

2020 Water Administration Ministerial Corporation Pricing Submission

Summary of the Department of
Planning, Industry and Environment,
the Natural Resources Access Regulator
and WaterNSW price proposals



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Summary of price proposals for the provision of Water Administration Ministerial Corporation Services from 1 July 2021

The Independent Pricing and Regulatory Tribunal (IPART) is reviewing prices that licensed water users pay for water planning and management services carried out on behalf of the Water Administration Ministerial Corporation (WAMC).

The **Department of Planning, Industry and Environment**, the **Natural Resources Access Regulator** and **WaterNSW** provide these Water Administration Ministerial Corporation services in NSW.

The Department of Planning, Industry and Environment and the Natural Resources Access Regulator have made a joint submission to IPART review. WaterNSW has made a separate submission, however all three agencies are proposing a single price determination and a single set of water management prices.

This summary document provides an overview of WAMC pricing process, our proposed prices and information on where you can read more detail.

The Water Administration Ministerial Corporation

The Water Administration Ministerial Corporation (WAMC) is responsible for planning and managing water resources in NSW on behalf of the NSW Government. The *Water Management Act 2000* sets out WAMC's main functions, which are to:

- construct, maintain and operate water management works, gauging stations and other monitoring equipment
- conduct research, collect information and develop technology in relation to water management
- acquire rights to water, whether within or beyond NSW
- undertake any action required for the purpose of fulfilling the objects of the *Water Management Act 2000*.

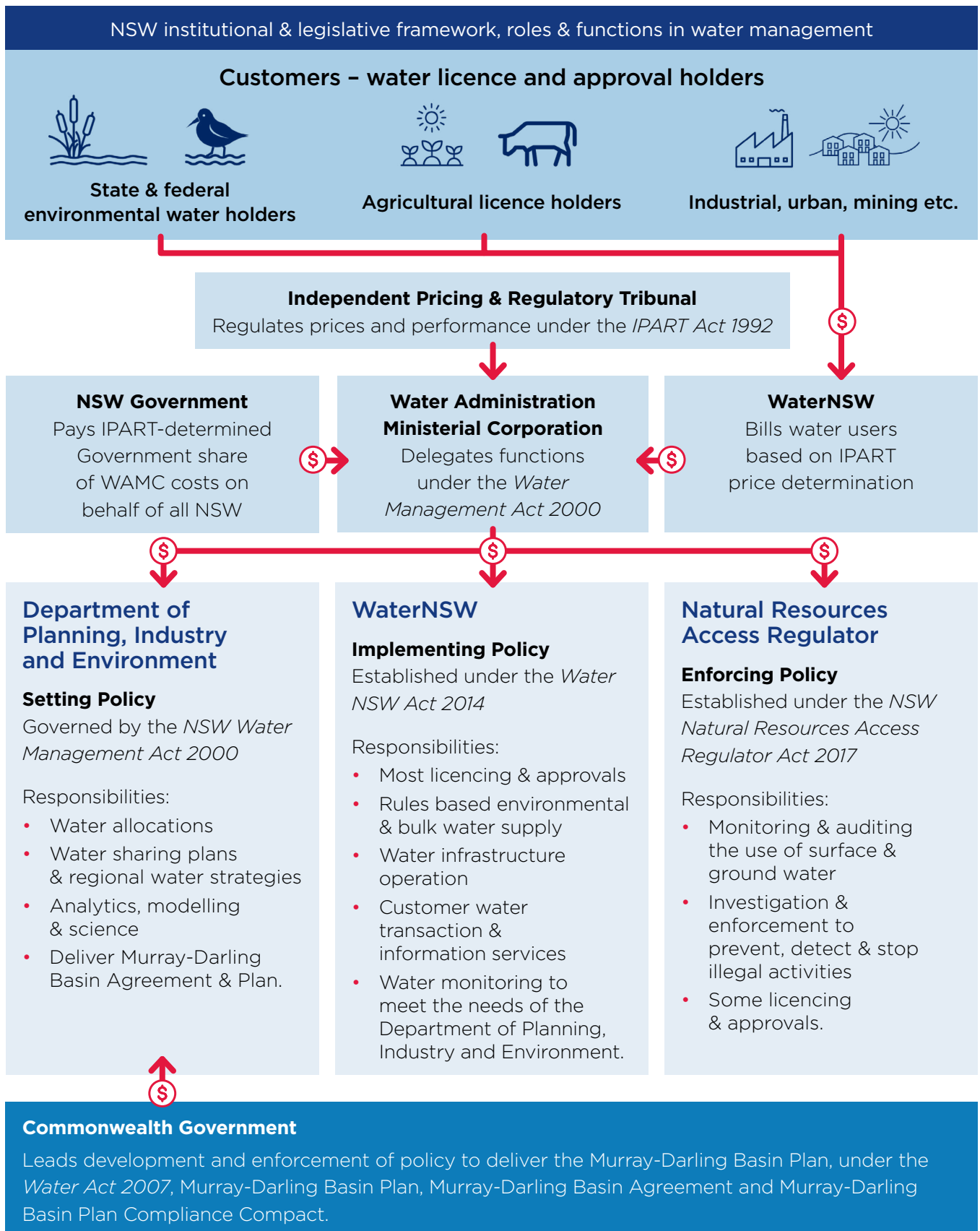
Our three agencies work together to deliver WAMC's essential water management services.

