Water Administration Ministerial Corporation 2025-30 pricing proposal

30 September 2024

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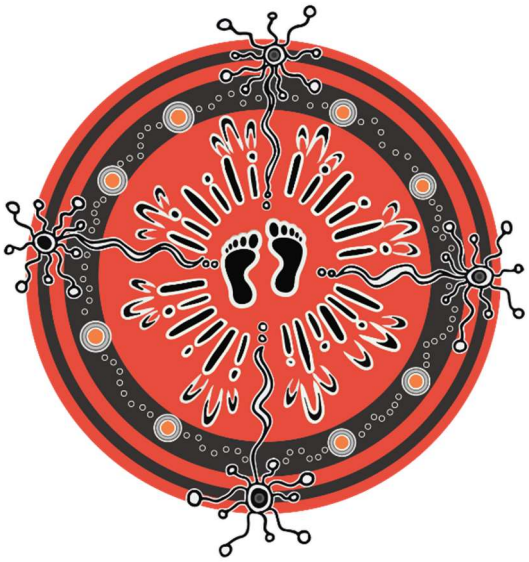
Acknowledgement of Country



We acknowledge the traditional custodians of the land and pays respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.

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Contents

1 Executive summary

This pricing proposal has been prepared jointly by the NSW Department of Climate Change, Energy, the Environment and Water (the department), WaterNSW and the Natural Resources Access Regulator (NRAR), who each provide water management services on behalf of the Water Administration Ministerial Corporation (WAMC).

1.1 WAMC's role and responsibilities

WAMC is responsible for water management in New South Wales (NSW). This includes developing and implementing plans for sharing water between users and the environment, administering water licences and allocations and ensuring compliance with water laws and licences.

Effective water management is critical for ensuring that this resource is used sustainably and therefore supports the health of the environment, the wellbeing of communities and the security, reliability and value of water users' entitlements in NSW. Effective management of water is increasingly challenging and must encompass adaptation to climate change. There is greater competition for water amongst users and the community, with water entitlements held by WAMC customers estimated to be worth up to $41 billion,[1] and the non-market value of waterways to the people of NSW worth around $471 billion, while the climate is changing and becoming more variable.

Responsibilities between the 3 WAMC agencies for delivering water management activities are set out in detail in the Roles and Responsibilities Agreement (RRA)[2] and can be broadly described as follows:

- The department sets water management rules, including developing and reviewing plans and policies related to water sharing; floodplain management and environmental water management, undertaking water modelling and scientific evaluation and reporting, making water allocations and determinations and carrying out some licensing and approval activities.

[1] Marsden Jacobs and Associates, June 2023, NSW Water Valuation Consultancy, p 5. NSW Water Valuation Consultancy

[2] Roles and Responsibilities Agreement between The Crown in right of the State of NSW (acting through DCCEEW, NRAR and WAMC) and WaterNSW, 2021. Roles and responsibilities agreement (nsw.gov.au)

- WaterNSW operates the state's regulated river systems, undertakes surface and groundwater monitoring, processes applications and approvals for most customers and provides customer services including billing and water trading
- NRAR enforces water management rules, including monitoring compliance with and enforcing water laws, to protect water resources and maintain public confidence in the water management system.[3]

1.2 WAMC's prices

WAMC's water management prices aim to recover customers' (water licence holders') share of the efficient costs of WAMC's water management activities. Costs are allocated between customers and the NSW Government (on behalf of the broader community) based on who creates the need to incur the cost. This approach applies the 'impactor pays' principle of both IPART's Rural Water Cost Shares Framework and the National Water Initiative (NWI) Pricing Principles for water planning and management, which promotes efficient and equitable outcomes.

As we outline in this proposal, our proposed water management prices are below cost reflective levels. This is because, to avoid price shocks to our customers as we manage the transition to full cost recovery over time, we have proposed caps on annual price increases of 2.5% per year for the Minimum Annual Charge (MAC) and 15% per year, plus inflation, for water entitlement and water take prices.

We believe this strikes a reasonable balance between the key considerations of customers and the state budget, based on the following factors:

- We consider that an immediate shift to price levels that recover the full notional customer share of WAMC's efficient costs could cause shocks to customers and regional economies, as bills would need to rise by between 81% and 857% in a short period of time, which would be difficult for many customers to manage.
- Review of past IPART decisions about the annual levels of price rises that are unlikely to risk price shocks, specifically decisions made by IPART in its 2011 and 2006 determinations, give confidence that annual price rises of 15% a year, as proposed, are unlikely to result in shocks.
- Our market and sector analysis suggests that larger water using customers have generally experienced ongoing profitability, there has been excellent water availability, and the market

[3] The split of WAMC responsibilities is set out in the Roles and Responsibilities Agreement between the three agencies.

prices of water (value of entitlements) has increased significantly since IPART last determined prices.

- In the engagement process, customer's preferences about a range of annual levels of price rises were tested to help inform WAMC's proposal about the pace of price rise towards full cost recovery. While most customers favoured 2.5% (plus CPI) price rises a year, citing affordability concerns, some working group participants supported a 5% increase to better transition to full cost-recovery and a smaller number supported a 10% increase.
- Since customers' preferences about a range of annual levels of price rises were tested, it has become apparent there is significant pressure on the NSW State Budget position, reducing the state's capacity to subsidise WAMC prices. This highlights that there are potential trade-offs between prices and service levels to customers and the broader community. If WAMC does not receive sufficient pricing revenue, it may need to reduce its provision of water management services (which have already been reduced to core activities). This could undermine the value of water entitlements, which would adversely impact customers as well as the broader community.

WAMC has secured the NSW Government's support to make this proposal to IPART. However, the NSW Government has not committed to additional funding. These options will be considered following IPART's assessment and advice.

Given this and because we have thoroughly explored opportunities for cost efficiency, any reduction in proposed price revenues in the IPART determination would create significant challenges to our programmed water management activities and services and severe reduction in the work undertaken, which if not delivered would undermine our ability to deliver on our legislative responsibilities.

WAMC's prices include:

- **water management prices**, which aim to recover customers' share of the efficient costs of WAMC's water management activities. Under IPART's WAMC determination, separate water management prices are also set to recover customers' share of the funds NSW contributes the Murray–Darling Basin Authority (MDBA) and the Dumaresq-Barwon Rivers Commission (BRC) for the water management services these cross-jurisdictional agencies deliver in parts of NSW.
- **consent transaction charges**, which are fee-for-service charges set to recover the administrative costs of issuing or amending water access licences, water allocation assignments and works and use approvals.
- **metering charges**, which are prices set to recover the efficient costs of maintaining and reading water meters and of testing and verifying the accuracy of meters for unregulated rivers and groundwater sources.

- **proposed new Floodplain harvesting charges,** which are set to recover the efficient costs of managing floodplain harvesting.

1.3 This pricing proposal

This document presents WAMC's proposed prices for the 2025 determination period (1 July 2025 to 30 June 2030), including how these proposed prices have been built up, the outcomes they will deliver and how we will be held accountable for achieving these outcomes.

Attachment A establishes that the leadership of the WAMC agencies stand behind this proposal and attest that it is in the long-term interests of customers, has been informed by meaningful customer engagement, would deliver water management services at lowest sustainable cost over the long-term and has been subject to a quality assurance check certifying the accuracy and consistency of the information provided in the proposal.

This pricing proposal is consistent with the key principles of IPART's new "3Cs" regulatory framework, although tailored to reflect WAMC's unique role and circumstances. Attachment B explains how we have addressed IPART's 3Cs framework, our focus principles and our self-assessment against each of these principles.

WAMC's water management activities are determined by legislation, primarily the NSW *Water Management Act 2000* the Act).[4] These activities are aimed at protecting and managing water for the environment and the community as well as the property rights of water entitlement holders. Therefore, WAMC is both a service provider and a regulator, acting in the interests of not just customers but also the broader community. Many of WAMC's activities are aimed at addressing the potential broader impacts (or 'externalities') of water use, to ensure the sustainable management of water for the benefit of present and future generations.

In undertaking our legislative responsibilities, we continually consult with our customers and other stakeholders – for example, in developing, reviewing and implementing water sharing plans and in undertaking compliance activities. We have also consulted extensively with our customers and other stakeholders to inform this pricing proposal, including our outcomes and objectives for the 2025 determination period. Further, we are guided by robust, long-term strategic planning, in the form of the NSW Water Strategy, the NSW Groundwater Strategy and regional water strategies.

[4] Other relevant legislation includes the *Water Act 1912* and the *Natural Resources Access Regulator Act 2017*.

We propose a 5-year pricing period for the 2025 determination, consistent with IPART's new default length. We consider this appropriately balances price stability and certainty, while ensuring that not too much time elapses before prices are reset to match cost estimates.

Further information on our pricing proposal is outlined below.

1.4 What customers and other stakeholders told us

In developing this pricing proposal, we have undertaken several stages of extensive engagement with customers and other stakeholders, in addition to ongoing engagement on specific programs such as statutory water plans, policies, strategies and compliance activities. Further information on our engagement program and our response to what we heard, is outlined in Chapter 2 and in the WAMC Engagement Outcomes Report. Based on this engagement, we understand that WAMC customers want:

- the NSW Government to continue contributing to WAMC's efficient costs
- sustainable water management, balancing the needs of business, the environment and the community
- measures to enhance trust and confidence in water management decision-making, including increased access to data and modelling that informs decision-making, to enhance transparency
- a 'modest' (rather than 'excessive') level of investment in customer services and engagement
- on the ground support to help water users navigate the complexity of water regulations, to assist voluntarily compliance.

Our understanding of what matters the most to customers has been applied to shape WAMC outcomes, has directly influenced investments in some programs to improve service quality and has shaped proposed prices for the 2025 determination period. Engagement with customers has directly informed the outcomes and objectives WAMC will aim to achieve, both over the 2025 determination period and for the long term.

We identified customer and community priorities for water management through a 'look back' at what we heard from previous engagement and tested and refined these priorities during our engagement on the pricing proposal. From these priorities we developed customer outcomes and objectives beneath them, that we will aim to deliver over the 2025 price determination period. We have also developed measures and targets for the objectives so that we can track and report to customers on progress towards the WAMC outcomes. More detail on the outcomes, objectives, measures, targets and how we plan to deliver on the outcomes is in Chapter 2. The high level WAMC customer outcomes are below.

Outcome 1 - Enhanced customer experience

Outcome 2 - Sustainable and effective water resource management

Outcome 3 - Confidence in water resource management

Outcome 4 - Value for money

Our engagement also provided an important input to decisions about proposed price caps and investments that will impact customers. For instance, our proposal allows for:

- efficient, equitable and transparent sharing of WAMC's efficient costs between customers and the NSW Government, on behalf of the broader community, with customers to pay 42% and NSW Government to pay 58% of WAMC's costs if the pricing proposal is accepted
- a substantial increase in the level of key water management activities to ensure water resources are managed and shared sustainably – for example, a significant increase in the number of statutory water plans that need to be replaced, amended, extended or reviewed, incorporating the impacts of climate change into water sharing plans and a material increase in the extent of compliance and enforcement activity required
- continued improvements in customer and stakeholder access to the information that informs our water planning and management decisions, to enhance transparency and improve confidence in water management
- investment in Digital business improvement strategies that make it easier for customers to access information on their accounts and to conduct transactions related to licensing and metering and investments to improve data systems, governance and quality while enhancing the efficiency and timeliness of routine processing
- efficient and effective compliance and enforcement, including the continuation of strong enforcement coupled with education, engagement, communication and outreach programs to improve customer understanding of how to comply with water management rules
- a range of efficiency measures and ambitious targets to contain costs, as reflected in our expenditure forecasts and Efficiency Strategy.

1.4.1 Efficient expenditure has been higher than IPART's allowances over the current period

Over the current determination period (1 October 2021 to 30 June 2025), we have delivered a work program that strengthens the water management framework in challenging circumstances, including COVID-19, droughts and floods. This includes a range of new water strategies and plans, implementation of key water management policies and projects, investment in water monitoring and technology and a significant step-up in compliance and enforcement activity commensurate to the community's expectations. The demands and efficient costs of water management have increased, to reflect the community's expectations, the increasing value of water, new and enhanced information and the need to account for and manage the impacts of climate change.

1.4.2 WAMC's operating and capital expenditure compared to IPART allowances

Our actual operating expenditure has been significantly higher than IPART's operating expenditure allowance over the current determination period, even though we have applied efficiency measures over this period.

This is primarily because there is a range of WAMC activities that are needed to efficiently deliver required water management outcomes that were not reflected in IPART's 2021 determination of WAMC's expenditure allowances. These activities have been funded outside of IPART's 2021 price determination.

Funding from outside of the 2021 price determination has been required to:

- undertake unscheduled activities in response to significant issues that emerged during the current determination period, including responding to mass fish death events and the findings and recommendations of inquiries, such as those of the Chief Scientist and Engineer and the Natural Resources Commission (NRC)
- allow for the review, audit, replacement and implementation of water sharing plans and floodplain management plans (as IPART's expenditure allowance for the current determination period did not cover the costs of the entire lifecycle of developing and maintaining water management plans)
- correct for IPART's 2021 decision that the efficient level of compliance and enforcement expenditure in NSW should be based on benchmarking to Victoria's compliance costs, which is not reflective of NSW's compliance and enforcement needs. To ensure sufficient confidence in the state's system of water rights, the NSW Government has provided annual supplementary funding to NRAR over the current determination period. There is also a need to account for legal costs previously funded by the Crown Solicitor's Office (NSW). A key tenet of our proposal is that the annual efficient level of compliance expenditure needs to increase

materially relative to IPART's expenditure allowance in the current determination period, given the complexity and criticality of NSW water rights in the Basin and feedback from the community seeking higher levels of compliance activity.

Funding from outside of the 2021 determination has provided additional benefits to WAMC customers, as it:

- shielded customers from the uncertain costs of the development phase of new water management priorities, by securing Australian Government or NSW Government funding for a range of activities (e.g. projects to support the Sustainable Diversion Limit Adjustment Mechanism and the Healthy Floodplains reforms)
- paid for development costs of new water strategies and reforms, including the NSW Water Strategy, the NSW Government's Aboriginal Water Strategy, implementation of the non-urban metering reforms and the Water Licensing Improvement Program, noting that WAMC will now face ongoing business-as-usual implementation costs as these WAMC activities transition to the operational phase.

Consistent with what was envisaged at the time of IPART's 2021 determination, we have invested in licensing and customer account management systems and services, the replacement of end-of-life corporate systems and surface water and groundwater monitoring assets over the current determination period.

In aggregate, WAMC's capital expenditure has been $2.7 million (or 7%) higher than IPART's capital expenditure allowances over the current determination period, despite WAMC employing best practice capital project governance, evaluation and management practices. This 'overspend' in part reflects a challenging capital expenditure environment over this period, dealing with the effects of COVID-19, flood, bushfires, supply chain issues and rising costs.

Environmental events impacted the scope, volume and timing of investments in the field. There were several un-forecast investments required to return sites to working order after damage from bushfire and flood, which were unable to be claimed through insurance.

These costs were largely offset by impediments to site access due to wet weather, flooding and COVID-19 restrictions. These events restricted our ability to deliver capital projects and conduct condition assessments required to inform decisions on renewals and refurbishment capital expenditure. These delays will result in catch-up expenditure in the 2025 determination period for some asset categories, such as groundwater bores.

Capital expenditure in corporate and digital support activities was higher than IPART's allowance, due primarily to investment in digital customer systems (WAVE) required to replace aging systems posing risk of failure and failing to meet customer and stakeholder expectations. The risks of system failure of outdated legacy systems are progressively being mitigated through the

introduction of replacement systems through WAVE, such as the Water Market Systems (WMS) PEGA platform and WaterInsights.

Initiated in 2019, the WAVE program aimed to transform WaterNSW's customer transactions and water management systems. During its journey, the WAVE program has faced substantial challenges, both technical and in program delivery. A Reset and Replan approach, recommended by EY in December 2022, shifted primary delivery responsibility to WaterNSW due to difficulties with the systems integrator's performance and the delivery model. Key lessons have been learned through the WAVE program, some of which have already been applied to both WAVE and to other programs, while others are progressively being addressed through capability uplift programs.

Table 1: WAMC's allowed and actual opex and capex over the 2021 determination period ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25[a]	Total
Allowed opex	69,051	73,126	72,911	74,466	289,554
Actual opex	100,281	125,560	159,088	174,216	559,144
Allowed capex	9,501	10,298	11,426	8,980	40,205
Actual capex	12,010	7,081	4,242	19,587	42,919

[a]: 2024–25 'actual' figures are forecasts at the time of submission.

1.4.3 MDBA and BRC's expenditure compared to IPART's allowances

The MDBA's water management expenditure for WAMC services was reasonably close to IPART's allowances over the current determination period. Costs have increased in recent years due to supply chain issues, the increased cost of labour and materials and the need to spend more than reflected in IPART's allowances given the size and age of assets needed to provide water management services (see Table 2). NSW does not incur capital expenditure in delivering its MDBA water management activities[5] (nor does it break down NSW's contribution into opex and capex allowances). MDBA costs within NSW are treated as recurrent operating expenditure.

[5] IPART, Review of prices for the Water Administration Ministerial Corporation from 1 October 2021 to 30 June 2025, Final Report, 2021, p 73.

Table 2: MDBA allowed and actual expenditure over 2021 determination period ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25[a]	Total
Allowed opex	9,235	9,791	10,046	10,107	39,179
Actual opex	9,323	9,239	10,510	11,414	40,486

[a]: 2024–25 'actual' figures are forecasts at the time of submission.

The NSW share of the BRC's actual expenditure on water management activities in NSW has been lower than IPART's allowances, which is partly due to COVID and very wet conditions impeding some of the BRC's activities in the early part of the current determination period. However, costs are tracking upwards over the period to reflect higher costs of operating and maintaining assets (see Table 3).

In recent years, costs for gauging stations have been higher because of rises in the cost of materials increases in wages, upgrades required due to the phasing out of 3G communications and aging infrastructure that, when renewed by service providers, required additional work for engineering certifications and upgrades to meet workplace health and safety standards.

Notably, even though IPART split the BRC's costs into 'opex' and 'capex' allowances at the 2021 determination, the BRC does not categorise WAMC related activities into operating expenditure and capital expenditure. The BRC does not have a fixed asset register for WAMC-related activities, nor the gauging stations and groundwater assets used to provide its services. Rather, it funds other parties (WaterNSW) for the costs of providing these assets. Further, like with contributions to the MDBA Joint Programs, NSW is required to pay a specified call-up amount to the BRC each year. Therefore, all actual expenditure has been reported as operating expenditure.

Table 3: BRC allowed and actual expenditure over the 2021 determination period ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25[a]	Total
Allowed opex	849	900	935	963	3,647
Actual opex	397	492	767	790	2,446
Allowed capex	212	113	350	120	796
Actual capex	0	0	0	0	0

	2021–22	2022–23	2023–24	2024–25[a]	Total
Allowed total (opex & capex)	1,061	1,013	1,285	1,083	4,442
Actual total (opex & capex)	397	492	767	790	2,446

a: 2024–25 'actual' figures are forecasts at the time of submission.

1.5 WAMC's forecast water management expenditure

Below we present forecasts of WAMC, MDBA and BRC efficient water management expenditure for the 2025 determination period (2025–26 to 2029–30).

This WAMC proposal is supported by better, more robust estimates of the efficient costs of undertaking the range of water management activities required to fulfil our legislative responsibilities, achieve water management objectives and meet customer expectations.

WAMC's ambitious efficiency program (as outlined in our Efficiency Strategy) means that our proposed annual operating expenditure allowances over the 2025 determination period are lower than the current (2023–24) levels of actual expenditure, despite the general increase in level and complexity of many water management activities required to be funded over the 2025 determination period.

We are forecasting an increase to capital expenditure over the 2025 determination period. This is primarily to deliver digital projects, which will lower costs over the long-term, enhance water management outcomes and improve customer and stakeholder experiences.

1.5.1 WAMC's forecast operating expenditure

WAMC's notional revenue requirement (i.e. its total 'building block' costs) primarily comprises operating expenditure. Therefore, changes to operating expenditure are the key driver to changes in WAMC's overall costs and prices.

Through an ambitious efficiency program, WAMC's average annual operating expenditure over the 2025 determination period is forecast to be 17% lower than its operating expenditure in 2023–24 (excluding MDBA and BRC). This is despite a significant increase in the required level of water management activity across key areas, such as the need to:

- review, replace, amend or extend a greater number of water sharing plans and floodplain management plans to meet statutory deadlines - for example, over the 2025 determination period, we will be required to replace 40 plans, amend 39 plans, extend 21 plans, review 37

plans and audit 18 plans. This is more than 5 times the number of planning activities in the current period. The WAMC Efficiency Strategy includes initiatives to ensure efficient scheduling, project management and risk-based resource allocation of this water sharing plan workload

- review and improve the water sharing plan implementation program and establish the floodplain management plan implementation program
- develop and maintain data products to enable a risk-based approach to water management that considers the condition and ecological value of rivers, floodplains and wetlands and meets the expectations of the Natural Resources Commission (NRC) and other stakeholders for evidence-based water management decision making
- expand the groundwater quality monitoring program across NSW, to allow sustainable management of groundwater resources and ensure compliance with the Act and the NSW State Groundwater Strategy
- develop or upgrade and maintain hydrologic models for water sharing plans, floodplain management plans, groundwater management plans and other priorities, to address and respond to issues such as climate change, illegal take, surface or groundwater connectivity and compliance with long-term average annual extraction limits (LTAAEL)
- implement the non-urban water metering program, including ensuring systems and processes for non-urban metering and floodplain measurement remain fit for purpose
- improve data collection and analysis to more comprehensively evaluate the performance of water sharing plans in meeting their environmental, social and economic objectives, as required by the Act
- implement water strategies and policies and respond to recommendations of the NRC
- better reflect the operating and maintenance costs of water management works and assets, including for surface and groundwater monitoring
- improve the management of environmental water, including addressing the recommendations of a range of reviews;[6] addressing ongoing implementation and adaptive management requirements for environmental water as part of the Northern Basin Toolkit program; operating and implementing the Sustainable Diversion Limits Adjustment Mechanism (SDLAM) Acceleration Projects; reviewing and implementing active management rules; and reviewing and improving water accounting arrangements

[6] Including those of the Connectivity Expert Panel, the Claydon Review, the First Flush Review and NRC reviews.

- undertake more compliance education, outreach and visible 'on-the-ground' activity, in response to the needs of the community and new rules and regulation (e.g. the need to monitor and enforce compliance with the non-urban metering policy).

Figure 1 illustrates linkages between allowed, actual and proposed costs of the key water management focus areas listed above and demonstrates how outputs from the different activities contribute to WAMC's core statutory planning and compliance functions. It demonstrates that increases in the number of statutory planning activities required drive increased workloads and costs in WAMC activities that provide necessary inputs or are dependent on that statutory planning. Conversely, any reductions in proposed expenditure for these interconnected activities will impact our ability to fulfil our statutory obligations and meet customer and community expectations in related WAMC activities.

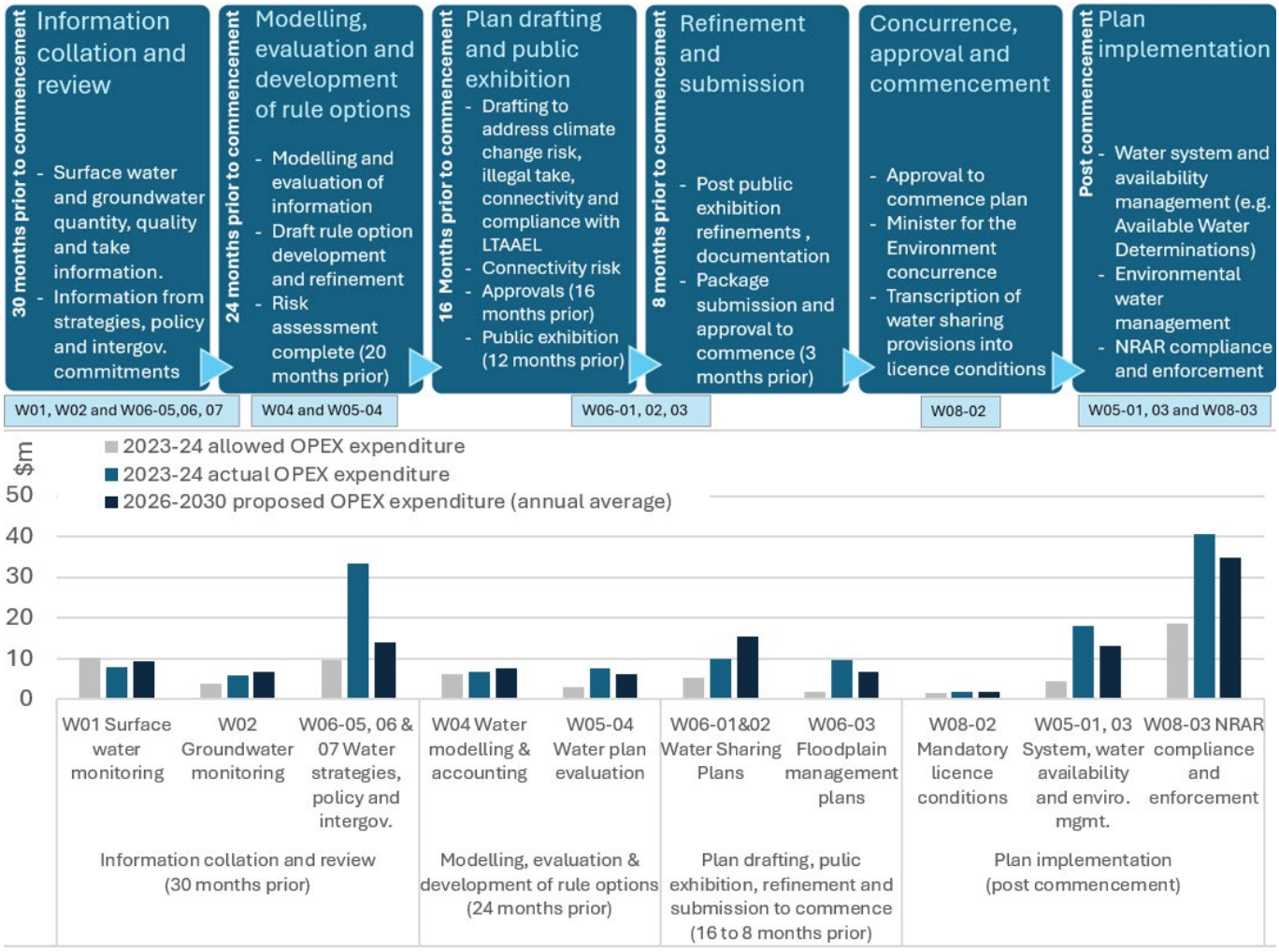


Figure 1: Core WAMC planning activities – interdependencies and expenditure

Table 4: WAMC's forecast operating expenditure ($'000, $2024–25)

Expenditure	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Actual/forecast opex	163,859	174,216	142,673	143,348	133,311	135,223	127,982

1.5.2 WAMC's forecast capital expenditure (capex)

WAMC's forecast average annual capital expenditure over the 2025 determination period is 113% higher than its average annual capital expenditure over the current determination period.

Digital business improvement strategies

The largest single program of forecast capital expenditure is the 4 Digital business improvement strategies (Business Improvement Strategies), which cost $47.7 million and align to customer priorities to improve services. The Business Improvement Strategies are critical technology investments by the 3 WAMC agencies together, to streamline customer transaction processes, address data issues and modernise technology over the next 10 years. The strategies will build on previous investment to streamline processes for each of the WAMC agencies and for customers in managing and accessing water data and information.

Delivering these improvements on a whole of WAMC basis will ensure the most efficient approach and avoid duplication across agencies. The Business Improvement Strategies will result in an estimated $20 million in financial savings over 10 years, which have been incorporated into this proposal, with an estimated further economic benefit of $119.5 million over 10 years. Key benefits include:

- improved efficiency through the alignment of processes and consolidation of data and systems, meaning reduced effort to manually cleanse and collate data for decision-making, reporting and insights purposes across multiple WAMC activities, benefiting customers due to consistent information delivered across WAMC agencies through a single source of truth
- stronger, more efficient compliance as NRAR can better access reliable, current and accurate data and information to support efficient deployment of limited compliance and enforcement resources to the highest risks to water management in NSW.

Surface water and groundwater assets

Other significant elements of WAMC's forecast capital expenditure for the 2025 determination period are:

- $20.7 million of investments in critical surface water hydrometric monitoring assets, which will improve resilience against bushfire and floods and the availability of water information
- $20.9 million of investments in hydrometric instrumentation and the refurbishment of high-priority bores to improve the reliability of groundwater information, both are aligned to customers' priority to enhance trust and confidence in water management decision-making.

The proposed capital allowance for surface water monitoring for the 2025 determination period of $20.7 million includes the renewal of surface water hydrometric monitoring assets and investments in priority risk management initiatives. The risk management initiatives include:

- bushfire resilience infrastructure upgrades for critical sites,
- flood resilience infrastructure upgrades for critical sites,
- specialised equipment to improve workforce safety (reducing the need of staff to work in water),
- provisioning of back up automatic instrumentation for critical sites.

The proposed capital allowance for groundwater monitoring for the 2025 determination period of $20.9 million is for the refurbishment of high-priority bores to ensure they do not fail and remain usable and represents only a very small portion (around 1%) of the asset cost base per annum. It also allows for the renewal of groundwater hydrometric instrumentation, including data loggers.

Box 1: Digital business improvement strategies

- **Water Market System – $22.9 million –** Redesigning water transaction processes to be quicker, cheaper and online; better connecting water agencies to drive down cost and yield business efficiencies.
- **Shared Data Management and Governance – $15.3 million –** Delivering a central point of truth, Water Sector Ecosystem data platform, while fixing current systemic data access and quality issues.
- **Water Compliance System – $2.6 million –** Connecting NRAR's water compliance management with WaterNSW's various ecosystem platforms to avoid manual reprocessing and improve compliance efficiency and effectiveness.
- **Customer Metering Solution – $7.0 million –** Delivering a modern solution that links the farm and back-office systems to make metering information available to users, compliance officers and resource managers, enhancing incentives and compliance.

Note: Costs are direct costs of delivering the program expressed in $2024-25 and do not include overhead costs

WAMC's proposed capital expenditure on groundwater assets is needed to enhance the groundwater quality monitoring program across NSW, which will provide valuable insights into groundwater quality, quantity and recharge to allow better decision making and support the sustainable management and long-term viability of groundwater resources.

WAMC will also continue to deliver a risk-based renewals program for infield assets such as unregulated structures, bores, monitoring equipment and telemetry equipment.

Table 5: WAMC's forecast capital expenditure ($'000, $2024–25)

Expenditure	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Actual/forecast capex	4,370	19,587	31,850	30,988	27,034	17,799	12,409	120,081

1.5.3 MDBA Joint Programs forecast expenditure

The NSW share of MDBA's forecast expenditure allowance for the 2025 determination period is above its current allowance and level of expenditure (see Table 6). Higher expenditure is needed to meet required water management standards, given supply chain issues, higher costs of labour and materials and higher costs in considering and addressing the impacts of climate change.

NSW's contribution to the MDBA is characterised as operating expenditure, therefore there is no forecast MDBA capital expenditure.

Table 6: MDBA's actual and forecast operating expenditure ($'000, $2024–25)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Actual/forecast opex	10,825	11,414	13,966	11,902	12,402	12,587	12,394

1.5.4 BRC's forecast expenditure

The BRC's level and mix of water management services is expected to remain largely unchanged over the 2025 determination period, although its costs are expected to continue to increase. This is due to the higher costs of operating surface water gauging stations and monitoring groundwater (see Table 7).

The higher costs of groundwater monitoring are due to some of these costs not previously being passed onto NSW by Queensland, despite being incurred by Queensland to provide the BRC's water

management services to NSW. A change in responsibility for this work will occur in 2025–26, where WaterNSW will take over responsibility for NSW groundwater monitoring.

The forecast operating expenditure in Table 7 reflects the actual and forecast amounts BRC will recover from WAMC customers to deliver its water management services. All of the BRC's forecast expenditure on water management services has been reported as operating expenditure, with no allowance for capital costs. This is because the BRC does not have a fixed asset register, nor own the gauging stations and groundwater assets used to provide its services. Rather, the BRC funds other parties (such as WaterNSW) for the costs of providing these services and assets. Further, like with contributions to the MDBA Joint Programs, NSW is required to pay the full 'call-up' amount to the BRC each year.

Table 7: BRC's actual and forecast operating expenditure ($'000, $2024–25)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Actual/forecast opex	790	790	784	796	830	808	841

1.6 Charges need to increase, but our proposal mitigates price shocks to customers

Below we present WAMC's proposed water management prices, proposed MDBA and BRC water management prices and indicative bill impacts for typical customers for the 2025 determination period.

Our proposal maintains the current structure of water management prices to more transparently communicate the pathway towards full cost recovery. We will consider potential changes to the pricing framework over the 2025 determination period for potential implementation from 2030 onwards.

1.6.1 WAMC's proposed water management prices

Our proposal aims to mitigate impacts on customers to manage price shocks on NSW industries and regions, while still charting a path to full cost recovery for an increased level of efficient WAMC costs.

For around 24,000 smaller water users who pay the Minimum Annual Charge (MAC), we propose to continue the current price increase of 2.5% per year, plus inflation, over the 2025 determination period. The MAC is levied on small entitlement holders to recover these customers' share of water management costs and enhance administrative efficiency. About 62% of all licensees hold small

entitlements and pay the MAC. Yet, in total, these MAC customers hold only about 3% of the total volume of water entitlement in NSW.

For customers with larger entitlement volumes, we propose a faster transition towards full cost recovery while still protecting them from the large price shock that would arise from moving immediately to full cost recovery. For these customers, we propose an annual 15% increase, plus inflation, over the 2025 determination period. While this increases the pace of the transition to full cost recovery, relative to the pace of the 2021 determination, it means that, like the current determination, prices continue to be set below cost-reflective levels to manage bill impacts on customers.

We consider that a 15% per year, plus inflation, cap on WAMC's water management charges is reasonable for users with larger entitlements because our analysis indicates these businesses generally have greater tolerance for price increases and can therefore transition at a faster pace to cost-reflective prices. Over the current determination period, there have been consistently high levels of water availability and strong profitability across key industry sectors, as described in Chapter 10. On the other hand, if prices were lifted to fully recover the notional customer share of WAMC's efficient costs, water management bills would rise by between 81% and 857%, a shock that would be difficult for many customers to immediately manage.

Even at a 15% per year rate of increase (101% increase over the 5-year period), prices in all valleys would still be below full cost recovery levels by 2030. If the pace was continued beyond 2030, prices in 7 of 26 pricing valleys would reach full cost recovery levels by 2035.

A summary of WAMC's proposed water management prices is outlined in Table 8 below. This presents total charges ($ per megalitre) as the sum of entitlement and water take charges for each pricing valley. Therefore, the prices in these tables represent the total charge per megalitre for those on a 1-part tariff on unregulated rivers and groundwater sources and for those on a 2-part tariff on regulated rivers, unregulated rivers and groundwater sources who use 100% of their entitlement. A breakdown of the proposed prices (entitlement and water take) is listed in Chapter 7.

Table 8: WAMC's proposed water management entitlement and take charges ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Regulated rivers							
Border	3.98	4.58	5.26	6.05	6.97	8.01	101%
Gwydir	3.05	3.51	4.03	4.64	5.33	6.14	101%
Namoi	4.03	4.64	5.33	6.13	7.05	8.11	101%

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Peel	9.37	10.78	12.39	14.25	16.39	18.84	101%
Lachlan	3.60	4.14	4.76	5.47	6.30	7.25	101%
Macquarie	3.73	4.29	4.94	5.67	6.53	7.5	101%
Murray	2.41	2.77	3.19	3.67	4.22	4.85	101%
Murrumbidgee	2.09	2.40	2.77	3.18	3.66	4.20	101%
North Coast	13.11	15.08	17.34	19.94	22.93	26.37	101%
Hunter	6.84	7.87	9.04	10.40	11.96	13.76	101%
South Coast	11.26	12.95	14.89	17.12	19.69	22.65	101%
Unregulated rivers							
Border	5.45	6.27	7.21	8.29	9.53	10.96	101%
Gwydir	5.45	6.27	7.21	8.29	9.53	10.96	101%
Namoi	5.45	6.27	7.21	8.29	9.53	10.96	101%
Peel	5.45	6.27	7.21	8.29	9.53	10.96	101%
Lachlan	6.93	7.97	9.16	10.54	12.12	13.94	101%
Macquarie	6.93	7.97	9.16	10.54	12.12	13.94	101%
Far West	5.95	6.84	7.87	9.05	10.41	11.97	101%
Murray	8.56	9.84	11.32	13.02	14.97	17.22	101%
Murrumbidgee	11.53	13.26	15.25	17.54	20.17	23.19	101%
North Coast	12.37	14.23	16.36	18.81	21.64	24.88	101%
Hunter	4.45	5.12	5.89	6.77	7.78	8.95	101%
South Coast	3.22	3.70	4.26	4.90	5.63	6.38	98%
Groundwater							
Inland	6.96	8.00	9.20	10.59	12.17	14.00	101%
Murrumbidgee	6.00	6.90	7.94	9.13	10.49	12.07	101%
Coastal	6.57	7.56	8.69	9.99	11.49	13.21	101%
Minimum Annual Charge (MAC), $/pa							

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
MAC for all valleys / sources	277.89	284.84	291.96	299.26	306.74	314.41	13%

Note: Total charges are the sum of the entitlement and water take charges of the 2-part tariff for each water source, assuming 100% of entitlement is taken, which is equal to the 1-part tariff for unregulated rivers and groundwater sources.

1.6.2 Proposed floodplain harvesting charges

We propose new charges to floodplain harvesting entitlement holders to recover the efficient costs of managing floodplain harvesting

These proposed charges, which are presented in Chapter 7, include:

- a 2-part tariff for floodplain harvesting customers with meters, comprising:
  - a floodplain harvesting entitlement charge ($2.48 per ML of floodplain harvesting entitlement, to recover a share of WaterNSW's costs of managing floodplain harvesting that are not recovered from other water management prices)
  - a floodplain harvesting water take charge (which is the sum of the WAMC, MDBA and BRC $/ML water take charges for each respective water source plus $1.06 per ML to recover the remaining share of WaterNSW's costs of managing floodplain harvesting that are not recovered from other water management prices)
- a 1-part tariff for floodplain harvesting entitlement holders without meters, comprised of an entitlement charge equal to the sum of the floodplain harvesting entitlement and water take charges under the 2-part tariff ($ML of entitlement).

These charges would apply to the following water sources where floodplain harvesting occurs:

- Gwydir regulated and unregulated rivers
- Macquarie regulated river
- Border regulated river
- Barwon–Darling unregulated river
- Namoi regulated and unregulated rivers.

Customers with floodplain harvesting entitlement but without a meter would be subject to the 1-part floodplain harvesting tariff and would not be able to take water. This recognises that WaterNSW incurs costs in managing the floodplain harvesting scheme and providing services to floodplain harvesting entitlement holders irrespective of the volumes harvested. Floodplain harvesting licence

holders would only be able to take water if they are compliant with floodplain harvesting policy and have a meter.

Like other meters, meters used for floodplain harvesting would be subject to a telemetry charge ($270 per meter, per year).

1.6.3 Proposed WAMC MDBA and BRC charges

Table 9 and Table 10 present proposed MDBA and BRC charges, respectively, for WAMC customers. These tables present the sum of entitlement ($ per megalitre of entitlement) and water take ($ per megalitre of water take) charges for each water source and valley. Therefore, the prices in these tables represent the total charge per megalitre for those on a 1-part tariff on unregulated rivers and groundwater sources and for those on a 2-part tariff who use 100% of their entitlement. A breakdown of the proposed prices (entitlement and water take) is listed in Chapter 7.

These charges are set to recover the full efficient customer share of MDBA and BRC water management costs in NSW – i.e. unlike WAMC's water management charges outlined above, we are not proposing that they be capped below cost-reflective levels. Customers in the valleys listed in Table 9 and Table 10 will pay MDBA or BRC charges in addition to the MAC or WAMC's water management charges listed in Table 8 above.

Under our proposal, MDBA regulated river prices would increase by between 13% and 32% compared to the 2024–25 prices. Unregulated river prices would decrease for a few valleys, with increases for several valleys relative to 2024–25 levels. The MDBA groundwater inland river price would increase by 23% relative to 2024–25 prices.

The MDBA's forecast water management costs for the 2025 determination period reflect a more accurate allocation of the MDBA's costs between water management activities (to be recovered through the WAMC price determination) and bulk water supply activities (to be recovered through the WaterNSW price determination). That is, proposed MDBA prices are more cost-reflective and consistent with the 'impactor pays' principle.

Table 9: Proposed MDBA water management entitlement and water take charges ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Regulated rivers							
Border	0.93	1.07	1.07	1.07	1.07	1.07	15%
Gwydir	1.35	1.52	1.52	1.52	1.52	1.52	13%

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Namoi	1.41	1.62	1.62	1.62	1.62	1.62	15%
Peel	0.56	0.68	0.68	0.68	0.68	0.68	21%
Lachlan	0.74	0.98	0.98	0.98	0.98	0.98	32%
Macquarie	0.89	1.10	1.10	1.10	1.10	1.10	24%
Murray	1.04	1.22	1.22	1.22	1.22	1.22	17%
Murrumbidgee	1.09	1.26	1.26	1.26	1.26	1.26	16%
Unregulated rivers							
Border	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Gwydir	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Namoi	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Peel	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Lachlan	0.31	0.46	0.46	0.46	0.46	0.46	48%
Macquarie	0.31	0.46	0.46	0.46	0.46	0.46	48%
Far West	1.32	1.48	1.48	1.48	1.48	1.48	12%
Murray	0.54	0.6	0.6	0.6	0.6	0.6	11%
Murrumbidgee	0.33	0.41	0.41	0.41	0.4	0.41	24%
Groundwater							
Inland	0.30	0.37	0.37	0.37	0.37	0.37	23%
Murrumbidgee	0.30	0.37	0.37	0.37	0.37	0.37	23%

Note: Total charges are the sum of the entitlement and water take charges of the 2-part tariff for each water source, which is equal to the 1-part tariff for unregulated rivers and groundwater sources.

Under our proposal, BRC water management charges would decline for Border regulated river and Far West unregulated river customers and increase for Border unregulated river and groundwater customers. The proposed price increases are significant; however, they are from artificially low prices in the current determination period. Costs were inadvertently not allocated to the Border unregulated river in the 2021 determination. Under our proposal, costs have now been correctly allocated for the 2025 determination period. Further, NSW is now paying the true costs of groundwater monitoring for the 2025 determination period, when previously these costs were not

passed on to NSW. Therefore, under the proposal, BRC charges would now be cost-reflective, when previously prices to Border unregulated river and groundwater customers were below cost-reflective levels.

Table 10: Proposed BRC water management entitlement and water take charges ($/ML, $2024–25) [a]

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Regulated rivers							
Border	2.23	0.85	0.85	0.85	0.85	0.85	-62%
Unregulated rivers							
Border	0.00	3.88	3.88	3.88	3.88	3.88	N/A
Far West	2.16	1.08	1.08	1.08	1.08	1.08	-50%
Groundwater							
Inland[b]	0.50	6.71	6.71	6.71	6.71	6.71	1,242%

a: Total charges are the sum of the entitlement and water take charges of the 2-part tariff for each water source, which is equal to the 1-part tariff for unregulated rivers and groundwater sources.
b: This charge does not apply to the entire 'inland' region. It only applies to specific groundwater sources, Macintyre Alluvial, NSW Border Rivers Upstream Keetah Bridge, Downstream Keetah Bridge and Ottley Creek Alluvial Groundwater source.

1.6.4 Bill impacts under proposed prices

Under our proposal, the 62% of all WAMC customers who hold small water entitlements and pay the Minimum Annual Charge (MAC) would see bills rise from $278 today to $314 by 2030 (or 2.5% per year), excluding inflation.

Under our proposal, WAMC's water management entitlement and take prices for all other users would rise by 15% per year over the 2025–26 to 2029–30 determination period. Customers would also face MDBA and/or BRC charges and may also pay metering and floodplain harvesting prices. Bills will vary with entitlement and usage volumes and location. For example:

- for a large wheat farmer in the Lachlan unregulated river with 1,000 ML of entitlement and 600 ML of water take, the annual combined WAMC and MDBA bill will increase from $5,372 in 2024–25 to $11,042 in 2029–30. This customer will also pay metering charges and if they have a floodplain harvesting licence, will also pay floodplain harvesting charges.
- for a citrus farmer with the same entitlement and take in the Murray regulated river, the annual combined WAMC and MDBA bill will increase from $2,922 in 2024–25 to $5,258 in

2029–30, not including their WaterNSW bulk water bill. This customer will also pay metering charges.

Table 11 presents bill impacts for customers with 200 ML of entitlement and 60% usage (or take) of this entitlement. The table includes proposed WAMC and MDBA/BRC water management charges. It shows that bill impacts are generally the largest for those customers facing significant increases in BRC charges (with entitlement in Border unregulated and Inland groundwater sources).

We consider the bill impacts under this pricing proposal would be reasonable, given the value of water (and hence the importance of WAMC's activities to customers and the broader community) and our proposal to cap WAMC's price increases and transition prices towards full cost recovery at a pace that means all prices are still below cost-reflective levels in 2030.

Further information on bill impacts, including illustrations of different samples of water user types, is presented in Chapter 10.

Table 11: Changes in typical bills for a customer with 200 ML of entitlement and 60% usage (or take) 2024–25 to 2029–30 (%, including WAMC and MDBA/BRC charges, $2025–26)

Water source	Regulated water users on 2-part tariff	Unregulated water users on 2-part tariff	Groundwater users on 2-part tariff	Unregulated water users on 1-part tariff	Groundwater users on 1-part tariff
Border	41%	188%	-	168%	-
Gwydir	78%	101%	-	100%	-
Namoi	84%	101%	-	100%	-
Peel	102%	101%	-	100%	-
Lachlan	94%	106%	-	105%	-
Macquarie	90%	106%	-	105%	-
Far West	-	59%	-	59%	-
Murray	80%	102%	-	102%	-
Murrumbidgee	76%	105%	103%	105%	103%
North Coast	107%	107%	-	107%	-
Hunter	107%	107%	-	107%	-
South Coast	107%	94%	-	104%	-
Inland	-	-	178%	-	180%
Coastal	-	-	107%	-	107%

Note: Assumes a customer with 200 ML of entitlement and 60% usage (or take) of this entitlement.

1.7 We propose to maintain the current pricing framework, but will review price structures again for next time

In its 2021 determination of WAMC's prices, IPART encouraged WAMC to review its water management pricing framework and consider whether:

- WAMC can move towards greater direct cost attribution in setting prices
- the cost drivers used to allocate costs between water sources can be improved
- there would be merit in moving towards more aggregated and less complex pricing arrangements.

