

**19 May 2017**

Erin Cini  
Director – Water Licensing and Compliance  
Independent Pricing and Regulatory Tribunal

via electronic mail: [compliance@ipart.nsw.gov.au](mailto:compliance@ipart.nsw.gov.au)

Dear Ms Cini,

**Re: NSWIC Submission to 2016-17 Operating Licence Audit – WaterNSW**

The NSW Irrigators' Council (NSWIC) appreciates the opportunity to provide feedback to the Independent Pricing and Regulatory Tribunal's (IPART) annual operating licence audit for WaterNSW. We understand that IPART will use this annual audit as an opportunity to compare the business operation of Sydney Water Corporation, Hunter Water Corporation and WaterNSW's against the respective operating licence conditions for the period 1 July 2016 to 30 June 2017. NSWIC's submission will exclusively focus on WaterNSW's operation against its licence conditions.

NSWIC acknowledges that the operating environment for WaterNSW has changed significantly since the *Water NSW Amendment (Staff Transfer) Bill* passed the NSW Parliament in May 2016. The bill enabled WaterNSW to carry out functions of the Water Administration Ministerial Corporation (WAMC) relating to water delivery, customer transaction dealings, in-field services and resource management for groundwater and unregulated surface water. From 1 July 2016, WaterNSW is therefore the central agency responsible for billing customer for WAMC functions which were determined by IPART in June 2016.

In response to this reform process, NSWIC has sought greater regulatory oversight and transparency around the various WAMC functions that have been transferred to WaterNSW. NSWIC have also called for a clearer delineation of responsibilities between both agencies to ensure that the charges paid for by irrigators' (i.e. under both pricing determinations) are accurate, efficient and equitable. It has been NSWIC view that IPART should consider reviewing its 2016 final WAMC determination to ensure that the pricing determination accurately reflects this new operating environment for WaterNSW and; that any efficiency savings from the transfer of functions are passed on to irrigators. As part of this operating licence audit, NSWIC hopes IPART will factor in this new operating environment and review WaterNSW's performance, in particular any achieved efficiency savings from the transfer of functions between WAMC and WaterNSW.

In respect other concerns, NSWIC would like to draw IPART's attention to the following issues:

NSWIC has been alerted to some concerns around the lack of information and engagement by WaterNSW with its Customer Service Committees (CSC). NSWIC understands that IPART is currently reviewing WaterNSW's operating licence and is considering replacing the CSC with new Customer Advisory group (CAG) from 1 July 2017. Irrespective of the potential change, NSWIC is concerned that the advisory role of the CSC, as referred to in sections 5.1.1 and 5.1.3 of the operating licence, is being diluted through a lack of technical information that is provided to the CSC, in particular around significant organisational and policy issues such as asset management, pricing and pilot studies. According to feedback from NSWIC's members, the level of information is often insufficient to allow for informed input by the CSC.

An example about the failure for appropriately engage with the CSC (and broader stakeholders) was found in the recent WaterNSW's pricing application to IPART. It is NSWIC's understanding that WaterNSW attributed additional capital expenditure in the Namoi valley (i.e. Gunidgera Weir upgrade) into its pricing application even though WaterNSW's transferred the work to Walgett Weir (whilst not consulting with its customers). In NSWIC's view there has been clear failure in the consultation process which should not have occurred. Furthermore, as a consequence of WaterNSW's new approach to the Asset Management System, there has

been less ability for the CSCs to review and advise on asset management priorities, leading to concerns about the efficiency of future capital expenditure projects that are paid for by irrigators.

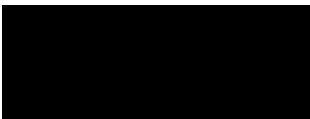
In addition, WaterNSW undertook preliminary consultations with the CSC on the approach to pricing and tariff structures in early 2016, and provided draft valley pricing information in April 2016. While NSWIC's members who are members of the CSC appreciated the consultation, the actual process and timing was not suitable to consider a major change in approach – particularly due to a lack of detailed information. The Lachlan CSC for example, was provided with the potential draft regulated water charges under three different tariff ratio scenarios (40:60; 60:40; 80:20) but given only limited time to consider the various options, having regard to the significant impacts for licence holders.

Also, NSWIC is aware that WaterNSW is working on a range of pilot projects that are related to the Federal water reform process (i.e. the Sustainable Diversion Limit Adjustment Mechanism). Members of NSWIC have raised concerns around the transparency of the project and business case development. As WaterNSW's customers will likely need to pay a share for these projects, it is crucial that appropriate and detailed stakeholder consultation is conducted **early** and that the business cases and final costs are made public by WaterNSW. To date, this has not occurred.

Finally, NSWIC is concerned about the unclear delineation of responsibilities around metering in NSW. In the case of the NSW South Coast, NSWIC members have been waiting for meter repairs and calibration in the unregulated Bega/Bemboka system but are not certain which agency is responsible for this work. As this work is critical for the appropriate implementation of water sharing plan obligations in the valley, NSWIC seeks IPART's assistance through this audit to make this process more transparent. In addition, further clarity must be provided around the determination of appropriate meter reading frequency.

Thank you again for the opportunity to discuss the operating licence audit. Please do not hesitate to contact us on [REDACTED] if you wish to discuss any aspect of this letter in more detail.

Yours sincerely,

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Stefanie Schulte

Policy Manager  
NSW Irrigators Council