

WAMC Pricing Proposal 2025-30

IPART Submission - 2024



Gwydir Valley Irrigators Association
December 2024





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Response 7 We request that WaterNSW/WAMC provide further information on the total cost for FPH by valley and the basis of proposed prices. 10

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1. Overview

1.1 About Us

The Gwydir Valley Irrigators Association (GVIA) is a representative body comprising of over 400 water entitlement holders within the Gwydir Valley, with a focus on providing a unified voice championing the local irrigation industry. Our water entitlement holders are diverse, engaged and innovative.

We are collectively aware that water reliability in the valley is low and responsible water management and planning (both by industry and government) is critical to the social and economic wellbeing of the region.

We welcome the opportunity to respond to IPART's review of Water Administration Ministerial Corporation (WAMC) proposed prices.

We are strong supporters of the independent review of proposed pricing for monopoly services.

1.2 The role of economic regulation

Since 1996 when IPART first regulated monopoly services in the water industry the sector has welcomed the focus on efficient provision of services.

As the Australian Productivity Commission found, the combination of the corporatisation of water utilities and the introduction of independent economic regulation improved efficiency by separating service delivery from policy making, increasing the transparency of investment decisions and promoting more efficient pricing.

The corporatisation of water providers, and the resulting increased focus on performance and efficiency, has benefited both irrigators and governments through:

- A stronger commercial focus
- De-politicised, more rational pricing
- Improved standards of service
- Increased transparency and public information
- Stronger incentives for efficiency improvement.

We would argue that the critical driver of performance and efficiency over time has been the transparency brought about by the IPART review process and ability to interrogate business planning processes.

We also note that productivity is a concept that should apply across the economy. Water management is a service for water users and the community. It may have some similar characteristics to other services, such as health and bio-diversity conservation, but that does not negate the need to provide the service efficiently based on robust business planning and the assessment of the cost and benefits of proposed actions.

1.3 WAMC – Observations on the 2025-2030 Pricing Proposal

The increase in costs that are proposed by the Water Administration Ministerial Corporation (WAMC) 2025-30 Pricing Proposal (pricing proposal) are unprecedented, both in their scale and their lack of underlying detail.

The pricing proposal ignores the previous IPART review and seeks to use current costs as a benchmark and a basis for cost going forward with scant regard for demonstrating efficiency. With the reported actual operational expenditure over the 2021/22 – 2024/25 period being close to double the 'allowed amount' we would expect that the proposal examines past performance in terms of both outcomes and expenditure. We note that in many cases the WAMC activity output measure has no regards to how late and how costly various water management programs have been.

We also consider that the benefits of the 2016 reforms dividing responsibilities for the delivery of water management activities between the three WAMC (DCCEW, NRAR, WaterNSW) agencies are unclear.

Water users were promised higher level of service and efficiency as a result of these reforms. It is evident from the 2024-30 pricing proposal that the promised benefits are yet to materialise, either for the water user or for the WAMC agency.

Response 1 The increase in costs that are proposed under the Water Administration Ministerial Corporation (WAMC) are unprecedented in their scale and their lack of underlying detail.

We highlight one comment in the proposal:

WAMC has secured the NSW Government's support to make this proposal to IPART. However, the NSW Government has not committed to additional funding.

It is the view of our members that if there is no committed matching funding for the user share, then the WAMC activities should be optimised and based on prioritised water management outcomes, rather than our members funding a complete set of WAMC activities.

Should WAMC not secure required NSW Government funding, our ability to deliver on our legislative responsibilities would be severely restricted and undermined. The highlighted comment begs the question how has WAMC and the Department delivered significant water reform and world leading water management services in the past?

1.3.1 Objectives

We would like to note that the goals of the water management system is to ensure that water is:

used sustainably, supporting the health of the environment, the wellbeing of communities and the security, reliability and value of NSW water entitlements in NSW.¹

We would argue that given the effort and resources allocated to water management through the Murray Darling Basin Plan and previous WAMC proposals the water resources of NSW have never been managed more sustainably since 1996.

It is important to note that many of the water planning systems are in essence self-correcting. The water planning arrangements for example have planned environmental water rules, reserve for town water security, water trading to enable adjustment and 5-year reviews and 10-year timeframes to allow for changes because of new science, including climate change.

The past two decades have seen a huge degree of reform across the water sector. This saw the move to the new NSW Water Management Act, significant changes in water availability under new Water Sharing Plans, the adoption of the Basin Plan and the introduction of the Commonwealth Environmental Water Holder. These reforms were designed and implemented efficiently in close partnership with water users.

We acknowledge effective water management is an ongoing challenge. However, we believe that after a decade of reforms associated with the introduction of the Basin Plan, establishment of new institutional arrangements in NSW and establishment of water resource plans and strategies, the management of water resources should be tending towards business as usual.

It is evident from the continuous real increases in the WAMC revenue requirement, that the focus on planning has created a culture of alarmism and urgency and a focus on more and more plans rather than a sober and rational plan, followed by an actionable implementation plan, to address issues in turn. This focus on urgent activity runs the risk of extremely inefficient expenditure and ramping up of FTE and consultant expenditure. It seems that this approach in the past then results in a 'new' normal, or 'step-change', of staffing level and finding new initiatives to move to without a plan to have a fit for purpose workforce and operational expenditure.

1.3.2 Lack of transparency

Economic regulation should increase transparency and accountability. This means that information should be relevant, reliable, comparable and understandable.

The building block for the cost build up, for prices and understanding the link between effort and

¹ 2025 Water Administration Ministerial Corporation Pricing Submission - Summary, no page numbers.

outcomes is the pricing unit.

We can see from the WAMC proposal that there are a number of costs that are increasing and the overall prices are increasing. However, it is difficult to see how they contribute directly to the cost used to set prices for our region.

1.3.1 Lack of review and business processes

There is a distinct lack of information and justification provided for key costs.

Further we would argue that the output measures process is not achieving its intended purpose as there is an absence of outcome. For example, the percentage of plan delivered provides no information on the extent of changes and complexity.

1.3.2 Inconsistency

There are inconsistent approaches to the pricing proposal in many areas. This was sadly to be expected given there are three entities developing costs. Inconsistencies include:

- Approach to justification of costs is different – a top down version for NRAR and almost no justification for Departmental expenditure other than a list of strategies and legislation
- Differences in efficiency targets across the three organisations
- Significant differences in the treatment of overheads for cost categories
- Difference in the level of detail regarding cost build up. We would expect, for clarity, that the FTE for all costs categories is identified.

