



# PRICING REPORT August 2024

**NSW Irrigators' Council**

Email: [nswic@nswic.org.au](mailto:nswic@nswic.org.au)

Website: <https://www.nswic.org.au/>



# CONTENTS

<b>KEY ISSUES</b> .....	<b>3</b>
<b>KEY ACTIONS</b> .....	<b>5</b>
<b>INTRODUCTION</b> .....	<b>7</b>
<b>BACKGROUND</b> .....	<b>8</b>
<b>THE WATER PRICING MODEL IS BROKEN</b> .....	<b>11</b>
2025-2030 WATER PRICING DETERMINATION PREVIEW .....	11
STRUCTURAL AND POLICY CHANGE IS REQUIRED .....	12
<b>COST SHARES</b> .....	<b>15</b>
THE IMPACTOR-PAYS PRINCIPLE .....	16
NATIONAL WATER INITIATIVE AND THE USER-PAYS PRINCIPLE .....	19
FISHWAYS.....	20
VICTORIA’S ENVIRONMENTAL CONTRIBUTIONS.....	21
<b>AFFORDABILITY</b> .....	<b>22</b>
GROSS VALUE OF IRRIGATION AGRICULTURAL PRODUCTION (GVIAP) .....	22
MARKET VALUE OF ALLOCATIONS AND ENTITLEMENTS TRADED .....	24
IPART’S OBLIGATION TO CONSIDER AFFORDABILITY .....	24
<b>CUSTOMER ENGAGEMENT</b> .....	<b>26</b>
IPART EXPECTATIONS OF WATERNSW .....	26
WATERNSW ENGAGEMENT MODELS .....	27
<b>SERVICE DELIVERY</b> .....	<b>31</b>
PROPOSAL TO UPGRADE ONLINE CUSTOMER PORTAL.....	31
DECLINING IN-PERSON CUSTOMER SERVICE .....	32
TRANSACTION COSTS .....	33
<b>CONCLUSION</b> .....	<b>35</b>

# KEY ISSUES

- The NSW bulk rural water pricing model is fundamentally broken. It is in urgent need of review if farmers are not to be priced out of business in the IPART 2025-2030 pricing determination.
- WaterNSW's revenue requirements are ballooning faster than farmers' capacity to pay.
- While the WaterNSW pricing proposal is yet to be submitted to IPART, a 15 per cent plus CPI year-on-year price increase in water bills has been presented to Customer Advisory Groups.
- This is not a sustainable business model by any measure.
- Agricultural water licence holders, particularly small family farms are under financial pressure with rising input costs in interest rates, fuel, insurance, machinery, wages and energy, and higher water allocation prices due to State and Commonwealth environmental water recovery.
- NSW's water is managed for multiple purposes, including the health of the environment and wellbeing of communities. Increasingly, there is also an expectation water will be managed to improve the social, economic, cultural and spiritual wellbeing of First Nations.
- However, IPART's impactor-pays principle forces the lion's share of the costs onto rural water users, with WaterNSW customers now covering 80-100 per cent of operating and capital costs, and 80-100 per cent of 20 out of 35 WAMC activities.
- WaterNSW's water working groups, with a majority of participants representing community/resident and environmental interests, want increased government responsibility and financial involvement in water management such as greater equitable cost distribution, reassessment of regulatory impacts, and a more significant investment in water infrastructure to support both community needs and environmental initiatives.
- *"There is a desire for a pricing model that more fairly allocates costs among all users, including the wider NSW population, government contributions, and specific industry sectors."*<sup>1</sup>

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<sup>1</sup> WaterNSW, SECNewgate Engage, 2024. Water Working Groups 2025-2030, Final Report of the Process. June 2024, p88

- New customer engagement models have diminished the voice of paying customers through consultation with a broad range of indirect stakeholders, and the inclusion of proposed services that go beyond river operations and water pricing.
- New customer engagement models do not provide adequate water literacy education for participants on technical subjects such as river operations and water pricing.
- WaterNSW customer service levels are perceived to be declining while costs are increasing. Customers report WaterNSW services being centralized, reduced customer contact hours in regional branches and inadequate communication and information sharing with customers.
- Expensive transaction costs for low-risk administrative tasks have made them cost-prohibitive, particularly for low-volume water users.
- Timeframes are critical: in 2021, IPART was slow to hand down its pricing determinations, which led to WaterNSW releasing its pricing too late for Independent Irrigation Operators (IIO) to meet the ACCC water market rule deadline. In some cases, this forced IIOs to publish schedules of charges using the previous year's NSW Government charges - absorbing the the first quarter increase - before republishing a new schedule of charges effective 1 October.

# KEY ACTIONS

- The rural bulk water pricing model is restructured so that rural water customers are paying only for the service of delivering water and its associated costs in the maintenance, operation and replacement of infrastructure, and for water planning and management only to the extent needed to deliver the water.
- To the extent that infrastructure, river operations, services, planning and management are required for multiple public interest purposes, including environmental planning and protection, recreation, cultural and managed environmental flows, costs should be met from consolidated revenue or raised through a separate mechanism from across the NSW community.
- IPART must revise its definition of an 'impactor', and review how costs are shared between rural water customers and the NSW Government for public good activities and management on behalf of the broader community.
- WaterNSW's government dividends be waived over the 2025-2030 pricing determination period, on the grounds it cannot generate a surplus in an operating environment where revenue is falling far short of rising capital and operational costs.
- The Government release WaterNSW from the requirement to pay land tax, recognising that this is not a user-pays cost related to the maintenance, operation and replacement of infrastructure to deliver water, or for water planning and management only to the extent needed to deliver the water.
- The Government cover the costs of interest paid on legacy debts from building dams and other infrastructure decades ago, debts that WaterNSW inherited on being corporatised. WaterNSW customers should not be paying these costs when the infrastructure is now being used for multiple purposes, not just storing and delivering water for water users.
- IPART determines the NSW Government will cover all costs of its non-urban metering roll-out, given costs are ballooning due to policy failure and compliance barriers outside rural water users' control.

- Rural water customers who own and maintain their own meters and telemetry should not be expected to contribute to covering costs associated with managing, servicing, maintaining, reading, testing and replacing government-owned water meters.
- An independent review to identify why cost-saving efficiencies in IT and other areas have not resulted in lower water charges as promised in earlier pricing determinations.
- Fishways and cold-water pollution: if these and other public good initiatives are to be delivered in a timely and cost-effective fashion, the NSW Government must remove them from the impactor-pays cost-sharing framework applied by IPART, and find alternative funding sources.
- WaterNSW investigate setting fees proportionate to the risk posed by the water user. For example, in NSW valleys deemed to have low capacity to pay, the rate of application fees could be lowered.

# INTRODUCTION

In this report, we explore the many issues leading to the conclusion that the NSW bulk rural water pricing model is fundamentally broken. The model is in urgent need of review if agricultural water users are not to be priced out of business in the IPART 2025-2030 pricing determination.

While it is yet to submit its formal pricing proposal to IPART in September, WaterNSW has presented customer advisory groups with a price cap proposal for a 15 per cent plus CPI increase in their water bills year-on-year.

Cost drivers outside WaterNSW's control include rising capital expenditure costs for infrastructure; rising operational costs including interest rates, energy, insurance and land tax, and construction costs; and, additional requirements IPART has added to the WaterNSW operating licence.

