

# Summary of DPI Water submission to IPART

FOR PRICES FROM 1 JULY 2016

The Department of Primary Industries – Water (DPI Water) provides water planning and management services for NSW. These services allow equitable access to water, while making sure the state's water resources are sustainable in the long term. The services enable the extraction or 'take' of water while maintaining the health of natural ecosystems. The NSW Independent Pricing and Regulatory Tribunal (IPART) determines the prices DPI Water can charge for its services.

DPI Water is committed to providing efficient and effective services to its customers and to the NSW community. It has worked to improve all of its activities during the current determination period and will continue to seek efficiencies and advancements to its services in the future.

DPI Water has prepared a detailed submission to IPART. It describes how DPI Water has administered water planning and management services during the current determination period and how it proposes to do so in the future. It also outlines the proposed prices to recover water users' share of the costs of providing its services during the next pricing determination period. Prices are set and DPI Water costs are allocated according to the pricing water source, which is a combination of water type (regulated rivers, unregulated rivers and groundwater) and the location (valley or area) of the water type.

DPI Water is proposing prices that continue a glide path towards full cost recovery for each pricing water source. In addition to this, it will be seeking price increases in line with CPI for the future determination. This is outlined in detail in the submission, along with proposed efficiencies and savings that will benefit customers.

DPI Water was formerly known as the Office of Water. Its name was changed to DPI Water on 1 July 2015. DPI Water is part of the Department of Industry, Skills and Regional Development.

## PUBLIC CONSULTATION

DPI Water has consulted stakeholders and provided customers with opportunities to give their feedback on its activities during the current determination period, and the proposed new activity structure. This has included face-to-face meetings, newsletters, fact sheets, a questionnaire to a sample of customers, writing to all water access licence holders in NSW, and information on the DPI Water website.

DPI Water submitted its pricing submission to IPART on 11 September 2015. Following this IPART will seek stakeholder feedback and hold public hearings on DPI Water's submission during November 2015. The locations and times will be published on IPART's website.

IPART will release a Draft Determination and Report in March 2016, and invite further public comment on this report until early April 2016. IPART's Final Determination and Report will be published in June 2016.

## LENGTH OF DETERMINATION

DPI Water proposes that the price determination period should be for four years from 1 July 2016 to 30 June 2020. This will provide a period of price stability for water access licence holders and align the subsequent pricing period with that of WaterNSW. Any future reforms in the delivery of water services for NSW will benefit from this alignment, and the resulting ability to transition to new pricing arrangements at the same time.

## PROPOSED ACTIVITIES FOR THE FUTURE DETERMINATION PERIOD

DPI Water records the cost of its water planning and management services to a defined activity structure. The activity structure has been refined for the next determination period to improve the definition, accountability, recording and reporting of water planning and management services. The future activities will be referenced with a W-code in place of the C-code in the current determination, to make clear whether the activities being referred to are current or future. The 10 W-code activity groups containing 33 activities align directly with 10 of the current 11 C-code activity groups.

## APPROACH TO PRICES FOR THIS DETERMINATION

Under the National Water Initiative (NWI) agreed in 2004 by the Council of Australian Governments, the state and territory governments made commitments to best practice water pricing. This included the recovery from water users of a share of the cost of the management of water. Water management pricing aims to secure sufficient revenue (revenue needs) to allow efficient delivery of the required services, under the principle of impactor or user pays. It also aims to achieve pricing transparency in this cost recovery for water planning and management.

The revenue needs for DPI Water's price regulated services include:

- » Water management services – revenue needs recovered through water management charges levied on water access licences.
- » Water consent transaction services – revenue needs recovered through fees for the issue, trade and amendment of water access licences, water allocations and water approvals.
- » Water take measurement services – revenue needs recovered through charges for meter reading or alternative water take measurement, government owned meter service, and ancillary charges.

## WATER MANAGEMENT CHARGES

The water management charge tariff structure is made up of three components:

- » Entitlement charge – an annual charge that applies to each water access licence with an entitlement charge tariff category.
- » Water take charge (formerly usage charge) – a charge that applies to the volume of water recorded as taken for a water access licence in the billing period.
- » Minimum annual charge – an annual charge that applies to a licence if the sum of the entitlement charge and water take charge for a water access licence is less than the value of the minimum annual charge.