1.3.3 Engagement

Economic regulation should increase transparency and accountability. This means that information should be relevant, reliable, comparable and understandable.

Engagement on issues has been undertaken by WAMC. We would note that the level of engagement on key cost drivers is uneven and many costs were classed and presented as non-negotiable.

In particular the proposed cost NRAR are significant and were broadly presented as requirements that could not be interrogated or questioned. Information should be provided in a manner that participants are able to be well-informed and contribute meaningfully to program design.

We would also note that the presentation on proposed costs was significantly lower than proposed. We believe that the pricing information has not been provided in an accessible and timely manner. This is particularly the case for FPH and metering information.

Response 2 Engagement around the WAMC pricing proposal was that the presentation on proposed costs were significantly lower than those included in the final proposal.

1.3.1 Structure and efficiencies

The concept of engagement on cost on an element-by-element basis, or bottom up, is fraught unless there are details on the holistic cost impact as part of that discussion. It is extremely difficult to prioritise effort and allocation of resources across the state and across investment areas as a portfolio.

This final step is critical and should be done in large part by WAMC management. We feel that WAMC management has taken an additive approach to this review. That is, costs have been developed and added to a combined proposal rather than expenditure being prioritised and optimised across areas of focus.

It is evident from the doubling of 'allowed' expenditure serving as the basis for further cost increases, with no commitment from the NSW Government to match the required costs, that eight years after the restructure of water management services, including the transfer of functions from the Department to WaterNSW and the merger of WaterNSW with Sydney Catchment Authority, there are limited-to-no identifiable efficiencies in service and planning delivery. It is reasonable, from the pricing proposal, to suggest that the opposite is in fact true and that the inefficiencies of previous regimes has remained and increased.

Further, the added cost and complexity and in essence competition for the WAMC revenues is leading to situation where Rural water users are paying increased cost for a similar service to the past with very little outcomes from the amount of plans undertaken. If this is considered by WAMC to be an unreasonable statement, we would ask 'if not within the pricing proposal then where is the evidence to the contrary?'.

2. Our Understanding of the Proposal for the Gwydir Valley

2.1 Introduction

WAMC have outlined the bill impacts for customers, that depending on location, would increase by between 41% and 188% over the 2025 determination period, or an average of between 7% and 28% per year.

For the Gwydir Valley over 5 years the proposed increases are 170% for General security (22%). These costs are on top of inflation.

Table 1 Review of proposed price increases for the Gwydir Valley (%)

	Proposed price increases by 2030 %	Annualised price increase %	Comment
Regulated Rivers	78	12	
Unregulated rivers	101	15	
Groundwater	178	27	

Notes: Based on a large user from WAMC proposal.

The introduction of Floodplain Harvesting prices would see an increase of 99% per year.

It is noted that WAMC believe that there is evidence that larger customers have the capacity to move towards full cost recovery at a faster pace. This is because it considers larger water users tend to be more profitable than very small water users.

By definition, this is a form of **price discrimination** and is typical of monopoly behaviour. This can be considered price discrimination because the two groups with different elasticities of demand receive the identical product yet face two different prices, e.g., larger and smaller water users. If WAMC can charge larger water users as these have a more inelastic demand, they can maximise revenue while minimising political pain.

3. The 2021 Review

3.1 Introduction

In IPARTs 2021 Final report chapters 3 and 4 identified key areas where WAMC can make material improvements to achieve IPART's recommended efficiency savings.

By improving its processes, WAMC would obtain better quality information to improve the delivery of its water management services to users. This information will also assist IPART by having a greater level of precision in assessing both the efficient levels of expenditure and the services delivered to users. It would also improve the transparency to customers of the programs, projects and assets funded through WAMC's water management charges.

We recognise WAMC has conducted extensive stakeholder engagement to support the increased levels of service. However, we would like to see further consultation to understand users' willingness to pay and ensure future proposed expenditure represents an informed trade-off between service, cost and risk.

We note that WAMC reductions were:

- Compliance management (\$38.9 million)
- Customer management (\$4.6 million)
- Water plan and performance assessment (\$4.1 million)

- Business governance and support (\$3.8 million)

The 2025 WAMC proposal seems to simply re-instate these costs. IPART agreed that a term a higher level of expenditure is required to address historical ineffective compliance management and delays in undertaking metering reform. However, this expenditure seems to be the new normal.

We would like to point out that with some changes such as adapting to climate change and to the Basin Plan, WAMC seems to have taken a worse-case scenario to the potential work and costs associated with change over the 5-year determination period.

Response 3 The WAMC proposal reinstates costs that IPART assessed as inefficient in past reviews.

4. Expenditure and Key Costs Drivers

4.1.1 Past capital expenditure

In aggregate, WAMC's capital expenditure has been \$2.7 million (or 7%) higher than IPART's capital expenditure allowances over the current determination period (WAMC pg. 108).

We note that business governance and support was \$12.0 million higher than IPART's allowance due primarily to WAVE Projects (\$6 million for Water Market Systems, \$1 million for Water Data Program). This efficient expenditure of \$12.5 million became \$24.5 million, with \$13.7 spent in 2024/25 alone.

The WAVE Projects (\$6 million for Water Market Systems, \$1 million for Water Data Program) would meet the definition of optional expenditure.

In line with its handbook **we request that IPART conduct an ex-post capital expenditure review Business governance and support** as this is a significant capital project and WAMC has significantly overspent its allowed capital expenditure. Further the proposal does not compare the status of this program against that which was planned.

