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Lachlan Valley Water Inc

Sustainable, productive and efficient water use in the Lachlan Valley

**Submission to
IPART**

WaterNSW Draft Operating Licence 2024-29

IPART Discussion Paper and Cost Benefit Analysis

8 March 2024

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Executive Summary

Lachlan Valley Water Inc (LVW) welcomes the opportunity to make this submission to IPART regarding WaterNSW's Draft Operating Licence. We believe that before finalising the Operating Licence, the following should be noted and considered:

Customer Engagement. Water users have historically had good engagement with local/valley WaterNSW staff, with WaterNSW staff managing forecasts and issues through individual relationships and regular face-to-face engagement. This has been lost to a point as a result of WaterNSW's restructure. The move to online "self-help" models further compound water users' frustration in areas where internet and mobile phone connectivity is poor. While we have seen some improvement in engagement over the last few months WaterNSW must be required to provide meaningful engagement to both water users and through the CAGS. Not only is there benefit to water users, there is benefit to WaterNSW in regular face-to-face engagement in the local knowledge that is shared, as well as real-time intel on system operations and issues.

Costs & Transparency. Under the Operating Licence, WaterNSW should be required to provide an annual cost/price list to water users, detailing "included services" and cost of each service, and "additional services" and cost/price of each service. Currently water users have limited ability to know what additional services there are and what they would cost. WaterNSW have in the past asked what services water users would like, however haven't provided any additional information or costs. Further, WaterNSW should be required to consult with water users prior to engaging in any major project, or change to scope/cost of project, where the costs will be passed to water users.

Maintenance of Corporate Knowledge & IP. It has become evident to LVW that WaterNSW has lost documentation, operational knowledge, and corporate IP. It should be a requirement of the Operating Licence that WaterNSW maintains appropriate systems and processes to both capture and retain operational knowledge, and have a succession plan in place for key operations staff so that appropriate training experience can be provided and relevant operational experience gained.

Minimal Additional Cost or Regulatory Increases to Water User. An underlying principle of any changes or inclusions to the Operating Licence should be minimal additional financial penalty to water users, nor should there be any additional regulatory requirements placed on water users as a result of the review. The water industry is already costly and heavily regulated and the cavalier attitude of passing on additional costs to water users must be addressed through the review, again citing WaterNSW's obligations under IPART's 3 C's framework.

The Impactor Pays Model. The impactor pays model is fundamentally flawed and negatively biased toward Water Access Licence (WAL) holders. It must be reviewed or at the very least provide a more inclusive definition to include any individual, organisation, or body that gains benefit from the use of water in the storages or the system. Storages in the Lachlan Valley are a significant tourist draw for example and provide secondary and tertiary income to local communities through things like accommodation, groceries, and other goods and services. This model must be reviewed to broaden the spread of costs to "impactors" other than WAL holders.

Introduction

Lachlan Valley Water (LVW) welcomes the opportunity to make a submission on the draft NSW Regional Water Strategy. Lachlan Valley Water is an industry organisation representing surface water and groundwater licence holders in the Lachlan and Belubula valleys. Membership of LVW is voluntary and our members represent all categories of licences except for those held by environmental water managers. While this submission is made on behalf of our members, individual members may also make their own submissions.

Overview

This submission aims to respond to the questions set out in the IPART WaterNSW Operating Licence Review Issues Paper, August 2023. Where LVW doesn't have a preference or opinion on specific questions these have been noted. LVW would welcome the opportunity to provide further consultation on WaterNSW's Operating Licence and the performance WaterNSW in meeting their obligations under the licence.

Cost Benefit Analysis

The IPART Cost-Benefit Analysis (CBA) indicates the range of costs, returns and overall benefits and disbenefits. Clarity is not provided on cost-share arrangements, particularly for items where interest has been driven by the government or community, or where the item has significant public benefit.