- **The Department of Planning, Industry and Environment** is responsible for ensuring sustainable, secure and healthy water resources and services for NSW. This is achieved through policies, plans and rules that determine how water is shared between users and the environment.

- **WaterNSW** carries out water monitoring to meet the Department of Planning, Industry and Environment's needs. It operates the state's river systems and provides services to customers, including licence advisory services and customer support, processing licence and approval applications, administering water trades, account management and billing, and providing water resource information for most users. WaterNSW also provides water take assessment and meter maintenance services in accordance with existing operational requirements, noting that WaterNSW will seek to separately recover the additional costs of meeting the NSW Government's metering reform agenda as part of the 2021 Determination process. WaterNSW will provide further details of the additional cost of reform under a supplementary submission which is expected to be lodged with IPART by end of December 2020, once the final policy obligations and timings are finalised.
- **The Natural Resources Access Regulator** guides, monitors, audits, investigates and enforces compliance with water regulation. We do this through education, communication, field workers and remote compliance monitoring. The Natural Resources Access Regulator also undertakes some licensing and approvals processes.

Figure 1 shows the pricing and regulatory framework for water management in NSW, including the functions of each agency in providing WAMC services. More information about roles and responsibilities of the WAMC agencies is in Detailed Paper C of the Department of Planning, Industry and Environment and the Natural Resources Access Regulator’s submission and Section 2 of WaterNSW’s submission.

Figure 1: Roles of NSW government water agencies in delivering WAMC activities



Water management prices

WAMC's core responsibilities are to plan and manage the security, health and allocation of our water resources across a range of water users and the environment. Water licence holders pay us for these services through water management charges. IPART decides the prices we can charge, because we are the only provider of these services in NSW.

Water management prices are set by IPART so that those who create the need for water management, pay for it. Users pay for most of these costs and the Government pays the rest on behalf of the broader community. IPART decides the shares to be paid by users and the Government and has published the allocation method in the Rural Water Cost Shares report on its website www.ipart.nsw.gov.au.

To determine prices that reflect the costs of WAMC water management services, IPART allocates costs and determines prices based on water source type (regulated rivers, unregulated rivers and groundwater) and location (valley or water management area).

IPART determines three water management prices:

- Entitlement charge – a fixed annual charge that applies to each water access licence with an entitlement charge tariff category.
- Water take charge (usage charge) – a charge that applies to the volume of water recorded as taken for a water access licence in the billing period.
- Minimum annual charge – an annual charge that applies to licences with a small entitlement and low usage to reflect the cost of managing these licences and protect these small customers from high water bills. Around 25,000 customers pay the minimum annual charge instead of the standard entitlement and water take charges.

IPART also determines fee for service charges for one-off transactions, for example licence applications and approvals. While we are proposing a single set of water management prices, our submissions seek separate fee for service charges for specific WaterNSW and Natural Resources Access Regulator's (NRAR) activities.

Our customers and stakeholders

Our customers (those who pay for water management), are all the water users who hold water licences under the *Water Management Act 2000*. There are approximately 38,000 licensed water users in NSW.

As well as water users, our stakeholders include other government agencies involved in water management, representative groups, Aboriginal people and the wider community who enjoy and value our water resources.