Drivers inside the NSW Government's control include land tax; WaterNSW dividends to Government; and expecting rural water customers to pay the costs of public good policies, programs and projects such as fish passageways and cold-water pollution.

IPART's impactor-pays principle compounds the impacts by assigning the lion's share of the above costs to rural water licence holders. WaterNSW customers are now covering 80-100 per cent of operating and capital costs, and 80-100 per cent of 20 out of 35 WAMC activities.

In response to ballooning costs in 2021, IPART also increased the customer share of required revenue from 67 per cent to 70.9 per cent. It also increased WaterNSW's operating expenditure to \$203.5 million, \$54.6 million more (or 36.7% higher) than in the 2017 four-year pricing determination. The result was water entitlement and usage charges jumped an average 29-31 per cent.

Water working groups convened by WaterNSW across regional NSW have expressed overwhelming support for an increased government cost share to achieve greater equitable cost distribution. Notably, most water working group participants represented environmental and community/resident interests, but sided with industry and water licence holders on the issue of cost shares.

Rural water users' capacity to keep paying more is acutely limited when margins are already being squeezed by high interest rates, rising input costs and policies such as water recovery for the environment increasing trade prices. The rural water pricing model is broken and must be reviewed.

# BACKGROUND

Every four years, the Independent Pricing and Regulatory Tribunal (IPART) reviews the prices WaterNSW can charge customers for rural bulk water services, as well as prices charged by the Water Administration Ministerial Corporation (WAMC) for its monopoly water planning and management.

WaterNSW Rural Bulk Water Prices rose steeply in the 2021 four-year determination, increasing by an average of 29 per cent for entitlement charges and 31 per cent for usage charges. In some valleys, the increases were more than 50 per cent and 40 per cent respectively. This compares with the inflation rate of 4.4% in 2021-22 when the new prices came into effect.

The 2021 WAMC determination set the prices for 2021-22 with a modest 2.5% increase in charges.

IPART conducts annual reviews of WaterNSW charges during each four-year determination period. In 2022-23, 2023-24 and 2024-25, IPART increased prices by CPI estimates; these estimates proved reasonable being just over and just under the actual inflation rates in those years.

The next four-year pricing determination period begins on 1 July 2025. WaterNSW has been conducting community and customer consultation since January 2023 to inform its pricing submission to IPART.

WaterNSW expects to submit its pricing proposal for the 2025-2030 determination period in September 2024. IPART will invite public submissions as part of its assessment. It will hand down its final determination in June 2025, with charges to apply from 1 July 2025.

## *WaterNSW Rural Bulk Water Review*

WaterNSW customers include agricultural producers, environmental water holders and urban water suppliers in NSW's regulated river systems. The Rural Bulk Water Review<sup>2</sup>, among other things, sets WaterNSW's rural bulk water prices to recover the customer share of efficient costs. The prices include:

- **Bulk water charges:** annual prices to recover customers' share of the operating and maintenance costs of the public dams, weirs and river regulators that collect, store and deliver bulk water to customers, as well as costs linked to drought resilience, dam safety and fishways construction.

Prices are broken down into:

- A fixed \$/megalitre (ML) charge per ML of licensed entitlement.
- A variable \$/ML user charge per ML of water extracted from the river.

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<sup>2</sup> [issues-paper-review-of-waternsws-rural-bulk-water-prices-september-2020\\_0.pdf](#)



- **MDBA and BRC river operations charges** - NSW contributes a share of the river operations cost incurred by the Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC). These costs are levied on licence holders in the Murray and Murrumbidgee and Border valleys, also as a two-part fixed and variable price. Costs include maintenance of dams, weirs and river regulators to collect, store and deliver bulk water to NSW customers. DPE-Water (now DCCEEW) deemed that river operations make up 82 per cent and 71.9 per cent respectively of NSW's total funding contribution to the MDBA and BRC. The balance is charged under the WAMC price determination (see below).
- **Non-urban metering reform:** charges to cover the costs of implementing the NSW Government's non-urban metering reform.
- **Miscellaneous fee-for-service charges.**

IPART shares costs between customers and the Government according to the 'impactor-pays' principle, which it defines as those who created the need for an activity should pay the costs, based on the counterfactual: *'a world without high consumptive use of water resources.*

In 2021, it consequently set prices for WaterNSW customers to contribute 70.9 per cent of WaterNSW's notional revenue from 2021-2025, up from 67 per cent of WaterNSW's notional revenue requirement in the 2017-2021 pricing determination.

At the same time, IPART also determined that WaterNSW needed to spend more to deliver effective services into the future and maintain its assets to an acceptable quality. Consequently, it increased WaterNSW's operating expenditure to \$203.5 million, \$54.6 million more (or 36.7% higher) than in the 2017 four-year pricing determination.

The combination of IPART increasing WaterNSW's revenue requirement and deeming that customers pay a greater share of costs was water entitlement and usage charges jumping an average 29-31 per cent respectively, and more than 50 per cent and 40 per cent respectively in some valleys.

### *Water Administration Ministerial Council (WAMC) Review*

WAMC sets, implements and enforces water resource management policy in NSW. It includes the water division within the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW, formerly DPE-Water) which sets policy, certain functions of WaterNSW (which implements policy), and the Natural Resources Access Regulator (NRAR, which enforces policy).

The WAMC pricing review determines the maximum prices WAMC can charge holders of water access licences in NSW regulated river, unregulated river and groundwater systems, to recover a share of the costs incurred in providing its water management functions and monopoly services.

NSW's water is managed for multiple purposes, including the health of the environment and wellbeing of communities. Increasingly, there is also an expectation water will be managed to improve the social, economic, cultural and spiritual wellbeing of First Nations.

WAMC's water management activities include developing plans for sharing water between users and the environment, administering licences and allocations, and ensuring compliance with water laws and licences. Costs can be broken down into the following three areas:

- (i) **Water management charges** include WAMC's water planning, regulation, licensing, compliance, enforcement, customer service and other activities.
  - a. This includes NSW's share of water management costs incurred by the Murray Darling Basin Authority (MDBA) and the Dumaresq-Barwon Borders River Commission (BRC).
- (ii) **Administration:** Fee-for-service charges set to recover the administrative costs of activities such as amending a licence or work approval.
- (iii) **Metering:** fee-for-service metering charges, including the costs of maintaining and reading water take meters, and testing or verifying the accuracy of meters.

IPART deemed in its 2021-2025 pricing determination that while water management is largely funded by the NSW Government, water users would need to make a greater contribution through higher prices for WAMC to lift its performance and provide a more sustainable, reliable water management system.

IPART consequently reviewed each of WAMC's 33 activities to understand who was creating the need for the activities, and therefore who should incur the costs through revised cost shares. As a result, water users' share of WAMC's notional revenue requirement increased to 77.9 per cent, compared with 72.3 per cent in the 2016 review of WAMC prices.

# THE WATER PRICING MODEL IS BROKEN

## 2025-2030 water pricing determination preview

WaterNSW has been transparent about the intense pressure on its revenue requirements in this next 2025-2030 pricing determination period in its exhaustive engagement with customer advisory groups and water working groups over the last 20 months.

Cost drivers outside WaterNSW's control include rising capital expenditure costs for infrastructure; rising operational costs including interest rates, energy, insurance and construction costs; and, additional requirements IPART has added to the WaterNSW operating licence such as data sharing between agencies, floodplain harvesting related functions, communications and monitoring.

