Wentworth to Broken Hill Pipeline

Attachment 3

Self-assessment against IPART's 3Cs grading rubric

30 September 2025

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1. Introduction

As part of the new 3Cs framework, each business must self-assess the extent to which its proposal promotes customer value, encourages cost efficiency and is able to be credibly delivered. The 3 grades are:

- Leading – for businesses that are industry leaders in understanding their customers, innovating to deliver services customers want and driving costs efficiencies. The business also demonstrates how it delivers significant improvement in customer value through a combination of quantitative and qualitative evidence.
- Advanced – for businesses that demonstrate very strong understanding of their customers, and are broadly at the cost efficiency frontier
- Standard – for businesses that conduct meaningful customer engagement and have a credible path towards the cost efficiency frontier. This grade is consistent with good practice in the NSW water sector.

In deciding on our grade, we referred to the 12 guiding principles that sit under the 3Cs framework. We also referred to the guidance provided by IPART in the framework Handbook.

As set out in section 2 of the pricing proposal, WaterNSW has adopted the following focus principles based on our engagement with customers:

- Customer Outcomes
- Robust Costs
- Delivering.

Figure 1: The 3Cs Guiding Principles

Customer	Cost	Credibility
• Customer centricity • Customer engagement • Customer outcomes • Community • Environment • Choice of services	• Robust costs • Balance risk and long-term performance • Commitment to improve value • Equitable and efficient cost recovery	• Delivering • Continual improvement

1.1 Introduction

Reflecting our ambition for this pricing proposal and for our customers, we have pushed ourselves to deliver a high-quality proposal that puts the needs of customers first and delivers value for money. While there are elements of our proposal that we believe would support an "advanced" or "leading" proposal, we consider that, on balance, our submission aligns with IPART's "standard" grading.

In arriving at a standard self-grading, we note that our proposal delivers value for money for customers. This is evidenced by the engagement with 100% of our direct customers to identify and embed their preferences in our pricing proposal. We also sought to observe the end customer engagement undertaken by Essential Water to gain a direct appreciation of the priorities of those customers and identify how the outcomes of the pipeline can align with and/or support the outcomes being proposed by Essential Water to align with customer feedback.

From the time that IPART finalised its 3Cs framework in November 2022, WaterNSW took on the challenge of meeting the enhanced aspects of the new framework, particularly in terms of customer engagement and demonstrating the efficiency and prudency of our capital and operating expenditure programs.

Meeting these challenges for business activity as unique as the pipeline has required consideration of what would be a fit-for-purpose approach reflecting on the narrow nature of the pipeline and the lessons learnt from customers through the recent WaterNSW bulk water engagement process.

As required by the 3Cs framework, we invested appropriately in our customer engagement and leveraged the lessons learnt and feedback from the external technical experts that supported WaterNSW throughout the bulk water customer engagement activities.

We have taken on the challenge of meeting the enhanced 3Cs requirements and have prepared a pricing proposal that embeds customer preferences, demonstrates genuine day-to- day partnering with our customers and provides value for money in meeting our legislative and customer requirements at lowest sustainable cost.

On balance and given the concerns of our customers regarding price sensitivity, our 'standard' grading should be seen as an honest and customer focused effort that reflects the uniqueness of the pipeline services that delivers security and value for customers.

Our summary of the rationale for a standard self-grading is provided below.

1.2 3Cs customer principles

Customer

- Customer centricity
- Customer engagement
- Customer outcomes
- Community
- Environment
- Choice of services

We have assessed our ambition against the customer principles of the 3Cs framework and have assigned ourselves a rating between standard and advanced based on the following:

- We were consciously customer-centric in the way we delivered our pricing proposal. We moved to a deeper engagement form (towards collaboration), with targeted content (towards performance stewardship) and earlier timing (towards an ongoing conversation). Our engagement program was purposeful about matching the engagement aims and approaches to our customers' expectations.
- We can evidence a Customer and Community Engagement Strategy for the proposal which was responsive and adaptive to customer needs (rather than our needs) in its design and was able to reach 100% of direct customers as well as key community stakeholders.

