

Mr Andrew George
CEO WaterNSW

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By email: Andrew.George@waternsw.com.au

29 July 2024

Subject: Murray Darling Basin Authority and Border Rivers Commission Cost Recovery Arrangements

Dear Andrew

I am writing to advise of the costs arising from the forward budgets of the Murray-Darling Basin Authority (MDBA) Joint Programs and the Dumaresq-Barwon Border Rivers Commission (DBBRC) that should be included in the WaterNSW submission to IPART's review of prices for Rural Bulk Water Services.

Murray-Darling Basin Authority Costs

The MDBA administers Joint Programs on behalf of the Murray-Darling Basin jurisdictions. The timings of MDBA budgets and IPART's determination period are not consistent. The costs outlined in this letter are based on the MDBA Joint Program proposed budget included in MDBA 2024-25 to 2027-28 Work Plan and Budget. The current MDBA Joint Programs budget only forecasts to the 2027-28 financial year, which is the limit of Joint Programs forward planning. MDBA has extrapolated budget forecasts out to 2029-30 using the available budget forecasts. The MDBA Joint Programs' Work Plan budget is approved annually by the Ministerial Council. The MDBA has provided the forecasts to 2029-30 for the purpose of the IPART pricing proposals and noted that these costs are based on a cost constrained budget. Subsequently, on 30 May 2024, the Ministerial Council (Out of Session 112) approved the abovementioned proposed 2024-25 MDBA budget.

The MDBA advised that following the recent Review of Joint Programs, there has been an implementation of business improvements by the MDBA and partner delivery agencies to improve the prudence and justification of funding requirements. A key outcome is to move to an optimised Joint Programs 4-year multi-year budget approval, commencing for the period 2026 to 2029 financial years. The MDBA and its partner agencies (including WaterNSW) are currently preparing their budget submissions, and it's anticipated that these won't be available until early 2025 and approved until April 2025. In comparison to the costs provided, the Review identified that there has been under expenditure,

on the River Murray operations (RMO) infrastructure assets, in the order of \$15 million to \$20 million per annum. NSW's contribution of this amount will be based on the agreed cost shares¹.

The Water Administration Ministerial Corporation (WAMC) pricing proposal for water management charges has historically sought recovery of the State's MDBA non-River Murray operations (non-RM) costs from water users. The State's MDBA RMO costs are passed onto water users via WaterNSW's Rural Bulk Water Services price determination.

In the 2021 pricing determination, IPART's expenditure consultant (Atkins) determined that MDBA RMO Salt Interception Scheme (SIS) costs were to be allocated to WAMC. I can confirm the SIS costs have again been allocated to WAMC and are not reflected in the Bulk Water MDBA cost allocation.

Of the total MDBA Joint Program costs recovered through the current price determinations, around 29% are recovered through the WAMC determination and 71% through WaterNSW's Rural Bulk Water determination. This has been revised to 23% WAMC and 77% Rural Bulk Water for the 2026-30 period based on the MDBA Joint Programs five-year budget forecast out to 2029-30.

The reason for the increased Rural Bulk Water share of MDBA costs is due to the delivery of large infrastructure renewal projects where assets have reached end of life. These large infrastructure projects have not been previously funded through the IPART determination.

Dumaresq-Barwon Border Rivers Commission Costs

Each year, the DBBRC makes an annual call up to NSW and Queensland to recover the costs of its functions, which are sharing the waters of the rivers and streams that form or intersect the boundary between the two states and the associated groundwater resources; and investigating, constructing, and operating works to conserve and regulate those waters.

The WAMC pricing submission for water management charges has historically sought recovery of the State's DBBRC water monitoring costs from water users. The State's DBBRC Bulk Water costs are passed onto water users via WaterNSW's Rural Bulk Water Services pricing determination.

Of the total DBBRC costs recovered through the current price determinations, around 56% are recovered through the WAMC determination and 44% through WaterNSW's Rural Bulk Water determination. This has been revised to 23% WAMC and 77% Rural Bulk Water for the 2026-30 period based on the DBBRC five-year budget forecast out to 2029-30.

The reason for the increased Rural Bulk Water share of DBBRC costs is due to the inclusion SunWater costs not previously funded through the IPART determination. DBBRC and SunWater have now established a new contract setting out these services.

Attachments

Table 1 in the attachment to this letter provides the cost recovery between the Rural Bulk Water Services and WAMC determinations.

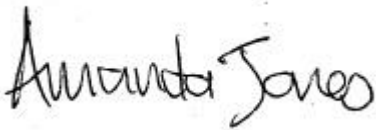
¹ <https://www.mdba.gov.au/publications-and-data/publications/review-cost-shares-joint-activities>

Table 2 provides the MDBA RMO and DBBRC Bulk Water costs that reflect the Rural Bulk Water share of funded activities and uses IPART's cost sharing criteria to determine the costs that are attributable to water users.

Table 3 provides the MDBA non-RM and DBBRC water monitoring costs that reflect the WAMC share of funded activities and uses IPART's cost sharing criteria to determine the costs that are attributable to water users.

