



Mr James Cox
Chief Executive Officer
Independent Pricing & Regulatory Tribunal of NSW
Level 8, 1 Market Street
Sydney NSW 2000

File ref: WS10/36

Dear Mr Cox

2009 BULK WATER PRICING SUBMISSION – REQUESTS FOR FURTHER INFORMATION

In response to the NSW Office of Water's submission regarding bulk water prices there have been requests from some stakeholder interest groups for additional information. The NSW Office of Water understands the importance of providing open and transparent financial and operating information to its stakeholders and wishes to ensure all assistance possible is provided in this regard.

The work of the Office in providing rural water services is varied and complex, particularly so as we are responsible for groundwater and unregulated river water sources as well as regulated river water. As its resources are limited, the Office of Water takes care that the production of financial information does not unduly detract from the resources available to focus on frontline, value adding activities which directly benefit our stakeholders.

Stakeholders have requested that the Office of Water demonstrate its efficiency. In 2006 IPART determined the efficient operating cost for the Office over the coming four year period. The Office subsequently met both its service commitments and its efficient expenditure target, as Attachment 1 demonstrates. Over a period of years the staff and management of the Office have focussed on improving efficiency and productivity with success. Attachment 2 shows the productivity gain in the hydrometrics area. Also illustrated are our efficiency improvements in the area of transactions processing.

Water sharing plans have been a major focus for the Office of Water over recent years but it is difficult to benchmark the efficient time to develop a plan, as each plan is very different and requires extensive negotiation and discussion with stakeholders. As with the recent draft Peel water sharing plan, it is common for stakeholder groups to request extensions of the public exhibition and submission period which in turns impacts on the finalisation of the plan. Nonetheless while the first round water sharing plans gazetted in 2004 took four years to develop, the Office has taken on board lessons learnt from the first round process and implemented broader macro planning to expedite the finalisation of the less complex plans.

A request has been made for detailed information regarding the costs incurred by the Murray Darling Basin Authority (MDBA). In my capacity as a member of the Basin Officials' Committee I ensure the work of the MDBA is closely scrutinised and through the Murray Darling Ministerial Council we have



recently requested review of the efficiency and effectiveness of the MDBA program delivery. However, I do not believe it is appropriate for the Office of Water to publicly release details of MDBA costs.

Regarding the provision of FTE resources to rural water activities, the Office strives to ensure a full complement of staff is dedicated to bulk water services, but must comply with recruitment and expenditure constraints imposed by the NSW Government. Additionally over the past determination period we have been required to address the budget impact of lower water revenue collections due to persistent drought, whilst at the same time responding to the additional workload that water scarcity brings. The Office of Water has secured substantial external funds for projects which, while not paid for by bulk water users, do deliver significant water management benefits to our stakeholders.

Information regarding projected costs for each activity code by valley and by water source, data which forms the basis of our pricing projections, has been requested and is provided at Attachment 3.

A query has been raised regarding the water entitlements used in our submission by some water utilities. The Office has checked these entitlements and they are correct in that they represent the total entitlement. However, we acknowledge that there are particular complexities attached to these licences and on the water availability under these licences and we believe the IPART process is best suited for determining the appropriate billing arrangements. We have encouraged the utilities to put a submission regarding their circumstances to IPART and understand that they intend to do so.

Should your office require clarification of any of the attached information Debra Bock, Chief Financial Officer will be available on Ph: 8281 7309 or email: debra.bock@dwe.nsw.gov.au .

Yours sincerely,

A handwritten signature in black ink, appearing to read 'David Harriss', written in a cursive style.