## PROPOSED PRICES – WATER MANAGEMENT CHARGES

The following pricing approach is proposed:

- » Adoption of a pricing strategy of a constrained glide path to full cost recovery.
- » Increasing the minimum annual charge from \$105.34 to \$150 from 2016/17. This will achieve a more equitable recovery of the base costs for managing a licence.
- » No bill increase for a typical licence – an entitlement charge licence with a median quantity of share component on a 2-part tariff (excluding licences on a minimum annual charge or where the licence share component has increased), with the average water take activation rate<sup>1</sup>.
- » Where a pricing water source is below full cost recovery in 2016/17, prices will increase in 2017/18 and beyond, at a rate of 2.5 per cent plus CPI over the determination period, or until the full cost recovery price is reached.
- » Where a pricing water source would be above future full cost recovery at current prices, prices will be reduced to the future full cost recovery price from 2016/17.
- » Two tariff levels are proposed for pricing water sources where floodplain harvesting licences will be introduced: one that excludes and one that includes floodplain harvesting licences. The change from the exclusive tariff to the inclusive tariff is proposed to apply from the next 1 July following Ministerial approval to issue all floodplain harvesting licences for that pricing water source.

The bill impact of the proposed prices for a licence depends on the water take activation rate for the share component on a licence. Therefore there can be bill increases for licences that have an activation rate different to the average. For an entitlement charge licence on a 2-part tariff, the relative change in the bill is proportionally the same for the same activation rate, regardless of the size of the licence.

A bill estimator will be available on the DPI Water website to help licence holders assess the bill impacts for their licence, using the proposed prices.

<sup>1</sup> The water take activation rate is the annual volume of water take as a percentage of the quantity of share component specified on a water access licence

## REGULATED RIVERS

### PRICES

The proposed regulated river water management prices, shown here only for the first and last year of the determination period, are in Table 1. Refer to the full submission for the 2017/18 and 2018/19 prices. For pricing water sources expected to implement floodplain harvesting licences during the future determination, two price levels are shown.

**Table 1: Proposed water management prices for regulated river licences effective 1 July in each period (\$2015/16)**

Pricing water source	Current prices		2016/17		2019/20 (excluding CPI)	
	Entitlement	Water take	Entitlement	Water take	Entitlement	Water take
01. Border	\$2.32	\$1.79	\$2.32	\$1.79	\$2.38	\$1.86
01. Border with FPH*	\$2.32	\$1.79	\$2.19	\$1.71	\$2.19	\$1.71
02. Gwydir	\$1.37	\$1.26	\$1.39	\$1.20	\$1.50	\$1.29
02. Gwydir with FPH*	\$1.37	\$1.26	\$1.39	\$1.20	\$1.50	\$1.29
03. Namoi	\$2.75	\$1.88	\$2.77	\$1.85	\$2.83	\$1.89
03. Namoi with FPH*	\$2.75	\$1.88	\$2.60	\$1.74	\$2.60	\$1.74
04. Peel	\$2.33	\$3.71	\$2.26	\$4.01	\$2.43	\$4.33
05. Lachlan	\$1.86	\$2.14	\$1.57	\$2.10	\$1.57	\$2.10
06. Macquarie	\$1.98	\$1.90	\$1.74	\$1.88	\$1.74	\$1.88
06. Macquarie with FPH*	\$1.98	\$1.90	\$1.69	\$1.82	\$1.69	\$1.82
07. Far West**	–	–	–	–	–	–
08. Murray	\$1.50	\$0.97	\$1.46	\$1.05	\$1.58	\$1.12
09. Murrumbidgee	\$1.23	\$0.79	\$1.22	\$0.81	\$1.32	\$0.87
10. North Coast	\$5.58	\$5.54	\$4.48	\$6.64	\$4.48	\$6.64
11. Hunter	\$2.73	\$1.75	\$2.69	\$1.84	\$2.90	\$1.98
12. South Coast	\$5.00	\$5.61	\$4.57	\$7.27	\$4.92	\$7.83
Minimum annual charge	\$105.34		\$150.00		\$150.00	

\* FPH = floodplain harvesting. \*\* There is no regulated river in the Far West pricing water source.