IPART will review the prudence and efficiency of MDBA Joint Program and DBBRC operations in its review of prices for both the WaterNSW Rural Bulk Water and the WAMC determinations.

Yours sincerely,

A handwritten signature in black ink that reads "Amanda Jones".

Amanda Jones
Deputy Secretary Water
DCCEEW, Water Group

Attachment A

Table 1: WAMC/WNSW split of MDBA Joint Program and DBBRC costs (\$24/25 '000)

NSW contribution to MDBA and BRC	2025-26	2026-27	2027-28	2028-29	2029-30
NSW Contribution to MDBA	\$ 45,526	\$ 49,255	\$ 57,874	\$ 63,855	\$ 64,487
NSW Contribution to BRC	\$ 4,442	\$ 3,390	\$ 3,340	\$ 3,485	\$ 3,316
Total NSW Contribution	\$ 49,968	\$ 52,645	\$ 61,214	\$ 67,340	\$ 67,803
MDBA Contribution based on forecast total cost as at May 2024					
	2025-26	2026-27	2027-28	2028-29	2029-30
WNSW Bulk Water	\$ 31,560	\$ 37,353	\$ 45,471	\$ 51,268	\$ 52,093
WAMC	\$ 13,966	\$ 11,902	\$ 12,402	\$ 12,587	\$ 12,394
BRC Contributions based on forecast total cost as at May 2024					
	2025-26	2026-27	2027-28	2028-29	2029-30
WNSW Bulk Water	\$ 3,658	\$ 2,595	\$ 2,510	\$ 2,677	\$ 2,474
WAMC	\$ 784	\$ 796	\$ 830	\$ 808	\$ 841
Total MDBA and BRC contribution	2025-26	2026-27	2027-28	2028-29	2029-30
WNSW Bulk Water	\$ 35,218	\$ 39,948	\$ 47,982	\$ 53,945	\$ 54,567
WAMC	\$ 14,750	\$ 12,697	\$ 13,232	\$ 13,394	\$ 13,235

Table 2: WaterNSW Bulk Water cost recovery from users for MDBA and DBBRC (\$2024/25 '000)

	2025-26	2026-27	2027-28	2028-29	2029-30
NSW Contribution to MDBA	\$ 45,526	\$ 49,255	\$ 57,874	\$ 63,855	\$ 64,487
Bulk Water share of MDBA costs	\$ 31,560	\$ 37,353	\$ 45,471	\$ 51,268	\$ 52,093
User share of Bulk Water MDBA costs	\$ 28,540	\$ 34,009	\$ 41,569	\$ 47,025	\$ 47,760
Government share of Bulk Water MDBA costs	\$ 3,020	\$ 3,344	\$ 3,903	\$ 4,243	\$ 4,333
User share %	90%	91%	91%	92%	92%
NSW Contribution to BRC					
	2025-26	2026-27	2027-28	2028-29	2029-30
NSW Contribution to BRC	\$ 4,442	\$ 3,390	\$ 3,340	\$ 3,485	\$ 3,316
Bulk Water share of BRC costs	\$ 3,658	\$ 2,595	\$ 2,510	\$ 2,677	\$ 2,474
User share of Bulk Water BRC costs	\$ 3,475	\$ 2,465	\$ 2,385	\$ 2,544	\$ 2,351
Government share of Bulk Water BRC costs	\$ 183	\$ 130	\$ 126	\$ 134	\$ 124
User share %	95%	95%	95%	95%	95%
Total Bulk Water MDBA and BRC user allocation	\$ 32,015	\$ 36,473	\$ 43,954	\$ 49,569	\$ 50,111

Table 3: WAMC cost recovery from users for MDBA and DBBRC (\$2024/25 '000)

	2025-26	2026-27	2027-28	2028-29	2029-30
NSW Contribution to MDBA	\$ 45,526	\$ 49,255	\$ 57,874	\$ 63,855	\$ 64,487
WAMC share of MDBA costs	\$ 13,966	\$ 11,902	\$ 12,402	\$ 12,587	\$ 12,394
User share of WAMC MDBA costs	\$ 9,597	\$ 7,920	\$ 8,413	\$ 8,545	\$ 8,370
Government share of WAMC MDBA costs	\$ 4,369	\$ 3,981	\$ 3,989	\$ 4,042	\$ 4,024
User share %	69%	67%	68%	68%	68%
	2025-26	2026-27	2027-28	2028-29	2029-30
NSW Contribution to BRC	\$ 4,442	\$ 3,390	\$ 3,340	\$ 3,485	\$ 3,316
WAMC share of BRC costs	\$ 784	\$ 796	\$ 830	\$ 808	\$ 841
User share of WAMC BRC costs	\$ 623	\$ 632	\$ 659	\$ 642	\$ 669
Government share of WAMC BRC costs	\$ 161	\$ 163	\$ 171	\$ 166	\$ 173
User share %	79%	79%	79%	79%	79%
Total WAMC MDBA and BRC user allocation	\$ 10,220	\$ 8,552	\$ 9,073	\$ 9,186	\$ 9,039