Pricing Proposal 2025- 2030

Final Customer and Community Engagement Summary

Prepared for WaterNSW

September 2024

Prepared for:

WaterNSW

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Prepared	Approved	Date
Final Report for WaterNSW Executive	Fiona Court	17 September 2024

Acknowledgement of Country

SEC Newgate acknowledges the Custodians of the lands on which our firm operates around the country.
We pay our respects to Elders past and present.

SEC Newgate is proud to support the Clontarf Foundation and future generations of Indigenous leaders.

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Executive Summary

WaterNSW has made a commitment to better listen and respond to customers, stakeholders, and the community. This means placing customers at the front and centre of decision-making about future services. The path of this engagement along with these services and activities are documented in this report as part of WaterNSW's 2025-2030 price proposal submission to the Independent Pricing and Regulatory Tribunal (IPART).

IPART's regulatory framework is centred around pricing proposals that promote customer value. The engagement process enabled WaterNSW and the other NSW water agencies to focus on efficiently providing services that customers and the community value.

This *Summary Engagement Report* documents the engagement process, outcomes and pricing structure discussions relevant to WaterNSW's water services and the delivery of bulk water. A separate report on the engagement process for the Water Administration Ministerial Corporation (WAMC), for other statewide services is being prepared by the NSW Department of Climate Change, Energy, the Environment (NSW DCCEEW).

Between January 2023 and August 2024, WaterNSW embarked on an extensive customer and community engagement program, its largest ever, across three phases, to understand the services and activities that they should deliver in the period 2025-2030. WaterNSW's pricing proposal process incorporated a wide array of feedback from more than 2,500 diverse stakeholders across NSW. Customer and community conversations were captured through a wide range of channels and settings.

The process commenced with listening and big sky thinking, which led to a range of desirable customer outcomes. With these outcomes in mind, WaterNSW developed a series of investment proposals and submitted these to the NSW Water Working Groups, established for this consultation, to assist with decision-making. The Water Working Groups were created to bring customers, community and interest groups together for these discussions and deliberations. The process included an education component and participants spent many hours together online over a period of eight months.

In a parallel process, WaterNSW initiated conversations and deep thinking over many months with the WaterNSW Customer Advisory Groups, and many of their associations, about customer pricing structures and opportunities for improvement that could commence across all water valleys in 2025.

Further consultation then considered a scorecard to document how these outcomes are being achieved in 2025-2030.

This summary report can be read in conjunction with additional, detailed reporting for each of the three phases of engagement, which have been captured in separate, published reports. The *Phase 1 Customer and Community Engagement Report* describes the wide-ranging customer and community insights and high-level expectations from customers and stakeholders regarding WaterNSW services and activities. *Customer and Community Engagement Report – Phase 2 Outcomes* covers the refining of priorities and outcomes nominated by community and customers and the investment proposals and levels of service offered by WaterNSW to achieve them. The *Phase 3 Customer and Community Engagement Report – Price Proposals and Customer Price Structures* focuses on the consideration of future pricing structures, and the final outcomes, priorities and measures. The Water Working Groups also have a report detailing their inception and deliberations, which has been signed off by participants.

Significant commitment came from the WaterNSW senior executive leadership team who led much of the consultation discussions over the period and were open to listening to customers and community first-hand, throughout the process.

At the conclusion of this process the majority of participants evaluated the process as having achieved its purpose and overall considered the engagement process to be very good, good or adequate. You can read more about evaluation in Chapter 6.

The quality of this engagement process

WaterNSW is seeking an enduring high-quality engagement with customers and stakeholders, and one in which they strive to continuously improve these relationships and outcomes, delivering ever greater value to customers. This was the largest, most complex and in-depth engagement and consultation ever conducted by WaterNSW. It was underpinned by values of listening and transparency. The process was a significant investment in time and funding with senior executive staff taking ownership, and consulting directly with customers, throughout. WaterNSW Board Directors also attended Water Working Group sessions as observers. The engagement approach adopted by WaterNSW has been underpinned by IPART's six principles for good engagement.

The engagement extended over 18 months, a live process in which the outcomes people were seeking led WaterNSW thinking, strategy and participation from the highest organisational levels. Overall, the engagement built an improved understanding of water management and delivery. It is not a flawless system, but participants understood the cost to achieve a flawless system would be too great a financial burden for both customers and the community.

It was a deeply iterative process with WaterNSW returning to the issue of affordability (the highest priority of customers) several times. The cost to maintain the system in 2025-2030 is creating stress amongst customers, and many are struggling to keep pace with the complexity of water rules, administration and proposed tariff reforms. Across the discussions there was a strong recognition of the role of agriculture and production, the importance of social licence in the use of water and the sustainable future management of rivers. A frank and detailed conversation was had regarding the trade-off between customer affordability, WaterNSW and its financial viability in the future, and the need to manage government debt.

An evaluation of the quality of the process, using the metrics supplied in the IPART Handbook, is in Attachment B. Overall the engagement met IPART's needs of a standard process, in most cases an advanced process, and some cases a leading process. The results to meet IPART's good practice rubric summary are below.

Standard Expectations	Advanced - Additional expectations to Standard	Leading - Additional expectations to Advanced
1. Customer Centricity		
Develop a customer engagement strategy		
✓	✓	✓
Customers influence business outcomes		
✓	✓	
Processes support customer centricity		
✓	✓	✓
2. Customer Engagement		
Engage on what matters to customers		
✓	✓	✓
Choose appropriate engagement methods		
✓	✓	
Engage effectively		
✓	✓	
3. Customer Outcomes		
Customers drive outcomes		
✓	✓	✓
Performance measures support outcomes		
✓	✓	
Accountability for customer outcomes		
✓		
4. Community		
Identify community outcomes		
✓	✓	
Community outcome performance measures		
✓		
Accountability for community outcomes		
✓		

Who did we consult?

This engagement process focused on the diversity found in WaterNSW stakeholders, with insights and inputs captured from a wide range of customer and community groups, including:

- Water User Groups and Associations
- Customer Advisory Groups (CAGs)
- Irrigations companies
- Individual customers
- Industry
- First Nations peoples
- State and Commonwealth Environmental Water Holders
- Local Government
- Sydney Water
- Other groups with a keen interest in water including recreational water users, fishers and local environmental interest groups
- Community

The customer and community engagement process took in a very wide geographic spread of participants - across NSW – including the 10 regulated river valleys west of the Great Dividing Range and various coastal rivers and catchments to the east.

How did we consult?

WaterNSW's engagement approach was underpinned by IPARTs six principles for good engagement:

- Creating meaningful and sincere engagement
- Ensuring diverse and inclusive engagement that is accessible and tailored to the customer base
- Achieve a balance of customer and environmental needs
- Being relevant, timely, and appropriate
- Being transparent and accountable
- Having representative, reliable, and valid design.

The 2025-2030 Water Working Groups were formed to seek feedback on water management and delivery priorities, outcomes and investment proposals for the period 2025-2030. These are to be provided to IPART in the Price Proposals for WaterNSW and for the services delivered by the three agencies below:

1. Delivery of bulk water services throughout the State – the WaterNSW bulk water pricing proposal.
2. Delivery of a range of water planning and management services including customer services, water monitoring, licences and approvals, long-term water management strategies and plans, compliance, education, and enforcement – the Water Administration Ministerial Corporation pricing proposal, which is delivered by:

- WaterNSW
- NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW), and
- The Natural Resources Access Regulator (NRAR).

The 2025-2030 Water Working Groups were the first time that the three water agencies – WaterNSW, NSW DCCEEW and NRAR, customers, communities, environment groups and local government have met together to deliberate on future water delivery priorities and services to inform the 2025-2030 pricing proposals.

In parallel, in-depth consultation occurred over 18 months with the WaterNSW Customer Advisory Group members, representatives of a variety of different types of customers.

This *Summary Engagement Report* focuses primarily on the engagement process and results for the delivery of bulk water by WaterNSW, with NSW DCCEEW preparing a separate report on the engagement process for the WAMC submission.

SEC Newgate worked closely with WaterNSW, and NSW DCCEEW to include Aboriginal voices from across NSW in the pricing proposal. WaterNSW's engagement plan was presented to the NSW Aboriginal Land Council and WaterNSW and SEC Newgate toured various regions holding conversations about water and future First Nation community needs. Regional meetings in community with First Nations representatives included Local Aboriginal Land Councils and members from Prescribed Body Corporates, local business owners, community members and others.

It was important to reach out to these communities across NSW and hold discussions in separate and safe spaces. To maximise the opportunity to have a say, the meetings were held in various locations across the Western, Central, Northern regions and Wiradjuri Country, which covers much of the central and southern regions of NSW. This provided opportunities to speak with local members of the community and discuss issues that were relevant to each area. WaterNSW's sessions replicated yarning circles, a collaborative process of listening deeply to information, feedback, and ideas (Section 3.2.2).

In summary

In summary, the engagement activities described in this report:

- identified the big picture issues relating to water delivery across NSW from the perspective of customer, community and environment stakeholders.
- provided a series of deep dives with CAGs, over 18 months, on a range of pricing issues, including the detailed outcomes they wanted to see in 2025-2030 and pricing structures.
- combined this information into a set of priority outcomes for WaterNSW to achieve and report against.
- considered a series of investment proposals for activities and services for WaterNSW to meet these outcomes.
- considered the investment amounts required for these activities against an overall revenue requirement to deliver bulk water.
- discussed the issue of cost shares between customers and government
- deeply discussed issues of affordability, economic conditions and circumstances, issues of equity and fairness, and the current cost shares between government and customer for activities and services.
- considered future pricing structures, in the form of either a price cap or revenue cap.
- considered several scenarios to reduce the cost burden on customers, including a 15% cap in price increases under a revenue cap each year for five years
- considered an option to reduce administrative costs of operating the water system (made possible by a 15% price cap) and a regional WaterNSW administration model, rather than valley-based administration.

Broadly, participant responses to some of these concepts were as follows.

Financial proposals	Participant responses
Scenarios for government to accept cost sharing for items that resolve a high proportion of community benefit	Broad approval across most participants
New tariff structures - Revenue Cap or Price Cap	Broad tentative approval for a Revenue Cap from many groups once detailed discussions had occurred, other groups who have not examined the detail are uncertain.
Increasing the higher fixed portion of customer charges	A highly mixed response from customers. The potential impacts to water use and trade were discussed as possible outcomes of higher fixed charges, which could have unintended consequences for a valley. Separate discussions with Commonwealth and State Environmental Water holders show openness to this concept.
Cost reflective base case – recovery of the true cost of services provided by WaterNSW, by customers	It was recognised by both customers and WaterNSW that the true cost, the cost reflective base case, was not an affordable revenue amount for both customers and WaterNSW without intervention.
15% cap in price increases each year for five years (excluding CPI)	Broad acceptance that this may be the only feasible outcome, with customers noting a likely high negative impact to both small producers and customers with permanent

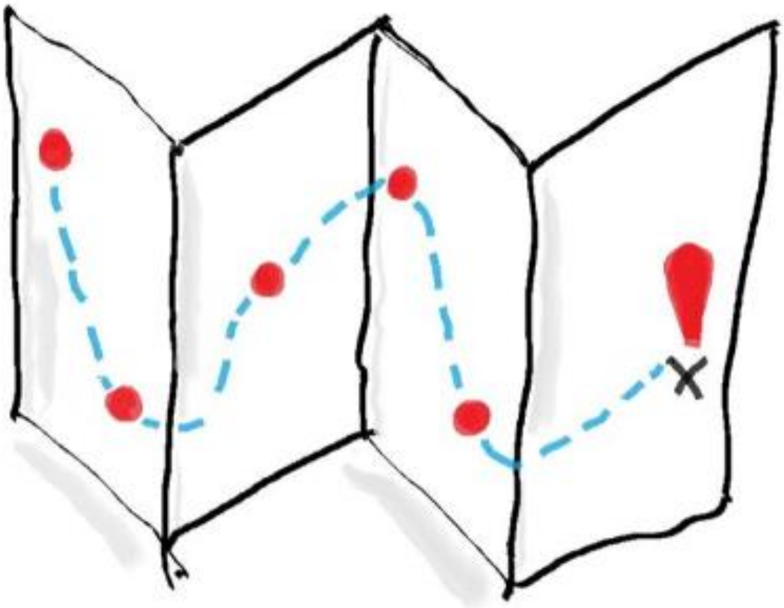
	plantings. It was recognised councils are not able to pass costs on and will struggle with the increased charges.
Regional pricing (two regions, northern and southern)	Tentative approval from introductory CAG conversations, with some concerns about the process and transparency of the prioritisation of works across a region also meeting individual valley commitments. Concerns regarding a lack of wider discussions on the proposal for cross water customers.

Summary of the outcomes for 2025-2030 reached

The outcomes adopted by WaterNSW were led by customer and community thinking. They were derived from over 2,500 conversations and surveys during this engagement process, gathered from customers through a wide variety of methods. These outcomes achieve a range of services and activities to support the needs of the environment, customer and community.

Outcome	Customer	Environment	Community
Outcome 1 WaterNSW to maintain downward pressure on costs to support customer affordability	✓		
Outcome 2 WaterNSW will provide secure and reliable water delivery	✓	✓	✓
Outcome 3 WaterNSW will be open and transparent (about customer charges and WaterNSW expenditure)	✓		
Outcome 4 Sustainable water and land management	✓	✓	✓
Outcome 5 WaterNSW will provide customer and community access to data and information	✓		✓
Outcome 6 WaterNSW will provide good customer experiences (enabling our customers to run their businesses)	✓		✓

Chapter 1 – Our project and the engagement journey



1.1 Introduction

WaterNSW's Pricing Proposal 2025-2030 customer and community consultation began in December 2022 and concluded in August 2024, submitting its proposal in September to the Independent Pricing and Regulatory Tribunal (IPART).

Prior to consultation beginning in 2023 (in line with our Pricing Proposal Engagement Plan), WaterNSW conducted a 2021 perceptions audit study to assess stakeholder needs, Voice of the Customer annual surveys, a "Kitchen Table conversations" initiative in 2021, and held ongoing Customer Advisory Group meetings in each valley, three times a year. Together with WaterNSW field staff conversations, these insights have contributed to form a solid starting point for WaterNSW's engagement to understand customer and stakeholder preferences and priorities for 2025-2030.

This consultation was separated into three phases, with the release of a report at the end of each phase that can be found on the WaterNSW Pricing Proposal 2025-2030 website, providing a comprehensive overview of the process.

Phase 1 sought big sky thinking and included very wide community and customer conversations in a broad range of settings through for example Customer Advisory Groups, regional field days, First Nations listening tour and speaking at forums. The *Phase 1 Customer and Community Engagement Report* published in December 2023 describes the wide-ranging customer and community insights from customers and stakeholders into WaterNSW and its services and activities to deliver water and their high-level expectations for the future.

The *Phase 3 Customer and Community Engagement Report – Price Proposals and Customer Price Structures* focuses on the consideration of future pricing structures and administration of the river valleys, published in August 2024. It lists the final six outcomes for WaterNSW for 2025-2030, clear priorities from conversations across the state with all stakeholders, and the measures to be used to provide the customer and community with a performance scorecard.

The *Customer and Community Engagement Report – Phase 2 Outcomes* was published in July 2024 and details the priorities and outcomes nominated by the community and customers in the Phase 1 consultations. It also details the process that customers and community used to examine those outcomes and how to achieve them, including deliberating a range of activities or, for the working groups, specific investment proposals and levels of service offered by WaterNSW.

The *Water Working Groups Engagement Report* details the processes of establishing a group of community and customers to assess a range of investment proposals to achieve the priority outcomes, and developing a scorecard to measure how well these outcomes will have been achieved in the period 2025-2030. This report was designed for participants and signed off by participants as an accurate record of the process.

The Phase 3 engagement report focuses on the customers' consideration of future pricing structures and administration of the regulated river valleys, published in August 2024.

WaterNSW's pricing proposal process incorporated a wide array of feedback from over 2,500 diverse stakeholders across NSW. We attended important regional community field days and surveyed over 959 participants. We have met with First Nations communities across NSW.

Phase 1, Phase 2 and Phase 3 consultation reports detailing the process and conversations, have been published on the WaterNSW website and by September 2024, have together been downloaded by more than 5,450 community members.

Community and customers across NSW find it difficult to distinguish the services provided by the different NSW water agencies (and the Murray Darling Basin Authority (MDBA)/Border Rivers Commission (BRC)), and their big sky thinking, and outcomes identification focused on services that are delivered by WaterNSW and other agencies. Customers clearly signalled that they wanted a more coordinated effort in consultation, to avoid duplication, engagement fatigue, increase efficiencies and reduce cost. WaterNSW responded to collaborate with the NSW Department of Climate Change, Energy, Environment and Water (NSW DCCEEW, formerly known Department of Planning and Environment - Water) and the Natural Resources Access Regulator (NRAR) to create the 2025-2030 Water Working Groups, a first of its kind in engagement on water planning. A separate *Engagement Outcomes Report* regarding inputs to the WAMC service decisions has been prepared.

This report documents the outcomes and pricing structure discussions relevant to WaterNSW and the delivery of bulk water., with customer price considerations widening to include combined customer charges.

IPART's regulatory framework is centred around achieving customer value. This enables the water agencies to focus on efficiently providing services that customers and the community value. IPART assesses these pricing proposals using the '3Cs' Framework:

- Customer value: services and expenditure
- Costs: transparent, prudent and efficient costs
- Credibility: assurance that a Proposal is deliverable and can continuously improve.

A Pricing Proposal is a document submitted to IPART that sets out how we propose to deliver our essential operating licence conditions, and deliver on our agreed customer outcomes.

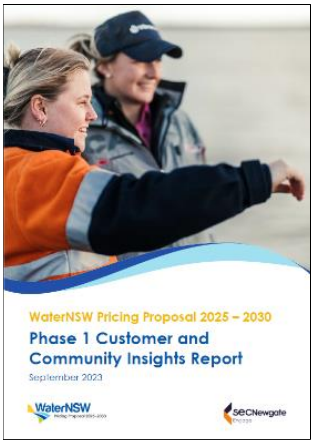
WaterNSW customers and community challenged us on each of these things, considering information on the value that WaterNSW water management and delivery investment proposals could provide. They used the lens of customer affordability to ask whether the investments were as efficient as they could be, and whether services and activities would lead to the outcomes that they desired, i.e. be credible. The conversations about future pricing structure debated customer value, discussed the behavioural outcomes (in the use of water) that may result, and what this would mean for water delivery management and cost in the future.

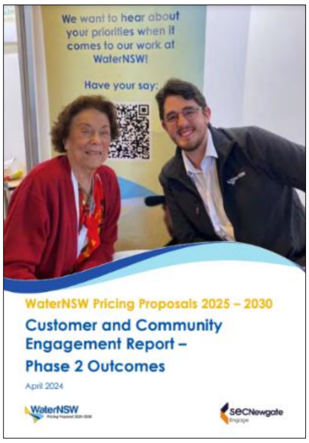
WaterNSW's Engagement Strategy

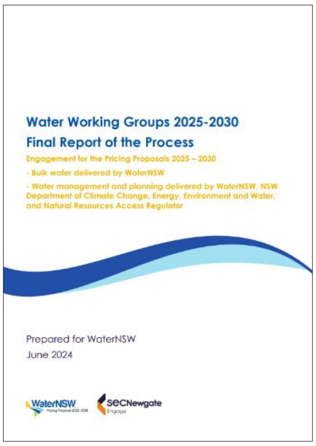
WaterNSW's *Customer and Community Engagement Strategy 2023 and 2024* was published in May 2023. It details WaterNSW's planned initial approach to this consultation with community and customers that aligns with IPART's process. The creation of this strategy met WaterNSW's commitment to be guided by WaterNSW customers in planning for 2025-2030.

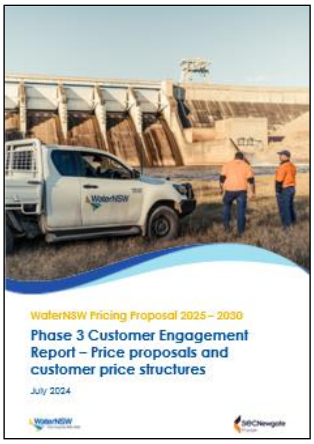
In the process of creating the engagement strategy, WaterNSW met its commitment to be guided by customers in all that it does. As with all quality engagement plans, the strategy remained flexible and responsive to the needs of participants. While the methodology was initially identified, it evolved as the consultations progressed to reflect the feedback that we received from customers in the CAGs. Several method changes were made including transparency between the CAGs and the working groups to accommodate these customer preferences and priorities in how we should approach engagement.

Section 2.4 of this report discusses IPART's expectations and principles of good engagement, which also led our thinking in designing the engagement process. Attachment A provides a list of IPART's principles of good engagement.



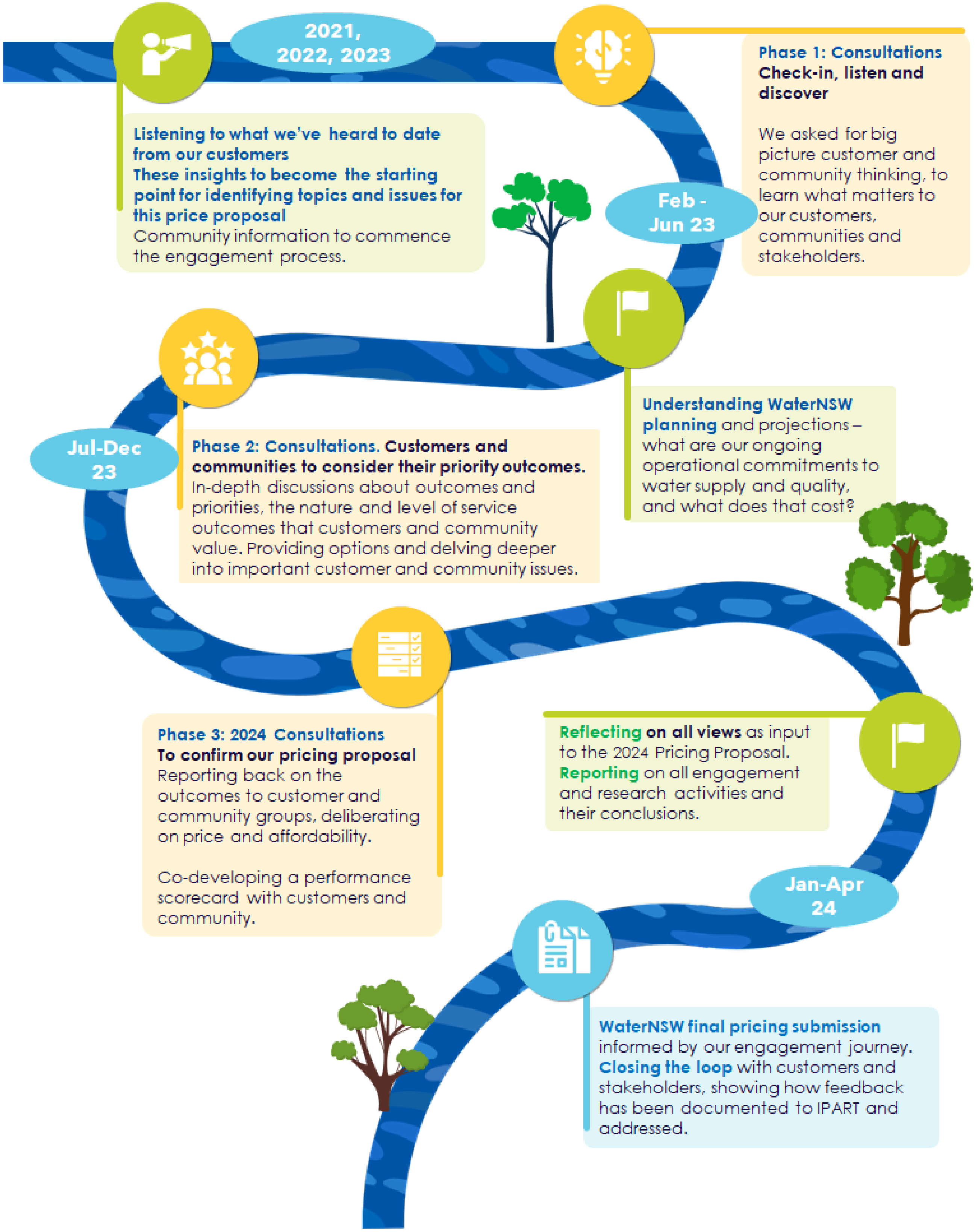






1.2 The 2023/2024 pricing proposals engagement journey

The journey map below shows the steps for engaging on the Pricing Proposal – how we planned to capture customer priorities to shape the business' strategic and investment plans for the period 2025-2030.



In summary our engagement activities resulted in…

Reached out to our
41,000 customers
by email and newsletter to announce the process

959 in person intercept and online surveys completed by participants

~25 towns/regions
visited across the whole engagement process (First Nations, Field Days, CAGs)

12 First Nations meetings with **50** First Nations stakeholders

Engaged with
~2,500 people
in person briefings, surveys, field days and meetings

9,193 visits
to the WaterNSW 2025-2030 Pricing Proposal website

42,000 km+ travelled
per person to attend each field day, First Nations engagement, CAG and user group briefings in 2023-2024

1,182 hours
of online discussion across the **21** Water Working Groups

Over 80
different meetings attended by WaterNSW's CEO and Executive team

10 communities
visited in three stages of First Nations in-field engagement

87 individual
participants who attended at least one of the five Water Working Groups

5 rounds of **10** Customer Advisory Groups resulting in
~1,200 hours
of discussion on pricing.

22 investment proposals
considered by the Water Working Groups regarding WaterNSW Bulk Water delivery and WAMC

Over 1,070
phone calls made to recruit for and sustain participation in the working groups

8 cost share
questions discussed by Water Working Group participants

Resulting in
Over 600 pages
Of reporting on the process, data, and insights on customer and community preferences

1.3 WaterNSW services and activities

Water continues to be a highly valued resource closely linked to the lives, livelihoods and levels of production in rural, regional and metropolitan Australia.

WaterNSW is a State-Owned Corporation tasked with delivering water in NSW. It captures, stores and delivers water when and where it matters. WaterNSW operates the regulated river system across NSW, various infrastructure to capture and store water and then supply it ready for use, for the environment, agriculture, industry and the community.

There are 12 major river valleys and hundreds of waterways across the state, including in the NSW Murray Darling Basin. WaterNSW has an essential role to deliver two thirds of all water used in NSW down these mostly regulated rivers, and to Sydney.

WaterNSW's bulk water delivery activities and services are described below.

- Operate dams, weirs and other river structures to manage and release water
- Supply bulk water from regulated river systems across NSW
- Supply water to Sydney Water
- Protect Sydney's drinking water catchment and provide an education program on this
- Maintain and upgrade the infrastructure across the river network
- Manage customer water transactions
- Manage water licences
- Operate the telemetry system across regulated rivers
- Provide customer information services
- Provides stakeholder engagement and community education programs

WaterNSW also provides services to WAMC, which include licencing, water quality monitoring, and managing a network of groundwater boreholes.

1.4 How the agencies have worked together

The roles of each NSW Government water agency are listed below. Each agency is committed to ensuring customers and communities across NSW receive long-term value in the way water is delivered, and water planning and management services are provided.

WaterNSW - delivers water in accordance with the rules

- Bulk water supply, NSW **system operator**, source water protection, Infrastructure planning, delivery and operation.
- Customer water transactions, licencing (for most users) and information services.

NSW Department of Climate Change Environment Energy and Water (NSW DCCEEW) - creates the rules

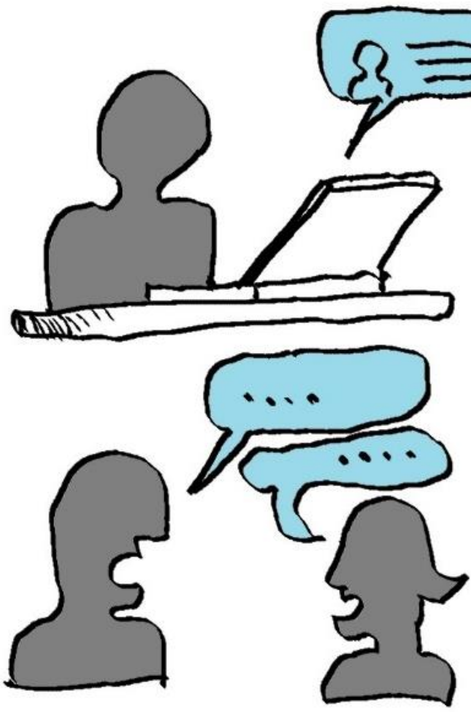
- Develops and oversees water related laws, **policies and planning**.

Natural Resources Access Regulator (NRAR) - enforces the rules

- Responsible for **compliance** with and enforcement of the regulatory framework for water.

WaterNSW, the NSW DCCEEW and NRAR worked collaboratively to ascertain the priorities and needs that NSW customers have when it comes to water management and delivery for the 2025-2030 period. This level of cross-collaboration in a deep dive engagement process has been a unique and new method and appreciated by customers and community participants. The success of that collaboration was noted by the CAG and Water Working Group members.

Chapter 2 – The engagement process



2.1 Our engagement objectives

WaterNSW is seeking an enduring high-quality engagement with WaterNSW customers and stakeholders, and one in which we strive to continuously improve these relationships and outcomes, delivering ever greater value to customers. The engagement approach adopted by WaterNSW has been underpinned by IPART's principles for good engagement. Please refer to Attachment A.

1. Meaningful and sincere engagement
2. Diverse and inclusive engagement that is accessible and tailored to the customer base
3. Balance customer and environmental needs
4. Relevant, timely, and appropriate
5. Transparent and accountable
6. Representative, reliable, and valid design

We are also mindful of the International Association of Public Participation Best Practice Framework, and the values that sit within that framework regarding good engagement.

- Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
- Public participation includes the promise that the public's contribution will influence the decision.
- Public participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision makers.
- Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
- Public participation seeks input from participants in designing how they participate.
- Public participation provides participants with the information they need to participate in a meaningful way.
- Public participation communicates to participants how their input affected the decision.

WaterNSW strategic priorities which underpin their services and investments in future delivery are as follows.

- **Building a sustainable future:** playing our part in creating a more resilient water system that enables thriving communities and healthy ecosystems, whilst reducing our environmental footprint so we don't cost the earth.
- **Developing our People and Capabilities:** A diverse, high performing workforce that is responsive to the needs of our customers and communities.
- **Respected by the customers and communities we serve:** Trusted to support the social, cultural and economic prosperity of our customers and communities, through transparent decision making and greater community presence.
- **Working together in partnership:** Committed to working together in partnership with our stakeholders to manage sustainable, secure and healthy water resources.
- **Delivering operational excellence:** Delivering safe, reliable and affordable water service through our technical and operational excellence that is recognised and valued by our stakeholders, customers and communities.

Section 6 and Attachment B contain an evaluation and conclusions on how we met our objectives.

2.2 Who we have engaged

WaterNSW's customers and stakeholders are located across wide geographic distances. They include all those who interact with WaterNSW dams, storages and river operations which could be stakeholders, local communities and customers – big and small.

WaterNSW customers use water in different ways and in different volumes. Everyone has contributed to the discussion about the priorities and outcomes that matter most to them so that WaterNSW can deliver value for the communities they serve. Below is a snapshot of our customers, community and stakeholders that we have engaged. Many people however fall into more than one of these categories.

Significantly, the WaterNSW customer base is highly diverse. The wide range of customers is as follows.

- They range from small family-owned producers to well established high volume corporate producers.
- There are customers who use their water licence to extract water, and those who don't. For those that don't, the water could be unaffordable at the time, or the licence is being used as a financial investment vehicle, or other circumstances prevail where they don't use their allocation such as drought, flood or fire.
- Customers pay between AUD$300 a year to upwards of AUD$5 million a year the delivery of bulk water.
- They create diverse types of value from that water – depending on their geography, water allocation and availability, soil types, types of water licence, surrounding supporting industry and community need. Major value is derived from the use of bulk water in environmental flows (managed by environmental water holders).
- Customers may be 'stand alone' producers or a part of an irrigation scheme or corporation – and as such are customers of an irrigation entity who can then represent them in consultations like this.
- Councils and local water utilities are also customers taking water that they treat and supply for town water, including Sydney Water.

2.3 How we have engaged

2.3.1 Consultations leading up to the pricing proposal process

Activities leading up to 2023

The insights gained from conversations and feedback from 2020 to 2023 led to an informed starting point for this engagement. These consultations are described below.

2020/2021 consultations

- Voice of the Customer research
- Stakeholder perceptions audit
- Kitchen table conversations
- WaterNSW customer feedback and complaints
- Customer Advisory Group meetings
- Ministerial correspondence

2022/2023 consultations

- Voice of the Customer research
- WAMC reporting - what matters to our customers
- WaterNSW customer feedback and complaints
- Customer Advisory Group meetings
- Ministerial correspondence

2.3.2 Timeline of the pricing proposal engagement activities

Below is a timeline of the engagement process for the pricing proposal.

