



1 June 2010

The Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office  
NSW 1230

Attention: Amanda Chadwick

Dear Amanda,

**Re: Stakeholder Submissions to IPART's Review of 2010 Bulk Water Prices**

Please find attached MidCoast Water's supplementary submission on bulk water prices. This submission is in response to the PriceWaterHouseCooper report. MidCoast Water has reviewed the financial information that was provided by the NSW Office of Water and allocated the user share of each cost heading according to the previously agreed formulas.

Our financial analysis does not take into account the PWC recommended reduction in expenditures.

MidCoast Water is concerned that PWC found that NOW had not developed business cases for the forward capital works program. The report did not identify if there were duplications in costing.

Also the report did not identify if the costs associated with the Nepean/Hawkesbury River System were under the metro water plan.

Most of the Nepean/Hawkesbury costs are being met by the Commonwealth.

MidCoast Water, in January 2010, notified NOW that we needed clarification on why our area of operation was included in the North Coast region and not the Hunter region, as all of the services we receive are out of the Hunter region. To date we have not receive any reply.

This supplementary submission may repeat some of the issues previously raised.

Yours faithfully



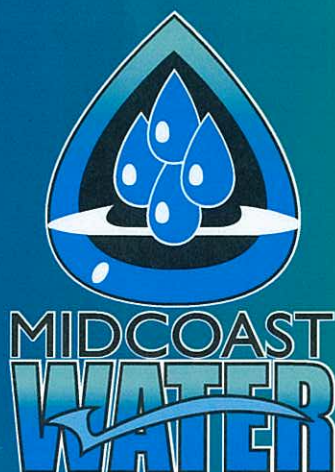
**NEIL HANINGTON  
GENERAL MANAGER**





SUPPLEMENTARY SUBMISSION  
Response to the New South Wales'  
Office of Water's submission to  
IPART's Review of 2010 Bulk  
Water Prices

June 2010





# Supplementary submission

## MidCoast Water's comments on the NSW Office of Water's submission to IPART - particularly on the 'detailed costing sheets' for unregulated rivers for the 'North Coast' region

### 1. Spreadsheet - Copy of Supplementary Submission Budget Actual Expenditure 2009-10

As no actual costs appear, the purpose of this spreadsheet remains unclear, however we make the following comments:

*Item C01-01 Surface Water Monitoring* - From the level of detail provided in this sheet it is not possible to determine if 'double dipping' or 'community service obligations' have been included. It should be noted that MidCoast Water funds some of the river gauging stations and some are provided for flood warning purposes.

*Item C09-01, C09-02, C09-03 and C11-03 administration* - Administration represents 12 per cent of the total budget for the North Coast

*Item C09-04 licence cleansing* - This may be a community service obligation or the cost of individual licence holders

*Item C09-06 compliance* - This represents the cost of individual non-compliant licence holders and should not be included for all users

*Item C11-01 metering and billing* - There are no rural flow meters in our area of operations. If there were it is a requirement under the water sharing plan that the extractors provide water usage information on an annual basis. MidCoast Water has flow meters and provides annual extraction data to the NSW Office of Water, so billing is limited to printing off the invoice and posting.

### 2. Spreadsheet - Supplementary Submission - Forecast Expenditure 2011-12

From the level of detail provided in this sheet it is not possible to determine if 'double dipping' or 'community service obligations' have been included.

Refer to items covered in our comments above.

*Item C05-01, C05-02, C05-03 water modelling and impact assessment* - As previously stated MidCoast Water is undertaking this for our area of operation and have spent \$560,000 over the last five years on modelling and assessment studies.

*Item C09-01, C09-02, C09-03 and C11-03 administration* - This represents 24 per cent of the total budget for the North Coast, which is a substantial increase on 2009-10.

*Item C11-03 administration* - Indicates it reduces to zero. It is not clear why this happens as the need for financial administration increases.





# Sample evaluation

*A sample evaluation for the \$/ML presented in the original submission and subsequent amendment dated January 21, 2010 was undertaken and the examples are shown below.*

For the North Coast there are entitlements of 267,700ML for unregulated rivers and a total of 4,267,300ML for all unregulated rivers in New South Wales.

In the Manning there are entitlements of 55,532ML and a further 13,110ML for town water supplies.

For the Karuah there are entitlements of 3,466ML and a further 320ML for town water supplies.

For the Great Lakes there are entitlements of 3,535ML and a further 221ML for town water supplies.

