



17 April 2024

Independent Pricing and Regulatory Tribunal (IPART)

ipart@ipart.nsw.gov.au

Dam Safety NSW Levy Review

Thank you for the opportunity to provide feedback on the *Issues Paper – Designing a levy for regulating dam safety in NSW – 19 March 2024*. As a declared dam owner, Central Coast Council offers the following responses:

How would this levy impact your operations and ongoing delivery of services?

In the 2021 IPART submission, the total annual cost requested for the Dam Safety NSW (DSNSW) proposed Dam Safety Levy was estimated to be \$63,000 p.a. (\$2021). If this figure increases, then the additional operational expenditure required will not have been forecast.

Adherence to the levy will not add to the delivery of our service provisions. Additional costs to cover this levy will need to be sourced from existing operational budgets.

In addition, IPART need to confirm whether this would form part of a regulator licence and therefore be considered an uncontrolled cost.

Does DSNSW conduct any activities that are broader than dam safety and therefore should sit outside the levy?

DSNSW conducts audits of dams as well as providing support and education for dam owners. The education that is conducted by DSNSW is not specific to dam owners, but also includes the wider community. It is therefore a reasonable request that any costs that are not directly related to an audit function, should be excluded from the levy.

There also needs to be transparency regarding the revenue collected by DSNSW under the levy and how this is proportioned amongst its functions.

Do you expect that the regulatory support you require from DSNSW will reduce as dam owners get more familiar with the new regulatory regime?

DSNSW are currently working to educate and support dam owners on what is required. This includes maintaining their website with FAQs, etc, they attend conferences to answer questions and present papers, they deliver webinars on various regulatory requirements, they are happy to discuss and answer questions. Council would expect this to continue, but eventually, this level of support would decline. When it does decline, Council would expect that DSNSW would then be putting their time and effort into delivery of the regulations by dam owners, including auditing.

How the levy should be apportioned between different dams or dam owners?

The category is set by applying industry standard processes, e.g. ANCOLD Guidelines, the previous Dams Safety Committee guidance sheets, and the like. The category is the outcome of a consequence



only analysis of risks, focussed on loss of life. When you follow the process, it outputs a category. There is some subjectivity, but the process tries to minimise this. The proposed multiplier used by DSNSW needs more clarity regarding its underlying assumptions. It is understood that the higher the category (risk profile) then the higher the cost. But this goes for dam owner costs as well, i.e. the dam owners must spend more on higher category dams because that is the way the legislation is written. In addition, the accuracy of the data and classification of what levies would be attributed to a 'declared' versus 'proposed' dam. This also extends to de-declared dams, where, until it has been gazetted, it may still exist in the Dam Safety Register, and therefore may be subject to the levy. It is agreed that the levy should consider the consequence category to reflect complexity and requirements of each dam.

Is your dam's primary purpose to serve the broader community beyond your customers/ratepayers?

Yes. However, in addition to serving Council's ratepayers, we also supply Hunter Water customers from our dams; hence they are customers/ratepayers outside our community base.

In addition, Council's two declared Stormwater Dams are primarily in place to provide stormwater detention for flood risk reduction in the local catchment. For Wyong Road Dam, this also provides a reduced flooding risk level of service for Wyong Road in Killarney Vale (owned by Transport for NSW).

How can dam owner regulatory performance be recognised in the levy over the longer term?

If the dam owners' regulatory obligations are achieved, then there should be a reduction in this levy. A reduction in the levy would be a good incentive for declared Dam Owners.

How we can minimise issues of affordability and disruption during implementation (for instance, a gradual levy phase-in)?

The issue of affordability is directly related to the impact on the customer's bill and the forecast operational expenditure of a water supply authority within a fixed Determination period.

Until the details of the calculation methodology are known, and the potential impacts are understood, it is difficult to gauge the disruption to business.

In addition, where a Dam Owner seeks to challenge the levy, the process and timing of review needs to be clarified.

Should the levy be subject to periodic independent review?

Council suggests the levy be subject to periodic review and that the service that DSNSW provides for this levy be specified and proposed to IPART where it can be scrutinised. Periodic review of the Levy will keep DSNSW accountable and allow for refinement.