## PRICE IMPACTS

Table 2 below shows the percentage change in the bill for each regulated river pricing water source, depending on the water take activation rate for the licence. The first column shows the change in the bill for licences (other than supplementary water or flood plain harvesting) on the average water take activation rate in that pricing water source.

**Table 2: Bill impact for regulated river entitlement charge licence on a 2-part tariff at different water take activation rates – percentage change 2016/17 (\$2015/16)**

Pricing water source	Average for water source	Water take % activation rate					
		0%	25%	35%	50%	60%	100%
01. Border	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%
01. Border with FPH*	-5.4%	-5.6%	-5.4%	-5.4%	-5.3%	-5.2%	-5.1%
02. Gwydir	-0.1%	1.5%	0.3%	-0.1%	-0.5%	-0.8%	-1.5%
02. Gwydir with FPH*	-0.1%	1.5%	0.3%	-0.1%	-0.5%	-0.8%	-1.5%
03. Namoi	0.1%	0.7%	0.4%	0.3%	0.1%	0.1%	-0.2%
03. Namoi with FPH*	-6.0%	-5.5%	-5.7%	-5.8%	-6.0%	-6.0%	-6.3%
04. Peel	0.0%	-3.0%	0.2%	1.0%	1.9%	2.4%	3.8%
05. Lachlan	-12.0%	-15.6%	-12.5%	-11.7%	-10.6%	-10.0%	-8.3%
06. Macquarie	-9.2%	-12.1%	-10.0%	-9.3%	-8.5%	-8.1%	-6.7%
06. Macquarie with FPH*	-11.9%	-14.6%	-12.6%	-12.0%	-11.3%	-10.8%	-9.5%
07. Far West**	-	-	-	-	-	-	-
08. Murray	0.1%	-2.7%	-1.1%	-0.7%	0.0%	0.4%	1.6%
09. Murrumbidgee	0.1%	-0.8%	-0.4%	-0.2%	0.0%	0.1%	0.5%
10. North Coast	-17.6%	-19.7%	-11.8%	-9.5%	-6.6%	-4.9%	0.0%
11. Hunter	0.1%	-1.5%	-0.6%	-0.3%	0.1%	0.4%	1.1%
12. South Coast	0.0%	-8.6%	-0.2%	2.2%	5.1%	6.8%	11.6%

\* FPH = floodplain harvesting. \*\* There is no regulated river in the Far West pricing water source.

The bill impact for licences in regulated river water sources that are charged on their water take only and are not on the minimum annual charge, is the difference between the proposed and the current water take prices multiplied by the volume of water take.



## UNREGULATED RIVERS

### PRICES

The proposed unregulated river water management prices, shown here only for the first and last year of the determination period, are in Table 3. Refer to the full submission for the 2017/18 and 2018/19 prices. Two price levels are shown for Far West – before and after the implementation of floodplain harvesting licences.

**Table 3: Proposed water management prices for unregulated river licences effective 1 July in each period (\$2015/16)**

Pricing water source	Current prices			2016/17			2019/20 (excluding CPI)		
	2-part entitlement	Water take	1-part entitlement	2-part entitlement	Water take	1-part entitlement	2-part entitlement	Water take	1-part entitlement
04A. North West**	\$3.73	\$1.60	\$5.34	\$2.31	\$2.46	\$4.77	\$2.31	\$2.46	\$4.77
06A. Central West***	\$5.87	\$2.52	\$8.39	\$2.66	\$2.88	\$5.54	\$2.66	\$2.88	\$5.54
07. Far West	\$4.67	\$2.00	\$6.67	\$4.20	\$2.57	\$6.77	\$4.20	\$2.57	\$6.77
07. Far West with FPH*	\$4.67	\$2.00	\$6.67	\$4.22	\$2.18	\$6.40	\$4.22	\$2.18	\$6.40
08. Murray	\$6.77	\$2.91	\$9.67	\$2.65	\$4.23	\$6.88	\$2.65	\$4.23	\$6.88
09. Murrumbidgee	\$8.30	\$3.55	\$11.85	\$3.27	\$5.76	\$9.03	\$3.27	\$5.76	\$9.03
10. North Coast	\$7.00	\$3.00	\$10.01	\$4.74	\$5.08	\$9.82	\$4.74	\$5.08	\$9.82
11. Hunter	\$2.30	\$2.17	\$4.48	\$1.29	\$2.10	\$3.39	\$1.29	\$2.10	\$3.39
12. South Coast	\$2.26	\$1.48	\$3.74	\$2.10	\$1.80	\$3.90	\$2.27	\$1.89	\$4.16
Minimum annual charge		\$105.34			\$150.00			\$150.00	