Phase 1

2000-2022

- WaterNSW reflects on its extensive customer conversations to date – what have the customers been telling us?

February 2023

- CEO-led discussions with each Customer Advisory Group (CAG) explaining the strategic direction for WaterNSW and the *Five-Year Corporate Strategy* 2021. Discussed the WaterNSW focus on implementing efficiencies, recognising the need to better manage the operational budget.
- The CAGs commenced blue sky thinking about 2025-2030, developing a long list of issues for the 2025-2030 period.
- The CAGs considered what good regional engagement could look like for the 2025-2030 pricing proposals.

April 2023

- The Pricing Proposal *Customer and Community Engagement Plan* is finalised, with a focus on how to reach a wide customer base and a diverse group of stakeholders.

May 2023

- WaterNSW commenced wide community and customer engagement. Over 2000 community and stakeholder organisations and over 41,000 licence holders contacted, and the start of our First Nations consultations.
- Online surveys are open.

May-August 2023

- Field discussions and interviews with a broad range of customers and community members.
- Surveys sent to local government, environment groups, community groups, and all customers.
- We attended field days and community festivals, including the Riverina Field days, AgQuip Gunnedah, Kangaroo Valley Festival of Canoe and Kayak.
- Meetings including with NSW Farmers, Country Women's Association.
- First Nations discussions at the launch of WaterNSW Innovate Reconciliation Action Plan (RAP).
- Voice of Customer Survey, a quantitative survey of 1200 customers.
- Qualitative stakeholder survey of 45 Government, environment, First Nations, peak group stakeholders.
- First Nations listening tour (Western region).

Phase 2

July 2023

Customer Advisory Group meetings in July 2023 to:

- Confirm the outcomes they want to see 2025-2030.
- Start exploring tariff options – the idea of a price cap or a revenue cap.

August 2023

- First Nations listening tour in the northern, central and southern NSW regions.

September 2023

- WaterNSW Water Working Groups meeting one to introduce the water system and this process. Participants learn about one another and their values.

Phase 2

October 2023

WaterNSW Water Working Groups meeting two to:

- Examine outcomes and investment proposals concerning the planning and management of water (WAMC proposals).

November 2023

- Customer Advisory Groups meetings in each valley to
  - Consider the macroeconomic environment
  - Consider the impact of new regulation and policy on WaterNSW revenue needs
  - Further explore the idea of a revenue cap.
- WaterNSW Water Working Groups meeting three (November) to examine outcomes and investment proposals concerning the delivery of bulk water.
- Additional meeting with Murray-Lower Darling CAG members on the energy and climate change investment proposals for the delivery of bulk water.

December 2023

- Namoi Water Users Association pricing discussions.
- Online community and customer survey closes.
- WaterNSW website update and release of the Phase 1 report.

Phase 3

January-March 2024

- WaterNSW Water Working Groups meeting four (February) to examine further investment proposals, customer charges and affordability issues, macroeconomic conditions and WaterNSW revenue requirements for 2025-2030.
- Customer Advisory Group meetings in March in each valley to consider:
  - Water compliance investment levels and affordability
  - Macroeconomic conditions in each region
  - Further discussions on a price cap or a revenue cap
  - Update on significant customer investment proposals (customer portal and asset maintenance)
  - WaterNSW revenue requirements for 2025-2030.

May 2024

- WaterNSW Water Working Groups meeting five examines final outcomes and a scorecard for measuring how well we achieve those outcomes.
- WaterNSW holds further conversations regarding tariff structures with water user groups and major customers.

June 2024

- *WaterNSW Water Working Groups Report* released.
- *WaterNSW Customer and Community Engagement Report Phase 2 Outcomes* released.
- WaterNSW holds further conversations regarding tariff structures with water user groups and major customers.

July 2024

- Customer Advisory Groups meetings in each valley to examine final price proposal and regional pricing ideas.
- WaterNSW proposed revenue cap paper circulated to customer groups in the CAGs.
- WaterNSW holds further conversations regarding tariff structures with water user groups and major customers

August 2024

- Phase 3 report released.
- WaterNSW paper on potential regional pricing circulated to customers in the CAGs.
- WaterNSW holds further conversations regarding tariff structures with water user groups and major customers

September 2024

- *WaterNSW 2025-2030 Pricing Proposal* submitted to IPART.

2.3.3 Engagement with Sydney Water

WaterNSW and Sydney Water have strong working arrangements to facilitate the delivery of water to an agreed level of service. WaterNSW's daily decision-making processes ensure the services meet the needs to protect the catchment and supply appropriate quality water to Sydney residents. Continued engagement on the delivery of services is supported by regular meetings held across multiple parts of the business, including on daily operations, a range of infrastructure projects, asset maintenance and catchment protection activities.

WaterNSW and Sydney Water attend fortnightly working group meetings to support the Department in implementing the Greater Sydney Water Strategy. Long-term Capital and Operational Plans support the outcomes and priority actions of the strategy. A Strategic Liaison Group, including the CEOs of both organisations and senior experts from NSW Health, is held quarterly to ensure agencies are working collaboratively on strategic priorities. A Senior Managers working group, which includes WaterNSW and Sydney Water, also meets fortnightly to focus on the operational and project delivery components.

A Sydney Water and WaterNSW IPART Working Group, led by the WaterNSW Executive Manager of Strategy and Performance, provides updates and discussion on upcoming activities. The Senior Managers' Operations Group SteerCo meets every two to three months.

An Interagency Committee for the Warragamba Dam Climate Resilience and Warragamba Environmental Flows projects meets regularly. Members include representatives from WaterNSW, NSW DCCEEW, the Department of Planning, Housing and Infrastructure, Infrastructure NSW, NSW Treasury and NSW Reconstruction Authority. This group is integral to delivering effective forward planning for these critical initiatives. Sydney Water will be joining this committee. These projects are included in the pricing submission to IPART.

There are recurring and targeted meetings between Sydney Water and WaterNSW to support the various strategic planning activities including supply augmentation and resilience planning, annual review of the Greater Sydney Drought Response Plan and updates of each organisation's Long Term Capital and Operational Plan.

WaterNSW Water Planning and Delivery teams, Maintenance and Operations teams and Project teams' interface with Sydney Water's teams, often daily, regarding for example the source of water or the offtake point on a particular day, water quality risk management, hosting site visits and water sampling at Warragamba Dam and when embarking on capital works.

Sydney Water, as a customer, is involved in discussions about levels of service in a wide range of conversations as part of WaterNSW's day to day business.

2.3.4 WaterNSW Customer Advisory Groups

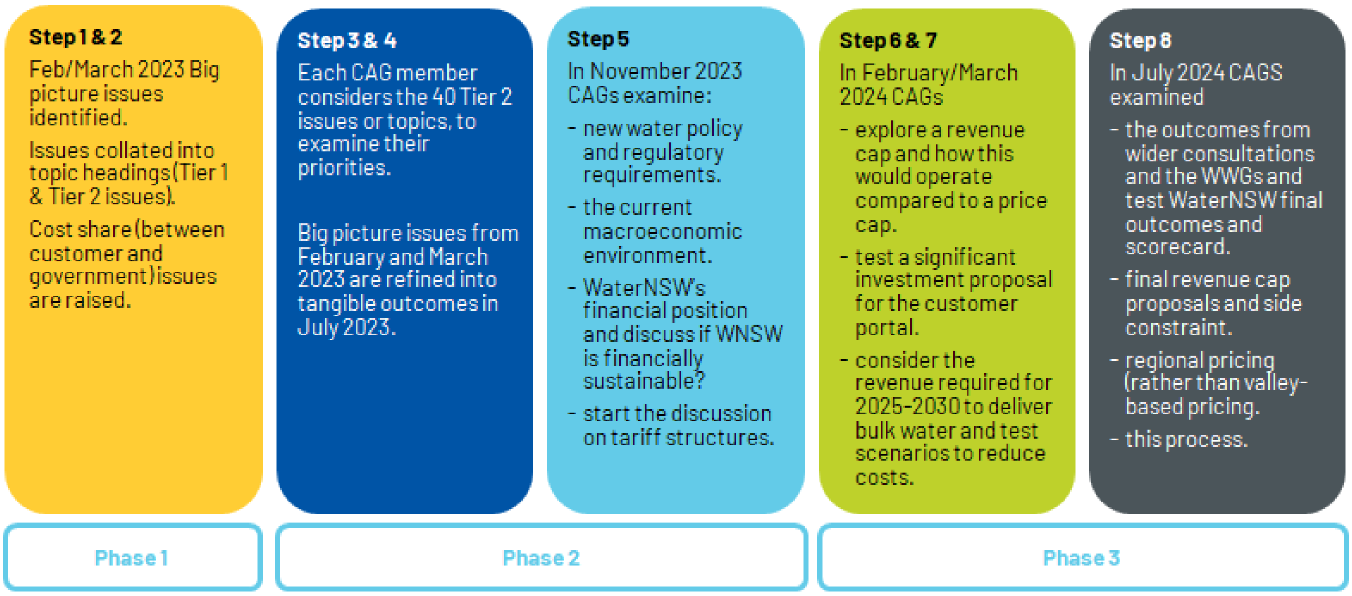
Customer Advisory Groups (CAGs) are a primary forum for WaterNSW to regularly consult, on an area basis, with a broad cross-section of its customers on issues relevant to the performance of WaterNSW's obligations to customers under the WaterNSW *Operating Licence* or the WaterNSW *Customer Service Charter*.

The CAGs include over 95 different organisations from across NSW. Membership includes WaterNSW customers from the regulated and unregulated streams, groundwater irrigators, stock and domestic water users, major water utilities, local water utilities, local government, environmental water users and Aboriginal Cultural Heritage water users.

The CAGs commenced discussions on the price proposals in February 2023 and concluded in August 2024.

The CAGs discussion process

There were five rounds of meetings with the CAGs, totaling nearly 15 hours with each of the 10 CAGs. Below are the eight steps that summarise the process that CAG discussions followed throughout the engagement



On this engagement journey CAG discussions included the following topics.

- Their priorities for services and activities to be delivered by WaterNSW in 2025-2030
- The outcomes they would like to see in 2025-2030 (noted in the flow chart above)
- The current and future sharing of costs for services and activities between customers and the Government
- The issue of new water management and delivery policy and cost implications
- The current macroeconomic operating context
- The 2025-2030 revenue needs for the delivery of bulk water and the drivers of these costs
- The options for future tariff structures – a price cap or a revenue cap
- The mix of fixed to variable charges and WaterNSW's need to have a minimum 'fixed charge'
- The options and scenarios to manage the revenue needed to deliver water in 2025-2030

- Funding alternatives to deliver bulk water, including a 15% price increase cap across all valleys each year
- The merits of adopting regional, rather than valley-based administration
- WaterNSW's draft outcomes for 2025-2030 and the metrics to measure performance.

2.3.5 NSW Water Working Groups 2025-2030

The methodology for the Water Working Groups was developed following best practice considerations described in:

- the IAP2 best practice engagement framework,
- the IPART 2023 Water Regulation Handbook, and
- good practice suggestions raised by customers that are part of the Customer Advisory Groups (CAGs).

The Water Working Groups were made up of a range of stakeholders who represent various water users and interests. This includes licenced customers across industry and agricultural producers, recreational water users, local government agencies and environmental associations. CAG members were invited to join the working groups. Community representatives who do not have a licence but a proportion of costs through taxes were invited. Each stakeholder uses or accesses water, and all stakeholders raise valid and important issues regarding the management of water.

Stakeholder types approached to participate in the groups	Participant recruitment goals
CAG members	One per valley
Water User Associations and Water Trusts	One per valley
Irrigation Infrastructure Operators	One per valley
Agricultural producers that are not on the CAGs	One per valley
Wider industrial activity representatives for example mining, manufacturing, transport	1 per working group
Councils	One per valley
Environment group or Landcare group representatives	2 per working group
Recreational group representative	1 per working group
Community organisations for example a Rotary	2 per working group
Residents randomly recruited	2 per valley
Commonwealth Environmental Water Holder	1
State Environmental Water Holder	1

Participants were asked to identify how they represented in each meeting, primarily as one of either:

- Customer (holding a water access licence)
- Government
- Community
- Industry or
- Environment

Below is an outline below of the approach to the 2025-2030 Water Working Groups, a key input to the pricing proposal, and the methodology of developing this forum.

Detailed information on this process and the discussions that occurred is in the *Water Working Groups 2025-2030 Summary Report of the Engagement Process.*

2.3.6 How the CAGs and Water Working Groups worked together

A description of how the two forums worked together is explained below. This level of interactivity was important to the CAGs, each group understanding the inputs of the other.

Phase 1

Customer Advisory Groups

Step 1 & 2
Feb/March 2023
Big picture water management issues identified.
Issues collated into topic headings (Tier 1 & Tier 2 issues)
Cost shares (between customer and government) issues are raised by CAGs.

Water Working Groups

Step 1
In September 2023 Working Groups met to understand how **they value water, future opportunities and constraints for regulated water.**

Groups start to consider the **concept of cost shares.**

Phase 2

Customer Advisory Groups

Step 3 & 4
Each CAG member considers the 40 Tier 2 issues or topics, to **examine their priorities.**
Results summarised across all groups.
Big picture issues from February and March 2023 are refined into **tangible outcomes** in July 2023.

Water Working Groups

Step 2
In October 2023 Working Groups examined **CAG and other community and customer issues and priorities** for 2025-2030.
Negotiables and non-negotiables considered.
They consider a range of **investment proposals for WAMC services and activities.**

Customer Advisory Groups

Step 5
In November 2023 CAGs examine:
- new water **policy and regulatory requirements**
- the current **macroeconomic** environment
- WaterNSW's **financial position** and discuss if WNSW is financially sustainable?
- Early information on future possible tariff structures

CAG chairs provided with information on draft changes to the Operating Licence Review.

Water Working Groups

Step 3
In November 2023 Working Groups examine:
- new water **policy and regulatory requirements**
- the current **macroeconomic** environment
- WaterNSW's **financial position** and discuss if WNSW is financially sustainable?

They test a range of **investment proposals for the delivery of bulk water by WaterNSW.**

Step 3 was then used to inform Step 6 & 7 of the CAGs.

Phase 3

Water Working Groups

Step 4
In February Working Groups examine:
- a range of future outcomes, and potential customer charges, for **the Natural Resources Access Regulator**
- WaterNSW outlines **the revenue required** for 2025-2030 to deliver bulk water and **re-tests a range of investments.**

Step 4 was then used to inform Step 8 of the CAGs.

Customer Advisory Groups

Step 6 & 7
In February/March 2024 CAGs:
- explore a **Revenue Cap** and how this would operate compared to a Price Cap in each valley.
- test a significant investment proposal for the **customer portal in 2025-2030.**
- consider the **revenue required** for 2025-2030 to deliver bulk water and test scenarios to reduce costs.

Water Working Groups

Step 5
In May 2024 Groups examine the WaterNSW **outcomes for 2025-2030 and a preliminary WaterNSW scorecard for the delivery of bulk water**.
Thoughts on this process.

Customer Advisory Groups

Step 8
In July 2024 CAGS examined
- the outcomes from wider consultations and the WWGs and test WaterNSW final outcomes and scorecard.
- final revenue cap proposals and side constraint.
- regional pricing (rather than valley- based pricing.
- this process.

2.4 Meeting IPART's expectations and principles of good engagement

The design of this engagement process was mindful of IPART's *Water Regulation Handbook* (July 2023) and IPART's considerations of good engagement practice, described above. Attachment A lists IPARTS principles of good engagement. The goals of:

- meaningful and sincere,
- balance of customer and environmental needs
- relevant timely and appropriate
- transparent and accountable

have been met and this is discussed in Section 6 and Attachment B, our response to the IPART grading rubric for engagement activities.

The goals of:

- Diverse and inclusive engagement that is accessible and tailored to the customer base
- Representative, reliable, and valid design

are discussed in more detail below.

Recruitment

A key goal for Water Working Group recruitment was to ensure the involvement of people living across NSW with as much of a geographic spread as possible. For all participants except residents, WaterNSW undertook recruitment directly using cold calls, emails, and following up on comments from people (including CAGs) who indicated that they would be interested in participating or that someone else might. For community residents, a third-party recruitment specialist was contracted to obtain a good cross section of people.

Creating a deliberative process

The Water Working Groups were formed to consider their collective values, the issues they see as important, the outcomes nominated across NSW and a series of specific investment proposals to meet those outcomes. Our method was developed with both a clear understanding of best practice deliberative democracy, and the process adjustments needed given the unique circumstances of WaterNSW's community, customer, industry and government stakeholders and their differing needs.

The importance of random selection

IAP2 best practice notes the importance of *"those to be impacted by a decision should have a voice in making that decision"*. WaterNSW planned customer, community and government participation to ensure that this IAP2 principle was embedded in their practice and design.

A professional understanding of traditional deliberation is that it uses random selection as a strong foundation for participant selection, ensuring a robust cross-section of the society to be subject to the ensuing policy. Invariably, this best applies to policies and topics in which there is a relatively even distribution of impact, rather than the potential for one community to be making a decision for another. A description of the three groups and their variability follows.

1.Customer participation (including industry)
The WaterNSW customer base is highly varied and uneven. Customers can range as follows.

- They are small family-owned producers to well established corporate producers.
- There are customers who use their water licence to extract water, and those who don't (examples being the water could be unaffordable at the time, or the licence is being used as a financial investment vehicle).
- Customers pay between $300 a year to upwards of $5million a year for water delivery.
- They create diverse types of value from this water – depending on their geography, water allocation and availability, soil types, types of water licence and surrounding support industry.
- Customers may be a part of an irrigation scheme or corporation – and as such are customers of an irrigation entity who can represent them in consultations like this.
- Customers also include water utilities and councils.

They all had strong views about their availability to participate in this process that would require a great deal of their time. Many indicated their trust in water administration is low, and participants had to be willing and motivated to be involved in this process.

In essence, willingness to participate in discussions for the price proposal and the implications of decision-making to customers both ranged widely and as a result a randomised selection process for all participants was not possible. The segments for selecting participants ensured a spread of participants – size and location.

2.Community participation
It was possible to use a randomised process in selecting some community participation in the Working Groups. Through this process 29 resident and community participants were invited through a professional recruiter. The community pay for a part of water delivery and management through their taxes, as do individual customers. Again, the cost burden is unequal amongst participants.

3. Local government participation
A range of local government agencies were contacted and those that indicated interest/could afford the time to participate joined the consultations.

Self-selection and topic knowledge

Some customer participants that self-selected for the water working groups held views that they were better equipped to hold these conversations (with a better understanding of the water system), or they had more at stake in decision-making, than community members. Again, deliberation theory holds the view that mobilised self-selected voices will represent their views most intensely, and the process will be less thoughtful as a result. To address this issue the engagement team took great care to ensure every participant view was documented and considered. As this process evolved, some participants noted they had changed their mind on the value of community in the groups, appreciating the need for both customer and community to be part of the discussions.

Linking the Water Working Groups back to the wider customer and community cohorts

How could we be sure the working groups were aligned with the wider customer/community cohort? We tested the water values and priorities of these groups against those presented by conversations and 950 statewide surveys, WaterNSW's voice of customer research and the customer advisory groups that meet across the State. There was alignment as noted in the *Water Working Groups Report*.

Top-of-mind or considered participation?

The results of the deliberations should be capable of acceptance to the broader community. If the reasoning for different judgements can be identified, this should resonate with other citizens (Fishkin, J, 2018, Democracy when People are Thinking).

- The Water Working Groups process was a balance of time, resources available, geography and cognitive overload making face to face discussions impossible. Participants recognized the complexity of the process, and aside from desiring more, shorter meetings, endorsed the process as being one in which they could communicate and confirm their preferences.
- It was agreed amongst participants that the decisions to be made by IPART would create strong consequences for themselves and others. All participants understood the trade-offs being made.
- Consensus was not a goal of the group and the reasoning behind the range of positions was sought.

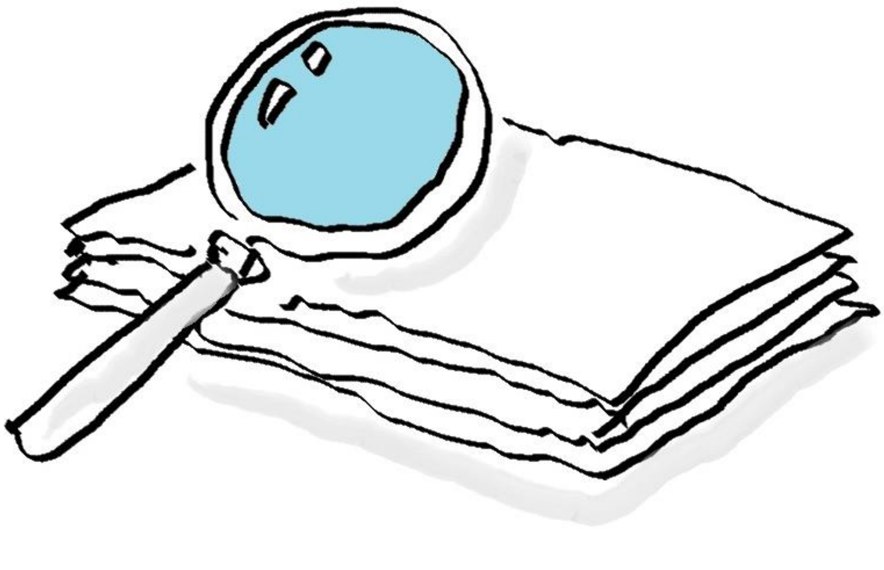
Best practice conclusions

The process achieved a sample size that is not statistically representative of customer or community but highly robust. The group found shared values of the importance of water – to identity and ecology, social wellbeing and regional productivity – that aligned with wider community. The groups had:

- An excellent geographic spread of participants
- A mix of gender and age
- An appropriate mix of industry, environment, customer and broader community perspectives
- A mix of customer sizes, licence types, and uses of the water
- Different understandings of the water system which is highly complex.
- Three water agencies participating.

As this is the first time this process has been achieved it represents best practice to date for water planning, delivery and compliance regulatory engagement.

Chapter 3 – What do customers and community want in 2025-2030?



3.1 Big sky thinking about water delivery in 2025-2030

Starting point conversation themes

The insights gained from multiple conversations and feedback mechanisms from 2020-2023 are listed below and provided an effective starting point for conversations with the CAGs and stakeholder groups and this process.

Themes as our starting point with the Customer Advisory Groups and wider discussions in 2023

Service delivery

- Delivery and management of water
- Availability of water including flows and allocations
- Sustainability issues
- Levels of Service to different customers
- Adaptability – can we effectively respond to changing circumstances?
- Rural flood mitigation

Relationships

- Customer touch points need to be effective and efficient
- Customer support when it is needed
- Customer education
- Information and updates
- Ability for customers to provide feedback

Commercial matters

- Affordability of water
- Transparency of customer pricing
- Value for money and service levels
- Landowner and business operator financial vulnerability

The *Phase 1 Customer and Community Insights Report* details the subsequent big sky thinking by customers and community – where ideas were brainstormed and not questioned. With this approach to idea generation, ideas don't need to be grounded in reality. Rather, big sky thinking sessions are open to all creative ideas regardless of a discussion on the practical constraints. Customers and community were encouraged to nominate what they thought without assessment by WaterNSW.

In response to this big sky thinking, an issues tree was developed. This 'tree' lists all the categories for people's suggestions and ideas. From this we could categorize every comment, and this ensured we could accurately assess priorities and understand the critical outcomes that are required from WaterNSW in 2025-2030. Tier 1 is the overarching topic description for a number of concerns and Tier 2 is a subset of this – a range of related activities or issues.

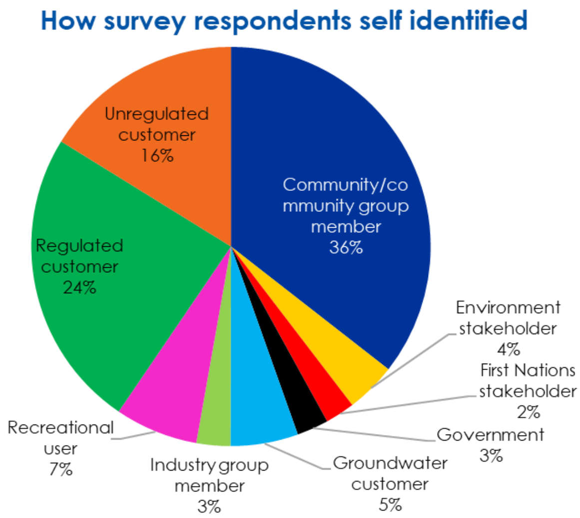
Tier 1 Issues	Tier 2 Issues
Engagement and relationships	• Ongoing information flow • Early warning systems for floods • Information to help businesses operate • Education about WaterNSW functions (and how funds are spent) • Advocacy for water access licence holders regarding perceptions on their water impact • Ongoing role of the Customer Advisory Groups
Water affordability and bill transparency	• Transparency of costs and pricing • Re-examine the structure of tariffs in 2025-2030 • Reconsider the cost share arrangement between Government and customer • Postage stamp pricing • The cost of water and the ability for small farms to operate
Water security and delivery including delivery rules	• Water security and assurance of allocations being delivered • Water delivery rules and services: o Allocations and water provided o When customers are charged o Accuracy of meters and flexibility with administration – appreciating an imperfect operating environment • Water infrastructure and other delivery costs to be as efficient as possible • Asset maintenance management and communication with licence holders • Requirement for valley specific water rules • Floodwater management and access (fair and accessible)
Water ordering arrangements, flexibility and usage - including ordering rules	• Ease of doing business including flexibility in water ordering, post order trading • Water ordering system: o Change of mind rules o Ability to trade with other people ordering water • Customer incentives for water preservation during or planning for a drought
Bill transparency	• Transparency of the pricing • Transparency of the costs that WaterNSW invests into the system
Good customer experiences	• Customer information packs and educative tools • Issues relating to the difference in regulated and unregulated systems • Customer confusion regarding the regulatory roles of WaterNSW and NSW DCCEEW, NRAR resolved • Communication of upcoming infrastructure works and cyclical maintenance programs that affect water access • Improved customer service in the shift to digital tools • Improving the current lack of field staff and local knowledge
Easy access to data and information	• WaterInsights platform is improved • Water models and datasets need alignment across the agencies (single source of truth) • Data transfer and management are improved and efficient
Sustainable water and land management	• Water quality in the river systems is improved • Water quality post flood events is improved • Environmental water – information on the flow, timing, allocation, rule flexibility • Environmental accountability and responsibility to increase • Better drought planning, priorities for water restrictions and water conservation are clear • Water licence trading has transparency • Hazard reduction burns around regional NSW dams reduces fire risk to assets
Cultural water	• Capacity building for First Nations Peoples • Engagement methodologies consider First Nations Peoples • Demonstrate better governance of water • Ownership of infrastructure for cultural water usage • Shared knowledge of Aboriginal women as a priority • Recognition of First Nations cultural relationship to water
Access to good recreational facilities at WaterNSW sites	• Safe access • Availability of sites

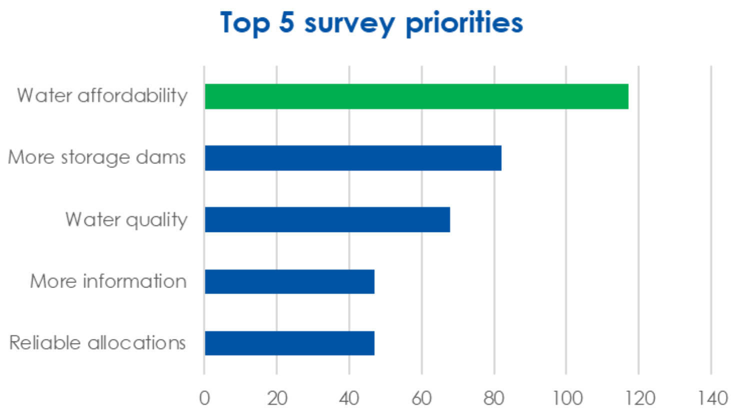
3.2 The priorities and outcomes that customers and community are seeking

3.2.1 Priorities identified in intercept and online surveys across NSW

Engagement with the broader community included the completion of 959 surveys, including:

- intercept surveys at major regional events
- Slido surveys during stakeholder meetings
- online surveys through the WaterNSW website.





The survey asked people to identify what they would like to see WaterNSW deliver in the years 2025-30. Using the issue categories listed in Section 3.1, across all responses, Water Security and Delivery, and Water Affordability, were the two most important priorities identified amongst most stakeholder groups.

Broadly, the priorities were that water be affordable in the future, that infrastructure be increased to lift the water holding capacity of the system, that water remain of high quality, that customers receive their water allocations and that plain English information be readily available on how the water system works.

The *Customer and Community Engagement Report – Phase 2 Outcomes* contains a detailed breakdown of the data, including differences across the four regions of NSW.

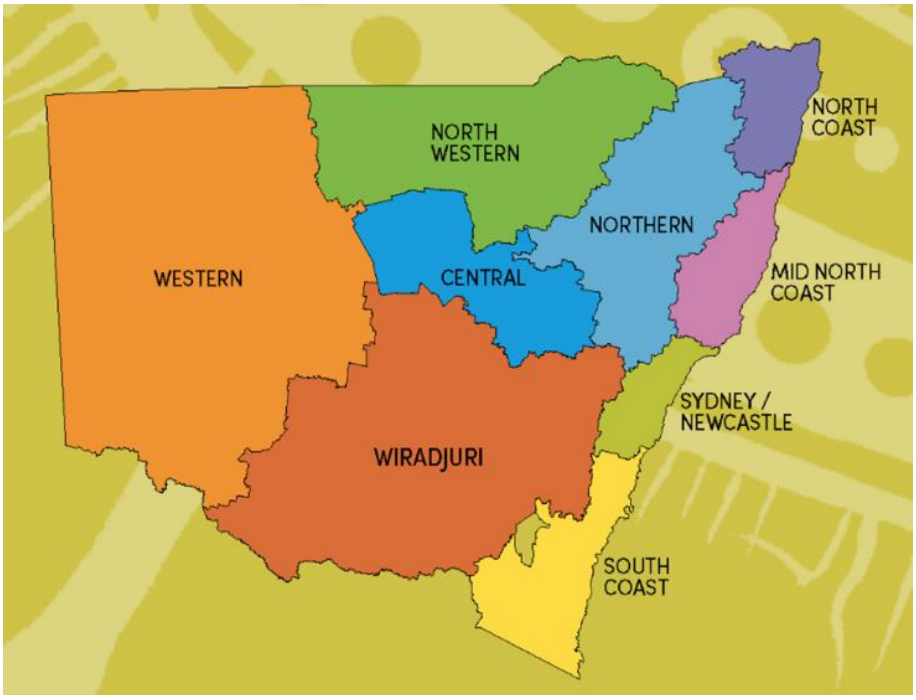
3.2.2 Priorities identified in First Nations discussions

WaterNSW's First Nations regional engagement program created and deepened discussions with First Nations stakeholders and customers, to understand the priorities of First Nations communities across NSW for 2025-2030. Discussions involved meeting in various regional and rural areas in NSW with groups such as:

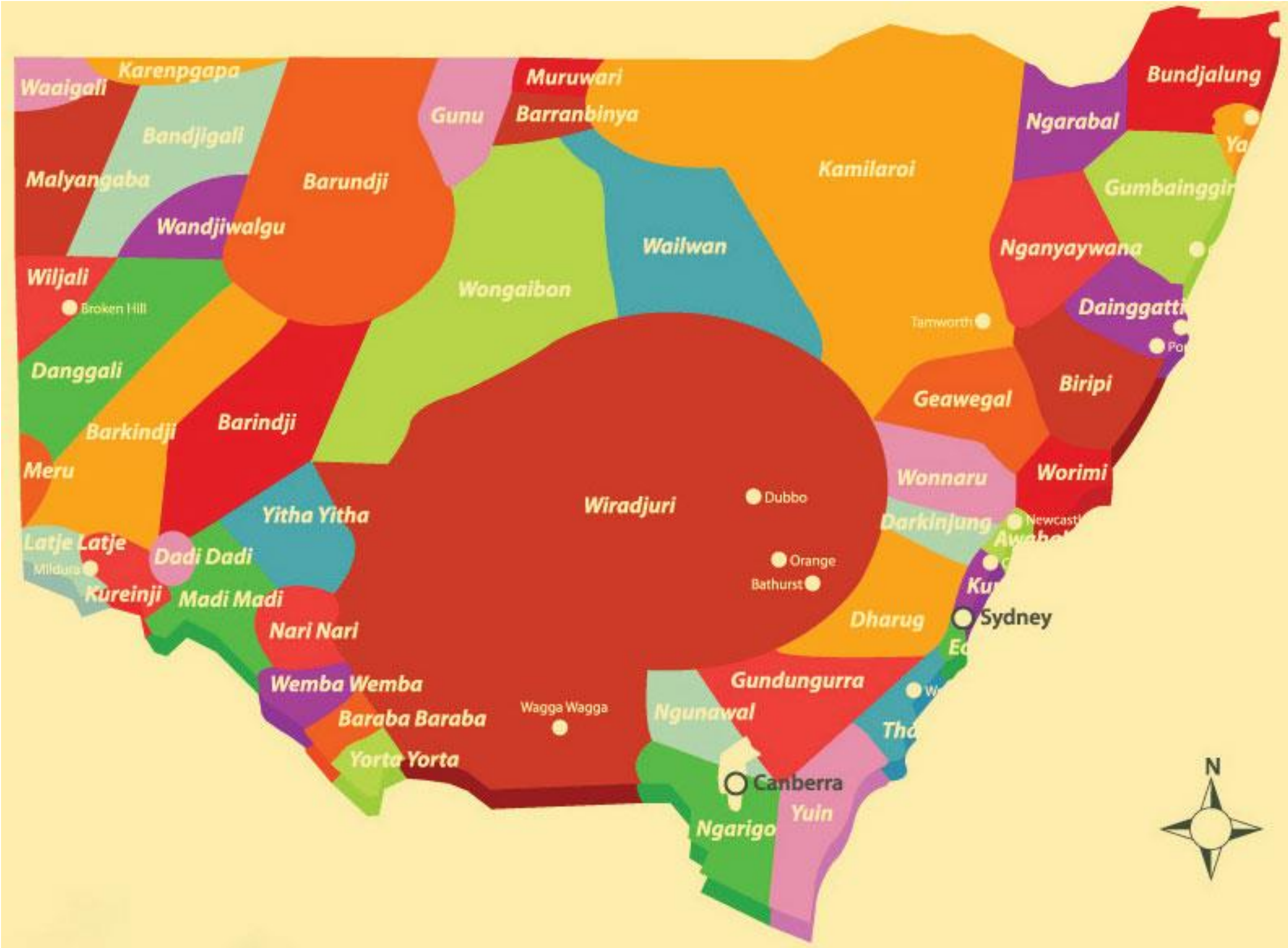
- WaterNSW Reconciliation Action Plan Working Group
- NSW Aboriginal Land Council
- Local Aboriginal Land councils
- NSW Native Title Group Aboriginal Corporation
- various Tribal Councils
- Aboriginal Health Services
- Teachers and employees from different TAFEs
- Members from the Barkandji Prescribed Body Corporate
- Community members
- Local business owners and others.