- Customers influence business outcomes. Direct conversations with all customers and key community stakeholders provided a clear line of sight between customer outcomes; preferences for levels of investment and corresponding service, deliverables and performance measures, shaped by customers. It was particularly instructive to work with a highly engaged and informed customer with Essential Water that allowed a highly targeted and customer driven discussion.
- Processes support customer centricity - a standard and advanced result. An iterative process was achieved that built on long standing engagements with strong and informed parties such as Essential Water and the Broken Hill and Wentworth local councils.
- Considered what matters most to customers. Customers were very clear that there was a narrow set of interests in respect of the pipeline services that we provide. These interests were echoed by all customers that we spoke to, although the order in which they were presented did vary. We have taken these clear and direct interests into consideration when developing the proposal and have built our outcomes around what matters most to customers - primarily reliability and pricing.
- For 'engage effectively', we determined that we were at standard grading, and provided the early indications of pricing envelopes to customers.
- For performance measures, we assessed our response to be between standard and advanced noting the high maturity level of our primary customer and the prevailing contractual arrangements.
- There is a clear and strong alignment between our proposals and customer preferences that is directly evident in our customer outcomes.
- Considering accountability for customer outcomes we determined to be between a standard and advanced result. There is a clear set of outcomes and accountability under the supply agreements with Essential Water and the offtake customers. These have been reinforced as being appropriate by customers, who have been clear with us regarding the expectations and the feedback modes they use to provide regular and ongoing feedback to WaterNSW.
- In identifying community outcomes, we have assessed ourselves at a standard grading. We sought to engage the local councils at both ends of the pipeline to understand community expectations, aspirations and requirements at the source and at the tap.
- In view of the requirement to develop community outcome performance measures the primary community outcome reflects the underlying purpose of the pipeline from its inception - supply security. This pricing proposal is unique in the clarity and singular driving purpose of the assets, and this has been continually reflected in the feedback received from customers and community stakeholders.
- In terms of accountability for community outcomes we have determined our response to be standard.

1.3 3C Cost principles

Cost

- Robust costs
- Balance risk and long-term performance
- Commitment to improve value
- Equitable and efficient cost recovery

We have assessed the pricing proposal against the cost principles of the 3Cs framework and have assigned ourselves between a 'standard' and 'advanced' rating. Key features of our approach and offer which support this rating include the following:

- Our Board and Leadership Team have demonstrated ownership of, and commitment to, the proposal and its outcomes via their guidance, review and challenge during its development.
- The WaterNSW Infrastructure Pty Ltd Board held primary oversight for the detailed considerations and oversight of the development of the submission through regular monthly meetings.
- The WaterNSW Board played an active role during the proposal development through regular briefings as part of a quarterly Board Sub-Committee and regular Board updates.
- Robust review and challenge sessions have enabled us to put forward a pricing proposal that contains operating expenditures within 1% of those currently approved by IPART in real terms with an average price impact relating to operating costs of less than 1% per annum to customers.
- Our proposed approach to implementing a true-up for the benchmark energy costs will result in cost savings for customers of approximately $0.6 million in total over the next regulatory period.
- There is minimal capex being proposed, with a key focus on ensuring that preventive activities are undertaken at an appropriate time to minimise the long-term costs to customers.
- We actively and effectively manage our relationships with external service providers to ensure costs remain low and service targets are met.
- Support costs from WaterNSW to the pipeline are allocated in accordance with our established Cost Allocation Method that is applied consistently across our determinations and has previously been provided to IPART.
- We have obtained external expert input on key elements of our pricing proposal (i.e. electricity costs) and have based our proposed O&M costs on a competitively tendered contract that has previously been reviewed by IPART.
- We have applied learnings and feedback from past and concurrent reviews pertaining to the application of the Base-Trend-Step approach to calculating operating allowances, including adopting 2024-25 as our proposed base year.
- More than 85% of the building block cost increases are outside of WaterNSW's control, primarily due to interest rate increases since the last review impacting our forward electricity pumping costs and variances between forecast and actual benchmark electricity costs in the current determination period.

1.4 3C Credibility principles

Credibility

- Delivering
- Continual improvement

We have assessed the pricing proposal against the cost principles of the 3Cs framework and have assigned ourselves between a 'standard' and 'advanced' rating. Key features of our approach and offer which support this rating include the following:

- We are confident of our ability to deliver the capital program, noting that it is modest and that we have the established long-term relationship and incentives with Trility that currently maintains the assets.
- We have a robust framework for reviewing asset performance and contract management to ensure that the pipeline does and will continue to provide the required reliability.
- Customer feedback has emphasised the strength of current performance outcomes and the strong desires to maintain the current "good" performance.
- The proposed cost path demonstrates continual review and oversight illustrated by incremental changes for those things that can be controlled.
- We have regularly had our financial position reviewed by independent credit rating agencies. Our pricing proposal would contribute to us having a sound and sustainable financial position moving forward for the pipeline.
- We have included a 1% cumulative efficiency target for our Special Purpose Vehicle costs, noting that most of the remaining costs are established using external or benchmark data that is decoupled from our actual costs.
- We have developed our operating expenditures using the Base-Trend-Step approach, and have relied on experts to provide advice on costs set using market benchmarks where relevant.

1.5 Overall grading self-assessment

Despite our ambitions to secure a grading above standard, the direct and explicit feedback from our customers was that such an uplift was not required nor desired by customers due to the additional complication of the requisite incentive schemes and the potential incentive payment that would likely accompany an above standard rating.

In light of this feedback, we have pushed ourselves to deliver a high-quality proposal that puts the priorities of customers first and delivers value for money. While there are elements of our proposal that we believe would support an "advanced" or "leading" proposal, we consider that, on balance, (and reflecting customers' priorities) our proposal aligns with IPART's "**standard**" grading.