

19 October 2020

Dr Paul Paterson
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Dear Dr Paterson,

Water Management Prices from 1 July 2021: Issues Paper

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon people who are marginalised and facing disadvantage. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to comment on the Independent Pricing and Regulatory Tribunal's (IPART) Water Management prices from 1 July 2021.

PIAC will make more detailed comment on the efficiency of Water Management expenditure after the consultant's report is presented to IPART. We note the following key principles in response to issues raised in the paper.

Monitoring, enforcement and faith in the market

Faith in water markets and the management of water in NSW has been undermined by inadequate monitoring and enforcement. A series of independent reports^{1 2} have highlighted:

- inadequate consistency in metering;
- a lack of reliable, transparent information on key water market parameters;
- inadequate and inconsistent independent monitoring; and
- inadequate and inconsistent enforcement.

Addressing these issues is fundamental to enabling efficient water management and the effective operation of water markets for users. PIAC considers the proposed cost increases would be appropriate only to the extent that they address these issues. On an ongoing basis,

¹ Ken Matthews AO '[Independent investigation into NSW water management and compliance: final report](#)', 21 November 2017.

² Ombudsman NSW '[Water compliance and enforcement: special report to Parliament under section 31 of Ombudsman act 1974](#)' 17 August 2018.

monitoring, enforcement and the provision of transparent information to users must be key water management priorities.

Cost sharing and pricing

PIAC supports cost sharing and pricing according to established principles:

- Risks and related costs should be borne by those best placed to manage them.
- Those benefiting from an asset or service should pay for it.
- Those impacting upon costs should pay to cover them.

To the extent water management costs are increasing to restore transparency, monitoring and enforcement, it may be appropriate that a higher proportion should be borne by the Government. The long term share of these costs paid by users should be determined through an assessment of the efficient level of expenditure and in accordance with user preferences determined through transparent engagement processes.

Consultation and engagement

PIAC strongly supports the central role of stakeholder engagement in determining and responding to the interests and preferences of water users. Investment decisions, operational focus and pricing proposals must align with the interests of users. This proposal includes increased costs related to service provision, information provision, and operational expansions, which may create significant costs to users.

It is not clear to PIAC that the stakeholder engagement conducted to date is sufficient to support this. We recommend IPART assess the scope and depth of engagement on an issue-by-issue basis as part of the determination of the user share of increased costs in this proposal.

Ongoing, meaningful stakeholder engagement processes must be undertaken to determine appropriate long term cost sharing, particularly in relation to monitoring, enforcement and information provision.

Further engagement

PIAC would welcome the opportunity to discuss these issues in more depth with IPART and other stakeholders. Please do not hesitate to contact Douglas McCloskey on [REDACTED]

Yours sincerely,

Douglas McCloskey

Policy Officer, Energy and Water
Public Interest Advocacy Centre

[REDACTED]