LVW does not believe that IPART has properly considered the cost implications of the WaterNSW draft operation licence on productive water users. Adequate explanation has not been provided as to why certain requirements have been proposed, especially for items where there is duplication of regulatory requirements or water agency function. The CBA does not acknowledge that customers are already apportioned significant costs associated with WaterNSW activities.

We call for more information to explain the proposed cost shares against the new requirements under the WaterNSW operating licence. The 'impactor' must be identified in each case to demonstrate the drivers and key beneficiaries of these requirements, to clarify how costs have been apportioned.

In addition to setting the WNSW Operating Licence for 2024-2029, WaterNSW customers and community are also involved in Working Groups facilitated by WNSW to seek feedback for the 2025-2030 Pricing Proposal. Having both reviews so close together has emphasised the uncertainty faced by Water NSW customers regarding costs. Decision-makers must consider customer preferences and capacity to pay and provide transparency in their decision making.

Organisational management systems

Water Quality Management System (WQMS) in non-declared catchment areas. LVW supports maintaining and implementing a WQMS with separate conditions in non-declared catchment areas (draft clause 8). We agree that this reflects the different catchment characteristics, differences in management and levels of control between declared and non-declared catchments.

Quality Management System. LVW does not support the adoption of a business-wide Quality Management System (QMS) at this time (draft clause 11). We believe that WaterNSW should focus on improving its existing systems, particularly the customer management and Water Register to ensure it is fit-for-purpose.

While implementing as QMS could aid in improving WaterNSW and WAMC decision-making, auditing and customer services, LVW does not see this as a priority at this time.

WaterNSW's obligation to its customers

Consultation with customers and the community. Historically, WaterNSW consultation methods have been wide-reaching, viewing feedback from customers and the community with equal importance. Productive water users have heavily criticised the recent engagement models put forward by WaterNSW, such as the Kitchen Conversations and Customer Jury models. During the implementation of these models, customers experienced unexpected cost increases and the stagnation and decline of WNSW services.

The WNSW Phase 1 Customer and Community Insights Report (completed as part of the WNSW Pricing Proposal 2025-30), provides insight on feedback WaterNSW has received from customers since 2020. Section 4, "What have customers been telling us prior to 2023", paints a dire picture of WNSW engagement from the perspective of customers, including:

- ***Voice of Customer research (2020)*** - a minority of customers agreed that WaterNSW had a good local presence and grasp of water delivery issues.
- ***Kitchen Table conversations (2021)*** – customers reported that WaterNSW was not delivering high-quality customer engagement and services due to issues including the need for better communication with customers and the community about what was happening in the river system, and poor customer service during issues resolution.
- ***Customer Advisory Group (CAG) (2022)*** – feedback included expectations of a better level of customer service and concerns about the loss of local representatives.
- ***Voice of Customer research (2022)*** – declines were noted in metrics for customer services, information and communication, billing, pricing, metering, and policy. Policy was noted as being in the highest need of improvement.
- ***What matters to our customers: Insights report WAMC (2023)*** – this DPE-Water desktop analysis identified that customer service, experience and stakeholder engagement are important to all stakeholder groups and that stakeholders were requesting status updates with a preference for face-to-face or online meeting opportunities to clarify their specific requirements instead of email enquiries.

LVW **does not support** allowing WaterNSW to develop a model for engagement with customers and the community without prescriptive engagement requirements (draft clause 25).

Productive water users have directly worn the consequences and costs of WaterNSW decision-making (e.g., service levels, and cost-shares). Customer confidence has been eroded due to continual declines in service and local presence despite increasing costs, as reflected by the customer feedback above.

WaterNSW has expressed its desire to build trust with productive water users. Trust can be improved by providing customers with process stability; predictability of what is to come and accountability to expectations through the setting of prescriptive requirements.

Developing a WNSW consultation policy. LVW supports the requirement for WaterNSW to develop a publicly available policy for undertaking consultation as stated in draft clause 25(4), and the requirement for WNSW to maintain and continue to engage with its existing CAGs during this process as stated in draft clause 25(7).

