

Murrumbidgee Customer Advisory Group - Minutes of Meeting



Location: Video Conference

Date: 26 November 2020

Time: 9.00am

Present: Jenny McLeod (acting Chair, observer), Brendan Barry, Peter Sheppard, Tanya Thompson, James Maguire, Bede Spannagle, Iva Quarisa, Bruce Campbell, Mark Brettschneider, Ian Lugsdin, David Stockler, Jonathan Dickson, Vince Kelly, Daniel Lucas, Joe Pizzinga, Sarah Boyd, Sonia Townsend and Toni Hayes.

The following staff attended for specific agenda items: B Mayhew (2.1), C Braddock (2.2), D Swift-Hoadley & A Walker (3.1), A Chadwick, D Turner, I Zinger, K Drinkwater, B Waters, T Gilbert, S Ronan (3.5), K Andersen (5.1).

Meeting Opened: 9.00am.

1. Introduction:

1.1 Welcome and introductions

1.2 **Apologies:** Nick Maynard, Lindsay Golsby-Smith.

1.3 Confirmation of Agenda Items

- The annual election of Chairperson will be carried over to the next face-to-face meeting.

1.4 Declaration of Interest(s)

- Declarations of interest were sought from attendees in relation to the meeting's agenda items. No interests were declared. Items included in the agenda are not considered confidential unless declared as such.

1.5 Minutes of Previous Meeting, 30 July 2020:

- Resolved the minutes of meeting held on 30 July 2020 be confirmed as a correct record. Taken as read.

*P Shephard/M Brettschneider
carried*

1.6 Actions arising from minutes

- See action sheet attached.

1.7 Election of Chairperson (done in General Business at end of meeting)

- T Thompson was nominated and appointed to the position of Chairperson unopposed. No other nominations received.

*T Thompson/P Sheppard
carried*

2. Assets:

2.1 Asset Maintenance update (B Mayhew)

- Asset performance and maintenance in the Murrumbidgee and Lowbidgee valleys presented and discussed, including routine preventative and corrective maintenance delivery.

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- Customers requested more lead time for notifications when scheduled maintenance is to be done at structures on Yanco Creek. This will give YACTAC the opportunity to assist in getting the correct information to landholders rather than leave to word of mouth. WaterNSW advised that works are scheduled with the Operations Team to minimise the impact to users. Going forward we will do our best to provide notice as early as possible, noting Yanco Weir is a site where we have had to do work opportunistically. There is a chance this may happen again this summer with demands high in the Murrumbidgee, but not as high in Yanco.
- Balranald is a significant WHS issue for WaterNSW however we are confident we have safe working practices in place for our staff, but recognise the site is a challenge.

2.2 Rural Pricing Submission & Capital Plan update: FY22-25 (C Braddock)

- WaterNSW presented an overview of the rural pricing submission capital plan FY22-25 for the Murrumbidgee and Lowbidgee valleys, including key dates, expenditure by program (comparison between 1-year and 4-year determinations), water infrastructure renewal projects and dam safety projects.
- In relation to the refurbishment of the Yanco Weir fishway, customers noted that a fishway is also proposed by SDLAM so refurbishment may not be required if SDLAM goes ahead. WaterNSW advised that we are aware of this and monitoring closely. There is uncertainty about the nature and timing of works, with our works scheduled at the end of the determination period. WaterNSW will be responsive to whatever is happening at the time.
- Customers queried how corporate costs are apportioned between valleys. WaterNSW advised that it is based on direct opex cost.

3. Presentations/Consultation:

3.1 Water Reform Implementation Plan (WRIP) Update (D Swift-Hoadley)

Metering update:

- WaterNSW provided an update on metering reforms including next steps, DQPs, telemetry, recording and reporting, rollout dates, conditions that apply now, rules and standards, path to compliance and government-owned meters.
- All surface water pumps 500mm and above must be compliant by 1 December 2020 (for whole of NSW). Customers are encouraged to check their work approval for pump size. [Irrigation Australia Limited \(IAL\)](#) has a list of certified meter installers on its website.
- Conditions that apply to all works from 1 April 2019 presented, including requirements for faulty metering equipment, new or replacement meters and inactive works. Meters must be accurate, tamper proof and auditable.
- The NSW Government listened to feedback from water users and decided that WaterNSW will retain ownership of existing government-owned meters. Telemetry will be replaced by WaterNSW to meet the new standards and all valid sites will be made compliant by the due date. Affected customers will be contacted ahead of rollout dates with more information. LIDs will be added as required and a cost incurred. The current pricing submission does not encompass this cost and WaterNSW is currently in discussion with other agencies with respect to how this will be funded. What and how much gets passed through to users is still in discussion with government and ultimately for IPART to make a determination.
- WaterNSW advised that we are taking a fleet-based approach to buried meters which allows us to use a % for the fleet (% of a family of meters, not whole fleet). We will dig up a sample to prove they haven't deteriorated, and affected landholders will be advised of any plans to excavate.