This provides a total extraction of 76,184ML for MidCoast Water's area of operation. This represents 28 per cent of entitlements in the north coast, for which MidCoast Water funds a significant portion of river gauging stations, water quality monitoring and assessment of environmental flows.

Using the spreadsheet 'Supplementary Submission - Forecast Expenditure 2011-12' costs for unregulated rivers in 2012 and applying the 'user share', a figure of \$2.37 million is obtained. This, divided by 267,700ML, gives \$8.85 per megalitre. Table 21 (as revised in January 2010) provides a value of \$8.94 per megalitre for 2012 - so even the simple mathematics is different.

Similarly for groundwater in 2012 forecast expenditure is for \$2.33 million for groundwater entitlements on the North Coast of 395,700ML, a value of \$5.88 per megalitre is obtained. Table 22 (as revised in January 2010) provides a value of \$8.04 per megalitre for 2012.

From the *Independent Pricing and Regulatory Tribunal Review* by PricewaterhouseCoopers in April 2010 indicates that the North Coast entitlements of 267,700ML represents six per cent of the State allocation for unregulated rivers (4,267,300ML). With only six per cent of the State's allocation we have 80 river gauging stations which represents 27 per cent of the State's gauging stations for unregulated rivers (294 stations). This suggests over servicing as raised in our initial submission.

*In conclusion:*

*MidCoast Water would like to reiterate that we feel it is still not transparent how the costings were derived and how contribution to operations and maintenance by other organisations and community service obligations for operation and maintenance of infrastructure is accounted for.*





