



REVIEW OF WATER MANAGEMENT PRICES 2020

Response to issues paper

Department of Planning, Industry and Environment
and the Natural Resources Access Regulator

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Introduction

The Department of Planning, Industry and Environment and the Natural Resources Access Regulator (NRAR) welcome the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART's) issues paper, *Review of water management prices from 1 July 2021*.

On 30 June 2020, the Department of Planning, Industry and Environment and NRAR made a joint submission to IPART's price review, seeking to recover costs of the water management services we both provide on behalf of the Water Administration Ministerial Corporation (WAMC) from licensed water users.

Our price proposal describes the significant changes to water planning, management and regulation in NSW. It also outlines the improvements we have made over the past four years to address the recommendations of numerous inquiries and investigations and to better meet stakeholders' needs. This has resulted in higher levels of service, including:

- improved water regulation to ensure compliance with the water sharing framework that underpins our system of water property rights through the establishment of NRAR
- broader scope and coverage of regional water strategies to deliver more strategic water planning across the state, with a focus on community engagement
- a more coordinated and efficient approach to floodplain management and harvesting
- greater transparency and accountability in the way we deliver water management activities.

The price proposal details the services we delivered over the 2016 regulatory period, as well as the costs of providing these services and explains why, in some cases, they were different from what we expected when we made our last price submission in 2016.

The proposal also provides a forecast of the water management and regulation services we plan to deliver over the 2021 regulatory period and the proposed revenue and prices we will need to recover the costs of these essential activities.

In making our submission, we took care to ensure that:

- activities meet the definition of WAMC monopoly services and are necessary to meet our legislative requirements and Government priorities
- proposed costs are efficient and align with the National Water Initiative pricing principles, including 'impactor pays'¹
- costs are allocated to different types of users and locations to reflect the cost of delivering the services
- proposed prices consider the impact on customers.

This is a joint response by the Department of Planning, Industry and Environment and NRAR to IPART's issues paper. This response does not restate our price proposal. Rather, it focuses on responding to specific questions IPART has raised for consultation and areas of new information.

This document provides responses to 10 key topics:

- past and future water management services
- compliance and enforcement activities
- licence processing
- customer engagement

¹ National Water Initiative, Intergovernmental Agreement on a National Water Initiative, www.agriculture.gov.au/water/policy/nwi

- Murray–Darling Basin Authority (MDBA) and Dumaresq–Barwon Border Rivers Commission (BRC) costs
- who should pay WAMC's water management costs
- length of determination
- price structures
- cost recovery
- demand volatility mechanism.

This document also provides correction for minor errors included in IPART's issues paper, provides more detail where our pricing proposal said it would and details what has changed since we made our proposal in June this year.

Key issues and our responses

IPART's issues paper reflects what we said in our submission in a clear and simple way and seeks feedback on several focus issues for the price review. We address each issue in the order it appears in the issues paper.

Past and future water management services

IPART asked:

- How well has WAMC performed its water management functions?
- Do you agree with WAMC's proposed areas of focus for water management (and their associated costs)?

WAMC prices were last determined in 2016. Since then, there has been significant water user, community and government concern about, and critical external reviews of, water resource management in NSW.

Several independent investigations into water management in NSW criticised the department for:

- deficient water resource management compliance and enforcement activities
- inadequate management of extractions
- frequent changes in internal administrative structures and subsequent expertise
- underperformance in developing and implementing water sharing plans and water resource plans
- having inadequate and inefficient systems
- lack of visibility over our decision-making and expenditure
- ineffective oversight of floodplain harvesting
- under-delivery on Murray–Darling Basin commitments, and more.

We acknowledge the department was not meeting stakeholder and community expectations for managing water resources early in the 2016 regulatory period. As is detailed in our pricing submission, our response has been to develop and implement an array of expanded and new measures to better manage water resources.

As noted by IPART in its issues paper, these expanded and new functions are driving a step change in the cost of water management functions. IPART has asked stakeholders whether they agree with WAMC's proposed areas of focus. Specifically, our combined Department of Planning, Industry and Environment and NRAR pricing submission focuses on:

- Ongoing resourcing needs for the newly established NRAR: NRAR started operations in early 2018 and is an independent body with enhanced powers to oversee compliance and enforcement of water regulation in NSW.

- Implementation of 12 regional water strategies: We are preparing regional water strategies for 12 regions across NSW looking forward over the next 20 to 40 years. The strategies will forecast how much water each region needs to meet future demand, the challenges and choices involved in meeting those needs, and the actions we can take to manage risks to water availability. The 2016 determination allowed for the development of only six strategies with fewer objectives and a narrower scope.
- Improved management of environmental water and floodplain harvesting: A major component of our floodplain harvesting reforms has to date been funded by the Australian Government to bring NSW into compliance with the Murray–Darling Basin Cap. This funding ended on 30 June 2020. Further funding through WAMC prices is necessary to continue improving the pace of work initiated in recent years.
- Implementation of new metering regulations: We are implementing new metering laws passed in December 2018. The laws will require the installation of meters that accurately meter water taken from rivers, creeks and groundwater, so that 95% of water use will be measured accurately. This will help reduce overuse of water, increase water available to downstream users and better manage water for the environment.
- Full implementation of statutory water sharing plans: We are implementing water sharing plans under Section 51 of the *Water Management Act 2000*. This will provide rigour, transparency and accountability across water sharing plan implementation activities of the Department of Planning, Industry and Environment’s Water division, WaterNSW and NRAR.

Implementing the new and enhanced measures partway through the 2016 determination period meant that spending has been considerably higher than IPART determined as prudent and efficient in 2016. IPART’s analysis of actual operational expenditure over the 2016 period suggests the spending of the three WAMC agencies has been 21.2% higher than the 2016 allowance².

IPART notes that several factors have influenced our proposed operating costs, including changing circumstances and customer priorities. However, the regulator also states its intention to examine our historical performance and spending in relation to our proposed expenditure to determine whether any proposed expenditure constitutes a ‘double recovery’ for past inefficiencies³.

While recognising the importance of examining our proposed costs, DPIE and NRAR assert that that our actual expenditure exceeded our 2016 allowance due to the expanded functions listed above and increased investment to enhance our performance.

Figure 1 shows that in determining prices for the 2016 regulatory period, IPART allowed an average annual expenditure of \$27.9 million⁴ for WAMC services provided by the department and NRAR. Our actual spending on WAMC services over that period was \$56.4 million per year (on average), or \$28 million above the IPART allowed amount.

For the period that NRAR has been in operation (2018 to present), our average annual spending on WAMC activities has been \$66 million, or \$38 million above the IPART-allowed amount. To cover the gap between the actual cost of services and the IPART-allowed amount, we received approximately \$22 million per year in Australian Government funding and NSW state grants. This demonstrates that users have not been overcharged in the current period and that WAMC services have expanded beyond what IPART considered when setting prices in 2016. Current WAMC charges do not include these expanded services.

