

SYDNEY
DESALINATION
PLANT

COST EFFICIENCY STRATEGY

2027-2032
Pricing Proposal

30 September 2026



Contents

Delivering value for the people of Sydney	3
Our Cost Efficiency Strategy on a page	4
1. Introduction	5
Context	5
Purpose of this document	5
2. Cost-efficiency at SDP	6
2.1 Our history	6
2.2 Our context	7
2.3 Performance in the current regulatory period	10
2.4 Achievements and current initiatives	12
2.5 Our expenditure compared to our peers	17
3. Our Cost efficiency target	21
3.1 Our efficiency target for 2027-2032	21
3.2 How we set our target	22
3.3 Why this target is realistic and challenging	23
4. Our plan to meet the target	24
4.1 Our strategy to identify efficiencies	25
4.2 How we prioritise Investment	26
4.3 Where our ideas have come from to date	28
5. Future efficiency opportunities	29
5.1 Initiatives identified and prioritised	29
5.2 How we will be accountable for this strategy	34



Sydney Desalination Plant (SDP) provides safe, reliable and high-quality drinking water to the people, households and businesses of Sydney.

To achieve our strategic vision, we are committed to continuous improvement and becoming more efficient over time.

This Cost Efficiency Strategy (the Strategy) sets out what we have done so far, and what we plan to do into the future to improve value for the people of Sydney.

Since becoming operational in 2010, SDP has had a strong focus on cost efficiency. We have identified and implemented solutions to improve efficiency, including in the day-to-day operation of the Plant (250 million litre per day reverse osmosis membrane desalination plant), how we maintain and refurbish assets and how efficiently our energy and chemical dosing systems operate to produce high quality drinking water.

Over the current regulatory period we have met all conditions in our Water Industry Competition Act licence (Operating Licence) while staying within our operating and capital expenditure allowances. Our customer, Sydney Water, stakeholders and the community expect us to meet our obligations to produce safe and clean drinking water, protect the environment and to be as efficient as possible when doing so.

We have adapted and responded to challenges in the Sydney Water network including drought, bushfires and water quality events that have required SDP to respond quickly and reliably. Our Operating Licence was changed in 2023, moving the Plant to flexible full-time operations. We have prudently reacted to these new Operating Licence conditions by finding better and more

efficient ways of operating at both low and high flows, and in response to emergency and other production requests.

We have implemented projects that are having a tangible impact on the efficiency of our operations. For example, we have implemented systems and processes that have reduced the Plant's energy usage, with cost savings being passed back to customers in the next regulatory period.

We are committed to challenging ourselves going forward. For the 2027–2032 period we are proposing a challenging ongoing efficiency target.

Our plan is built around the areas where SDP can most influence long-term value – in Plant operations, asset management, capital planning and delivery and in our corporate functions. We will deliver this strategy through a simple continuous improvement cycle: identifying opportunities, evaluating options, implementing initiatives, assessing outcomes and adjusting as conditions change.

Cost efficiency is central to our strategic vision. We seek to meet the expectations of our customer and the community by delivering high quality drinking water while continually seeking better ways to operate, maintain and invest in our assets. This strategy serves as our commitment to challenge ourselves to become even more efficient over time.



Adelle Howse
Chair



Philip Narezzi
CEO

OUR COST EFFICIENCY STRATEGY ON A PAGE

Cost efficiency at SDP

Cost efficiency is central to SDP's role in delivering value for the people of Sydney. As a single-asset utility, our focus is on operating and maintaining the Plant and Pipeline safely, reliably and at the lowest sustainable whole-of-life cost. Since becoming operational in 2010, SDP has adapted to changing drinking water supply needs and plays a greater role today by operating flexibly to support Sydney's water supply network.

Over the current regulatory period, SDP has delivered expenditure within regulatory allowances while continuing to maintain the Plant's performance. Key efficiency achievements include reducing specific energy consumption, optimising chemical dosing, improving treatment control, strengthening asset management and capital planning, and using digital systems to streamline corporate processes.

Our cost efficiency target

For the 2027–32 regulatory period, SDP is proposing a challenging but realistic cost efficiency target that applies across both operating and capital expenditure.

The target includes a 0.7% annual efficiency factor compounded over the regulatory period.

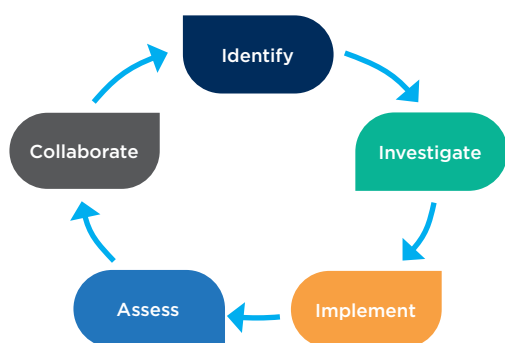
** Excluding fixed and variable energy consumption where we forecast saving 0.3-0.5% per year.*

0.7%

Per year, applied to our opex and capex allowances*

\$9.1m

Over the regulatory period we aim to save \$5.3m of opex costs and avoid \$3.8m of capital costs



Our plan to meet the target

We have a practical plan to become more efficient in the future to meet our target. We identified practical initiatives across the business and will continue to identify, investigate, implement, assess and collaborate to enable productivity improvements.

We will prioritise initiatives based on materiality, deliverability, risk, whole-of-life cost and customer value. This will be supported by stronger asset management, targeted capital delivery and a staged Digital and Operational Technology Roadmap.

Opportunities to become more efficient in the future

SDP will meet the target through a disciplined continuous improvement program across Plant operations, asset management, capital planning and corporate functions.

We will work with our Operator to continue to identify, challenge and test operational initiatives, including across energy efficiency, chemical dosing, treatment control and low-flow optimisation.

Key opportunities include further energy optimisation, chemical and treatment process improvements, improved use of asset information, better long-term forecasting, improving capital delivery processes and staged digital and technological improvements.

We will hold ourselves accountable through our strong internal governance processes and reporting regularly on our progress.



1. INTRODUCTION

Context

SDP's strategic vision is to be a great water company that is an integral part of Sydney's water supply, providing safe, reliable and high-quality drinking water to the people, households and businesses of Sydney.

This Cost Efficiency Strategy (the strategy) is consistent with our strategic vision and sets out how we intend to deliver value for the people of Sydney.

SDP has a strong track record delivering services in line with our Operating Licence while finding ways to reduce costs to Sydney Water and ultimately end-users. We intend to continue this legacy and have proposed this plan to achieve further cost savings.

Our strategy was developed at a critical juncture in our history. In recent years we have operated flexibly under new Operating Licence conditions. This has given us an opportunity to test, innovate and implement efficiency initiatives. As the Plant

ages, we are presented with an opportunity to efficiently maintain and replace assets reaching the end of their design lives with new and better solutions. Improvements in Artificial Intelligence (AI), machine learning and reverse-osmosis membrane technologies will help us continue to improve and find additional efficiencies into the future.

We have developed this plan to set out the approach and initiatives that will help us continue to deliver value and meet the expectations of our customer – Sydney Water, stakeholders and the people of Sydney.

Purpose of this document

This strategy sets out our plan to identify, investigate, implement and assess cost efficiency initiatives at SDP.

This document sets out:

- Our historical efficiency performance and how we have continuously improved to deliver value for money for the people of Sydney.
- A clear and ambitious efficiency target for the business that will challenge us over the next 5 years and beyond.
- Our plan to meet the target to deliver savings for customers while continuing to meet all stakeholder and customer expectations and the requirements of our Operating Licence and Water Supply Agreement with Sydney Water.
- Initiatives that we will deliver in the future and our views on future opportunities to improve efficiency.

IPART requirements for a cost-efficiency strategy

IPART's Water Regulation Handbook sets out its expectations for what should be included in a Cost Efficiency Strategy.

This includes:

- An annual 'efficiency factor'; across operating and capital expenditure that represents a realistic yet challenging target.
- Productivity improvements achieved and proposed, which highlight that the business is adopting innovations.
- How the business has performed against current period targets.

This plan addresses the requirements set out by IPART in its Water Regulation Handbook. It also sets out the mechanisms that will ensure we are accountable for achieving the proposed cost efficiency outcomes.

2. COST-EFFICIENCY AT SDP

2.1 Our history

SDP has a strong history of adapting to the needs of our customer, Sydney Water, and providing reliable and efficient drinking water supply.

After the Plant was constructed in 2010 it went through a period of comprehensive performance testing (operating for about 2 years) before being placed into care and maintenance mode termed 'Water Security' (mid 2012) following the end of the millennium drought.

This approach was efficient and minimised costs to customers, while maintaining the Plant so it was ready to reactivate and respond when drought conditions reemerged.

In December 2015, the Plant was struck by a tornado causing extensive damage. From December 2015 to October 2018 the Plant was repaired and returned to a state of readiness to begin producing drinking water.

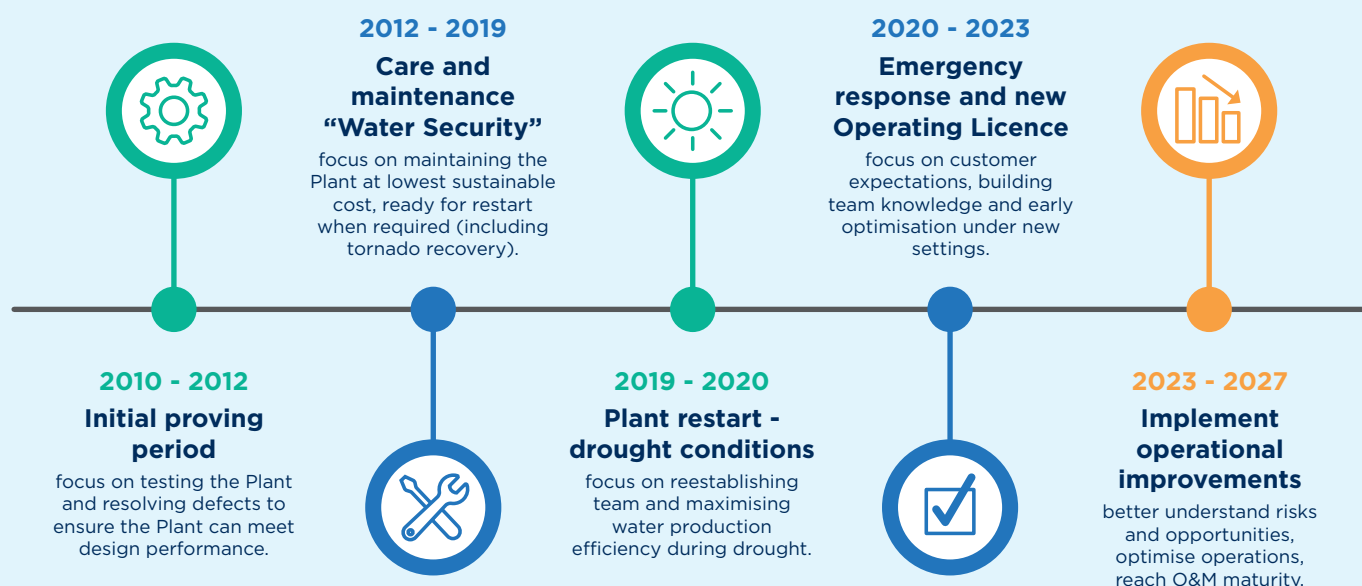
The Plant was restarted in January 2019 in response to drought and the Operating Licence at the time. We were able to ramp-up and deliver drinking water efficiently when required ahead of schedule. Over this period, our operating costs were well below that

contemplated when the Plant was designed, which demonstrated the prudent management of the Plant during the 'water security' period.