FORECAST EXPENDITURE FOR EACH ACTIVITY - VALLEY - WATER SOURCE FOR 2011-12

		2011-12	2011-12	2011-12	2011-12		
		Regulated	Unregulated	Groundwater	Total		
		Forecast	Forecast	Forecast	Forecast		
		\$ '000	\$ '000	\$ '000	\$ '000		
Operating Expenditure							
C01-01	Surface water quantity monitoring/reporting/information provision	\$23.95	\$957.93	\$0.00	\$981.87		
C01-02	Surface water state-wide data management	\$4.93	\$197.39	\$0.00	\$202.32		
C01-03	Surface water quality monitoring/reporting/information provision	\$0.00	\$95.75	\$0.00	\$95.75		
C01-04	Surface water ecology/biology information provision	\$2.45	\$4.41	\$0.00	\$6.86		
C01-05	Surface water quality state-wide database management	\$0.03	\$4.17	\$0.00	\$4.21		
C01-06	Surface water asset management - for quantity/quality information provision	\$1.33	\$53.24	\$0.00	\$54.57		
C02-01	Groundwater quantity monitoring/reporting/ information provision	\$0.00	\$0.00	\$0.00	\$0.00		
C02-02	Groundwater quality monitoring/reporting/information provision	\$0.00	\$0.00	\$0.00	\$0.00		
C02-03	Groundwater state-wide corporate database management	\$0.00	\$0.00	\$0.00	\$0.00		
C02-04	Groundwater asset management - for quantity/quality information provision	\$0.00	\$0.00	\$0.00	\$0.00		
C03-01	Coastal and estuary monitoring and information provision	\$0.00	\$0.00	\$0.00	\$0.00		
C03-02	Coastal and estuary asset management - for quantity and quality monitoring	\$0.00	\$0.00	\$0.00	\$0.00		
C04-01	Analytical services for water quality programs	\$0.00	\$27.70	\$0.00	\$27.70		
C05-01	Water sharing/accounting projects	\$2.45	\$53.85	\$0.00	\$56.30		
C05-02	Water assessments	\$0.08	\$1.80	\$0.00	\$1.89		
C05-03	Water balances/accounting	\$0.03	\$4.27	\$0.00	\$4.31		
C05-04	Groundwater balances/ accounting	\$0.00	\$0.00	\$0.00	\$0.00		
C06-01	Environmental water provisions (Parts 3 & 5)	\$0.00	\$0.00	\$0.00	\$0.00		
C06-02	Limits to availability of water (Parts 5 & 8)	\$3.84	\$59.63	\$0.00	\$63.47		
C06-03	Rules for managing access licences (Parts 5 & 9)	\$6.59	\$177.26	\$0.00	\$183.85		
C06-04	Access dealing rules (Parts 5 & 10)	\$2.37	\$8.99	\$0.00	\$11.35		
C06-05	System operation rules (Part 12)	\$0.84	\$21.80	\$0.00	\$22.65		
C06-06	Monitoring and Reporting (Parts 5 & 13)	\$0.00	\$0.00	\$0.00	\$0.00		
C06-07	Plan amendments (Part 14)	\$0.00	\$0.00	\$0.00	\$0.00		
C07-01	Water sharing plan development	\$5.11	\$137.43	\$0.00	\$142.54		
C07-02	Water use plans	\$0.75	\$92.87	\$0.00	\$93.62		
C07-03	Drainage plans	\$0.72	\$18.57	\$0.00	\$19.28		
C07-04	Floodplain plans	\$1.15	\$29.89	\$0.00	\$31.04		
C07-05	Floodplain harvesting plans	\$0.65	\$16.75	\$0.00	\$17.40		
C07-06	Environmental water management planning	\$0.00	\$0.00	\$0.00	\$0.00		
C07-07	Water savings planning	\$0.00	\$0.00	\$0.00	\$0.00		
C07-08	Delivery capacity rights planning	\$0.00	\$0.00	\$0.00	\$0.00		
C07-09	Wetland recovery plan major initiative	\$0.00	\$0.00	\$0.00	\$0.00		
C07-10	NSW wetland policy implementation	\$0.00	\$0.00	\$0.00	\$0.00		
C07-11	NRC reviews and support of water sharing plans	\$0.00	\$0.00	\$0.00	\$0.00		
C07-12	CMA support for environmental water programs	\$0.00	\$0.00	\$0.00	\$0.00		
C07-13	River health and water quality plans	\$0.00	\$0.00	\$0.00	\$0.00		
C07-14	Impact of dams on water quality	\$0.00	\$0.00	\$0.00	\$0.00		
C07-15	Blue-green algae operational planning	\$0.00	\$0.00	\$0.00	\$0.00		
C07-16	Bacterial, chemical, salinity and other regional operational planning	\$0.00	\$0.00	\$0.00	\$0.00		
C07-17	Interstate and national commitments	\$0.00	\$0.00	\$0.00	\$0.00		
C08-01	River management works planning	\$0.00	\$0.00	\$0.00	\$0.00		
C08-02	River bank and river bed remediation	\$0.00	\$0.00	\$0.00	\$0.00		
C09-01	Head office systems administration	\$5.76	\$329.51	\$0.00	\$335.27		
C09-02	Regional administration	\$2.45	\$140.44	\$0.00	\$142.89		
C09-03	Head office register administration	\$17.37	\$269.73	\$0.00	\$287.11		
C09-04	Licence cleansing	\$2.97	\$121.65	\$0.00	\$124.62		
C09-05	Town water supply entitlements	\$0.00	\$0.00	\$0.00	\$0.00		
C09-06	Compliance	\$0.00	\$0.00	\$0.00	\$0.00		
C09-07	Systems development	\$0.00	\$0.00	\$0.00	\$0.00		
C11-01	Metering and billing water usage	\$4.13	\$206.62	\$0.00	\$210.75		
C11-02	WRM business development	\$0.08	\$10.41	\$0.00	\$10.49		
C11-03	Financial administration	\$0.00	\$0.00	\$0.00	\$0.00		
C12-01	Metering and monitoring of water use systems on unregulated rivers and groundwater	\$0.00	\$0.00	\$0.00	\$0.00		
C12-02	IMEF	\$0.00	\$0.00	\$0.00	\$0.00		
C12-03	Groundwater monitoring network for water sharing plans and extension of surveillance and salinity networks	\$0.00	\$0.00	\$0.00	\$0.00		
C12-04	Integrated corporate water and ecological databases	\$0.00	\$0.00	\$0.00	\$0.00		
C12-05	Water and wetland recovery management	\$0.00	\$0.00	\$0.00	\$0.00		
Total		\$90.04	\$3,042.07	\$0.00	\$3,132.11		
Revenue							
Water Charges							
Regulated (\$'000)							
Unregulated (\$'000)							
Groundwater (\$'000)							
Other charge (please eneter details)							
Other charge (please eneter details)							
Other charge (please eneter details)							
Other charge (please eneter details)							
Total							