² IPART *Review of Water Management Prices from 1 July 2021 Issues Paper*, page 8.

³ IPART *Review of Water Management Prices from 1 July 2021 Issues Paper*, page 9.

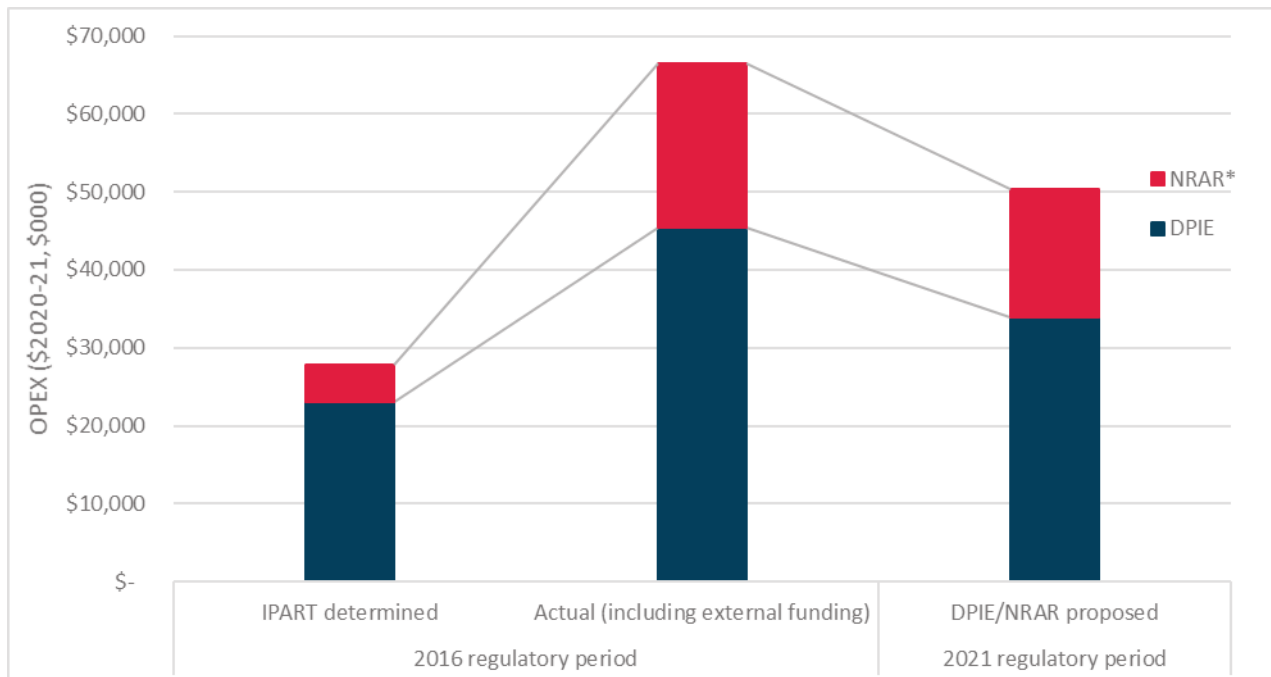
⁴ All figures quoted in this document are in dollars 2020-21 unless otherwise indicated.

Further, IPART’s method of establishing an efficient and prudent revenue requirement for calculating water management charges aims to respond flexibly to events and new priorities that emerge through a regulatory period without exposing users to price shocks. The method ensures that a regulated entity can adapt to changing circumstances and report on performance and spending to IPART and stakeholders both annually and at the end of the review period. Annual reporting allows users to track performance over the review period. The price review provides an opportunity for the regulated entity to explain why unplanned expenditures are efficient and why a return to original priorities set aside in response to changing events is not a double recovery.

Detailed paper E of our pricing submission shows historical spending and performance by activity code as well as planned future spending and performance. In Detailed paper E, we explain how priorities changed and the resulting effect on historical and planned spending at an activity level⁵. We have included this level of detail to show users and IPART how WAMC funds have been spent at an activity level in the context of total WAMC spending.

Finally, the reporting of our output measures demonstrates that we exceeded expectations for compliance performance, completed water sharing plans and water resource plans, and finished the 10-year water sharing audits under Section 44 of the *Water Management Act 2000*.

Figure 1. Average annual expenditure (2016 regulatory period compared with the 2021 regulatory period)



*NRAR 2016 regulatory figures are based on the average annual spending of 2018–19 and 2019–20 only, as NRAR was established in April 2018.

Note: the graph above does not include costs associated with the Murray-Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC).

In terms of stakeholder views on our areas of focus, we address the stakeholder consultation that has led to our proposed WAMC services and functions in the ‘Customer engagement’ section of this response.

⁵ Department of Planning, Industry and Environment/NRAR pricing proposal Detail Paper E, available at www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Rural-Water/Review-of-Water-Management-prices-from-2021?qDh=3

Compliance and enforcement activities

IPART asked:

- How well has NRAR performed its water regulation functions?
- Will NRAR's proposed activities and costs facilitate effective and efficient water regulation?

NRAR was established in 2018 following the Matthews and Ombudsman reports on water compliance in NSW. The main objectives of NRAR set out in Section 10 of the *Natural Resources Regulator Act 2017 No 64* are to ensure effective, efficient, transparent and accountable compliance and enforcement measures and to maintain public confidence in the enforcement of water laws in NSW. Since its establishment, NRAR has effectively addressed compliance matters, substantially increasing the number of water compliance actions conducted in NSW. Table 63 of the Detailed paper E of the June 30 submission shows the details of increases in these compliance actions.

NRAR expects that its proposed activities and costs for 2021–25 will continue to ensure effective and efficient water compliance. NRAR expects it will have to meet its increasing workload with resources similar to current levels of resourcing. This will require NRAR to become more efficient and effective through:

- increased intelligence-led compliance activity
- increased use of technology, such as satellite imagery and drones
- improved staff capability
- improved compliance procedures and information systems.

As NRAR matures, it will shift its resources from reactive compliance to intelligence-led proactive compliance. This approach aims to guide voluntary compliance, supported by a continued strong enforcement response for serious and deliberate breaches of water laws.

Licence processing

IPART asked:

- How well have WaterNSW and NRAR performed their licence processing functions?

The issues paper identified that for licence processing activities (that is, water consent transactions), NRAR did not meet the performance indicators established by the previous IPART process in 2016⁶. These targets applied to licence processing for all relevant water users.

NRAR conducts licence and approval processing for a subset of applicants, including government agencies, state-owned corporations, water utilities, mining companies, irrigation corporations, Aboriginal communities and others, for state significant developments, floodplain works and works close to riverbanks.