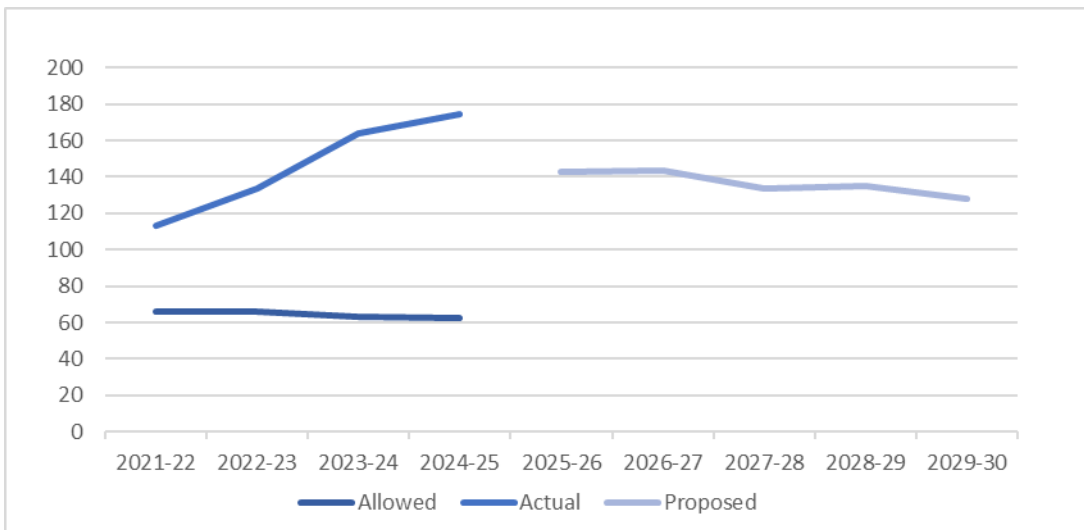
4.1.2 Operational expenditure

WAMC states that increased expenditure is mainly due to higher workload around water planning and changes to funding arrangements for water management activities, as well as increased compliance and enforcement activity. The increase in cost is significant and without sufficient evidence to support this statement it is hard to believe the cost increase is solely driven by water planning requirements.

It is apparent from the pricing proposal that there is absolutely no cost consciousness within WAMC over the past 4 years. The only issue that could be considered uncontrollable is the fish deaths and the subsequent investigation. Of course, this activity was a relatively small expenditure and is not a spike in the cost profile.

Other cost drivers such as the Basin Plan, climate change and drought are a core part of water management and should be addressed methodically over time.

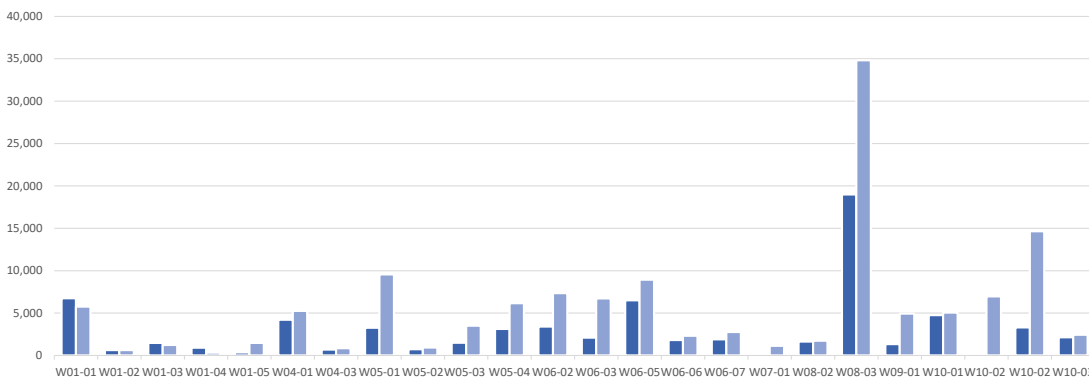
Figure 1 Total expenditure allowed, actual and proposed (\$ million)



It is our view that planning such as Regional Water Strategies has not been efficient and for many of the issues has little to do with water users. There is a level of direct costs which should be negotiated with those who are the impactors (in the case of Local Water Utilities) or are general environmental projects (see section 11). As a first step, WAMC should clearly identify the increase in costs and the investments/ outputs of this work.

We believe that IPART should focus on activity-based costing approach that is outlined in the WAMC Proposal – Attachment F. We have examined key costs relevant for our region and produced the following which highlights which costs that are driving the large increase in prices.

Figure 2 Assessment of annual allowed v annual proposed by cost category (\$ '000)



The largest increases in costs are:

- Compliance management 2026-30 (W08-03)
- Business governance and support Capex (W10-02)
- Business governance and support (W10-02)

Table 2 Overview of top cost increases (average annual)

Top increases by \$	\$ million	Top increases by	
W08-03 Compliance management	15.8	W10-02 Business governance and support	-
W10-02 Business governance and support capex	11.3	W10-02 Business governance and	4.43

		support Capex	
W10-02 Business governance and support	7.0	W01-05 Surface water ecological condition monitoring opex	4.19
W05-01 Systems operation and water availability management opex	6.3	W09-01 Water consents transactions	3.71
W06-03 Floodplain management plan development opex	4.6	W06-03 Floodplain management plan development opex expenditure	3.19

Notes: GVIA analysis based on WAMC Proposal Attachment F.

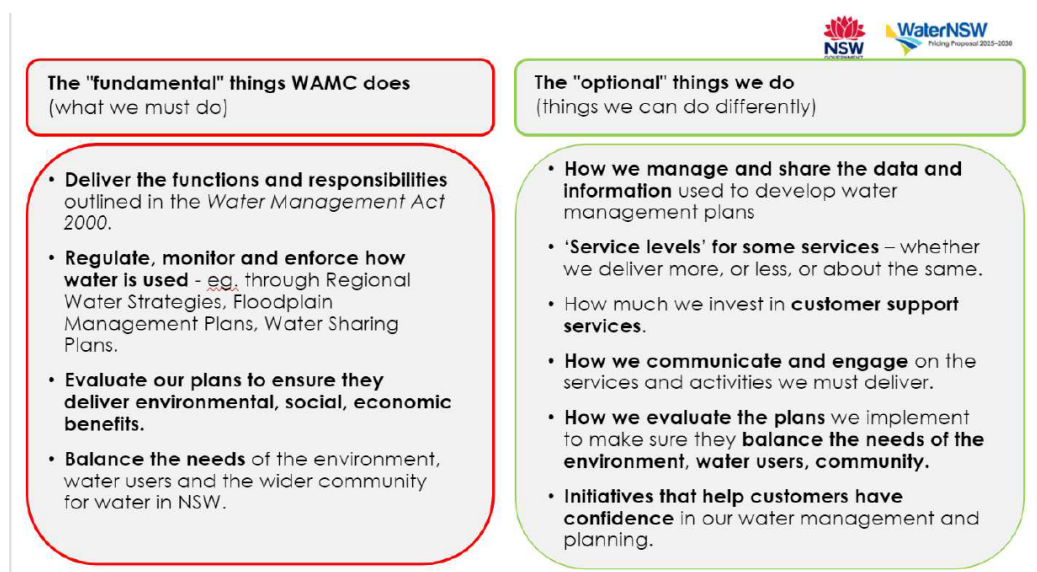
4.1.3 Categorisation of cost drivers

WAMC has categories cost drivers into fundamental or regulatory requirements and the optional things we do (see figure below).