Irrigators



Environmental water holders



Cultural licence holders



Local water utilities



Industry and mining



NSW citizens

Our pricing proposals reflect changes to water management

The Department of Planning, Industry and Environment Water and the Natural Resources Access Regulator (NRAR) have prepared a joint price proposal to IPART for WAMC services they provide and WaterNSW has prepared a separate proposal to provide transparency and clarity around the revenue and pricing requirements of the agencies providing WAMC services.

While we are making two price proposals, we propose that IPART makes a single WAMC price determination and determines a single set of WAMC prices across the three agencies. We have worked collaboratively to develop our submissions and have used common assumptions and methods. We will continue to work closely together to deliver water management services over the four years from 2021.

Our proposals to IPART reflect the efficient costs of providing WAMC services. They reflect the changes to our industry structure and legislative framework since IPART last determined prices in 2016.

Since 2016, several independent inquiries have recommended improvements in water management, including to the compliance and enforcement of water laws, management of environmental water, measurement of water take and strategic water planning. Customers and stakeholders have asked for more transparency and accountability and access to more timely information. We have accepted these recommendations and have taken action to improve water management across the state.

The Natural Resources Access Regulator was established in 2018 as the independent water regulator and has put in place more effective compliance and enforcement arrangements to restore community confidence in water compliance. The Natural Resources Access Regulator has adopted a 'boots on the ground' approach to monitoring and investigating compliance to build community confidence in water compliance while also using innovative approaches to detect breaches of water rules.

We have also responded with a program of water reform to address the recommendations of investigations and community concerns. Over the 2021-2025 regulatory period we propose to invest in programs and services that continue to tackle the issues of the past and deliver the best outcomes for our customers and for our state's precious water resources.

We are being more transparent by publicly sharing information, assumptions and methodologies so that water users understand what we are doing and how we are doing it. We will continue to find ways to share meaningful information with water users, stakeholders and the wider community.

WaterNSW now undertakes some WAMC functions previously undertaken by the Department of Planning, Industry and Environment. These include water licensing, advisory services, water take assessments, and account management services provided directly to customers and water monitoring services provided to the department to support its WAMC functions related to long term water stewardship.

Related to these services WaterNSW must provide efficient and timely information about customer water transactions and water resources, manage water monitoring assets efficiently and effectively and provide ongoing support for the implementation of the NSW Government's water reform agenda with respect to metering and compliance.

The changes to our industry structure and legislative framework have led to increased responsibilities, greater transparency, enhanced regulation and more customer metering. These have increased our costs of providing for WAMC services.

More information about proposed expenditure on water management activities is available in Detailed Paper E of the Department of Planning, Industry and Environment and Natural Resources Access Regulator's submission and in Section 5 of WaterNSW's submission.

Our proposed prices

Our improvements to water management mean that there has been a significant, but necessary increase in the costs of providing these services. Our pricing proposals are based on a commitment to best practice water pricing as set out in the National Water Initiative. This includes recovering a share of the cost of water management from users under the principle of impactor pays, to provide us with enough revenue to efficiently deliver these services. Through the price review process IPART will decide how much revenue will be collected from users through prices, with the balance to be paid by the NSW Government.

We recognise that our customers have suffered a long and extreme drought, bushfires and the ongoing effects of the COVID-19 pandemic.

So we also recognise that our commitment to cost recovery must be balanced against the financial hardship that water entitlement holders and regional communities are experiencing due to these factors that are outside their control.

Therefore we do not propose to pass on the full costs of providing WAMC services to customers.

We propose a capped increase of 5% per year (plus inflation) to WAMC customers for fixed and variable charges and the minimum annual charge, for the four years from 1 July 2021.

Limiting price increases will avoid large price shocks for water users and help support recovery of regional economies and communities. If IPART accepts our proposal to limit price increases, water users will pay a smaller portion of the higher costs of providing essential water management services.

If IPART agrees to determine capped price increases at below full cost recovery, we will seek approval for additional government funding of the difference between the efficient costs of delivering WAMC services and the revenue from capped water management prices.

More detail on our proposed water management prices by water source and location are provided in Detailed Paper I of the Department of Planning, Industry and Environment and Natural Resources Access Regulator's submission and Section 14 of WaterNSW's submission.