After the drought broke and dam levels recovered by early 2020, the Plant continued to operate to respond to challenging emergency conditions as Sydney's rainfall-dependent supply network was affected by bushfires, storms and floods.

From mid-2023, the Plant has operated under new Operating Licence conditions where we have delivered water on a flexible full-time basis to supplement Sydney's rainfall-dependent water supply. Since 2023 we have looked to implement broad operational improvements and achieve challenging catch-up and ongoing efficiency targets. We have continued to refine our processes to control our costs and make prudent investment decisions that build on our operational knowledge so we can continue operating in the long run interests of customers. Figure 1 sets out a timeline of our history.

Figure 1: Operational history of SDP



2.2 Our context

As part of the process of developing this Strategy we have reflected on our history – where we are similar to, and thus can learn from other utilities, and where we are unique and can innovate.

We have a deep understanding of our business and the areas of our service delivery where we can look to improve and reduce costs.

SDP assets include the Plant located on the Kurnell Peninsula in Sydney's south and an 18km pipeline that connects the site to the Sydney Water network at Erskineville. Unlike retail water utilities that operate over a large geographic area and fulfil a range of services, we operate one integrated Plant and pipeline.

Where other utilities may need to consider a portfolio of investments covering both

improvement and renewal of existing assets and growth and delivery of new assets and services, most of our investment decisions are focused on our current Plant and pipeline. This presents opportunities, but it also limits some productivity initiatives that are better implemented at a larger scale or across broad programs of work.

Given SDP's role in the water supply network our asset management policies and processes are designed to consider not only if an investment is warranted, but when it is required.

SDP management and organisational structure

SDP operates with a lean corporate structure that reflects its role as a single-asset utility. A small corporate team is responsible for strategy, governance, regulatory obligations, financial

management and stakeholder engagement, while day-to-day operation and maintenance of the Plant and pipeline is delivered by our Operator under contract.

Box 1: Veolia Water Australia – our Plant Operator

- SDP Partners with Veolia Water Australia (VWA) to operate and maintain the Plant.
- Veolia, VWA's parent company, is a global enterprise with 170 years of experience and nearly 220,000 employees worldwide, providing specialised water and ecological services.
- Veolia technologies support 18% of global desalination capacity and VWA manages key local assets such as our Plant and the Gold Coast Desalination Plant, as well as many other Australian water and wastewater treatment facilities.
- Veolia's deep local presence in Australia, with over 600 Australia-based Operators and Engineers, ensures that it understands the unique challenges we face and can provide world-class solutions with local accountability, networks and purchasing power.
- Veolia has a history of identifying and delivering desalination processes and technology improvements. It undertakes research and development, and can deploy proprietary solutions at our Plant, including the use of machine learning and AI tools, to drive efficiencies and service improvements.

The Operator brings technical capability, operational resources and access to broader industry expertise, while SDP provides owner oversight, challenge and assurance to ensure decisions are aligned with customer values, Operating Licence and Water Supply Agreement requirements and long-term asset performance. This structure allows SDP to remain agile and focused on efficiency while retaining clear accountability for outcomes.

SDP's organisational model is supported by strong governance systems and processes, including

defined roles and responsibilities, structured contract management, capital planning and approval pathways, and regular performance review forums. These arrangements help ensure efficiency opportunities are identified by those closest to the Plant, tested through appropriate technical and commercial challenge, and implemented only where they deliver prudent long-term value for customers.

We have summarised SDP's management and organisational structure in Figure 2.

Figure 2: Our management and organisational structure



Cost control, systems and processes

Cost control at SDP is achieved through a combination of disciplined day-to-day management, clear accountabilities with our Operator and structured governance over investment decisions.

Small changes in operating practices, maintenance timing or capital delivery can have a direct impact on long-term customer value.

We focus on the following areas to control costs and drive efficiency:

1. Plant Operations

controlling variable costs (the cost per litre of drinking water) and the fixed cost of operating the plant (such as resourcing, security and administration).

2. Asset Management

controlling the fixed costs of maintaining the Plant to meet the service levels that are outlined in our licence and expected by our customer.

3. Long-term Investment Planning

forecasting and controlling longer-term costs, managing risks, and identifying transformational opportunities.

4. Corporate Functions

performing all of the business's corporate functions efficiently.

Figure 3: Focus areas for cost control



We maintain a greater focus on the operational side of our business where we have more opportunities for cost control and reduction while maintaining service levels. But we also look for savings in our corporate functions. We strive to maintain a high performing and knowledgeable team that is well placed to continue to deliver services, meet new regulatory obligations and respond to emerging issues.

Our systems and processes provide the framework for identifying, testing and implementing efficiency opportunities. This includes contract management processes, asset management planning, capital works procedures, procurement policies, performance reporting and regular review forums between SDP and the Operator.

These arrangements help ensure that efficiency is not treated as a one-off exercise but is embedded within our systems and processes. Opportunities are identified by the Plant Operator and reviewed by the corporate team, providing oversight within our governance framework. Projects only progress to delivery if they are consistent with our safe, reliable and efficient service delivery ethos.

As production patterns, asset condition and regulatory obligations change, SDP will continue to refine these systems and processes so that decisions remain evidence based, proportionate and focused on the Plant's lowest sustainable whole-of-life cost.

Flexible full-time operations

SDP's move to flexible full-time operations has changed the way the Plant is operated. Under the new Operating Licence conditions, the Plant is no longer managed primarily as a standby drought response asset. It is required to operate flexibly across a wider range of production levels while remaining ready to respond to Sydney Water's system needs.

Regular operation provides more and better information about Plant performance, operating limits, optimisation opportunities and how asset condition is impacted over time. It allows us and our Operator to test changes and improve day-to-day operations.

At the same time, variable production requests can make some efficiencies harder to realise, particularly where low-flow operation requires additional reverse osmosis membrane train cycling, flushing or other activities that increase unit costs. While the Plant was designed to operate on a modular basis, it is more energy efficient at higher levels of production.

As experience with flexible full-time operations continues to mature, we will use the evidence from actual Plant performance to refine our efficiency program. We will identify opportunities that improve efficiency at different production levels and use data to help drive more efficient outcomes.

2.3 Performance in the current regulatory period

This section summarises SDP's expenditure performance over the current regulatory period by comparing actual and forecast (2026-27) operating and capital expenditure against IPART's regulatory allowances.

It shows how effectively we have managed costs while continuing to meet our Operating Licence obligations, customer requirements and service expectations.

In the current regulatory period (2023-2027), we expect to:

- Underspend our operating expenditure allowance by \$11.1 million or 3.8%, and
- Underspend our capital expenditure allowance by \$9 million or 17.1%.

Our performance is summarised in Table 1, Figure 4 and Figure 5. We have managed our expenditure in line with IPART's allowances over the 2023-27 determination period (noting that phasing of capex and prudent deferrals have led to both under- and over-spends against allowances in individual years). In doing so we have met all required performance outcomes and achieved compliance with our Operating Licence.

Table 1: 2023-2027 comparison to expenditure allowances (\$2026-27)

	2023-2024	2024-2025	2025-2026	2026-2027	Total
Operating expenditure - \$2026-27, millions					
actual/forecast expenditure	\$72.9	\$63.9	\$66.3	\$79.5	\$282.6
allowance	\$79.7	\$65.4	\$68.3	\$80.4	\$293.7
Capital expenditure - \$2026-27, millions					
actual/forecast expenditure	\$10.92	\$11.03	\$10.75	\$11.14	\$43.84
allowance	\$26.84	\$11.96	\$7.31	\$6.78	\$52.89

Note: numbers may not sum due to rounding.