In response, we have considered a range of potential changes to our pricing framework. We propose new floodplain harvesting charges (as outlined above), some new metering charges and changes to the allocation of 3 activity codes to allow for more direct attribution of costs (as discussed in Chapter 6). However, we do not recommend further changes for this price determination for several reasons:

- Apart from changes to the way costs are allocated for 3 activity codes, we have not identified any other clear improvements to cost attribution and allocation at this stage. It is difficult and costly to collect new information and establish new systems to attribute the costs of water management activities more directly to water sources. We consider our approach to allocating costs to water sources using cost drivers is transparent and sound.
- Our proposal to manage the transition towards full cost recovery through annual caps on the level of price increases would be ineffective and not transparent to users if WAMC also simultaneously proposed changes to price structures.
- Changes to our pricing framework and structure have not been identified as a key issue or source of concern for customers during consultation. A higher priority for customers is confidence that the NSW Government is paying its fair share and transparency about what customers are paying for, which is more easily assured and communicated by continuing current structures. For this price proposal, we have therefore instead focused on issues that are most important to customers and stakeholders.
- Given the potentially significant impacts of changes to the pricing framework, we would like to take more time to consult extensively with customers and other stakeholders on the range of potential changes, their merits and their impacts.

Over the upcoming determination period, we will further consider our pricing framework, which will involve review of our cost structure and stakeholder consultation on potential changes.

Attachment M to this proposal outlines our consideration of our pricing framework to date and our proposed approach to reviewing this framework over the 2025 determination period. We seek IPART and stakeholder feedback on our proposed approach to this review.

1.8 The customer share of costs will decrease and the NSW Government share will increase

One of our customers' primary priorities for WAMC is certainty that the NSW Government will continue to pay its share of WAMC's efficient costs. This proposal responds to customers' expectation and maintains the current notional customer and NSW Government shares of each of our water management activities except for activity W06-05 'Regional planning and management strategies', where the share allocated to the NSW Government is proposed to increase.

For W06-05, we propose to increase the NSW Government share of this activity from 40% to 50%, reducing the customer share from 60% to 50%. This is because some of this activity relates to understanding and managing the impacts of climate change and we consider the broader community rather than customers are the 'impactors' of this work.

Under our proposal, the notional aggregate customer share of WAMC's costs is increasing relative to the share over the current determination period, from 69% for the current determination period to 79% for the 2025 determination period.

However, under our proposal to limit annual price increases to better manage the transition towards full cost-reflective levels, 42% of proposed expenditure would be paid by water customers and 58% by the NSW Government over the 2025 determination period.

1.9 Proposed consent transaction charges reflect a better understanding of efficient costs

WAMC's proposed fee for service consent transaction charges are aimed at recovering the efficient costs of issuing or amending water access licences, work approvals and use approvals. These are separate from WAMC's annual water management charges because they are recovered at the point of application. Responsibility for WAMC's consent transactions is split between the department and WaterNSW (see **Box 2**).

Box 2: Shared responsibility for consent transaction activities/charges

The department is responsible for applications and approvals from major utilities, water supply authorities, local water utilities, irrigation corporations, state-owned corporations, mining companies and Aboriginal organisations. These, typically larger, customers represent 5% of

licence holders and account for around 40% of the total regulated entitlement share. Processing these transactions is complex due to the scale of the water take and potential impact on water resources.

WaterNSW is responsible for applications and approvals for all other customers, including individuals and businesses. These represent 95% of licence holders and account for around 60% of total regulated entitlement share.

Many of the department's consent transaction charges have been set below full cost-recovery levels over the current determination period. This means these charges have not been sufficient to recover the efficient costs of providing consent transaction services, which can impact service quality and timeliness.

We note that, while we provide consent transaction services to customers, we also need to conduct appropriate checks and analyses to ensure the sustainable management of water resources in the interests of the broader community. That is, while we are serving customers, we also need to protect the interests of the broader community in administering consent transactions, as reflected in our legislative responsibilities.

Our proposed consent transaction charges for the 2025 determination period reflect a better understanding of the efficient costs of providing consent transaction services, based on our practical experience, our assessment of the processes and resources required to deliver these services and the impact of measures to enhance efficiency. For example, consent transaction charges administered by the department need to increase by between 35% and 522% to reflect the considerable work that can be needed to ensure that the granting of a licence or approval results in water management outcomes consistent with the requirements of the Act.[7]

On the other hand, WaterNSW has already invested in process review and redesign of its consent transaction activities, in addition to having reviewed its operating model and implemented digital capabilities. As such, we are proposing modest increases (2% to 4%, excluding inflation) to most of the consent transaction charges administered by WaterNSW, to ultimately achieve full cost recovery by the end of the 2025 determination period.

The proposed changes include increases to a range of charges, reductions to some charges (reflecting benefits of digital investments) and the introduction of new charges (for activities

[7] For example, section 63(2)(b) of the Act states that an access licence is not be granted unless the Minister is satisfied that adequate arrangements are in force to ensure that no more than minimal harm will be done to any water source as a consequence of water being taken from the water source under the licence.

previously provided free of charge or for charges previously set outside the WAMC IPART price determination).

Our proposed consent transaction charges are presented in Chapter 8.

1.10 Proposed non-urban metering charges

During the 2021 determination period, WaterNSW has been providing metering services in accordance with the NSW Government's new metering framework for non-urban water take. The aim of the non-urban metering framework is to ensure that most licensed water take is measured with accurate, auditable and tamper-evident meters.

Following a review of the framework in 2023–24, the NSW Government has updated the framework with new requirements that will ensure water resources are being measured and managed fairly across the state and water customers can comply with their licence obligations.

We propose to maintain 4 of the existing non-urban metering charges to recover the efficient costs of implementing the NSW Government's revised requirements of the non-urban metering framework:

- a 'scheme management charge', applied as an annual fee to all licensed customers ($/licence)
- a 'telemetry charge', applied as an annual fee per metering installation for customers that use telemetry ($/meter)
- a 'non-telemetry charge', which we propose to rename a 'LID (local intelligence device) download/validation charge', applied as a fee per transaction for customers whose LID is located in a telemetry blackspot and the data needs downloading or whose LID is faulty and requires in-field validation ($/transaction)
- a 'meter service charge – operating costs' ($/meter) for customers with government owned meters.

WaterNSW proposes to discontinue the 'meter service charge – capital costs' for customers with government owned meters as these costs will continue to be funded from an existing grant from the department.

In addition, we propose to introduce 2 new charges:

- An alternative assessment charge, applied as a fee per transaction ($/transaction) for small/low risk users should a site inspection be required to gather information not provided by the water user.
- An annual attestation charge from 2026–27, applied as an annual fee per licence ($/licence) for the costs associated with administering the annual attestation requirements for all water

users. The proposal annual attestation charge would only be applied should the government implement changes to the reporting requirements to require attestation.

Our proposed non-urban metering charges for the 2025 determination period are outlined in **Table 12**.

Table 12: Non-urban metering charges ($2024–25)

Charge	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Change (%)
Scheme management charge ($/licence)	85.35	114.93	114.93	114.93	114.93	114.93	34.7%
Telemetry charge ($/meter)	263.86	270.36	270.36	270.36	270.36	270.36	2.5%
LID Download/Validation charge (ex non-telemetry charge) ($/meter)	263.86	524.24	524.24	524.24	524.24	524.24	98.5%
Meter service charge – operating costs, government-owned meter ($/meter)	1,047.17	991.76	991.76	991.76	991.76	991.76	-5.3%
Alternative assessment charge, as needed	0	665.19	665.19	665.19	665.19	665.19	n/a
Attestation charge ($/licence) (from 2026–27)	0	0	81.64	81.64	81.64	81.64	n/a

1.11 The rest of this proposal

The rest of this proposal is structured as follows:

- **Chapter 2** explains our commitment to delivering key water management outcomes, including how we performed in the current determination period, how we have engaged with customers and stakeholders, how we have been guided by long-term planning, our key priorities and targeted outcomes for the upcoming period and how we will monitor and report on progress
- **Chapters 3, 4** and **5** explains how we will deliver these outcomes in a cost-efficient manner, including our forecast levels of operating and capital expenditure for the upcoming pricing period, the measures we have taken to ensure these proposed expenditure allowances are efficient and other elements of our 'Notional Revenue Requirement' (NRR)

- **Chapter 6** outlines how we have achieved efficient and equitable cost allocation under our proposal, including the allocation of costs between customers and the NSW Government and the allocation of customers' share of costs across water sources in NSW
- **Chapters 7, 8** and **9** present our proposed water management prices (including floodplain harvesting prices), consent transaction charges and metering charges, respectively
- **Chapter 10** considers the potential impacts of our proposed water management prices on customers and the NSW Government
- **Chapter 11** explains how and why our proposal is credible, including our self-assessment under IPART's "3Cs" framework as 'standard', how WAMC management has taken ownership of this proposal and our committed to reporting progress in achieving outcomes
- **Attachments** provide supporting information including in relation to our self-assessment, costs by activity code (including explanation of these costs), our proposed approach to reviewing our pricing framework over the upcoming pricing period, our consultation strategy and our Efficiency Strategy.

2 Our commitment to delivering water resource management outcomes

This chapter explains:

- who we are and what we do
- our performance in the current determination period in delivering water management outcomes
- how we have engaged with our customers and other stakeholders to inform the outcomes we will deliver in the 2025 determination period and associated expenditure
- how our longer-term planning informed our proposals for the 2025 determination period, as outlined in this pricing proposal
- the specific outputs, outcomes and deliverables we will measure and how we will report on progress over the 2025 determination period

2.1 Who we are and what we do

Effective water management is critical for ensuring that water is used sustainably and therefore supports the health of the environment, the wellbeing of communities and the security, reliability and value of water entitlements in NSW. Effective management of water as a scarce resource is also increasingly important and challenging as the climate continues to change and our population continues to grow.

WAMC is responsible for water management in NSW: it is the regulator and steward of water resources in NSW to deliver outcomes in the long-term interests of the whole community. WAMC's water management functions are determined by legislation, primarily the *NSW Water Management Act 2000* (the Act). In particular, WAMC must deliver on statutory water planning and management functions to protect water resources now and for the future and share water sustainably between different uses. This includes developing plans for sharing water between users and the environment, administering water licences and allocations and ensuring compliance with water laws and licences.

The responsibility for delivering WAMC's water management activities is split between the department, Water NSW and NRAR. Each agency is responsible for key functions and services that

support the sustainable management of water resources for the benefit of NSW water customers, stakeholders and communities as follows:

- the department **sets water management plans (or 'makes the rules')**, including developing implementing and reviewing plans and policies related to water sharing, floodplain management and environmental water management; water modelling to inform policy and plans; water allocations and determinations; and some licensing and approval activities
- WaterNSW **implements water management plans (or 'delivers services to support the rules')**, including surface and groundwater quality and quantity monitoring, most licensing and approvals and customer services, including billing
- NRAR **enforces compliance with water management plans and legislation ('or enforces the rules')**, including monitoring compliance with and enforcing water laws.

The MDBA and BRC also deliver water management services in NSW. We provide an overview of their activities over the current determination period and their forecast activities over the 2025 determination period in Chapter 3 when presenting water management operating expenditure.

This price proposal encompasses the water planning and management activities of all these entities.

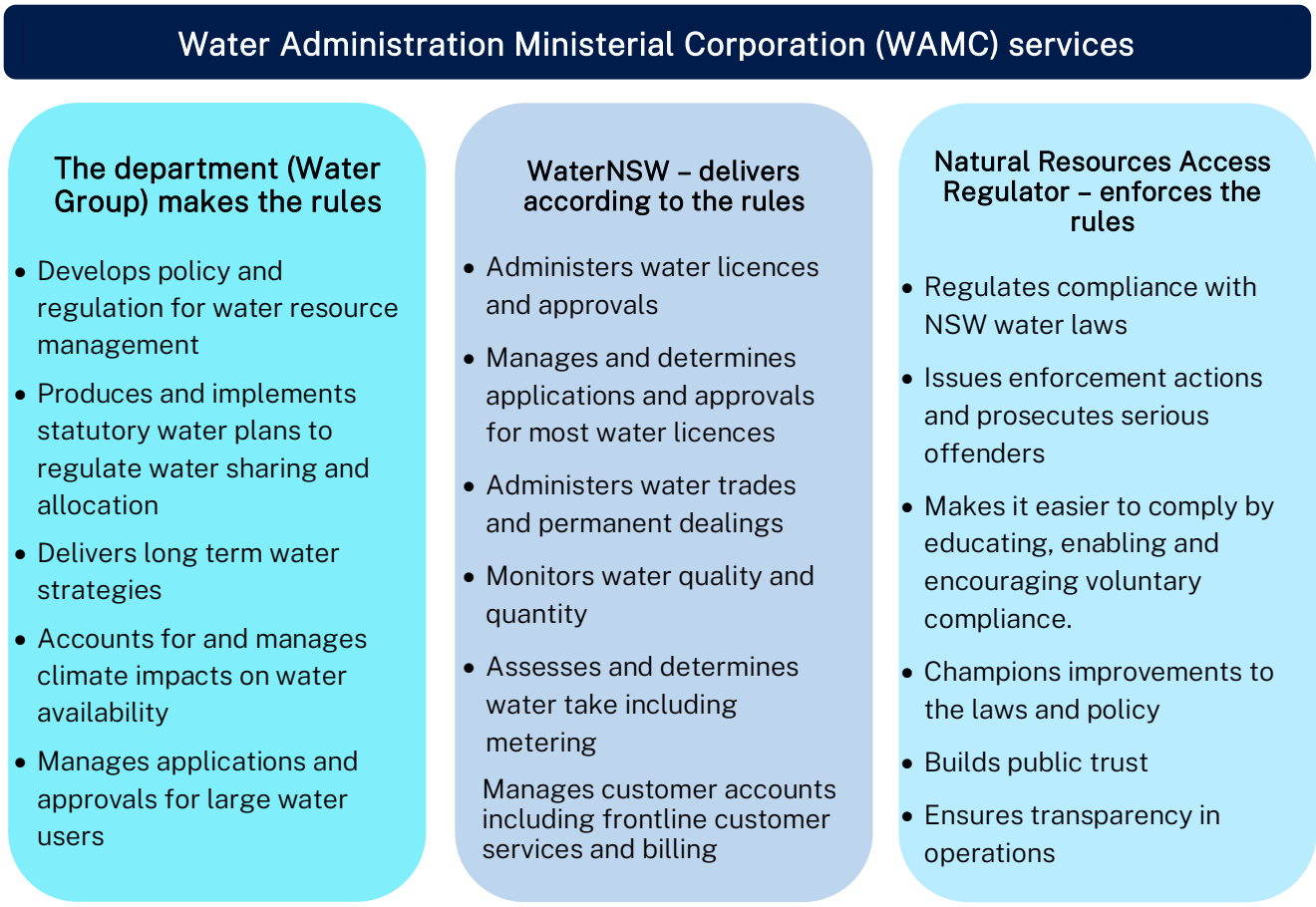


Figure 2: Roles and responsibilities in delivering WAMC's services

2.2 How we performed in the current determination period

In 2018, the NSW Government passed a package of legislative amendments that reinforced NSW's water management framework, to restore public confidence in our credibility, the effectiveness and fairness of water management and the government's ability to ensure compliance. This legislative reform and more rigorous implementation of existing laws and regulations, along with our redoubled efforts in setting up and implementing a better system for managing water, underpinned the significant step change in expenditures for the 2021-2025 ('current') determination period.

The current determination period has been a period of consolidation of these reforms and delivering on improvements in the water resource management regime for the state.

Performance against our commitments is reported as at 30 June 2024. We have also provided our best indication of performance by 30 June 2025.

2.2.1 What we said we would deliver and what we have delivered

In our pricing proposal to IPART's 2021 determination of WAMC's prices, we committed to deliver a range of outputs through activities across our water management functions over the current determination period.

In doing so, we sought to address the key priorities identified by stakeholders at that time including:

- **clear and transparent enforcement of the water management framework** to ensure consistency and compliance. Customers indicated strong support for a robust compliance and enforcement regime. More engagement, greater transparency and adequate resourcing, particularly in relation to the number of compliance officers, were identified as customer priorities in this area
- **monitoring that customers can trust across programs and water sources**. Feedback from customers was that improvements to technology and reporting requirements would allow for fair and consistent rule enforcement, based on accurate information. Customers also wanted accurate and reliable data to provide them with certainty and to inform decisions about how to manage their water entitlements
- **improved accountability for water management decisions** through greater transparency and strong evidence. Customers requested more technical reports and scientific analysis to provide evidence to support the department's decisions and proposals, as well as to inform customer feedback on these
- **improving the information available to customers** to provide certainty, help better inform their decisions, their feedback to the department on specific issues and their understanding of the water management system

These priorities were reflected in output measures and performance indicators established by IPART in its 2021 determination of WAMC's prices. Below we provide an overview of our performance against these output measures and indicators over the current determination period by each of our broad functions:

- development of water management rules
- delivering services and activities to support the implementation of water management rules and
- monitoring and enforcing compliance with water management rules.

Detailed reports of these output measures and performance indicators and our performance against them up to financial year 2022–23 is available on IPART's website[8]. Based on our assessment of all the WAMC performance measures, we have met and are on track to meet 83% over the current determination period. This represents a steady improvement over the period and our commitment to deliver on our WAMC performance measures. Exceptions were due to:

- unprecedented wet weather conditions and COVID-19 restrictions causing major delays
- delays due to co-dependencies with other projects, reviews or incidents
- delays due to changing timeframes, targets, priorities and resourcing constraints.

1. Making water management plans

This function includes developing and reviewing plans, strategies and policies related to water sharing, floodplain management and environmental water management; water modelling to inform plan and policy development and review; water allocations and determinations; and some licensing and approval activities.

Over the current determination period we have made significant advances in water management policy and planning. For example, we have:

- completed 8 regional water strategies, to understand and address risks to long-term water security, informed by enhanced understanding of climate, with a further 3 strategies (Lachlan, Murray and Murrumbidgee) to be completed before the end of 2024
- reviewed 20 water sharing plans (WSPs), replaced 27 WSPs and issued 49 amendment orders for WSPs – these plans set rules for sharing water for social, economic and cultural use and for the environment, as well as for trading water entitlements

[8] https://www.ipart.nsw.gov.au/Home/Industries/Water/Reviews/Rural-Water/Review-of-Water-Management-prices-from-2021

- developed floodplain management plans for 6 valleys in northern NSW and continued to transition the remaining Water Act 1912 floodplain management plans in the southern Murray-Darling Basin (4 southern valley plans to commence in the 2025 determination period)
- submitted 20 water resource plans (WRPs) to the MDBA for review and accreditation required for implementation of the Murray-Darling Basin Plan, with 16 now accredited
- established initiatives to address the NSW Government's objective of improving water management in NSW by giving greater recognition to Aboriginal peoples' water rights and interests, including improving their access to and ownership of water for cultural, spiritual, social, environmental and economic benefit

Table 13 provides an overview of the key water policy and planning output measures and performance indicators established by IPART at its 2021 determination of WAMC's prices and our performance against these measures and indicators.

Table 13: Key outputs of water policy and planning

Activity	Key output measures/performance indicators	Performance against measure/indicator
Surface water modelling	• 5 models reviewed and reported against accuracy and reliability criteria per year • 15 models updated with additional input data per year	**Met** 5 model performance reviews have been completed per year in the current period. All models have been reviewed and reported against accuracy and reliability criteria set out in modelling guidelines. There are currently models in 28 systems and all of them are being annually updated to service either the diversion compliance programs or regional water strategy work. We are confident that we have exceeded this measure and that it will be met again by 30 June 2025.
Groundwater modelling	• 4 models reviewed and reported against criteria per year • 2 models updated with climate and hydrological data per year	**Not met** 2 model reviews out of the annual target of 4 have been completed in 2023/24. The work to achieve target model performance reviews and extensions is ongoing according to a predetermined schedule, but due to resourcing issues will be significantly delayed. 1 model of the annual target of 2 has been updated in 2023/24. The delay is the result of resourcing issues, but the data extension on other models are underway.

Activity	Key output measures/performance indicators	Performance against measure/indicator
Water resource accounting	• Publication of 9 detailed General Purpose Water Allocation Reports (GPWARs) per year, meeting state and federal compliance reporting obligations	**Met** All 9 GPWARs have been published each year and on schedule. Resource accounting reports were produced to service 2023–24 compliance reporting obligations. We are confident that this measure will be met again by 30 June 2025.
Water Plan performance assessment and evaluation	• 25 Water Sharing Plan (WSP) risk assessments prepared and available prior to remake date • Monitoring outcomes data for all inland WSPs and at least 6 coastal WSPs available prior to evaluation and remake date	**On track** 17 of 25 WSP risk assessments have been prepared as of 2023–24. All 25 will be completed by the end of 2024/25. All risk assessments prepared to date have been completed and made available in line with Water Sharing Plan (WSP) remake timelines. This measure will be met by 30 June 2025. **Met** Available environmental monitoring outcomes data was compiled and supplied for all inland WSPs and 6 coastal WSPs, with the replacement process commencing during 2022/23. The combined environmental monitoring data reports for 22/23 and 23/24 are now complete and in approval process. Undertook and published legislated section 10 review.
Water plan development	• NRC review reports submitted for WSPs due to expire • 13 coastal replacement WSP rules reviewed • Commencement of 11 replacement coastal WSPs following public exhibition and submission for approval • Rule reviews completed and commencement of 13 replacement inland WSPs following public exhibition and submission for approval	**Met** All NRC review reports completed for both coastal (7 reports) and inland (13 reports). **Largely Met** Rule reviews completed for 11 coastal WSP replacements as of 2023/24. All will be completed by 30 June 2025. **Met** 11 coastal WSP replacements commenced following public exhibition and approval. **Partially met**

Activity	Key output measures/performance indicators	Performance against measure/indicator
	• Amendments to WSPs completed • 20 Water Resource Plans (WRPs) accredited • 9 WSPs commenced prior to WRP accreditation	Completed for 6 inland WSPs as of 2023/24. Work on 2024/25 replacement plans regarding this output measure is significantly progressed. All will be completed by 30 June 2025. **Met** All amendments completed for both coastal and inland WSPs. **Largely Met** 16 inland WRPs accredited as of 2023/24. All will be completed by 30 June 2025. **Largely Met** 7 inland WSPs commenced prior to WRP accreditation as of 2023/24. All will be completed by 30 June 2025.
Floodplain management plan (FMP) development	• Section 43 review reports submitted for FMPs • Amendment or replacement FMPs rules reviewed, public exhibition completed, submitted for approval and commenced	**Met** All section 43 review reports completed for FMPs. **Met** All amendment or replacement FMPs commenced following rule review, public exhibition and approval.
Regional planning and management strategies	• 11 regional water strategies completed, in place and implementation plans developed. • Completion of Greater Sydney Water Strategy • NSW Water Strategy MER framework completed	**On track** 8 regional water strategies, excluding Greater Hunter, are complete and in place with implementation developed as of 2023/24. All 11 regional water strategies, excluding Greater Hunter (review) and Fish River, will be completed by 30 June 2025. **Met** The Greater Sydney Water Strategy completed in 2021, with publication in 2022/23, to manage water resources in Sydney, the Blue Mountains and the Illawarra. **Timeframe not met**

Activity	Key output measures/performance indicators	Performance against measure/indicator
		The NSW Water Strategy MER framework was completed in December 2021 but did not meet the original timeframe of June 2021.
Development of Water Planning and Regulatory Framework	• Register of regulatory and policy instruments progressed and timely public access given • Policies and regulations supporting the water planning and regulatory framework are developed and reviewed using a risk-based approach	**Met** All measures exceeded in 2023/24 and projected to be excessed again in 2024/25. A risk-based framework is used 100% of the time for informing the priorities for development of water policy and regulatory instruments.
Cross border and national commitments	• Published annual statement on interjurisdictional participation and performance against interstate agreements.	**Met** NSW continually publishes an annual statement demonstrating its interjurisdictional participation and performance against interstate agreements each year of the current period. This measure will again be met by 30 June 2025.

2. Delivering services to support the implementation of water management rules

The implementation of water management policy includes surface and groundwater monitoring, licensing and approvals and customer services including billing.

In implementing water management policy over the current period, we have:

- updated conditions of approximately 69,000 licences to reflect changes in statutory water plans
- delivered the Water Added Value Environment (WAVE) program, which has begun a program of works spanning multiple determination periods, to improve interactions with customers, support data driven decisions and provide better information to the broader community. In addition to the WAVE program, a further initiative is the Water Insights portal, which makes water data available via a single website to improve transparency and access to data
- implemented the Water Licensing Improvement Program, which simplifies some of the key processes, policies and technology systems related to water licensing and approvals without compromising water management outcomes. A key deliverable of this phase is simplified online works approval processing, which is currently in user testing and will go live before 30 June 2025

- published new climate data used to inform the development of regional water strategies via the SEED portal, with more than 150 data sets now published – thus enhancing public access to critical information used in water management decisions
- continued extensive monitoring of surface and groundwater – including surface water level and flow, groundwater levels, storage levels and volumes and surface and groundwater quality and biological conditions
- rolled-out the non-urban metering policy, enhancing metering of water extractions across NSW and undertook a review of the policy to provide recommendations to the Minister on options to improve compliance and reduce time and costs
- continued delivery of Sustainable Diversion Limit Adjustment Mechanism (SDLAM) projects, including acceleration of 5 projects to deliver Basin Plan targets by 31 December 2026. The 5 projects have undergone rigorous technical, environmental, cultural and economic analysis and external reviews. The department has engaged extensively with communities and stakeholders to progress the projects towards construction
- established licensing of floodplain harvesting activities in the NSW Border Rivers, Gwydir, Macquarie and Barwon-Darling valleys, to ensure take of this important resource is measured and managed within appropriate rules and limits. The department is continuing to progress work to implement the licensing and measurement framework in the Namoi Valley, while WaterNSW is continuing to progress the development of enabling infrastructure and supporting systems across all valleys.

Table 14 provides an overview of the key water management implementation output measures and performance indicators established by IPART at its 2021 determination of WAMC's prices and our performance against these measures and indicators.

Table 14: Key outputs of implementation of water management policy

Activity	Key output measures/performance indicators	Performance against measure/indicator
Surface water monitoring	• Quantity monitoring • Quality monitoring • Data management and reporting • Algal monitoring • Ecological condition monitoring	**Largely met** Measures for surface water monitoring were largely met, with some exceptions due to the COVID-19 restrictions and wet weather conditions impacting access to sites and safety during gauging activities. Data losses for level data were kept below 1%, showing an improvement from

Activity	Key output measures/performance indicators	Performance against measure/indicator
		previous periods. Measures for surface water ecological condition monitoring were largely met. All databases have been updated on time for the entire state and published.
Groundwater monitoring	• Quantity monitoring • Quality monitoring • Data management and reporting	**Not met** Groundwater monitoring was substantially impacted by unprecedented wet weather conditions and COVID-19 restrictions. This affected both manual and telemetered site visits. Visit frequency was achieved for 54% of sites and data loss for telemetered sites was kept under 1%. However, 23% of pipes missed consecutive visits. Efforts are ongoing to enhance data capture and prioritise site visits during adverse conditions, with pilot programs and process reviews underway to mitigate future disruptions.
Systems operation and water availability management	• Water Sharing Plan (WSP) implementation program established and published • Annual implementation effectiveness reviews completed and communicated to stakeholders • Long Term Average Annual Extraction Limit (LTAAEL) managed in priority WSPs where it is exceeded • AWDs and allocation statements released for each WSP	**Met** A WSP implementation program has been established and published. Annual implementation effectiveness reviews have been completed for each year of the current period. This measure will again be met by 30 June 2025. LTAAEL in priority WSPs, where it is exceeded, has been successfully managed. 100%

Activity	Key output measures/performance indicators	Performance against measure/indicator
	• Assess compliance with LTAAEL, report compliance and adjust AWDs as required where LTAAEL is exceeded • Implementation of Snowy licence review	compliance achieved with LTAAEL and AWDs reflect an appropriate reduction in allocations where LTAAEL is exceeded. AWD and allocation statements released for each WSP. This measure will again be met by 30 June 2025. **Timeframe not met** The Snowy licence review was not implemented by 2022. It is set to be completed by the end of 2024.
Blue-green algae management	• Implementation of algal risk management plans for each region • Timely reporting of algal alert levels	**Met** Regional guidelines have been updated regarding algal risk management. 100% of red alerts sent on time to stakeholders through media statement and reports.
Environmental water management	• Process in place to recognise return flows from environmental water and published annual report on PPMs implementation • Implementation of Northern Basin – Interim Unregulated Flow Management Plan • Implementation of active management enabling the protection of environmental water in the Northern Basin	**Met** The adaptive process is in place to develop return flow accounting arrangements. Agreement continues to be achieved for all loss accounting arrangements to date. The annual review report has been published. An initial investigation into using the Mowamba River to provide environmental water to the Snowy River has been completed. Work completed includes a feasibility assessment, a 3-year trial is underway to achieve improved flexibility of releases

Activity	Key output measures/performance indicators	Performance against measure/indicator
		under the Snowy River Increased Flows, as well as work to obtain required approvals for more flexible release. **Timeframe not met** Implementation of the Western Regional Water Strategy and First Flush review were delayed, pending findings of the Connectivity Expert Panel. The Panel provided its final report in July 2024. We will develop an implementation plan by June 2025, but the measure will not be met by 30 June 2025.,
Water management works	• Length of river remediated • Channel capacity (at Tumut) • High priority areas of erosion identified and remediated • Volume of salt diverted from the Murray River system • Maintain net credit balance for NSW on the BSM2030 Salinity Register	**At risk** As of 2023/24, only 5.54km of the Tumut River has been remediated and channel capacity is also at risk. Both measures are unlikely to be met by 30 June 2025 due to the impacts of the 2022 flooding. **Met** High priority areas of erosion have continually been identified and remediated over the current period. Further, NSW has maintained a net credit balance on the MSB2030 Salinity Register over the current period. **On track** The 50,000 t of salt diverted from the Murray River System is on track to be met by 30 June 2025.

Activity	Key output measures/performance indicators	Performance against measure/indicator
Regulation systems management	• System availability, security and privacy of user data	**Met** The NSW Water Register has a system availability of 99% with minimal downtime due to system upgrades, windows patching and disaster recovery activities.
Consents management and licence conversion	• WSP mandatory conditions reflected in licences • Rule changes reviewed to identify whether condition changes are necessary • Necessary changes to conditions are notified to the licence or approval holder	**Met** All WSPs now have conditions that are reflected in licences. All WSP amendments were reviewed within 3 months of the commencement of the amendment to determine if conditions changes are required. **Not met** Priority mandatory conditions have been notified within 6 months and other mandatory conditions have been notified in a reasonable time. It is not possible for all mandatory conditioning work to be completed within 6 months, given the batched nature of WSP remakes and amendments and the need for targeted, plain-English notification material.
Water consent transactions	• Timely determinations of applications for water access licences, works and use approvals and extensions	**Met (approval extensions only)** In 2023/24, applications relating to water consent transactions were received in line with forecast targets. Approval extensions were determined within the required timeframe.

Activity	Key output measures/performance indicators	Performance against measure/indicator
		Not met In 2023/24, water access licences and water supply work and use approvals were not determined within the required timeframes. This was due to the compounding issues of volume and complexity of applications and the assessment required, which can include additional specialist advice.
Customer management	• Timely response to enquiries and resolution of complaints	**Met** In 2023/24, all enquiries and complaints were responded to and resolved in a timely manner.

3. Compliance and enforcement

The compliance management outputs and functions are driven by the principal statutory objectives under the NRAR Act to ensure effective, efficient, transparent and accountable enforcement of the law and to maintain community confidence in the enforcement of water laws. In its submission to IPART's last determination of WAMC's prices, NRAR committed to:

> **"continue its progress towards being a best practice, modern regulator over the next regulatory period. We will do this by using a wide array of proactive compliance tools that encourage voluntary compliance through increased intelligence led monitoring, audit, education, engagement and communication campaigns. This approach will continue to be underpinned by an effective enforcement capability for serious and deliberate non-compliance that also serves as a strong deterrent to non-compliance for all water users."**

As a firm yet balanced regulator, NRAR has delivered on its promises, including:

- maintaining a robust enforcement approach for serious and deliberate non-compliance, developed in response to the Matthews recommendations, ensuring both specific and general deterrence and fairness for compliant users
- transitioning to proactive compliance, as outlined in our 2021 IPART submission, with programs informed by intelligence, spatial data and forecasts of economic and climate conditions

- maturing our regulatory approach and capability, evidenced by an independent assessment against the Australasian Environmental Law Enforcement Regulators network (AELERT) Modern Regulatory Improvement Tool
- responding to community expectations by investing in education and engagement initiatives, assisting water users in complying voluntarily with water management rules and licensing requirements. This has included significant on-farm engagement, consistent with feedback from water users
- meeting or exceeding most of our key performance indicators (KPIs)
- publishing regulatory priorities, providing transparency on where NRAR is investing its resources
- championing improvements to the water rules, where this simplifies the framework for water users and supports more effective, efficient compliance and enforcement
- developing spatial analysis and intelligence capabilities, enhancing our awareness of non-compliance and maintaining public confidence. This includes the development of remote detection technologies, enabling the review of water use across thousands of properties annually and identifying unapproved water storages
- finalising over 3,500 investigations during the determination period, resulting in more than 2,800 advisory letters and more than 1,500 enforcement actions, including directions, enforceable undertakings, formal warnings, official cautions, penalty infringement notices and 18 prosecutions

Table 15 provides an overview of the key compliance and enforcement output measures and performance indicators established by IPART at its 2021 determination of WAMC's prices and our performance against these measures and indicators. This shows we have performed well against these output measures and indicators.

Table 15: Key outputs of compliance and enforcement

Activity	Key output measures/performance indicators	Performance against measure/indicator
Compliance management	• Published reports on compliance activity, levels of compliance and non-compliance, annual progress and community benchmarking survey results • Volumes of water licence holders audited and/or inspected each year • Timely assessment of public reports, assignment or high priority cases to	**Met** Quarterly and annual compliance activity reports were successfully published along with results of the community benchmarking survey. Responses were provided to 100% of customer calls to hotlines and website submissions. Further, we greatly exceeded auditing and inspection targets in 2023/24.

Activity	Key output measures/performance indicators	Performance against measure/indicator
	investigators and responses to public informants	These measures will again be met by June 2025. **Not met** In 2023/24, of the 133 high priority cases received, 100 were assessed, triaged and assigned to an investigator within 15 days of receipt. We aim to meet this annual target by 30 June2025.

2.2.2 What has been the impact of our current period performance?

As outlined above, we have delivered on the majority of our WAMC performance measures over the current determination period, with some that are currently outstanding to be met by 30 June 2025. While a few measures are either not met or at risk of not being met by 30 June 2025, reasons have been clearly explained.

The key impacts of our current determination period performance include:

- protecting the environment to maintain healthy and resilient water ecosystems
- supporting regional communities and water-dependent industries by enabling the sustainable use of water
- enhanced confidence in the integrity of water resource management in NSW, including protection of the value of the 'property rights' of water entitlement holders.

Water resource plans (WRPs) and water sharing plans (WSPs) provide the framework and rules for managing NSW water resources. These plans ensure there is sufficient water for the environment, while also allowing water for water-dependent businesses and communities.

Our plans have helped to facilitate economic activity in water using industries and downstream industries by enabling the sustainable use of water in economic activity. For example, Marsden Jacob Associates[9] found that the total value of water in NSW is between $31 and $41 billion, including $25-$34 billion of tradeable (predominantly irrigation and environmental) entitlements.

[9] Marsden Jacob Associates Report NSW Water Valuation consultancy (5 June 2023 for NRAR)

2.3 How we engaged with customers and what they told us

This section outlines how we engaged with customers and other stakeholders to inform this pricing proposal, what they told us and how this is reflected in this pricing proposal. Section 2.7 further below builds on this to explain how the views of customers have shaped our targeted outcomes and expenditure programs for the 2025 determination period.

The WAMC Engagement Charter, setting out how we engaged and will continue to engage going forward, is also at Attachment C. Further information on our engagement with customers and the community is also in our WAMC Engagement Outcomes Report, which is at Attachment D.

2.3.1 We engaged with customers and the community, building on our continuous engagement on programs and policies

WAMC's role and functions are significantly different to those of the other water utilities that IPART regulates. WAMC is responsible for ensuring the sustainable management of water resources in NSW, consistent with the Act. There is little discretion in **what** activities and services WAMC delivers, as it is required to fulfil its obligations under the Act.

Nevertheless, we engage continuously with customers and other stakeholder to inform **how** we deliver our core statutory functions to protect and share water resources (e.g. in developing and reviewing water management plans and policies). Each WAMC agency's stakeholder engagement strategy is available on their respective websites.

We have also consulted extensively with customers and other stakeholders to inform this pricing proposal and our water management outcomes and focus areas for the 2025 determination period. Given WAMC's roles and responsibilities, our engagement approach aligned with the International Association of Public Participation Australasia's 'Inform' and 'Consult' end of the Public Participation Spectrum, including clearly defining the level of influence customers had in relation to the WAMC pricing proposal development. This meant that we:

- **informed** customers of our 'non-negotiable' functions and delivery responsibilities
- **consulted** with customers to obtain their views on:
    - services, expenditure and investment levels where there is flexibility and where feedback could genuinely inform decisions
    - options to manage bill impacts for customers.

The engagement activities undertaken by WAMC agencies in developing this pricing proposal are summarised in **Figure 3** below.

Desktop analysis
of 17+ Engagement Outcomes Reports on water planning activities, Voice of Customer and other intel to identify initial customer priorities for further testing through Phase 2 engagement.

1,188 Voice of Customer survey participants
provided feedback on broad expectations and views on how the agencies were delivering on their shared water management services and priorities.

450 Community sentiment surveys participants
(non-licensed customers) provided views and expectations of NSW Government water management priorities including funding.

48 peak body, industry and government stakeholder interviews
on how the WAMC agencies were delivering on their shared water management services and responsibilities.

10 information and engagement sessions
to WaterNSW Customer Advisory Groups in July 2023 and February 2024.

13 online Water Working Groups
held with 4 regionally based groups representing Central, Coastal, South-west and North-west valleys to inform and consult on water management priorities and preferred price caps for 2025-2030.

Targeted First Nations engagement
through the WaterNSW First Nations Roadshow in late 2023 and to develop the department's draft Aboriginal Water Strategy – a NSW Water Strategy commitment – to recognise Aboriginal people's water rights and values and increase access to and ownership of water for cultural and economic purposes.

Figure 3: Overview of customer and stakeholder engagement to inform WAMC's price proposal

The engagement involved 3 key phases, as outlined in Table 16.

Table 16: Customer and stakeholder engagement program for this pricing proposal

Phase	Approach	Outputs
Phase 1 – Looking back (current determination period) What we have heard and testing further through Phase 2 engagement	Desktop audit and analysis of customer, community and stakeholder priorities for water management and planning summarised in Engagement Outcomes Reports, Voice of	High level priorities for further testing through Phase 2 engagement

Phase	Approach	Outputs
	Customer surveys and other relevant intel. NSW Joint water sector customer, community and stakeholder research program to further test views on these priorities and how the agencies are delivering on their statutory and regulatory responsibilities. Engagement with WaterNSW Customer Advisory Groups. Engagement on First Nations priorities through the First Nations Community Roadshow and to develop the draft Aboriginal Water Strategy.	
Phase 2 – Looking forward (next determination period)	Water Working Group engagement to: • inform of the non-negotiable, fundamentals • consult on priorities and preferences for some WAMC services and on price cap	Confirmation that initial priorities heard through WAMC project-led engagement and other intel are robust and reflect broad customer and community priority expectations. These priorities were used to develop WAMC outcomes that underpin this proposal
Phase 3 – Proposed prices for 2025-30	Water Working Group engagement to consult on proposed prices for 2025-2030	Customer and community views on proposed price caps for 2025-2030 and increased NSW Government share for some WAMC services.

2.3.2 Our pricing proposal reflects what we heard from our customers and the community

Below we list what customers told us is important to them and how we have reflected this in this WAMC pricing proposal for the 2025 determination period – primarily through our proposed operating and capital expenditure allowances.

Table 17: Customers' views and how they are considered in this WAMC price proposal

Customer views	Summary	How considered in WAMC proposal
Need for assurance of ongoing water reliability and security for communities, businesses and the environment	Need to balance water allocations to meet the needs of industry, other customers and community Support for water security for First Nations communities for cultural and economic purposes Importance of understanding impacts of climate change on water availability, quality and reliability	The implementation of robust water sharing plans is a priority for the proposal. WAMC water management plans, strategies and water allocation decisions will include new climate risk information and modelling The WAMC proposal includes allowances for strengthening first nations engagement in statutory plans. Other key projects that support access to water for First Nations communities, as outlined in the NSW Aboriginal Water Strategy, will be delivered separately to the WAMC pricing proposal process.
Need to build greater confidence in how water management and planning decisions are made and enforced	Support for even greater transparency in how monitoring and modelling data is used and made publicly available. Roles and responsibilities for water management, compliance and reporting are not always well-understood by licensed customers. It is not always clear to WAMC customers, what WAMC services they pay for through charges. Many customers expressed dissatisfaction with the non-urban metering policy, concerned that the cost to comply is different between customers.	Enhanced customer access to information used for water planning and decision-making. A review of the Non-Urban Metering Policy has been undertaken and recommendations are being actioned through this proposal.
Support for an efficient and effective regulator	NRAR is seen to be firm and fair.	The proposal includes allowance for continued education, engagement, communication and

Customer views	Summary	How considered in WAMC proposal
	Licence holders who had received a visit from NRAR consistently reported higher confidence and satisfaction in water regulation and enforcement. There was strong community support for greater action to combat illegal water take. Prior to receiving an inspection, many customers felt they were not well informed of their obligations. 59.3% of NSW water users find the laws too complicated compared to 47.4% of water users nationally. Stakeholder groups reported that because of the regulator rule breakers were more likely to be caught. There was strong support for more context to be provided to the community around compliance results.	outreach programs using different methods to reach water users, including an active on-farm outreach program to improve community awareness of obligations and understanding of how to comply with water management rules. NRAR will maintain its strong on-ground presence to enhance customer and community confidence in the enforcement of water rules. NRAR will continue to develop its technology and remote monitoring capabilities to support more efficient detection of breaches by on-ground staff. NRAR will continue to promote its remote detection capability to raise public awareness of this capability and support deterrence and increased voluntary compliance. NRAR will seek regulatory and legislative amendments that clarify the laws to support increased voluntary compliance, including support for non-urban metering reform recommendations being actioned through the WAMC proposal.
Importance of efficient and well-coordinated delivery of WAMC services, without	Concern that there is duplication or inefficiency in the delivery of services, as some services such as monitoring, customer service and some data-related	We will continue to focus on efficient delivery of services, as set out in our WAMC Efficiency Strategy.

Customer views	Summary	How considered in WAMC proposal
duplication, particularly for services that are delivered by more than one agency	activities are delivered by both the department and WaterNSW. Some customers expressed the view that the agencies could be better coordinated across shared activities – examples provided included agencies not always having shared customer data, or opportunities for a joint agency approach at customer engagement forums. In relation to licensing and approvals, there was clear support for greater transparency of the overall status of applications and greater timeliness. Many customers expressed that it was not always clear what approvals were required and which agency was responsible for applications/approvals.	To avoid duplication, WAMC agencies have implemented a Roles and Responsibilities Agreement (RRA), which sets out in detail how the department, WaterNSW and NRAR work together to efficiently and effectively deliver WAMC services. Through the RRA, WAMC agencies have leveraged the critical investments made by one entity for the others for a number of licensing types and transactions and implemented a joined-up approach to customer research and engagement programs.
Support for continued but modest investment in customer services, customer experience and stakeholder engagement	Improved licensing and approval processes through the Water Licensing Improvement Program, including digital applications through the Customer Portal, are well supported. Support for greater clarity on return on investment for proposed digital customer service improvements. Some customers and peak representatives expressed engagement fatigue at the number of draft plans for feedback, given there are times when more than one plan or policy is open for comment. Some customers expressed less need to be consulted on water management and planning decisions, other customers	The pricing proposal seeks allowance for a 'modest' (rather than 'excessive') level of investment in customer services and engagement, which will also increase efficiency and enable more effective compliance. The WAMC proposal, based on a strong business case and customer engagement, invests $47.7m (direct costs only) over 5 years in a joined-up strategic approach to critical ICT investments needed to achieve legislated requirements, efficiencies and customer service. This investment will improve customer service systems, which will make it easier for customers

Customer views	Summary	How considered in WAMC proposal
	expressed concern that their views would not be reflected in final plans. Licence holders support being engaged on water management and planning, but want that engagement to be efficient, rather than excessive in the level of investment. There was support for continued consideration of local insights in water management plans.	to access their account information and transactions related to licensing and metering.
Government funding and cost shares	Community members (non-licensed holders) support both increased NSW Government and water user funding for water management and planning. A majority of customers supported increased government funding for water management services and activities that directly contribute to community and environmental benefits, including fishway passages. A majority of customers supported increased government funding for any changes to policy which are government-led and increased government funding for climate adaption planning. There was support from some customers for an increased government share for compliance services, with the view that the protection of water resources benefits the wider community and environment, not just licence holders. Diverse opinions on who should fund increased investment in compliance services - suggestions included both increased government and customer	Continued notional cost-sharing between the NSW Government and customers based on IPART's and the NWI's 'impactor pays' principle, although proposed actual customer share of costs is less than a notional share due to our proposal to cap price increases below fully cost-reflective levels. Proposal to increase the government share of W06-05 'Regional planning and management strategies' from 40% to 50%, as some of this activity relates to understanding and managing the impacts of climate change and we consider the broader community rather than customers are the 'impactors' of this work. If IPART adopts WAMC's proposal to cap annual price increases below cost-reflective levels, the government will pay around 60% of the WAMC's efficient costs.

Customer views	Summary	How considered in WAMC proposal
	share and funding through successful prosecutions for illegal water take.	
Affordability and transition to full cost recovery	Most customers supported continuation of the current 2.5% per annum cap on price increases. Many customers were concerned about the potential impact of increased charges and impacts on their businesses. Many customers were concerned about the cumulative bill impacts of increased charges for both WaterNSW's bulk water services and WAMC's services in 2025 – 2030. Just over 70% of Water Working Group participants felt that economic conditions in their region had deteriorated since 2021. Some agricultural producers noted the increased costs to operate their businesses, including for fuel, electricity and machinery costs, as well as other cost of living factors such as inflation and market fluctuations for their product. Some customers expressed concern regarding the additional costs to comply with metering and felt the impact on different customer types was inconsistent.	The proposal is to continue the current transition of the Minimum Annual Charge (MAC) towards full cost recovery, increasing by 2.5% per annum (plus inflation). For larger users, we propose an annual cap on increases of WAMC's water management charges of 15% a per year. While this will mean larger increases for some users, WAMC water management prices would continue to be set well below cost-reflective levels under our proposal. MDBA and BRC prices would be set at fully cost-reflective levels. While we are mindful of cost-of-living pressures, we also note that in recent years there have been high levels of water availability, strong water trading markets and positive economic conditions in several key water using industries. Further, it is important that WAMC receives sufficient revenue to enable it to undertake water management activities – which protect the value of customers' water entitlements over the long-term.