What this means for customers' bills

Customers' water management bills vary depending on location, water source type and how much water they use.

Table 1 shows the bills resulting from our proposed prices compared to current prices for a sample of valleys for small and medium sized customers.

The four graphs in Figure 2 show the bill increases for water users in three example valleys for surface water and two locations for groundwater (inland and coastal) with an entitlement of 500 shares (and assuming 60%

activation). Because we are proposing a 5% price increase each year, most bills will also increase by a maximum of 5% per year (22% over the four year period).

Our modelling shows that capping increases in water prices will protect around 25,000 small water users paying the minimum annual charge, with a modest increase from \$214 a year in 2021 to \$260 by 2025.

Table 1: Indicative customer bills (regulated, unregulated, groundwater and minimum annual charge) comparison of 2020-21 and 2021-22 for Water Administration Ministerial Corporation (WAMC) charges

Capped price increase of 5% per year					
Minimum annual charge customers (1)			Unregulated river customers (2)		
Valley	2020-21	2021-22	Valley	2020-21	2021-22
Total minimum annual charge	\$214	\$224	North - Small	\$478	\$502
			North - Medium	\$2,390	\$2,510
			Central - Small	\$560	\$588
			Central - Medium	\$2,800	\$2,940
			North Coast - Small	\$952	\$1,000
			North Coast - Medium	\$4,760	\$4,998
Regulated river customers (3)			Groundwater customers (4)		
Valley	2020-21	2021-22	Valley	2020-21	2021-22
Namoi - Small	\$383	\$403	Inland - Small	\$699	\$734
Namoi - Medium	\$1,917	\$2,013	Inland - Medium	\$3,495	\$3,670
Lachlan - Small	\$258	\$271	Coastal - Small	\$505	\$530
Lachlan - Medium	\$1,291	\$1,356	Coastal - Medium	\$2,525	\$2,651
Murray - Small	\$220	\$231			
Murray - Medium	\$1,100	\$1,155			
Murrumbidgee - Small	\$197	\$207			
Murrumbidgee - Medium	\$987	\$1,036			

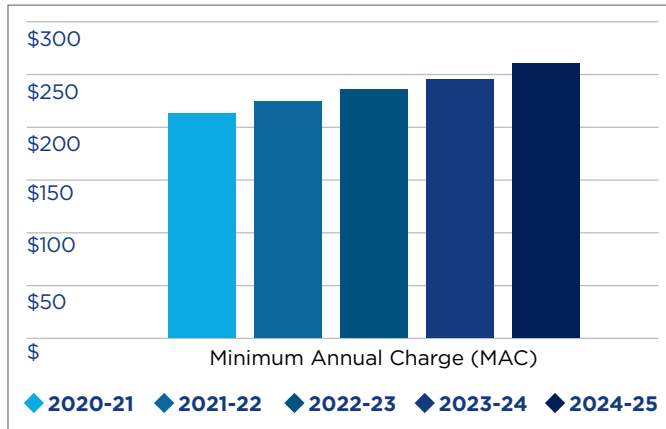
Explanatory notes for Table 1

Bill impact resulting from the proposed Department of Planning, Industry and Environment or the Natural Resources Access Regulator charges to allow customers to work out the combined impact of the pricing proposals of all entities that provide services on behalf of WAMC:

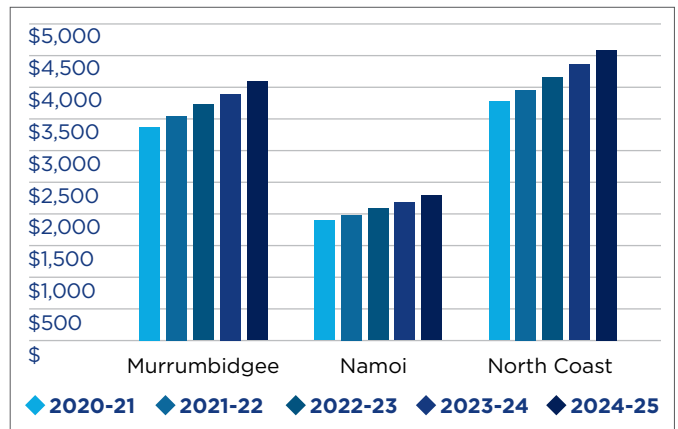
1. The charge applies irrespective of the size of the license holding as long as the indicative fixed and variable bill does not exceed the value of the minimum annual charge.
2. Unregulated river customers in the unregulated valleys of North Coast, Central (Lachlan, Macquarie) and North (Border, Gwydir, Namoi, Peel). For this analysis (one-part tariff) the average fixed bill for small customers holding 100 megalitres of entitlements, medium customers holding 500 megalitres.
3. Regulated river customers are subject to a two-part fixed and variable tariff. This analysis is provided for small customers holding 100 megalitres of entitlements, medium customers holding 500 megalitres of entitlement.
4. For this analysis (one-part tariff) the average fixed bill for small customers holding 100 megalitres of entitlements, medium customers holder 500 megalitres.

