

## Stakeholder Response

### Murray Irrigation

The discussion-kit outlines the difficult problems facing WaterNSW when it comes to balancing service and cost into the future. We're seeking feedback on the key issues we've highlighted as well as in answer to the question "How can we meet your need for water?"

You can complete more than one template based on the issues you wish to respond on, noting we must cap input at one page, being a word count of 450 words. A draft outline is included in the draft booklet attached.

#### Fixed Cost v Revenue variability:

Selected issue: \_\_1. We need to consider a number of factors when setting the ratio such as certainty, fairness and value. Which of these is most important to you?

What is your view?

In establishing the environment for a constructive discussion regarding issues such as this one, WaterNSW needs to demonstrate it is an efficient and trustworthy delivery partner. The recent request to IPART for very large price increases in the NSW Murray did not help this cause!

Certainty, fairness and value are all important. *Value* needs to be clearly demonstrated by WaterNSW against a backdrop of service providers in a wide range of (competitive) service industries improving their service levels AND reducing cost of services.

Certainty is important, particularly the certainty that WaterNSW will not seek to increase charges for some services provided by very large amounts, and the certainty that WaterNSW will not attempt to transfer large increases in MDBA costs to water users without a clear understanding of the costs, and the impact the increases will have on many users. Certainty of income to WaterNSW is less important than fair pricing policy.

On this subject what do readers need to consider before forming a view?

A State owned business should value all three attributes of certainty, fairness and value. Why try and establish ratios for three attributes that are all important?

Is *certainty* code for higher fixed charges, something state water has been seeking for years?

How is value assessed and then established in a non-competitive environment for a monopoly business with limited customer representation on the board?

In terms of fairness, will Water NSW treat the views of Murray Irrigation with the appropriate level of importance in a discussion about prices and tariff design, given the Murray Irrigation customers collectively use more than half the water consumed in the NSW Murray, and endure highly variable water allocations and incomes ?

On this subject what core questions do you see unanswered?

Fairness: How are WaterNSW going to make sure the irrigators within MIL are not simply 'lumped together' as one customer with only a 'minority view', when they are such a huge part of the Murray usage and indeed the state income for WaterNSW?

Value: Why do WaterNSW continue to accept the massive MDBA charges and charge increases, borne mostly by NSW Murray users, without question?

Certainty: Are Water NSW prepared to commit to understanding the NSW Murray issues regarding the large MDBA charges proposed at almost every IPART determination, and act to seek a fairer solution that provides more price certainty for NSW Murray customers?

How will water NSW demonstrate value in service delivery?

Can WaterNSW give Murray Irrigation confidence that the Murray Irrigation Ltd views on pricing and tariff design are appropriately and *fairly* considered given the very high proportion of NSW Murray water used within MIL ?

Why is the credit rating of WaterNSW an issue when it is clearly a government business which includes the super-stable income of supplying Sydney Water?

Why can't WaterNSW suffer significant income variability, particularly for irrigators with highly variable allocations? They are much better equipped to wear income variability than NSW Irrigation Corporations such as Murray Irrigation, or individual irrigation-farm businesses. A usage based income also sends a financial message to governments regarding the importance of factors that impact the reliability to the General Security Water Entitlements- especially the factors that they can influence with policy changes.

Selected issue: *\_When adjusting for fairness, we need to decide if some users should pay more than others and how. How do you think we should determine what is fair?*

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What is your view?

Murray Irrigation is simply one customer for WaterNSW. In some years it is a very large customer. However, Murray Irrigation's 1200 family farmers often feel that it is unfair for WaterNSW to charge anything at all for a wide variety of customer services that are almost 100% internally provided by Murray Irrigation (**for example:** collation of individual water orders, meter ownership and maintenance, meter reading and billing, water information, water price information, water supply (turning supply on and off), NRM monitoring and reporting , water quality warnings). In the last 20 years the cost of DPIE, WaterNSW and StateWater charges per ML available has been lower for NSW Murray High Security users than for General Security users. Despite this apparent unfairness, the pricing difference per entitlement and per ML used has change very little in 20 years.

