



The Hon Niall Blair MLC

Minister for Primary Industries
Minister for Lands and Water



IM15/12933

Rod Sims
Chairman
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Mr Sims

Thank you for the opportunity to respond to the Australian Competition & Consumer Commission (ACCC) Issues Paper on the review of Water Charge Rules under the *Water Act 2007*.

I understand that WaterNSW will be making a separate submission on its concerns with the application of the Water Charge (Infrastructure) Rules. I wish to note my support of Water NSW's view that the Water Charge (Infrastructure) Rules 2010 constrain innovation in new products and investment in bulk water infrastructure. The NSW Government is of the view that greater flexibility in the charging system is required to facilitate product innovation and enabling a matching of prices with the value of services to customers. These issues will be outlined in greater detail in the submission from WaterNSW.

The Office of Water applies water management charges in NSW. The lack of a consistent approach in setting water planning and management (WPM) charges in the Basin is a key concern. As you are aware, NSW is the only state that explicitly identifies and charges for WPM activities with water charges set by the Independent Pricing and Regulatory Tribunal (IPART) through a transparent and public process. Other states either do not clearly identify WPM activities and associated charges or impose a broad based levy. If there is to be a proper platform for cross border water trading then there needs to be a level of consistency in the way that all Basin jurisdictions apply WPM water charges and the extent of subsidisation.

Notwithstanding the limitations of the ACCC's role in enforcing the WPM charges under the *Water Act 2007*, it would be useful if the ACCC did a proper analysis of how the Basin States are identifying WPM activities and setting these charges and if they are consistent with the broader pricing principles. It would also be useful if the ACCC analysed the possible distortions in the water trading market due to the differing WPM charging approaches.

NSW supports the application of the Water Charge (Infrastructure) Rules (2010) to both the Murray Darling Basin Authority (MDBA) and the Border Rivers Commission (BRC). These entities perform significant bulk water supply functions that should be subject to the same rules as other infrastructure operators. The application of these rules to relevant MDBA and BRC activities would be consistent with National Water Initiative pricing principles and promote transparency, consistency and equity in terms of the recovery of costs from water users.

Regarding the Water Planning and Management Information Rules (2010), NSW has already raised the issue of timing for providing WPM charges information annually to the ACCC. It is important that there is consistency in information provided to the public. NSW would,

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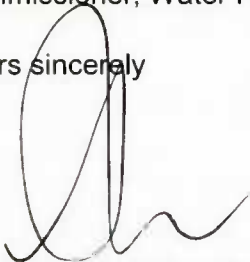
therefore, prefer if the information to the ACCC could be provided at the same time as for IPART, i.e., after the end of the financial year in October each year. NSW prefers the Information Rules requirements to be consistent with IPART reporting requirements in terms of content as most of the information required under these rules is provided to and published by IPART. Currently the Office of Water has to convert the cost information required by IPART into the ACCC required structure.

Combining water market rules and the water charge rules for termination fees would be efficient as both relate to the Irrigation Infrastructure Operators (IIOs). However, retaining separate rules for infrastructure operators and water planning & management would be more efficient considering that the ACCC has an enforcement role in the former and only a reporting role in the latter. It will also create less confusion for stakeholders.

With regard to the making of a new charge or amending an existing one, the rules require information to be published on the internet and in media. NSW considers this requirement as unnecessary. In NSW, any new or variation in existing water charges are subject to IPART's public consultation process while setting the price path. The water charges are also available on the Office of Water website.

Should you need to discuss this further, please contact Sarah Dinning, Deputy Commissioner, Water Reform & Evaluation, Office of Water, on (02) 9842 8480.

Yours sincerely



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