It was important to reach out to communities and hold discussions in separate and safe spaces. To maximise the opportunity to have a say, the meetings were held in 12 locations across the Western, Central and Northern regions, as well as Wiradjuri Country. Wiradjuri is the largest Aboriginal Country in NSW, covering much of the Central Southern Region of NSW (see maps below).

This provided opportunities to speak, with local members of the community, and for them to raise issues. Our sessions replicated yarning circles, a collaborative process of listening deeply to information, feedback, and ideas. The ROLL method: Respect, Observe, Listen, Learn was utilised to enable a respectful, inclusive and culturally sensitive dialogue occurred throughout engagement.



Source: NSW Aboriginal Land Council



Source: NSW Health Aboriginal Nations Map

Participants emphasised that First Nations peoples have the right to access water without a paid licence under the *Closing the Gap National Agreement* and *Native Title Act*. The rights of First Nations peoples to access water was identified as the most important issue during these consultations.

Discussions noted priorities and outcomes identified as being important to First Nations people, irrespective of responsibility for delivery.

- **Cultural relationship** – First Nations communities have a strong connection and cultural relationship to water.
- **Water quality** – a key location for communities to participate in cultural activities and is a basic human right. Poor river quality has a profound social impact on First Nations communities.
- **Over consultation and feeling unheard** – First Nations peoples are often consulted yet their feedback is not taken on board, nor do they receive feedback on how their input was acted upon.
- **Community capacity building** – First Nations peoples want to have an active role in the water system as it holds an important position in their lives and culture. WaterNSW should take active steps to facilitate this to further encourage First Nations peoples involvement in the water system.

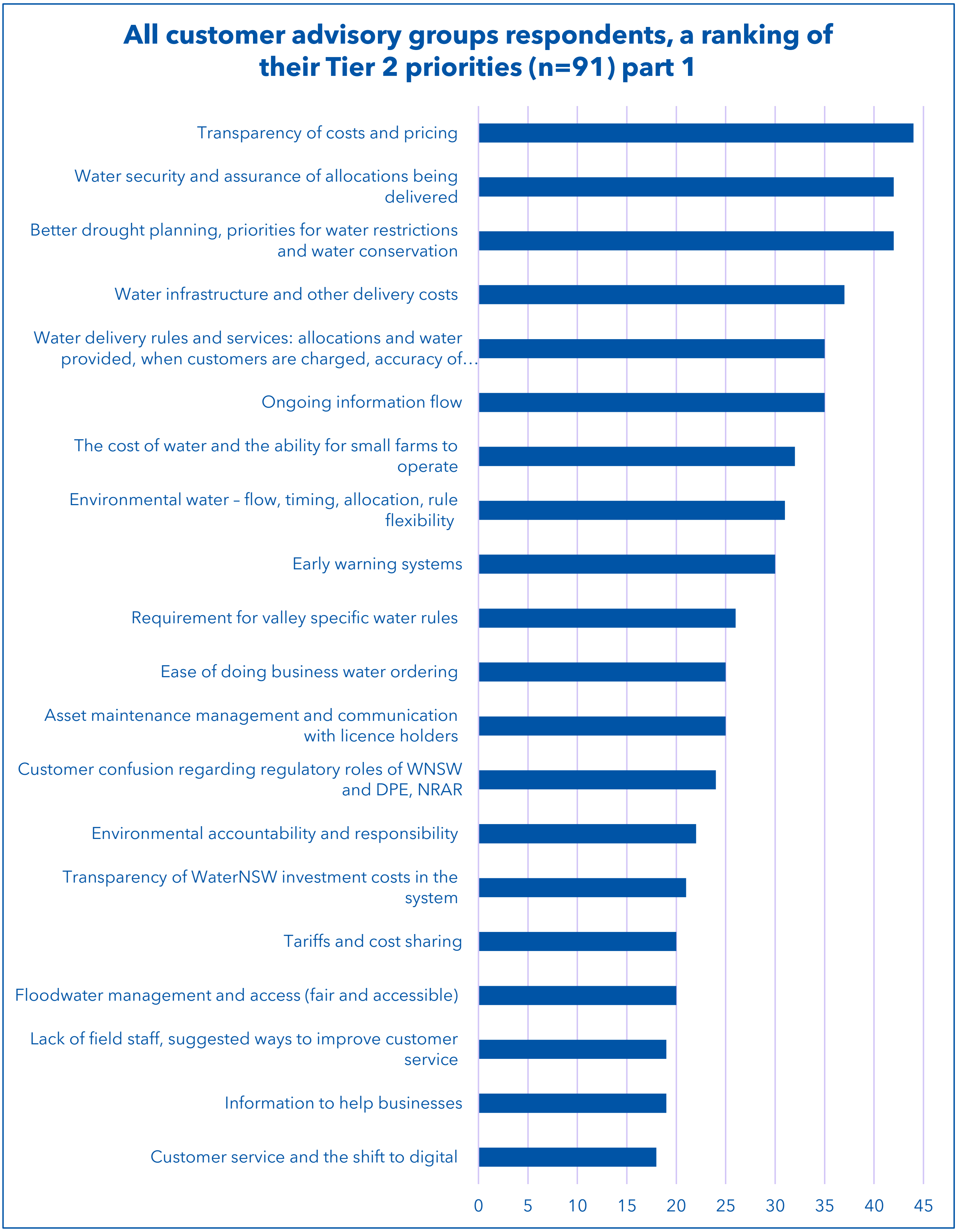
- **Understanding river operations** and how First Nations peoples can have a role in this. First Nations communities are unaware of their water rights.
- **Water education and literacy**. First Nations communities are unsure of how allocations are awarded and used. Processes need to be explained.
- **Utilising women's shared knowledge in water management**.
- **Employment for Aboriginal people in the water industries**.

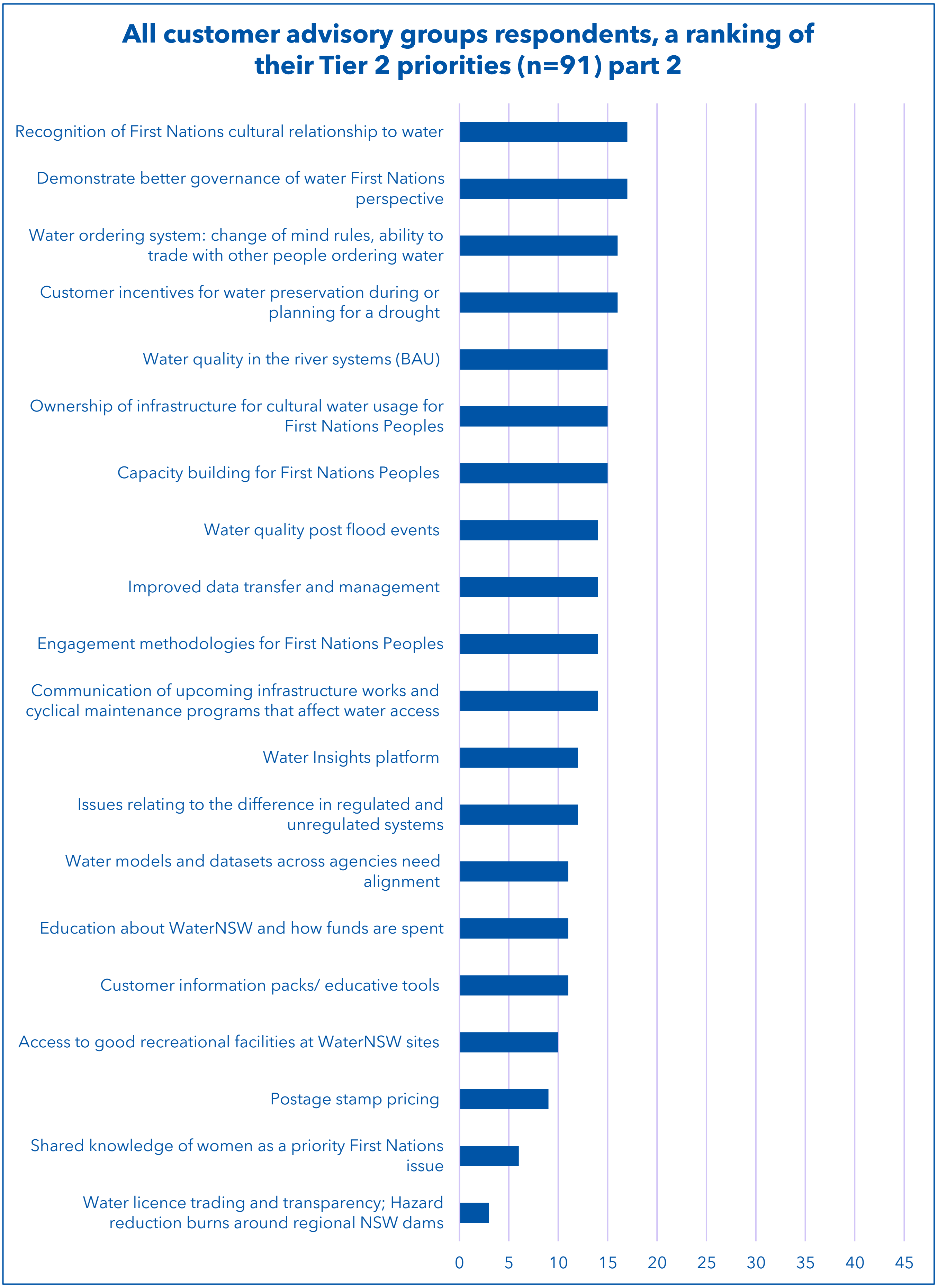
- **Re-evaluating water as a commodity** – a reassessment is needed of how we view water, in particular the selling and trading of water.
- **Minimum river water flow levels and preserving water quality** – commitment to a minimum water flow would ensure the preservation of quality of the water. When the water in the river runs extremely low, the water becomes stagnant.
- **Water allocations** – water allocations should not allow the river to run low (this relates to the quality of water as noted above).
- **Inclusive and considered consultation processes** – the consultation process should involve First Nations input early and often. There is a wealth of knowledge in the history of the river amongst the First Nations communities that could be better utilised to compliment disbursement.

SEC Newgate and WaterNSW staff engaging with First Nations communities in the field

3.2.3 Customer priorities and future outcomes

In Phase 1 of engagement customers were asked to rank the issues identified in the issues tree, to help identify their priorities. The following shows how they prioritised these 'whole of consultation' issues from the Phase 1 consultations.




All customer advisory groups respondents, a ranking of their Tier 2 priorities (n=91) part 2
Recognition of First Nations cultural relationship to water
Demonstrate better governance of water First Nations perspective
Water ordering system: change of mind rules, ability to trade with other people ordering water
Customer incentives for water preservation during or planning for a drought
Water quality in the river systems (BAU)
Ownership of infrastructure for cultural water usage for First Nations Peoples
Capacity building for First Nations Peoples
Water quality post flood events
Improved data transfer and management
Engagement methodologies for First Nations Peoples
Communication of upcoming infrastructure works and cyclical maintenance programs that affect water access
Water Insights platform
Issues relating to the difference in regulated and unregulated systems
Water models and datasets across agencies need alignment
Education about WaterNSW and how funds are spent
Customer information packs/ educative tools
Access to good recreational facilities at WaterNSW sites
Postage stamp pricing
Shared knowledge of women as a priority First Nations issue
Water licence trading and transparency; Hazard reduction burns around regional NSW dams
0
5
10
15
20
25
30
35
40
45

3.2.3 Outcomes recommended by Customer Advisory Groups

The CAGs were consulted in July 2023 regarding the outcomes they would like to see for 2025-2030. Overall, the 128 outcomes that were explicitly nominated could be either:

- considered as part of normal business operations or improvements, and as such are addressed as normal operational costs in the 2025-2030 price proposal, or
- addressed by specific investment proposals for consideration by the Water Working Groups, or
- out of scope for the 2025-2030 pricing proposals.

In all, some 128 outcomes were nominated by the CAGs. They focused on:

- Water affordability and bill transparency
- Water security and delivery including adjusting delivery rules in response to the operational issues faced by licence holders
- Better engagement and relationships
- Easy access to data and information
- Good customer experiences
- Sustainable water and land
- Water ordering arrangements, flexibility and usage – including ordering rules management

As CAG members are more closely involved in water operations – water delivery and productivity on a day-to-day basis - they focused on providing a material difference to the way they themselves operate.

The *Customer and Community Engagement Report – Phase 2 Outcomes* lists each outcome nominated by valley, and WaterNSW has provided a response to each outcome. Of these, 43 were directly included as part of either the WaterNSW or WAMC price proposals and 63 were considered as they contribute to the investment proposals that were put to the 2025-2030 Water Working Groups (see section 3.4.1).

3.3 Responding to the outcomes that customers and community nominated

Investment proposals were developed by WaterNSW for the delivery of bulk water that responded to the customer and community priorities and nominated outcomes. These were then tested within the Water Working Groups.

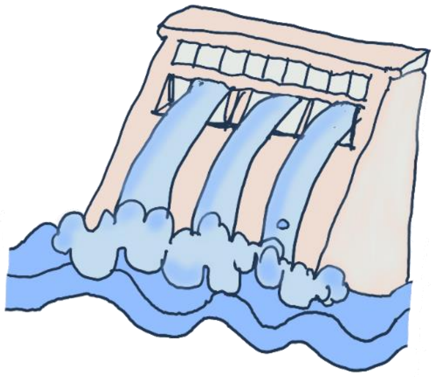
WaterNSW tested 21 different investment proposals (12 for rural valleys delivery of bulk water and nine WAMC proposals for the planning and management of water) and questioned the appropriate level of expenditure in maintaining assets and the corresponding levels of service for the proposed level of investment. Three levels of investment were presented as options and discussed. Each included details on what level of service could be provided for the cost, and also the opportunity cost for the lower end of investment. These were categorised as “do little or nothing”, “do something” or “do a lot”. We sought participants’ initial responses and then again once all the proposals had been discussed, to get a greater sense of any shifts in sentiment once all the proposals were ‘on the table’.
The outcomes, and the investment proposals relating to them, are listed below.

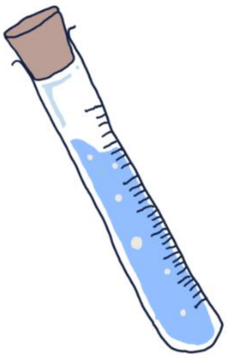
Section 3.4.2 goes into further detail about this process.

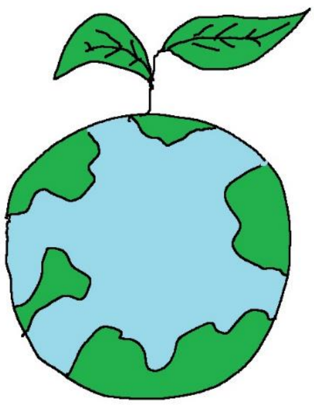
Outcomes raised in the consultations	Related WaterNSW investment proposals put to the Water Working Groups
Water affordability	Many of the investments for 2025-2030 are about being more efficient in the long term. For example, software updates or digital field team management.
Water security and reliable delivery	To continue to maintain and update the CARM system (that is used to operate the river ‘systems’)
	To manage our groundwater bores
	To improve our water storage information
	To protect our equipment during flood or fire
	To invest in specialised equipment to improve worker safety
	To invest in more technology and cyber security - creating customer protection and river system protection.
	To invest in WaterNSW telecommunications for a more reliable and resilient network.
Better transparency – customer charges and WNSW expenditure	To improve how we manage water metering and this data (accommodating large future increases in data)
Sustainable water and land management	To introduce a proactive pest and weed land management program on WaterNSW lands
	To introduce a pro-active bushfire management program on WaterNSW lands
	To invest in renewables that support lower customer bills
	To improve the WaterInsights website (and close down multiple existing customer and community information websites).

Easy customer and community access to data and information	To improve our online customer experience
	To invest in more local customer and community engagement staff with increased face-to-face contact
Good customer experiences	To improve our online customer experience – more activities available through the upgraded customer portal
	To invest in more local customer and community engagement staff with increased face-to-face contact
	To invest in more technology and cyber security - creating customer protection and river system protection.

Attachment C provides a summary of the various IT investment proposals considered in discussions.



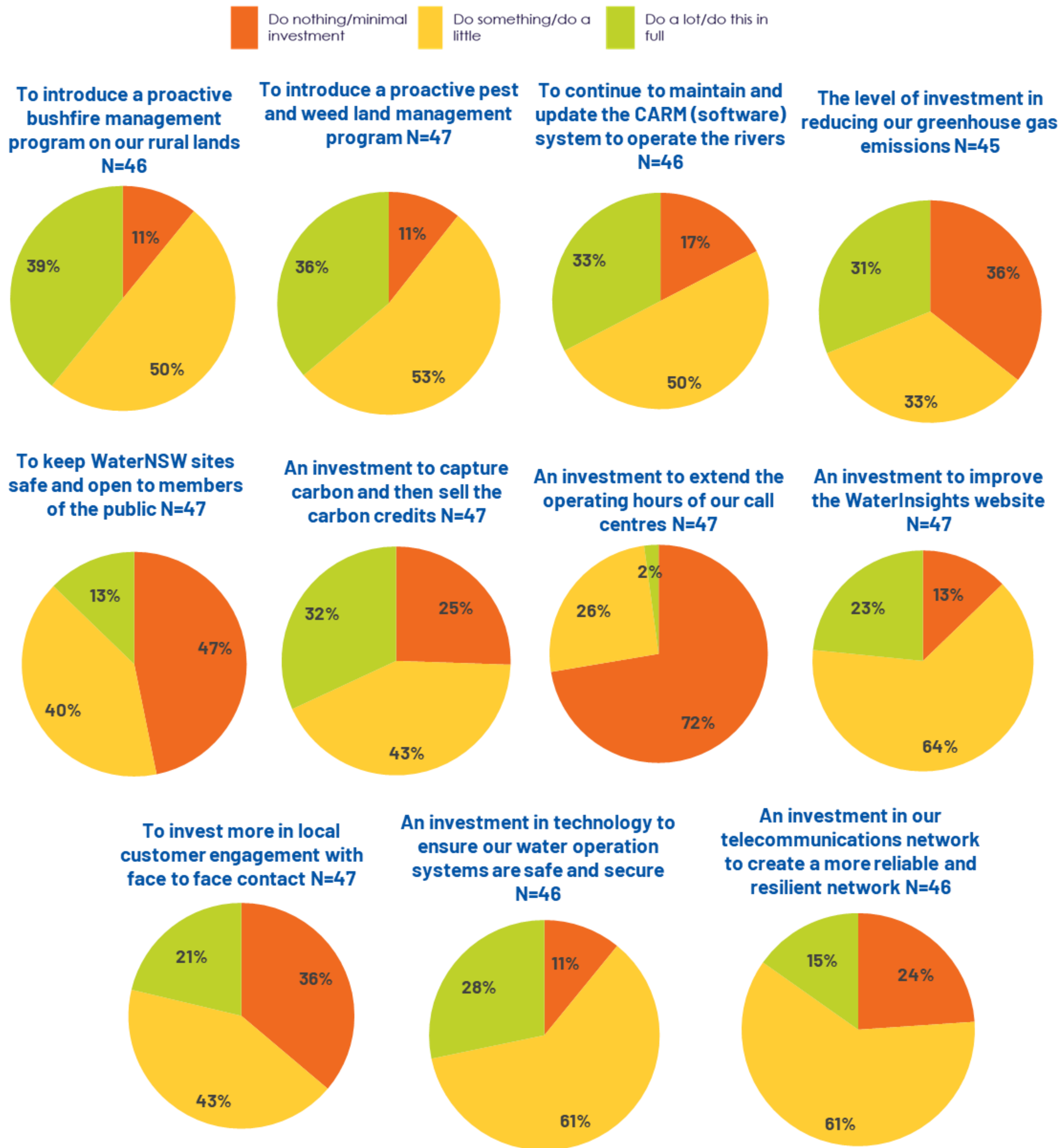




3.4 Water delivery and management investment proposals

3.4.1 Views on the bulk water delivery investment proposals

Following are the final choice results across all four Water Working Groups of the bulk water delivery proposals tested in meeting 3 (November 2024). While many participants wanted WaterNSW to 'do something' in most of the proposals, several proposals were seen by the groups to be relatively low priorities.



3.4.2 How community and customer feedback shaped WaterNSW's investment decisions

WaterNSW's pricing proposal process incorporated a wide array of feedback from over 2,500 diverse stakeholders across NSW. Starting with big sky thinking, this then moved to linking outcomes to a series of investment proposals submitted to the Water Working Groups for discussion, to the consideration of how to measure the outcomes over the period 2025-2030.

Prior consultations, customer surveys and feedback informed the initial discussions with WaterNSW's Customer Advisory Groups. Their nominated outcomes were assessed alongside the much broader outcomes produced by an open community survey that also included growers, and discussions with water groups across the state. Twenty refined investment proposals were then interrogated at length in the Water Working Groups with the proposals then passing through an internal prudency checklist by WaterNSW or the WAMC agencies.

The level of expenditure in each feedback-informed investment proposal was determined in a process that closely accounted for customer and community views. Some proposals were dropped wholesale due to a lack of support. Other important inputs for WaterNSW and the other WAMC agencies included regulatory and policy requirements.

As part of this process some proposals were no longer considered, and others were carried forward. The water working groups discussed the decision-making logic, including the need to consider:

- What we are required to do by law (e.g. safety, some environmental initiatives, security)
- What customers have told us
- What level of risk do we adopt?
- What is affordable to customers?
- The timeliness of works - what must we do now and what can we reasonably do later?
- Balancing customer benefit with community benefit – delivering on both
- Planning for the future – including emerging risks we must address e.g. cyber security
- The activity or program needs to do its job - be fit for purpose
- Group feedback on these proposals

The graphic below illustrates the decision-making logic. The tables on the following page are a consolidated list of investment proposals tested in the Water Working Groups, with the results on where participants and the water agencies landed.

Step 1	**Step 2**	**Step 3**	**Step 4**	**Step 5**
Listening to the Customer Advisory Groups Over 3 hours the 10 CAGs nominated about 127 outcomes for 12 valleys	Listening to the community with over 950 surveys completed online with many face-to-face discussions right across NSW.	We listened to the Water Working Groups (four of them) regarding 21 specific investment proposals and five questions about cost sharing	Each agency had four things to consider: 1. We listen to the CAGs 2. We listen to the Water Working Groups. 3. Is the activity needed due to legislation? 4. As an operator we ask ourselves "will we be able to provide fit-for-service activities in the future?"	Proposals are refined and submitted to IPART – these documents are published and IPART has a separate engagement process.

In the October 2023 meetings of the Water Working Groups, the recommended level of expenditure in nine WAMC investment proposals was tested. The median position of the participants, in the main, landed in the 'do something' level of expenditure for each proposal. In their final investment position, the WAMC agencies broadly aligned themselves with this feedback, with two exceptions, committing CAPEX and OPEX expenditures close to the 'do something' position.

WAMC proposals final working group positions

Investment proposals	We don't do this/minimal requirement	We do something	We make all improvements	Where participants landed (median position)	Where WAMC landed
To increase the extent of our water monitoring	4%	60%	35%	We do something Less than ~$10 million	~$5.75 million OPEX
To improve the way we store and manage data (one platform instead of three)	10%	50%	40%	We do something ~$4 million	$14.9 million
To improve how we manage water metering and this data	10%	48%	42%	We do something ~$5 million	~$6.8 million
To manage our existing groundwater boreholes	15%	46%	40%	We do something ~$12.5 million	~$12 million CAPEX
To improve our online customer experience (using a new portal)	17%	50%	33%	We do something ~$16 million	~$27.5 million
To improve our water storage information	17%	48%	35%	We do something ~$300,000	~$375,000 OPEX
To improve the safety of our staff	17%	48%	35%	We do something ~$1 million	~$1 million CAPEX
To consider the level of investment in community and customer engagement for 30 future strategies	19%	60%	21%	We do something ~$1.5 million (i.e. moderate level of engagement for 30 strategies)	$10.4 million for all customer engagement*
To protect our equipment during flood or fire	21%	48%	31%	We do something Up to ~$5 million	~$5 million CAPEX

**The final decision encompasses a wider remit of engagement*

The exceptions were where the agencies applied Step 4 of the decision making logic and noted that they could not provide fit-for-service activities with the 'do something' level:

- To improve the way we store and manage data (one data platform across the agencies instead of three)
- To improve our online customer experience (using a new portal)

For both investments there was a significant proportion of people who wished to 'make all improvements'.

In the November 2023 meetings of the Water Working Groups, the level of expenditure in 11 WaterNSW bulk water delivery investment proposals were tested. A further investment proposal relating to technology investments to optimise asset management activities was tested in February 2024. The median position of the participants, in the main, landed in the 'do something' level of expenditure for most of the proposals. Two of the proposals, net zero investments and extending call centre hours, garnered a median position of 'do nothing'.

In their final investment determination, WaterNSW broadly aligned its CAPEX and OPEX commitments to this feedback, including a decision to drop altogether the least supported proposal, being the extension of call centre hours. In response to net zero result, WaterNSW explained that they would seek funding from external partners rather than from customers.

WaterNSW Bulk water proposals final working group positions

Investment proposals	We don't do this/Minimal requirement	We do something	We make all improvements	Where participants landed	Where WaterNSW landed
To improve the WaterInsights website (and close down multiple existing customer information websites).	9%	53%	38%	We do something Up to ~$7 million	~$7.1 million CAPEX
Invest in more technology and cyber security for safe operating systems	11%	61%	28%	We do something ~$4-6 million	~$3 million OPEX
Invest in more WaterNSW telecommunications for a more reliable and resilient network.	11%	50%	39%	We do something ~$17-22 million	~$17.9 million CAPEX
To introduce a proactive pest and weed land management program	13%	63%	24%	We do something ~$4.5 million	~$4.5 million OPEX
To introduce a pro-active bushfire management program on WaterNSW lands	17%	50%	33%	We do something ~$16.7 million	~$16.7 million OPEX
To continue to invest in technology to optimize asset management activities	17%	77%	7%	We do something ~$12.8 million	~$12.9 million
To continue to maintain and update the CARM system (that is used to operate the river 'systems')	24%	61%	15%	We do something ~$7.5 million	~$5.3 million OPEX
To capture carbon and then sell carbon credits	24%	43%	33%	We do something ~$2 million	~$4.1 million
To invest in more local customer engagement staff with increased face-to-face contact	33%	37%	30%	We do something ~$4.5 million	~$4.5 million
To keep WaterNSW sites safe and open to the public	35%	43%	22%	We do something ~$5.5 million	~$4 million CAPEX
To invest more in reducing greenhouse gas emissions to help reach net zero	48%	39%	13%	Meet 50% reduction by 2030 ~$2.5-3.5 million	~$2.5-3.5 million
To extend WaterNSW call centre hours	72%	26%	2%	Do nothing	Do nothing

3.5 Considering the investment to maintain water delivery assets

Our approach to the question of asset maintenance
The question was posed to the Water Working Groups – how much should WaterNSW spend on asset maintenance, striking a balance between taking on risk (not gold-plating our water delivery infrastructure) and investing in prudent and necessary maintenance?

Overall comments, insights and learnings
The graphs on the following page show the results from discussions about how much risk should be adopted in an asset maintenance program for each valley. These discussions were wide ranging – this charting is indicative of verbal feedback only.

Participants raised consistently their desire to understand what underpins the expenditure - irrespective of the level of increase. Specific breakdowns of key projects to be invested in, and what benefits these would provide to customers, was requested. In responding to this, in breakout sessions for asset management at the Water Working Groups for each valley, valley specific project information was provided. Hunter Valley participants were aware of large local developments and the pressures of a growing population – unsure of what their future water needs will be and investment level.

It was understood that customers generally felt a large increase in customer charges to undertake all the identified work items is untenable. Among both customers and non-customers, it was felt that:

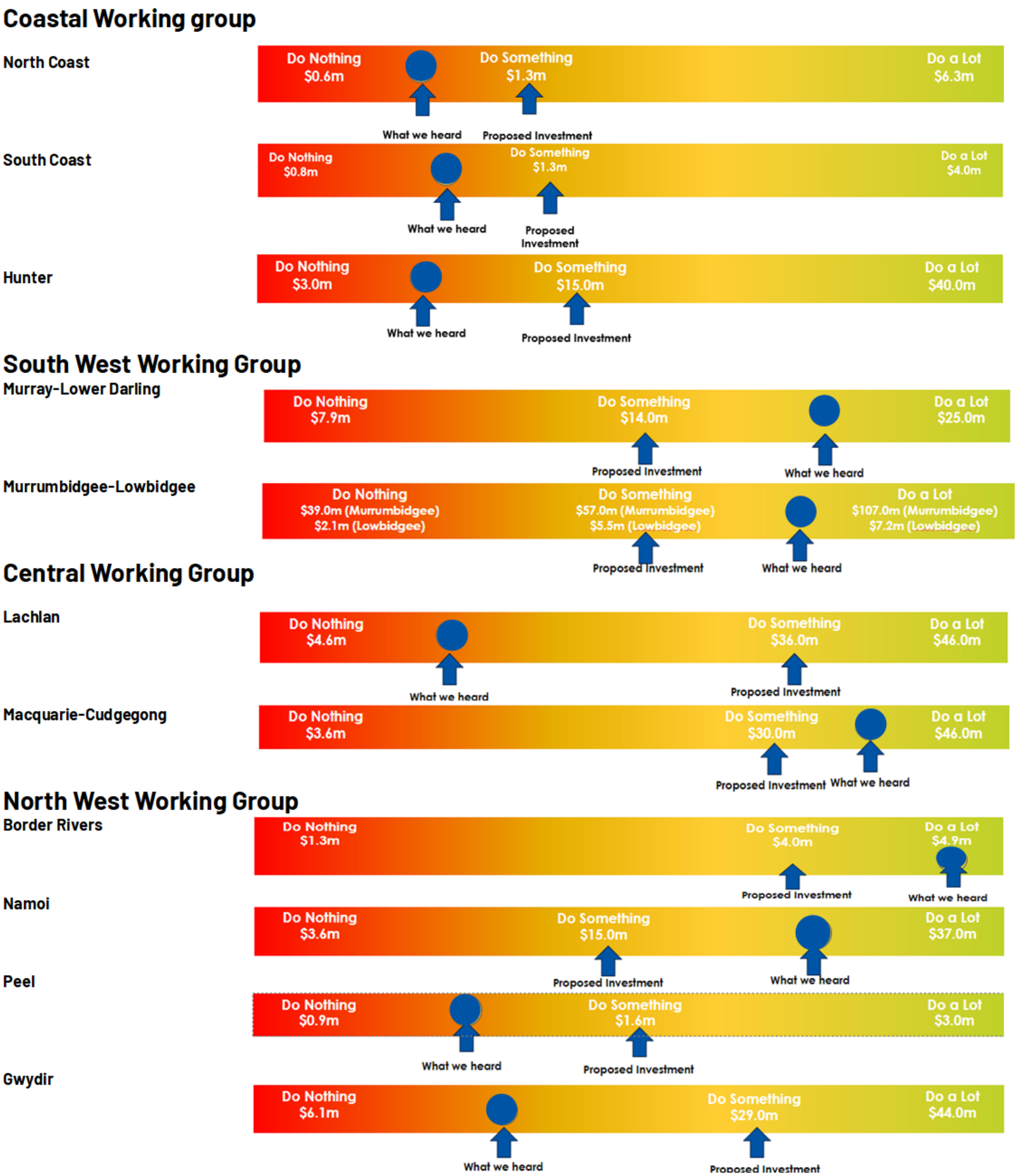
- In some cases, more detail was required to give an informed decision. A gap in information induced participant anxiety and we learned that there was a tendency to choose 'do nothing' if the benefits and risks were not well articulated.
- Where the current budget forecast to the future can only accommodate compliance works, assets will degrade over time. As a result, avoiding the immediate costs of appropriate maintenance would entail higher repair costs in the medium to long term. Experienced customers clearly understood this and sometimes offered it as their rationale for choosing to "do something".
- The NSW Government should support the undertaking of priority works that cannot be met by customers. This was a view held by a majority of participants.