These users account for 5% of water access licences by number but for 43% of the water share component. The applications NRAR considers are larger and more complex; they typically involve higher levels of risk to water resources and increased public scrutiny. These applications often require unique technical assessments and involve critical matters such as town water supplies. Consequently, the performance indicators developed in 2016 to address all applications do not align with requirements of this subset of water users. Different performance indicators are necessary for the licensing and approval functions that NRAR conducts for these water users.

⁶ IPART *Review of Water Management Prices from 1 July 2021 Issues Paper*, page 15

Customer engagement

IPART asked:

- Do you consider that the Department of Planning, Industry and Environment; NRAR; and WaterNSW consulted adequately with stakeholders on their pricing proposals?

Detailed paper B of our WAMC pricing submission explains our stakeholder consultation over the current determination period. The paper details our extensive consultation on an array of WAMC issues with a wide range of stakeholders⁷.

In 2019 and the first quarter of 2020, engagement with stakeholders and the broader community on water matters was broad and intensive. We consulted on 20 water resource plans across the Murray–Darling Basin, statewide metering reforms, floodplain harvesting and sustainable diversion limit adjustment mechanism projects. Given the number of consultation activities we conducted over the regulatory period, the pressure on communities from the extended drought in more than 90% of the state and the 2019–20 bushfires, and the emergence of COVID-19, we did not specifically consult on draft prices and the draft pricing proposal. Consulting on draft prices during this time would have been inconsiderate to those communities with far more immediate priorities. Rather, we have prepared our pricing proposal in large part as a response to the expectations of stakeholders consistently expressed over the last four years through consultation, external reviews and legislation.

Instead of specific engagement on our proposed prices, in 2020, we asked independent consultant KJA to review the extensive WAMC-related consultation and engagement activities we have conducted since 2016 to assist the price review. KJA identified four themes across the more than 1,300 WAMC engagement activities we conducted over four years and stakeholders identified four key themes:

- clear and transparent enforcement of the water management framework
- accurate and reliable data to provide customers with the certainty they need to manage their water entitlements
- better accountability for water management decisions
- better information available to customers.

We know stakeholders and the broader community will want an opportunity to engage with us about our WAMC price proposal. For this reason, we will participate in the upcoming WaterNSW customer advisory group presentations in late October and early November 2020. We will also respond to stakeholder feedback on specific issues at the pricing review public hearing forum in November.

NRAR consulted with stakeholders in February and March 2020 through the WaterNSW customer advisory groups. This consultation outlined NRAR services that are subject to the WAMC review and that NRAR provides to stakeholders. Figure 37 of Detailed paper E of the June 30 submission shows the outcomes of this consultation.

In June 2020, NRAR conducted another survey of stakeholder groups, regulated entities and the community to gain more insight into stakeholder and community needs. NRAR will shortly publish the results of this survey.

⁷ Department of Planning, Industry and Environment *Detailed Paper B—What our stakeholders have told us and how we have responded*, www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Rural-Water/Review-of-Water-Management-prices-from-2021?qDh=3

MDBA and BRC costs

IPART asked:

- How important is it to improve the incentives for Department of Planning, Industry and Environment to actively engage in negotiating MDBA and BRC contributions to ensure only efficient costs are passed onto WAMC customers?
- Is there merit in setting separate charges to recover MDBA and BRC costs?

Negotiation of MDBA and BRC contributions

The NSW Government contributes to the costs of two interjurisdictional water management organisations: the Murray–Darling Basin Authority (MDBA) and the Dumaresq–Barwon Border Rivers Commission (BRC).

We include a portion of the NSW Government contributions to the MDBA and BRC in our proposed water management charges.

We have an obligation on behalf of the NSW Government to ensure that our financial contribution to the MDBA joint programs and the BRC are handled responsibly and represent efficient spending. We are negotiating to make sure NSW water users and the NSW Government (and, by extension, NSW taxpayers) are not committed to inefficient spending.

MDBA contributions

The MDBA undertakes activities to support the sustainable and integrated management of water resources in the Murray–Darling Basin. The MDBA carries out its functions directly and through Basin states’ government agencies in partnership with the Australian Government.

Although the Australian Government fully funds implementation of the Basin Plan, partner jurisdictions share costs on other MDBA activities.

Among these shared costs for water management services are NSW commitments to the Murray–Darling Basin Joint Venture, an interjurisdictional unincorporated body with a work program under the control and direction of the Murray–Darling Basin Ministerial Council. The NSW Minister for Water, Property and Housing, who is also the minister responsible for WAMC, represents NSW on that council and enters into commitments on behalf of NSW.

The NSW contribution to the joint program is allocated to both WAMC and WaterNSW rural bulk water charges.

BRC contributions

The BRC came to be under the New South Wales–Queensland Border Rivers Agreement between the NSW and Queensland governments on 27 August 1946. NSW ratified this agreement with the *New South Wales–Queensland Border Rivers Act 1947*, which is a schedule to that Act.⁸

The purpose of the BRC is to implement the agreement in relation to:

- sharing the waters of the rivers and streams that either form or intersect the boundary between the two states and the associated groundwater resources
- investigating, constructing and operating works to conserve and regulate those waters where considered desirable.

Equal contributions from the Queensland and NSW governments co-fund the BRC in the form of an annual “call-up”, or request for funding. The annual call-up amount is allocated to both WAMC and WaterNSW rural bulk water charges.

⁸ *New South Wales–Queensland Border Rivers Act 1947*, legislation.nsw.gov.au/#/view/act/1947/10

MDBA and BRC budget process and negotiations

IPART has asked stakeholders how important it is to improve incentives for the department to actively negotiate MDBA and BRC contributions to ensure only efficient costs go to WAMC customers.

We have an obligation on behalf of the NSW Government to actively engage in MDBA budget negotiations to ensure that the NSW contribution to the MDBA Joint Programs is reasonable and efficient. Our incentives to negotiate are to make sure that the annual NSW contributions to the Joint Program:

- deliver benefits to NSW water users and the broader community
- are a fair reflection of the impact of NSW consumption on the basin as a whole
- are managed appropriately and efficiently.

Our pricing submission discusses the MDBA and BRC budget process in detail, including the role we play in corporate planning and budget oversight. Detailed paper F of our pricing submission also outlines the proportion of total MDBA joint program and BRC spending we propose to pass on to water licence holders through WAMC water management charges. The detailed paper also describes the method we use to divide contributions between the WAMC and WaterNSW rural bulk water determinations⁹.

Our pricing submission details how the NSW Government is involved at all levels of MDBA budget oversight and decision-making. Our involvement ranges from departmental staff representation on the MDBA joint venture budget and performance committee to the NSW Minister for Water, Property and Housing's place on the Murray–Darling Basin Ministerial Council, which has final sign-off on MDBA budgets. The NSW Cabinet Standing Committee on Expenditure Review also reviews the NSW financial commitments to the MDBA and considers them in the context of the NSW budget position.