\* FPH = floodplain harvesting. \*\* North West – containing the unregulated rivers in the Border, Gwydir, Namoi and Peel valleys.

\*\*\* Central West – containing the unregulated rivers in the Lachlan and Macquarie valleys.

### PRICE IMPACTS

Table 4 shows the percentage change in the bill for each unregulated river pricing water source, depending on the water take activation rate for a licence. Seven of the eight pricing water sources have price reductions for entitlement charge licences on a 2-part tariff, except where a licence has a very high water take activation rate. The bill for a licence on a 1-part tariff increases in the South Coast and Far West, because the sum of the proposed 2-part entitlement and water take prices (equivalent of a 2-part tariff licence at a 100 per cent activation rate) is greater than the current 1-part entitlement price.

**Table 4: Bill impact for unregulated river entitlement charge licence on a 2-part tariff at different water take activation rates – percentage change 2016/17**

Pricing water source	Average for water source	Water take % activation rate for licence on a 2-part tariff							1-part tariff
		0%	25%	40%	50%	70%	100%		
04A. North West**	-25%	-38%	-29%	-25%	-22%	-17%	-11%	-11%	
06A. Central West***	-45%	-55%	-48%	-45%	-42%	-39%	-34%	-34%	
07. Far West	-1%	-10%	-6%	-4%	-3%	-1%	1%	1%	
07. Far West with FPH*	-5%	-10%	-8%	-7%	-6%	-5%	-4%	-4%	
08. Murray	-51%	-61%	-51%	-45%	-42%	-36%	-29%	-29%	
09. Murrumbidgee	-49%	-61%	-49%	-43%	-39%	-32%	-24%	-24%	
10. North Coast	-17%	-32%	-22%	-17%	-14%	-9%	-2%	-2%	
11. Hunter	-36%	-44%	-36%	-33%	-31%	-28%	-24%	-24%	
12. South Coast	0.0%	-7.1%	-3.0%	-1.1%	0.0%	1.9%	4.3%	4%	

\* FPH = floodplain harvesting. \*\* North West – containing the unregulated rivers in the Border, Gwydir, Namoi and Peel valleys.

\*\*\* Central West – containing the unregulated rivers in the Lachlan and Macquarie valleys.

## GROUNDWATER

### PRICES

The proposed groundwater water management prices, shown here only for the first and last year of the determination period, are in Table 5. Refer to the full submission for the 2017/18 and 2018/19 prices. Murrumbidgee region is on a glide path to the inland groundwater price.

**Table 5: Proposed water management prices for groundwater licences effective 1 July in each period (\$2015/16)**

Pricing water source	Current prices			2016/17			2019/20 (excluding CPI)		
	2-part entitlement	Water take	1-part entitlement	2-part entitlement	Water take	1-part entitlement	2-part entitlement	Water take	1-part entitlement
09. Murrumbidgee	\$2.47	\$1.07	\$3.53	\$2.13	\$1.72	\$3.85	\$2.29	\$1.85	\$4.14
13. Inland	\$4.86	\$2.09	\$6.95	\$3.99	\$3.23	\$7.22	\$3.99	\$3.21	\$7.20
14. Coastal	\$4.07	\$1.85	\$5.92	\$2.01	\$3.75	\$5.76	\$2.01	\$3.74	\$5.75
Minimum annual charge	\$105.34			\$150.00			\$150.00		

### PRICE IMPACTS

Table 6 shows the percentage change in the bill for each groundwater pricing water source, depending on the water take activation rate of a licence.

The bill for a licence on a 1-part tariff increases by four per cent in the inland groundwater pricing water source. This is because the sum of the proposed 2-part entitlement and water take prices (equivalent of a 2-part tariff licence at a 100 per cent activation rate) is greater than the current 1-part entitlement price.

