigators.

As per our initial submission the cost codes were difficult to reconcile and the change does not allow comparison of services provided and delivered versus services costed but not fully delivered. Water licence holders should not be paying for services in the future determination that were costed in the previous determination. It is IPART's role to determine the level of efficiency and hold DPI Water to account for the KPI's. We have yet to see how this functionally transfers in a pricing submission with a reduction in water charges. Examples include the monitoring and evaluation of Water Sharing Plans within plan, development of new Water Sharing Plans (pre Water Resource plan) etc.

The ongoing restructure of DPI Water and the transfer of functions/responsibilities between DPI Water and Water NSW is of concern to our members. In particular there has been minimal stakeholder input into the transfer and the inefficiency caused by the drawn out process of restructure within DPI Water itself.

Water licence holders should only pay for those costs of DPI Water's services and functions that are efficient, if these are transferred it is assumed this is on a plug in plug out costing. How is this guaranteed that there is no double dipping' between DPI Water's water management charges and Water NSW's regulated water charges.

Water sharing plans are a key function of NSW DPI Water's services, the draft report provides clarity around those services that have been fully paid for but are yet to be completed. One of the key drivers of the delay has been the restructure of DPI Water – this has come at a substantial cost in program delivery and DPI Water staff actually being able complete activities. Namoi Water suggests much of this delay is about DPI Water not making decisions in this time period and ultimately this results in revenue being requested again for the same service. In terms of Water Sharing Plans, the small R review planned for by the previous NSW Office of Water would have ticked this box, and had IPART being making the determination on this basis this would have met the KPI. However there must be allowance for DPI Water taking more time to engage with stakeholders and the time costs of the restructure. How this is reflected in the pricing determination needs further assessment and consideration of cost sharing with government contribution remaining inflexible to cater for this situation. Whilst licence holders do not want to pay twice for a service not delivered there are extenuating circumstances that should lead to an increase in government cost shares or at a minimum recognition of the cost of restructuring a department has on the delivery of services.

In general proposed revenue allowance for DPI Water and the associated water management charges and in particular those for Floodplain harvesting are of significant concern to Namoi Water. The following summary of our key issues is tabled for IPART's consideration.

We would also seek greater clarity around the capacity of IPART to regulate the implementation of previous determinations and therefore scrutinise the current DPI Water revenue proposal. The 2016 determination cannot be compared due the changes in cost codes and there does not appear to be a full assessment of the efficiency of the proposed water management charges based on the understandings gained in the review – primarily the failure to deliver on a number of services fully costed in the previous determination. As per our earlier point the process of engagement with licence holders needs to change to ensure confidence IPART is appropriately regulating DPI Water.

Namoi Water makes this submission on behalf of licence holders and we appreciate the time allowed to submit.

### **Minimum charge**

Namoi Water members have provided feedback on the minimum charge increasing to \$200 is a negative impact on many smaller licence holders. This will result in a significant increase to smaller licence holders and suggests is an underhanded way of removing sleeper licences by costing them out of the market based on increased charges.

### **Floodplain Harvesting**

Namoi Water rejects the assessment of Floodplain Harvesting licence fees. It appears there is limited understanding of the cost drivers of the services rendered by DPI Water. The entire project is funded by the Commonwealth Healthy Floodplains project, future revenue is based on monitoring take. In this determination period there is no requirement for development of Water Sharing Plan, additional modelling, planning or policy activities. Accurate charges for Floodplain Harvesting cannot be determined at this time and additional explanation of the cost drivers for this activity must be provided prior to a price determination.

To date no individual licences have been issued, nor do we expect licences to be issued in this valley until 2018 thus the estimate of take is at best a guess as only one valley has completed the necessary modelling to determine actual long term average take. Every valley has a different reliance on Floodplain Harvesting and this should be reflected valley specific costings. Namoi Water supports an administration charge only based on the costs associated with issuing licences which is already covered under existing service charges. We reject the need for an additional charge for Floodplain Harvesting as there are no additional operational costs to generate revenue needs. This decision clearly shows IPART's lack of understanding Floodplain Harvesting.

### **Metering**

The metering charges remain a considerable issue of contention, the northern valleys rejected the metering project based on foreseeable cost overruns and future charge increases associated with the new "efficient" technology. This has been borne out by the decision to increase meter related charges. This area will expose NSW DPI Water to future billing errors, the determination of which meter charge applies to which licence holder is similar to past IPART decisions not taken into account the complexity of administration. Namoi Water rejects the meter service charges and the previous determination costs should be maintained.

### **MDBA Costs**

There is no transparency of MDBA related costs, and many argue limited benefit arising from those costs passed onto licence holders. The MDBA inefficiencies are not explored in this determination, hence no increase in pricing should occur. Prior decisions demonstrate NSW does not need to pass these costs on and until such time as detailed information is able to be provided and how DPI programs run in conjunction with MDBA are funded, no further increase can be justified.

### **Reporting**

DPI Water's previous management reporting did not meet expectations, these reports were broad in content and provided little transparency. If this is the measure that IPART sets to determine efficiency of service levels greater detail is required.

### **Transfer of functions between DPI Water and Water NSW**

Any operational savings from the transfer of functions should be able to be passed onto water licence holders. The plug in plug out function does not cater for the synergies likely to occur with transfer of licencing and meter reading functions back within the same organisation.

### **Conclusion**

Namoi Water encourages IPART to consider it's consultation process, there are a significant number of issues in the draft determination that require genuine, considered effort to achieve efficient and prudent cost sharing. We again suggest that given the substantive restructure and the number of issues in flux due to Commonwealth processes we suggest the "normal" IPART practice is insufficient.