Although we cannot publicly share information that informs the MDBA and BRC budget negotiation process, we are providing this information to IPART as part of the WAMC pricing review. This information includes budget proposals (compared with final budgets) and committee meeting minutes. We expect that IPART will use this information to determine the prudence and efficiency of MDBA and BRC costs that we propose to pass on to users.

Finally, the recently completed review of the MDBA River Murray Operations costs details the roles of the MDBA committees and the budget formulation process. The Australian Government commissioned the review in response to concerns from water users and government of the costs of MDBA River Murray operations. The report found that, overall, the costs were reasonable. The report findings are available on the MDBA website¹⁰.

Separate MDBA and BRC charges

IPART has asked stakeholders whether there is merit in setting separate charges to recover MDBA and BRC costs. We address this question in the 'Price structures' section below.

Who should pay for WAMC's costs?

IPART asked:

- Do you agree with the cost share ratios set in the cost share review? If not, for which activities should we modify the cost share ratio? Please specify an updated cost share ratio and explain why it is appropriate.

⁹ Department of Planning, Industry and Environment/NRAR pricing proposal *Detail Paper F—MDBA and BRC*, page 12, www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Rural-Water/Review-of-Water-Management-prices-from-2021?qDh=3

¹⁰ www.mdba.gov.au/sites/default/files/pubs/river%20murray%20operations%20cost%20review.pdf

IPART has noted that its review of cost shares in 2019 was a starting point to determine customer and government shares for the 2021 determination. The regulator has asked expenditure consultant, Cardno, to review these to determine whether circumstances have changed.

IPART provided examples for further investigation, including NRAR's enhanced compliance functions, valley-specific factors and activity consolidation to remove duplication.

We responded to IPART's 2019 review of rural water cost shares. In our response, we acknowledged the timeliness of the review and supported continuing the impactor-pays principle to allocate costs between users and the NSW Government.

For our 2020 WAMC pricing submission, we accepted IPART's 2019 findings and applied the revised user shares to the total revenue requirement to determine the in-principle user and government share. This results in a user share of approximately 84% of the total revenue requirement. Although our proposal to cap price increases at 5% effectively limits the user share to 60%, we continue to support applying the impactor-pays principle to determine user and government shares.

We also considered IPART's view on removing activities from the framework, where the associated costs could be allocated across remaining activities. We made the following adjustments:

- Activity W08-99 Water consent overhead: We maintained IPART's user share of 100% but combined this activity with W09-01 water consent transactions. Combining the activities recognises that consent transaction charges include consent overhead.
- Activity W10-02 Business governance and support: We maintained IPART's user share of 80% but combined this activity with our overhead expenses recognising that all WAMC activities incur business support activities.

Our submission did not recommend altering the user shares IPART proposed in its 2019 review, as we considered that these findings would hold for the 2021 review.

If stakeholders express a strong preference for revising individual activity user shares through consultation, we will consider these views and respond during the public hearing of the WAMC pricing review.

Length of determination

IPART asked:

- Over what determination period (that is, for how many years) should we set prices?
- If we set a shorter period for WaterNSW rural bulk water prices, are there benefits in aligning WAMC's determination period with WaterNSW rural bulk water?
- What are the costs and benefits of setting a one-year period for WAMC to potentially align with WaterNSW rural bulk water? Alternatively, what are the costs and benefits of setting a longer period (for example, five years) and aligning the two determinations at the next review?

Our submission proposes a price determination period of four years from 1 July 2021 to 30 June 2025. We believe a four-year determination achieves the right balance of price stability for water access licence holders and other considerations, including the level of confidence in our forecasts and the possibility that the water sector could significantly change.

In May 2019, IPART agreed to a request from the department to defer its next review of WAMC's water management charges by 12 months. Part of the reason for this request was to align the WAMC and rural valleys bulk water determinations so that rural water customers benefit from a single consultation process for the prices they pay for water. It would also provide customers with more stable prices and greater certainty about their total water bills.

In its submission to the rural valleys (bulk water) price review, WaterNSW has proposed a one-year determination period, with prices capped in real terms, to provide short-term price relief for customers experiencing uncertainty and hardship due to the recent severe drought and the impacts of COVID-19.¹¹

The submission also notes that costs of delivering rural bulk water services to meet customer standards are increasing. WaterNSW argues that a one-year determination will allow time to fully engage with customers to:

- determine and assess the long-term sustainable costs moving forward and customers' willingness and ability to pay for these levels of service
- better understand the practical impacts for customers of uncertainties and challenges and inform its next pricing proposal.¹²

We strongly support a determination period of four years for WAMC. However, we acknowledge that this would mean that it is once again out-of-step with the bulk water determination if IPART agrees to a one-year period. If IPART agrees to the one-year determination period for bulk water prices, then we would support having a determination period of at least four years for WAMC and aligning the two determinations in future price reviews.

We do not support a one-year determination for WAMC. This would be a poor outcome for WAMC users, as it would introduce more price uncertainty and instability when they are facing a step change in the cost of water management services. A one-year determination would also be a negative outcome for WAMC agencies, as it would mean high regulatory costs and funding uncertainty when we are looking to secure revenue to deliver expanded water management functions.

Note that the Matthews report identified that water compliance activities would be more effective with stable and secure funding through IPART processes¹³. A one-year WAMC determination would be inconsistent with the Matthews recommendations for NRAR funding.

Finally, forecasting our services and costs for a period of more than four years would be challenging given the evolving nature of rural water supply and management. However, we prefer the price stability of longer-term determinations to the high regulatory costs and uncertainty of a one-year determination.

Price structures

IPART asked:

- What are your views on WAMC's proposed price structures?

IPART proposes to retain the current price structures in our price including the proposed:

- geographic split of prices by water source
- fixed-to-variable-charge ratio
- single schedule of water management charges, which includes the impact of floodplain harvesting
- continued minimum annual charge.

¹¹ WaterNSW 2021 Rural valleys pricing proposal, page 5.

¹² WaterNSW 2021 Rural valleys pricing proposal, pages 5-6.

¹³ Matthews, Ken, AO, *Independent investigation into NSW water management and compliance—interim report*, September 2017, page 42.

Separate charges to recover MDBA and BRC costs

IPART is considering setting separate charges for MDBA and BRC. Although we support simplifying the WAMC pricing structure in principle, we do not at this time support applying a separate MDBA and BRC charge.

Users are facing price increases and we believe they need to be able to see the drivers of change in the context of the current pricing structure. Our price proposal details these drivers of change. Primarily, they are the cost impacts of enhancing compliance, implementing an expanded regional water strategies program and carrying out water resource reform. Together, these activities increase the total WAMC revenue requirement. We have proposed a 5% cap on price increases each year to manage the impact of the increased costs on customer bills in light of the drought and impacts of COVID-19. The NSW Cabinet Standing Committee on Expenditure Review has considered the budget risks for the NSW Government and endorsed this proposal.

