

Ref: MDBA E21/9783

Matthew Mansell and Jessica Forrest
Review of WAMC and Water NSW rural bulk water from July 2021
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop
Sydney NSW 1240

Dear Matthew and Jessica,

IPART Review of Water NSW Rural Bulk Water Prices

Murray-Darling Basin Authority (MDBA) appreciates the opportunity to make a submission on IPART's Review of Water NSW's Rural Bulk Water Prices 1 July 2021 to 30 June 2025 dated March 2021.

For clarity we will refer to specific sections in the report unless the comments are more general.

Section 1.2.2 and Chapter 10 - MDBA Charges increase by up to about 12%. MDBA's program costs are not proposed to increase as suggested by the report. NSW is proposing to assign a greater proportion of the state's contribution to the MDBA program to water users and apportion this between entitlement types differently than in past determinations. We request this be made clear in the final report.

Sections 4.4 makes recommendations regarding catch up efficiencies. The MDBA is committed to completion of triennial independent cost reviews of River Murray Operations. The first of these was completed by Cardno in December 2019. That report states "Overall, we [Cardno] conclude that the River Murray Operations Joint Program costs are overall reasonable". The report also states "The analysis of long-term operating expenditure as a proportion of the size of the asset base (as measured by replacement cost) found that operating expenditure as a percentage of the total asset replacement cost, has decreased from 1.65% in 2008/09 to 1.25% in 2018/19". This is an indication of the realisation of ongoing efficiencies in operating expenditure across the program. The independent cost review was provided to IPART's consultant Atkins as part of their assessment of MDBA Program costs and is available on MDBA's website. It is not clear how Atkins have given account to these improvements when recommending further generic efficiency requirements. We are concerned that further untargeted reductions in expenditure will lead to limitations to service delivery and increased risk of a service failure.

Section 4.4 We also question the utility of a 'continuing efficiency at the Frontier' without information on a comparable frontier company. The MDBA program is delivered under unique arrangements comprising a joint venture of Commonwealth, state and territory

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governments, with on-ground activities delivered by multiple state agencies. As noted in the report, the MDBA in conjunction with joint venture governments has made significant gains in planning, budgeting and delivery. Budget development is scrutinised by partner governments and their respective delivery agencies and through this, innovations and efficiency improvements from one agency are shared with others. IPART has not identified any specific elements of business practice nor example 'frontier' company processes that could be employed to realise the proposed efficiency gains. We question the validity of this recommendation in the absence of such information and the unique governance arrangements of the MDBA program.

Should you have any questions or concerns, please contact Angus Paton, General Manager Assets on (02) 6279 0404 or angus.paton@mdba.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A Reynolds', written in a cursive style.

Andrew Reynolds
Executive Director
River Management

16 April 2020