Drivers inside the NSW Government's control include land tax; WaterNSW dividends to Government; and expecting rural water customers to pay the costs of public good policies, programs and projects such as fish passageways and cold-water pollution.

At the same time, IPART apportions the lion's share of costs to rural water licence holders under its impactor-pays principle. WaterNSW customers are now covering 80-100 per cent of operating and capital costs, and 80-100 per cent of 20 out of 35 WAMC activities.

In response to ballooning costs in 2021, IPART also increased the customer share of WaterNSW's required revenue from 67 per cent to 70.9 per cent. It also increased water users' share of WAMC's notional revenue requirement from 72.3 per cent to 77.9 per cent.

Structurally, these challenges have been compounded by IPART estimating water use for four-year pricing determinations using a 20-year rolling average of water use from 2001-2020. However, this rolling average has consistently been higher than the actual average of water use across 2004-2023, building in a compounding revenue deficit for WaterNSW over many years.

WaterNSW has advised customer advisory groups that meeting all its regulatory obligations would require an annual average 22 per cent plus CPI year-on-year increase in water bills across regional NSW. This would total a 108 per cent plus CPI rise in bills by the end of the pricing period in 2030.

WaterNSW says it is working to reduce costs wherever possible, particularly the drivers within WaterNSW and NSW Government control. However, even if the reductions can be realized, rural water users are still facing a 15 per cent plus CPI year-on-year increase in water bills to cover WaterNSW's remaining revenue requirements.

If the current valley by valley model is retained, the price impact would range from two-three per cent in the northern and southern coastal regions to 43-95 per cent in inland valleys.

WaterNSW has presented a proposal to customer advisory groups to split NSW into a northern and a southern region with all valleys paying the same 15 per cent plus CPI year-on-year increase, including the southern and northern coastal regions. This would deviate from past practice, where IPART does take account of affordability in setting prices through the capacity to pay pricing structure in the North Coast and South Coast valleys. This approach has increased charges by inflation only, noting the substantially higher cost to achieve full cost recovery in these valleys. Including these coastal valleys in a new regional model with everyone paying a 15 per cent plus CPI year-on-year increase would be a huge price shock to farmers in the northern and southern coastal regions.

WaterNSW has also presented options to customer advisory groups to increase the ratio of fixed to variable charges. In many valleys, for example, only 40 per cent of revenue is raised through fixed charges, leaving a 56 per cent gap. WaterNSW is not assured it can recover 56 per cent of its costs from water orders alone, given the annual variation in water use.

We do not intend here to explore the merits of these different options, other than to observe that increasing the ratio of fixed costs means many small water users may pay much higher bills even as other water users pay less. Similarly, while spreading price hikes over five years instead of past practice with a large price rise in the first year and then CPI in each subsequent year might smooth the initial bill shock, the increase is still clearly exorbitant and unaffordable.

## Structural and policy change is required

**The fundamental problem here is not how pricing is structured, but the fact that WaterNSW's revenue requirements are ballooning faster than the capacity of its customers to keep paying more, while IPART's impactor-pays principle shifts an ever-greater proportion of those ballooning costs onto rural water users, primarily farmers. This is not a sustainable business model by any measure.**

Instead of trying to find ever more creative ways to make exorbitant hikes in rural water charges more palatable, the NSW Government and IPART need to go back to basics to review the WaterNSW and WAMC business model and the cost-sharing arrangements.

Water working groups convened by WaterNSW and representing industry, water licence holders, environment, community/resident interests across regional NSW expressed overwhelming support for an increased government cost share to achieve greater equitable cost distribution.

Notably, the majority of participants in each working group represented environmental and community/resident interests, but sided with industry and water licence holders on the issue of Government covering an increased share of costs, particularly for environmental planning and protection activities.

*Most participants raised issues of equity and fairness in funding the system, requesting increased government funding and responsibility for water management and water infrastructure.*

*They are mindful of the significant public benefit of some of the investment proposals and consider government should be responsible for a larger portion of these costs, and that this would result in a more equitable spread of costs.*

*Participants expressed concern regarding the increasing number of regulatory requirements that resulted in new costs and subsequent costs to customers and the community (as part of the Government's share).*

*Participants suggested that Government should provide a much greater investment in water infrastructure to support both customer and community needs and both ongoing and new environmental initiatives.*

*There is a desire for a pricing model that more fairly allocates costs among all users, including the wider NSW population, government contributions, and larger industry users.<sup>3</sup>*

A structural review of the rural water pricing model must consider, among many issues:

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<sup>3</sup> WaterNSW, SECNewgate Engage, 2024. Water Working Groups 2025-2030, Final Report of the Process. June 2024, p13

- Increasing the government share of the costs of water infrastructure, management and planning where the benefits are shared across the whole community.
- The IPART impact-pays principle applied to WaterNSW and WAMC pricing.
- New activities and obligations are constantly added to the WaterNSW operating licence, adding to costs (e.g., \$15.6 million a year extra to deliver new operating requirements IPART imposed in the 2024 WaterNSW operating licence review); nothing is ever taken away.
- WaterNSW obligation to pay land tax and Government dividends.
- WaterNSW interest bills on legacy debts from building large-scale dams and other infrastructure decades ago. The Government used to service these debts, but they were transferred to WaterNSW when it was corporatised, to be recouped from customers.
- Water planning and management has expanded beyond what is required for water storage and delivery systems, to include climate change adaptation, fish passageways, environmental flow management, recreation and other public good services. These additional costs should be borne by the users, or beneficiaries, of those additional services, not rural water customers.
- Rural water customers in past pricing determinations have been told that increased IT spending would deliver greater administrative efficiencies that would drive down costs and therefore water charges in future pricing determinations. This promise has not been delivered.
- Rural water customers were told the non-urban metering rollout would ultimately reduce water charges through increased uptake of new technologies such as telemetry. Instead, the Government costs of implementing this policy seem to be ballooning due to compliance barriers beyond farmers' control.
- The delay in the non-urban metering rollout led to the Government almost doubling NRAR's 2024-25 budget to \$45.4 million, with a one-off \$21.3 million boost from consolidated revenue to tide the agency over for one year until the 2025-2030 Pricing Determination. The cost blowout was attributed to NRAR having to maintain more boots on the ground due to the metering rollout delays. We can't see the metering rollout delays being resolved any time soon, which puts rural water users at high risk of having to pay more for DCCEEW's policy failure.
- A quick and simple structural change would be IPART updating its rolling 20-year water use average. However, while this might result in more realistic, albeit lower, revenue forecasts, it will also widen the gap between WaterNSW's revenue requirements and the actual revenue raised, unless the fixed/variable charges ratios are changed.

# COST SHARES

NSW's water is managed for multiple purposes, including the health of the environment and wellbeing of communities. Increasingly, there is also an expectation water will be managed to improve the social, economic, cultural and spiritual wellbeing of First Nations.

However, rural water customers (primarily farmers) carry a substantial burden of these water management costs under the so-called 'impactor pays' principle. IPART defines this principle to mean water storage and delivery infrastructure and associated water management would not be necessary if not for regional towns, industry and farmers.

On this basis, IPART in 2021 determined that rural water customers pay 80-100 per cent of WaterNSW operating and capital costs<sup>4</sup>, including an increased share of the following activities:

- water quality and monitoring (increase from 50% to 80% user share).
- environmental planning and protection (increase from 50% to 80% user share).
- dam safety and compliance (increase from 50% to 80% user share).
- flood operations (increase from 50% to 80% user share).