Further, we do not believe the interaction between a separate MDBA and BRC charge, the proposed 5% annual cap on price increases, and the minimum bill have been adequately considered to allow an informed position on customer bills at this time. The relationship with the WaterNSW bulk water MDBA and BRC pass-through charges should also receive further consideration.

If stakeholders indicate a strong preference for a separate MDBA and BRC charge, or pricing reform more broadly, we believe this should be reviewed over the 2021 regulatory period for consideration at the next WAMC pricing review. This will allow enough time to consider the interactions among all rural water management pricing components and the overall impact on customer bills and WAMC revenue.

Cost recovery

IPART asked:

- How should we transition prices to achieve full cost recovery? Or, what is a reasonable price path that would enable transition to full cost recovery?
- How would this affect customer affordability?

We propose capping price increases at 5% per year until water sources reach full cost recovery. We suggest that charges should increase at less than 5% where water sources are approaching full cost recovery.

On page 27 of the issues paper, IPART states that our submission did not clarify which water sources are approaching 100%. We did not refer to specific valleys, as full cost recovery will depend on a range of factors, including IPART's final determination on the efficient revenue requirement and whether IPART accepts our proposed changes to a number of cost drivers¹⁴. For this reason, our principle for cost recovery was that charges should increase at 5% every year, except in valleys close to or at full cost recovery. We believe this approach best balances affordability with our need to secure sustainable revenue to effectively deliver WAMC services.

¹⁴ *Detailed paper D—Principles*, Table 2, page 10, details our proposed cost drivers for the 2021 determination, www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Rural-Water/Review-of-Water-Management-prices-from-2021?qDh=3. Costs drivers are used to allocate WAMC activity costs across IPART's charging valleys. Because we incur costs at an activity level, we need a mechanism to distribute costs across the charging valleys. For the 2021 determination, we believe a number of the cost drivers need to change to align our costs with the location of those users driving the activity cost. We do this in accordance with the impactor-pays principle.

Demand volatility mechanism

IPART asked:

- Do you agree with WaterNSW's proposal to introduce a demand volatility adjustment mechanism for WAMC to address its revenue risk? Should we effectively allocate more risk to customers?

IPART's 2016 *Review of prices for the Water Administration Ministerial Corporation from 1 July 2016—Final Report* stated that at the next determination of WAMC prices (2021), IPART would consider:

'an adjustment to the revenue requirement and prices to address any over- or under-recovery of revenue over the 2016 determination period due to material differences between the level of billable water take over the period and the forecast water take volumes used in making this determination'¹⁵

We do not believe IPART should apply a demand volatility adjustment as part of the current pricing review. Customers are facing price increases from the increased cost of water management, and we would not support applying a revenue adjustment as a result of drought-affected usage over the 2016 determination period. However, we do support considering demand volatility adjustments in future pricing determinations if actual usage varies materially from forecast usage.

In principle, we believe the current split of 70% fixed entitlement and 30% variable usage fairly distributes risk between government and users. We support continuing this split for the 2021 determination.

Changes since we submitted our price proposal

We now have cost estimates for the Gayini (Nimmie–Caira) project

Our price submission proposed recovering the operating and maintenance costs of the Nimmie–Caira enhanced environmental water delivery project (the Nimmie–Caira project) through WAMC prices. But at that time, we had not yet received a breakdown of the efficient infrastructure operation and management costs from the operator. We now have estimates of these costs and wish to include these for consideration as part of IPART's price review.

The Nimmie–Caira project

The Nimmie–Caira project is a supply measure under the Murray–Darling Basin Plan sustainable diversion limit adjustment mechanism (SDLAM). Supply measures allow environmental outcomes to be achieved with less water and include environmental works, such as building or improving river or water management structures and changes to river operating rules.¹⁶

The Nimmie–Caira project began in 2013, when the Australian and NSW governments bought the Nimmie–Caira property and associated water rights in the Murrumbidgee Valley. The project has involved land remediation and infrastructure changes to allow flood events to pass through the property, which will protect ecological values and contribute to NSW's Murray–Darling Basin Plan commitments.

The Australian Government funded this remediation and infrastructure, and the water entitlements were returned to the Australian Government as part of the Basin Plan implementation.

¹⁵ IPART, *Review of prices for the Water Administration Ministerial Corporation from 1 July 2016—Final Report*, 2016, page 23.

¹⁶ For more information on the SDLAM, visit www.industry.nsw.gov.au/water/plans-programs/water-recovery-programs/sustainable-diversion-limits

On 19 December 2019, property ownership transferred to the Nari Nari Tribal Council following a tender process.

WAMC retains ownership of the infrastructure on the property and incurs the operating and maintenance costs of that infrastructure. The Nari Nari Tribal Council will operate and maintain the Nimmie–Caira project under an agreement with the NSW Government and charge the department for this work.

To recover these costs, we propose that WAMC water management charges for the licence holders in the Murrumbidgee Valley include the costs due to be paid to the Nari Nari Tribal Council through existing fixed and variable charges.

Allocating costs to users within the Murrumbidgee Valley applies the impactor-pays principle, reflecting that environmental releases are required within the valley to mitigate water use by other licence holders. In addition, the Murrumbidgee Valley users receive considerable benefits, through the potential for increased water allocations, due to more efficient use of environmental water. The costs will be included in activity W07-01 Water management works. Therefore, 80% of the costs are allocated to users (according to the impactor-pays principle) and 20% to the government to reflect the wider benefits the project is generating for the community.

Operation and maintenance requirements and costs

The requirements and procedures for effectively operating and maintaining the infrastructure of the Nimmie–Caira project relate to the following infrastructure:

- earthworks
 - channels and channel upgrades
 - water storage and waterway embankments
 - causeways
 - cuts and existing cuts
- structures
 - regulators
 - culverts.

Table 1 shows estimated operating and maintenance costs from discussions with the Nari Nari Tribal Council.

Table 1. WAMC operating and maintenance costs for the Nimmie–Caira project

Cost component	Yearly fee to WAMC
Telemetry	\$61,634.90
Operation and maintenance on WAMC assets	\$35,000
Operating costs during events (assume two events per year)	\$30,000
Total costs to recover	\$126,634.90

Implications for cost recovery of other SDLAM projects

The proposed approach for recovering costs of the Nimmie–Caira project will set a precedent for subsequent SDLAM projects in future price determinations.

Historically, the Australian Government has contributed only to up-front costs of Basin Plan implementation projects. The states pay ongoing operating and maintenance costs.

The next stage of projects to adjust sustainable diversion limits in the southern basin is currently in development.