We would like to make the point that WAMC may be obligated do things but that does not mean that it should not do them efficiently. Furthermore, the role of economic regulation should encourage a move away from policy making that is made without due process and examination of costs and benefits.

At a higher level we also consider that in many cases the WAMC makes major investment decisions without adequate trials and pilots at a level that is relevant to determining whether a project should be continued.

It is also apparent that in many cases the economic regulation and the IPART process should not be seen as a stipulation or commitment to continue a particular investment. The funding is an 'envelope' not an investment plan. This is particularly the case under a 4-5 year determination period.



Source: Attachment D, pg 31.

We highlight the NSW Governments' Better Regulation principles. These principles are the articulation of what is considered good regulation and the minimisation of red tape through seven Better Regulation principles.

The principles are designed to improve the quality of regulation, by ensuring the decision maker is fully informed when considering regulatory proposals.

We believe that the DCCEEW Water Group do not routinely apply these principles when developing its own regulatory proposal or in response to recommendations from other entities such as the NRC. As outlined proposals should be - required, reasonable and responsive.

Figure 3 NSW Government regulation principles

The Better Regulation principles

Principle 1: The need for government action should be established. government action should only occur where it is in the public interest, that is, where the benefits outweigh the costs.

Principle 2: The objective of government action should be clear.

Principle 3: The impact of government action should be properly understood, by considering the costs and benefits (using all available data) of a range of options, including non-regulatory options.

Principle 4: government action should be effective and proportional.

Principle 5: Consultation with business, and the community, should inform regulatory development.

Principle 6: The simplification, repeal, reform, modernisation or consolidation of existing regulation should be considered.

Principle 7: Regulation should be periodically reviewed, and if necessary reformed, to ensure its continued efficiency and effectiveness.

4.2 Examples of regulatory requirements

We believe that an overly prescriptive interpretation of regulatory requirements is increasing costs for all.

WAMC said the purpose of its engagement was to 'inform' and 'consult' because many of its functions are 'non-negotiables' that are governed by legislation.

For example, listed below are some drivers of the activity cost including changes that make this planning necessary:

- Water Management Act (2000):
 - Section 7 - requires the classification of water sources.
 - Section 10 - requires water management and sharing to be reviewed every five years to determine whether it has contributed to the principles of the Act (Part 5).
 - Section 35 - requires plans to set plan requirements, including performance measures.

A risk-based approach to these activities needs to be undertaken in consultation with the Natural Resources Commission (NRC). The cost of planning should be reducing over time.

The role of the NSW State Water Strategy and regional water strategies

Inclusion of an action in the NSW State Water strategy or a listing in a regional water strategy should be the basis of cost estimation and inclusion in prices.

It is noted that the Department and WAMC may have obligations to under NSW State Water strategy, however this should not be a blank cheque.

4.3 Comments on selected costs

4.3.1 Water Planning

Water planning, in particular Water Resource Plans, are five years late and have been paid for multiple times. We request that IPART ask for the total expenditure on water resource plans. We are aware that this type of work may have been carried out as part of the Basin Plan 5-year evaluation.

We note that our unregulated WSP is being completely overhauled, introducing increasing layers of uncertainty and supported by no ground truthing. The costs allocated to planning are difficult to see on the ground and we encourage IPART to review its current planning effort as an indicator of proposed costs.

Regarding Water Resource Plans

We note that the development of Water Resource Plans (WRPs) is a driver of past and future costs.

We believe that the fundamental basis of including WRPs as a cost should be revisited. The Murray-Darling Basin Authority has outlined this in its early insight paper for the 2026 Basin Plan Review. It states that the MDBA wishes to simplify the Basin Plan.

We believe that WRPs effort will be significantly reduced if not removed entirely (see Box 1).²

Box 1 The Basin Plan Review – early insights paper

Building on, and simplifying the Basin Plan

The way that the Basin's water resources are accounted for, managed and regulated through the Basin Plan is inherently complex. It is complex because the Basin Plan seeks to regulate how Basin governments manage the Basin's water resources. Change to the Basin Plan is clearly required.

We want to simplify and improve elements of the Basin Plan to better support Basin management outcomes. This includes:

- water resource plan (WRP) development and accreditation processes
- the environmental watering management framework
- water quality management
- monitoring, evaluation and reporting processes.

We will focus on simplifying WRPs.

Source: www.mdba.gov.au/publications-and-data/publications/early-insights-paper-publication-basin-plan-review

Response 4 The WAMC proposed opex is inefficient and the water users have many examples of poor practice and implementation issues. Water users have paid for process improvements many times over.

Response 5 We request that IPART examine water planning processes from a bottom up starting point to ensure that the planning team is not being treated as a fixed cost.

4.4 Floodplain Harvesting regulation

The Floodplain Harvesting (FPH) regulation is another example of inefficient expenditure.

Our valley is struggling with an unworkable regulatory framework. We would encourage IPART to discuss this issue with stakeholders in detail as part of a review of these costs, need to examine whether these charges reflect forecast costs that are efficient and genuinely additional to those covered by revenue that FPH would generate from other water management prices.

We would like to request a meeting with IPART and its expenditure consultants to provide an overview of the FPH process for developing fit for purpose plans and regulatory framework.

WAMC has been trying to operationalise the legislation. As outlined, the program implementation assumptions have been wrong time after time.

WaterNSW bears the cost of the FPH systems (DQP Portal and Telemetry System) irrespective of the number of storages that are compliant. These systems have high fixed costs and water users expect the infrastructure must be in place when they want to make their storages compliant and when they want to harvest water.

We are aware that local DQP service providers have recently reached out the Department (June, September and November 2024) outlining implementation challenges.

² <https://www.mdba.gov.au/publications-and-data/publications/early-insights-paper-publication-basin-plan-review>

They confirm the major impediments to DQPs ability to complete meter validations and installs within the prescribed time frame.

1. Shortage of DQPs in the northern basin and DQP training is not an attractive career path
2. Regarding FPH, surveyors are also extremely backlogged and are unable to complete storage benchmarks in the set timeframes
3. Failure of the DQP Business model – working as a DQP is not financially sustainable unless it is part of a larger business offering
4. Costs overruns on metering jobs in part caused by the flaws in the Water NSW Portal, incomplete and incorrect records on the portal
5. Legal Risk to DQPs -there is a heightened risk to DQPs for civil liability.

The implementation of the FPH regulations is inefficient and behind schedule.

We have been provided the following prices on 12 November 2024.