2.4 How we have been guided by long-term planning

IPART's 3Cs regulatory framework underlines the importance of robust long-term planning in delivering customers' long-term interests and outlines its expectations of what businesses should include in their long-term investment plans.

While long-term planning is fundamental to WAMC's functions and activities its long-term plans are less about capital investment programs and more about water resource planning and stewardship.

WAMC is putting into action a suite of long-term water strategies. These set out the approach to maintaining and building the resilience of the state's water resources, including in response to climate variability and change and drive WAMC's water management activities. These long-term strategies set the direction for water policy, planning and infrastructure decisions over the next 20 to 40 years. They include:

- **the NSW Water Strategy**, which sets the direction for water outcomes in 7 priority areas until 2050. This strategy is the first 20-year water strategy for all of NSW to improve the security, reliability, quality and resilience of our water resources over the long term. It sets the priorities and outlines the implementation plan to delivering these outcomes. The NSW Water Strategy sets the overarching vision for 12 regional and 2 metropolitan water strategies, tailored to the individual needs of each region in NSW. Together, the strategies will improve the resilience of NSW's water services and resources
- **regional water strategies**, which are long-term strategic plans to enhance the resilience of our water resources in each region in NSW. They focus on improving water for local communities and towns, improving outcomes for Aboriginal people in terms rights and cultural values and protecting the environment. These strategies draw on new climate data, to understand climate risks in the future. They are also developed following extensive stakeholder consultation, including with local councils, Aboriginal communities and the broader community of each region
- **the NSW Groundwater Strategy**, which delivers on a key priority of the NSW Water Strategy by ensuring an enhanced, statewide focus on sustainable groundwater management for the next 20 years. The strategy provides a blueprint for devising and delivering initiatives that will protect and future proof our groundwater resources, in response to changing climate conditions, population growth and land use changes
- **the NSW Aboriginal Water Strategy**, which the NSW Government is developing in partnership with First Nations/Aboriginal stakeholders and communities. The strategy will identify ways of increasing water rights and ensuring that First Nations/Aboriginal people are empowered to contribute to water management and planning decisions

- **the Joint Technology Roadmap**, which has been developed collaboratively amongst the WAMC agencies for the benefit of the NSW water management ecosystem. The roadmap identifies a whole-of-sector approach to digital services to deliver improved customer experience, enhanced transparency and operational efficiencies.

These strategic plans will guide WAMC's water management activities over the 2025 determination period and beyond. WAMC's proposed expenditure allowances in this pricing proposal will enable it to efficiently undertake water management activities consistent with the objectives of these strategic plans and the Act. This includes, for example:

- the development, review and implementation of water sharing and floodplain management plans to improve water resource security, reliability and resilience, for the benefit of water-dependent businesses and communities, Aboriginal people and the environment, consistent with the NSW Water Strategy and the Act
- incorporating climate risk and climate change data into water sharing plans consistent with Regional Water Strategies, the NSW Water Strategy, legal agreement with the Nature Conservation Council and Natural Resource Commission (NRC) review recommendations and ensure Ministerial concurrence for water sharing plan replacements. Long term climate data developed in the current period will be utilised to embed climate considerations into the setting of minimum inflow assumptions in a number of regulated water plans across the state. The datasets will also allow for consideration of climate change and variability in the development of coastal sustainable extractions
- establishing the floodplain management plan implementation program to support the increased coverage and number of modern rural floodplain management plans due for replacement and amendment, consistent NSW Water Strategy and the Act
- consistent with the NSW Water Strategy, implementing the now revised non-urban metering policy with a focus on increasing the speed of compliance with reforms, lowering the impacts on small customers and making the system simpler. We will ensure the availability of devices to enable metering (LIDs and meters), along with dedicated metering communications, tools and guides to help water users understand their metering obligations
- consistent with the Groundwater Strategy and statutory plans, expanding groundwater monitoring across NSW to allow sustainable management of groundwater resources and ensure compliance
- prioritising 4 key initiatives from Joint Technology Roadmap, described in the proposal as the Digital business improvement strategies, for implementation in 2025 determination. The 4 Strategies improve efficiencies and service quality through process redesigns and integrated information systems for the benefit of WAMC customers

- continue to waive water charges for cultural water licences, strengthening statutory planning engagement with first nations peoples, developing a framework to evaluate statutory plan outcomes in relation to benefits for Aboriginal people and ensuring that assessment of the condition of surface water ecosystems includes local cultural values, consistent with the objectives of NSW Aboriginal Water Strategy.

Further information on what WAMC will deliver over the 2025 determination period is outlined below.

2.5 We have developed WAMC outcomes in consultation with customers and the community

The WAMC customer outcomes framework consists of:

- an overarching goal that reflects WAMC's purpose
- key outcomes and objectives within each outcome that set out what WAMC aims to achieve over the 2025 price determination period and beyond
- performance measures so that we can track progress towards the outcomes and report to customers and the community
- activities and expenditure we will undertake to support the delivery of the outcomes.

The overarching goal of WAMC is to manage, protect and share the water sources of NSW to the benefit of both present and future generations.

Our water planning and management outcomes for the 2025 determination period reflect WAMC's legislative responsibilities as well as customer and community expectations. Through our ongoing engagement on water management programs during the current determination period, customer surveys and in-depth engagement on the WAMC pricing proposal, our customers and the community told us about their priorities for water management in NSW. We developed our outcomes with these priorities in mind, along with our responsibilities under the *Water Management Act 2000*.

To ensure alignment of our outcomes with customer and community priorities, we looked back at our stakeholder engagement on water management initiatives over the current determination period and identified the main themes and messages we heard. We undertook a comprehensive customer research program, surveying water licence holders (water users), members of the public and interviewing key stakeholders to better understand their views on water management. We then engaged with customers and community in face-to-face and online meetings with Customer Advisory Groups and newly established regional Water Working Groups to test the water management priorities identified through earlier engagement.

Our in-depth engagement process allowed us to identify and test 3 sets of issues that customers and community members care most about – priorities for management of water resources in NSW, priorities for customer service and information and priorities for compliance and enforcement. In phase 2 of the WAMC engagement, NRAR specifically tested outcomes relating to its services, which have been adopted as objectives within this WAMC outcomes framework.

Table 18: Priorities heard through our engagement with WAMC customers and the community

Water management and planning priorities
Reliable water access for communities and businesses
Water planning and management decisions supported by trustworthy data and modelling
Greater use of local knowledge in water planning and management
Groundwater is managed sustainably
Managing water to meet environmental needs
Better understanding of climate impacts on water availability
It is clear how community and customer feedback is considered in water management
Access to water for First Nations people for cultural and economic needs
Customer service and information priorities
More accurate and timely water information to support customers' business decisions
Greater transparency to customers about how government makes water management decisions
More information on the water planning and management services customers pay for
Clearer information about water sharing rules and licence obligations
Easier access to water modelling and other data used in water management planning
Faster and easier applications and approvals
Changes to the non-urban metering rules so it is easier to comply
Compliance and enforcement priorities
Stronger enforcement of serious breaches of water laws and increased compliance rate
Greater understanding of legal obligations
Greater physical regulator presence
Greater cross-agency efficiency

We asked engagement participants to rank these priorities within each category and we used the ranking, along with consideration of other factors from a decision-logic tested with customers, to develop 4 high-level WAMC customer outcomes.

Beneath the WAMC outcomes we are proposing 10 more specific objectives that we will measure and report on throughout the 2025 determination period. Our proposed outcomes are:

Outcome 1 - Enhanced customer experience

Outcome 2 - Sustainable and effective water resource management

Outcome 3 - Confidence in water resource management

Outcome 4 - Value for money

Table 19 below illustrates how each of the WAMC outcomes will contribute to customer value, help deliver community benefits and meet environmental objectives, while ensuring services are efficient. Our customer, environment and community outcomes are consistent with IPART's 3Cs outcomes framework.

Table 19: Summary of WAMC outcomes

Outcome	Description	Customer	Environment	Community
 **Outcome 1** Enhanced customer experience	We will provide better customer service to our customers through improved access to reliable data, easier and efficient interactions and clear and accessible information about their services.	✓		

Outcome	Description	Customer	Environment	Community
 **Outcome 2** Sustainable and effective water resource management	We will deliver on our legislative obligations to protect and share water, improve our understanding and management of risks to water resources and work with customers to ensure they understand and comply with water laws.	✓	✓	✓
 **Outcome 3** Confidence in water resource management	We will work to improve confidence in our ability to effectively manage NSW's water resources including enforcement of water laws.	✓		✓
 **Outcome 4** Value for money	We will provide customer value for money through more efficient data, systems, plans, processes and an efficient and effective compliance program.	✓		✓

2.5.1 Our approach to developing performance metrics

We have selected a series of metrics to measure our progress against the proposed outcomes and objectives using the principles that metrics should:

- be easy for customers to understand and interpret performance
- be outcome focused, rather than activity focused
- have at least one year of data collection to form a baseline performance
- be able to be measured over the reporting period using available data and reporting capabilities
- directly relate to initiatives that WAMC will deliver.

Our proposed WAMC outcomes are designed to deliver value to customers and the community both within and beyond the 2025 determination period and the measures we have chosen to track performance against the outcomes reflect the data available for both time periods.

Short- and medium-term improvements in service delivery to our customers will be tracked through outcome-based performance metrics during the 2025 determination period.

Longer term water management outcomes will deliver benefits to our customers, the environment and the NSW community beyond the 2025 determination period. Our progress towards these long-term outcomes will be tracked through activities that contribute to them. Delivery of these activities will need to be completed for us to achieve our outcomes.

Where progress against outcomes can be observed over the 2025 determination period, we developed metrics to directly measure performance using:

- Our customer research program, which included a Voice of the Customer Survey, public sentiment survey and stakeholder interviews. Questions used for outcome metrics will be asked at all engagement sessions and the whole survey will be undertaken every 1-2 years.
- Existing internal activity output metrics (almost 200 of them) to identify a small suite of quantitative measures to be used to measure and report on WAMC outcomes.

We have set targets for each measure based on a continuation or improvement of current service levels. Refer to Attachment E to understand these measures further and how WAMC water planning and management activities align with the proposed outcomes. A summary of our WAMC services and expenditure to deliver our WAMC outcomes can be found at Attachment F and Attachment G.

2.5.2 How we will report on our performance

We believe that open and regular reporting to our customers will support continuous improvement and increase trust and confidence in water management through greater accountability and transparency. We are committed to annual public reporting on our performance against these outcomes over the 2025 determination period. In our performance reports, we will clearly document:

- our performance at an outcome level and overall performance,
- our performance against each key performance indicator or metric,

- a clear explanation of why our performance is above or below the target,
- a description of the actions we have taken to meet our performance now and/or in the future and
- what activities we have undertaken and our progress towards achieving long term outcomes.

In addition to reporting on our WAMC outcomes, we will monitor and report internally on activity outputs and expenditure. These outputs contribute to achieving the outcomes.

Outcome 1 Enhanced customer experience

We will implement programs to improve customers' experience when interacting with WAMC, through faster, easier transactions and by providing clear and accessible information on water rules, services and billing so customers can make better-informed decisions about managing their water. This outcome will be delivered across 3 objectives:

- Customers can easily access accurate information they need to make informed decisions about managing their water.
- Improved customer experience due to simple, reliable and efficient interactions with WAMC and timely outcomes.
- Customers receive clear and accessible information about their water services and billing.

2.5.3 What we heard during our engagement

Outcome 1 and its objectives have been developed to deliver on customer service and information priorities we heard through engagement on the pricing proposal including:

- More accurate and timely water information to support customers' business decisions
- More information on the water planning and management services customer pay for
- Faster and easier applications and approvals
- Digital solutions for licensing approvals, amendments and other services.

2.5.4 How we will be accountable over the regulatory period

Our 3 objectives relate to customer interactions with WAMC, access to accurate data and clear and accessible information about water services and billing. All 3 of these objectives will result in tangible benefits to customers across the 2025 determination period. We have identified 6 key performance measures for the objectives under this outcome and targets to measure progress each year.

The objectives under Outcome 1 will be tracked against outcome-based performance metrics over the determination period, through existing outcome-based customer survey results or through internal processes that can track resolution or decision time for customer queries and applications.

Our objectives, performance measures, baseline performance against the measures and targets for the 2025 determination period are presented in Table 20.

Table 20: Performance metrics and targets for Outcome 1

Objectives	Performance measures	Current performance (2023–24)	Target over 2026-30
Customers can easily access accurate information they need to make informed decisions about managing their water.	**1.1)** Customers reporting that water rules are appropriately communicated (%)	40%	Continual improvement on previous year performance
	1.2) Customers reporting that they are able to find the information required to submit an application (%)	57%	Continual improvement on previous year performance
Improved customer experience due to simple, reliable and efficient interactions with WAMC and timely outcomes.	**1.3)** Customer enquiries are resolved within specified timeframes (%)	50%	80%
	1.4) Customer applications determined within specified timeframes (%)	50%	80%
Customers receive clear and accessible information about their water services and billing	**1.5)** Customers reporting greater satisfaction overall with billing (%)	65%	>/= 65%

2.5.5 What we will do to support delivery of Outcome 1

Key programs we will implement to support the delivery of this outcome are:

- **Digital business improvement strategies:** We will improve efficiencies and service quality through integrated information systems for the benefit of WAMC customers. Feedback from customers highlights support for investment in digital customer services, information products and engagement. Customers want digital improvements such as simpler, easier licensing and approval processes as well as enhanced engagement on water management and planning activities. We will continue to maintain customer support levels and customer engagement to ensure that no customer is disadvantaged in the transition to increasing digital support services.
- **Continuous improvements in licensing and approvals:** We will continue to implement improvements to water licensing and approvals through the Water Licensing Improvement Program and WaterNSW's Water Market System. These programs aim to modernise and enhance water licensing and approvals processes and systems through investment in policy, process and system digitisation. This will mean faster and easier resolution of customer enquiries and applications.

Outcome 2 - Sustainable and effective water resource management

We will adaptively manage water resources to achieve compliance with extraction limits and climate response plans to enhance flood and drought resilience. We will also implement the updated non-urban metering strategy and provide information to improve customer and community understanding of the rules in their water licences. This outcome will be delivered across 3 objectives:

- Improved river, floodplain and aquifer ecosystem health
- Improved resilience to changes in water availability
- Increasing water user understanding of water laws and how to comply.

The first 2 objectives are long term objectives that relate to environmental management. Activities that WAMC undertakes in the 2025 determination period will contribute to improved river, floodplain and aquifer ecosystem health and improved resilience to changes in water availability.

2.5.6 What we heard during our engagement

Our CAGs identified water security and water rules, easy to access data and information and sustainable water management as key priorities. Through the joint customer research program,

customers told us that barriers to and the cost of compliance with the non-urban metering program was a source of concern. Outcome 2 has been developed to deliver on these customer priorities. Customer and community priorities that informed this outcome are:

- Reliable water access for communities and businesses
- Water planning and management decisions supported by trustworthy data and modelling
- Groundwater is managed sustainably
- Managing water to meet environmental needs
- Changes to the non-urban metering rules so it is easier to comply
- Water management underpinned by better understanding of climate impacts on water availability.

2.5.7 How we will be accountable over the regulatory period

We propose to measure performance against the objectives under Outcome 2 using a mix of outcome-based metrics and activity metrics over the determination period. This is because Outcome 2 and some of its objectives will be achieved over the long term and changes may not be readily observable during the 2025 determination period, or we do not yet have well-developed measurement techniques with historical performance. The activities we have chosen to measure contribute to long-term outcomes.

We have identified 4 key performance measures that meaningfully and simply report on each objective under this outcome. We will report on:

- Our adaptive management of water resources to extraction limits defined in water management plans – outcome-based measure of compliance with limits
- Our implementation of the new non-urban metering policy – outcome-based measure of compliance
- Customers' ease of understanding rules of their water licence – outcome-based measure through the Joint Voice of Customer survey and surveys at each engagement session.
- Delivery of a new requirement to integrate climate risk and adaptation into inland water sharing plans – activity-based measure that will contribute to resilience to changes in water availability.

Our objectives, performance measures, baseline performance against the measures and targets for the 2025 determination period are presented in Table 21.

Table 21: Performance metrics and targets for Outcome 2

Objectives	Performance measures	Performance (2023–24)	Target over 2026-30
Improved river, floodplain and aquifer ecosystem health	**2.1)** % of water sources assessed that are compliant with long term average annual extraction limits, or compliance action taken where required each year	100%	100%
	2.2) % of water entitlement in NSW being measured through metering rollout under the new non-urban metering policy each year	60%	95%
Improved resilience to changes in water availability.	**2.3)** Number of inland regulated river water sharing plans updated with integrated contemporary climate data for available water determination decisions	0	9
Increasing water user understanding of water laws and how to comply	**2.4)** Customers reporting that it is easy to understand the rules in their licence (%)	38%	Continual improvement on previous year performance

2.5.8 What we will do to support delivery of Outcome 2

Key programs we will implement to support the delivery of this outcome are:

- **Delivering and improving water and floodplain management plans:** We will deliver a significantly higher number of statutory water planning activities over the period (as more plans need to be reviewed, replaced, extended or amended to meet statutory timeframes). We will implement recommendations from independent reviews and concurrence requirements

from the Minister for the Environment through new approaches and additional measures to respond to climate change and protect the environment. We will establish the floodplain management plan implementation program to support the increased coverage and number of modern rural floodplain management plans due for replacement and amendment in the next regulatory period.

- **Implementing the non-urban metering policy**: We will implement the recommended changes to the non-urban metering policy with a focus on increasing the speed of the reforms, lowering the impacts on small customers and making the system simpler. We will ensure the availability of devices to enable metering (LIDs and meters), along with dedicated metering communications, tools and guides to help water users understand their metering obligations.
- **Managing climate variability and developing strategies:** We will embed climate change considerations into statutory planning, policy and strategy. Long term climate data developed in the current period will be utilised over the 2025 determination period to embed climate considerations into the setting of minimum inflow assumptions in a number of regulated water plans across the state. The datasets will also allow for consideration of climate change and variability in the development of coastal sustainable extractions, review of sustainable diversion limits within the Murray–Darling (in conjunction with the Commonwealth) and incorporating climate considerations into water sharing plan risk assessments more generally. Climate change will also be considered as a part of floodplain management plan considerations for rural areas.
- **Improving water users' understanding of their legal requirements:** We will continue to improve compliance by undertaking education, outreach and visible 'on the ground' activity, in response to the needs of the community and new rules and regulation. This will support customers who wish to comply but may lack an understanding of their responsibilities. This further empowers the community to identify and report suspicious activities while building confidence in a firm but fair regulator.
- **Expanding groundwater monitoring across NSW:** We will expand groundwater monitoring across NSW to allow sustainable management of groundwater resources and ensure compliance. We will also gain a better understanding of groundwater quality, levels, water paths and recharge in response to increasing pressure on resources.

Outcome 3 - Confidence in water resource management

We will continue to improve confidence in WAMC to sustainably and effectively manage NSW's water resources consistent with the quality and reliability expectations of our customers. This outcome will be delivered across 2 objectives:

- Improved public confidence in water resource management

- Increasing community confidence in the enforcement of water laws.

2.5.9 What we heard during our engagement

During engagement, we heard that customers have low levels of confidence in WAMC's water management. They are sceptical about water planning and management decisions and the sector is viewed as complex and difficult to navigate. Outcome 3 has been developed to deliver on the following priorities heard from customers and community members:

- Stronger enforcement of serious breaches of water laws and increased compliance rate
- Increased inspection frequency in regard to both large and small water licences
- More accurate and timely water information to support customers' business decisions
- Greater transparency for customers about how government makes water management decisions
- Clarity on how community and customer feedback is considered in water management
- More information on the water planning and management services customers pay for
- Clearer information about water sharing rules and licence obligations.

2.5.10 How we will be accountable over the determination period

The objectives under Outcome 3 will be tracked using existing outcome-based customer survey results and through reporting on activity-based measures where we have heard from customers that greater transparency and evidence of project delivery will help improve public confidence in WAMC's management of water resource and enforcement of water laws.

To measure our progress on improving public confidence in water resource management, we will report on completion and publication of water plan evaluations and new or updated policies and regulations. Through our ongoing engagement, stakeholders have told us they want to know we are evaluating ourselves and being transparent, to build trust in water planning and management. We will also use outcome-based measures from our customer and public surveys to report on confidence in the management of water in NSW and confidence in NRAR's enforcement of water laws, using the Voice of customer survey.

Our objectives, performance measures, baseline performance against the measures and targets for Outcome 3 are presented in Table 22

Table 22: Performance metrics and targets for Outcome 3

Objectives	Performance measures	Performance (2023–24)	Target over 2026-30
Improved public confidence in water resource management	**3.1)** Monitoring, evaluation and reporting for water sharing plans is completed and published within specified timeframes (%)	40%	100%
	3.2) New or updated regulatory changes published on appropriate government website within 4 weeks. (%)	90%	100%
	3.3) Customers reporting that decisions regarding planning and management of water are transparent (%)	39%	Continual improvement on previous year performance
Increasing community confidence in the enforcement of water laws	**3.4)** Customers reporting greater confidence that NSW water rules and regulations are being enforced (%)	52%	Continual improvement on previous year performance

2.5.11 What we will do to support delivery of Outcome 3

Key programs we will implement to support the delivery of this outcome are:

- **Implementing water plan monitoring, evaluation and reporting**: We will monitor, evaluate and report on the appropriateness, efficiency and effectiveness of water management plans in achieving environmental, social and economic objectives. Improvements to environmental data

access, storage and spatial publication will streamline collection and analysis of monitoring data.

- **Communicating regulatory changes**: We will deliver effective and efficient water planning and management for customers through the development or amendments of legislative and regulatory instruments. Customer consultation is fundamental to ensure the recommended policy positions and regulatory options are customer-focused and can be effectively implemented and understood.
- **Transparency about what customers pay for**: Throughout our engagement on the WAMC pricing proposal, customers have told us they would like greater transparency about the services they are paying for. We commit that when we are seeking customer views on policy or planning changes, we will be clear about what customers will pay for and the potential impact on prices.
- **Enforcing water laws**: NRAR will continue to be a firm but fair modern regulator that will detect and prosecute non-compliance and provide the community with confidence in both the NSW water management framework and in the enforcement of water laws.

Outcome 4 - Value for money

We will deliver efficiencies in our services and continue to invest prudently and efficiently to provide value for our customers and the community. Outcome 4 will be delivered across 2 objectives:

- An efficient and effective compliance and enforcement program
- WAMC services efficiently deliver value for customers and the community.

2.5.12 What we heard during our engagement

During engagement, affordability and transparency about what customers are paying for were common themes. Outcome 4 has been developed to ensure that we meet customer expectations in terms of:

- Efficiency where agencies share water management services (no cost duplications)
- Prices that provide value for money
- More information on the water planning and management services customers pay for.

2.5.13 How we will be accountable over the regulatory period

Progress towards the objectives under Outcome 4 will be tracked using outcome-based performance metrics over the determination period to demonstrate that we are delivering our core

water planning and compliance functions efficiently and providing value for customers and the community.

For each objective that makes up Outcome 4, we will monitor and report on performance against the following performance measures:

- The annual reduction in expenditure on compliance management services in line with our objective of delivering an efficient and effective compliance and enforcement program.
- Annual total WAMC operating expenditure relative IPART allowance each year, to reflect our objective of delivering efficient WAMC services that provide value to customers and the community. This incorporates forecast savings from the WAMC Efficiency Strategy over the 2025 determination period.
- Customers' views on whether the price they pay reflects value for money.

Our objectives, performance measures, baseline performance against the measures and targets for Outcome 4 are presented in Table 23

Table 23: Performance metrics and targets for Outcome 4

Objectives	Performance measures	Performance baseline ($2024/25)	Target over 2026-30 ($2024/25)
An efficient and effective compliance and enforcement program.	**4.1)** Annual change in labour expenditure on compliance and enforcement services from 2025–26 ($)	Labour related expenditure: 2025–26: $36.2m	3% savings in labour related expenditure per year: 2026–27: $35.1m 2027–28: $34.0m 2028–29: $32.1m 2029–30: $31.2m
WAMC services efficiently deliver value for customers and the community.	**4.2)** Operating expenditure on WAMC water planning and management services relative to target ($)	Actual opex: 2023/24: $163.9m	Target opex: 2025–26: $142.7m 2026–27: $143.3m 2027–28: $133.3m 2028–29: $135.2m 2029–30: $128.0m

Objectives	Performance measures	Performance baseline ($2024/25)	Target over 2026-30 ($2024/25)
	4.3) Customers reporting that the price they pay reflects the level of service they receive (%)	2023/24: 45%	Continual improvement on previous year performance

2.5.14 What we will do to support delivery of Outcome 4

WAMC efficiency program: Our WAMC efficiency program is the first step in delivering a more efficient WAMC service over the long term. We will be investing in transformation programs that will change the way we deliver services to customers and the community, and this will provide tangible benefits over the next 10-15 years. Key contributors to this program will be:

- the Digital business improvement strategies, which will deliver faster and easier customer experiences through integrated information systems and digital products
- risk-based water planning to focus more effort on the highest risk water sources when reviewing and replacing statutory water plans
- efficiency savings in water modelling, groundwater quality monitoring and water management works, through collaboration to deliver process and system improvements.

Intelligence-led regulator: We will be implementing an efficient and effective compliance and enforcement program through investment in enabling services such as intelligence and data analytics, ICT investment and staff capability. ICT upgrades will ensure viability and cybersecurity for data and case management information. We will also pursue continuous improvement of our process and procedure through our Quality Management System (QMS) and seeking improvements to the regulatory framework.

2.6 Aligning customer priorities with WAMC outcomes

Table 24 below lists the top priorities raised through WAMC customer engagement in 2023 and shows how the WAMC outcomes capture each of these priorities.

Table 24: Aligning customer priorities with WAMC outcomes

Customer priorities	WAMC Outcome
Water management and planning priorities	
Reliable water access for communities and businesses	Outcome 2 - Sustainable and effective water resource management
Water planning and management decisions supported by trustworthy data and modelling	Outcome 3 – Confidence in water resource management
Greater use of local knowledge in water planning and management	Outcome 3 – Confidence in water resource management
Groundwater is managed sustainably	Outcome 2 - Sustainable and effective water resource management
Managing water to meet environmental needs	Outcome 2 - Sustainable and effective water resource management
Better understanding of climate impacts on water availability	Outcome 2 - Sustainable and effective water resource management
It is clear how community and customer feedback is considered in water planning and management	Outcome 3 – Confidence in water resource management
Access to water for First Nations people for cultural and economic needs	Outcome 2 - Sustainable and effective water resource management
Customer service and information priorities	
More accurate and timely water information to support customers' business decisions	Outcome 1 – Enhanced customer experience

Customer priorities	WAMC Outcome
Greater transparency to customers about how government makes water management decisions	Outcome 3 – Confidence in water resource management
More information on the water planning and management services customers pay for	Outcome 3 – Confidence in water resource management Outcome 4 – Value for money
Clearer information about water sharing rules and licence obligations	Outcome 1 – Enhanced customer experience
Easier access to water modelling and other data used in water management planning	Outcome 1 – Enhanced customer experience Outcome 3 – Confidence in water resource management
Faster and easier applications and approvals	Outcome 1 – Enhanced customer experience Outcome 4 – Value for money
Changes to the non-urban metering rules so it is easier to comply	Outcome 2 - Sustainable and effective water resource management
Compliance and enforcement priorities	
Stronger enforcement of serious breaches of water laws and increased compliance rate	Outcome 1 – Enhanced customer experience Outcome 3 – Confidence in water resource management
Greater understanding of legal obligations	Outcome 1 – Enhanced customer experience
Greater physical regulator presence	Outcome 3 – Confidence in water resource management
Greater cross-agency efficiency	Outcome 4 – Value for money

2.7 Our proposed focus principles

As part of our pricing submission, IPART requires us to identify a subset of the 3C principles as "focus principles" which must be consistent with customer priorities. This section outlines our proposed focus principles and provides an overview of how they have shaped this pricing proposal. and

2.7.1 Customer principles

We have identified 2 'customer' principles as focus principles for this pricing proposal. We note that our consideration of customer preferences is subject to the constraints that we must deliver on our legislative responsibility to sustainably manage the state's water resources for the benefit of the whole community, now and into the future and that, as per the NWI Pricing Principles and IPART's framework, 'impactors' should pay for the cost of water management activities and services.

1. **Customer engagement – engaging customers on what is most important to them, using effective methods to ensure transparency and add value where possible**

We know that WAMC customers want enhanced trust and confidence in water management and decision-making, including increased access to data and modelling that informs decision making and that customers also want sustainable water management, balancing the needs of business, the environment and the community.

As outlined in Sections 2.4 and 2.7, we have used a range of methods to engage with a cross-section of customers to inform this pricing proposal and to guide the delivery of WAMC activities over the 2025 determination period. We also continuously engage with stakeholders to inform how we undertake our core statutory functions to protect, share and sustainably manage water resources (e.g. in developing and reviewing strategic water management plans, water sharing plans and in undertaking compliance and enforcement activity). Our proposal is focused on delivering these core statutory functions as efficiently as possible.

2. **Customer outcomes – how well does the pricing proposal link customer preferences to proposed outcomes, service levels and projects?**

We know that WAMC customers also want modest levels of investment in customer services and engagement and on-ground support to navigate the complexity of water regulation, to assist voluntary compliance.

As outlined in Sections 2.4 and 2.7, key elements of our proposed expenditure allowances for the 2025 determination period will target the outcomes that customers want, as informed by customer engagement. For example, as explained in Chapter 4, our investment in digital business

improvement strategies will significantly enhance customers' access to information and their experience when interacting with WAMC.

2.7.2 Cost principles

We have identified 2 'cost' principles as focus principles for this submission.

3. Balance risk and long-term performance – how well do you weigh up the benefits and risks to customers of investment decisions and how consistent are they with delivering long-term asset and service performance?

Our water management activities and expenditure decisions are informed by risk analysis, with the aim of sustainably and efficiently managing water resources over the long term. For instance, risk analysis informs where and how we channel our resources for compliance activities and the development, review and replacement of water sharing plans – so that water is managed sustainably over the long term, at least cost.

We have also pursued efficient capex/opex trade-offs to maximise benefits and minimise costs over the long term. For example, as outlined in Chapter 4, capital investment in business improvement strategies will yield significant operating cost savings over time and deliver a range of other benefits to customers and other stakeholders over the long-term.

4. Equitable and efficient cost recovery – proposed tariffs are efficient and equitable and appropriately share risks between the business and your customers

Our proposal shares costs between customers and the NSW Government efficiently and equitably. This happens in 2 stages:

- First, our efficient costs are notionally allocated between customers and the NSW Government according to the 'impactor pays' principle, which IPART and the NWI Pricing Principles have acknowledged promotes efficient and equitable outcomes (as explained in Chapter 6).
- Second, to avoid price shock to customers while transitioning towards cost-reflective prices over time, our proposed prices for the 2025 determination period are capped below cost-reflective levels (with price increases limited to 2.5% per year for the MAC and 15% per year for WAMC's water entitlement and take charges). This means that customers' notional share of efficient costs is not fully recovered from customers, with a further contribution from the NSW Government required to make up the shortfall between revenue expected to be recovered from water management prices and customers' notional share of our water management costs (as explained in Chapter 10).

Our proposed prices are also structured in a way that promotes efficiency and equity, with appropriate sharing of risk between WAMC and customers:

- the geographic split of WAMC's water management prices reflects the costs of providing water management services to different water sources across NSW, with transparent cost drivers used to allocate costs to these sources
- the Minimum Annual Charge (MAC) ensures that those with small entitlement holdings pay their fair share of WAMC's water management costs (recognising that some costs are fixed per licence)
- the fixed-variable split of WAMC's water management prices means that about 20% of WAMC's forecast revenue is tied to water take volumes even though WAMC's costs are largely independent of water take, which means WAMC shares water availability risk with customers.

We are committed to a further review of WAMC's price structure prior to the 2030 determination, with the aim of simplifying this structure while still achieving efficiency, equity and appropriate sharing of risk between WAMC and customers.

2.7.3 Credibility principles

We have identified one 'credibility' principle as a focus principle for this submission.

5. Continuous improvement – the proposal identifies shortcomings and areas for future improvement

We are continually reviewing and engaging with customers and communities on our water management plans, decisions and activities to identify areas for improvement. Through our engagement, we have identified key WAMC outcomes and objectives for the 2025-30 period and beyond:

- Enhanced customer experience
- Effective and sustainable water resource management
- Confidence in water resource management
- Value for money.

Our proposed activities over the 2025 determination period reflect these outcomes, for example:

- continuing work to further understand the impact of climate change and better reflecting this in our plans and activities
- providing greater access to stakeholders on the information we use in making our plans and decisions
- enhancing our licensing and customer interface so that customers can more easily access information, submit applications and access details on their water accounts and allocations
- enhancing transparency around our activities, expenditure and the water management outcomes we deliver against plans and objectives

- improving our approach to compliance and enforcement, drawing on learnings to date from our experiences as well as from other compliance and enforcement agencies
- refining our estimates of the efficient costs of undertaking consent transaction activities
- streamlining and enhancing the clarity of our proposed output measures.

We will measure our progress and report our progress against the WAMC outcomes to ensure continuous improvement over the 2025 determination period, as detailed in the sections below.

3 Ensuring our operating expenditure is efficient

This chapter outlines our forecasts of the prudent and efficient operating expenditure (or 'opex') needed to deliver WAMC's water planning and management services over the 2025 determination period (2025–26 to 2029–30). The majority (85%) of WAMC's notional revenue requirement (NRR) is comprised of operating expenditure, primarily related to labour (remuneration and salary on-costs), travel, consumable equipment and the contracting of services. Therefore, changes to operating expenditure is the key driver of changes in WAMC's overall water management costs (NRR) and prices.

All costs included in this chapter are, or will, be incurred in undertaking activities to deliver WAMC's monopoly water management services, with these activities consistent with the WAMC monopoly water services order, WAMC's legislative responsibilities under the Act and cost recoverable water planning and management activities under the National Water Initiative's (NWI's) Pricing Principles.

This chapter presents an overview of WAMC, MDBA and BRC's actual and forecast total efficient operating expenditure. As explained in Chapter 1, responsibility for delivering WAMC's water management services is broadly split between the department, WaterNSW and NRAR (the 'WAMC agencies'). In addition, the MDBA and BRC also deliver water management services in NSW and WAMC contributes to these 2 inter-jurisdictional water management organisations on behalf of the NSW Government.

In this chapter, costs over the current determination period (2021–22 to 2024–25) are presented in nominal dollars whereas costs for the 2025 determination period (2025–26 to 2029–30) are presented in real 2024–25 dollars), consistent with IPART's requirements. For comparison purposes, costs for 2023–24 and 2024–25 (in real $2024–25) are often also included in tables presenting forecast costs for the 2025 determination period, as well as in tables presenting costs over the current determination period (in nominal dollars).

The customer share of forecast operating costs presented in this chapter would be recovered from WAMC, MDBA and BRC water management charges. These are separate from costs to be recovered from consent transaction and metering charges (outlined Chapters 8 and 9, respectively). They are also separate from WaterNSW's floodplain harvesting management costs, which (along with some water management costs of the department, MDBA and BRC included in this chapter) would be recovered from floodplain harvesting charges (discussed in Chapter 7).

3.1 Overview of WAMC's forecast total efficient operating expenditure

On average, WAMC's total forecast annual operating expenditure (including MDBA and BRC) over the 2025 determination period is about 15% less than its actual efficient operating expenditure in 2023–24 (Table 25). Customers' share of these costs are recovered through WAMC, MDBA and BRC water management charges.

Relative to 2023–24 levels of actual operating expenditure, forecast changes in annual average operating expenditure for the 2025 determination period for WAMC, MDBA and BRC, respectively, include:

- a 17% decrease in operating expenditure for water management services delivered by the department, WaterNSW and NRAR (the "WAMC agencies"), noting that this forecast reflects a robust prioritisation and efficiency program to constrain costs to the minimum required for WAMC to efficiently fulfil its legislative responsibilities
- a 17% increase in NSW's contribution to the water management activities delivered by the MDBA
- a 3% increase in NSW's contribution to the water management activities delivered by the BRC.

Table 25: Forecast efficient operating expenditure for the 2025 regulatory period ($'000, $2024–25)

Water sources	2023–24[a]	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
WAMC forecast opex	163,859	174,216	142,673	143,348	133,311	135,223	127,982
MDBA forecast opex	10,825	11,414	13,966	11,902	12,402	12,587	12,394
BRC forecast opex	790	790	784	796	830	808	841
Total forecast efficient opex	175,474	186,419	157,423	156,045	146,543	148,617	141,218

a: Costs for 2023–24 are actuals. Costs for all other years are forecasts.

3.2 Efficient operating expenditure for each WAMC agency

This section presents and explains the WAMC agencies':

- efficient operating expenditure over the current determination period relative to IPART's operating expenditure allowances

- forecast efficient operating expenditure for the 2025 determination period compared to current, efficient levels of operating expenditure.

3.2.1 Our current operating expenditure (2023–24) is efficient

Table 26 compares the WAMC agencies' actual and allowed operating expenditure over the current determination period. Although expenditure has been significantly above IPART's allowances for the current determination, we consider these higher levels of expenditure reflect the efficient operating costs of delivering WAMC's services over the current determination period.

Table 26: Allowed and actual opex by agency, 2021 determination period ($'000, $nominal)

Expenditure	2021–22	2022–23	2023–24	2024–25[a]	Total
Department allowed opex	32,432	33,857	33,060	33,505	132,853
Department actual opex	57,366	76,666	96,040	99,921	328,994
Department variance (%)	77%	126%	191%	195%	147%
WaterNSW allowed opex	19,375	21,092	21,591	22,260	84,319
WaterNSW actual opex	19,406	18,549	23,803	29,394	91,152
WaterNSW variance (%)	0%	-12%	10%	32%	8%
NRAR allowed opex[b]	17,244	18,176	18,261	18,701	72,382
NRAR actual opex	23,509	30,345	39,244	45,900	138,998
NRAR variance (%)	36%	67%	115%	145%	91%
Total allowed opex	69,051	73,126	72,911	74,466	289,554
Total actual opex	100,281	125,560	159,500	174,640	559,981
Total variance ($)	31,230	52,434	86,176	99,750	270,427
Total variance (%)	45%	72%	118%	134%	93%

a: 2024–25 'actual' figures are forecasts at the time of submission.

b: NRAR's IPART allowance includes $12m p.a. ($24-25) in NSW Government funding for the full cost of compliance activities, which IPART recommended in its 2021 WAMC Price Determination.

The WAMC agencies have incurred expenditure higher than IPART's allowances to efficiently deliver water planning, management and compliance services.

At the same time, we have implemented a range of efficiency measures to ensure that our services are delivered at least cost. Below we outline key reasons for our efficient expenditure being higher than the allowances set by IPART in its 2021 determination of WAMC's prices. We also explain the measures we have implemented over the current determination period to ensure that our expenditure is efficient.

The department – making water management rules and delivering services to support the implementation of these rules

The department's operating expenditure for delivering its WAMC activities was about $98.9 million in 2023–24, which is $64.9 million above IPART's allowance for these activities (values in $nominal).

Key reasons for the department's operating expenditure in undertaking required water planning and management activities being higher than IPART's allowances over the 2021 determination period include:

- increasing the scope and complexity in undertaking WAMC activities due to the need to consider and address emerging issues, community and stakeholder requirements, the implications of external reviews and updated legal, regulatory and legislative requirements in water planning and management
- the exclusion of the cost of WAMC activities from WAMC's last pricing proposal to IPART because these activities were in the development phase and/or funded by the Commonwealth Government or the NSW Government. Notably, with most external funding sources ending prior to 2025–26 (as a range of activities transition from the development phase to the operational phase), the costs of implementing these activities become the responsibility of WAMC agencies as ongoing business-as-usual water management costs
- gaps in forecasting, for example the 2021 determination included the costs of forecast statutory plan extension, replacement and amendment, but not the efficient costs of statutory reviews, nor of the works on priority projects required from audit and NRC review recommendations to the ministers, to then support plan replacement and implementation.

Significant costs of activities not included in WAMC's last pricing proposal to IPART for one of these reasons includes:

- a significant proportion of required ecological monitoring and modelling activity and the modelling and monitoring of compliance with the long-term extraction limits and sustainable diversion limits, to ensure stakeholder confidence that the models are fit to inform water allocation and entitlement rules, statutory water planning and water management performance assessment

- a large proportion of the audit, review and evaluation of water sharing plans and flood management plans and the work on priority projects required from audit and review recommendations to the minister, to then support plan replacement and implementation
- Healthy Floodplains Project activities, which focus on managing development in floodplain areas and bringing water extractions from floodplains into the water licensing framework for the first time and include the floodplain management planning program and the floodplain harvesting program
- Improving floodplain connections activities, which address unapproved or non-compliant flood works across more than 100 priority areas in the Northern Basin (including bringing non-compliant flood works into alignment with current rules)
- development of key water management strategies addressing long term climate considerations and actions to adaptively meet the needs and challenges of each region over the long term, including some costs of regional water strategies, the Lower Hunter Water Security Plan, the Aboriginal Water Strategy, the NSW Water Strategy, the NSW Groundwater Strategy and the Climate program
- responding to hypoxic blackwater incidents and other emergencies such the Mass fish deaths in the Darling Baaka at Menindee and major flooding in 2022
- activities to drive implementation of the non-urban metering reforms, which included working with industry to ensure availability of devices to enable metering (LIDs and meters), undertaking dedicated metering communications activities and developing tools and guides to help water users understand their metering obligations
- collating new and changing information on climate variability and change and incorporating this into hydrological modelling and water planning and management decisions and activities
- supporting analysis of and response to water needs availability and risk across renewable energy zones (e.g. water licensing for pumped hydro, roll out of REZ infrastructure and accommodating population changes in Central West Orana) and regional housing acceleration precincts (e.g. Wagga Wagga and Bathurst).

WaterNSW – delivering services to support the implementation of water management rules

WaterNSW's actual operating expenditure for delivering WAMC services was about $24.5m in 2023–24, which is $2.3m above IPART's operating expenditure allowance. This is due to increases in land tax from the transfer of WAMC land from the department to WaterNSW; an increase in digital operating costs (salaries, contractors, licences); and the implementation of WaterNSW's new operating model.

Commencing in 2022–23, WaterNSW's new operating model has been introduced to streamline its systems and processes and ensure resources are at levels to supply required services at lowest

sustainable cost. Implementation of the new operating model has resulted in some initial reductions in costs through employee departures and unsustainable vacancy rates. However, as outlined below, costs need to increase from current levels to enable WaterNSW to efficiently provide WAMC's services.

NRAR – enforcing the water management rules

NRAR's operating expenditure for monitoring and enforcing compliance with water management rules was about $40.4 million in 2023–24, which is $21.6 million above IPART's operating expenditure allowance for these activities.

Over the current determination period, NRAR applied for and met suitability criteria for supplementary funding from the NSW and Commonwealth Governments to allow it to provide a level of compliance and enforcement activity that ensures sufficient confidence in the state's system of water rights.

Higher compliance and enforcement expenditure than allowed for in IPART's 2021 determination reflects the following:

- IPART's allowance for compliance and enforcement operating expenditure in its 2021 determination was based on benchmarking to Victoria's compliance costs, which did not appropriately account for differences in base compliance levels and compliance culture, metering coverage and quality, industry mix and legislative frameworks. For example, Victoria has been found to concentrate its compliance effort on metered take and not to invest in comprehensive non metered and unlicensed sites and therefore did not provide a suitable benchmark for comparing the costs across the comprehensive compliance approach needed in NSW
- the need to undertake compliance and enforcement work related to the roll-out of the non-urban metering reforms to ensure water users are installing accurate meters and to regulate compliance with 500 new floodplain harvesting licences that have been issued in northern NSW (adding an additional $6 million per year to the cost base)
- the community's expectation and need for higher levels of compliance activity, including water users' needs for improved outreach and education services to help them navigate and comply with complex water management legislation. Since 2022, NRAR has invested an additional $2 million per year in education and $5.5 million in engagement and outreach services to ensure there is on-ground presence to help willing water users to voluntarily comply with water rules. This is in response to survey results showing:
  - 84% of the community believe more should be done to address unlawful water take
  - 59.3% of NSW water users find the laws too complicated compared to 47.4% of water users nationally

- NRAR has had to commence work to replace its case management system (CiRAM), which was inherited by NRAR at its establishment and now presents a continuity and cyber security risk (an estimated cost of $3 million over the determination period).
- the need to account for legal costs previously borne by the NSW Crown Solicitors Office, but which are now incurred by NRAR.

Ensuring our current activities were delivered at least cost

Although the WAMC agencies' expenditure has been above IPART's allowances for the current determination period, we have implemented a variety of efficiency measures aligned to realising WAMC Outcome 4 (Value for Money). For example, over the current determination period:

all WAMC agencies have:

- developed and implemented a Roles and Responsibilities Agreement, which sets out in detail how the department, WaterNSW and NRAR work together to efficiently and effectively deliver WAMC's services
- conducted robust competitive procurement and market testing where possible.

the department has:

- saved around $9 million a year through initiatives such as the Water Licensing and Improvement Program's process redesigns and operational improvements and as well as reductions to advertising and travel costs
- introduced enhancements to the processes for developing, reviewing and implementing water sharing plans and other water management plans and policies, including more efficient stakeholder consultation processes
- made improvements to project and data management systems, including the development of standardised templates
- looked to amalgamate models and plans.

WaterNSW has:

- consolidated business functions under fewer Executive Managers, reducing the number of executive and senior managers, to enhance accountability, reduce costs and improve efficiency in service delivery
- converted contract labour hire to permanent positions where efficient and where there is an ongoing need for capabilities
- reduced the number of workstations and reduced office space, to reflect more flexible working arrangements (between office and home-based working) and optimise space
- streamlined licences (e.g., removing software licences where no longer required and moving to enterprise rather than seat-based licensing where possible)

- centralised labour hiring, to enhance transparency, oversight and the competitiveness of hiring arrangements.

Together, the department and WaterNSW have:

- continued to review, streamline and enhance water licensing and approval processes
- conducted regular review of surface and groundwater monitoring programs to ensure they are targeted and fit for purpose in allowing us to efficiently fulfil our legislative responsibilities and achieve required water management outcomes.

NRAR has applied a best-practice, risk-based approach to compliance and enforcement, including:

- education and engagement activities to efficiently drive compliance
- responding to intelligence-identified compliance problems involving groups of water users, geographic areas or specific industries
- programs to leverage external resources (such as TAFE NSW) to efficiently increase NRAR's reach
- application of spatial and data analytics and technologies to ensure NRAR's programs efficiently target the highest compliance risks and that resources are deployed to the right locations
- implementation of quality and project management systems, to improve processes and customer service
- a restructure of NRAR based on a better understanding of compliance in NSW and the needs and expectations of the community.