		\$'000	
		Unregulated	
User share	0.7	\$	670.55
	0.7	\$	138.17
	0.5	\$	47.88
	0.5	\$	2.20
	0.5	\$	2.09
	0.5	\$	26.62
	1	\$	-
	1	\$	-
	1	\$	-
	1	\$	-
	0.5	\$	13.85
	0.5	\$	26.92
	0.3	\$	0.54
	1	\$	4.27
	1	\$	-
	1	\$	-
	1	\$	59.63
	0.5	\$	88.63
	0.5	\$	4.49
	0	\$	-
	0	\$	-
	0	\$	-
	0.7	\$	96.20
	1	\$	92.87
	0	\$	-
	0.5	\$	14.95
	0.3	\$	5.03
	0	\$	-
	0	\$	-
	0	\$	-
	0	\$	-
	0	\$	-
	0	\$	-
	0	\$	-
	0	\$	-
	0.5	\$	-
	0	\$	-
	1	\$	329.51
	1	\$	140.44
	1	\$	269.73
	1	\$	121.65
	1	\$	-
	1	\$	-
	1	\$	-
	1	\$	206.62
	0.7	\$	7.29
	1	\$	-
	0.7	\$	-
	1	\$	-
	0.5	\$	-
	0.9	\$	-
	0.5	\$	-
		\$2,370.13	22.09
			reduction %



FORECAST EXPENDITURE FOR EACH ACTIVITY - VALLEY - WATER SOURCE FOR 2011-12

		2011-12	2011-12	2011-12	2011-12		
		Regulated	Unregulated	Groundwater	Total		
		Forecast	Forecast	Forecast	Forecast		
		\$ '000	\$ '000	\$ '000	\$ '000		
Operating Expenditure							
C01-01	Surface water quantity monitoring/reporting/information provision	\$0.00	\$0.00	\$ -	\$0.00		
C01-02	Surface water state-wide data management	\$0.00	\$0.00	\$ -	\$0.00		
C01-03	Surface water quality monitoring/reporting/information provision	\$0.00	\$0.00	\$ -	\$0.00		
C01-04	Surface water ecology/biology information provision	\$0.00	\$0.00	\$ -	\$0.00		
C01-05	Surface water quality state-wide database management	\$0.00	\$0.00	\$ -	\$0.00		
C01-06	Surface water asset management - for quantity/quality information provision	\$0.00	\$0.00	\$ -	\$0.00		
C02-01	Groundwater quantity monitoring/reporting/ information provision	\$0.00	\$0.00	\$ 159.76	\$159.76		
C02-02	Groundwater quality monitoring/reporting/information provision	\$0.00	\$0.00	\$ 25.92	\$25.92		
C02-03	Groundwater state-wide corporate database management	\$0.00	\$0.00	\$ 1.29	\$1.29		
C02-04	Groundwater asset management - for quantity/quality information provision	\$0.00	\$0.00	\$ 11.17	\$11.17		
C03-01	Coastal and estuary monitoring and information provision	\$0.00	\$0.00	\$ 10.09	\$10.09		
C03-02	Coastal and estuary asset management - for quantity and quality monitoring	\$0.00	\$0.00	\$ -	\$0.00		
C04-01	Analytical services for water quality programs	\$0.00	\$0.00	\$ 4.62	\$4.62		
C05-01	Water sharing/accounting projects	\$0.00	\$0.00	\$ -	\$0.00		
C05-02	Water assessments	\$0.00	\$0.00	\$ -	\$0.00		
C05-03	Water balances/accounting	\$0.00	\$0.00	\$ -	\$0.00		
C05-04	Groundwater balances/ accounting	\$0.00	\$0.00	\$ 17.86	\$17.86		
C06-01	Environmental water provisions (Parts 3 & 5)	\$0.00	\$0.00	\$ 29.48	\$29.48		
C06-02	Limits to availability of water (Parts 5 & 8)	\$0.00	\$0.00	\$ 67.83	\$67.83		
C06-03	Rules for managing access licences (Parts 5 & 9)	\$0.00	\$0.00	\$ 304.62	\$304.62		
C06-04	Access dealing rules (Parts 5 & 10)	\$0.00	\$0.00	\$ -	\$0.00		
C06-05	System operation rules (Part 12)	\$0.00	\$0.00	\$ 32.23	\$32.23		
C06-06	Monitoring and Reporting (Parts 5 & 13)	\$0.00	\$0.00	\$ -	\$0.00		
C06-07	Plan amendments (Part 14)	\$0.00	\$0.00	\$ -	\$0.00		
C07-01	Water sharing plan development	\$0.00	\$0.00	\$ 236.17	\$236.17		
C07-02	Water use plans	\$0.00	\$0.00	\$ 197.28	\$197.28		
C07-03	Drainage plans	\$0.00	\$0.00	\$ 27.44	\$27.44		
C07-04	Floodplain plans	\$0.00	\$0.00	\$ 44.18	\$44.18		