Overall, there was appetite for 'do a little', or 'to do something' but customers need to be convinced of the merits of further investment and most participants were concerned about potential risks of 'gold plating'.

Other things influencing participants

- Participant appetite for taking on higher charges as a result of investing in the infrastructure depended on valley specific conditions.
- The bill impact was a key concern, and this information was not available for this discussion.
- Some non-customer participants expressed a reluctance to contribute to this topic, noting they had limited knowledge of the assets under discussion and also appreciating they do not directly bear the costs of infrastructure maintenance through bulk water charges.

Discussing the results
The graphs showing results were then presented to the Working Groups in February 2024, illustrating WaterNSW's proposed levels of investment in asset maintenance 2025-2030.



Overall, customer and community feedback noted WaterNSW's final proposed level of investment in asset maintenance, including deviations from customer preferences with a rationale, and were comfortable with the reasoning provided.

Customers accepted the explanation for a higher level of asset maintenance investment than they'd nominated where it was explained that WaterNSW felt that an investment which was too low would run the risk of asset failure (and an inability to guarantee supply). Conversely, where WaterNSW advised they had opted for a lower level of investment in asset maintenance than requested, participants in other valleys accepted the logic that in order to be 'prudent and efficient' WaterNSW had to 'prune' customer's higher level of nominated investment, in order to comply with the direction not to 'goldplate'.

Again, in discussions questions remained regarding 'what underpins the expenditure' - irrespective of the level of increase. Breakdowns of the key projects to be invested in, and what benefits these would provide to customers, was requested by some customers. Some key project information was presented in valley specific breakout sessions.

3.6 Further discussion on customer administration tools

The proposed investment for the enhanced customer portal (with an associated lift in the data management and IT systems) would result in the replacement of a legacy customer service systems with newer, more adaptable, and higher capacity system that can meet future customer and water sector needs. This investment followed the decision-making logic (Section 3.4.2) and was a significant investment at $27.5 million. Although there was significant support for this investment, $27.5 million was not aligned with the median point of customer and community thinking. See Section 3.4.2.

Overall, CAG members had a range of views regarding the investment in an enhanced customer portal. The level of investment at $27.5million was debated amongst members in February 2024, who noted that the cost implications to customers were not clear, some viewing a 'do it all' approach at $30 million as unnecessary to achieve increased customer services and online functionality.

Following the consultations, the WAMC agencies revised the investment down to $22.9 million.

Chapter 4 – The issue of water affordability for customers in 2025-2030

4.1 Summary of financial planning for 2025-2030

In Phase 3, customers in the CAGs considered financial planning for 2025-2030. As described in the methodology in Section 2.3.2, over four rounds and 40 meetings included discussions on WaterNSW's revenue requirement to deliver bulk water and water services in the years ahead, the challenging macro-economic environment, investments into customer tools, the regulatory model governing the tariff structure system and the question of customer shares and government shares. The issues are outlined below and explored in further detail in Chapter 4.

Cost sharing between customers and government

Discussions returned several times to the issue of who should pay for projects within the water delivery system that have different direct relevance to customers and the community. It was strongly felt there are some activities that provide a broader public benefit and that these should be funded by Government (either State or Federal). See Section 4.3.

Preliminary bulk water delivery revenue needs 2025-2030

The revenue requirement of WaterNSW for bulk water delivery going forward is far greater than the current allowance from IPART, and this is driven by partially controllable and mostly uncontrollable costs. Without constraint, the cost (and subsequent charges) increase would not be sustainable for customers and so during the engagement WaterNSW discussed options to reduce the cost to customers.

The CAGs supported the examination of scenarios to share or offset 2025-2030 costs, noting otherwise there will be a direct impact to the ability of producers to continue. See Section 4.4.2

Government Owned Meters

The question of Government Owned Meters for the three relevant valleys, including a potential transition to customer ownership at their end of life, ideas on customer and/or government funding of renewal and replacement, and testing some options with customers who have Government Owned Meters, was discussed.

CAG members largely viewed continued government ownership as the preferred outcome, however, members in the Murrumbidgee expressed some preference for user owned meters. Various comments were made regarding CAG members feeling they were not properly informed about options and financial commitments involved before the meters were first installed some years ago. In addition to this, it was suggested

- water users and customers should be able to own their own meter without it being enforced to replace.
- CAG members stated they would be open to a cost share agreement between the government and customers.

Tariff options

Several sessions explored the need for a change in tariff and either a price cap or a revenue cap. In July 2024 WaterNSW confirmed its Revenue Cap proposal. A paper was issued to all CAG members detailing the valley specific modelling and demonstrating how the options of a revenue cap or price cap (with varying levels of fixed cost to variable cost ratios) would have worked with the same real water volumes over the past 10 years, shown valley by valley. CAG members also considered the level of side constraint that should be applied if WaterNSW were to transition to a revenue cap, proposed by WaterNSW at 5% per annum.

CAG members were encouraged to circulate the paper wider to their water user groups and communities and complete the online feedback. In discussions customers appreciated the issue and were broadly receptive to the implementation of a revenue cap, and less so to a price cap, most concurring with the effort to reduce revenue (and subsequently their charges) volatility. Detail on these discussions is in Section 4.6. Following the paper and the CAG sessions, further one-on-one sessions were provided to a number of Water User Groups for detailed discussion to develop their understanding.

Increasing the fixed proportion of customer charges

Further to the above, there are significant customers who order the delivery of high volumes of bulk water. Discussions were held in Phase 3 regarding the potential to increase the fixed portion of their charges. For example, discussions with the Commonwealth Environmental Water Holder and the NSW Environmental Water Holder examined 100% fixed charges as a way of providing surety to both them and WaterNSW. These ideas were still under consideration at the time of writing.
Several meetings with large irrigation groups and redistributors (described in Phase 3 report) resulted in mixed views about the desirability to increase the fixed charges portion of bills. Some were in favour, some not.

An updated cost reflective base case for WaterNSW 2025-2030

In July 2024 WaterNSW had developed an understanding of their cost reflective base case to deliver water services and bulk water in 2025-2030. The aim was to be transparent at the conclusion of the price discussions about the task ahead.

As illustrated earlier in this report, the participant response this concept was as follows.

It was recognised by both customers and WaterNSW that the true cost, the cost reflective base case was not an acceptable option for both customers and WaterNSW.

Proposals for an annual price increase cap of 15% per annum for customers

Three proposals were discussed containing an annual price increase cap of 15% year on year, the lowest financially viable cap that WaterNSW could sustain, given the revenue required. This would result in, excluding inflation, a minimum of 60% price increases over the 2025-2030 period for customers. WaterNSW has modelled three scenarios that would help ease the burden this price increase would create.

- The first would retain the current valley-based pricing framework under the 15% price cap and include large projects such as fish passages and cold-water pollution.
- The second would retain the price cap and valley-based pricing but exclude the large projects from the determination period, postponing the cost of their construction from WaterNSW's revenue requirement for the next period.
- The third option would entail the same as the first option but transition to a regionally based pricing framework, combining the geographically northern and southern valleys into one of two broad regions that allows for a number of administrative and cost benefits to WaterNSW and customers respectively. The Greater Sydney region is one such region.

CAG members expressed concern at the 15% compounding year on year (several noted that the reality would be more like 16%-18% per year given inflation) with the direct result being that some smaller farms will close. WaterNSW requested that data on small farm viability be sent by customers to them as soon as possible, and directly to IPART. Some Councils, including Oberon, Lithgow and Leeton, expressed concern about the impact of a 15% price increase cap.

Proposal for regional (rather than valley by valley) administration by WaterNSW

With a price increase cap of 15% per year, WaterNSW can look at a wider area for the costs to deliver water services and spread this cost across a larger customer base. Under this option the 12 rural valleys across NSW could be consolidated into two rural regions, as follows.

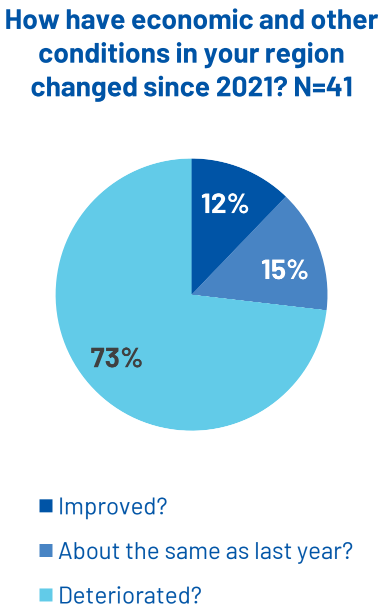
- Northern region: North Coast, Border Rivers, Gwydir, Namoi, Peel, Macquarie, Hunter.
- Southern region: Lachlan, Murrumbidgee, Lowbidgee, Murray Lower Darling, South Coast.

Customers were broadly receptive to the concept of regionally based pricing and appreciated the benefits to cost and administrative pressures the move would bring. However, it was recognised this would represent a significant change to the current valley-based regime. Customers highlighted that there would be winners and losers as prices were smoothed across regions, and that the politicisation of this issue this may engender, would be a problem that WaterNSW will need to manage carefully. It would also require a cultural shift among customers due to longstanding historical and geographic conditions that comprise the valleys. See Section 4.8

4.2 The issue of water affordability

The most frequently identified topic of concern for customers and community members was the issue of water affordability. Having affordable access to water in 2025-2030 was the number one priority. Many participants across different discussions noted that the combined pressure of increased cost-of-living, increased cost-of-production and future water pricing increases would likely make their business untenable in the next determination period.

The image below is from the Water Working Groups in which we asked their views on whether economic conditions have improved, stayed the same or deteriorated. A majority (73%, n=41) of participants in this question felt that the economic conditions of their region have deteriorated since 2021.



4.3 Sharing the costs of planning and delivering bulk water

Government and customer funding of the costs for water planning and management

Most participants in the Water Working Groups and, in the Customer, Advisory Groups raised issues of equity and fairness in funding the system, requesting increased government funding and responsibility for water management and water infrastructure.

They are mindful of the significant public benefit of some of the investment proposals and consider government should be responsible for a larger portion of these costs, and that this would result in a more equitable spread of costs. Participants expressed concern regarding the increasing number of regulatory requirements that are resulting in new and subsequent costs to customers and the community (as part of the Government's share).

Participants suggested that Government should provide a much greater investment in water infrastructure to support both customer and community needs and environmental initiatives. There is a desire for a pricing model that more fairly allocates costs among all users, including the wider NSW population, government contributions, and larger industry users. Some participants wondered about the overall equity of the system – with basin farmers having to bear the financial burden of system improvements that would be felt all the way to SA and the Murray mouth.

Who should pay for environmental infrastructure?

The need for infrastructure for fish passages and to address cold water pollution was supported by many participants, however the economic impact to customers and 10 regional communities in needing to pay for these was a large concern in the groups. It was viewed that since these initiatives created much wider benefits, this could and should be government funded.

Who should pay for achieving compliance?

Broadly, the majority of participants felt that policing water use should be funded more equitably – with a greater share funded by the Government. The cost of compliance to water access licence holders was felt to be particularly onerous for small producers.
A small number of Water Working Group participants felt that water customers had historically overdrawn water, and that the industry now needed to self-manage to ensure environment and community outcomes could be met in the future.

Ability to pay

Discussions in the Water Working Groups and CAGs noted that IPART does not currently distinguish between councils, large producers and small producers regarding affordability and tariffs. The ability to pay varies greatly.

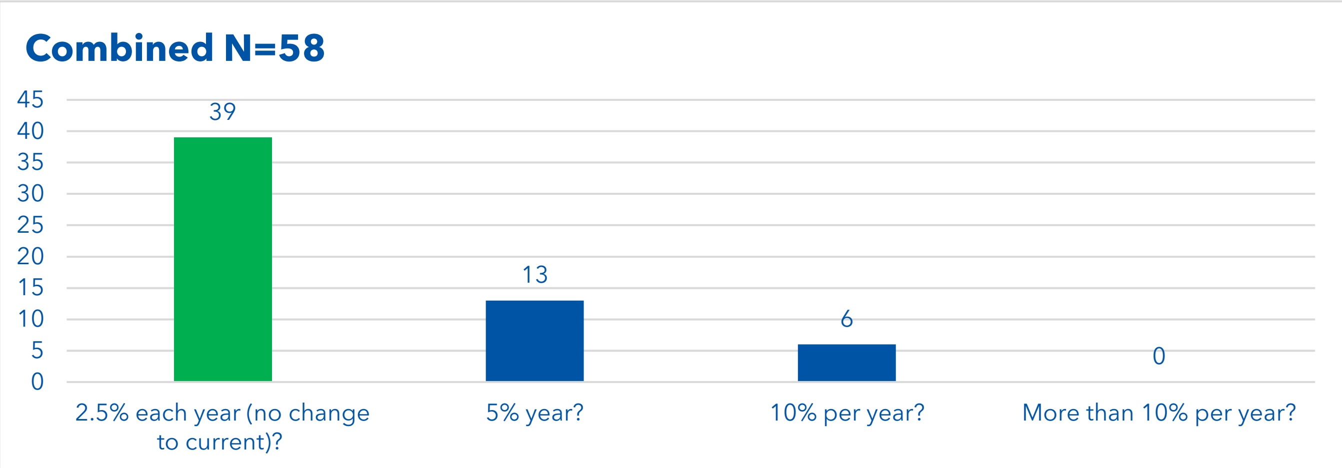
Affordability during a flood, fire, drought

The issue of equipment either broken or not being used was raised, as costs and charges to customers continue. For example, a drought may reduce production considerably, and water delivery equipment is not used. Yet customer charges continue for the systems to operate that equipment. WaterNSW explained that their costs to run the business remain constant regardless of fluctuations in demand. Assets must continue to be safely managed and maintained at all times.

4.4 Should an increase in customer charges be capped?

4.4.1 Consideration of a potential cap in WAMC increase on customer charges

When WAMC asked the Water Working Groups about a potential price increase cap for customers, and what that should be, 39 people (n=58) indicated their preference to keep the increases in charges limited to 2.5%, with some requesting no increase at all. The response from the Water Working Groups follows.



"I chose to keep the 2.5% so that it keeps cost financially viable for agriculture, farming etc. where those cost are going to indirectly affect me as community member."

"Water is a valuable resource & businesses need to contribute adequately to the actual costs associated with earning profits/loss, ensuring businesses are efficient with minimal water-waste occurrences so ecosystems can still maintain life in the natural environment."

"Zero wasn't an option."

"5% seems a reasonable increase, however, is a sliding cap an option? e.g. 5% small, 4% medium, 3% large user. "

"There are very high energy costs associated with irrigation. Prices for products are not increasing."

"I went for 10%, similar to the thinking that we need to look after infrastructure and assets. We can't afford to go backwards. I don't understand how the Government allows people to sell water licences. They're taking water out of one area to sell a licence to another part of the state."

WAMC posed this question to the Customer Advisory Groups in February/March 2024:

- Broadly, customers supported as low a price cap as possible for WAMC services, noting that any proposed change to the existing 2.5% price cap needs to be justified by significant new requirements.
- It was noted a 10% cap plus inflation would mean a doubling of bills by 2030.
- No increase of the existing 2.5% cap was preferred by some customers – while cost recovery is important, costs to operate are rising.

2. Some customers proposed 'Other' options as an alternative to a price cap.
Views expressed included:

- An alternative to any price cap full cost recovery through 100% government share.
- No changes to water management prices for 2025-2030.

3. More information on the resulting increase in charges under each cap scenario, per valley, was requested.
NSW DCCEEW advised that a continuation of the 2.5% cap (if approved by IPART) means that customers would continue to pay 2.5% more each year plus inflation.

4. A principle that charges should reflect local systems and needs. Some customers feel like they are subsidising others.
CAG members questioned whether a lower price cap would mean reduced services and/or the absorption of increased costs by government?
NSW DCCEEW acknowledged customers' support for minimal increases but noted that if this was accepted by IPART, this would require additional government funding. While this has been provided over the current determination period, there is now much more pressure on the state budget.
This would mean, IPART and the state would need to balance considerations of customers' capacity to pay against government's other priorities.

In addition, the capacity of customers to pay would be part of IPART's and the government's considerations.

Other issues raised
4. Customers wanted to see the bill impacts for them directly under each price cap option.
Some thought they did not have enough information on hand to provide considered and well-informed responses. Further information on specific charges was desired to assist CAG members in responding.

4.4.2 A preliminary consideration of the revenue required to deliver bulk water in 2025-2030 and exploration of scenarios to reduce costs to customers

In March 2024 WaterNSW presented preliminary results on the revenue required by WaterNSW for water services and bulk water delivery in 2025-2030, across specific valleys, to both the Water Working Groups and the CAGs. The outcome of WaterNSW calculations in March 2024 was an increase in the amount of revenue that WaterNSW requires - 39% higher than what we receive currently. As noted in Section 4.5 and 4.7, these figures were subsequently updated in ongoing conversations to 43 and then 50.6%.

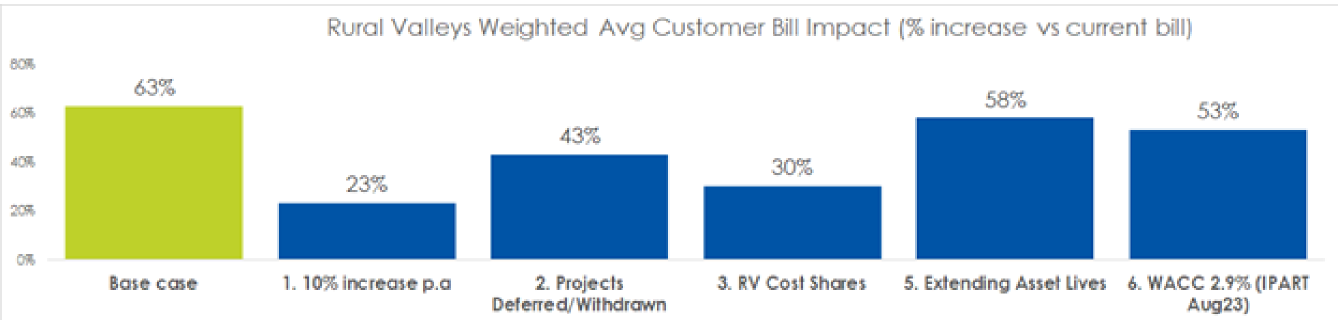
This preliminary figure is broken down as follows:
- Greater Sydney 37% increase over the current allowance (average bill increase +54%)
- Rural Valleys 43% increase over the current allowance (average across all valleys bill increase +63%)
- WaterNSW share of WAMC costs is a 42% increase over the current allowance.

For capital expenditure:
- The cost of infrastructure is forecast to increase by 124% for 2025 – 2030, compared to what IPART allows currently.
- The costs within WaterNSW's direct control – including maintaining an ageing network - are also increasing.

For operating expenditure:
- Operating costs are expected to increase by 13%.
- Several factors outside of WaterNSW's direct control - including high inflation, energy, fuel, insurance and land tax, and rising construction costs – are increasing their prices.

WaterNSW is mindful of keeping customer bill increases sustainable and so engaged with the Customer Advisory Groups on alternate options. In March 2024 the discussion examined six scenarios to potentially put to IPART to address the size of the revenue requirement needed, as follows.

Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6
• IPART **caps customer charge increases** (eg to 10% pa) • Revenue shortfall is self-funded by WaterNSW and results in higher debt and interest costs	**Defer some operating and infrastructure projects**, to the next regulatory period, or remove them altogether	**Increase the government share of costs**	Taking higher risk for asset replacement and **defer capital investment** for capital maintenance	**Extend the useful lives of some assets** - this means the cost of the asset is recovered over a longer period. This reduces funding costs and prices in the short term, but negatively impacts our financeability	**IPART applies a lower rate of return on capital** to reflect potentially cheaper interest rates at the start of the determination period than we have assumed



These preliminary scenarios were shown not as final proposals to be taken to IPART but indicative of the financial consequences of current macroeconomic trends. WaterNSW can control some costs but not all, and these scenarios were presented to consider means of reducing the anticipated increase in their revenue requirement.

Customers in all forums (Water Working Groups and Customer Advisory Groups) were generally dismayed at the increase in the base case of revenue required for 2025-2030. In every forum, WaterNSW noted that it concurred with the view that substantial increases were unacceptable and as a result was investigating alternate scenarios that consider other funding alternatives and arrangements to reduce revenue requirements. Customers accepted that the base case revenue requirement was not the final price proposal.

In reacting to this information, customers raised concerns relating to equity and fairness in water pricing, transparency, and the financial feasibility of the regulated water system on the whole. Customers highlighted that even if the least bill-impactful scenario 1, a capped increase of 10% p.a to customer charges, was to come into effect WaterNSW would not resolve its financial needs and would return in subsequent price proposals with further increases.

WaterNSW noted financial sustainability is critical and that borrowings of $370 million will not have any supporting revenue under the 10% price cap option. Things that could reduce cost increases include debt costs (which increase in line with interest rates). Interest rates falling back over the next five years could reduce price increases in the next determination.

"If you hit people with that large a cost increase, you need to find a way to ease out the cost to customers, perhaps rolling it out over the course of a determination period. It is extremely hard for young people to get into agriculture in the current economic climate. You may let them start their operations with a reduced or no charge for the period and if they want to continue beyond that determination then maybe they can start paying."
Namoi-Peel CAG

"When does this become a future sustainability issue? Costs are getting higher. Is there a point where this model is no longer practical?
Murray-Lower Darling CAG

"The scenarios assume we are going to have a price increase atop of the 38% or so increase we had in the last determination. Our electricity bill is going up 43%, where does that leave us as water users?"
Coastal-Hunter CAG

"I wasn't around when we designed the dams about this cold-water pollution but here, we are 60 years later, and we've discovered we've got a problem so now it's my issue to fix the problem. We've been living with this for 60 years. Things adapt, they have to."
North West WWG

"In the Hunter, we got slammed quite heavily in the last price determination and a lot of that was to do with implementing the new metering standards that haven't been fully implemented yet. I think it was around a 200% increase last time and it got knocked back. As I said earlier, the cost of doing business was too much and we made the decision to get out of agriculture because everything was going up and I know there will probably be a quite a few other people looking at that option because we just couldn't see a future."
Coastal WWG

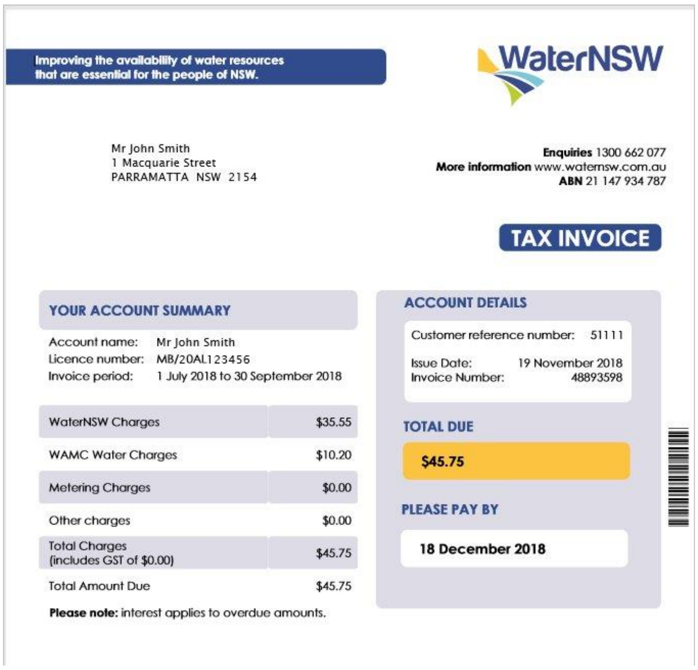
"Last time it was 30-40% increase. We made the decision to get out of agriculture because we couldn't see a future."
Coastal WWG

"Licence holders are not an endless supply of funds…. there's no talk (yet) of government contribution – I'm wondering whether it's worth being a farmer anymore."
Coastal WWG Meeting 4

"If they lose agriculture, they won't get revenue."
Coastal WWG

4.5 The development of participants understanding of price proposals and impacts

There are a range of costs that are billed by WaterNSW on behalf of several organisations State and Federal, and community and customers in all forums were keen to understand the totality of these charges. An example bill is shown here.



Improving the availability of water resources that are essential for the people of NSW.

WaterNSW

Mr John Smith
1 Macquarie Street
PARRAMATTA NSW 2154

Enquiries 1300 662 077
More information www.waternsw.com.au
ABN 21 147 934 787

TAX INVOICE

YOUR ACCOUNT SUMMARY

Account name: Mr John Smith
Licence number: MB/20AL123456
Invoice period: 1 July 2018 to 30 September 2018

WaterNSW Charges	$35.55
WAMC Water Charges	$10.20
Metering Charges	$0.00
Other charges	$0.00
Total Charges (includes GST of $0.00)	$45.75
Total Amount Due	$45.75

Please note: interest applies to overdue amounts.

ACCOUNT DETAILS

Customer reference number: 51111
Issue Date: 19 November 2018
Invoice Number: 48893598

TOTAL DUE

$45.75

PLEASE PAY BY

18 December 2018

This information was not available by the conclusion of the Water Working Group process in April 2024 or the Customer Advisory Groups in March 2024.

- WAMC costs for water planning and management services 2025-2030.
- Changes to the current cost share arrangements
- Murray Darling Basin Authority customer charges for 2025-2030.
- Border Rivers Commission (that manages river interfaces with QLD) customer charges for 2025-2030.
- The administration of customer water meters which measure the amount of water customers take. A Ministerial review is currently taking place with conclusions later in 2024. There may be additional process or costs.
- IPART's changes to WaterNSW Operating Licence, with expected new costs to operate.

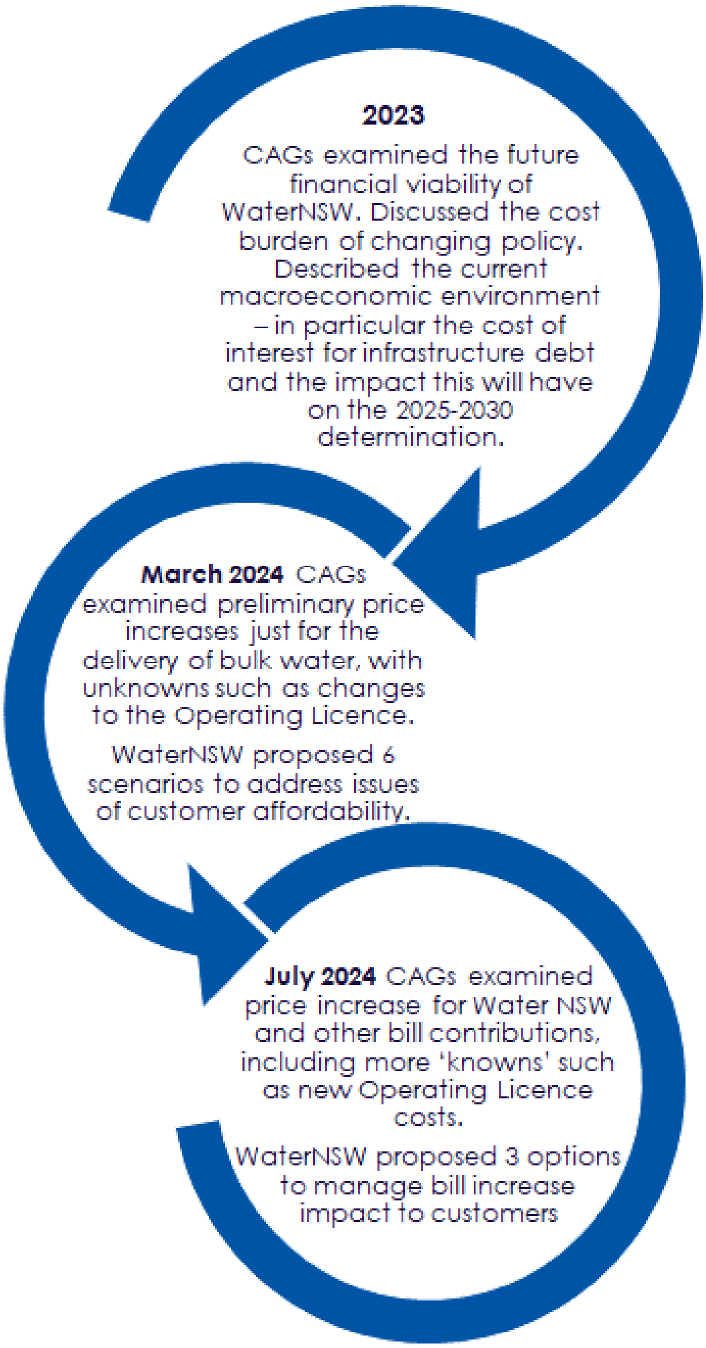
The Water Working Group participants expressed disappointment that these costs could not be finalised, and therefore customer charges for 2025-2030 understood, before the end of the working group process. The participants agreed that a briefing in September 2024, or after the price proposal was submitted, would be beneficial and they would await an invitation from WaterNSW.

An iterative process

As a result, in July 2024 WaterNSW extended its engagement to return to CAG customers with updated information on the financial position for 2025-2030 including:

- The revenue required and indicative bill impacts by valley. A cost reflective base case was explained, refined alternative scenarios to reduce the impact of price increases
- WaterNSW new Operating Licence additional costs
- An approximation of WAMC costs
- An estimate of Murray Darling Basin Authority customer charges for 2025-2030
- An estimate of Border Rivers Commission (that manages river interfaces with QLD) customer charges for 2025-2030.

Concerns were also raised by customers about future changes to the operational environment that will not be clear prior to this determination, for example the NSW metering review and the connectivity review. Although the expectation would be that government would pay for new policies after the price determination, concerns remained that unexpected new costs that WaterNSW may incur to implement new policies, reducing WaterNSW's financial viability and creating new future charges.



4.6 Customers' consideration of a change in tariff structure 2025-2030

The CAGs, large customers and water user groups examined the options for a reform of pricing structures in 2025-2030. The concepts of either a price cap or revenue cap commenced in July 2023.

In October 2023 WaterNSW described the fundamental issues relating to the current tariff structure. The options to solve these issues were:

- WaterNSW to maintain the current price cap with a higher fixed charge
- WaterNSW to introduce a revenue cap where current fixed charges could be maintained

These options would provide better control over WaterNSW revenue, assisting it to collect what is needed to meet the substantially fixed costs of delivering water across NSW.

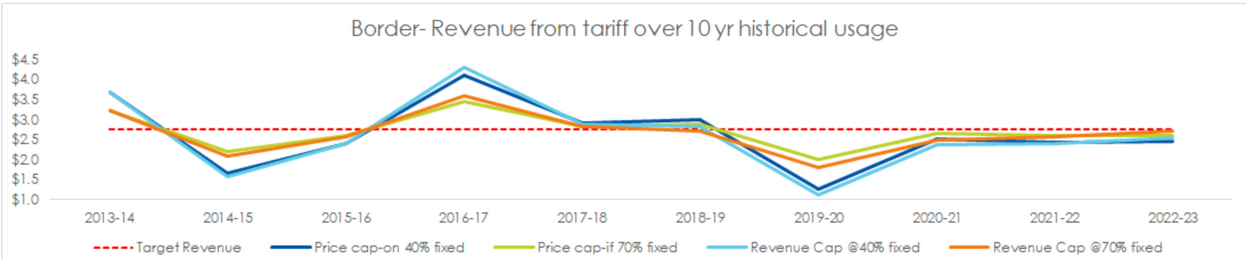
Valley to valley historic information was modelled to continue the conversation

In February/ March 2024 CAG members received modelling on scenarios for each rural valley to demonstrate the differences in outcomes the valley would have seen based on real data from the past 10-year period.