Figure 4: Actual operating expenditure compared to IPART allowance

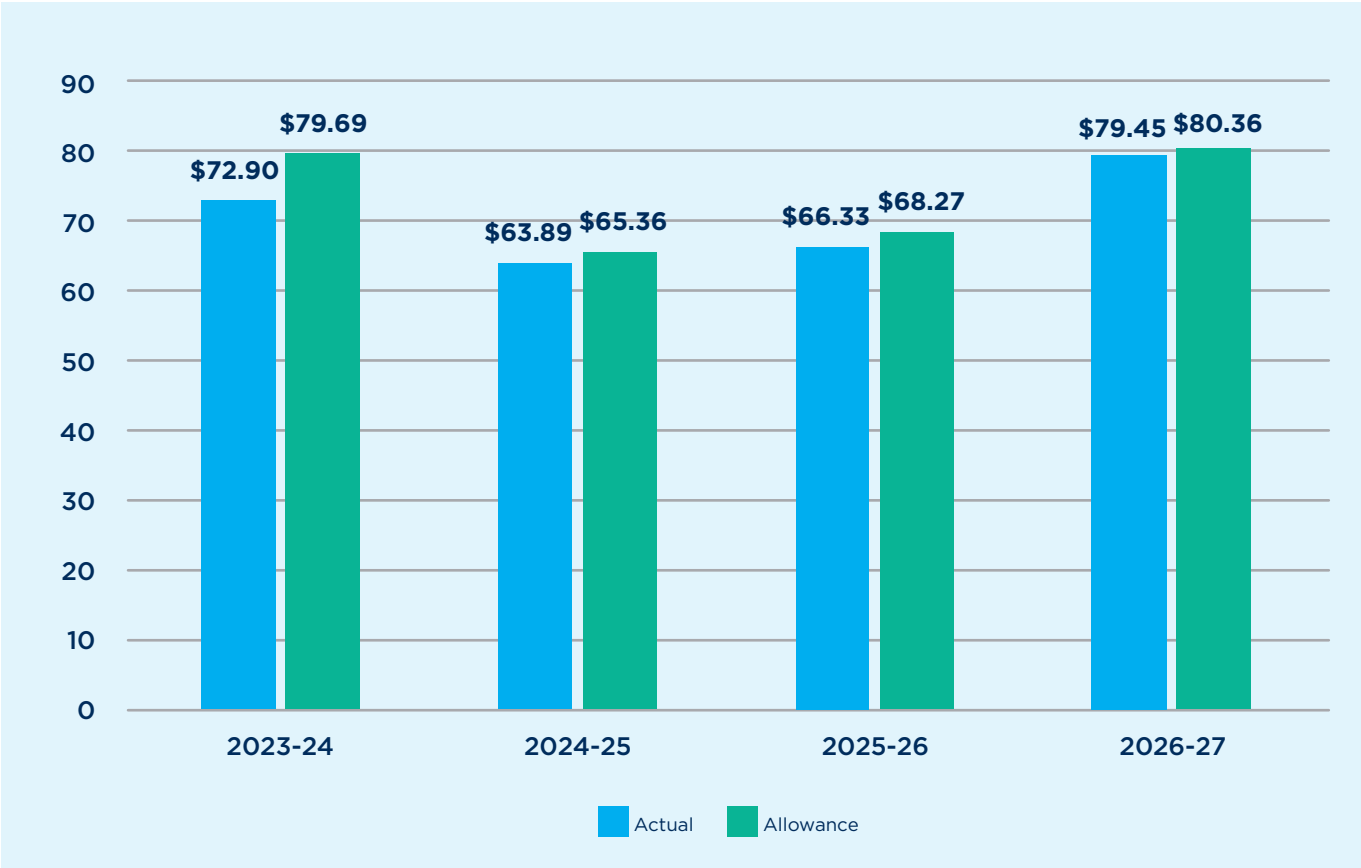
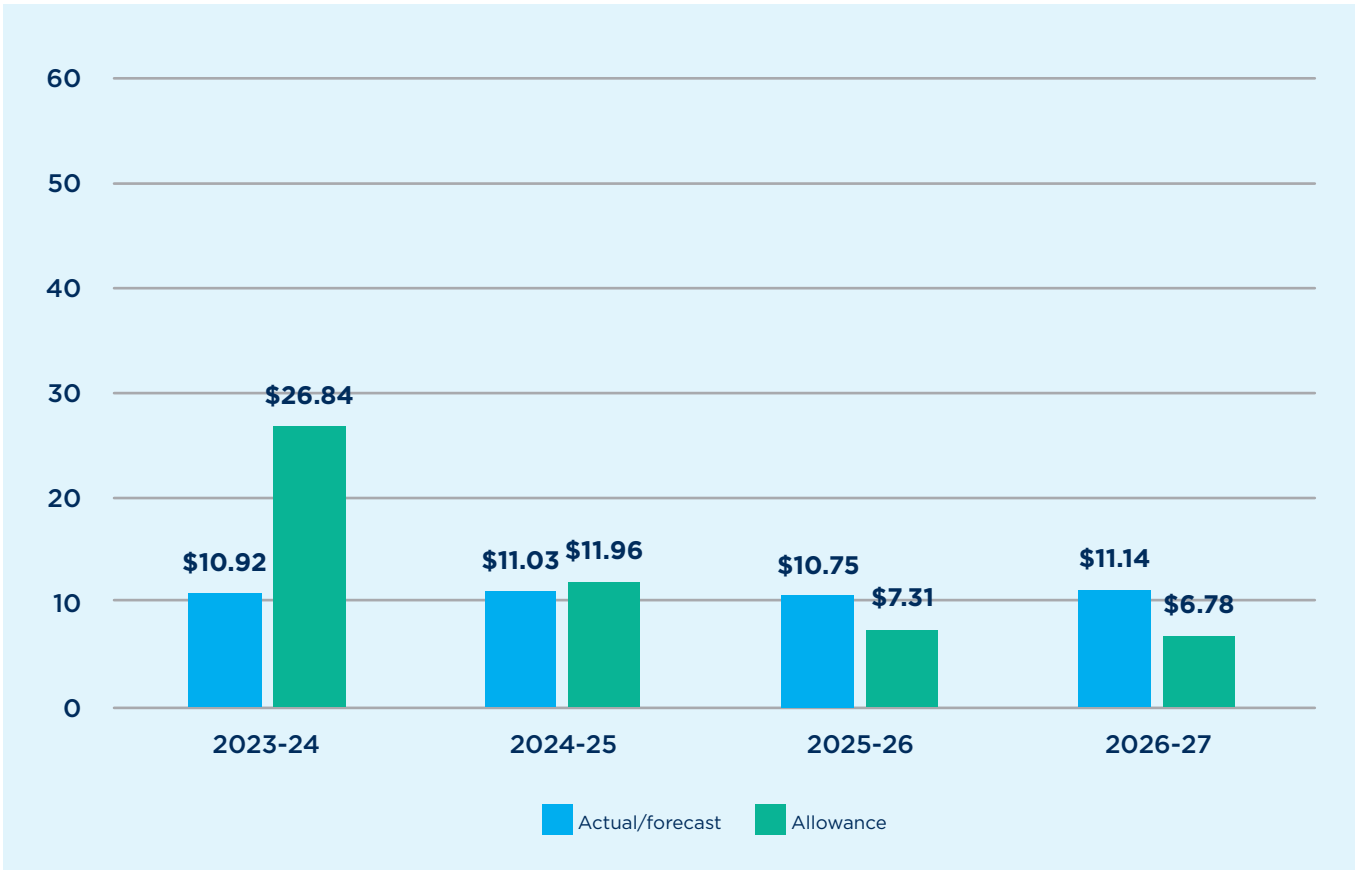


Figure 5: Actual capital expenditure compared to IPART allowance



2.4 Achievements and current initiatives

Over the current regulatory period, we have outperformed our efficiency targets in aggregate through the implementation of new initiatives and optimisation of Plant performance.

We have targeted areas that have the biggest impact on cost and the most opportunity for improvement – therefore our focus has been primarily on reducing energy and chemical treatment costs.

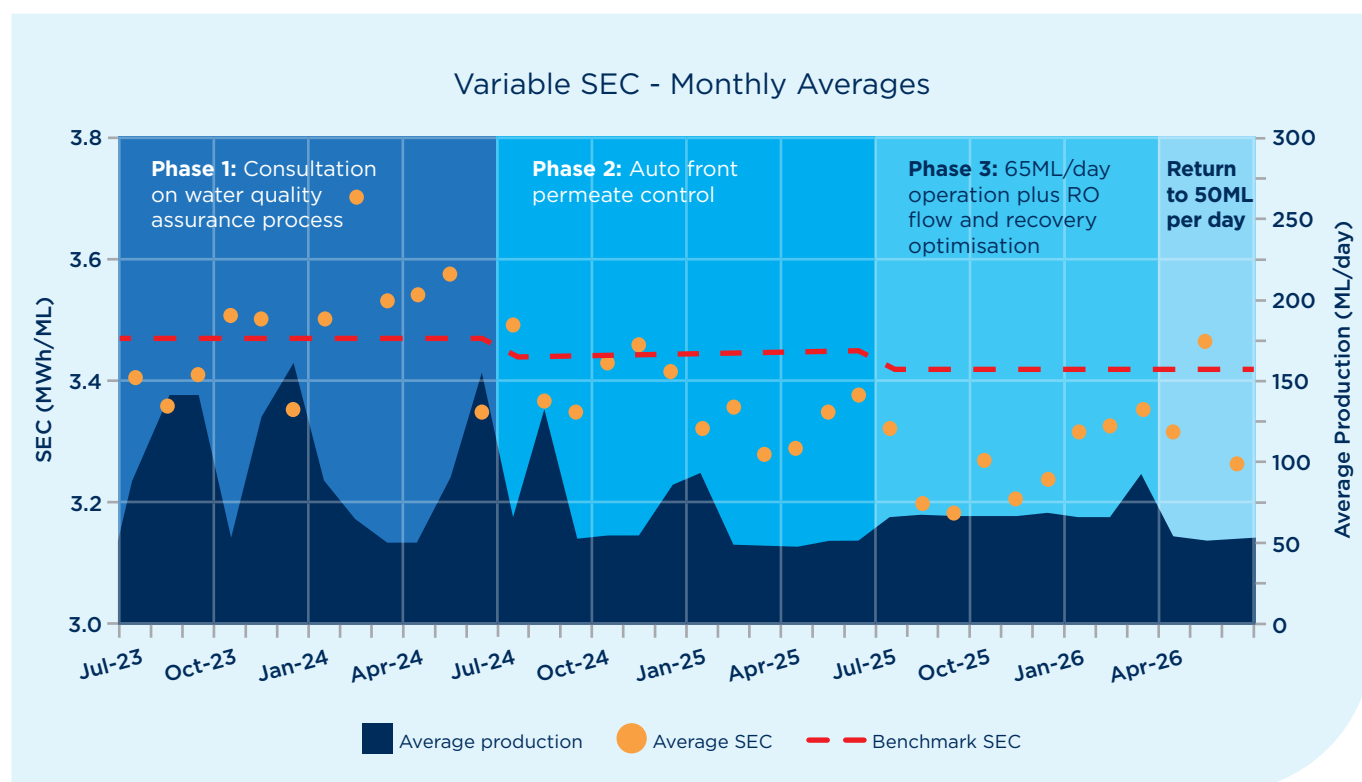
This section outlines areas where we have become more efficient and the initiatives we have implemented in this regulatory period.

Energy consumption (reducing variable cost per litre)

Energy costs represent the largest operational expense for desalination plants. Specific Energy Consumption (SEC) – the amount of electrical energy needed to produce a unit of drinking water – typically ranges between 3.5 - 4.5 megawatt hours (MWh) per megalitre (ML) produced by large-scale reverse osmosis membrane desalination plants.

In the current regulatory period, IPART set SDP an ongoing efficiency target of 0.7% per year across all cost categories, including energy. The first-year target was set at 3.466 MWh inclusive of efficiency, and has since fallen to 3.394 MWh per ML over the regulatory period (a further reduction of 2.1%). We have outperformed this SEC target despite not operating at or near maximum capacity where the Plant is more efficient (see Figure 6).