**Table 6: Bill impact for groundwater entitlement charge licence on a 2-part tariff – percentage change 2016/17**

Pricing water source	Water take % activation rate for licence on a 2-part tariff							
	Average for water source	0%	25%	40%	50%	70%	100%	1-part tariff
09. Murrumbidgee	0.0%	-14%	-6%	-3%	0%	4%	9%	9%
13. Inland	-4.6%	-18%	-11%	-7%	-5%	-1%	4%	4%
14. Coastal	-36%	-51%	-35%	-27%	-22%	-14%	-3%	-3%



## WATER CONSENT TRANSACTIONS

Water consent transactions are fee for service activities that manage the issue, trade and amendment of water access licences, water allocations and water approvals.

### PROPOSED PRICES – WATER CONSENT TRANSACTIONS

Proposed fees have been revised and the way transactions have been differentiated has been modified. The variable special assessment fee has been replaced with a fixed price. Dealings that involve change of location and those that do not (administrative dealings) are differentiated, as are approval amendments that relate to new development and those that do not (administrative approval amendments).

DPI Water also proposes to implement fee variations for the following particular circumstances: online lodgement discount, extension late-lodgement fee, Aboriginal water licence fee waiver, rounding of prices to the nearest dollar, and recovery of title register search costs.

### IMPACTS OF PROPOSED FEES – WATER CONSENT TRANSACTIONS

Table 7 shows how the proposed fees compare to fees under the current determination for a range of cases. It can be seen that many have been reduced while some are increased. This is a result of the availability of more data on the actual time required and improved efficiency in handling transactions.

**Table 7: Proposed water consent fees (\$2015/16)**

	Current	Proposed		Proposed with online lodgement	
	Fee	Fee	Change to current fee	Fee	Change to current fee
<b>New water access licences</b>					
Zero share	\$282.59	\$329.53	17%	\$295.03	10%
Controlled allocation	\$604.77	\$329.53	-46%	\$295.03	-49%
Other	\$604.77	\$329.53	-46%	\$295.03	-49%
<b>Water access licence dealings</b>					
Dealings – regulated rivers	\$411.46	\$329.53	-16%	\$295.03	-25%
Dealings – unregulated rivers and groundwater	*\$1,593.14	\$1,067.73	-36%	\$1,033.23	-35%
Dealings – unregulated rivers and groundwater with low risk	\$758.84	\$515.10	-35%	\$468.47	-38%
Dealings – administrative	\$758.84	\$242.81	-70%	\$208.31	-72%
<b>Water allocation assignments</b>					
Unregulated rivers and groundwater	\$254.64	\$286.17	18%	\$251.67	4%
<b>Approvals</b>					
New or amended works and/or use approval	*\$2,607.33	\$1,966.74	-28%	\$1,932.24	-26%
New or amended works and/or use approval – low risk	\$1,286.63	\$1,063.12	-21%	\$1,028.62	-20%
New basic rights bore approval	\$254.33	\$406.77	60%	\$372.27	54%
Amended approval – administrative	\$926.94	\$242.81	-74%	\$208.31	-76%
Extension of approval	\$169.56	\$245.81	45%	\$211.31	31%

\* The examples of current fees including special assessment are calculated for a licence dealing of 50 ML entitlement, and for a new works and use approval for 100 l/sec pump with 40 ha irrigation.

As shown, the majority of fees are substantially reduced, which will benefit many water users. Also, proposed increases in some fees will have a low financial impact due to their infrequency. Further reductions and offsets to increases can be obtained if the customer lodges their application online.

## WATER TAKE MEASUREMENT SERVICES

DPI Water provides the following water take measurement services on a fee for service basis:

- » Government meter operation and maintenance services.
- » Ancillary (or supporting) services related to the provision of government meters.
- » Water take reading and assessment services.

## PROPOSED CHARGES – METER SERVICE CHARGE

The proposed charges are in two categories:

- » Sites where readings are obtained by telemetry or agency officer site visits.
- » Sites with no telemetry with customer meter reading and reporting.