NSW is in ongoing negotiations with the Australian Government regarding funding for subsequent stages of the SDLAM program. NSW has argued that the Australian Government should pay for all costs of these projects because:

- the Basin Plan is an Australian Government policy instrument, and the *Water Act 2007* assigns financial responsibility for water recovery to the Australian Government
- the Australian Government has previously agreed to bear the costs of Basin Plan implementation
- the Australian Government is investing in offsets projects instead of water entitlements (to meet sustainable diversion limits); it therefore stands to make substantial ongoing savings by avoiding fees and charges from holding an additional 605 GL of water entitlements.

If NSW succeeds in these negotiations, we will immediately advise IPART.

We have included additional groundwater assessment costs in consent transaction fees

WAMC activity W09-01, Water consent transactions, are fee-for-service activities that NRAR and WaterNSW perform to manage the issue, trade and amendment of water access licences, water allocations and work approvals.

NRAR processes applications for large licence holders, accounting for 5% of applications and 40% of water take. WaterNSW processes the remaining 95% of applications. Applicants for the services pay a fee that aims to reflect the transaction costs, based on the impactor-pays principle.

Our submission proposed separate schedules for consent transactions managed by NRAR and by WaterNSW, because each agency has different customers and activities.¹⁷

In its issues paper, IPART agrees with NRAR and Water NSW's proposal to continue setting prices for consent transaction charges on a cost-reflective basis. IPART also states that it will consider the merit of having two separate schedules of charges to the extent this improves transparency and supports cost reflectivity.

Department of Planning, Industry and Environment's role in consent transactions

For consent transactions relating to groundwater licences, works, allocations and trades, the department performs a number of tasks and incurs costs associated with assessing the impacts of these activities on groundwater sources.

Groundwater assessments are critical to:

- ensure the long-term sustainability of water access to users so they can make business decisions and have security in their investments
- avoid depletion of groundwater resources that may permanently impact the storage capacity of the aquifer or water quality
- minimise third-party impacts of increased extraction from a particular location (groundwater users and surface water users in connected systems)
- ensure groundwater-dependent ecosystems and river flows and dependent aquatic ecosystems are not subject to unacceptable impacts from groundwater extraction.

Proposed consent transaction fees

In its WAMC pricing proposal, WaterNSW proposed a schedule of consent transaction fees that exclude Department of Planning, Industry and Environment groundwater assessment costs. WaterNSW acknowledged that the department incurs groundwater assessment costs in handling consent applications processed by WaterNSW. However, WaterNSW contended that these costs

¹⁷ Department of Planning, Industry and Environment/NRAR, *Pricing proposal* (to IPART on behalf of WAMC), June 2020, pages 69–71.

should be included the departmental/NRAR price proposal¹⁸. This is inconsistent with the approach NRAR has taken. NRAR has included the department's groundwater assessment costs in its schedule of proposed charges. For consistency and cost reflectivity, we propose that the department's groundwater assessment costs be included in both sets of consent transaction fees.

Table 2 through to Table 5 show the proposed schedule of WaterNSW consent transaction charges with an added column for Department of Planning, Industry and Environment groundwater assessment costs and the resulting proposed total charges. We have included this here to ensure that water users and other stakeholders have transparency and access to complete information.

As part of the current pricing review, we have provided more detail to IPART and Cardno on the processes and resource requirements driving the proposed groundwater assessment costs. We expect that IPART will consider this information when determining the efficient and prudent consent transaction charges to include in the draft determination.

The costs in the tables relate to groundwater assessments only and would apply to groundwater consent transaction activities. Where a consent transaction activity includes both groundwater and unregulated water sources, or covers all water sources, our proposal is to adjust consent transaction charges for groundwater applications only.

Table 2. Proposed WaterNSW consent transactions with proposed groundwater assessment costs for any new water access licence

Consent transaction activity	Current charge Online lodgement	Current charge No online lodgement	WaterNSW proposed charge 2021–22 to 2024–25	Department cost 2021–22 to 2024–25	Total proposed charge 2021–22 to 2024–25
Zero share	\$308.56	\$344.64	\$685.72	N/A	\$685.72
Controlled allocation	\$308.56	\$344.64	\$898.72	\$3,147.62	\$4,046.34
Other	\$308.56	\$344.64	\$861.72	N/A	\$861.72

Table 3. Proposed WaterNSW consent transactions with proposed groundwater assessment costs for water access licence dealings

Consent transaction activity	Current charge Online lodgement	Current charge No online lodgement	WaterNSW proposed charge 2021–22 to 2024–25	Department cost 2021–22 to 2024–25	Total proposed charge 2021–22 to 2024–25
Dealings—regulated rivers	\$337.36	\$371.85	\$937.41	N/A	\$937.41
Dealings—unregulated rivers and groundwater	\$1,080.60	\$1,116.69	\$2,995.11	\$3,147.62	\$6,142.73

¹⁸ *WaterNSW Pricing Proposal to the Independent Pricing and Regulatory Tribunal—Water Licensing and Monitoring Services from 1 July 2021*, Section 14.6.5.1 Excluded expenses, page 130.

Consent transaction activity	Current charge Online lodgement	Current charge No online lodgement	WaterNSW proposed charge 2021–22 to 2024–25	Department cost 2021–22 to 2024–25	Total proposed charge 2021–22 to 2024–25
Dealings—unregulated rivers and groundwater with low risk	\$491.55	\$526.03	\$1,357.21	N/A	\$1,357.21
Dealings—administrative	\$217.86	\$253.94	\$599.50	N/A	\$599.50

Table 4. Proposed WaterNSW consent transactions with proposed groundwater assessment costs for water allocation assignments

Consent transaction activity	Current charge Online lodgement	Current charge No online lodgement	WaterNSW proposed charge 2021–22 to 2024–25	Department cost 2021–22 to 2024–25	Total proposed charge 2021–22 to 2024–25
Unregulated rivers and groundwater	\$337.36	\$371.85	\$50	\$177.80	\$228

Table 5. Proposed WaterNSW consent transactions with proposed groundwater assessment costs – Approvals

Consent transaction activity	Current charge Online lodgement	Current charge No online lodgement	WaterNSW proposed charge 2021–22 to 2024–25	Department cost 2021–22 to 2024–25	Total proposed charge 2021–22 to 2024–25
New or amended works and/or use approval	\$2,020.84	\$2,056.92	\$5,562.17	\$3,147.62	\$8,709.79
New or amended works and/or use approval—low risk	\$1,075.78	\$1,111.86	\$3,013.75	N/A	\$3,013.75
New basic rights bore approval	\$389.34	\$425.42	\$1,104.44	\$178	\$1,282
Amended approval—administrative	\$217.86	\$253.94	\$663.25	N/A	\$663.25
Extension of approval—lodged before expiry date	\$221.00	\$257.08	\$637.95	N/A	\$637.95

Consent transaction activity	Current charge Online lodgement	Current charge No online lodgement	WaterNSW proposed charge 2021–22 to 2024–25	Department cost 2021–22 to 2024–25	Total proposed charge 2021–22 to 2024–25
Extension of approval—lodged after expiry date	N/A	\$428.47	\$1,179.05	N/A	\$1,179.05

We will also re-examine the groundwater assessment costs that the department sought to include in the NRAR schedule of consent transaction charges in the June submission. Since the June submission, the department has noted an inconsistency in the way it has distributed groundwater assessment costs between NRAR and WaterNSW. We will therefore ask Cardno to review the fee schedules to ensure that appropriate groundwater assessment costs are applied consistently across the WaterNSW and NRAR schedules of charges.

