

Attachment J

Dumaresq–Barwon Border Rivers Commission

30 September 2024



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1 Introduction

The Dumaresq–Barwon Border Rivers Commission (the Commission or BRC) was created by the NSW and Queensland governments to control and coordinate the water available from the border rivers between the 2 states. The Commission is funded by equal contributions from the NSW and Queensland governments. This funding is received by an annual call-up from each state via the issue of an invoice by the Commission following its annual budget meeting in June. This is done in accordance with the *New South Wales–Queensland Border Rivers Act 1947*. Under legislation, the NSW Department of Climate Change, Energy, the Environment and Water (the department), on behalf of the NSW Government, is required to fund the full call-up amount regardless of what IPART determines as efficient.

1.1 Background

The Dumaresq–Barwon Border Rivers Commission (the Commission) has a legislated responsibility to provide for the following in relation to WAMC:

- organisational oversight, including governance, assurance and financial management (Commission meetings, Annual Reports, etc.)
- financial management and paying service providers for outsourcing – 'clearing house' for funding
- hydrometric and groundwater monitoring
- water quality monitoring.

The Commission's functions and activities (listed above) are carried out through its service providers, Sunwater Ltd, WaterNSW and the relevant Queensland and New South Wales (NSW) departments. These are long-term service arrangements whereby others manage all on-the-ground services, and the Commission provides the instrument through which each state can share the costs for these services equally (NSW and Queensland). The Commission funds river gauging stations (hydrometric) and associated operations in the border rivers and intersecting streams. These gauging stations underpin the Commission's obligation to determine, monitor and ensure compliance for each state's eligible water share. The gauging stations allow the Commission to establish quantities of water at various touchpoints in the system.

The Commission funds a network of groundwater monitoring bores in the border rivers. The Commission has a statutory obligation that certain investigations be made regarding groundwater resources associated with the carrier rivers to determine the proportions or quantities of groundwater that should be available to the states. The Commission funds the border rivers water quality program, which was established in the early 1990s as a coordinated catchment-based water quality program. The program aims to provide a long-term quality-assured dataset to describe the border rivers baseline condition and identify emerging water quality issues. The monthly water quality data from most sites goes back to the early 1990s. Water quality monitoring is undertaken both at sites in the border rivers and sites in the intersecting streams every month, and one major storage site is located in Glenlyon Dam.

2 Drivers of the activity and services

The Commission was constituted under the New South Wales–Queensland Border Rivers Agreement made between the New South Wales and Queensland governments on 27 August 1946. This agreement was ratified by NSW under the New South Wales–Queensland Border Rivers Act and is a schedule to that Act¹.

The purpose of the Commission is to implement the agreement in relation to:

- sharing the waters of the rivers and streams which either form or intersect the boundary between the 2 states and the associated groundwater resources
- investigating, constructing and operating works to conserve and regulate those waters considered desirable.

Its operational area of responsibility includes:

- Glenlyon Dam on Pike Creek in Queensland
- the border rivers, which include the parts of the Dumaresq, Macintyre and Barwon Rivers that constitute the boundary between New South Wales and Queensland from Mingoola to Mungindi
- the intersecting streams, which include the Moonie, Bokhara, Narran, Culgoa, Ballandool, Warrego and Paroo Rivers and their effluents and tributaries, and any stream or watercourse that forms part of the Darling River drainage system and crosses the New South Wales–Queensland border west of the town of Mungindi.

The statutory functions and duties of the Commission are to:

- determine the anticipated quantity of water available each year from the border rivers and from the dams and weirs controlled by the Commission and notify the states of the portion of that water they may divert and use
- control the construction, operation and maintenance of works taken over or constructed by the Commission under the New South Wales–Queensland Border Rivers Agreement, i.e. Glenlyon Dam and Boggabilla Weir, as well as other weirs and regulators on the border rivers and intersecting streams
- undertake investigations considered necessary by the Commission to enable it to exercise the powers and discharge the duties conferred upon it by the New South Wales–Queensland Border Rivers Agreement
- report and make recommendations from time to time to the governments of New South Wales and Queensland regarding the sharing of the waters of the intersecting streams, the sharing of groundwater and other matters set out in the New South Wales–Queensland Border Rivers Agreement
- investigate the practicability of constructing, maintaining and operating additional storage

¹ Available at <https://legislation.nsw.gov.au/#/view/act/1947/10>

- arrange for the construction, operation and maintenance of gauging stations to record the flow in the Dumaresq River at Mingoola and at such other places as deemed necessary by the Commission
- arrange for the construction, maintenance, operation and control of an effective groundwater monitoring system.