C07-05	Floodplain harvesting plans	\$0.00	\$0.00	\$ 24.77	\$24.77		
C07-06	Environmental water management planning	\$0.00	\$0.00	\$ -	\$0.00		
C07-07	Water savings planning	\$0.00	\$0.00	\$ -	\$0.00		
C07-08	Delivery capacity rights planning	\$0.00	\$0.00	\$ -	\$0.00		
C07-09	Wetland recovery plan major initiative	\$0.00	\$0.00	\$ -	\$0.00		
C07-10	NSW wetland policy implementation	\$0.00	\$0.00	\$ -	\$0.00		
C07-11	NRC reviews and support of water sharing plans	\$0.00	\$0.00	\$ -	\$0.00		
C07-12	CMA support for environmental water programs	\$0.00	\$0.00	\$ -	\$0.00		
C07-13	River health and water quality plans	\$0.00	\$0.00	\$ -	\$0.00		
C07-14	Impact of dams on water quality	\$0.00	\$0.00	\$ -	\$0.00		
C07-15	Blue-green algae operational planning	\$0.00	\$0.00	\$ -	\$0.00		
C07-16	Bacterial, chemical, salinity and other regional operational planning	\$0.00	\$0.00	\$ -	\$0.00		
C07-17	Interstate and national commitments	\$0.00	\$0.00	\$ -	\$0.00		
C08-01	River management works planning	\$0.00	\$0.00	\$ -	\$0.00		
C08-02	River bank and river bed remediation	\$0.00	\$0.00	\$ -	\$0.00		
C09-01	Head office systems administration	\$0.00	\$0.00	\$ 347.97	\$347.97		
C09-02	Regional administration	\$0.00	\$0.00	\$ 148.31	\$148.31		
C09-03	Head office register administration	\$0.00	\$0.00	\$ 306.79	\$306.79		
C09-04	Licence cleansing	\$0.00	\$0.00	\$ 409.79	\$409.79		
C09-05	Town water supply entitlements	\$0.00	\$0.00	\$ -	\$0.00		
C09-06	Compliance	\$0.00	\$0.00	\$ -	\$0.00		
C09-07	Systems development	\$0.00	\$0.00	\$ -	\$0.00		
C11-01	Metering and billing water usage	\$0.00	\$0.00	\$ 231.55	\$231.55		
C11-02	WRM business development	\$0.00	\$0.00	\$ 22.11	\$22.11		
C11-03	Financial administration	\$0.00	\$0.00	\$ -	\$0.00		
C12-01	Metering and monitoring of water use systems on unregulated rivers and groundwater	\$0.00	\$0.00	\$ -	\$0.00		
C12-02	IMEF	\$0.00	\$0.00	\$ -	\$0.00		
C12-03	Groundwater monitoring network for water sharing plans and extension of surveillance and salinity networks	\$0.00	\$0.00	\$ -	\$0.00		
C12-04	Integrated corporate water and ecological databases	\$0.00	\$0.00	\$ -	\$0.00		
C12-05	Water and wetland recovery management	\$0.00	\$0.00	\$ -	\$0.00		
Total		\$0.00	\$0.00	\$2,661.21	\$2,661.21		
Revenue							
Water Charges							
Regulated (\$'000)							
Unregulated (\$'000)							
Groundwater (\$'000)							
Other charge (please eneter details)							
Other charge (please eneter details)							
Other charge (please eneter details)							
Other charge (please eneter details)							
Total							

User share	\$'000	
0.7	\$ -	
0.7	\$ -	
0.5	\$ -	
0.5	\$ -	
0.5	\$ -	
0.5	\$ -	
1	\$ 159.76	
1	\$ 25.92	
1	\$ 1.29	
1	\$ 11.17	
1	\$ 10.09	
1	\$ -	
0.5	\$ 2.31	
0.5	\$ -	
0.3	\$ -	
1	\$ -	
1	\$ 17.86	
1	\$ 29.48	
1	\$ 67.83	
0.5	\$ 152.31	
0.5	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0.7	\$ 165.32	
1	\$ 197.28	
0	\$ -	
0.5	\$ 22.09	
0.3	\$ 7.43	
0	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0	\$ -	
0.5	\$ -	
0	\$ -	
1	\$ 347.97	
1	\$ 148.31	
1	\$ 306.79	
1	\$ 409.79	
1	\$ -	
1	\$ -	
1	\$ -	
1	\$ 231.55	
0.7	\$ 15.48	
1	\$ -	
0.7	\$ -	
1	\$ -	
0.5	\$ -	
0.9	\$ -	
0.5	\$ -	
\$2,330.01	12.45	reduction %