

WHAT IS THE FAIR WAY TO PAY FOR WATER & SERVICES?

**We need your help to determine our
future (2025) water and services pricing**

CLOSE DATE
30 AUGUST 2021



WaterNSW acknowledges the Traditional Custodians of the land and water on which we work and recognises the continuing cultural and spiritual connections that Aboriginal and Torres Strait Islander People have to Country. We pay our respects to Elders past, present and emerging.

INTRODUCTION



One hard problem in the water sector is asking for a lot of people's time and ensuring they are not left unheard or frustrated. Getting this balance right is hard.

This document doesn't try to sell you answers from WaterNSW. Instead, we're asking questions that will ultimately inform our 2025 Rural Water Pricing Submission to the NSW Independent Pricing and Regulatory Tribunal (IPART). You'll see that about half of this booklet hasn't been written by us – we've given that over to a mix of stakeholders so that you can be exposed to a range of viewpoints in one place. We're going to ask you what questions you want answered, what sources you want to hear from and what you want to tell us to reset, in terms of how we think about meeting your need for water.

It's common to see differences in views aired in media soundbites. Those views are important, and we need to think about them, but more importantly, we'd like to know what you think of them.

We're also mindful of short deadlines and trying to get people to come to meetings! Instead, this is something you can do with friends, family, or colleagues around a table – a good conversation where you just tell us what happened. We provide the starting point – a range of problems and some views from across the sector – and then you take the conversation where you want, guided by the nine questions on page 3.

INTRODUCTION

CONTINUED



You might usually think of our water infrastructure in literal concrete terms – the dams, pipes, weirs, rivers and ground water that link the state together – but the services WaterNSW provides are also rooted in legal and informational infrastructure.

These services begin with legacy decisions from generations ago and continue through the varying levels of jurisdiction today.

They're expressed in some of the licensing arrangements we provide today and the balancing act we play when juggling our variable revenue stream and our fixed expenditure structure.

No doubt, water is a technically challenging issue to make decisions on but addressing these fundamental issues is best done by our customers who live and breathe the decisions we make with pen and paper: our day-to-day customers who have first-hand experience of the realities of water management.

We've decided to embark on something ambitious with our 2025 Rural Pricing Conversations. We're opening up the conversation to first principles and trying to address the basics of what we do here at WaterNSW. We want to share the problem in an honest and respectful manner in a process that creates the best opportunity you've had to contribute to a decision on rural water services.

No decisions on future water prices have been made. These decisions will be made by IPART and hopefully reflect community input.

These kitchen table discussion kits are the beginning of a process that will heavily involve customers directly in making recommendations to IPART as part of our 2025 Rural Water Pricing Determination.

What we want your help with

Throughout this document and future pricing conversations, we're going to share the problems we face when it comes to providing the services our customers pay for and rely on.

Below are a series of questions that we'd like your answers on. They're deliberately open and general. We want your feedback on the direction and priorities for WaterNSW.

The remainder of this discussion kit introduces WaterNSW, giving you a summary of the business and exploring the challenges we think are good examples of some of the more far-reaching complexities we face. They're examples and we don't want to limit your feedback to just those issues.

There are also contributions from various stakeholders, who we reached out to and asked for a

contribution to this document to ensure you had a diversity of views and not just ours.

What's next?

We're committing to publishing the results of this work and using it to form the basis for deeper engagement in the future. This is intended as the start of a conversation that will make clear the questions that need answering before taking the next step, to address and answer the questions posed.

Our Rural Pricing Conversations will shape what we ask of our community with our longer-term Rural Water Pricing. We've set out to identify the questions that need to be answered to adequately answer the question "How can we best meet your need for water? And, what is the fair way to pay for it?"

1

**Kitchen table discussions
JUNE - AUGUST**

2

**Paired Conversations
AUGUST - SEPTEMBER**

3

**A Community View
OCTOBER - NOVEMBER**

? OUR QUESTIONS:

1. What stood out to you in each of the challenges?
2. What opportunities are we missing out on?
3. What services do we do well?
4. What do we do now that we should do differently?
5. How should we pay for water?
6. How can we best meet your need for water?
7. What questions need to be answered to make better decisions?
8. Who should we hear from to make better decisions?
9. Which stakeholder responses changed your mind on something?
10. Was your group generally in agreement or did you struggle to find agreement?

LET'S GET STARTED



A Kitchen Table Discussion is a small group of people who get together and talk. The setting can be informal: a kitchen table, lounge room, coffee shop, or verandah.

You don't need to be an expert on the subject. What you do need is a willingness to listen and to share ideas that are aimed at developing solutions that could work for everybody.

Anyone can host a discussion. All you need to do is bring together a group of people who are willing to share and discuss ideas.

Some tips for hosting a Kitchen Table Discussion:

- Choose a time and comfortable location. Ideally use a space where you can comfortably hold a discussion with minimum interruptions.
- Ensure you take the right physical and social distancing measures. We recommend meeting outside, that participants wear masks where appropriate and that anyone who is showing symptoms or has been in contact with a known case stay at home.
- Develop an invitation list. We encourage you to talk to your family and friends. The group of people can reflect a diversity of ages and experiences.
- When you invite people, direct them to the consultation web page so they can read the background information and also this guide beforehand if they like **www.newdemocracy.com.au/water**
- Expect the discussion to take around 2 hours.

THE GUIDELINES

A Kitchen Table Discussion works best when people feel free to respectfully say what's on their minds without being judged. They need to know that there are no right or wrong things to say and that everyone's ideas are valuable.

These guidelines are designed to support respectfulness while still talking about the big issues. This means a different and perhaps unfamiliar set of guidelines for when and how to speak on what can be a controversial, emotional, and political issue. The aim here is to shift the goal of discussion from "winning" to "understanding".

Guidelines for a discussion

As the host, you have an important role. It's your job to read and understand this guide in full so that you can answer questions and help the others. You have the responsibility of creating and participating in a constructive discussion without dominating it or allowing it to lose focus.

