



18 August, 2020

Independent Pricing and Regulatory Tribunal

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WaterNSW Rural Bulk Water Prices – Length of Determination

Introduction

Lachlan Valley Water (LVW) welcomes this opportunity to make a submission to IPART on whether the length of the price determination for WaterNSW bulk water prices should be 1 year or 4 years from 1 July 2021.

Lachlan Valley Water is the peak valley-based industry organisation representing more than 400 surface water and groundwater users in the Lachlan and Belubula valleys. We represent all categories of water licences except for those held by environmental water managers.

Overview

Lachlan Valley Water does not support WaterNSW's proposal to set prices for a 1-year period from July 2021 to June 2022, and then to go to a 4-year determination. We would prefer the current determination to set prices for a 4-year period from 2022 to 2026.

WaterNSW has stated in their submission that they are proposing a one year determination to provide short-term pricing relief for customers and to provide an opportunity for extensive customer engagement for the next pricing proposal, but we want to clarify that customers in this valley have not requested a deferral of the 4-year determination.

Submission

Delay in preparing submission

WaterNSW has known since 2017 that their next pricing submission was due by 30 June 2020 and our view is that they have had the capacity to develop their pricing proposal and undertake effective consultation with customers during that time.

While drought has put pressure on irrigators, and the recent impact of COVID-19 has caused disruption to normal operations for both WaterNSW and their customers, businesses have also had to adjust to dealing with the changing conditions.

Based on the information provided to customers so far, it is not clear to us whether WaterNSW will be in a significantly better position over the next 12 months to forecast efficient costs for the following 4 years, and to provide detailed information to customers in time for them to carry out effective consultation. Our experience with consultation on pricing is that customer representatives need enough time to analyse detailed pricing data and understand how the options affect the range of customers they represent, in order to provide an informed response.

Engagement with customers

WaterNSW's submission states that it is committed to meaningful engagement with customers and stakeholders, and that their consultation on Rural Valleys activities commenced as part of the February 2019 Customer Advisory Group (CAG) meetings. However, our experience is that there has been little consultation and it has been more a process of WaterNSW providing information to the CAGs.

The February 2019 meeting of the Lachlan CAG was advised that the pricing submission to IPART was due by 30 June 2020 and that WaterNSW would be seeking customer involvement in price modelling in early 2019.

At the July 2019 meeting of the Lachlan CAG it was restated that the submission to IPART was due by 30 June 2020. WaterNSW also advised that they had engaged the New Democracy Foundation to engage with customers using a jury approach, and the CAG members asked for more information on how this would operate.

The October 2019 meeting was informed that WaterNSW had requested a 1-year deferral of their pricing submission due to drought conditions, and while the CAG accepted this, it was not the result of a request from CAG members. The CAG members also raised concerns about how the customer jury process would work, given that 7 meetings would be required, and questioned whether the jury composition would reflect the customer base.

In February 2020 we were advised WaterNSW were seeking a 2-year deferral, and that WaterNSW were also seeking customer approval for such deferral, which the Lachlan CAG supported. At that meeting WaterNSW provided some high level principles on pricing around transparency, cost reflectivity and value for money. However, as stated earlier our view is that effective consultation on pricing requires provision of detailed information by WaterNSW to allow customers the ability to work through the data and evaluate whether the costs are efficient and what the impacts on customers will be.

Summary

Thank you for the opportunity to provide input on the preferred length of the pricing determination, which Lachlan Valley Water would prefer to cover a 4-year period. Please feel free to contact me if you have any queries about this submission.

Yours faithfully



Mary Ewing
Executive Officer