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- Customers questioned if WaterNSW is responsible for confirming validation/compliance of government-owned meters every 5 years (closed conduit). Yes, we will have a new asset class for these meters and will follow the asset maintenance regime per private owners. This will be a flat-rate cost under the meter service charge.
- Customers questioned what happens to government-owned meters when they reach end of life. WaterNSW is working with DPIE and the Minister's office to determine what this means for us, assuming a meter has a life cycle of between 15-20 years. At this point we don't know.
- Customers questioned how the work on alternate meter technologies on larger sites is progressing. WaterNSW advised these sites are being managed on a case by case basis directly with owners.
- Customers questioned if WaterNSW knows the cost of making government-owned meters compliant and where the funding will come from. WaterNSW has been working with DPIE-W to determine our obligations and the cost to meet them. We are making a supplementary submission to IPART, due Monday, which will include the numbers to meet our new obligations under the metering reform (DQP, DAS). What and how much gets passed through to users is still in discussion with government and ultimately for IPART to make a determination.
- Customers stated a number of government-owned groundwater meters have telemetry but which is not required under the new standards, and questioned what WaterNSW's position is on maintaining existing telemetry if not required. WaterNSW advised that we are not changing the fleet until discussions with DPIE and the Minister occur. If we are told we don't need telemetry we won't put it in.
- Customers questioned if they have an unused works but haven't applied to make it inactive, will they be required to report zero use? DPIE advised that in September the Government released a draft regulation around proposed frequency and nature of reporting for water users without telemetry, including monthly reporting on zero take. The Government is considering the feedback and will publish a "what we heard" paper. The requirement doesn't commence until 1 December 2021, so there is time to implement.

3.2 Major Projects update (J Dickson)

Critical State Significant Infrastructure (CSSI) projects

- WaterNSW provided an update on the three major projects that have been identified as Critical State Significant Infrastructure (CSSI) projects in NSW (Wyangala Dam raising, Dungowan Dam and Pipeline and Mole River Dam).
- Webinars with affected stakeholders and interested members of the public are being held regularly in each valley.

3.3 Engagement Landscape (J Dickson)

DPIE – Water Markets Trading

- The Department (DPIE) will soon announce a public engagement on water trading transparency, in the form of an online survey and webinars (hosted by DPIE and WaterNSW), which is a follow on to previous discussions on transparency. They will be seeking input from water users, specifically those who have traded in the last 12-24 months.
- The NSW Government is encouraging customers and the community to have their say on what information about water ownership and water trading is made public in NSW. They are seeking feedback on current water market information platforms (water information dashboards and WaterInsights) to better understand what information should be shared and how to make the platforms easier to use.

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- The public exhibition will run from 30 November to 1 February, with webinars to be held 3 December 2020 and 20 January 2021.
- See <https://www.industry.nsw.gov.au/water/licensing-trade/trade/have-your-say> for more information.
- Customers advised they recently received the opportunity to register for a few webinars, stating it is important to structure it into options currently available and how things can be improved.

WaterNSW Pricing – Customer Conversations

- After IPART releases its draft report in March 2021, WaterNSW proposes to broaden our engagement for **our next pricing proposal**. CAG membership will form the basis of those engaged, with the addition of a wider community of customers and water users in order to ensure that what we propose in terms of investment reflects our customers' views.
- Engagement will commence in three stages, with WaterNSW producing a 'conversation kit' for small groups to talk and respond online with their summary thoughts. Zoom meetings will then follow on emerging and common themes discussed. We hope this will contribute to a more informed pricing discussion leading to a customer supported determination.
- Customers questioned how this differs from the Customer Jury approach and will it meet the shortfall identified by IPART in engagement on the last determination. WaterNSW advised that this is quite different and is a step back at a higher level to understand the issues before we deep dive to address issues. We are hoping to engage beyond the CAG to customers who are not represented here. The juries are on hold but not ruled out for a deeper level of engagement in the future.