3.2.2 WAMC agencies' forecast efficient operating expenditure for the 2025 determination period

Table 27 presents the WAMC agencies' forecast efficient operating expenditure for the 2025 determination period (2025–26 to 2029–30). For comparison purposes, actual operating expenditure and forecast operating expenditure for the last 2 years of the current determination period (2023–24 and 2024–25) are also presented. For the 2025 determination period:

- WAMC's aggregate annual operating costs reduce over the 2025 determination period, due to the impact of the ambitious WAMC Efficiency Strategy
- the department's average annual forecast operating expenditure will be 27% lower than its actual operating expenditure in 2023–24
- WaterNSW's average annual forecast operating expenditure will be 20% higher than its actual operating expenditure in 2023–24
- NRAR's average annual forecast operating expenditure will be 14% lower than its actual operating expenditure in 2023–24.

Table 27: WAMC's forecast efficient operating expenditure ($'000, $2024–25)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Department forecast opex	98,921	98,921	75,431	77,875	68,650	72,508	68,286
WaterNSW forecast opex	24,517	29,394	28,868	29,507	30,531	29,873	27,843
NRAR forecast opex	40,421	45,900	38,374	35,966	34,130	32,841	31,854
Total forecast opex	**163,859**	**174,216**	142,673	143,348	133,311	135,223	127,982

WAMC's forecast operating costs are decreasing from current levels, despite a step-up in required water management activity

Despite an increase in required activity across key water management areas over the 2025 determination period, WAMC's overall forecast operating expenditure is expected to decline relative to current (2023–24) levels. As outlined in our Efficiency Strategy, which is at Attachment H, this decline in WAMC's forecast operating expenditure reflects incorporation of the following into our cost forecasts for the 2025 determination period:

- a broad range of identified and ambitious efficiency measures, plus
- a continuing efficiency factor, plus
- a substantial cost savings challenge imposed by the government.

With the lower level of operating expenditure, the WAMC agencies will need to deliver a range of additional or expanded water management activities over the 2025 determination period, which are aligned to the 4 WAMC customer outcomes that form the backbone of our proposal. This will require us to prioritise expenditure and resource allocation across our activities and means there is no inefficient or unnecessary expenditure within our proposed expenditure allowance.

The department

The department's operating costs align to the WAMC Outcomes, with expenditures prioritised to ensure realisation of the objectives to:

- Improve resilience to changes in water availability (WAMC Outcome 2: Sustainable and effective water resource management)
- Improved river, floodplain and aquifer ecosystem health (WAMC Outcome 2: Sustainable and effective water resource management)

- Improved public confidence in water resource management (WAMC Outcome 3 - Confidence in water resource management).

Over the 2025 determination period the department will need to:

- address a significant uplift in the number of water sharing plans that need to be reviewed, replaced, extended or amended, including actioning the priority recommendations of NRC reviews. By way of illustration, over the 2025 determination period, there will be 155 statutory water planning activities (replacement, amendment, audit and review of plans) due, up from 28 in the current determination period. Each of these activities requires information from water monitoring, science-based plan evaluations, modelling, engagement and other inputs and each is expected to result in amendments to licences. This increase from the current determination period is due to statutory deadlines for reviews and the new requirement to incorporate impacts of climate risk on water resource outcomes into statutory water plans and licences
- more comprehensively monitor, evaluate and report on the performance of water sharing plans in meeting their environmental, social and economic objectives, as required by the Act – which, in turn, requires enhanced data collection and analysis. Proposed improvements to environmental data access, storage and spatial publication will streamline collection and analysis of monitoring data; while improved data products will enable a risk-based approach to water management that considers the condition and ecological value of rivers, floodplains and wetlands and meets the expectations of the NRC and other stakeholders for evidence-based water management decision making
- Improve the management of environmental water, including addressing the recommendations of a range of reviews (the Claydon Review, the First Flush Review, NRC reviews); ongoing implementation and adaptive management requirements for environmental water as part of the Northern Basin Toolkit program; operation and implementation of Sustainable Diversion Limits Adjustment Mechanism (SDLAM) Acceleration projects; review and implementation of active management rules; and review of and improvements to water accounting arrangements
- meet expectations of other independent reviews and for water sharing plan concurrence (by the Minister for the Environment) resulting in the early and comprehensive introduction of new approaches and additional measures to respond to climate change and protect the environment, requiring significant method development, modelling, analysis and consideration of the social and economic implications of these changes.
- address an increase in the number of floodplain management plans due for replacement and amendment and establish the floodplain management plan implementation program, implement state strategies and policies and respond to recommendations from the NRC
- maintain and where needed develop/upgrade hydrological models that underpin each of the water sharing plans, floodplain management plans, groundwater management plans and monitoring of compliance with long-term average annual extraction limits (LTAAEL), to

address and respond to issues such as climate change, illegal take and surface/groundwater connectivity

- implement the non-urban water metering program, including ensuring systems and processes for non-urban metering and floodplain measurement remain fit for purpose
- provide water resource and other strategic inputs the Basin Plan Review, which will assess the Basin Plan's effectiveness and recommend future changes for adaptive management of the Basin's water resources
- respond to a new National Water Agreement (NWA), including new obligations relating to climate change and recognising the rights and interests of Aboriginal people in water management
- better reflect the operating and maintenance costs of water management works and assets, including the Nimmie Caira regulator, regulator 183 and salt interception schemes.

Figure 6 below shows the peaks in water planning activities over the 2025 determination period that drive WAMC workload across a number of different WAMC activities.

Figure 4: Peaks in water planning activities over the 2025 determination period

WaterNSW

WaterNSW will need to:

- operate and maintain new hydrometric network and remote sensing sites for the Northern Basin, to enhance water quality and water management

- maintain and manage data from new and enhanced dissolved oxygen sites in inland rivers, to assess water quality and inform water planning and management
- expand groundwater monitoring across NSW to gain a better understanding of groundwater quality, levels, water paths and recharge in response to increasing pressure on resources – with monitoring frequency informed by risk and usage.

NRAR

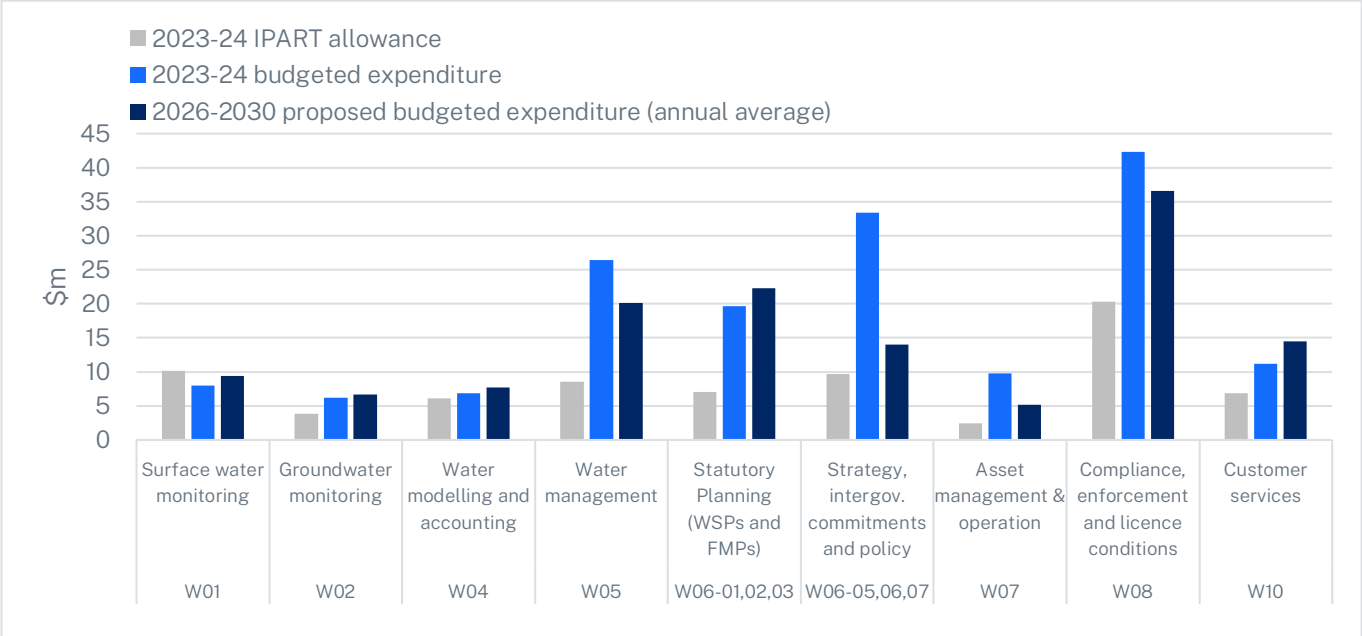
NRAR will need to:

- deliver a broader array of compliance functions such as more compliance education, outreach and visible 'on the ground' activity, in response to the needs of the community and new rules and regulation (e.g. the need to monitor and enforce compliance with the non-urban metering policy)
- incur legal costs previously borne by the Crown Solicitor's Office
- undertake ICT upgrades necessary to ensure viability and cybersecurity for NRAR's data and case management information
- monitor and enforce compliance with new regulations and rules – e.g. the non-urban metering policy and floodplain harvesting licences.

The WAMC agencies also face rising costs in areas such as insurance and wages (above CPI), with wages a significant component of costs.

Key drivers of changes in operating costs of WAMC agencies from current (2023–24) levels are presented in Figure 5 below.

Figure 5: Key drivers of operating cost increase ($m, $2024–25)



Our approach to forecasting WAMC's efficient operating costs for the 2025 determination period

A 'base-trend-step' (BTS) approach is often used by regulated utilities and economic regulators to forecast and/or assess efficient operating expenditure. The BTS approach is favoured by IPART for recurrent operating expenditure, as noted in its Water Regulation Handbook. However, as variations to the BTS approach, IPART states that it would expect businesses to provide separate forecasts where a cost item is non-recurrent (including cyclical costs) or non-controllable. IPART also notes that a business may wish to provide separate forecasts for cost items where the business expects to see significant real change in input prices over the forward determination period.[10]

WaterNSW has applied a BTS approach to forecast its efficient WAMC expenditure, as this expenditure is relatively recurrent. The department and NRAR have not applied a pure or formulaic BTS approach to derive their forecasts of efficient operating expenditure, although they have drawn on the BTS approach by:

- considering current (or 'base') efficient levels of expenditure in 2023–24 for each activity
- assessing whether and, if so, how efficient base levels of expenditure for each activity may need to change for the 2025 determination period given required changes in water management activities and outcomes (including key 'trends' and 'steps' in key cost drivers, such the volume of water sharing plans to be reviewed, new policies or regulatory requirements to be implemented or administered, etc)
- incorporating the scope for efficiency gains into forecasts (including 'bottom-up' efficiency measures, as well as 'top down' efficiency challenges).

The department and NRAR have taken a combined 'bottom-up' and 'top down' approach to developing operating costs forecasts for the 2025 determination period, which involved:

- Establishing systems and processes to ensure the actual costs of delivering WAMC's water management services are accurately counted and mapped to WAMC activity codes
- Developing cost forecasts for each activity code, given WAMC's legislative responsibilities over the 2025 determination period
- Conducting robust 'top down' (i.e. centralised and strategic) review of these forecasts by regulatory teams and the Executive leadership to:

[10] IPART, Water Regulation Handbook, July 2023, p 42.

    - ensure there is no double-counting of costs between activity codes and external funding sources
    - ensure all costs are only for WAMC's water management activities, as per the NWI's pricing principles
    - challenge and prioritise costs, so that the highest priority activities' forecast costs are largely maintained (being those activities required to directly deliver WAMC's core statutory functions, including its core planning functions and related enabling activities consistent with the Water Group's Business Plan and those activities consistent with customer preferences) and other activities' forecast costs are reduced
- Ensuring proposed expenditure allowances are efficient and represent value for money by incorporating:
    - operating cost savings from capital projects and the impacts of other planned efficiency measures, plus
    - a continuing efficiency factor, plus
    - a substantial government mandated cost savings challenge (as outlined in WAMC's Efficiency Strategy).

While forecast cost trajectory varies by water management activity (cost code), WAMC's overall forecast operating expenditure can also be presented as: 'base year' (2023–24) operating expenditure less the impact of planned efficiency measures, a continuing efficiency factor and the government cost savings challenge.

There are several reasons why applying a pure or formulaic, top-down BTS approach, such as that used by the Australian Energy Regulator (AER) for electricity distribution businesses or by IPART when determining opex allowances for urban water utilities, would not result in an efficient level of costs for the department and NRAR's WAMC activities and services.

First, the nature of the relationship between these services and costs is different to other regulated business where a BTS is applied. A BTS approach is commonly applied where the utility and sector is in a 'steady state', operating expenditure is consistently recurrent, step changes are the exception and econometric (or other) analysis can be used to establish a relationship between the 'base' level of opex and the 'trend' in output driven by factors such as customer numbers, demand volumes and physical network characteristics such as circuit length. In contrast, the BTS approach is not applied when expenditure can vary materially from year to year and it can be difficult to establish a clear relationship between expenditure and key measures of output (which, for example, explains why it is not applied to capital expenditure).

WAMC's efficient operating expenditure can vary significantly over time with the volume and nature of its required output and some of its key expenditure items can be more cyclical than recurrent. For example, previous Ministers' decisions to approve water sharing plans in batches has created steep

peaks in future water sharing plan activities that cannot be reprofiled given the constraints of the Act. Statutory water plans must be reviewed every 5 years and replaced every 10 years from the date they were originally made. During the 2025 determination period, more water sharing plans are due for replacement than in the current period. We have explored with the Natural Resources Commission (NRC) the extent to which the peaks can be smoothed, and our proposal reflects the maximum reprofiling that can be achieved under the constraints of the Act.

Further, it is difficult to establish a clear relationship between WAMC's total efficient operating expenditure and a few key measures of output (e.g. number of connections, length of distribution network, etc), as may be the case for urban 'network' water businesses.

Second, applying a formulaic, top-down BTS approach would not address previous concerns raised by IPART and its expenditure review consultant. Previous reviews noted that WAMC's expenditure proposals have largely been based on top-down estimates with very few activities supported by bottom-up activity-based estimates of future expenditure requirements. IPART's consultants noted that this should be possible for most activities and should be undertaken in line with good practice.

Benchmarking can sometimes be used by economic regulators to inform their assessment of efficient costs (including 'base' costs under a BTS approach). However, this requires robust data on the costs and performance of a suite of comparable businesses. WAMC's operating environment and responsibilities make it unique, which means it is not possible to benchmark its costs in any meaningful way against other entities – either at an aggregate level or by activity. This is compounded by the fact that none of the other NWI signatories have fully implemented clause 68, to publicly report on their cost recovery for water planning and management annually.

Rather than benchmarking, IPART's consultant in 2021, Cardno, suggested that improvements to WAMC's cost estimates could made through an enhanced 'bottom-up' approach, informed by better information on historical costs, clarification of desired outputs, risk analysis and customer consultation.

Third, given efficient costs are notionally apportioned between customers and the government based on the 'impactor pays' principle at the activity level and allocated across water sources at the activity level, WAMC's costs also need to be forecast at the activity level. It would not be appropriate to apply a BTS approach to WAMC's aggregate operating costs without also evaluating forecast costs at the activity level, as this could result in customers paying too much or too little given the actual movement in each activity's efficient costs.

3.2.3 Efficiency measures ensure our work program is delivered at lowest cost

As outlined above and in the WAMC Efficiency Strategy, our proposed operating expenditure allowance for the 2025 determination period incorporates:

- a broad range of identified and ambitious efficiency measures, plus
- a continuing efficiency factor, plus
- a substantial cost savings challenge imposed by the government.

These elements of our efficiency strategy ensure our expenditure forecasts reflect the lowest possible cost to deliver our required water management outcomes.

This section presents examples of the identified efficiency measures reflected in our expenditure forecasts.

For example, efficiency measures of **all WAMC agencies** over the 2025 determination period include:

- process efficiencies and savings arising from investment in the Digital business improvement strategies (see next chapter)
- other savings arising from efficient capex/opex trade-offs (e.g. operating cost savings from remote sensing and telemetry upgrades)
- customer communications and research efficiencies from a joined up WAMC approach to investigating opportunities to streamline and consolidate engagement activities across water management activities to leverage economies of scale and CRM.

Efficiency measures of the department described in more detail in the WAMC Efficiency Strategy include:

- adopting a risk-based approach to water sharing plan review and replacement (ensuring that effort is proportionate to risk), which will lower overall costs without compromising water management outcomes
- improving project management systems and processes, including the development of guidance material, standard templates and streamlining reporting processes
- enhancing data collection, quality and management, that create the foundation for ongoing process automation efficiencies.

Efficiency measures of WaterNSW described in more detail in the WAMC Efficiency Strategy include:

- better use of technology, including the Digital Roadmap (Business Improvement Strategies), field mobility technology, IOT sensing for gauges and sensors, automation of metering, etc.
- enhanced and centralised processes for recruitment of staff and use of contractors, to subject such expenditure to greater scrutiny and maximise value for money
- enhanced procurement strategies for digital software, licences and specialist services, including vendor rationalisation

- operational efficiencies through remote operation, revised asset planning processes and data driven development of maintenance plans, improved knowledge repository to train staff and retain IP and centralised operational safety training where appropriate
- enhanced capability of staff, including improved contract management capability
- review of opportunities to divest of, consolidate or maximise the value of property through leasing or other revenue raising opportunities.

Efficiency measures of NRAR described in more detail in the WAMC Efficiency Strategy include:

- NRAR's continued process of reviewing its compliance and enforcement practices, to identify the most cost-effective means of driving compliance – including, for example, the use of education, spatial and data analytics and technology, efficient investment in technology and collaboration and engagement with other agencies.

3.3 MDBA's efficient operating expenditure

The MDBA delivers water management services in the Murray–Darling Basin (the Basin). This includes the delivery of the Joint Programs on behalf of and in collaboration with, the contracting governments of the Commonwealth, New South Wales, Victoria, South Australia, Queensland and the Australian Capital Territory. The objectives of the Joint Programs are to:

- operate the River Murray System in accordance with the Murray–Darling Basin Agreement (MDB Agreement)
- maintain and improve the health of the River Murray System (and the Basin where relevant) in accord with the MDB Agreement and associated agreements.

The WAMC price determination covers part of NSW's contributions to the MDBA's Non-River Murray Operations and the Salt Interception Scheme (SIS). The remaining share of MDBA costs is passed on to WaterNSW customers through its price determination. WAMC funded MDBA programs are listed below.

3.3.1 The MDBA's water management activities

The MDBA's water management activities include the following programs:

- The Living Murray – which focuses on improving the health of 7 important 'icon sites' along the Murray River system by increasing the flow of water to the environment
- Water Quality and Salinity – which involves:
  - monitoring water quality at 28 sites along the Murray River system, to inform water policy, regulation and management

  - working with contracting governments to implement Basin Salinity Management 2030 (BSM 2030), which is a strategy to maintain collective effort in salinity management from 2016 to 2030 – including the management and operation of Salt Interception Schemes (to achieve and then maintain agreed salinity levels in the River Murray system) and undertaking groundwater salinity modelling to inform operations along the Southern Connected Basin and hydrogeological advice
- The Native Fish Recovery Program – which includes working with contracting governments and other stakeholders to implement the Native Fish Recovery Strategy, including measures to enhance fish habitat, fish passage and information to inform waterway management
- Enabling programs – which support the delivery of water management programs and associated goals in the Basin. For example, the MDBA:
  - develops and maintains models for the River Murray and Lower Darling system, for the purpose of policy development, water management and accountability with respect to volumetric extraction and salinity management
  - administers the Interstate Trade program, which includes facilitating interstate water trade under Schedule D of the MDB Agreement and co-ordinating the development, implementation and adaptive management of interstate water trade policy within the Basin.

Refer to Attachment I to understand more about the MDBA's activities and costs over the 2025 determination period.

3.3.2 MDBA's expenditure in the current regulatory period was close to IPART allowances

The NSW share of MDBA's water management operating expenditure for WAMC services has been reasonably close to IPART's allowances over the current determination period. Costs have increased in recent years of the current determination period due to supply chain issues, the increased cost of labour and materials and the size and age of assets needed to provide water management services (see Table 28).

NSW does not incur capital expenditure in delivering its MDBA water management activities[11] (nor does it break down NSW's contribution into opex and capex allowances). The MDBA cost within NSW is treated as recurrent operational expenditure.

[11] IPART, Review of prices for the Water Administration Ministerial Corporation from 1 October 2021 to 30 June 2025, Final Report, 2021, p 73.

Table 28: MDBA allowed and actual expenditure over 2021 determination period ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25	Total
Allowed MDBA opex – NSW share	9,235	9,791	10,046	10,107	39,179
Actual MDBA opex – NSW share	9,323	9,239	10,510	11,414	40,486

3.3.3 MDBA's forecast efficient expenditure needs to increase

The NSW share of MDBA's forecast expenditure allowance for the 2025 determination period is above its current allowance and level of expenditure (see Table 29). This reflects a need to increase expenditure to ensure water management services can be provided to required standards, given supply chain issues, higher costs of labour and materials and higher costs to ensure there is a sustainable water supply. This includes considering and addressing the impacts of climate change and changes in water supply demands.

The MDBA joint program budget and work plan has agreed governance arrangements for developing the budget to efficiently achieve agreed service levels. The Joint Venture Budget Performance Committee (JVBPC), comprising representation from each of the contracting governments, is primarily responsible for the oversight and performance of the Joint Programs. This Forum ensures an efficient program is presented to the Basin Officials Committee (BOC) and ultimately the Ministerial Council for approval.

The Ministerial Council, comprising representatives of contracting governments, reviews the MDBA's financial and delivery performance to ensure it is efficiently delivering required outcomes. The MDBA has also been subject to a range of independent reviews, including reviews of its efficiency and has drawn on these reviews to identify and implement efficiency measures and opportunities for improvement. These inform its expenditure forecasts and budget.

NSW's contribution to the MDBA is characterised as operating expenditure, therefore there is no forecast MDBA capital expenditure.

In its 2021 determination of WAMC's prices, IPART decided to 'look through' NSW's annual contributions to the MDBA and BRC and establish separate building block operating and capital cost allowances for MDBA and BRC expenditure. This meant IPART would add estimates of the capital costs of assets used to provide the MDBA and BRC's services in NSW to respective MDBA and BRC Regulatory Asset Bases (RABs) to allow NSW to recover an allowance for these capital costs over

the economic lives of the assets. The shares of MDBA and BRC building costs that IPART deemed to be operating costs would be recovered through MDBA and BRC operating cost allowances.

In 2021, this had no impact on the allowance IPART's determination provided for MDBA water management costs because IPART found that the MDBA does not require capital investment to provide its water management services (unlike the MDBA's bulk water services and BRC's water management services), That is, IPART's determination classed all MDBA water management 'building block' costs as operating expenditure.

If, however, IPART was to consider that some MDBA water management costs for the 2025 determination period should be classed as capital expenditure and added to a notional RAB to be recovered over the life of underlying assets, this would:

- require the NSW Government to fund the difference between NSW's actual contribution to the MDBA for its water management activities and the revenue received from prices – which would be on top of the NSW Government's already significant contribution to water management costs under this pricing proposal for which no additional NSW Government funding has been agreed, or
- come at the expense of other WAMC activities or services, as there is no guarantee that the NSW Government would fund such a shortfall.

Neither outcome would be efficient or equitable. The NSW Government decision is not to fund all shortfalls in WAMC revenue. The department will be required to develop options to manage shortfalls in WAMC revenue. The combination of these issues could result in cross-subsidisation between the broader WAMC customer base and MDBA customers.

Further, we note that the department's proposed approach (to treat MDBA and BRC costs as operating expenditure) is consistent with how MDBA costs are treated by other utilities and price regulators in other jurisdictions. For example, South Australia Water and Goulburn–Murray Water (Victoria) treat MDBA costs as operating expenditure.

Table 29: MDBA's forecast efficient operating expenditure ($'000, $2024–25)

Water sources	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Actual/forecast opex	10,825	11,414	13,966	11,902	12,402	12,587	12,394

3.4 BRC's efficient operating expenditure

3.4.1 The BRC's water management activities

The BRC was established by the NSW and Queensland governments to manage water infrastructure and resources in the NSW–Queensland border region (i.e. the rivers and streams that either form or intersect the boundary between the 2 states and the associated groundwater resources).

Over the current determination, the BRC has continued to determine and monitor the water supply shares available to each state through its control of the construction, operation and maintenance of gauging stations, weirs, dams and associated infrastructure. The BRC's water management activities are:

- determining, monitoring and ensuring compliance with each state's eligible water share, through the operation of river gauging stations (hydrometric) and associated activities in the Border Rivers and Intersecting Streams
- reporting and making recommendations to the NSW and Queensland Governments regarding sharing of surface water and groundwater and other matters set out in the NSW–Queensland Border Rivers Agreement
- investigating the practicability of constructing, maintaining and operating additional storage
- arranging for the construction, operation and maintenance of gauging stations to record surface water flows and of a groundwater monitoring system
- monitoring water quality to provide a long-term quality-assured dataset to describe the Border Rivers baseline condition and identify emerging water quality issues.

Refer to Attachment J to understand more about the BRC's activities and costs over the 2025 determination period.

3.4.2 BRC's expenditure in the current regulatory period was close to IPART allowances

The NSW share of the BRC's actual expenditure on water management activities in NSW has been lower than IPART's allowances, although costs are tracking upwards to reflect higher costs of operating and maintaining assets (see Table 30).

Lower costs (than IPART allowances) can be partially attributed to the very wet conditions in these years, which meant that not all inspections or work could be carried out. In addition, lockdowns during the COVID-19 pandemic prevented some work, such as inspections, from being undertaken and meant that meetings were held online (saving travel costs).

In recent years, higher costs for gauging stations have been driven by rises in material costs, increases in wages, upgrades required due to the phasing out of 3G communications and aging infrastructure that, when renewed by service providers, requires additional work for engineering certifications and upgrades to meet workplace health and safety standards.

Notably, even though IPART split BRC costs into 'opex' and 'capex' allowances at the 2021 determination (as discussed in Section 3.3.3 above), the BRC does not categorise WAMC expenditure into operating expenditure and capital expenditure. The BRC does not have a fixed asset register for WAMC-related activities, nor own the gauging stations and groundwater assets used to provide its services. Rather, it funds other parties (WaterNSW) for the costs of providing these assets. Further, like with contributions to the MDBA Joint Programs, NSW is required to pay a specified amount to the BRC each year. Therefore, there is no proposed allowance for BRC capital costs over the 2025 determination period. All forecast expenditure has been reported as operating expenditure.

Table 30: BRC allowed and actual expenditure over the 2021 determination period ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25	Total
Allowed opex	849	900	935	963	3,647
Actual opex	397	492	767	790	2,446
Allowed capex	212	113	350	120	796
Actual capex	0	0	0	0	0
Allowed totex	1,061	1,013	1,285	1,083	4,442
Actual total	397	492	767	790	2,446

3.4.3 BRC's forecast efficient expenditure needs to increase

The BRC's level and mix of water management services are expected to remain largely unchanged over the 2025 determination period, although its costs are expected to continue to increase due to factors such as higher costs of operating surface water gauging stations and higher costs of groundwater monitoring (see Table 31).

As noted above, the cost of maintaining and operating gauging stations is increasing with the rise in material costs, wage increases, upgrades due to the phasing out of the 3G communications and upgrading assets to ensure they meet present-day engineering standards and workplace health and safety requirements.

The higher costs of groundwater monitoring are due to some of these costs not previously being passed onto NSW by Queensland, despite being incurred by Queensland to provide the BRC's water management services to NSW. A change in responsibility for this work will occur in 2025, where WaterNSW will take over responsibility for NSW groundwater monitoring. At the same time, the Queensland department has increased its inspection and bore flushing and cleaning routine.

The BRC implements a range of measures to ensure that its expenditure and forecast expenditure is efficient. This includes reviewing and updating its policies and procedures, establishing long-term plans (10 years) for sustainably managing the business, identifying risks and developing relevant mitigation plans and ensuring high levels of transparency in relation to its activities.

The BRC also undertakes work to ensure that the assets being funded are still fit for purpose and achieving required water management outcomes. For example, a service needs analysis report was prepared to help the BRC understand its requirements at an asset level. The BRC is working with its service providers to interrogate and scrutinise costs and proposed budget submissions each year to ensure costs are efficient. Nevertheless, costs for services and goods across the board have increased since the COVID-19 pandemic.

The forecast operating costs in Table 31 reflect the actual expected costs that WAMC will pay the BRC for its services. The BRC does not own the gauging stations and groundwater assets used to provide its services. Rather, it funds other parties (WaterNSW) for the costs of providing these assets.

In the 2021 determination, IPART 'looked through' the actual contributions the NSW Government paid to the BRC and set a building block cost allowance based on a conceptual assessment of the 'capital' and 'operating' costs used to supply the BRC's services.

If IPART was to maintain this approach for the 2025 WAMC determination, this would:

- require the NSW Government to fund the difference between NSW's actual contribution to the BRC for its water management activities and the revenue received from prices – which would be on top of the NSW Government's already significant contribution to water management costs under this pricing proposal for which no additional NSW Government funding has been agreed, or
- come at the expense of other WAMC activities or services, as there is no guarantee that the NSW Government would fund such a shortfall.

Neither outcome would be efficient or equitable. The NSW Government decision is not to fund all shortfalls in WAMC revenue. The department will be required to develop options to manage shortfalls in WAMC revenue. The combination of these issues would result in cross-subsidisation between the broader WAMC customer base and BRC customers.

WAMC's proposed approach to treat BRC costs as operating expenditure (as per the actual BRC costs faced by WAMC and the NSW Government) is consistent with how the BRC costs are treated in Queensland.

Table 31: BRC's forecast efficient operating expenditure ($'000, $2024–25)

Water sources	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Actual/forecast opex	790	790	784	796	830	808	841

4 Ensuring our capital expenditure is efficient

Under the building block model, there is no explicit allowance for capital expenditure in the notional revenue requirement (NRR). Instead, prudent and efficient capital expenditure is added to the Regulatory Asset Base (RAB) and recovered through the allowances for a return on assets and a return of assets (or regulatory depreciation) over the lives of assets.

This chapter outlines WAMC's:

- prudent and efficient actual capital expenditure incurred over the 2021 determination period to be rolled into the RAB for the start of the 2025 determination period (actual capital expenditure)
- proposed prudent and efficient forecast capital expenditure to be included in the RAB over the 2025 determination period (forecast capital expenditure).

As outlined in Chapter 2, responsibility for delivering WAMC's water management services is broadly split between the department, WaterNSW and NRAR. The WAMC forecasts in this chapter include the capital expenditure forecasts of each of these agencies.

The customer share of capital costs presented in this chapter would be recovered from WAMC water management charges. These are separate from costs to be recovered from consent transaction and metering charges (outlined Chapters 8 and 9, respectively).

We are not proposing any capital expenditure for the NSW share of MDBA and BRC, as all expenditure is captured as operating expenditure, as set out in Chapter 3.

4.1 WAMC's efficient capex over the current period

We have largely delivered against the capital expenditure allowances IPART provided in its 2021 determination, investing in licensing and billing services, corporate systems, and surface water and groundwater monitoring assets.

In aggregate, WAMC's capital expenditure has been $2.7 million (or 7%) higher than IPART's capital expenditure allowances over the current determination period, despite WAMC employing best-practice capital project governance, evaluation and management practices. In terms of specific programs:

- surface water monitoring was $1.9 million higher than IPART's allowance. This expenditure included the purchase and implementation of specialised equipment to support safe water monitoring activities in times of flood. It also included renewal costs to return sites to working order after damage from bushfire and flood, with these costs unable to be claimed through insurance
- groundwater monitoring was $11.2 million lower than the allowance The primary reason for the under spend involves difficulties with site access due to wet weather, flooding and COVID restrictions. This hampered our ability to progress with on ground works and with being able to continue with the necessary condition assessment program for the bores. The condition assessment information will be used to continue to inform and target decisions regarding renewals and refurbishments to ensure the efficient delivery of water management services
- business governance and support was $12.0 million higher than IPART's allowance due primarily to WAVE Projects ($6 million for Water Market Systems, $1 million for Water Data Program). The WaterNSW digital portfolio faced some key challenges during the current period; specifically related to COVID-19 and the extensive support required in flood management. Despite challenges, the digital portfolio completed the foundational aspects of WAVE, moved to a completely new way of working and created a portfolio governance function to oversee and manage future initiatives.

Table 32: WAMC's allowed and actual expenditure over 2021 determination period ($'000, $ nominal)

	2021–22	2022–23	2023–24	2024–25[a]	Total
Allowed capex					
Surface water monitoring	2,449	2,616	2,640	2,685	10,390
Groundwater monitoring	4,092	4,369	4,405	4,478	17,344
Business governance and support	2,960	3,313	4,381	1,818	12,472
Total allowed capex	**9,501**	**10,298**	**11,426**	**8,980**	**40,205**
Actual capex					
Surface water monitoring	6,895	2,168	1,735	1,505	12,303
Groundwater monitoring	0	1,176	572	4,377	6,125

	2021–22	2022–23	2023–24	2024–25[a]	Total
Business governance and support	5,115	3,737	1,936	13,704	24,492
Total Actual capex	**12,010**	**7,081**	**4,242**	**19,587**	**42,919**

a: 2024–25 'actual' figures are forecasts at the time of submission.

4.2 WAMC's efficient capex over the upcoming period

WAMC's forecast average annual capital expenditure over the 2025 determination period is $24 million ($2024–25), which is 60% higher than its average annual capital expenditure over the 2021 determination period. WAMC's forecast capital expenditure over the 2025 determination period is presented in **Table 33** below. It includes:

- $20.7 million for surface water monitoring, including the renewal of surface water hydrometric monitoring assets and investments in priority risk management initiatives. The risk management initiatives include upgrading critical sites to improve their reliability and resilience in withstanding flood and fire events.
- $5.1 million to maintain and upgrade water management assets including progressing investigation, design and maintenance and renewal works for the Anabranch Lakes project, the Nimmie-Caira project and other WAMC owned water management assets to ensure that assets are fit for purpose and can meet water management objectives.
- $20.9 million for groundwater monitoring, for the renewal of groundwater civil works, bore refurbishment and renewal of hydrometric instrumentation. This capital allowance represents only a very small portion, or around 1%, of the asset cost base per annum,[12] and is focused on high priority assets. The information collected through the groundwater monitoring program will allow better decision-making on the long-term viability of groundwater resources.
- $64.2 million for corporate assets:
  - $47.7 million for the 4 business improvement strategies (direct costs only)

[12] Based on an average depth of 48m per bore and a replacement cost of $1,500 per metre, the estimated replacement cost of the active bores is around $303 million.

– $16.5 million for lease, facility management and business support capital expenditure $(5.1 million of which arises from changes in the accounting standards to recognise operating leases as capex).

Table 33: Forecast efficient capex by activity for 2025 determination period ($'000, $ 2024–25)

	Average pa 2021-25	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Surface water assets							
Surface water monitoring	2,744	4,242	4,123	4,104	4,133	4,145	20,747
Water management works	n/a	1,030	1,030	1,030	1,030	1,030	5,150
Groundwater assets							
Groundwater monitoring	4,579	4,215	4,236	4,219	4,244	3,990	20,904
Corporate assets							
Business improvement strategies (Technology Roadmap)	n/a	16,501	18,209	15,418	6,624	n/a	56,752[13]
Business governance and support – software renewals and digital continuous improvement	3,306	3,282	1,508	1,745	1,678	3,189	11,402
Business governance and support – corporate facilities management and others		2,580	1,882	518	91	55	5,126
Total actual / forecast efficient capex	**10,628**	**31,850**	**30,988**	**27,034**	**17,800**	**12,409**	**120,081**

[13] The direct costs (excluding overheads) of the Business improvement strategies in the business case is $47.7 million.

To ensure WAMC's actual and forecast levels of capital expenditure are efficient, the WAMC agencies:

- subject capital projects to robust and proportionate options analyses and cost benefit analyses, including the consideration of non-capital options
- prioritise expenditure, considering risks and costs and benefits to customers and the broader community
- employ value engineering during design development
- consult with customer groups on key capital projects, to consider customer views in addition to our legislative responsibilities, risks and benefits to the broader community (see Box 3 below)
- monitor the conditions of assets to inform decisions about asset maintenance, renewal and replacement
- robustly market test and competitively procure capital projects or elements of these projects, where possible, including intelligent project packaging to enhance competition or generate economies of scale or geographic synergies for construction contactors
- draw on competitively procured actual capital expenditure figures from similar projects to inform cost forecasts and subject cost forecasts to internal and external expert review
- generally, adopt a P50 approach to forecasting capital expenditure, which means that our proposed expenditure represents the most likely outcome, with an equal likelihood of project costs being higher or lower than forecast and does not include unnecessary contingency costs.
- employ fit for purpose contracting arrangements and delivery pathways and achieve project management efficiencies through the optimal allocation and resourcing of projects – e.g., allocation of lower complexity projects to Regional Delivery teams.

Box 3: Customer and stakeholder consultation on our capital program

We have consulted with customer groups on key elements of our proposed capital program, including investment in:

- surface and groundwater monitoring assets, including the refurbishment of groundwater bores
- water metering and data management assets and systems
- data storage and management, to bring together licensing and usage data to enhance the way we store and manage data and improve the customer experience

- customer portal, to allow more customer transactions online, faster processing and enhanced customer access to information, improving customers' online access and experience.

Our proposed level of capital investment broadly aligns with the expressed preferences of customers 'to do something' in these areas, with 2 exceptions. WAMC is proposing higher levels of expenditure on **data management** ($15.3 over 5 years in improving data storage and management) and **customer service** ($22.9 million in customer portal enhancements) than preferred by the majority of customer working group participants ($2024–25, excluding overheads).

This is because a lower level of investment in these 2 areas would result in higher ongoing costs for legacy systems, generating higher costs over time. This and the reasons why, was explained to customers in the engagement process, as documented in the Engagement Outcomes Report. WAMC's proposed level of expenditure is the minimum required to provide acceptable service levels and outcomes and to comply with regulatory and legislative requirements (including, for example, critical infrastructure legislation, data management and privacy requirements).

Below we provide further information on key elements of our capital expenditure program over the 2025 determination period. Additional information, including supporting business cases and analysis, is available on request.

4.2.1 Surface and Groundwater monitoring services

WaterNSW carries out WAMC's water monitoring activities. This includes surface and groundwater quantity and quality monitoring through in-field hydrometric stations, sample taking and laboratory testing. WaterNSW operates and maintains the hydrometric monitoring network and manages water quantity and quality data. The service levels for water monitoring are set out in the Roles and Responsibilities Agreement between the WAMC agencies.

These water monitoring activities are essential in allowing WAMC to fulfil its water planning and management responsibilities. Investment is required to maintain our network of surface and groundwater monitoring assets, to adequately inform the development and review of water management plans and policies and to ensure the long-term viability of surface and groundwater resources.

Forecast surface water monitoring capital expenditure includes:

- renewal of hydrometric monitoring assets
- new priority risk management initiatives:
  - bushfire resilience infrastructure upgrades for critical sites

  - flood resilience infrastructure upgrades for critical sites
  - specialised equipment to improve workforce safety (reduce the need for staff to work in water)
- provisioning of backup automatic instrumentation for critical sites.

The proposed capital expenditure for groundwater monitoring provides for an ongoing program involving:

- the renewal of groundwater civil works
- bore refurbishments
- renewal and refurbishment of hydrometric instrumentation.

Part of the civil works component includes the continuation of the condition assessment program for the bores. While the condition assessment program has been hindered in the current determination period, the information is used to continue to inform and target decisions regarding renewals and refurbishments. Detailed programs will be developed for asset refurbishment and renewal, with WaterNSW expecting to go to tender before the end of 2024 for bore refurbishments.

The proposed capital allowance for groundwater monitoring for the 2025 determination period also allows for the renewal of the groundwater hydrometric instrumentation, including data loggers. Around 400 of the 832 data loggers also have telemetry while non-telemetered data loggers need to be manually downloaded.

4.2.2 Maintenance of other surface water WAMC assets to deliver water management outcomes

Operating and capital expenditure is required to ensure effective management of existing WAMC assets to deliver water management outcomes efficiently and deliver cost efficiencies over the long-term. This includes ensuring an optimal, efficient balance between capital and operating expenditure, that assets are appropriately maintained, refurbished, or replaced; and that assets that are not necessary to efficiently provide services are appropriately disposed.

The next pricing determination period includes activities to enhance the management of water management assets within the WAMC portfolio.

Over the next determination period, there is $5 million in forecast capital expenditure under this activity. Most of the capital expenditure in 2025–26 will be used to progress investigation, design and maintenance and renewal works for the Anabranch Lakes project, the Nimmie-Caira project and other WAMC-owned water management assets.

This capital expenditure is consistent with WAMC's asset management framework and necessary to ensure that assets are fit for purpose and can meet water management objectives, including:

- effective environmental watering of the Nimmie-Caira area and Yanga National Park, as part of the Nimmie-Caira Enhanced Environmental Water Delivery Project
- effective and safe operation of infrastructure in the Poon Boon Lakes to allow for environmental flows and flood management
- transfer of Regulator 183 (facilitated by repairs) to Anabranch Water in accordance with the deed of transfer
- the outcomes of the Fletchers Lake Reserve Management Plan, including environmental and cultural watering
- the management of water flows at Gol Gol and Oil Tree Lagoon
- that water management assets are appropriately managed and maintained on an on-going basis.

4.2.3 The digital business improvement strategies (the Joint Technology Roadmap)

The proposed Digital Business Strategies are the product of successful collaboration of the 3 WAMC agencies, aimed at improving efficiencies and service quality through integrated information systems for the benefit of WAMC and our customers. Following detailed analysis and engagement with customers, the WAMC agencies have prioritised 4 Digital business improvement strategies that each deliver an uplift for all 3 WAMC agencies in efficiencies, ensuring:

- NRAR compliance and enforcement activities are stronger and more efficient
- data is more reliable and more transparent for water planning and management decision-making
- customer services are better, faster and cheaper
- the metering process is improved in line with legislation, to enhance the customer experience and water management outcomes.

These 4 Improvement Strategies were identified and strategically prioritised through the WAMC agencies' Joint Technology Roadmap (the roadmap), which is at Attachment K, over 5 years. The investment of $56.7 million ($47.7 million in direct costs)[14] will deliver an uplift in WAMC's capabilities in data management and information quality, improve ability to safeguard the business against increasing cyber security threats and improve efficiency across WAMC.

[14] Note: Attachment K refers to a figure of $46.4 million in direct costs for WAMC's share of the roadmap. This is because the attachment cots are expressed in $2023-24 when the report was developed, rather than $2024-25 as used in this proposal.

The roadmap is a key feature of WAMC's forward program, developed collaboratively amongst the WAMC agencies for the benefit of the NSW water ecosystem. The roadmap is a unified vision for digital services across the ecosystem, consisting of WaterNSW, the department and NRAR, to deliver 13 programs to improve customer experience, enhance transparency and increase operational efficiencies over 3-time horizons to 2035, staged to enable the most efficient and effective implementation (see Figure 6 below).

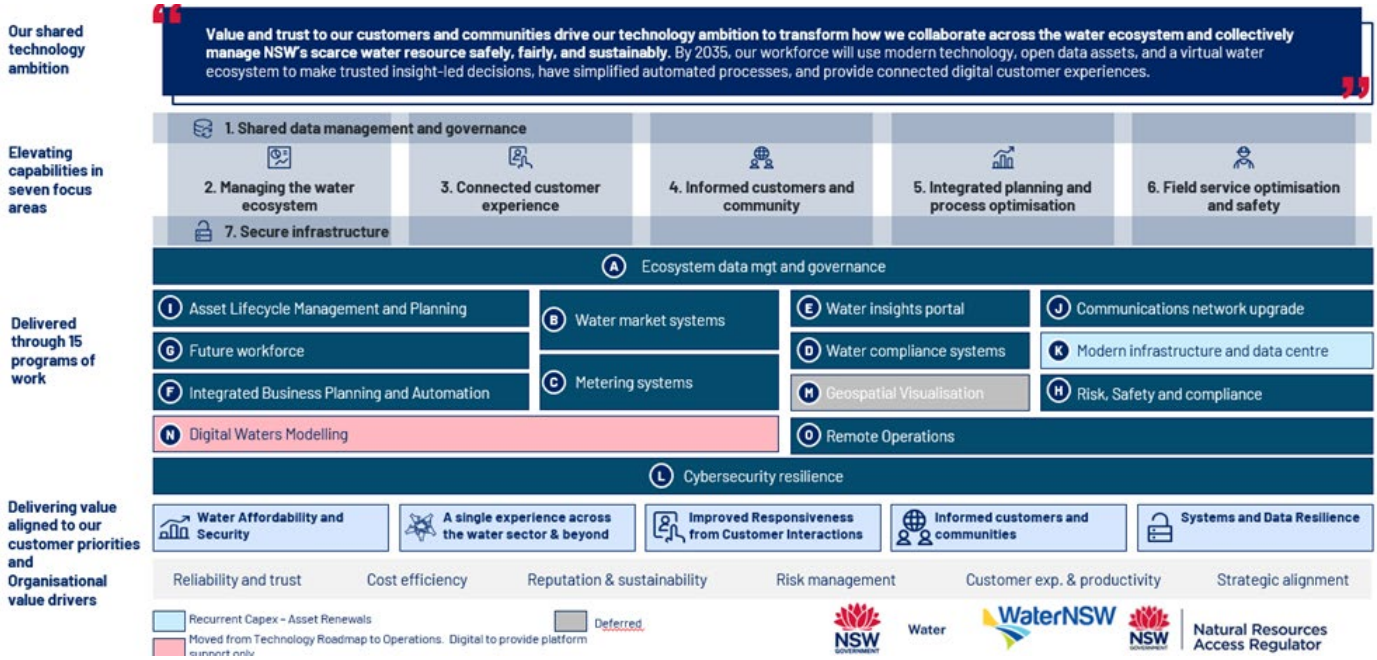


Figure 6: The NSW Water Ecosystem Shared Technology Roadmap

Through the Roadmap, WaterNSW will manage the delivery of technology for specific programs, while the department and NRAR will offer business analysis, project management and project sponsor support.

The 4 elements of the Roadmap were prioritised as the Digital business improvement strategies to be delivered in the 2025 determination period, through a comprehensive options assessment process to right size and refine the proposed investment.

The need for and the level of proposed level of investments in the Business Improvement Strategies are broadly consistent with customer preferences, as well as the NSW Water Strategy. In the WAMC engagement with customers, through both the Joint water sector research program and the online water working groups, WAMC heard that customers:

- support investment in digital customer services, information products and engagement
- want digital improvements such as simpler, easier licensing and approval processes as well as enhanced engagement on water management and planning activities
- expect investment into digital products to be efficient and not excessive.