Box 2 Proposed FPH prices presented 12 November 2024

1) Metered FPH sites

- a two-part tariff comprised of:

- an entitlement charge (\$2.48 per ML of FPH entitlement)
- a FPH water take charge (\$1.06 per ML of FPH water take)
- Telemetry Charge of \$270 meter as is the case for all other meters

2) Unmetered FPH sites(unable to take)

- A one-part tariff equal to the sum of the entitlement and water take charges under the two-part tariff (\$3.54 per ML of FPH entitlement).³

This presentation had no information on the cost basis and user share for each valley. We struggle to engage with the information provided to assess whether the expenditure is prudent and efficient.

Response 6 We call on a pass through cost on FPH to be included once the scheme is significantly operational.

Response 7 We request that WaterNSW/WAMC provide further information on the total cost for FPH by valley and the basis of proposed prices.

Response 8 We would like to offer IPART a briefing on the history and cost involved with floodplain harvesting regulation development from those continuously involved in its implementation over the past decade.

4.4.1 New investments

There are a range of new investments undertaken in the licensing and data areas.

We have major issues with this type of capital expenditure as history has shown that entities commence this work and do not have adequate controls to check progress including appropriate stop/go decision points.

We understand that these projects can be complex. We suggest that where these projects are considered **optional and for customers** appropriate project governance arrangements should include water user representation.

In addition, water users should not pay for inefficient processes and projects. We encourage IPART to review the investment in databases and DQP's and members (especially FPH).

³ 2025-30WAMC Submission Follow Up Engagement 12th Nov 2024, slide 14.

We have low visibility and confidence in these projects. We suggest that IPART consider deferring inclusion of capital expenditure until there is proof of concept and strong evidence of demand.

The DAS was built as a minimal viable product and despite major investment is still not delivering to customer needs as it should. We are wary of inclusion of historic capex into the WACC RAB if the project does not deliver. At the moment there are fixes such as the DQP concierge needed because of the portal, database and systems problems.

For water insights it may be worth considering a user pays model or a subscription to gauge demand for such services. At a minimum it should be clear how much of the Notional Revenue Requirement (NRR) is driven by optional investments.

Customers have not seen the risk-based practices and investment planning processes to ensure that our investment is prudent, targeted and prioritised.

A typical capital planning process would seek to be efficient and minimise customer bills by:

- Meeting obligations by investing in solutions that have the lowest lifecycle cost (as demonstrated by detailed options analysis)
- Having robust investment and asset management processes to ensure efficiency and value for money including PCG structures and independent reporting to an overseeing group accountable for delivery
- Undertaking clear 'business efficiency' projects targeting key areas of expenditure to identify clear operating expenditure savings and LEC reductions from investment in better processes
- Delivering all investments through efficient procurement programs

The WAMC proposal does not describe these types of processes.

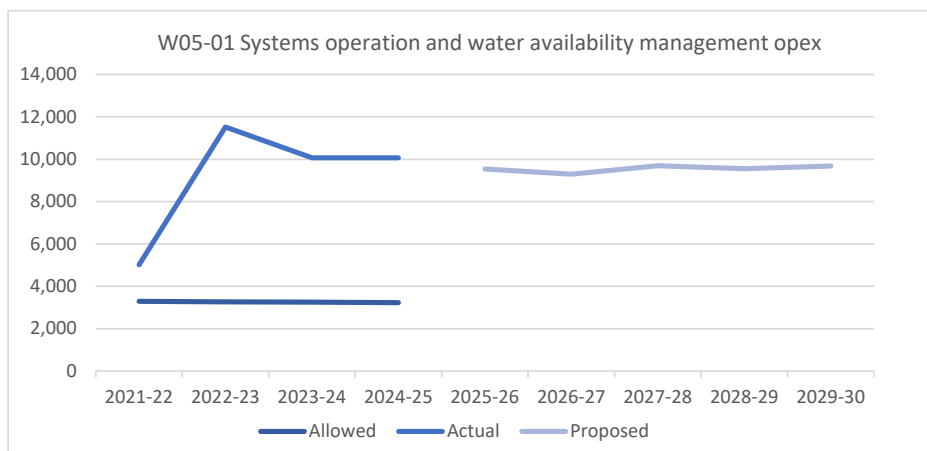
4.4.2 Non-urban metering

WAMC has stated that assumed compliance with the non-urban metering framework by deadlines in 2024 outlines the 2021 determination has not been realised. One of the main obstacles to water users becoming compliant has been a shortage of duly qualified persons (DQPs) to install and validate metering equipment.

WAMC also highlights deficiencies in the design of the program which included overly complicated technical specifications and policy settings and overly prescriptive regulatory requirements. An allowance of \$13.0 was included in the 2021 NRR for a program that has failed.

We broadly support the change in target. However, the proposed inclusion of these costs into management charges is excessive – the proposed cost is \$47.8 million over the determination period for policy work and framework management.

Figure 4 Non-urban metering



Response 9 Non-urban metering has seen significant changes. These should not be included in the NRR at this time as the program has been inefficient.

We highlight the delivery issues identified by the NSW Government in Box 3.

Box 3 WaterNSW Proposed Approach to Metering Charges - presented 12 November 2024

Compliance to the current non-urban meter regulations that was by expected by 2024 has not been realised due to:

- DQP Shortages
- Consequences of drought, widespread flooding and the impacts of covid
- **Deficiencies in the design of the program include complicated technical specifications and policy settings**
- **Overly prescriptive regulatory requirements leading to a high-cost burden on smaller users; and**
- Technological challenges⁴

We have added the highlights above to the two fundamental issues which has added to costs for this initiative.

4.4.3 NRAR

NRAR have developed a business case presenting a comprehensive overview of the costs, efficiency, credibility and customer engagement strategies. The key element missing from the business case is an analysis of alternative options and associated costs and benefits.