3.4 Regulatory Economics – Rural Pricing Determination Engagement (J Dickson)

Rural Determination:

- As presented previously, with the impact of drought and bushfires in many valleys, WaterNSW proposed a shorter-term pricing determination to lock in 2021 pricing for customers. The shorter determination was broadly supported by CAGs across all valleys. However, some medium-large customers responded to IPART's issues paper indicating a 4-year term was preferred for certainty of pricing. IPART has since confirmed they require a 4-year determination, with engagement to be complete by March 2021 and new pricing to take effect 1 July 2021.
- WaterNSW provided an overview of what was included in the pricing proposal presented to IPART. What was not included in the original but will be included in a supplementary submission to go to IPART on 30 November, is meter reform costs (meeting upgrade costs, amended meter service charge, DAS and collection costs, telemetry management costs). These are additional requirements placed on WaterNSW resulting from the metering reforms.
- At the public hearing, we heard that customers wanted a 4-year term, more information on fixed:variable tariff split, opex performance vs allowance, capex, metering and reform costs, cost share change impacts and pass-through charges.
- Due to the short timeframe remaining to consult on a 4-year determination, WaterNSW is proposing to hold intensive engagement with CAGs on metering and reform costs, opex performance vs allowance and capex by valley. Today we are seeking customer feedback on issues customers want to discuss and engagement opportunities given the limited timeframe (need to engage on the draft IPART report by March 2021).
- Feedback was sought from members on the following: a pre-Christmas meeting (90 mins); an online meeting prior to Australia Day (90 mins); and two meetings in February.

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Questions/comments:

- *It is imperative that we have these discussions and it needs to be a broader discussion than in the past.*
- *It is important that we have the information before the meetings, so customers are in a position to discuss. Propose first meeting in January then hold 2 in February. First 2 weeks of January will be problematic, need to realistically look at mid-end January.*
- *Want to discuss fee structure – balance between fixed:variable.*
- WaterNSW presented a breakdown of bill impact for a small customer and a large customer in the Murrumbidgee valley.
- Comparison of OPEX for rural valleys FY10-FY25 against the Regulatory Allowance presented and discussed. WaterNSW's operating expenditure has been 33% above the IPART allowance for four years, set in 2017. The allowance was based on achieving significant efficiencies which were unable to be achieved due to a number of uncontrollable costs (including flood operations, merger costs, increased corporate governance obligations). Over the next four years, WaterNSW proposes average operating expenditure of 3% below our actual operating expenditure in 2019-20.
- Customers questioned if WaterNSW can seek funding from the Government to make up for the expenditure on 'uncontrollable costs' (fire/flood/drought). WaterNSW advised that additional Opex is typically not added to a determination. The government asked us to meet the expectations of communities and customers across the state, which essentially we were not adequately resourced and funded to do.
- Summary of one-year pricing proposal compared to 2-4 year pricing proposal for the Murrumbidgee presented and discussed.
- Customers asked WaterNSW to clarify the difference between the year 1 and proposed year 2-4-year increase. WaterNSW advised the 1-year proposal was to maintain our revenue requirement at that point and we were only going to change the CPI and adjust the 20-year rolling average (we were not seeking more revenue). IPART advised early-November that they required a 4-year proposal, resulting in a very short timeframe for a submission and engagement. We have not had the opportunity to engage on this extensively, and now need to reverse-engineer the process.
- Customers questioned the significant price increases year on year. We recognise 12% compounding is significant, however it is difficult to compare. A number of obligations have been added to WaterNSW Operating Licence, so not always comparing apples to apples. With the regulatory changes, come obligations which we must meet. These figures are our requirement projection and are still subject to IPART review to decide how much gets passed on to customers. IPART will look at willingness and ability to pay.
- Customers questioned whether the increases have direct correlation to IPART cost shares. WaterNSW advised that our submission is required to take account of the IPART cost shares for proposed costs. The IPART cost share review and principles were discussed at a number of CAGs.