- Price cap on 40% fixed charges.
- Price cap on 70% fixed charges.
- Revenue cap on 40% fixed charges.
- Revenue cap on 70% fixed charges.

These scenarios compared revenue cap and price cap tariff structure conditions to illustrate the differences in how much customers would have paid over a 10-year period with all other things being equal based on real historic data on usage patterns and forward-looking charges.
An example is shown below.

10-year historical usage by Tariff options - Border



Border-Revenue from Tariff (Fixed and Variable) $millions, $2024-25	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Total 10 years	Vs Target Revenue	
Target Revenue	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$27.7		
Price cap-on 40% fixed	$3.7	$1.6	$2.4	$4.1	$2.9	$3.0	$1.2	$2.5	$2.4	$2.4	$26.4	$1.3	Customers Underpaid
Price cap-if 70% fixed	$3.2	$2.2	$2.6	$3.4	$2.8	$2.9	$2.0	$2.6	$2.6	$2.6	$27.0	$0.6	Customers Underpaid
Revenue Cap @40% fixed	$3.7	$1.6	$2.4	$4.3	$2.9	$2.8	$1.1	$2.4	$2.4	$2.5	$26.1	$1.6	Customers Underpaid
Revenue Cap @70% fixed	$3.2	$2.1	$2.6	$3.6	$2.8	$2.7	$1.8	$2.5	$2.6	$2.7	$26.6	$1.1	Customers Underpaid

Proposal Volume (updated 20 yr rolling Avg)	128 GL	128 GL	128 GL	128 GL	128 GL	128 GL	128 GL	128 GL	128 GL	128 GL
Historical Volume	197 GL	42 GL	100 GL	232 GL	139 GL	146 GL	11 GL	109 GL	102 GL	104 GL
	54% Up	-67% Down	-22% Down	81% Up	8% Up	14% Up	-91% Down	-15% Down	-20% Down	-19% Down

Customer views

The CAGs debated the possible benefits and downsides of changing the charging structure. There was some discussion on the idea of customers moving to a higher fixed proportion of their charges. These proposals are complex and discussions with customers produced a range of understanding.

- It was recognised that a revenue cap would benefit WaterNSW's financial sustainability
- The effort to reduce the variability in their charges was recognised.
- Having options in the proportion of fixed charges provided by a revenue cap was of interest, with some customers opposing higher fixed charges whilst others supported them.
- A revenue cap side constraint (the maximum shift in bill direction period to period) to smooth revenue charges over time was seen as required.
- The modelling above also consistently showed that under a revenue cap the correction would occur in low use periods where customers would most need these funds (see 2019-2020), which was well received by customers.
- Customers noted that further discussions were needed to ensure overcorrections do not occur in low water years, (that may simply compound economic hardship).
- The 20-year rolling average mechanism used to date had not proved to be a sound predictor of future water usage.

WaterNSW commenced meeting with larger water licence holders and interested Water User Associations to progress their understanding. WaterNSW met with:

- Peel Valley Water Users Association Inc
- Murray Valley Private Diverters
  Edward River Pumpers and Landholders, and
  Southern Riverina Irrigators (held together)
- Lachlan Valley Water Inc.
- Jemalong Irrigation Limited
- Murray Irrigation Limited
- Coleambally Irrigation Co-operative Limited
  Murrumbidgee Irrigation (held together)
- Commonwealth Environmental Water Holder
- Murrumbidgee Private Irrigators Inc. (MPII)
- Hunter Valley Water Users Association (HVWUA)
- Yanco Creek and Tributaries Advisory Council (YACTAC)
- Fish River and Greater Sydney
  - Energy Australia
  - Lithgow City Council
  - Oberon Council
- NSW Environmental Water Holder

In summary

New tariff structures - Revenue Cap or Price Cap	Broad tentative approval for a Revenue Cap from many groups once detailed discussions had occurred, other groups who have not examined the detail are uncertain.

All customers want solutions to bring down the cost of delivering water over time:
- They want to avoid bill shock.

- Some customers noted the cyclical under and over recovery graph and wanted to examine the idea of making payments to WaterNSW in advance during high production years for cash flow purposes.
- Having high (or even 100%) fixed charges can reduce risk for some customers – they know exactly what they need to pay and can arrange to pay over the year in line with their cashflow.
- Some customers prefer a higher fixed charge component as it would incentivise the wider full use of their and others water allocations. This change could potentially increase economic activity in a valley and provide regional economic stimulus.
- Other customers have concerns about having to pay for water delivery in years when they are not having water delivered.
- Worries remain that this change in tariff structure could push risk onto customers. Despite the modelling and charts examined, showing overall 10-year benefits, worries remain about the operational cost burden to customers during limited periods of low water.
- It was noted that previous drought relief packages accounted for the fixed charges that customers faced in that period.
- Water reliability was emphasised as an important consideration and the changes to the tariff structure need to ensure this is not materially worsened

Consulting major customers – what sort of price structure should they have?

WaterNSW met with several large customer groups in April to August 2024. A real interest in the option of a Revenue Cap was expressed and the potential benefits of moving to higher fixed proportion of the bill.

- Some of the large water holders expressed a preference for up to 100% fixed proportion of charges. They would then know how much they would be charged each year.
- It was asked whether the revenue cap would be applied to larger customers *only*. WaterNSW confirmed it would apply to everyone in each rural valley that is subject to the revenue cap.

How might a revenue cap change how water is used by producers?

- Customers considered the 10-year modelling and wondered about behavioural changes that might have occurred over that 10-year period. For example, people may have changed the amount of water they used based on the tariff option.
- With people having to pay a higher fixed charge, it was acknowledged that this would likely make people trade their water or sell their 'sleeper' licences on the market. Some groups saw this as a positive, others worried about devaluing the licence.
- A subsequent concern was expressed that the likelihood of sleeper licences being handed in will result in higher charges to the irrigators who remain in the system.
- Some felt irrigation should not occur in areas where costs are higher. This flattens the market and disguises the true cost of operation.
- Changing the price regime may lead people to take and use water unnecessarily, particularly under an increase in fixed charges. What impact would this incentive have on a dam's water holdings?
- It was noted that unforeseen impacts of climate change could further throw the accuracy of the 10-year modelling into question – many customers want to understand how a dry future has been factored into future tariff modelling. WaterNSW noted the dry years captured in the modelling.

Some customers considered the scenarios and have not reached a conclusion about their preferences, others feel more confident to support a revenue cap.

Overall, while noting that CAG consultation has already occurred, additional consultation with wider irrigators and general community was requested. They noted that receiving information before the discussions would avoid information overload during the meetings and allow people to provide informed commentary (see Section 4.7.1). As a result, a final proposal was submitted to customers in July 2024 (see below).

> "When you're not getting any revenue we're not making any money to be able to pay you guys because when the water is not there or available and what happens to us is that we either need to go to the bank to top up our income to pay you or other utilities etc. It's a difficult situation to be in, and I understand that, but you also need to understand that your customers are in a very difficult situation where there's no income streams as well."
> Namoi-Peel CAG member

> "I'm surprised that you've said a couple of times that the revenue cap would actually deliver lower prices to the growers."
> Namoi-Peel CAG member

> "Water buybacks create a significant shift to the environmental water holder, so the modelling must take into account 200-300GL of water bought out of the Murrumbidgee and Coleambally."
> Coleambally and Murray Irrigation meeting

Final proposal to customers July 2024

A written proposal was presented to customers in July 2024. A paper that summarised the proposal for 2025-2030, including data on last 10 years with a revenue cap in place was circulated, and customers completed a survey to capture their responses.

Drawing on customer feedback, WaterNSW is intending to propose implementing a revenue cap

- *to be implemented across most valleys taking on board their unique circumstances and where the benefits would outweigh the costs (e.g. not proposed for Fish River or Greater Sydney),*
- *each valley can have a different minimum fixed portion of the bill*
- *with an option for customers to increase the current fixed proportion of their bill if they wish (above the minimum).*
- *with a side constraint of 5% (the CAGs seemed to land on that % in discussions to date)*
- *Noting it had to be one choice in each valley - revenue cap or price cap.*

Some hesitation was expressed by customers worried about the complexity of these proposed changes, and the concerns raised are noted above. Others felt clearer on the concepts and more comfortable with a Revenue Cap.

"I understand and happy to go forward. It will always change with the up and downs of the Australian climate."
Revenue Cap Survey

"Sounds like a good idea."
Namoi-Peel CAG

Customer survey on Revenue Cap or Price Cap July 2024

In addition to the feedback provided through the CAG discussions, customers were asked to provide their views in a survey of future pricing – a revenue cap or a price cap. In total 29 responses were received over eight valleys. This was provided to all 78 customer groups in the CAGs. More than half (59%) of the respondents were customers with one or more water access licences, followed by employees of a company that has a water access licence (24%), and representatives of a water irrigation company (17%). Almost all (86%) were members of a CAG, with several non-members participating (14%).

Demonstrating their comprehension of the information pack provided prior to the CAGs, a majority (66%) agreed that they could see that there is a problem with how WaterNSW prices are currently set as a basis for the next 5 years, with 24% unsure and 10% could not see that there was a problem with how prices are currently set.

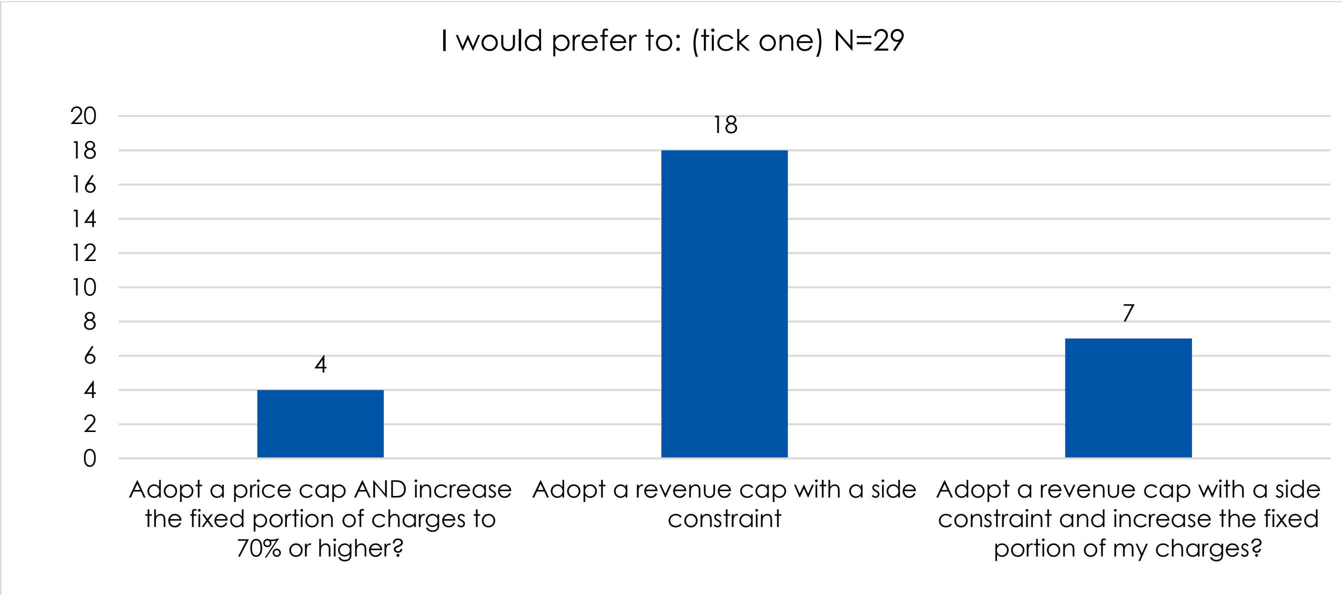
Alongside information regarding a price cap, customers were asked their thoughts on a 5% side constraint on the return of over-recovery or recovery of under-recovery that would be facilitated under a revenue cap. Customers were asked whether this figure was:

- about right
- too small and should be increased
- too large and should be decreased

A significant majority of participants (83%) thought that a 5% side constraint was about right, with 14% thinking that it was too large and should be decreased. One respondent thought that it was too small and should be increased.

Customers were asked what level of side constraint they would recommend to smooth changes to bills year on year. Nearly three quarters (72%) of respondents maintained that a 5% side constraint was preferable, with the remainder split between a smaller side constraint (17%), a higher side constraint (3%), and no side constraint at all (7%).

Ultimately ***62% of respondents were in favour of adopting a revenue cap with a side constraint*** as their preferred tariff structure, compared with 24% of respondents in favour of a revenue cap with increased fixed charges, and 14% of respondents favouring a price cap and increased fixed charges.



"Fixed charge should be minimal. You can't expect to pay for something you don't receive. Users have greater capacity to pay for water when they can use it. I would advocate 40% fixed 60% variable to be fair and reasonable to ensure users remain viable. It only seems fair to pay for what we use, with an understanding of the cost associated with delivery."
Revenue Cap Survey

"The increase in fixed charges will hurt people in wet years where there is an abundance of water. Higher fixed rates in regulated system doesn't promote the use supplementary water and will potentially drive people to take water when they otherwise wouldn't. It seems like you are potentially creating an environment where people are paying for water they cannot access."
Revenue Cap Survey

"We should be encouraging use leading to productivity. Licence holders who are inactive will be more inclined to irrigate or make their water available for transfer to help cover costs."
Revenue Cap Survey

"The Revenue Cap appears to be to the benefit of WaterNSW by smoothing out their revenue but tend to make the users charges less closely related to their usage. Obviously the water users prefer to have their charges relate to their water usage as that relates to their level of production and revenue. In the Peel, we already have 80% fixed charges so fail to see why the change would be of any benefit to the water users. If it is of a benefit to the WaterNSW how is that benefitting the users?"
Revenue Cap Survey

"Higher fixed pricing should stimulate consumption…..many customers consider the usage component of the charge a disincentive to activate irrigation projects. Full or higher fixed charges should see water become available to the active user."
Revenue Cap Survey

4.7 Impacts of the final price proposal 2025-2030

Discussion of complete bill impacts in July 2024

A revised view of the bill impacts for customers from 1 July 2025 was presented to the CAGs in July 2024. As demonstrated in the March discussions, costs and the revenue required by WaterNSW are increasing. Significant bill increases for customers would occur if passed through in charges. External costs now considered in the numbers include:

- Bulk water services for Rural Valleys and Greater Sydney
- WAMC services
- Estimated bulk water Murray–Darling Basin Authority (MDBA) and Dumaresq–Barwon Border Rivers Commission (BRC) charges for the relevant valleys
- New WaterNSW Operating Licence obligations - cost increases for both changes in obligations and new obligations

Across Greater Sydney, Rural Valleys and WAMC (WaterNSW) services, WaterNSW's total costs are to be recovered through a revenue requirement of $3.1 billion over the five-year determination period, or $616 million on average per year. This represents a 50.6% increase on the average annual revenue requirement from the current IPART 2020 and 2021 determinations. Capital expenditure contributes to a regulatory asset base across the three determinations that increases to $5.1 billion in 2029-30 ($2024-25) - (an increase of 22% from the current 2020-2025 determination).

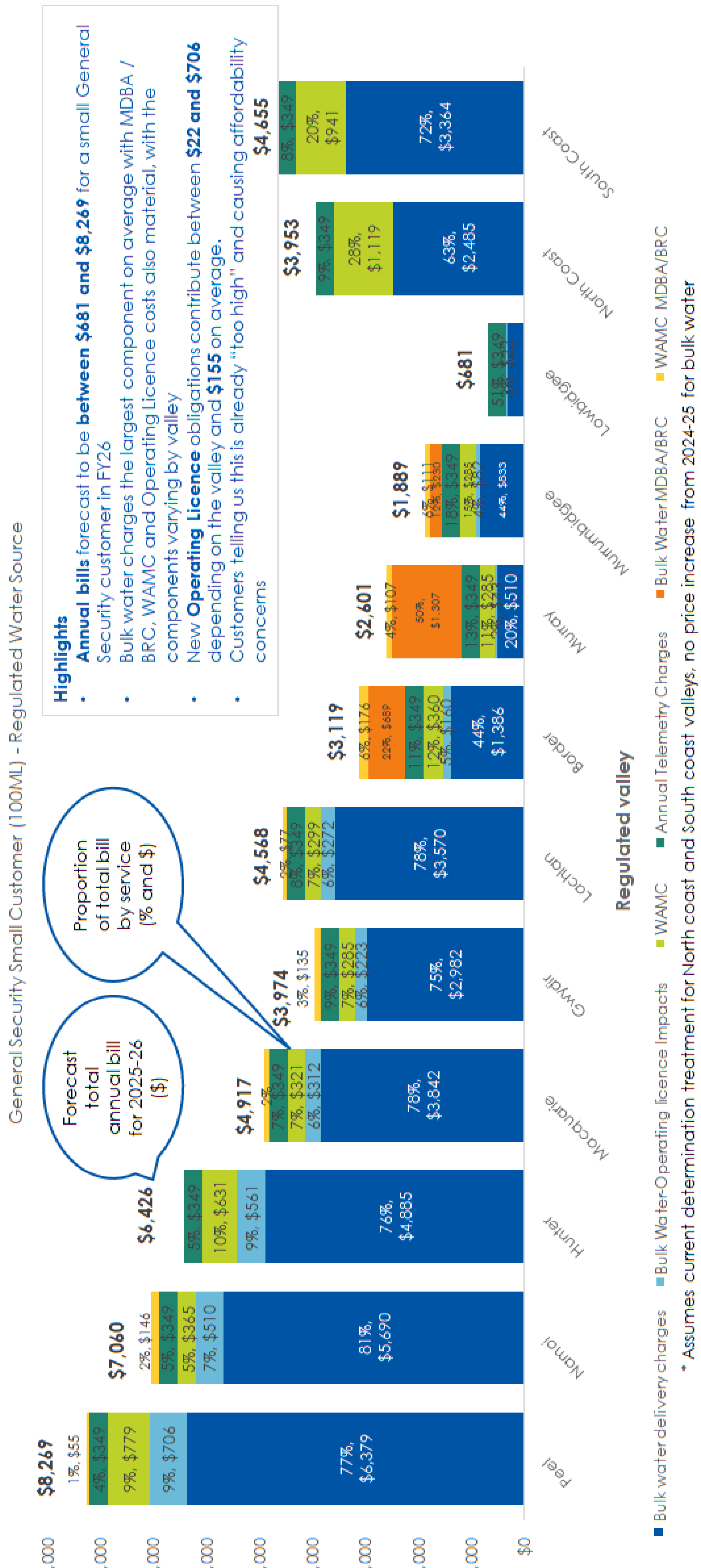
In the rural valleys, compared to what was presented in March:

- The overall revenue requirement has increased by 16%
- Interest has gone up from 3.7% to 4.3%
- Capital expenditure reductions of approximately $168 million over the 5 years. These reductions are primarily driven by reductions in environmental projects.
- The WaterNSW Operating Licence has been finalised, adding approximately $15.6 million in operating expenditure per annum for the Rural Valleys
- Other operating costs have also increased due to reduced capitalised overheads

Please see overleaf for graphs on the range of charges to customers and the predicted bill impact to customers.

The range in charges to customers shown at the CAGs is illustrated below, for a customer with 100ML and a 60% allocation.

This chart shows the forecast annual bill in 2025-26 in both $ and %. % shown for each service is the relative proportion of the total bill.



The predicted bill impact is illustrated below based on a customer with 100ML and a 60% allocation.

This chart shows the forecast change in annual bill from FY25 to FY26 in $ and %. % shown for each service is the relative proportion of the total bill change. Y axis is change in bill in $.
Assumes all of the Bill increase occurs in Year 1 of the determination (shown below), followed by CPI only. AKA - **The Cost Reflective Base Case.**

WaterNSW advice to customers was that this magnitude of price change is not acceptable. Council customers have rate pegs in place and as such cannot pass the costs onto the community easily. Customers noted that they are price takers, and many are starting to question the viability of their production.

Three alternatives to reduce the revenue required for this period 2025-2030 were discussed, noting these would be submitted to IPART for their consideration. The different alternatives attempt to balance the issues of:

- Customer affordability,
- WaterNSW and financial viability in the future, and
- Government's need to control its debt levels.

With customer affordability as the main driver, Water NSW considered several solutions:

- Applying a cap to annual price rises (15% per annum price increase cap, excluding CPI)
- Regulatory measures (extending asset lives and suggesting a reconsideration of cost shares between government and water users, and others)
- Policy (deferring projects that are driven by government policy) driving projects valued at approximately $1.6 billion, and
- Financial (finding alternative funding sources).

Other initiatives include extending the depreciation periods of digital assets and changing the cost share proportion on some activities that result in broader community outcomes.

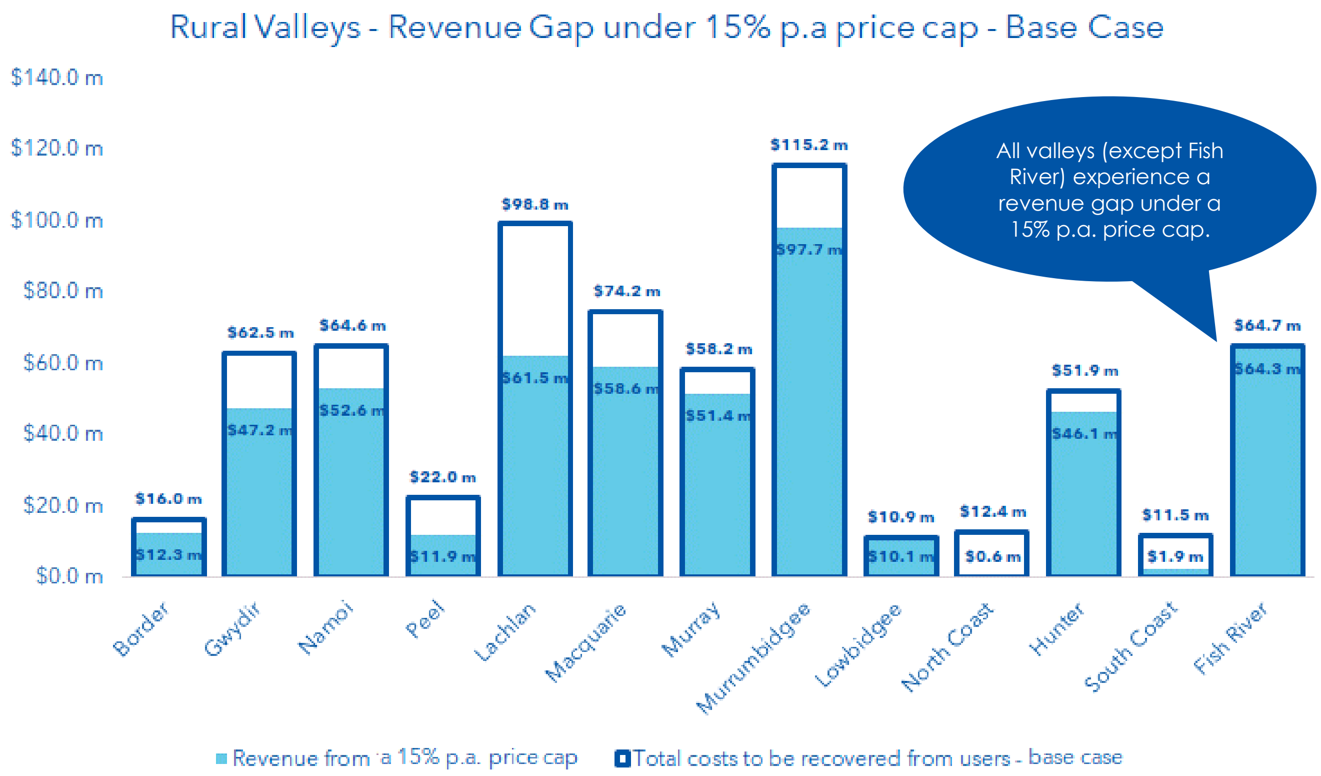
All three scenarios below attempt to support customer affordability by establishing a ceiling for price increases.

Alternative scenario 1 – the 15% price increase cap p.a
This scenario involves a cap of 15% per year increase in prices, excluding inflation. Among the other levers WaterNSW can utilise are an increase in ICT asset lifecycles from 7 years to 10. There will also be a reduction in user share for environmental and planning from 80% to 50%. For WaterNSW, this scenario would result in a revenue gap across all rural valleys of approximately $111.8 million over the next five years.

Alternative scenario 2 – the 15% price increase cap less major projects
This is much the same scenario as scenario 1, involving a 15% price cap and adjusting certain levers. This scenario removes Fish Passages and Cold Water Pollution projects from WaterNSW costs. This would result in a shortfall of $102 million for WaterNSW over the period, some $9 million less than scenario 1 (as a result of lower debt).

Alternative scenario 3 – the 15% price increase cap under a regionally based pricing framework
Retaining the 15% p.a. price cap, this scenario presents as the largest adjustment of levers within WaterNSW control and would result in a large departure from the current practice of valley specific pricing. Under this scenario all rural valleys in NSW would be split into either the northern or southern region, respective of their geography. This would result in a shortfall of $180 million over the period for WaterNSW, the largest revenue gap of the three scenarios. This would however present some significant benefits for WaterNSW and their customers ranging from administrative efficiencies to reducing costs. Section 4.8 describes this further.

Each alternative produces a revenue gap for WaterNSW of over $100million. The revenue gap for each valley was considered. The white space in the chart below is the revenue shortfall.



The options to fund this revenue gap could be:

- Government providing funding through a Community Service Obligation (CSO) or grant funding
- Funding the shortfall by raising more debt for WaterNSW – with state credit rating consequences
- More investment on the Government regulatory asset base (funding a greater share of capital as a customer)
- A reduced dividend payment from WaterNSW (currently $40 million to $45 million per annum) to Government
- Deferring policy driven capital projects to future regulatory periods (i.e. after FY2031), or a combination of the above. The revenue gap in the three alternative scenarios ranges between $20 and $36 million per annum.

Customer discussions noted the WaterNSW submission depends on government agreement as to an acceptable scenario to reduce costs and their thoughts on a price increase cap of 15% per annum over a greater time period (two regulatory periods) to reach full cost recovery in each valley.

					Roughly the maximum years to reach full cost recovery for each valley With a 15% price cap on charges	
	Total costs to be recovered from users in region pricing (costs are net present value)	Revenue from a 15% p.a price cap (costs are npv)	Does a community service obligation exist? (government funding commitment)	Funding gap	Under a regional pricing proposal	Under a valley-based price (current system)
Border	$35.0 m	$12.3 m		$22.7 m	14 years, or 3 price periods	9 years, or 2 price periods
Gwydir	$80.6 m	$47.3 m		$33.3 m	9 years, or 2 price periods	9 years, or 2 price periods
Namoi	$50.4 m	$38.0 m		$12.4 m	8 years, or 2 price periods	8 years, or 2 price periods
Peel	$10.5 m	$7.3 m		$3.1 m	8 years, or 2 price periods	13 years, or 3 price periods
Lachlan	$48.1 m	$37.0 m		$11.1 m	7 years, or 2 price periods	15 years, or 3 price periods
Macquarie	$90.2 m	$55.6 m		$34.6 m	9 years, or 2 price periods	9 years, or 2 price periods
Murray	$94.0 m	$51.4 m		$42.6 m	11 years, or 3 price periods	7 years, or 2 price periods
Murrumbidgee	$119.8 m	$80.2 m		$39.6 m	9 years, or 2 price periods	7 years, or 2 price periods
Lowbidgee	$16.8 m	$9.7 m		$7.1 m	8 years, or 2 price periods	6 years, or 2 price periods
North Coast (assume the CSO is removed)	$2.2 m	$0.6 m	$1.4 m	$0.2 m	18 years, or 4 price periods	30 years, or 6 price periods
Hunter	$47.5 m	$32.0 m		$15.5 m	8 years, or 2 price periods	7 years, or 2 price periods
South Coast (assume the CSO is removed)	$2.2 m	$1.9 m	~~$0.0 m~~	$0.4 m	6 years, or 2 price periods	19 years, or 4 price periods
Fish River	$64.7 m	$64.3 m		$0.4 m	7 years, or 2 price periods	7 years, or 2 price periods
Total	**$662.0 m**	**$437.6 m**	**$1.4 m**	**$223.1 m**		

In summary

15% cap in price increases each year for five years (excluding CPI)	Broad acceptance that this may be the only feasible outcome, with customers noting a likely high negative impact to both small producers and customers with permanent plantings. Councils too are not able to pass costs on and will struggle with the increased charges.

Participants agreed that the 15% price increase cap smooths the pathway toward full cost recovery. Participants sought clarification as to whether the 15% price increase cap would be applied per their existing valley process. WaterNSW clarified that the price increase cap would be in respect of the existing prices of water in each individual valley.

Issues raised by customers in the CAGs follow.

- Broadly, public 'user pays' for infrastructure should also occur, where community use the infrastructure or directly benefit from it.
- The possibility of reducing the amount of land tax that is paid by WaterNSW should be explored.
- Deferring projects such as fishways will catch up with us eventually – they have been outstanding for some time.
- The 15% price increase per annum may result in higher total costs, rather than paying up front?
- A large level of customer interest in how the NSW Government dividend is paid – and whether it is paid during loss making years (it has been). The NSW Government appetite for foregoing its dividend is of interest to customers.
- Concerns many producers may exit the industry with the 15% (excluding CPI) year-on-year increases proposed. Current farming margins for many producers cannot accommodate this level of price increase for the delivery of water year-on-year.
- Permanent plantings that were implemented years ago will be impacted – with customers not anticipating this level of cost increase.
- The inflationary impact and cost of food to consumers will be one of the impacts of the price increases.

- As consumptive water drops the social structures of small towns will be affected. These secondary impacts need to be considered by IPART and the NSW Government.
- The southern valleys noted that MDBA charges and their increases are not reviewed in a similar way to this regulatory review, and customers have no input to the services and activities they then pay for.

It was recommended in the discussions that producers make direct submissions to IPART about the impact of price increases on production outputs.

A small range of customer comments follows.

"You have to remember that most of the agricultural industry is not doing well, whether it's a big grower in Queensland, or whether it's a small grower down in Tasmania, but the general consensus is everyone's running on margins. Any sort of rise in costs, like recent energy bills has smashed all margins. Add increased water costs and you'll get to a point where the cost benefit analysis will show that it is no longer worth irrigating, and that point will come for people. Where do we get to a point where we choke industry out? Governments don't want inflation to go up, but things like this push inflation up. The inflationary response needs to be considered as well. From what I know governments don't understand how dire the situation is and how things like this will affect us."
Lachlan CAG member

"We fully understand WaterNSW's position but can't come to grips with how our members and the broader community are going to adapt to the changes proposed. We are very worried."
Murrumbidgee CAG member email

"There's a huge implication right through the community once you remove consumptive water. It seeps into local towns, and they stagnate, so you're basically saying you want towns and irrigating communities to stagnate with the removal of consumptive water."
Murrumbidgee CAG member

"Water sharing plans tell us that we're going to face a reduction in our yield. I can handle the increase in pricing if I can get security for my yield (I'm only a GS user)."
YACTAC member comment

"We do understand that the current pricing formula is no longer fit for purpose and needs to be overhauled and for this we applaud WaterNSW."
Post CAG feedback email

The NSW Irrigators Council released a media statement on 14 August 2024:

"Although the WaterNSW pricing proposal has not yet been submitted to IPART, a proposed 15 per cent plus CPI year-on-year increase, totalling 75 per cent plus CPI by 2030, has been presented to Customer Advisory Groups.
"Agricultural water licence holders, particularly small family farms, are already struggling with rising input costs including interest rates, fuel, insurance, machinery, wages, and energy, alongside higher water allocation prices due to State and Commonwealth environmental water recovery.
"They just cannot afford to pay exorbitant increases in their water bills as well."
NSW Irrigator's Council Media Release August 2024

4.7.1 A brief summary of other water user meetings

A range of meetings were held to continue to examine financial options.