It's also your job to guide people through the agenda. You'll be responsible for moving the group on to each discussion topic and question, and making sure everyone follows the guidelines, particularly avoiding people interrupting or speaking for too long.

Your final job as host is to make sure that all the different views of the group are recorded and sent to WaterNSW through the online platform, or mail. At the end of discussion about each question, fill out the relevant part of the form online or by pen. **Ensure you share with contributors for transparency.**

1 Duration

Agree as a group how long the meeting will last and try to stick to that timeframe, we recommend 2 hours.

2 Open-mindedness

A discussion is a two-way street and requires you to respectfully listen as well as talk without speaking over the top of someone else. By focusing on listening, you may also benefit from a variety of ideas around the table. Taking notes can help slow your own thinking down.

3 Acceptance

Accept and understand that others will have a different point of view from you. By encouraging an atmosphere of acceptance people will be more likely to share their views.

4 Curiosity

Seek to understand rather than persuade. We're not here to convince others that we are

right, and they are wrong. If someone expresses a point of view that seems different from yours, see if you can ask some questions to gain clarity or understanding.

5 Discovery

Question your own assumptions and look for new insights. Kitchen Table Discussions aren't just polite conversation – they are designed to expose us to new ideas or possibly even to help us see old ideas in a new way.

6 Be brief

Go for honesty and depth but don't "go on and on" because it's important that everyone has the chance to speak.

7 Speaking

It is helpful to moderate whose turn it is to speak. You might use an object or marker for people who, when holding it, everyone will listen to.

KITCHEN TABLE DISCUSSION - STEP BY STEP



- 1 Invite a mix of people interested in sharing their views and having a robust discussion**, agree on a place and time, bring copies of this guide plus pens and paper. Download and print a copy of the feedback form if you aren't completing it online: www.newdemocracy.com.au/water
- 2 Read out the guidelines** and ensure everyone agrees and understands their responsibility. Get agreement on how the group will operate and who will record discussions and keep time.
- 3 Each person should introduce themselves** and explain briefly "what water use means to them". Ensure everyone has a turn at speaking but limit this to 2 minutes each.
- 4 Read the Introduction and the opening questions, then continue to the Setting the Scene section** and supporting information. Have a chat before you read the challenges and stakeholder responses, this is a good chance to say something before your views are shaped by what you read. Then move on to each 'challenge'. **You aren't answering the questions just yet** but take note of the prompt issues on each page. Continue past the challenges and read each of the stakeholder perspectives.
- 5 Return to the questions.** Let each participant share their thoughts and engage in discussion. You should then read the questions and see if you can find agreement on a response. Where appropriate, document whether you found agreement or not. The host or designated person should record answers to the questions and on the feedback form.

This is an opportunity to provide WaterNSW with wide ranging commentary on rural water services.
- 6 You're done.** Complete your online feedback form or post your physical copy. If you'd like to, **take a photo of your group and send it through** to water@newdemocracy.com.au or 0417 468 350. Sharing the diversity of contributions will improve their impact.

We need your help. Ensuring that we propose investment (that ultimately influences IPART's decision on customer prices) that reflect our customer's views is important to us and important to our regulator, IPART.

WaterNSW is a state-owned corporation established under the Water NSW Act 2014 (NSW) and operates under an Operating Licence issued and monitored by NSW IPART. IPART also sets the prices we can charge our customers.

WaterNSW is Australia's biggest water supplier. We own and operate 42 water supply dams across NSW, as well as hundreds of weirs, regulators and pipelines. We supply raw water in bulk for both domestic stock and irrigation, as well as for drinking water purposes. Paramount to this is water supply security and reliability, which we achieve through the development of infrastructure solutions. We plan, build, operate and maintain the infrastructure.

Our Role

In the heavily regulated water management landscape WaterNSW is committed to delivering water for all our customers and communities across NSW. We are responsible for source water protection, bulk water supply, system operations, asset upgrades and maintenance, and customer water transactions.

Our main functions are:

- Bulk water supply: supplying water from our storages to customers in the Greater Sydney drinking water catchment and in the state's regulated surface water systems.
- System operator: efficient management of the state's surface and groundwater resources to maximise reliability for users through the operation of the state's river systems and bulk water supply systems, in collaboration with the Murray-Darling Basin Authority which directs operations of the River Murray system.
- Asset upgrades, maintenance and operation: meeting customer-defined levels of service consistent with NSW Government policy and priorities to increase the security and reliability of water supplies to our customers and the communities of NSW.
- Source water protection: protection of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water, local councils and other distributors for treatment and distribution to their customers.
- Customer water transaction and information services: providing efficient and timely services to our customers for water licensing and approvals, water trades, billing and meet their water resource information needs for surface and groundwater quantity and quality.

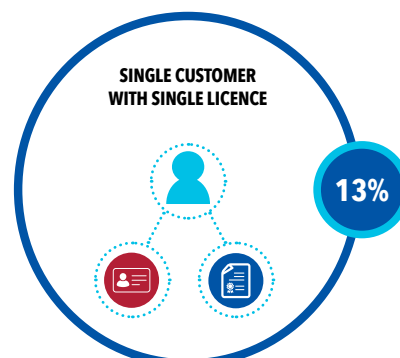
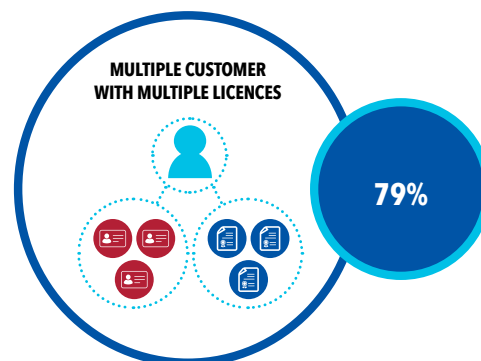
WHO ARE OUR CUSTOMERS?

We supply and deliver water through our infrastructure and the state's river systems to our customers, including farmers, irrigators, regional towns and industry. In addition, we work with key stakeholders and other Government Agencies (Federal and State) on water quality, data, reporting and measurement of our water resources.