Figure 2: Increases in customer bills for a sample of valleys under proposed prices

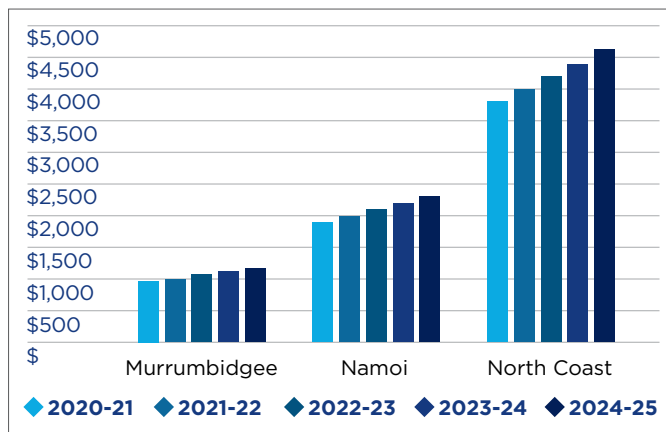
Minimum annual charge



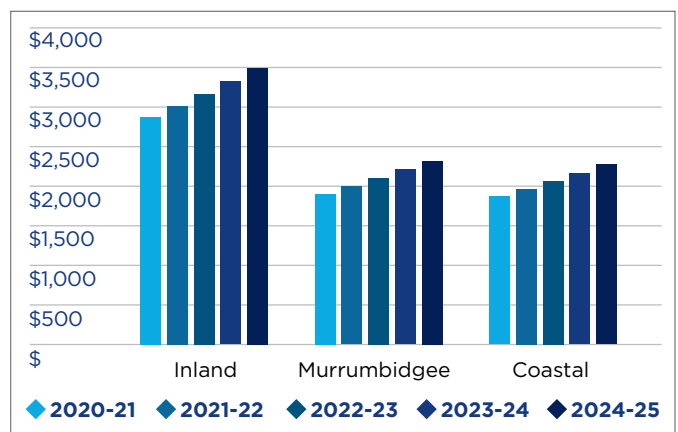
Unregulated rivers



Regulated rivers



Groundwater



Customer and stakeholder engagement

We have consulted extensively over the last four years about the policies, reforms, metering, floodplain harvesting and water plans that we will continue to deliver over the 2021-2025 regulatory period. We have spoken with water users, first Nations people, government agencies, stakeholder groups and the broader community.

We have a rich bank of information and feedback from this consultation and we have listened to what our customers and stakeholders have told us.

We are also mindful that our customers and stakeholders contribute their valuable time and effort to this consultation and don't have time to keep telling us the same things.

To avoid this, and mindful of the depth of engagement we have already undertaken, we reviewed our WAMC related engagement activities over the past five years to better understand the views of our customers and stakeholders.

The four key themes that customers have told us that they want are:

- clear and transparent enforcement of the water management framework to ensure consistency and compliance
- monitoring that customers can trust across programs and water sources
- improved accountability for water management decisions through greater transparency and strong evidence

- improving the information available to customers to provide certainty, better inform their decisions, demonstrate that their feedback to the Department of Planning, Industry and Environment on issues has been heard and to improve their understanding of the water management system.

In February and March 2020, the Natural Resources Access Regulator presented to WaterNSW’s Customer Advisory Groups, made up of water users across NSW,

providing information and seeking their feedback on the Natural Resources Access Regulator’s activities.

More information about how we have used customer feedback to inform proposed WAMC activities is provided in Detailed Paper B of the Department of Planning, Industry and Environment and Natural Resources Access Regulator’s submission and Section 3.4 of WaterNSW’s submission.

