

IJ:it//Mr Ian Johnson  
F2004/06782

22 June 2010

Water Administration Ministerial Corporation Price Review  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Attention: Amanda Chadwick

Dear Sir,

**Stakeholder Comments – Water Administration Ministerial Corporation Price Review**

With reference to the above review Wyong Shire Council provides the following comments.

**1. General Issues**

Council notes concerns raised by other stakeholders over the transparency and efficiency of Office of Water (NOW) management processes generally.

Recent experiences by Council in this regard include;

- difficulties in identifying/contacting relevant NOW staff to resolve billing and licencing issues
- more than one NOW office handling what should be a single billing process ie:
  - Dangar office deals with administration and registration fees
  - Wagga office deals with allocation/entitlement and usage charges
- instances where invoices are being issued for previously cancelled licences.
- delays (in some cases several years) in issuing accounts and invoices. As recently as 2009 Council was still receiving invoices relating to 2002/3 extractions. In this regard NOW is currently collecting usage data to compile invoices for usage charges for 2006/7,2007/8 and 2008/9.

These type of issues highlight areas where NOW management practices and processes could be improved.

It is noted that the Price Waterhouse and Halcrow Pacific report (Executive Summary Page 7) also raises concerns over the efficiency, current practices and levels of service provided by NOW.

## **2 Surface Water Issues**

### a) *Cost Comparisons (Surface Water)*

Over the past 5 years the average annual draw on surface water supplies on the Central Coast for town water supply purposes has been 24,760 megalitres per year.

To give an overview of proposed changes the above average has been used to compare indicative differences between the current (2009/10) and the proposed charging methodology.

All charges are expressed in 2009/10 \$

Using the current IPaRT determination the following charges apply for 2009/10 ie;

2009/10 Surface Water Component	2009/10 Charge
Combined usage for: - - Wyong River - Ourimbah Creek - Mooney Mooney Creek - Mangrove Creek	24760 ML @ \$1.82/ML  = \$45,060
Entitlement* – Ourimbah Creek only  * Currently entitlement allocations do not apply to: - Wyong River - Mooney Mooney Creek - Mangrove Creek	5000ML @ \$2.75/ML  = \$13,750
<b>Total 2009/10 Charges for Surface Water</b>	<b>\$58,810</b>

NOW in their amended submission to IPaRT dated 20 January 2010 propose to replace the current two part tariff (entitlement/usage) with a single entitlement charge commencing in 2010/11.

Under such an arrangement the following surface water charges would apply: -

Surface Water Source	Proposed Entitlement (ML/a)	2010/11	2011/12	2012/13
<b>Proposed Entitlement Charge (\$/ML)</b>		2.66	2.84	3.03
Wyong River	34,600	92,036	98,264	104,838
Ourimbah Creek	8,400	22,344	23,856	25,452
Mooney Mooney Creek	17,900	47,614	50,836	54,237
Mangrove Creek	47,900	127,414	136,036	145,137
<sup>1.</sup> <b>Total</b>	<b>108,800(ML/a)</b>	<b>\$289,408</b>	<b>\$308,992</b>	<b>\$329,664</b>

*b) Discussion (Surface Water)*

The proposed fixed cost tariffs based on entitlement in the NOW submission present a number of issues of concern.

- i) The proposed pricing structure would see the average annual bill increase from about \$60,000 to about \$300,000 - ie a 500% increase.
- ii) The proposed charges based on entitlements will have the effect of penalising organisations which have invested heavily in developing the infrastructure to facilitate environmental flows which necessitated entitlements far in excess of their actual water requirements.
- iii) Whilst it is understandable, NOW would promote fixed charges as it provides a risk free assured income, it does not send an appropriate pricing signal for the efficient use of water. This is surprising given the role that NOW has in managing NSW water resources and the expectations it places on others for environmental performance - ie, "Best Practice" Guidelines for water utilities.
- iv) The prices do not appear to recognise water management activities undertaken by others on behalf of NOW, ie: -

- The Gosford/Wyong Council's Water Authority (GWCWA) has undertaken significant environmental studies which were the basis of the water sharing planning.

The key studies are:-

- Wyong River Environmental Flow Study. Cost \$670,000 (excluding Wyong Council's management costs)
  - Kulnura/Mangrove Mountain Groundwater Study Cost of consultants \$160,000 (excluding Gosford Council's management costs)
- River flow monitoring  
Wyong Council already contributes \$38,000 to the maintenance of gauging stations on Wyong River and Ourimbah Creeks
  - Provision of new River Flow Gauge  
The GWCWA is currently constructing a new river flow gauge at the end of Wyong River to provide accurate river flow monitoring.

*c) Proposed Alternative Charging Arrangements (Surface Water)*

i) Tariff

Our preferred arrangement would be for tariffs based on the actual annual extraction as calculated to determine the Long Term Average Extraction Limit (LTAEL). This would provide a pricing signal for demand management activities and would not disadvantage those organisations who have invested in the provision of environmental flows.

Alternatively though less preferred would be a tariff based on the LTAEL as noted in the Water Sharing Plan namely 36,750 ML/annum up till 2013.

ii) Recognition of Water Management Activities.

That NOW recognise the costs of activities undertaken by others to support the water management responsibilities of NOW.

iii) NOW Efficiency

The Councils strongly advocate significant efficiency gains from within NOW prior to implementing higher bulk water charges.

If you have any further questions concerning this submission, please contact either myself on 4350 5235 or Mr Garry Casement on 4350 5158.

Yours faithfully

Ian Johnson  
**Technical Services Engineer**  
**Water and Sewerage**