It is proposed to align meter service charges to the Australian Consumer and Competition Commission (ACCC) regulated river charges for WaterNSW in 2016/17, followed by a full cost recovery charge from 2017/18 onwards. This approach achieves alignment of fees and also provides a pathway for increases over two years, which will result in full cost recovery commencing in 2017/18. The proposed meter service charges and their price impacts are summarised in Tables 8 and 9. The prices shown are for currently installed meter sizes. A list of charges for the full range of meter sizes is contained in the pricing submission.

For non-telemetered sites it is assumed that customers accept the option of customer reading and reporting meter readings.

**Table 8: Proposed meter service charges and their price impacts on installed government meters (\$2015/16) – telemetered or agency read sites**

Meter size (mm)	No of meters installed	Current price	Proposed 2016/17	Change from current	Proposed 2017/18	Change from current
50	136	\$403.61	\$396.77	-\$6.84	\$446.84	\$43.23
80	104	\$403.61	\$396.90	-\$6.71	\$447.00	\$43.39
100	222	\$403.61	\$397.66	-\$5.95	\$447.85	\$44.24
150	346	\$403.61	\$418.28	\$14.67	\$471.08	\$67.47
200	134	\$403.61	\$440.69	\$37.08	\$496.31	\$92.70
250	173	\$403.61	\$446.34	\$42.39	\$502.67	\$99.06
300	107	\$403.61	\$448.33	\$44.72	\$504.91	\$101.30
350	45	\$403.61	\$460.85	\$57.24	\$519.02	\$115.41
400	57	\$403.61	\$512.97	\$109.36	\$577.72	\$174.11
450	45	\$403.61	\$621.04	\$217.43	\$699.42	\$295.81
500	9	\$403.61	\$630.41	\$226.80	\$709.98	\$306.37
700	2	\$403.61	\$678.05	\$274.44	\$763.63	\$360.02
800	4	\$403.61	\$717.41	\$313.80	\$807.96	\$404.35

**Table 9: Proposed meter service charges and their price impacts on installed government meters (\$2015/16) – non-telemetered sites with customer reading and reporting**

Meter size (mm)	No of meters installed	Current price	Proposed 2016/17	Change from current	Proposed 2017/18	Change from current
50	29	\$309.36	\$286.34	-\$23.02	\$328.59	\$19.23
80	16	\$309.36	\$286.48	-\$22.88	\$328.74	\$19.38
100	48	\$309.36	\$287.24	-\$22.12	\$329.60	\$20.24
150	46	\$309.36	\$307.86	-\$1.50	\$352.82	\$43.46
200	9	\$309.36	\$330.27	\$20.91	\$378.06	\$68.70
250	1	\$309.36	\$335.92	\$26.56	\$384.42	\$75.06
300	1	\$309.36	\$337.91	\$28.55	\$386.66	\$77.30

The meter-size based charge distribution adapted from the ACCC determination reduces the impact on customers with small entitlements. Assuming typical entitlements and water take associated with the meters, the impact of the increase in meter service charges between those under the current determination and those proposed for 2017/18 would be no more than six per cent of the total bill for small meters, dropping to less than one per cent for large meters (because of the much higher entitlements and annual water charges).

## ANCILLARY SERVICES FOR GOVERNMENT METERS

For government meters, the following supporting services are needed occasionally and are billed on a fee for service basis: meter laboratory verification, meter on-site validation and meter restart.

**Table 10: Proposed ancillary services for government meter charges (\$2015/16)**

Ancillary service	Proposed charge
Meter laboratory verification at request of customer (refundable if meter is shown to be outside required accuracy).	\$1,751.40
Meter in-situ validation charge – where a meter is moved or disturbed.	\$240.00
Fee to reset meter after suspension of maintenance for a year or more at customer request.	\$240.00 plus parts at cost

## WATER TAKE READING/ASSESSMENT SERVICE

DPI Water contracts WaterNSW to read privately owned meters in inland NSW on its behalf. WaterNSW officers visit the meters from one to four times a year to obtain meter readings, which are recorded into licence water allocation accounts. Officers also visit a number of sites where there is no meter and the take of water is determined using other means, which substitute for meter reading. All of these cases are proposed to incur an annual water take-reading/assessment charge of \$198 for the service.

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