IPART also determined that WaterNSW needed to spend more to deliver effective services into the future and maintain its assets to an acceptable quality. This led to IPART increasing the overall share of revenue raised from WaterNSW customers from 67 per cent of the notional revenue requirement in the 2017 pricing determination, to 70.9 per cent in 2021. In turn, the increased revenue requirement from customers combined with the cost shares drove the 29-31 per cent hike in WaterNSW water bills.

Similarly, water entitlement holders pay 80-100 per cent of 20 out of 35 Water Administration Ministerial Corporation (WAMC) activities<sup>5</sup>. IPART also increased water users' share of WAMC's notional revenue from 72.3 per cent in 2017 to 77.9 per cent. This drove the more modest 2.5 per cent annual increase in WAMC water charges.

NSWIC strongly disagrees with current cost-share ratios, as costs are heavily recovered from rural water customers, primarily farmers, for public interest items. This puts a high-cost burden on water users but has also resulted in important public interest environmental projects (such as fish passageways) progressing slowly due to prohibitively expensive cost recovery from water users alone.

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<sup>4</sup> [https://www.ipart.nsw.gov.au/sites/default/files/cm9\\_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF) [P103]

<sup>5</sup> [Final-report-Review-of-prices-for-the-Water-Administration-Ministerial-Corporation-September-2021.PDF \(nsw.gov.au\)](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-report-Review-of-prices-for-the-Water-Administration-Ministerial-Corporation-September-2021.PDF) [P 95].

Ninety-three per cent of participants in WaterNSW water working groups convened across the State said the Government should pay a greater share of the costs for WaterNSW activities, particularly dam safety, environmental planning and protection, and environmental compliance (fishways and cold-water pollution).<sup>6</sup>

Notably, the majority of working group participants represented community/resident or environmental interests, but sided with industry and water licence holders on the issue of cost shares.

*Participants have concerns about the economic impact of water price increases on agriculture, (including the fear of driving smaller farmers out of business), the potential for reduced agricultural output, and the overall viability of farming in rural NSW.*

*... They are mindful of the significant public benefit of some of the investment proposals and consider government should be responsible for a larger portion of these costs, and that this would result in a more equitable spread of costs.*

*Participants expressed concern regarding the increasing number of regulatory requirements that resulted in new costs and subsequent costs to customers and the community (as part of the Government's share).*

*...There is a desire for a pricing model that more fairly allocates costs among all users, including the wider NSW population, government contributions, and larger industry users.<sup>7</sup>*

## The impactor-pays principle

WAMC and WaterNSW costs are shared between water customers and the NSW Government (on behalf of the broader community) based on the 'impactor pays principle'.

IPART defines this principle as those who created the need for an activity should pay the costs, based on a counterfactual of: 'a world without high consumptive use of water resources'.<sup>8</sup> IPART justifies using the impactor pays principle as:

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<sup>6</sup> WaterNSW, SECNewgate Engage, 2024. Water Working Groups 2025-2030, Final Report of the Process. June 2024, pp36-37

<sup>7</sup> Ibid, p13.

<sup>8</sup> [https://www.ipart.nsw.gov.au/sites/default/files/cm9\\_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF) [P 107].



*“We prefer the impactor pays approach over alternative approaches (such as a beneficiary pays approach) as we consider it achieves better efficiency outcomes, as it results in customers facing the full costs of the services they receive. In addition, it is a more practical and transparent method for allocating costs and is consistent with the funding hierarchy that we have used previously for other services.”<sup>9</sup>*

WaterNSW in 2018 described IPART’s interpretation of the impactor-pays principle as very strict, and queried whether the counterfactual of a world without high consumptive use of water was correct.

*It is possible to have a high consumptive use of water without regulated infrastructure and services. For example, in NSW unregulated rivers, there is still a substantial level of consumptive use of water, it is just that the water is stored in on-farm storages rather than state owned dams and other infrastructure.*

*Without a dam on the State’s rivers, there would undoubtedly be less consumptive use as a system of on dam storages would likely lead to higher losses and not have the benefit of coordinated storage/usage as is found under the current arrangements in regulated river systems. However, high consumptive use would still undoubtedly occur.*

*Therefore, the best that the counterfactual can state for WaterNSW’s bulk water services is that there would be a world without a “higher” consumptive use of water and without regulated infrastructure.”<sup>10</sup>*

IPART’s narrow impactor pays definition is highly problematic for the management of a public good in a developed society which necessarily requires consumptive use of water, and where changing expectations in the broader community impact resource management decisions and therefore costs.

IPART’s impactor pays counterfactual - a world without high water consumption - does not hold for many WaterNSW and WAMC activities, as it assumes the benchmark is a river system with no management or infrastructure requirements to deliver water to people living in the catchment.

Historically, water management infrastructure was built to ‘drought-proof’ town water supplies and to develop inland regions in the national interest through improved river navigation and irrigated

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<sup>9</sup> <https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-rural-water-cost-shares-february-2019.pdf> [P 2].

<sup>10</sup> WaterNSW submission to IPART Draft Report on Rural Water Cost Shares, October 2018. <https://www.ipart.nsw.gov.au/sites/default/files/documents/online-submission-waternsw-y.-chora-29-nov-2018-074900000.pdf>

agriculture. Many irrigation networks were built or expanded to provide opportunities for soldier settlers as a reward for their service to the nation after WWI and WWII.

However, infrastructure originally constructed in the name of nation building last century is now also maintained, upgraded and managed for multiple public interest purposes, including ecosystem functions and services, recreation, cultural and managed environmental flows.

The impactors are no longer only the towns, industry and farms relying on the service of delivering water, but all stakeholders demanding a say in the how and why of water management and infrastructure. Many of these non-customer stakeholders do not even live in the river valleys where they demand change.

Yet under the current cost-share ratio, customers who access only 28 per cent or less of total inflows for agriculture, towns, and industry use, are having to pay to meet the impact of broader community expectations. In simple terms, those expectations are having a substantial impact on costs, but the costs are not being assigned to 'impactor', being the broader community, via the public purse.

Logically, if anyone across any community can now have an impact on decisions and priorities, then the impactor-pays principle requires that the costs are shared accordingly, rather than burdening a small sliver of society with the costs to meet the broader community's changing expectations.

### **Impactors-pays principle in climate change adaptation**

IPART has stated that the costs associated with climate change would not be incurred in the absence of high consumptive use. Therefore, water users are the impactors, and should pay for the costs of infrastructure and water management adaptation to climate change.

As stated above, this thinking assumes the counterfactual of a pristine river system requiring no infrastructure or management if not for all those towns, farms and industry that have been built up over 200 years requiring water.

Given those towns, farms and industry are there to stay, in the modern era, there is no such thing as a world without high consumptive water use. There is only a world requiring adaptation to changing modern community expectations and climatic conditions.

IPART also fails to recognise that the everyday actions of billions of people across the globe are impacting our climate, through burning fossil fuels for power, transport, heating and cooling homes, goods and services. All people are therefore the impactors when it comes to climate change, driving the need to adapt water management and infrastructure.

Therefore, costs associated with climate change adaptation in water management and infrastructure should be shared across all society, as they are in so many other sectors affected by climate change.