Meeting number	Date	Group	Comments
Large WaterNSW customers			
Meeting 01	03/05/24	Coleambally Irrigation and Murrumbidgee Irrigation (held together)	• Coleambally Irrigation noted their preference not to increase fixed charges portion of the bill, with concerns about disadvantaging smaller customers • Subsequent meetings were held with Murrumbidgee Irrigation
Meeting 02	14/05/24	Murray Irrigation	• Strong support for greater cost sharing • MDBA charges unknown for 2025-30 • Possibility that higher fixed charges could align with Victoria and help with trading
Meeting 03	16/05/24	Jemalong Irrigation	• Tentative support for revenue cap with the proviso of high-quality ongoing customer information
Meeting 04	14/06/24	Commonwealth Environmental Water Holder	• Strong consideration of 100% fixed charges and will provide a response through government process • Interested in higher fixed cost component • Importantly the CEWH receives the same level of service as other water licence holders
Meeting 05	24/7/24	NSW Environmental Water Holder	• Focus on the revenue cap, with a growing understanding of the mechanics. • Considering the future viability of 100% fixed charges • Were supportive in principle of higher fixed charges
Industry representatives			
Meeting 01	05/08/24	NSW Irrigators Council	• Concerns about the future viability of smaller operators in particular and new charges through the WaterNSW Operating Licence • Current pricing formula/ structure no longer fit for purpose and needs to be overhauled
Water users or organisations			
Meeting 01	30/05/24	Peel Valley Water Users Association	• Focus on the revenue cap, with a growing understanding of the mechanics. • Peel feel that in their fees and charges they are subsidising customers in the Namoi.
Meeting 02	04/06/24	Lachlan Valley Water	• Expressed a preference for a revenue cap and 80% fixed charges

Meeting 03	05/06/24	Murray Valley Private Diverters/Murray Water User Group, Edward River Pumpers and Landholders, and Southern Riverina Irrigators (held together)	• Growing understanding and support from some members for a revenue cap.
Meeting 04	05/06/24	Murrumbidgee Private Irrigators Incorporated	• Focus on the revenue cap, with a growing understanding of the mechanics.
Meeting 05	25/7/24	Murray Irrigation	• Focus on the revenue cap, with a growing understanding of the mechanics. • Noted their preference not to increase fixed charges portion of the bill
Meeting 06	09/08/24	Yanco Creek and Tributaries Advisory Council (YACTAC)	• Understands that the current pricing formula is no longer fit for purpose and needs to be overhauled • In principle agreement with a revenue cap • Caution expressed in how much customers understand this proposal
Meeting 07	13/08/24	Fish River Water Supply Scheme (FRWSS) - Lithgow Council - Oberon Council - Energy Australia	• Fish River are on a separate pricing scheme, with individual charges • They are on high security charges, and would not be subject to a Revenue Cap. • Discussions regarding future CAPEX, would like their customer issues to have influence in WaterNSW's prioritisation matrix for CAPEX projects • Would like clearer oversight over WaterNSW CAPEX and OPEX over the medium term • Would like clearer financial reporting in the CAGs.
Meeting 08	14/08/24	Hunter Valley Water User Association	• Growing understanding and support for Revenue cap • Strong concern for affordability and for sustainability of agriculture

4.8 Customer consideration of regional pricing rather than pricing by valley

In July 2024 customers in the CAGs considered in more detail the period 2025-2030:

- the increase in revenue required and subsequent increase in customer charges (base case)
- three alternatives to reduce the revenue required for this period 2025-2030
- given this revenue requirement, a potential price cap of 15% per annum and how many years it would therefore take each valley to get back to full cost recovery, noting north and south coast charges are currently capped at CPI increases
- how a regional-based administration and pricing policy could assist with the smoothing of costs for customers.

Prices and administration based on two regions in NSW

One of the suggestions presented to the CAGs in July 2024 is that of regional pricing rather than valley pricing.

If IPART accepts a scenario of a 15% year on year cap in prices, this helps create a smooth step change in prices and reduces price shocks to meet the revenue in 2025-2030 that is needed for water services. It also creates a once in a generation opportunity to reform WaterNSW pricing into regions, and better deliver longer term beneficial outcomes for customers.

It would:

- take advantage of scale with prices averaging out across a greater region
- improve productivity in asset maintenance
- result in a higher number of customers in each of the two new 'regions',
- in effect reduce some of the administrative costs that WaterNSW incurs by accounting for 13 different valleys.
-

Moving to this approach requires a 15% price cap as a constraint to bill change - given the current level of differences in charges across the valleys. An important principle of this concept is the consistent approach to all valleys (price cap of 15%).

In the pricing proposal engagement, a regional based approach to customer charges (a northern region of eight valleys and a southern region of five valleys) was proposed to customers for their consideration. Under this option 12 rural valleys would be consolidated into 2 administrative regions.

Current Regulated Valleys	Regions
North Coast	**Northern** Region
Border Rivers	
Gwydir	
Namoi	
Peel	
Macquarie	
Hunter	
Lachlan	**Southern** Region
Murrumbidgee	
Lowbidgee	
Murray, Lower-Darling	

WaterNSW discussed with customers that this concept could commence in July 2025 only under a 15% price increase cap.

Customer responses

Customers noted the current independence of the valleys is both geographic and cultural, and this initiative would require a shift in customer thinking:

- It presents opportunities for WaterNSW to efficiently manage capital works across the valleys.
- A significant project with a large investment would be spread across a larger base.
- This would require a lot of communication by WaterNSW as to its priorities and when each valley would 'receive its share' of work or investment.
- It helps small valleys that have a smaller customer base to fund necessary works.
- The Border Rivers community needs to consider Queensland regulatory requirements.
- The impact of regions on the ability to trade water across and within valleys is uncertain

Options were raised whether it was possible to merge capital expenditure but not operating costs? WaterNSW responded that a hybrid option is not possible.

In summary

Regional pricing (two regions, northern and southern)	Tentative approval from introductory CAG conversations, with some concerns about the process and transparency of the prioritisation of works across a region also meeting individual valley commitments. Concerns regarding a lack of wider discussions on the proposal for cross water customers.

Overall, the response from the CAGs to the concept was tentatively positive but requiring more communication.

- The issue of cross subsidisation was considered by all groups, noting that it occurred now with the prices paid by users next to the dam being the same as users downstream (in some cases considerable distances) with the former in effect subsidising the latter.

- Some producers have properties across different valleys and reflected that the need to manage across the different valleys 'holistically' could be a better business model.
- Customers raised as an example the ability of WaterNSW to reallocate asset maintenance in drought periods – it would be far more efficient to work in river systems during very low flow events. WaterNSW prioritising infrastructure works in low flow areas rather than impacting customers with outages in normal water flows.
- Members of the Macquarie – Cudgegong CAG expressed worries that in WaterNSW's prioritisation of works, some valleys would not receive their allocated upgrades.
- This reflects a broader customer caution that there would need to be careful transparency about this process and the prioritisation of asset works in and across valleys. It was broadly acknowledged that this is a big cultural change for customers.
- Customers pointed out that combining more prosperous valleys and less prosperous valleys into one of the two regions would generate perceived political issues and a sense of subsidisation of smaller valleys by larger ones as well as the de facto picking of winners and losers.

Subsequently the Murrumbidgee Private Irrigators' Chair and members requested the pricing proposal of merging the southern valley to be removed from WaterNSW pricing report to IPART, on the basis that not enough time and consultation has occurred and impacts on members have not yet been explored.

The Murray-Lower Darling group noted the complexities of the additional MDBA charges, considering how this charge would be addressed under a regional pricing scheme. An option raised was to have a northern group, a southern group and Murray River group.

Universal advice was for WaterNSW to consider how to engage meaningfully with as diverse a group of customers as possible before implementation in 2025, acknowledging that people will need assistance to understand the reasoning why and implication to their charges. At the request of CAGs, a discussion paper was circulated on Friday 30 August 2024.

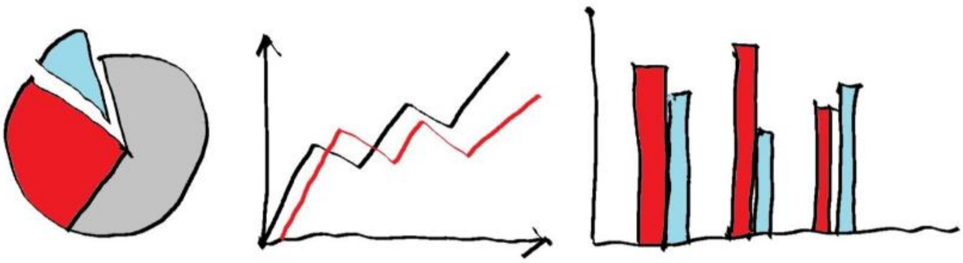
Customers understood a proposal would be submitted to IPART, and that this would form part of IPART's consultations with customers and the community and that further submissions were welcome. Customers would be keen to see IPART's response to this proposal and to understand if the Government agreed to assist with meeting the revenue gap shortfall.

"I would be worried that you would take the focus off the requirements of each valley in its price determination period for the projects that need to be completed if you went to a regional approach"
Macquarie-Cudgegong CAG member

"Delivery of what WaterNSW is proposing, you guys know what you've got to do, you come up with a plan, you talk to us. You'll still need to do the 12 CAGs because there's so many requirements and issues. Realistically, it's about WaterNSW coming up with a proposal and explaining to us what the changes are, it's just that justification of the process...and that has to come from you guys, it can't be worked out at the individual levels. Different stakeholders are going to have different perspectives so that's not going to solve the problem. You guys have to come back to us and say, "we're moving from this to this and here's why."
Gwydir CAG member

"On face value we have the cheapest water right now. I'm struggling to understand how going to a regional model where we are sharing costs will leave us better off. It seems like we'll be subsidising other valleys. I think we need more modelling to highlight what the outcomes are. It's quite complex and general irrigators are not going to know what is happening."
Murrumbidgee CAG member

Chapter 5 – Priority outcomes and developing a performance scorecard for 2025-2030



5.1 The priority outcomes for 2025-2030

Outcomes to be achieved in 2025-2030 were drawn from all conversations:

- the 128 outcomes that were nominated by the Customer Advisory Groups (Phase 2 report)
- wider customer and community engagement and online surveys
- initial discussions within the water working groups about future opportunities (and issues to resolve).

There was strong alignment in most conversations about the strongest, or priority outcomes. In summary these are:

Outcome	Customer	Environment	Community
Outcome 1 WaterNSW to maintain downward pressure on costs to support customer affordability	✓		
Outcome 2 WaterNSW will provide secure and reliable water delivery	✓	✓	✓
Outcome 3 WaterNSW will be open and transparent (about customer charges and WaterNSW expenditure)	✓		
Outcome 4 Sustainable water and land management	✓	✓	✓
Outcome 5 WaterNSW will provide customer and community access to data and information	✓		✓
Outcome 6 WaterNSW will provide good customer experiences (enabling our customers to run their businesses)	✓		✓

Outcome 1 - WaterNSW to maintain downward pressure on costs to support customer affordability

Affordability is at the heart of the challenges that many customers face. WaterNSW is careful with its costs and revenue needs, to slow wherever possible the increase in customer bills through prudent planning, efficiency measures, investments, and finding other sources of revenue. This outcome focuses on supporting the ability of smaller farms to operate, creating regional community diversity and a diversity of produce.

WaterNSW commenced a cost transformation program in the lead up to the price proposal process. This wide-ranging outcome was then supported by many of WaterNSW's investment proposals and the level of service that was then selected, seeking to drive efficiencies in WaterNSW's business operations that reduce the rate of cost increases to customers over time.

This outcome covers improved transparency of costs and pricing, rethinking cost sharing and price tariffs. Reforms to pricing structures attempted to address WaterNSW's cost recovery requirements as a water business. Acknowledging WaterNSW must do as much as it can to relieve the cost pressures on customers, efficiency gains across the business will be critical and time sensitive especially for many smaller customers.

Outcome 2 - WaterNSW will provide secure and reliable water delivery

WaterNSW makes its management systems more robust, both physically and digitally, to ensure its essential water delivery functions are guaranteed. This outcome is supported by wide ranging investments to maintain and improve water delivery systems, data management, worker safety and cybersecurity to enable water to be delivered when and where it is needed reliably. Assurance of the delivery of allocations, an understanding of the delivery rules, accurate and flexible metering, and the costs involved with delivery and infrastructure are primary components of this outcome. These are the core operational concerns regarding WaterNSW as a deliverer of water.

Outcome 3 - WaterNSW will be open and transparent (about customer charges and WNSW expenditure)

WaterNSW improves transparency in financial and operational information in ways that provide useful oversight of where customer's money goes. This is supported by more robust expenditure reporting, billing with clear indications of where this money flows, and investments to improve how we manage water metering and provide visibility of this data. Customers expect transparency of costs and pricing on their bills, so too customers expect WaterNSW to be transparent about investment costs that are funded by customer charges.

Outcome 4 – Sustainable water and land management

WaterNSW is a good neighbour and acts responsibly with respect to stewardship of its lands and water, renewable energy investments, environmental flows and First Nations commitments. Ranging from drought management and planning to recovery from flood events, sustainable water and land management for customers, the community and the environment.

Water quality is critical to this outcome and WaterNSW monitors this. This outcome led to investments in bolstering land-based pest and weed management, and bushfire management on WaterNSW lands, to investments in renewables that work towards WaterNSW's net zero by 2050 commitments.

Outcome 5 - WaterNSW will provide customer and community access to data and information

WaterNSW provides easy and transparent access to information through improved and consolidated customer tools. WaterNSW investments to bolster the customer's ready access to data and information include consolidating information and service platforms into a single source of truth (data centre), improving WaterInsights for customers and community, and providing easier, faster access to relevant information. It also includes investing more in local engagement.

Consolidating the modelling, datasets, and data management regimes across the three water agencies underpins customer-relevant information (upgraded customer portal) and is critical to this outcome.

Outcome 6 - WaterNSW will provide good customer experiences (enabling our customers to run their businesses)

WaterNSW enables customers by protecting customer data, providing timely communication for planned maintenance and outages, and improves its customer service resources for better business continuity.

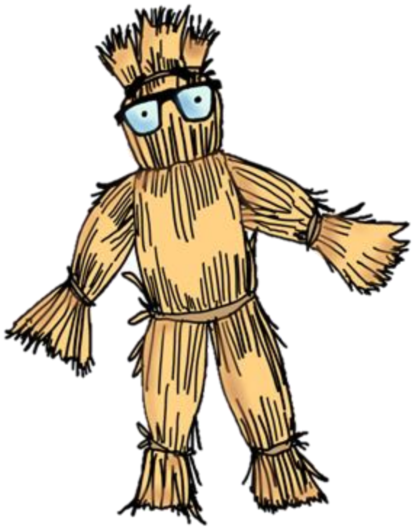
WaterNSW works to ensure customer businesses have intuitive, plain English and responsive customer service through an improved customer service portal. WaterNSW will work with partner agencies to improve available information about the agency's different roles, and to assist with navigating water delivery rules. Better customer information and educative tools, clearer signposting for proactive resolution of issues, and clear distinctions between the WAMC agencies and who to go to for help are major customer goals.

Closing the loop on customer priorities

The table below (from Section 3.2.3 in this report) lists the first 20 priorities raised by CAG members in 2023 and shows how the final WaterNSW outcomes capture each of these priorities.

Outcome	How these CAG member priorities were captured in the Outcomes
Transparency of costs and pricing	Outcome 3
Water security and assurance of allocations being delivered	Outcome 2
Better drought planning, priorities for water restrictions and water conservation are clear	Outcome 2
Water infrastructure and other delivery costs to be as efficient as possible	Outcome 1
Water delivery rules and services: allocations and water provided, when customers are charged, accuracy of meters and flexibility with administration – appreciating an imperfect operating environment	Outcome 6
Ongoing information flow to support improved customer and community engagement and relationships	Outcome 5
The cost of water and the ability for small farms to operate	Outcome 1 and affordability themes in this submission
Environmental water – public information on the flow, timing, allocation, rule flexibility	Outcome 5 – Water Insights to have new information on Environmental flows
Early warning systems for floods	Outcome 5
Requirement for valley specific water rules	WAMC proposals
Ease of doing business including flexibility in water ordering, post order trading, and other initiatives	Outcome 6
Asset maintenance management and communication with licence holders	Outcome 6
Customer confusion regarding the regulatory roles of WaterNSW and NSW DCCEEW, NRAR resolved	Outcome 6 and WAMC proposals
Environmental accountability and responsibility to increase	Outcome 4
Improved transparency of the costs that WaterNSW invests into the system	Outcome 3
Re-examine the structure of tariffs in 2025-2030 Reconsider the cost share arrangement between Government and customer	Achieved as part of this process. WaterNSW has worked with customers across NSW on the issues relating to cost sharing, the timing of system improvements and customer pricing structures
Floodwater management and access (fair and accessible)	This is a WAMC issue
Improving the current lack of field staff and local knowledge	A re-examination of field staff resourcing occurred in the lead up to this price proposal engagement. The new resourcing arrangements are proposed as part of operating expenditure 2025-2030
Information to help businesses operate	Outcome 6
Improved customer service in the shift to digital tools, to help customers adapt	Outcome 5

5.2 Developing a scorecard for measuring the progress of delivering on the outcomes



In May 2024 Water Working Group participants and in July Customer Advisory group participants were asked to provide feedback on how WaterNSW should measure its performance and report back to customers and the community. For ease of discussion, a straw person scorecard with possible measurements and metrics was presented for each outcome.

The groups broadly agreed with much of the draft material presented, with additional suggestions or important changes in the data suggested below.

As a key guiding principle, participants noted across several discussions that the scorecard should not create an additional cost burden for WaterNSW to collate the information – they suggested that WaterNSW use wherever possible the data they already have. As a result, Water NSW has checked that the metrics in the scorecard below will need to be captured and reported for a range of purposes.

Secondly, all groups indicated caution with satisfaction surveys - customers are at a point of saturation with customer surveys. The use of audio files or simple homemade video explanations is also useful to customers (a trial of this in the Water Working Groups was positively received).

A commitment to communicating WaterNSW performance.

The Water Working Groups and the CAGs examined how the information on the scorecard would be provided to WaterNSW stakeholders. Customers felt they are currently not receiving as much financial data and information as they were in the past. The information provided by WaterNSW as part of this process more strongly aligns with their needs. In particular, CAG members stated that they feel an increase in valley specific information is welcome and relevant to their business needs.

The principles they wanted to see were:

- Clearly identify where reporting will be posted (some suggested the WaterNSW website should be the starting point)
- Put this in a simple email/newsletter message to all customers and stakeholders (some were not direct customers, so limited reach)
- Make it easily accessible to people (easy to navigate, simple information, plain English)
- A dashboard should have a simple format – in areas without good internet fancy graphics make it hard to download.
- It is clearer for customers when in reporting WaterNSW notes the exceptions, where the clients' agreements have not been achieved or where a negative financial event has occurred.

- Report on the significant issues that will affect the 2025-2030 price period (that we don't have insight into now).

What is important is that an efficient number of metrics provide customers and community reassurance about progress on the outcomes. The number of metrics should not create a cost burden or onerous report.

5.3 How the outcomes will be measured to reassure stakeholders of progress

Final co-design of the WaterNSW scorecard metrics

In May/June 2024 the Water Working Groups examined a strawman scorecard and WaterNSW modified both its outcomes, and the metrics used to measure them. In July 2024 these were tested carefully with CAG customers. Each community and customer recommendation or request raised is listed below. They have been cross checked against the final metrics.

Water Working Groups contributions to then scorecard metrics

WWG contributions	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 1: WaterNSW will be efficient and keep its costs as low as practical	
The measures must be clear and SMART (simple, measurable, achievable, realistic, timely) 'Outcome 1: WaterNSW will be efficient and keep its costs as low as practical' did not achieve a SMART goal.	✓
When describing operational losses, use volumes (rather than percentages) – this makes sense to producers.	✓
Annual reporting to include an explicit callout on what efficiencies have been achieved. Demonstrate efficiencies in decision-making.	✓
Report on successful co-investment and cost sharing outcomes that minimise customer funding.	The IPART determination will clarify cost sharing outcomes and annual reporting will cross reference co-investment opportunities.
Agreement with valley specific annual information regarding what is driving costs in the respective valley and what is the future financial viability of that valley.	✓
Outcome 2: WaterNSW will provide secure and reliable water delivery	
For assets – reporting to make clear where there have been departures from the cost estimates. Otherwise, they will assume financial predictions are being met.	✓
Reporting on changing government requirements that may affect the secure and reliable delivery of water.	To be incorporated in wider WaterNSW communications.
Drought readiness planning and public information about the issue remains a significant metric.	✓
Outcome 3: WaterNSW will be open and transparent (about customer charges and WNSW expenditure)	
Reporting by valley in a simple plain English format that enables customers to share information between one another. Information currently provided to the CAGs is not plain English enough for wider customers to fully appreciate it as a handout.	✓
The cost implications of new policies for customers be described e.g. land tax.	✓

WWG contributions	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 4: Sustainable water and land management	
WaterInsights displays information on environmental flows, volumes, timings and purpose.	WaterNSW will provide transparency of environmental water utilisation by valley, this may not be on the WaterInsights platform.
Case studies on proactive bushfire, weed and pest management. Participants wanted to know what the risk profile was for this land management.	
Before WaterNSW to enter into any expenditure on energy sourced from renewables to be clear about the ongoing costs and possible customer charges.	No.
More information on the cost recovery considerations of carbon capture before investment occurs.	A climate adaption plan will be published that includes targets.
Outcome 5: WaterNSW will provide customer and community access to data and information	
Metrics around the uptake of WaterInsights were generally endorsed.	
WaterInsights to reflect the information that customers are looking for the most.	Customer engagement on this issue commenced in 2024 and will be ongoing.
Outcome 6: WaterNSW will provide good customer experiences (enabling our customers to run their businesses)	
Metrics include the timeframe for resolving inquiries and complaints, and the number of enquiries or complaints not resolved per month. Timeframes are important for these metrics.	
Metrics identifying the uptake of the enhanced customer portal were endorsed.	
Real time flooding information – delays in reporting this are potentially life threatening.	

CAG contributions to the scorecard metrics

The groups endorsed existing metrics and made further contributions.

CAG contributions	WaterNSW Commentary and Clarifications	Incorporated in WaterNSW Water Delivery Metrics?
Outcome 1: WaterNSW to maintain downward pressure on costs to support customer affordability		
New project costs and the cost to customers are communicated in a timely way. Consult customers on major expenditure changes beforehand i.e. pre-engagement.	IPART sets an opex cap (for asset maintenance), and any overspend are met by the NSW Government and no additional is recovered from customers If the overspend on capex was not efficient IPART can reject its recovery from customers (or recovery at a reduced level)	✓
Identify and communicate an efficiency target. Report on progress against this target in regular intervals (less than 12 months)	WaterNSW figures include a 1% per annum compounding efficiency saving on OPEX across all determinations. Agreed at the executive leadership team level.	✓ The frequency of reporting is not articulated
WaterNSW needs to properly articulate that their 1% cost efficiency target included in the IPART submission is a stretch target atop the existing target of removing 10% of operating costs out of the business	How to achieve this stretch target is clear in metrics and reporting (e.g. removal of surplus land and its land tax burden).	✓
Explore the possibility of transferring remnant land to the National Parks and Wildlife Service or other agencies to resolve land tax and where possible create revenue – WaterNSW to work towards holding only as much land is actually needed to deliver quality water. Amount of WaterNSW land leased out to third parties	Metrics will be defined in the land management plan	No
Provide a clear definition of the costs against 1. activities related to different water users and 2. activities relating to wider community benefits Compare the rate of cost increase for services to the rate of cost increase of other government services. Where possible, metrics to have comparisons with previous years.	Difficult to predict many different services, WaterNSW unique business	No
A link between expenditure and levels of customer service is needed in describing WaterNSW's costs	All of these outcomes capture that in some way	
Fish River specific – Create new entrants to the FRWSS to reduce costs.	A strategic plan has been prepared by NSW DCCEEW – creating new entrants is a much wider planning and economic strategy outside WaterNSW water delivery function.	No
Metering charges are capped moving forward and price changes explained	Agreed, will be set and locked for 5 years as part of the WAMC determination and their price proposal will define changes.	✓
Both capital and volume-based costs need to be accurately and transparently reported. New metrics – cost burden	This creates a new metric and would form an additional cost to customers and WaterNSW as per outcome 1 – not proceeding	No
Report on the number of customers increasing or decreasing over time	Currently WaterNSW reports on number licences per valley. noting the data is imperfect given the number of licences per person/organisation is complex and not completely reconciled	✓

CAG contributions to the scorecard metrics

The groups endorsed existing metrics and made further contributions.

CAG contributions	WaterNSW Commentary and Clarifications	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 2: WaterNSW will provide secure and reliable water delivery		
Number of days that water is unavailable in the Fish River system		✓
Water quality in the Fish River system maintained to an acceptable standard		✓
Implementation plans to lower operational water losses are communicated	WaterNSW is preparing water conservation plans to address this	✓
Drought management plans are in place to demonstrate means of ensuring water security and reliability in drought periods (this is also relevant to outcome 3)	Drought management plans have commenced in 2024.	✓
Incentives for reduced water use and greater water recycling identified	WaterNSW is not the policy agency responsible for this	No
Targets must be better identified for the security and reliability of delivering water	WaterNSW will work to an operating licence that achieves these specific targets	✓
The timeframe for WaterNSW capturing supplementary flows and declaring it before it moves downstream needs to be tightened to ensure customers do not miss out.	Agreed. Early warning system to be developed. See outcome 6 – Good Customer Experiences.	✓
Insert the word 'timely' - to reflect the deliverability of water – a focus on meeting customer water needs successfully	This is not seen as required given the metrics include the timing of releases	
Metric should focus on the deliverability of the water: the meeting of X% of customer water orders (suggested to target 90%) through deliveries on those days that the water is needed	Metrics relate to the release of water and planned interruptions to supply.	No
As an efficiency measure related to a drought period - WaterNSW prioritising infrastructure works in low flow areas.	Difficult to achieve with water delivery charging rules not allowing cross valley subsidization of costs	No

CAG contributions to the scorecard metrics

The groups endorsed existing metrics and made further contributions.

CAG contributions	WaterNSW Commentary and Clarifications	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 3: WaterNSW will be open and transparent (about customer charges and WNSW expenditure)		
Reporting on the cost per stage for the Fish River	Fish Rivers Strategy is being prepared.	✓
Wording of a draft - be careful about customer surveys and WaterNSW reliance on this feedback – customers are over-surveyed and time poor. This metric could be removed. Time poor people don't fill out surveys.	Removed.	✓
Valley based specific information to be provided.		✓
Reporting on a clear and succinct price list for basic services incurred and additional services incurred.	WaterNSW can identify corporate costs and delivery costs to customers .	No
Additional services being the amount of money being spent on compliance activities and regulatory expenditure and operating licence compliance to be identified.	This is difficult and complex to achieve and would incur a cost burden to develop this data. Some costs are directly captured, others are not. Delivering the service and corporate costs (running the business) are identified in the annual report.	No
The dividend provided to the NSW Government		✓
The annual report to include: - commentary on additional or new costs or spending, - detail on where savings have occurred	See outcome 1 - WaterNSW to maintain downward pressure on costs to support customer affordability.	✓
The amount of land tax paid.	To be identified in annual financial reporting	No

CAG contributions to the scorecard metrics

The groups endorsed existing metrics and made further contributions.

CAG contributions	WaterNSW Commentary and Clarifications	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 4: Sustainable water and land management		
WaterNSW should apply a target or service level/KPI to weed and pest control	Metrics will be defined in the Land Management Plan	✓
Reporting on the proportion of WaterNSW land with active pest and weed management in place. The purpose of each pest and weed management initiative (what is being eradicated?) The methods being used. A metric around level of success.	WaterNSW estimates that 1% our land is weed infested - 2000 hectares (about 20 square kms actively managed for weeds. Strategies are to meet and prioritise our biosecurity duties. Baseline surveys are currently being undertaken with a view to developing site plan for pest and weeds. Site management plans will be in place for all of our sites by FY 2026..	✓

CAG contributions to the scorecard metrics

The groups endorsed existing metrics and made further contributions.

CAG contributions	WaterNSW Commentary and Clarifications	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 5: WaterNSW will provide customer and community access to data and information		
Include a metric on the number of WaterNSW people attending field days and conversations had with customers and community members.	Metrics to focus on the number of engagement 'events' otherwise this will create additional accounting.	No
WaterInsights to show in simple charts who has paid for what water in the river (updated over time).	This is a large and complex undertaking. In line with outcome 1 this work will not be progressed. The ownership of water is described in WaterInsights in various ways.	No
Report on environmental flows on WaterInsights.	New operating licence requires reporting on environmental flows from the 1st of July. It may not necessarily be reported on WaterInsights. .	No

CAG contributions to the scorecard metrics

The groups endorsed existing metrics and made further contributions.

CAG contributions	WaterNSW Commentary and Clarifications	Is this incorporated in WaterNSW Water Delivery Metrics?
Outcome 6: WaterNSW will provide good customer experiences (enabling our customers to run their businesses)		
An aspirational target regarding WaterNSW achieving a certain number of face-to-face interactions with customers per year	Face to face interactions with customers occur with various field teams as part of everyday activity. This would create additional accounting.	No
Measures regarding level-of -service outcomes	Metrics regarding the proportion of problems that are resolved by the call centre are included, metrics on complaints and compliments for customer services are included	✓
Document the customer issues resolved versus not resolved over time with the call centre	Metrics regarding	No
The location of forms, what they are required for, and the implications of completing/not completing them – described very simply.	This is an aim of the upgraded Customer Portal project – this is resolved elsewhere	No
Metrics addressing the useability of the customer portal	Usage performance metrics are included in final metrics	✓
WaterInsight upgrades are tested by customers for smooth business interactions. Ensuring the investment in WaterInsights is spent as wisely as possible to create smooth customer interactions.	WaterInsights planning commenced with customers in 2024. WaterInsights performance metrics are attached to OUTCOME 5. (Subscriptions, traffic, downloads)	No
Customers dislike the large amount of surveys being sent to them to be completed. They noted that they felt "surveyed out" and the manner in which the questions are presented is unappealing or unengaging. A CAG member noted that the Department's current engagement as an example that has improved over the past few years. There is a widespread dislike of surveys unless necessary.	Noted. Removed from the metrics.	✓
Improved communications by using engaging techniques such as videos or audio explanations of complex concepts.	Outcome 3 metrics refer to improved customer reporting formats.	✓
Re the draft metric using the net promoter score. This is only taking responses from 12% of customers who call. Concern was raised that the average is 60% and that 40% is a low trigger for review. CAG participant suggested the averages should be higher	Removed as a metric	✓
Focus on those process improvements that enable customers to achieve compliance, rather than other activities.	This is a broader approach to the Customer Portal as part of business planning	No
,For the Murray Valley customer, codesign process with MDBA and NSW DCCEEW infrastructure on policy and planning is supported by WaterNSW.	WaterNSW has commenced rethinking the CAGS and how they can best operate to service customer needs. This desired metric has been communicated with MDBA and NSW DCCEEW.	No
WaterNSW should host an annual forum including financial and economic specialists in each valley, allowing these customer representatives to have detailed conversations that other customers may struggle with. These are important decisions and this engagement tool would recognise the system complexities a part of regulatory proposals.	This is part of the customer engagement currently and will be part of future considerations.	No

Final score card

The final agreed Metrics to measure the outcomes follows.
(OL) denotes inclusion in WaterNSW Operating Licence

Outcome 1 - WaterNSW to maintain downward pressure on costs to support customer affordability
Public metrics to measure progress for this outcome

- Report on our performance against the IPART determined regulatory outcomes, on a valley specific basis, on the following areas:
  - Operating expenditure each year
  - Capital expenditure each year, including highlighting any variability from allocations
  - Material changes to plans for capital projects by valley, and how we have pro-actively engaged with customers on major expenditure charges prior to finalising decisions, to keep them informed.
- Report on our performance against the IPART determined regulatory outcomes for WaterNSW efficiency targets.

Outcome 2 - WaterNSW will provide secure, reliable water delivery
Public metrics to measure progress for this outcome
Metrics regarding releasing water

- Meet the target to release 99% of customers' water orders within one day of the scheduled day of release. (OL)
- Meet the target to Reschedule 100% of water orders in consultation with an affected customer within one day. (OL)
- Report operational water losses by valley (in both volumes and percentages). We aim for no more than 3% operational water losses. (OL)
- Service interruption target is met with 95% of affected rural valley customers notified no less than 7 days before Water NSW ceases to, or becomes unable to, release water. (OL)
- Avoid 100% of water quality incidents (non-compliance with our water quality management system) for all raw water supplied for the final end use as drinking water. (OL)
- Report on the progress against delivery of the maintenance plan – a simple progress metric/ traffic light, by valley

Metrics regarding interruptions to water supply to customers

- For direct water supply services (e.g. Fish River and Sydney Water)
  - Notify affected customers of 100% of planned service interruptions, e.g. asset maintenance, all at least 7 days before commencement of the interruption. (OL)
  - Notify affected customers for 95% of unplanned service interruptions of the expected rectification time within 24 hours of WaterNSW becoming aware that an interruption has occurred. (OL)
  - Notify customers before rectification time finishes if works will be longer.
  - We have met our legislative obligations for cyber protection of data and critical infrastructure on an annual basis.
- Customers have been notified within 72 hours if there is a notifiable data breach of their personal information, in line with legislative obligations

Metrics regarding water conservation

- Implement actions according to the Drought Contingency Plans for each valley to conserve water if in drought.

