IPART Independent Pricing and Regulatory Tribunal | NSW

Sydney Water prices 2025-2030

Draft Report

May 2025

Water »

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Jonathan Coppel
Sharon Henrick

Enquiries regarding this document should be directed to a staff member:

Scott Chapman	(02) 9290 8449
Melanie Mitchell	(02) 9113 7743

Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Monday, 23 June 2025

We prefer to receive them electronically via our online submission form.

You can also send comments by mail to:

Sydney Water prices 2025-2030
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Contents

Chapter 1

Report Summary

01

1.1 IPART is reviewing Sydney Water's prices

We are currently reviewing Sydney Water's prices and have made draft decisions on the maximum prices we propose Sydney Water can charge its customers. Our draft prices would apply for around 5 years - from 1 October 2025 to 30 June 2030. This report outlines these draft decisions and explains how and why we reached them.

On most measures, Sydney Water is the largest water utility in Australia. It owns and operates the water, wastewater and some of the stormwater infrastructure and systems that serve 5.4 million people and more than 122,000 businesses in the Sydney Metropolitan, Illawarra and Blue Mountains regions.[1]

Water and wastewater services are essential, and it is vital that Sydney Water's services and infrastructure keep pace with Sydney's growth, meet community expectations on social and environmental performance, and deliver value to customers. Sydney Water needs the capability to maintain and replace its assets, deliver necessary infrastructure to meet the increasing demands of population growth, and prepare for the challenges of climate change.

IPART's role is to set the maximum prices Sydney Water can charge for these services. In doing so, we set maximum prices that mean customers would only pay for expenditure that is efficient. Sydney Water may set prices below the maximum with the approval of the Treasurer, and it also provides a range of hardship assistance for customers struggling to pay their bills.

Sydney Water is, like most other water businesses in the world, a monopoly. This means customers cannot shop around for a provider which offers them better value, lower charges or better services. It also means it is not, in the main, competing with any other businesses to attract and keep customers. In a competitive market, businesses are compelled to adapt, innovate and keep prices competitive. If they do not, they will not survive.

IPART seeks to set efficient prices which reflect the maximum that Sydney Water would need to charge in a competitive environment. This means customers do not necessarily pay for what it does spend or wants to spend, but what it should spend. It also means that it generates the revenue that an efficient business needs to plan, construct and maintain infrastructure as well as fund its day-to-day operations.

Our draft decisions, and the draft maximum prices, would result in customers only paying what Sydney Water requires to efficiently deliver quality water services.

In addition to our legislative responsibilities and our framework for regulating water businesses, we have also considered the following factors when proposing draft maximum prices as required by the NSW Government:

- the cost-of-living impacts of Sydney Water's prices
- the effectiveness of existing rebates to manage the social impacts of Sydney Water prices
- opportunities to adjust project timelines to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles
- deliverability of the proposed capital plans based on capability and market conditions.

1.2 Under our proposed maximum prices, typical bills would increase by an average of 4.6% per year

Typical annual water and wastewater bills would increase by $73 in 2025–26

In discussing typical residential bills, we refer to the combined water and wastewater bill a typical residential house would pay.[a] Some Sydney Water customers also pay a stormwater drainage charge to Sydney Water, which means their bills are higher.

Our draft maximum prices would see typical household bills for water and wastewater services increase by around $73 (or 6.0%) in 2025-26, plus inflation. This is lower than the increase proposed by Sydney Water of $220 or 18.0%.[b] Our draft prices would then see typical bills increase by 5.7%, 3.8%, 3.8% and 3.7% in each of the next 4 years respectively.

Over the full 5 years to 2029–30, this means bills would increase each year by an average of 4.6%.

The typical household bill would increase from $1,220 in 2024–25 to:

- $1,293 in 2025–26 plus inflation
- $1,527 in 2029–30 in the last year of the 2025 determination period, plus inflation.

Based on forecast inflation, the typical household bill would increase by $113 (or 9.3%) to $1,333 in 2025–26.

Our draft price increases would apply to variable usage charges more than fixed service charges

Household water bills include fixed water and wastewater charges, and a variable water usage charge. The variable water usage charge is important because it sends a signal to customers about how much water not only costs to collect, make safe and distribute – but also how expensive it will be to increase supply if needed. For Sydney Water we estimate this value to be around $3.90 per kilolitre. This is a proxy for water scarcity and the value of water and promotes efficient water use.

Our draft decision is for the variable water usage charge to rise from $2.67 to $3.50 per kilolitre by 2029–30 (plus inflation). This is more in line with both costs and the scarcity value of water. It is higher than Sydney Water's proposed water usage charge of $3.12 in each year from 2025–26.

Sydney Water customers also expressed a preference for higher variable water usage charges relative to fixed service charges. This would allow them to make usage choices and potentially exert more control over their bills. This proposed change would mean lower fixed charges, which would be set to generate the remaining revenue we estimate Sydney Water will need to cover its efficient costs.

[a] This is based on consumption of 200 kilolitres a year, which is the average amount of water an individually metered household in Sydney Water's area of operations uses.
[b] In $2024-25 terms.

Households and businesses with low or moderate water usage may benefit from a higher variable water usage charge (and lower fixed charges). However, we note that higher water users including some large families and industrial customers may face a higher percentage increase in their bills.

We have balanced customer affordability with the need to protect services

Many households and businesses are dealing with higher cost-of-living pressures. Affordability was the key theme in the feedback we received on our Issues Paper. Sydney Water also stated in its pricing proposal it was a top priority for its customers.[2]

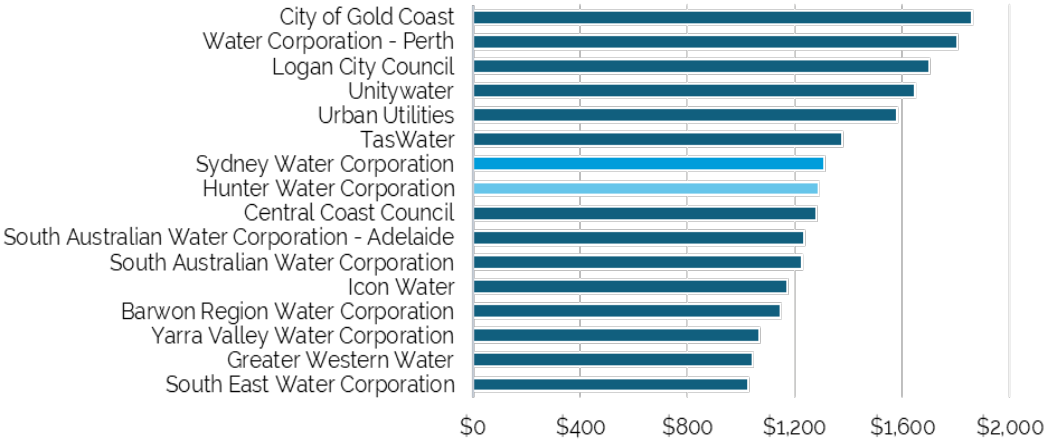
Our draft price increases would raise the revenue Sydney Water needs to cover its efficient costs.

Under our draft prices, typical bills increase 6% plus inflation in 2025–26, the first year of the price path. In each of the following years, they increase more modestly. This price path meets the profile of our draft decision on Sydney Water's efficient costs, which also increase more in 2025–26.

Typical bills would be comparable to other Australian water utilities

As set out below, under our draft decisions Sydney Water's typical bill would be around the average of other similar water businesses around Australia.

Figure 1.1 Typical annual bills for major utilities in 2025–26 ($2024–25)



Note: The bill shown for Sydney Water reflects our draft decisions on prices as set out in this report. The bill for Hunter Water reflects the prices set out in the draft report on our concurrent review of Hunter Water's prices.

Source: IPART analysis, Bureau of Meteorology.

Typical bills under our draft maximum prices would be moderately higher for most customers. However, one of our draft findings is that most residential customers should be able to afford the increases, albeit with some financial impacts. We note that most pensioners receive a pensioner rebate off their Sydney Water bill from the NSW Government.[c]

We have considered the issue of affordability carefully, knowing affordability concerns are different for different customers and different households.

The United Nations suggests that water costs should not exceed 3% of household income.[3] While we know that any price increases are unwelcome, our analysis suggests that under our draft prices, the typical customer in almost all customer groups does not breach this benchmark.

However, there is a small subset of customers who may exceed the 3% threshold and may need additional financial support. These are:

- recipients of JobSeeker payments
- single households receiving parenting payments
- single households receiving the age pension, disability pension or carer payment.

The current water pensioner rebate in NSW generally assists single and couple pensioner households to remain below the 3% threshold, but as highlighted above, certain households would exceed the threshold and may be experiencing financial vulnerability.

In addition, we are proposing recommendations to the NSW Government on improving the effectiveness of rebates to help moderate the impact on more adversely affected households. These proposed recommendations include that the NSW Government:

- consider temporarily expanding the eligibility of rebates to households that hold either a Health Care Card or Low Income Health Care Card
- consider holding the absolute value of the 2024–25 Sydney Water pensioner rebate constant in nominal terms over each of the next 5 years, specifically, $67 for water, $532 for wastewater, $44 for stormwater (house) and $14 for stormwater (apartment).

1.3 Our proposed price increases reflect efficient costs

Sydney Water proposed price increases to generate the additional revenue it needs to meet its service standards and obligations. We have considered Sydney Water's efficient costs and found that they are lower than proposed by Sydney Water. However, we do consider its efficient costs over the next 5 years are likely to be higher than we have previously used to set prices.

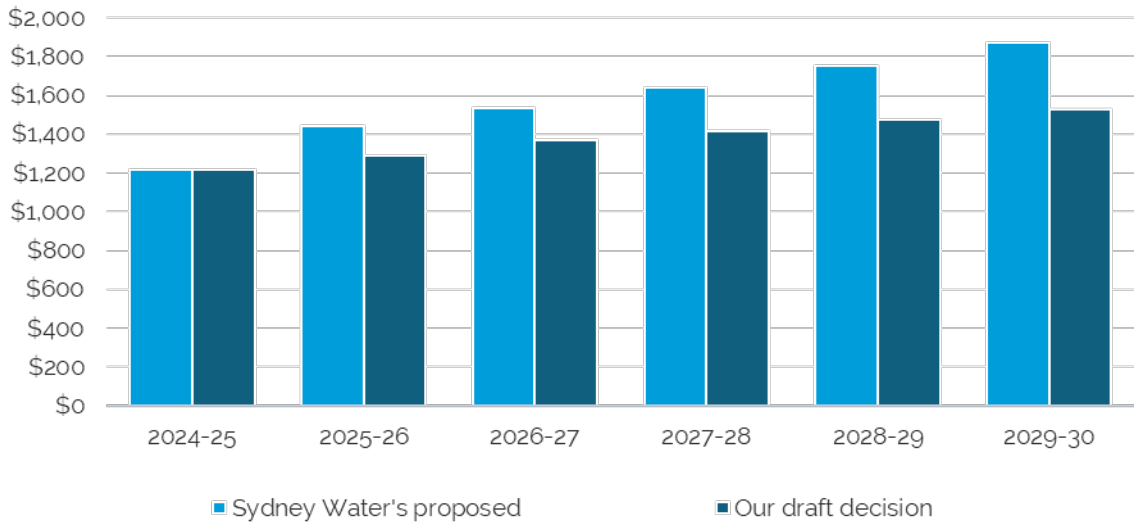
[c] The rebate each pensioner household served by Sydney Water receives is currently applied to the fixed service charges on each bill. Currently, the maximum rebate is 100% of the quarterly service charge for water, 85% of the quarterly service charge for wastewater, and if applicable, 50% of the quarterly service charge for stormwater.

The bill increases arising from our proposed prices are materially lower than proposed by Sydney Water.[4] This is primarily because of our draft decisions on the efficient costs Sydney Water should incur in delivering its services over the next 5 years. We have made draft decisions to reduce Sydney Water's proposed:

- core operating expenditure by $438 million or 6% over the 5-year determination period
- bulk water purchase costs from WaterNSW by $516 million or 18% over the 5-year determination period[d]
- capital expenditure on infrastructure by $5.9 billion or 35% over the 5-year determination period
- weighted average cost of capital (WACC) from 3.6%[5] to 3.2% Our WACC calculation differs from Sydney Water's because it applies more up-to-date market data than was available at the time Sydney Water calculated the WACC for its pricing proposal.

Overall, our draft decision is that the revenue Sydney Water needs to cover its efficient costs is around $3.5 billion a year on average across the 5-year determination period. This is around $566 million or 14% lower than proposed by Sydney Water. However, it is $300 million per year or 9% higher than we used when we set its prices in 2020, which reflects our view that efficient expenditure needed to deliver services has increased.

Figure 1.2 Comparing typical household bills under Sydney Water's proposed prices and our draft maximum prices



Note: Typical household bills are based on a customer living in a house and using 200 kilolitres per year. The bills shown above are for a typical household with water and wastewater services only.

Source: IPART analysis

Under our draft prices the typical residential bill would be around:

- $1,293 in 2025–26, which is $146 or 10.2% lower than the $1,439 proposed by Sydney Water.
- $1,527 in 2029–30, which is $343 or 18.3% lower than the $1,870 proposed by Sydney Water.

[d] In line with the draft prices set out in our concurrent review of WaterNSW's bulk water costs.

1.4 We have considered all feedback received from stakeholders

We heard from a range of stakeholders over our consultation period including individuals, industry organisations, the Energy and Water Ombudsman NSW and the Justice and Equity Centre. We received 477 submissions to our Issues Paper and held a Public Hearing attended by 108 stakeholders who provided feedback on various aspects of Sydney Water's pricing proposal.

Many stakeholders raised issues relating to:

- affordability and the impacts of proposed price increases on cost-of-living for different customers
- the use of fixed service charges versus variable usage charges, and the impacts of increased variable water usage charges on water use
- Sydney Water's proposed spending, including spending to cater for growth
- the importance of spending on water infrastructure
- the transparency of spending.

Cost-of-living and affordability of Sydney Water's bills was the dominant theme of comments from stakeholders, and individual customers. Many households and businesses indicated that large increases in the price they pay for an essential service like water will be difficult to manage.

We also heard from Sydney Water and other stakeholders on the challenges Sydney Water faces such as climate change, system capacity and a rapidly growing service area. They suggest a need to invest in infrastructure and an expanded workforce to maintain high quality water services now and into the future.

We value the feedback that stakeholders have provided, and we have considered all views in reaching the draft decisions set out in this report. Chapter 3 of this report summarises what we heard from stakeholders so far in our review.

1.5 We assessed Sydney Water's pricing proposal as Standard

Under the IPART Act we are required to consider a range of matters when setting maximum water prices. Our Water Regulation Handbook was developed to assist us in considering these matters, focusing on: **customers, costs, and credibility**. It is underpinned by 12 guiding principles which both IPART and water businesses use to develop and assess pricing proposals. Our Handbook provides further information on our water regulation framework.

Under this framework, we ask each water businesses to self-assess its pricing proposal as either Standard, Advanced or Leading using our 12 guiding principles. We then conduct our own assessment on this grading using the same criteria. Our grading is an important element in shaping the approach we take in each price review. We can conduct a more streamlined review of pricing proposals that we assess as Advanced or Leading. Proposals that are graded Standard, Advanced or Leading may qualify for certain allowances and/or incentives.

We assessed Sydney Water's proposal against each of the matters set out in the IPART Act and the letter from the Premier and we used our Water Pricing Handbook to assist us make our assessment. In summary, our draft decision is to grade Sydney Water's pricing proposal as Standard, reflecting our findings that:

- Sydney Water has shown a commitment to extensive customer consultation, understanding customer preferences and adopted some of these into its decision-making.
- Sydney Water developed clear accountability features to track and report progress against the customer outcomes, which could have been enhanced by including more granular performance measures.
- Sydney Water's cost forecasts were in some instances higher than we consider to be efficient, however it still presented a credible path towards cost-efficiency in its pricing proposal.
- Sydney Water developed a long-term plan to support its investment decision making and proposed expenditure.

1.6 We want to hear your views on our draft decisions

Your input is valuable to us as we undertake this price review. We are now seeking feedback on our draft decisions. To have your say, you can provide a submission to this Draft Report by 23 June 2025.

Have your say

Your input is critical to our review process.

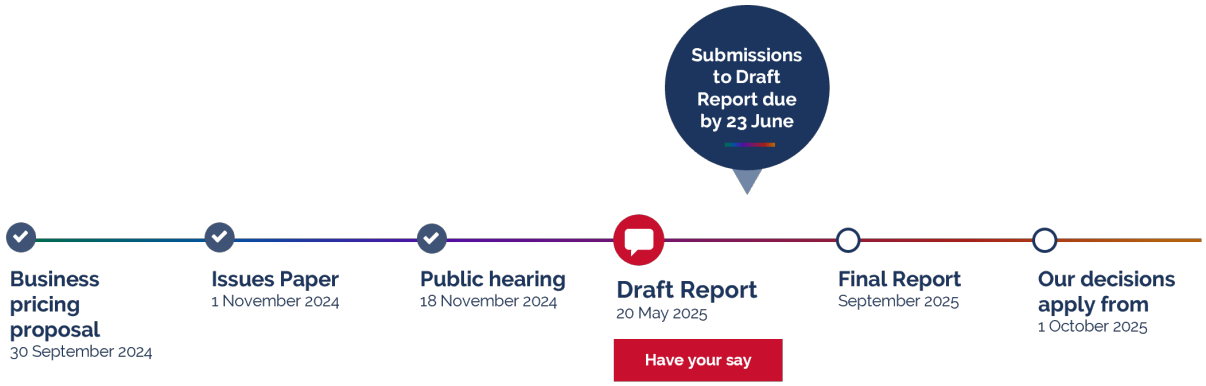
You can get involved by making a submission to our price review. We are seeking feedback by **23 June 2025** on our draft decisions.

Submit feedback »

Figure 1.3 shows our review timeline.

We will consider all stakeholder and customer feedback, as well as input from our independent experts and our own analysis, before publishing our Final Report with our final decisions in September 2025.

Figure 1.3 Timeline for our review



1.7 List of draft decisions

29.	To set Sydney Water's maximum deemed wastewater usage charge at $1.41/kL, as shown in Table 9.5.	115
30.	To set Sydney Water's maximum fixed wastewater service charges as shown in Table 9.6 for residential customers and Table 9.7 for non-residential customers.	115
31.	To set Sydney Water's maximum stormwater charges as shown in Table 9.8 for residential customers and Table 9.9 for non-residential customers.	115
32.	To continue to defer setting prices for Sydney Water's recycled water schemes.	115
33.	To set Sydney Water's maximum prices for late or declined payments as shown in Table 9.10.	115
34.	To set Sydney Water's trade waste charges and miscellaneous and ancillary charges as shown in Appendix D.2 and D.3, Tables D.12 to D.16.	115
35.	To accept Sydney Water's proposed performance measures and targets, with some modifications to metrics as discussed in Section 11.1.2.	146
36.	To apply the following incentive schemes to Sydney Water:	153
	a. the CESS and EBSS with no carve-outs	153
	b. the leakage ODI as per Sydney Water's proposal with its updated data.	153
37.	To apply a 1% cap on the revenue adjustment across the ODI, EBSS and CESS over the 2025 price period.	153

1.8 List of draft recommendations

Draft Recommendations

1.	That the NSW Government notes that water rebates should be targeted to assist those most in need.	133
2.	That the NSW Government notes that the goals, objectives and outcomes of rebates should be aligned across NSW.	133
3.	That the NSW Government should consider temporarily expanding the eligibility of rebates to households that hold either a Health Care Card or Low Income Health Care Card to the end of the 2025 determination period to help those most impacted by price increases.	133
4.	That the NSW Government should consider temporarily maintaining the existing pensioner rebate amount of $67 for water, $532 for wastewater, $44 for stormwater (house), and $14 for stormwater (apartment), annually over the 2025 determination period. This will provide the NSW Government with flexibility to reprioritise funds to support a broader cohort of households in Greater Sydney or more broadly across NSW.	133
5.	That the NSW Government should explore the merits of a utilities rebate.	133

1.9 Tell us what you think

1. Our draft expenditure decision excludes most of the Pretreatment Program costs ($957 million or 75% of the program costs) in the capital allowance, as the case for the program in this determination period is not strongly justified. Are you comfortable with this trade-off of costs and benefits? Or would you prefer to pay higher water prices to ensure higher water quality in exceptional or unusual events? 72

2. What are the respective benefits and risks associated with the proposed Pretreatment Program? 72

3. The current SDP cost pass-through mechanism insulates Sydney Water from the cost or revenue impacts of sourcing water from SDP. This reduces Sydney Water's incentive to use the lowest-cost source of water. Would you prefer a mechanism which ensures that Sydney Water has an incentive to choose the lowest-cost source of water, regardless of the source? 92

4. Should we pass changes in bulk water prices through retail water prices when changes in bulk water prices occur during the determination period, or wait until the end of the period? 97

5. If Sydney Water extends its wastewater services to the Hawkesbury City Council area in future, should those customers pay a separate wastewater price, or should additional costs be shared across all customers? Besides bill impacts, what other factors should we consider? 107

6. Are there any unintended consequences of recovering income tax on developer contributions costs from wastewater customers that we should consider? 109

7. What are your views on the affordability of our draft maximum water, wastewater and stormwater prices? 135

8. What are your views on our proposed performance metrics? Could these be improved? 146

Chapter 2

Assessment of Sydney Water's pricing proposal

02

Summary of draft decision on Sydney Water's pricing proposal grading

We grade Sydney Water's pricing proposal as Standard

We consider Sydney Water has met the guiding principles of our Water Regulation Handbook for a Standard pricing proposal. Therefore, our draft decision is to grade Sydney Water's pricing proposal as Standard. This is consistent with our preliminary grading and with Sydney Water's self-assessment.

We regulate maximum prices for water business under the IPART Act and in accordance with the letter from the Premier. Our Water Regulation Handbook is based on the IPART Act. We use our Handbook to encourage water businesses to set their prices to:

- promote the interests of their customers
- limit their costs to efficient levels
- encourage credibility

Each water business is required to self-assess its pricing proposal as either Standard, Advanced or Leading against 12 guiding principles set out in our Water Regulation Handbook. We then determine whether the pricing proposal promotes the long-term interest of customers at a Standard, Advanced or Leading level, using the same criteria. This is an assessment on each water business' pricing proposal, rather than on the water business itself.

We may be able to conduct a more streamlined review of pricing proposals that we assess as Advanced or Leading. Additionally, proposals that are graded Standard, Advanced or Leading may qualify for certain allowances and/or incentives. This provides a financial incentive for water businesses to engage with their customers and prepare well-justified pricing proposals.

This chapter provides context to the matters we must consider when setting maximum water prices and explains the reasons for our draft grading of Sydney Water's proposal as Standard.

2.1 Our water pricing review process

Under the IPART Act, when setting water prices, we are required to consider a range of matters. We explain how we factor in these matters into our draft decisions in **Appendix A**.

Matters for IPART to consider when setting water prices

The water regulation framework in our Handbook was developed to assist us in considering these matters, focusing on customers, costs, and credibility. It is underpinned by 12 guiding principles which both IPART and water businesses use to develop and assess pricing proposals.

The water regulation framework and the 12 guiding principles

Source: IPART, Water Regulation Handbook, July 2023, p 2.

Our water regulation framework is centred around water businesses developing pricing proposals that promote customer value. It strongly encourages water businesses – including Sydney Water – to actively involve and engage with their customers, bringing customers into the decision-making process when they are setting outcomes. Involving customers to set outcomes that matter most to them, and align with their preferences, is essential if water businesses are to identify better ways of delivering their services.

We recognise this is the first time Sydney Water has submitted a pricing proposal under our water regulation framework. We will work together with all stakeholders to continue to improve the framework. This will help achieve our common goal of delivering customer value.

In addition to our legislative responsibilities and the Water Regulation Handbook, the NSW Government required our review to consider the following matters:

- the cost-of-living impacts of Sydney Water's prices
- the effectiveness of existing rebates to manage the social impacts of Sydney Water's prices, including if the program will adequately support customers who may be disproportionately impacted by any price increase
- opportunities to adjust project timelines within the price determination period and over the next 10 years to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles
- deliverability of the proposed capital plans based on capability and market conditions.[a]

[a] These matters are prescribed in a Letter from the NSW Premier to the Chair of IPART, 20 August 2024, under section 13(1)(c) of the IPART Act.

Chapters 4 to 11 detail how we assessed each aspect of Sydney Water's pricing proposal. However, ultimately our assessment was underpinned by 3 key criteria.

01 Customers get the services they need, and costs are efficient

We review operating and capital costs to ensure what customers pay is fair. We also identify any productivity improvements Sydney Water could make.

02 Fair and equitable risk sharing

We assess the social impact, affordability, and intergenerational equity of the pricing proposal.

03 What customers must pay is reasonable

We determine the maximum price a water business can charge a customer, considering the reasons for the proposed increases.

2.2 We assessed Sydney Water's proposal as Standard

Our draft decision is:

1. To grade Sydney Water's pricing proposal as Standard.

Our reasons for a Standard grading

Customers

Over a well-organised, multi-phased customer engagement program, Sydney Water developed a comprehensive understanding of its customers' key priorities. It then developed customer outcomes based on these key proprieties, and included clear timeframes for achieving these outcomes in its pricing proposal.

While many aspects of Sydney Water's customer engagement were meaningful, some elements could be improved for the next price review. These include ensuring that all topics consulted on are well-explained to customers, adequate time is allocated to develop customers' foundational knowledge and deliberate on topics, and supporting materials are clear and tailored to the audience.

Costs

Sydney Water demonstrated a commitment to improving its efficiency through integrating a cost efficiency strategy into its pricing proposal. However, Sydney Water's proposed costs were materially higher than we considered efficient. We found they could be better supported by cost-benefit analysis, reasonably deferred to a later period or lowered to optimise customer value.

Credibility

The credibility of Sydney Water's proposal is supported by a clear path towards meeting customer outcomes and improving cost efficiency. Sydney Water has shown a credible commitment on areas of improvement that are of value to customers.

2.2.1 We made a preliminary assessment to inform our approach to the review

After a water business submits its pricing proposal, we make a preliminary assessment based on the 3 gradings (see Box 2.1 for the types of gradings possible under our water regulation framework). The full grading rubric is also available in **Appendix B**. This preliminary assessment helps us to determine the approach we take to reviewing a business's proposal.

Box 2.1 There are 3 possible grades under our water regulation framework

The 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.

If we determine the proposal to be unacceptable or to not promote the long-term interests of customers, we may grade a proposal to be Sub-Standard.

Source: IPART, Water Regulation Handbook, July 2023.

Our preliminary grading for Sydney Water was Standard (see our 2025 Sydney Water price review - Issues Paper).

To inform our decisions, we engaged independent experts, AtkinsRéalis, to review Sydney Water's proposed operating and capital expenditure. We asked AtkinsRéalis to specifically examine Sydney Water's:

- strategic planning and risk
- performance over the 2020 determination period
- proposed forecast operating expenditure
- proposed forecast capital expenditure

- proposed water demand.

Our draft decisions on Sydney Water's efficient expenditure are set out in Chapter 4 and Chapter 5 of this report.

2.2.2 Sydney Water self-assessed its proposal as Standard

Sydney Water self-assessed its proposal as 'Standard' and identified 3 focus principles from our water regulation framework that it considered reflected its customers' priorities. These focus principles were given greater emphasis in our review of the proposal compared to the other principles. Sydney Water's focus principles were:

- 1 Customer focus principle
  - customer outcomes.
- 2 Cost focus principles
  - balance risk and long-term performance
  - equitable and efficient cost recovery.

In making its self-assessment, Sydney Water told us it delivered a representative customer engagement program that gave customers an opportunity to shape the services it plans to deliver. Further, Sydney Water notes it has customer-led performance metrics and targets which are regularly updated through multiple customer-facing channels (including website and bill inclusions) to hold itself accountable. Sydney Water also considers it has a robust hardship program that supports customers, adopts industry best practice and works with community partners to improve processes.

On cost principles, Sydney Water told us its proposed expenditure reflects the minimum expenditure required to deliver its service obligations and customer outcomes sustainably into the long-term. Sydney Water considers it has moderated costs as far as practical and proposed an ambitious efficiency target for its business (above measured economy-wide productivity performance) to achieve affordable outcomes. Sydney Water notes it will accept more risk where it benefits customers and it has resilience to absorb cost impacts arising from changes in its operating environment.

On credibility principles, Sydney Water indicates it has a strong track record of delivering infrastructure. Further, it outlines how it has expanded its delivery capacity and capability for the proposed increase in capital expenditure. Sydney Water told us it is committed to continual improvement, including through its corporate performance reporting and enterprise planning processes.

For more information, see Chapter 15 of Sydney Water's pricing proposal: 3Cs grading self-assessment.

2.2.3 We agree with Sydney Water's self-assessment that its pricing proposal is Standard

Our draft decision is to agree with Sydney Water's self-assessment of its pricing proposal and maintain our preliminary Standard grading.

In making this draft decision we considered that:

- Sydney Water's multi-phase customer engagement program led to meaningful engagement on several topics. It then used this feedback to develop 3 customer outcomes, based on the priorities that mattered most to its customers:
  - deliver a great customer experience
  - provide safe, clean, reliable drinking water every day
  - ensure Sydney Water protects waterways and the environment now and for the future.

  We note these outcomes generally align with Sydney Water's 'business as usual' operations, as it needs to comply with drinking water guidelines and environmental obligations, as well as minimum service levels to protect customers in its Operating Licence.
- Sydney Water developed clear accountability features to track and report progress against the customer outcomes, which could have been enhanced by including more granular performance measures. Sydney Water also linked proposed expenditure to the customer outcomes through targeted strategic investment plans.
- While we found Sydney Water's cost forecasts were in some instances overly risk-averse, it still presented a credible path towards cost-efficiency in its pricing proposal. It incorporated an annual productivity efficiency factor of 0.7%. Additionally, it introduced mechanisms which aim to incentivise Sydney Water to achieve efficiencies across its capital and operating expenditure, as well as deliver on outcomes for leakage reduction.
- Sydney Water developed a long-term plan to support its investment decision making and proposed expenditure, which broadly aligns with the NSW Government's strategy to improve water security and resilience.[6] Its approach could be improved by Sydney Water more clearly setting out the service levels and risks it needs to plan for in the short-term. This would help it better identify costs that could reasonably be deferred until the next 5-year determination period.