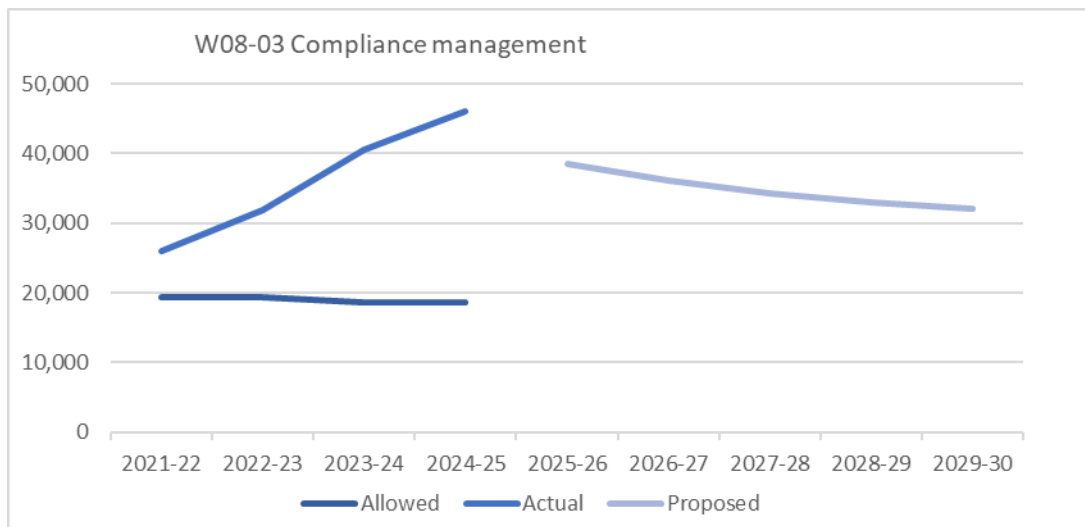
As outlined by NRAR it was established as an independent regulatory authority, to ensure it can make decisions free from political or water user influence. We would like to highlight though that the key beneficiaries of compliance activities are other water users. The various systems used for sharing water in NSW essentially create a pool available for extraction whether via meeting end of system targets in the case of regulated systems, sustainable yields in groundwater water sources or by cease to pump rules in unregulated systems theft directly impacts other water users. This includes via avoiding making contributions via water charges.

The third-party impacts of water theft mean that the water users should have a direct say in the level of compliance and the cost they fund. Any alternative characterisation of incentives would assume that all water users are involved in illegal water take and would benefit from lower level of compliance effort.

We would also point out that comparing the estimated value of NSW water entitlement value of \$41 billion (a stock) is not relevant to comparing two flows, that is the level of illegal water take under alternative levels of compliance effort. Further, a comparison with the EPA that has a huge state-wide scope is simply not relevant.

The costs of compliance seem to be between 25 to 30% of total notional revenue requirement (NRR). We have attempted to calculate the cost for the Gwydir Valley surface sources. It is difficult to calculate the NRR for the Gwydir valley water sources. However, it seems that the annual WAMC NRR for the water sources is around \$3.6 million per year. Around 30% of this figure is \$1.2 million a year. As cost recovery increases this level of effort seems disproportionate.

⁴ 2025-30WAMC Submission Follow Up Engagement 12th Nov 2024, slide 16.

Figure 5 Outline of NRAR costs

We would like to remind the Tribunal that under a capped system the key impactors and beneficiaries driving the vast majority of NRAR activities and effort are other water users, particularly general security entitlement holders. In most situations, the impacts of theft will result in a reduction of the consumptive pool and lack of revenue which will result in reduced availability of water for other users and higher charges over time.

Further, the value of the asset is not the appropriate rationale for optimal investment in compliance. NRAR should provide estimated level of theft for various levels of investment to enable a consideration of the appropriate strategy and associated investment. We would also suggest that paying for valuation studies to argue for the importance of NRARs compliance activities, and to justify further expenditure, is not good value for money unless it is directing compliance effort in some manner.

Response 10 The costs of compliance in NSW are extreme against any comparable benchmark. The efforts and investment in response to past compliance failures have resulted in governance structures and effort that is not optimal. Efforts should be made to move to a BAU level of effort.

Response 11 A fundamental review of NRAR governance and strategy should be undertaken as soon as possible.

4.4.1 Regional Water Strategies

NSW continued to prepare 13 regional water strategies in partnership with water service providers, local councils, communities, Aboriginal people and other stakeholders across NSW to plan and manage the water needs in each NSW region over the next 20-40 years.

These have been under development for years and were first included in 2016. W06-05 included the then DPI Water's activities to complete six new regional water strategies.

Figure 6 Regional water strategies expenditure

We accept that these plans are a 'localised water plan – plans developed to address specific water resource problems (quantity or quality) at a local level'. However, we have examined the Gwydir RWS and we have found that many of the actions fall outside the scope of monopoly water management services. We believe that around 30% of activity relates to local water utilities and other activities.

We also note that WAMC proposal will increase the Government share of W06-05 'Regional planning and management strategies' from 40% to 50%, as some of this activity relates to understanding and managing the impacts of climate change, and we consider the broader community rather than customers are the 'impactors' of this work.

This characterisation relates to all of this work as irrigators have Water Sharing Plans and Water Resource Plans for management of their activities and that regional water strategies have been complex, unwieldy and of little practical relevance to the water management at the user level.

We would further point out that the Murray-Darling Basin Plan has been developed and over \$13 billion has been committed to establish a sustainable basis for water sharing across the vast majority of NSW. The Basin Plan is focused on this sustainable level of take and climate change. There is a danger that NSW is carrying out work that is duplicative, and that water entitlement holders are being asked to pay undue costs.

Response 12 Regional water strategies should have a user cost share of zero.

5. Other elements

5.1 Cost and price structures

In the 2021 review IPART stated that 'WAMC's cost allocation methodology and price structures are complex. Prices are determined by an indirect cost allocation process (using cost drivers), rather than direct attribution of costs.'

We broadly agree that the current price structure though complex, though we would highlight that the challenge is to design a better system to rationalise. The value of the pricing process is a degree of transparency and the ability to engage on costs at an appropriate level. If there is an even higher degree of aggregation the **level of engagement will suffer and accountability plummet.**

However, we are unsure how much direct attribution has been included in the costs build-up for each pricing unit. For example, for a given pricing unit we should be able to see the relevant NRR costs.

5.2 Intergovernmental costs

It is unclear whether intergovernmental costs have excluded 25% of intergovernmental activity costs from prices as IPART did in 2021.

WAMC undertakes intergovernmental activities through participating in a range of committees. In the

2016 Determination, IPART accepted these activities as WAMC monopoly services. We are concerned that these committees are inefficient.

Response 13 Intergovernmental costs should be 25% funded by water users. It is unclear from the proposal what the share of these costs is.

5.3 WAMC's Minimum Annual Charge (MAC)

WAMC have stated that there are 62% of licence holders – or 24,000 water users that pay the MAC. The current level of the MAC is well below cost-reflective levels, WAMC estimate to be about \$935 per annum. We are unsure why a 2.5% cap on this increase is proposed. If these costs are not well below full cost recovery levels for the whole of the determination period.