Have your say

We lodged our price proposals with IPART on 30 June 2020. IPART will review the proposals and release an issues paper in September 2020 for public submissions. This is part of IPART’s consultation process, which provides several opportunities to have your say.

IPART intends to hold a number of public hearings in locations across the state later in 2020.

It will advertise the location and times of these hearings in local newspapers and on its website www.ipart.nsw.gov.au.

IPART will release its draft price determination in March 2021 for further public and agency comment. IPART’s final determination will be released and prices will begin on 1 July 2021.

Date	Activity
30 June 2020	Water Administration Ministerial Corporation pricing proposal due to the Independent Pricing and Regulatory Tribunal
September 2020	Water Administration Ministerial Corporation Issues Paper released
October 2020	Public submissions to Issues Paper. Expenditure review draft report
November 2020	Public hearings
January 2021	Expenditure review final report
March 2021	Draft report and determination released
April 2021	Submissions to draft report due
May 2021	Final report and determination released
1 July 2021	New prices apply

Illustrative prices for each water source and valley

Table 2: Proposed minimum annual charge (MAC)

The proposed minimum annual charge (\$2020-21)					
Year	Current	2021-22	2022-23	2023-24	2024-25
MAC	213.74	224.43	235.65	247.43	259.81

Table 3: Proposed entitlement and water take prices for regulated rivers

Forecast surface water regulated entitlement and usage water management prices capped at 5% (real) per year (\$2020-21)						
Water source	Two-part entitlement charge			Two-part usage charge		
	Current	2021-22	2024-25	Current	2021-22	2024-25
Border	2.28	2.39	2.77	1.78	1.87	2.16
Gwydir	1.62	1.70	1.97	1.40	1.47	1.70
Namoi	2.73	2.87	3.32	1.84	1.93	2.24
Peel	2.67	2.80	3.25	4.76	5.00	5.79
Lachlan	1.43	1.50	1.74	1.92	2.02	2.33
Macquarie	1.71	1.80	2.08	1.85	1.94	2.25
Murray	1.54	1.62	1.87	1.10	1.16	1.34
Murrumbidgee	1.41	1.48	1.71	0.94	0.99	1.14
North Coast	3.97	4.17	4.83	6.12	6.43	7.44
Hunter	3.12	3.28	3.79	2.14	2.25	2.60
South Coast	3.34	3.51	4.06	5.32	5.59	6.47

Table 4: Proposed entitlement and water take prices for unregulated rivers

Forecast surface water unregulated entitlement and usage water management prices capped at 5% (real) per year (\$2020-21)						
Water source	Two-part entitlement charge			Two-part usage charge		
	Current	2021-22	2024-25	Current	2021-22	2024-25
Valley	Current	2021-22	2024-25	Current	2021-22	2024-25
Border	2.31	2.43	2.81	2.47	2.59	3.00
Gwydir	2.31	2.43	2.81	2.47	2.59	3.00
Namoi	2.31	2.43	2.81	2.47	2.59	3.00
Peel	2.31	2.43	2.81	2.47	2.59	3.00
Lachlan	2.69	2.82	3.27	2.91	3.06	3.54
Macquarie	2.69	2.82	3.27	2.91	3.06	3.54
Murray	2.64	2.77	3.21	4.21	4.42	5.12
Murrumbidgee	3.27	3.43	3.97	5.81	6.10	7.06
Far West	4.13	4.34	5.02	2.53	2.66	3.08
North Coast	4.59	4.82	5.58	4.93	5.18	5.99
Hunter	1.30	1.37	1.58	2.13	2.24	2.59
South Coast	1.75	1.84	2.13	1.49	1.56	1.81

Table 5: Proposed entitlement and water take prices for groundwater

Forecast groundwater two-part entitlement and usage water management prices capped at 5% (real) per year (\$2020-21)						
Water source	Two-part entitlement charge			Two-part usage charge		
	Current	2021-22	2024-25	Current	2021-22	2024-25
Valley	Current	2021-22	2024-25	Current	2021-22	2024-25
Inland	3.86	4.05	4.69	3.13	3.29	3.80
Murrumbidgee	2.56	2.69	3.11	2.08	2.18	2.53
Coastal	1.76	1.85	2.14	3.29	3.45	4.00



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