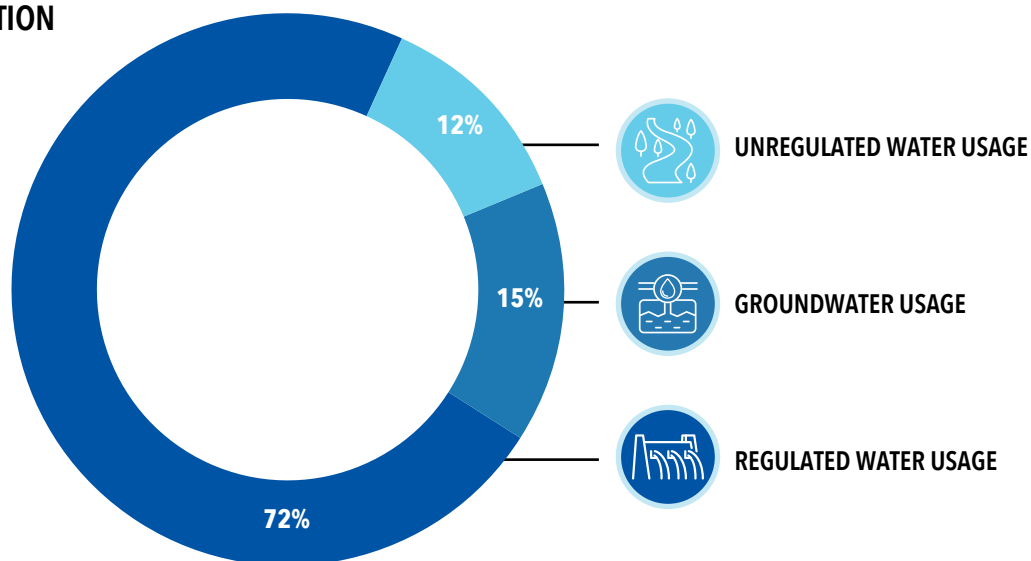
Our customers relevant to our Pricing Proposal for water delivery include:

- Department of Planning, Industry and Environment (DPIE). Receive water monitoring information to enable them to carry out their functions.
- Unregulated River Surface Water Customers. Extractive licence and approval holders on unregulated rivers (rivers without major storage or dam to supply water are unregulated rivers as the flow of water is not controlled, however, use of the water is still subject to "legal regulation").
- Regulated River Surface Water Customers. Holders of licences and approvals on regulated rivers (rivers controlled by major storage or dam to supply water are regulated rivers as the flow of water is controlled) including irrigators and the NSW and Commonwealth Government environmental agencies.
- Groundwater Customers. Extractive groundwater licence and approval holders (customers who draw water from a bore).

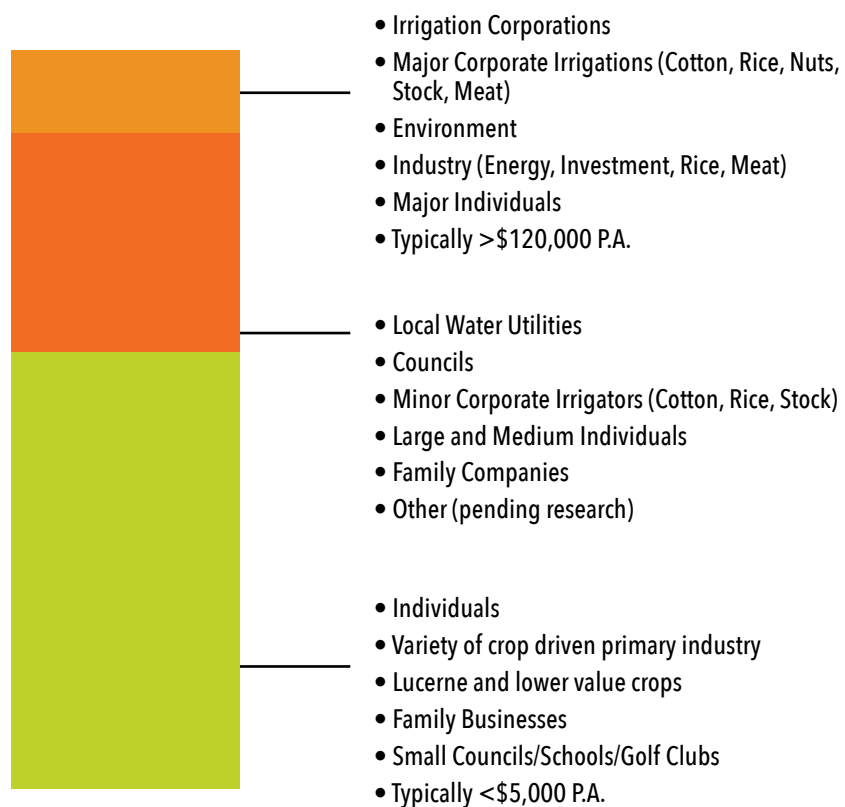
BY THE NUMBERS



EXTRACTION



SIZE



WHO ARE OUR CUSTOMERS?

CONTINUED

Our Charges

Do we charge for water?

No, WaterNSW provide supporting services and delivery of water.

Under the Water Management Act 2000 (NSW), holders of a water licence have a right to receive a share of water in a given system via allocation determinations of water from that system. Customers can obtain or buy water licences, or the water allocated under a licence. These rights are traded, and it is in this way that water is bought and sold in NSW. This process of buying and selling water is completely separate to our charges.

WaterNSW's charges are for the infrastructure and services we provide. All our infrastructure and services relate to water, but we do not charge for water. For example, we charge for the upkeep and maintenance of the dams that store water, for the salaries and systems used by the river operators to deliver water when it is ordered and for the salaries and systems used by our staff who process transactions such as applying for an approval to install a water-related work such as a water meter. There is often confusion amongst customers as to whether they are paying for water as many of our charges are set by reference to water use. These types of charges continue because they ensure:

- larger customers spend more for our services on the basis that they consume more of our services. However, this may involve cross-subsidisation between larger and smaller customers (within a valley)

- customers who do not use their water because they are not allocated all or part of their entitlement (including times of drought) do not pay the variable component of their bill. However, it also means that if customers do not take water when it is allocated, they also do not pay usage charges.

