



Detailed paper K – Other activities and expenditures during the 2016 regulatory period

Submission to IPART for prices from 1 July 2021 for water management services provided by the Department of Planning Industry and Environment-Water and the Natural Resources Access Regulator on behalf of the Water Administration Ministerial Corporation

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Contents

Detailed paper K – Other activities and expenditures during the 20162021 regulatory period2

Operating expenditure	2
Capital expenditure	4
Further details on expenditures	4
W01-01 Surface water quantity monitoring	5
W01-02 Surface water data management and reporting	5
W01-03 Surface water quality monitoring	5
W01-04 Surface water algal monitoring	6
W02-01 Groundwater quantity monitoring	6
W02-02 Groundwater water quality monitoring	6
W03-02 Water take data management & reporting	7
W05-02 Bluegreen algae management	7
W08-01 Regulation systems management	7
W10-03 Billing management	8
 Table 1. Operating expenditure incurred by DPI Water during the 2016 regulatory period	2
Table 2. Capital expenditure incurred by DPI Water during the 2016 regulatory period	4
Table 3. Operating expenditure during the 2016 regulatory period W01-01	5
Table 4. Capital expenditure during the 2016 regulatory period W01-01	5
Table 5. Operating expenditure during the 2016 regulatory period W01-02	5
Table 6. Operating expenditure during the 2016 regulatory period W01-03	6
Table 7. Operating expenditure during the 2016 regulatory period W01-04	6
Table 8. Operating expenditure during the 2016 regulatory period W02-01	6
Table 9. Operating expenditure during the 2016 regulatory period W02-02	6
Table 10. Capital expenditure during the 2016 regulatory period W02-02	7
Table 11. Operating expenditure during the 2016 regulatory period W03-02	7
Table 12. Operating expenditure during the 2016 regulatory period W05-02	7
Table 13. Operating expenditure during the 2016 regulatory period W08-01	7
Table 14. Operating expenditure during the 2016 regulatory period W10-03	8

Detailed paper K – Other activities and expenditures during the 2016 regulatory period

This detailed paper provides information about activities where the then DPI Water incurred expenditures and undertook activities during the 2016 regulatory period, which are no longer activities where we will incur costs in the 2021 regulatory period because:

- we no longer undertake the activity or
- although we will incur some costs, we have not proposed to recover any in the 2021 regulatory period or
- although the expenditure was recorded in DPI Water's costing system, it is better dealt with by WaterNSW, as it is capital expenditure.

IPART's last determination of WAMC prices from 1 July 2016 coincided with reforms within the water sector, termed the water transformation project, which realigned functions between the then DPI Water and WaterNSW. Most customer and operational functions managed by DPI Water were transferred to WaterNSW, along with most compliance, enforcement and licensing functions.¹

Compliance and enforcement and some licensing activities were then transferred to NRAR upon its establishment in 2018.² For these water management activities, information on NRAR's proposed costs and service levels for the 2021 regulatory period along with expenditures and service levels for the 2016 regulatory period are set out in Detailed Paper E that forms part of this submission.

WaterNSW will set out in its separate submission proposed expenditures and service levels for the 2021 regulatory period for the activities that transferred from DPI Water in 2016 where WaterNSW has ongoing responsibility. However, for a number of these activities, DPI Water recorded costs in the 2016 regulatory period, and this Detailed Paper provides the information about them that is required by IPART in its Submission Information Package³.

Operating expenditure

Operating expenditure was recorded by DPI Water across 10 WAMC activity codes during the 2016 regulatory period, as set out in the following table. Most was incurred in 2016-17 as practical implementation of the water transformation project occurred and water management activities were gradually transferred from DPI Water to WaterNSW.

Table 1. Operating expenditure incurred by DPI Water during the 2016 regulatory period

(\$2020-21, \$000)	2016-17	2017-18	2018-19	2019-20	Total
W01-01 Surface water quantity monitoring	207				207
W01-02 Surface water data management and reporting	359				359

¹ More information on the water transformation project and the Deed of Business Transfer 2016 that effected it is set out in Detailed Paper C that forms part of this submission.

² Further information on this is also set out in Detailed Paper C.

³ Further information on the November 2018 Submission Information Package is contained in the Administrative Information document that forms part of this submission.