Even if there were no farmers and therefore the absence of high consumptive water use, the existing infrastructure would still have to be maintained and managed to secure water supplies to towns and manage evolving community expectations on environmental flow regimes.

Considering the changing contexts of water management and infrastructure, NSWIC calls on IPART to revise its definition of an ‘impactor’, and to review how costs are shared between rural water customers and the NSW Government on behalf of other users and the broader community.

## National Water Initiative and the user-pays principle

The 2004 National Water Initiative (NWI) is the blueprint to Australia’s water reform, agreed to by all states and territories. The NWI includes ‘Best Practice Water Pricing’, which specifically says to “give effect to the principles of user-pays” (note: not impactor-pays).

User-pays, also used interchangeably as beneficiary-pays, is generally defined as a person who uses a particular service or resource should bear the associated costs. For water-users, as described in the National Water Initiative Clause 64 above, that would mean paying only for the service of delivering water and its associated costs in the maintenance, operation and replacement of infrastructure, and for water planning and management only to the extent needed to deliver the water.

When water planning and management expands beyond what is required for water storage and delivery systems, to include climate change adaptation, fish passageways, environmental flow management, recreation and other public good services, then those additional costs should be borne by the public beneficiaries of those additional services.

### **Best Practice Water Pricing and Institutional Arrangements**

#### **Outcomes**

64. The Parties agree to implement water pricing and institutional arrangements which:
- i) promote economically efficient and sustainable use of:
    - a) water resources;
    - b) water infrastructure assets; and
    - c) government resources devoted to the management of water;
  - ii) ensure sufficient revenue streams to allow efficient delivery of the required services;
  - iii) facilitate the efficient functioning of water markets, including inter-jurisdictional water markets, and in both rural and urban settings;
  - iv) **give effect to the principles of user-pays** and achieve pricing transparency in respect of water storage and delivery in irrigation systems and cost recovery for water planning and management;
  - v) avoid perverse or unintended pricing outcomes; and
  - vi) provide appropriate mechanisms for the release of unallocated water.

*2004 National Water Initiative - best practice water pricing.*

For example, strictly speaking, fish passageways are not required to deliver water to WaterNSW customers; rather, a fish passageway is a public good infrastructure that meets the demands, the impact if you will, of changing community expectations around improving feeding and breeding conditions for fish. All of society benefits from this investment.

All other Australian States apply the user-pays principle to water pricing. NSW is the only one that applies the impactor-pays principle, and very narrowly defined by IPART at that.

## Fishways

IPART notes that under s218 of the NSW Fisheries Management Act 1994, Water NSW must construct fish passageways when it undertakes significant capital works on existing dams, and that WaterNSW has been working with NSW DPI Fisheries on a suitable fishway offset strategy to meet its requirements under the Act.<sup>11</sup> To this end, WaterNSW originally proposed \$71.6 million of capital expenditure on fishway offsets over the 2021 determination period, for 11 projects in the Gwydir, Namoi, Lachlan and Macquarie valleys.

IPART subsequently reduced WaterNSW's proposed expenditure by \$56.4 million. While this eased the price impact on water users during the 2021 four-year pricing determination period, it also deferred projects. This added to the list that would have to be dealt with in a future pricing period, after IPART had also deferred expenditure on several fishways projects in the 2017 pricing determination.

IPART recognised that compliance with fishways requirements is overdue, but balanced that against what it considered to be a need to ensure customer prices do not reflect projects that are unlikely or not prudent to commence in the 2021 determination period.

That decision implicitly acknowledges that the NSW fish passageway strategy, an essential public interest environmental initiative to fix a key degradation driver in inland rivers, is progressing slowly. This is due to prohibitively expensive cost recovery from water users alone, exacerbated by factors outside water users control such as delays due to redesigns reflecting new knowledge. These costs only increase exponentially as the years drag by.

If this public good initiative is to be delivered in a timely and cost-effective fashion, the NSW Government must remove it from the impactor-pays cost-sharing framework applied by IPART, and find alternative funding sources.

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<sup>11</sup> [https://www.ipart.nsw.gov.au/sites/default/files/cm9\\_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF) [P53].

## Victoria's environmental contributions<sup>12</sup>

In NSW, the environmental costs associated with the provision of regional water-based services are largely borne by WaterNSW customers under the impactor-pays principle. This is the case even though the demand for improved environmental management is also driven by the non-customer, non-paying broader community such as voters in distant cities like Sydney.

Victoria applies a user-pays approach to water pricing in which users pay for the infrastructure and water management and planning required to deliver water to homes, farms and industry. However, recognizing the public good nature of addressing any associated adverse environmental impacts, the whole community shares the costs of addressing these impacts via environmental contributions.

Under this model, each urban water supply authority contributes five per cent of its revenue, and each rural water supply authority contributes two per cent of its revenue. The lower percentage from rural authorities recognises their smaller customer base from which to raise funds.

The funds collected are pooled and available to Catchment Management Authorities across Victoria to fund initiatives that seek to promote the sustainable management of water or address adverse environmental impacts related to water management. Melbourne households and industry contribute about 70 per cent of the total, but most of the funds are spent in regional Victoria.

Environmental contributions are considered a means of accounting for the environmental costs associated with the provision of water-based services, and a way to ensure the costs of water-related environmental activities are recovered from ALL water users in the State. The May 2024 Victorian budget forecast the collection of \$704 million for 2024-28.

NSW should explore this and other options to more fairly share the cost burden of water-related environmental activities across the whole NSW community.

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<sup>12</sup> [Environmental contributions \(water.vic.gov.au\)](https://www.water.vic.gov.au)

# AFFORDABILITY

Agricultural water licence holders' capacity to pay and the implications for their businesses' profitability is a critical issue for the next IPART WaterNSW bulk water and WAMC pricing determinations, given the steep price increases and higher customer cost shares imposed in 2021 and the likelihood of substantial increases again in water charges.

The 2021 WaterNSW determination steeply increased WaterNSW bulk water charges by an average of 29 per cent for entitlement charges and 31 per cent for usage charges. This compares with the inflation rate of just 1.6 per cent in 2020-21, when IPART was reviewing the prices for the next determination period, and 4.4% in 2021-22 when the new prices came into effect.<sup>13</sup>

Additionally, many water users also experienced price increases under WAMC charges (the Water Administration Ministerial Corporation - the entity responsible for water management in NSW, i.e. water planning, compliance, allocations, etc.). While IPART capped the WAMC price increase to 2.5 per cent per year, or 10.4 per cent from 2020-21 to 2024-25 (before inflation and excluding the MDBA and BRC charges), this still saw a significant rise for many users. Specifically:

- For regulated water sources, bills for most water sources increased by up to \$250 in 2021-22. However, in the NSW Border Rivers valley, bills rose by around \$610.
- For unregulated water sources, bills increased by up to \$460 in four water sources but decreased by up to \$240 in the remaining eight water sources.

IPART undertook an analysis of the affordability of prices as part of the 2021 determination, and determined them *reasonable*. This was based on analysis of bills for comparable services in other jurisdictions, prices compared with the gross value of farming businesses' irrigated agricultural production, and the market value of allocations and entitlements traded on the water market over the 2019-20 period.<sup>14</sup> Each of these analyses are flawed proxies for affordability, as follows.

## Gross Value of Irrigation Agricultural Production (GVIAP)

IPART estimated the combined impact of WaterNSW and WAMC charges on farming businesses as a percentage of the Gross Value of Irrigated Agricultural Production (GVIAP).