2.3 We reviewed Sydney Water's customer engagement

Under our water regulation framework, we assess each water businesses' customer engagement and the extent to which its engagement has informed customer-focused pricing proposals. We do not prescribe a method by which a business should engage with its customers. We do, however, expect that a business demonstrates how it would engage with its customers in a meaningful way to understand its customers' needs and preferences, and that these insights are used to inform its proposal.

In undertaking our assessment, we applied our grading rubric (see Appendix B) for customer engagement which requires a water business to demonstrate how it:

- engaged on what matters
- chose appropriate engagement methods
- engaged effectively.

We also referred to the IAP2 Public Participation Spectrum[b] to understand the levels of influence customers may have in an engagement process. We recognise that different levels of participation are legitimate depending on goals, time frames, resources and levels of understanding and concern in the decision to be made. We also recognise the time and resources needed to prepare and inform participants influences their participation in the engagement and influence on decisions.

2.3.1 Sydney Water undertook a comprehensive, multi-phase engagement program

Sydney Water delivered a well-organised and iterative customer engagement program, comprising 6 phases between July 2022 and August 2024. Its engagement on its pricing proposal covered 3 main areas:

- customer, community and environmental outcomes and performance measures
- customers' preferences for service levels, investment plans and maximum tolerable bill increases
- tariff structures and price controls.

The 6 customer engagement phases were:

1. Identifying which priorities were most important to Sydney Water's customers.
2. Narrowing down those customer priorities to key outcomes. Sydney Water also used this phase to better understand customer expectations around some of its service levels.
3. Understanding customer preferences around the types of services Sydney Water could offer. These services aligned with the customer priorities and outcomes identified in Phases 1 and 2.
4. Exploring proposed investment areas with customers under Sydney Water's long-term plans, what Sydney Water should prioritise during investment decision-making and reactions to potentially higher water bills.
5. Considering trade-offs between performance, cost (including bill impacts) and risk with a Customer Panel to help inform Sydney Water's investment plan.
6. Examining possible tariff structures, Outcome Delivery Incentives and price controls with a Customer Panel.

[b] The IAP2 Public Participation Spectrum is designed to assist with the selection of the level of participation that defines the public's role in a community engagement program. The levels of participation are based on the impact the public could have on decision making. From low to high levels of impact, the levels include; 'inform', 'consult', 'involve', 'collaborate' and 'empower' (see IAP2 Public Participation Spectrum, 2018).

2.3.2 What stakeholders said about Sydney Water's customer engagement

In their submissions to the Issues Paper, several organisations commended Sydney Water's engagement process.

- The Western Sydney Leadership Dialogue applauded the extensive community engagement Sydney Water had undertaken to inform its pricing proposal. It considered this engagement was key in directing funding towards initiatives consumers believe to be important and are willing to pay for.[7]
- The Sydney Coastal Councils Group was satisfied with Sydney Water's engagement with its member councils on its pricing proposal.[8]

However, other individual stakeholders suggested the proposed price increases meant the customer engagement process was flawed, and did not appropriately factor in concerns about affordability and cost-of-living impacts.[9] See Chapter 3 for what stakeholders told us about Sydney Water's proposed prices.

Sydney Water's Customer and Community Reference Group[c] generally commended Sydney Water's engagement, noting it showed a genuine willingness to engage with customers. It outlined that throughout 2023 and into 2024, its members reviewed engagement materials, observed customer sessions and provided feedback. Sydney Water responded to this feedback by introducing additional phases so customers could consider issues in greater detail, and give more relevant feedback on service priorities.[10]

The Justice and Equity Centre – a member of the Customer and Community Reference Group – supported Sydney Water's self-assessment of its customer engagement as Standard. It noted Sydney Water's genuine intent, commitment of time and resources and flexibility in responding to input about its customer engagement were to be commended. It considered they were foundations upon which necessary development could be built around customer engagement for the next price review.[11]

2.3.3 Sydney Water demonstrated a Standard level of customer engagement

Our analysis found that Sydney Water's customer engagement program achieved a Standard level under our water regulation framework.

In making the assessment, we reviewed Sydney Water's customer engagement plan, reports on its engagement phases and the engagement materials presented to customers. This helped us to understand what topics Sydney Water consulted on, the methods it used, the range of customers engaged with and the engagement results. We also considered Sydney Water's self-assessment, as well as the stakeholder feedback outlined in section 2.3.2 above.

[c] The Customer and Community Reference Group is an independent advisory body representing the different views and interests of the community and Sydney Water's customers (Sydney Water, Customer and Community Reference Group, accessed 27 February 2025)

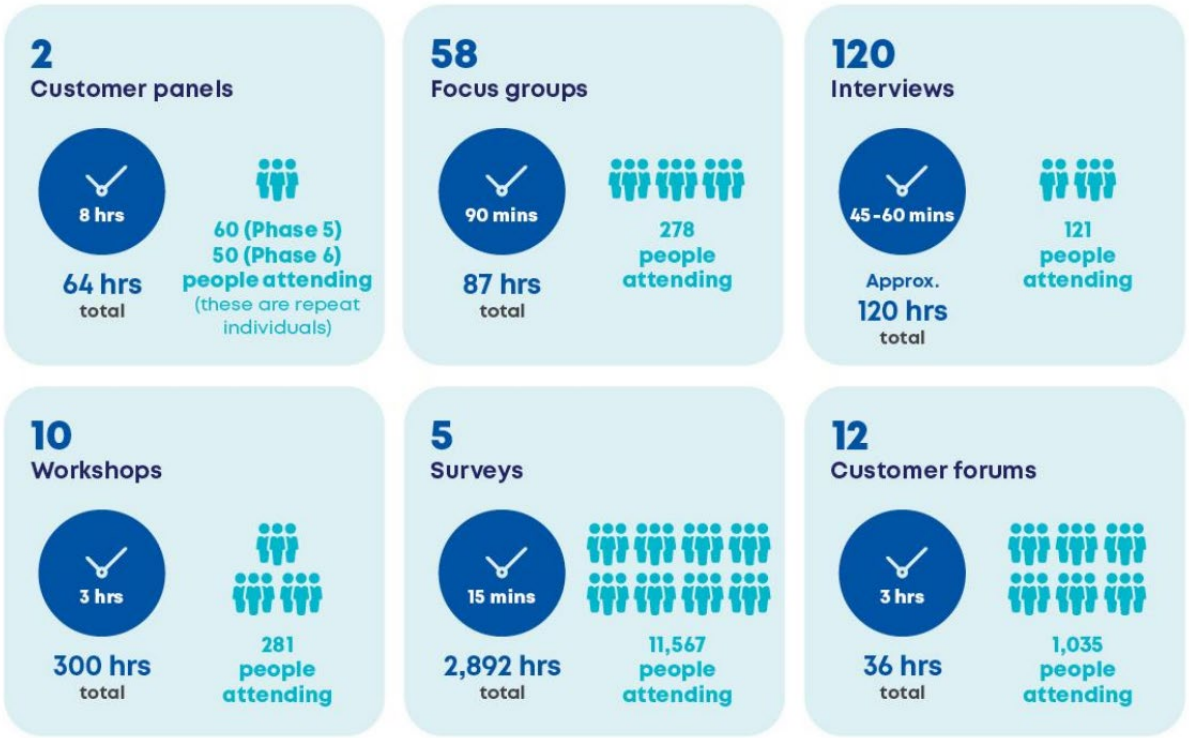
Sydney Water consulted with a wide range of customers, using different methods to more effectively target them

Sydney Water received input from over 13,000 customers through its 25-month long customer engagement program, including renters, homeowners, businesses (small, medium and large), local government and state government agencies, community groups and value makers (e.g. plumbers).

It used a variety of explorative qualitative and quantitative engagement methods to understand its customers' priorities. These included large-scale customer forums, focus groups, customer panels, online surveys and willingness-to-pay studies.

Sydney Water included a diverse range of customers in its customer engagement, helping it to understand if there were differences in priorities across customer groups. It supported culturally and linguistically diverse (CALD) groups, First Nations customers and customers living with a disability in their engagement, by holding smaller in-depth interviews and focus groups. Sydney Water also worked with its Customer and Community Reference Group on ways to engage with difficult-to-reach customer groups and identify emerging customer issues.

Sydney Water's engagement methods and how many people it engaged



Source: Sydney Water, Price Proposal 2025-30, September 2024, p 25.

Sydney Water involved customers in setting its priorities

Sydney Water's customer engagement program started broadly, with customers asked to identify their key priorities and areas of focus for Sydney Water, as well as their expectations regarding service levels. It then became gradually more focused, with customers sharing their preferences and expectations around individual investment areas. Through this process, Sydney Water developed a comprehensive understanding of its customers' priorities.

In Phases 1 and 2 of Sydney Water's customer engagement, customers had the opportunity through customer forums, focus groups and in-depth interviews to outline their priorities and expectations for Sydney Water. Sydney Water used qualitative tools so customers could rank the relative importance of these priorities, as well as express their willingness to pay for them. Customers then workshopped these priorities into key outcomes (discussed further in section 2.2.3 and Chapter 11).

Sydney Water held customer forums in Phases 3 and 4 to better understand how it could deliver services and investments in areas that aligned with its customers' priorities (e.g. enhancing the water network's resilience to drought, reducing water loss by minimising leaks in the water network and maintaining clean, safe waterways). Sydney Water established a Customer Panel in Phases 5 and 6, allowing customers to more extensively consider potential investment options in these areas and make recommendations to Sydney Water.

While many aspects of Sydney Water's customer engagement were meaningful, some elements could be improved for the next price review

We recognise that Sydney Water made genuine and demonstrable strides in the scale and sophistication of its efforts to meaningfully consult with customers. We also consider there are several ways it could build on this foundation for the next price review, including:

- Ensuring that all topics consulted on are well-explained to customers, adequate time is allocated to develop customers' foundational knowledge and deliberate on topics, and supporting materials (e.g. presentation slides) are clear and tailored to the audience.
- Having a greater focus on discussing cost (including bill impacts), risk and performance trade-offs with customers when they are asked to provide feedback around possible investment options for Sydney Water.
- Exploring customers' views and preferences in-depth around any potentially material changes to expenditure and bills.

These improvements would enhance the validity of findings from Sydney Water's customer forums and online surveys. For example, if significant changes in the base level of water bills are being proposed, providing customers with this context could change their preferences or willingness to pay for discretionary outcomes or services.

Sydney Water worked with its Community and Customer Reference Group when developing the later phases of its customer engagement program. During those phases, we found it facilitated discussions around the key cost, risk and performance trade-offs for investment options and presented bill impacts in easy-to-understand terms. Further, Sydney Water used methods to test customers' understanding of the topics and materials being presented.

Sydney Water identified the importance of 'closing the loop' as a key learning from its first time undertaking customer engagement under our new water regulation framework. This involves going back to customers once bill impacts have been settled and testing the final pricing proposal with them. Sydney Water plans to add this phase to its next customer engagement program.

Chapter 3

What we heard from stakeholders

03

3.1 We consulted with stakeholders to inform our draft decisions

On 1 November 2024, we published Sydney Water's 2025 pricing proposal and an Issues Paper summarising the key aspects of the proposal. This included how Sydney Water has engaged with and understood its customers and community, its proposed costs and service levels, customer outcomes, and the affordability of proposed prices.

We invited stakeholders to have their say on Sydney Water's pricing proposal by sending us written submissions. On 21 November 2024 we also held an online Public Hearing which allowed the community to provide comments and ask questions directly to Sydney Water and to IPART.

In total, we received 477 submissions and 32 customer feedback forms. We thank all stakeholders for their time and effort spent to provide us with feedback through these avenues. We considered all feedback received to inform the analysis and draft decisions on Sydney Water's prices.

3.2 We received a significant number of submissions

We heard from 449 individuals and 28 organisations over our consultation period, including submissions from organisations such as the Justice and Equity Centre, the Energy & Water Ombudsman NSW, the Property Council of Australia, and Water Services Association Australia.

Of the 477 submissions we received, 169 were confidential. While we have considered all submissions in reaching our draft decisions, this report only quotes submissions that are not confidential.

Submissions to our Issues Paper mainly raised concerns related to the affordability and the impacts of price increases on cost-of-living for customers.

3.3 Affordability was the main concern among stakeholders

Over 200 individuals submitted that the proposed price rises are too high given the current cost-of-living crisis. Individuals' submissions expressed concern:

> "Raising prices at such an astonishing rate is a ludicrous proposal. In the middle of a cost-of-living crisis, such proposals risk prolonging the crisis and driving inflation even higher."[12]

> "In a current cost of living crisis this proposal is too aggressive … These significant price increases over a number of years are not well thought out and will hurst the most important stakeholder: customers."[13]

> "I understand the need for upgrades, but the increase is too much. Council rates and energy prices are also going to increase over this time, and I'm almost at my budget already. My salary/wage isn't increasing enough to keep up."[14]

> "We are currently struggling to make ends meet. Any increase in prices will place a significant financial burden on us and jeopardise our health and well-being. We strongly oppose this price hike."[15]

Many felt that the proposed 18% increase in the first year is excessive, especially since wages are not increasing at the same rate. Some submissions indicated that proposed price increases may force people to leave Sydney or stop new residents from moving in. Some suggested that the bill increases should be smaller, in line with inflation,[16] or phased in gradually, and one suggested Sydney Water commit to lowering prices after major projects are completed.[17]

The **Energy & Water Ombudsman NSW (EWON)** recommended that both IPART and Sydney Water find ways to lessen the burden of higher prices. EWON warned "the proposed increase to water prices will add further pressure on households experiencing financial vulnerability."[18]

Specific suggestions from EWON included:

- Extending rebates (currently pensioner concessions) to variable usage charges during drought pricing and increase payment assistance for customers during periods of drought pricing.
- Widening eligibility for rebates to other households at risk of vulnerability (e.g. renters, large families).
- Planning a public education campaign before any drought pricing triggers to help customers avoid bill shocks.
- Reconsidering increasing late payment and declined payment fees as they disproportionately impact customers experiencing vulnerability.[19]

The **Justice and Equity Centre (JEC)** submitted that "Sydney Water's pricing proposal comes at a time of ongoing financial strain on households.[20]" It mentioned that many households are already struggling with high water bills and that an 18% increase could deepen financial hardship. The JEC also cautioned against focusing on "a discrete metric such as bills as a proportion of average household disposable income," and instead called for IPART and Sydney Water to "assess affordability of bills on a more granular level (disposable income quartiles/deciles)".[21]

The JEC acknowledged that Sydney Water's payment assistance programs are helpful but stated that they "do not consider them sufficient to adequately support equity and affordability[22]" in the context of the proposed bill increases. They suggested that "all NSW households should have access to consistent, effective water bill assistance and supports, including rebates, crisis assistance, 'hardship' programs and other assistance to improve water efficiency."[23]

Several councils – including Camden Council,[24] City of Sydney Council,[25] and Kiama Municipal Council[26] – called for enhanced safeguards, phased price increases, and means-testing elements of the pricing proposal, to protect groups experiencing vulnerability. Two councils (Hills Shire Council[27] and Kiama Municipal Council) noted the proposed price increase and their revenue being restricted by the rate peg, suggesting that the rate peg calculation should factor in higher water prices.

A **strata body** noted that higher water bills might lead to increased strata levies, making housing less affordable for some residents.[28] One **business** said that an 18% jump in the first year would hurt its profits, while other businesses warned that higher bills could threaten their ability to operate. The **Greens NSW** considered Sydney Water's pricing proposal unfairly imposed a disproportionate burden on single-person households, which represent 25% of households in Sydney.[29]

3.4 Some stakeholders advocated for the proposed expenditure and bill increases

Some stakeholders favoured the proposed expenditure and bill increases as a pathway to improved infrastructure and service delivery.

Water Services Association Australia (WSAA) submitted the need for "significantly increased investment to meet the challenges of population growth, ageing assets and climate change," noting that "this will require customers to pay more."[30] Citing examples from the United Kingdom, WSAA states that failing to fund investment can trigger "a water crisis where housing targets are not met, service standards decline, rivers and beaches are degraded, and we are not prepared for the next drought."[31] With regards to affordability, WSAA suggested the NSW Government should provide relief to address affordability concerns by setting prices below the maximum if it wished to directly address cost-of-living pressures (with the difference funded by the NSW Government).[32]

A joint submission by the **Cooks River Alliance, Parramatta River Catchment Group,** and **Stormwater NSW** express support for Sydney Water's pricing proposal —particularly the "approximately $600 Million for Stormwater and waterways" and "$480 million to reduce wet weather overflows"—calling these investments critical for "reducing the impacts of population growth and urban expansion."[33] They noted that "this amount should be seen as a bare minimum"[34] given "the centuries of damage" already inflicted on urban rivers. They also noted that "the sooner we revitalise our urban waterways, the less costs our society will have to bear."[35]

The **Western Sydney Leadership Dialogue** submitted that Sydney Water's pricing proposal is "a balanced and reasonable proposition," noting it will "provide vital works" for Greater Western Sydney and help meet housing and infrastructure needs across the region. It recommends a "one-off, non-inflationary support" from the NSW Government to mitigate initial bill increases, given the cost-of-living crisis and its disproportionate effects on Western Sydney residents.[36]

Sydney Water's submission to our Issues Paper noted that "customers have influenced Sydney Water's expenditure decisions, and the subsequent bill increase,"[37] emphasizing that affordability needs to be balanced with "delivering essential water services that are high-quality, reliable, and environmentally sustainable."[38] It mentions that there is a "robust case for investing in water security and resilience" based on customer feedback and support price controls that result in "full cost recovery of efficient costs."[39]

8 individual stakeholders[40] thought the proposed increases would be affordable, acknowledging the need for the infrastructure and futureproofing, and noting water bills were lower than other utilities and Local Government rates. Colliers**,** a real estate investment group, supported the bill increases, provided Sydney Water uses the funding to augment infrastructure to accommodate future housing growth.[41]

3.5 Stakeholders also commented on a variety of other key issues

Customer engagement

Several organisations commended Sydney Water's engagement process. However, other individual stakeholders suggested the proposed price increases meant the customer engagement process was flawed, and did not appropriately factor in concerns about affordability and cost-of-living impacts.

Sydney Coastal Councils Group stated it was satisfied with Sydney Water's engagement and felt that its member councils could comment on the price proposal effectively.[42] Sydney Water's Customer and Community Reference Group commended the overall engagement but felt that the timeline for responses sometimes limited deeper discussion.[43] The Western Sydney Leadership "applauds the extensive community engagement" that shaped the proposal, emphasising its alignment with consumer priorities such as maintaining water quality and funding recreational water sites.

The JEC commended Sydney Water for taking "a genuine intent and commitment" toward community engagement. However, it considered that there were fundamental flaws in structure and process, noting "Phases 3 and 4 were poorly structured focus-group activities and were not sufficiently robust to address the complexity and materiality of the issues," and that "Phases 5 and 6, while significant improvements on prior phases, were neither robust deliberative processes nor valid, statistically significant and representative bases for establishing consumer acceptance or support for specific decisions or bill impacts." It suggested earlier oversight by independent stakeholders, more thorough "deliberative" methods, and repeated testing of investment options as ways to improve future engagement and ensure that consumer voices shape Sydney Water's ultimate decisions.[44]

Variable usage and fixed service charges

Many stakeholders commented on the proposed tariff structure. Overwhelmingly they would prefer increases be put on the variable usage charge rather than the fixed service charge, to support bill control and incentivise water conservation behaviour. One stakeholder noted the proposed increase "required an unrealistic reduction in water usage" to maintain bills[45]. Another stated that reducing water usage to zero would not offset the higher fixed service charge and that they would pay more for the service fee than their actual water usage.[46]

In its submission, coNEXA Infrastructure Partners argued that Sydney Water's proposed "~400% increase in the service charge … is not focused on long term outcomes and not aligned with user pays principles."[47] It instead recommended increasing "Sydney Water's water usage price to a level that better reflects the value of water," calculating robust LRMC estimates for wastewater capacity, and setting lower fixed charges or otherwise recognising customers who reduce their peak draws via recycling.[48]

The Greens NSW contended the proposed tariff structure does not encourage water efficiency and would disproportionately impact on low-water usage households.[49] The Scotland Island Residents' Association commented it is unfair to increase the fixed service charge, as Scotland Island residents did not have the benefit of any infrastructure supplied by Sydney Water on the island.[50]

Service quality

A few submissions commented on service levels, mostly negatively. Issues raised were chemicals in the water including PFAS and chlorine and recurring local (street level) issues.

One council organisation (The Sydney Coastal Councils Group) considered Sydney Water should better contribute to the health of waterways through better stormwater and sewage management[51] The Property Council of Australia raised concerns about service reliability and supported incentive schemes to encourage accurate forecasting, efficient spending, and consistent service.[52] The Scotland Island Residents' Association said its residents are treated as "secondary customers" and do not receive a great customer experience[53].

Sydney Water noted that the customer outcome targets in its pricing proposal set the service levels it aims to achieve. These targets are guided by minimum service standards in its Operating Licence, Customer Contract, and Environmental Protection Licences.[54]

Expenditure

Many stakeholders called for Sydney Water to find more internal efficiencies to reduce its proposed costs, and there could be better transparency on the proposed projects. Several mentioned that better long-term planning would have prevented Sydney Water's proposed step-change in expenditure. Some property and infrastructure organisations requested Sydney Water's capacity to deliver its planned infrastructure or identified it could realise efficiencies by partnering more with WIC Act licensees. One council suggested IPART apply scrutiny similar to that in the Special Variations process.[55]

Growth and developer contributions

Many considered that developers or the NSW Government should pay to deliver new infrastructure to growth areas, rather than the broader customer base. However, the Urban Development Institute of Australia NSW notes the proposed developer charges are appropriate and encourages IPART to resist rebalancing costs to developers.[56]

Several commented on state and federal governments' failure to coordinate and plan strategically. Some also noted the lack of strategic planning from Sydney Water to anticipate and replace ageing assets sooner and accommodate for growth challenges.

The Property Council of Australia recommended a third-party review of dwelling and population forecasting used by Sydney Water to set developer charges. It argued that the gap between proposed growth expenditure and infrastructure contributions was from Sydney Water's previous proposal failing to adequately account for its future expenditure needs, rather than the phased reintroduction of developer charges.[57]

Stormwater pricing

There were mixed views on stormwater charges. Some suggested that postage stamp pricing for stormwater was not reasonable, whereas others advocated for waterway health improvement costs to be shared among all Sydney Water customers.

The Sydney Coastal Councils Group agrees with stormwater customers paying for some charges, but waterway health improvement costs should be shared among all Sydney Water customers.[58] The Property Council of Australia submitted that IPART's proposed charge for Mamre Road is still "too high" for development to be economically viable. It suggested refining costs, shifting some operational expenses to water users, or having Sydney Water or the NSW Government cover these costs to avoid delaying development.[59] In its submission, coNEXA Infrastructure Partners proposed clarifying which stormwater costs pertain to stormwater management versus water re-use, with cost allocation matched to those benefiting from these services.[60]

Outcomes and performance measures

On the proposed outcomes and performance measures, a small number commented that sustainability and environmental targets were important, while one stakeholder noted that most people will be concerned with costs and clean water rather than 'soft measures' such as water literacy.[61] Sydney Coastal Councils Group noted there are no metrics showing how waterways would be protected or improved through Sydney Water's proposed spending.[62]

The JEC was in Sydney Water's Community Consultation Reference Group and provided several comments on this topic. While supportive of the approach and the intent behind the proposed customer outcomes and measures, it "recommend[ed] that more work be done by Sydney Water to develop more detailed measures and targets, which would be more capable of demonstrating performance and progress in outcomes and identifying if and where future work is needed." It argued that a single measure "is too narrow and not an adequate indicator" of real affordability or performance. Instead, the JEC advocates for metrics that better capture "what is actually happening for customers" and provide a clearer sense of Sydney Water's progress in delivering on promised outcomes and responding to community priorities.[63]

Other themes

Many submissions noted that clean and safe water was a basic human right and there were no alternative providers for this essential service.

The Property Council of Australia recommended IPART evaluates the water regulation framework, with industry consultation, before the next pricing proposal.[64]

In its submission, coNEXA Infrastructure Partners argued that Sydney Water's proposed pricing "undermines efficient investment in water recycling and other conservation measures" and conflicts with "lowering system wide costs and maximising value to customers." It also called for "greater oversight over Sydney Water's" dealings with water industry competition licensees and developer charges, to ensure the best least-cost outcomes for customers.[65]

3.6 We have considered all stakeholder feedback

Consultation with the community is an important part of our water pricing review process. We have considered all feedback provided on Sydney Water's proposed prices in making our draft decisions on maximum prices to apply from 1 October 2025.

The following chapters explain our draft decisions including our considerations of stakeholder feedback.

Chapter 4

Operating expenditure

04

Summary of our draft decisions on operating expenditure

Our draft operating expenditure is $8.9 billion for 5 years

At around $1.8 billion per year, this is:

- $190 million per year (or 10%) lower than Sydney Water's proposal
- $79 million per year (or 5%) higher than we used to set prices in the 2020 Determination.

Draft core expenditure is set at $6.5 billion, or 6% lower than proposed

We assessed core operating expenditure using the base-trend-step approach. Our draft changes are:

- A minor (1%) change in the base costs, which is the largest component of the base-trend-step approach
- A 75% reduction to the trend component, reflecting changes to the growth and real price effect components
- About a 50% reduction to the proposed step changes.

Draft bulk water expenditure is set at $2.4 billion, or 18% lower than proposed

This reflects:

- A 2% reduction in total forecast purchases, with a 5 GL per annum shift in purchases from the Sydney Desalination Plant to WaterNSW
- Lower prices for WaterNSW bulk water purchases than Sydney Water forecast in its proposal, in line with our draft prices for WaterNSW.

This chapter sets out our assessment of the level of operating expenditure Sydney Water requires to operate its business efficiently over the 2025 determination period. Sydney Water's operating costs are:

- the day-to-day expenses involved in running its business and maintaining the infrastructure and equipment it uses to provide services. This includes costs such as staff wages, electricity, contractors, maintenance, treatment operations and insurance. We refer to this as the 'core operating expenditure'
- the cost of bulk water, which is purchased from WaterNSW or the Sydney Desalination Plant (SDP) at prices set by IPART.

We will discuss these 2 types of expenditure separately.

We have carefully reviewed Sydney Water's proposed operating costs using a base-trend-step approach, as outlined in our Water Regulation Handbook.[66] In reaching our draft decisions, we considered independent expert advice from AtkinsRéalis, and additional supporting documentation provided by Sydney Water. AtkinsRéalis' report on its assessment of Sydney Water's expenditure proposal is available on our website here.

4.1 Sydney Water spent $31 million (0.4%) less over the last period than we had allowed for

In 2020 we set the operating expenditure for a 4-year period up to and including 2023–24. Due to an extension to the determination period, we did not set an allowance for 2024–25. In the 4 years of the last determination period, Sydney Water spent 0.4% less operating expenditure than the amount we used to set the prices. (See Table 4.1 further below)

Core operating expenditure

'Core operating expenditure' refers to Sydney Water's operating expenditure excluding the bulk water costs. This was about 87% of the total spend and is mostly controllable, with some non-controllable expenditure such as licence fees[a].

Sydney Water spent $4.9 billion on its core operating expenditure (excluding bulk water) over the 4-year period from 2020, an annual average of $1.2 billion. This is 1% less than the allowance of $5.0 billion used to set the prices in 2020. The 2024–25 actual expenditure is expected to be slightly higher than the 2023–24 spend.[67]

Sydney Water's operations were impacted in the first 2 years by COVID-19 restrictions, while in the latter 2 years expenditure increased slightly. AtkinsRéalis found that Sydney Water was able to meet our 0.8% pa efficiency target applied to the latter 3 years of the determination period.[68]

Bulk water costs

Sydney Water's bulk water costs made up about 13% of total operating expenditure. These costs were 2% higher than we used to set prices in 2020. This was driven by the greater use of desalinated water from the Sydney Desalination Plant (SDP), largely in response to poor water quality from Warragamba Dam following periods of bushfire and several heavy rainfall events.[69]

Total bulk water volumes were 7.6% lower than forecast in the 2020 determination period.[70]

[a] Uncontrollable costs to Sydney Water include licence fees and land taxes. While bulk water prices are beyond Sydney Water's control, it has some ability to manage the volumes purchased. As these are significant costs, we consider them separately in this review.

Table 4.1 Sydney Water's operating expenditure over the 2020 determination period ($ million, $2024–25)

	2020–21	2021–22	2022–23	2023–24	Total
2020 Allowance	1,720	1,726	1,697	1,683	6,825
Sydney Water's actual cost	1,721	1,649	1,711	1,713	6,794
Difference ($m)	1	-76	14	30	-31
Difference (%)	0.1%	-4.4%	0.8%	1.8%	-0.4%

Note: Totals may not sum due to rounding.

Source: IPART analysis

4.2 Sydney Water proposed higher operating expenditure, partly driven by assumed bulk water cost increases

Sydney Water proposed $9.9 billion in operating expenditure over the next 5 years. This represents a 15% increase to its annual operating expenditure by 2030, compared to its 2023-24 spend, reaching around $2.0 billion per year in 2029-30.

Under the proposal, the annual average operating expenditure would be 15% greater than actual spend in 2023-24, driven by:

- A 12% increase in core operating expenditure compared to 2023-24, and
- A 25% increase in bulk water costs driven primarily by an assumed increase in prices.