(\$2020-21, \$000)	2016-17	2017-18	2018-19	2019-20	Total
W01-03 Surface water quality monitoring	1,137	296	9	3	1,445
W01-04 Surface water algal monitoring	594				594
W02-01 Groundwater quantity monitoring	269	5			274
W02-02 Groundwater quality monitoring	129				129
W03-02 Water take data management and reporting	69				69
W05-02 Blue green algal management	343	50	22	9	424
W08-01 Regulation systems management	574				574
W10-03 Billing management	3				3
Total	3,684	351	31	12	4,078

The Deed of Business Transfer 2016 that effected the water transformation project contains a schedule providing a description of the tasks each entity will carry out on a day to day basis in respect of functions where both entities have a role to perform.⁴ In this schedule, it was agreed:

- DPI Water delivers policy planning and water resource management, delivers strategic planning and rule setting, prescribes regulatory standards, defines what outputs it requires from WaterNSW for the activities transferred and sets procedures and
- WaterNSW undertakes operational management and delivery of surface water and groundwater and operates its water monitoring networks to collect, manage and make available data from those networks, and undertakes most customer-facing administrative tasks.

The first eight activities listed in the table above (W01-01, W01-02, W01-03, W01-04, W02-01, W02-02, W03-02 and W05-02) reflect the surface and groundwater quantity and quality monitoring and reporting arrangement set out in the Deed of Business Transfer 2016 and associated Service Provision Deeds, where WaterNSW undertakes water management activities in accordance with requirements set by DPIE Water. The last two activities (W08-01 and W10-03) are customer-facing administrative tasks as also set out in that deed.

We have recorded few costs against those first eight WAMC activity codes subsequent to 2016-17 and propose none in our submission for the 2021 regulatory period, despite the strategic planning function retained by us as set out in the Deed of Business Transfer 2016. We have recorded no costs against the last two WAMC activity codes since 2016/17 and propose none for the 2021 regulatory period. We do not propose any net revenue requirement relating to expenditure for these ten WAMC activity codes in the 2021 regulatory period.

⁴ The schedule in the Deed of Business Transfer 2016 does not set out water management activities based on WAMC activity codes.

Capital expenditure

In our Annual Information Returns to IPART during the 2016 regulatory period, we have disclosed capital expenditures as set out in the following table.

Table 2. Capital expenditure incurred by DPI Water during the 2016 regulatory period

(\$2020-21, \$000)	2016-17	2017-18	2018-19	2019-20	Total
W01-01 Surface water quantity monitoring	31				31
W02-02 Groundwater quality monitoring	3,385	828	5,241	10,894	20,348
Total	3,416	828	5,241	10,894	20,378

We incurred \$31,000 for surface water quantity monitoring at the start of the 2016 regulatory period that we classified to WAMC activity code W01-01. It comprises hydrometric plant and machinery in the Central West that was transferred to WaterNSW when functions were reassigned in the 2016 water transformation project.

We have recorded costs of \$20.4 million for groundwater quality monitoring throughout the 2016 regulatory period that were classified to WAMC activity code W02-02. This expenditure was for drilling coal seam gas monitoring bores that provide data to inform government and communities about water resources and the impact of coal seam gas extraction, mining activities and irrigation on groundwater resources. The optimal location/placement of monitoring equipment was provided by the NSW Chief Scientist and Engineer in 2014.⁵ The construction costs were funded by NSW Treasury.

It is intended that the asset created by this capital expenditure will be transferred to WaterNSW. That has not yet occurred. We will provide an update to IPART by 30 September 2020 about timing for the transfer.

We do not propose any capital expenditure for the 2021 regulatory period. The absence of capital related expenditure and revenue in this submission reflects that our forecast WAMC costs are anticipated to be operating only. WaterNSW are responsible for the operational and capital asset related water management activities of WAMC and have the technical capability and necessary financial information to calculate the WAMC regulated asset revenue requirements.

Readers should refer to submissions to IPART by WaterNSW for further information on their regulatory asset base and revenue requirement.

Further details on expenditures

This section sets out more detail on each expenditure as required by IPART, including expenditures in the 2016 regulatory period in nominal and real \$2020-21 amounts. As all these activities have been delivered by WaterNSW since 2016-17, information on sales

⁵ NSW Chief Scientist & Engineer (2014), Placement of monitoring equipment for water resources in NSW. Available at https://www.chiefscientist.nsw.gov.au/__data/assets/pdf_file/0007/47086/140630-FINAL-Monitoring-Report.pdf

volumes and customer connections and on service levels will be reported in WaterNSW's separate WAMC price submission.

