



Our ref: EC24-002774

Ms Carmel Donnelly PSM - Chair
Independent Pricing and Regulatory Tribunal
WAMC and WaterNSW price review
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Dear Ms Donnelly PSM

IPART Review of Prices for WaterNSW regional and rural bulk water from 1 July 2025

As A/g Commonwealth Environmental Water Holder (CEWH), I make the following submission in response to the Independent Pricing and Regulatory Tribunal (IPART) issues paper reviewing prices for the Water Administration Ministerial Corporation (WAMC) and WaterNSW to apply from 1 July 2025. I appreciate the opportunity to respond to the issues paper.

The Commonwealth is a major client of WaterNSW and WAMC. Consistent with the National Water Initiative Pricing Principles, the Commonwealth is committed to the promotion of tariff structures which send clear signals on the real cost of services provided by water authorities to their customers. Prices should be set by water authorities to promote the economically efficient and sustainable use of water resources; water infrastructure assets; and other government resources devoted to the management of water.

The Commonwealth's environmental water holdings are managed by the CEWH. The CEWH is a statutory position established under the *Water Act 2007* (the Water Act) to manage the holdings to protect and restore environmental assets in the Murray-Darling Basin, in accordance with the *Basin Plan 2012* (the Basin Plan), the Environmental Watering Plan and the Basin-wide environmental watering strategy.

The Commonwealth's environmental water holdings are actively managed by delivering water to environmental assets, carrying water over for use in future water years, or through commercial trading mechanisms (sale or purchase).

Commonwealth environmental water has significantly contributed to a range of environmental objectives in NSW, including:

- providing river flows that support good water quality for the environment and water users,
- connecting rivers to floodplains to maintain food chains and support fish movement,

- filling wetlands that support native fish, birds and other native animals, and
- supporting the recovery of the environment following recent droughts and building resilience in preparation for future droughts.

The CEWH maintains a positive and productive working relationship with all NSW water management agencies, with the aim of maintaining healthy river systems and protecting and restoring environmental assets across the Basin catchments of NSW.

As the largest single entitlement holder in the Murray-Darling Basin, the CEWH will see a significant increase in the annual cost of Water NSW and WAMC services over the five-year life of the determination based on the published pricing proposal. This was also the case for the previous price determination period. It is imperative that water management agencies focus on achieving long-term efficiencies in how they provide their services, to mitigate large price increases in future determination periods.

This submission provides input to several questions posed in IPART's issues paper.

How will WAMC's proposed prices impact customers? What factors should we consider so that prices we set for WAMC are appropriate for different customer types? Do the proposed 2.5% and 15% caps on prices strike the right balance between cost recovery and impacts on customers?

The CEWH acknowledges that, for many water users, a rapid transition to more complete cost recovery for water management is difficult to accommodate.

The WAMC pricing proposal notes that a 15 per cent per year, plus inflation, cap on WAMC's water management charges is considered reasonable for users with larger entitlements because *'these businesses generally have greater tolerance for price increases and can therefore transition at a faster pace to cost-reflective prices'*.

I have concerns about this proposal on the basis that it promotes an uneven distribution of the costs of water management across entitlement holders. The proposal to implement different pricing caps across user groups has the potential to establish an ongoing arrangement where categories of water holders are cross-subsidising the costs of water management arrangements for other water holders. In this case, it considers the differential application of costs based on the scale of water holdings, and it is not clear that appropriate consideration has been given to the 'impactor pays approach' outlined in the National Water Initiative Pricing Principles (refer Principle 4 of Principles for recovering the costs of water planning and management activities section). This principle highlights that an impactor is an individual or group of individuals whose activities generate water management costs, and that cost allocation should consider the contribution that a group's activities make to these costs, rather than a group's size or tolerance for price increases.

How will WaterNSW's proposed prices impact customers? What factors should we consider so that prices we set for WaterNSW are appropriate for different customer types? How well has WaterNSW considered these factors in the development of its proposal? If you are a Licenced Environmental Water holder or Lachlan Valley customer, how will the proposed changes to price structures affect you?

I am concerned that the proposal for WaterNSW prices appears to provide a charging structure for water licence holders who use their water for environmental purposes that is not available to other water users.

While our initial analysis of the proposed charging structure suggests it would have a comparatively improved financial impact to Commonwealth environmental water holdings, it does create the potential for a perception that environmental water users are receiving preferential treatment.

Likewise, embedding a one-part tariff structure for environmental water customers that is not available to other customers creates a circumstance where future determinations could allocate costs to environmental water users in a manner inconsistent with National Water Initiative Pricing Principles.

If the fundamental driver of the change in the proposed tariff structure is to improve revenue certainty and to mitigate the cost of a highly variable revenue stream, my strong preference is that the option of selecting a one-part tariff is made available to all WaterNSW customers.

Other matters in pricing proposals

WAMC unregulated and groundwater tariffs for unmetered water users

The proposed WAMC water management charges for unregulated rivers and groundwater systems continues the obligation for customers whose water use is not metered to be subject to a one-part tariff. The one-part tariff assumes 100 per cent utilisation of entitlements, irrespective of the volume of water made available to the entitlement in a year.

Environmental water use in unregulated and groundwater systems is based on accessing a share of the water resource in accordance with the licenced take conditions. Environmental use is calculated at the time WaterNSW announce resources can be accessed in the relevant river system or aquifer. Under the existing regulatory framework, environmental water holders are precluded from accessing the option of a two-part tariff. This is despite the maximum volume of water available for environmental use within a given year being limited to the same resource availability triggers and daily take limits as a consumptive entitlement holder.

Our preference is that environmental water holders should have the option of accessing a two-part tariff, based on modelled water take, in accordance with the prescribed water licence conditions.

WaterNSW deferral of investment in fishway passages

WaterNSW is proposing the further deferral of three fishways in their pricing proposal – including fishways at Wyangala Dam, Marebone Break Regulator and Gunidgera Weir – to create a \$29.1 million cost saving measure. I understand that these works have been required to enhance fish passage under the *Fisheries Management Act 1994* to offset dam safety upgrades over the past three price determination periods.

These works are required to improve fish passage and impact the ability to achieve outcomes for native fish populations from all water sources, and they are an obligation that WaterNSW has now deferred for a number of years. Providing effective fish passage is critically important to improve native fish populations in the Basin.

Many native freshwater fish species in the Murray-Darling Basin undertake both short and long-range migrations within river systems during their lifecycles. Dams and weirs obstruct or block these movements with a range of adverse consequences for the fish community at both a local and regional scale. Lack of fish passage at these sites constrains the ability of the CEWH to maximise the effectiveness of using Commonwealth environmental water to support the outcomes of the Basin Plan.

In addition to the environmental impacts of these barriers, I am concerned the cost of undertaking the works is likely to increase over time, particularly if the work is undertaken separately to other capital upgrades, such as improvements to dam safety.

Complexity of pricing proposals

Lastly, I would note that the pricing proposals were a large and complex series of documents. Navigating these documents to ascertain the financial impacts on entitlement holders was challenging and time consuming, and I suspect may confound the ability of many users to provide substantive feedback. Future pricing proposals could be improved by carefully considering how information is presented to maximise transparency and the ability of all water users to contribute their feedback in a considered way.

Thank you for the opportunity to comment. If you wish to discuss this submission, please contact [REDACTED]

I look forward to your draft determination in March 2025.

Yours sincerely

[REDACTED]
Dr Marcus Finn
A/g Commonwealth Environmental Water Holder

6 December 2024