Sydney Water adopted IPART's base-trend-step approach to forecast its operating expenditure for the 2025 determination period. This included:

- Establishing a **base** operating expenditure for 2023-24. This was formed by using its actual expenditure from July to March, forecast operating expenditure from April to June, then adjusting for non-recurring costs.
- Applying a growth **trend** factor of around 1.4% per year (corresponding to dwelling growth) and applying a real price input trend to forecast operating cost components including labour, energy, maintenance and treatment operations.
- Adjusting for any **step** changes in operating expenditure including for new regulatory requirements, increases in maintenance expenditure to prevent service deterioration and a shift in digital expenditure from capital to operating.[71]

Sydney Water also proposed an ongoing efficiency target of 0.7% per annum of its core operating expenditure over the 2025 determination period which we have considered under the trend component.[72]

4.3 We found opportunities to set expenditure lower than proposed

Our draft decision is to set Sydney Water's total operating expenditure at $8.92 billion in total, or an average of around $1.8 billion per year over the next 5 years. This is:

- $191 million (10%) lower per year than proposed by Sydney Water
- $79 million (5%) higher per year than the allowance we used to set prices in 2020.

This reflects our estimate of the efficient level of operating costs Sydney Water could incur in providing its services over the determination period. However, it is not a budget or an amount that Sydney Water is required to spend over the period. Forecasts, costs and unexpected events can change how much Sydney Water needs to spend, and what the priorities of the business are. Sydney Water should focus on continuing to provide value to customers.

Our key changes compared to the proposal are:

- A $438 million or 6% reduction to core operating expenditure. This is largely based on AtkinsRéalis' recommendations and some changes in response to capital expenditure decisions (i.e related to the proposed pre-treatment plants and digital metering)
- A $516 million or 18% reduction to bulk water costs, mostly caused by lower prices for water purchased from WaterNSW than Sydney Water used in its proposal. We are also currently reviewing the maximum prices that WaterNSW charges Sydney Water for its bulk water services and this reflects our draft decision.[b]

Our draft decision is:

2. To set Sydney Water's total operating expenditure allowance for the 2025 determination period at $8.92 billion as shown in Table 4.2.

Table 4.2 Draft decisions on Sydney Water's efficient operating expenditure ($million, $2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Core operating expenditure						
Water	491	492	492	494	499	2,467
Wastewater	550	559	554	562	565	2,790
Stormwater	25	27	30	33	36	151
Corporate	231	223	221	218	217	1,110
Total core operating expenditure	**1,297**	**1,302**	**1,296**	**1,307**	**1,316**	**6,518**
Bulk water						
Water NSW	242	246	246	246	246	1,227
Sydney Desalination Plant	242	235	233	234	234	1,178
Total bulk water	**484**	**481**	**480**	**481**	**480**	**2,406**
Total operating expenditure	**1,781**	**1,782**	**1,776**	**1,788**	**1,797**	**8,924**

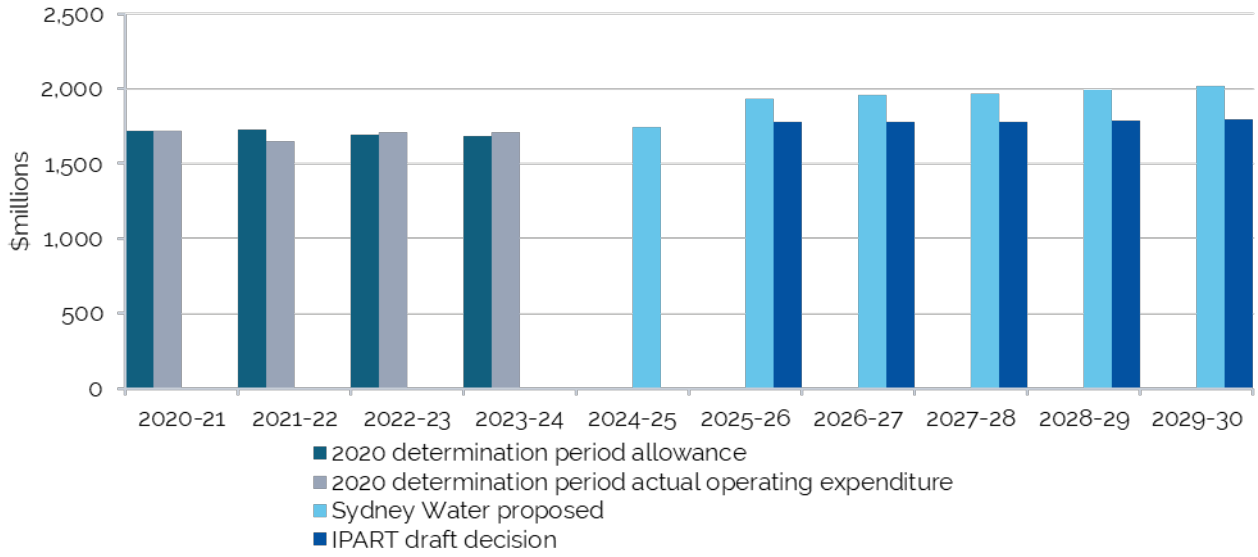
[b] WaterNSW proposed significant cost increases that Sydney Water included in its proposal to us in September 2024. However, the draft prices set out in our draft Determination for WaterNSW's are materially lower than proposed. This lowers Sydney Water's bulk water costs.

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Difference from proposal ($m)	-155	-173	-192	-208	-225	-954
Difference from proposal (%)	-8%	-9%	-10%	-10%	-11%	-10%

Note: Totals may not sum due to rounding.

Source: IPART analysis

Figure 4.1 Comparison of our draft decision with historical operating expenditure and Sydney Water's proposal ($m, $2024–25)



Source: IPART calculations

4.4 Core operating expenditure should be lower than proposed

We used the base-trend-step approach to assess Sydney Water's efficient operating expenditure, as outlined in our Water Regulation Handbook.[73] We also engaged AtkinsRéalis to inform our decisions regarding the efficient level of expenditure.

Core operating expenditure is all of Sydney Water's operating expenditure except the bulk water costs. This includes some controllable and some non-controllable expenditure such as licence fees.

For core operating expenditure, AtkinsRéalis recommended reductions of 6% and 11% for the upper and lower ends of efficient expenditure, made up of many smaller reductions.[74] The key reasons are:

- 'trend' components have been applied too broadly across all expenditure items
- recent performance not justifying the extent of the proposed increases, for instance, in maintenance step increases
- preliminary estimates are used that may be overstated

- expected efficiencies that have not been accounted for
- assuming a tighter market, for instance for labour vacancies, in setting some lower bound estimates.

4.4.1 We propose minor changes to the proposed base expenditure

Sydney Water proposed a base cost of $1,196 million per annum, based on its 2023–34 expenditure with -$7 million of adjustments.[c],[75]

AtkinsRéalis recommended a further 3 adjustments, as summarised in Box 4.1.

Box 4.1 Summary of AtkinsRéalis' findings on base operating expenditure

AtkinsRéalis mostly accepted Sydney Water's adjustments to the 2023–24 actuals and recommended minor further adjustments.

- **A $1 million reduction for energy costs**, because in 2023–24 some of Sydney Water's renewable energy sources were offline, leading to greater energy costs in the base year.
- **$3.5 million adjustment for labour vacancies** in the base year. Sydney Water added $3.5 million to the 2023–24 year for unfilled vacancies above its usual assumed vacancy rate of 2.5%, assuming these vacancies will be filled. AtkinsRéalis suggests this would not occur in a tight job market.
- **$1 - $2 million per annum on water conservation activities** AtkinsRéalis found that there is scope to deliver water savings through the water conservation program and its management costs.

The upper bound recommendation includes the energy cost reduction and $1 million for water conservation, the lower bound adds the labour vacancies reduction and an additional $1 million for water conservation.

Source: AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 52-53.

Our draft decision is to set base operating expenditure at $1,194 million. In making this draft decision, we considered Sydney Water's proposal, the advice provided to us by AtkinsRéalis' and our own analysis. Our draft decisions are to:

- reduce Sydney Water's proposed energy costs to include the renewable energy sources being fully operational
- apply a $1 million reduction to water conservation activities which leaves it slightly lower than 2023–24 expenditure levels.

[c] This is for controllable costs only, that is, it excludes bulk water, licence fees and land tax.

We have not applied labour vacancy reductions, as it is not clear that these positions are not needed. In the trend component (further below) we have included an adjustment for better management of labour and contractor costs.

4.4.2 Our draft trend component is lower than Sydney Water's proposal

Sydney Water proposed trend increases for growth (1.4% pa) and for real prices effects (0.3-1%) with an ongoing efficiency factor of 0.7%. This would add 9% to our draft base costs over the 6 years from 2023–24, adding 2.0% in the final year.

AtkinsRéalis' recommendations are for an upper bound cumulative increase of 3.6% and 1.7% (for wastewater and other businesses respectively) and -4.0% for the lower bound.[76]

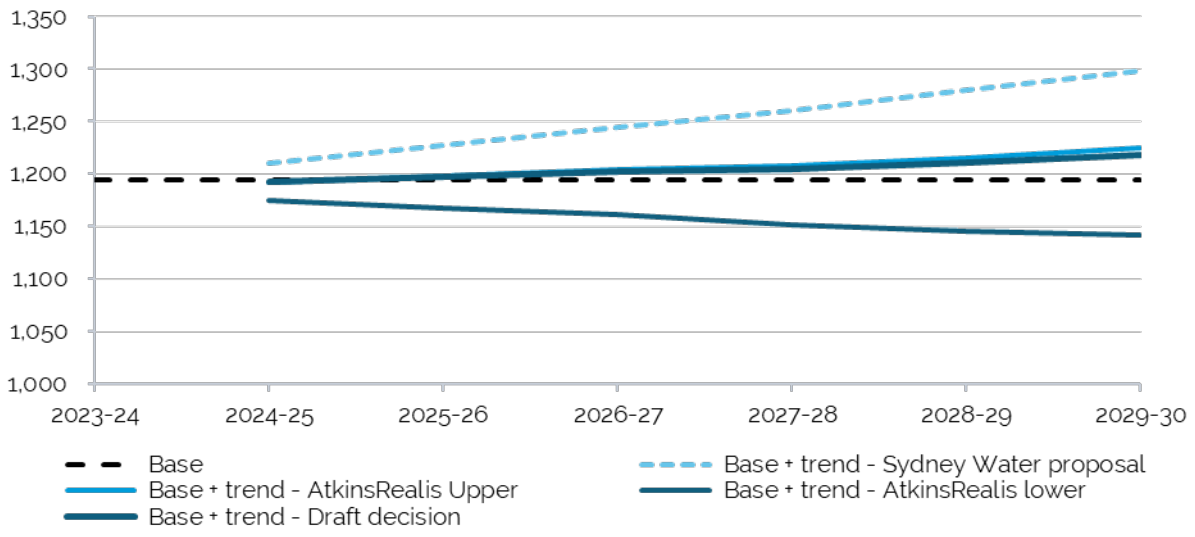
Our draft decision is for a trend factor of around 2% in total. This is significantly lower than Sydney Water's proposal, and around the mid-point of AtkinsRéalis' upper and lower bound recommendations. Table 4.3 shows the impact of our draft decision on the base allowance. Below that, Figure 4.2 shows a comparison of the cumulative effects of Sydney Water's proposal with our draft decision and AtkinsRéalis' upper and lower bound recommendations.

Table 4.3 Impact of the recommended trend allowance on base costs ($m, $2024–25)

Component	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Base allowance	1,194						
Base + trend		1,192	1,197	1,202	1,205	1,210	1,218
Annual increase		-0.2%	0.4%	0.4%	0.2%	0.5%	0.6%
Cumulative increase			0.2%	0.6%	0.9%	1.3%	2.0%

Source: IPART calculations

Figure 4.2 Impact of the trend component on base costs ($m, $2024-25



Source: IPART calculations

We propose to apply growth factors of 0.7% and 1.0% based on AtkinsRéalis' upper recommendation

Sydney Water's proposed growth factor was based on forecast growth in connections, of around 1.4% and 1.5% per annum in the early years, falling to 1.0% to 1.2% (averaging 1.4% per annum).

AtkinsRéalis found that growth does not drive all operating costs but is more specific to chemicals and electricity (driven by water sales), and customer service. It also notes a relatively flat water demand, of 0.35% increase per annum. For wastewater, it found a closer link with population because in this area, costs are driven by wastewater loading.[77]

AtkinsRéalis also notes that the current period (2020–21 to 2023–24) experienced a similar level of growth to that forecast but without a corresponding cost increase. On this point, Sydney Water states that it has made explicit decisions when making its price proposals since 2012, that additional operating costs associated with growth would be 'absorbed' by the business, or covered by efficiency gains.[78]

AtkinsRéalis concluded that growth impacts on costs are likely to be around half of that proposed. The upper bound recommendation is for a 0.7% rate for water, stormwater and corporate, and 1% for wastewater. The lower bound recommendation is a 0% increase, assuming that growth is covered by existing revenues similar to the current period. [79]

In response to this recommendation, Sydney Water raised concerns that AtkinsRéalis does not fully appreciate the type of growth Sydney Water faces, nor the range or magnitude of costs it will need to service growth over the next 5 years. It states that growth in greenfield areas leads to increases in asset management, safety and customer service and billing and it states that for the past 12 years it has absorbed growth associated operating costs. AtkinsRéalis indicated that Sydney Water has not demonstrated the relationship between the total base operating expenditure (to which the factor is applied) and growth in connections.[80]

We have accepted AtkinsRéalis' upper bound recommendation for growth. We accept AtkinsRéalis' response that it has not seen evidence of connections between growth and all operating expenses. We do not find the lower bound reasonable. While Sydney Water states it has incorporated maintenance costs for the past 12 years, we understand that there are increased maintenance costs as the network grows for which it is reasonable to have an allowance.

We propose to apply a real price increase around AtkinsRéalis' midpoint

Sydney Water's proposed real price effects of -0.3% to 1.0% per annum. This is a weighted average of forecast real input price escalation of 8 inputs, based on a report Sydney Water commissioned from Oxford Economics.[d] The indices with the greatest weightings are labour, external contractors, energy and chemicals. Four materials indices are included - for steel beams, steel pipe, concrete pipe and polyethylene pipe. For corporate expenditure, Sydney Water only applied the labour component.[81],[e]

[d] Labour and material cost escalation forecast, Oxford Economics, May 2024.

[e] Oxford Economics uses the Wage Price Index for the EGWWS (Electricity, Gas, Water, and Waste Services) sector in NSW for the labour component, and the WPI for the Construction sector in NSW for contractor costs. (Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 184).

AtkinsRéalis found that in 2024, the real price effects analysis applied to 71% of operating expenditure, not all operating costs as Sydney Water had applied it. It also found that Sydney Water has little influence on commodity and material indices although it can manage labour and contractor prices, and a company in a competitive market might try to reduce its labour and contractor costs. Labour and external contractors make up 41% and 43% of the weighting respectively.

AtkinsRéalis recommended:

- For the upper bound, that 71% of the real price effect be applied. For simplicity it applied this to the labour and contractor components (84% weighting in total).
- For the lower bound, it included an additional 50% reduction to the labour and external contractor components.[82]

Our draft decision is for a real price effect increase factor of about 1.2% over the 5 years. This is a combination of AtkinsRéalis' upper and lower bound recommendations. We have:

- Applied the 71% to the real price effects factors except the labour and contractor costs. AtkinsRéalis' approach to exclude some items 'for simplicity' is not clear as the calculation is not overly complicated. As the additional components are mainly negative, this increases the indices compared to AtkinsRéalis' recommendation.
- Applied a 50% reduction on labour and contractors components as per AtkinsRéalis' lower recommendation, to encourage Sydney Water to manage its labour and contractor costs.

Our draft decision is about mid-way between AtkinsRéalis' upper and lower bounds and half of Sydney Water's proposal. It results in a cumulative increase of 1.2% compared to Sydney Water's 2.3%, as set out below in Table 4.4.

Table 4.4 Comparison of proposed and recommended real price effect increases (%)

	2025	2026	2027	2028	2029	2030	Cumulative increase
Sydney Water proposed RPE weighted average	-0.3	0.7	0.6	0.4	0.8	1.0	2.3
AtkinsRéalis' Upper range - 71% applied to labour/contractors	-0.4	0.4	0.4	0.2	0.5	0.7	1.7
AtkinsRéalis' Lower - 50% applied to labour/contractors	-0.5	0.2	0.2	0.0	0.3	0.5	0.7
Our draft decision	**-0.3**	**0.3**	**0.3**	**0.1**	**0.4**	**0.5**	**1.2**

Source: IPART calculations.

We propose to accept Sydney Water's ongoing efficiency factor

Sydney Water proposed an annual efficiency factor of 0.7% per annum.

The ongoing efficiency factor is to account for economy-wide efficiency gains that a sophisticated and agile business should be able to embrace and incorporate. This applies in addition to efficiencies proposed by Sydney Water or that we have accepted based on AtkinsRéalis' review.

AtkinsRéalis accepted Sydney Water's proposal for its upper bound recommendation and increased this to 0.8% for its lower bound recommendation, based on IPART's 2020 pricing determination.[83]

We have assessed the Australian multi-factor productivity since 1996 to understand the economy-wide efficiency gains. We undertook our analysis on across a group of 16 industries, and also tested 12 industries. This analysis showed an average multi-factor productivity between 0.7%. and 0.9%.

Based on this, we consider Sydney Water's proposal of 0.7% is reasonable.

4.4.3 We have reduced the step change costs

Sydney Water proposed an average of $159 million in step changes per annum, totalling $797 million over the next 5 years.[84]

It also proposed several projects which should lead to efficiencies across multiple programs to a total of -$413 million. These include digitalisation and a 'Flow' program to automate scheduling and despatch activities including reduced travel time and an increase in first time fixes.[85] Sydney Water proposed an average efficiency of -$83 million per annum from its step changes.

We refer to the total project costs before efficiency adjustments. Where projects are adjusted, the efficiencies applied are pro-rated in calculating the service totals. For our draft decision, we applied this approach as taken by AtkinsRéalis.[86]

Table 4.5 below summarises our decisions on the proposed step increases, and we explain the key adjustments in further detail below that.

Table 4.5 Summary of proposed step changes and our draft decisions ($millions, $2024–25)

Steps	Proposal	Draft decision	Summary
Water			
Uplift in water maintenance	84.1	28.7	We accepted AtkinsRéalis' upper recommendations, but have excluded most of the maintenance related to the proposed pre-treatment plants.
Raw water quality pre-treatment	65.1	2.2	Operational costs for the Nepean plant only. Our capital expenditure allowance does not include the remaining pre-treatment plants.
Digital metering	33.7	0	Our capital expenditure allowance does not include the digital metering expenditure, so we have not included operating expenses.
Property	37.5	25.7	We have accepted AtkinsRéalis' lower recommendation.
Other	52.4	49.0	Other items were found to be efficient and meeting the definition of a step change, or not reviewed due to immateriality. This also includes a shift of 'EPA regulations' step expenditure to wastewater, and 'NSW Health water quality testing and monitoring' from wastewater, based on Sydney Water updates.
Wastewater			

Steps	Proposal	Draft decision	Summary
Hawkesbury Nepean Nutrient Management Framework	65.5	33.9	We have accepted AtkinsRéalis' lower recommendation.
Uplift in wastewater maintenance	139.6	73.0	We have accepted AtkinsRéalis' upper recommendation.
Mamre Road/Western Sydney Aerotropolis operational and maintenance costs	47.1	0	We have moved Mamre Road/Aerotropolis expenditure to the stormwater costs. This is explained further in Chapter 8.
Property costs	21.4	14.7	We have accepted AtkinsRéalis' lower recommendation.
Other	26.5	29.9	Other items were found to be efficient and meeting the definition of a step change, or not reviewed due to immateriality. This also includes a shift of 'EPA regulations' step expenditure from water, and 'NSW Health water quality testing and monitoring' expenditure to water, based on Sydney Water updates.
Stormwater			
Stormwater remediation	20.6	5.0	We have accepted AtkinsRéalis' lower recommendation.
Property	1.0	0.7	We have accepted AtkinsRéalis' lower recommendation.
Other	0.7	0.7	Other items were found to be efficient and meeting the definition of a step changes, or not reviewed due to immateriality.
Mamre Road/Western Sydney Aerotropolis operational and maintenance costs	0	23.5	We have added this step which was initially proposed as a wastewater cost. We accepted Sydney Water's revised costs. We also amended land tax in line with the November 2024 review of Mamre road and Sydney Water's updated costs for Aerotropolis.
Corporate			
Digitalisation	159.3	135.0	We have accepted AtkinsRéalis' upper recommendation.
IT project operating expenditure	52.2	19.3	We have accepted AtkinsRéalis' upper recommendation.
Other	(9.6)	(9.6)	Other items were found to be efficient and meeting the definition of a step changes, or not reviewed due to immateriality.
Total	**797.0**	**431.6**	

Source: IPART calculations

Summary of key adjustments

An $84 million increase to **water maintenance** was the largest proposed step change in water services, with efficiencies reducing the step change to $15 million.[87] Water maintenance is an ongoing program and the majority of expenditure is in the base expenditure.

AtkinsRéalis reviewed performance over the last period including the water continuity measure and number of bursts and leaks. It recommended an upper bound of $29 million after finding some business cases lacking, scope for refinement, and there is no evidence of increasing deterioration, as well as a move from inefficient manual to automatic dosing. The lower bound recommendation was -$15 million, assuming no further step is needed, but further savings from the phase-out of manual dosing.[88]

We have accepted AtkinsRéalis' upper amount, finding the recommendations are well justified and the lower bound may introduce additional risk of service reduction. We made a further $2.5 million reduction to remove maintenance for the proposed pre-treatment plants, on the basis of our capital expenditure draft decision for pre-treatment plants.

Wastewater maintenance was the largest step increase proposed. This is also an ongoing program with the majority of expenditure ($205 million annual average) already in the base, increasing to $235 million (annual average) with this step change.[89]

AtkinsRéalis found a reducing trend in bursts and chokes, but that dry weather overflows exceeded the limit. It found work is needed to focus on those areas of the network at risk.[90]

AtkinsRéalis recommended an upper bound of $54 million due to having limited confidence in the underlying data, overstated deterioration changing assumptions, lack of business case or a business case showing a lower approved amount. The lower bound is for a 98% reduction by excluding most of the proposed step change.[91]

We have accepted the upper bound recommendation as we find it is well justified and likely to be the efficient level of expenditure. The lower bound may introduce additional risk of service deterioration.

For **4 pre-treatment plants** Sydney Water proposed a step increase to cover operating staff, chemical and power use and sludge disposal.[f] One plant (at Nepean) is in progress.

AtkinsRéalis recommended an upper bound of $23 million based on significant cuts to its review of the largest plant (Prospect). The lower bound was $7 million assuming that the Prospect plant would not be built.[92]

Our draft decision is to allow the operating costs associated with the Nepean plant, of $2.2 million over the 5 years,[93] a 97% reduction to the proposed step change. This is based on our capital expenditure draft decision (see Chapter 5).

A new **Hawkesbury Nepean Nutrient Management Framework** begins in July 2025 and Sydney Water proposed $65 million to meet its obligations. Broadly, this involves investigations and offsets work (e.g. riverbank stabilisation) for 38 sites, starting with pilot programs and working with the EPA.[94]

AtkinsRéalis found this proposed project to be ambitious, with business cases still in preparation. AtkinsRéalis suggests further pilot sites be carried out to demonstrate the efficiency.[95]

AtkinsRéalis' recommendations are for $36 million and $33 million based on slower phasings of the project, some efficiencies and removing some double counting.[96]

Our draft decision is to accept the lower bound recommendation. We recognise that this is an important and required piece of work but we understand it is in its preliminary stages.

[f] Operating and maintenance is included in the general water maintenance step increase discussed earlier.

For **the Mamre Road and Aerotropolis precincts,** Sydney Water proposed $47 million to maintain trunk drainage corridors, regional basins, stormwater harvesting, stormwater treatment and recycling. It then submitted revised costs of $24 million.[97] We understand these were derived in response to our November 2024 Mamre Road Stormwater Scheme Final Report.[9]

AtkinsRéalis' recommendations for this step change were based on Sydney Water's initial proposal and recommended reductions of 45% and 52%.

Sydney Water's revised costs reflect those in our November 2024 final decision for the Mamre Road review and are 33% lower than the proposal. Aerotropolis costs are 58% lower than the proposal. Our draft decision is to accept Sydney Water's updated costs for this step increase.

We have also reduced land tax from $34 million in total, to $6 million for Mamre Road based on our 2024 review, and $17 million for Aerotropolis, based on Sydney Water's revised costs.

For **property costs**, Sydney Water proposed a $60 million increase, 112% more than the average actuals or 39% more than the IPART allowance from the previous 4 years.[98]

AtkinsRéalis found that proposed property optimisation costs are overstated and should generate more revenue than the costs, and cost could be removed for non-essential activities.[99]

We have accepted AtkinsRéalis' lower bound recommendation of $42 million. This should allow Sydney Water to manage its property costs while enabling it to meet mandatory outcomes and is consistent with our draft decision for property capital expenditure.

A $21 million step increase for **stormwater remediation works** was proposed. This is an ongoing program which includes gross pollutant trap cleaning, channel and pipe desilting, silt and debris removal, reactive and emergency repairs, some bush regeneration and weed removal.

Sydney Water underspent in the current period due wet weather and COVID-19. It also has newly defined KPIs.[100]

AtkinsRéalis recommended an upper range of $10 million and lower range of $5 million, finding much of the increase is for works that should be in the base year with other components covered by the trend increase. [101] Our draft decision is to accept the lower range.

Sydney Water proposed a $159 million step increase for **digitalisation** and $52 million for **IT project operating expenditure** across water, wastewater, stormwater and corporate businesses. Under the proposal, digital costs have seen a shift to operating expenditure being a larger component of digital costs than capital expenditure. This has been a common trend in the industry in recent years.[102]

AtkinsRéalis found that Sydney Water has become a digitally mature organisation in the last period and was able to make efficient adjustments to its expenditure over the period to adjust projects.[103] It found some double counting, and some aspects of the step were not strongly justified. It recommended $154 million for the upper range for digitalisation and IT operating expenditure, and that the lower range maintain the ratio of digital operating expenditure as 3.5% of total expenditure.[104]

[9] IPART recently reviewed the efficient costs of the Mamre Road stormwater costs, concluding in November 2024 with our Mamre Road Stormwater Scheme Final Report.

Our draft decision is to accept the upper range recommendation.

4.4.4 We adopted a different approach from Sydney Water to corporate cost allocation

Corporate costs are allocated to the water, wastewater and stormwater businesses, so they can be recovered through those prices.

Sydney Water proposed to allocate corporate costs proportional to the total operating expenditure of those businesses. In doing so, it included bulk water in the water component.

AtkinsRéalis found the bulk water costs increase the proportion allocated to water but bulk water is unlikely to require significant corporate support. It considered several different bases on which to allocate corporate costs, including proportional expenditure with and without bulk water, total expenditure (i.e. operating and capital expenditure), labour, and customer numbers.[105]

AtkinsRéalis recommended a more efficient approach to corporate costs allocations. It found that using only the core operating expenditure as the basis for the proportional allocations is a more representative and causal allocator.[106] We have adopted this approach.

4.5 Our changes to bulk water volumes purchased and total costs

Bulk water costs made up around 27% of the total proposed operating expenditure. Comparatively, over 2020–21 to 2023–24, it made up 13% of actual operating expenditure. The main difference was an assumed increase in the price of bulk water from WaterNSW over the next 5 years.

AtkinsRéalis did not review total water demand from customers in detail, but it considered the efficiency of Sydney Water's proposed bulk water purchase volumes and where savings could be made, including the efficient use of bulk water from different sources. It made 3 recommendations relating to the proposed purchase volumes, explained further below.

The prices Sydney Water pays are determined by IPART and are not within Sydney Water's control.

Our adjustments to bulk water purchases are set out below.

4.5.1 We adjusted forecast demand due to the price elasticity of demand

As discussed further in Chapter 8, we have made a draft decision for lower water sales than Sydney Water proposed. This is because we applied a price-elasticity of demand to a higher water usage price than Sydney Water had proposed.

4.5.2 We propose to make a 5 GL per year shift in demand from the Sydney Desalination Plant to WaterNSW

Bulk water is purchased primarily from WaterNSW, with some additional supply from SDP. SDP is a more expensive source than the dams that WaterNSW manages, so SDP supply should be used only as needed.

AtkinsRéalis recommended that some of the proposed purchases from SDP be shifted to WaterNSW for 2 reasons:

- It found Sydney Water applied a risk averse approach to its additional SDP volumes for maintenance and weather events.
- It also found that Sydney Water had not incorporated a reduced reliance on SDP arising from the proposed pre-treatment plants.

In the last period, SDP has moved to a new 'always on' operating model which mandates a minimum purchase of 50 ML/day by Sydney Water. Sydney Water can also request additional water based on a decision tree, and does this to supplement water for poor raw water quality and to support operational purposes such as maintenance. It did this on 17 occasions in the last determination period.

SDP volumes for maintenance and weather events

The proposed purchase volumes from SDP were based on WaterNSW's modelling for the percentage of time the dams will operate at different storage levels. This, combined with Greater Sydney Operating Strategy rules informs the basis of SDP volumes. AtkinsRéalis found this to be appropriate and we agree.

Sydney Water has then assumed an additional 4 weeks of full supply per year for water quality and operational events. That is, an additional 7 GL per year or 8% of full production over a year.[107]

AtkinsRéalis found Sydney Water applied a risk averse approach to its additional SDP volumes. It suggests the proposal is appropriate as an upper limit, and recommends a lower limit of 2 GL per annum, equivalent to one extra week at full capacity.[108]

Our draft decision is to accept AtkinsRéalis' lower limit. We accept that emergency work can arise and there should be some allowance for this. If Sydney Water forecasts additional operational works such as maintenance for which it would use additional SDP supply, then it should provide some evidence of this in its planning. We generally expect Sydney Water to assume average weather conditions going forward. We also do not accept there should be plans for significant rain events as those seen in the current period. The reduced SDP demand is moved to WaterNSW demand.