Outcome 3 - WaterNSW will be open and transparent (about customer charges and WNSW expenditure)
Public metrics to measure progress for this outcome

- Financial performance is reported annually to customers and will include:
  - reporting by valley
  - categorisation by expenditure type
  - capital reporting by project and profitability, including any deviations on major capital project cost variations and reasons why
  - by revenue type, including grants and any Australian Government funding
  - annual dividend paid to the NSW Government
- Forward plans will be provided on capital projects, identifying where significant valley specific maintenance projects need to implemented.

NOTE: Customer reporting will be in an easy-to-understand format and provided through multiple channels e.g. Customer Advisory Groups, newsletters, website.

Outcome 4 – Sustainable water and land management
Public metrics to measure progress for this outcome

- Publish, and report on implementation progress of the 2025-2030 WaterNSW land management plan, once metrics defined.
  - Provide metrics against targets (to be set) on the hectares of land treated for pests/weeds annually, and for what issue, by valley
- Report on targets set in our climate adaptation plan, including land secured for biodiversity and carbon sequestration.
- In partnership with the Environmental Water Holder, provide transparency of environmental water utilisation by valley

NOTE: Once targets have been set, following the development of the WaterNSW land management plan, reporting will be provided by valley where possible

Outcome 5 - WaterNSW will provide customer and community access to data and information
Public metrics to measure progress for this outcome
Wider community engagement

- Develop and maintain a strategy for an ongoing community education program (OL)
  - **Baseline:** Current high-level Voice of Customer results
  - **Target:** Strategy developed and reviewed annually, implemented deliverables. No decrease in the Voice of Customer responses
- Demonstrate funding from customers is supporting on-ground interaction through increased year on year face to face interactions and on-ground feedback e.g. attending field days and water user association meetings.
  - **Baseline**: 1 round of CAGs or 1 update per valley to be spread over the year. Information provided to customer campaign team for field days
  - **Target**: Increased customer engagement year on year by 2 events

Customer focused information

Report usage performance metrics for WaterInsights consisting of increase in total subscriptions:

- Baseline: 2024 numbers
- Target: Year 1 - Target no decrease on baseline
  Year 2 – 3% Increase on baseline
  Year 3 – 5% Increase on baseline
  Year 4 – 8% Increase on baseline
  Year 5 – 10% Increase on baseline

NOTE: Additional customer-focused Key Performance Indicators (KPIs) may be introduced following further analysis.

Outcome 6 - WaterNSW will provide good customer experiences (enabling our customers to run their businesses)

Public metrics to measure progress for this outcome

- Demonstrate how feedback has informed the establishment of the customer and community engagement policy (OL).
- Identify and publish the proportion of problems are solved by call centre on first call (first contact resolution) with a target metric of 80%
- Report on data trends by topic through the complaints and compliments register for customer services

Early warning system

- 100% of persons registered for advance notifications are notified in accordance with the early warning system (OL).

Customer portal

- Report usage performance metrics for the Customer Portal on:
  1. Increase in total subscriptions to Customer Portal
  2. Increase in statistics on website traffic (captured by Google Analytics)
  3. Increase in number of downloads

Water trading

- Approve or reject no less than 90% of complying trade applications for temporary trades within the State within 5 business days of Water NSW's receipt of the application. (OL)
- Approve or reject no less than 90% of complying trade applications for interstate temporary trades (except to South Australia) within 10 business days of Water NSW's receipt of the application. (OL)
- Approve or reject no less than 90% of complying trade applications for interstate temporary trades to South Australia within 20 business days of Water NSW's receipt of the application. (OL)
- Contact at least 95% of customers who place a non-complying trade application to rectify that application within 5 business days. (OL)

Data security

- Notify customers within 72 hours if there is a notifiable data breach of their personal information in line with legislative obligations

Chapter 6 – Next steps and feedback on this process

6.1 Next steps - the IPART process

Throughout the engagement process WaterNSW has continually shared information with Water Working Groups and CAGs, encouraging their continued participation with the confidence that their feedback will be built into organisational delivery plans and viewed by IPART before the final determination is given.

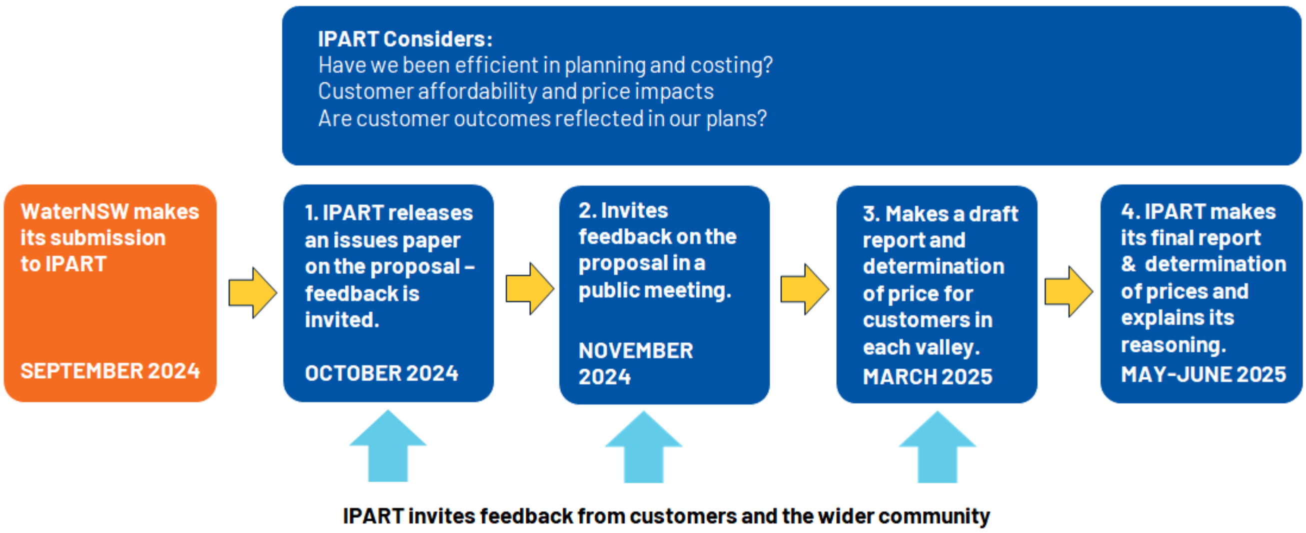
After WaterNSW submits its Pricing Proposal for 2025-2030, IPART will deliberate and calculate:

- the costs to each valley
- the cost share between water users and the NSW government
- that WaterNSW cost6s are prudent and efficient, and
- calculate the charges to customers.

During this process IPART will invite feedback from the public. During the fifth meeting for the Water Working Groups, participants noted that they were eager to regroup and attend a follow-up session once IPART has released the charges to customers. After public feedback has been received, IPART will release its final determination.

This process, as shown to participants, is described below.

The steps IPART takes to determine the prices that customers will pay for WaterNSW services in 2025-2030, and further opportunities for your input.



6.2 WaterNSW commencing immediately to deliver in accordance with the 2025-2030 outcomes

Several of the outcomes requested by customer and community relate to improved communications and interactions with customers, information systems and future planning. WaterNSW has already commenced to act on what they have heard through this process and has in train three areas that directly respond to outcomes requested by customers and community, as follows.

6.2.1 WaterNSW will provide good customer experiences

In mid-2024 WaterNSW commenced planning for improved community and customer engagement for 2025-2030.

They are working on a significant shift in approach to customer and community engagement, to deliver on their key Strategic Priority to be respected by the customers and communities they serve. To do this WaterNSW acknowledge they must be more visible and build deeper, more meaningful and trusted relationships.

Based on the ongoing discussions and feedback with customers and stakeholders, WaterNSW identified:

- the need to address identified pain points to ensure stakeholders and customers' expectations are met, and where possible, exceeded.
- the need to continue to invest in our people with additional, dedicated relationship and engagement roles that live and work in our local communities. These roles will be the link between our customers and communities and the business.
- that regionally located customers and stakeholders were keen to see more representation in local communities.
- the need to focus on further education across the regions including on the role of WaterNSW and other agencies.
- the need to provide a more consistent and formalised engagement with communities and stakeholder groups.

WaterNSW has presented that customer objectives moving forward are to:

- build and maintain **strong relationships** based on trust and respect to serve their customers and communities.
- provide transparent and meaningful information through communication and engagement opportunities.
- support key business functions (Water Planning and Delivery, Operations, Customer Services etc.) to align their communications and engagement.
- amplify WaterNSW's voice in the regions.
- provide timely and transparent advice and feedback to address customer and other stakeholder concerns as they arise.
- support WaterNSW local people and other agencies to engage with customers and other stakeholders on water management and infrastructure issues.
- build a broad and reliable stakeholder database (stakeholder mapping) for easy, fast and efficient proactive and reactive communications.

Plans include to:

- improve engagement at customer advisory groups – inform, consult, engage - more opportunities for workshops and discussion.

- attend field days to educate the wider community and provide customer engagement opportunities.
- hold local dam tours for customers and the community.
- regular communications on operational updates, forecasting, drought planning.
- online Water Planning and Delivery update sessions in times of need.
- river runs in the lead up to peak water use periods to understand challenges, constraints and local demands.
- sponsorships to support communities where we operate.
- ongoing discussions with local councils to ensure local connections.
- community drop-in sessions with their Customer Services teams.
- online webinars.
- Water user associations and industry association engagement (e.g. Cotton Australia, NSW Irrigators' Council, Australian Rice Growers Association, NSW Farmers).

6.2.2 WaterNSW will provide customer and community access to data and information

The Water Working Groups supported an investment in the WaterInsights tool.

In July 2024 workshops commenced with CAGs regarding how to improve the WaterInsights website, making the data more relevant to customers and to identify site improvements. A survey was circulated seeking the thoughts of people who use this site every day. The groups discussed that the current site is 'clunky'.

- On phone applications (native app) was requested to be a priority.
- One of the initiatives proposed by customers – increased instruction and help in setting up and customizing the site has commenced.
- The need to make sure Real-time data information on water source volume and capacity is being transferred to WaterInsights was emphasised, as customers still use this, including historic data sets (start and end dates). Using colour codes on gauges (flow classes) would be visually helpful, e.g. river rising or falling.
- Being able to customise the information on WaterInsights is important to customers.
- An alerts system for specific waterways is to be established and customers can set up alerts to their emails.
- More information on environmental flows on WaterInsights.

6.2.3 Sustainable land and water management

Responding to customers concerns about the need for high quality drought planning

In July 2023 CAGs began considering the outcomes they would like to see regarding sustainable land and water management. One of strongest outcomes referenced in at least half of the groups related to effective drought planning and customer education. Listening to this, WaterNSW commenced drought planning with the CAGs in late 2023, leading to formal drought plans. WaterNSW has also commenced work on a Land Strategy.

6.3 Customer Advisory Groups feedback on the engagement process

CAG customers contributed some detail at the beginning of our engagement as to what would constitute a good engagement process. We have returned to this list to assess how we did.

Issue	Did we achieve this?
When talking with customers and asking for their input we should:	
Clearly explain their role and level of influence in the proposals that are part of the WaterNSW submission	✓
Ensure we allow time to build up the knowledge of customers who may not be across all the issues we want to engage on. Capacity building is important in order to gather accurate feedback from our customers	✓
Provide the option to have face-to-face discussions. A lot of customers are time poor with limited availability to complete online activities. We should come to them	✓
Offer a way for customers to provide feedback that is then reflected directly to IPART	✓
Acknowledge the disparity between large and small water users around the issues of affordability and vulnerability	✓
Larger water customers may be able to afford a price increase and consulting only with these groups may skew the consultation results	✓
In saying this, larger customers also express concerns about affordability. The increasing cost of living and business is affecting all	✓
Segment customer and community feedback on prices by regulated valley and by customer size and type	✓
Provide the bill impacts of the proposals being discussed. Customers should understand the financial implications before communicating their preferences	✓
Customers want to know how the Murray Darling Basin Authority examines their fees that are passed through to customer. Why are customers not consulted on the MDBA priorities? What conversations will take place regarding affordability?	Agreed with customers this is not within WaterNSW's remit to provide information on, but we should listen and note this feedback
Provide the cost rationale for our submission, including risk analysis, detailed cost recovery information and administrative costs. How have our costs been calculated?	✓

CAG Chairs meeting, June 2023

WaterNSW met with the 10 CAG Chairs to discuss the Water Working Group methodology for the customer and community engagement planned for the second half of 2023. Attendees felt the design of this engagement should satisfy the following.

- As there are multiple meetings over an extended period it is necessary to have some flexibility for some people who may not be able to attend each session due to work or distance, as well as people who may need to participate online.
- Attendees should be made to feel comfortable enough to ask questions during meetings without feeling judgement and without feeling rushed.

CAG meetings July 2023

Customer thoughts in regard to the price proposal process in 2023 included:

- Customers noted that WaterNSW should provide information on existing costs and make clear whether they will take responsibility for delivering to those costs and not exceeding them. Additionally, WaterNSW should be proactive in approaching - what they can do better, what needs to be changed and what is required. Information was requested and subsequently supplied on how the costs from the last reset have been delivered (against itemised actions) to ensure transparency.
- Transparency regarding the proposed WaterNSW pricing is essential to highlight what people may be paying for, and whether they feel it is value for money.
- The process is overcomplicated, for a matter that should be simple. The non-discretionary items should be listed and everything else considered as to whether it is affordable.

Engaging with people who are not customers

The CAGs requested that clarity be provided on how much weight will be given to survey results from individuals who have not participated in the IPART process, as their understanding of regulated water in rural valleys may influence the process and the results for customers. WaterNSW noted the IPART Handbook required consultation with community and requested all issues that stakeholders have be noted, so that water issues can be identified and addressed, which is why all types of stakeholders need to be consulted for input.

Considering the water working groups

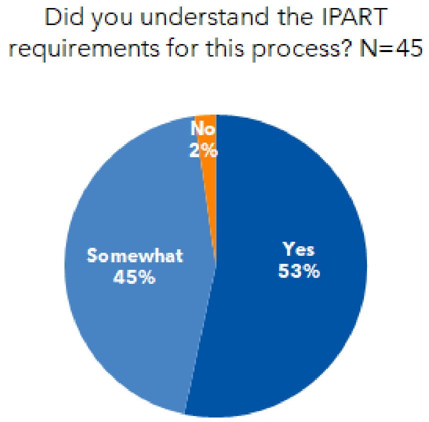
The CAGs were provided with the potential design of the Water Working Groups early in Phase 2, 2023. They requested reassurance that these groups would be able to reflect their customer issues, and that rich feedback would be provided back to the CAGs on this process. Both were achieved.

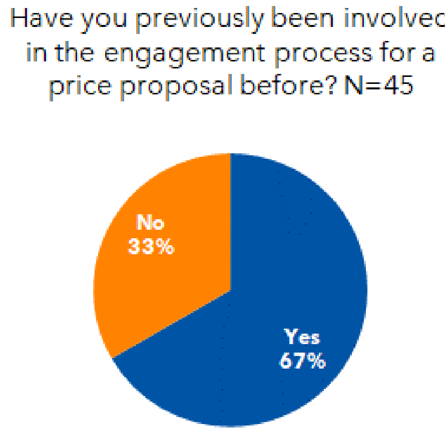
CAG end of consultations survey July 2024

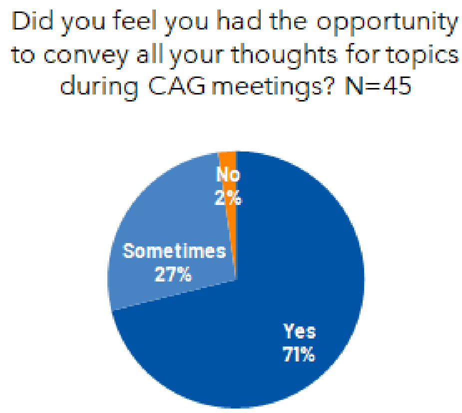
In July 2024 CAG members were asked to provide feedback on their views of the process. Despite their stated weariness with surveys, some 45 customers across all valleys except Murray-Lower Darling provided feedback. CAG members were asked a range of questions to ascertain their views on:

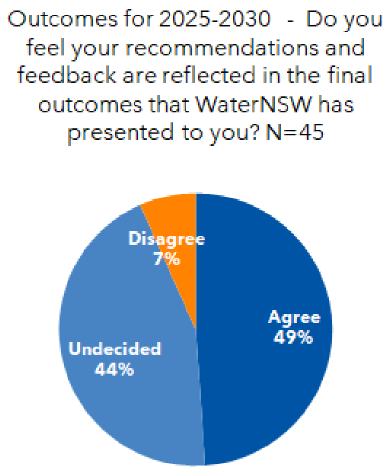
- Their understanding of the IPART requirements for this process
- Whether CAG members had previously participated in the engagement for a price proposal
- How they felt this current engagement had been carried out
- Whether the amount of information that was presented to the CAGs was enough
- Whether adequate time was provided for CAG members to understand content
- Opportunities to convey thoughts for topics during meetings
- Whether they felt their recommendations and feedback have been reflected in the final outcomes WaterNSW has presented.

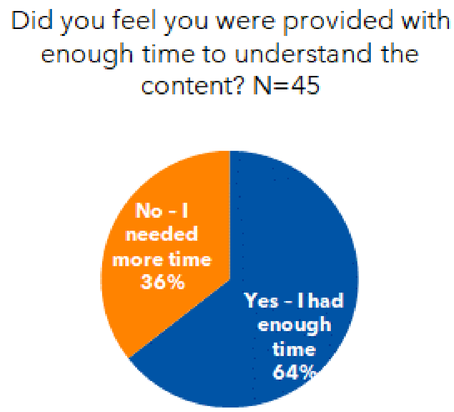
Overall, CAG members feedback reflected positive sentiment for the engagement process for the 2025-2030 determination.

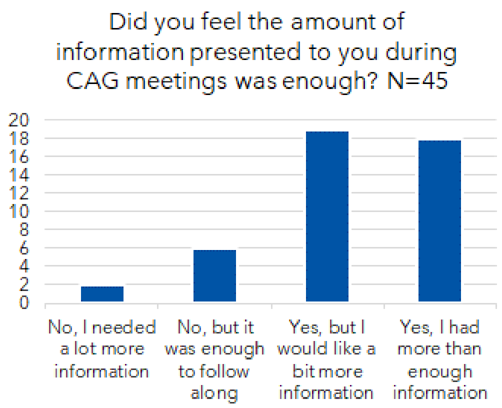


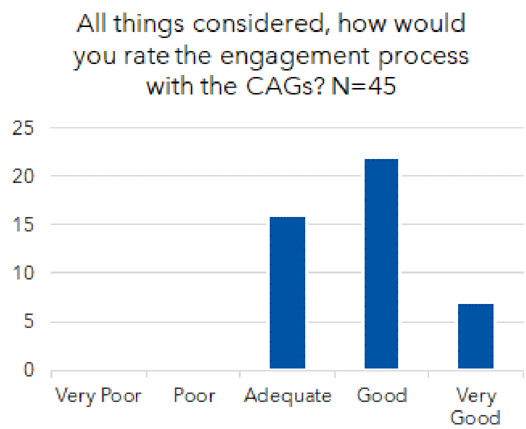












A third of CAG members identified timing as an issue throughout the live process. More time could have been invested to assist customers to fully understand this dense content and provide more feedback.

A large portion (44%) of CAG members were undecided as to whether they felt their recommendations and feedback had been included in the outcomes that WaterNSW presented in the CAG meetings that occurred in July/August 2024. However, the Phase 2 report was circulated and discussed in July 2024 – including how the 128 outcomes the CAGs had identified had been taken forward.

Other suggestions included:

- The options being considered are complex and needed iterative conversations to clarify them. Additional time would be beneficial to digest the content.
- More pre-reading to help familiarize customers with the content for discussion and assist with

In CAG members words...

"Some more valley specific face to face workshops" [would be beneficial in the future].
CAG exit survey

"More briefing papers and time to absorb them."
CAG exit survey

[What I didn't like at times is that this process is that it] "Can be lengthy. a lot of information delivered, hard to absorb at times."
CAG exit survey

"It was well run."
CAG exit survey

"This is a very complex topic. A great deal of effort was put into making engagement options available. Sometimes too many options at times."
CAG exit survey

"This is a time commitment."
CAG exit survey

"Information is transparent and well presented."
CAG exit survey

"Have had good engagement and feedback this determination period."
CAG exit survey

"Too many proposals put in at last minute."
CAG exit survey

"Final outcomes made sense, but it was a slow pathway to get there."
CAG exit survey

"Some repetition and too many surveys. The discussion of different spending seemed too narrow at the beginning. In the end, the final presentations made sense although proposed rises are hard to accept."
CAG exit survey

"Time was given to discuss the issues and responses from WaterNSW were detailed."
CAG exit survey

"Time cost."
CAG exit survey

"WaterNSW went to great lengths to put this together and discussed it at great lengths."
CAG exit survey

"Felt a little rushed each CAG meeting due to the detailed discussion required and the volume and complexity of discussion."
CAG exit survey

"CAG was good, perhaps [engagement in the future should be] spread over more sessions. Regional model at the end was hard work."
CAG exit survey

"Carry out more extensive research on people contributing to the pricing groups. Should be reflective more of who is going to be paying the bills. I felt younger generation farmers were not represented at all."
CAG exit survey

"Analysis on individual valleys rather than relying on other data from outside our unique valley."
CAG exit survey

[The engagement process was run] "better than in the past."
CAG exit survey

6.4 Water Working Group feedback on the engagement process

The Water Working Groups were convened in September 2023 and concluded in May 2024. A detailed report titled *Water Working Groups 2025-2030 Final Report of the Process* describes this process and its results, endorsed by the participants. This report includes a comprehensive evaluation of the process, with exit surveys completed after every meeting by participants.

WaterNSW's Working Water Groups were comprised of a variety of stakeholders from four regions across NSW who met for a total of 5 sessions. The 21 meetings involved cross-agency collaboration between WaterNSW, NSW DCCEEW and the Natural Resources Access Regulator for 13 of them.

During the final meeting, participants completed a 'whole of process' survey to help us better understand how this process worked for the stakeholders. The results will inform future projects and stakeholder engagement.

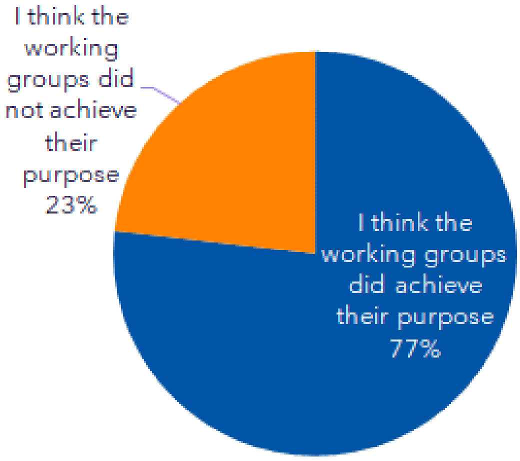
Respondent groups included

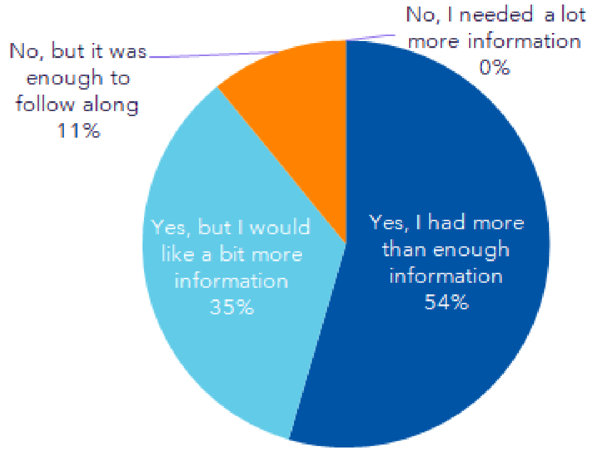
- 18 members from the Coastal Working Group
- 11 members from the South West Working Group
- 7 members from the Central Working Group
- 17 members from the North West Working Group.

We received process feedback from 53 participants who attended at least 3 sessions, from approx. 87 unique people who attended at least one session.

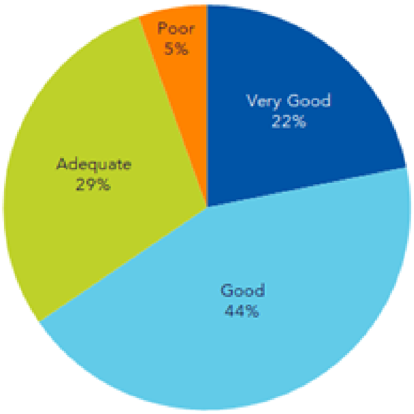
Participants understanding of the WWG's purpose
When the consultation commenced, participants were provided a Term of Reference that outlined the purpose of the WWG's - *to better understand customer and community priorities for bulk water and water management services.*
Three quarters of attendees (n=53) felt the group achieved its intended purpose.

Comprehension of presented information
Just over half of respondents (54%, n=52) felt they were provided with enough information and resources to understand the content and actively engage during discussions. Over a third of participants felt they needed more information.

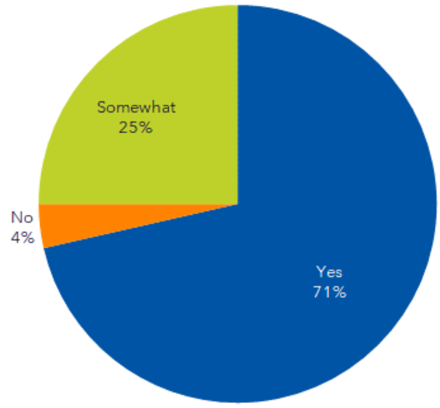




Overall feedback on the Water Working Groups
Overall, the rating of this engagement process was considered to be adequate, good, or very good by 96% of the participants (n=52).

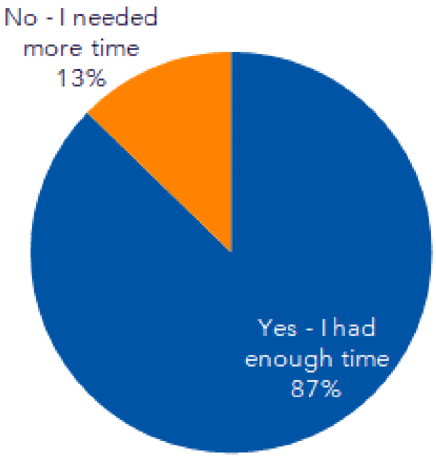


Participant understanding of different viewpoints
The majority of participants (74%, n=53) felt the discussions during this process assisted their comprehension of a range of customer and

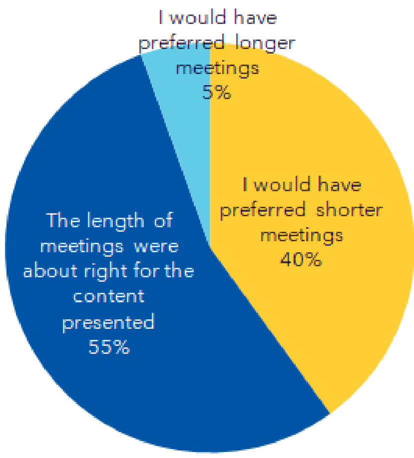


community views.

Time provided to understand the content
Results from the exit survey demonstrate that 88% (N=52) of those who attended found that the time provided to understand the content of materials was efficient. A small percentage (12%) found they required more time.

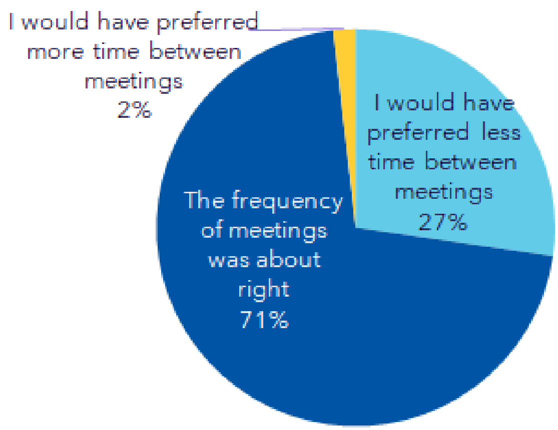


Sentiment towards the length of meetings
Sentiment was fairly evenly split between those thinking the length was about right (56%, n=52), and 38% preferring shorter meetings. Only 6% would have preferred longer meetings.



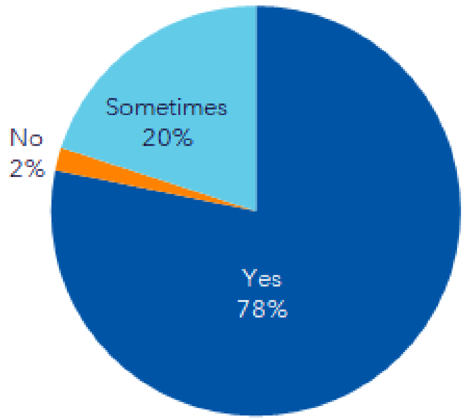
Sentiment towards the frequency of meetings

Most participants (73%, n=52) believed that the frequency of these meetings were ideal. 25% felt less time between meetings would be ideal.



Adequate opportunity to convey topic feedback

The majority (79%, n=52) of participants felt that there was enough opportunity during these sessions to actively engage and provide feedback. 2% felt it was insufficient.



What should be done differently next time

Most participants commented on the duration of the meetings. They suggested shorter and more frequent meetings to focus on specific content, working towards specific goals and outcomes. More breaks would be needed if the meetings were to remain the current duration. A request was made for community and customers having their own group session and for closed voting.

The importance of including both community members and customers (with a water licence) in the Water Working Group process

There was agreement amongst 90% (n=52) of attendees at the end of the process that it was at least somewhat important to include community and customers.

This is an important finding when one considers there was hostility and disbelief expressed by some CAG members to the idea that community would have influence over their water prices, and some that customers would in part be paying for this process.

So it is interesting to note the educative and socialising role of the Water Working Group meetings. When participants were asked to think about the importance of the diversity of participants - 69% always thought having both community and customers in the room was important and importantly 13% grew to appreciate the importance of having community in the room.

Overall thoughts about this process

Three quarters of the participants (75%, n=52) felt that this process was worthwhile, the remainder thought it was somewhat worthwhile. No participants thought the process was not worthwhile.

6.5 Our evaluation of this engagement process

6.5.1 Considering our engagement objectives and the IPART requirements of this process

WaterNSW is seeking an enduring high-quality engagement with customers and stakeholders, and one in which they strive to continuously improve these relationships and outcomes, delivering ever greater value to customers. This was the largest, most complex and in-depth engagement and consultation ever conducted by WaterNSW. It was underpinned by values of listening and transparency. The process was a significant investment in time and funding with senior executive staff taking ownership, and consulting directly with customers, throughout. WaterNSW Board Directors also attended Water Working Group sessions as observers. The engagement approach adopted by WaterNSW has been underpinned by IPART's six principles for good engagement:

1. Meaningful and sincere engagement
2. Diverse and inclusive engagement that is accessible and tailored to the customer base
3. Balance customer and environmental needs
4. Relevant, timely, and appropriate
5. Transparent and accountable
6. Representative, reliable, and valid design

Attachment B is the grading rubric prescribed by IPART relating to customer and community engagement and our response as to how we have met it. Broadly, we have adopted a leading position on many of the criteria, notably with the commitment to a flexible methodology that addressed ideas and the issues as they arose in the process.

6.5.2 WaterNSW evaluation of this process

The context for this engagement

The context within which these deliberations occurred is important.

- 2023 and early 2024 has seen a cost-of-living increase for the whole community, leading to mortgage stress and widespread concern about bill affordability. This has been shared by customers and community members alike.
- For businesses this has been a cost-of-production impact, centred on inflation impacts and the cost of suppliers, wages, fuel, interest rates and goods and services.
- This is compounded by the fires and floods that occurred within the current regulatory phase 2020 - 2025.
- In the WaterNSW search for participants, many customers expressed fatigue resulting from ongoing State and Federal engagement activities over land and water management. Customers expressed that it is wearying to track Federal, State and local engagement on a variety of (constantly changing) issues, with consultations often overlapping or at the same time. When contacted about the Water Working Groups many customers told the engagement team that they could not afford to invest the time or energy in this, albeit important, discussion.