David Harriss

Commissioner, NSW Office of Water

27 January 2010

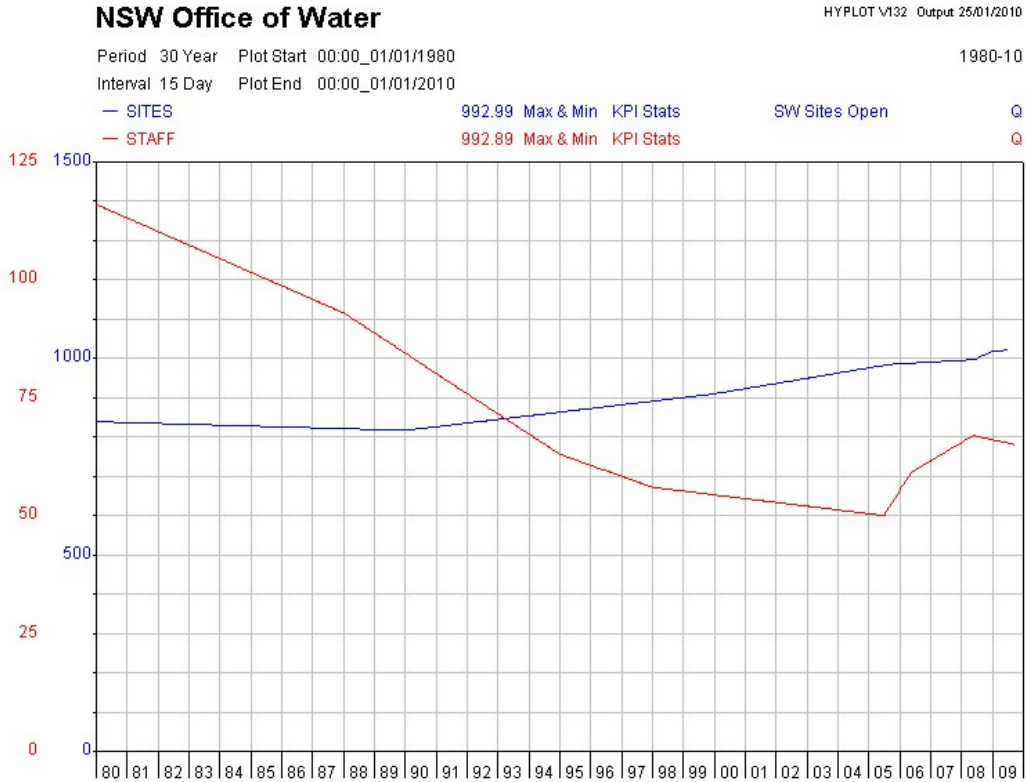
A summary of the historical and budgeted costs is as follows:

	2006/7		2007/8		2008/9	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
	\$m	\$m	\$m	\$m	\$m	\$m
Regulated streams	16.9	15.7	17.9	18.7	18.2	19.6
Unregulated streams	14.2	13.9	14.5	13.3	16.1	15.5
Groundwater	11.1	8.9	11.3	9.3	11.4	13.2
Total	42.2	38.5	43.7	41.3	45.7	48.4
Revenue	22.1	17.6	24.3	19.6	26.7	22.8

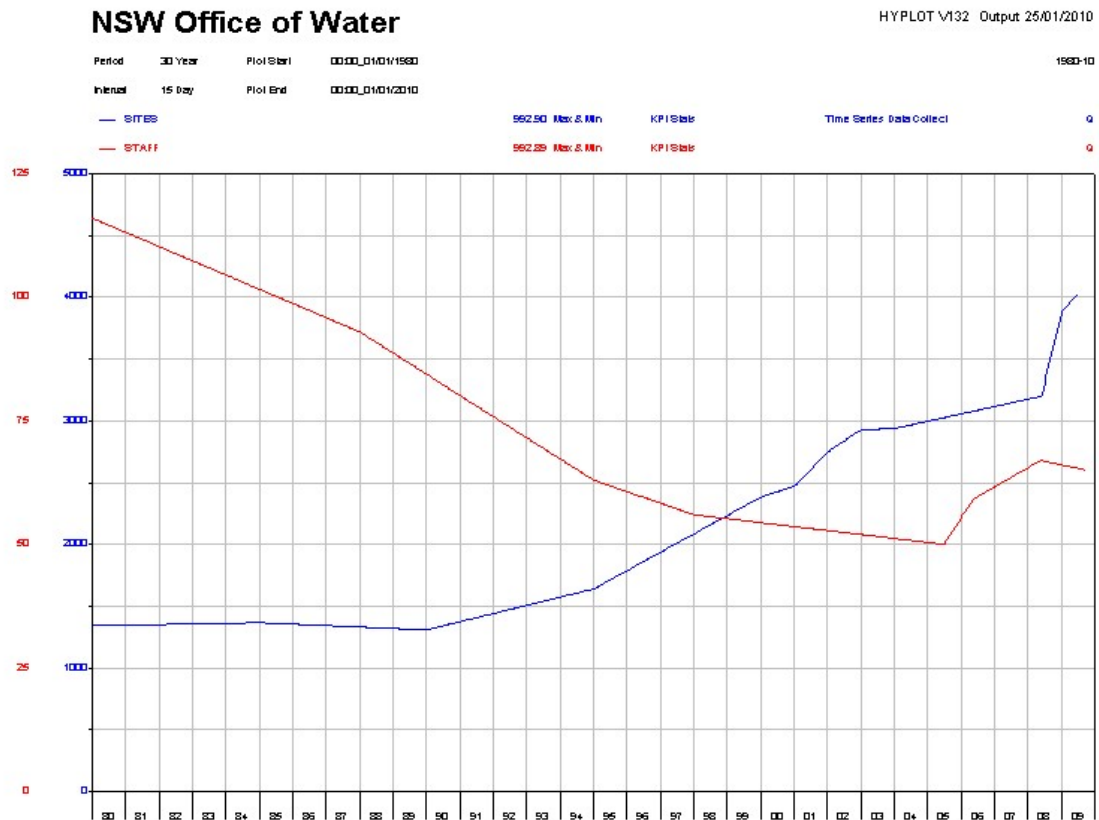
Note: The above is rounded to one decimal place this may result in rounding differences between the detailed information and that provided in this table and the submission.