Charges are also predominantly set on a valley-by-valley basis. This is because the cost to service the infrastructure between valleys is different and because water infrastructure assets in one valley do not provide any significant benefit to customers in another valley. For example, some valleys have multiple dams and each of our dams has different maintenance and operational requirements as they are all bespoke assets constructed at different time periods. Charging on a valley-by-valley basis for our Rural Valleys services means that there is no cross-subsidisation between valleys.

You can view our current charges here www.watarnsw.com.au/customer-service/ordering-trading-and-pricing/pricing/2020-21-water-pricing

IMPORTANT TO NOTE:

It is important to note that not all the charges on a WaterNSW bill are ours. As a Water Agency with direct customer relationships, WaterNSW is requested and required to collect charges on behalf of other Government Agencies. These are called pass-through charges and are not within our control in terms of price setting or influencing. When thinking about charges, fees and costs in terms of this conversation pass-through charges are out of scope and not involved.

BREAKDOWN OF CHARGES

Description of Service	WNSW Component	Other Agency Component	Contribution to Bill
Customer Support	\$45.25	\$1.15	\$46.40
Meter Reading	\$29.77	-	\$29.77
River operations	\$178.19	-	\$178.19
Risk transfer product	\$25.30	-	\$25.30
Infrastructure services	\$504.17	\$0.31	\$504.48
Environmental planning and protection	\$12.29	-	\$12.29
ICD rebates	\$52.72	-	\$52.72
Water monitoring, quantity and quality	\$52.83	\$1.64	\$54.47
Data management, reporting, and water modelling	\$8.65	\$27.21	\$35.87
Water planning and management	-	\$177.52	\$177.52
Licence management and water consent transactions	\$18.47	-	\$18.47
Compliance and enforcement	-	\$16.47	\$16.47
MDBA and BRC costs	-	\$377.55	\$377.55
TOTAL BILL	\$927.65	\$601.87	\$1,529.52

NOTES FOR REGULATED SERVICES

Improving the availability of water resources that are essential for the people of NSW.



Enquiries 1300 662 077
More information watnsw.com.au
ABN 21 147 934 787

TAX INVOICE

YOUR ACCOUNT SUMMARY

Account name:
Licence number:
Invoice period:

WNSW charges \$927.65

Other charges \$601.87

Total amount due \$1,529.52

Please note: interest applies to overdue amounts.

ACCOUNT DETAILS

Customer reference number:

Issue date:
Invoice number:

TOTAL DUE

\$1,529.52

PLEASE PAY BY

29 April 2021

PRIVACY INFORMATION

Your name, address and entitlement details may be forwarded to the New South Wales Irrigators' Council (NSWIC) to collect its annual levy.

If you do not wish to have your details forwarded, please contact us on 1300 662 077 or email Customer.Helpdesk@watnsw.com.au.

HARDSHIP

If you are having trouble paying your WaterNSW bill, contact us as soon as possible as we have a range of options that may be of help to you.

To find out more about our hardship policy, please contact us on 1300 662 077 or visit our website at watnsw.com.au/hardship.

Total due \$1,529.52
Due date 29 April 2021

Customer reference number:
Account name:
Invoice no:
Licence no:
Payment terms:

Payment assistance: If you are experiencing difficulties with payment, please contact customer service 1300 662 077. You may also be eligible for support in paying fixed water charges. Details are available at humanservices.gov.au.

Register for electronic billing

You'll receive your bill via email - making billing faster and more convenient.

Sign-up online today at watnsw.com.au/electronicbilling or call our friendly team on 1300 662 077.





WHAT WE WANT YOUR VIEWS ON



WaterNSW faces many challenges in the running of its business. We need to know what is most important to you so that we're spending our time working on the right issues.

This is more than just a prioritisation task. We need your views on which direction we should be working in. The following section sets out a list of specific challenges we'd like your views on. These are things that we're finding difficult to solve. We need your help in assessing what is fair for everyone.

Many of these challenges revolve around the fact that our revenue structure is variable and our mostly fixed cost structure. This generates a number of issues that we need to balance. With your support we could advocate for different mechanisms that

change how we spend and collect our revenue. When we do this, we want these mechanisms to incentivise efficient use of water, we want them to be fair for everyone and we want to ensure they deliver value for our customers. We've explored some of these options below – they range from how we share the cost of our services overall, to what we can do to create efficiencies in our service provision, and to how we can add value to what we already do.

In each challenge, we've included some prompt questions that we think these issues raise. They're designed to help inspire answers to the questions we've asked at the beginning of the kit. The aim here is to encourage you to think creatively and honestly, so don't feel like you need to answer any of them if you don't want to. We're interested in all of your thoughts on any and all aspects of our services.

CHALLENGE 1

FIXED COSTS VS. REVENUE VARIABILITY

In the 2017 Rural Water Pricing Determination, the fixed to variable ratio of WaterNSW's charges, was set by IPART at 40% fixed, 60% variable for most valleys. The fixed portion of the ratio does not cover all of our fixed costs and so the variable charges must make up the shortfall. This results in active water users paying more in their usage charges to account for the loss.

As a regulated utility, WaterNSW should have a reasonable opportunity to recover its efficient costs as determined by IPART. Tariff structures and the form of price control (price caps or revenue caps) will impact on WaterNSW's ability to recover its IPART-approved revenues.

We could adjust the ratio in either direction. Increasing the fixed portion will increase costs for less or entirely inactive users currently subsidised by more active water users. Reducing the fixed portion will mean WaterNSW will need to make up revenue elsewhere, likely charging more from the more active users.