Additional volume shift for pre-treatment plant savings

AtkinsRéalis recommended a further shift of 2 GL per annum from 2028. This is because one benefit of the proposed pre-treatment plants is to reduce the reliance on SDP for raw water quality, but Sydney Water had not accounted for this.[109]

In our capital expenditure assessment, we did not include full funding for the pre-treatment plants and therefore have not made this change to the bulk water volumes.

We propose to not accept AtkinsRéalis' recommendations related to water savings

AtkinsRéalis also recommended reducing the volume from WaterNSW by 17.8 GL to reflect expected savings from Sydney Water's proposed expansion of digital metering.[110]

We have not accepted this recommendation, consistent with our draft decision to adopt AtkinsRealis' lower range for capital expenditure on major asset renewals as set out in Chapter 5.

4.5.3 Total bulk water purchase amount is 0.8% lower than proposed

Our draft decision is:

3. To set the bulk water volumes 0.8% lower than Sydney Water proposed, as set out in Table 4.6.

Table 4.6 Bulk water purchase volumes – Sydney Water proposed and IPART draft decision (GL per annum)

	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water's proposal					
From WaterNSW	499.9	502.2	508.3	511.3	516.1
From Sydney Desalination Plant	42.5	42.2	42.4	43.0	43.0
Total	542.4	544.4	550.7	554.3	559.1
IPART draft decision					
From WaterNSW	506.8	506.0	510.9	510.7	512.2
From Sydney Desalination Plant	37.5	37.2	35.4	36.0	36.0
Total	**544.3**	**543.2**	**546.3**	**546.7**	**548.2**
Difference (GL)	*1.9*	*-1.2*	*-4.4*	*-7.6*	*-10.9*
Difference (%)	*0.3%*	*-0.2%*	*-0.8%*	*-1.4%*	*-2.0%*

Source: IPART analysis

4.5.4 We have used lower prices for WaterNSW bulk water, compared to the Sydney Water proposal

In setting its operating expenditure allowance for bulk water, Sydney Water's proposal included bulk water prices based on:

- For WaterNSW bulk water, WaterNSWs' proposed prices for the next 5 years, which IPART is concurrently reviewing[h]

[h] We note that the prices that Sydney Water incorporated differed slightly from those in WaterNSWs' final proposal. Sydney Water noted the difference in its response to our Issues Paper.

- For SDP bulk water, its existing price Determination, due to be replaced in 2027–28.

We have made a draft decision for WaterNSW prices which is significantly lower than its proposal. We have used these prices in setting Sydney Water draft operating expenditure and prices.

While this reduces prices to Sydney Water customers compared to Sydney Water's proposal, this decision should not have an impact on Sydney Water's operations. In this respect, Sydney Water is a price taker and the costs are passed through to customers.

We expect our final decision on WaterNSW prices to be incorporated into our final decision for Sydney Water.

Our draft decision is:

4. To set bulk water costs at $2.4 billion over the next 5 years, as set out in Table 4.7.

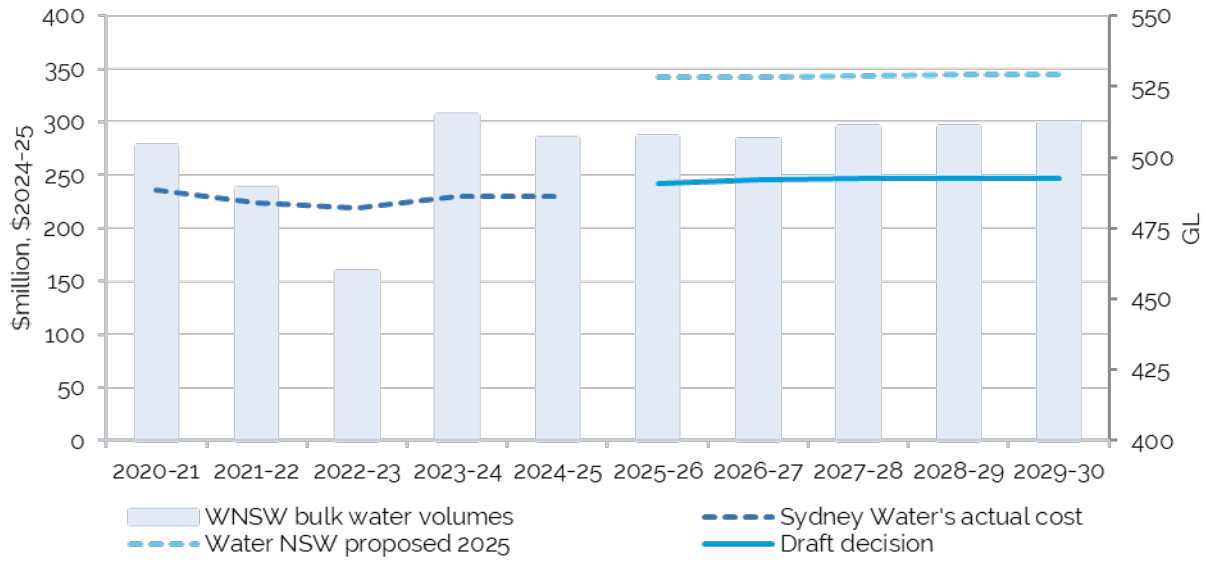
Table 4.7 Bulk water costs – Sydney Water proposed and IPART draft decision ($ million, ($2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water's proposed					
From WaterNSW	342	343	344	344	345
From Sydney Desalination Plant	246	239	239	240	240
Total	**588**	**581**	**583**	**585**	**585**
IPART draft decision					
From WaterNSW	242	246	246	246	246
From Sydney Desalination Plant	242	235	233	234	234
Total	**484**	**481**	**480**	**481**	**480**
Difference ($)	-104	-101	-103	-104	-104
Difference (%)	-18%	-17%	-18%	-18%	-18%

Source: IPART analysis

Figure 4.3 shows the difference in our draft decisions on bulk water costs from WaterNSW compared to Sydney Water's expenditure in the current period and if we had used WaterNSW proposed prices.

Figure 4.3 Comparison of bulk water costs from WaterNSW under the WaterNSW proposal and IPART draft decision



Source: IPART analysis

Our draft decision for WaterNSW is to set a 3-year determination, with the view to reset prices starting from 2028–29. We also note that SDP is due to have a new determination in place from 2027–28. Future changes to bulk water prices will directly impact Sydney Water's costs. To allow it to recover any difference, our draft decision is to consider a true-up of revenue when making our next determination which we are seeking feedback on. This is discussed further in Chapter 7.

4.6 Sydney Water's expenditure for the deferral year

In November 2021, we approved the extension of Sydney Water's current determination period by one year, to 2024–25. This meant that prices remained constant at 2023–24 levels, and no operating expenditure allowance was set for 2024–25. As part of this review, we have assessed Sydney Water's operating expenditure for 2024–25 to ensure its costs were efficient and in customers' best interests.

Sydney Water's forecast operating expenditure is $1.7 billion for 2024–25 (i.e, to June 2025), consisting of $1.3 billion for core operating costs and $470 million for bulk water costs.

AtkinsRéalis assessed Sydney Water's operating expenditure over 2024–25 in the base-trend-step analysis and concluded that efficient core expenditure was in the range of $1.3 billion for the upper bound and $1.2 billion for the lower bound. The differences primarily are for changes to the base and trend components. It did not recommend changes for bulk water costs.[111]

Chapter 5

Capital expenditure

05

Summary of our draft decisions on capital expenditure

Sydney Water's actual capital expenditure over the 2020 determination period is efficient

We reviewed Sydney Water's historical capital expenditure over the 2020 determination period to determine the efficient level of expenditure to include in the RAB roll-forward.

Our view is that Sydney Water's actual capital expenditure of $7.3 billion from 2019–20 to 2023–24 was efficient and variances between allowed and actual expenditure were justified.

We have set 2024–25 expenditure at $2.4 billion based on Sydney Water's actual 2024–25 expenditure with revisions based on the independent expert advice from AtkinsRéalis, specifically, the lower range recommendation for renewals expenditure and upper range for compliance expenditure.

The efficient level of capital expenditure from 2025–26 to 2029–30 is $10.7 billion

We have made a draft decision to include $10.7 billion of forecast capital expenditure to 2029–30 into Sydney Water's regulatory asset base (RAB). This is $5.9 billion (or 35%) lower than proposed by Sydney Water over the next 5 years. However, at an average of $2.1 billion a year, it is materially higher than the previous capital expenditure allowance, in today's dollars, we have used to set Sydney Water's prices.

We found that Sydney Water will need to spend more than it has previously on building new, and replacing existing, infrastructure. But we are not persuaded that Sydney Water's proposed level of future expenditure was justified or achievable. In making our draft decision, we considered the appropriate level of risk Sydney Water should accept, the needs of customers, environmental performance, the provision of infrastructure to service growth, water security and other emerging issues. We also considered the independent expert advice provided to us by AtkinsRéalis.

We are seeking feedback on whether our decision on the efficient capital expenditure for the 2025 review period, including whether our draft decision on capital expenditure, delivers the right customer outcomes for this review period, or whether customer outcomes could be optimised by adjusting the expenditure envelope.

This chapter sets out our assessment of Sydney Water's capital expenditure required to deliver good quality services and promote long-term customer outcomes. Sydney Water's capital costs are the investments it makes to buy, build and renew the infrastructure and equipment it uses to provide its services (e.g. water mains and pipelines, wastewater treatment plants, IT systems, etc.).

We have carefully reviewed Sydney Water's proposed capital costs in light of its long-term investment plan,[a] the impacts of climate change on its assets and planning, growth in the Greater Sydney region, and the need to address customer priorities and outcomes and deliver value for money.

In reaching our draft decisions, we considered independent expert advice from AtkinsRéalis, additional supporting documentation provided by Sydney Water and comments from stakeholder consultation. AtkinsRéalis' report on its assessment of Sydney Water's expenditure is available on our website.[112]

5.1 Sydney Water's spending over the last 5 years

Our draft decision is:

5. To set the efficient capital expenditure of $9.7 billion over 2019–20 to 2024–25, as shown in Table 5.1.

Our decisions on capital expenditure reflect our assessment of the prudent and efficient level of expenditure on capital works that should be included in a business's regulatory asset base to be recovered through prices. When we assess historical capital expenditure, we look at spend over the current determination period (2020–24), as well as spend over the final year of the 2016 determination period (i.e. 2019–20).[b]

Over the 2020 determination period, Sydney Water's actual capital expenditure was $6.2 billion, which is 6% higher than the forecast we used to set prices in 2020. This is set out in Table 5.1 below. Sydney Water spent less than we forecast in 2020–21 and 2021–22 but significantly more in the later years, largely driven by growth expenditure.

Table 5.1 Efficient capital expenditure for 2019–25 period ($billions, $2024–25)

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25 [b]	Total
2020 allowance	1.15 [a]	1.73	1.48	1.40	1.29	n/a	7.06
Sydney Water's actual	1.02	1.06	1.31	1.66	2.21	2.69	9.95
Adjustment for expenditure review	0.00	0.00	0.00	0.00	0.00	-0.24	-0.24
Total efficient base capital expenditure	**1.02**	**1.06**	**1.31**	**1.66**	**2.21**	**2.44**	**9.71**

a. This figure refers to the expenditure we determined as efficient in our 2020 review of Sydney Water's prices.
b. 2024-25 is based on Sydney Water's forecast adjusted for AtkinsRéalis' expenditure review and our draft decisions on renewals and compliance expenditure as set out in section 5.3 below.

Source: IPART analysis.

[a] Its Long-Term Capital and Operational Plan (LTCOP).
[b] We look at spend over the final year of the 2016 determination period (2019-20) because at the time of setting prices for the 2020 determination period we would not have had a complete year of actual expenditure data from 2019-20 to assess its efficiency.

Sydney Water provided a detailed explanation for the variance in its allowed and actual expenditure, including:

- the circumstances in place at the time of its 2019 submission, including changing climatic, economic and social circumstances
- changes in conditions between its 2019 submission and the Final Determination, including the drought breaking, followed by extended and extreme periods of wet weather, plus the COVID-19 pandemic
- new delivery arrangements in place that enabled a higher level of capital delivery.[113]

Sydney Water also provided a detailed assessment of variances at a project and program level to explain the differences in allowed and actual expenditure.[114]

Based on the detailed explanation of variances and the variance amount, we propose to include all of Sydney Water's actual capital expenditure over the 2020 determination period into the RAB.

5.2 Sydney Water proposed higher capital expenditure to address customer growth and renew ageing assets

Sydney Water proposed capital expenditure of around $3.3 billion per year (or $16.6 billion in total) over the 2025 determination period and $2.7 million for the 2024–25 deferral year.[115] As shown in Figure 5.1, this is:

- $1.9 billion (135%) per year higher than the average forecast expenditure used to set prices in 2020
- $1.7 billion (100%) per year higher than the average of Sydney Water's reported actual expenditure per year over the 2020 determination period.

5.3 We propose to set capital expenditure to be $10.7 billion over the 2025 determination period

Our draft decision is:

6. To include $10.7 billion of capital expenditure into Sydney Water's notional revenue requirement for the 2025 determination period, as shown in Table 5.2.

The capital expenditure allowance we propose to set for Sydney Water represents our view on the overall envelope of capital expenditure that we consider reasonable to maintain or improve Sydney Water's assets and services over the upcoming determination period, and that should be recovered through prices. It does not signal the amount Sydney Water is required to spend on specific capital projects, or discrete allowances for specific works, projects or programs. We expect Sydney Water to prioritise its planned prudent and efficient capital works within the envelope of capital expenditure that we consider reasonable to recover through customer prices. This means that Sydney Water can be dynamic in its spending and make investment and business decisions that are guided by its customers.

We have made the draft decision to set efficient capital expenditure of $10.7 billion over the 2025 determination period (i.e. around $2.1 billion per year). Our draft decision on efficient capital expenditure for the 2025 determination period is set out in Table 5.2 below, and is:

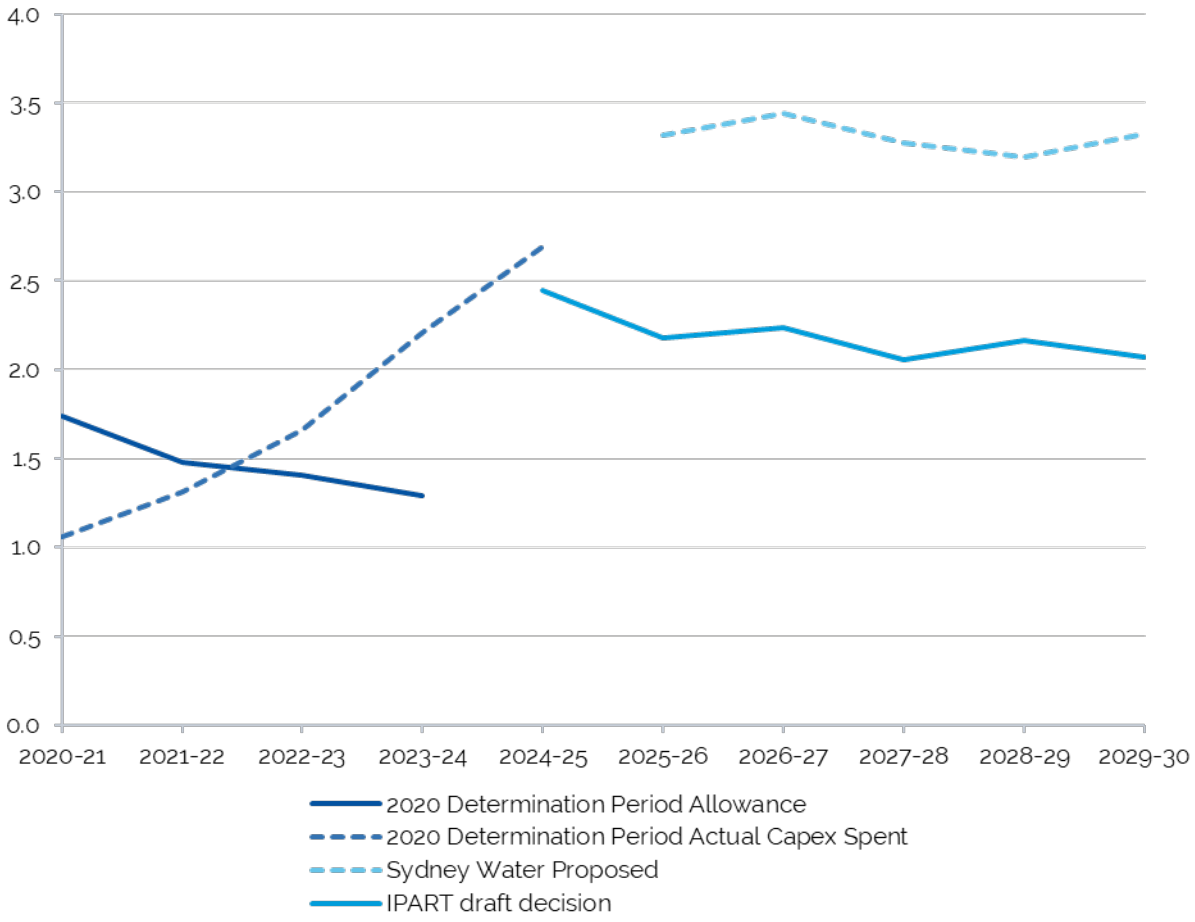
- $0.7 billion (52%) higher per year than the allowance we used to set prices in 2020
- $0.5 billion (29%) higher per year than Sydney Water's actual capital expenditure over the 2020 determination period
- $1.2 billion (35%) lower per year than proposed by Sydney Water (see Figure 5.1).

Table 5.2 Draft decision on Sydney Water's efficient forecast capital expenditure ($billions, $2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Water	0.62	0.71	0.70	0.74	0.58	3.36
Wastewater	1.24	1.19	0.98	1.01	1.06	5.48
Stormwater	0.11	0.15	0.22	0.25	0.27	1.00
Corporate	0.22	0.18	0.16	0.17	0.15	0.87
Total	2.18	2.24	2.06	2.17	2.07	10.70

Note: Sydney Water's pricing proposal categorises costs for the Aerotropolis and Mamre Road as wastewater. We have made the draft decision to categorise these costs as stormwater. This is detailed further in Chapter 8.
Source: IPART analysis.

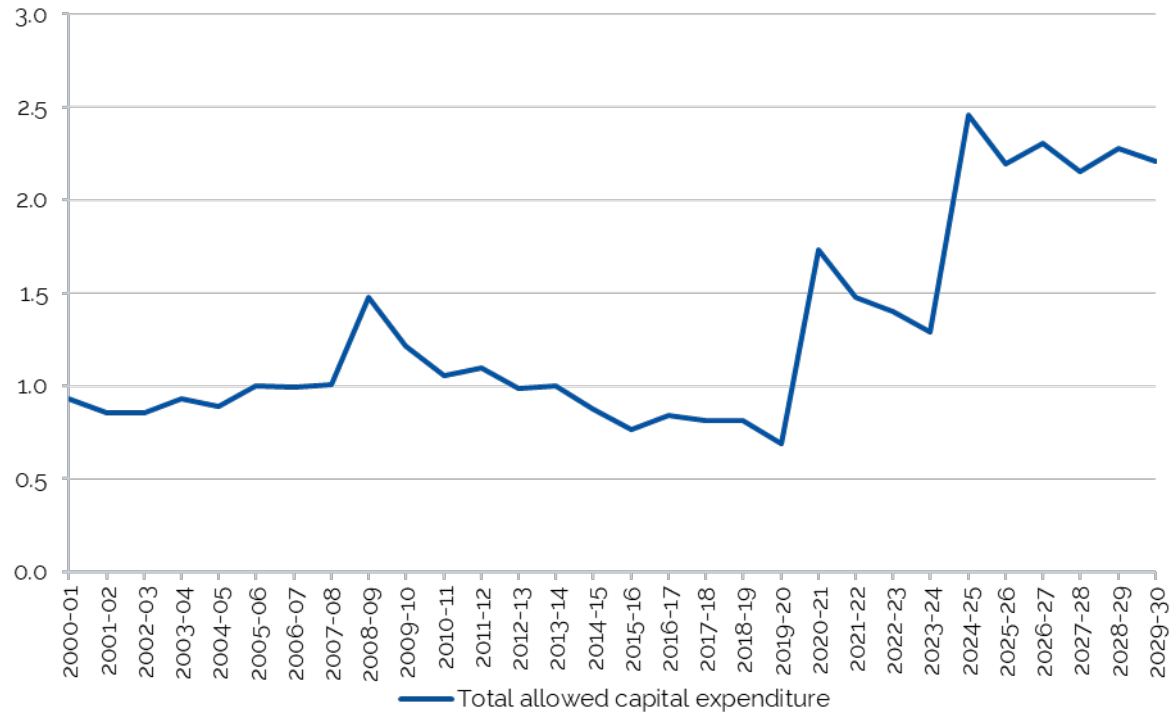
Figure 5.1 Draft decision on Sydney Water's efficient capital expenditure ($billion, $2024–25)



Source: IPART analysis.

We find that Sydney Water is facing increasing infrastructure needs and our draft decision on efficient forecast capital expenditure recognises this need. While materially less than Sydney Water proposed, our draft decision on efficient forecast capital expenditure is the highest annual capital expenditure (annual average of $2.1 billion) we have ever used to set prices. Figure 5.2 below shows our previous decisions on forecast capital expenditure each year since 2000.

Figure 5.2 Allowed capital expenditure over 2000–01 to 2029–30 ($billions, $2024–25)



a.

Note: The 2024–25 expenditure is higher than the annual allowed forecast capital expenditure over the 2025 review period. This is because we did not set a forecast capital allowance for 2024–25 which is the deferral year (see Chapter 8 for more details). The 2024–25 expenditure is our decision on the efficient expenditure based on AtkinsRéalis review of Sydney Water's actual expenditure.
Source: IPART analysis.

We consider our draft decision should allow Sydney Water to meet its service and regulatory obligations over the next 5 years.

In the following sections, we step through our analysis and explain how we reached this draft decision for the key capital cost drivers. We also note specific areas where we are seeking input from stakeholders to inform our final decisions on Sydney Water's capital expenditure.

Growth capital expenditure

Sydney Water proposed growth expenditure of $10.1 billion over the 2025 period, representing $2 billion per annum which is near trebling of the current level of expenditure. The 2 largest projects relate to the Aerotropolis/Mamre Road Stormwater ($1,4 billion) and Resilient and Reliable Water Supply (RRWS, $1.3 billion).[116]

Our independent expert advisor, AtkinsRéalis made its recommendations on growth expenditure in three parts – the 2 largest programs (RRWS and the Aerotropolis/Mamre Road Stormwater) and other growth expenditure (which excludes these 2 programs). AtkinsRéalis recommended:

- An upper range expenditure of $7.9 billion, which represents a 22% reduction compared to Sydney Water's proposal. The primary reductions relate to:
  - The deferral of Sydney Water's network expansion to fully accommodate an expanded Sydney Desalination Plant (SDP). The network expansion is not essential to enable the expansion of SDP. Rather the network expansion accompanies the expansion of SDP when it is required to service increased demand and address drought risks, and this can be done at a later stage to enable more supply from an expanded SDP when it comes online.
  - Revised costs for the Aerotropolis and incorporation of our recommendations from our Mamre Road review.
  - Cost deferrals to reflect differences in growth forecast rate.
  - Cost deferrals identified for various strategic schemes that are linked to later growth and not strongly justified for this period.[117]
- A lower range expenditure of $6.4 billion, which represents a reduction of 36% compared to Sydney Water's proposal. In addition to the expenditure not strongly justified in the upper range, the lower range includes cost reductions for:
  - the deferral of purified recycled water projects, except for Quakers Hill Phase 1
  - potential lower land costs for the Aerotropolis
  - a 10% stretch reduction for other growth costs (excluding RRWS and the Aerotropolis) to reflect an average 12-month deferral in costs.

Box 5.1 provides a summary of AtkinsRéalis' key growth cost reductions that formed its upper and lower range expenditure recommendations.

Box 5.1 AtkinsRéalis' recommended growth capital expenditure

AtkinsRéalis identified scope for savings between $2,166 million and $3,645 million for growth expenditure over the 2025 determination period. The savings relate to scope and efficiency adjustments, the most significant relating to:

- **Deferral of the network expansion:** AtkinsRéalis considers the case for the network expansion to accommodate an expanded SDP to be weak and deferring the project will not add significant risk to water supply. It notes that Sydney Water has adopted a very risk averse position, even compared to international standards, and that most of the output from an expanded SDP can be accommodated by the existing network (unless Level 5 restrictions are in place).

  AtkinsRéalis acknowledges that the network expansion can address single points of failure, but that this represents an improvement on existing risks and customers were not consulted on their willingness to pay for this.

- **Deferral of Purified Recycled Water (PRW) projects** except Quakers Hills Phase 1. AtkinsRéalis found that if Rainfall Independent Supply (RFIS) is given less priority than it would be reasonable to defer the start of the remaining schemes and the risk of Level 5 restrictions remain extremely low.

- **Revised costs for the Aerotropolis and Mamre Road Stormwater and IPART's recommendations for Mamre Road:** During AtkinsRéalis' expenditure review, Sydney Water provided revised costs for the Aerotropolis reducing to $922 million. AtkinsRéalis found limited potential for further scope challenges and based its upper range recommendation on Sydney Water's revised costs plus IPART's recommendations in the Mamre Road review.

- **Deferrals for various strategic growth schemes:** This is based on AtkinsRéalis' top-down and bottom-up analysis of cost run rate and growth rate to assess other growth expenditure, excluding the 2 biggest schemes (i.e. Resilient and Reliable Water Supply and Aerotropolis which are captured in the points above). The combined approach indicates that the upper bound for other growth expenditure could be between 10% to 12% lower than Sydney Water's proposal.

Source: AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp. 138-181.

We have considered Sydney Water's pricing proposal and AtkinsRéalis' report and have decided to set growth expenditure of $6.7 billion over the 2025 review period, which is 34% (or $3.4 billion) lower than Sydney Water's proposal. This is based on accepting AtkinsRéalis':

- lower range expenditure for RRWS
- upper range expenditure for the Aerotropolis and Mamre Road Stormwater
- lower range expenditure for other growth expenditure.

The sections below set out more details on our analysis and rationale for each growth expenditure category.

Resilient and Reliable Water Supply

Given the uncertainty in the timing of the NSW Government's decision on the expansion of SDP, our draft decision is that it is reasonable to defer Sydney Water's costs associated with its network expansion. The network expansion is not essential to enable the expansion of SDP but accompanies it to enable Sydney Water to service additional demand and address drought risks when the expanded SDP comes online.

If the SDP expansion does occur within the 2025 determination period and Sydney Water does incur costs associated with the expansion, then the efficient costs would be considered as part of the 2030 price review to be included into the RAB.

The lower range also defers purified recycled water projects, excluding Quakers Hills Phase 1, based on AtkinsRéalis' finding that overall risks of Level 5 water strictions to remain extremely low.[118]

Aerotropolis and Mamre Road Stormwater

AtkinsRéalis' upper range expenditure is primarily comprised of Sydney Water's revised costs for the Aerotropolis, representing a reduction of $514 million over the 2025 determination period. It also incorporates our recommendations from the Mamre Road Stormwater Scheme Review for reductions to the retention basin sizes for Mamre Road stormwater.[119]

We considered the lower range expenditure to not be appropriate as land costs for the Aerotropolis are currently uncertain and AtkinsRéalis notes that Sydney Water is obliged under the *Land Acquisition (Just Terms Compensation) Act 1991* to avoid land severance or reduce the value of remaining land when it purchases land for their basins.[120]

Other growth expenditure

AtkinsRéalis undertook a top-down assessment of need and cost to determine a reasonable estimate of the cost required for future growth investment and found a 12% reduction in costs. We consider its approach and assumptions are reasonable as they are based on the 'run rate' of expenditure from better developed projects in later stages of planning and delivery, and its assessment of historical and forecast growth capex and new connections.

We note that AtkinsRéalis also undertook a bottom-up assessment of some strategic schemes which supported its top-down assessment and finding for the upper range expenditure. Specifically, the bottom-up assessment identified that costs could be reduced by 9% compared to Sydney Water's proposal. The bottom-up approach identified:[121]

- potential scope deferrals and cost efficiencies for costs that are not well justified
- potential scope deferral if growth is aligned with the Sydney Housing Supply Forecast (SHSF) as opposed to Sydney Water's 'high confidence' Urban Growth Intelligence (UGI) forecasts
- other scope deferrals to reflect a lower growth rate or high-risk approach to the management of growth, and
- additional delivery cost reductions above and beyond those identified by Sydney Water.

We note that the SHSF is a point-in-time forecast and may not include all current government housing policies,[122] which means that it may not be the most accurate forecast for growth planning. The SHSF is updated annually to reflect new planning reforms over the previous 12 months. However, we also agree with AtkinsRéalis that Sydney Water's UGI forecasts may not be appropriate for decision making as they are based on developer information which may be 'overly optimistic'.[123] We note that Sydney Water may have an interest to bring forward capital expenditure to avoid constraints on growth, but the transition to full developer charges means that the efficient cost recovery from developers will be lower and the cost burden will be borne by customers.

We recognise that forecasting requires predicting future events that involves inherent uncertainty. As the SHSF was only used in the bottom-up assessment, and the findings supported its top-down assessment, we consider AtkinsRéalis' utilisation of the SHSF in its review to be reasonable and its overall methodology and assumptions used to determine the expenditure ranges to be appropriate and reasonable. We note that while AtkinsRéalis considers the top-down assessment to be a more reliable indicator of potential costs, its upper range estimate is based on the bottom-up assessment which results in a higher expenditure (i.e., a lower cost reduction compared to Sydney Water's proposal).[124]

Our draft decision is to include AtkinsRéalis' lower, rather than upper, range expenditure as it incorporates an additional 12-month deferral to reflect either slower growth or program delays (e.g. delays in procurement and delivery due to the size and complexity of the capital program, coupled with potential supply constraints within NSW).[125]

Renewals expenditure

Renewals expenditure represents Sydney Water's second biggest driver for its proposed capital expenditure. Sydney Water has proposed $5.5 billion over the 2025 determination period which represents a 93% increase in real terms. Renewals expenditure is primarily comprised of major asset renewals, property and digital capital expenditure.