Clarifications and corrections

We have identified two inaccuracies in IPART's issues paper relating to our proposed changes to the allocation of MDBA and BRC costs.

Level and split of spending to recover BRC costs is incorrect

Section 2.2.2 of IPART's issues paper states:

in relation to the BRC contributions, the Department of Planning, Industry and Environment proposes expenditure of \$10.9 million (a 95.6% increase on the 2016 allowance, albeit off a relatively small base). Currently, the NSW Government recovers from customers around 35% of BRC contributions from the WAMC price determination and 65% from the WaterNSW rural bulk water price determination. The split is based on historical natural resource management and river operations costs.

For the 2021 determination period, the department proposes to revise this split (28% to WAMC and 72% to WaterNSW rural bulk water), reflecting the BRC's forward work plan. This change would make WAMC's BRC contribution around \$3.0 million, almost double its 2016 allowance.¹⁹

Our submission notes that the total NSW contribution to the BRC is \$7.2 million over the four-year regulatory period (\$1.8 million per year).

Also, our submission proposed a change to cost sharing between the agencies that would result in 42% being recovered from WAMC customers and 58% from rural bulk water customers. The issues paper correctly states that this would make the WAMC share around \$3 million over the four years (\$760,000 per year).

The 28%–72% split IPART quotes appears to reflect the share of the combined MDBA and BRC contributions between WAMC and rural bulk water. This error does not affect the proposed WAMC prices. However, we think stakeholders should be aware of the actual split we propose, particularly as stakeholders are being asked to comment on the efficient amount of MDBA and BRC costs.

¹⁹ IPART *Review of Water Management Prices from 1 July 2021 Issues Paper*, page 16.

Total MDBA and BRC amount in the WaterNSW rural bulk water issues paper is incorrect

Table 6 recreates Table 3.1 from page 20 of IPART's *Review of WaterNSW's rural bulk water prices from 1 July 2021* and shows the combined MDBA and BRC costs in the rural bulk water revenue requirement. This amount is incorrect and appears to be the combined amount to be included in both WaterNSW rural bulk water and WAMC revenue requirements. The correct amount should be \$25 million per year on average. IPART has advised that the error affects the government share of costs and will not affect WaterNSW rural bulk water prices. However, we think stakeholders should be aware of the correct total amount to be included.

Table 6: Recreation of Table 3.1 from *Review of WaterNSW's rural bulk water prices from 1 July 2021*

Item	Yearly average over 2017 determination	2021-22	2022-23	2023-24	2024-25	1-year difference	4-year difference
Operating expenditure ^a	38.4	51.8	50.3	54.2	63.0	35%	36%
IDC rebates ^b	1.4	1.4	1.4	1.3	1.3	2%	-4%
Return of capital	17.7	21.2	21.8	22.7	23.7	20%	26%
Return on capital	28.9	18.2	18.8	19.3	20.1	-37%	-34%
Tax allowance	1.0	0.5	0.5	0.4	0.5	-49%	-53%
UOM payback ^c	1.9	1.5	1.5	1.5	1.5	-19%	-20%
Volatility allowance ^d	0	2.3	2.3	2.3	2.3	67%	67%
MDBC and BRC costs	20.6	32.8	35.0	35.0	35.1	59%	67%
Total costs	109.7	129.7	131.5	136.8	137.4	17%	20%
User share	72.4	96.2	98.0	102.9	103.3	29%	34%
Government share	37.3	33.4	33.6	33.9	34.0	-8%	-7%

^a In its pricing proposal and Annual Information Return, Water NSW presents proposed operating expenditure that includes the costs for RTP (or volatility allowance). This table presents the proposed operating expenditure without the costs for RTP and presented a separate line item for RTP costs.

^b Irrigation corporations and districts (ICDs) receive water from Water NSW and on supply it to end use customers. They receive a discount on Water NSW charges because they undertake some functions on Water NSW's behalf, such as metering and billing.

^c The Unders and Overs Mechanism (UOM) was introduced in the 2014 ACCC determination to account for over- or under recovery of revenue due to water sales uncertainty. We discontinued this mechanism in the 2017 Determination and decided to recover the outstanding balance of this mechanism over 12 years.

^d Volatility allowance are costs associated with the RTP. Note: Return on capital includes return on working capital which has been adjusted for IPART's updated working capital policy. Source: Water NSW and IPART calculations.

We have updated our inland water sharing plan review, audit and replacement program

Our price submission (Detailed paper E) sets out schedules for review, audit, replacement and amendment of inland water sharing plans over the 2021 regulatory period.²⁰

Since we submitted our price proposal, there have been changes to the water sharing plan review, audit and replacement program. We have updated the schedule to reflect these changes so that our publicly available information is accurate and consistent. Key changes are:

- some inland water sharing plan replacements and amendments commenced on 1 July 2020, which changes the review and audit dates for plans going forward
- some unregulated water sharing plans have been amended to remove alluvial water sources in line with Basin Plan requirements
- additional work will be necessary to consider the Natural Resources Commission (NRC) review recommendations for the NSW Border Rivers regulated, Barwon–Darling and Peel plans before they are replaced
- some groundwater plans merged when replacement groundwater plans commenced on 1 July 2020, which affects their audit schedule
- some regulated river plans are scheduled for audit in 2021; however, these plans are likely to be replaced in 2021, which will reset the audit time frame to outside this IPART period
- two additional plans have been included for replacement or amendment because they were previously inadvertently omitted.

Table 7 through Table 8 show the updated program for reviewing, auditing, replacing and amending inland water sharing plans.

Table 7. Schedule of inland unregulated river water sharing plan reviews and replacements

Water sharing plan	Commenced on	Ceases on	Current NRC review date ²¹	Anticipated activities during IPART determination period
Castlereagh unregulated	1 Oct 2011	30 June 2022	2022	Review and replace plan Implement any relevant regional water strategy recommendations
Intersecting streams unregulated	14 Nov 2011	30 June 2022	2022	Review and replace plan Implement any relevant regional water strategy recommendations
Lower Murray–Darling unregulated	30 Jan 2012	30 June 2022	2022	Review and replace plan Implement any relevant regional water strategy recommendations
Murray unregulated	30 Jan 2012	30 June 2022	2022	Review and replace plan Implement any relevant regional water strategy recommendations
North Western unregulated and Fractured Rock	1 Oct 2011	30 June 2022	2022	Review and replace unregulated component of plan Implement any relevant regional water strategy recommendations

²⁰ Department of Planning, Industry and Environment/NRAR price submission, Detailed paper E, pages 98–102.

