

[REDACTED]
4 April, 2021

IPART - Water

Re: WaterNSW rural bulk water prices from 1 July 2021 and Review of prices for Water Administration Ministerial Corporation - March 2021

Dear Sir/Madam,

I make brief comment on two of your water review reports on exhibition until 16 April. My comments primarily relate to your review of WaterNSW's rural bulk water prices but since there is some reference in my submission to the review of prices for WAMC please consider this as a submission to both review processes.

The counterfactual starting point that underpins cost sharing arrangements for use of regulated NSW Murray Darling Basin waters, seems an artificially contrived notion that disregards the environmental damage caused by regulation of inland water sources. The starting point is largely opaque to the broader community in terms of its environmental relevance whether based on principles of payment by impactors or beneficiaries.

The broader community has observed and been dismayed by the damage caused either directly or partially by regulated waters:

- dying RAMSAR wetlands,
- species loss,
- mass fish kills,
- dying red gums,
- water deprived regional towns,
- algal blooms, collapsed ecosystems,
- dried riverbeds,
- parched landscapes,
- absence of cultural and spiritual flows for First Nation peoples
- etc.

If it was possible to properly factor this environmental degradation into the costs associated with the provision of regulated basin it would most likely blow the price of water literally out of the water! The significant risk to surface and ground water systems, and water quality generally, caused by regulation of basin water sources is well outlined in the risk assessment tables included in the Water Resource Plans required by NSW government under the Murray Darling Basin Plan.

Fundamental to IPART's approach to cost sharing whether for WaterNSW or, WAMC, seems this simplistic notion of a counterfactual world ie *"a world without the need for the declared monopoly services subject to price regulation by IPART."*

In the interest of improved transparency and accountability in regulated water use cost sharing arrangements it would seem this "baseline world" should include the broad cost benefits of healthy ecosystem function services available prior to regulation of basin waters. What's included in the counterfactual world is not clearly stated. Nor are the environmental externalities associated with the use of regulated water especially by irrigators well described.

There seems no entry column in the "IPART ledger" to capture the cost of past and ongoing loss of ecosystem services caused by the extraction of regulated waters often at unsustainable levels. Thus, to create a counterfactual starting point that is already in "debit" as the basis in identification of the impactors that drive the necessary business activities of WaterNSW and WAMC seems an ecologically unsustainable approach to cost sharing arrangements.

Further this reliance on a counterfactual baseline makes it difficult to determine who has the "duty of care" to the environment within cost sharing arrangements to fix and manage environmental degradation over time and space. The need to clearly identify "who pays" for the cost of the obvious habitat loss and environmental degradation within a total catchment does not seem a requirement of the IPART review process.

The "failure" to properly account within cost sharing arrangements for the environmental degradation caused by regulation of inland water resources is compounded by NSW water planning: the environmental standards setting and monitoring within catchments lost when government dissolved the catchment management authorities; allocation in water sharing plans is not directly linked to resource-condition targets in the environmental water strategies nor are WSP properly audited and reviewed for their effectiveness in sustainable water use and management outcomes.

It further concerns me that the IPART pricing review seems unable to consider NSW government action that may also affect the operation of the water market, related to but separate to water pricing.

Such actions include legalizing unsustainable levels of extraction in water sharing plans, failing to comply with the principles underpinning the National Water Initiative, inconsistent climate change modeling in strategic planning and political announcements of new dams that bring "more" water within a regulated framework.

Regardless of my concerns listed above, I consider the IPART cost sharing review process important in its attempt to place a monetary value on such a precious resource as water and so discourage its wastage especially with predictions of future reduced water availability due to climate change.

I also appreciate that the contextual scope of IPART considerations is most likely as complex as the many connections of inland waters within surface catchments, groundwater zone, artesian basins and NSW's once unique floodplains - and thus somewhat outside the capacity of the average person like myself to make meaningful comment within the scope of your considerations.

Some further comments: ¹

1. The constraint on IPART caused by the need for its adherence to the Commonwealth's *Water Charge Rule 2010* in setting basin water prices seems an unfair, cynical constraint. It seems in conflict with the intent of the MDBP to return basin waters to sustainable levels of extraction, responsibilities in meeting community service obligations and in light of NSW government commitment to the principles of the National Water Initiative.

2. The 1997 "line in the sand" for legacy costs presents as a metaphysical notion rather than having practical application in cost sharing arrangements. Whilst I appreciate the clear statements on legacy costs in your Final report on rural water cost shares February 2019, with respect they are somewhat meaningless for a Murray Cod, born pre or post 1997, trying to navigate barriers for its breeding migration activities.

3. IPART needs to provide clearer explanation to the broader public on how NSW government water plans and policies actually or potentially impact the water market. If NSW government reduced the amount of water available for extraction in revised water sharing plans consistent with its MDBP agreements or met its NWI commitments would this affect IPART's water pricing considerations? Is NSW government having an influence in any way on the water market in its control of what water is made available to the market? Does this mean that the responsibility for the environmental damage caused by this permitted over-extraction rests with NSW government regardless of what new environmental regulations and controls have been introduced post 1997?

4. IPART needs to make clearer statements on who are the main impactors on the need for costs incurred with use and management of regulated water ie the expanding irrigation industry. The counterfactual starting point of a world without high consumptive use of water is in reality a world without an extensive irrigation industry.

Recognition of this reality would provide a more transparent and meaningful counterfactual baseline and avoid a parallel universe scenario for the environment. Maybe regional town water security and First Nation peoples' assured access to spiritual and cultural water should be better captured within IPART's counterfactual world, especially given NSW government's failure to take proper account in its WSPs of the water use hierarchy within water laws.

¹ I acknowledge some of these comments are belated and in response to documents produced in

5. Politicians, in the face of evidenced-based predictions of reduced basin water availability persist in making statements about drought weather conditions. Even with the recent flooding, inland dams remain at best around half full. IPART must provide clear explanation of the predicted impact of diminishing basin water availability on future water pricing and trading.

6. I am concerned at IPART's statements about the NSW government comprehensive metering reforms, though seemingly not comprehensive enough if meters below 100mm are not required which could have water trade impacts.

It seems from your draft Report that the metering rollout could be delayed because WaterNSW has failed to provide adequate information in its pricing proposal for the metering implementation components under its responsibility.

To the broader community this outcome presents as a sleight of hand with NSW government's strong statements about improved accountability and transparency in basin water use but presumably aware about the situation with WaterNSW. Hopefully, this will not result in a similar debacle to the implementation of fish ways that remains woefully behind and presumably caught up in some sort of legacy/counterfactual shadow boxing.

Thank you for an opportunity to comment,

Yours sincerely,
Cathy Merchant.