Our independent expert advisor, AtkinsRéalis, reviewed 8 of the largest programs and initiatives and proposed an expenditure range between $4.5 billion and $3.6 billion, which represents a reduction of 18% to 34% compared to Sydney Water's proposal. A summary of AtkinsRéalis' key recommendations is set out in Box 5.2.

Box 5.2 AtkinsRéalis' recommendations on renewals expenditure

AtkinsRéalis identified scope for savings between $1,001 million and $1,889 million for renewals expenditure over the 5 years.

In general, AtkinsRéalis found that Sydney Water's understanding of asset risk has improved significantly, but its assessment of, and justification for the response to, risk and its risk appetite remains an area for significant improvement. Specifically, AtkinsRéalis highlighted that the decision criterion for how many assets should be renewed, which should be and which should not be included, is not clear. Sydney Water has not justified that current risk levels are too high and that customers should pay more to reduce risk. AtkinsRéalis made adjustments to many renewals programs to better align with historical expenditure, including:

- **Water Resource Recovery Facility (WRRF) renewals** upper range is based on historical high spend years that would largely reduce risk levels. The lower range is based on average expenditure over the 2020 determination period which would maintain risk levels.
- **Wastewater pumping stations renewals** upper range is based on average historical spend that should reduce risk, and a lower range is based on lower historical spend years which is expected to maintain wastewater network facilities risk levels.
- **Water filtration plant general renewals** upper range is based on the highest annual spend in the 2020 determination period which gives an uplift on historical spend levels to help stabilise asset deterioration.
- **Water reservoirs** upper range is based on historical average spend which is likely to slightly improve risk levels. The lower range includes a further 20% reduction which is estimated to maintain stable risk levels.
- **Stormwater renewals** recommended a single expenditure level representing the average historical spend (except waterway health) as Sydney Water has not justified the increase spend and key asset indicators are 'green'. AtkinsRéalis has maintained Sydney Water's proposed spend for waterway health as it is lower than the historical average.

AtkinsRéalis also proposed adjustments to renewals to reflect more achievable levels or appropriate method of delivery including:

- **Critical sewers** to reflect the challenges in delivering works in deep sewers and recommended an upper range similar to what was achieved in the highest historical years as Sydney Water has demonstrated that it can deliver at this scale before. The recommended lower range is based on average expenditure in the 2020 determination period which will mitigate fewer risks.

- **Pretreatment projects to be delivered sequentially** rather than in parallel so that Sydney Water can carry out the works within the capabilities of its supply chain. This approach allows the application of lessons learned. For Prospect Pretreatment [a], AtkinsRéalis found that the project does not fall into the 'very well justified, clearly has to happen now' category. AtkinsRéalis included the project in the upper range on the basis that it could improve resilience, but excluded the project from its lower range, noting that Sydney Water has historically demonstrated that it has survived adverse water events without the need for boil water notices, the project is a high capex (and opex) project, and consider the economic case for this project to be more marginal that proposed by Sydney Water.

AtkinsRéalis identified scope for savings for corporate expenditure which is primarily comprised of digital and property capital expenditure. The primary recommendations include:

- **Adjustments for property capital expenditure** to reflect Sydney Water's latest projects, a reduction in contingency costs for a new laboratory facility, and additional reductions to reflect efficient costs that enable Sydney Water to achieve mandatory outcomes and address all non-compliance.
- **Potential savings to digital capital expenditure** is in its lower range recommendation to maintain Sydney Water's existing rate of digital spend as a percentage of its total expenditure.

a. Prospect Pretreatment is technically classified as a 'Compliance' expenditure rather than 'Renewals'. However, AtkinsRéalis has reviewed Prospect Pretreatment in renewals expenditure within the Pretreatment Program for consistency as the rest of the Pretreatment Program has been classified as 'Renewals'. AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p211.

Source: AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 182-250.

Based on AtkinsRéalis' independent expert advice, our draft decision is to set the efficient level of renewals expenditure at $3.7 billion over the 2025 review period. This is 33% ($1.8 billion) lower than Sydney Water's proposal. This is based on AtkinsRéalis':

- lower range expenditure for major asset renewals
- lower range expenditure for the property capital expenditure
- upper range scenario for the digital capital expenditure.

We provide more details on our analysis and decision for each renewal expenditure type in the sections below.

Asset renewals

AtkinsRéalis found that Sydney Water has not strongly justified that existing risk levels are too high nor that customers have been consulted or are willing to pay more to reduce risk levels.[126]

We recognise that Sydney Water may have concerns related to AtkinsRéalis' approach to assessing renewals expenditure. In particular, AtkinsRéalis found that Sydney Water did not provide a clear rationale for the levels of risk and pace of improvement selected to informed renewals expenditure.[127] While we recognise that Sydney Water's Infrastructure Decision Tree is the primary tool used to support its development of renewals expenditure, there is no transparency on how its risk appetite is interpreted and applied in practice and how it varies between asset classes.

On balance, we consider AtkinsRéalis' approach to deriving its expenditure range to be appropriate and reasonable. AtkinsRéalis' approach considered information provided by Sydney Water, including historical lag indicators and forward-looking projections.[128]

Our draft decision is to include AtkinsRéalis' lower range recommendation as it better aligns with historical expenditure and is based on Sydney Water's analysis of risk from maintaining expenditure at historical levels.

Prospect Pretreatment

The Pretreatment Program is one of the largest program of works in Sydney Water's proposed capital program, with more than $1 billion proposed over the next 7 years. The program of works is across 8 water filtration plants and is to bring in an additional stage of treatment to remove more contaminants from raw water. The Prospect Pretreatment project is the single plant with the highest proposed cost ($697 million over the 2025 determination period).[129] The drivers for the project identified by Sydney Water include:

- increased risk of flooding at Prospect water filtration plant due to changes in the Australian Drinking Water Guidelines, with more stringent requirements for turbidity
- expected population growth
- increased frequency of poor raw water quality events that are impacting capability, quality and supply.[130]

AtkinsRéalis reviewed the project in detail and found that the Pretreatment Program does not fall into the 'very well justified, clearly has to happen now' category. Specifically, it notes that Sydney Water survived historical adverse events without boil water notices, and that the assumptions in the cost-benefit analysis lean to favouring the pretreatment plant. Nevertheless, AtkinsRéalis acknowledges the potential benefits of the project for future adverse water quality events, and if climate change makes these events more likely, then it could be more useful in the longer run than historical precedent would suggest.[131]

We agree with AtkinsRéalis that reliance on historical events is not sufficient. Weather variation creates uncertainties that may challenge Sydney Water's ability to survive sequential adverse weather events as climate change advances.

However, we note AtkinsRéalis' advice that the delays in implementing the Nepean water filtration plant upgrade project and challenges in securing resources indicates that it would be unlikely to be prudent and efficient for Sydney Water to deliver all the pretreatment projects listed in parallel. There are benefits from carrying out the projects in stages which would be within the capability of Sydney Water's supply chain and allow lessons learned to be applied throughout the delivery of the program.[132]

On balance, our draft decision is to use AtkinsRéalis' lower range expenditure which excludes the Pretreatment Program, except for the ongoing Nepean water filtration plant program. While there are clear benefits of the program, the case for the program in the 2025 determination period is not strongly justified.

We anticipate that Sydney Water would continually review its risks and spending priorities, and optimise its capital program as needed. Our regulatory approach and framework is designed to provide flexibility for businesses to be dynamic.[133] In this respect, should projects such as the Prospect Pretreatment be able to be efficiently delivered and the justification clear, our decisions would not prevent Sydney Water from undertaking it.

Seek Comment

1. Our draft expenditure decision excludes most of the Pretreatment Program costs ($957 million or 75% of the program costs[c]) in the capital allowance, as the case for the program in this determination period is not strongly justified. Are you comfortable with this trade-off of costs and benefits? Or would you prefer to pay higher water prices to ensure higher water quality in exceptional or unusual events?

2. What are the respective benefits and risks associated with the proposed Pretreatment Program?

Property capital expenditure

Sydney Water proposed a step change in its property capital expenditure with its forecast 2024–25 spend to be 106% higher than its expenditure over the total 2024 period.[134] AtkinsRéalis found that the increase was driven by significant problems that Sydney Water had been storing up which now require immediate attention, including those that impact compliance and staff welfare.[135]

Our draft decision is to include AtkinsRéalis' lower range expenditure which includes Sydney Water's revised property costs, lower contingencies and additional reductions to reflect efficient costs as it found that Sydney Water did not undertake a bottom-up build-up of expenditure and showed no evidence of working within a constrained budget.[136] We consider the lower range reflects the efficient property capital expenditure that signals to Sydney Water to manage its property costs while enabling it to meet mandatory outcomes and address all non-compliance. We note that the lower range still represents an increase of 55% on the previous five years.[137]

[c] Sydney Water proposed $1,127 million for the Pretreatment Program over the 2025 determination period which is comprised of Prospect ($697 million), Nepean ($170 million) and other ($259 million). Our draft expenditure decision only includes Nepean water filtration plant and excludes Prospect and other unspecified pretreatment capex.

Digital capital expenditure

AtkinsRéalis found that Sydney Water demonstrated an uplift in capability since the last review in 2019. AtkinsRéalis considers that Sydney Water was able to demonstrate a clear link between performance, investment and efficiencies and evidence of internal challenge, prioritisation and efficiency adjustment to develop a constrained budget for the proposed digital capital expenditure.[138]

AtkinsRéalis' upper range expenditure represents no change to Sydney Water's proposed digital capital expenditure in recognition that Sydney Water is a digitally mature organisation. Our draft decision is to propose to include AtkinsRéalis' upper range as this will enable Sydney Water to future proof business activities and secure efficiencies through digital initiatives.

Compliance expenditure

Sydney Water proposed $918 million over the 2025 determination period which represents a 119% increase in real terms. Compliance driven expenditure consists of three programs – Prospect Pretreatment, wet weather overflow and wet weather surcharge.[139]

We have discussed Prospect Pretreatment in renewals expenditure above, within the broader Pretreatment Program. In this section we discuss AtkinsRéalis' review of wet weather overflow. No detailed review was undertaken for wet weather surcharge.

Wet weather overflow

AtkinsRéalis found that the program is well-tailored and Sydney Water has good experience in delivery which will likely result in material benefits to the environment and water users.[140]

Our draft decision is to include AtkinsRéalis' upper range for wet weather overflow which reflects Sydney Water's revised lower costs and will enable Sydney Water to meet the current requirements in its Environment Protection Licence.[141]

Chapter 6

Other costs and notional revenue

06

Summary of our draft decisions on revenue requirement and adjustments

Set Sydney Water's notional revenue requirement at $17.6 billion over the 2025 determination period

This is $2.8 billion (or 13.8%) lower than Sydney Water's proposal. This difference is mostly because of our draft decisions on lower:

- efficient operating expenditure, which is $190.7 million (or 9.7%) lower per year than Sydney Water proposed
- efficient capital expenditure on new and replacement infrastructure, which is $1.2 billion (or 35%) lower per year that Sydney Water proposed
- rate of return on assets, which is 3.2% compared to Sydney Water's proposed 3.6%.

The revenue draft decision also includes revenue adjustments for demand volatility, true-up of debt costs and the additional efficient costs Sydney Water incurred in 2024–25.

Exclude Sydney Water's proposed RAB adjustments for historical Rouse Hill developer charges and Blue Mountains Tunnel lease payments

Sydney Water proposed increasing the value of its regulatory asset base (or 'RAB' on which it earns a return) by:

- $485 million for past costs it suggests have been excluded in delivering services in Rouse Hill
- $140 million for the Blue Mountains Tunnel (BMT) finance lease, which it argues we previously undervalued.

We do not agree. We consider the previous efficient costs associated with the BMT have been included in the maximum wastewater prices we set in previous determinations. We also found that Sydney Water has not clearly demonstrated that the Rouse Hill claim reflects an error rather than a past regulatory decision, nor has it justified the size of the adjustment or ruled out financial benefits it may have received from its treatment in the interim.

We continue to use the building block approach to calculate the notional revenue requirement, as outlined in the Water Regulation Handbook.[142] Based on our draft decisions on Sydney Water's efficient operating and capital expenditure, this chapter explains how we calculate the:

- Return on assets
- Return of assets (also known as the regulatory depreciation allowance)
- Working capital allowance
- Tax allowance.

We also set out our draft decisions on regulatory asset base inclusions and revenue adjustments.

6.1 Sydney Water's notional revenue requirement is $17.6 billion

Our draft decision is:

7. To set Sydney Water's notional revenue requirement at $17.6 billion over the 2025 determination period.

This represents our draft assessment of the total revenue Sydney Water must generate to recover the efficient costs of providing its services to customers. Figure 6.1 illustrates the build-up of the notional revenue requirement (NRR) using our standard building block approach. These are the totals over Sydney Water's 5-year determination period.

Figure 6.1 Building block approach

	Cost building blocks	Amount ($ millions)
	Operating allowance (Operational costs including administration)	$8,924.0
	Capital allowance	
Return on assets	**Regulatory asset base (RAB)** = (Opening RAB + efficient capital expenditure – regulatory depreciation – asset disposals)	$5,021.3
+	x	
=	**Weighted average cost of capital (WACC)**	
Return of assets	Regulatory depreciation of the RAB	$3,022.9
=		
	Tax allowance	$0.0
	Working capital allowance	$83.3

Other costs:	$316.7
Revenue volatility adjustment	$-69.6
Cost of debt true-up	$333.9
Deferral year adjustment	
=	
Notional revenue requirement	$17,631.6

Our draft decision is 13.8% lower than what Sydney Water proposed, which is largely driven by our draft decisions on a lower level of efficient operating and capital expenditure and a lower WACC of 3.2% compared to 3.6% that Sydney Water proposed. Table 6.1 compares our draft decision on Sydney Water's notional revenue requirement with its proposal.

Table 6.1 Draft decision on total notional revenue requirement for the 2025 determination period ($millions, $2024–25)

	Sydney Water's proposed total NRR	IPART's draft decision on total NRR
Operating expenditure	9,877.2	8,924.0
Return on assets	6,302.7	5,021.3
Return of assets (depreciation)	3,362.0	3,022.9
Return on working capital	77.9	83.3
Tax allowance	189.7	0.0
NRR before adjustments	**19,809.6**	**17,051.5**
DVAM	288.5	316.7
Cost of debt true-up	-69.5	-69.6
Deferral year	432.7	333.9
NRR after adjustments	**20,461.3**	**17,632.5**

A full breakdown of our draft decisions on Sydney Water's building blocks is provided in Appendix D.1.

6.2 Rolling forward the regulatory asset base (RAB)

The regulatory asset base (RAB) represents the value of Sydney Water's assets on which it should earn a return on capital and an allowance for depreciation. We calculated the opening RAB for the 2025 determination period by "rolling the RAB forward" from the previous determination period.

To do this we:

- added $8.9 billion of historical capital expenditure from the 2020 determination period, as discussed in Chapter 5
- deducted $11.3 million in asset disposals
- deducted $3.0 billion for regulatory depreciation of assets
- added $5.0 billion to account for annual indexation.

To calculate the RAB for each year of the 2025 determination period we then:

- added $7.8 billion of forecast capital expenditure, which is based on the efficient capital expenditure allowance set out in Chapter 5, net of cash contributions
- deducted $55.1 million in asset disposals
- deducted $3.1 billion for regulatory depreciation of assets.

Our calculations result in the RAB increasing from $28.9 billion on 1 July 2025 to $33.6 billion by 30 June 2030. Our full RAB roll forward calculations are shown in Appendix D.1.

Stormwater RAB is negative in 2028–29 and 2029–30

For allocating costs, Sydney Water's RAB is broken down into a separate water, wastewater and stormwater RAB with costs associated with each service separated to ensure customers pay cost-reflective service prices.

One observation is that the stormwater RAB's closing value becomes negative in the last 2 years of the determination period. This is mainly due to front-loaded developer contributions for the Mamre/Aerotropolis growth project, while capital works roll out more gradually. As a result, cash contributions to the RAB exceed costs during this period (see Table 6.2).

Table 6.2 Stormwater RAB, capex and cash contributions ($ millions, $2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30
Stormwater RAB closing value	633.2	471.6	244.2	-16.8	-358.4
Stormwater NRR	57.4	54.9	51.3	46.3	38.7
IWCM capex	79.5	126.6	191.4	219.9	249.0
IWCM cash contributions	66.2	310.0	440.8	505.1	615.1

While this is unusual, it does not result in inefficient price signals from draft stormwater prices (see Chapter 9). However, we are interested in hearing from stakeholders on whether there are any adverse implications of having a negative stormwater RAB in some years.

6.2.1 We have not accepted Sydney Water's proposed RAB adjustments for Rouse Hill developer charges and Blue Mountains Tunnel finance lease payments

Our draft decision is:

8. To exclude from the RAB, Sydney Water's proposed adjustment of:
   - $485 million for historical Rouse Hill developer charges between 2000 and 2009
   - $140 million for historical Blue Mountains Tunnel finance lease payments between 1990 and 2016.

There is not sufficient evidence to substantiate Sydney Water's claim regarding the regulatory treatment of Rouse Hill developer contributions

Previously, Rouse Hill's integrated water cycle management (IWCM) facility costs were ringfenced from regulated bill setting. These assets were paid for through capital contributions from developers and not included in the RAB. Sydney Water claimed that between 2000 and 2009, all developer contributions, including those related to ring-fenced assets in Rouse Hill, were deducted erroneously from the RAB.[143] This reduces the revenue available to fund regulated water and wastewater services, at the expense of taxpayers who implicitly pick up the shortfall.

Sydney Water proposed to add $485 million ($2024–25) to the RAB ($90 million related to water assets and $395 million related to wastewater assets) to correct this error, which it claims it found in 2010.[144] However, it was unable to establish that the treatment of developer contributions was an error, as opposed to a regulatory decision at the time and that its $485 million estimate was robust and would not confer a windfall gain on Sydney Water.

Our review of Sydney Water's $485 million calculation found that over 50% of the claimed error included contributions for regulated water and wastewater assets, not just ring-fenced assets as claimed. We have not been able to verify that Rouse Hill capex was not rolled into the RAB over the same period that cash contributions were deducted.

We are not convinced that it is in the long-term interests of water and wastewater customers to pay higher prices over the 2025 determination period for an unsubstantiated benefit previous customers may have derived at the expense of taxpayers up to 25 years ago.

All relevant Blue Mountains Tunnel finance lease costs have been accounted for in Sydney Water's regulatory accounts

Sydney Water proposed to add $140 million ($2024–25) to the wastewater RAB to address an historic error that it claims was made in relation to the treatment of the Blue Mountains Tunnel (BMT) finance lease charges between 1990 and 2016.[145] These lease payments relate to the Blue Mountains Sewage Transfer Scheme, which was developed in the 1990s to transport wastewater from the upper Blue Mountains to the treatment plant at Winmalee via a 39 km tunnel.

Sydney Water claims that while maintenance and inspection costs were recorded in Sydney Water's regulatory accounts as operating costs and recovered through the annual revenue requirement, no provisions were made for principal and interest payments.

We have excluded this proposed adjustment from the RAB because we consider that all relevant finance lease costs were accounted for in Sydney Water's regulatory accounts at the time.

While early reporting from 2008 lacked granularity, we are convinced Sydney Water's BMT lease costs were included in our assessment of efficient operating expenditure.[a] In 2013, Sydney Water sought to classify them as finance leases and we changed our regulatory approach to separate these costs at our 2016 price review.

We would not make an adjustment for additional expenditure that arises because of policy and regulatory changes

In its proposal, Sydney Water claimed $229 million in unfunded Rouse Hill stormwater and recycled water expenditure, which it does not intend to claim at this time.[146] In further correspondence with IPART, Sydney Water noted that this stemmed from previous policy settings and regulatory decisions rather than an error.[147]

In general, we do not consider it appropriate to make RAB adjustments for expenses incurred from changes to policy and regulatory settings. This would effectively involve a retrospective re-opening of those decisions and would contradict our role as a regulator to provide a benchmark maximum revenue allowance for Sydney Water to deliver its service obligations, rather than review specific project costs. It would also be difficult to determine in retrospect how a past Tribunal would have assessed these costs and their efficiencies under the new policy setting.

We consider that having greater regulatory certainty about the future treatment of expenditure would be beneficial to Sydney Water and its customers.

6.3 Return on assets

Our draft decision is:

9. To set an allowance of $5.0 billion for the return on assets component of the notional revenue requirement, noting that:
   a. the opening RAB on 1 July 2025 is $28.9 billion
   b. we added $4.6 billion in capital costs, net of disposals and depreciation
   c. we used a real post tax WACC of 3.2% as the efficient rate of return.

[a] In 2010, we restructured the annual information return templates to separately identify BMT lease costs as 100% operating costs and backward extending data collection indicates they were treated the same way back in 2008.

We include an allowance for return on assets in the revenue requirement to account for the opportunity cost of capital invested to provide regulated services. This ensures businesses can continue to make efficient capital investments in the future. We calculate the return on assets by multiplying the value of the regulatory asset base (RAB) over the determination period by an efficient rate of return.

We calculated a return on assets allowance of $5.0 billion for Sydney Water over the 2025 determination period.

6.3.1 We used a real return on capital (post-tax real WACC) of 3.2%

As in previous reviews, we determined the rate of return using a weighted average cost of capital (WACC). We used our standard WACC approach[148] to calculate a WACC of 3.2% for Sydney Water's draft prices. This is lower than the 3.6% WACC that Sydney Water used to calculate the revenue requirement in its pricing proposal, due to changes in market conditions since Sydney Water's proposal in September 2024.

The equivalent pre-tax real WACC is 4.0%.

A full step-through of our WACC calculation is provided in Appendix C.

6.4 Return of assets (regulatory depreciation)

Our draft decision is:

10. To set the return of assets (regulatory depreciation) at $3,022.9 million.

We include an allowance for depreciation in the notional revenue requirement to ensure that the capital invested by Sydney Water in its regulatory assets is returned over the useful life of each asset.

Consistent with our usual approach, we used the straight-line depreciation method to calculate regulatory depreciation. Under this method, the assets in the RAB are depreciated by an equal value in each year of their economic life. We consider this method balances the need for simplicity, consistency and transparency.

We did not make changes to underlying asset lives for any asset types. Appendix D.1 shows our draft decisions on asset lives for the 2025 determination period.

6.5 Return on working capital

Our draft decision is:

11. To set the return on working capital as $83.3 million over the 2025 determination period.

The working capital allowance component of the NRR represents the return the business could earn on the net amount of working capital it requires each year to meet its service obligations. It ensures the business recovers the cost it incurs due to the time delay between providing a service and receiving the money for it (i.e. when the bills are paid).

In 2018, we developed a standard approach to calculate the working capital allowance, which can be found on our website.

The amount we allowed for the 2025 determination period represents the holding cost of net current assets.

6.6 Tax allowance

Our draft decision is:

12. To set the tax allowance as $0 over the 2025 determination period.

We include an explicit allowance for tax because we use a post-tax WACC to estimate the allowance for a return on assets in the revenue requirement. This tax allowance reflects the regulated business's forecast tax liabilities. The tax allowance is not intended to recover Sydney Water's actual tax liability over the determination period. Rather, it reflects the liability to which a comparable commercial business would be subject.

We applied our standard method to set the tax allowance with some amendments as discussed in Box 6.1. This results in a zero annual tax allowance for Sydney Water.

Box 6.1 Refining our approach to tax allowances for developer contributions

Regulated businesses can receive contributions from developers towards infrastructure for new development in 2 forms: as cash from developer charges or as assets constructed by the developer and gifted to the regulated business called Assets Free of Charge (AFOC).

Box 6.1 Refining our approach to tax allowances for developer contributions

When calculating a business's tax allowance in our notional revenue requirement, we typically include an allowance for income tax that it would need to pay on these cash and AFOC developer contributions.

In a recent ruling in the case of *Victoria Power Networks Pty Ltd v Commissioner of Taxation*[a], the Full Federal Court of Australia ruled that certain assets gifted to certain regulated businesses had an assessable income of $0. Based on this, we have excluded allowances for tax on AFOC (and associated depreciation allowances) in the notional revenue requirement for Sydney Water and intend to do the same for other regulated businesses. While the Australian Taxation Office has not updated its advice on this yet, we consider that customers should not be asked to pay for an allowance that is not required.

Removing the tax allowances for AFOC reduces Sydney Water's tax allowance for the 2025 determination period to zero.

We have also refined our usual approach of calculating tax allowances for cash capital contributions to account for imputation (franking) credits. Our current approach sets aside 30% of cash capital contributions for income tax. However, we recognise that this does not allow for the value of franking credits. If we were to account for franking credits, we would instead set aside 22.5% of cash contributions for income tax.[b]

a. Victoria Power Networks Pty Ltd v Commissioner of Taxation [2020] FCAFC 169.
b. Consistent with the parameters we use to set the WACC, where imputation credits are valued at 0.25.

6.7 Revenue adjustments

Our draft decision is:

13. To make the following revenue adjustments to Sydney Water's notional revenue requirement over the 2025 determination period:
    a. $316.7 million for the Demand Volatility Adjustment Mechanism (DVAM)
    b. -$69.6 million for the cost of debt true-up
    c. $333.9 million for the deferral year true-up.

6.7.1 We have included $316.7 million to compensate Sydney Water for under-recovered revenue because of lower than forecast demand

Under the price cap approach, we use a demand volatility adjustment mechanism (DVAM), to adjust for any over- or under-recovery of revenue resulting from actual demand being different to forecasts. The DVAM protects businesses from under-recovery due to lower than forecast water sales and protects customers in the case of any over-recovery through bills.

In 2020, we set the DVAM threshold at ±5% for Sydney Water. This means Sydney Water is only able to recover the difference between its actual sales and the 5% ceiling, *if* the difference is greater than ±5% over the price determination period. This 5% threshold incentivises businesses to accurately forecast and manage water sales. We make DVAM adjustments in the determination period *after* the differences have occurred.

Between 2019 and 2024, Sydney Water's actual demand was lower than its forecast demand. As a result, it under-recovered revenue compared to what was initially forecast. We applied our DVAM calculation method to calculate a draft revenue adjustment of $316.7 million to account for demand volatility over the 2020 determination period. This is consistent with what Sydney Water calculated in its pricing proposal, adjusted for actual 2023–24 volumes.

For the 2025 determination period, Sydney Water proposed to continue the DVAM mechanism, but with a zero per cent threshold (see Chapter 8).

6.7.2 We have trued-up Sydney Water's cost of debt to -$69.6 million

Our 2018 WACC methodology introduced a trailing average cost of debt. Under this method the WACC changes every year as new tranches of debt are introduced to the trailing averages and the oldest tranches drop out. At each price review we would consider whether to:

- update prices annually to reflect the updates in the WACC annually, or
- use a regulatory true-up at the next period, which we would pass through to prices at the beginning of the next period.

We have made a draft decision to use a true-up approach for changes to the cost of debt, consistent with our approach in Sydney Water's 2020 Determination. We consider this reduces price fluctuations within price periods for customers while ensuring that businesses are adequately compensated for changes in the cost of debt that occur within each price period.

We have calculated a cost of debt true-up for the 2020 determination period of -$69.6 million, which is consistent with Sydney Water's pricing proposal. Our draft decision is to include this true-up as an adjustment to Sydney Water's 2025–30 NRR.

6.7.3 We have trued-up the cost of Sydney Water's deferral year to $333.9 million

In 2021, we agreed to defer the scheduled 2023–24 water price review for Sydney Water by one year. This meant that the 2023–24 prices set out in the 2020 Determination remained constant in nominal terms in 2024–25. As a result, Sydney Water under-recovered its efficient costs over 2024–25. IPART agreed to true-up the efficient costs of the deferral year that Sydney Water did not recover through prices and consider including those costs in setting prices for the 2025 determination period.

We have accepted Sydney Water's proposal that it should recover deferral year costs and calculated the amount to be $333.9 million. To do this, we calculated the NRR for one year based on 2024–25 parameters and our standard building block approach. The true-up amount is the difference between our calculation of the NRR for 2024–25, and the revenue the business expects to receive in 2024–25, based on actual prices and forecast volumes. This is not a true-up to the actual costs incurred by the business, but a true-up compared to if we had set prices in our usual way for 2024–25. This differs from Sydney Water's proposal of $433 million because we used a lower WACC of 3.1%. We calculated the WACC as though a new 4-year determination period would start in 2023–24, whereas Sydney Water used the WACC from the 2020 determination period of 3.4%.

Appendix D.1 provides further explanation and calculation of the deferral year true-up.

Chapter 7

Risk allocation

07

Summary of our draft decisions on risk sharing

Maintain the Shoalhaven Transfer fixed service charge cost pass-through

The existing Shoalhaven Transfer fixed service charge cost pass-through largely meets our cost pass-through principles. The cost pass-through mechanism will allow Sydney Water to pass through the additional cost it incurs from WaterNSW for the operation of the Shoalhaven Transfer Scheme to Sydney Water's customers through the fixed water service charge. The cost pass-through mechanism signals to water users the higher costs of supply augmentation during times of increased water scarcity.

Discontinue the SDP fixed service charge cost pass-through

The existing SDP fixed service charge cost pass-through does not meet our cost pass-through principles. The mechanism was originally introduced when SDP's role was for drought response and in shutdown mode, and allowed the costs of SDP being in a different operational model to be passed through to customers. However, SDP's role has now expanded beyond drought management. It operates flexibly and is required to respond to requests from Sydney Water, meaning there is no clear trigger event and operationalisation of SDP is within Sydney Water's influence.

The cost pass-through may also influence decision making by inhibiting cost transparency. The mechanism will mean that the costs are automatically passed through to customers which may bias decision making on when and how to operationalise SDP for the purposes of water security management.

Maintain the drought water usage pricing

The existing drought water usage pricing meets our cost pass-through principles. The mechanism is dynamic and sets the water usage price higher when water storage levels fall below a set threshold and reverts back to the original variable water usage price when storage levels rise above a set threshold. The mechanism is an equitable and cost-reflective way to recover Sydney Water's additional costs for managing drought and to provide cost-reflective signals to customers about the additional costs of water supply during drought.