In addition to the statutory functions listed above, the Commission, through its service provider, WaterNSW, undertakes a program to monitor water quality in the border rivers and the intersecting streams. The Commission's functions and activities are primarily carried out through its service providers, Sunwater Ltd, WaterNSW and the Queensland and NSW departments. These are long-term service arrangements whereby others manage all services, and the Commission pays for the services so that the states (NSW and Queensland) are paying equally.

3 Performance over the current period to date (2021–25)

3.1 Service delivery and service levels

The Commission does not operate with service delivery or service level agreements that directly impact customers and the community. Any service levels are relevant to the agencies that undertake the services and, therefore, are subject to the service levels they set by negotiations between the agency and customers. For example, WaterNSW operates the Water Supply Scheme on the NSW side of the border rivers and levies water charges to customers. The Queensland department, through its service provider Sunwater, is responsible for the Water Supply Scheme on the Queensland side of the border and levies water charges to customers, i.e. retail sharing. WaterNSW and the Queensland department receive the water charges levied within these schemes, but the Commission pays for the bulk water services for those schemes. Therefore, the best description is that the Commission operates at a wholesale supply level.

3.2 Expenditure

Table 1: IPART allowance and expenditure over the current determination period (\$'000, nominal)

	2021–22	2022–23	2023–24	2024–25 ^a
IPART allowed opex	849	900	935	963
Actual opex	397	492	767	790
IPART allowed capex	212	113	350	120
Actual capex	0	0	0	0

^a: 2024–25 'actual' figures are forecasts at the time of submission.

3.2.1 Expenditure performance

During the period, actual expenditure on WAMC activities in NSW has been lower than IPART's allowances, although costs are tracking upwards to reflect higher costs of operating and maintaining assets. Part of this underspend can be attributed to work not being undertaken due to COVID-19, as some inspections could not be undertaken due to lockdown requirements. Extreme wet weather and flooding events experienced over this period also impacted work.

This is seen more in the WAMC area than Bulk Water, where much of the work could not be undertaken as there were little or no travel requirements for business-as-usual work. As the WAMC costs predominately refer to the hydrometric network of gauging stations, groundwater bores and water quality monitoring work, the lack of site inspections and water sample collections does not directly impact the outcomes received by the customers. This is because real-time data and operational information are available, and the daily monitoring of the network can be undertaken remotely.

Organisational costs for the Commission over these years were lower because most meetings were held online due to COVID-19 restrictions. Therefore, no associated travel costs and budgeted project work was undertaken as planned in these years, due to these restrictions and staffing constraints. Further, legal work was not always utilised, and organisation cost underspend is difficult to estimate in advance.

In recent years, the higher expenditure was driven by increased costs for gauging stations. Examples of these increased costs are rises in material costs, increases in wages, upgrades to phase-out 3G communications, aging infrastructure requiring additional work for engineering certifications, and upgrades to meet workplace health and safety standards.

The spending estimated for the financial year 2025 is based on service providers undertaking work up to their budget limits. Notably, even though IPART split the Commission costs into an 'operating' and 'capital' allowance in the 2021 determination, the Commission does not categorise expenditure clearly into operating expenditure and capital expenditure. The Commission does not have a fixed asset register for WAMC-related activities, nor does it own the gauging stations and groundwater assets used to provide its services. Rather, it funds other parties (WaterNSW) for the costs of providing these assets. As a result of this, IPART over-allocated to WAMC and did not allocate enough to Bulk Water in the 2021 determinations.

Capital expenditure for the Commission's service provider, WaterNSW, is not included as they factor in capital expenditure as part of their normal service charges, and all expenditure is treated as operational expenditure. As mentioned, the Commission does not have a fixed asset register for WAMC related activities, nor does it own the gauging stations and groundwater assets used to provide its services. Rather, it funds other parties (WaterNSW) for the costs of providing these assets.

4 Activities and services for the next period (2026–30)

4.1 Service levels

The Commission does not expect any changes in service provision in the next period (2026–30). The existing service providers will continue to perform the services and have shown that they have robust performance systems to undertake the required work. They have ensured that services have been consistently maintained, and the Commission sees this continuing for the next 5-year period. The Commission expects to review and update service level agreements with service providers, where necessary, to ensure that clear expectations exist regarding the quality and scope of services undertaken. Service providers undertake risk management practices, including contingency planning and mitigation strategies, to help prevent disruptions and maintain service continuity. The Commission’s service providers maintain a skilled and experienced workforce that has delivered consistent services and performance over time. By focusing on these aspects, the Commission ensures that service levels remain consistent despite not having any way of changing its service providers in a competitive market sense.

4.2 Forecast expenditure

Table 2: Proposed operating expenditure over the next determination period (\$'000, 2024-25)

	2025-26	2026-27	2027-28	2028-29	2029-30
Proposed expenditure	784	796	830	808	841

4.2.1 Forecast operating expenditure

The Commission's level and mix of water management services are expected to remain largely unchanged over the 2025 determination period, although increased service provider costs have seen estimated total operating expenditure increase across the board. The Commission's service providers utilise a pass-through model, and any cost increase is passed through to the Commission.