3.4 Regulatory Economics – WAMC Determination Engagement (DPIE/NRAR)

Department of Planning, Industry and Environment (DPIE) (A Chadwick)

- DPIE presented a review of proposed WAMC water management prices to apply from 1 July 2021. The proposal reflects the changes to water management and aims to mitigate impacts on customers, including capped price increases to help manage bill impacts on water users and no change to the regulatory framework that underpins prices. There was strong

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recognition from Government that now is not the time to impose increases to water users off the back of drought.

- Under the proposal, 64% of users will pay the minimum annual charge, which will increase from \$214-\$260 per year over the regulatory period.
- There is no change proposed to IPART's Impactor Pays principle to cost shares (ie those who create the need for a service should pay for it). IPART believes this principle leads to more efficient, equitable and transparent prices. Under current cost share, IPART has determined FPH will be fully recovered from government.
- Capped pricing means the government pays more and a bigger share. The proposal limits price increase to 5%/year (plus inflation) to protect users from bill shock. *IPART determined WAMC expenditure vs Proposed WAMC expenditure graph presented.*
- DPIE is proposing a change in the way MDBA and BRC pass-through costs are distributed to better reflect MDBA cost categories. Natural resource management will be a WAMC user charge whereas river operations would be a pass-through charge.
- Currently under WAMC, there are three agencies under a single banner (DPIE/NRAR/WaterNSW). The proposal is for a single determination and a single set of water management prices where agencies will work collaboratively to deliver efficient water management services.
- During the 2016-20 determination DPIE expanded its water management functions to meet expectations, continued work on existing commitments (FPH licensing framework, WSPs, WRPs) and consulted extensively with users on each reform and program. *IPART Determined vs Actual DPIE OPEX in the 2016 regulatory period presented.*
- In the next regulatory period, DPIE will continue to deliver expanded service levels, including full implementation of: WSPs, 12 Regional Water Strategies by 2023; new metering regulations by 2024; improved management of floodplain harvesting; and improved management of environmental water. *IPART Determined OPEX/Actual DPIE Opex 2016 vs Proposed DPIE Opex 2021 presented.*

Questions/comments:

- *Missed exactly where the increased costs will impact us. Some of the premise you are working on (improve water resource sharing planning) users do not see this. We have already been paying for significant and expensive WSPs, but we aren't seeing it. If we are expected to pay for something, we should see a benefit. This is a fundamental misunderstanding of the Department. DPIE understands where customers are coming from however has a different view. The process is about finding areas where costs need to be efficient. If we are doing something in a way that costs more than it ought, IPART will examine.*
- *How will the \$9M efficiency dividend within DPIE be obtained and will it result in any change in levels of service. There will be no impact to levels of service. The price process identifies what we think are efficient costs, but also identifies output measures. The process is underway.*

Natural Resources Access Regulator (NRAR) (T Gilbert)

- NRAR provided background on the establishment of NRAR and the need for water compliance and enforcement in NSW (*Matthews and Ombudsman Reports 2017*). All costs associated with the establishment of NRAR were borne by government.
- Cost drivers since the 2016 WAMC determination include independent investigations into water compliance, additional obligations under the *NRAR Act*, increased workload, increased size of regulated community, reforms (eg metering) and low knowledge of rules.

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- Statistics on compliance activity since the establishment of NRAR presented, illustrating increased workload and activity. This increase has largely been managed with the same resource level.
- NRAR WAMC compliance costs step change presented. NRAR is seeking to reduce costs through alternative funding measures as well as licence fees and charges as another source.
- NRAR is committed to closing the gap by finding efficiencies, including increased analytics, intelligence and use of technology, investing in staff capability and pushing voluntary compliance (*Forecast NRAR Compliance Workload vs Compliance Resources* presented).
- NRAR's focus is on compliance, not prosecution, supported by education, audits and monitoring. Benefits to stakeholders includes protecting irrigated agricultural productions in NSW, protecting water property rights in NSW and restoring social licence.

Questions/comments:

- *How does the NRAR charge come to users – difficult to see what the costs are and how they land with users? The DPIE slides represent the total WAMC charges (all 3 departments).*
- *How directly are we paying for staff on the ground in the Murrumbidgee. Some costs we know exactly where they are incurred and that goes direct to the valley. Many costs can be attributed across a number of valleys and are usually distributed on entitlement/number of licences per valley. The Murrumbidgee has around 2900 licences (7-8% of the state), which is effectively the portion of NRAR costs.*

4. Business Papers:

- Noted and taken as read.