We seek views on how to manage changes in bulk water prices

A revenue adjustment mechanism for changes in bulk water prices, such as a true-up or a cost pass-through, is appropriate as we expect changes in bulk water prices over the 2025 determination period, and the materiality of the changes in bulk water prices is currently unknown.

We consider that a true-up may be appropriate as it enables the Tribunal to consider the implications of changes in bulk water prices in a price review. However, material changes may impact Sydney Water's financial performance and position. Alternatively, a cost pass-through will reduce the risk to Sydney Water but may limit the Tribunal's decisions on future bulk water price determinations.

We seek stakeholder views on what mechanism may be most appropriate to manage differences in forecast and actual bulk water prices over the 2025 determination period. We also seek your views on how Sydney Water can be better incentivised to optimise how it sources bulk water.

There is merit in an SDP Expansion true-up for efficient costs in the next review

Given the uncertainty in the timing and costs, we see merit in introducing a true-up for efficient costs associated with an expanded SDP. While we cannot bind a future Tribunal, a true-up for efficient costs, rather than actual costs as proposed by Sydney Water, plus holding costs, in the next price review will result in more cost-reflective prices and equitable risk sharing between customers and Sydney Water.

7.1 Price control

Our draft decision is:

14. To accept Sydney Water's proposal to continue with the price cap approach to regulation

In line with our water regulation framework, water businesses can propose a form of price control that is in their customers' interest. Also in our framework is that the regulatory period lasts for 5 years. Sydney Water has proposed to maintain its current form of control, which is a price cap. A price cap approach has some important benefits such as:

- maintaining consistent revenue streams to support the business's operations
- providing predictable, transparent, and stable prices to customers.

Further information on price controls and the different forms of price control is available in section 4.7.3 of the Water Regulation Handbook.

We accept Sydney Water's proposal to continue with a price cap approach for the 2025 determination period.

7.2 Risk sharing

The water regulation framework seeks to promote the long-term interest of customers, identifying and rewarding businesses that sustain better customer outcomes and cost efficiencies. However, we recognise that within a determination period there are inherent uncertainties that may require additional costs (or avoided costs) to be shared between customers and the business if they arise.

This section outlines how we assessed Sydney Water's requests for revenue risk mechanisms. Specifically, how we balance the needs of businesses to manage revenue risks (from unforeseen or uncertain large step changes in costs) with consumer protection and independent scrutiny.

Information on our revenue risk sharing framework and principles is set out in Chapter 5 of the Water Regulation Handbook.

7.2.1 Cost pass-throughs

Our draft decisions are:

15. To accept Sydney Water's proposal to continue to have a cost pass-through mechanism to its customers for costs associated with the Shoalhaven Transfer Scheme.

16. To not accept Sydney Water's proposal to maintain the SDP cost pass-through mechanism.

When there is a known, material cost that the business cannot control, we can include a cost pass-through (up front) in the determination. However, a business can only automatically pass the costs through to customers within the determination period if the cost is incurred. If cost pass-throughs are applied in a determination period, they will be reflected in our calculation of rewards and penalties under financial incentives schemes (see Chapter 11).[b]

Sydney Water proposed to maintain 3 cost pass-throughs in its pricing proposal, all relating to costs associated with bulk water. It proposed to:

- increase fixed water service charges to cover the additional costs of buying water pumped from the Shoalhaven River
- change fixed service charges to recover the costs of the Sydney Desalination Plant
- increase the variable water usage charge per kilolitre during droughts, when its costs increase and customers' water use is restricted.[149]

These cost pass-throughs are set out in more detail below.

Shoalhaven Transfer fixed service charge cost pass-through

During periods of low water availability, WaterNSW can pump water from dams in the Shoalhaven River catchment which it sells to Sydney Water. We have maintained the Shoalhaven Transfer cost pass-through in the prices WaterNSW charges Sydney Water, as set out in our Draft Report for the 2025 WaterNSW review.

Sydney Water proposed to maintain the Shoalhaven Transfer cost pass-through mechanism. It states that the mechanism means:

- customers only incur the higher price of the cost pass-through when the service is required, and
- Sydney Water recovers the higher costs when the pumping occurs.[150]

[b] Further information of our approach to cost pass-throughs and our principles are available in section 5.1.1 of the Water Regulation Handbook.

We assessed the Shoalhaven Transfer cost pass-through against our cost pass-through principles and found it appropriate for Sydney Water to pass-through the costs it incurs from WaterNSW for the Shoalhaven Transfer pumping costs to Sydney Water's customers (see Box 7.1).

We have decided to maintain the existing Shoalhaven Transfer cost pass-through mechanism formula. The formula will pass-through to customers the difference in Sydney Water's forecast bulk water costs and its actual bulk water costs from WaterNSW as a result of the Shoalhaven transfers. Sydney Water would increase the fixed water service charge paid by households and businesses in the year after costs are incurred.

Box 7.1 Assessment of the Shoalhaven Transfer cost pass-through

We applied cost pass-through principles in our assessment of Sydney Water's proposal for the Shoalhaven Transfer cost pass-through. We consider the cost pass-through to largely meet our principles because:

- **Trigger event:** There is a clear trigger event for Shoalhaven transfers as set out in the Water Sharing Plan for the Greater Metropolitan Region Unregulated River Water Sources 2023.
- **Efficient cost:** The resulting efficient forecast electricity costs associated with the transfers can be fully assessed before they are passed through to customers.
- **Materiality threshold:** There is no applicable materiality threshold, however, the Shoalhaven Transfer Scheme is energy intensive and energy prices are volatile and can change significantly which can have a material impact on costs to WaterNSW and subsequently Sydney Water.
- **Efficient and equitable:** A cost pass-through mechanism is the most efficient and equitable way to deal with costs associated with the Shoalhaven Transfer Scheme as it means that customers will not incur costs until the event is triggered and only the efficient forecast, rather than actual, costs are passed through.
- **Symmetric:** There is no symmetric treatment for over- or under-recovery of actual costs relative to forecast costs. However, this principle is not applicable as we set the cost pass-through mechanism based on forecast costs.
- **Efficient cost of service:** The Shoalhaven Transfer cost pass-through will result in customer prices that better reflect the efficient cost of service as it signals to customers the higher costs of supply augmentation during times of increased water scarcity.

Source: IPART analysis.

SDP fixed service charge cost pass-through

Sydney Water proposed to maintain the existing SDP cost pass-through in its pricing proposal. The SDP cost pass-through was introduced in the 2012 Determination to address uncertainty around SDP's operating schedule and its impact on Sydney Water's costs. The mechanism accounts for differences in SDP's forecast and actual fixed service charges to Sydney Water. Similar to the Shoalhaven Transfer cost pass-through mechanism, Sydney Water considers the existing SDP cost pass-through to be fit-for-purpose.[151]

We have assessed the SDP fixed service charge cost pass-through against our cost pass-through principles (see Box 7.2) and have decided not to maintain the SDP cost pass-through. We found that the mechanism does not meet most of our cost pass-through principles and there is merit to discontinuing the cost pass-through. We consider:

- There is no clearly defined trigger event. Sydney Water has more flexibility and discretion in whether, and if so when, it buys bulk water from SDP. In 2012, we set Sydney Water's maximum prices based on SDP being in water security shutdown mode throughout the period. We included a cost pass-through so that Sydney Water could recover the additional efficient costs if a drought triggered SDP's operation. The trigger for SDP was defined on the rules set out in the Metropolitan Water Plan.

  However, SDP's water production use has changed, and it has remained operational since 2019. Under its current Network Operator's Licence, SDP is required to operate on a flexible full-time basis so that it can be operated (as requested by Sydney Water) as part of Greater Sydney's total water system and maximise its contribution to water security for the region.[152]

  Sydney Water has significant discretion and influence over when, and how much, it purchases water from SDP. Sydney Water's Decision Framework for SDP Operations sets out the framework for how Sydney Water makes production requests to SDP.[c]
- A cost pass-through mechanism in this case may not result in the efficient cost of service as the cost pass-through mechanism may inhibit cost transparency and bias decision making by not enabling decision makers to account for the full cost of SDP when deciding on when and how to operate SDP. That is, the cost-pass through mechanism may unintentionally result in decision makers favouring water from SDP over alternative and cheaper sources of water, such as WaterNSW, in decisions on water security management.

  Removing the cost pass-through would provide an incentive for Sydney Water to optimise its purchase of bulk water supplied by SDP. It would also promote an appropriate balance between cost and water security outcomes for customers.

We note that this cost pass-through mechanism adjusts Sydney Water prices for changes between forecast and actual bulk water costs from SDP – i.e., both prices and volume. Our rationale for discontinuing the SDP fixed service charge cost pass-through relates to the impact of the mechanism on when and how much Sydney Water sources bulk water volume from SDP. We recognise that SDP's bulk water prices are determined by IPART and outside of Sydney Water's control. We separately discuss mechanisms to address changes in bulk water prices in the section below.

[c] SDP is required to comply with any such requests under its Network Operator's Licence.

Box 7.2 Assessment of the SDP cost pass-through

We applied cost pass-through principles in our assessment of Sydney Water's proposal for the SDP cost pass-through mechanism. We find that the mechanism does not meet most of our cost pass-through principles, as set out below.

- **Trigger event:** There is no clear trigger event as SDP now operates flexibly and must respond to requests from Sydney Water.
- **Efficient cost**: The mechanism results in efficient costs as it adjusts the fixed water service price, in the following year, for the difference between SDP's actual charges to Sydney Water, compared to the forecast revenue that we have already included in customer prices.
- **Materiality threshold:** There is no applicable materiality threshold. However, costs associated with SDP can have a material impact on Sydney Water, which it estimates to be around $54.9 million per year.[a]
- **Efficient and equitable:** The mechanism is lagged so that the costs are only passed through to customers in the following year. This means customers will not incur costs until the event occurs.
- **Symmetric**: The mechanism is symmetrical as it calculates the actual costs, less the expected revenues and avoided costs, to be recovered (or returned) from all water customers through the mechanism.
- **Efficient cost of service**: The mechanism may disincentivise decision makers to fully factor in the full costs of when and how to operationalise SDP as the costs are automatically passed through to customers. This may unintentionally result in sub-optimal decisions on water management.

a. Sydney Water, *Price Proposal 2025–2030,* September 2024, p 229.

Source: IPART analysis.

Based on the combination of these factors and our assessment of the mechanism against our principles, we have made the draft decision to discontinue the SDP cost pass-through mechanism. We are seeking stakeholder views on whether there is sufficient revenue uncertainty associated with the operation and costs of SDP to warrant a revenue risk management mechanism, either as a cost pass-through or alternative mechanism.

Seek Comment

3. The current SDP cost pass-through mechanism insulates Sydney Water from the cost or revenue impacts of sourcing water from SDP. This reduces Sydney Water's incentive to use the lowest-cost source of water. Would you prefer a mechanism which ensures that Sydney Water has an incentive to choose the lowest-cost source of water, regardless of the source?

Drought water usage pricing

We introduced dynamic water usage pricing in our 2020 price review to reflect that water businesses faced additional costs during drought and to send a stronger signal to customers to conserve water in periods of scarcity. Under the mechanism, the water usage price increases when water storage levels are low. Box 7.3 explains how the dynamic drought pricing mechanism works.

Box 7.3 Drought pricing mechanism

The dynamic drought pricing mechanism means that the variable water usage charge varies between a non-drought price and a higher drought price, based on dam storage levels. The mechanism includes a 'rolling' trigger where the drought water usage price will apply from 31 days after dam levels fall below 60% and return to the base price 31 days after dam levels exceed 70% again.

The rolling trigger has various advantages:

- The 'on' and 'off' triggers are asymmetric so only a significant increase in water storage levels will turn off the drought price. This will minimise price volatility due to small fluctuations in dam levels and ensure that the water business has greater certainty of its funding for drought management projects.
- The drought price only applies for a limited time and is closely related to dam levels to reflect the water business's costs.
- By lagging the trigger by one month, a water business is able to communicate with customers about price changes, which would provide a better opportunity for customers to adjust their behaviour.

The variable water usage price is calculated by starting with the non-drought water usage charge, and then:

- Adding the efficient operating costs of responding to drought, including for instance: costs for implementing water conservation programs; costs incurred in enforcement or communications during water restrictions; or drought management overheads.
- Reducing water sales forecasts to reflect the impact of water restrictions.

Source: IPART analysis.

Sydney Water has proposed maintaining the cost pass-through for drought water usage prices. We agree with Sydney Water that setting a dynamic drought water usage price is an efficient mechanism to signal to customers the higher costs for businesses to manage drought, incentivises customers to manage their water usage during drought conditions, and that the higher costs incurred by businesses during droughts are uncontrollable and should be recovered via a pass-through.

We applied our cost pass-through principles on the drought water usage pricing mechanism and find that it meets our key principles as set out in Box 7.4. Our draft decision is to maintain the cost pass-through for drought water usage prices.

Box 7.4 Assessment of drought water usage pricing

We assessed the drought water usage pricing against our cost pass-through principles and find that it meets our key principles.

- **Trigger event:** A rolling trigger is adopted based on defined water storage levels.
- **Efficient cost**: Drought water usage price and sales forecasts are designed to recover Sydney Water's efficient additional drought costs and account for the effect of water restrictions on demand.
- **Materiality threshold:** There is no applicable materiality threshold. However, periods of drought heighten Sydney Water's risk due to the compounding effect of higher costs (e.g. administering drought restrictions) and lower revenue (from reduced water usage from customers complying with water restrictions). Sydney Water estimates that drought non-bulk water costs could be potentially $52.3 million per year (on top of baseline water conservation activities).[a]
- **Efficient and equitable:** Drought is an uncontrollable and uncertain event. Drought water usage pricing is the most efficient and equitable mechanism as it only passes the efficient forecast costs through to customers when the event occurs and costs are incurred. Recovering estimated drought costs through higher usage price statically (rather than dynamically) risks over-recovery.
- **Symmetric**: The cost pass-through will be forecast costs. There is no symmetric treatment of over- or under-recovery of actual costs relative to forecast costs.
- **Efficient cost of service**: Drought water usage pricing will provide a signal to customers about the increased costs of supplying water. In theory, a more cost-reflective pricing approach would be to apply a separate price uplift for each different drought trigger or action (e.g. dam levels, implementation of water restrictions, water conservation projects, etc.). However, in practice, these individual uplifts would be small and only provide a minor price signal to customers as to the short-term impact of their water usage.

a. Sydney Water, *Price Proposal 2025–2030,* September 2024, p 229.

Source: IPART analysis.

7.2.2 True-ups

Our draft decisions are:

17. To not accept Sydney Water's proposal for the SDP Expansion true-up mechanism for actual costs incurred.

18. To consider at the next determination of Sydney Water's prices a true-up of revenue over the 2025 determination period due to changes in bulk water prices resulting from future bulk water price determinations.

If costs change materially during a determination period, businesses can apply for a true-up of costs at the next price review. The costs that the business will incur can then be recovered from customers in the following period.

Further information on our approach to true-ups, including what criteria they need to meet as part of our assessment, is available in section 5.1.2 of the Water Regulation Handbook.[153]

Sydney Water has proposed a true-up for SDP expansion costs for the upcoming 2025 determination period.[154]

We are also proposing to include a true-up for changes in bulk water prices arising from changes in future price determinations related to sources of bulk water supply.

These true-ups are detailed further below.

SDP Expansion true-up

Sydney Water expects to incur additional bulk water costs from 2028–29 ($185 million each year) related to the expansion of SDP. Sydney Water has proposed to not recover the forecast costs over the 2025 determination period but to recover the actual operating costs incurred over the 2025 determination period relating to the expanded SDP, plus holding costs, as a true-up over the 2030 determination period. Sydney Water notes that there is uncertainty with the timing of the expansion of SDP and a true-up will ensure that customers do not pay for costs that do not materialise, and if the project does start and costs are realised, it will provide customers with additional time to adjust to bill increases.[155]

We note that the expansion of SDP is a decision for the NSW Government and there is uncertainty on the timing and scope of costs for the project. We applied our cost pass-through principles and found there is merit for a true-up mechanism for the efficient costs associated with the expanded SDP, rather than actual costs as proposed by Sydney Water.

While our draft decision cannot bind a future Tribunal, this true-up could be implemented by conducting an ex-post review of the costs incurred by Sydney Water and true-up the efficient costs, plus holding costs, in the 2030 price review. This will also enable us to make decisions on more robust data and information, and mitigate potential impacts on customers and Sydney Water. This means that future revenue requirement and prices associated with an expanded SDP could be adjusted at the next price review as decided by the Tribunal at the time.

Box 7.5 Assessment of the SDP Expansion true-up

We applied cost pass-through principles in our assessment of Sydney Water's proposal for the SDP Expansion true-up mechanism for actual costs incurred. We find that a true-up for actual costs does not meet most of our cost pass-through principles but that it is more appropriate to have a true-up for efficient costs associated with an expanded SDP.

- **Trigger event:** The expansion of SDP is a decision for the NSW Government. However, the operation of the expanded SDP will be subject to the expanded SDP operating licence. If it is similar to the current SDP operating licence and the expanded SDP operates flexibly and must respond to requests from Sydney Water, then there is no clear trigger event.
- **Efficient cost**: Sydney Water's proposed true-up will be based on actual costs incurred by Sydney Water from the expanded SDP over the 2025 determination period. However, actual costs may not be efficient. An ex-post review of costs should determine what the efficient costs are for any true-up.
- **Materiality threshold:** There is no applicable materiality threshold. Sydney Water estimates that the potential costs could be $370 million over the determination period.
- **Efficient and equitable:** A true-up of efficient costs will ensure that customers only pay for the efficient costs actually incurred and the inclusion of holding costs will be equitable for customers and Sydney Water.
- **Symmetric**: Not applicable as the proposed true-up will be determined after costs are incurred.
- **Efficient cost of service**: The true-up for actual costs may influence decision making as the true-up will mean that the costs of when and how to operationalise SDP are automatically passed through to customers. This may unintentionally result in sub-optimal decision making on water management. However, a true-up for efficient costs, based on an ex-post review, would support more cost-reflective prices.

Source: IPART analysis.

Bulk water price true-up

Sydney Water primarily sources bulk water from 2 sources – WaterNSW and SDP – which represent over a quarter of its operating expenditure. Our current methodology incorporates forecast bulk water costs from WaterNSW and SDP over the 2025 determination period. Specifically, forecast bulk water costs will be based on:

- forecast volumes from each of WaterNSW and SDP
- current prices for SDP as under the current SDP 2023 Determination, and
- new prices for WaterNSW based on the WaterNSW Greater Sydney 2025 Determination.

However, we recognise that over the 2025 determination period, there may be new price determinations related to sources of bulk water supply. For example, the next SDP price review is expected to begin in 2027, with a new determination and prices from 1 July 2027.

Bulk water prices are determined by IPART and Sydney Water will have to bear any change in prices within a determination period. Given the uncertainty in the timing, materiality and price structures arising from future bulk water price determinations, changes can impact:

- Sydney Water's financial performance and position, and
- incentives on where, and how much, it sources bulk water.

As such, we consider a revenue adjustment mechanism to be appropriate for changes in bulk water prices. We have specifically considered 2 potential mechanisms – a true-up or a cost pass-through.

There is merit to a true-up as the quantum of the change in bulk water prices is currently not known. A true-up will enable the Tribunal to consider the implications of changes in bulk water prices and make decisions to manage any potential bill increases at Sydney Water's 2030 price review. However, Sydney Water may be impacted if bulk water prices materially increase. Nevertheless, this risk could be mitigated as the water regulation framework allows the Tribunal to consider an earlier review of all or part of a price determination.

Alternatively, a cost pass-through would be more beneficial to Sydney Water as it will reduce the risk of it bearing potentially large bulk water price increases that may impact its financial performance and position. However, a cost pass-through may limit a Tribunal's decision on price structures in a future price determination for bulk water supply authorities and delay Tribunal consideration of whether the additional costs represent an efficient use of bulk water and fair prices for customers.

On balance, we propose to provide Sydney Water with a true-up mechanism to adjust for differences in forecast and actual bulk water prices over the 2025 determination period. However, we seek stakeholder and customer views on the appropriate mechanism to manage this revenue uncertainty and how Sydney Water can be better incentivised to optimise its sources of bulk water.

We note that any adjustment would be limited to the difference in forecast and actual bulk water price per kilolitre. Any mechanism introduced will not adjust for differences in forecast and actual bulk water volume which may otherwise distort Sydney Water's incentives to optimise how it sources bulk water. Additionally, changes in volumes due to demand will be accounted for in the Demand Volatility Adjustment Mechanism, and a separate true-up for changes in volume will be provided if the actual demand changes by more than 5% than what is set in Sydney Water's 2025 Determination.

Seek Comment

4. Should we pass changes in bulk water prices through retail water prices when changes in bulk water prices occur during the determination period, or wait until the end of the period?

Chapter 8

Price setting

Summary of decisions on price setting

We accept Sydney Water's demand forecast for 2025–30 adjusted for the price elasticity of demand

Sydney Water expects customer growth, higher water usage prices and forecast savings from water conservation and recycling activities to result in a demand reduction in 2025–26 and 2026–27, followed by a modest increase each year to 2029–30.

We have maintained Sydney Water's ±5% demand volatility adjustment mechanism (DVAM) materiality threshold

A ±5% DVAM threshold strikes a fair balance in sharing revenue risk between Sydney Water and customers, while providing incentives for accurate demand forecasts.

We accept Sydney Water's proposed price structures for water, wastewater, stormwater and other charges

Sydney Water retained its current single tariff structure for water prices, with the variable usage charge set with respect to the long-run marginal cost of water, following customer consultation, which showed a clear preference for simplicity and equity. While some stakeholders suggested wastewater usage charges should also be set with respect to long-run marginal cost, we agree with Sydney Water that this is impractical because discharge volumes are not measured and wastewater cost drivers are largely external.

We propose to gradually increase the variable water usage charge to better reflect the long-run marginal cost (LRMC) by 2029–30

We identified errors in Sydney Water's LRMC modelling that, once corrected, resulted in a higher LRMC estimate for water. In response, we have set a draft variable usage charge that increases over the 2025 determination period to better reflect the revised LRMC by 2029–30, while keeping the fixed service charge constant to recover remaining efficient costs — achieving a similar outcome to Sydney Water's proposed glide path.

Stormwater charges should reflect full costs of providing stormwater services

We did not accept Sydney Water's proposal to introduce a uniform 'postage stamp' stormwater charge for flood protection while shifting other stormwater costs associated with waterway health to wastewater customers. Stormwater services primarily manage increased runoff from urban development to protect local waterways from erosion and pollution and do not deliver waterway health benefits beyond statutory requirements. Shifting these capital costs to wastewater customers would misalign costs and benefits, distorting price signals over time, especially when developer contributions cease.

We accept Sydney Water's proposal to spread income tax payable on developer contributions across wastewater customers

We accepted Sydney Water's proposal to recover income tax on developer contributions from wastewater customers. These taxes are indirect costs that could have unintended, distortionary impacts on stormwater prices. We are seeking stakeholder views on any unintended consequences for stormwater customers.

All remaining Rouse Hill Land Charges should cease on commencement of the new determination

We did not accept Sydney Water's proposal to phase out the Rouse Hill Land Charge gradually. Instead we removed the charge from the start of the new determination period. The proposed phase out is unnecessarily complex and inequitable, with some households continuing to pay the charge until 2030–31. It also does not incentivise timely registration of the Rouse Hill Development Servicing Plan. Sydney Water would be no worse off because the small remaining amount payable would be recovered through developer charges.

This chapter sets out our approach to assessing and decisions on Sydney Water's:

- forecast demand
- demand volatility adjustment mechanism
- long-run marginal cost of water
- proposed price structures and cost allocation for water, wastewater and stormwater services
- discharge factors.

These elements ultimately informed the prices that we should set, as outlined in Chapter 9.

8.1 Demand

Our draft decisions are:

19. To accept Sydney Water's water demand forecast over the determination period, adjusted for the price elasticity of demand.

20. To maintain Sydney Water's ±5% demand volatility adjustment mechanism (DVAM) materiality threshold.

Understanding past and future demand for water services is important for setting prices. We set prices using forecasts of:

- the number of customers we expect would receive water services in each year of the determination period (forecast customer numbers)
- the volume of water we expect a water business would provide for each of those years (forecast water sales volumes).

Further information on demand forecasts and what businesses are required to do to justify their forecasts is available in section 4.7.2 of the Water Regulation Handbook.

There are a lot of factors that impact water demand. The most important factors are:

- the population mix, number of dwellings, and mix of residential property types
- water efficiency schemes influencing adoption of water saving technologies
- changing consumption behaviours, including the influence of water conservation campaigns
- demographics of customers, including age and socioeconomic status, and
- a changing and more variable climate.

Wastewater volumes depend largely on water demand forecasts as they are based on a proportion of water discharged.

Over the 2020 determination period, Sydney Water's water sales were 7.7% lower than forecast. This was driven by weather variability, lasting impacts from water restrictions between June 2019 to November 2020 and the impact of COVID-19 on population growth and tourism.[156]

8.1.1 We accepted Sydney Water's forecast sales volumes

We consider that Sydney Water's demand forecasting method is reasonable. Sydney Water uses mature, sophisticated models, including a panel data approach across customer categories, that considers the important factors influencing demand. It has used the same method as for the 2020 Determination, updated with latest data.

Sydney Water expects demand to decrease from 546 GL to 542 GL in 2025–26, then increase by 5 GL each year until 2030. Key drivers of this forecast are customer growth, the proposed increase in the variable water usage price, and the savings due to water conservation activities and water recycling. Sydney Water notes that climate change and weather are key sensitivities.[157] In its forecasts, Sydney Water includes a price elasticity of demand of -0.2 for single dwellings and -0.07 for multi-dwellings.[158]

Our draft decision on forecast water sales volumes largely accepts Sydney Water's method, but adjusts volumes to reflect an elasticity response to our draft prices. This results in marginally lower sales volumes and total demand.

Table 8.1 Draft decision on forecast water sales volumes

	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water proposed					
Sales (GL)[a]	484.0	487.0	493.6	497.4	502.9
Demand (GL)[b]	542.4	544.4	550.7	554.3	559.1
IPART draft decision					
Sales (GL)[a]	484.7	484.5	487.9	488.6	490.7
Demand (GL)[b]	544.3	543.2	546.3	546.7	548.2

a Water sold to customers, including treated and untreated water.
b Total demand including sales volumes, unbilled water usage, losses, etc.
Source: Sydney Water, 2024 Pricing Proposal to IPART, September 2024 and IPART analysis.

8.1.2 We propose to maintain Sydney Water's ±5% demand volatility adjustment mechanism (DVAM) materiality threshold

In the last determination period, we used the DVAM as a tool to account for water sales uncertainty (see Chapter 6). The DVAM allows for an adjustment to a business's notional revenue requirement (NRR) to account for over- or under-recovery of revenue due to material differences between forecast and actual water sales.

Sydney Water proposed to continue the DVAM mechanism for the 2025 determination period, but with a zero per cent materiality threshold.[159] It claimed that this would avoid windfall gains or losses and better incentivise water conservation by limiting the connection between water sales and revenue, aligning with its customers expressed priorities of affordability and water conservation.[160]

Sydney Water claimed that the zero per cent threshold would allow it to manage external risks more flexibly, or to pursue further opportunities to improve customer value.[161] However, it did not provide any examples of other risks or opportunities to support this claim, and it does not logically follow that reducing one risk means risk appetite for another is increased.

We consider that a zero per cent threshold is not in the interests of customers, as it does not share revenue risk between customers and the business, and does not incentivise Sydney Water to forecast demand accurately. We considered other approaches to incentivising more accurate demand forecasting, such as excluding holding costs from the DVAM true-up. However, in practice this would have a relatively minor impact on the overall true-up value.

Our draft decision is to continue with the current arrangement of a ±5% threshold for Sydney Water's DVAM.

8.2 Price structure

Our draft decisions are:

21. To accept Sydney Water's proposed price structures including:
    a. setting the variable water usage charge based on long-run marginal cost of water supply
    b. maintaining the wastewater usage charge based on deemed usage, updated for inflation
    c. setting fixed service charges to recover remaining efficient costs.

22. To increase the variable water usage charge over the 2025 determination period from $3.10/kL to $3.50/kL to better reflect the long-run marginal cost and customer preferences for more of the costs to be put on the variable usage charge.

23. To set stormwater charges so they reflect full-service costs, including residual scheme costs over time.

24. To spread income taxes on developer contributions for stormwater services across wastewater customers to minimise any distortionary impacts they may have on stormwater prices.

25. To cease all remaining Rouse Hill Land Charge payments from the commencement of the new determination period.

For the 2025 determination period, we have accepted Sydney Water's proposal to retain its current price structures of:

- **Water**: a single tier tariff with a variable usage and fixed service charge
- **Wastewater**: a fixed service charge based on deemed usage and service for residential, and a fixed service charge with a single tier variable usage charge for non-residential customers
- **Stormwater**: a fixed service charge based on single or multi dwelling for residential, and lot size and network impact for non-residential customers
- **Drought charge**: an uplift price per kilolitre added to the variable water usage charge (see Chapter 7)
- **Unfiltered water charge**: a flat discount on the variable water usage charge.

Chapter 9 outlines the fixed and variable charges a customer would have to pay for the 2025 determination period. This section discusses our draft decisions on the proposed split between fixed and variable charges put forward by Sydney Water.