The proposal to apply provisions from the Hunter Water Operating Licence to WaterNSW consultation with customers and the community is concerning for LVW members. The Hunter Water Operating Licence and subsequent development of its Community Consultation Procedure (2023) led to the formation of the Customer and Community Advisory Group (CCAG). This consultative group includes all people who are impacted by Hunter Water decision-making (i.e., customer, community, and stakeholder advocacy groups). The structure of the CCAG suggests that customer voices are diluted by other stakeholder groups and their priorities, despite those groups not being directly affected by costs.

Hunter Water and WaterNSW operate in two different contexts; their functions, operations, and stakeholders are different. It is concerning that WaterNSW has indicated its intention to take a similar engagement approach to Hunter Waters CCAGs, as it would enable WaterNSW to further distance itself from listening to and engaging with its own customers.

Customer Advisory Groups (CAGs). LVW is concerned by the proposal to remove the requirement to maintain the Customer Advisory Group (CAG). CAGs ensure that industry representatives with the relevant skillsets and on-ground experiences can contribute constructively to WaterNSW decision-making. They demonstrate that WaterNSW is engaging in regular direct customer consultation and is a forum where customers can hold WaterNSW accountable to its Operating Licence and Customer Service Charter.

There is scope for CAGs to be improved, as demonstrated by the varied experiences of CAG members. Some members support CAGs as a productive forum to problem-solve and discuss WaterNSW operations, whereas others are critical of the effectiveness of CAG activities, considering that they are information-sharing sessions, with busy agendas and not enough time for meaningful discussion.

Customer Service Charter. LVW supports draft clause 24 of the draft WNSW operating licence; *Water NSW must at all times make publicly available online a customer service charter that sets out the responsibilities of Water NSW and its customers and how Water NSW will engage with its customers.*

Family violence policy. IPART identifies this requirement will impose modest costs on WaterNSW and has broad social benefits. Due to the public benefit of this provision, and its inception driven from studies performed by the Australian Government health departments, LVW suggests that the community and NSW Government should pay this cost in its entirety.

Data and information services

Data Management System. IPART's proposal to require WNSW to establish a data management system (DMS) is desirable to productive water users (draft clause 41). Of particular benefit is the requirement for:

- a data quality policy that identifies, classifies and remediates poor-quality data; and,

- a data sharing policy that details the types of data and information WaterNSW shares with third parties on request, and how to request such data.

Requiring WaterNSW to undertake these changes will ensure that WaterNSW maintains the customer and water register database to ensure it is fit for purpose, resolves any data gaps in the Water Registry, and collects, manages and provides access to water resource data on behalf of the NSW government improving data sharing to water agencies, customers, and industry bodies. It is also essential for WaterNSW to be held accountable to minimum data management standards.

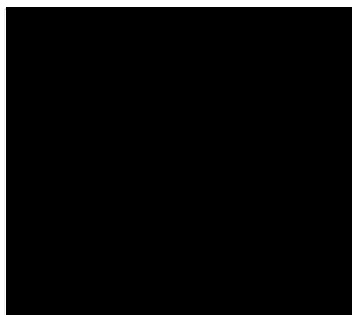
Water Sector Information Hub. LVW currently **does not support** the requirement for WaterNSW to lead the co-design and development of a new data system to provide for central storage, management and access to water data relevant to departments and agencies across the NSW Government (draft clause 42). The CBA notes that the cost and benefits of the water sector information hub condition are uncertain and likely to have a disbenefit of -\$2.2m.

LVW does support that WNSW must maintain a system that allows NSW Government agencies to access data and information held by Water NSW that is relevant to their functions. WaterNSW must gain clarity from NRAR and DPE Water to identify what data is required – as noted in the DMS and Roles and responsibilities agreement.

Conclusion

Please don't hesitate to contact Lachlan Valley Water Inc for further discussion or clarification of these matters.

Regards,



Glenn Daley
Executive Officer
Lachlan Valley Water