WAMC has proposed to provide a subsidy to these smaller customers which we calculate in the order of \$15.26 million per year. We assume that this is considered a CSO.

Table 3 Outline of MAC

	Proposed	Costs	CSO
Number of customers	24,000	24,000	
MAC / Costs (\$ million)	299	935	
Annual Revenue (\$ million)	22.44	7.18	15.26

Source: WAMC Pricing Proposal, pg 149 and GVIA calculations.

We highlight the concentration of water holdings among relatively few larger customers. Of the approximately 40,000 licences, the largest 13,000 licence holders (30%) own 97% of the water entitlement volume. WAMC should provide the average water use of these 13,000 large users and clarify whether the Irrigation Infrastructure Operators (IIOs) are treated as one customer within these figures.

The comments made in the WAMC proposal on page 214 outlining the case for faster transition for larger customers and a slower transition to full cost recovery for smaller customers are indefensible and are an example of a lack of evidence based policy.

Response 14 GVIA do not understand, nor support, the rationale of a smaller increase in the MAC than other users.

5.4 Tax allowance

We note that the tax allowance is increasing by 1.25 million per year over year 2024/25. We note that of WAMC's does not have a tax liability. WAMC is not a state and territory government-owned enterprises listed in the National Tax Equivalent Regime (NTER) entity register and there is no evidence that there are competitive neutrality issues associated with WAMC.

Further, we cannot readily find a description of why the tax allowance is increasing in the proposal.

Response 15 WAMC should not be subject to a tax allowance.

6. Comments on the proposal development

6.1 Consultation

The consultation undertaken was voluminous and extensive. We note that based on this engagement, WAMC stated that its customers want:

- measures to enhance trust and confidence in water management decision-making, including greater access to data and modelling
- a 'modest' rather than 'excessive' level of investment in customer services and engagement
- on the ground support to help water users navigate the complexity of water regulations, to assist voluntary compliance.

However, within the pricing proposal WAMC stated....

By their nature, most WAMC services are 'non-negotiable' as they are statutory and regulatory. and....

services the 3 WAMC agencies must deliver under the Act. Reflecting this 'non-negotiable' assessment of most WAMC activities, the purposes of WAMC engagement on pricing are to 'inform' and 'consult', as described by the IAP2 Australasia's Quality Assurance Standard.

IPART's Handbook for Water Regulation states 'customer engagement is context-dependent for each business.' We consider 'inform' and 'consult' approaches are the most appropriate given WAMC's statutory and regulatory context.⁵

We are concerned that the culture of the WAMC has become inefficient in part because of the above statement. If activities are considered 'non-negotiable' it leads to a view that the efforts critical and there is an absence or at least a lessening of the concept of a risk-based approach to water management and also prioritisation of efforts over time.

We note that WAMC has said that it tried to draw out views on the preferred level of investment, or service level, and hear about participant preferences. The working groups were clearly informed that the potential investment levels were a guide for discussion only, as WAMC was still developing the proposal.

Participants were asked to vote and provide preferences on whether their potential investment was to:

- do a little
- do something
- do a lot.

This level of detail leads to generalised outcomes on very broad areas of effort. The link between feedback and investment is tenuous at best.

⁵ DCCEEW (2024) WAMC Pricing Proposal - Attachment D, pg 16.

Figure 7 Customer and community priorities for water management and planning



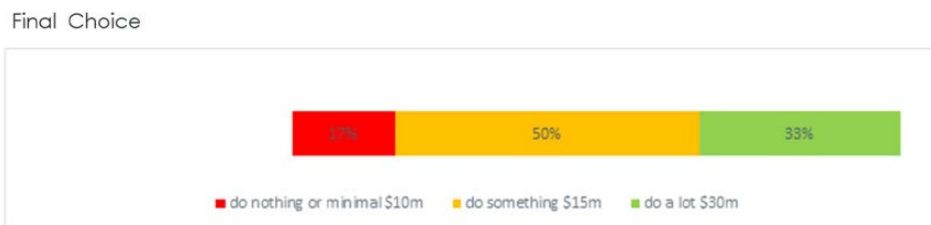
Source: WAMC pricing proposal, Attachment D, pg. 42.

We would also argue that the presentations and process for consultation are not unbiased. In fact, many of the questions are self-serving and there was no notion of the effectiveness of actions provided i.e. outcomes that would be achieved for different level of expenditure.

The entire process seems to have fallen into the trap that seems to be that government that expenditure solves issues in a linear fashion.

WAMC outlined the support of the proposed level of investment was put in the context of a more detailed picture of the different levels of investment supported by customers. It reported 50% of participants had supported the 'do something' level of investment.

Figure 8 Engagement support of working groups on expenditure



Source: Attachment D pg. 65.

After this first round of engagement we would question its value given its impact on the pricing proposal and its cost.

6.2 Engagement at a valley level

We would like to note that the consultation within the Gwydir Valley was based different annual price caps for its entitlement and access charges, up to 10% per year. In actuality, the potential future price options ranged from annual price rises between 2.5% and up to 10% a year for 5 years.

WAMC also noted that specific customer consultation was not undertaken on proposed metering, floodplain harvesting and consent transaction charges, but said, engagement on these would be done in October 2024. We have recently been provided this information which was provided at very high level with no costs estimated underpinning the prices.

As noted by one participant stated for an issue:

'..a clear rationale for the proposed investment level for services was critical, and for digital customer service investments particularly, assurance that there was a clear return on investment'

No such assurance or any estimates were provided around risks including delivery risks which history has shown should be rated very likely.

7. Assessment against the 3c Framework

7.1 IPART Framework

The 3Cs framework is centred around water businesses developing pricing proposals that promote customer value. It strongly encourages water businesses to actively engage with their customers, bringing customers into the decision-making process when they are setting outcomes.

Involving customers to set outcomes that matter most to them, and align with their preferences, is essential if WAMC and WaterNSW are to identify better ways of delivering their services.⁶

Table 4.2 Review of proposal

GVIA Rating Comment		
Customers		
Are customer centric	Standard	No – WAMC state they are driven by regulations and obligations.
Reflect customer feedback	< Standard	Somewhat
Promote better customer outcomes	< Standard	We believe that WAMC and its focus on planning is not promoting better outcomes.
Meet community needs	Standard	To some extent
Support environmental sustainability	Standard	Standard
Promote choice of services	< Standard	No, though arguably not applicable
Costs		
Robust costs	< Standard	No
Balance of risk and performance	< Standard	This is not able to be assessed via the proposal
Commitment to improve value	< Standard	There has been no demonstration of improved value over the past determination period
Equitable and efficient cost recovery	< Standard	Not demonstrated and the MAC proposal is not equitable.
Credibility		
Delivering	< Standard	No demonstration of delivery and metering, FPH and planning have all been delayed.
Demonstrating continuous improvement	< Standard	Not demonstrated.