Any other issues you feel are relevant

Further issues for consideration are:

- As this is cost shifting by the government, the prudence and efficiency of this levy needs to be transparent with our community.
- Clear explanation of how the levy is calculated.
- The additional cost to Councils in remote areas where dams are larger and the socio-economic environments are different.
- The bigger risk assessment (Societal and individual risk scores, Safety Reviews, Consequence Category Assessments, Comprehensive Surveillance Reports are not due every year (per dam). They are 5 and 15 yearly. For those reports that are not due on an annual basis, costs should

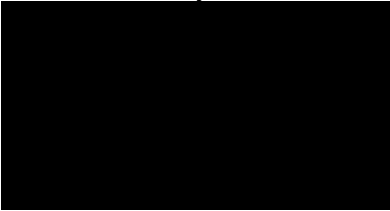


reflect distribution, e.g. averaged over the years or vary per year. DSNSW could also consider a processing fee for different reports. Would variable costs or averaging be a better expense pattern?

- If Dam Owners are paying consultants to attend the forums/information sessions and then also paying DSNSW (through the Levy) to put on forums/information session (some that may not be necessary for compliance), are the Declared Dam Owners paying twice? DSNSW have taken on more of a compliance role as compared to the former Dam Safety Committee, so the service is not so much centred on support anymore.

Thank you again for the opportunity to provide feedback into the review of this levy. For information purposes, I have also attached Central Coast Council's original submission to Dam Safety NSW when the levy was proposed.

Yours sincerely



Internal Reference: D16159840



13 November 2020

Mr Chris Salkovic
Dam Safety NSW
via: communications@damsafety.nsw.gov.au

Dear Mr Salkovic

2020 Reform – Proposed Dam Safety Levy

Thank you for the opportunity to provide comment on the Proposed Dam Safety Levy. Council provides the following feedback for the consideration of Dam Safety NSW (DSNSW):

1. Cost reallocation

Council objects to the transfer of the DSNSW costs currently funded through NSW consolidated revenue to Council's customers.

Whilst Council appreciate the economic theory of the proposal, the effect is that our customers pay more for no additional service. This contrasts with Council's approach of aiming to provide greater value services at lower costs to our customers.

Council requests reconsideration of the intention to charge dam owners a dam safety levy and recommends that DSNSW continues to be funded from NSW consolidated revenue.

Council provides the following feedback should DSNSW proceed with implementation of the levy.

2. Levy value

Council seeks clarification regarding the value of the proposed levy. The DSNSW website presents a levy unit value of \$5050, however the *Final Report - Proposed Funding Model for Dams Safety NSW* by The Centre of Internal Economics (CIE) has a levy unit value of \$5048. Please confirm what value is proposed.

The calculated estimated levy values in Table 1 of the *Final Report - Proposed Funding Model for Dams Safety NSW (CIE)* do not agree with levy unit calculations e.g. $\$5048 \times 1.8 = \9086 , not \$9094 as presented in the Table 1 of the *Final Report (CIE)*. Council understands that estimates should be calculated by multiplying the Levy Unit Rate by the applicable number of Levy Units for each dam's consequence category, and then multiplying by 0.7 for all remaining dams after the highest consequence dam (as described on the DSNSW website). The differences in calculations are small and the error is likely to be administrative, however Council requires confidence in the values potentially being included in future budgets. As such, confirmation of the levy unit rates and resulting levy values for each consequence category is requested.



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3. Levy indexation

The *Final Report - Proposed Funding Model for Dams Safety NSW (CIE)* recommends the levy be indexed, preferably annually. No details of what index will be used are provided.

The *Fact sheet: A funding model for Dams Safety NSW (CIE)* also mentions that the levy will be reviewed following two years of implementation. Council is unclear as to whether annual indexation will apply to year two, or whether the levy unit rate will remain fixed during the first two years of implementation.

Clarity on the proposed indexing method is sought so that Council can accurately forecast future costs.

4. Declared dam details and levy calculations

Council seeks amendments to errors in the declared dam details used for the calculation of the levy applicable to our organisation.

Appendix A of *Final Report - Proposed Funding Model for Dams Safety NSW (CIE)* includes three rows which relate to Central Coast Council¹ as a dam owner. These are:

- Central Coast Council: number of dams 4, estimated annual levy \$42,347
- Gosford City Council: number of dams 3, estimated annual levy \$31,852
- Wyong Shire Council: number of dams 1, estimated annual levy \$16,923

The sum of these rows gives 8 dams and an estimated annual levy of \$91,122. Council's calculations indicate that the total estimated levy payable by Council will be considerably less i.e. \$54,176.

Council notes that if this magnitude of apparent error applies to other dam owners, the total amount required to be recovered per dam would need to increase to achieve the same level of revenue.