Costs are also expected to continue to increase due to higher costs of operating surface water gauging stations and higher costs of groundwater monitoring. The cost of maintaining and operating gauging stations is increasing with the rise in material costs, wage increases, upgrades due to the phasing out of the 3G communications, and upgrading assets to ensure they meet present-day engineering standards and workplace health and safety requirements.

COVID-19 and related supply chain issues significantly impacted costs across various sectors, including the Commission's service provider costs. Some key drivers for the increase in costs seen over the period are inflationary pressures caused by supply chain disruptions and increased costs for undertaking business-as-usual work.

The higher costs of groundwater monitoring are due to some of these costs not previously being passed onto NSW by Queensland. When the current period proposal costs were submitted to IPART in 2020, Queensland oversaw the groundwater monitoring water management services on behalf of NSW. During this time, Queensland was not passing on the full costs associated with groundwater monitoring to the Commission. A change in responsibility for this work will occur in the 2025 financial year, where WaterNSW will take over responsibility for NSW groundwater monitoring. Additionally, Queensland has also increased routine maintenance costs for inspection and bore flushing/cleaning.

The Commission implements a range of measures to ensure that its expenditure is efficient. This includes reviewing and updating its policies and procedures, establishing long-term (10-year) financial plans for sustainably managing the business, identifying risks and developing relevant mitigation plans, and ensuring high levels of transparency in relation to its activities. The Commission has undertaken work to ensure that the assets being funded are still required and are serving the required long-term needs. This service needs analysis report was prepared to help the Commission understand the requirements at an asset level. The Commission is working with its service providers to interrogate and scrutinise costs and proposed budget submissions each year to provide the Commission with a greater understanding of costs. Costs for services and goods across the board have increased since the COVID-19 pandemic.

The Commission's forecast operating costs in the WAMC pricing proposal reflect the expected costs that WAMC will pay the Commission for its services. The Commission does not have a fixed asset register, nor does it own the gauging stations and groundwater assets used to provide its services. Rather, it funds other parties (WaterNSW) for the costs of providing these assets. Further, NSW is required to pay a specified call-up amount to the Commission each year. Therefore, there is no proposed capital allowance for WAMC Commission costs over the 2026–30 determination period.

4.2.2 Forecast capital expenditure

In the 2021 determination, IPART 'looked through' the actual contributions the NSW Government paid to the Commission and set a building block cost allowance based on a conceptual assessment of the 'capital' and 'operating' costs used to supply the Commission's services. In the process of identifying the Commission's capital expenditure for WAMC, several matters were discovered

- In its review of the 2020 pricing proposals, IPART noted that the Commission's Renewal & Enhancement (R&E) costs were not included in the WAMC pricing proposal.
- The Commission confirmed that WAMC R&E capital costs were included in the 2020 WAMC pricing proposal. The Commission advised that WAMC R&E expenditure is not included on its fixed asset register. The Commission budgets WAMC R&E as operating expenditure, and therefore did not record it as capital expenditure in the 2020 WAMC pricing proposal.
- The Commission confirmed that WAMC R&E is included, and has always been included, in the call-ups as operating expenditure.
- All WAMC assets are not held on the Commission's fixed asset register and are owned by the service providers, but under legislated requirements funded by the Commission through service arrangements.
- In its 2021 determination, IPART used the annuity fund deposit amount as a proxy for Sunwater R&E capital costs. The annuity fund deposit and Sunwater R&E are Bulk Water only.

- IPART incorrectly assigned a component of this annuity fund deposit to WAMC in the 2021 determination.

Therefore, no Commission forecast capital expenditure has been proposed in the WAMC proposal and no RAB has been developed for WAMC.

If IPART was to maintain this approach for 2025 WAMC determination, this would:

- require the NSW Government to fund the difference between NSW's actual contribution to the Commission for its water management activities and the revenue received from prices – which would be on top of the NSW Government's already significant contribution to water management costs under this pricing proposal for which no additional NSW government funding has been agreed, or
- come at the expense of other WAMC activities or services, as there is no guarantee that the NSW Government would fund such a shortfall.

Neither outcome would be efficient or equitable. The NSW Government decision is not to fund all shortfalls in WAMC revenue. The department will be required to develop options to manage shortfalls in WAMC revenue. The combination of these issues will result in cross-subsidisation between the broader WAMC customer base and Commission customers.

WAMC's proposed approach is to treat the Commission's costs as operating expenditure (as per the actual BRC costs faced by WAMC and the NSW Government) and is consistent with how the Commission costs are treated in Queensland.