<sup>13</sup> [https://www.ipart.nsw.gov.au/sites/default/files/cm9\\_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF) [P 15].

<sup>14</sup> [https://www.ipart.nsw.gov.au/sites/default/files/cm9\\_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF](https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF) [P 14].

It found that bills based on its final decision to increase entitlement charges by an average 29 per cent and usage charges by 31 per cent, would only account for an average five per cent of GVIAP, and up to 10 per cent in the Hunter Valley, for the typical high security water user.

For typical general security water users, it found the total bill in 2021-22 would account for four per cent of GVIAP on average and up to 12 per cent in the Hunter Valley. It concluded the bills therefore would not have a significant adverse impact on farming businesses' profitability.

***“Using GVIAP to claim the water charges are affordable is disingenuous.”***

However, using GVIAP in this very generalised, high-level way to claim the water charges are affordable is disingenuous. While there may be typical general security or high security water users in terms of billing, these users have nothing in common when it comes to their individual GVIAP and therefore the affordability of increases in their water charges. As IPART itself noted, bills as a percentage of GVIAP vary between types of farming businesses due to differences in commodity prices and water application rates, as well as between valleys due to differences in price levels.

***“The affordability of water charges as a percentage of GVIAP cannot be considered in isolation from all other rising costs eating into GVIAP.”***

Further, the affordability of water charges as a percentage of GVIAP cannot be considered in isolation from all other rising costs eating into GVIAP. Since the 2021 pricing determination, Australian farmers have experienced rising interest rates and elevated global energy prices that increased farm production costs for direct and indirect inputs, particularly fertilisers<sup>15</sup>. They have also experienced rising costs due to extreme weather events.

Over the same period, the non-urban metering reform has imposed high additional and direct compliance costs on farmers to install new meters and install telemetry. Many small water users that were nominally exempt from the policy to protect them from unacceptable cost burden, subsequently were advised they needed to install new meters after all due to licence conditions. These direct additional compliance costs are on top of water users paying for the bureaucracy's metering policy implementation costs.

IPART's methodology to assess affordability as a percentage of GVIAP is also opaque. The ABS tables provide GVIAP broken down by regions, such as the Hunter, the Murray, the Central West. Within each region, the GVIAP is broken down by commodity. It is unclear how IPART has then applied that aggregated data to confidently boil it down to the bills for a typical high security or general

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<sup>15</sup> [February 2022 - Agriculture inputs outlook](#); [Economic overview - DAFF \(agriculture.gov.au\)](#)

water user as a percentage of their GVIAP? What were its assumptions in order to distinguish high security or low security water users among the aggregated data, even by commodity?

Without the methodology being shared, this particular measure has little credibility.

## Market value of allocations and entitlements traded

As part of the 2020-21 pricing determination process, IPART compared its draft prices with prices paid for allocations and entitlements on the water market, as a measure of affordability.

It found the WaterNSW draft usage prices were relatively low compared with the historical average for allocations traded on the water market, which at that time were between \$100/ML and \$200/ML. It found the present values of WaterNSW draft entitlement prices were also lower than prices for entitlements traded on the market.

Stakeholders' submissions to the Draft Report stated that prices in the water market were irrelevant, because selling entitlement would involve ceasing irrigation, and selling allocation would mean reducing production in order to raise cash to pay the water bill. Conversely, the cost of purchasing allocation and/or entitlement to support production is simply another input cost that impacts GVIAP, and therefore is part of cumulative affordability impacts on GVIAP.

Further, the IPART analysis is based on water trading in the connected southern Murray-Darling Basin. Given trading opportunities are limited in the northern Basin and negligible in coastal valleys, this measure of affordability is even more irrelevant for the majority of NSW water licence holders.

It is also illogical to compare the value of an asset - in this case the value of an entitlement if traded - with the affordability of water charges. It is akin to saying households can afford the rising cost of living based on the value of their house, as if somehow the value of the asset gives them more disposable cash to pay their bills.

Water users raise the money to pay their bills from the return on using the asset to produce food and fibre, not by selling off the asset and therefore their means of earning money to pay their bills.

## IPART's obligation to consider affordability

IPART acknowledged in the last pricing determination that bills representing up to 10% of GVIAP revenue may be unaffordable for irrigators in some valleys, but said it had no discretion as, under the ACCC's Water Charge Rules, "we must set prices that fully recover Water NSW's efficient costs for the nine MDB valleys ... rather than set prices based on affordability".



It is worth noting that outside the Murray Darling Basin, IPART does take account of affordability in setting prices through the capacity to pay pricing structure in the North Coast and South Coast valleys. This approach increases the current charges in these valleys by inflation only, noting the substantially higher cost to achieve full cost recovery in these regions.

*'Pursuing full cost-recovery regardless of affordability is a case of the purity of principle trumping practicality.'*

Setting aside the inherent injustice of affordability being a legitimate consideration for some NSW water licence holders and not others based only on location, pursuing full cost-recovery regardless of affordability is a case of the purity of principle trumping practicality.

The practical issue is a declining irrigation farmer customer base from which WaterNSW can recover its costs. Regional town water utilities can better absorb increased bulk water charges because their bulk entitlement is held in the collective for many customers who share the costs. Farmers owning entitlements must cover the costs on their own, and therefore bear a disproportionate burden.

# CUSTOMER ENGAGEMENT

## IPART expectations of WaterNSW

The IPART Water Regulation Handbook July 2023 outlines the 3Cs framework and 12 guiding principles that IPART and water businesses are required to use when developing and assessing pricing proposals.

IPART 3Cs framework and guiding principles<sup>16</sup>



WaterNSW's Phase 1 Customer and Community Insights Report states this interpretation of the Customer guiding principles<sup>17</sup>:

Customer	
<b>1. Customer-centric services and expenditure</b>	Better customer service delivery and responsiveness + put customers at the heart of decision making
<b>2. Reflects customer engagement feedback</b>	Collaborate with stakeholders, customers and community to improve water outcomes
<b>3. Promotes better customer outcomes</b>	Understand and maximise value of water for customers
<b>4. Meets broader community needs</b>	Proactive, two-way customer, community and stakeholder engagement + Easy to communicate and do business with + Deliver reconciliation action plan
<b>5. Supports environmental sustainability</b>	Evolve strategic partnerships to manage sustainable, secure and healthy water resources + Adopt ESG that aligns with UN Sustainable Development Goals + Reduce waste and increase reuse
<b>6. Promotes choice of services</b>	Fair and transparent prices

<sup>16</sup> [Handbook-Water-regulation-July-2023-V2.PDF \(nsw.gov.au\)](#), July 2023, page 2

<sup>17</sup> [WaterNSW Pricing Proposal Phase 1 Report](#) - September 2023, page 107

NSWIC holds the view that customer engagement and feedback should be prioritised to promote better customer services and outcomes, before considering broader community needs informed by consultation with the community and other stakeholders.

In guiding principle 1, WaterNSW notes that customers will be put at the heart of decision-making. However, in guiding principle 2, customers are interpreted by WaterNSW as including stakeholders, customers, and the community. The incorporation of multiple stakeholders in principle 2, not just customers, calls into question how WaterNSW discerns the voice of its customers when seeking engagement feedback. This uncertainty also extends to how WaterNSW distinguishes and prioritises customer feedback on all aspects of the pricing proposal.