**FOR STAKEHOLDER
RESPONSES, SEE P20**

RATIO	CONSIDERATIONS
Higher fixed	<ul style="list-style-type: none">• Improved certainty (you know what you'll be paying).• Better coverage of WaterNSW fixed costs spread more evenly across users.• Bills become smoother with reduced variability• Improves WaterNSW credit rating, which will lower borrowing costs and therefore, lower our cost base, which goes into revenue requirement and prices• Less ability to reduce bills by reducing consumption
Higher variable	<ul style="list-style-type: none">• Lower costs for users if they consume less than IPART's 20 year rolling average forecast.• WaterNSW has the fixed costs of running a business that need to be recovered; relying mostly on variable rates will mean more frequent users will be paying most of the costs• more ability to reduce bills by reducing consumption• Would a flat annual admin fee with higher variable ratio make better sense to users

? ISSUES THIS CHALLENGE RAISES:

- Should climate change factor into our tariff options, and if so how?
- 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?
- If you could recommend a pair of stakeholder responses to inform someone on this challenge, which would they be?
- What options should we consider for bridging the gap between our cost and revenue structure?
- Did your group disagree with any of the stakeholder responses on this challenge?
- Did any of your views change between reading the challenge and reading the stakeholder responses?

CHALLENGE 2

SHOULD BILLING CHANGE FOR SOME CUSTOMERS? SLEEPER LICENCES AND A MINIMUM INVOICE AMOUNT

Currently for our Rural Regulated Licence holders there is no Minimum invoice amount quarterly. As a result, we are required to issue invoices for small amounts to customers, often at costs far greater than the revenue generated from the invoice. This shortfall is picked up by active users who in essence subsidise our small users. The introduction of a minimum invoice amount would remove the costs associated with this billing, in favour of a single one off invoice annually, should the amount not be reached during the quarterly invoice cycles.

Similarly, sleeper licences are licences where none or little of the available water is used (or traded or carried over). We think the charges applied to these licences could be adjusted in a way that more fairly recouped the costs associated with them as well as incentivising a fairer use of water resources.

Although water from sleeper licences is held over, they:

- contribute less to revenue (only the fixed component is recovered by WaterNSW)
- provide for water to be held in storage unnecessarily:
 - potential reduction of productive water in a system
- increase administrative costs as many sleepers are small licence holders.

A possible option to address this issue includes:

- adjusting fee structures to sleeper licences to encourage activity, while making trading water easier to access

If we were to:

- encourage usage or trade by sleepers
- propose removal of barriers to trade (uniform trade cost e.g. \$50 per trade)

This should result in:

- more equitable recovery of water delivery charges
- more available water in the pool for use
- reduced reliance on active users to recover costs
- potential to increase allocations by valley

**FOR STAKEHOLDER
RESPONSES, SEE P20**

? ISSUES THIS CHALLENGE RAISES:

- 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?
- What should we prioritise when it comes to proposing WaterNSW charges for pricing water?
- Did any of your views change between reading the challenge and reading the stakeholder responses?

CHALLENGE 3

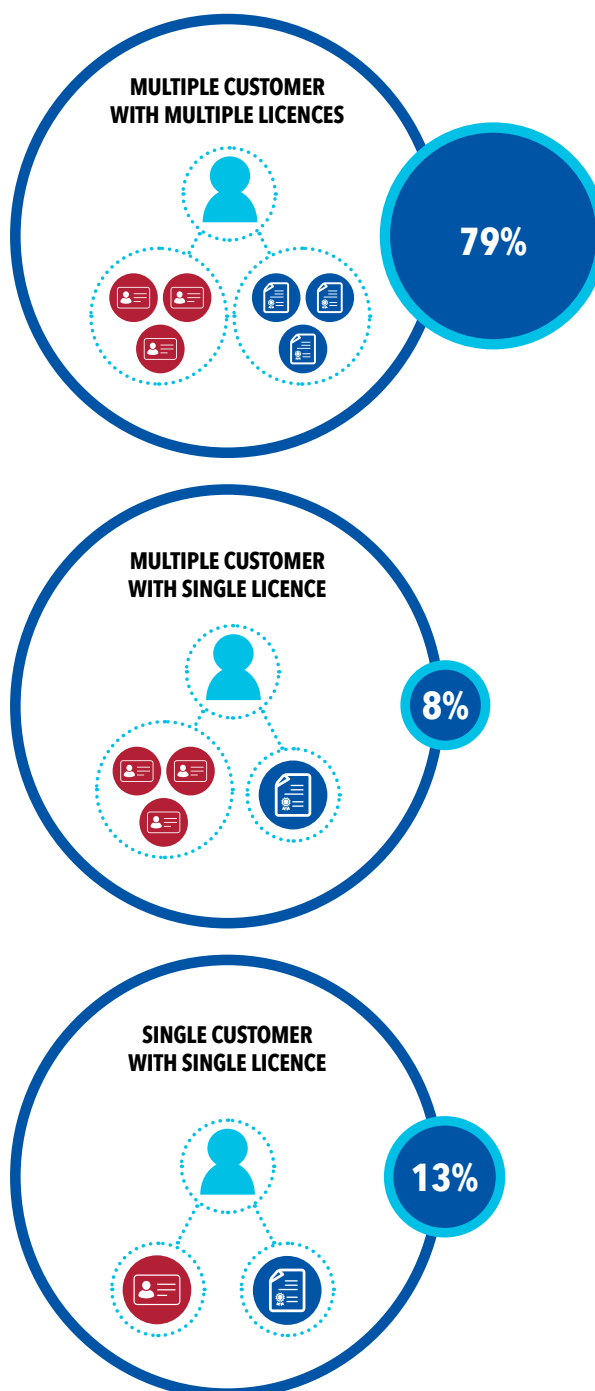
COMPLEXITY OF LICENSING

We'd like to explore the way that customer advisory services are provided, and in particular understand ways we might be able to reduce this complexity, and in turn the cost to serve customers.

WaterNSW has approximately 41,000 customers for whom we provide services ranging from water monitoring and licensing through to data and water delivery services.