Figure 6: Specific Energy Consumption performance vs target



We achieved these savings by embarking on a multi-year, phased, optimisation journey, with each year creating the foundation for subsequent gains.

In the first year we continued to work with key stakeholders such as NSW Health and Sydney Water to investigate where we could make improvements to our treatment processes while still providing assurance of high quality and safe drinking water consistent with the Australian Drinking Water Guidelines and our Water Supply Agreement with Sydney Water. This was an important step that took around 18 months to complete.

In the 2024-25 financial year we were able to test, and in due course, permanently implement automatic real time control into the desalination process to optimise for daily seawater quality differences due to factors including temperature, and for the specific performance of each modular reverse osmosis membrane train.

The outcome was a significant reduction in energy consumption, with other minor reductions in chemical consumption and costs. Further information about the project to automate the front-permeate process is provided in Box 2.



Box 2: Front-permeate automation project

- The Front-Permeate Automation Project involved implementing automatic control of the 1st pass reverse osmosis (RO) permeate split process to reduce SEC. The 'split' refers to the proportion of water that is treated again through a second reverse osmosis step.
- The project's success criteria included achieving a defined reduction in energy consumption per ML (proportional to project cost) while maintaining compliance with drinking water specifications.
- Following implementation and testing, the project was able to achieve energy savings which exceeded the project's specifications.
- The Plant is now more flexible in its ability to produce front permeate regardless of seawater temperature, which is expected to lead to ongoing energy savings.

We have also been trialling different production profiles in years where we receive low or minimum annual production requests. Box 3 provides further information about our trialling of different production levels to meet minimum production requests.

Box 3: Operating at 65ML/d vs 50ML/d to meet minimum annual production requests

- In recent years when SDP has received low annual water orders, we have targeted producing 50 million litres per day (ML/d), which is considered the minimum sustainable operating level for the Plant to meet the requirements of the Operating Licence. This requires two first-pass and one second pass reverse osmosis (RO) membrane trains to operate, and turns over the volume of drinking water in the pipeline approximately once per day (about 46ML).
- Producing 50 ML/d is not the Plant's most efficient operating level. We must regularly cycle the modular RO trains on and offline to maintain the Plant's availability, keep offline RO membrane modules in a state of readiness without impacting performance, and meet the low production volume. This creates inefficiencies.
- Over the past few years, we have investigated targeting a higher daily 'minimum' production rate to reduce RO train cycling and the unit cost of water. Trial operations at 65 ML/d, where the Plant operates with three first-pass and two second-pass RO trains continuously, delivered a significant reduction in variable energy consumption and improved operational stability.
- While the drinking water produced has a lower unit cost, operating at 65 ML/d increases total annual production and overall cost. To compensate, there must be more non-production days to achieve low annual water orders.
- We have discussed these trials with Sydney Water to understand their preferred operating model and flow rate. Based on feedback, we intend to operate more often at 50 ML/d to reflect a preference to lower overall cost, rather than maximise energy efficiency.
- We have accounted for this operational preference in our proposal, setting our efficiency target assuming a mix of low and high production. Furthermore, we will continue to seek opportunities to lower overall cost and operate as efficiently as possible to meet low annual water orders and have set our efficiency target accordingly – assuming further investigation will allow us to save energy even at low production.

We continued to identify and test other improvements to energy consumption under trial conditions. However, these further improvements are largely dependent on our production levels and may not be achievable at lower annual production request levels – the predominant production scenario over the regulatory period. We will continue to develop and optimise these settings over the next regulatory period to support us meeting our proposed efficiency target.

Water treatment optimisation

Over the current regulatory period we set ourselves a challenging efficiency target to reduce our water treatment costs. We focused on two areas to improve and reduce costs.

Firstly, we were able to reduce our chemical dosing rates at various stages of the water treatment process while maintaining performance within required water quality specifications. Secondly, we were able to improve our chemical dosing efficiency through physical improvements to assets and control system changes. This includes:

- **Pre-treatment:** optimisation of the pH target and coagulant dosing to reduce consumption of these pre-treatment chemicals.
- **Reverse osmosis membrane process:** careful and considered reductions to antiscalant dosing to reduce cost without fouling of the reverse osmosis membranes. We have undertaken sound, ongoing management of our membranes to maintain their condition which has enabled us to limit sodium hydroxide chemical dosing. We have also changed our reverse osmosis membrane cleaning regime by utilising a mix of lower cost chemicals which achieve the required cleaning at a lower cost.
- **Post treatment:** a variety of control improvements have increased the efficiency of the remineralisation system and delivered the same water quality at a lower consumption rate. This has also improved the way the system reacts to changes in production.

Systems and processes

Improvements to systems and processes are an important part of delivering ongoing improvement and control costs.

Finding better ways to undertake repeatable tasks can reduce costs with savings compounding over time. In the lead up to submitting this pricing proposal we undertook an internal review of our asset management systems and processes. This review found that SDP's asset management systems and processes are fit for purpose, which will support efficient outcomes into the future.

During the current regulatory period, we agreed to a new contract with our Operator which aligns expectations across all our assets - the Plant, the drinking water pump station and delivery pipeline. The new contract is clear on the information the Operator must deliver so the corporate team can have adequate oversight and challenge maintenance and operational practices.

We have aligned our strategic asset management plan with SDP's recently revised asset management standard, and in doing so improved the way SDP communicates expectations to our Operator along with specific and measurable objectives to track progress. The Operator will use this information to

update plans and align its activities so the Plant is operated and maintained appropriately in line with risk and service expectations.

We have addressed feedback received from IPART in its last review of SDP's prices by improving our cost estimation approach to produce better short- and long-term forecasts. We have also improved the annual process of assessing asset condition and prioritising projects to maintain Plant reliability while reducing costs.

In its last review, IPART and its consultants suggested other areas where we could improve efficiency such as altering the impellers of our reverse osmosis high-pressure pumps to reduce energy consumption. We have investigated these suggestions through our long-term investment and key asset strategies, and while we found that high-pressure pump changes were not supported by our analysis, we identified other ways to improve performance and have incorporated these into our proposal.

As the Plant ages, we are forecasting an increase in the volume and scope of projects that need to be delivered over the next 10 years. We have continued to develop and refine our policies and processes to identify, prioritise and justify projects, which in combination with our robust governance framework ensure only projects that are needed progress to delivery.



Technology and digitisation

Central to all our services and supporting tasks is the use of technology.

Over the current regulatory period we have consolidated our corporate systems and document control into an integrated Microsoft 365 environment. We have consolidated all our IT and communications support services under one supplier to improve efficiency. Our systems must be secure and fit for purpose to support us to provide our essential services.

In our flexible, full-time operating role, we are now at a point where it makes sense to invest in automated systems and reduce manual processes. We have updated corporate systems, including our accounts payable system to empower internal capability and reduce reliance on external providers. We are also in the process of implementing a new Human Resources (HR) system to replace (at an equivalent cost) our existing manual processes. Both solutions have the added benefit of being able to scale at cost when SDP is required to expand the Plant in the future.

We are also acutely aware of leaps in AI capability and how these tools can contribute to and improve efficiency. Our team has started to build skills and utilise AI tools to improve productivity. We are also exploring niche AI applications across our systems and processes to improve efficiency and automation.

AI is starting to be utilised in desalination processes, with some plants around the world testing AI in optimisation and automation applications. SDP and our Operator are closely monitoring industry developments to identify future opportunities. Over the current regulatory period, we investigated some applications of AI tools for plant process optimisation. However, after analysis, we decided that currently identified potential savings and the commercial structure of supplier offerings did not yet provide value for customers – at this time the benefits remained unproven or untested, risky to implement or incompatible with SDP's flexible full-time operating model.

As we look for ongoing efficiency, we are looking to digitisation and technology to improve existing processes. We have developed a Digital and Operational Technology Roadmap and strategy to chart a course in the next regulatory period and the longer term as outlined in Box 4.

Box 4: Digital and Operational Technology Roadmap

- SDP is delivering great outcomes because of capable people and useful systems. But the process of pulling together information and tailoring it for decision-making is complicated, often includes manual steps and is dependent on key personnel.
- We see an opportunity to improve how information is captured, checked, retained and used. By standardising and automating the collection of data and manipulation of large datasets, we can better analyse information to provide more insights more quickly and improve decision making.
- We have mapped our processes in detail, and identified a short, medium and long-term roadmap of initiatives in the following areas: Reporting and assurance; Asset readiness, condition and history; Capital planning and close-out; and Plant evidence and readiness.
- One enabler we are investigating is the use of AI. However, our approach is deliberately staged, so we only implement AI solutions when it adds value to processes and is appropriately governed. Our first step is to strengthen data quality and reporting to enable AI deployment.
- We will seek to leverage new technology, digitisation and AI (where secure and practical) to deliver our ambitious efficiency targets backed by a general industry and economy-wide trend of utilising technology and AI to realise gains.
- In our roadmap, we have identified areas where we believe there is scope to improve and articulated the outcomes we seek to achieve. However, we are taking a program approach – the intent is not to deliver every initiative on the roadmap, but to use it dynamically. To progressively select and prioritise initiatives that have a strong likelihood of success and show value for money.



2.5 Our expenditure compared to our peers

Where possible, we look to compare ourselves to our peers to ensure we are on the cost efficiency frontier. SDP has similar external, regulatory, Operating Licence and business obligations to large, geographically diverse, vertically integrated water utilities, but our operations are much smaller and specialised, covering a single operational site.

To support this regulatory proposal, we have sought to better understand how we compare to industry peers. The Water Services Association of Australia (WSAA) undertakes regular benchmarking analysis of Australian water utilities. In 2025, WSAA expanded its benchmarking study for the first time to include some parameters specific to Australian desalination plants. This provided an opportunity for SDP to participate in the process.

WSAA collected information from participating

utilities and ‘normalised’ the outputs to better compare parameters between desalination plants. Our desalination operations were compared against other desalination plants across six cost categories. Table 2 shows a summary of the results of SDP’s expenditure by category and compares results by quartile and to the median. The results showed that our operational costs are below median in 3 out of 4 categories, and when combining energy and chemical costs these categories are also below median.

