



The Hon Katrina Hodgkinson MP

Minister for Primary Industries
Minister for Small Business

OM12/2231

Mr James Cox PSM
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Mr Cox *James,*

The NSW Government seeks to improve the manner in which bulk water charges are levied throughout the state. Ensuring efficient and effective levying of bulk water charges is important in maintaining profitable agricultural industry and the viable provision of bulk water delivery services.

As you are aware, bulk water charges in the Murray Darling portion of NSW will soon be levied in accordance with the Australian Competition and Consumer Commission (ACCC) pricing principles. It is timely to examine bulk water charges at this time such that the State Water Corporation (SWC) is able to provide the strongest possible pricing submission to the ACCC.

As such, I seek your assistance under Section 9 of the *Independent Pricing and Regulatory Tribunal Act 1992* (the Act) to carry out a review of bulk water charges in NSW.

The terms of reference are at Attachment A.

A report should be provided to me by 15 August 2012, to allow SWC to incorporate the findings into their pricing submission to the ACCC.

Section 9 of the Act requires that the Premier approve of IPART to provide services to me under that section, accordingly I have obtained the approval of Cabinet for this work to be undertaken by IPART.

I look forward to receiving IPART's report on this important topic.

Yours sincerely

22 MAY 2012

Katrina Hodgkinson MP
Minister for Primary Industries

Attachment A

Consistent with the NSW Government's Commission of Audit into Public Sector Management to review the current state fiscal situation and to establish a framework for future reform, the Independent Pricing and Regulatory Tribunal (IPART) is to conduct a review, and provide a final report to the Minister for Primary Industries by 15 August 2012 on the following:

1. Examine ways that the billing of bulk water charges might be better matched to business cash flows, for example may examine:
 - Varying the timing of water bills and payment terms in relation to farm cash flow
 - Varying the ratio of fixed to variable charges
 - Options for differential fixed charges (based on seasonal conditions)
 - Options for differential variable (e.g. stepped or volume based) charges
 - Use of modern telemetered meters.
2. Potential methods of determining the Government cost share for ACCC determined bulk water charges in NSW, which may include a role for IPART.
3. The potential impacts to customers, State Water Corporation, and the NSW Office of Water of future pricing arrangements, and make recommendations that will assist the NSW Government to maintain viable and economically sustainable provision of services to customers.

IPART should produce an initial issues paper to facilitate consultation, hold at least one public hearing, and conduct targeted consultation as necessary and appropriate, including at least one workshop in each the north and the south of the NSW portion of the Murray-Darling Basin.

All advice and recommendations should consider:

- Impacts on customers', SWC and Office of Water cash flows, revenue streams, and forward business planning
- Potential impacts on the NSW financial position
- Statutory or policy barriers to the implementation of any recommendations
- The NSW Government's Commission of Audit into public sector management