## WaterNSW Engagement Models

Indirect stakeholder inclusion has been seen in practice through the series of new engagement models in recent years, including Customer Jurys, Kitchen Table Conversations, and Working Groups. Feedback provided to WaterNSW by customers on engagement initiatives prior to 2023 include<sup>18</sup>:

Engagement Program	Customer Feedback
Voice of Customer research (2020)	A minority of customers agreed that WaterNSW had a good local presence and grasp of water delivery issues.
Kitchen Table conversations (2021)	Customers reported that WaterNSW was not delivering high-quality customer engagement and services. Customers and the community called for better communications about their river systems, and improved customer service during resolution of river system issues.
Customer Advisory Group (CAG) (2022)	Feedback included expectations of a better level of customer service and concerns about the loss of local representatives.
Voice of Customer research (2022)	Declines were noted in metrics for customer services, information and communication, billing, pricing, metering, and policy. Policy was noted as being in the highest need of improvement.
What matters to our customers: Insights report WAMC (2023)	This DPE-Water desktop analysis identified that customer service, experience, and stakeholder engagement are important to all stakeholder groups. Stakeholders were requesting status updates with a preference for face-to-face or online meeting opportunities to clarify their specific requirements instead of email inquiries.

<sup>18</sup> [WaterNSW Pricing Proposal 2025-2030 Phase 1 Customer and Community Insights Report](#), pages 31-39

NSW Irrigators' Council membership concerns relating to new engagement models include:

- Consulting with a broader range of indirect stakeholders - other than direct customers:
  - This raises an equity issue where non-customers are influencing outcomes in matters that do not directly impact them, or that they will not directly have to fund.
  - This can skew the information being collected by WaterNSW, and is no longer representative of customers. This sort of engagement is important in the policy development stage (i.e. by DCCEEW) but is not considered appropriate at the implementation stage (i.e. by WaterNSW).
  - We have heard reports that attendance at these meetings is heavily weighted towards non-customers, which is partly attributable to having greater availability to attend meetings (particularly if held during harvest season).
  - A broader range of indirect stakeholders may result in a high likelihood of people indicating preference for gold standard approaches, without knowing what the costs are, or being familiar with cost-recovery processes, including where the majority of the cost burden will fall.
- Problems arising from a low level of water literacy:
  - Operational and pricing matters are relatively technical and require a skillset in the subject matter, to understand the complexities of water pricing. Many of these models do not recognize the skillsets required to contribute meaningfully and constructively and will lead to unintended or perverse outcomes based on inexperience or inadequacy of skillsets.
- Time burden leads to low participation:
  - Many of these models required significant time investments by water users, often on weekends or evenings, on a relatively frequent basis. For most water users, engagement in these processes is done on a voluntary basis, alongside full-time work (i.e. such as on-farm), and other responsibilities. The significant time commitment involved deters a lot of water users from participating.
- Overly complex approaches:
  - A simple and more targeted process would be better suited, given the nature of the customer base in small regional communities means typically the same relatively small group of representatives engage in these processes. For example, better utilizing existing structures and processes, such as CAGs.
- Lack of agency and water-user-determination in agenda setting:
  - Many water users reported that the types of issues being consulted on were not the matters of importance to water users. This led to water users feeling disengaged and not interested in participating - but also that their actual concerns were being dismissed.

WaterNSW's Phase 2 Customer and Community Engagement Report, notes that the four regional Working Groups formed in September 2023 also contained a mix of stakeholder representatives including customers, councils, landcare, recreational, residents, and state and commonwealth environmental water holders<sup>19</sup>.

However, there is evidence that WaterNSW is improving its discernment of customer's voice. In the WaterNSW Phase 2 Report, Water Working Groups had their key issues and opportunities distinguished by stakeholder type:

Key issues and opportunities for customers, community and environment from Water Working Groups<sup>20</sup>

<p><b>Top issues facing customers</b></p> <ul style="list-style-type: none"> <li>• water affordability and fair pricing</li> <li>• security and reliability of supply</li> <li>• good water quality</li> <li>• competing water uses and sustainability</li> <li>• impacts of drought and flooding</li> <li>• negative impact of government buybacks</li> </ul>	<p><b>Top issues for the community</b></p> <ul style="list-style-type: none"> <li>• good water quality</li> <li>• community education about water</li> <li>• lack of disaster preparation and management</li> <li>• drought and disaster resilience</li> <li>• sufficient flows for communities</li> <li>• sustainable economic growth</li> </ul>	<p><b>Top issues for the environment</b></p> <ul style="list-style-type: none"> <li>• competing priorities and sustainability</li> <li>• ecological impacts during drought conditions</li> <li>• good water quality</li> <li>• disaster management and drought preparedness</li> <li>• better understanding of environmental needs</li> <li>• water wastage</li> </ul>
<p><b>Top opportunities for customers</b></p> <ul style="list-style-type: none"> <li>• good water quality</li> <li>• fair pricing</li> <li>• sustainability and efficiency gains</li> <li>• simpler governance</li> <li>• water security</li> <li>• equitable access to water</li> </ul>	<p><b>Top opportunities for the community</b></p> <ul style="list-style-type: none"> <li>• reliable water security</li> <li>• equitable access and fair pricing</li> <li>• community education about water</li> <li>• environmental sustainability</li> <li>• opportunities for recreation, cultural and tourism</li> <li>• good water quality</li> </ul>	<p><b>Top opportunities for the environment</b></p> <ul style="list-style-type: none"> <li>• more efficient and sustainable water management</li> <li>• recovery of flora and fauna and ecosystems</li> <li>• well-managed waterways and ecology</li> <li>• environmental conservation</li> <li>• good water quality</li> <li>• a long-term vision for the environment</li> </ul>

Furthermore, results from the Community Survey were divided into stakeholder groups providing clarity on the priorities of each group. Results highlighted that water affordability and water security, and delivery were of the highest priority for groundwater, regulated and unregulated customers, industry groups and recreational users.

#### Case Study: Feedback from WaterNSW Working Groups

In December 2023, members of the Hunter-Coastal Working Group raised concerns about how WaterNSW was conducting these meetings. Their feedback included:

<sup>19</sup> [WaterNSW Customer and Community IPART Pricing Engagement Phase 2 Report, April 2024, page 20](#)

<sup>20</sup> [WaterNSW Customer and Community IPART Pricing Engagement Phase 2 Report, April 2024, page 44](#)

- Materials presented by WaterNSW during meetings were not distributed to participants prior to the meeting, prevented participants from gaining familiarity with technical content.
- During meetings, participants were asked to comment on novel ideas, leaving no time from them to thoroughly process or critically analyse content before providing feedback.
- Presentation materials were not provided for review after the meeting, preventing participants from considering further what had been discussed.
- Topics discussed did not reach the level of detail expected by customers. For example, the Hunter-Coastal Water Group expected discussion on the “capacity to pay” principle which applies to some coastal regions, however, this topic was not raised for discussion.
- Cost-share arrangements specific to their valley had not been discussed in detail, despite being a key concern for customers and water users.
- WaterNSW’s method of collecting feedback was restrictive. Heavy emphasis was placed on the app ‘Slido’. In response to a question, participants were asked to select the pre-written response they most closely aligned with. Water users noted there were many occasions where the pre-written responses provided did not match the views they held. However, there was no method or additional time provided to submit their alternate view.
- The anonymity provided by the Slido app meant WaterNSW could not differentiate between the responses of customers and indirect stakeholders.