All 4 of the Business Improvement Strategies provide financial and non-financial benefits for customers and the WAMC agencies including:

- avoided time and effort in manually cleansing and collating data for reporting and insights purposes
- improved efficiency through the alignment of processes and consolidation of data and systems
- stronger compliance, by enhancing NRAR's access to reliable, current and accurate data to support efficient deployment of compliance and enforcement resources to the highest risks to water management in NSW
- improved clarity and ease for customers due to consistent information delivered across WAMC agencies
- streamlined operations and reduced cost to serve through a holistic approach to monitoring and optimising diverse assets

A summary of each of the programs and the benefits they will deliver is set out in Table 34 and a detailed business case.

The expected cost savings to WAMC of the Business Improvement Strategies has been reflected in the WAMC agencies' proposed cost allowances for the 2025 determination period. Should the investment not proceed, there would be upward cost pressure on our forecast costs beyond those set out in this proposal.

Table 34: Summary of the Business Improvement Strategies in the Joint Technology Roadmap

Business Improvement Strategy	Summary of program	Summary of benefits
Water Market System $22.9m	Redesigns each water user transaction process to be quicker, cheaper and online through a more connected system available to all 3 water agencies. Customers are able to submit, track and access their information via a secure portal	Delivers customer service and cost efficiencies with every transaction now online, as expected by water users and IPART, while retiring antiquated systems which are subject to cyber risk. This project enhances compliance by linking all licences that a water user might hold, so that the user and NRAR can more easily see if they are compliant.

Business Improvement Strategy	Summary of program	Summary of benefits
Ecosystem Data Strategy, Use Cases and Governance $15.3m	Transforms data information systems to a higher standard and delivers a central point of truth Water Sector Ecosystem data platform, while fixing current systemic access and data quality issues. Increases information quality and automation, so that self-service platforms will now be possible, thereby lowering costs for all.	Improves the quality, reliability and efficiency of all routine water resource management activities and reduces delays in customer transactions. Enhanced systems with more reliable water information mean NRAR can better meet its statutory objectives and all 3 WAMC agencies can operate effectively and efficiently.
Water Compliance $2.6m	Further development of interfaces between NRAR's water compliance management system and various WaterNSW systems to ingest all customer data, water licensing and approval information and metering data for compliance purposes	Faster and cheaper compliance by avoiding current manual business processes, allowing NRAR to identify potential non-compliance more efficiently and effectively and maintain public confidence.
Customer Metering Solution $7.0m	Builds modern ICT that links on farm and back-office technology to make this information available on a users' device and to compliance officers and resource managers.	Boosts incentives for self-compliance by ensuring water users have real time access to their own metering information and supports implementation of the non-urban metering review recommendations. NRAR accesses the data it needs for enforcement actions, where warranted.

[a] Figures above are in $2024–25 and are direct costs only (i.e. do not include WAMC's share of WaterNSW support costs)

4.2.4 Business governance and support

The forward capex profile includes ICT renewals, digital continuous improvement and a step increase arising from changes in the accounting standards to recognise operating leases as capex.

The operating leases represent a share of property leases, attributable to WAMC activities under the principles of the cost allocation model. Property lease costs were treated as operating costs in the 2021 IPART determination.

5 Other building block costs and the notional revenue requirement

Consistent with IPART's 3Cs framework, we have calculated our notional revenue requirement (NRR) using the building block methodology. Under the building block model, the costs of providing our water management services are broken down into 5 components to establish the amount of revenue needed to recover them:

- **operating expenditure allowance**, to cover the efficient operating and maintenance costs in delivering WAMC's water management services over the determination period
- **return on and of efficient capital** expenditure:
  - the return on capital is calculated by multiplying our regulatory asset base (RAB) by the Weighted Average Cost of Capital (WACC) to reflect the opportunity cost of capital investment in water management services, with the RAB reflecting efficient capital expenditure (adjusted for indexation and regulatory depreciation)
  - the return of capital (or regulatory depreciation) provides for a return of our capital investment evenly over the economic lives of our assets
- **working capital allowance** represents the holding cost of net current assets
- **tax allowance** approximates the tax liability for a comparable business and is included in the calculation of the NRR to promote consistency with competitive neutrality principles.

We discussed our proposed operating and capital expenditure allowances in previous chapters, noting that the capital expenditure allowances determine what is included in the RAB and therefore, the allowances for the return on and of capital.

This chapter provides an overview of our NRR (in total) and discusses the other building block components not covered in previous chapters. It also explains why we do not consider it appropriate to apply IPART's '3Cs' financial incentive schemes to WAMC at this stage.

5.1 Our notional revenue requirement (NRR)

Our proposed total notional revenue requirement (NRR) is $176.6 million (annual average) over the 2025 determination period as presented in **Table 35**. On average, our proposed annual NRR is 78% higher than the 2024–25 NRR established at IPART's 2021 price determination. All building block cost components are increasing for the 2025 determination period, but the principal driver for this change is increases in WAMC's forecast efficient level of operating expenditure.

Each building block component of our proposed NRR for the 2025 determination period is listed in Table 35 (with 2024–25, the last year of the current determination period, also provided for comparison). We provide a brief explanation of each building block component below.

Table 35: WAMC's proposed notional revenue requirements for the 2025-2030 period ($ '000, $2024–25)

	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Operating expenditure [a]	74,466	142,673	143,348	133,311	135,223	127,982
Return on assets	2,045	2,653	3,245	3,626	3,659	3,393
Regulatory depreciation	9,506	14,408	17,926	21,118	22,228	16,383
Working capital	1,083	2,591	2,672	2,599	2,676	2,492
Tax costs	722	1,871	2,047	2,184	2,222	1,556
Cost of debt true-up pass through		136	136	136	136	136
WAMC NRR	**87,822**	164,331	169,375	162,974	166,143	151,942
MDBA NRR	10,227	14,098	12,014	12,520	12,707	12,512
BRC NRR	1,083	803	814	849	827	861
Total NRR	**99,132**	179,231	182,203	176,344	179,676	165,315

Note: 2024–25 costs and notional revenue requirement are based on IPART's allowance for the current determination period presented in $2024–25.

a: IPART allowed OPEX includes $12m p.a. ($24-25) in NSW Government funding for NRAR full cost of compliance which IPART recommended in its 2021 WAMC Price Determination

5.2 Our return on assets

We calculated our forecast return on assets by multiplying the value of the RAB over the determination period by an efficient rate of return (the WACC).

5.2.1 Opening value and rolling forward the RAB

The RAB represents the value of WAMC's assets that should earn a return on capital and an allowance for regulatory depreciation. Our proposed RAB roll-forward calculations for the 2021 and 2025 determination periods are shown in Table 36 and Table 37 respectively.

Table 36: Regulatory asset base roll forward 2021 regulatory period ($ '000, $nominal)

	2020-21	2021–22	2022–23	2023–24	2024–25
Opening RAB	27,901	37,641	46,636	49,683	47,476
Plus: Efficient capital	9,933	12,010	7,081	4,242	19,587
Less: Asset disposals	67	11	17	-	-
Less: Regulatory depreciation	1,374	5,667	7,026	8,418	9,704
Plus: Indexation	1,248	2,662	3,010	1,969	1,718
Closing RAB	37,641	46,636	49,683	47,476	59,077

Table 37: Regulatory asset base roll forward 2025 regulatory period ($ '000, $2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30
Opening RAB	59,077	76,262	89,004	94,543	89,718
Plus: Efficient capital	31,850	30,988	27,034	17,799	12,409
Less: Asset disposals	-	-	-	-	-
Less: Regulatory depreciation	14,665	18,246	21,495	22,624	16,675
Plus: Indexation	-	-	-	-	-
Closing RAB	76,262	89,004	94,543	89,718	85,452

5.2.2 Rate of return, including updates to the cost of debt

The allowance for a return on capital is calculated by multiplying the value of our RAB by the WACC. The WACC is the minimum ('benchmark') rate of return an investor requires to commit capital to an investment given its risk. It is the weighted average of the required return on debt and equity

We have applied IPART's 2018 WACC methodology for determining the 'placeholder' WACC of 3.6% for modelling prices in this proposal. The parameters we have used to calculate this WACC are set out in Attachment L. As part of IPART's methodology, we understand it will update the WACC closer to the draft and final price determinations to reflect market data, with the cost of debt allowance updated during the determination period.

IPART's methodology sets a fixed cost of equity allowance for the determination period and annually updates the cost of debt during the determination period using updated market information. However, at each price review, IPART decides whether to update prices annually to reflect the updates to the cost of debt or to hold off and apply an end of period true-up to apply to prices at the next price determination.

In its 2021 determination, IPART decided to true-up for changes to the cost of debt over the 2021 determination period (2021–22 to 2024–25) at the 2025 determination (rather than annually within the 2021 determination period) to provide greater price certainty to customers over the 2021 determination period. As outlined in Table 36 above, we propose that this cost of debt true-up for the 2021 determination period is allocated evenly across as the 2025 determination period, as part of our calculation of our NRR for determining prices.

5.3 Our regulatory depreciation

Regulatory depreciation aims to recover the cost of an asset over its useful life in a way that ensures those creating the need to invest in the asset (and benefit from it) also pay for the asset. For this reason, it is also often referred to as a return of capital.

To calculate the regulatory depreciation allowance, we have divided the value of assets by their expected economic lives – i.e. we have sought to recover the costs of assets evenly over their economic lives, consistent with IPART's standard straight line depreciation method.

In Table 38 below, we present our proposed asset categories and weighted average existing and new asset lives for each category, for the purpose of calculating regulatory depreciation. These are the asset categories we have used to derive our NRR and calculate our proposed prices for the 2025 determination period.

Table 38 : Asset lives for depreciating the RAB

Asset category	Remaining asset lives for existing assets	Asset life for new assets
Surface water	6	18 years
Groundwater	14	17 years
Corporate	4	7 years
Government	5	10.8 years

5.4 Our working capital allowance

The working capital allowance represents the holding cost of net current assets and ensures WAMC recovers the costs it incurs due to the time delay between providing a service and receiving the money for it (that is, when bills are paid).

We applied IPART's standard methodology to set the working capital allowance. This is outlined in section A.4 of IPART's 2023 Water Regulation Handbook.

5.5 Our tax allowance

IPART's building block approach includes an explicit allowance for tax (rather than an allowance included in the WACC), consistent with the use of a post-tax WACC to calculate the allowance for a return on assets in the NRR.

The tax allowance is intended to approximate the tax liability for a comparable, 'benchmark' business. It is included in the calculation of the NRR, irrespective of WAMC's tax liability, to promote consistency with competitive neutrality principles (which suggest that government owned entities should not be advantaged or disadvantaged relative to other businesses by virtue of their government ownership).

We have applied IPART's standard methodology to calculate the tax allowance to include in the NRR.

5.6 The application of financial incentive schemes to WAMC

We do not propose to be subject to IPART's proposed new expenditure and service efficiency incentive schemes for the 2025 determination period. This includes the capital efficiency sharing scheme (CESS), the efficiency benefit sharing scheme (EBSS) and the outcome delivery incentive scheme (ODI).

These schemes are best applied when a business is in a relatively 'steady state', there is minimal uncertainty about forecast efficient costs as reflected in expenditure allowances and prices are set at cost-reflective levels. However, this is not the case for WAMC over the 2025 determination period.

To deliver its required water management activities and outcomes, WAMC's expenditure has had to increase significantly in recent years (as outlined in Chapter 3), with government funding most of this increase (and more than government's notional share of costs). Under our pricing proposal, this would continue over the 2025 determination period.

We will reconsider the potential application of these schemes in the lead-up to the 2030 determination of WAMC's prices.

In the meantime, we are committed to pursuing efficiencies for the ultimate benefit of our customers (as reflected in our expenditure forecasts and efficiency strategy) and to clearly reporting on our progress in delivering outcomes so that our customers and other stakeholders can hold us to account (as outlined in Chapter 2).

6 Efficient and equitable cost allocation

The previous chapters explained how we determined the efficient costs of undertaking water management activities. This chapter explains how to calculate proposed prices we then:

- notionally allocated the efficient costs for each activity between the government and customers, based on the 'impactor pays' principle
- allocated customers' notional share of these costs to water sources across the state, primarily using cost drivers
- forecast billable water entitlement and take volumes for each water source.

As explained in this chapter, application of this methodology and our proposed notional cost shares for each activity would mean that customers' total notional share of WAMC's forecast efficient costs for the 2025 determination period is 79% or $695 million (see Table 40).

However, as we explain in Chapter 7, our proposed WAMC prices are below cost-reflective levels (with cost-reflective levels being those that would allow WAMC to fully recover the notional customer share of its efficient costs). Therefore, the actual customer share of WAMC's efficient costs that is forecast to be recovered through prices to be paid by customers will be significantly less, with forecast customer revenues comprising only 42% of efficient costs or $372 million. The government (or broader community) will fund the difference between customers' notional share of WAMC's costs and their actual share of WAMC's costs recovered from prices.

6.1 Allocating WAMC's costs between customers and government

In developing our proposed prices, we have notionally apportioned WAMC's efficient costs between customers and the NSW Government (on behalf of the broader community), using the 'impactor pays' principle. This means that costs are allocated to the party that creates the need to incur them. There are strong economic efficiency and equity reasons for allocating costs in line with the

'impactor pays' principle, as explained in IPART's 2019 Final Report on Rural Water Cost Shares.[15] The National Water Initiative's (NWI's) Pricing Principles for recovering the costs of water planning and management activities also require costs to be allocated between water users and governments using an 'impactor pays' approach.[16]

IPART comprehensively reviewed WAMC's cost shares in 2019 and then again as part of its 2021 determination of WAMC's prices, to ensure they were consistent with the 'impactor pays' principle. WAMC considers that 2021 determined cost shares remain appropriate, with one proposed variation.

For the 2025 determination period, we propose to maintain customers' notional share of each WAMC activity ('cost share'), except for reducing the customer share of W06-05 'Regional planning and management strategies' from 60% to 50% (see Table 39). We propose to reduce the customer share of the costs of this activity because some of the activity relates to understanding and managing the impacts of climate change and we consider the broader community rather than customers are the 'impactors' of this work.

Table 39: Proposed notional shares of operating and capital expenditure for the 2025 determination period (%)

Activity	Current notional customer share (%)	Proposed notional customer share for 2025-30 (%)
Surface water monitoring		
W01-01 Surface water quantity monitoring	77	77
W01-02 Surface water data management and reporting	77	77
W01-03 Surface water quality monitoring	77	77
W01-04 Surface water algal monitoring	77	77
W01-05 Surface water ecological condition	77	77
Groundwater monitoring		

[15] IPART, Rural Water Cost Shares, Final Report, 2019, p 14 – 21.

[16] See National Water Initiative Pricing Principles, Principles for recovering the costs of water planning and management activities, p 14.

Activity	Current notional customer share (%)	Proposed notional customer share for 2025-30 (%)
W02-01 Groundwater quantity monitoring	100	100
W02-02 Groundwater quality monitoring	100	100
W02-03 Groundwater data management and reporting	100	100
Water take monitoring		
W03-01 Water take data collection	100	100
W03-02 Water take data management and reporting	100	100
Water modelling and impact assessment		
W04-01 Surface water modelling	70	70
W04-02 Groundwater modelling	100	100
W04-03 Water resource accounting	100	100
Water management implementation		
W05-01 Systems operation and water availability management	100	100
W05-02 Blue-green algae management	40	40
W05-03 Environmental water management	80	80
W05-04 Water plan performance assessment and evaluation	50	50
Water management planning		
W06-01 Water plan development (coastal)	70	70
W06-02 Water plan development (inland)	70	70
W06-03 Floodplain management plan development	0	0

Activity	Current notional customer share (%)	Proposed notional customer share for 2025-30 (%)
W06-04 Drainage management plan development	0	0
W06-05 Regional planning and management strategies	60	50
W06-06 Development of water planning and regulatory framework	80	80
W06-07 Cross-border and national commitments	50	50
Water management works		
W07-01 water management works	80	80
Water regulation management		
W08-01 Regulation systems management	100	100
W08-02 Consents management licence conversion	100	100
W08-03 Compliance management	100	100
Water consents transactions		
W09-01 Water consents transaction	100	100
Business and customer services		
W10-01 Customer management	100	100
W10-02 Business governance support	80	80
W10-03 Billing management	100	100

Once applied to our forecast of WAMC's NRR, our proposed notional cost shares for each activity mean that customers' total notional share of WAMC's forecast efficient costs for the 2025 determination period is 79% or $695 million (see).

However, due to our proposal to limit annual price increases to below cost-reflective levels (explained in Chapter 7), customers' actual share of WAMC's forecast efficient costs over the 2025

determination period will be significantly less (43% or $379 million), with the NSW Government's actual share significantly more (57% or $505 million).

Table 40: Proposed notional WAMC cost shares for the 2025 determination period ($'000, 2024-25)

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
WAMC's total NRR	179,231	182,203	176,344	179,676	165,315	882,770
Notional customer share (impactor pays)	141,411	143,604	139,024	141,153	129,485	694,677
Notional NSW Government share (impactor pays)	37,821	38,599	37,320	38,523	35,830	188,093
Proposed customer Share (capped prices)	59,697	65,665	73,180	81,760	91,290	371,592
Proposed NSW Government share (capped prices)	119,534	116,538	103,164	97,916	74,025	511,178

6.2 Allocating the customer share of WAMC's costs across the state

Once we determined the notional customer share of the efficient costs of each water management activity, we then allocated these costs to water sources (regulated rivers, unregulated rivers and groundwater sources), primarily using the cost drivers listed in Table 41.

The department and NRAR's WAMC costs (by activity code) were allocated using the cost drivers listed in Table 41. WaterNSW followed a cost allocation hierarchy, first attributing some costs directly to valleys, where possible and then allocating these 'direct' costs to regulated rivers, unregulated rivers and groundwater sources within valleys, using the cost drivers in Table 41. It then allocated all other ('indirect') costs using the cost drivers.

For this pricing proposal, we reviewed the cost drivers (allocators) for each activity code balancing the principles of cost-reflectivity, practicality and transparency. Consequently, we propose the following 3 changes to cost drivers, to reflect a more direct attribution of costs:

- **W05-01 systems operation and water availability management** - we propose the cost driver changes from 'water operations complexity' to 'implementation of water management plans'.

That is, costs for this activity would be directly allocated based on the level of expenditure required to manage each pricing valley and water source.

- **W05-03 environmental water management -** we propose the cost driver changes from 'environmental entitlements' to 'environmental water management works dollar cost'. Costs for this activity would be allocated based on the value of environmental projects in each of the pricing valleys and water sources creating the need for this work to be undertaken.
- **W05-04 water plan performance assessment and evaluation** - we propose the cost driver changes from 'volume of entitlements' to 'prioritisation matrix for MER plans'. Costs for this activity would be allocated based on an effort level (high, medium, low) assigned to all 58 WSPs across the pricing valleys and water sources.
- The cost drivers we have used in allocating costs to water sources to develop proposed WAMC prices were largely reviewed and endorsed by IPART and its consultant (Cardno) at IPART's 2021 determination. Our approach is clear and transparent and draws on the best available determinants of costs for each activity to ensure that prices for each water source are as cost reflective as possible.

Table 41: Proposed cost drivers for operating and capital expenditure for the 2025 determination period

Activity	Water type	Proposed cost driver (allocator)
Surface water monitoring		
W01-01 Surface water quantity monitoring	R/U	Relative cost of hydrometric stations
W01-02 Surface water data management and reporting	R/U	Number of surface water sites subject to data management
W01-03 Surface water quality monitoring	R/U	Number of quality tests processed
W01-04 Surface water algal monitoring	R/U	Number of algal tests
W01-05 Surface water ecological condition	R/U	River length
Groundwater monitoring		

Activity	Water type	Proposed cost driver (allocator)
W02-01 Groundwater quantity monitoring	G	Number of groundwater bore pipes monitored
W02-02 Groundwater quality monitoring	G	Number of quality tests
W02-03 Groundwater data management and reporting	G	Number of groundwater bore pipes monitored
Water take monitoring		
W03-01 Water take data collection	U/G	Directly attributed (recovered through fee)
W03-02 Water take data management and reporting	U/G	Directly attributed (recovered through fee)
Water modelling and impact assessment		
W04-01 Surface water modelling	R/U	Volume of entitlements (surface water only)[a]
W04-02 Groundwater modelling	G	Volume of entitlements (groundwater only)[b]
W04-03 Water resource accounting	R/U/G	Volume of entitlements[c]
Water management implementation		
W05-01 Systems operation and water availability management	R/U/G	Implementation of water management plans
W05-02 Blue-green algae management	R/U	Risk rated BGA alerts
W05-03 Environmental water management	R/U	Environmental water management works dollar cost
W05-04 Water plan performance assessment and evaluation	R/U/G	Prioritisation matrix for MER plans
Water management planning		

Activity	Water type	Proposed cost driver (allocator)
W06-01 Water plan development (coastal)	R/U/G	Volume of entitlements (weighted to only include coastal sources)[c]
W06-02 Water plan development (inland)	R/U/G	Volume of entitlements (weighted to only include inland sources)
W06-03 Floodplain management plan development	R/U	Floodplain management plans
W06-04 Drainage management plan development	R/U	Drainage management plans
W06-05 Regional planning and management strategies	R/U/G	Volume of entitlements [c]
W06-06 Development of water planning and regulatory framework	R/U/G	Volume of entitlements [c]
W06-07 Cross-border and national commitments	R/U/G	Volume of entitlements (double the weighting of allocation on activities in inland water sources) [c]
Water management works		
W07-01 water management works	R/U/G	water management works project dollar cost
Water regulation management		
W08-01 Regulation systems management	R/U/G	Number of licences
W08-02 Consents management licence conversion	R/U/G	Number of licences
W08-03 Compliance management	R/U/G	Number of licences
Water consents transactions		
W09-01 Water consents transaction	R/U/G	Consent transactions (recovered through fee)

Activity	Water type	Proposed cost driver (allocator)
Business and customer services		
W10-01 Customer management	R/U/G	Number of licences
W10-02 Business governance support		Volume of entitlements [c]
W10-03 Billing management	R/U/G	Number of bills issued per year

[a]. Excluding unregulated Hunter Water Corporation and Water NSW entitlements

[b]. Excluding groundwater Hunter Water Corporation entitlements

[c]. Excluding unregulated and groundwater Hunter Water Corporation and Water NSW entitlements

Note: R is regulated rivers; U is unregulated rivers; and G is groundwater sources.

Table 42, Table 43 and Table 44 present the notional customer shares of WAMC's efficient costs for the last year of the current determination period (2024–25) and over the 2025 determination period, for each regulated river, unregulated river and groundwater source respectively.

These notional customer shares have been derived by applying the above-mentioned cost shares to WAMC's NRR for each of its water management activities to determine the customer share NRR for each activity and then allocating these customer share NRRs to water sources as outlined above.

As mentioned above, due to our decision to cap increases in WAMC prices below cost-reflective levels, the actual customer shares of costs will be significantly lower than the notional shares presented in these tables.

Table 42: Notional customer share of WAMC's NRR by regulated river ($'000, $2024–25)

Regulated river	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Border	927	2,354.6	2,455.5	2,355.3	2,427.7	2,164.6
Gwydir	1,441	3,420.1	3,601.8	3,499.5	3,603.3	3,155.5
Namoi	933	2,982.4	3,077.0	2,931.4	2,983.8	2,565.2
Peel	262	852.5	877.4	829.4	851.2	760.3
Lachlan	2,431	5,240.2	5,464.2	5,251.1	5,392.6	4,737.2
Macquarie	2,526	5,493.8	5,743.0	5,539.3	5,683.6	4,956.3
Murray	9,234	16,314.1	17,057.1	16,421.6	16,911.5	14,971.8

Regulated river	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Murrumbidgee	7,315	13,562.6	14,383.1	14,097.1	14,511.6	12,573.8
North Coast	107	587.2	601.1	568.4	575.8	490.8
Hunter	1,423	4,016.6	4,132.9	3,904.0	4,009.5	3,592.2
South Coast	142	701.2	712.3	663.4	677.7	605.8
Total regulated rivers NRR	26,742	55,525.5	58,105.5	56,060.4	57,628.2	50,573.5

Table 43: Notional customer share of WAMC's NRR by unregulated river ($'000, $2024–25)

Unregulated river	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Border	420	1,051.7	1,090.4	1,021.4	1,020.6	961.2
Gwydir	320	950.3	991.2	936.9	939.1	880.7
Namoi	804	1,732.1	1,818.6	1,740.5	1,747.8	1,618.7
Peel	414	646.8	670.8	629.3	628.5	589.5
Lachlan	778	1,459.1	1,519.1	1,436.3	1,436.0	1,335.2
Macquarie	1,099	3,328.0	3,465.4	3,263.7	3,270.4	3,081.4
Far West	1,275	4,605.6	4,790.1	4,518.2	4,516.7	4,213.7
Murray	531	1,150.2	1,286.8	1,305.7	1,368.5	1,335.5
Murrumbidgee	1,200	3,116.8	3,257.7	3,088.8	3,099.1	2,902.6
North Coast	3,921	9,507.6	9,875.5	9,323.0	9,299.6	8,603.5
Hunter	2,451	7,023.8	7,283.4	6,828.7	6,821.5	6,407.9
South Coast	4,472	8,118.2	8,434.6	7,954.5	7,941.8	7,380.6
Total unregulated rivers NRR	17,685	42,690.4	44,483.9	42,046.9	42,089.8	39,310.6

Table 44: Notional customer share of WAMC's NRR by groundwater ($'000, $2024-24)

Groundwater source	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Inland	10,881	23,143.4	22,977.7	22,707.2	23,093.2	21,893.5
Coastal	4,549	9,695.4	9,365.6	9,011.9	9,029.4	8,543.7
Total groundwater NRR	15,430	32,838.8	32,343.3	31,719.1	32,122.7	30,437.2

6.3 Identifying and allocating the customer share of MDBA and BRC costs across NSW

To determine and allocate the customer share of efficient MDBA and BRC costs we:

- allocated the MDBA and BRC costs to relevant water management activity codes, which included:
  - W01-01 Surface water quantity monitoring (BRC)
  - W01-03 Surface water quality monitoring (MDBA and BRC)
  - W01-05 Surface water ecological condition monitoring (MDBA)
  - W02-01 Groundwater quantity monitoring (BRC)
  - W04-01 Surface water modelling (MDBA)
  - W05-03 Environmental water management (MDBA)
  - W06-07 Cross-border and national commitments (MDBA)
  - W07-01 Water management works (MDBA)
- applied the cost shares for each of these activity codes listed above, to determine the notional customer share of MDBA and BRC costs for each activity code.
- allocated the notional customer share of MDBA costs for each activity code to water sources using IPART allocations from the 2021 determination. The BRC costs of each activity code have been allocated to water sources using the cost drivers listed above.

Table 45 and Table 46 list the notional customer share of MDBA and BRC NRR's, respectively, for the last year of the current determination period (2024–25) and for each year of the 2025 determination period, for each water source.

Proposed MDBA and BRC prices are not capped below cost reflective levels, therefore the notional customer shares over the 2025 determination period equate to the actual customer shares.

Table 45: Customer share of MDBA NRR by water source ($'000, $2024–25)

Water source	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Regulated rivers						
Border	211	275.1	224.2	238.7	242.3	236.8
Gwydir	559	730.4	595.2	633.7	643.4	628.6
Namoi	316	412.8	336.4	358.1	363.6	355.3
Peel	17	22.2	18.1	19.3	19.6	19.1
Lachlan	333	434.8	354.4	377.3	383.0	374.2
Macquarie	437	570.6	465.0	495.0	502.6	491.1
Murray	2,146	2,801.9	2,283.4	2,431.0	2,468.3	2,411.5
Murrumbidgee	2,562	3,346.0	2,726.8	2,903.1	2,947.6	2,879.8
Unregulated rivers						
Border	12	16.0	13.0	13.9	14.1	13.8
Gwydir	13	16.6	13.5	14.4	14.6	14.3
Namoi	41	53.0	43.2	46.0	46.7	45.6
Peel	5	6.2	5.0	5.4	5.4	5.3
Lachlan	15	19.9	16.3	17.3	17.6	17.2
Macquarie	64	83.8	68.3	72.7	73.8	72.1
Far West	278	363.7	296.4	315.5	320.4	313.0
Murray	16	21.0	17.1	18.2	18.5	18.1
Murrumbidgee	25	32.8	26.7	28.4	28.9	28.2
Groundwater						

Water source	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Inland	448	485.5	498.1	510.9	521.2	531.6

Table 46: Customer share of BRC NRR by water source ($'000, $2024–25)

Water source	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Regulated rivers						
Border	533	185.3	188.0	196.1	190.9	198.9
Unregulated rivers						
Border	0	138.1	140.1	146.1	142.2	148.2
Far West	484	228.0	231.4	241.3	234.9	244.8
Groundwater						
Inland	8	86.0	87.2	91.0	88.6	92.3

6.4 Forecast water entitlement and take volumes for pricing purposes

Once we established the notional customer share of efficient costs in each water source, we then used forecast water take volumes, entitlement volumes and number of licences that are subject to the MAC to calculate proposed prices:

- to set the entitlement charge ($ per megalitre of entitlement) of the 2-part tariff for each water source, we divided the share of costs to be recovered from the entitlement part of the 2-part tariff by the forecast volume of entitlements for that water source
- to set the water take charge ($ per megalitre of water take) of the 2-part tariff for each water source, we divided the share of costs to be recovered from the water take part of the two-part tariff by the forecast volume of water take for that water source
- to set the entitlement charge ($/ML) of the 1-part tariff for unregulated rivers and groundwater, we added the entitlement charge and the water take charge of the 2-part tariff for each water source (effectively assuming that customers on 1-part tariffs take all of their entitlement)

- to set the entitlement charge for floodplain harvesting ($/ML), we divided the share of WaterNSW's floodplain harvesting management costs to be recovered from the entitlement charge by the forecast volume of floodplain harvesting entitlements (with costs and entitlement volumes aggregated across all floodplain management water sources and therefore a common entitlement charge calculated for these water sources)
- to set the water take charge for floodplain harvesting, we:
    - divided the share of WaterNSW's floodplain management costs to be recovered from the water take charge by the forecast volume of water take (with costs and take volumes aggregated across all floodplain management water sources) to calculate a water take charge to recover WaterNSW's floodplain harvesting management costs across all floodplain harvesting water sources and
    - added this charge to each water source's WAMC, MDBA and BRC water take charges to recognise floodplain harvesters' contributions to the water management costs of these agencies.
- to set the MAC, we continued its transition from current levels towards cost-reflective levels by increasing at 2.5% per annum (excluding inflation).

If the entitlement and water take volume forecasts we use to calculate prices are accurate (i.e. if actual volumes turn out to be equal to our forecasts), then prices will recover target revenue. However, if actual volumes are lower or higher than forecast, then WAMC will recover less or more than target revenue (noting that under our proposed prices WAMC's target revenue is less than customers' notional share of its efficient costs). This cost-recovery risk will increase as more meters are rolled out and more licence holders transition from 1-part to 2-part tariffs (as water take volumes are more difficult to forecast than water entitlement volumes).

6.4.1 Forecast water entitlement and take volumes for regulated rivers

We have forecast that entitlement volumes for regulated rivers will remain constant over the 2025 determination period at their 2023–24 levels (see Table 47). This is consistent with the approach used in previous IPART price determinations. It is applied because entitlement volumes are generally stable, with any changes (e.g. associated with cancellations or similar factors) mostly only causing slight changes in entitlement volumes and being difficult to predict.

Table 47: Regulated river entitlement forecasts for the 2025 determination period (ML per year)

Water source	2023–24	2024–25	2025–26	2026-27	2027–28	2028–29	2029–30
Border	264,897	264,897	266,359	266,359	266,359	266,359	266,359
Gwydir	535,667	535,667	536,885	536,885	536,885	536,885	536,885

Water source	2023–24	2024–25	2025–26	2026-27	2027–28	2028–29	2029–30
Namoi	264,315	264,315	265,663	265,663	265,663	265,663	265,663
Peel	46,037	46,037	46,416	46,416	46,416	46,416	46,416
Lachlan	681,114	681,114	672,515	672,515	672,515	672,515	672,515
Macquarie	670,707	670,707	676,313	676,313	676,313	676,313	676,313
Murray	2,327,965	2,327,965	2,352,508	2,352,508	2,352,508	2,352,508	2,352,508
Murrumbidgee	2,696,845	2,696,845	2,694,501	2,694,501	2,694,501	2,694,501	2,694,501
Noth Coast	9,238	9,238	9,668	9,668	9,668	9,668	9,668
Hunter	205,111	205,111	208,799	208,799	208,799	208,799	208,799
South Coast	14,891	14,891	15,137	15,137	15,137	15,137	15,137
Total	7,716,787	7,716,787	7,744,764	7,744,764	7,744,764	7,744,764	7,744,764

Forecasting water take is uncertain because it depends on weather conditions, amongst other factors. Dry conditions can increase water take up to a point, beyond which (e.g. at drought) lower levels of water availability can reduce water take. On other hand, beyond a point, wet conditions can reduce water take.

We have forecast water take from regulated rivers over the 2025 determination period based on historical averages. Forecasts are based on the 20-year (2003-04 to 2022–23) annual average of historical water take for each water source, except for:

- The North Coast and South Coast regulated water sources, where only 19 years of water take data are available.
- Lowbidgee supplementary water take (part of the Murrumbidgee regulated water source), which has been calculated separately using an averaging period of 11 years.

Our approach is consistent with previous IPART price determinations, which have used water take forecasts based on rolling historical averages. This remains the best available approach to forecast water take for the purpose of setting WAMC's prices. IPART has previously noted that the benefit of basing water take forecasts on historical averages is that:

> 'any forecast error (i.e. difference between forecast and actual) will be factored into future forecasts because the averaging period rolls forward to include new actual water take data.'[17]

Our forecasts of water take include forecast floodplain harvesting take where this can occur in regulated river valleys over the 2025 determination period (Border, Gwydir, Macquarie and Namoi). This is because floodplain harvesting is subject to the WAMC, MDBA and BRC water take charges for each water source in addition to the floodplain harvesting take charge (as explained in Chapter 7). In the absence of historical water take volumes, we have assumed that 30% of floodplain harvesting entitlement volumes is taken in the above-mentioned valleys.

Table 48: Regulated river water take forecasts for the 2025 determination period (ML per year)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Border	143,808	143,808	143,808	143,808	143,808	143,808	143,808
Gwydir	233,862	233,862	233,862	233,862	233,862	233,862	233,862
Namoi	139,592	139,592	139,592	139,592	139,592	139,592	139,592
Peel	11,474	11,474	11,474	11,474	11,474	11,474	11,474
Lachlan	149,333	149,333	149,333	149,333	149,333	149,333	149,333
Macquarie	203,152	203,152	203,152	203,152	203,152	203,152	203,152
Murray	1,324,577	1,324,577	1,324,577	1,324,577	1,324,577	1,324,577	1,324,577
Murrumbidgee	1,543,893	1,543,893	1,543,893	1,543,893	1,543,893	1,543,893	1,543,893
Noth Coast	668	668	668	668	668	668	668
Hunter	115,295	115,295	115,295	115,295	115,295	115,295	115,295
South Coast	3,867	3,867	3,867	3,867	3,867	3,867	3,867

[17] IPART, Review of prices for the Water Administration Ministerial Corporation from 1 October 2021 to 30 June 2025, Final Report, p 109.

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Total	3,869,520	3,869,520	3,869,520	3,869,520	3,869,520	3,869,520	3,869,520

6.4.2 Forecast water entitlement and take volumes for unregulated rivers

Consistent with our approach for regulated rivers, we have forecast that total entitlement volumes for unregulated rivers will remain constant over the 2025 determination period at their 2023–24 levels. This is consistent with the approach used in previous IPART price determinations.

To forecast the volumes of unregulated river entitlements that will be subject to 2-part and 1-part tariffs, respectively, we have drawn on the forecast timetable for rolling out meters under the non-urban metering reform program – with customers moving from 1-part to 2-part tariffs as they are subject to metering.

Table 49: Forecast unregulated river water entitlements subject to 2-part tariff (ML per year)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Border	23,043	27,367	31,692	36,017	36,236	36,456	36,676
Gwydir	24,440	30,653	36,866	43,080	43,205	43,331	43,457
Namoi	74,874	99,271	123,668	148,065	148,231	148,397	148,563
Peel	8,735	9,156	9,578	9,999	10,144	10,289	10,435
Lachlan	21,355	28,656	35,957	43,259	43,544	43,829	44,114
Macquarie	105,415	120,176	134,937	149,697	150,453	151,209	151,965
Far West	195,618	198,800	201,983	205,166	205,389	205,612	205,836
Murray and Lower Darling	35,114	39,349	43,585	47,820	48,013	48,206	48,399
Murrumbidgee	55,861	62,149	68,437	74,726	75,158	75,590	76,022
North Coast	152,926	166,054	179,182	192,310	193,536	194,763	195,989
Hunter (including Hunter Water Corporation)	317,349	330,997	344,645	358,292	359,606	360,919	362,232

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
South Coast (including Water NSW Greater Sydney)	1,156,200	1,170,448	1,184,695	1,198,943	1,200,497	1,202,052	1,203,606
Total	**2,170,927**	**2,283,076**	**2,395,225**	**2,507,374**	**2,514,014**	**2,520,654**	**2,527,294**

Table 50: Forecast unregulated river water entitlements subject to 1-part tariff (ML pa)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Border	21,375	17,051	12,726	8,401	8,182	7,962	7,742
Gwydir	26,917	20,704	14,490	8,277	8,151	8,025	7,899
Namoi	87,343	62,945	38,548	14,151	13,985	13,819	13,653
Peel	9,211	8,790	8,369	7,947	7,802	7,657	7,511
Lachlan	34,014	26,712	19,411	12,110	11,824	11,539	11,254
Macquarie	75,980	61,219	46,458	31,697	30,941	30,185	29,430
Far West	24,548	21,365	18,183	15,000	14,777	14,553	14,330
Murray and Lower Darling	17,060	12,825	8,589	4,354	4,161	3,968	3,775
Murrumbidgee	41,502	35,213	28,925	22,637	22,204	21,772	21,340
North Coast	120,938	107,810	94,682	81,554	80,327	79,101	77,874
Hunter (including Hunter Water Corporation)	168,532	154,884	141,236	127,589	126,275	124,962	123,649
South Coast (including Water NSW Greater Sydney)	120,303	106,056	91,808	77,560	76,006	74,452	72,898

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Total	**747,723**	**635,574**	**523,425**	**411,276**	**404,635**	**397,995**	**391,355**

To forecast water take volumes for unregulated rivers, we:

- projected entitlement volumes that will be subject to 2-part tariffs based on the roll out of the metering policy
- applied historic average utilisation rates18 (from 2015–16 to 2022–23) to these entitlement volumes
- assumed that newly metered licences (licences moving from 1-part to 2-part tariff) will have the same utilisation rate as existing 2-part tariff licences.

Forecasts of water take of major utilities (Sydney Water and Hunter Water) were provided by each utility, rather than derived using the approach outlined above.

Our forecasts of unregulated river water take include forecast floodplain harvesting take for relevant valleys (Barwon-Darling, Gwydir, Namoi). This is because floodplain harvesting take will be subject to the WAMC, MDBA and BRC water take charges for each water source in addition to the floodplain harvesting take charge (as explained in Chapter 7). In the absence of historical water take volumes, we have assumed that 30% of floodplain harvesting entitlement volumes is taken in the above-mentioned valleys.

Table 51: Forecast unregulated river water take for pricing purposes (ML per year)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Border	9,770	11,572	13,374	15,177	15,270	15,364	15,458
Gwydir	8,573	9,752	10,931	12,111	12,135	12,160	12,184
Namoi	33,813	39,649	45,484	51,320	51,359	51,399	51,439
Peel	2,663	2,703	2,743	2,783	2,797	2,811	2,825
Lachlan	4,455	5,757	7,059	8,361	8,407	8,453	8,499
Macquarie	52,210	62,106	72,002	81,898	82,275	82,653	83,030

[18] The utilisation rate is the percentage of the entitlement taken (extracted) from water sources by licence holders each year

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Far West	186,456	189,206	191,957	194,708	194,902	195,097	195,292
Murray and Lower Darling	6,019	7,295	8,571	9,847	9,875	9,903	9,930
Murrumbidgee	14,671	16,258	17,845	19,431	19,540	19,648	19,756
North Coast	52,627	55,106	57,585	60,064	60,228	60,392	60,556
Hunter (including Hunter Water Corporation)	105,549	107,530	109,512	111,493	111,683	111,872	112,061
South Coast (including WaterNSW Greater Sydney)	570,449	562,206	559,496	564,592	571,405	551,055	555,960
Total	**1,047,255**	**1,069,140**	**1,096,559**	**1,131,783**	**1,139,876**	**1,120,807**	**1,126,991**

6.4.3 Floodplain harvesting

Forecasts of floodplain harvesting entitlement and water take volumes are used to calculate floodplain harvesting prices. Forecast floodplain harvesting water take volumes are also included in total water take forecasts that are used to calculate general water management water take prices. This is because the floodplain harvesting take price is comprised of the WAMC, MDBA and BRC water take charges for each water source in addition to a component of recover a share of WaterNSW's floodplain harvesting management costs (as explained above and in Chapter 7).

Forecasting floodplain harvesting entitlement and water take volumes is challenging, as we have little historical information, and it is difficult to forecast floods.

Table 52 presents our forecasts of floodplain harvesting entitlement volumes over the 2025 determination period in the water sources with these entitlements. This shows that we forecast floodplain harvesting entitlement volumes to remain at their current levels over this period.

Table 52: Forecast floodplain harvesting entitlement volumes (ML) over 2025–26 to 2029–30

Water source	2025–26	2026–27	2027–28	2028–29	2029–30
Regulated rivers					

Water source	2025–26	2026–27	2027–28	2028–29	2029–30
Border	51,665	51,665	51,665	51,665	51,665
Gwydir	104,663	104,663	104,663	104,663	104,663
Macquarie	48,911	48,911	48,911	48,911	48,911
Namoi	51,018	51,018	51,018	51,018	51,018
Unregulated rivers					
Barwon-Darling	51,322	51,322	51,322	51,322	51,322
Gwydir	13,125	13,125	13,125	13,125	13,125
Namoi	5,1714	5,1714	5,1714	5,1714	5,1714

Table 53 presents our forecasts of floodplain harvesting water take. These forecasts are calculated as 30% of forecast floodplain entitlement volumes, on the basis that we estimate that 30% of storages will be compliant for floodplain harvesting in the 2025 determination period and each compliant storage will harvest (or take) 100% of its entitlement.

Table 53: Forecast floodplain harvesting water take volumes (ML) over 2025–26 to 2029–30

Water source	2025–26	2026–27	2027–28	2028–29	2029–30
Regulated Rivers					
Border	15,500	15,500	15,500	15,500	15,500
Gwydir	31,399	31,399	31,399	31,399	31,399
Macquarie	14,673	14,673	14,673	14,673	14,673
Namoi	15,305	15,305	15,305	15,305	15,305
Unregulated rivers					
Barwon-Darling	15,397	15,397	15,397	15,397	15,397
Gwydir	3,937	3,937	3,937	3,937	3,937

Water source	2025–26	2026–27	2027–28	2028–29	2029–30
Namoi	15,514	15,514	15,514	15,514	15,514

6.4.4 Forecast water entitlement and take volumes for groundwater

We have used the same approach to forecast groundwater entitlement and water take volumes as we did for unregulated river entitlement and water take volumes (outlined above), excluding the addition of floodplain harvesting water take volumes (which are not applicable to groundwater)

Forecasts of water take of major utilities (WaterNSW and Hunter Water) are provided by each utility, rather than derived using the approach outlined above.

Our forecast groundwater entitlement and water take volumes for the 2025 determination period are outlined in the tables below.

Table 54: Forecast groundwater entitlement volumes subject to 2-part tariffs (ML per year)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Inland	909,349	949,854	990,359	1,030,864	1,033,908	1,036,952	1,039,997
Murrumbidgee	338,174	341,722	345,269	348,817	348,965	349,114	349,263
Coastal	179,206	209,973	240,740	271,507	274,093	276,679	279,265
Total	1,426,729	1,501,549	1,576,368	1,651,187	1,656,966	1,662,745	1,668,524

Table 55: Forecast groundwater entitlement volumes subject to 1-part tariffs (ML per year)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Inland	277,711	237,207	196,702	156,197	153,153	150,108	147,064
Murrumbidgee	31,836	28,288	24,741	21,193	21,045	20,896	20,747
Coastal	221,042	190,275	159,507	128,740	126,154	123,569	120,983
Total	530,589	455,769	380,950	306,131	300,352	294,573	288,794

Table 56: Forecast groundwater water take volumes for pricing purposes (ML per year)

Water source	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Inland	471,001	486,687	502,373	518,059	519,247	520,435	521,624
Murrumbidgee	248,198	250,372	252,545	254,718	254,792	254,866	254,940
Coastal	54,864	64,937	75,011	85,085	85,931	86,778	87,624
Total	774,063	801,996	829,928	857,861	859,970	862,079	864,188

7 Water management prices

This chapter presents our proposed water management prices for regulated rivers, unregulated rivers and groundwater sources for water management services delivered by WAMC, MDBA and the BRC. This includes:

- WAMC's Minimum Annual Charge (MAC)
- WAMC's water management and floodplain harvesting prices, comprised of:
  - water entitlement ($ per megalitre of entitlement) and water take ($ per megalitre of water take) charges under 2-part tariffs for customers with meters
  - water entitlement charges under 1-part tariffs for customers without meters
- MDBA and BRC's water management prices, which are also comprised of 2-part tariffs for customers with meters and 1-part tariffs for customers without meters
- charges applicable to special categories of licences, including Aboriginal cultural licences
- exemptions (for Aboriginal cultural licences) (Section 9.7 of IPART's 2021 Final Report)
- separate prices for WaterNSW (South Coast unregulated rivers) (Section 9.8 of IPART's 2021 Final Report).

For the 2025 determination, we propose to maintain the current structure of WAMC, MDBA and BRC water management charges, including the balance of fixed ($ per ML of water entitlement) and variable ($ per ML of water take) charges under the 2-part tariffs. This results in a higher proportion of variable revenue than our largely fixed cost structure would suggest and exposes WAMC to cost recovery risk (particularly given the significant uncertainty around forecast water take volumes). However, it is consistent with customers' preferences for a portion of their bills to be tied to water take.

Unlike urban water utilities, our usage (or take) prices do not need to be set with reference to the long run marginal cost of supply to promote efficient consumption decisions, as price signals reflecting the scarcity of water are provided through the tradeable water entitlement and allocation market.