²¹ Year 10 date.

Water sharing plan	Commenced on	Ceases on	Current NRC review date ²¹	Anticipated activities during IPART determination period
NSW Border Rivers unregulated	1 June 2012	30 June 2022	2022	Review and replace plan Mole River Dam rule development Implement any relevant regional water strategy recommendations
Gwydir unregulated	3 Aug 2012	30 June 2023	2023	Review and replace plan Implement any relevant regional water strategy recommendations
Lachlan unregulated	14 Sep 2012	30 June 2023	2023	Review and replace plan Implement any relevant regional water strategy recommendations
Macquarie Bogan unregulated	4 Oct 2012	30 June 2023	2023	Review and replace plan Implement any relevant regional water strategy recommendations
Murrumbidgee unregulated	4 Oct 2012	30 June 2023	2023	Review and replace plan Implement any relevant regional water strategy recommendations
Namoi unregulated	4 Oct 2012	30 June 2023	2023	Review and replace plan; possible inclusion of Dungowan Dam provisions Implement any relevant regional water strategy recommendations
Barwon–Darling unregulated	4 Oct 2012	30 June 2023	Review complete	Replace plan Implement any relevant regional water strategy recommendations

Table 8. Schedule of inland groundwater water sharing plan audits, reviews and replacements

Water sharing plan	Commenced on	Ceases on	Current NRC audit date ²²	Current NRC review date ²³	Anticipated activities during IPART determination period
Darling Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
Gwydir Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
Lachlan Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
Macquarie Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations

²² Within the first five years; currently, year 5 date shown.

²³ Within the first five years; currently, year 5 date shown.

Water sharing plan	Commenced on	Ceases on	Current NRC audit date ²²	Current NRC review date ²³	Anticipated activities during IPART determination period
Murray Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
Murrumbidgee Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
Namoi Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations Amendment for Cockburn alluvial water source
NSW Border Rivers Alluvial	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
NSW Great Artesian Basin	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
NSW Great Artesian Basin Shallow	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
NSW Murray–Darling Basin Fractured Rock	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
NSW Murray–Darling Basin Porous Rock	1 July 2020	30 June 2030	2025	2030	Audit Implement any relevant regional water strategy recommendations
North Western unregulated and Fractured Rock	1 Oct 2011	30 June 2022	N/A	2022	Review and replace groundwater component of plan Implement any relevant regional water strategy recommendations

Table 9. Schedule of inland regulated river water sharing plan audits, reviews and replacements

Water sharing plan	Commenced on	Ceases on	Current NRC audit date ²⁴	Current NRC review date ²⁵	Anticipated activities during IPART determination period
Murray and Lower Darling regulated	1 July 2016	30 June 2026	2019 Review by Alluvium Consulting	2026	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements.

²⁴ Within the first five years; currently, year 5 date shown.

²⁵ Within the first five years; currently, year 5 date shown.

Water sharing plan	Commenced on	Ceases on	Current NRC audit date ²⁴	Current NRC review date ²⁵	Anticipated activities during IPART determination period
Murrumbidgee regulated	1 July 2016	30 June 2026	2021	2026	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements.
Peel regulated	1 July 2010	1 July 2020	N/A	2026	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements. Further amendments may be required to implement recommendations arising from NRC review.
Border Rivers regulated	1 July 2009	30 June 2021	N/A	2021	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements.
Namoi regulated	1 July 2016	30 June 2026	2021	2026	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements.
Gwydir regulated	1 July 2016	30 June 2026	2021	2026	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements.
Lachlan regulated	1 July 2016	30 June 2026	2021	2026	Anticipate replacement in 2021 Replacement in line with water sharing plans submitted as part of water resource plan packages. May require additional amendment to meet accreditation requirements.
Belubula regulated	4 Oct 2012	30 June 2023	N/A	2023	Review and replacement in 2023 May require some additional amendments to meet accreditation requirements. Implement any relevant regional water strategy recommendations

Impact on outputs and costs

The changes to the water sharing plan audit, review and remake program will cause a reallocation of resources, but the overall work required for this activity and the costs of delivering

it will not change. The work will move from plan review for a small number of plans to plan replacement and amendment instead. Consultation will be required for any additional changes to plans as a result of changes from NRC report recommendations.

We now expect the target number of water sharing plans for review, remake or extension in the 2021 regulatory period to be 15 instead of 18.

Table 9 shows proposed output measures and performance indicators for the 2021 regulatory period.

Table 10. Proposed output measures and performance indicators for the 2021 regulatory period

Proposed output measure	Performance indicator
<p>Water sharing plans reviewed and remade or extended for 10 years in accordance with Section 43A of <i>Water Management Act 2000</i>, as they expire</p> <p>Target: 15 water sharing plans over five years (56% of the total inland water sharing plans)</p> <p>Outstanding within-plan-term amendments are assessed and either resolved or scheduled to be addressed in the plan remake process.</p> <p>Five water sharing plans will be audited in accordance with Section 44 of the <i>Water Management Act 2000</i>.</p>	<p>Requests made to the NRC to conduct a review of plans due for expiration by year 7 of the plan.</p> <ul style="list-style-type: none"> • Target: 100% <p>Draft changes to plans are available on the Department of Planning, Industry and Environment website for public consultation for a minimum of 40 days</p> <ul style="list-style-type: none"> • Target: 100% <p>Conduct targeted and public consultation for each water sharing plan that is being amended or remade after the NRC review</p> <ul style="list-style-type: none"> • Target: 100% <p>Fact sheets outlining proposed changes to plans and issues raised in submissions are available during consultation</p> <ul style="list-style-type: none"> • Target: 100% <p>Final plans are available on the NSW legislation website.</p> <ul style="list-style-type: none"> • Target: 100%

Impact on proposed revenue and prices

Our proposal to include the Nimmie–Caira operating and maintenance costs in the WAMC revenue requirement will have minimal impact on the total WAMC revenue requirement, increasing the total four-year revenue requirement from \$345 million to \$345.5 million. Given the Murrumbidgee valley is not expected to reach full cost recovery by 2024–25 under 5% per year capped prices, our proposal to include Nimmie–Caira costs in the Murrumbidgee revenue requirement will not affect our proposed prices.²⁶

²⁶ IPART *Review of water management prices from 1 July 2021 issues paper*, page 29. Regulated Murrumbidgee is forecast to be at 97% cost recovery by 2024–25; unregulated Murrumbidgee is expected to be at 56% by 2024–25.