Table 2: SDP benchmarking results compared to Australian desalination plants

Category	Quartile
Operations and maintenance expenditure	1st Quartile
Opex + Renewals capex	2nd Quartile
Energy expenditure	1st Quartile
Chemicals expenditure	3rd Quartile
Chemical and Energy combined expenditure [1]	2nd Quartile

Source: WSAA benchmarking study. Notes: [1] Chemical and energy expenditure is best considered as a combined category. Some processes, particularly during pre-treatment are designed to optimise the trade-off between energy and chemical consumption.



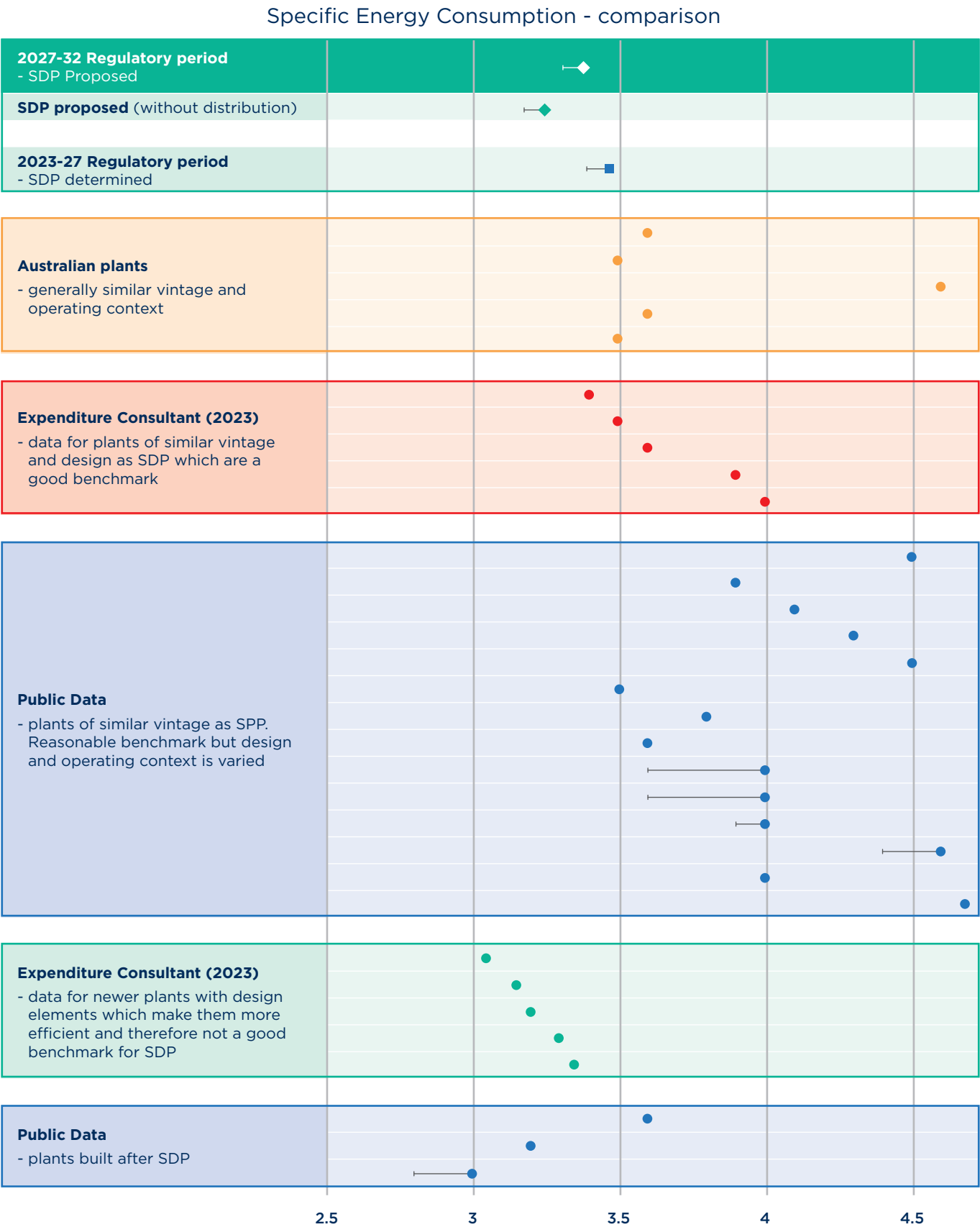
Benchmarking specific energy consumption

Producing desalinated water is energy intensive and SDP is focused on initiatives that reduce SEC. SDP was designed to achieve a specific SEC target at maximum production and is operating at well below that level.

Desalination plant design, and vintage, are material to energy consumption performance – influenced by inlet seawater quality, desired product water quality, configuration, typical production versus full capacity, and operational context. For example, certain design configurations are inherently more efficient than SDP – such as plants that utilise a pressure centre design where single larger pumps feed multiple reverse osmosis membrane modules or trains. However, the trade-off is that a single pump failure can affect a high percentage of capacity, and that there is limited flexibility in the range of production a plant can deliver. Larger plants predominantly operating at full capacity also tend to be more efficient, such as many of the desalination plants operating through the Middle East.

Accurate and comparative data on SEC performance is therefore generally hard to come by due to these differences in design, uncertainty on inclusion or exclusion of distribution, timing of data, and commercial sensitivities. Nevertheless, SDP has compiled publicly available SEC data from other existing desalination plants, and previous data provided by IPART's expenditure consultant in past reviews, and compared it to SDP performance (which does include distribution through our pipeline). Acknowledging limitations of the data, SDP performs well against other desalination plants of its vintage, size and with similar design, and we are continuing to optimise – approaching benchmarks set by newer and larger plants. Figure 7 below presents this information without specific attribution or 'identifying individual plants'.

Figure 7: SEC benchmarking



SOURCE: International Water Association (IWA) publishing, 2023 SDP expenditure review.

Disclaimer: Verified public energy consumption data is limited due to commercial sensitivity, and comparison between plants is challenging due to differences in plant design, operating duty, inlet water quality and uncertainty in timing and data boundary (e.g. inclusion/exclusion of distribution in data). Data has been sourced in published material but has not been independently verified by SDP.

Benchmarking limitations

Benchmarking SDP and the Plant to other desalination plants and water utilities provides some useful information to inform areas to target for improvement. However, there are limitations to the usefulness of this information.

The WSAA benchmarking study compared SDP to all other Australian water utilities that participated in the study. SDP is typically an outlier in the benchmarking study because of our operating model, single site location and associated delivery pipeline. Most water utilities in the study operate large, geographically dispersed networks that include water treatment, distribution, wastewater collection and treatment, retail functions, customer service, growth servicing and broad capital delivery programs.

Benchmarking results are normalised to improve comparability, for example, by customer numbers, connections, network length, production capacity, production volumes or asset value. However, these normalisers do not fully account for SDP's single-asset structure, flexible full-time operating model, or the need to maintain readiness and reliability to comply with our Operating Licence. While SDP generally benchmarks well, we are typically an outlier in the study due to the aforementioned factors.

Similarly, there are limitations comparing SDP's SEC performance compared to other desalination plants. Desalination plants are designed to optimise energy efficiency at the time they are constructed. Changes in design philosophy, innovation and efficiency improvements are embedded into newer plant designs which are typically more efficient.

Similarly, environmental and operational factors, such as delivery pipeline length, operational models, seawater quality and temperature and input costs play a large role in explaining actual performance between plants.

SDP treats benchmarking as one source of evidence rather than a definitive measure of efficiency. The results are most useful when they prompt targeted review to inform further analysis of the drivers behind differences in expenditure and performance. This is the first year that specific desalination categories have been included in the WSAA study, so insights on target areas are limited at this stage – however it is a step in the right direction and as a participant we may have the

opportunity to shape the scope of future studies. SDP will continue to participate in benchmarking studies, particularly where they provide desalination-specific insights, but will interpret results alongside our own historical performance and achievable but challenging efficiency targets.





3. OUR COST EFFICIENCY TARGET

3.1 Our efficiency target for 2027-2032

We have proposed a challenging efficiency target to apply to our forecast operating and capital expenditure over the 2027-32 period.

We propose a:

- 0.7% efficiency target applied to our controllable fixed operating and capital expenditure allowances, and
- 0.5% efficiency target applied to variable specific energy consumption and a 0.3% efficiency target applied to fixed energy consumption.

We consider this represents a realistic, yet challenging and ambitious target. This equates to a total cost saving over this period of \$9.1m (Table 3).

Table 3: Our 2027-32 cost efficiency target

2027-32 5-year total	Opex	Capex
0.7% efficiency target	\$5.3 million	\$3.8 million

We propose that all our efficiency targets compound over time which means we need to find and maintain savings year-on-year over the regulatory period. These targets are in addition to one-off 'step-change' efficiencies totalling approximately \$0.5m already incorporated into our proposal.

3.2 How we set our target

This section outlines the factors we considered to set our proposed target.

Engagement feedback

We undertook a comprehensive engagement approach as outlined in Chapter 3 of our pricing proposal. We heard from Sydney Water, our Customer Advisory Panel, Department of Climate Change, Energy, the Environment and Water and from reviewing Sydney Water's customer engagement data that reducing cost to customers was important. Therefore, we have set out to challenge ourselves to become even more efficient over the next regulatory period because it will lower our costs and deliver savings for customers.

During our engagement workshops we asked workshop participants if SDP should invest more and become an innovation leader in desalination technologies or should continue to be an 'innovation taker' and only look to deliver projects that have tangible benefits, including cost savings. Workshop participants told us that becoming more efficient is important and SDP should look to improve its processes over time, but that it was not as important that SDP be an innovation leader in desalination technologies.

Workshop participants also told us that accountability is important and that SDP should report on its performance against its efficiency targets. We have incorporated this feedback and our proposed performance measures, as outlined in Chapter 9 of the proposal, include energy efficiency targets that we will report against annually.

Internal assessment

We tested the proposed efficiency target through an internal assessment process that combined bottom-up opportunity identification with top-down challenge. We reviewed opportunities across Plant operations, energy and treatment processes, maintenance, capital delivery, asset management, digital systems and corporate functions. We drew on input from SDP's corporate team, our Operator and external specialists, and prioritised opportunities by considering materiality, deliverability, whole-of-life cost, risk and alignment with our licence and service obligations.

The assessment and approach, which is outlined in sections 4 and 5 of this strategy highlight the practical initiatives and enablers that can support ongoing efficiency over the 2027-32 regulatory period. As part of this process, we prioritised areas for investigation now and areas suitable for investigation in the future.