7.1 WAMC's Minimum Annual Charge (MAC)

Currently, WAMC's Minimum Annual Charge (MAC) applies to customers instead of its water entitlement and take charges if the sum of the customer's entitlement and take charges would be less than the MAC. The MAC is intended to recover the water management costs imposed by

customers with small volumes of water holdings. It recognises that some water management costs are fixed per licence, irrespective of entitlement and water take volumes. About 62% of all licence holders are on the MAC and the MAC is set at a uniform level across the state.

The current level of the MAC is well below cost-reflective levels, which we estimate to be about $935 per annum. The cost-reflective MAC would recover a large proportion of costs of:

- W08-01 regulation systems management
- W08-02 consents management and licence conversion
- W08-03 compliance management
- W10-01 customer management
- W10-03 Billing management

We propose to continue the MAC's gradual transition towards full cost recovery levels by increasing it at 2.5% per year (plus inflation) over the 2025 determination period (Table 57) – as per the trajectory established at IPART's 2021 determination of WAMC's prices. This would ensure small customers continue to increase their contribution to the costs of WAMC's water management activities, at the same pace as the 2021 determination.

Annual increases of 2.5% will mean that charges for small customers remain well below full cost recovery levels for the whole of the 2025-2030 determination period.

Table 57: WAMC's proposed MAC ($ pa, $2024–25)

Charge	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	Ave pa % change
Minimum Annual Charge (state-wide)	277.89	284.84	291.96	299.26	306.74	314.41	2.5%

7.2 WAMC's water management prices

We applied a 2-step approach to calculating WAMC's proposed water management prices:

- First, we calculated 'cost-reflective' prices by allocating the notional customer share of WAMC's efficient costs to regulated rivers, unregulated rivers and ground water sources and then applying forecasts of entitlement and water take volumes over the 2025 determination period (as explained in Chapter 6).
- We then adjusted the cost-reflective prices down by capping price increases at 15% per year (plus inflation) over the 2025 determination period, after considering potential impacts on customers.

As explained in Chapter 10, we consider that a cap on WAMC water management price increases of 15% per year (plus inflation) strikes a reasonable balance between the key considerations of customers and the NSW State Budget:

- While supporting the National Water Initiative objective of full cost recovery, we consider that an immediate shift to price levels that recover the full notional customer share of WAMC's efficient costs could cause shocks to customers and economies, as prices would need to rise by between 81% and 857% in a short period of time, which would be difficult for many customers to manage.
- Our price modelling confirms that at the proposed rate of annual increase, water management charges will remain well below cost-reflective levels until after 2030 in every valley.
- Review of past IPART decisions about the annual levels of price rises that are unlikely to risk price shocks, specifically decisions made by IPART in its 2011 and 2006 Determinations, give confidence that annual price rises of 15% a year, as proposed, are unlikely to result in shocks.
- Our market and sector analysis suggests that larger water using activities have generally enjoyed strong profitability, there has been excellent water availability, and the market prices of water (value of entitlements) has increased significantly since IPART last determined prices.
- In the engagement process, customers' preferences about a range of annual levels of price rises were tested to help inform WAMC's proposal about the pace of price rise towards full cost recovery. While most customers favoured 2.5% (plus CPI) price rises a year, citing affordability concerns, some working group participants supported a 5% increase to better transition to full cost-recovery and a smaller number supported a 10% increase.
- Since customers' preferences about a range of annual levels of price rises were tested, there has been a significant deterioration in the NSW state budget position. Tightening of the state's finances means that it is not possible for WAMC to propose annual price rises below 15% (plus CPI), without also proposing severe reductions to water management activities (which could undermine the value of customers' water entitlements over time and water management outcomes for the broader community).

The tables below present WAMC's proposed water management prices for regulated rivers, unregulated rivers and groundwater sources over the 2025 determination period. For comparison purposes, they also include current (2024–25) prices.

These tables present WAMC's proposed water management prices consistent with the current structure of prices. For most valleys, the 2-part tariff is set so that 70% of forecast revenue from the 2-part tariff is set to be recovered from entitlement charges and 30% of forecast revenue from the 2-part tariff is set to be recovered from water take charges (the exception is the North Coast regulated river, where 92% of forecast revenue is set to be recovered from entitlement charges and 8% from water take charges).

WAMC's proposed water management charges are as follows:

- Customers on regulated rivers are subject to a 2-part tariffs: a price per megalitre of water entitlement (Table 58) and a price per megalitre of water taken (Table 59).
- Customers on unregulated rivers who are metered are subject to 2-part tariffs: a price per megalitre of water entitlement (Table 60) and a price per megalitre of water taken (Table 61).
- Customers on unregulated rivers who are not metered are subject to 1-part tariffs: a price per megalitre of water entitlement (Table 62), with this charge being the sum of the 2 parts of the 2-part tariff.
- Customers on groundwater sources who are metered are subject to 2-part tariffs: a price per megalitre of water entitlement (Table 63) and a price per megalitre of water taken (Table 64Table 64)
- Customers on groundwater sources who are not metered are subject to 1-part tariffs: a price per megalitre of water entitlement (Table 65), with this charge being the sum of the 2 parts of the 2-part tariff.

Table 58: Regulated rivers – water entitlement component of 2-part tariff ($/ML $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Border	2.21	2.54	2.92	3.36	3.87	4.45	15%
Gwydir	1.50	1.73	1.98	2.28	2.62	3.02	15%
Namoi	2.24	2.58	2.96	3.41	3.92	4.51	15%
Peel	3.66	4.21	4.84	5.57	6.40	7.36	15%
Lachlan	1.39	1.60	1.84	2.11	2.43	2.80	15%
Macquarie	1.69	1.94	2.24	2.57	2.96	3.40	15%
Murray	1.40	1.61	1.85	2.13	2.45	2.82	15%
Murrumbidgee	1.20	1.38	1.59	1.83	2.10	2.41	15%
North Coast	5.77	6.64	7.63	8.78	10.09	11.61	15%
Hunter	4.07	4.68	5.38	6.19	7.12	8.19	15%
South Coast	4.50	5.18	5.95	6.84	7.87	9.05	15%

Table 59: Regulated rivers – Water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Border	1.77	2.04	2.34	2.69	3.10	3.56	15%
Gwydir	1.55	1.78	2.05	2.36	2.71	3.12	15%
Namoi	1.79	2.06	2.37	2.72	3.13	3.60	15%
Peel	5.71	6.57	7.55	8.68	9.99	11.48	15%
Lachlan	2.21	2.54	2.92	3.36	3.87	4.45	15%
Macquarie	2.04	2.35	2.70	3.10	3.57	4.10	15%
Murray	1.01	1.16	1.34	1.54	1.77	2.03	15%
Murrumbidgee	0.89	1.02	1.18	1.35	1.56	1.79	15%
North Coast	7.34	8.44	9.71	11.16	12.84	14.76	15%
Hunter	2.77	3.19	3.66	4.21	4.84	5.57	15%
South Coast	6.76	7.77	8.94	10.28	11.82	13.60	15%

Table 60: Unregulated rivers – Water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Border	0.97	1.12	1.28	1.48	1.70	1.95	15%
Gwydir	0.97	1.12	1.28	1.48	1.70	1.95	15%
Namoi	0.97	1.12	1.28	1.48	1.70	1.95	15%
Peel	0.97	1.12	1.28	1.48	1.70	1.95	15%
Lachlan	2.42	2.78	3.20	3.68	4.23	4.87	15%
Macquarie	2.42	2.78	3.20	3.68	4.23	4.87	15%
Far West	3.43	3.94	4.54	5.22	6.00	6.90	15%
Murray	2.03	2.33	2.68	3.09	3.55	4.08	15%
Murrumbidgee	3.55	4.08	4.69	5.40	6.21	7.14	15%
North Coast	5.51	6.34	7.29	8.38	9.64	11.08	15%
Hunter	1.58	1.82	2.09	2.40	2.76	3.18	15%

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
South Coast	1.84	2.12	2.43	2.80	3.22	3.37	13%

Table 61: Unregulated rivers – Water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Border	4.49	5.16	5.94	6.83	7.85	9.03	15%
Gwydir	4.49	5.16	5.94	6.83	7.85	9.03	15%
Namoi	4.49	5.16	5.94	6.83	7.85	9.03	15%
Peel	4.49	5.16	5.94	6.83	7.85	9.03	15%
Lachlan	4.51	5.19	5.96	6.86	7.89	9.07	15%
Macquarie	4.51	5.19	5.96	6.86	7.89	9.07	15%
Far West	2.53	2.91	3.35	3.85	4.42	5.09	15%
Murray	6.54	7.52	8.65	9.95	11.44	13.15	15%
Murrumbidgee	7.98	9.18	10.55	12.14	13.96	16.05	15%
North Coast	6.86	7.89	9.07	10.43	12.00	13.80	15%
Hunter	2.87	3.30	3.80	4.36	5.02	5.77	15%
South Coast	1.37	1.58	1.81	2.08	2.40	2.76	15%

Table 62: Unregulated rivers – 1-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Border	5.45	6.27	7.21	8.29	9.53	10.96	15%
Gwydir	5.45	6.27	7.21	8.29	9.53	10.96	15%
Namoi	5.45	6.27	7.21	8.29	9.53	10.96	15%
Peel	5.45	6.27	7.21	8.29	9.53	10.96	15%
Lachlan	6.93	7.97	9.16	10.54	12.12	13.94	15%
Macquarie	6.93	7.97	9.16	10.54	12.12	13.94	15%

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Far West	5.95	6.84	7.87	9.05	10.41	11.97	15%
Murray	8.56	9.84	11.32	13.02	14.97	17.22	15%
Murrumbidgee	11.53	13.26	15.25	17.54	20.17	23.19	15%
North Coast	12.37	14.23	16.36	18.81	21.64	24.88	15%
Hunter	4.45	5.12	5.89	6.77	7.78	8.95	15%
South Coast	3.22	3.70	4.26	4.90	5.63	6.38	15%

Table 63: Groundwater – Water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Inland	4.35	5.00	5.75	6.62	7.61	8.75	15%
Murrumbidgee	3.75	4.31	4.96	5.70	6.56	7.54	15%
Coastal	2.26	2.60	2.99	3.44	3.95	4.55	15%

Table 64: Groundwater – Water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Inland	2.61	3.00	3.45	3.97	4.56	5.25	15%
Murrumbidgee	2.25	2.59	2.98	3.42	3.94	4.53	15%
Coastal	4.31	4.96	5.70	6.55	7.54	8.67	15%

Table 65 : Groundwater – 1-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Average pa % change
Inland	6.96	8.00	9.20	10.59	12.17	14.00	15%
Murrumbidgee	6.00	6.90	7.94	9.13	10.49	12.07	15%
Coastal	6.57	7.56	8.69	9.99	11.49	13.21	15%

7.3 MDBA's water management prices

The tables below present proposed MDBA water management prices for regulated rivers, unregulated rivers and groundwater sources over the 2025 determination period (with 2024–25 prices also presented for comparison purposes).

Consistent with the current structure of prices, the 2-part tariff is set so that 80% of forecast revenue from the 2-part tariff is recovered from entitlement charges and 20% of forecast revenue from the 2-part tariff is recovered from water take charges.

Proposed MDBA water management prices are as follows:

- Customers on regulated rivers are subject to 2-part tariffs: a price per megalitre of water entitlement (Table 66)and a price per megalitre of water taken (Table 67).
- Customers on unregulated rivers who are metered are subject to 2-part tariffs: a price per megalitre of water entitlement (Table 68) and a price per megalitre of water taken (Table 69).
- Customers on unregulated rivers who are not metered are subject to 1-part tariffs: a price per megalitre of water entitlement (Table 70), with this charge being the sum of the 2 parts of the 2-part tariff.
- Customers on groundwater sources who are metered are subject to 2-part tariffs: a price per megalitre of water entitlement (Table 71) and a price per megalitre of water taken (Table 72).
- Customers on groundwater sources who are not metered are subject to 1-part tariffs: a price per megalitre of water entitlement (Table 73), with this charge being the sum of the 2 parts of the 2-part tariff.

These charges are set to recover the customer share of the MDBA's water management costs in NSW – i.e. unlike WAMC's water management charges outlined above, we are not proposing that they be capped below cost-reflective levels. Customers in the valleys that are listed in the tables below will pay MDBA charges in addition to WAMC's MAC or water management charges and, where applicable, floodplain harvesting charges listed in the tables above. Customers in some valleys (Border and Far West) will pay MDBA and BRC charges, as well as WAMC's MAC or water management charges.

Under our proposal, all MDBA regulated river and groundwater prices would increase, along with several unregulated river prices. MDBA costs have been allocated to water sources using IPART allocations from the 2021 determination (as outlined in Chapter 6).

The proposed MDBA water management prices for the 2025 determination period also reflect a more accurate allocation of the MDBA's costs between water management activities (to be recovered through the WAMC price determination) and bulk water supply activities (to be recovered through the concurrent WaterNSW bulk water price determination). That is, proposed MDBA prices are more cost-reflective and consistent with the 'impactor pays' principle.

Table 66: Regulated rivers – MDBA water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.63	0.73	0.73	0.73	0.73	0.73	16%
Gwydir	0.84	0.97	0.97	0.97	0.97	0.97	15%
Namoi	0.96	1.10	1.10	1.10	1.10	1.10	15%
Peel	0.29	0.34	0.34	0.34	0.34	0.34	17%
Lachlan	0.38	0.46	0.46	0.46	0.46	0.46	21%
Macquarie	0.52	0.60	0.60	0.60	0.60	0.60	15%
Murray	0.73	0.84	0.84	0.84	0.84	0.84	16%
Murrumbidgee	0.76	0.88	0.88	0.88	0.88	0.88	16%

Table 67: Regulated rivers – MDBA water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.30	0.34	0.34	0.34	0.34	0.34	13%
Gwydir	0.51	0.55	0.55	0.55	0.55	0.55	9%
Namoi	0.45	0.52	0.52	0.52	0.52	0.52	17%
Peel	0.27	0.34	0.34	0.34	0.34	0.34	27%
Lachlan	0.36	0.52	0.52	0.52	0.52	0.52	43%
Macquarie	0.37	0.50	0.50	0.50	0.50	0.50	35%
Murray	0.31	0.38	0.38	0.38	0.38	0.38	21%
Murrumbidgee	0.33	0.38	0.38	0.38	0.38	0.38	16%

Table 68: Unregulated rivers – MDBA water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.10	0.22	0.22	0.22	0.22	0.22	124%
Gwydir	0.10	0.22	0.22	0.22	0.22	0.22	124%
Namoi	0.10	0.22	0.22	0.22	0.22	0.22	124%
Peel	0.10	0.22	0.22	0.22	0.22	0.22	124%
Lachlan	0.15	0.30	0.30	0.30	0.30	0.30	98%
Macquarie	0.15	0.30	0.30	0.30	0.30	0.30	98%
Far West	0.92	1.17	1.17	1.17	1.17	1.17	27%
Murray	0.19	0.26	0.26	0.26	0.26	0.26	38%
Murrumbidgee	0.14	0.21	0.21	0.21	0.21	0.21	50%

Table 69: Unregulated rivers – MDBA water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.29	0.16	0.16	0.16	0.16	0.16	-46%
Gwydir	0.29	0.16	0.16	0.16	0.16	0.16	-46%
Namoi	0.29	0.16	0.16	0.16	0.16	0.16	-46%
Peel	0.29	0.16	0.16	0.16	0.16	0.16	-46%
Lachlan	0.16	0.16	0.16	0.16	0.16	0.16	0%
Macquarie	0.16	0.16	0.16	0.16	0.16	0.16	0%
Far West	0.40	0.31	0.31	0.31	0.31	0.31	-23%
Murray	0.35	0.33	0.33	0.33	0.33	0.33	-5%
Murrumbidgee	0.19	0.20	0.20	0.20	0.20	0.20	6%

Table 70: Unregulated rivers – MDBA 1-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Gwydir	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Namoi	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Peel	0.40	0.38	0.38	0.38	0.38	0.38	-5%
Lachlan	0.31	0.46	0.46	0.46	0.46	0.46	47%
Macquarie	0.31	0.46	0.46	0.46	0.46	0.46	47%
Far West	1.32	1.48	1.48	1.48	1.48	1.48	12%
Murray	0.54	0.60	0.60	0.60	0.60	0.60	10%
Murrumbidgee	0.33	0.41	0.41	0.41	0.41	0.41	25%

Table 71: Groundwater – MDBA water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Inland	0.22	0.26	0.26	0.26	0.26	0.26	17%
Murrumbidgee	0.22	0.26	0.26	0.26	0.26	0.26	17%

Table 72: Groundwater – MDBA water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Inland	0.08	0.11	0.11	0.11	0.11	0.11	42%
Murrumbidgee	0.08	0.11	0.11	0.11	0.11	0.11	42%

Table 73: Groundwater – MDBA 1-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Inland	0.30	0.37	0.37	0.37	0.37	0.37	24%
Murrumbidgee	0.30	0.37	0.37	0.37	0.37	0.37	24%

7.4 BRC's water management prices

The tables below present proposed BRC water management prices for regulated rivers, unregulated rivers and groundwater sources over the 2025 determination period (with 2024–25 prices also presented for comparison purposes).

Consistent with the current structure of prices, the 2-part tariff is set so that 80% of forecast revenue from the 2-part tariff is recovered from entitlement charges and 20% of forecast revenue from the 2-part tariff is recovered from water take charges.

Proposed BRC water management prices are as follows:

Customers on regulated rivers are subject to a 2-part tariff: a price per megalitre of water entitlement (Table 74) and a price per megalitre of water taken (

- Table 75)
- Customers on unregulated rivers who are metered are subject to 2-part tariffs: a price per megalitre of water entitlement (Table 76) and a price per megalitre of water taken (Table 77)
- Customers on unregulated rivers who are not metered are subject to 1-part tariffs: a price per megalitre of water entitlement (Table 78), with this charge being the sum of the 2 parts of the 2-part tariff.

Customers on groundwater sources who are metered are subject to 2-part tariffs: a price per megalitre of water entitlement (

- Table 79) and a price per megalitre of water taken (Table 80)
- Customers on groundwater sources who are not metered are subject to 1-part tariffs: a price per megalitre of water entitlement (Table 81), with this charge being the sum of the 2 parts of the 2-part tariff.

These charges are set to recover the customer share of the BRC's water management costs in NSW. Unlike WAMC's water management charges outlined above, we are not proposing that they be capped below cost-reflective levels. Customers in the valleys that are listed in the tables below will

pay BRC charges, MDBA charges (where applicable), WAMC's MAC or water management charges and (where applicable) floodplain harvesting charges.

Under our proposal, BRC water management charges would decline for Border regulated river and Far West unregulated river customers and increase for Border unregulated river and groundwater customers. The proposed price increases are significant; however, they are from artificially low prices in the current determination period. Costs were inadvertently not allocated to the Border unregulated river in the 2021 determination and NSW is now paying the true costs of groundwater monitoring when previously these costs were not passed on to NSW. Therefore, under the proposal, BRC charges would now be cost-reflective, when previously prices to Border unregulated river and groundwater customers were below cost-reflective levels.

Further, as outlined in Chapter 3, in calculating proposed BRC prices we have treated all BRC costs as operating expenditure, consistent with the contribution the NSW Government is required to make to the BRC, rather than notional 'building block' costs.

Table 74: Regulated rivers – BRC water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	1.51	0.58	0.58	0.58	0.58	0.58	-62%

Table 75: Regulated rivers – BRC water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.72	0.27	0.27	0.27	0.27	0.27	-63%

Table 76: Unregulated rivers – BRC water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	-	2.44	2.44	2.44	2.44	2.44	N/A
Far West	1.50	0.86	0.86	0.86	0.86	0.86	-43%

Table 77: Unregulated rivers – BRC water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	-	1.44	1.44	1.44	1.44	1.44	N/A
Far West	0.65	0.23	0.23	0.23	0.23	0.23	-65%

Table 78: Unregulated rivers – BRC 1-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	-	3.88	3.88	3.88	3.88	3.88	N/A
Far West	2.16	1.08	1.08	1.08	1.08	1.08	-50%

Table 79 : Groundwater – BRC water entitlement component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.35	3.99	3.99	3.99	3.99	3.99	1,040%

Table 80: Groundwater – BRC water take component of 2-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.15	2.72	2.72	2.72	2.72	2.72	1,715%

Table 81: Groundwater – BRC 1-part tariff ($/ML, $2024–25)

Water sources	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Border	0.50	6.71	6.71	6.71	6.71	6.71	1,242%

7.5 Floodplain harvesting prices

Floodplain harvesting (FPH) refers to the capture and use of water flowing across a floodplain that is not covered by another extraction category such as a water access licence.

In its 2021 determination of WAMC's water management prices, IPART set 2 sets of tariffs for regulated and unregulated rivers in anticipation of statutory plans for floodplain harvesting licences being introduced:

- tariffs calculated excluding floodplain harvesting water take volumes (FPH-exclusive) and
- tariffs calculated including floodplain harvesting water take volumes (FPH-inclusive).

The change from the FPH-exclusive to the FPH-inclusive tariffs for each water source would apply following Ministerial approval to issue FPH licences and floodplain harvesters would pay the WAMC, MDBA and BRC water take prices of the 2-part tariff for each respective water source. Notably, under the 2021 determination, the FPH inclusive tariffs in the current (2021) determination are lower than the FPH exclusive tariffs.

This reflected IPART's view at that time that FPH would not add to WAMC's costs, but rather with FPH the same level of water management costs would be spread over a larger volume of water. According to IPART:

> **"the marginal level of associated activities will add no additional operating costs to revenue needs. Therefore, the implementation of FPH will spread the revenue**

> **requirement over a greater volume of water take in the water sources where it is implemented. This means the water take charge will generally go down for all water users in a water source following the implementation of FPH licences."[19]**

However, we incur costs in managing FPH.

Like all water take, FPH contributes to the costs of a range of water management activities of the department, MDBA and BRC. These costs are included in relevant activity code cost forecasts, to be recovered from WAMC, MDBA and BRC water management charges.

WaterNSW incurs FPH costs that are not included in water management activity codes. WaterNSW's costs in undertaking FPH activities include providing scheme infrastructure (such as managing the Duly Qualified Person portal for FPH and the associated telemetry system), providing support for customers to become compliant and ready to harvest water and administering the FPH policy. These costs are incurred in FPH areas even when no FPH events occur. Even if customers do not make their storages compliant with FPH regulation and/or do not harvest water, WaterNSW still bears the costs of FPH systems and operationalising the policy.

We propose the following FPH charges to be paid by FPH licensees, to recover the efficient costs of providing FPH services:

- a 2-part tariff for FPH customers with a meter, comprised of:
  - a FPH entitlement charge of $2.48 per ML of FPH entitlement, to recover a share of WaterNSW's costs of managing FPH that are not recovered from other water management prices
  - a FPH water take charge, which is the sum of the WAMC, MDBA and BRC $/ML water take charges for each respective water source plus $1.06 per ML to recover the remaining share of WaterNSW's costs of managing FPH that are not recovered from other water management prices
- a 1-part tariff for FPH customers without meters, comprised of an entitlement charge equal to the sum of the entitlement and water take charges under the 2-part tariff ($ per ML of entitlement).

In addition, floodplain harvesting meters would be subject to a telemetry charge of $270 per year, per meter, as is the case for all other meters (as explained in Chapter 9).

These proposed charges are listed in Table 82 below.

[19] IPART, Review of prices for the Water Administration Ministerial Corporation from 1 October 2021 to 30 June 2025, Final Report, September 2021, p 126.

Table 82 : Proposed Floodplain Harvesting Charges ($2024–25)

Proposed charges	2025-26	2026-27	2027-28	2028-29	2029-30
Telemetry charge ($/per meter)	270.36	270.36	270.36	270.36	270.36
Two-part tariff FPH entitlement charge ($/ML) - all water sources	2.48	2.48	2.48	2.48	2.48
Two-part tariff FPH take charge ($/ML)					
Macquarie – regulated river:					
WAMC take charge	2.35	2.70	3.10	3.57	4.10
MDBA take charge	0.50	0.50	0.50	0.50	0.50
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06
Total Macquarie Regulated FPH take charge	*3.91*	*4.26*	*4.66*	*5.13*	*5.66*
Gwydir – regulated river:					
WAMC take charge	1.78	2.05	2.36	2.71	3.12
MDBA take charge	0.55	0.55	0.55	0.55	0.55
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06
Total Gwydir regulated FPH take charge	*3.39*	*3.66*	*3.97*	*4.32*	*4.73*
Gwydir - unregulated river:					
WAMC take charge	5.16	5.94	6.83	7.85	9.03
MDBA take charge	0.16	0.16	0.16	0.16	0.16
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06
Total Gwydir unregulated FPH take charge	*6.38*	*7.16*	*8.05*	*9.07*	*10.25*

Proposed charges	2025-26	2026-27	2027-28	2028-29	2029-30
Border - regulated river:					
WAMC take charge	2.04	2.34	2.69	3.1	3.56
MDBA take charge	0.34	0.34	0.34	0.34	0.34
BRC take charge	0.27	0.27	0.27	0.27	0.27
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06
Total Border regulated FPH take charge	*3.71*	*4.01*	*4.36*	*4.77*	*5.23*
Namoi - regulated river:					
WAMC take charge	2.06	2.37	2.72	3.13	3.60
MDBA take charge	0.52	0.52	0.52	0.52	0.52
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06
Total Namoi regulated FPH take charge	*3.64*	*3.95*	*4.30*	*4.71*	*5.18*
Namoi – unregulated river:					
WAMC take charge	5.16	5.94	6.83	7.85	9.03
MDBA take charge	0.16	0.16	0.16	0.16	0.16
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06
Total Namoi unregulated FPH take charge	*6.38*	*7.16*	*8.05*	*9.07*	*10.25*
Barwon Darling - unregulated river					
WAMC take charge	2.91	3.35	3.85	4.42	5.09
MDBA take charge	0.31	0.31	0.31	0.31	0.31
BRC take charge	0.23	0.23	0.23	0.23	0.23
WaterNSW FPH take charge	1.06	1.06	1.06	1.06	1.06

Proposed charges	2025-26	2026-27	2027-28	2028-29	2029-30
Total Barwon Darling Unregulated FPH take charge	*4.51*	*4.95*	*5.45*	*6.02*	*6.69*
One part tariff FPH entitlement charge ($/ML)					
Macquarie – regulated river	6.39	6.74	7.14	7.61	8.14
Gwydir – regulated river	5.87	6.14	6.45	6.80	7.21
Gwydir – unregulated river	8.86	9.64	10.53	11.55	12.73
Border - regulated river	6.19	6.49	6.84	7.25	7.71
Namoi – regulated river	6.12	6.43	6.78	7.19	7.66
Namoi – unregulated river	8.86	9.64	10.53	11.55	12.73
Barwon Darling – unregulated river	6.99	7.43	7.93	8.50	9.17

In setting these FPH charges, we have aggregated WaterNSW's FPH management costs across all FPH management areas. WaterNSW's forecast efficient costs of FPH are listed in Table 83. This shows that proposed costs are expected to increase from an estimated $1.023 million in 2023–24 to a forecast $1.268 million by 2029–30. This increase reflects the activity and effort required to manage the operation of the floodplain harvesting policy. These costs include fixed costs of managing the Duly Qualified Person (DQP) portal for FPH and the associated telemetry system. These WaterNSW FPH costs are separate ('ring-fenced') from other water management costs, so that they are recovered only from FPH licensees.

Specific consultation was not undertaken on the proposed WaterNSW FPH charges due to timing and uncertainty of likely changes to WaterNSW's operating licence and activities to support regulations. However, we will engage with customer representatives with respect to the non-urban metering review outcomes and proposed metering charges in the next round of Customer Advisory Group (CAG) meetings, to be held in October 2024.

Table 83: Floodplain Harvesting (FPH) operating costs ($'000, $2024–25)

Proposed costs	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Forecast FPH costs	1,023	1,054	1,270	1,242	1,223	1,566	1,268

7.6 Charges applicable to special categories of licences

In its 2021 determination IPART set prices for several special categories of licence with different price structures to broader water management charges. Proposed price structures for the special licence categories over the 2025 determination period are listed in Table 84. Water users with licences in the categories listed in Table 84 will also pay MDBA and BRC charges where applicable. The sections below outline the rationale for the special licence categories where we are proposing changes since the 2021 determination.

7.6.1 Aboriginal cultural water licences

Under the Water Management Act 2000 the Minister has the power to issue 3 types of specific purpose access licences to meet the water needs of Aboriginal communities, referred to as:

- Aboriginal cultural licences
- Aboriginal community development licences
- Aboriginal commercial licences.

In its 2021 price determination IPART decided to exempt Aboriginal cultural licences from all WAMC charges and continue setting charges for Aboriginal community development and Aboriginal commercial licences in recognition of the significant barriers to Aboriginal access to water in NSW.

We propose continuing to exempt Aboriginal cultural licences from paying WAMC charges.

The draft NSW Aboriginal Water Strategy has been developed since 2021 and consultation on the draft strategy closed in August 2024. In addition, states and territories are working to develop inland waters targets under the Closing the Gap agreement. These programs aim to remove barriers and increase Aboriginal people's access to water for cultural and economic purposes.

Regarding Aboriginal community development licences and Aboriginal commercial licences:

- no licences of either of these subtypes appear to have been issued
- there is no clear policy guidance on what conditions or use limitations might be placed on these licences if they were issued in future.

Given this limited information, we propose to continue setting charges for these 2 subcategories. If the NSW Government decides to issue these licences during the 2021 determination period and considers it is appropriate to exempt them from fees, we anticipate that it will provide Water NSW with a community service obligation to do so.

7.6.2 Separate water planning charges for WaterNSW (South Coast unregulated rivers) and Hunter Water (Hunter unregulated river)

In the 2021 determination, IPART set a separate price to WaterNSW to recover the customer (user) share of costs of metropolitan water planning for the Greater Sydney region based on the 'impactor pays' principle. The price was an additional fixed charge ($ per ML) applied to water access licences held by WaterNSW in the South Coast (unregulated rivers) water source.

We propose to continue charging WaterNSW a separate price for these metropolitan planning services undertaken by the department on behalf of WAMC. WaterNSW will seek to pass these costs on to Sydney Water through the Greater Sydney bulk water price determination and, in turn, Sydney Water can pass them on to its retail customers. In the 2021 price determination, the metropolitan water planning charge was capped at 2.5% increase per year (plus inflation). For the 2025 determination, we propose to set this charge at full cost recovery.

For the same reasons, we propose to levy a separate price on Hunter Water to recover the full customer share of the department's costs of the Lower Hunter Water Plan. Previously, Hunter Water recovered these costs through its price determination, based on an agreement with the department on the cost of delivering these planning services. Establishing a WAMC charge to recover these costs from Hunter Water is more cost reflective, transparent and consistent with the approach for greater Sydney.

Table 84: Special categories of licence tariff types - 2021 determination and proposed for the 2025 determination

Licence category	2021 price structure	Proposed 2025 price structure
Supplementary water (regulated river)	Water take charge only	Water take charge only
Supplementary water environmental access (regulated river)	Water take charge only	Water take charge only
Supplementary water (Lowbidgee) (regulated river)	Water take charge only	Water take charge only
Supplementary Aboriginal environmental water access (unregulated river)	Water take charge only	Water take charge only
Major utility (Grahamstown) (unregulated river)	Minimum charge only	Minimum annual charge only
Major utility (Barnard) (regulated river)	Minimum charge only	n/a
Unregulated river (regulated supply)	Minimum charge only	Minimum annual charge only
Unregulated river (regulated supply – local water utility)	Minimum charge only	Minimum annual charge only

Licence category	2021 price structure	Proposed 2025 price structure
Unregulated river (special additional high flow)	Water take charge only	Water take charge only
Salinity and water table management (groundwater)	Minimum charge only	Minimum annual charge only
Aboriginal cultural access licences	Exempt from WAMC charges	Exempt from WAMC charges
WaterNSW planning charge (South Coast unregulated rivers)	Separate full cost recovery charge to recover the user share of costs of the Greater Sydney Water Strategy	Separate full cost recovery charge to recover the user share of costs of the Greater Sydney Water Strategy
Hunter Water planning charge (Hunter unregulated river)	n/a	Separate full cost recovery charge to recover the user share of costs of the Lower Hunter Water Plan

Table 85: Proposed metropolitan water planning charges for WaterNSW and Hunter Water Corporation ($2024-25)

Proposed charges	2025–26	2026–27	2027–28	2028–29	2029–30
WaterNSW (Metro) planning charge (South Coast unregulated rivers)	3.34	3.66	4.03	4.45	4.60
Hunter Water Corporation (Metro) planning charge (Hunter unregulated river)	4.15	4.43	4.74	5.10	5.51

8 Consent transaction charges

This chapter presents WAMC's proposed consent transaction charges. These are separate fee-for-service charges, set to recover the efficient costs of WAMC issuing or amending water access licences, water allocation assignments, work approvals and use approvals.

The costs and revenues of WAMC's consent transaction activities are separate from its annual water management charges because they are a one-off charge, recovered at the point of application by a customer.

8.1 Consent transaction activities

Water consent transactions are fee-for-service activities that result in the issue, granting or amendment of water access licences and approvals under the NSW Water Management Act 2000 (WM Act) and Part 5 licences under the Water Act 1912.

WAMC's consent transaction activities fall into 3 categories:

- **water access licences** – transactions include issuing new water access licences, amending existing licences and any dealings in licences such as assigning share components and consolidating, subdividing and surrendering licences under the Act
- **water allocation assignments** – transactions include assigning water from one water access licensee account to another licensee account (commonly referred to as temporary trade) for unregulated and groundwater water sources
- **works and use approvals** – transactions include assessing and approving the construction and use of water supply works such as pumps, dams and bores and for the application of water to land.

8.2 Allocation of responsibilities for consent transactions

Responsibility for different WAMC's consent transaction activities is allocated between the department and WaterNSW.

The department is responsible for applications and approvals from larger customers, including major utilities, water supply authorities, local water utilities, irrigation corporations, state owned corporations, mining companies and Aboriginal organisations. These licences make up around 5% of all licences and account for around 40% of total regulated water share. Processing these

transactions is complex due to the large scale of their water take and hence the potential impact on water resources. These transactions are grouped as Type A and 29 charges are proposed.

WaterNSW is responsible for applications and approvals for smaller customers, including individuals and businesses. These licences make up around 95% of all licences and account for around 60% of total regulated water share. These transactions are grouped as Type B and 27 charges are proposed.

8.3 Efficiencies over the 2021 and 2025 determination periods

WaterNSW and the department have been implementing process improvements and efficiencies in water transactions over the 2021 determination period, which are reflected in our proposed consent transaction charges for the 2025 determination period. As a result of these improvements, assessment times on a rolling average have decreased from more than 100 calendar days (up to 150) to consistently less than 70 calendar days over the last full quarter of 2023.

This has been achieved through efficiency improvements including:

- new triage processes that reduce the need for low-risk application to be referred to specialists for further assessments, thereby reducing average times and costs of processing, as only higher risk applications have a thorough technical examination and would attract the proposed new groundwater assessment fee. Risk based triages have been implemented for 3 types of transactions (basic landholder rights bore applications, permanent dealings and bore approval). Triage will be implemented for a further 2 transactions in 2024-2025, namely temporary trades and water supply works approval for dewatering. Based on the experience to date:
  - The number of applications referred to the department's Water Groundwater Science and Management has reduced by approximately 15%. As described below, only those applications that are referred for assessment of potential groundwater impacts of consent applications will incur the new groundwater assessment charge.
  - An estimated 80% of basic landholder rights applications are triaged as low risk and do not require referral for technical assessment.
  - An estimated 50% of temporary trades (temporary assignment) are considered low risk and do not require referral for technical assessment
  - An estimated 10% of permanent dealing/approval type applications are considered low risk and do not require referral for technical assessment
  - Mapped internal processes and Service Level Agreements, internal templates, forms and procedures for technical staff that increase efficiency and ensure consistency, enforceability and improve customer experience.

- Development and digitalised implementation of integrated development and controlled activity approval modules of the NSW Planning Portal that provide functionality to: lodge, amend and extend applications and pay fees, directly through the Portal; system automated searching for integrated development related matters; and Automated issuing of low risk-controlled activity approvals for integrated development matters assessed and issued as low risk, removing the need for any further assessment at controlled activity approval application stage for low-risk matters
- Clearer information products to customers such as website updates and video animations to document and communicate processes
- Established process for resolution of complaints and provision of information to Land and Environment Court cases
- Reorganisation of resourcing to create a central team focussed on improving the efficiency of receipt, registering and assessment for low-risk applications
- Third party review of the technical process for impact assessment including the modelling software used for that purpose. The method was supported by the third-party reviewers
- Leveraging external mail house technology to automate mailout process for extensions
- Implementing WMS for Basic Landholder Rights (BLR) bores, increasing online applications and reducing the data input and manual collection of application fees.

Over the second part of the 2021 determination period, the department invested in the Water Licensing Improvement Program to build enhancements to consent transactions that are scheduled to commence early in the first year of the 2025 determination period, with savings from enhancements of 20% or $1.13 million (over 10 years). Customer testing of these processes will be undertaken in early 2025.

Then through Digital business improvement strategies (namely the Water Market System (WMS)) all water supply work and water use approvals and amendments will be made more efficient. Together this will result in:

- Reduction in the number of systems required to manage consent transactions,
- Reduction in time spent undertaking administrative tasks for 7 transactions and,
- Reduction in customer enquiries relating to water supply work, water use approvals and amendments.

Delivery of the Business Improvement Strategies (including the Water Market System) improves efficiency. This has been built into the cost build up for these consent transactions – this resulted in a 12% efficiency being applied to these transaction types.

8.4 We are proposing cost-reflective consent transaction charges

WAMC proposed consent transaction charges by the department and WaterNSW for the 2025 determination period recover the efficient costs of providing consent transaction services.

Our proposal increases a range of consent transaction charges, reduces some charges and the introduces of new charges into the WAMC IPART determination to ensure greater transparency for Controlled Allocation charges and so that the right costs are recovered from the right customers, for specific transactions.

Over the 2021 determinations, we have generally under-recovered our costs of delivering consent transaction services. In its 2021 determination, IPART applied a 20% efficiency reduction to our proposed consent transaction charges. This efficiency challenge, which was informed by benchmarking charges against those in other jurisdictions, is not a realistic reflection of the efficient costs of delivering consent transaction services in NSW, given WAMC's legislative responsibilities and operating environment.

Our proposed consent transaction charges reflect a better understanding of the efficient costs of delivering consent transaction services and forecast volumes. They have been developed following detailed review of the efficient costs of key consent transaction activities. This review included:

- assessment of the number and grade of staff required to efficiently complete each step in the delivery of consent transaction services and the average time taken to complete each task.
- identification of additional costs incurred in the delivery of each service (e.g. staff training and development, quality assurance, travel and software licences)
- incorporating efficiencies in consent transaction processes, such as those arising from various transformation programs, including process reviews, the Water Licensing Improvement Program (WLIP), the Water Market Systems (WMS) program and the Digital Business Improvement Strategy
- considering feedback from customers on consent transaction services and charges. This includes customers' concerns about specific charges, as well as general concerns about the cost of living and affordability. While specific consultation was not undertaken on the proposed consent charges contained in this submission, WaterNSW will engage with representatives of the customer types subject to Type B consent charges, in the next round of their Customer Advisory Group (CAG) meetings, to be held in October 2024.. The department had intended to undertake some targeted engagement on the draft Type A consent transactions with major and local water utilities, mining companies and irrigator corporations in July 2024, prior to submission of the proposal. However, processes required to secure the NSW Government's support of the WAMC proposal, including the NSW Government's share of

WAMC's costs, took priority. In making the decision to prioritise securing the NSW Government's funding of WAMC over engagement with these customers about transaction costs, WAMC was cognisant that customers highest and common priority for WAMC is that the NSW Government continue to pay its share of WAMC costs.

The efficient costs of consent transaction services can vary with the volume of consent transactions. There are fixed costs incurred in delivering these services, therefore the average cost per transaction can often decline as the volume of transactions increases. In some cases, however, average costs per transaction can increase with an increase in consent transaction volumes. For example, if the volumes are materially higher than forecast for a complex consent transaction activity, this may create the need to engage suitably qualified consultants or train additional staff at higher cost. The volume of consent transactions can vary with factors such as weather conditions and levels of economic activity and development.

In setting our proposed charges at cost-reflective levels, we have estimated the efficient costs of consent transaction activities based on the best available information, tailored to each type of consent transaction activity.

8.4.1 Type A consent transaction charges, levied by the department

Type A consent transaction charges are the transactions levied by the department. The proposal includes mix of existing and new transaction charges to be included in the WAMC price determination, as listed in Table 86.

Existing: WAMC consent transaction charges currently regulated by IPART

We propose significant increases to the 9 existing Type A consent transaction charges to bring them up to cost-reflective levels, which is important for ensuring we can provide services to appropriate standards over the long term.

We consider that the processing of consent transactions provides both a service to a customer and also confidence that appropriate checks and analysis have been undertaken to ensure sustainable management of water resources in the interests of the broader community. These dual outcomes are reflected in our legislative responsibilities and add to the complexity and costs of transaction processing.

Historically the departments' cost of providing consent transactions were based on estimates of costs and volumes, that through the 2021 determination proved to fall short of the true cost of providing these services and revenues raised, negatively impacting service quality. Our proposed charges are based on a more accurate activity-based assessment of the resourcing required, forecast transaction volumes and efficiency opportunities to provide a better understanding of the efficient costs of undertaking consent transaction activities.

Based on this analysis, we propose increases to eleven existing application fees by between 43% and 530%, to reflect more robust methods for mapping processes and estimating costs and the inclusion of efficiencies from the impact of process improvement initiatives such as the Water Licensing Improvement Program. The opportunities for process efficiencies are constrained by the small volumes of applications received for each transaction type by the department.

A description of department's activity-based assessment of the resourcing and, the realised and proposed, efficiencies is included in the WAMC activities and costs attachment, under W09-01 water consent transactions.

New: WAMC consent transaction charges to be covered by the IPART determination

We propose 20 new Type A consent transaction charges be included the WAMC IPART determination for the first time, to enhance transparency and accountability.

This includes:

- creating 7 new fees, that better describe specific circumstances to ensure that the right costs are recovered from the right customers. Examples of the new fees include:
  - a new fee for assessment of State Significant Developments
  - a new fee to amend water supply works and/or use approval of irrigation corporations
  - new fees for injection and monitoring bores for groundwater sources under the Water Act 1912.
- bringing 13 existing controlled activity approval (CAA) transactions within the scope of IPART's determination to enhance transparency and efficiency. Previously fees were set by the Minister under s25 and s32 of the Water Management (General) Regulation 2018, but we propose to bring these charges under IPART's WAMC determination because they are government monopoly services and the price determination will better ensure they are set efficiently and consistently.

Controlled activity approvals (CAAs) are approvals for the construction of a building, or excavation, or depositing material, or any other activity that affects the quantity or flow of a watercourse on waterfront land that impacts water sources (as defined by s 91(2) and the dictionary of the Act).

Table 86: WAMC's proposed Type A consent transaction charges ($2024–25, $ per transaction)

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
New water access licenses			
Application for new water access licence - zero share (WAL – Zero Share)	$1,349.96	$2,013.52	49%
Application for new controlled allocation (WAL – CAO)	$1,761.83	$2,485.46	40%
Application for new specific purpose – groundwater assessment may be required (WAL – SPAL)	$3,021.98	$4,091.75	35%
Works and supply approvals			
Application to inactivate a water supply work and/or water use approval (WSWA - Amend inactive) (New charge)	N/A	$2,026.77	N/A
New application for water supply work approval to take groundwater under a domestic and stock right (WSWA - Basic rights)	$1208.38	$2,236.60	85%
New application for a Flood work approval – technical referral (FW approvals)	$3,903.88	$8,728.62	124%
New application for a water supply work approval - town water supply - groundwater assessment charge not included (WSWA - GW for TWS)	$5,646.14	$8,98.09	43%

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
New application for water supply work approval – groundwater (WSWA - GW for other)	$2,275.19	$5,775.90	154%
New application for water supply work approval – pump (WSWA - SW pumps)	$2,815.76	$8,130.65	189%
Application for a new a water supply work approval regarding a dam or storage • (WSWA - SW storages)	$2,786.21	$8,191.12	194%
Application to extend a water supply work and/or use approval – before expiry. (WSWA – Extensions)	$412.78	$2,568.35	522%
Application to extend a water supply work and/or use approval - after expiry. (WSWA – Extensions)	$762.88	$3,340.18	338%
Application to amend water supply works and/or use approval - irrigation corporations (IC inclusion/exclusion) (New charge)	N/A	$2,34516	N/A
Application for new Water Act 1912 approval - monitoring bore (Monitoring Bore) (New charge)	$151 (admin)	$3,376.47	N/A
Application for new Water Act 1912 approval - injection bore (Part 5 Injection) (New charge)	$151 (admin)	$3,397.46	N/A

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
New application to surrender a water supply work and / or use approval (WSWA – surrender) (New charge)	N/A	$1,930.62	N/A
Application for new water supply work approval (Miscellaneous Works) (New charge)	N/A	$2,609.39	N/A
New fee for assessment of State Significant Developments (SSD response) (New charge)	N/A	$4,062.10	N/A
Controlled activity approval (CAA) – new charges			
Controlled activity approval (CAA) – general application fee (New charge)	N/A	$2,726.78	N/A
CAA - High risk (additional fee) (New charge)	N/A	$4,855.35	N/A
CAA - High security (additional fee) (New charge)	N/A	$5,604.69	N/A
CAA Part 5 Medium (New charge)	N/A	$3,054.21	N/A
CAA Part 5 High (New charge)	N/A	$4,813.70	N/A
CAA Part 5 high security (New charge)	N/A	$5,968.34	N/A

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
CAA Amendment – general fee (New charge)	N/A	$2,281.55	N/A
CAA - High Risk – amendment (New charge)	N/A	$3,636.63	N/A
CAA Amend security (New charge)	N/A	$4,978.40	N/A
CAA Extension – before expiry (New charge)	N/A	$2,291.82	N/A
CAA Extension – after exp (New charge)	N/A	$2,829.12	N/A
CAA Extractive extension (New charge)	N/A	$5,639.59	N/A
CAA Security release (New charge)	N/A	$4,359.43	N/A

8.4.2 Type B consent transaction charges, levied by WaterNSW

Our proposed Type B consent transaction charges, for services provided by WaterNSW, are listed in Table 87. These proposed charges also reflect an enhanced understanding of the efficient costs of providing consent transaction services to customers.

As noted above, the volume of consent transaction activities can impact on the efficient average costs of delivering consent transaction services. In deriving its cost forecasts and hence its proposed Type B consent transaction charges, WaterNSW has forecast consent transaction volumes for most activities based on an average year, excluding drought and recent wet years. The exception is forecast extension volumes, which are generally on a 10-year cycle that informs forecasts of the volumes of these specific activities.