The challenges in designing this engagement

Overall, the success of these working group discussions needs to be examined in the following context:

- The systems for allocating water, and charging for water take, with rules and policies that differ across geographic areas, is highly complex. There is a level of customer and community confusion regarding the roles of WaterNSW, NSW DCCEEW and NRAR. We attempted to tackle this in our first Water Working Group and reminded participants about the different roles in every subsequent engagement.
- The charging structures are relatively complex, with tariff differences across valleys and by water type: regulated river, unregulated river, groundwater, one and two-part tariffs. It was a deliberate strategy to confine tariff reform and heavily financial content to the Customer Advisory Groups who have more experience in these areas and had a greater stake.
- The consultations had to tread a path that provided enough information for people to be able to participate meaningfully, whilst not overwhelming participants with the detail and complexity of this system. A significant time commitment was required.
- The consultations attempted, for the first time, to bring together the three water agencies, and stakeholder groups – bringing a diversity of issues, participants and views.
- In effect, non-customer participants learned about the water system, recognised the level of complexity, and appreciated this learning. They noted "*we are looking at the bigger picture which is - what is the role of government? There is a role for Government to ensure water security and that it continues to play its role*."
- Unlike an urban water utility, not all community are customers, and so a random selection of participants was not available. Despite this, a way was found for community members (who did not have a water access licence) to be recruited this way.
- Many customers were and remained uncomfortable with community members having a voice in price discussions, despite it being a requirement by IPART.

The challenges in undertaking this engagement

This engagement process was unique, with the need to address the priorities of stakeholders across each of 12 inland river valleys and coastal regions. It was the first combined attempt by the NSW water agencies to consider the outcomes that customers and community want in 2025-2030, prepare investment proposals, have important discussions on cost sharing between government and customers, and consider the affordability of water access in 2025-2030.

The challenge to secure participants, including young producers, was significant – they are time poor and the system and rules complexity, as described by producers we reached out to, provides a difficult and time constrained operating environment. Beside our direct outreach activities to potential participants, every agricultural stakeholder group on each CAG was invited to help find participants. Every Council in the water valleys was directly contacted and invited to participate in various forums.

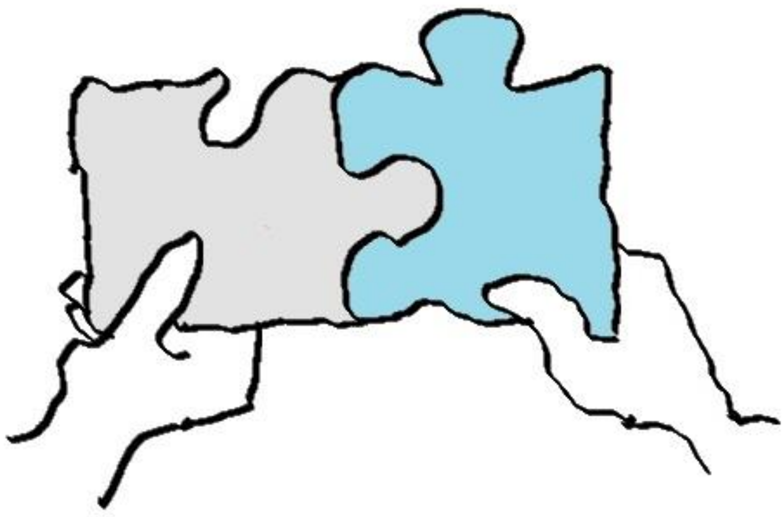
The challenge to provide the right amount of information, to enable good participation and yet not exhaust participants, was keenly sensed in each meeting, and is described in participant feedback. Some customer participants wanted more information, such as detailed descriptions of the return on each investment proposal, as part of their considering the proposals. Other participants expressed that the information being provided was, on occasions, too much for them. Remembering the time constraints of producers, discussions on specific WaterNSW bulk water programs and activities (investment proposals) were limited to approximately 8 hours. The Customer Advisory groups focused on financial conditions and several price structure proposals (as described in Section 4.8).

Meeting IAP2 best practice engagement

As engagement specialists we strive to meet the International Association of Public Participation Best Practice Framework. We upheld these values as described in Attachment B and documented in the various engagement reports.

- ✓ Public participation is based on the belief that those who are affected by a decision have a right to be involved in the decision-making process.
- ✓ Public participation includes the promise that the public's contribution will influence the decision.
- ✓ Public participation promotes sustainable decisions by recognising and communicating the needs and interests of all participants, including decision makers.
- ✓ Public participation seeks out and facilitates the involvement of those potentially affected by or interested in a decision.
- ✓ Public participation seeks input from participants in designing how they participate.
- ✓ Public participation provides participants with the information they need to participate in a meaningful way.
- ✓ Public participation communicates to participants how their input affected the decision.

Attachments



Attachment A – IPART Principles for good engagement

The following text is taken from the *Independent Pricing and Regulatory Tribunal Water Regulation Handbook* July 2023 pp.18-25.

Principle 1: Meaningful and sincere engagement

“Customer engagement aims to understand customer needs and preferences, so a business can incorporate this into its plans and proposals.

We expect businesses to provide customers with information in a form that is accessible and easy to understand, so that it enables customers to make informed contributions to the engagement process. We would expect executive leadership and Boards to be involved in customer engagement, to foster a culture of excellence in the process and embed it as a business-as-usual activity.

We expect customers to feel they understand the issues at hand, that the business understood their views, and understand how their contributions and inputs are used.”

Principle 2: Diverse and inclusive engagement that is accessible and tailored to the customer base

“Within a business’s customer base, there will be a mix of different customers with varying preferences on how they prefer to receive information and be engaged.

We expect a business to identify and make engagement accessible to its stakeholders, including those stakeholders experiencing disadvantages or vulnerability. Businesses are expected to have regard to customers’ differing capacity and access to engagement.

A business can utilise various customer engagement tools, techniques, data sources and leverage different levels of engagement, such as IAP2 Spectrum of Public Participation, to enable customers to participate and provide meaningful input.”

Principle 3: Balance customer, community and environmental needs

“Water is critical to our communities, environment and economy. We expect businesses to demonstrate how they have considered and balanced their customers’ and communities’ diverse views and preferences in developing their plans and proposals.”

Principle 4: Relevant, timely and appropriate

“Customer engagement should identify customer values, issues of priority and agreements on how the business would deliver on these expectations. We expect topics covered during customer engagement to be priorities for customers, and for a business to be able to demonstrate both:

how it identified topics relevant to its customers

how customers have had the chance to influence these topics. ”

Principle 5: Transparent and accountable

“We expect businesses to demonstrate how they ensure customers understand the overall impact of their preferences and willingness to pay. This should include how decisions will impact different customer and community groups and the impact for current and future customers.”

Principle 6: Representative, reliable, and valid design
"Credible results from customer engagement require customer engagement to be designed so that it produces results that are an accurate representation of the views and preferences of the business's whole customer base.

Customer engagement design should be free from systematic error. For example, selection bias commonly occurs in customer engagement processes where customers 'self-select' or 'opt-in' to an engagement process. This results in skewed outcomes that are not representative. Good engagement practice requires a business to randomly select participants with a statistically valid sample size that is representative of all its customers and communities.

Good customer engagement should be designed to eliminate or minimise systematic error and demonstrate how results are both reliable and valid. Likewise, we expect customer engagement to avoid the use of biased survey questions that result in unreliable and inaccurate views and feedback."

Attachment B – Our response to the IPART Water Regulation Handbook Grading Rubric

Below is our response to excerpts from Appendix B pp.101-104 of the IPART Water Regulation Handbook.

Standard Expectations	Advanced - Additional expectations to Standard	Leading - Additional expectations to Advanced
1. Customer Centricity		
Develop a customer engagement strategy		
✓	✓	✓
Customers influence business outcomes		
✓	✓	
Processes support customer centricity		
✓	✓	✓
2. Customer Engagement		
Engage on what matters to customers		
✓	✓	✓
Choose appropriate engagement methods		
✓	✓	
Engage effectively		
✓	✓	
3. Customer Outcomes		
Customers drive outcomes		
✓	✓	✓
Performance measures support outcomes		
✓	✓	
Accountability for customer outcomes		
✓		
4. Community		
Identify community outcomes		
✓	✓	
Community outcome performance measures		
✓		
Accountability for community outcomes		
✓		

1. **Customer centricity**

How well have you integrated customers' needs and preferences into the planning and delivery of services, over the near and long term?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Develop customer engagement strategy		
• The business has a published customer engagement strategy which: – sets out how it seeks to understand what matters to customers, and identifies the outcomes that maximise long-term customer benefit at an efficient cost – considers the level of influence customers have in how services are delivered – identifies the role of customer engagement in understanding customer preferences – commits to engage with customers in the pricing proposal and for major investments. • The strategy should be well structured and easy for customers to follow, and articulate clear roles and responsibilities of customers, regulator(s) and business.	• The strategy demonstrates that customers have a high level of influence in how services are delivered and commits to gain insights from customers through a variety of methods.	• The strategy empowers customers to co-develop the most material aspects of its pricing proposal that impact price and service.

Our response:

Achieving a standard result

WaterNSW published its Customer and Community Engagement Strategy in May 2023. The strategy provided a draft methodology to engage with a wide stakeholder base and understand what customers and the community want in the delivery of bulk water in 2025-2030. It is plain English and widely distributed to stakeholders. An important principle of good engagement is flexibility in design, listening to your stakeholders and the process findings and understanding how to adapt to ensure inclusive conversations. The WaterNSW engagement process adapted and lifted to ensure we could understand views on:

- the outcomes people want and need from WaterNSW
- the options in delivering on those outcomes
- the priorities to achieve in 2025-2030
- the efficient provision of goods and services
- the affordability of delivering bulk water in 2025-2030.

The revenue requirements for WaterNSW delivery of bulk water in 2050-2030 became clear in Phase 3 and so WaterNSW again demonstrated flexibility in our engagement. They extended their conversations with various water user groups, customer groups and key stakeholders such as the Commonwealth Environment Water Holder to:

- consider large cost projects and their immediate affordability
- consider the cost shares between customer and government
  - consider options to delay the timing of some investments in the system
  - consider tariff reform in several ways: a revenue cap or price cap, a price cap of 15% and regional pricing

Achieving an advanced result The commitment to engagement is demonstrated in both the initial strategy and the final engagement process which lifted to meet the need to engage on deeply important price structure, affordability and water delivery issues. ***Achieving leading results*** The CAGs were consulted on a draft method before the Strategy was prepared. A similar co-design approach to engagement resulted in the formation of the NSW Water Working Groups, a large investment in community and customer conversations that shaped the results of 21 investment proposals and the approach to infrastructure maintenance, for services and activities in 2025-2030. The development of this methodology was the result of careful conversations with customer and stakeholder groups: • as part of their request for better coordination between the water agencies • for the issue of cost shares between Government and customer to be explored • for participants to provide a mix of stakeholders and for results to be segmented • for conversations and results to be made completely transparent. WaterNSW aligned its proposal with the outcomes of that process and Water Working Group participants strongly endorsed this process as being worthwhile. The strategy and subsequent process empowered customers to co-develop the most material aspects of its pricing proposal that impact on price (price structure reforms) and services (investment proposals). **Water Working Group quotes:** "I came into the first session feeling very overwhelmed with knowledge on a topic I only had general knowledge about. I've learnt so much from users and staff from WaterNSW etc throughout each session." [The forum] "Provided an opportunity to engage with different groups and hear WaterNSW issues, as well as the other groups involved." **CAG quotes:** "Information is transparent and well presented." "Have had good engagement and feedback this determination period." [What I liked most about this process was] "the opportunity to get information and have it explained."

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Customers influence business outcomes		
• Customer insights and engagement influence customer outcomes, inform business decisions, and short, medium and long-term plans.	• Customer insights are linked to customer outcomes, which inform ongoing improvements in the way services are delivered to customers.	
Our response: ***Achieving an advanced process*** Led by the WaterNSW Executive, an advanced result was achieved with customer insights from over 2,500 conversations, leading to a long list of outcomes and importantly, the clear identification of priority outcomes (see Section 5.1). These outcomes led to the development of a range of: • cost share between government and customer conversations • investment proposals for activities and services in 2025-2030 • several rounds of conversation about pricing structure and WaterNSW administration reforms. There was a clear line of sight to the development of investment proposals targeted to meet customer priorities identified in Phase 1. Customers expressed their preferences and in most cases the business has accommodated these investments preferences in their proposal. Where they differed, a rationale as to why has been put to customers and stakeholders – for example, this level of investment is required by legislation, or WaterNSW cannot ensure an adequate level of service without a certain level of investment. **Water Working Group quotes:**		

"Having a say and them coming back with how they took it on."
"I think that they have been fluid and made adept changes as needed to each session as we have progressed. The use of Slido to get feedback and comments is great as it ensures everyone is heard."

CAG quotes:
"The interaction and receiving honest feedback" [was what I liked the most as a CAG member].
"I had a say and was involved."

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Processes support customer centricity		
• Systems in place to respond to ongoing customer feedback. • Consumer facing businesses propose assistance programs for customers experiencing vulnerability (e.g. hardship programs, payment plans, access to concessions or other)	• Learns from and keeps up with peers and industry best practice engagement methods. • Consumer facing businesses propose tools or processes to support early identification and interventions for customers experiencing a range of vulnerability circumstances.	• Clear evidence of continual improvement in customer value across the business where it reflects on, and incorporates, learnings from its engagement processes. • Consumer facing businesses propose simplifications to assist customers, including those experiencing vulnerability, improve accessibility and understanding (e.g. customer contracts, bills and accounts and water literacy).

Our response:
Achieving a standard and advanced result
Customer insights influenced every aspect of the price proposal in a deeply iterative process. The process took 18 months and resulted in a deepening conversation with unprecedented honesty from WaterNSW and transparent planning.

The WaterNSW customer and stakeholder base is a broad church. Its hugely diverse customer base includes:

- a range from small family-owned producers to well established high volume corporate producers.
- customers who use their water licence to extract water, and those who don't. For those that don't, the water could be unaffordable at the time, or the licence is being used as a financial investment vehicle, or other circumstances prevail such as drought, flood or fire.
- customers who pay between AUD$300 a year to upwards of AUD$5 million a year the delivery of bulk water.
- stakeholders and customers that create diverse types of value from that water – depending on their geography, water allocation and availability, soil types, types of water licence, surrounding supporting industry and community need. Major value is derived from the use of bulk water in environmental flows.
- customers who are a 'stand alone' producer or a part of an irrigation scheme or corporation – and as such are customers of an irrigation entity who then represent them in consultations like this.

WaterNSW has made a commitment to better listen and respond to customers, as well as to stakeholders and the community. This means placing customers at the front and centre of decision-making about future services. These services and activities document the price proposals to IPART and as a result, the processes to support customer centricity started to improve substantially with this engagement process.

All of the six outcomes clearly identified by customers directly relate to customer centricity. In particular:

- Outcome 3 - WaterNSW will be open and transparent (about customer charges and WNSW expenditure)

- Outcome 5 - WaterNSW will provide customer and community access to data and information
- Outcome 6 - WaterNSW will provide good customer experiences (enabling our customers to run their businesses)

respond directly to customer conversations about system complexity, rule inflexibility, new policy costs and tools to help them align with a changing regulatory landscape. WaterNSW listened and the outcomes and metrics on how these outcomes will be measured were led by customer conversations.

The lift in customer centricity was noted by customers. Reflecting on this process:

- "You could get feedback from the CAGs but I'm not sure how you would measure client happiness. You could report this by having the actions that have been taken against any concerns or negative comments. In the CAGs this year you've seen a marked increase in feedback and engagement. If you'd asked this nine months ago, you'd probably get a very different answer than today. There's no other way to measure apart from the communication and engagement that's occurring now." (Central Water Working Group meeting 5).
- "WaterNSW went to great lengths to put this together and discussed it at great lengths. It may require some modelling of outcomes." – CAG exit survey

Achieving a leading result

The process of improving customer engagement – two-way deep conversations – commenced with the pricing proposal process. WaterNSW has listened:

- to customers across NSW in thinking about the design of this engagement process.
- to all members of the Customer Advisory Groups in rethinking how the CAGs should operate in 2025-2030.
- to customers and community across NSW in the Water Working Groups about what is the right level of investment in a community engagement team for 2025-2030.
- to best practice advice in undertaking engagement, lifting in strategy and following the advice of customers and community, ensuring all three water agencies were collaborating in the Water Working Groups. This provided a far more efficient process, meeting a customer demand that the agencies demonstrate coordination and avoid overlapping activities.

Customer vulnerability and water delivery affordability was raised across all valleys in Phase 1 – Big Sky Thinking and then in the Water Working Groups. It continued as a critical topic throughout the process. The Phase 3 conversations then closely examined options to improve the affordability of bulk water delivery. Not satisfied with describing revenue and impact to customers, WaterNSW modelled options and consulted the government and returned to customers with updated information, including price structure and price change cap solutions.

2. Customer engagement

Are you engaging customers on what's most important to them, making it easy for customers to engage by using a range of approaches to add value?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Engage on what matters to customers		
• Select issues for engagement that matter to customers.	• Customers involved in setting priorities that matter most for deeper engagement.	• Collaborates with and empowers customers (and/or customer representatives) to develop solutions in customers' long-term interests.
Our response:		

Achieving a standard and advanced response
Understanding and determining what is most important to customers led our Phase 1 thinking and activities. We:

- spent 2 sessions with every CAG in every valley to start with the big picture and then shape 128 specific outcomes.
- conducted an online survey with 959 participants across NSW.
- spoke to farmers, families, employees and people who provide services to producers in field days across NSW. For those who did not want to participate online our field teams engaged in person.
- conducted our 2023 Voice of Customer research with n=1,200 participants.

A long list of issues were raised and a tiered issues tree (see Section 3.1) enabled every customer idea to be recorded and considered for priorities.

Achieving a leading position
The priorities across the state became clear. Our leading position was then achieved when we collaborated with customers and customer representatives to consider and debate the solutions to achieve those outcomes and customer's long-term interests.

Section 3.4 describes the investment proposals.

The highest priority outcome was that of maintaining affordability. That WaterNSW is as prudent with its costs and revenue as possible to slow the increase in customer bills through prudent planning, efficiency measures, investments, and finding other sources of revenue. It focuses on supporting the ability of smaller farms to operate, creating regional community diversity and a diversity of produce. Acknowledging WaterNSW must do as much as it can to relieve the cost pressures on customers, efficiencies gains across the manifold parts of the business will be critical and time sensitive for many smaller customers.

The affordability of water delivery was critical and worried customers – particularly when the large increases in the revenue required in 2025-2030 were conveyed.

Understanding this, WaterNSW had commenced a cost transformation program in the lead up to the price proposal process. The WaterNSW Executive then listened to customer concerns and led a deliberation on the issues of:

- the balance between social, economic and environmental outcomes in regional NSW.
- the need for the cumulative impacts of customer charging to be considered (WaterNSW bulk water, WAMC charges, including Natural Resources Access Regulator, the Border Rivers Commission and the Murray-Darling Basin Authority).
- the right share of costs between customer and government for a range of services and activities by WaterNSW bulk water that provide wider community outcomes and benefits.
- the options for pricing structures - a price cap or a revenue cap – understanding that a new pricing structure can reduce the volatility of charges for both WaterNSW and the customer.
- the options for regional based (northern and southern) charges rather than valley-based charges, to help smooth the various valley costs and provide flexibility in undertaking system improvements.
- the alternatives for deferring expenditure to the 2030-2035 period.

Water Working Group quotes:
"Being able to see charts and explanations to changes, question and debate on what as a community would be agreeable or not."
"Facilitation, learning about other users in community, learning about pressures on irrigators, and pressures on WaterNSW."

CAG quotes:
"Enough detail to understand the pricing determination without too much complication."
"The CAG provides an avenue to highlight issues however outcomes are varied."

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Choose appropriate engagement methods		
• Suitable consultation method/s have been chosen to reach a representative customer base and/or their advocates, such as renters, homeowners, vulnerable groups, and businesses. • Opportunities for 2-way communication with customers exist. • Scope of engagement proportional to the level of expenditure and the impact of the project.	• Chooses effective methods to provide all customers – including more difficult-to-reach customers – with a high level of influence in how services are delivered. Responses are then triangulated and tested against other information.	• Continuously seeks to improve methods of engagement and explore innovative methods.

Our response

Achieving a standard and advanced response

This process has far exceeded a simple two-way communication with customers. The sheer complexity of the bulk water system, compounded by WAMC services and those of other agencies such as the Murray-Darling Basin Authority meant discussions needed to:

- educate participants to enable their deeper contribution and so that the impact of the revenue requirement became better understood.
- go to participants in their place, in particular for community and First Nations discussions. The project team travelled in excess of 42,000 km to achieve these conversations.
- be iterative – as more information was provided and context better understood, views may change.
- continue over time, as economic modelling and financial information became available. We explained to participants this was a 'live' process – nothing was predetermined!

The Water Working Groups received the information from the CAGs and the wider community – making sure they understood what other participants in the engagement journey had requested.

Achieving a leading response

WaterNSW adopted a leading position by continuously seeking to improve its methods of engagement and explore innovative methods.

- It adopted a position of complete honesty and transparency in customer discussions, which was applauded by participants.
- It coordinated WaterNSW, NSW DCCEEW and NRAR to work together to provide the 'full picture' engagement to customers and the community.

The degree of difficulty of the engagement was compounded by ongoing policy changes, for example the NSW Metering Review that commenced in 2023, the changes to the WaterNSW Operating Licence by IPART, and the March 2024 *Connectivity Expert Panel Interim Report*. WaterNSW needed to work with these areas of uncertainty, whilst providing sufficient confidence to customers that the price proposal engagement process was robust.

The Water Working Groups participants noted:

"I feel this process has been feeling its way, it is a new approach. Not used before."

"It allowed a range of people from various departments and sectors to come together."

"These groups help as a community member understand and be more aware of changes being made, how and why even if parts of group do not 100% agree we've all had questions and answers to address issues."

"It's a bit of a work in progress but I can see our feedback was taken on board."

"The system is so complex we can only be provided a snapshot. Government imposes so many extra costs we can't change some things... But really need to."

"We were able to ask a range of questions as well as being able to provide feedback on what our views were. And that a number of WaterNSW senior staff were on the meetings."

"I came into the first session feeling very overwhelmed with knowledge on a topic I only had general knowledge about. I've learnt so much from users and staff from WaterNSW etc throughout each session."

"It's a lot of complex information to get through and quite a lengthy time to do so that it felt a bit much at times."

CAG quotes from CAG exit survey

"WaterNSW went to great lengths to put this together and discussed it at great lengths. It may require some modelling of outcomes."

[This engagement process is being run] "better than in the past."

"It's a complicated area and a lot to take in and understanding the full implications."

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Engage effectively		
• Unbiased, clear explanation of context and objectives. • Participants are informed of the impact of their feedback. • Engagement is easy to understand, and customers' understanding is tested and where relevant, technical literacy/capacity is supported for effective engagement. • Culturally and linguistically diverse groups are supported in their engagement. • Information is accurate, objective, tells the whole story and is correctly targeted to its audience. • Clear explanations of investment options, service levels, and uncertainties.	• Engagement includes clear explanation of options (including price differences and any potential trade-offs), and participants are confident their feedback will influence outcomes.	

Our response

Achieving a standard and an advanced response

WaterNSW achieved the standard and then the advanced level of effective engagement.

The standard requirements of unbiased and plain English information were met, appreciating the various abilities of customers and community to engage, and the low levels of community knowledge of the regulated and unregulated water systems. For example, the first three hours of the Water Working Groups was spent on explaining the NSW water system. Each investment proposal and topic discussion was then summarised to a four-page, 20-minute conversation. For some participants this was still a lot to process, for others it was not enough information.

Another example was WaterNSW's customer conversation about revenue cap or price cap which took place over 3 CAG sessions over 8 months. The final session included a plain English pre-read and customer survey for customers to contribute their final thoughts.

Feedback was a consistent engagement principle, and this underscored our work.

- Each Phase had its full report published and circulated widely to stakeholders.

- The working groups were provided with feedback as to where every investment proposal had 'landed' and a logic map for where the WAMC Customer Portal required a higher level of investment.
- The working groups signed off on their meeting notes and their own process report.
- Whilst a diversity of community and customers was achieved, many customers had questioned community participation in the Water Working Groups. This is because the cost share split for the delivery of bulk water is 93% customer and 7% government and so strong concern was felt about the participation from non-customers in decision-making. We returned to the CAGs in July 2024 to revisit the issue, feeding back on how this concern had been addressed (segmented data, diversity of customer size, and the response by community themselves in listening keenly to customers and thinking about services from their perspective).

Regarding the principle that engagement includes the clear explanation of options (including price differences and any potential trade-offs), and participants are confident their feedback will influence outcomes.
Trade-offs were a constant consideration by those groups who deliberating over many meetings over time:

- if the government funded things related mainly to community outcomes, could customers focus on other things?
- can a time trade-off be achieved e.g. achieving system affordability now and deferring some investments in large water infrastructure?
- the Water Working Groups considered investments individually and then as a whole, considered what services they wanted to prioritise once the whole picture of activities became clear.
- discussions on a price cap or revenue cap looked at 10-year modelling for each valley.

However, the Working Group did not finish the process as intended – the revenue required is so large that the investment proposals (fundamental to the ongoing delivery of water) became a small proportion of the revenue 'ask'. As such, they were not revisited once revenue impacts became known. The groups participants understood this.

Water Working Groups quotes:
"The conversations that people had. I would love to see this process refined and continued. I think it could be very effective."

CAG quotes:
"Engagement was solid."
"It allowed an avenue to outline concerns."

3. Customer outcomes
How well does your pricing proposal link customer preferences to proposed outcomes, service levels and projects?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Customers drive outcomes		
• Propose outcomes, based on customer engagement, that capture what customers want you to deliver. • Link proposed expenditure to these outcomes.	• Outcomes are concise, specific, measurable and written from customer's perspective. They are clearly aligned to customer preferences and proposed expenditure.	• Outcomes and supporting output measures and targets are co-designed with customers, and proposals are supported by customers.
Our response: ***Achieving a leading response***		

The outcomes are directly as requested in over 2500 conversations across the State. They are simple statements that cover a lot of intended improvements and are summarised in Chapter 5.		
Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Performance measures support outcomes		
• Propose performance measures for each outcome. • Propose performance targets for each measure, referencing IPART's principles, with: – internally consistent short-, medium- and long-term targets – targets justified based on past performance and other suitable industry benchmarks – targets that, at a minimum, meet customer protection operating licence standards and other regulatory requirements.	• Targets show a step change improvement to customer value and include adequate protections for individual customers.	• Where supported by customer willingness to pay, service targets exceed past performance and other suitable industry benchmarks by an ambitious but realistic margin.

Our response:

Achieving a standard and advanced result

Further to the preceding rubric that customers drive outcomes, some 16 meetings (water working groups and CAGs) considered the metrics by which these outcomes should be reported.
These metrics will represent a step change in WaterNSW reporting.
Some overarching views on the metrics for all outcomes were:

- that the evidence must be plain English
- that the evidence should point to the exceptions – i.e. where costs our deliverables have not been achieved
- that they must not create a reporting 'cost burden', they must not create any substantial new systems of data collation
- that they are not onerous for customers (e.g. surveys) – already struggling with system paperwork

and adopting these principles will ensure their future acceptability.

Many of the suggestions for the metrics can be adopted in the various reports that WaterNSW produces and so when they are not a direct metric they are still indirectly accounted for.

Given that willingness to pay was not a methodology we could adopt, we cannot achieve a leading result.

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Accountability for customer outcomes		
• Clear mechanisms ensure the business is accountable for delivering outcomes.	• All outcomes include steps the business will take if not meeting targets, and where appropriate, are supported by outcome delivery incentive (ODI) payments/penalties.	• All important customer outcomes with high customer value would typically be supported by ODI payment/penalty rates and targets.

Our response:

Achieving standard response

Overall accountability for the outcomes rests with the WaterNSW Executive. Their participation in every workshop ensures they understand the commitments and the detail behind them.

CAG quotes:
"Andrew George explained a complex process well. The right formula is yet to be finalised."

4. Community
Are you engaging with and considering the broader community to understand their objectives, including traditional custodians of the land and water, while ensuring services are cost-reflective and affordable today and in the future?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Identify community outcomes		
• Engage with, and consider the broader community, including Aboriginal and Torres Strait Islander peoples, to identify community outcomes. • Assess the benefits and costs to the customer of delivering on broader community values, as they relate to the provision of regulated services. • Consider costs/benefits and bill impacts before proposing expenditures.	• Outcomes have demonstrated community value and support, with awareness of bill impacts.	• Demonstrate step change improvements in community outcomes, which prioritise customer preferences revealed through engagement.

Our response:
Achieving an advanced result
This process demonstrates a step change in how WaterNSW has worked with the wider community to secure their preferred outcomes for 2025-2030, achieving a balance between community and customer preferences. Similar to our customers, our community is very diverse. At a simple level it is those people who do not hold a water access licence. However regional communities rely on those customers who do hold a licence – for employment and for the creation of local economies and secondary employment. The community also relies on the regulation of rivers and groundwater for the achievement of environmental outcomes. They value water highly.

- Intercept surveys and online surveys were open to anyone and everyone to participate.
- We recruited community to the Water Working Groups using a professional recruitment process, ensuring diversity and a geographic spread of people. They bravely went through some 22 hours of discussion and for many, became knowledgeable about water management for the first time.
- We went to talk to First Nations communities in place, with a large number of issues raised described in the Phase 2 report and being examined by WAMC.

Several of the outcomes relate to wider issues that the community felt was important – better information and insights on water management, sustainable land and water management.

The community appreciated the 'whole of system approach' with NSW DCCEEW, NRAR and WaterNSW considering both WAMC and bulk water delivery priorities, investment proposals and cost considerations. Their work is documented in the *Water Working Groups Report*.

Water Working Group quotes:
"Getting direct participation by WaterNSW personnel" [part of the process the WWG member liked].
"We were able to ask a range of questions as well as being able to provide feedback on what our views were. I liked that a number of WaterNSW senior staff were on the meetings."

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Community outcome performance measures		

• Community outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).	• Work and partner with local groups and other stakeholders to propose and deliver community outcomes within the scope of its services.	• Demonstrate innovative approaches to promote customer and community value.

Our response:
Achieving a standard and advanced response
The outcomes that relate to community include:

- Outcome 4 - Sustainable water and land management
- Outcome 5 - WaterNSW will provide customer and community access to data and information

However, the community participants were also interested in the customer focused outcomes and contributed to these discussions. They recognise that the farming economy greatly impacts the wider community economy.

These outcomes were developed in conversation with a wide range of community from across NSW. WaterNSW will continue to engage with communities in line with the investment in engagement that was part of decision making for this price proposal. WaterNSW is committed to working with local groups to deliver sustainable water and land management and community access to data and information.

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Accountability for community outcomes		
• Clear mechanisms ensure the business is accountable for delivering community outcomes.	• Mechanisms include steps the business will take if not meeting targets.	

Our response:
Achieving a standard response
Overall, the accountability for the outcomes rests with the WaterNSW Executive. Their participation in every workshop in this process has ensured they understand the commitments and the detail behind them.

WaterNSW's commitment to communicating their performance is described in Section 5.3.

Attachment C – Digital or IT proposals that were considered by the Water Working Groups

Digital proposals that have been considered by the Water Working Groups

Customer portal	Shared working platform	Managing data from water meters	Cyber security	Tele communications	WaterInsights	CARM Water Software	Infield software to manage assets
• **Customer focused** • To make ordering, licencing, applying and managing your account easier • Water trading • To help customers access their data and our services anytime, anywhere • **OCTOBER 2023** • **WAMC COST**	• **WaterNSW + DPE + NRAR focused** • The three agencies to use **one place for data** • To stop data being double handled • To stop customers being passed onto another agency • Open data to the public in the future • **OCTOBER 2023** • **WAMC COST**	• **Customer focused** • Simplifying how we install and operate meters • Easier online data sharing between customers and agencies • An automated process from end-to-end • Date is validated when data is entered • **OCTOBER 2023** • **WAMC COST**	• **WaterNSW focused** • Securing the back-end customer data • We're required by law to do this • Protecting our infrastructure from cyber criminals • Cyber safety training for WaterNSW staff • **NOVEMBER 2023** • **RURAL VALLEYS COST**	• **WaterNSW focused** • New controls to run our telecoms systems • Training teams to maintain new technology • Updating outdated network infrastructure • Comprehensive connections to dams and large spaces • **NOVEMBER 2023** • **RURAL VALLEYS COST**	• This is a **website for everyone** – it exists now • Update to use near real-time data • historical data to be available • An App – Android and iPhone • Making sure it doesn't crash • **NOVEMBER 2023** • **RURAL VALLEYS COST**	• **WaterNSW focused** • This software exists now, critical to our **business – it lets us 'operate' the rivers** • The models, systems and tools need to keep up with changing rules and information needs • Helps us to deliver water efficiently • **NOVEMBER 2023** • **RURAL VALLEYS COST**	• **WaterNSW focused** • Expand the current asset management software • Implement a solution to all field teams • Eliminate paper and manual data entry • More complete asset data set, improving our asset management decisions

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