We also considered the operating challenges that could affect delivery, including climate variability, energy market uncertainty, workforce constraints, the age of the Plant, production variability and technical limits on further optimisation. These factors do not remove the need for a challenging target, but they helped us calibrate a target that is ambitious without creating incentives to defer prudent maintenance, compromise reliability or shift unacceptable risk to customers. The result is a target that stretches SDP to continue improving while remaining grounded in our operating context and long-term customer value.

SDP is already operating at or close to the efficiency frontier in several areas, and the scope within our operations to find significant savings is narrowing. For this reason, the target relies not only on known initiatives, but also on the continuing uplift of our asset management systems, better use of data and technology, disciplined capital planning and sustained operational improvement. To achieve our target we will also need to find savings from initiatives that are yet to be identified.

3.3 Why this target is realistic and challenging

Our proposed 0.7% annual efficiency factor is realistic because it is grounded in SDP's actual performance, operating experience and identified improvement pathway.

Over the current regulatory period, we have continued to find efficiencies in areas that matter most for customers, particularly energy consumption, chemical use, operational practices, asset management and corporate systems. This demonstrates that SDP has an established continuous improvement capability and that further efficiencies are achievable where they are supported by evidence, operational testing and appropriate change control.

The target is challenging because SDP is already operating close to the efficiency frontier in several key areas. The 2025 WSAA benchmarking results indicate that our operating costs, when compared with other Australian desalination plants, are below median in 3 out of 4 categories, and when merging energy and chemical costs this combined category is also below median.

The easiest and most obvious cost saving initiatives have already been implemented at SDP, including energy control improvements, chemical dose optimisation, improved membrane management, contract and asset management uplift, and more disciplined capital planning. Future efficiencies will increasingly require more targeted investigation that is supported by actual performance data.

At the same time, we consider the target is realistic because it reflects our informed understanding of where practical improvement opportunities are likely to exist across the Plant, pipeline and supporting corporate functions. Flexible full-time operations have given SDP and our Operator more information about how the Plant performs across different production levels and water quality conditions. This has created opportunities to refine operating settings by optimising low-flow operation, improving treatment efficiency, and using digital and operational technology to support better decision-making. Some opportunities, such as further optimisation are already identified and will be investigated during the 2027-32 regulatory period. These opportunities provide a credible pathway to achieving the proposed efficiency factor.

However, achieving the target will not be straightforward. SDP faces constraints that are

different from those of larger, vertically integrated water utilities. We operate a single critical asset and associated delivery pipeline, rather than a broad portfolio of assets and services where efficiencies can be spread across many activities. Our scale limits the scope for some productivity initiatives, and our Operating Licence, water quality obligations and environmental requirements set clear boundaries around what can be changed. In addition, the Plant is ageing, and production uncertainty can affect when and how efficiencies can be realised. Low or variable production can reduce the benefits of some energy operating efficiencies, while ageing assets may require additional maintenance or renewal to maintain reliability and service levels.

For these reasons, the 0.7% target takes into account SDP's single-asset context, scale constraints and regulatory obligations. It is deliberately more challenging than simply locking in known savings, because it requires SDP to identify, deliver and maintain efficiencies year-on-year over the regulatory period.

The target is comparable to market sector productivity and other regulatory decisions, but appropriately adjusted for SDP's unique circumstances. The 0.7% annual efficiency factor represents a meaningful stretch because it requires sustained improvement from a business that is already lean, specialised and generally performing well against desalination peers.

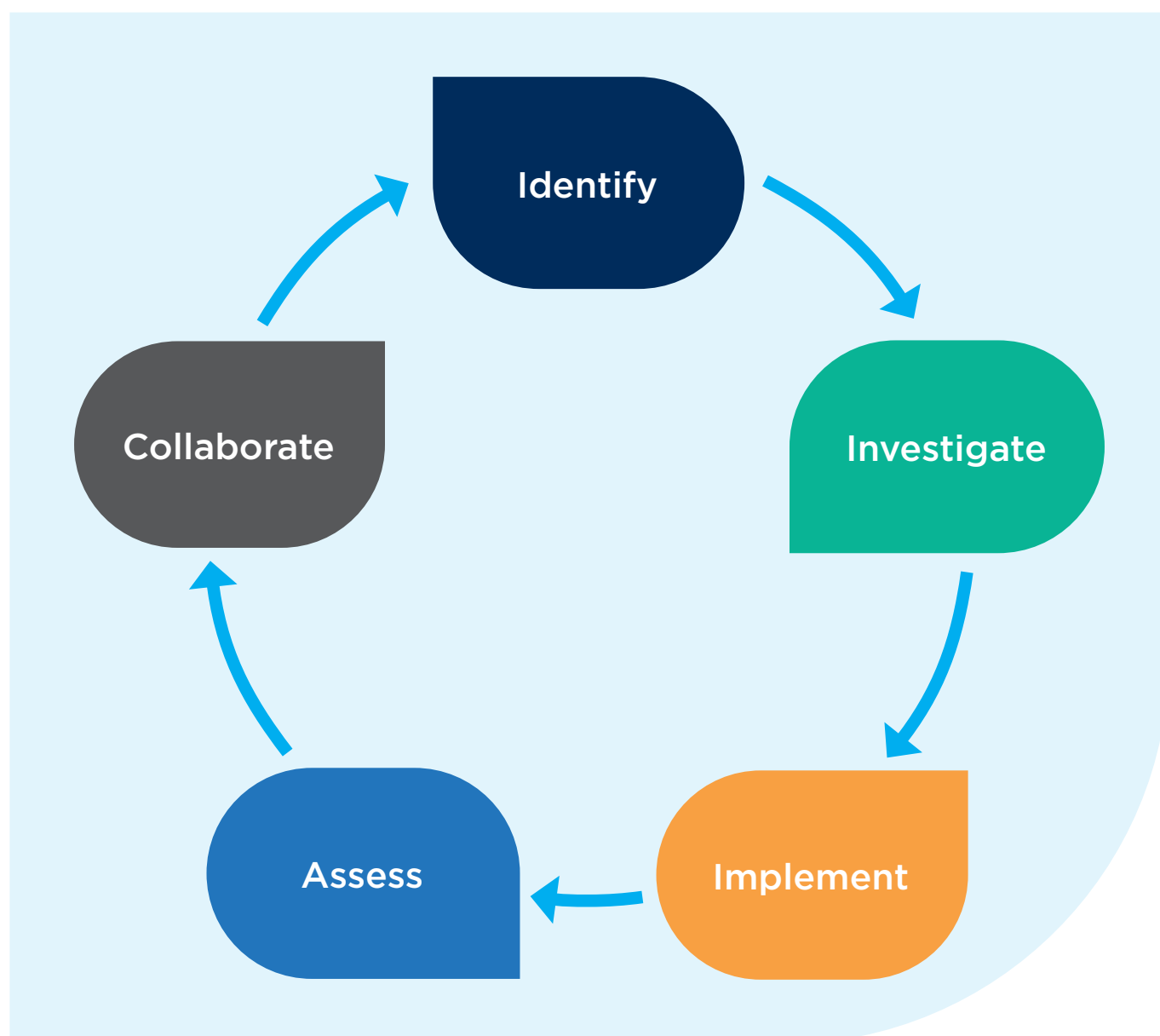
The proposed target is also aligned with regulatory expectations. IPART expects utilities to demonstrate that their expenditure forecasts incorporate efficient costs and that businesses continue to pursue productivity improvements over time. Our proposed efficiency factor sits within a documented strategy that explains how opportunities are identified, assessed, prioritised, delivered and tracked. It is supported by our bottom-up review of plant processes, improvements to asset management and capital planning, operator engagement, benchmarking insights, and our ongoing focus on digital and technology-enabled improvement. This provides a transparent basis for applying an annual efficiency factor while also demonstrating that SDP has a practical delivery model to support it.

4. OUR PLAN TO MEET THE TARGET

We understand our history and the role we play in the delivery of high quality drinking water to Sydney, the key functions that contribute to the services we deliver, our general approach to finding efficiency and specifically how every area of our business is responsible for identifying opportunities within the individual functions.

Figure 8 shows our simplified framework which we follow in our cycle of continuous improvement.

Figure 8: SDP Cycle of continuous improvement



4.1 Our strategy to identify efficiencies

We utilise tools and strategies to point us in the right direction – where to look, and when to implement.

Where

Operations: centred on the Plant, day-to-day operations and maintenance delivery. This is where the largest controllable cost drivers sit (energy, chemicals, maintenance and asset interactions).

When

Ongoing incremental improvement: the regular, practical changes that reduce cost, improve reliability or make work more efficient over time. These are often small individually, but they compound over time and are central to meeting our ongoing efficiency target.



Plant Operations:

- Our Operator is key to driving Plant efficiencies including process improvements and optimisation. These are targeted through 'business as usual' Plant operations, review of performance by the process teams, investigating, preparing for, and testing potential improvements and implementing those that provide benefit without undue risk to service.
- SDP and our Operator work together to identify improvements through forums like our Innovation Forum, and service review meetings, challenge of processes and decisions, that drives well-defined contract incentives. These may include capital initiatives which can also be recognised through our long-term investment strategy.
- Our Operator has an extensive network of experience both in Australia and internationally as one of the world's biggest water companies. It leverages this knowledge base to identify trends or initiatives that have been successful elsewhere.

- SDP and our Operator will also utilise external expertise from time to time to detail emerging trends and allow a "fresh eyes" review of our processes. This includes technical assistance, long term strategy assistance, detailed design, benchmarking, and audits.