5. General Business:

5.1 Floodplain Harvesting (FPH) update (K Andersen/DPIE)

- DPIE provided an overview of what is happening in this space and the timeframes for implementing the policy, including the difference between **floodplain harvesting policy** (manages floodplain water extractions to protect the environment and reliability of water supply for downstream water users - licensed, measured, managed in the WSPs) and **Floodplain Management Plans** (FMP) (guide application and assessment of flood work approvals {structures built on floodplains}).
- The policy will bring FPH back within legal limits and also restrict future growth in floodplain harvesting, provide more water for the environment, provide clarity for water users and the regulator and will allow management of measurement. A *Floodplain Harvesting Measurement Policy* was released in 2020 after extensive public consultation.
- The policy is being applied in 5 northern valleys in NSW. The Border Rivers is currently on public exhibition (with others due early next year), including the technical documents and modelling showing re-estimate of take and the current levels. Border Rivers is currently 13% above legal limit, so take will need to be reduced by this.
- The website also has modelling of predicted outcomes of how different environmental indicators will improve after the return of water to the environment. There is also a downstream outcomes report which shows a 6.1GL return to the system (from Border only). As each valley's modelling results are known there will be a cumulative total.
- Currently the FMP are written for areas that are designated floodplains (statutory designation). They are being implemented more intensely in the north as that area has more designated

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floodplains that are continuous (however it is recognised that FPH occurs outside the northern basin also).

- Customers queried the definition of 'overland flow' and implications for farmers in the Murrumbidgee. DPIE advised that the regulation considers rainfall runoff to be overland flow. When this is taken **in conjunction with a FPH event** (as defined in the policy) then that runoff is considered floodplain harvesting. When it runs into a tailwater drain and collected **outside a FPH event** it is not considered floodplain harvesting (if just a rainfall event). Floodplain harvesting is water that is captured and stored for agricultural use at a later date (in a defined FPH event).
- In addition to the Border Rivers draft rules on public exhibition, there are also proposed regulatory amendments (to apply state wide). In the amendments, DPIE is proposing an exemption for water users to hold a WAL for that form of take (disallowed in September). The exemption should give certainty for users and the regulator however the uncertainty will be reintroduced at 1 July 2021.
- Customers in the southern basin have concerns about what their requirements are on the ground and the legality locally. DPIE advised that they are happy to set up further discussion outside the CAG to speak to floodplain harvesting. WaterNSW advised there will be more discussion at the ROSCCo (following the CAG) around specific questions for the Murrumbidgee.

5.2 CAG Charter (J Dickson)

- In a recent audit, WaterNSW was asked to amend wording in CAG Charter around the process for amending the CAG Charter (essentially how proposed amendments can happen). Proposed changes included with business papers.
- The Murrumbidgee CAG supports the proposed amendments to the Customer Advisory Groups Charter as tabled.

*P Sheppard/B Barry
carried*

Meeting Review and Close

Next Meeting: Thursday 26 November 2020

Meeting closed: 1.15pm

Murrumbidgee Customer Advisory Group – Actions – 26 November 2020

Carried forward actions

| Action No. | Action | Responsibility | Status |
|-------------------|---|---------------------|--|
| MBG2003.01 | WaterNSW to consider providing the schedule for outages at Nimmie-Caira structures to the environmental water holders. | B Mayhew | <p>Outages can be required for the purpose of carrying out asset projects or for asset maintenance work. Information about planned outages is published in the weekly water availability reports, which we believe is the best way to get the information out to the public into the future. The Assets Team is working to develop a longer-term program of planned outages, for both maintenance and project works, so that these are visible further in advance of the works.</p> <p>DPIE-EES commented there has been frustration in the past with not knowing what is on the register for replacement and therefore a missed opportunity for input into design. Into the future would like to have input if possible.</p> <p>The project team is working on a process to include stakeholder voices earlier in design choices and we are working to incorporate stronger consultation earlier. Will pass on feedback through project team for input into planning discussions.</p> |
| MBG2007.01 | WaterNSW to collate feedback and review the necessity for holding two meetings in the Murrumbidgee valley (CAG and ROSCCo). | J Dickson / V Kelly | WaterNSW is keen to get direct feedback from customers on this. We have included a question in the survey which will collate feedback across all CAGs. |

New actions

| Action No. | Action | Responsibility | Status |
|------------|-----------------|----------------|--------|
| | Nil new actions | | |

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