Our customers' licences and approvals are complex, with this complexity leading to increased costs. Customers often hold multiple licences and approvals, and can hold their licences and approvals in their own names, in the names of other family members, in the names of family trusts, in company names, or in some combination of these. In addition, ownership of licences can be shared between various persons and entities. Therefore, understanding and servicing our customers is complex and this complexity translates into increased costs of providing customer services.

Customers typically hold a portfolio of water rights, containing multiple water types and categories. Because of these arrangements our customers can appear overstated in terms of records and licence types, which makes identifying actual customer numbers and managing the customer interface much more complex, as shown here.

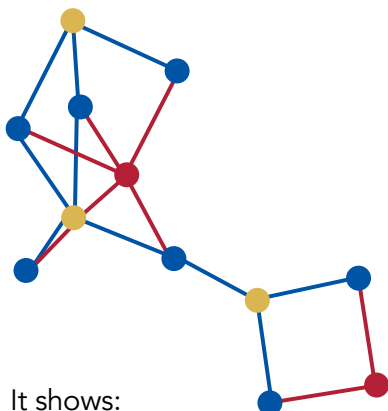


CHALLENGE 3 CONTINUED

COMPLEXITY OF LICENSING

EXAMPLE

The following is a small example of these relationships.



It shows:



2 family members



with 7 licences



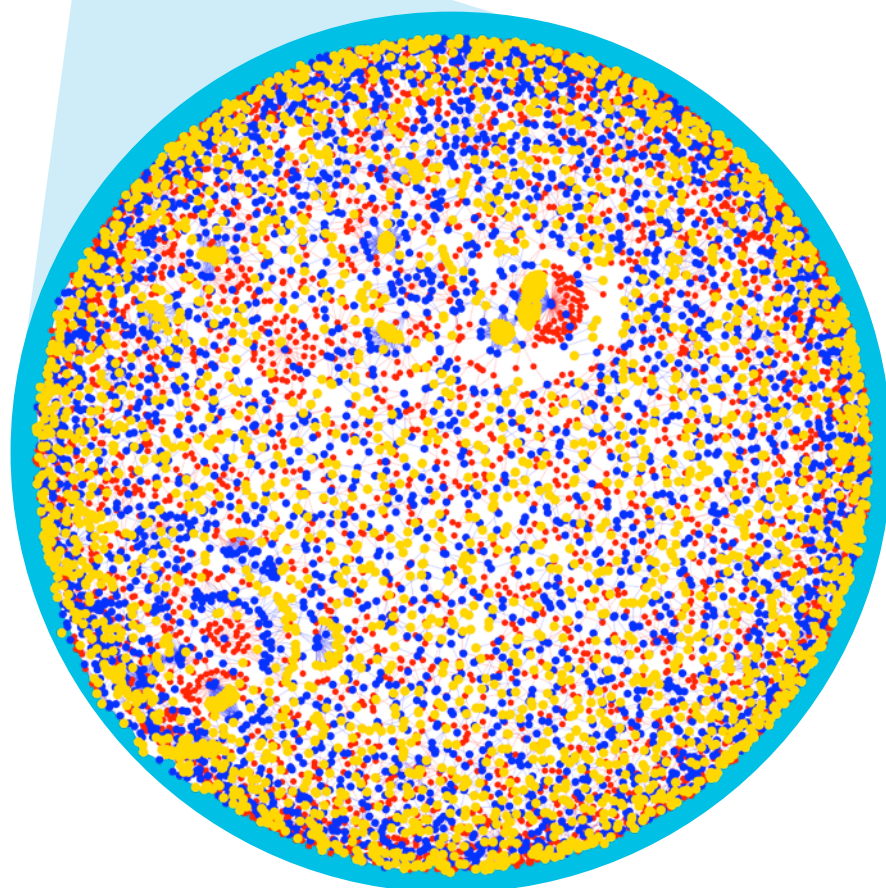
and 3 approvals
between them

? ISSUES THIS CHALLENGE RAISES:

- Reducing the complexity of licensing relationships will reduce overall administration costs for WaterNSW. What additional options could we explore to achieve this?
- Do you agree with the way we want to allocate costs for these services?
- What different approaches could we take to streamlining licensing arrangements?
- Did any of your views change between reading the challenge and reading the stakeholder responses?

COMPLEX CUSTOMER RELATIONSHIPS

When all these relationships are clustered together, the scale of the complexity is evident.



**FOR STAKEHOLDER
RESPONSES, SEE P20**

CHALLENGE 4

TECHNOLOGY: SPEND OR SAVE?

Customers are asking us to provide them with better data faster to help with on-farm decision making. We know that our customers are becoming more sophisticated in how they make their decisions and that their decisions based on our data have real dollar implications. However, some of our customers do not adapt to new technology in the same way and we are aware that connectivity issues can plague some customers.

The trade-offs will involve whether we maintain the same level of personal service in the field when we introduce new technologies and technological solutions to perform some of those services.

Many of our services rely on legacy systems that are expensive to keep going, maintain and operate. A number of these systems are nearing end of life forcing us to replace and renew them to continuing providing services

Investment in technology should make some things cheaper or more efficient for you. Whether it be understanding your water account, shorter timeframes for approvals or better access to information to assist with on-farm decisions. Currently some of the basic activities we undertake – such as mailing invoices by post – are costly and less than ideal when compared to modern businesses.

Overall, the organisation will be able to generate savings if it can embrace technology. We need to know how we can best allocate these resources. For example, if our customers completed more than 50% of their business transactions online with WaterNSW, we could reinvest the savings on:

- Reduced charges
- Increased education programs
- Recreational facilities for community benefit
- Better online data and systems
- Increased community engagement or regional presence
- Resilience, drought preparedness, improving asset performance

? ISSUES THIS CHALLENGE RAISES:

- 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?
- We can save money by continuing to modernise our services, but that comes at a cost and not everyone is on board. How can we best encourage adoption and acceptance? Should we?
- Did any of your views change between reading the challenge and reading the stakeholder responses?

**FOR STAKEHOLDER
RESPONSES, SEE P20**



STAKEHOLDER PERSPECTIVES



We've asked our active stakeholders to contribute their perspectives to this document to ensure you receive a well-rounded view on the issues.