On this subject what do readers need to consider before forming a view?

It is likely irrigators within Murray Irrigation feel there is an ongoing unfairness being applied to water pricing by WaterNSW . The current level of cross subsidisation from irrigators within the traditional irrigation areas probably remains high despite a nominal discount being applied. A transparent review and understanding of the real costs of service to customers by WaterNSW is important before sensible options can be put forward to customers on how these costs are shares or socialised. The price charged for water supply services in the NSW Murray and the Murrumbidgee is moving further apart. Irrigators need to understand and consider why, given the similarity of infrastructure and services in these two large regulated River systems. Simply claiming "there is nothing WaterNSW can do about MDBA charges' seems unacceptable to Murray users.

On this subject what core questions do you see unanswered?

The methodology behind charging different rates for different security water is not understood by irrigators.

The modest discounts for very large users need to be justified, given the very limited role of WaterNSW in supplying the service to individual customers in our area of operation.

Selected issue: \_ 3. *What options should we consider for bridging the gap between our cost and revenue structure?*

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What is your view?

WaterNSW must demonstrate that all reasonable efforts to reduce costs, and to run an efficient business have been taken. WaterNSW should have a principle of aiming to reduce costs in all years, (particularly fixed costs) at least in line with service cost reductions (in real dollars) achieved at the Irrigator owned corporations (CICL, MI and MIL) over the last 20 years. New technologies should be adopted to both improve service levels to customers and to reduce service delivery costs.

Any cost increases exceeding CPI in any determination period should be endorsed by customers as extra activities that are sought by customers or are least recognised (and approved) by customers as necessary activities.

Any new charge from WaterNSW that adds real value for irrigators may be endorsed by users , particularly if it improves water security by reducing operational losses.

On this subject what do readers need to consider before forming a view?

1. How do WaterNSW costs compare with other like organisations based on realistic and meaningful benchmarking of services provided, and costs?
2. As a reference-point, how well have the 3 large NSW Irrigation Corporations performed in terms of cost-cutting, and how have they managed to bridge the gap between revenue and expenses? Can WaterNSW apply any of these savings?
3. How much have WaterNSW and its predecessor State Water increased or decreased prices in real terms over the last 4 or 5 price determinations?
4. What services are WaterNSW required to provide now that was not previously the case? Why is there a revenue gap?
5. Are there activities such as improving water management to create sustainable water savings in all years (for allocation to users) that will add real value that water-users might actually be willing to pay-for?

Is the current WaterNSW efficient?

Are the costs WaterNSW is seeking to cover real costs that customers agree are for necessary infrastructure or activities ?

Are the costs correctly attributed to the different beneficiaries?

Are all costs identified actually for infrastructure or activities that are necessary?

Are some services provided to only some customers? If so, are the costs of these services being fairly attributed?

## Customer Advisory and management

Selected issue: *\_ 4. Reducing the complexity of licencing relationships will reduce overall administration costs will reduce overall administrative costs for WaterNSW. What additional measures could be taken to achieve administrative cost (and potentially provide **savings?**).*

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What is your view?

Modern data base management should make licencing a wide range of customers with different licences relatively simple.

Murray Irrigation Ltd has one licence (WAL) with WaterNSW, so the task of managing the 1200 water-owners within MIL is actually not an issue for WaterNSW (and should not be a cost to MIL or its customers).

On this subject what do readers need to consider before forming a view?

Why is this issue considered complex by WaterNSW?

Why does *licencing* incur such high administrative costs now?

What do WaterNSW need to do to manage their licencing better and to reduce the unit cost?

On this subject what core questions do you see unanswered?

Most customers rarely consider their licence? Why is this an issue?

Selected issue: *\_ 5. What different approaches could we take to streamlining licensing arrangements?*

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What is your view?