Our proposed changes to Type B consent transaction charges include:

- an increase of 2% per year (excluding inflation) for most charges in addition to a new $15 charge for Aboriginal Heritage Information Management System (AHIMS) searches (where applicable)
- a new combined approval application fee of $8,016.48 for both a water supply work approval and a water use approval. The charge will recover the efficient costs of assessing the impacts of the works and the impacts of the water use, while allowing for some administrative efficiencies in processing a single application, instead of 2 separate applications
- a new specialised assessment fee of $1,523.08 to process reviews that involve specialised assessments (i.e. irrigation and drainage management plan, acid sulphate soil, salinity, noise, floodplain engineering review, sediment and erosion control plan, threatened species)
- a new change of application fee of $1,250 to apply when a customer changes an application for water supply work approvals or combined work and use approvals (i.e. when new works are added or changed or use area is increased) after the assessment has already commenced. This is because changing an application after it has been submitted can require 30% to 80% of the assessment to be redone, depending on the change and current charges do not cover this cost. This fee does not apply to basic landholder rights approvals
- a licence & approval surrender application fee – a proposed new fee split into non-complex and complex based on the work that is required: $267.03 for complex applications and $120.28 for non-complex applications.

We also propose several reductions to consent transaction charges, including:

- a reduction in the inactive works fee from $624.95, to reflect efficiencies from the WMS and potential regulatory changes to how customers make their work inactive
- splitting extension approvals fees after the due date between under and over 60 days, so that customers who pay late but still within 60 days of the expiry date will pay only $613.13 instead of $1,110.97, addressing customer feedback
- applications for charities, community groups and firefighting purposes to be charged the $1,076.47 BLR bore fee instead of a new work approval fee of $5,240.96.

WaterNSW proposes to continue with the waiver of consent transaction charges for Aboriginal water licences for any licence dealings (e.g. trades).

New: Dealing fees for licence suspension for Type B charges

WaterNSW proposes to pass on costs to relevant customers incurred from the Lands Registry Services (LRS) in the 2025 determination period, due to the increasing costs to suspend or cancel a water access license (WAL).

The current (FY24) cost incurred by WaterNSW from LRS to suspend or cancel a WAL due to non-payment of water licence fees is $165.40, including GST. This fee is levied on WaterNSW to suspend a WAL due to non-payment and then again to lift the suspension once payment has been received.

WaterNSW proposes to pass the LRS dealing fees for suspension and lifting the suspension, at cost, to relevant customers who have their WALs suspended due to non-payment of debt.

A suspension of a WAL will only be processed at the end of the debt management procedure, at a minimum of 90 days after the first collection notice is issued. Based on current debtors, this could result in up to 350 additional suspensions per year. On average, 90% of suspensions are removed within the same year.

Table 87: WAMC's proposed Type B consent transaction charges ($2024–25, $ per transaction)

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
Water Access Licenses			
Application for new water access licence – zero share	$834.57	$866.26	3.8%
Application for new controlled allocation	$811.95	$843.19	3.9%
New application for specific purpose (SPAL) – no groundwater assessment required	$845.83	$877.75	3.8%
Surrender WAL – (non-complex) (new charge)	N/A	$373.05	N/A
Surrender WAL (complex & zero share) (New charge)	N/A	$510.10	N/A
WAL Dealings			
WAL Dealings – regulated river	$883.28	$900.95	2%
WAL Dealings – unregulated rivers	$2,822.15	$2,878.59	2%
WAL Dealings – Groundwater (**excludes GW referral fee**)	$2,822.15	$2,878.59	2%
Dealings Low Risk	$1,278.83	$1,304.41	2%

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
Dealings Administrative	$564.89	$576.19	2%
Approvals			
Water Allocation Assignment (Temporary trade) - Regulated Rivers	$58.16	$62.62	7.7%
Water Allocation Assignment (Temporary trade) - unregulated rivers and groundwater	$58.89	$62.62	6.3%
Application to inactivate/activate a work/works on a water supply work approval	$624.95	$105.00	-83%
Application for BLR Bore (water supply work approval to take groundwater under a domestic and stock right (**excludes GW referral fee**)	$1,040.66	$1,076.47	3.4%
Application for a water supply work approval or Use approval (**excludes GW referral fee**)	$5,240.96	$5,360.78	2.3%
Application for combined approval (**excludes GW referral fee**) (New charge)	$5,240.96	$8,016.48	53%
Application for water supply work approval or Use approval (low Risk) (excludes GW referral fee)	$2,839.71	$2,911.50	2.5%
Application for Combined Approval (Low Risk) (GW referral not required) (New charge)	$2,839.71	$4,350.29	53%
Amend approval (WSWA, Combined or Use) (Administrative) (**excludes GW referral fee**)	$624.95	$637.45	2%

Consent transaction	2024–25 charge (current)	2025–26 to 2029–30 charge	% change current to 2025-30
Application for WSWA for firefighting purposes (**excludes GW referral fee**) (New charge)	$5,240.96	$1,076.47	-79%
Application to extend a water supply work and/or use approval – before expiry.	$601.11	$613.13	2%
Application to extend a water supply work and/or use approval – after expiry. <60 days	$1,110.97	$613.13	-45%
Application to extend a water supply work and/or use approval – after expiry. >=60 days	$1,110.97	$1,133.19	2%
Surrender a water supply work, or use approval (non-complex) (New charge)	N/A	$120.28	N/A
Surrender a water supply work, or use approval (complex), or combined approval (New charge)	N/A	$267.03	N/A
Specialised assessment fee for WSWA, FW or use approval (for example noise assessment, water quality) (New charge)	N/A	$1,523.08	N/A
Change application for WSWA, Use, FW or combined (after assessment commenced) (New charge)	N/A	$1,250.50	N/A

8.4.3 Groundwater assessment component of consent transaction charges, applicable to both Type A and Type B transaction charges

As part of relevant consent transaction activities, the department undertakes an assessment of the potential groundwater impacts of consent applications. These assessments incur charges in addition to the above Type A and Type B consent transaction charges. Noting that most groundwater assessments will be undertaken for Type B consent transactions (i.e. those

transactions referenced in Table 87 above that note 'excludes GW referral fee'). A new charge is proposed to recover the cost of groundwater assessment from applications for temporary trades of groundwater.

Where a groundwater assessment is required for consent transactions, the groundwater assessment charges in Table 88: WAMC's proposed Groundwater consent transaction charges ($2024–25, $ per transaction) below would apply. This approach ensures that these additional costs, for groundwater assessment, are only charged to relevant transactions.

These proposed groundwater assessment charges are increasing to reflect the efficient costs of undertaking these activities. Current determination charges are well below cost-recovery levels which has impacted the timeliness of performance and do not reflect the level of effort required to undertake groundwater assessments.

For example:

- the actual cost of groundwater assessments in 2022–23 ($1.1m) was more than double the revenue received from charges ($0.5m)
- considerable specialised work can be needed to ensure that the granting of a groundwater access licence creates no more than minimal harm to a water source, as per s62(2) of the Act.

Table 88: WAMC's proposed Groundwater consent transaction charges ($2024–25, $ per transaction)

Consent transaction	2024–25 charge (current)	Charge for 2025–26 to 2029–30	% change current to 2025-30
New or amended works and/or use approvals	$2,965.85	$5,467.20	84%
Bore extraction limit reviews	$2,965.85	$5,467.20	84%
Water Access Licence Dealings - Unregulated Rivers and Groundwater	$2,965.85	$5,467.20	84%
New basic landholder right bore	$167.72	$411.50	145%
Temporary trade (new charge)	N/A	$441.92	N/A

9 Metering charges

In 2018, the NSW Government introduced a new non-urban metering policy in NSW to ensure the majority of all licensed water take is measured with accurate, auditable and tamper-evident meters.

The non-urban metering reforms are being implemented in response to the Matthews Inquiry into water theft, which received a strong public response, reinforced by heightened awareness of needing to account transparently for water take and ensure fair access during the drought conditions that ensured. The outputs and benefits of metering and measurement are:

- use of metering data for more accurate assessment of compliance with the long-term average annual extraction limit (LTAAEL) as described in water sharing plans
- an increased percentage of water take in NSW is measured and able to be monitored
- ensuring transparency in how we share, allocate and manage water is ensured
- supports the objectives of the Water Reform Action Plan (WRAP) are supported
- the community retains confidence that water extraction across NSW is managed and measured.

In June 2023, the Minister for Water announced a review of the non-urban metering framework due to low compliance levels with the reforms and implementation challenges. Low compliance with metering rules and various implementation challenges also reduced WAMC metering revenues received over the 2021 determination and increased metering costs, above allowances.

This chapter explains the changes recommended by the review of the non-urban metering framework and how they impact on metering costs and proposed charges for the 2025 determination period. Our proposed metering charges are set out at section 9.3, below. We propose to largely maintain the existing non-urban metering charge structures, while introducing a new alternative assessment charge for the small and low-risk users if required information is not supplied by the water user and an on-site inspection is required, as well as a new annual charge to apply if reporting requirements for licence holders to attest to volume of take are implemented within the 2025 determination period (following the trial during 2024–25 and 2025–26).

9.1 The non-urban metering review has recommended changes to the metering framework

9.1.1 Why changes to the non-urban metering framework were needed

The 2021 determination assumed compliance with the non-urban metering framework by deadlines in 2024. This has not been realised. One of the main obstacles to water users becoming compliant has been a shortage of duly qualified persons (DQPs) to install and validate metering equipment. Further significant impediments to the rollout of, and compliance with, the metering reforms have included:

- the consequences of drought, widespread flooding on water users and the impacts of COVID-19 including extended international supply chain failures for meter and telemetry equipment
- deficiencies in the design of the program which included overly complicated technical specifications and policy settings
- a reliance on market mechanisms responding to demands for meters and metering services that has not been realised
- overly prescriptive regulatory requirements, particularly in relation to cost burdens on smaller water users and
- technological challenges (e.g. device configuration, telemetry blackspots, in field equipment reliability).

In June 2023 the Minister for Water announced a review of the metering rules because compliance levels were too low and implementation was proceeding at a rate that meant full compliance with the policy would not be achieved until after 2040, much later than the original deadline of 2024.

The review found that changes were needed to the non-urban metering framework given:

- the estimated cost of achieving compliance with the non-urban metering rules without any changes would be significantly higher than estimates that informed the 2021 WAMC determination
- approximately 60% of the estimated costs of implementing the metering policy would be incurred in achieving metering compliance of around 5% of the total entitlement, through a large number of works which each individually take small volumes (see FFigure 7 below)
- there are significant impediments to accelerating compliance due to a failed market response in relation to the provision of meter installers and high technical failure rates in connecting telemetry to the data acquisition system.

The review and its responses have been informed by broad and targeted consultation with industry, water users and stakeholder groups.

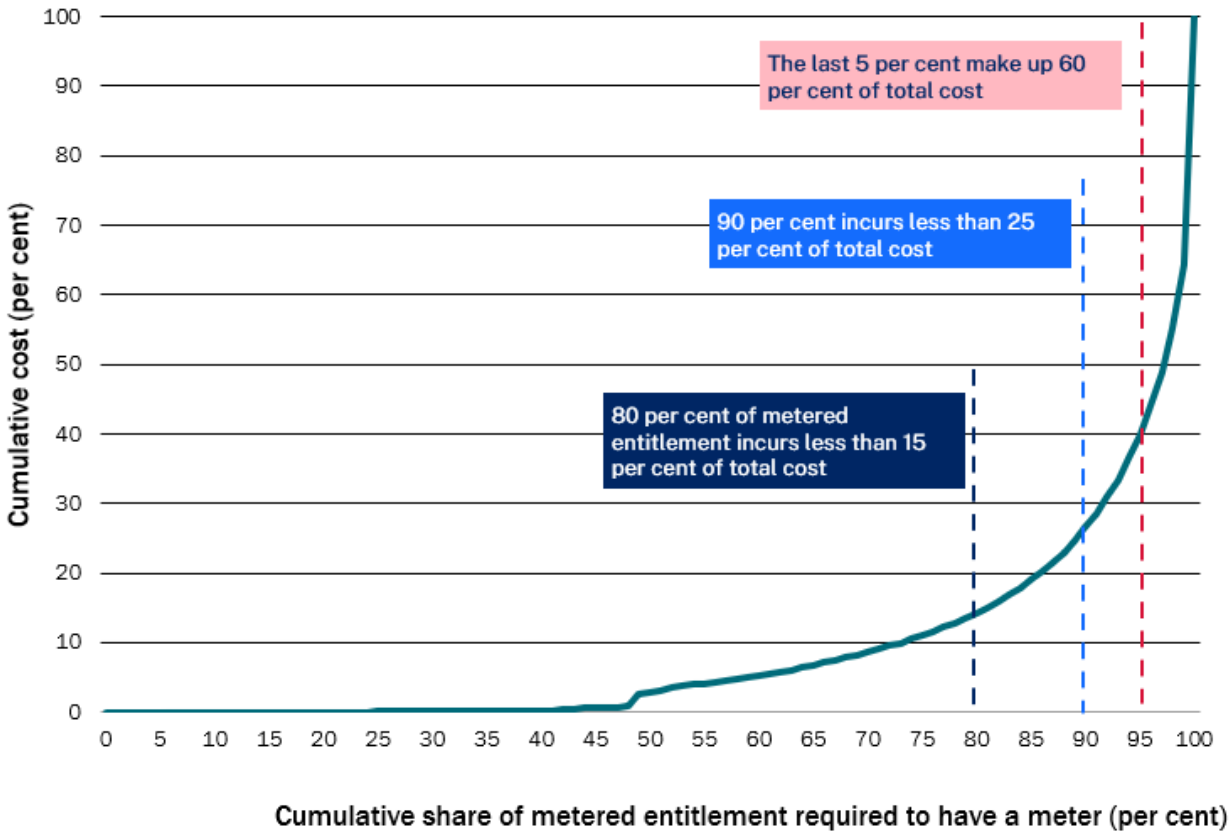


Figure 7: A significant portion of the costs of the earlier metering policy are incurred in achieving meter coverage for a small proportion of entitlement

9.1.2 The changes are being made through the non-urban metering review

WAMC is implementing the review recommendations. These are designed to ensure water resources are being measured and managed fairly across the state and so that customers can comply with their licence and approval obligations.

The outcomes of the non-urban metering review were announced in August 2024.[20] The recommended changes result in achieving an acceptable level of compliance faster with the reform objectives, lower costs of metering for small users and creation of a simpler overall system, relative to the previous policy setting.

The changes to the metering framework aim to ensure 95% of licensed water take in NSW is measured, recorded and reported by December 2026, if not sooner.

[20] NSW Department of Climate Change, Energy the Environment and Water, August 2024. *Recommendations report – Review of the NSW non-urban metering framework* NSW Non-urban metering review Recommendations report

The changes maintain that all water users taking licensed entitlement are required to measure and report their water take, but only high-risk and larger volume users will be required to meter in compliance with Australian Standard AS4747 which includes independent certification by a duly qualified person and install a local intelligence device that is telemetry enabled. This effectively updates the policy principle from 'no *meter* no pump' to 'no *measurement* no pump'.

Implementing these changes requires amendment to the Water Management (General) Regulation 2018, anticipated in early 2025. Key changes to non-urban metering requirements under the updated policy are summarised below and in Table 89:

- no changes to the metering requirements for high-risk and larger volume inland water users, which will continue to be the strong focus for compliance effort as the deadline for installation of compliant metering of these large users has passed. High-risk water users are those with surface water pumps 500mm or greater anywhere in the state and larger volume inland water users are those with a combined water entitlement of 100 ML or more nominating a water supply work
- change in the deadline for compliance for coastal water users, with surface water pumps less than 500mm, to 1 December 2026 (from 2024)
- change in the deadline for compliance and measurement standard for smaller water users with a combined entitlement greater than 15 ML but less than 100 ML. These smaller users will need to install a pattern-approved meter by the renewal date of the works approval or by 1 December 2027, whichever comes later. From 1 February 2025 and until these small users install a pattern-approved meter, they will need to record and report their usage. A new 'alternative assessment charge' is proposed to recover the costs WaterNSW incurs for the small users that choose this option, if an on-site inspection is required
- changes to requirements for low-risk water users. These low-risk users (with small pumps or bores or small volumes of entitlement) will not need to install a pattern-approved meter unless they trade water. Where a low-risk water user does not install a pattern-approved meter, they are instead required to record and report annual water take as a mandatory condition. A new 'alternative assessment charge' is proposed to recover the costs WaterNSW incurs for the low-risk users that choose this option, if an on-site inspection is required.

The updated approach will make it easier, cheaper and faster for smaller and low risk users to either measure and report their water take or install appropriate measurement devices to a standard that better reflects the risk of their water take. The updated approach includes strengthened reporting requirements and education and enforcement approaches, both of which have been shown to significantly lift rates of compliance. Amending measurement requirements for small and low-risk users will reduce total costs of metering for these water users by reducing undue installation and operational costs, while increasing the cost of agencies managing reported take data and remaining true to the intent of the reforms.

The shortened timeframe for delivery of the reforms compared with the current trajectory, combined with reduced costs to the very high numbers of low-volume/low-risk users significantly reduces the recent estimates of the overall economic costs of implementing the 2018 non-urban metering policy, as estimated as part of the review.

Table 89: Summary of requirements under current and new metering framework

Works	Measurement standard	By when*	Change from current requirements
All surface water pumps ≥500 mm	AS4747 compliant meter DQP validation LID and telemetry	Immediately	No change to measurement standard or timing.
All works nominated by total entitlement ≥100 ML, unless otherwise exempt	AS4747 compliant meter DQP validation LID and telemetry	Inland – Immediately Coastal – 1 December 2026	Groundwater works and surface water pumps in this category with a diameter of less than 199 mm will now need to be telemetry enabled (previously, local intelligence devices did not need to have telemetry capacity). There is no change to timing for inland works. Coastal works have a 2-year deadline extension.
All works nominated by total entitlements of >15 and <100 ML, unless otherwise exempt	Pattern approved meter Mandatory take reporting *DQP validation and LID/ telemetry optional*	Later of 1 December 2027 or renewal of work approval	These works still require a meter, but no longer required to have meters installed and validated by a DQP or be fitted with a local intelligence device. This provides an extension to both inland works (which were overdue) and coastal works (which otherwise would have been required to be metered by 1 December 2024).
Pumps and bores below the size-based thresholds **Works nominated by total entitlement ≤15 ML (except surface water pumps ≥500 mm)**	No meter mandated (exempt), but meter required if trading water Mandatory take reporting *Application to at-risk water sources to be considered further*	Not applicable	There is no change for pumps and bores below the size-based thresholds. Works nominated by a low volume share component will no longer be required to be fitted with a DQP installed AS 4747 compliant meter.
Works not taking licensed water (unintended, inactive) **Works not nominated by licensed water entitlements**	No meter mandated (exempt)	Not applicable	It will be easier for unintended and inactive works to access this metering exemption. There is no change for works not nominated by licensed water entitlements.

* NRAR may direct installation of a meter in specified timeframe if take or reporting related non-compliance is detected

9.2 Metering activities and charges during the current determination period

During the 2021 determination period, WAMC agencies have been implementing the NSW Government's metering framework for non-urban water take. Over the period WAMC has not recovered the levels of revenues that were forecast as take-up by customers of metering has been slower than had been anticipated in 2021, as explained in section 9.2. WAMC's costs of implementing the framework incurred by WaterNSW, since 2021 the department and NRAR have also exceeded forecasts due to costs of new processes and efforts to lift the rate of implementation and compliance.

For WaterNSW, the major cost element of the framework has been the integration of new systems and data to carry out both existing and new metering functions. In the 2021 determination, IPART set new non-urban metering charges to recover the costs of these functions. These charges were based on the best information available at the time. However, there were considerable uncertainties around the costs and volume of work. Actual costs exceeded forecasts as new processes needed to be developed as the framework was implemented.

The department's costs associated with the metering policy were not included in the 2021 determination, as it was assumed that funds provided by the NSW Government for metering reform were adequate to cover costs to the department. However, the department has incurred additional costs during the 2021 determination period. For the 2025 determination, we propose to recover the department's costs through water management charges, in the same way as NRAR's metering costs were recovered over the 2021 determination period (and not via non-urban metering charges as described in this chapter). This is because the department's costs are related to compliance and policy implementation activities, which are typically recovered through water management charges. The department's metering implementation costs are described in detail in the WAMC activity and costs attachment, under W05-01 systems operation and water availability management, and include:

- engagement with suppliers on types of meters approved for use and making policy amendments as the technology and capability improves and adapts
- ensuring systems and processes for non-urban metering and floodplain measurement remain fit for purpose
- incorporating metering in policy work and analysing metering and measurement data as the major input into assessing compliance against long-term average annual extraction limits (LTAAEL) in water sharing plans and Basin Plan sustainable diversion limits (SDL)
- working with other jurisdictions to help ensure NSW remains with compliant and help ensure future changes to metering policy at a national level benefit water users and the public of NSW.

For NRAR, the non-urban metering compliance costs are being recovered through the broader WAMC water management charges as part of activity W08-03 compliance management. NRAR estimates that cases relating to metering compliance cases represent approximately 30% of NRAR's regulatory effort and includes collection and analysis of data and intelligence, education and outreach activities, audits and inspections and investigations and enforcement. For the 2025 determination, we are proposing to continue to recover these NRAR costs as part of W08-03 compliance management (and not through non-urban metering charges).

9.3 Proposed non-urban metering charges

We propose to maintain 7 of the existing non-urban metering charges to continue recovering the efficient costs of implementing the NSW Government's non-urban metering reforms:

- a 'scheme management charge' applied as an annual fee to all licensed customers ($/licence), which is proposed to increase by 34.7%
- a 'telemetry charge' applied as an annual fee per metering installation for customers that use telemetry ($/meter), which is proposed to increase by 2.3%
- repurpose the former 'non-telemetry charge' to be renamed as a 'LID download/validation charge', applied as a fee per transaction for customers whose LID is located in a telemetry blackspot and the data needs downloading, or whose LID is faulty and requires in field validation ($/transaction). As such the renamed charge would be paid by a smaller number of customers, for a more specific and expensive service, resulting in a proposed increase of 98.9%
- a government owned 'meter service charge – operating costs' ($/meter) for customers with government owned meters, which is proposed to decrease by 5%
- an annual meter service charge for government owned meters that have not been made compliant with the new non-urban metering regulations - constant in real terms
- a water take assessment charge for licenses on unregulated rivers and groundwater sources - constant in real terms
- ancillary charges- constant in real terms.

We are not proposing to continue the 'meter service charge – capital costs' for customers with government owned meters as these costs will continue to be funded from a grant from the department.

In addition, we propose to introduce 2 new charges:

- an alternative assessment charge of $665.19 per transaction, to calibrate associated equipment on site to allow small and low-risk users to determine take without a meter, should a site inspection be required to gather information not provided by the water user
- an annual attestation charge from 2026–27 of $81.64 per year, ($/licence/year) for the estimated costs associated with administering the proposed annual attestation requirements for all water licence holders, to apply if the attestation obligation is implemented within the 2025 determination period (following the trial during 2024–25 and 2025–26).

The proposed annual attestation charge would only be applied if the government implement changes to the attestation requirements.

Our proposed non-urban metering charges for the 2025 determination period are outlined in Table 90Table 90. We are proposing increases in each of the existing charges, bar one, to recover an increase in the efficient costs of providing these services.

Table 90: Non-urban metering charges ($2024–25)

Charge	2024–25 (current)	Charge for 2025–26 to 2029–30	% change current to 2025-30
Scheme management charge ($/licence)	85.35	114.93	34.7%
Telemetry charge ($/meter)	263.86	270.36	2.5%
LID download/validation charge (replaces former non-telemetry charge) ($/meter)	263.86	524.24	98.7%
Meter service charge - operating costs, government owned meters ($/meter)	1047.16	991.76	-5.3%
Alternative assessment charge, as needed ($/transaction)	-	665.19	-
Attestation charge ($/licence) (from 2026–27 if required)	-	81.64	-

Specific consultation was not undertaken on the proposed metering charges contained in this submission due to timing and uncertainty of likely changes to regulations. However, WaterNSW & the department will jointly engage with customer representatives with respect to the non-urban

metering review outcomes and proposed metering charges in the next round of Customer Advisory Group (CAG) meetings, to be held in October 2024.

9.4 Efficient metering expenditure in the current period was lower than IPART's allowance

IPART's 2021 determination grouped scheme management costs into 2 areas:

- costs for the wider activities of introducing the reform, such as customer recording and reporting, customer communications, processing validation certification submitted by DQPs, general enquiries and education. In the 2021 determination, IPART set an allowance for these costs to be recovered through the scheme management charge. The scheme management charge was recovered from all licences in each year of the 2021 determination (following commencement of the determination on 1 October 2021)
- costs for activities such as downloading data from LIDs, provision of a telemetry solution and associated equipment, remote data capture and meter data services. In the 2021 determination, IPART set an allowance for these costs to be recovered through the telemetry and non-telemetry charges. These charges were incurred by customers once a meter was made compliant

Table 91 presents WaterNSW's actual metering related expenditures in these 2 areas compared to IPART's allowances and the revenue that was recovered from customers.

In addition, WaterNSW owns and operates around 2,800 government-owned meters that provide metering services for private water users. Government owned meter costs include the costs of maintaining existing government owned meters to ensure they are compliant with the new regulatory framework. While these costs do not include provision for the mass replacement or installation of new government owned meters, it does include a limited provision for meter replacement on an individual basis. In the 2021 determination, IPART set an allowance for both operating and capital costs for government owned meters, however it only set a charge to recover the operating costs, with capital costs to be funded by government.

Table 91 presents WaterNSW's actual expenditure for government owned meter operating costs compared to IPART's allowances and the revenue that we recovered from customers. We have not included a comparison for capital costs as these have been funded by a grant to WaterNSW from the department.

Table 91: Non-urban metering allowed and actual expenditure over the 2021 determination period – excluding government owned meter costs ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25
Scheme management costs recovered through scheme management charges				
Allowed costs	1,857	2,625	3,355	3,246
Actual collected from customers	2,120	3,006	3,286	3,384
Actual efficient costs	1,932	1,862	2,398	2,470
Scheme management costs recovered through telemetry and non-telemetry charges				
Allowed costs	2,847	3,866	4,672	4,604
Actual collected from customers	64	392	826	851
Actual efficient costs	774	2,368	1,742	1,794
Total costs excluding government owned meters				
Allowed total efficient metering costs	4,704	6,491	8,027	7,850
Actual Total Collected from Customers	2,184	3,398	4,112	4,234
Actual total efficient metering costs	2,706	4,230	4,140	4,264

Note 1: while IPART reduced the efficient cost for scheme management it did not provide a detailed breakdown of how much each component was reduced by. The allowed costs have been adjusted on a pro rata basis in an attempt to reflect the determination. .

Note 2: The 2021 determination allowed for $2,240,000 in capital expenditure which was primarily for the purpose of supporting non telemetry activity. Given the low compliance rates and higher adoption of telemetry, this capital expenditure was not incurred and so has been excluded from this table. All WaterNSW operating and capital costs relating to metering are not included in WAMC water management charges so have been excluded from Chapter 4.

Table 92 : Government owned meter – operating costs - allowed and actual expenditure over 2021 determination period ($'000, $nominal)

	2021–22	2022–23	2023–24	2024–25
Government owned meter – operating costs				
Allowed costs	862	1,926	2,407	2,384
Actual collected from customers	1,134	1,370	1,790	1,975
Actual efficient costs	552	845	1,434	1,477

The following sections contain further details on the key drivers of lower scheme management costs and government-owned meter operating costs during the 2021 determination period.

9.4.1 Scheme management costs recovered through scheme management charges

Scheme management costs recovered through the scheme management charge were slightly below the allowances determined by IPART due to delays in the implementation of the reforms, which are explained above.

While the timing and volume of when meters were made compliant have been behind forecasts, WaterNSW costs have not reduced by the same proportion given the amount of additional and unplanned work that has been required to make this smaller number of meters compliant. Given these factors, WaterNSW has not been able to benefit from any efficiencies that increased scale would deliver as most of the infrastructure required to support customer compliance is fixed.

Even with a significantly lower number of compliant meters our costs were not lower than the allowance by the same proportions. Key reasons for this include the following issues:

- Unforeseen errors in the data submitted to WaterNSW by duly qualified persons (DQPs) have caused a significant amount of unforeseen work at all stages of the process. These errors mean that sites could not be made compliant as required, the usage data had to be collected manually and several unanticipated contacts with DQPs were required. Compliance dates are on average over 250 days from when a DQP registers a request to work on behalf of a customer to when the site is classified as compliant. A significant number of errors have required rectification by WaterNSW given their complexity and the potential costs impact on DQPs and customers. These include meter site registration mismatches, LID configuration

issues and DQPs exiting the market with jobs that had not been completed. There has also been a high number of faulty meter registrations given the complexity of the regulations. Not only has there been an increase in our costs, but these delays also impact our ability to commence cost recovery from customers.

- The level of support offered to DQPs and customers had to increase significantly in order to provide the support needed by to DQPs through the end to end-to-end through the installation and verification process, to ensure their customers are compliant.
- Equipment challenges during the period also contributed to increased costs. There are 2 types of LIDs – pulse and modbus – that a DQP can select. The cheapest LID on the market is a Pulse LID and DQPs often select these because of their lower equipment cost. We experienced significant problems with Pulse LIDs, which usually then requires a site visit to validate the configuration and data on site. We found variances in most sites that are visited. This was unanticipated when we prepared our 2021 submission as our expectation was that DQPs would have the expertise to install the equipment without error. As part of the revised regulations a telemetry and equipment review is being undertaken to make it easier and simpler for DQPs to connect to telemetry.
- An increase in customer communications was required to support changes to compliance dates and to address low compliance rates.
- The DQP portal, which is the online solution where DQPs submit all compliance activity, was developed and rebuilt during the current determination. This was not scheduled but was required to deal with the volume, complexity and range of errors experienced and to address feedback from stakeholders. The DQP portal has been redesigned to minimise errors with the introduction of checkpoints and quality assurance activities along the process to ensure data that is submitted from DQPs is accurate and complete.

9.4.2 Scheme management costs recovered through the telemetry and non-telemetry charge

Scheme management costs recovered through the telemetry and non-telemetry charge were substantially below IPART's allowances largely due to delays in the implementation of the reforms.

Even with a significantly lower number of telemetry and non-telemetry charges recovered, WaterNSW's costs were not lower than the allowance by the same proportions. Key reasons for this include:

- There was a substantial reduction in the number of meters made compliant or being on the pathway to compliance. The current telemetry system (DAS) and supporting infrastructure have a high fixed cost component so a significant component of the costs was still incurred, irrespective of the number of sites connected to the telemetry system. The lower number of

meters connected and the delay in when charges could be levied (e.g. due to compliance dates being extended) has resulted in a significant under-recovery from the telemetry charge.

- A shift towards telemetry and away from non-telemetry (data download) activity has meant that WaterNSW has not had to incur the costs associated with downloading LID data. This has however resulted in higher costs for WaterNSW given the unanticipated errors and issues experienced with these sites now connecting to telemetry. However, it is the low number of compliant sites and the delays to compliance dates that have more fundamentally caused an under recovery of costs from charges. Our modelling in 2021 anticipated 5401 meters would be connected to telemetry by 30 June 2024, however there are only 4564 connected as of 20 August 2024. Of these 5401 meters, 5259 were anticipated to be connected to telemetry by 30 June 2023. The original assumptions had the take up of telemetry occurring in the early years thus allowing for higher cost recovery in the later years.
- To undertake the necessary field work and service centre activities, WaterNSW had to incur costs related to motor vehicles and the corporate systems that needed to be upgraded to effectively upload, store and validate the significant increase in meter data under the new regulations. At the time the 2021 determination was made, the specific corporate systems that were to be applied had not been fully scoped. Of the meters made compliant, the relative high take up of telemetry meant no capital was incurred in relation to motor vehicles. However, given the amount of unforeseen system changes, several corporate systems had to have been updated, which was unknown at the time.

In addition, policy decisions to extend compliance dates since 2021, due to drought and flooding, have impacted Water NSW's ability to recover costs. As with every delay, water users delay their compliance which then pushes back when we can start to recover cost from the telemetry charge.

9.4.3 Government owned meter – operating costs

WaterNSW incurred ongoing operating costs to maintain government owned meters in a condition and to a standard that complies with the new regulation. These costs have also been reviewed and will be applied as an ongoing meter service charge.

Operating expenditure for government owned meters varied from allowances for several reasons, including COVID-19 related service interruptions, flooding and supply chain impacts, as described in Table 92.

9.5 Forecast efficient expenditure needs to increase

Our forecast average efficient costs to be recovered through metering charges over the 2025 determination period are 1.4% higher than allowed costs in 2023–24, largely due to the drivers for

and the recommendations of the non- urban metering review recommendations. This is particularly in the areas of ensuring metering compliance and the delivery of the telemetry system, as well as the application of corporate overheads to WaterNSW's costs.

Our proposal is based on the best available information at the time of our submission, as non- urban metering reform review recommendations were approved and released by the minister in August 2024, just before this pricing proposal was finalised. This means that there is some uncertainty about some of the services that WAMC (WaterNSW) will need to fund during the 2025 determination period, particularly with those arising from future reporting requirements, a telemetry and equipment review that is currently happening and policy work to broaden the definition of a DQP to include other recognised tradespeople.

Table 93 : Forecast efficient metering costs ($'000, $ 2024–25)

	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Scheme management costs recovered through scheme management charges	3,456	3,246	5,917	4,240	4,237	4,074	4,071
Scheme management costs recovered through telemetry and non-telemetry charges	4,812	4,604	3,773	3,611	3,457	4,392	3,167
Total metering costs excluding government-owned meters	**8,268**	**7,850**	**9,690**	**7,850**	**7,694**	**8,466**	**7,239**
Government-owned meter operating cost	2,479	2,384	2,717	2,720	2,723	2,726	2,730
Alternative assessment costs			228	201	195	189	183
Annual attestation costs				3,934	4,638	2,437	1,799

The following sections contain further details on the key drivers of higher scheme management costs, government-owned meter costs and the new proposed new charges.

9.5.1 Scheme management costs recovered through the scheme management charge

Scheme management costs are forecast to increase due to greater activity to support the ongoing operation of the metering regulations and to support implementation of the recommendations of the non-urban regulation review. These costs are recovered through the scheme management charge, which is proposed to rise by 34.7% (from $85.35 to $114.93).

Forecast increases in scheme management costs are due to new, additional activities including:

- operationalise the new rules which have significant differences to the existing rules
- manage and upgrade systems to be able to manage the new rules
- manage the compliance process where DQPs will need to replace or remove all local intelligence devices (LIDs) installed in the current determination given the expected life of the LIDs.
- increase communications to customers
- an increase in calls to the contact centre
- increase recording and reporting requirements and volumes.
- address an increasing number of faulty meters.
- Accelerate the rollout of meters by December 2026
- manage the introduction of 2 new metering categories
- manage the transition of compliance from size-based infrastructure to size-based and volumetric-based compliance
- perform annual site verifications to support telemetered data.
- introduce a DQP concierge service
- onboard and manage a new cohort of DQPs
- manage and continue to improve a portal for DQPs to validate metering and issue certificates

There are still several items that have not been finalised and ongoing work is currently being undertaken that will have an impact on WaterNSW during the next determination period. There is also a telemetry and equipment review currently happening that may also cause further impacts to our costs in the next determination.

Currently there is a requirement that all meters need to be validated by a DQP. As part of the compliance process, WaterNSW receives data submitted by DQPs but has no control over the quality or accuracy of this data. As a result, WaterNSW has to undertake a number of quality assurance checks to ensure the data is correct and return missing or incorrect data to the DQP for rectification and quarantine data until it has been verified and validated as accurate. This has caused significant delays to sites becoming compliant, has impacted customer access to their usage information, delayed when metering charges can apply (even though the costs to WaterNSW have already commenced) and created a huge amount of non-planned work.

Our proposal to the 2021 price review did not contemplate the type or level of errors we have experienced with data quality over the determination period. We have had to change the LID registration process, include additional data verification steps and upgrade the DQP metering portal to minimise these issues. As part of the non-urban metering review, there is a project underway to broaden the definition of a DQP to recognise broader competencies and experience which is

anticipated to increase the number of people who can install and validate meters and may increase error rates, until processes are fully bedded down. Meaning, even with all this support, WaterNSW is still receiving and expects to continue to receive errors in submission regarding data errors.

Currently there are 4,564 compliant meters (as of 20 August 2024). There are a further 1,620 certifications lodged, which means that these sites are on the pathway to compliance and should be compliant within the next 9 months (subject to several issues). We are anticipating that about 6,000 sites will be compliant by 30 June 2025, based on the current run rate. The anticipated number of compliant meters by 1 December 2026 as per the amended metering regulations is 11,963 (subject to a number being classified as not needing to be made compliant as they are not taking water). Therefore, the actual number of meters that need to be made compliant by December 2026 is uncertain. Hence, we are anticipating a significant uplift in activity, especially in the first 2 years, to deliver to this level of compliance.

These costs are recovered from the scheme management charge which is applied to all licences.

Scheme management costs recovered through the non-telemetry charge (changing to LID/Validation Charge)

The recommended amendments to the regulations will remove the requirement for a non-telemetry charge. In the current (2018) regulations all surface water works except pumps with a diameter of less than 200mm must connect to telemetry. For all other works it was optional. The new regulations will make connection to telemetry mandatory for all high-risk and larger water users, so there will be no requirement to download the data from LIDs not connected to telemetry.

We propose to repurpose this fee to an LID download/validation fee.

This fee would be payable for works that need to connect to telemetry but are in telemetry black spots where the data would still be collected by the LID but not transmitted. This data would need to be downloaded for compliance and revenue assurance purposes.

This fee would also be payable if WaterNSW must visit a site to validate the information on the meter if they believe there is a discrepancy between what is being recorded on site and what is registering in the telemetry system. There are a number or reasons for these discrepancies which usually occur during the site commissioning process.

The fee is expected to increase from $263.86 in 2024–25 to $524.24 in year one of the next determination. This increase is mainly a result of increased travel time to and from the meter site as well as site revisits due to corrupted data and additional administration work required to complete the process.

It is hard to estimate where a site is located that needs its data downloaded or its equipment validated. Previously 1 hour travel time was estimated between sites based on the number of estimated sites that needed to have their data downloaded. Now without that volume, travel time

has increased as there are no efficiencies in route planning. Further during the recent activity to download the data, 50% of sites needed a revisit because the data was unusable due to configuration issues or data corruption. This proposed number is cost reflective and is based on our experience over the past few years.

This is a fee-for-service only for those customers (high-risk and larger-volume) that have to install an LID and telemetry and is only applied if the site cannot transmit usage data via telemetry, or if there are issues with the accurate recording of usage data due to equipment issues.

Scheme management costs recovered through the telemetry charge

The telemetry charge is expected to rise from $263.86 in 2024–25 to $270.36 in year one of the next determination. In the previous submission, it was anticipated that 5,401 meters would be connected to telemetry by 30 June 2024. Currently, as of 20 August 2024, 4,564 meters are connected to telemetry. The ramp up of telemetered sites has also been delayed due to compliance date extensions, lack of available DQP resources to undertake work and customers not taking action to make their works compliant from the assumptions in the original proposal. Given these impacts to telemetry uptake and that a significant part of the telemetry cost is fixed, we have not recovered our costs for providing the telemetry system. This is a continuing risk in the next determination with the proposed rollout of telemetry and meters subject to customer compliance responses.

We have forecasted a volume of meters that we expect need to be compliant by December 2026 and have allocated our costs appropriately. These are based on current numbers and have not considered the impact of works that do not take water, are inactive or not constructed. Depending on the number of works that fit into this category of not needing to be metered and given that a significant component of the cost of delivering a telemetry system and supporting infrastructure is fixed, we also risk under-recovering in the next determination, if the total number of telemetered sites is lower than our forecast.

In order to provide a cheaper, more flexible telemetry solution, we are planning to migrate from the current data acquisition service provided by eagle io to an azure IOT system fully managed by WaterNSW. This is planned to be completed by FY29 and the model's costs reflect this. Once implemented, the ongoing cost of delivering telemetry will reduce in subsequent determinations. However, funding for the business case for customer metering (which includes this transition) has not yet been approved. The telemetry and equipment review being undertaken by the department may impact this outcome.

This is a fee-for-service. All customers that require a LID must connect to telemetry based on the expected metering regulations and are only charged when their site is communicating with the telemetry system and is compliant.

9.5.2 Government owned meter – operating costs

Operating expenditure

The meter service charge - operating costs is proposed to decrease by 5% to $991.76. This small decrease is based on a slight reduction in associated forecast costs and the optimisation of maintenance inspections. For channel service meters, we are proposing to maintain charges at the current level in real terms ($7,346.54)

These charges apply to government-owned meters from when they are made compliant or are required to comply with the updated metering requirements. Prior to this time, the charges in section 9.6.1 would apply.

Capital expenditure

There is no requirement for capital costs for the compliance of government-owned meters to the non-urban metering regulations, as these costs will continue to be covered by a grant from the department.

9.5.3 Alternative assessment costs for low risk and smaller users

a. Low-risk water users

Under recommended changes to the non-urban metering regulations, the NSW Government is introducing a new category of 'low risk' water users, to provide these users with the choice between installing their own meter or using an alternative assessment method.

This low-risk category includes water users that have a work approval with a <100mm surface water pump, a <200mm bore or have less than or equal to a cumulative 15 ML entitlement. Work approvals that include a historical mandatory metering condition will have these historical provisions replaced by the new requirements. Water users in this category will need to record and report their water take commencing 1 February 2025 and have the option of continuing to use the meters that they may already have to satisfy this obligation.

To record their water take, customers in this category will have the option of installing their own meter or using an alternative assessment method. Where customers choose the latter, this service would require a WaterNSW employee to travel to and from the site to configure the equipment and then return every 5 years to recalibrate the set-up and ensure the accuracy of water extraction.

If a customer installed their own low-cost meter, then WaterNSW would not incur any additional costs. However, should the customer choose not, to install a low-cost meter, WaterNSW would incur additional configuration costs using the alternative assessment methodology, if required information is not supplied by the water user and an on-site inspection is required. We are seeking to

recover these additional costs through the alternative assessment charge, payable only by the low-risk customers that choose this option.

b. Smaller volume users

Under the recommended changes to the non-urban metering regulations, the NSW Government is introducing a new category of 'small' water users. This category includes water users that have a cumulative entitlement of between 15 ML and 100 ML entitlement. These water users will need to install a pattern approved meter and become compliant by 1 December 2027 or on the renewal date of the work approval, whichever comes later (noting that the renewal date of a works approval could be up to 10 years from the date the new regulation was made).

Water users in this category will need to record and report their usage commencing 1 February 2025. It is likely that many of these water users may require an alternate assessment until they install a pattern approved meter, which is not required for compliance until the renewal date of the work approval which could be up to 10 years.

WaterNSW would incur additional costs of configuring the alternative assessment methodology, if required information is not supplied by the water user and an on-site inspection is required. We are seeking to recover these additional costs through the alternative assessment charge, payable only by the small user customers that choose not to install a pattern approved meter until 1 December 2027 or when their work approval is renewed (whatever is later) and do not supply the required information.

9.5.4 Annual attestation costs

The non-urban metering review recommends the need for an enforceable obligation for licence holders to record and report water take in a way that establishes a single timebound source of truth for the volume of water taken against a licence.

The current reporting requirements (via telemetry or otherwise) focus on the volume of water taken by a nominated work. While this data indicates the amount of water taken, when and from where, it does not indicate whether or how much water is associated with each of the licences or basic landholder rights potentially used in connection with the work. Addressing this gap is essential for effective water resource management. This can assist in targeting compliance and enforcement action and water management activities more generally, which can allow water management objectives to be achieved at least cost.

The department and WNSW are conducting a 2-year trial during 2024–25 and 2025–26 that will include water licence holders attesting to the volume of water taken against each licence and confirming the accuracy and currency of the administrative and contact detailers for the licence each year. The trial will identify the most effective methods for capturing this data and design an

efficient system for managing it to inform the design and broader application of the attestation obligation.

The NSW Government is funding the costs of the trial, however, beyond the trial the costs of implementing attestation will need to be recovered from all licence holders.

At this stage, WaterNSW estimates the costs of implementing attestation is $81.64 per licence, per year, if all licence holders are required to attest within the determination period. This includes costs of about $5 million to set up the attestation system in 2026–27 and 2027–28, as well as additional costs in managing annual attestation.[21] The costs of implementing attestation include the costs of:

- managing the end-to-end process and integrating the information required for water users to attest
- ongoing management of the systems (e.g., enhancements, bug fixes, etc)
- developing attestation options to cater for different customer types (e.g. corporate customers, small business customers, small water users, co-shared licence holders, etc)
- designing and implementing processes and procedures
- contacting water users via various communication mediums (email, mail, online)
- updating details where water users' details are different and resubmitting the documentation for attestation
- investigating variations in usage
- following up water users that don't respond
- developing collateral to be sent to water users
- ongoing communications to remind water users of their obligations.

We therefore propose an attestation charge of $84.11 per licence to apply if attestation is implemented within the 2025 determination period (following the trial during 2024–25 and 2025–26). For example, IPART's determination could allow for the charge to be charged (and apply) once WAMC (or one of the WAMC agencies) notifies IPART and customers that attestation is being implemented (the trigger).

Error! Reference source not found. We are also proposing to maintain several existing metering charges at their current 2024–25 levels.

[21] All WaterNSW operating and capital costs relating to attestation are not included in WAMC water management charges and so have been excluded from Chapter 3 and 4.

9.6 Metering charges for government-owned meters, water take assessment charge and ancillary charges

9.6.1 Annual meter service charges for government owned meter to remain constant in real terms

For government-owned water meters, the efficient cost of operating, maintaining and, in some cases, reading the meter are incurred by WaterNSW and recovered through the annual meter service charge. The charges in section 9.3 apply to government owned meters from when they are made compliant or are required to comply with the updated metering requirements. Prior to this time, the charges outlined below would apply.

These charges are levied annually. We are proposing to maintain these charges in real terms.

Table 94: WAMC's proposed annual meter service charge for government owned meters ($2024–25, $ per transaction)

Meter size	2024–25 charge (current)	Charge for 2025–26 to 2029–30	% change current to 2025-30
Telemetered			
50-300	605.77	605.77	0
350-700	629.44	629.44	0
750-1,000	684.27	684.27	0
Non-telemetered			
50-300	475.22	475.22	0
350-700	493.79	493.79	0
750-1,000	536.81	536.81	0

9.6.2 Annual water take assessment charge to remain constant in real terms

WAMC charges for water take measurement (or metering) services to licence holders in unregulated rivers and groundwater sources. We are proposing to maintain these charges in real terms. In relation to regulated rivers, these services are undertaken by Water NSW.

Table 95: WAMC's proposed water take assessment charge ($2024–25, $ per transaction)

Consent transaction	2024–25 charge (current)	Charge for 2025–26 to 2029–30	% change current to 2025-30
Water take charge	243.90	243.90	0

9.6.3 Ancillary charges to remain constant in real terms

WAMC provides ancillary services on a fee-for-service basis. We are proposing to maintain these charges in real terms.