We're thankful to those stakeholders who have contributed, and welcome others to contribute as part of this process.

We reached out to a range of stakeholders including but not limited to::

- Colleambally Irrigation Co-Op Ltd
- Commonwealth Environmental Water Office (CEWO)
- Cotton Australia
- Dairy Connect
- Department of Planning, Industry and Environment – Environment, Energy and Science
- Department of Planning, Industry and Environment – Fisheries
- Murray Darling Basin Authority
- Murray Irrigation Ltd
- NSW Farmers
- NSW Irrigators' Council
- Public Interest Advocacy Centre
- Rice Growers Association
- Southern Riverina Irrigators

THEY WERE ASKED TO RESPOND TO THE FOLLOWING:

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

COMMONWEALTH ENVIRONMENTAL WATER OFFICE



Australian Government
Commonwealth Environmental Water Office



CHALLENGE ADDRESSED:

Fixed Costs vs Revenue Variability & Sleeper Licence Activation

On this subject, what is your view?

The Commonwealth Environmental Water Office's main focus is the delivery of water to improve the health of the Murray-Darling Basin environment. In principle, we support pricing structures that ensure water management agencies are appropriately resourced to manage Australia's water assets sustainably. This will lead to better outcomes for our rivers and wetlands and for the communities who depend upon a healthy Murray-Darling Basin.

Regarding the fixed to variable cost ratio, the CEWO does not have a strong preference. A higher fixed to variable ratio provides certainty that WaterNSW has access to the funding required to do its job effectively, particularly during extended dry periods. However, we recognise that different pricing structures are preferred by different water users. We encourage WaterNSW to continue to engage with its stakeholders on this issue to ensure that a broad customer base supports any future changes.

We are concerned that activation of sleeper licences could have detrimental impacts on the environment and downstream communities, particularly during periods of drought. Further investigation is required to understand the impacts of sleeper licence activation on a valley-by-valley basis and in locations close to and upstream of sites with high environmental value.

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

Increased activation of sleeper licences may result in additional utilisation of water held in storage or in upstream unregulated rivers. WaterNSW has provided information that a significant portion of NSW licences had 0% use against them in recent times. Any potential implications of the increased demand that may impact on the long-term reliability of water user's existing licences should be communicated to stakeholders.

The CEWO supports WaterNSW in its efforts to broaden our collective understanding of the many customers of NSW's water sources. These include the many and varied extractive users upstream and downstream on both regulated and unregulated rivers, as well as the many social, economic, cultural and environmental values that are supported by retaining flows within the river systems. In considering the implications of any new price determinations, the full range of potential uses and values ought to be explored and understood.

On this subject what core questions do you see unanswered?

Understanding the future impacts of climate change on both water users and water management agencies is critical. Climate change has the potential to reduce water availability for water users through more intense and extended dry periods. This may have significant impacts on the revenue of water users and WaterNSW. Both water users and WaterNSW need to work together to identify the most appropriate pricing mechanisms to provide water users flexibility while also providing WaterNSW adequate resources to be adaptive to the impacts of climate change.

MURRAY IRRIGATION



CHALLENGE ADDRESSED:

Fixed Costs vs Revenue Variability

On this subject, 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.

DEPARTMENT OF PLANNING, INDUSTRY AND ENVIRONMENT – ENVIRONMENT, ENERGY AND SCIENCE



Planning,
Industry &
Environment



CHALLENGE ADDRESSED:

Fixed Costs vs Revenue Variability

On this subject, what is your view?

- The Department of Planning, Industry and Environment – Environment, Energy and Science (DPIE EES) manages surface water that is allocated to the environment to improve the health of rivers, wetlands and floodplains in partnership with local communities and other government agencies. Water is allocated under Water Sharing Plans (planned environmental water) and from environmental water licenses. <https://www.youtube.com/watch?v=8Q8i0xwXJH8>
- We need more information before forming a view
- We are an active water user, however, delivering water for the environment does not generate income
- Historically we have not tried to influence the ratio between fixed and variable charges and have left it to water user groups to assess the most suitable option for them
- In general, a higher fixed cost model would be suitable for us so that we can avoid paying the revenue volatility allowance (the cost of WaterNSW purchasing a risk transfer product as insurance when fixed costs are low, about 2% of the current total user share per year)
- We will consider the National Water Initiative principles and potential impacts on us and other customers when forming a view. <https://www.environment.nsw.gov.au/topics/water/water-for-the-environment/about-water-for-the-environment/what-is-it>

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

- Where EES holds licenses, we pay the same fixed and variable charges levied by WaterNSW on all licence holders
- Increases in water charges affect our ability to achieve environmental outcomes because delivering water to NSW rivers and wetlands benefits communities but does not generate an income

On this subject what core questions do you see unanswered?

- We would like more specific price estimates for each individual valley, licence category and charging structure to understand how proposed options might affect us and other customers
- We are interested to know if there is an option for us to move to a higher proportion of fixed charges without impacting other licence holders
- How different water charging structures effect the value of a water licence and contribute to an efficient water market



NSW FARMERS



CHALLENGE ADDRESSED:

Sleeper Licences

On this subject, what is your view?

The equitable sharing of water resources and equitable pricing are closely linked. Creating better understanding of the role of trading, pricing and the effects of sleeper allocations will enable users to better understand that link and the benefits of active trading. Not creating this holistic understanding leads to an understanding that pricing can be punitive.

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

- The cost to them and the system as a whole of sleeper licences, including lost opportunity of use or trade.
- What is their ability to trade in water, and the benefits of doing it.
- To what extent individuals can affect WaterNSW pricing by their use patterns; benefit or loss?

On this subject what core questions do you see unanswered?

- How do customers better understand the income streams from uses and the costs of not using or sleeper licences?
- If different tariffs were brought in, how would they be structured to ensure they were not priced out of land use options?

DEPARTMENT OF PLANNING, INDUSTRY AND ENVIRONMENT - FISHERIES



Planning,
Industry &
Environment



CHALLENGE ADDRESSED:

Environmental Stewardship

On this subject, what is your view?