WaterNSW could consider tendering services or outsource licencing, or simply introduce a better and more flexible database. As the holder of a single licence, this is not a huge issue for MIL, and should be a very small cost item (on a per ML licenced basis) for WaterNSW

On this subject what do readers need to consider before forming a view?

What is the problem with licencing WaterNSW are trying to solve? (Is it the time taken to deal with licencing issues, errors made, costs of processing, security breaches, issuing incorrect documents?)

On this subject what core questions do you see unanswered?

Understanding the complexities and hence need for streamlining arrangements- especially for MIL.

Selected issue: \_ 6. *Do you agree with the way we want to allocate costs for these services?*

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What is your view?

The services provided to the Irrigation corporations are focussed on a single customer taking responsibility for many users. It is quite different to servicing hundreds of remote river pumpers and often involves reciprocal services being provided by Murray Irrigation to WaterNSW. The issue of costs and services may be best served by a negotiated agreement between MIL and WaterNSW.

On this subject what do readers need to consider before forming a view?

On this subject what core questions do you see unanswered?

**Should charges change for some customers? What about sleeper licences and the Minimum annual charge?**

Selected issue: \_ 7. *Minimum charges and sleeper licences are examples of odd outcomes resulting from the way we charge for our services. What should we consider doing differently when it comes to the way we price water?.*

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What is your view?

All customers should pay a minimum annual charge reflective of the efficient administration of each licence.

Sleeper licences should pay too (or be given the opportunity to give up their licence)

On this subject what do readers need to consider before forming a view?

What are the services needed by these licence holders and what is the costs of this base level of service in each valley? Could the charges be reduced if 5 or 10 year terms (and billing cycles) for sleeper licences or any licence without a metering or usage component applied were used?

On this subject what core questions do you see unanswered?

Ensuring that Murray Irrigation customers receive reduced WaterNSW fees given the economies of scale benefits that Murray Irrigation provides



Selected issue: \_ 8. *Should we prioritise different tariffs that aim to encourage better use of the resource?*

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What is your view?

No, not in the NSW Murray. Where markets for water apply and drive water use efficiency, water pricing by utilities is now a very minor driver of efficiency and is no longer necessary.

It is difficult to see how WaterNSW Tariffs can influence water usage in the NSW Murray given the active role of both water entitlement and water allocation markets.

On this subject what do readers need to consider before forming a view?

The (small) extent that water pricing policy now drives water use efficiency relative to say, in 1994 when water markets were in their infancy.

On this subject what core questions do you see unanswered?

What tariff options do WaterNSW see working to encourage use of the resource that is heavily influenced by a modern water market?

Selected issue: 9. *Would you support the introduction of a MAC for Regulated users who do not meet an agreed spend threshold?*

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What is your view?

Yes. Minimum annual charges should reflect the cost of maintaining a licence. Murray Irrigation already do this, although all MIL customers have access to water for basic needs.

On this subject what do readers need to consider before forming a view?

What are the real minimum costs associated with administering each licence, even one that is not used ?

On this subject what core questions do you see unanswered?

Would the introduction of such a charge actually reduce other charges as it increases total revenue?  
Are WaterNSW going to tackle charging (or at least measuring) the extraction of water by owners of river front properties for water taken as Basic Landholder right?

Selected issue: \_ 10. *What should we prioritise when it comes to proposing WaterNSW charges for pricing water?*

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What is your view?

What is the efficient cost of providing the service level required by customers?  
Are there services WaterNSW provide we should not (i.e. what is core business?) ?  
Can WaterNSW find a third party that can deliver some of our services more efficiently?  
What is the customer's actual service level requirement from WaterNSW? Are we meeting (and NOT exceeding) that requirement?  
Can we demonstrate that any proposed extra expenditure will improve WaterNSW performance (river operational efficiency, earlier announcement of water allocations based on better prediction of impacts of current and future inflows etc) ?  
How do we maintain any cost increase to an increase that is capped by CPI or lower?  
How do we demonstrate that we are 'in-sinc' with our customers' expectations by reducing WaterNSW costs when water supply to customers is lower?