Table 96: Ancillary charges ($2024–25, $ per transaction)

Meter accuracy testing charges ($ per meter) WAMC government owned meters	2024–25 charge (current)	Charge for 2025–26 to 2029–30	% change current to 2025-30
Refundable meter accuracy deposit	2,061.18	2,061.18	0
Meter laboratory verification at request of customer	8,153.87	8,153.87	0
Meter in-situ validation charge - where a meter is relocated or disturbed	5,449.03	5,449.03	0
Meter reset fee after suspension of maintenance for a year or more, at customer request	302.10	302.10	0

10 Impacts of our proposed water management prices

This chapter considers impacts of our proposed water management prices on customers and the NSW Government (on behalf of the broader community).

All bills and changes in bills presented below include WAMC, MDBA and BRC water management charges, where applicable and they are expressed in nominal terms. We also provide sample bills for floodplain harvesting charges, which will be paid by customers subject to these charges.

The bills presented in this chapter are for hypothetical 'very small', 'small', 'medium' and 'large' water entitlement and water take profiles. Customers will have different water entitlement and water take profiles to those presented in this chapter, nevertheless, the figures presented here provide a reasonable indication of the impact of our pricing proposal on a broad range of customers' water management bills.

We consider that our proposal to cap increases in water management prices reflects the best available evidence and sets a reasonable pace towards achieving IPART's principle of cost reflective pricing, while managing price shocks for water using enterprises

10.1 Bill impacts of proposed prices are reasonable

Our proposed water management prices are below cost reflective levels. This is because, to avoid price shocks to our customers as we manage the transition to full cost recovery over time, we have proposed caps on annual price increases of:

- 2.5% per year (plus CPI) for licences on the Minimum Annual Charge (MAC)
- 15% per year (plus CPI) for WAMC's water entitlement and water take prices

We have proposed MDBA and BRC prices are at full cost recovery, although for most water sources this does not result in substantial increases, or prices that are a large component of water management bills.

Under our proposal:

- bills for very small customers on the MAC, depending on location, would increase by between 11% and 39% over the 2025 determination period, or an average of between 2% and 7% per year.

- bills for other customers, depending on location, would increase by between 41% and 188% over the 2025 determination period, or an average of between 7% and 28% per year.

We believe that the proposed cap on WAMC's water management prices reflects a balance between the need to achieve cost reflective prices and the need to protect consumers from price shocks.

The decision to target a 15% annual increases (plus inflation) on WAMC's water entitlement and water take prices is based on the evidence we gathered from customers and from analysis of economic conditions facing water users, as well as consideration of IPART's decisions in previous determinations. In its 2011 price determination IPART found that annual price increases of 15% for unregulated rivers and ground water would not create price shocks.

In the WAMC proposal development engagement process, WAMC tested the level of the support for varying levels of annual price rises. In that engagement, most customers expressed support for a 2.5% annual price rise, with a small proportion of customers favouring 5% and 10% annual rise rises. On the other hand, there is evidence that, despite stated preferences, larger customers have the capacity to move towards full cost recovery at a faster pace. This is because larger water users tend to be more profitable than very small water users, as described below.

We know that a balance between competing factors is needed to ensure the right pace towards full cost recovery. If prices rose immediately to full cost recovery levels, then such rapid price rises could risk damaging the competitiveness of NSW agricultural industries as only NSW water users pay WAMC charges, as other jurisdictions have not implemented these National Water Initiative principles in full. The Australian Competition and Consumer Commission's Supermarkets inquiry 2024–25 has shown agricultural producers are under considerable pressure, with limited capacity to pass on price increases. To move to full cost recovery by 2030, some bills to increase by up to 857% by 1 July 2030 and such a rapid increase would cause price shocks.

Given the total value of water entitlements to customers in NSW is over $41 billion and evidence of the profitability of larger water users, we consider that the proposed pace of our transition towards full cost reflectivity is reasonable and aligned to IPART's past decisions about price shocks.

We have proposed a 15% annual rise on price for larger customers (i.e. those not on the MAC) because our analysis indicates they generally have greater capacity to absorb this rate of price increase. We have proposed smaller increases of 2.5% increases per year for the smallest customers who pay the MAC, because there is some evidence to show that these customers are not profitable.

WAMC has secured the NSW Government's support to make this proposal to IPART. However, the NSW Government has not committed to additional funding. These options will be considered following IPART's assessment and advice. Given this and because we have thoroughly explored opportunities for cost efficiency, any reduction in proposed price revenues in the IPART determination would create significant challenges to the programmed water management activities

and services and severe reductions in the work undertaken, which if not delivered would undermine our ability to deliver on our legislative responsibilities.

Below we outline our analysis and other relevant matters in relation to our position, including:

- the distribution of water entitlements amongst customers
- degrees of customers' support for a measured transition towards fully cost-reflective prices
- the value of water entitlements to customers
- the capacity of larger customers to pay relative to smaller customers
- the case for a slower transition to full cost-reflective prices for smaller customers (i.e. those on the MAC).

10.1.1 Water holdings are concentrated among relatively few larger customers

Despite the diversity of our customers, both geographically and in how they use water, most water entitlements are held by a relatively small number of customers holding large water entitlements.

Of the approximately 40,000 licences, the largest 13,000 licence holders (30%) own 97% of the water entitlement volume.[22] These customers broadly correspond to those that would experience a 15% plus inflation annual increase in WAMC's water management prices under our proposal. The remaining 70% of customers broadly correspond to those licence holders currently paying the MAC, which we propose to increase by 2.5% per year plus inflation to manage price impacts on these customers (Figure 8).

[22] Based on WaterNSW Water Licensing System data as at 31 December 2022.

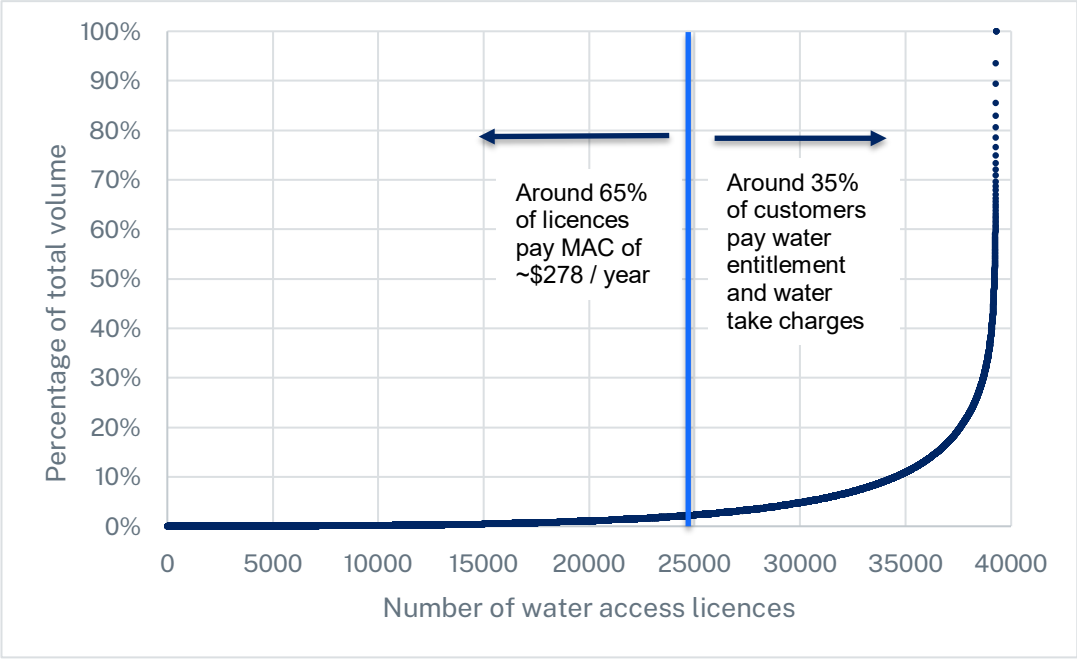


Figure 8: Volume of entitlement by number of licences **(2024–25)**

10.1.2 Customers support a measured transition to full cost recovery

Compared to when IPART last determined prices in 2021, conditions facing water users have largely improved. Water storages have been close to full, customers have been receiving their water allocations and the value of water entitlements has increased. Despite this, during our engagement, many customers expressed a preference for a gradual transition towards fully cost-reflective prices, with many supporting a continuation of the 2.5% per year cap, citing business pressures including higher input costs, higher interest rates, failed crops due to floods, lower commodity prices (e.g. beef cattle) and limited water availability in some valleys.

However, we note that our proposal to cap the increase of the MAC at 2.5% per year, and the increase of WAMC's water management prices at 15% per year balances the need to mitigate bill impacts on customers while also ensuring that prices gradually transition towards cost-reflective levels at a reasonable rate. If prices did not increase at this rate, this could compromise WAMC's ability to provide water management services, which would impact negatively on customers and the broader community.

The latest survey of farm incomes suggests that the farm cash income of the cropping sector has declined over the 2 years to 2023–24. However, these declines come from a historic high level of farm cash income in 2021–22, according to an ABARES survey of farm incomes and farm profits.

Figure 9: Cropping farm cash income, NSW 2014–15 to 2023–24

10.1.3 2023–24 Water entitlements generate significant value for customers

Through ensuring the sustainable use and management of water resources, WAMC's water management activities essentially protect and enhance the value of customers' water entitlements. These entitlements can be used or traded over time, generating significant value for customers. This value is highlighted by the market price of water entitlements, which significantly exceeds the water management prices customers pay WAMC.

Our analysis also found that producer surplus and income is often highest for those who have access to water and can irrigate with those larger volumes. For example, from Figure 10 we can see that the difference between income and costs (and hence producer surplus) is higher for irrigated cotton than dryland cotton.[23] Similarly, Figure 11 shows that irrigated broadacre farming produces higher income than all broadacre farming.

[23] Based on ABARES, irrigated farm survey, unpublished data

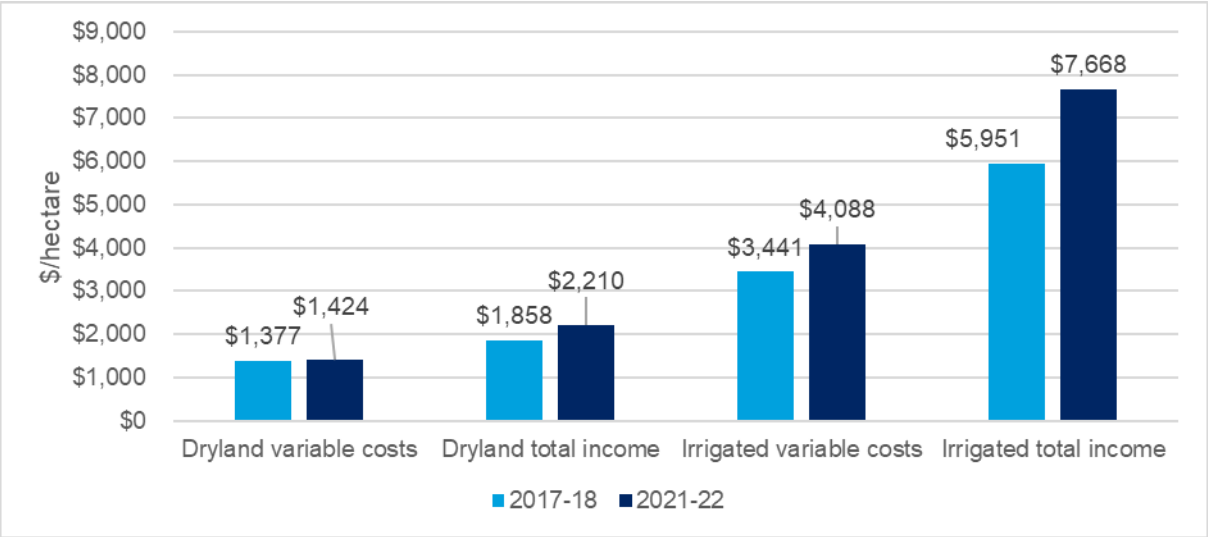


Figure 10: Costs and income for dryland versus irrigated cotton, 2017-18 to 2021–22[24]

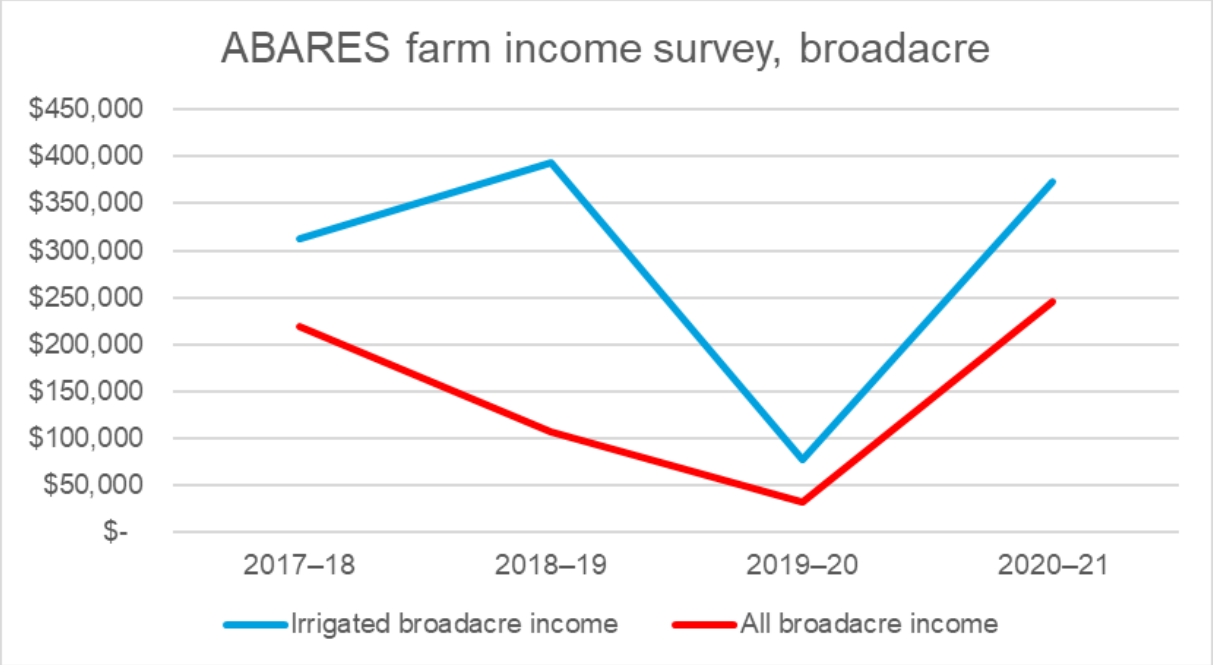


Figure 11: Broadacre farm income, irrigated compared to all broadacre, 2017-18 to 2020-21

[24] CottonInfo, Australian cotton industry gross margin budgets, accessed from: Australian cotton industry gross margin budgets | CottonInfo

10.1.4 Larger customers have a greater capacity to pay than smaller customers

Our analysis indicates that farm profits are generally positively correlated to farm size, which suggests that larger customers generally have a greater capacity to pay than smaller customers. For example, Figure 12 shows that for 2021–22:

- only the largest 60% of farm businesses in Australia produced a profit
- the largest decile of Australian farms generated an average $1.6 million in profit, which is more than 3 times the amount the next-largest decile generated, of just under $500,000
- while the largest 6 deciles made a profit, the smallest 4 deciles generated losses.

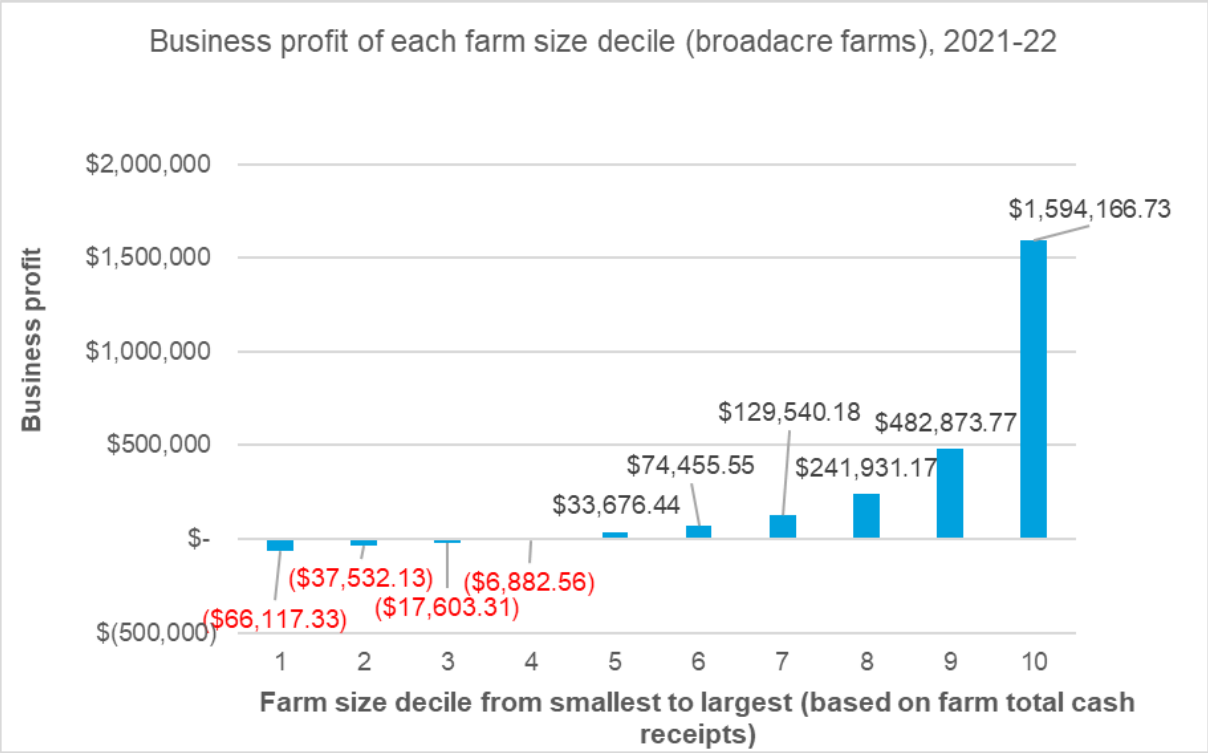


Figure 12 : Profit by farm size, ABARES disaggregated farm performance statistics by size, all broadacre[25]

It should be noted that this relationship is enduring. Over the last 10 years the largest quintile of NSW cropping farms has outperformed the smallest significantly, see Figure 13. While the 2021–22 business profit survey data is accessible in 10 groupings, deciles, the time-series of the cropping

[25] ABARES, Disaggregating farm performance statistics by size, accessible from: Disaggregating farm performance statistics by size - DAFF (agriculture.gov.au)

farm business profit in NSW is only available in 5 groupings, quintiles. These quintiles are the smallest 20% (quintile 1) through to the largest 20% (quintile 5) of cropping farms.

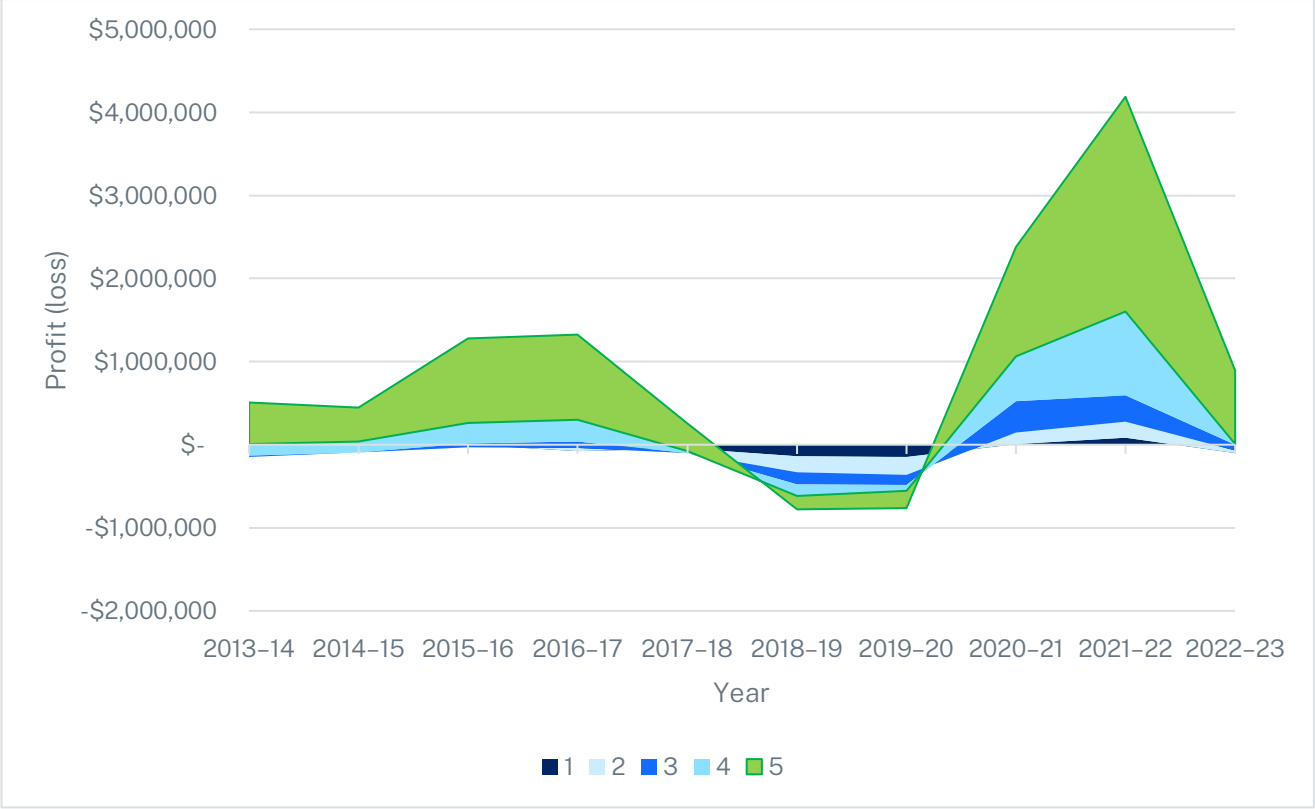


Figure 13: Cropping farm business profit NSW, by quintiles, ABARES disaggregated farm performance statistics by quintile[26]

10.1.5 There is a case for faster transition for larger customers and a slower transition to full cost recovery for smaller customers

Our analysis suggests that larger customers can afford to move towards fully cost reflective prices at a faster rate than very small customers. In this context, we note there are several reasons why governments may decide to support small, rural businesses with subsidies:

- local economic development – small rural businesses often form the backbone of local economies, employing a proportionally large number of workers and spending more in the local economy. By supporting small businesses, governments can stimulate growth in rural areas, which may otherwise struggle due to limited resources and infrastructure

[26] Timeseries data provided by ABARES, August 2024.

- equity and fairness – large corporations often have more financial resources and bargaining power. Prioritising small businesses ensures a more level playing field, allowing them to compete with larger entities
- job preservation and creation - small businesses are significant employers in rural areas. Subsidies can help retain existing jobs and contribute to stable local employment.
- community resilience – rural communities heavily rely on local businesses for essential goods and services. Subsidies can strengthen community resilience by ensuring small businesses continue. When large corporations dominate, communities become vulnerable to sudden closures or relocations
- diversification – subsidies can encourage diversification of water using businesses. A diverse economy is more resilient to shocks and economic downturns.

The Senate Select Committee's Inquiry on Supermarket Prices highlighted the role uncertainty plays in farmer's poor mental health. In particular, the uncertainties of owning a business, that is also their home and being subject to extreme weather events, contribute to farmers having a suicide rate almost 60% higher than the general population.

10.2 Bill impacts on very small customers

Table 97 to

Table 99 below present bill impacts for 'very small' customers under our proposal – i.e. those customers subject to the MAC. Under our proposal, the MAC would increase by 2.5% per year plus inflation, continuing its gradual transition towards cost reflective levels. However, for some water sources, changes to customers' aggregate water management bills may differ from this as they also pay MBDA and BRC charges – which, along with the MAC, are reflected in the tables below.

Table 97 to Table 99 show that **water manage**ment bills for very small customers would increase by between 11% and 39% over 2024–25 to 2029–30, or an average of between 2% and 7% per year over this period.

Border regulated river and Far West unregulated river bills are forecast to increase at a slower rate than other valleys and water sources (at 2% per year). This is because BRC water management charges declined for Border regulated river and Far West unregulated river customers following a reallocation of costs to Border unregulated river and groundwater customers.

Border unregulated river and Inland groundwater bills are forecast to increase at a faster rate than over valleys and water sources (at 6% per year and 7% per year, respectively). This is because BRC water management charges were inadvertently not allocated to the Border unregulated river in the 2021 determination period and NSW is now paying the true costs of groundwater monitoring when previously these costs were not passed on to NSW. Under the proposal, BRC charges would now be

cost-reflective, when previously prices to Border unregulated river and groundwater customers were below cost-reflective levels.

For this analysis, we have assumed that these very small customers would use (or 'take') all of their entitlement, which means the bills impacts presented in Table 97 to Table 99 would be the same for customers on 1 or 2-part tariffs.

Table 97 : Regulated rivers – bills for very small customers: 10ML water entitlement, 10ML take $2025–26

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	309	313	321	328	336	344	11%	2%
Gwydir	291	309	317	324	332	340	17%	3%
Namoi	292	310	318	325	333	341	17%	3%
Peel	283	301	308	316	323	331	17%	3%
Lachlan	285	304	311	319	326	334	17%	3%
Macquarie	287	305	312	320	328	335	17%	3%
Murray	288	306	314	321	329	337	17%	3%
Murrumbidgee	289	307	314	322	329	337	17%	3%
North Coast	278	294	301	309	316	324	17%	3%
Hunter	278	294	301	309	316	324	17%	3%
South Coast	278	294	301	309	316	324	17%	3%

Table 98: Unregulated rivers – bills for very small customers: 10ML water entitlement, 10ML take $2025–26

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	282	338	345	352	360	368	31%	6%
Gwydir	282	298	305	312	320	328	16%	3%
Namoi	282	298	305	312	320	328	16%	3%
Peel	282	298	305	312	320	328	16%	3%

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Lachlan	281	298	306	313	321	329	17%	3%
Macquarie	281	298	306	313	321	329	17%	3%
Far West	313	320	327	335	343	351	12%	2%
Murray	283	300	307	315	322	330	17%	3%
Murrumbidgee	281	298	305	313	321	328	17%	3%
North Coast	278	294	301	309	316	324	17%	3%
Hunter	278	294	301	309	316	324	17%	3%
South Coast	278	294	301	309	316	324	17%	3%

Table 99: Groundwater – bills for very small customers: 10ML entitlement, 10ML take $2025–26

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Inland	286	367	374	382	389	397	39%	7%
Murrumbidgee	281	297	305	312	320	328	17%	3%
Coastal	278	294	301	309	316	324	17%	3%

10.3 Bill impacts on 2-part tariff customers

The tables below present indicative bills under our pricing proposal for small, medium and large customers subject to 2-part tariffs on regulated rivers, unregulated rivers and groundwater sources.

These tables show that under our proposal, water management bills for these customers would increase by between:

- 41% and 188% over 2024–25 to 2029–30, or
- an average of between 7% and 28% per year over this period.

The lowest rates of increase in bills would be for customers in Border regulated river and Far West unregulated river. This is because BRC water management charges declined for Border regulated river and Far West unregulated river customers following a reallocation of costs to Border unregulated river and groundwater customers.

The highest rate of increase in bills would be for customers in Border unregulated river and Inland groundwater. This is because BRC water management charges were inadvertently not allocated to the Border unregulated river in the 2021 determination period and NSW is now paying the true costs of groundwater monitoring when previously these costs were not passed on to NSW. Under the proposal, BRC charges would now be cost-reflective, when previously prices to Border unregulated river and groundwater customers were below cost-reflective levels.

10.3.1 Bill impacts for small customers on 2-part tariffs

Table 100to Table 102 present bill impacts under our proposal for 'small' customers on 2-part tariffs. For this analysis, we have assumed that these 'small' customers have 100 ML of entitlement and take or use 60% of this entitlement.

Table 100: Regulated rivers – bills for small customers: 100ML water entitlement, 60ML take $2025–26

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	602	560	618	686	763	850	41%	7%
Gwydir	358	422	465	514	571	637	78%	12%
Namoi	454	540	598	666	744	834	84%	13%
Peel	754	896	1,022	1,167	1,334	1,525	102%	15%
Lachlan	331	401	449	505	569	642	94%	14%
Macquarie	366	438	489	550	618	696	90%	14%
Murray	292	348	384	425	472	526	80%	13%
Murrumbidgee	269	321	352	387	427	475	76%	12%
North Coast	1,017	1,206	1,388	1,596	1,834	2,110	107%	16%
Hunter	573	680	782	898	1,033	1,188	107%	16%
South Coast	856	1,015	1,167	1,342	1,542	1,774	107%	16%

Table 101: Unregulated rivers – bills for small customers: 100ML water entitlement, 60ML take $2025–26

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	394	807	872	947	1,034	1,133	188%	28%
Gwydir	394	467	532	607	694	792	101%	15%
Namoi	394	467	532	607	694	792	101%	15%
Peel	394	467	532	607	694	792	101%	15%
Lachlan	537	649	740	844	965	1,104	106%	16%
Macquarie	537	649	740	844	965	1,104	106%	16%
Far West	800	829	917	1,018	1,135	1,268	59%	10%
Murray	635	753	860	980	1,121	1,282	102%	15%
Murrumbidgee	859	1,023	1,171	1,342	1,538	1,764	105%	15%
North Coast	963	1,141	1312	1,510	1,736	1,997	107%	16%
Hunter	330	391	450	518	596	685	107%	16%
South Coast	266	315	363	418	480	517	94%	14%

Table 102: Groundwater – bills for small customers: 100ML entitlement, 60ML take $2025–26

Water sources	2024–25 (Current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Inland	662	1,314	1,419	1,540	1,679	1,839	178%	27%
Murrumbidgee	537	638	728	833	953	1,091	103%	15%
Coastal	485	575	661	760	874	1,005	107%	16%

10.3.2 Bill impacts for medium customers on 2-part tariffs

Table 103 to Table 105 present bill impacts under our proposal for 'medium' customers on 2-part tariffs. For this analysis, we have assumed that these 'medium' customers have 500 ML of entitlement and take or use 60% (300 ML) of this entitlement.

Table 103: Regulated rivers – bills for medium customers: 500ML water entitlement, 300ML take $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	3,012	2,801	3,089	3,430	3,813	4,252	41%	7%
Gwydir	1,788	2,108	2,324	2,570	2,853	3,184	78%	12%
Namoi	2,272	2,698	2,989	3,330	3,721	4,170	84%	13%
Peel	3,769	4,481	5,112	5,835	6,670	7,627	102%	15%
Lachlan	1,656	2,005	2,247	2,525	2,846	3,208	94%	14%
Macquarie	1,828	2,189	2,447	2,748	3,092	3,482	90%	14%
Murray	1,461	1,742	1,921	2,126	2,358	2,629	80%	13%
Murrumbidgee	1,346	1,603	1,758	1,935	2,135	2,375	76%	12%
North Coast	5,087	6,030	6,938	7,978	9,172	10,551	107%	16%
Hunter	2,866	3,399	3,909	4,492	5,167	5,942	107%	16%
South Coast	4,278	5,073	5,836	6,710	7,712	8,871	107%	16%

Table 104: Unregulated rivers – bills for medium customers: 500ML water entitlement, 300ML take $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	1,969	4,036	4,361	4,737	5,170	5,663	188%	28%
Gwydir	1,969	2,334	2,659	3,035	3,468	3,961	101%	15%
Namoi	1,969	2,334	2,659	3,035	3,468	3,961	101%	15%
Peel	1,969	2,334	2,659	3,035	3,468	3,961	101%	15%
Lachlan	2,686	3,246	3,701	4,222	4,825	5,521	106%	16%

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Macquarie	2,686	3,246	3,701	4,222	4,825	5,521	106%	16%
Far West	3,999	4,145	4,585	5,091	5,673	6,340	59%	10%
Murray	3,177	3,767	4,298	4,902	5,604	6,410	102%	15%
Murrumbidgee	4,296	5,116	5,857	6,711	7,690	8,818	105%	15%
North Coast	4,813	5,704	6,560	7,548	8,681	9,984	107%	16%
Hunter	1,651	1,955	2,248	2,590	2,979	3,425	107%	16%
South Coast	1,331	1,576	1,816	2,090	2,401	2,587	94%	14%

Table 105: Groundwater – bills for medium customers: 500ML entitlement, 300ML take $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Inland	3,312	6,571	7,097	7,701	8,397	9,197	178%	27%
Murrumbidgee	2,684	3,192	3,642	4,165	4,764	5,457	103%	15%
Coastal	2,423	2,873	3,304	3,798	4,371	5,027	107%	16%

10.3.3 Bill impacts for large customers on 2-part tariffs

Table to Table 108: present bill impacts under our proposal for 'large' customers on 2-part tariffs. For this analysis, we have assumed that these 'large' customers have 1,000 ML of entitlement and take or use 60% (600 ML) of this entitlement.

Table 106: Regulated rivers – bills for large customers: 1,000ML water entitlement, 600ML take $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	6,024	5,602	6,178	6,860	7,626	8,504	41%	7%
Gwydir	3,576	4,216	4,648	5,140	5,706	6,368	78%	12%

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Namoi	4,544	5,396	5,978	6,660	7,442	8,340	84%	13%
Peel	7,538	8,962	10,224	11,670	13,340	15,254	102%	15%
Lachlan	3,312	4,010	4,494	5,050	5,692	6,416	94%	14%
Macquarie	3,656	4,378	4,894	5,496	6,184	6,964	90%	14%
Murray	2,922	3,484	3,842	4,252	4,716	5,258	80%	13%
Murrumbidgee	2,692	3,206	3,516	3,870	4,270	4,750	76%	12%
North Coast	10,174	12,060	13,876	15,956	18,344	2,1102	107%	16%
Hunter	5,732	6,798	7,818	8,984	10,334	11,884	107%	16%
South Coast	8,556	10,146	11,672	13,420	15,424	17,742	107%	16%

Table 107: Unregulated rivers – bills for large customers: 1,000ML water entitlement, 600ML take $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	3,938	8,072	8,722	9,474	10,340	11,326	188%	28%
Gwydir	3,938	4,668	5,318	6,070	6,936	7,922	101%	15%
Namoi	3,938	4,668	5,318	6,070	6,936	7,922	101%	15%
Peel	3,938	4,668	5,318	6,070	6,936	7,922	101%	15%
Lachlan	5,372	6,492	7,402	8,444	9,650	11,042	106%	16%
Macquarie	5,372	6,492	7,402	8,444	9,650	11,042	106%	16%
Far West	7,998	8,290	9,170	10,182	11,346	12,680	59%	10%
Murray	6,354	7,534	8,596	9,804	11,208	12,820	102%	15%
Murrumbidgee	8,592	10,232	11,714	13,422	15,380	17,636	105%	15%
North Coast	9,626	11,408	13,120	15,096	17,362	19,968	107%	16%
Hunter	3,302	3,910	4,496	5,180	5,958	6,850	107%	16%
South Coast	2,662	3,152	3,632	4,180	4,802	5,174	94%	14%

Table 108: Groundwater – bills for large customers: 1,000ML entitlement, 600ML take $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Inland	6,624	13,142	14,194	15,402	16,794	18,394	178%	27%
Murrumbidgee	5,368	6,384	7,284	8,330	9,528	10,914	103%	15%
Coastal	4,846	5,746	6,608	7,596	8,742	10,054	107%	16%

10.4 Bill impacts on 2-part tariff floodplain harvesting customers

Table 109 presents indicative bills under our pricing proposal for floodplain harvesting customers subject to 2-part tariffs in regulated rivers and unregulated rivers.

- These tables show that under our proposal, water management bills for these customers would increase by between:
- 300% and 551% over 2024–25 to 2029–30, or
- an average of between 48% and 99% per year over this period.

Table 109: Regulated and unregulated rivers - bills for floodplain harvesting customers: 1200ML water entitlement and 30% usage $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Regulated								
Border	1,004	4,451	4,559	4,692	4,843	5,012	399%	71%
Gwydir	742	4,332	4,429	4,544	4,674	4,829	551%	99%
Namoi	806	4,422	4,537	4,667	4,822	4,994	519%	92%
Macquarie	868	4,523	4,652	4,800	4,976	5,174	496%	87%
Unregulated								
Gwydir	1,721	5,441	5,729	6,060	6,438	6,877	300%	48%
Namoi	1,721	5,441	5,729	6,060	6,438	6,877	300%	48%

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Far West	1,289	4,746	4,908	5,095	5,308	5,556	331%	57%

10.5 Bill impacts for 1-part tariff customers

The table below present bill impacts under our pricing proposal for small, medium and large customers subject to 1-part tariffs on unregulated rivers and groundwater sources (noting that all customers on regulated rivers are subject to 2-part tariffs).

Bills for customers on 1-part tariffs will generally be higher than for those on 2-part tariffs with the same volume of entitlements on the same water source, as 1-part tariffs are set to assume that the customer takes all their entitlement.

The tables show that under our proposal, water management bills for these customers would increase by between:

- 57% and 180% over 2024–25 to 2029-20, or
- an average of between 10% and 27% per year over this period.
- The lowest rates of increase in bills would be for customers in Far West unregulated river. This is because BRC water management charges declined for Far West unregulated river customers following a reallocation of costs to Border unregulated river and groundwater customers.
- The highest rate of increase in bills would be for customers in Border unregulated river and Inland groundwater. This is because BRC water management charges were inadvertently not allocated to the Border unregulated river in the 2021 determination period and NSW is now paying the true costs of groundwater monitoring when previously these costs were not passed on to NSW. Under the proposal, BRC charges would now be cost-reflective, when previously prices to Border unregulated river and groundwater customers were below cost-reflective levels.

10.5.1 Bill impacts for small customers on 1-part tariffs

Table 110 and

Table 111 present bill impacts under our proposal for ‘small’ customers on 1-part tariffs. For this analysis, we have assumed that these ‘small’ customers have 100 ML of entitlement.

Table 110: Unregulated rivers – bills for small customers: 100ML water entitlement $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	585	1,085	1,182	1,294	1,422	1,569	168%	25%
Gwydir	585	685	782	894	1,022	1,169	100%	15%
Namoi	585	685	782	894	1,022	1,169	100%	15%
Peel	585	685	782	894	1,022	1,169	100%	15%
Lachlan	724	869	992	1,134	1,297	1,484	105%	15%
Macquarie	724	869	992	1,134	1,297	1,484	105%	15%
Far West	943	970	1,076	1,198	1,338	1,499	59%	10%
Murray	910	1,077	1,229	1,404	1,606	1,837	102%	15%
Murrumbidgee	1,186	1,409	1,614	1,850	2,121	2,433	105%	15%
North Coast	1,237	1,467	1,687	1,940	2,231	2,565	107%	16%
Hunter	445	528	607	698	802	923	107%	16%
South Coast	322	382	439	505	581	658	104%	15%

Table 111: Groundwater – bills for small customers: 100ML entitlement $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Inland	776	1,555	1,679	1,821	1,985	2,173	180%	27%
Murrumbidgee	630	749	856	979	1,120	1,282	103%	15%
Coastal	657	779	896	1,030	1,185	1,362	107%	16%

10.5.2 Bill impacts for medium customers on 1-part tariffs

Table 112 and Table 113 present bill impacts under our proposal for 'medium' customers on 1-part tariffs. For this analysis, we have assumed that these 'medium' customers have 500 ML of entitlement.

Table 112: Unregulated rivers – bills for medium customers: 500ML water entitlements $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Border	2,925	5,425	5,910	6,470	7,110	7,845	168%	25%
Gwydir	2,925	3,425	3,910	4,470	5,110	5,845	100%	15%
Namoi	2,925	3,425	3,910	4,470	5,110	5,845	100%	15%
Peel	2,925	3,425	3,910	4,470	5,110	5,845	100%	15%
Lachlan	3,620	4,345	4,960	5,670	6,485	7,420	105%	15%
Macquarie	3,620	4,345	4,960	5,670	6,485	7,420	105%	15%
Far West	4,715	4,850	5,380	5,990	6,690	7,495	59%	10%
Murray	4,550	5,385	6,145	7,020	8,030	9,185	102%	15%
Murrumbidgee	5,930	7,045	8,070	9,250	10,605	12,165	105%	15%
North Coast	6,185	7,335	8,435	9,700	11,155	12,825	107%	16%
Hunter	2,225	2,640	3,035	3,490	4,010	4,615	107%	16%
South Coast	1,610	1,910	2,195	2,525	2,905	3,290	104%	15%

Table 113: Groundwater – bills for medium customers: 500ML water entitlement, $2025–26

Water sources	2024–25 (current)	2025–26	2026–27)	2027–28	2028–29	2029–30	Change current to 2029–30 (%)	Average pa % change
Inland	3,880	7,775	8,395	9,105	9,925	10,865	180%	27%
Murrumbidgee	3,150	3,745	4,280	4,895	5,600	6,410	103%	15%
Coastal	3,285	3,895	4,480	5,150	5,925	6,810	107%	16%

10.5.3 Bill impacts for large customers for 1-part tariffs

Table 114 Table 114: and Table 115 Table 115: present bill impacts under our proposal for 'large' customers on 1-part tariffs. For this analysis, we have assumed that these 'large' customers have 1,000 ML of entitlement.

Table 114: Unregulated rivers – bills for large customers: 1,000ML water entitlement, $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	Change current to 2029–30 (%)	Average annual change (%)
Border	5,850	10,850	11,820	12,940	14,220	15,690	168%	25%
Gwydir	5,850	6,850	7,820	8,940	10,220	11,690	100%	15%
Namoi	5,850	6,850	7,820	8,940	10,220	11,690	100%	15%
Peel	5,850	6,850	7,820	8,940	10,220	11,690	100%	15%
Lachlan	7,240	8,690	9,920	11,340	12,970	14,840	105%	15%
Macquarie	7,240	8,690	9,920	11,340	12,970	14,840	105%	15%
Far West	9,430	9,700	10,760	11,980	13,380	14,990	59%	10%
Murray	9,100	10,770	12,290	14,040	16,060	18,370	102%	15%
Murrumbidgee	11,860	14,090	16,140	18,500	2,1210	24,330	105%	15%
North Coast	12,370	14,670	16,870	19,400	2,2310	25,650	107%	16%
Hunter	4,450	5,280	6,070	6,980	8,020	9,230	107%	16%
South Coast	3,220	3,820	4,390	5,050	5,810	6,580	104%	15%

Table 115: Groundwater – bills for large customers: 1,000ML entitlement, $2025–26

Water sources	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% change current to 2029–30	Average pa % change
Inland	7,760	15,550	16,790	18,210	19,850	21,730	180%	27%
Murrumbidgee	6,300	7,490	8,560	9,790	11,200	12,820	103%	15%
Coastal	6,570	7,790	8,960	10,300	11,850	13,620	107%	16%

10.6 The NSW Government's contribution will increase

Under our proposal, the NSW Government's notional share of WAMC's forecast efficient costs for the 2025 determination period is 21% (as discussed in Chapter 6). However, due to our proposal to cap price increases below cost-reflective levels, the NSW Government's actual share of WAMC's forecast efficient costs over the 2025 determination period would be significantly higher than this,

at 58%. Therefore, customers' actual share is expected to be 42% (see Table 116:), assuming that the NSW Government fully funds the difference between customers' notional share of WAMC's costs (79%) and customers' actual share of WAMC's costs recovered from prices under our proposal (42%).

The NSW Government's actual share of WAMC's costs over the current period has also been higher than envisaged in IPART's 2021 determination of WAMC's prices because WAMC's actual expenditure has been higher than IPART's assumed expenditure allowances over the current period and this difference has been funded by the NSW Government. The NSW Government's actual contribution to WAMC's costs is borne by NSW taxpayers.

Our forecast of this cost is shown as the notional NSW Government share of costs in Table 116 below. However, the NSW Government has not committed to additional funding. WAMC has secured the Government's support to make this proposal to IPART. However, the Government has not committed to additional funding. These options will be considered following IPART's assessment and advice.

Given this, and because we have thoroughly explored opportunities for cost efficiency, any reduction in proposed price revenues in the IPART determination would create significant challenges to the programmed water management activities and services and severe reductions in the work undertaken, which if not delivered would undermine our ability to deliver on our legislative responsibilities.

Table 116: Proposed WAMC cost shares for the 2025 determination period ($'000, $2024–25)

	2024–25 (current)	2025–26	2026–27	2027–28	2028–29	2029–30	% of NRR (2026-30)
WAMC's total NRR[a]	99,132	179,231	182,203	176,344	179,676	165,315	100%
Notional customer share	68,464	141,411	143,604	139,024	141,153	129,485	79%
Notional NSW Government share	30,512	37,821	38,599	37,320	38,523	35,830	21%
Proposed customer Share	55,240	59,697	65,665	73,180	81,760	91,290	42%
Proposed NSW Government share	119,400	119,534	116,538	103,164	97,916	74,025	58%

a: This includes MDBA and BRC

11 Our proposal is credible

This chapter presents information to support the credibility of the proposal – i.e. information to show that this proposal is based on accurate information and that, if provided with our proposed expenditure allowances, we will be held accountable for delivering required water management outcomes.

11.1 We have self-assessed our proposal as 'standard'

We have assessed this pricing proposal as 'standard' against IPART's 12 principles under its 3Cs framework.

Our standard rating is consistent with key characteristics of our proposal:

- our proposal has been informed by meaningful engagement with customers and stakeholders
- our expenditure forecasts (proposed expenditure allowances) are consistent with robust, long-term strategic planning and reflect the scope for efficiency gains
- we will publicly report on our performance against key water management outcome to ensure we are held accountable to customers and other stakeholders
- our proposal is based on accurate information and is endorsed by the WaterNSW and NRAR Boards and the Minister for Water has delegated the Deputy Secretary Water to approve the proposal – as outlined below.

11.2 Management has taken ownership

Senior management of the 3 WAMC agencies have been closely involved in the development of this pricing proposal. Further, as demonstrated by the WaterNSW and NRAR Boards and the Minister for Water has delegated the Deputy Secretary Water to approve the proposal attestation, the leadership of the WAMC agencies stand behind this proposal and attest that it is in the long-term interests of customers, has been informed by meaningful customer engagement, would deliver water management services at lowest sustainable cost over the long-term and has been subject to a quality assurance check certifying the accuracy and consistency of the information provided in the proposal.

11.3 We have committed to reporting our progress

To ensure we are held accountable to customers and other stakeholders for delivering key water management outcomes tied to our proposed expenditure allowances in this pricing proposal, we will annually publish clear and concise reports on our website over the 2025 determination period that report on our performance against the outcomes, objectives, measures and targets outlined in chapter 2.5.

We will also provide these reports to IPART, plus any other information it requires, to assist it in producing its online performance dashboard (as flagged in Chapter 7 of its Water Regulation Handbook).