

**SUBMISSION TO IPART**

**REVIEW OF STATE WATER OPERATING  
LICENCE**

**LACHLAN VALLEY WATER**

**November 2004**

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# **IPART REVIEW OF THE OPERATING LICENCE FOR STATE WATER CORPORATION**

## **SUBMISSION BY LACHLAN VALLEY WATER**

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### **RESPONSE TO IPART ISSUES PAPER**

This document has been prepared by Lachlan Valley Water (LVW), representing approximately 600 groundwater and surface water users in the Lachlan Valley, in response to the Issues Paper by the Independent Pricing and Regulatory Tribunal and the response presented by State Water.

Lachlan Valley Water is also a member of NSW Irrigators Council (NSWIC) and we support the submission made by NSWIC. In particular we comment on the following issues that were raised in IPART's Issues Paper and State Water's response.

## **2 Overview of State Water**

### **2.2.1 Delegated functions**

- We support State Water's submission that flow monitoring and reporting are critical business functions for State Water, they are carried out effectively by State Water and they are functions that State Water should be empowered to undertake.
- We agree with State Water's submission that it should be accountable for preparing the Resource Assessment statement and that DIPNR should be accountable for making a decision on allowable water determination increments within 5 days of receiving the Resource Assessment statement. From the customer's point of view this is a critical function where timeliness and accuracy are essential if the customer is to maximise his profitable use of water, and clear accountability and performance standards are required.
- We also support the separation by State Water between the regulatory powers of DIPNR in relation to cancellation of licences and the retention by State Water of the power to suspend access licences for non payment of accounts or overuse of water. It is critical that State Water have this compliance power if it is to carry out its water delivery role effectively.
- Licensing administration and permanent transfers are currently handled by DIPNR and, in this region at least, there are frequently delays of 2 or more years in finalising a matter. This is not an adequate level of service and is impeding water users' efficient management and development of their businesses. We submit that the option of contracting these functions to State Water, with appropriate performance standards, be considered in order to achieve more efficient and timely performance.

## **4 Role of the Operating Licence**

- We support the submission by NSWIC that potential regulatory overlap can be minimised by the use of Regulatory Impact Statements requiring proponents of new regulations to justify the need for such regulations, identify any overlap with existing regulations and identify compliance costs.

## **5 System Performance**

- Some of the potential performance indicators nominated in the Issues Paper are significantly influenced by external factors and are not appropriate indicators for State Water's performance, namely:
  - volume of rejected water orders – this is an outcome of rainfall and irrigator behaviour, and while State Water may have some influence through education and other measures, it clearly does not have full control of this outcome.
  - actual flows to the environment compared to flows that would have occurred under natural conditions – this is a measure of how closely the rules in the Water Sharing Plan replicate natural conditions rather than a measure of State Water's performance. State Water is required to operate the river in accordance with the rules set by the Water Sharing Plan and its compliance with those rules is a more appropriate indicator of its performance.
  - water quality in-stream/down-stream – this is significantly affected by riparian land management and catchment management practices over which State Water has no control.
- LVW agrees that the list of issues identified by NSWIC for regular performance reporting are an appropriate list of indicators for the performance of State Water.
- We also recognise that there are no commercial drivers for State Water to achieve water savings through improved system efficiency. We support the submission by NSWIC that State Water should have the ability to identify and invest in opportunities to improve operational efficiency. This has the potential to achieve water savings that provide benefits to both the environment and customers. Further, we support the NSWIC proposal that if State Water accrues the benefits of water efficiency savings as entitlements which it is able to trade, then to ensure accountability and efficient investment decisions State Water should not be funding those works from charges on water users but through borrowings.

## **6 Environmental Obligations**

### **6.1 Augmenting the broad regulatory framework**

- As noted in the State Water submission, the broader regulatory framework already adequately regulates State Water's operations and its flow regulation function is strictly defined by the Water Sharing Plans and regulated by DIPNR. The Water Sharing Plans contain a range of operational rules to improve environmental health and it is appropriate

that State Water be required to operate in accordance with those rules rather than be held accountable for the outcome of the rules.

### **6.3 Ensuring appropriate environmental performance obligations**

LVW is unaware of the content of the MOU's currently being developed between State Water and DPI, DEC and DIPNR. However, our view is that the MOU's should have a clear function to address processes and protocols for operation. All regulatory requirements and obligations must be contained in the Operating Licence and there must be no confusion between the co-operative nature of the MOU's and the regulatory obligations of the Operating Licence.

## **7 Customer Service Obligations**

- Members of the Lachlan Customer Service Committee (CSC), along with Macquarie and Murrumbidgee CSC representatives and State Water, have been involved in the development of a draft Customer Service Charter. This has been a positive and co-operative exercise and we believe this Customer Service Charter, when reviewed by all CSC's and finalised, will define service levels and performance standards that will result in more efficient operation by State Water and improved service to customers.

We support State Water's submission that the Operating Licence should require compliance with the Customer Service Charter rather than imposing a separate set of requirements. We further support the proposal that customer service obligations to unregulated and groundwater customers should be covered in the Customer Service Charter rather than the Operating Licence.

## **8 Community Engagement Obligations**

- Our experience in the Lachlan is that the valley based CSC's are a very effective mechanism for customer and community consultation. Their present composition ensures the CSC is aware of how State Water's operations affect the local community and has good knowledge of the management and operational issues involved in the valley. The recent addition of a Catchment Management Authority (CMA) representative will increase stakeholder representation. We consider that a strong valley based CSC can be a powerful mechanism to improve service levels, ensure customer compliance with their obligations and promote efficient use of water. LVW considers the following membership is appropriate:
  - regulated river irrigators
  - unregulated river irrigators
  - groundwater irrigators
  - irrigation corporations
  - stock and domestic water users
  - local government
  - industry
  - CMA

- We also support the establishment of Customer Reference Panels or similar structures comprising CSC members, State Water and community members, for consultation on specific, major issues. There is currently such a sub-committee operating in the Lachlan for a major project and we believe it has been effective in informing and consulting the community on this project.
- We are concerned that a state-wide Community Consultative Committee (CCC) would be remote from some of the main issues related to State Water's service delivery, and it is not clear to us that a CCC would be an effective vehicle for community consultation or provide additional benefits over and above CSC's, given that many issues are valley-specific. However, such a role could be filled through the Natural Resources Advisory Council (NRAC) and we support NSWIC's proposal that State Water be required to report to NRAC's regular meetings and seek their advice on issues that may impact State Water's operations.