On this subject what do readers need to consider before forming a view?

What do customers want from WaterNSW in terms of services ?  
What are we required to do for the NSW Government (and why)?  
Can WaterNSW demonstrate that their current suite of activities including annual & periodic maintenance, compliance management and administration are necessary?

On this subject what core questions do you see unanswered?

## Technology – Spend or Save?

Selected issue: *\_ 11. What should we prioritise when it comes to proposing WaterNSW charges for pricing water?*

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What is your view?

Determining the required service levels from WaterNSW from customers based on prioritising large customers (who pay more)

Demonstrating WaterNSW is an efficient and responsive utility

Recognising that highly variable annual allocations for many users requires a pricing policy (quantum, maximum allowable increase and fixed:variable charge ratio) that matches the likely variation in the incomes of users

On this subject what do readers need to consider before forming a view?

That state water is a State owned business that aims to provide an efficient and effective service to customers.

On this subject what core questions do you see unanswered?

Is WaterNSW able to manage the effective delivery of new technologies?  
How do WaterNSW provide customers confidence that new technologies will improve service to customers, improve river operating efficiency and not cause cost increases?

Selected issue: \_ 12. *When faced with savings, would you rather WaterNSW reinvest to improve the quality of your services, or, that these savings be passed directly onto your bill?*

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What is your view?

Service levels provided by WaterNSW should match the service needs of customers as far as is possible .

Savings achieved should decrease, or at least hold, fees & charges to customers from WaterNSW- that way those savings can be passed back to our customers.

Technologies should provide the double benefit of improved service levels and reduced costs to water NSW (less staff, less vehicle Kms driven in vehicles collecting field data, less manual data entry etc)

In addition, every opportunity should be made to utilise data collected by others to improve service levels and administration by WaterNSW (e.g. utilising national mobile phone networks instead of building and maintaining bespoke private WaterNSW-only radio networks) .

On this subject what do readers need to consider before forming a view?

That WaterNSW have a strong understanding the actual service-level requirement of customers.

That WaterNSW can actually deliver service level improvements (where needed) and deliver real cost reductions.

On this subject what core questions do you see unanswered?

WaterNSW performance to date in the cost v benefit of technology projects delivered in recent years?

The actual projects that have been identified by WaterNSW that might actually save money

The evidence that savings will lead to the real opportunity to reduce charges, improve services or to save water?

Selected issue:

*13. We can save money by modernising our services, but that comes at a cost however not everyone is onboard, how can we best encourage adoption and acceptance? Should we?*

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What is your view?

WaterNSW must develop a compelling case for modernisation and convince its customers the modernisation is warranted.

A business case for any significant expenditure in relation to modernisation must include the justification for the works based on water savings, costs savings or improvements in services that are supported by customers.

On this subject what do readers need to consider before forming a view?

What is the actual modernisation proposed? How will it work? Can water deliver this modernisation at a reasonable cost? How will it help me as a customer, or the broader river environment?

Creating water savings (that can be converted into higher announced allocations) is a priority and such measures are likely to be supported (and at least partly funded) by most customers.

On this subject what core questions do you see unanswered?

Can WaterNSW deliver such initiatives? What examples of saving money through modernisation have WaterNSW completed to-date? Can this success be repeated?

Can modernisation effectively self-fund- i.e. the savings created by modernisation fund the works needed ?

Selected issue:

*14. Are you prepared to use electronic billing and direct debits to manage your water payments? Doing this could reduce costs recovered by WaterNSW enabling us to invest more in customer benefits*

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What is your view?

Yes. Penalties should apply to those depending on the post.

On this subject what do readers need to consider before forming a view?

An understanding of the cost saving to be applied, or penalty to be applied to those insisting on the post

On this subject what core questions do you see unanswered?