Corporate:

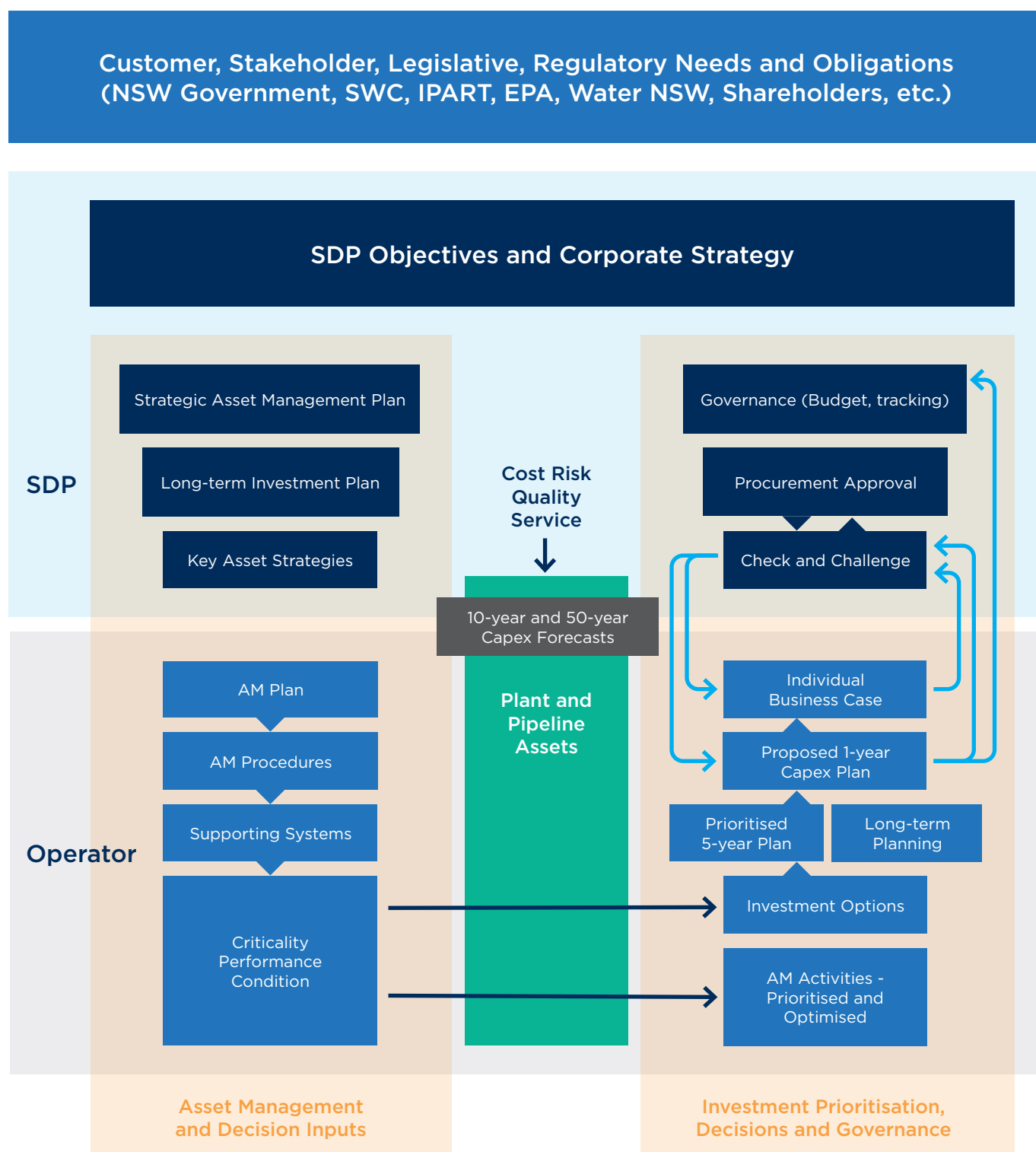
- SDP has a small team who understand our unique obligations and are well placed to deliver our services efficiently.
- We encourage our team to generate ideas to streamline processes and understand roadblocks. However, we also understand our limitations, and as a small team and single asset utility we must rely on expert advisors and subject matter experts to push us in the right direction and add to our internal capability.
- One of the key areas where we seek to improve is to build on our internal expertise and increase the amount of work we can deliver more efficiently 'in house'.

4.2 How we prioritise investment

SDP applies a structured and proportionate approach to identifying, prioritising and delivering efficiency initiatives and capital projects.

This ensures investment decisions are timely, evidence-based and focused on long-term customer value.

Figure 9: SDP's decision making and prioritisation ecosystem – covering both routine activities and capital investment



SDP applies a structured and proportionate approach to identifying, prioritising and delivering efficiency initiatives and capital projects. This ensures investment decisions are timely, evidence-based and focused on long-term customer value.

1. From performance insight to targeted opportunities

We continuously monitor asset condition, plant performance, cost drivers and operational risks. This gives us early visibility of emerging issues, inefficiencies and improvement opportunities. Potential initiatives are identified through operational performance trends, asset lifecycle assessments, experience from day-to-day operations, lessons from previous investments, benchmarking, technology developments and expert input. This ensures our focus remains on areas with the greatest potential to improve outcomes at least cost.

2. Shortlisting and prioritisation

Potential initiatives are shortlisted and prioritised based on their contribution to delivering safe and reliable water supply, asset performance, efficient long-term cost outcomes and timely intervention. We consider asset strategy and criticality when deciding whether an action is required now, can be deferred, or is best managed through a run-to-fail approach. This ensures resources are directed to the initiatives that matter most and that investment timing is considered as carefully as the investment itself. All capital projects are approved consistent with the rules and procedures outlined in our Procurement Policy.

3. Value-for-money tests

Shortlisted initiatives and capital projects are tested against a consistent set of value-based questions. These include whether the proposal maintains or improves service outcomes, complies with licence and environmental obligations, minimises whole-of-life cost, remains robust under different production scenarios, is appropriately timed, has been compared with viable alternatives, is best led by the Operator or SDP, and represents either incremental improvement or a well-timed step change. These questions help ensure we pursue the right solution, at the right scale and at the right time, and form the basis of our business case template.

4. Proportionate business cases and review

Initiatives that progress are supported by a right-sized business case, scaled to the cost, complexity and risk of the proposal. Business cases document the problem being addressed, options considered, expected benefits, lifecycle cost impacts, assumptions, risks, dependencies, delivery approach and accountabilities. Each proposal is then subject to top-down review to confirm that it represents efficient use of customer funds and aligns with SDP's broader objectives.

5. Disciplined delivery and learning

Once approved, initiatives and projects are delivered with a focus on scope discipline, cost control and outcomes. We track delivery and post-implementation performance to confirm benefits are realised. Projects are closed out appropriately, with lessons learned fed back into future planning, prioritisation and business case development.



4.3 Where our ideas have come from to date

Consistent with our overarching cost efficiency strategy and processes outlined in this section, we used several approaches to identify areas for further improvement.

These include:

- Undertaking a comprehensive review of our Plant operations, area by area, to identify process optimisation opportunities, including initiatives implemented and passed on to customers, initiatives for further investigation in the next regulatory period (incorporated in our efficiency target), and where further efficiency is not feasible. A summary of results is presented in Section 5.
- An independent 'Systems and processes' review against best practice to understand what we do well and where we can improve.
- An expert review and uplift of our Strategic Asset Management Plan including measurable goals to drive improvement and track our progress.
- Development of long-term investment strategies for key assets to ensure we identify, in advance, the lowest lifecycle cost approaches and potential transformational efficiency opportunities presented as assets reach the end of their design life.
- Development of our Digital and Operational Technology strategy and roadmap – which will provide a framework to select the right options that link to our and customer objectives, adequately prepare the foundations to implement solutions where benefits can be demonstrated, and then get the most out of them once in place.
- A feasibility study and cost benefit analysis examining the suitability of Research and Development (R&D) to progress efficiency outcomes, including low, medium and high investment options.

Since the restart of the Plant in 2019 and during the current regulatory period we have consistently delivered efficiencies and met our expenditure targets.



5. FUTURE EFFICIENCY OPPORTUNITIES

This chapter sets out the future efficiency opportunities SDP will pursue during the 2027-32 regulatory period to support delivery of its proposed efficiency target.

It identifies practical initiatives across operations, asset management, capital planning and corporate functions, with priority given to areas that offer the greatest customer value and are feasible to deliver without compromising safe, reliable service.

Key opportunities include further energy optimisation, chemical and treatment process

improvements, reduced non-revenue water, stronger asset information, improved long-term forecasting, better capital delivery processes and staged digital and technology improvements. The chapter also explains how SDP will maintain accountability through internal governance, Operator engagement, benefit tracking and external reporting.

5.1 Initiatives identified and prioritised for the 2027-32 regulatory period

Through the development and implementation of our cost efficiency strategy and our regulatory proposal, we have identified several areas to prioritise for the 2027-32 regulatory period.

The areas that we will investigate the potential size of the savings over the next 5 years are summarised in Table 4.

Table 4: Our 2027-32 cost efficiency target

Process area	Efficiency initiatives	Potential savings	Priority
Operations	Energy efficiency	High	High
	Chemical and treatment optimisation	Medium	High
Asset management	Strategic asset management	Medium	Medium
	Digital and technology strategy	Medium	High
Capital expenditure and long-term investment strategy	Improved forecasts	Low	Low
	Prioritising delivery	Medium	Medium
	Capital delivery	Medium	Low
Corporate costs	Digital and AI implementation	Low	High

Potential savings >\$1m over period

Potential savings \$0.5m to \$1m over period

Potential savings <\$0.5m over period

5.1.1 Operations

In the current regulatory period we have reviewed all areas of the Plant and processes, identified the highest value and most feasible areas to target improvements, prepared for and trialled improvements and implemented those that were successful during trial. In the 2027-32 regulatory period we will continue to investigate other improvement opportunities.

Initiative: Energy efficiency

Continuing energy efficiency remains a key focus in the 2027-32 regulatory period. We have identified several pathways to achieving our efficiency target, but all remain dependent on other areas of our efficiency strategy. These are:

1. Continue the multi-phase optimisation pathway we began in the current regulatory period which is currently reliant on a higher ongoing production level. We will continue to investigate ways to improve process stability and optimise the reverse osmosis process even while at lower production.
2. Our long-term investment strategies have demonstrated it provides lowest whole of life costs to retrofit our DWEER energy recovery devices with more modern and efficient pressure exchange devices. We estimate this can deliver significant aggregate savings, delivered incrementally over the next 10 years.
3. We will pilot targeted technology (including AI and machine learning) which analyses operational data and proposes system settings to optimise performance. The benefits from this are difficult to quantify, but we will investigate whether technology such as this can help to meet our ongoing efficiency target.

Initiative: Chemical and treatment optimisation

Treatment efficiency and reductions in chemical dosing costs are also priorities during the 2027-32 regulatory period:

1. Reduced chemical cost will also be achieved through minimising 'non-revenue' water which is used within our Plant treatment processes (e.g. for backwashing filters, or flushing equipment). The three energy efficiency initiatives will help, given a partial contributor to energy efficiency in these cases is reducing the amount of 'process water' used internally.
2. We have also identified other areas where we may be able to further optimise dosing or improve the control of our treatment processes – however we do not predict significant opportunities in these areas. We have delivered several improvements in the current regulatory period and have identified additional areas to target in the next regulatory period, including improvements to our pre-treatment filtration and post-treatment lime clarification processes and optimising our management of organic growth in the intake tunnel by targeting chlorine shock-dose interventions.