WaterNSW manages over 400 dams, weirs, and regulators around NSW for the purpose of providing bulk water to water licence holders. The construction, operation, and maintenance of this infrastructure has impacts upon our environment, for which WaterNSW is required to meet legislative obligations for. These legislative obligations have cost implications for WaterNSW and its customers.

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

WaterNSW has environmental legislative obligations with respect to the construction, operation, and maintenance of its infrastructure. Meeting these environmental legislative obligations comes at a cost to WaterNSW and its customers. WaterNSW needs to manage its infrastructure in a prudent and efficient manner so as to reduce costs, while also ensuring that the infrastructure is maintained in a suitable working condition while meeting legislative requirements.

On this subject what core questions do you see unanswered?

1. What are the environmental requirements that WaterNSW is responsible for meeting?
2. What is an equitable cost-share ratio between WaterNSW and its customers to meet environmental requirements?
3. How should WaterNSW most efficiently meet the costs associated with these environmental requirements (e.g. fish passage, Cold Water Pollution mitigation?)

NSW IRRIGATORS' COUNCIL



CHALLENGE ADDRESSED:

Fixed Costs vs Revenue Variability

On this subject, what is your view?

NSW signed up to the 2004 National Water Initiative, which recommends a user-pays model for sharing the costs of water reform as best practice.

However, NSW has persisted with an 'impactor pays' model to set water charges, in which a select group of water users pay 80-100% of the costs for infrastructure, water management and policy reform, even where these are delivering public interest benefits including for the environment, fisheries, and recreational and cultural users. The approach informs how agencies like WaterNSW determine pricing and in recent years has driven large hikes.

The 'impactor-pays' principle is not suitable to water resource management because of the multiple, diverse, non-tangible, and dynamic cost drivers. The pricing principle for water resources must reflect public interest, and the significance of water more broadly.

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

Water on an entitlement (and subject to charges) represents only a very small portion of total water usage, and thus the cost-burden in pricing falls on a small portion of water users.

The cost-share ratios are not congruent nor reflective of the relative size of the 'impactor' in the context of total water usage. Further, unlike towns, productive water users cannot share and therefore dilute cost increases across ratepayers, but shoulder the costs alone from their businesses.

Reforms designed explicitly to reduce the extractive share of water have significantly affected irrigated food and fibre production, with serious socio-economic impacts on jobs, processing and service industries in regional towns and communities.

Extreme droughts over the last 20 years have further reduced water access for agriculture. The hierarchy of water management under NSW law means irrigators are the last to be allocated water after towns and rivers, and the first to have the tap turned off when conditions turn dry.

These trends have led to an ever smaller number of people carrying the cost burden of reforming the state's water management in the public interest while simultaneously facing less and less water access to generate income and support their towns and regional economies.

On this subject what core questions do you see unanswered?

Should NSW adopt the user-pays principle as best practice recommended under the 2004 National Water Initiative and adopted by other States?

Is it fair that the cost burden of public benefit reforms in water management and policy falls almost entirely on only one ever-diminishing group of water users?



PUBLIC INTEREST ADVOCACY CENTRE



CHALLENGE ADDRESSED:

General feedback

On this subject, what is your view?

PIAC supports water use and pricing decisions that are made transparently, based upon the informed choices of the community. Water planning, access and pricing is an area that requires complicated compromises. This is particularly true in the face of a changing climate. Trade-offs need to be made as a result of the informed decisions of the people they affect – this includes water users and the communities the water supports.

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

Decisions around water planning, management and use are complicated. Water is a finite resource, which means that decisions that benefit one use, user or group may come at the expense of others. Decisions taken now may have impacts on water availability and prices long into the future, particularly as the climate changes and water availability becomes less predictable.

Decisions that seem reasonable in isolation, may have very significant cumulative implications. Solutions that might seem simple or preferable in one light, often have a range of other consequences that need to be considered – for example, measures to recover more costs from 'sleeper' licences might end up resulting in usage increases. It could encourage the sale of those licences to fill other users' needs, or increase the incentive to get value from the licences to cover the holder's costs. Both of these consequences could add to usage and the pressure on limited water resources.

In thinking about the various issues being assessed by WaterNSW, it might help to consider the following:

- Should people who use more water pay a bigger proportion of the costs of managing and delivering that water, because their use makes a bigger contribution to those costs?
- Some options might encourage more users or more use of water. This might help reduce the costs for each water user but can increase pressure on water resources and availability.
- Technology can help make services more efficient and accessible. It can be difficult, however, to see how much money is saved when technology upgrades become an ongoing requirement rather than a one-off spend that helps save in the long term.

CONCLUSION

You're done.

Thank you, for taking the time to have a discussion on water and sharing your views.

We'll be in touch if you've indicated you'd like to be part of our **paired conversations**. These will take place in August-September.

If you have any feedback to share on this process, please contact The newDemocracy Foundation at: **water@newdemocracy.com.au**



FEEDBACK FORM

Complete and return this form by scanning and emailing to water@newdemocracy.com.au, or posting to: **newDemocracy Foundation, P.O. Box R418, Royal Exchange, NSW 1225, Australia.**

Alternatively you can complete the form online at: www.newdemocracy.com.au/water

Name: _____

Suburb: _____ Postcode: _____

Email address: _____

Contact number: _____

How many people attended your kitchen table discussion? _____

Would you like to participate in a paired conversation? (please circle) Yes No

The questions we've asked are deliberately open and general. We want your feedback on the direction and priorities for WaterNSW. In the challenges section we've asked some prompt questions to get you thinking about the issues that we think are pressing, but we'd also like to hear about what you think is important.

1 What stood out to you in each of the challenges?

Challenge 1: _____

Challenge 2: _____

Challenge 3: _____

Challenge 4: _____

2 What opportunities are we missing out on?

3

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4

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5 How should we pay for water?

6 How can we best meet your need for water?

7 What questions need to be answered to make better decisions?

8 Who should we hear from to make better decisions?

9

[illegible]

10

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