8.2.1 Stakeholders' views on price setting

Sydney Water consulted customers on price structures in Phase 6 of its 'Our Water, Our Voice' engagement process. Sydney Water found that customers value affordability and 'user pays' most highly and strongly preferred to retain the current flat tariff pricing mechanism over other alternatives canvassed, including an inclining block tariff.[162]

Customers generally perceived the current bills they receive to be 'fair' in that you pay for what you use. However, customers also expressed a view that a larger portion of the bills should be variable with usage, allowing them more control over their expenses. They thought this would increase fairness, particularly for low water users who currently face bills dominated by fixed service charges.[163]

However, Sydney Water considered this to be impractical for wastewater because:

- discharge volumes are not measured
- the chemical concentration and stormwater infiltration are major wastewater cost drivers, which are largely outside of customers' control.[164]

On stormwater pricing, Sydney Water found that customers strongly supported waterway health, but had mixed views on funding stormwater services. Overall, they preferred everyone to pay the same regardless of location, citing:

- stormwater services that provide waterway health outcomes are essential, like healthcare, public transport and education
- people move in and out of different areas
- everyone should contribute to Sydney's liveability
- stormwater services should be more streamlined and transparent.[165]

During the consultation for the Issues Paper and the Public Hearing, stakeholders told us that Sydney Water's proposed price increases were too high and were concerned about affordability and cost-of-living impacts. For this reason, they stated a preference for cost increases to be put on the variable usage charge, rather than the fixed service charge to support bill control and incentivise water conservation.

We also heard mixed views on stormwater charges. Some opposed postage stamp pricing for stormwater, while others saw no issue or advocated for a statewide charge. Some councils noted that local government areas (LGAs) levy stormwater charges too and warned against double charging.

There were some concerns raised that Sydney Water's proposed LRMC estimates do not provide appropriate signals for wastewater investment and usage. They suggested that Sydney Water should calculate costs of supplying wastewater services in its catchments to align price signals for investment and provide information to the market about the value of wastewater recycling.[166]

8.2.2 Sydney Water's LRMC estimates

The LRMC includes the costs of future supply augmentation measures and therefore signals the costs of supplying water to meet demand over the long-term. More information about our approach to the LRMC is available in Appendix C of our Water Regulation Handbook.

Sydney Water has maintained its current approach of setting the variable component of the variable water usage charge with respect to its estimates of the LRMC of water. It used several methods to estimate the LRMC, including the IPART algebraic method (with and without accounting for spare capacity), marginal incremental cost (Turvey) method and average incremental cost (AIC) method. This yielded a range from $1.64/kL to $7.15/kL ($2024–25). Sydney Water ultimately proposed an LRMC of $3.12/kL based on a 543 GL yield and a 4.4% real pre-tax discount rate.[167]

We identified some modelling errors in Sydney Water's proposal that suggest some of these estimates are too low:

1. Sydney Water's use of the IPART algebraic method overstated spare capacity (73 GL), inflating available supply and lowering the LRMC.
2. Sydney Water's use of the Turvey method assumed fixed timing for augmentations like SDP and Purified Recycled Water (PRW), making it unresponsive to demand changes and resulting in artificially low values.

After adjusting these assumptions, we found that the Turvey method gives an LRMC of around $3.90/kL and the algebraic method gives an LRMC of $3.92/kL.

8.2.3 Variable water usage versus fixed service charge ratio

Sydney Water based its variable water usage charge on its incorrect LRMC estimate of $3.12/kL with the fixed service charge set at a level to recover all other efficient costs. This would understate the true cost of water supply, encouraging inefficient use and potentially driving unnecessary investment.

However, setting the variable usage charge at the revised estimate of $3.92/kL would imply a negative fixed service charge. This would increase bill volatility and undermine pricing and revenue stability for Sydney Water.

We have made a draft decision to gradually increase the variable usage charge over the determination period to better reflect the revised LRMC and improve price signals, support sustainable long-term planning. While this may increase bill variability for some customer groups (e.g. large households and renters), it benefits customers who use less water and those who can reduce consumption, which is consistent with stakeholder preferences for usage-based billing.

This aligns with our draft recommendation for Hunter Water, which proposed moving from a variable usage charge of $3.19 to $4.40.[168]

Fixed service charges recover the residual revenue not forecast to be recovered by the variable usage charge. We estimate that the fixed service charge would recover around 4.7% of the notional revenue requirement on average across the 2025 determination period. They vary by connection type whereby residential customers are assumed to have a 20 mm meter, while non-residential water customers pay based on their actual meter size in relation to the 20 mm base. Non-residential customers sharing a common meter share the fixed service charge.

Our resulting draft fixed service charge is lower than what Sydney Water proposed, reflecting the increased variable usage charge. For the typical residential customer, the fixed service charge would reduce from the current charge of $67.04 to $31.48 ($2024–25) from 1 October 2025 and remain constant over the determination period. This would have a similar effect to Sydney Water's proposed glide path (see Chapter 10). Chapter 9 sets out our draft fixed service charges for all other customer types.

8.2.4 Wastewater pricing

Sydney Water's proposed wastewater charges vary by connection size and type:

- Residential customers would pay a fixed service charge based on a 20 mm connection and a 75% discharge factor, plus a usage charge based on a deemed usage of 150 kL.
- Non-residential customers would pay a fixed service charge based on actual meter size and estimated discharge factor, and a variable usage charge per kilolitre of estimated usage.

Sydney Water proposes to maintain the current usage charge, adjusted for inflation. It proposes one change from the 2020 Determination, which is to incorporate the discretionary charge into the fixed service charge.[169]

Sydney Water considered short-run marginal cost (SRMC) and LRMC methods to set the variable usage charge but found them unsuitable due to limited data and weak links between costs and discharge volumes. Wastewater is not metered, the usage is price inelastic, and major cost drivers are not volume-based. Instead, it proposes keeping the current variable usage charge (inflation-adjusted) until a better pricing method is developed.

We have accepted Sydney Water's proposed wastewater charge structure and agree that estimating a wastewater LRMC is not meaningful. We note that consideration of what information should be published to promote competition in the wastewater and recycled water sector was given in our recent review of Sydney Water's operating licence. Our recommendations in that review balanced public information needs with the administrative burden on Sydney Water of producing detailed and widespread network data that may not be useful to all stakeholders. We note that Sydney Water's development servicing plans also provide detailed information of this nature and competitors can request data about specific network points.

We have accepted Sydney Water's proposed discharge factor

The discharge factor measures the percentage of a customer's water consumption that is discharged to the wastewater network. It effectively converts the size of a water meter to a wastewater meter (for meter-based fixed service charges) and estimates wastewater discharge volumes (to apply deemed wastewater usage charges). Discharge factors are used because, unlike water consumption, wastewater discharges are often not separately metered.

Sydney Water proposed to use a discharge factor of 75 per cent for most residential, non-residential, unmetered, boarding house and 'child' properties in a joint water supply service arrangement.[170] We have accepted Sydney Water's proposal.

Customers in the Hawkesbury City Council area may pay the same wastewater prices as other Sydney Water customers

Hawkesbury City Council currently provides wastewater services to around 8,500 customers, comprising around 7,500 households and 1,000 businesses. These customers typically pay wastewater bills of around $1,300 per year.

We understand Sydney Water may acquire Hawkesbury City Council's wastewater assets during the 2025 determination period.[171] If this occurs, customers formerly serviced by Hawkesbury City Council would begin to receive wastewater services from Sydney Water. They would pay the same wastewater prices as Sydney Water's other customers (see Chapter 9). For residential customers, their typical wastewater bill under our draft prices would be around $654 in 2025–26, which is a significant reduction from their current wastewater bills.

At the next determination of Sydney Water's prices, we may consider the efficient capital and operating costs of Sydney Water providing wastewater services to this new customer group. We may also factor in the additional revenue received from these customers. Further, we may consider whether an adjustment to Sydney Water's revenue requirement and wastewater prices is required to address any over- or under-recovery of revenue over the 2025 determination period due to expanding its wastewater services in the Hawkesbury City Council area.

This could mean Sydney Water's existing customers face slightly higher future wastewater bills because of it servicing the new customer group. We are keen to hear stakeholders' views on whether Sydney Water should retain a separate price for the customers in the Hawkesbury City Council area if it takes over responsibility for providing wastewater services to those customers.

Seek Comment

5. If Sydney Water extends its wastewater services to the Hawkesbury City Council area in future, should those customers pay a separate wastewater price, or should additional costs be shared across all customers? Besides bill impacts, what other factors should we consider?

8.2.5 Stormwater pricing

Sydney Water provides stormwater services to approximately 630,000 residential and non-residential customers.[172] Charges are currently fixed, with residential customers paying based on dwelling type and non-residential customers paying based on lot size and network impact.

Sydney Water proposed three major changes to its stormwater charges including:

3. a uniform 'postage stamp' stormwater charge based on flood protection, excluding waterway health costs
4. shifting waterway health related capital costs to wastewater customers, on the basis that all customers benefit
5. phasing out the Rouse Hill Land Charge, with future and residual costs covered by developers and wastewater customers.[173]

Stormwater customers should pay the full cost of providing stormwater services

We have not accepted Sydney Water's proposal to charge a postage stamp stormwater charge for flood protection only and shift other costs to wastewater customers. Instead, we have made a draft decision that stormwater charges should reflect full-service costs, including residual scheme costs over time. This is consistent with Sydney Water's customer consultation, which found that customers had mixed views on whether everyone should fund stormwater services, but considered that all stormwater customers should pay the same regardless of location.

We consider that Sydney Water's proposal is inconsistent with several of the cost allocation principles that guide our decision-making including:

- **impactor pays** - it does not reflect the purpose of the infrastructure for preventing waterway degradation from localised urban development
- **beneficiary pays** - it does not reflect the full benefits stormwater customers receive and overstates the benefits wastewater customers receive
- **cost-reflective pricing** - it does not provide efficient price signals because stormwater charges do not reflect the full cost of service provision and wastewater charges overstate them.

Sydney Water's largest investments in stormwater services are in the Rouse Hill region and the new Mamre Road and Aerotropolis development precincts. The main purpose of stormwater systems in these areas is to manage increased runoff from new urban and industrial development, protecting local waterways from pollution and erosion. This is not the same as providing a waterway health benefit that goes beyond what is required to meet waterway health targets for new developments.

Shifting stormwater capital costs to wastewater customers could lead to increasingly misaligned price signals in the longer term, once developer contributions towards these services cease. Wastewater customers would pay for ongoing maintenance, renewals and return on and of capital for stormwater assets.

We consider that it is reasonable to recover costs from wastewater customers where stormwater services are provided to improve water quality, safety and the overall health of waterways connected to Sydney Water's stormwater network. For example, the costs of Sydney Water's Waterway Health Improvement Program. This program delivers waterway health improvements to customers that are not directly connected to Sydney Water's stormwater network. We have accepted Sydney Water's proposal to recover these costs from wastewater customers.

We propose to recover income tax on developer contributions from wastewater customers

We have accepted Sydney Water's proposal to recover income tax on developer contributions from wastewater customers. These taxes are an indirect cost and may have unintended, distortionary impacts on stormwater prices.

One of the primary residual costs of Sydney Water's stormwater schemes is income taxes on developer charges. Over the next 10 years, the income taxes payable on the Rouse Hill and Mamre Road-Aerotropolis developer charges for stormwater assets would exceed $940 million (real $2024–25).

While allocating these costs to stormwater customers may seem more consistent with beneficiary pays and cost-reflective pricing principles, we note that:

- developers already pay for the full net cost increase associated with these services
- because of how the Australian Tax Office treats cash contributions, tax liabilities occur
- including these taxes in the charges payable by directly connected customers is unlikely to improve efficiency signals in the short or longer run, or influence behaviour.

Allocating these costs to wastewater adds approximately 0.7% or $5 to the typical annual wastewater bill, compared to 11.7% higher bills (of $13 per annum) for stormwater customers.

We are seeking stakeholder views on whether there are any other unintended consequences of allocating income tax costs across wastewater customers.

Seek Comment

6. Are there any unintended consequences of recovering income tax on developer contributions costs from wastewater customers that we should consider?

We propose to remove the Rouse Hill Land Charge

We propose removing the Rouse Hill Land Charge from the start of the 2025 determination period and recovering the outstanding costs through developer and residual stormwater charges.

Sydney Water proposed a phased approach whereby:

- properties that have begun paying the charge, but have not completed payments before the start of the new determination period or the registration of the Rouse Hill Stormwater Development Servicing Plan (DSP), would continue paying (resulting in some households making payments until 2030–31)

- new properties that can demonstrate that they have paid the Rouse Hill Stormwater DSP charge applicable to that property would be exempt from paying the Rouse Hill land charge.[174]

We consider this approach unnecessarily complex and inequitable, with some households continuing to pay the charge until 2030–31. It also does not incentivise Sydney Water to register the Rouse Hill Stormwater DSP in a timely manner to start collecting developer charges.

The net present value of remaining Rouse Hill land charges payable is comparatively small at around $5 million. While some households would be better off, Sydney Water would be no worse off because the unrecovered costs would be recovered through stormwater charges.

8.2.6 Other charges

Unfiltered water fixed service charge

Sydney Water supplies unfiltered water services to one industrial customer and proposes to continue using the current pricing method - applying a discount to the drinking water charge to reflect the avoided filtration costs. The proposed discount is $0.37/kL ($2024–25).[175] We have accepted Sydney Water's method for calculating the unfiltered water charge.

Drought uplift price

As discussed in Chapter 7, Sydney Water proposes to retain its existing drought pricing mechanism, which adds a drought uplift to the variable usage charge when dams fall below 60% or other triggers are met. The uplift encourages conservation and helps recover higher operating costs during restrictions. The proposed uplift is based on forecast demand reductions (7.5%) and estimated drought response costs of $109.3 million ($2024–25), which are lower than in the last period due to some costs being included in base supply costs.[176] We accept Sydney Water's proposal to have a drought uplift price and have calculated this to be $0.54/kL. This differs from Sydney Water's proposal of $0.66/kL because of assumed volume changes (from the price elasticity response to the change in usage charge) and Sydney Water's incorrect application of the price elasticity of demand in their drought uplift charge calculations.

8.3 Price adjustment for deferred determination start

We extended our review of Sydney Water's prices by 3 months to ensure thorough consideration of its proposal (the 'deferral period'). As a result, the 2025 Determination will commence on 1 October 2025. In the meantime, Sydney Water will continue charging current prices.

To ensure neither Sydney Water nor customers are financially better or worse off from the delay, we will true-up the difference between revenue collected under current prices and what would have been collected under the new determination.

To do this, we:

- calculated the notional revenue required to recover efficient costs for the 2025 determination period (see Chapter 6), and the prices needed to recover that revenue based on our draft price structure decisions for a 5-year determination period starting from 1 July 2025
- estimated the revenue Sydney Water would recover from customers between 1 July and 30 September 2025 under existing prices, and the shortfall in revenue due to the 3-month delay
- adjust draft prices to recover the estimated revenue shortfall and ensure revenue neutrality over the 2025 determination period.

As a result, prices from 1 October 2025 are 0.9% higher to recover an expected $61 million shortfall.

We propose to true-up any SDP pass-through costs related to the deferral period in the next determination period

In Chapter 7 we explained our draft decision to discontinue the SDP cost pass-through mechanism for the 2025 determination period. Until the new determination takes effect, Sydney Water can continue to pass through costs under the current determination and prices. However, any costs passed through between 1 July and 30 September 2025 could result in Sydney Water being financially better off at the expense of customers because of the deferred start. Due to the uncertainty about these potential costs, we propose to true-up any additional revenue recovered during this period at the end of the 2025 determination period.

Chapter 9

Draft prices

09

Summary of draft prices

Maximum variable water usage prices would increase over the 2025 determination period, while fixed water service charges would decrease

Under our draft decisions, the draft variable water usage price would increase by around 31% between current prices in 2024–25 and the last year of the determination in 2029–30. At $3.50 per kilolitre in 2029–30, it is also 12% higher than Sydney Water's proposed variable usage charge of $3.12 per kilolitre.

The draft fixed water service charge would decrease by around 53% over the same period. It will be around 91% lower than Sydney Water's proposal by 2029–30. This is partly due to us identifying cost efficiencies in Sydney Water's operations (see Chapters 4 and 5), and partly because we have set a higher water usage price. We outline in Chapter 8 why we consider this price structure to be in the customers' interests, including that it gives them some ability to minimise the impact of price increases, by using less water.

Maximum wastewater prices would increase over the 2025 determination period

Our draft decision is to set the deemed wastewater usage charge at the level proposed by Sydney Water. It would increase by around 4% in the first year and remain constant in real terms throughout the rest of the 2025 determination period.

We set the draft wastewater fixed service charge to recover Sydney Water's remaining efficient costs, which is about 16% lower by 2029–30 than Sydney Water's proposal.

Maximum stormwater prices would increase over the 2025 determination period

Stormwater prices are fixed charges. Under our draft decisions, stormwater prices would increase by around 23% in the first year and then remain constant in real terms for the remainder of the 2025 determination period.

While in the first year our draft prices are slightly higher than those proposed by Sydney Water, by the end of the 2025 determination period they are around 35% lower than those proposed by Sydney Water. This is due to us using lower financing costs than those proposed by Sydney Water, as well as identifying efficiency savings Sydney Water could achieve. We note our draft stormwater prices include stormwater costs that Sydney Water proposed to shift to wastewater customers, on the basis that all customers benefit from waterway health outcomes. We did not accept Sydney Water's proposal, as we did not consider it to be cost-reflective (see Chapter 8).

Sydney Water currently provides 3 main services to customers:

- water services
- wastewater services
- stormwater services

Under our draft decisions:

- Sydney Water's prices for **water services** have 2 components:
  - A variable usage price (expressed as $ per kilolitre (kL) of metered water supplied.
  - A fixed service price (expressed as $ per year), which is set to recover Sydney Water's efficient water-related costs that are not forecast to be recovered by the usage price.
- Variable usage prices increase during periods of drought, based on dam storage levels (see Chapter 8).
- Sydney Water's prices for **wastewater services** have 2 components:
  - A fixed usage charge based on deemed usage and a price of $1.41/kL. Wastewater discharge volumes are not directly metered.
    - residential customers pay wastewater usage charges based on a *deemed* discharge volume of 150 kilolitres per year
    - non-residential customers pay wastewater usage charges based on an *inferred* discharge volume, calculated using a customer specific discharge factor multiplied by metered water consumption
  - A fixed service price (expressed as $ per year), which is set to recover Sydney Water's efficient wastewater-related costs that are not forecast to be recovered by the usage price. .
- Sydney Water's price for **stormwater services** is one fixed charge that applies to around 630,000 customers, including about 65,000 non-residential customers. Stormwater charges are based on a customer's impact on the network, such as:
  - property type for residential customers
  - land size for non-residential customers.

Sydney Water also provides some recycled water and trade waste services to certain customers.

This chapter sets out the maximum prices for Sydney Water's regulated services under our draft decisions.

Our draft decisions are:

26. To set Sydney Water's maximum variable water usage charges to $3.10/kL in 2025–26, rising to $3.50/kL in 2029–30, as shown in Table 9.1.

27. To set Sydney Water's drought uplift water usage price and unfiltered water price as shown in Table 9.2.

28. To set Sydney Water's maximum fixed water service charges as shown in Table 9.3 for residential customers and Table 9.4 for non-residential customers.

29. To set Sydney Water's maximum deemed wastewater usage charge at $1.41/kL, as shown in Table 9.5.

30. To set Sydney Water's maximum fixed wastewater service charges as shown in Table 9.6 for residential customers and Table 9.7 for non-residential customers.

31. To set Sydney Water's maximum stormwater charges as shown in Table 9.8 for residential customers and Table 9.9 for non-residential customers.

32. To continue to defer setting prices for Sydney Water's recycled water schemes.

33. To set Sydney Water's maximum prices for late or declined payments as shown in Table 9.10.

34. To set Sydney Water's trade waste charges and miscellaneous and ancillary charges as shown in Appendix D.2 and D.3, Tables D.12 to D.16.

9.1 Draft decisions on maximum water, wastewater and stormwater prices

9.1.1 Water charges

The tables below present our draft decisions on maximum fixed and variable prices for water. These prices are in $2024–25, which means they will be adjusted for inflation from 2025–26 onwards.

Sydney Water proposed to increase the fixed service charge by more than the variable usage charge. We outline in Chapter 8 why we consider it is in customers' interests to adopt a different approach. Instead, we have set a price structure where the variable usage charge is increasing, while the fixed service charge is decreasing. This gives customers some ability to minimise the impact of price increases, by using less water.

Table 9.1 Draft water usage charges ($/kL, $2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water proposal	2.67	3.12	3.12	3.12	3.12	3.12
IPART draft decision	2.67	3.10	3.20	3.30	3.40	3.50
Annual change %		16.1%	3.2%	3.1%	3.0%	2.9%

As discussed in Chapter 8, Sydney Water has a dynamic drought water usage price that applies when triggers are met (e.g. dam storages fall below a certain level). The price increase encourages water conservation and ensures cost recovery during water restrictions, when Sydney Water's operating costs rise and water sales revenue drops.

Table 9.2 Draft water usage charges – drought uplift and unfiltered water ($/kL, $2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Drought uplift						
Sydney Water proposal	0.94	0.66	0.66	0.66	0.66	0.66
IPART draft decision	0.94	0.54	0.54	0.54	0.54	0.54
Unfiltered water						
Sydney Water proposal	2.32	2.75	2.75	2.75	2.75	2.75
IPART draft decision	2.32	2.73	2.83	2.93	3.03	3.13

Note: We have continued our current method for determining unfiltered water prices. We have applied a discount to the water usage price, as Sydney Water incurs lower water filtration costs in supplying unfiltered water.

We have set the fixed water service charge to recover the remainder of Sydney Water's revenue requirement and therefore recover its efficient costs.

Table 9.3 Draft water service charges for residential customers ($2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water proposal						
Residential customers	67.04	85.23	141.46	202.16	267.67	338.37
Annual change (%)		27.1%	66.0%	42.9%	32.4%	26.4%
IPART draft decision						
Residential customers	67.04	31.48	31.48	31.48	31.48	31.48
Annual change (%)		-53.0%	0.0%	0.0%	0.0%	0.0%

Table 9.4 Draft water service charges for non-residential customers ($2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Sydney Water proposal							
20 mm	67.04	85.23	141.46	202.16	267.67	338.37	404.7%
25 mm	104.74	133.17	221.04	315.87	418.23	528.70	404.8%
40 mm	268.14	340.91	565.85	808.64	1,070.67	1,353.48	404.8%
100 mm	1,675.91	2,130.68	3,536.59	5,053.98	6,691.68	8,459.25	404.8%
Other sizes	$\frac{(Meter\ size\ in\ mm)^2 \times water\ service\ charge\ for\ a\ 20mm\ meter\ for\ the\ applicable\ period}{400}$						
Unmetered	547.64	646.83	703.06	765.30	829.27	899.97	64.3%
IPART draft decision							
20 mm	67.04	31.48	31.48	31.48	31.48	31.48	-53.0%
25 mm	104.74	49.19	49.19	49.19	49.19	49.19	-53.0%

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
40 mm	268.14	125.93	125.93	125.93	125.93	125.93	-53.0%
100 mm	1,675.91	787.06	787.06	787.06	787.06	787.06	-53.0%
Other sizes	$\frac{(Meter\ size\ in\ mm)^2 \times water\ service\ charge\ for\ a\ 20mm\ meter\ for\ the\ applicable\ period}{400}$						
Unmetered	547.64	589.48	607.48	625.48	643.48	661.48	20.8%

Note: The unmetered charge applies to approximately 15,000 properties that are unable to fit meters for various reasons. For unmetered properties, Sydney Water uses a deemed water usage of 180 kL per year in most years.

9.1.2 Wastewater charges

The tables below present our draft decisions on maximum fixed service and variable usage prices for wastewater, and they indicate these charges are set to increase over the 2025 determination period. These prices are in $2024–25, which means they will be adjusted for inflation from 2025–26 onwards.

We consider Sydney Water has sufficiently applied IPART's pricing principles and considered customer views in proposing wastewater charges. Therefore, we made a draft decision to accept Sydney Water's wastewater usage prices.

Table 9.5 Draft wastewater usage charges ($/kL, $2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water proposal	1.36	1.41	1.41	1.41	1.41	1.41
IPART draft decision	1.36	1.41	1.41	1.41	1.41	1.41
Annual change (%)		3.7%	0.0%	0.0%	0.0%	0.0%

We made a draft decision to largely accepted Sydney Water's wastewater deemed usage and unadjusted wastewater service charges. We have updated them to reflect Sydney Water's efficient operating and capital costs, as well as lower financing costs. In addition, we have removed stormwater costs associated with waterway health from these charges. As explained in Chapter 6, we did not accept Sydney Water's proposal to shift these costs to wastewater customers. Instead, we have included these stormwater costs in stormwater prices.

As for water prices, the draft wastewater fixed service charge is set to recover the remainder of Sydney Water's revenue requirement and therefore recover its efficient costs.

Table 9.6 Draft wastewater service charges for residential customers ($2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
Sydney Water proposal						
Deemed usage charge	204.00	211.50	211.50	211.50	211.50	211.50
Service charge - adjusted	414.47	518.29	559.11	602.22	647.74	695.81
Total wastewater charge	618.47	729.79	770.61	813.72	859.24	907.31
Annual change (%)		18.0%	5.6%	5.6%	5.6%	5.6%
IPART draft decision						
Deemed usage charge	204.00	211.50	211.50	211.50	211.50	211.50
Service charge - adjusted	414.47	454.08	482.92	515.05	548.67	583.85
Total wastewater charge	618.47	665.58	694.42	726.55	760.17	795.35
Annual change (%)		7.6%	4.3%	4.6%	4.6%	4.6%

Note: Prices include expenditure Sydney Water categorised as 'discretionary' in its pricing proposal (e.g. expenditure on the Vaucluse-Diamond Bay wastewater project). Under our water regulation framework, we no longer use the 'discretionary' and 'non-discretionary' categories of expenditure.

Table 9.7 Draft unadjusted wastewater service charges for non-residential customers ($2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Sydney Water proposal							
20 mm	552.62	691.05	745.48	802.96	863.65	927.74	67.9%
25 mm	863.47	1,079.77	1,164.82	1,254.63	1,349.46	1,449.60	67.9%
40 mm	2,210.48	2,764.21	2,981.94	3,211.84	3,454.62	3,710.97	67.9%
100 mm	13,815.50	17,276.29	18,637.10	20,074.03	21,591.34	23,193.54	67.9%
Other sizes	$\frac{(Meter\ size\ in\ mm)^2 \times wastewater\ service\ charge\ for\ a\ 20mm\ meter\ for\ the\ applicable\ period}{400}$						
IPART draft decision							
20 mm	552.62	605.44	643.89	686.74	731.57	778.47	40.9%
25 mm	863.47	946.00	1,006.08	1,073.03	1,143.07	1,216.36	40.9%
40 mm	2,210.48	2,421.75	2,575.56	2,746.95	2,926.26	3,113.88	40.9%
100 mm	13,815.50	15,135.97	16,097.25	17,168.41	18,289.14	19,461.73	40.9%
Other sizes	$\frac{(Meter\ size\ in\ mm)^2 \times wastewater\ service\ charge\ for\ a\ 20mm\ meter\ for\ the\ applicable\ period}{400}$						

9.1.3 Stormwater charges

Stormwater charges are shown in the tables below. These prices are in $2024–25, which means they will be adjusted for inflation from 2025–26 onwards. Stormwater charges will increase over the 2025 determination period.

Our draft stormwater prices factor in lower financing costs, as well as cost efficiencies we consider Sydney Water can achieve over the 2025 determination period. Another way our draft stormwater prices differ from Sydney Water's charges is that they include stormwater costs of the Mamre/Aerotropolis and Rouse Hill stormwater schemes (see Chapter 6). Finally, we have made a draft decision to remove the Rouse Hill land charge (see Chapter 8).[a]

Table 9.8 Draft stormwater charges for residential customers ($2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Sydney Water proposal							
Residential property not within a multi-premises (e.g. house)	88.18	104.05	117.10	131.78	148.31	166.91	89.3%
Residential property within a multi-premises (e.g. apartment)	28.19	32.48	36.55	41.13	46.29	52.09	84.8%
Low Impact assessed residential property	28.19	32.48	36.55	41.13	46.29	52.09	84.8%
IPART draft decision							
Residential property not within a multi-premises (e.g. house)	88.18	108.09	108.09	108.09	108.09	108.09	22.6%
Residential property within a multi-premises (e.g. apartment)	28.19	34.56	34.56	34.56	34.56	34.56	22.6%
Low Impact assessed residential property	28.19	34.56	34.56	34.56	34.56	34.56	22.6%

Note: Prices include expenditure Sydney Water categorised as 'discretionary' in its pricing proposal. Under our water regulation framework, we no longer use the 'discretionary' and 'non-discretionary' categories of expenditure.

Table 9.9 Draft stormwater charges for non-residential customers ($2024–25)

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Sydney Water proposal							
Small property (≤200m^2)	28.19	32.48	36.55	41.13	46.29	52.09	84.8%
Medium property (>200m^2 to 1,000m^2)	88.18	104.05	117.10	131.78	148.31	166.91	89.3%
Large property (>1,00m^2 to 10,000m^2)	509.17	606.36	682.39	767.96	864.26	972.63	91.0%
Very large property (>10,00m^2 to 45,000m^2)	2,259.70	2,695.01	3,032.94	3,413.26	3,841.26	4,322.93	91.3%
Largest property area (>45,000m^2)	5,647.80	6,737.54	7,582.38	8,533.16	9,603.17	10,807.35	91.4%

[a] Currently, new properties that connect (or have connected) to Sydney Water's system in the Rouse Hill stormwater catchment area between 1 July 2012 and 30 June 2026 pay the Rouse Hill land drainage charge for a 5-year period.

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Non-residential property within a multi-premises	28.19	32.48	36.55	41.13	46.29	52.09	84.8%
Low impact assessed non-residential property	88.18	104.05	117.10	131.78	148.31	166.91	89.3%
IPART draft decision							
Small property (≤200m^2)	28.19	34.56	34.56	34.56	34.56	34.56	22.6%
Medium property (>200m^2 to 1,000m^2)	88.18	108.09	108.09	108.09	108.09	108.09	22.6%
Large property (>1,00m^2 to 10,000m^2)	509.17	624.15	624.15	624.15	624.15	624.15	22.6%
Very large property (>10,00m^2 to 45,000m^2)	2,259.70	2,769.97	2,769.97	2,769.97	2,769.97	2,769.97	22.6%
Largest property area (>45,000m^2)	5,647.80	6,923.15	6,923.15	6,923.15	6,923.15	6,923.15	22.6%
Non-residential property within a multi-premises	28.19	34.56	34.56	34.56	34.56	34.56	22.6%
Low impact assessed non-residential property	88.18	108.09	108.09	108.09	108.09	108.09	22.6%

Note: Prices include expenditure Sydney Water categorised as 'discretionary' in its pricing proposal. Under our water regulation framework, we no longer use the 'discretionary' and 'non-discretionary' categories of expenditure.