Source: NSW Independent Pricing and Regulatory Tribunal, Information Paper, pg. 4.

We are concerned that the level of engagement and the proposals as provided are viewed as satisfactory or standard.

The engagement has been extensive though based on high level information that was leading, had little to no description between the program outlined and the level of 'good' that would be provided for each level of expenditure.

In addition, there was no costs benefit assessment of the programs. This has been a consistent issue with programs such as the non-urban metering program where the costs in our view far outweigh the benefits of the investment.

⁶ NSW Independent Pricing and Regulatory Tribunal, Information Paper, pg 4.

8. Summary of responses to the IPART Issues Paper

Table 4.2 Specific Responses to IPART Questions

WAMC's Proposal	
1. How will WAMC's proposed prices impact customers?	We believe that the WAMC proposal conceals the impact on growers. The impact is significant and was not shared prior to submission.
2. What factors should we consider so that prices we set for WAMC are appropriate for different customer types? How well has WAMC considered these factors in the development of its proposal?	The factors that IPART considers is set by legislation. We believe that the key test should be is the proposed expenditure considered reasonable and efficient.
3. Do the proposed 2.5% and 15% caps on prices strike the right balance between cost recovery and impacts on customers?	No
WAMC's customer engagement	
4. What do you think about WAMC's engagement process? Do you think WAMC has engaged effectively with customers and stakeholders?	WAMC's engagement process was undertaken, however the piecemeal approach to issues and expenditure is problematic. Further the approach seems to focus on justifying higher levels of investment rather than prioritising effort.
5. Did WAMC's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?	No – see comment above and limitations on price impacts.
6. Did WAMC consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?	NA. We are unsure what are the relevant priorities that would be funded by WAMC charges.
7. Are WAMC's customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?	No comment
Expenditure	
8. Does WAMC's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?	No
Other Issues	
9. How would the proposed metering charges affect you?	The metering charges are excessive
10. How would the proposed consent transaction charges affect you?	No comment at this stage
11. What are your views on WAMC's proposal to largely maintain the current cost share ratios? The exception is regional planning and management strategies, where WAMC has proposed reducing the customer share from 60% to 50%.	For the rural valleys <i>W06-05 Regional planning and management strategies</i> should have user cost share of zero.
12. Is there any new information about WAMC's activities we should take into account when setting cost shares? For example, are there changes to: <ul style="list-style-type: none"> — who is causing the need to undertake an activity? — who is benefiting from an activity? — the scope of an activity? 	Regional Water Strategies are focused on a wider range of catchment and business development issues and should not be funded by water users. See Table 4. We also question their utility given that they are essentially a list of activities already undertaken. LWU are the beneficiaries of a number of actions. Consideration should be given to establishing a distinct price for TWS.

Source: GVIA responses.

9. Abbreviations

Acronym	Term
Capex	Capital expenditure
GL	Gigalitres (i.e. 1,000,000,000 litres)
IPART	Independent Pricing and Regulatory Tribunal (NSW)
km	Kilometre (i.e. 1,000 metres)
MAC	Minimum Annual Charge
ML	Megalitres (i.e. 1,000,000 litres)
Opex	Operating expenditure

10. References

Water Administration Ministerial Corporation (2024) WAMC 2025-30 pricing proposal.

IPART (2023) Water Regulation Handbook July 2023.

Department of Planning and Environment (2022) Regional Water Strategy Gwydir.

11. Appendix 1: Regional Water Strategy Analysis

Table 4 presents our assessment of the Gwydir Regional Water Strategy located on the NSW Government Water website.

This analysis shows that the strategy is focused on urban water and economy-wide issues such as a Special Activation Precinct in Moree.

We have identified only two actions directly relevant to our members:

- Action 3.1: Fully implement the NSW Floodplain Harvesting Policy
- Action 3.2: Invest in continuous improvement to water modelling the Gwydir region

Of these actions FPH has been under development for over a decade and as the name suggests water modelling is a responsibility that the Department should treat as BAU.

Table 4 Assessment of Gwydir Regional Water Strategy

Action	Local	Valley	Regional	State	Comment
Action 1.1: Investigate innovative water solutions for Uralla					LWU
Action 1.2: Implement urban water efficiency measures in Moree					LWU
Action 1.3: Publish guidance on accessing groundwater for high priority needs					Gwydir LWUs
Action 1.4: Investigate ways to improve connectivity with the Barwon Darling on a multi valley scale					Users/Community
Action 2.1: Improve public access to climate information and water availability forecasts					All farmers
Action 2.2: Support farm climate adaptation and water efficiency measures					Community
Action 2.3: Assess the potential costs and benefits of event based trade of supplementary flows					Some water users
Action 2.4: Modernise the water management framework to support changing water needs					LWU
Action 2.5: Investigate managed aquifer recharge in the Gwydir region					LWU
Action 2.6: Foster arrangements for participation of local Aboriginal people in water management					Community
Action 2.7: Support place-based initiatives to deliver cultural outcomes for Aboriginal people					Community
Action 2.8: Support Aboriginal business opportunities in the Gwydir region					Community
Action 2.9: Help enable public access to the Gwydir Wetlands					Community
Action 3.1: Fully implement the NSW Floodplain Harvesting Policy					Water uses existing
Action 3.2: Invest in continuous improvement to water modelling the Gwydir region					Water uses existing
Action 3.3: Provide clarity for water users, landholders and environmental water managers in drought					Community
Action 3.4: Mitigate the impact of water infrastructure on native fish through infrastructure changes					Community
Action 3.5: Rehabilitate regionally significant riparian, wetland, and floodplain areas					Community
Action 3.6: Remediate unapproved floodplain structures					Community
Action 3.7: Modify or remove physical and operational barriers to delivering water for the environment in the western Gwydir catchment					Community
Action 3.8: Protect ecosystems that depend on groundwater					Community/Users
Action 3.9: Assess gaps in the flow regime that are preventing achievement of environmental water requirements and identify actions to improve ecological outcomes					Community/Users

Source: GVIA assessment of the local Regional Water Strategy.