# SERVICE DELIVERY

Water users report that while costs are increasing, they perceive the level of service is decreasing. CAGs held in February/March 2023 provided an opportunity for discussion.

Across NSW, Tier 1 issues were identified to be water affordability, water security and delivery, and sustainable water and land management. Tier two issues were more broad-reaching, but many concerns were relevant to service, including:

- Asset maintenance management and communication with licence holders.
- Communication of upcoming infrastructure works and cyclical maintenance programs that affect water use.
- Customer information packs/educative tools.
- Customer service and the shift to digital.
- Early warning systems.
- Ease of doing business with water ordering.
- Improved data transfer and management.
- Information to help business.
- Lack of field staff, suggested ways to improve customer service.
- The cost of water and the ability for small farms to operate.
- Water infrastructure and other delivery costs.
- Water licence trading and transparency.
- Water ordering system.
- Water Insights platform.

## Proposal to upgrade online customer portal

WaterNSW is proposing to invest \$27.5 million for upgrades to the Water Market System (WMS) Program from 2025-2030. Proposed benefits include an efficient customer experience for online licence access, submitting applications, water ordering, water trading, water use recording, and account management.

These upgrades are favorable, particularly with indications that basic administrative processes such as marking a work as active/inactive with a current fee of \$603.50 being reduced to less than \$100 under the new system. This is also recognised as a required upgrade, with the current system used by WaterNSW reported to be aging and experiencing growing capacity limitations.

However, ambiguity remains on the efficiency savings this investment will return for customers. WaterNSW reports the current system will cost \$10 million to maintain from 2025-2030, however, the additional investment for this upgrade comes at a time when many are facing tough economic situations. More clarity on the impact on customer bills and return on investment is required.

A further concern is education and support for the usage of the WaterNSW WMS. While the upcoming generation of farmers has experience navigating online customer portals, this is not the situation for all water users. Without proper support for water users across all demographics, the benefits of this system will not be realized.

## Declining in-person customer service

While the online WMS is slated for upgrades, customers perceive it is more difficult to get WaterNSW representatives out on the ground in their area to address customer questions and unresolved issues.

The current customer service charter outlines that WNSW provides licence regulation and dealings information via its Customer Service Centre (a phone number) and the WNSW website. Several local offices are listed, however, WNSW states “our local offices are currently closed for walk-in services”, and are only open on Tuesdays for pre-booked in-person appointments”.

The closure and diminishing availability of customer service centres in regional communities has left customers feeling that they have lost their point of contact to assist with inquiries and that WNSW staff located at a distance lack local knowledge. This level of service does not meet customers' expectations.

Regional communities are often affected by internet and phone reception blackspots, and farmers may not be technology natives. This is an issue when WNSW relies on its website, e-mails, social media and customer portal to distribute information about its operations and customer services. When engaging in other means of communication like the phone, water users report longer than desired wait times, and frustrations over having to communicate with different staff members when an issue requires multiple calls to resolve.

While WaterNSW has communicated with some water user groups that the reason for the decline in physical customer service provider locations is to improve efficiencies by reducing property/leasing costs, water access licence holders and water users accessing basic landholder rights are still present in river catchments across NSW. WNSW's presence in regional areas is regarded by water users as a priority service, and it is particularly galling to watch that service declining while being charged higher costs in the name of improved services.



## Transaction costs

Water users report that low-risk transactions such as making a work active/inactive are becoming more expensive, without clear justification. WaterNSW's 2024 Application Fees for water access licences, dealings and approvals are reported as<sup>21</sup>:

Category	Application type	Fee (\$)	
BLR bore application	New BLR bore - groundwater assessment not required	1,004.93	
	New BLR bore - groundwater assessment required	1,166.90	
Groundwater applications	New or amended works approval - groundwater assessment required	7,925.04	
	New or amended works and/or use approvals, low risk - groundwater assessment req.	5,606.22	
	Amended works and/or use approvals - groundwater assessment NOT req.	5,061.02	
	Amended approval, administrative - groundwater assessment required	3,467.52	
	Amended approval, administrative - groundwater assessment NOT req. This applies to:	603.50	
	<ul style="list-style-type: none"> <li>Construct a replacement bore consistent with WSP rules</li> <li>Remove lands/works.</li> <li>Consolidate Approvals ONLY where there is no change to the existing works</li> <li>Subdivide an Approval.</li> <li>Make a work/s inactive or withdraw inactive status.</li> </ul>		
Surface water applications	New or amended works and/or use approvals		5,061.02
	New or amended works and/or use approvals - low risk		2,742.21
	Amended approval - administrative. This applies to:		603.50
	<ul style="list-style-type: none"> <li>Remove lands/works.</li> <li>Consolidate approvals ONLY where no change to the existing works.</li> <li>Subdivide an approval.</li> <li>Make a work/s inactive or withdraw inactive status.</li> <li>An additional work that has been previously assessed and is awaiting a Crown Land Licence.</li> </ul>		
Water access licence dealings	Regulated rivers	852.95	
	Unregulated rivers	2,725.26	
	Groundwater	5,589.27	
	Low risk, unregulated river and groundwater (e.g., remove nominated work on a WAL)	1,234.92	
	Request a correction or amendment to the Water Access Licence Register	545.49	

<sup>21</sup> [Applications and fees - WaterNSW](#)

Administration-based fees and charges should be more affordable and transparent. NSWIC supports adopting a no-cost approach to updating the WaterNSW database.

As noted above, upgrades to the WMS have predicted benefits like reducing the cost of making works inactive or withdrawing an inactive status cost of \$603.50 to under \$100. Administrative costs must not be prohibitive for smaller farmers who want to comply with their licence requirements.

The non-urban metering review will be effective across NSW on 1 December 2024. The metering review consultation document suggests that if metering exempt works were correctly identified, this would result in a reduction of 55 per cent of works requiring metering. A reduction of this magnitude would decrease the administrative and in-field workload for WaterNSW, which has oversight of customer services. This provides WaterNSW, along with other water agencies (i.e., NRAR), with further resources to focus on other core business.

Furthermore, customers wish to have further transparency on what their fees cover. Noting the water access licence dealing category of fees; there are notable differences between costs for regulated, unregulated and groundwater sources. Information regarding how fees are determined should be easily accessible, and show how water user fees are demonstrating value.

The increase of WaterNSW administrative fees in addition to increasing water prices place customers under increasing financial duress. This experience is felt acutely by low volume water access licence holders running family-owned businesses that support their local communities.

NSWIC proposes WaterNSW investigate setting fees proportionate to the risk posed by the water user. For example, in NSW valleys deemed to have low capacity to pay, the rate of application fees could be lowered.

# CONCLUSION

The NSW bulk rural water pricing model is fundamentally broken. The answer does not lie in trying to find ever more creative ways to make price hikes more palatable by rearranging the deck chairs to make the averages look less exorbitant.

The answer lies in a root and branch review of the sustainability of the WaterNSW and WAMC business model under the current pricing framework, and a review of the cost-sharing between rural water customers and the NSW Government, particularly when it comes to public activities and obligations.

Without an urgent, transparent and honest review, many agricultural water users - particularly small inland and coastal water users, and small family farms - face being priced out of business in the IPART 2025-2030 pricing determination.