Efficiency of Hydrometrics Operation

The following graph shows the number of hydrometric staff compared with the number of river monitoring sites they maintained from the period 1980 to 2009. The graph shows that the number of staff (red line) has declined from 115 to 63 over the 30 year period, while the number of stations maintained (blue line) has increased from 850 to over 1,000.



The next graph is a better depiction of efficiency as it compares the number of staff (the red line) involved in the collection of hydrometric data compared with the amount of data collected and archived (the blue line) eg river level, EC, temperature, rainfall, groundwater level etc.



The reason for the increase in the amount of time series data being collected and archived, apart from the increased number of monitoring sites, is the increase in the amount of groundwater level, quality and rainfall data measured. Prior to 1990 most sites had water level and flow. Since 1990 many sites have Electrical Conductivity, temperature, and rainfall included in the monitoring requirements. In the last three years the need to have groundwater data available in real time has increased significantly, requiring a major upgrade of the program.

The number of sites that have telemetered data available on the internet has increased to 700 (as at 30/06/2009). Of these sites, 300 have been upgraded to provide hourly data updates. This is a significant increase in workload for water monitoring staff and demonstrates the uptake of new efficient technology.

Efficiency in Service Delivery in Transaction Processing

The NSW Office of Water (NOW) has improved the efficiency in processing transactions. NOW's water consent costs as identified in NOW's submission (page 82) have reduced from \$6.7 million in 07/08 to a budgeted target of \$5.8 million in 09/10 and for the determination period. Staff working on transactions has reduced from 70.6 in 07/08 to 52 in 09/10. This is largely a result of improved processes in managing applications, new system support tools and increased experience of staff.

Table 1: Summary of water consent costs and staff working on consents

	07/08	08/09	09/10 budget
Costs incurred (\$m)	6.7	7.1	5.8
FTEs	70.6	66.8	52.5

The recommended tariffs in the submission incorporate a 16% reduction compared to the average of 07/08 and 08/09 in unit (per transaction) FTEs to process transactions.

NOW's performance as measured by turn around times in processing transactions has either been maintained or improved despite increased volume in some *Water Management Act 2000* (WMA) transactions. The following tables provide information on two key transaction types under the WMA completed and the timeframe they were completed in.

Table 2: New Water Access Licence transactions completed

Year (calendar)	2007	2008	2009
Applications completed	218	181	117
% completed within 40 calendar days	25%	56%	64%

Table 3: Dealing applications completed

Year (calendar)	2007	2008	2009
Applications completed	329	531	757
% completed within 10 calendar days	70%	71%	71%

Access the 2010-11 forecast data by clicking on the link

Access the 2011-12 forecast data by clicking on the link

Access the 2012-13 forecast data by clicking on the link

Note: Forecast costs for Groundwater given by two zones only, viz Inland and Coastal. This reflects NOW's view that the valley by valley costs are inappropriate for groundwater and that the Inland/Coastal division is more relevant.