W01-01 Surface water quantity monitoring

This activity comprises provision of a surface water quantity monitoring system; including design, station calibration, data collection, processing, encoding, quality assurance and archiving from the networks of water monitoring stations; the delivery of near real time height and/or flow data from all telemetered sites to the corporate database; and the maintenance and operation of surface water monitoring stations.

Historical operating expenditure:

Table 3. Operating expenditure during the 2016 regulatory period W01-01

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	190			
\$2020-21 \$000)	207			

Historical capital expenditure:

Table 4. Capital expenditure during the 2016 regulatory period W01-01

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	28			
\$2020-21 \$000	31			

W01-02 Surface water data management and reporting

This activity comprises data management and reporting of surface water quantity, quality and biological information; including compilation, secure storage, management and publishing of data to customers, stakeholders and the general public

Historical operating expenditure

Table 5. Operating expenditure during the 2016 regulatory period W01-02

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	331			
\$2020-21 \$000	359			

W01-03 Surface water quality monitoring

This activity comprises provision of a surface water quality monitoring program; including design, sample collection, laboratory testing and analysis, test result quality assurance to accepted standards, and test result encoding to make it available for data management and reporting.

Historical operating expenditure

Table 6. Operating expenditure during the 2016 regulatory period W01-03

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	1,048	278	9	3
\$2020-21 \$000	1,137	296	9	3

W01-04 Surface water algal monitoring

This activity comprises the provision of a surface water algal monitoring program; including design, sample collection, laboratory analysis, algal identification and enumeration to accepted standards, and result encoding for provision to regional coordinating committees

Historical operating expenditure

Table 7. Operating expenditure during the 2016 regulatory period W01-04

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	547			
\$2020-21 \$000	594			

W02-01 Groundwater quantity monitoring

This activity comprises provision of a groundwater level, pressure and flow monitoring system; including design, site calibration, data collection, entry, audit, quality assurance, archiving, and information provision; and the maintenance and operation of groundwater monitoring bores.

Historical operating expenditure

Table 8. Operating expenditure during the 2016 regulatory period W02-01

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	248	5		
\$2020-21 \$000	269	5		

W02-02 Groundwater water quality monitoring

This activity comprises provision of validated groundwater quality monitoring program including design, sample collection, laboratory testing and analysis, test result quality assurance to accepted standards, and test result encoding to make it available for data management and reporting.

Historical operating expenditure

Table 9. Operating expenditure during the 2016 regulatory period W02-02

	2016-17	2017-18	2018-19	2019-20
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\$nominal \$000	\$119			
\$2020-21 \$000	\$129			

Historical capital expenditure

Table 10. Capital expenditure during the 2016 regulatory period W02-02

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	3,118	779	5,008	10,628
\$2020-21 \$000	3,385	828	5,241	10,894

W03-02 Water take data management & reporting

This activity comprises data management and reporting of water take for unregulated and groundwater sources including compilation, secure storage, management and publishing of data to authorised parties.

Historical operating expenditure

Table 11. Operating expenditure during the 2016 regulatory period W03-02

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	64			
\$2020-21 \$000	69			

W05-02 Bluegreen algae management

This activity comprises provision of an algal risk management system; including oversight, coordination and training, the issue of algal alerts and the development of algal risk management plans.

Historical operating expenditure

Table 12. Operating expenditure during the 2016 regulatory period W05-02

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	316	47	21	9
\$2020-21 \$000	343	50	22	9

W08-01 Regulation systems management

This activity comprises management, operation, development and maintenance of the register for access licences, approvals, trading and environmental water.

Historical operating expenditure

Table 13. Operating expenditure during the 2016 regulatory period W08-01

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	529			
\$2020-21 \$000	574			

W10-03 Billing management

This activity comprises management of billing requirements and subcontracted billing, revenue collection and debtor management service delivery, and responding to queries on billing activities.

Historical operating expenditure

Table 14. Operating expenditure during the 2016 regulatory period W10-03

	2016-17	2017-18	2018-19	2019-20
\$nominal \$000	3			
\$2020-21 \$000	3			