Consequently, Council requests DSNSW review their/ the CIE's levy calculations. Council provides the following information to aid this process.

Table 1 presents the declared dams owned by Central Coast Council, their consequence category and calculated annual levy. Table 1 includes two declared dams that have not been constructed and are not planned for construction in the foreseeable future. Council suggests that the levy should not be applied to these dams as they do not generate any work for DSNSW.

DSNSW provided list of dams and categories used for calculation of levy estimates to Council on 8 August 2020. Table 2 provides an extract of the relevant content from the DSNSW list and Council's comments on changes required.

¹ Gosford City Council and Wyong Shire Council merged to create Central Coast Council in 2016. All the declared dams of these former Councils should now be listed against Central Coast Council. The ownership of these dams has been previously communicated to DSNSW officers.



Table 1 Central Coast Council declared dams, consequence categories and levy calculation details

Dam	Consequence Category	Number of levy Units	Resulting levy value - before reduction	Levy reduction factor	Resulting levy value – post reduction factor	Resulting levy value – post reduction factor With nil levy for unconstructed dams
Mardi	Extreme	3.35	\$ 16,918	1.0 ¹	\$ 16,918	\$ 16,918
Mangrove Creek	High A	2.97	\$ 14,999	0.7 ²	\$ 10,499	\$ 10,499
Upper Mooney	High C	2.97	\$ 14,999	0.7 ²	\$ 10,499	\$ 10,499
Wyong Road Detention Basin	High C	2.97	\$ 14,999	0.7 ²	\$ 10,499	\$ 10,499
Pecan Close Detention Basin	Low	1.00	\$ 5,050	0.7 ²	\$ 3,535	\$ 3,535
Palm Tree Grove	High C	2.97	\$ 14,999	0.7 ²	\$ 10,499	\$ 10,499
Sarah Fahey Park Retarding Basin ³	High C	2.97	\$ 14,999	0.7 ²	\$ 10,499	\$ 0
Emma James Basin ³	High C	2.97	\$ 14,999	0.7 ²	\$ 10,499	\$ 0
					\$ 83,446	\$62,448

¹ "The owner would pay the full levy for the highest consequence category dam owned or, if there are two dams that are equal highest consequence category, one of those dams"

² "The owner would pay 70% of the levy for every other dam owned"

³ Dam not yet constructed, nor planned for construction in near future. Levy should not apply.

Table 2 Corrections to data provided by Dam Safety NSW

Extract from list provided from Dam Safety NSW 8 October 2020			Council Comment
Dam Owner	Dam Name	Consequence Category	
Central Coast Council	Mangrove Creek	High A	Agree
Central Coast Council	Emma James Basin	High C	Does not exist yet, levy should not apply
Central Coast Council	Mooney Upper ¹	High C	Agree
Central Coast Council	Wyong Road Detention Basin	Significant	Category is High C.
Gosford City Council	Palm Tree Grove Retarding Basin	High C	Change owner to Central Coast Council
Gosford City Council	Sarah Fahey Park Retarding Basin	High C	Does not exist yet, levy should not apply. Change owner to Central Coast Council
Gosford City Council	Pecan Close Retarding Basin	Significant	Category is Low. (CCC will be separately submitting documentation outlining that the Pecan Close retarding basin has been assessed as consequence category 'Low' and will be requesting DSNSW remove it from the Declared Dams register). Change owner to Central Coast Council
Wyong Shire Council	Mardi	Extreme	Change owner to Central Coast Council

¹ Council refers to this dam as 'Upper Mooney'



5. Invoice timing

The DSNSW website indicates that invoices would be issued at the "start of May each year. Payment of the invoice would be due by 31 July each year."

Council considers it unusual for the revenue to be recognised by DSNSW in one financial year but with payment due in the following financial year. The proposed timing also carries the risk of two years' worth of levies being recognised in one financial year if different officers are processing the invoices (e.g. in July 2021 (officer waits for due date) and then in May 2022 (officer pays on receipt) resulting in two payments for 2021/22) and no levy expenses reflected in the next financial year (e.g. 2022/23). This is not intended or appropriate.

Council recommends that the invoice be raised and due in the financial year to which the levy applies. Council suggests that invoices be issued at the 'start of July each year with payment of the invoice be due by 30 September that year.

Thank you again for the opportunity to provide comment on the proposed Dam Safety Levy.

Yours sincerely,

[Redacted signature]

[Redacted name]

[Redacted title]

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