



public interest
ADVOCACY CENTRE

**Submission to IPART:
2021 Review of Water NSW's Murray River to
Broken Hill Pipeline prices Issues Paper**

22 October 2021

About the Public Interest Advocacy Centre

The Public Interest Advocacy Centre (PIAC) is leading social justice law and policy centre. Established in 1982, we are an independent, non-profit organisation that works with people and communities who are marginalised and facing disadvantage.

PIAC builds a fairer, stronger society by helping to change laws, policies and practices that cause injustice and inequality. Our work combines:

- legal advice and representation, specialising in test cases and strategic casework;
- research, analysis and policy development; and
- advocacy for systems change and public interest outcomes.

Energy and Water Consumers' Advocacy Program

The Energy and Water Consumers' Advocacy Program (EWCAP) represents the interests of low-income and other residential consumers of electricity, gas and water in New South Wales. The program develops policy and advocates in the interests of low-income and other residential consumers in the NSW energy and water markets. PIAC receives input from a community-based reference group whose members include:

- NSW Council of Social Service;
- Combined Pensioners and Superannuants Association of NSW;
- Ethnic Communities Council NSW;
- Salvation Army;
- Physical Disability Council NSW;
- Anglicare;
- Good Shepherd Microfinance;
- Financial Rights Legal Centre;
- Affiliated Residential Park Residents Association NSW;
- Tenants Union;
- The Sydney Alliance; and
- Mission Australia.

Contact

Thea Bray
Public Interest Advocacy Centre
Level 5, 175 Liverpool St
Sydney NSW 2000

T: 02 8898 6500

Website: www.piac.asn.au



Public Interest Advocacy Centre



@PIACnews

The Public Interest Advocacy Centre office is located on the land of the Gadigal of the Eora Nation.

Contents

- 1. Introduction 1**
- 2. Response to Issues Paper questions 1**
 - Question 1: What are your views on the proposed prices for Essential Water?..... 1
 - Question 2: What are your views on the proposed prices for offtake customers?..... 2
 - Question 3: Should new offtake customers pay the same prices as existing customers?
Or should they also have the option to pay the capital cost of their off takup-
front and then only pay the usage charge? 2
 - Question 4: Should shutdown, standby or restart charges remain unregulated? 2
 - Question 5: What affects how much water is transported from the Murray River to
Broken Hill to meet the water needs of Essential Water and offtake
customers? Why might these customers be transporting water from the
Murray River less or more water? 2
 - Question 6: What are the barriers or opportunities to transport more water from the
Murray River using the Pipeline new customers in the Broken Hill region? . 3
 - Question 7: Should we set Water NSW's prices for 5 years? 3
 - Question 8: Do Water NSW's cost pass-through events place too much risk on
customers? 4
- 3. Continued engagement 4**

1. Introduction

The Public Interest Advocacy Centre (PIAC) welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal's (IPART) 2021 Review of WaterNSW's Murray River to Broken Hill Pipeline prices Issues Paper.

PIAC does not see evidence of long-term planning in WaterNSW's proposal. The implications of connection and pricing policies, and the risks to availability of the water sources the pipeline draws, have not been adequately considered.

For instance, additional usage by existing consumers, or the addition of further offtake consumers, may only marginally increase the energy related to pumping. It would, however, impact on the availability of water, not only to Essential Water and other existing offtake customers, but to the Murray River. PIAC is concerned the proposed pricing structure does not recognise that the water resource itself is limited (by the cost of the energy required to pump it and limitations of the rivers' declining flows) and particularly, in light of the projected impacts of climate change, insecure.

PIAC recommends IPART considers how the limitations of water resources in the Murray-Darling system can be incorporated into the pricing structure and addressed appropriately. For instance, considering if facilitating greater usage in an increasingly arid area, together with the resulting increased losses, is an efficient use of Murray River resource. In any case this determination, and the related Essential determination, should not increase risks to long term sustainability of resources.

2. Response to Issues Paper questions

Question 1: What are your views on the proposed prices for Essential Water?

PIAC has concerns regarding whether the proposed prices for Essential are appropriate and in line with water policy and planning principles and priorities. Given the socio-economic disadvantage of the residents of Broken Hill and surrounding areas it is important that Essential can deliver affordable water services to these communities. In this context, PIAC supports the subsidy in place for those users.

It is crucial that the subsidy of Essential Waters use in these communities is targeted and transparent. Key to this are ensuring that Essential's usage of water resources (including the pipeline) is efficient and sustainable in the long term and the costs of Essentials' usage are reflected in the prices it pays. PIAC is concerned the proposed pricing does not take into account the availability of the water itself. The prices Essential and other users pay should not only seek to recover the cost of the infrastructure, but support the sustainable usage of water it draws from the Murray River. As a high security water use, the essential water needs of the community take priority over other uses. This priority must come with an obligation for Essential to ensure that

usage is as efficient and sustainable as possible. PIAC is concerned the proposed prices do not provide Essential and other large users with sufficient incentive for sustainability and efficiency.

Question 2: What are your views on the proposed prices for offtake customers?

The proposed prices for offtake customers are appropriate and suggest that the prices proposed for Essential may not be. Proposed price increases for offtake consumers appear to be cost reflective and higher than the price being charged to Essential Water, reflecting the additional fixed costs for providing water to offtake consumers.