5.1.2 Asset Management

Letting our data tell a compelling story and help us make better informed decisions is key to managing our assets better, predicting rather than reacting to performance deterioration and deploying our resources more efficiently.

Initiative: Strategic Asset Management

We have made improvements to our Procurement Policy and Strategic Asset Management plan to align to the revised asset management standards and promote better execution of customer preferences and SDP objectives. These changes aim to improve outcomes in a range of areas, including to:

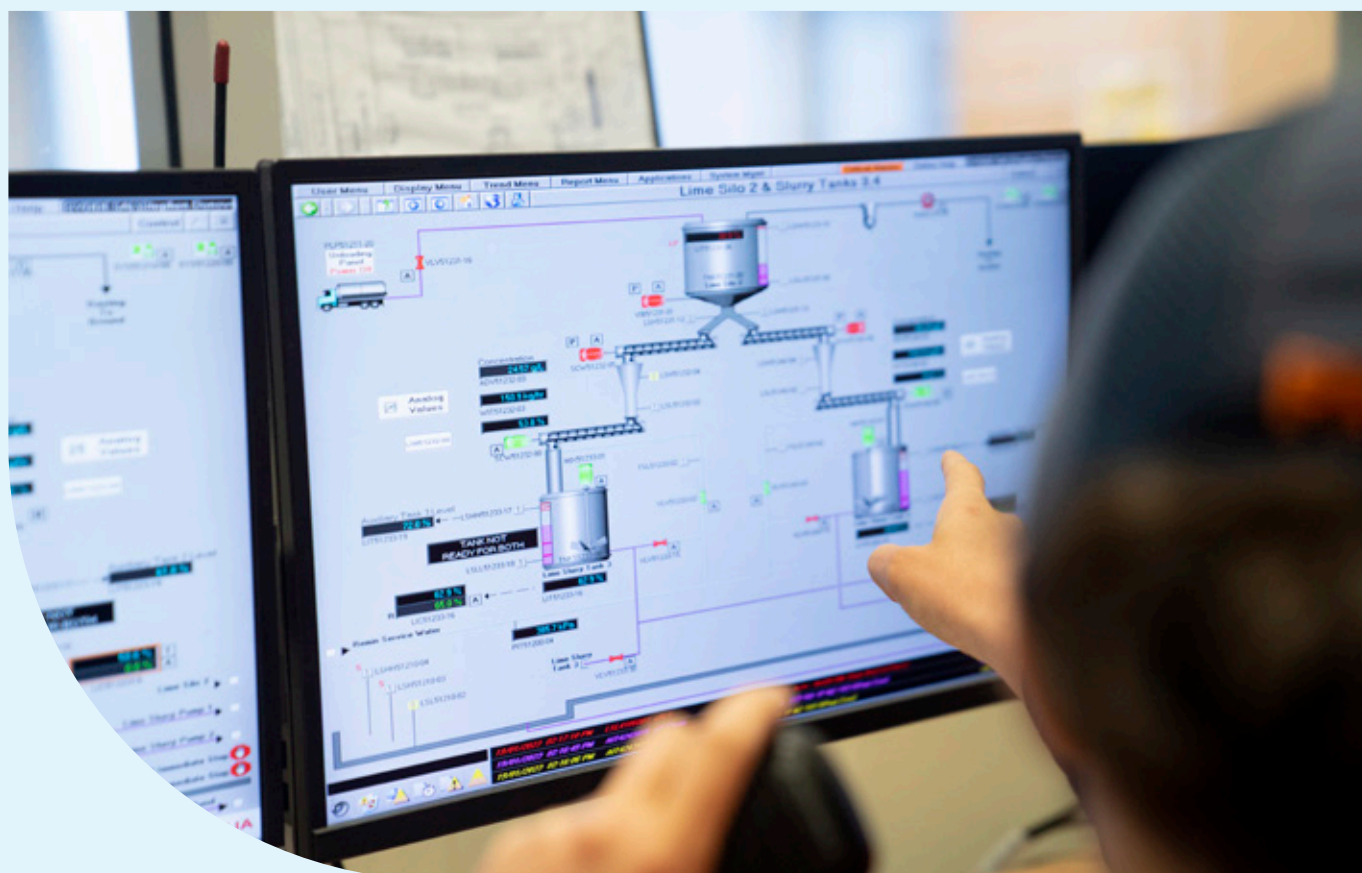
- better communicate to our Operator where SDP has clearer owner-level visibility, including strategic objectives, customer expectations and demand forecasts
- provide aspirational targets and measurable objectives that drive continuous improvement and support transparent performance tracking

- set higher standards for asset management decision-making, supported by the information SDP needs to provide effective assurance, oversight and challenge

These will be operationalised in the 2027-32 regulatory period and help with decision making.

Initiative: Digital and Technology strategy

Through our Digital and Operational Technology Roadmap we will deliver improvements in how data is structured and shared, as a foundational initiative to unlock the power of AI and other tools. Our approach is deliberately staged so the technology process can be useful, controlled and defensible and we can rely on the outcomes providing trusted analytics, insights and decision-making assistance.



5.1.3 Capital expenditure and long-term investment strategy

Through our systems and process review and long-term investment strategy we have identified ways to strengthen our capital delivery, particularly as the Plant enters a period where key equipment needs to be renewed.

Initiative: Improved forecasts

Better understanding replacement costs was a focus in the RP3 period, and further enhancing our long-term expenditure forecasts will be a focus in the the 2027-32 regulatory period, particularly in relation to:

- Managing ageing assets that are expected to be replaced or upgraded over the long-term planning horizon
- Assumptions about key input prices (including labour and materials) and expected productivity improvements
- Potential cost shocks over the planning horizon, including from climate change, international events and financial markets.

Initiative: Capital Delivery

We will look at better ways to integrate our asset maintenance and capital delivery functions by considering an additional initiation step in our capital works procedure to improve prioritisation and focus on the most important initiatives, and the development of clear expectations in delivery and close out.

Initiative: Long-term investment strategy early priorities

In response to feedback during the review process for the current regulatory period, and in recognition of where SDP is in the asset lifecycle we have developed well considered long term asset strategies for key asset types such as reverse osmosis membranes, and management options for our energy recovery devices and other major assets. These set us up well to consider, plan for and deliver transformational improvements to our Plant while preserving lowest whole-of-life cost.





5.1.4 Corporate Costs

Initiative: Digital and technology opportunities

We have developed a Digital and Operational Technology Roadmap to guide how we use technology, data and AI to improve efficiency over the next regulatory period and beyond. The roadmap was developed by first looking across our systems, processes and information flows, including how SDP and our Operator manage Plant operations, asset management, capital planning, reporting and corporate support activities. This helped us identify where manual effort, fragmented information or unclear evidence pathways can be improved, and where better data, automation and digital tools could lead to better outcomes.

The roadmap deliberately stages these opportunities so we can select and prioritise the right initiatives over time. Rather than applying technology or AI over incomplete or poorly structured data, our first focus is on strengthening the foundations: trusted

source data, clearer reporting, better evidence management, improved asset information and practical workflow automation. This creates a disciplined “choose your own adventure” pathway, where initiatives can be progressed, deferred, combined or replaced as SDP’s needs, risks and available technology evolve.

The intended outcome is not technology for its own sake. It is to reduce time spent on routine tasks, reporting and evidence gathering; free up our people to focus on higher-value operational, asset and governance decisions; and build more internal capability so we can do more in-house with targeted technology assistance rather than relying on external consultants or service providers. Over time, the roadmap will also support better decision-making and governance across safety, plant operations, asset management and capital planning by making information more accessible, reliable and useful for human review, assurance and future analytics.

5.2 How we will be accountable for this strategy

We will be accountable for meeting our 2027–32 efficiency target through a combination of transparent external commitments and disciplined internal governance.

The target is embedded in this Strategy, our regulatory proposal and the way we plan, deliver and monitor improvement initiatives. Everyone at SDP is aware of and committed to achieving the savings in this Strategy – with delivery accountability sitting with the CEO and executive, reporting to the Board.

External accountability

External accountability starts with making our commitments clear. This Strategy explains the efficiency target we have proposed, the basis for that target, the initiatives and enablers we will rely on, and the mechanisms we will use to track progress. By setting out this approach publicly as part of our pricing proposal, SDP provides customers, Sydney Water, IPART and other stakeholders with a transparent basis to assess whether we are pursuing efficient costs and delivering value over the regulatory period.

We will report on progress against the target through the regulatory and stakeholder reporting processes that apply to SDP. This includes explaining how efficiency initiatives have progressed, whether expected benefits have been realised, and how changes in operating conditions have affected delivery. Where savings are achieved, they will be reflected in future expenditure proposals and customer outcomes. Where an initiative does not deliver as expected, we will explain the reason, identify lessons learned and adjust our program accordingly.

IPART's review process provides an important external discipline. Our expenditure forecasts, efficiency assumptions and delivery performance will be tested through regulatory scrutiny, benchmarking, stakeholder submissions and comparison to our Operating Licence and Water Supply Agreement, and service obligations. This scrutiny reinforces that efficiency must be achieved sustainably: cost reductions cannot come at the expense of safe drinking water, environmental compliance, reliability or prudent asset management.

Internal accountability

Internal accountability is delivered through clear roles, structured governance and regular performance review. SDP's Board and Executive team set the strategic direction, approve major investment decisions and oversee delivery of the regulatory proposal. Management is responsible for translating the target into practical actions across operations, asset management, capital planning and corporate functions. Our Operator is responsible for day-to-day plant performance and for identifying and delivering operational improvements within the requirements of the operating contract.

The interface between SDP and the Operator is central to accountability. Contract management arrangements, service review meetings, performance reporting and technical forums provide regular opportunities to test performance, challenge costs, review initiatives and confirm whether benefits are being delivered. The Operator's incentives and obligations are aligned to efficient, reliable and compliant operation of the Plant and pipeline, while SDP retains owner oversight to ensure decisions remain in the long-term interests of customers.

We will nominate a member of the Executive team who will 'own this strategy' and track performance using a practical set of measures linked to the main drivers of the efficiency target. These include expenditure against allowance, progress of committed initiatives, energy and chemical consumption trends, asset management and capital delivery outcomes, and the realised benefits from digital, process and investment improvements. Performance will be reviewed through established governance forums so that emerging issues can be escalated, corrective actions agreed and priorities adjusted as operating conditions change. We will report to the Board annually on our progress against our efficiency targets and implementation of efficiency initiatives.