

**Murrumbidgee Irrigation: Submission to IPART  
for  
IPART Review of the 2005-2008 Operating Licence for State Water Corporation**

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**A. GENERAL**

Murrumbidgee Irrigation believes that efforts to improve rural water supply in NSW should result in clear improvement to the efficiency, fairness, and accountability of our service providers. Although the governance framework may be less than ideal, we believe that unless deficiencies in the SWC operating licence can be shown to significantly impede efficiency, fairness, or accountability, then further change to the SWC operating licence should be avoided and the resources thereby saved should be directed to improving SWC's performance in water delivery and asset management.

MI would recommend the introduction of greater contestability wherever possible as a means of improving efficiency and fairness for all rural water supply agencies.

Also, MI commends the use of specific purpose studies to improve information about some of the issues raised so that stakeholders can make informed judgements about those issues. For example, it is not entirely clear what the risks and opportunities would be in terms of making specific references to the ACCC in the SWC Operating Licence. On that basis, MI would suggest that no changes be made unless there are large benefits and few risks.

**B. SPECIFIC ISSUES NOMINATED BY IPART**

1. How should State Water's Operating Licence be amended to better align its current activities and the statutory powers conferred by the Operating Licence?

MI is happy for changes to be made to SWC's Operating Licence where such changes enable better water delivery to customers (including the environment). Also, given the ongoing disagreements between SWC and DWE about their respective roles the test should be "to enable better water delivery and charging services, and better align its role as water delivery provider with those of DWE as the water resource manager" rather than "its (SWCs) current activities".

The conferral of statutory functions to SWC in respect of Lowbidgee is premature. At face value Lowbidgee seems to be a development that has been very high cost, with a small customer base, low charges, and with much less governance of water use than elsewhere in the Murrumbidgee. These characteristics conflict heavily with COAG objectives for rural water supply and have the potential to impose significant additional costs (in terms of finance and water) on other water users that are undertaking changes in order to comply with COAG objectives.

MI would therefore strongly support immediate improvements to the Governance of and water delivery arrangements for the Lowbidgee (including any necessary changes to the SWC Operating Licence). However, such changes should be conditional on a review of current arrangements in the Lowbidgee, and recommendations that are consistent with fair, efficient, and transparent Governance and water delivery to the Lowbidgee and other users in the Valley.

2. How can the Operating Licence be modified to accommodate any functions that State Water undertakes outside its area of operation?

The provision in the Act that the Operating Licence may authorize SWC to carry out its functions in the area of operations of other water corporations and water supply authorities *with the agreement of those bodies* is sensible. A change to “where functions do not conflict” is too arbitrary and would likely lead to conflict. A better approach would be for SWC to obtain specific agreement with the relevant water authority or corporation – which should not be difficult if the functions do not conflict.

3. How should the Operating Licence be amended to reflect an obligation for decisions made by State Water to have regard to the Commonwealth *Water Act* 2007 and be consistent with the Basin Plan under this Act?

MI is regulated by Federal and State Acts, Regulations, and administrative orders, and MI has been able to manage changes in these instruments without change to its access or operating licences. SWC should be able to do the same without changing its Operating Licence.

4. Should the requirement in the Operating Licence for pricing compliance be expanded, for example to include a reference to any other relevant regulator?

As per 3 above, SWC should be able to respond to a potentially changing regulatory framework without the need to change its Operating Licence. Provision should be made to enable charging of bulk water deliveries to new customers (eg, the environment, Victoria and SA) if this is not currently possible under the current licence.

5. Should the Operating Licence include an obligation on State Water to use its best endeavours to negotiate a new MoU with DWE reflecting the allocation of functional responsibilities to each agency?

Yes, and this should extend to agreements with other water bodies referred to in issue 2 above. The information gathered in exercises such as this should enable ongoing review and improvement – where necessary – of the structure of rural water supply delivery. Given clearly defined roles for SWC (water delivery and asset management) this should not be onerous.

6. How can the Operating Licence requirements in relation to alternative payment plans be revised to facilitate operational improvements while ensuring that those customers that need them have access to alternative payment plans?

The current licence should not be changed. Typically the availability of alternative payment plans for customers facing hardship is advertised on customer invoices for other utilities. Often these refer to a contact number for further information and options available. At a commercial level this seems sensible because it enables bills to be paid without triggering the elimination of services, it helps mitigate further social hardship, and it helps to maintain income for the service provider. In contrast, the present system does not seem very sound. For instance, how does SWC assess “true financial hardship”, and what are the costs of such assessments? Most people that ask for alternative payment plans have very good reasons to do so. It is difficult to understand why SWC or their auditor would seek to remove the advertisements from SWC bills, particularly during a

period when farm incomes are extremely low, and social problems are very high (eg, high suicide rates among farmers).

7. Is it necessary for State Water to update its complaint and dispute handling schemes in line with the updated Australian Standard for complaint handling?

The benefits would need to outweigh the costs, and MI does not have a problem with the current complaint and dispute handling system.

8. Are changes required to the Operating Licence so that State Water adequately satisfies the information requirement of the Customer Service Committee (CSCs) and effectively engages the CSCs in consultation?

Yes. This is necessary in light of SWC's long term failure to provide adequate financial data for IPART price determinations, and to meet current licence conditions (as per the 2005-06 Operational Audit). The changes should reflect IPART's recommendations in its 2006-2010 Determination for Bulk Water Pricing (Water Report, Appendix 8) and include Valley based financial reports to enable adequate review and planning of future expenditure programs.

9. How can the Operating Licence improve performance in coordinating accurate water releases to provide timely delivery of water whilst taking into account physical supply constraints?

If the information to CSCs is improved through changes under issue 8, MI does not believe this would be an issue.

10. How can the Operating Licence ensure that metering performance measures are appropriately in line with the National Water Initiative standards?

SWC faces problems in terms of metering capacity, and low incentives to improve metering accuracy for river pumpers. MI is subject to regular metering and auditing on a best practice basis (at our own cost), and we support common metering standards throughout rural water supplies. However, it is probably precipitous to make changes to the SWC Operating Licence at this stage (and our observations on issue 3 also apply here).

11. In addition to the requirements imposed under the NWI Rural Benchmarking, what performance measures need to be incorporated into the operating licence?

If current inefficiencies in relation to information exchange with CSCs are addressed, structural improvements are made, and reviews conducted into more complex issues such as Lowbidgee, then appropriate performance indicators are likely to become more obvious over time.

12. Should State Water's Operating Licence adopt a risk based auditing framework?

This is not a concern to Murrumbidgee Irrigation at present.