The proposed increase for offtake customers is very small and as businesses these customers have greater scope to either absorb these increases or mitigate their usage to manage them. The residential and small business consumers in Broken Hill and surrounding areas should not be cross subsidising water prices for offtake or other large consumers.

The prices for Essential and other offtake customers should be fully cost reflective to provide a clear incentive for conservation and efficient usage. Should any subsidy be deemed necessary, it should be applied transparently at the level of individual use in line with community expectations. PIAC has provided more detail on the structure of subsidy in response to the Essential Water Issues Paper.

Question 3: Should new offtake customers pay the same prices as existing customers? Or should they also have the option to pay the capital cost of their off take up-front and then only pay the usage charge?

The prices for new offtake customers should reflect the full cost of new connections and new usage that may increase the sustainability risk to the community and existing customers. PIAC notes that existing offtake customers were provided with reasonable arrangements to ensure they were not unduly disadvantaged by the construction of the new pipeline. New offtake customers should not pay prices that may unduly incentivise new connections that are not in the long term interests of sustainable access to water for the community in an around Broken Hill.

Upfront payment of capital costs for new connection should be allowed, provided it is fully cost reflective. The process to charge this amount upfront must be transparent and ensure there is no difference between future maintenance costs of the pipeline paid by these consumers compared to existing consumers.

Question 4: Should shutdown, standby or restart charges remain unregulated?

If this unregulated arrangement between WaterNSW and Essential Water minimises costs for consumers, then it is not of concern. However, to ensure integrity, it must be transparent how these arrangements are determined and what the terms and conditions are.

Question 5: What affects how much water is transported from the Murray River to Broken Hill to meet the water needs of Essential Water and offtake

customers? Why might these customers be transporting water from the Murray River less or more water?

The pipeline should be an additional resource to increase the quality of resources available to Broken Hill and the surrounding communities, and ensure their access to water is resilient into the future.

Water quality levels related to rainfall are likely to impact how much water is drawn from Essential Water's sources rather than from the pipeline. PIAC notes that in IPART's 2021 Review of Essential Energy's water and wastewater prices for Broken Hill Issues Paper that Essential Water expects households in Broken Hill to use 17kL a year less in 2022-23 to 2026-27 than they expected they would use in 2019-2021 to 2021-2022.¹

PIAC considers it important to assess whether the pipeline has been preferenced for any other reason. In particular, PIAC would be concerned if there was greater utilisation of the pipeline due to desire to recover costs from its construction, or because its use is subsidised.

Question 6: What are the barriers or opportunities to transport more water from the Murray River using the Pipeline to new customers in the Broken Hill region?

It would be reckless to actively pursue greater utilisation beyond existing uses and customers, where this would likely increase the risks for sustainable existing user access.

PIAC does not regard increased usage of the pipeline as a benefit or opportunity to be encouraged. The NSW Water Strategy, in line with updated reviews of the Murray Darling Basin and National Water Reform, has identified declining reliability of water resources across the State, particularly in the Murray River.

An economic assessment of the pipeline may indicate that it is not operating at optimum utilisation to return the investment in the infrastructure, and recommend investigating opportunities to increase usage. This narrow criteria is unsustainable and does not consider the nature of the water resources. It is doubtful that existing use can be reliably maintained in the face of declining yields and the impacts of a changing climate.

Question 7: Should we set Water NSW's prices for 5 years?

PIAC considers a three year price setting period appropriate for the Murray-Darling Pipeline at this time.

The NSW Government is currently finalising and implementing strategic state and regional water planning, which will have wide-ranging implications for the way that businesses operate, along with principles and objectives that must be considered to ensure sustainable and resilient water resources. The role of the Broken Hill pipeline and how it should be operated will be impacted by this process.

¹ Page 10.

IPART is also conducting a review of the regulation of water services in NSW that will have significant implications for the way businesses reflect and support the long-term interests of consumers and communities.

Implementing a shorter determination period at this time will give WaterNSW, Essential Water, and other users time to incorporate the policy and regulatory changes, and implement them in the lead up to the next determination. A five year period may lock in inappropriate or counterproductive practices and pricing.

There is much uncertainty regarding the long term sustainability of yield in the Murray-Darling system and other water resources supporting Broken Hill and surrounding communities. The potential risks of this uncertainty are well enough accounted for in WaterNSW or Essential's proposals to warrant a five year price setting timeframe.

The pricing period should also align with Essential Energy's waste and wastewater price review given they depend heavily upon each other.

Question 8: Do Water NSW's cost pass-through events place too much risk on customers?

PIAC does not support cost pass-throughs at this time. WaterNSW should have capacity to integrate its proposals for this period into long-term planning that directly addresses the range of risks to its operations, revenue and water resources.

The pipeline customers have few options to utilise alternative water sources and limited capacity to meaningfully impact the risks that WaterNSW may seek to pass through the costs of. Without demonstrating that it has undertaken to plan, account for and mitigate the range of likely risks, cost pass-throughs are an unreasonable burden on its customers and amount to a penalty on those customers for WaterNSW's poor business planning.

PIAC supports WaterNSW requesting an early price review if an unexpected event is material to risk the ongoing viability of WaterNSW and is not manageable within a determination period.

3. Continued engagement

PIAC welcomes the opportunity to meet with IPART and other stakeholders to discuss these issues in more depth.