9.2 Draft decision on recycled water charges

Sydney Water considers recycling water when assessing options to deliver water and wastewater services. This approach is consistent with its customer engagement, where customers expressed support for Sydney Water exploring options – such as recycled water – for securing future water supplies.[177]

We accept Sydney Water has applied IPART's methodology for pricing recycled water. We have made a draft decision to maintain our approach from previous price reviews and continue to defer setting a maximum price for Sydney Water's recycled water schemes.

9.3 Draft decisions on late or declined payment fees

We set the maximum late or declined payment fees that Sydney Water may charge in its Customer Contract. Our draft decision is to keep these fees unchanged in real terms, as set out in the table below. The fees are in $2024–25, which means they will be adjusted for inflation from 2025–26 onwards.

Sydney Water proposed to increase these fees to cover its proposed increase in corporate overheads[178]. However, the Justice and Equity Centre and the Energy and Water Ombudsman NSW both opposed the proposed increases. They noted the proposed higher fees would likely put a greater burden on customers experiencing financial vulnerability, which often arises from circumstances beyond customers' control (see Chapter 3).

After noting these stakeholder comments, the minimal revenue impact on Sydney Water and the lack of a strong justification for Sydney Water's proposed increase (beyond aligning with an increase in corporate overheads), we have made a draft decision to keep the current late and declined payment fees unchanged in real terms.

Table 9.10 Late or declined payment fees

	Current 2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	% change 2024–25 to 2029–30
Late payment fee							
Sydney Water proposal	5.57	5.98	5.98	5.98	5.98	5.98	7.4%
IPART draft decision	5.57	5.57	5.57	5.57	5.57	5.57	0.0%
Declined payment fee							
Sydney Water proposal	16.80	18.03	18.03	18.03	18.03	18.03	7.3%
IPART draft decision	16.80	16.80	16.80	16.80	16.80	16.80	0.0%

9.4 Draft decisions on trade waste charges and miscellaneous and ancillary charges

We set maximum prices Sydney Water can charge its customers for:

- **Trade waste charges**, which mainly involve commercial and industrial customers who discharge more concentrated waste into Sydney Water's s wastewater system than regular domestic wastewater.
- **Miscellaneous and ancillary charges**, which relate to other monopoly services Sydney Water provides, such as damaged meter replacements and conveyancing certificates.

Both trade waste and miscellaneous and ancillary charges account for a minor part of Sydney Water's total revenue. In 2024–25, revenue from these charges comprised around 1.5% of its notional revenue requirement.

Sydney Water proposed changes to its trade waste charges, including updating 33 charges, introducing 7 new charges and removing 4 existing charges. Similarly for miscellaneous and ancillary charges, Sydney Water proposed various increases and decreases across service types. It also proposed introducing 8 new charges and removing 20 existing charges. Most of Sydney Water's proposed updates to these charges involve increases in its corporate overheads, wastewater system operating costs and administration fees.

We have reviewed Sydney Water's proposal for these prices. We made draft decisions to set pollutant trade waste charges around 15% to 20% lower than proposed. We consider our draft prices more accurately reflect the costs of treating pollutants in trade waste.

We have largely accepted Sydney Water's proposed prices for non-pollutant trade waste charges, as well as its miscellaneous and ancillary charges. In our assessment, Sydney Water's price changes include both increases and decreases that appear reasonable and reflect efficient costs for these items.

The full schedule of trade waste, miscellaneous and ancillary charges are provided in Appendix D.2 and D.3, Tables D.12 to D.16.

Chapter 10

Impacts of draft decisions

10

Summary of the impact of our draft prices

Typical water and wastewater bills would increase by $61 on average each year over the next 5 years

Under our draft decisions, typical household water and wastewater bills would increase by $61 (or 4.6%) on average each year from 1 July 2025 for 5 years plus inflation. This is $69 lower than the $130 average yearly increase to typical household bills proposed by Sydney Water.

Household customers who receive stormwater services and pay stormwater bills to Sydney Water would also see the stormwater component of their bill increase by 23% (or $6 for apartments and $20 for houses) over the determination period, plus inflation.

Non-residential customer bills will increase on average each year between 4% to 5%.

There are options to improve the effectiveness of existing rebates to help those most in need

The NSW Premier requested IPART to consider the cost-of-living impact of the price determination and the effectiveness of existing rebates, including if rebates will adequately support customers who may be disproportionately impacted by any price increases.

We find that the pensioner rebate remains effective in maintaining water and wastewater affordability for households that are currently eligible for the existing rebate. However, there are low-income households that may still face issues with affordability.

We make 5 recommendations to the NSW Government on how to improve the effectiveness of existing rebates to provide greater support to those that are most in need of financial support. This includes freezing the amount of existing rebates in nominal terms to enable the NSW Government to reprioritise its existing funding envelope to support a broader set of households in need (such as low-income households) or increase the rebate amount for other water utilities to improve equity across NSW.

10.1 Our draft decisions allow necessary increases to bills

10.1.1 Residential customers

In discussing typical household bills,[a] we refer to the combined water and wastewater bill of a household consuming 200 kilolitres a year. Some Sydney Water customers also pay stormwater drainage charges to Sydney Water, which means their bills are higher.

Sydney Water proposed to smooth typical customer bills across the period, rather than passing on all required bill increases to customers in the first year that would lead to significant bill shock. Under Sydney Water's proposed prices, the typical bill impact for a water and wastewater customer consuming 200 kilolitre per year would have an increase of 18% in 2025–26 followed by 6.8% every year for the remainder of the determination period.[179] As discussed in Chapter 8, our draft maximum prices achieve similar effect to Sydney Water's proposed glide path.

Under our draft maximum prices, typical household bills would increase by around $61 (or 4.6%) on average each year over 5 years plus yearly inflation. This is $69 lower than the average yearly increase to typical household bills proposed by Sydney Water.

Under our draft maximum prices, the typical household bill would increase from $1220 in 2024–25 to:

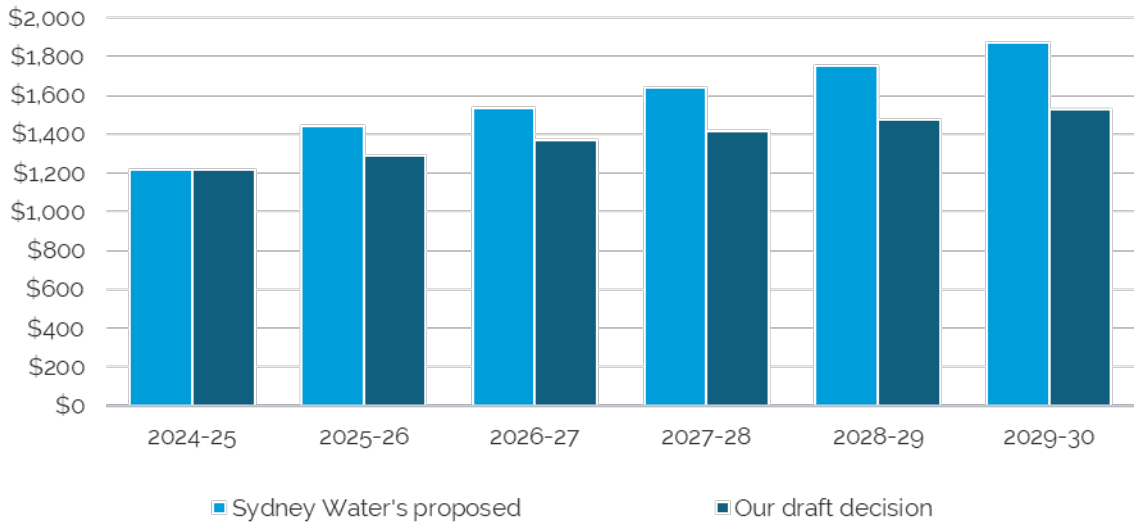
- $1,293 in 2025–26 plus inflation
- $1,527 in 2029–30 in the last year of the 2025 determination period, plus inflation.

Based on forecast inflation, the typical household bill would increase by $113 (or 9%) to $1333 in 2025–26.

Figure 10.1 sets out the current typical household bill under our draft decisions compared to Sydney Water's proposal.

[a] Annual bill increases are based on the financial year (i.e., 1 July to 30 June). For clarity, 2025-26 bills are from 1 July 2025 to 30 June 2026, with current prices remaining in place until 30 September 2024 and IPART's draft maximum prices starting from 1 October 2025.

Figure 10.1 Typical household water and wastewater bills under our draft maximum prices compared to Sydney Water's proposal ($2024–25)

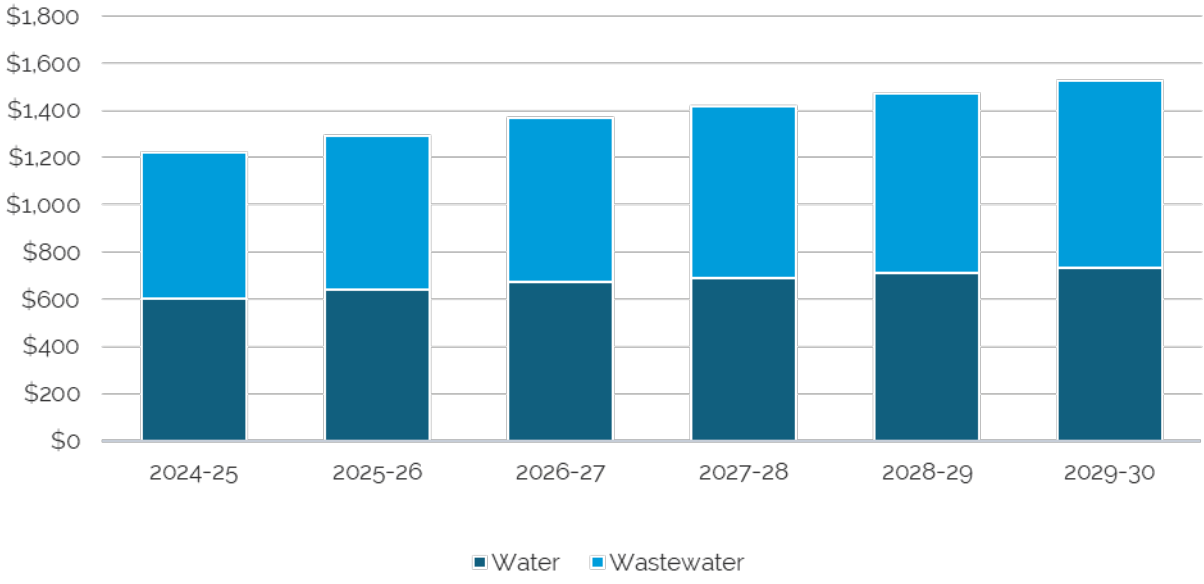


Note: Typical household water and wastewater bills are based on a customer living in a house and using 200 kL per year. Bills in 2024–25 reflect current bills.

Source: IPART analysis

Figure 10.2 shows the typical household water and wastewater bill would increase under our draft prices. It shows that the average yearly increase over the next 5 years from 2024–25 to 2029–30 would be $26 (or 4%) for water bills and $35 (or 5%) for wastewater bills, plus inflation.

Figure 10.2 Typical bill increases under our draft prices ($2024–25)



Note: Typical household water and wastewater bills are based on a customer living in a house and using 200 kL per year. Bills in 2024–25 reflect current bills.

Source: IPART analysis

The bills customers pay to Sydney Water depend on property ownership and metering. If the customer owns a property, they will pay fixed and variable water usage charges as well as wastewater charges. If a customer is a landlord and owns a rental property that is separately metered, the landlord may pay the water and wastewater fixed service charges while the renter pays the variable water usage charge.

Table 10.1 presents bill impacts under our draft prices for a range of households. These bills exclude stormwater charges.

Table 10.1 Draft bill impacts for residential customers (excluding stormwater) ($2024–25)

Customer	Usage (kL/yr)	2024–25 Current	2025–26	2026–27	2027–28	2028–29	2029–30	Average annual change (%)
Owner-occupiers								
Small household – house	100	953	993	1,046	1,088	1,132	1,177	4.3%
Typical household – apartment [a]	160	1,113	1,173	1,238	1,286	1,336	1,387	4.5%
Typical household – house	200	1,220	1,293	1,366	1,418	1,472	1,527	4.6%
Large household – house	300	1,487	1,592	1,686	1,748	1,812	1,877	4.8%
Pensioner household (receives a rebate) [b]	100	354	375	396	411	427	443	4.6%
Pensioner household (without a rebate)	100	953	993	1,046	1,088	1,132	1,177	4.3%
Renters (with a separate meter) [c]								
Renter - small household	100	267	299	320	330	340	350	5.6%
Renter - typical apartment [d]	160	427	479	512	528	544	560	5.6%
Renter - typical household	200	534	599	640	660	680	700	5.6%
Renter - large household	300	801	898	960	990	1,020	1,050	5.6%
Renter - typical pensioner (no rebate) [e]	100	267	299	320	330	340	350	5.6%
Property-owner – non-occupiers								
Landlord that leases a property with an individual meter [f]								
House	n/a	686	694	726	758	792	827	3.8%
Apartment	n/a	686	694	726	758	792	827	3.8%

a. If the property is not separately metered (i.e., served by a common meter) these households would pay a usage component through their strata levies, generally shared on the basis of unit entitlements.
b. In this table, the current rebate policy is assumed to be maintained, i.e., maintaining bill parity between pensioners and non-pensioners.
c. In this table, renters are assumed to be serviced by a separate meter and therefore pay the usage component.
d. Assumes property is separately metered. If the meter is not separately metered, then landlords will pay the usage component through their strata levies based on unit entitlements (this is a percentage apportionment of total water usage for the building).
e. The current rebate is only available to pensioners who own their home and not available to renters.
f. Based on a landlord that leases a separately metered property and can pass on the usage component of the property's bill to the tenant. The landlord pays the fixed service charge. If the property is served by a common meter, the landlord would pay for a usage component based on the property's unit entitlement (this is a percentage apportionment of total water usage of the building).

Owner-occupiers will see bill increases under our draft prices, but lower than what Sydney Water proposed

Under our draft prices, the typical household bill would increase by $61 (or 4.6%) on average each year for 5 years, plus inflation. This is an increase of $73 from current 2024–25 bills to 2025–26 and an increase of $307 by the 2029–30. For other households, the average yearly bill increase over the next 5 years plus inflation will be:

- $45 (or 4.3%) for small households living in an apartment
- $55 (or 4.5%) for typical apartments
- $78 (or 4.8%) for large households living in a house
- $45 (or 4.3%) for pensioner households without a rebate and $18 (or 4.6%) with a rebate.

These average yearly increases over the next 5 years would mostly be less than bills under Sydney Water's proposed prices. The average yearly increase of large and small household bills would be 3.2 and 6 percentage points lower, respectively, than those proposed by Sydney Water. The average yearly increase of bills for typical pensioner households that receive rebates is 4.2 percentage points lower than those proposed by Sydney Water.

Typical bills under our draft prices are on average $69 (or 4.3%) lower than bills under Sydney Water's proposed prices. Based on our draft maximum prices, typical household bills would be 25.2% higher by the end of the determination period than under current prices, as opposed to 53.3% under Sydney Water's proposed prices (see Table D.18).

With forecast inflation, water and wastewater bills would increase in the first year of the 2025 determination period from 1 July 2025 for:

- small households living in a house by $72 (or 7.5%)
- typical households living in an apartment by $97 (or 8.7%)
- large households living in a house by $155 (or 10.4%)
- pensioner households without a rebate, by $72 (or 7.5%), and with a rebate, by $33 (or 9.3%).

Higher variable water usage charges might increase what renters pay for using water

Sydney Water sends bills to property owners. However, property owners can pass on the water usage component of their bills to their tenants.[a] Tenants in this situation, would experience higher percentage increases in their bills, due to in the materially higher variable water usage charge.

Household water bills for renters who pay for water usage would increase by 5.6% on average each year over the next 5 years, plus inflation, or by:

- $33 for renters of typical houses using 200 kL per year
- $50 for renters of large houses using 300 kL per year
- $27 for renters of apartments using 160 kL per year
- $17 for pensioner households using 100 kL per year.

[a] Property owners cannot pass on the fixed service charge components of their bill directly to tenants. However, the level of fixed service charges may be a consideration in the rent tenants pay.

Under our draft maximum prices, water usage bills for a typical household would increase by 31.1% from 2024–25 to 2029–30, compared to 16.9% under Sydney Water's proposed prices (see Table D.19).

With inflation, water bills would increase by 15.6% in the first year of the 2025 determination period from 1 July 2025, or by:

- $83 for renters of typical houses using 200 kL per year
- $125 for renters of large houses using 300 kL per year
- $66 for renters of apartments using 160 kL per year
- $42 for pensioner households using 100 kL per year.

The bills paid by landlords include the fixed water service charge, fixed wastewater service charge and a deemed wastewater usage charge. Bills paid by landlords leasing out a property with a separate meter would increase on average each year over the next 5 years by $28 (or 3.8%) for both houses and apartments.

This represents an increase of $141 (or 20.6%) plus inflation, from current prices to the end of the determination period in 2029–30, compared to $560 (or 81.7%), plus inflation, under Sydney Water's proposed prices (see Table D.20).

10.2 Affordability is a concern for customers

Affordability and high inflation were key concerns among stakeholders for this review. We recognise that prices increasing for inflation could have substantial impacts on some customers, including pensioners.

10.2.1 Bills as a proportion of income will increase for low-income households

We have calculated affordability ratios for bills as a proportion of a household's pre-tax income. A systematic review of studies analysing water and wastewater affordability used a threshold between 2 and 5%.[180] We have used a threshold of 3%, as proposed by the UN.[181]

Our analysis shows that affordability ratios would remain well within the 3% threshold for most households over the period. However, bill increases under our draft maximum prices would predominantly impact low-income households.

Table D.24 shows affordability ratios under our draft prices. For households earning a median income of $104,816 would see their affordability ratio increase from:

- 1.2% in 2024–25 to 1.5% by 2029–30 for a typical household
- 1.1% in 2024–25 to 1.3% by 2029–30 for a typical apartment
- 1.4% in 2024–25 to 1.8% by 2029–30 for a large household (5 or more people, who own their own home, live in a house with a big garden and/or pool and have relatively higher water use).

We estimate that approximately 21% of households (approximately 364,232) in the Sydney Water service area earn incomes within the lowest income quartile (earning below $50,775[b] per year). We find that these households using:

- 134 kL per year would see their affordability ratios increasing from 2.1% in 2024–25 to 2.6% by 2029–30.
- 200 kL per year (i.e. typical water usage) would see their affordability ratio will increase from 2.4% in 2024–25 to 3.0% by 2029–30.
- 300 kL per year would see their affordability ratio will increase from 2.9% in 2024–25 to 3.7% by 2029–30.

We also find that low-income owner-occupier households eligible for Health Care Cards will see bills representing more than 3% of their income over the 2025 determination period, including:

- Households receiving Couple Parenting Payment from Services Australia (from 3.2% in 2024–25 to 4.1% by 2029–30)
- Households receiving Jobseeker Payment from Services Australia (from 4.6% in 2024–25 to 5.7% by 2029–30 for single households without dependents, from 2.5% in 2024–25 to 3.1% by 2029–30 for couple households without dependents by 2029–30, and from 3.2% from 2024–25 to 4.1% by 2029–30 for couple households with 2 children) (See Table D.26)

By comparison, high-income households earning above $179,660 a year and using 215 kL per year would see their affordability ratio increase from 0.7% in 2024–25 to 0.9% by 2029–30. For a high-income household with large water usage (300 kL per year), the affordability ratio will increase from 0.8% in 2024–25 to 1.0% by 2029–30 (see Table D.24).

10.2.2 Renter households who are separately metered remain below the 3% threshold

With the proposed increase to the variable water usage charge, we found that renters who are separately metered and pay for the water usage component of the water bill will have an affordability ratio of less than 3%.

Table D.27 shows affordability ratios for renters under our draft prices. For renter households earning the median income ($104,816 per annum) will see their affordability ratio increase from:

- 0.5% in 2024–25 to 0.7% by 2029–30 for a typical household
- 0.8% in 2024–25 to 1.0% by 2029–30 for a typical a large household.

A typical apartment earning the median income is expected to see their affordability ratio remain relatively constant at 0.3% over the 2025 determination period.

Typical renting pensioner households will see proposed bill increases from 0.8% in 2024–25 to 1.0% by 2029–30 of their income for a single pensioner household and from 0.5% to 0.7% for a couple pensioner household.

[b] Income quartile median incomes based on ABS 2021 Census data reported in profileid NSW Weekly income data and adjusted for wage growth and income quartile usage based on IPART, Residential water usage in Sydney, Hunter and Gosford, 2016, p. 43.

Low-income renter households with low usage (i.e. 134 kL per year) will see their proposed bills increase from 0.7% of their income in 2024–25 to 0.9% by 2029–30. The equivalent household with high water usage (i.e. 300 kL per year) will see their affordability ratio increase from 1.6% in 2024–25 to 2.1% by 2029–30.

We note that our bill impact analysis does not account for the long run impact on rental prices for tenants who live in apartments that are not separately metered.

It is likely that bill increases will be passed from landlords on to their tenants for properties that are not separately metered, which may increase cost-of-living pressures for low-income renter households.

10.2.3 Households who are facing difficulty paying their bills can access Sydney Water's financial assistance schemes

Sydney Water administers and delivers rebates and hardship schemes to support customers that may be experiencing financial difficulties. These measures are funded through a Community Service Obligation (CSO) from the NSW Government.[182]

Pensioner rebates is one of the primary support measures available to eligible households. The NSW Premier has requested IPART to review the effectiveness of these rebates to manage the social impacts of our price determination (see Appendix A). We detail our analysis and recommendations in the section below.

Other mechanisms Sydney Water has in place to assist customers in financial difficulty include:[183]

- Payment Assistance Scheme (PAS) which assist residential and business customers by enabling them to enter a payment extension, plan or arrangement. The objective of the PAS is to ensure that customers retain access to essential services and customers can pay their bill in a manner that is management to each individual customer. The PAS aims to provide relief to customers experiencing short-term financial hardship, crisis or emergency and provide relief to customers struggling with their bills.
- Payment plans, extensions and deferrals which enable customers to have more control of their finances
- Concealed leak program which enables customers to save up to 50% of their variable water usage charge where high water use was caused by a concealed leak.
- WaterFix which offers a range of water saving options (e.g. fixing leaks, installing water efficient devices, etc.) to help customers reduce water wastage.

Alongside these programs, we understand that Sydney Water also advertise its offerings to its customers to increase awareness and work with its partners, such as charities and community agencies, to improve the visibility of its programs.[184]

10.2.4 Improving the effectiveness of rebates

Our analysis on the affordability of bills for different customer groups highlights that some changes could be made to improve the effectiveness of existing rebates to deliver bill relief to customers experiencing financial vulnerability in NSW. Our draft recommendations to the NSW Government to improve the effectiveness of rebates are summarised below.

Draft Recommendations

1. That the NSW Government notes that water rebates should be targeted to assist those most in need.
2. That the NSW Government notes that the goals, objectives and outcomes of rebates should be aligned across NSW.
3. That the NSW Government should consider temporarily expanding the eligibility of rebates to households that hold either a Health Care Card or Low Income Health Care Card to the end of the 2025 determination period to help those most impacted by price increases.
4. That the NSW Government should consider temporarily maintaining the existing pensioner rebate amount of $67 for water, $532 for wastewater, $44 for stormwater (house), and $14 for stormwater (apartment), annually over the 2025 determination period. This will provide the NSW Government with flexibility to reprioritise funds to support a broader cohort of households in Greater Sydney or more broadly across NSW.
5. That the NSW Government should explore the merits of a utilities rebate.

The Department of Climate Change, Energy, Environment, and Water (DCCEEW) is currently preparing a response to the Productivity and Equality Commission's Review of Alternative Funding Models for Local Water Utilities. This includes a response to the recommendation for an evaluation into water rebates for all water services.[185]

We recognise that our recommendations may inform DCCEEW's evaluation, but we note that our recommendations are in response to the request from the NSW Premier and focuses on the impact of our price determination for metropolitan water businesses over the 5-year review period, and in the current economic climate and cost-of-living pressures.

We make 5 recommendations to the NSW Government to improve the effectiveness of rebates:

- Recommendation 1: Note that water rebates should be targeted to assist those most in need.
- Recommendation 2: Note that the goals, objectives and outcomes of rebates should be aligned across NSW.

- Recommendation 3: Consider temporarily expanding the eligibility of rebates to households that hold either a Health Care Card or Low Income Health Care Card to the end of the 2025 determination period to help those most impacted by price increases.
- Recommendation 4: Consider temporarily maintaining the existing pensioner rebate amount in nominal terms over the 2025 determination period, which would provide it with flexibility to reprioritise funds to support a broader cohort of households in Greater Sydney or more broadly across NSW.
- Recommendation 5: Explore the merits of a utilities rebate.

Recommendations 1 – 3 are based on our analysis which indicates that low-income households that are currently not eligible for the existing rebate are most impacted by our draft prices and may struggle with the affordability of water and wastewater bills under our draft prices.

In Recommendation 4, we propose that the NSW Government consider maintaining the pensioner rebate amount constant at $599 per annum[c]. We find that maintaining the rebate in nominal terms will not materially impact the typical rebate eligible household in this price review, with affordability ratios to still remain below the 3% threshold.

We note that this option would enable the NSW Government to reprioritise its existing Community Service Obligation funding to provide timely, targeted and temporary support to a broader set of households in need of support (e.g. as we identified in our Recommendation 3) or increase the rebate amount for other water utilities to improve equity across NSW.

Our Recommendation 5 aligns with the Productivity and Equality Commission's recommendation that DCCEEW's evaluation should consider alternative policy options to deliver on policy objective(s), including a single rebate for utilities provided to both property owners and tenants.[186] Our analysis indicates that the typical renter may not be the most impacted by our draft prices in this review. This is largely because only renters that have a separate water meter will pay a water bill, and only for the water usage component and are not obligated to pay for the water service component, the latter which is paid by landlords.

However, water and wastewater bills paid by property owners is a factor property owners would consider in setting rent. On this basis, we consider that there is merit in exploring a utilities concession that would be available to homeowners and renters to cover energy and water rebates. This will enable the NSW Government to address utilities affordability concerns more broadly and will improve equity by providing support to homeowners and renters.

Lastly, we note that we have recommended that the potential measures, specifically Recommendations 3 and 4, are temporary to the end of the 2025 price review. As noted above, our recommendations are in response to the NSW Premier's letter on the effectiveness of rebates to address the social impacts of our price determination. Nevertheless, we note that it is prudent to regularly reviewing measures to ensure that measures are fit-for-purpose.

[c] This is the current rebate for residential households that receives water ($67.04 pa) and wastewater ($531.88 pa) services. For eligible households, the stormwater rebate is currently $44.09 pa.

Seek Comment

7. What are your views on the affordability of our draft maximum water, wastewater and stormwater prices?

10.3 Non-residential customers

Non-residential customers' bills depend on several factors, including their water and deemed wastewater usage, which can vary significantly depending on the size and nature of the customer. Bills also depend on meter configuration and trade waste discharge factors, as well as the catchment the customer is served by.

We explored the indicative bill impacts on a number of non-residential business types.[d] We found that on average from 1 July 2025 to 30 June 2030:

- Increases would range between 4% to 5% per year plus inflation for non-residential customers, with higher variable water usage charges leading to higher average yearly changes for non-residential customers with greater water usage.
- Trade waste charges do not have a phased increase and have varied impact (positive or negative) on the overall bill changes due to changes in trade waste charges (See Chapter 9)
- A medium industrial strata unit using 90 kL per year would see bill increases of 4.9% per year plus inflation, increasing from $1,134 currently in 2024–25 to $1,439 in 2029–30 (in $2024–25)
- A small commercial strata unit using 130 kL per year would see bill increases of 4.7% per year plus inflation, increasing from $998 currently in 2024–25 to $1,256 in 2029–30 (in $2024–25)
- Medium commercial businesses using 6700 kL per year would see bill increases of 4.3% per year plus inflation, increasing from $28,612 currently in 2024–25 to $35,383 in 2029–30 (in $2024–25)
- Medium private schools using 24,000 kL per year would see bill increases of 4.3% per year plus inflation, increasing from $100,412 currently in 2024–25 to $123,855 in 2029–30 (in $2024–25).
- Large industrial businesses using 26,000 kL per year would see bill increases of 4.4% per year plus inflation, increasing from $100,992 currently in 2024–25 to $125,393 in 2029–30 (in $2024–25).
- Large industrial strata unit using 32,000 kL per year would see average yearly increases of 4.4% plus inflation, increasing from $118,271 currently in 2024–25 to $146,687 in 2029–30 (in $2024–25).
- Large public hospitals using 33,000 kL per year would see average increases of 4.3% per year, plus inflation, increasing from $142,025 currently in 2024–25 to $175,020 in 2029–30 (in $2024–25).

Table D.21 in Appendix D presents the draft bill impacts for various non-residential customers.

[d] This includes impacts of water, wastewater and stormwater prices and where applicable, trade waste prices.

10.4 Impacts on Sydney Water's financial sustainability

When setting maximum prices, we consider the financial sustainability of the business resulting from our pricing decisions. To do this, we undertake a financeability test to assess how our price decisions are likely to affect the business's financial sustainability and ability to raise funds to manage its activities, over the upcoming regulatory period.

We assessed Sydney Water's financeability over the 2025 Determination by analysing its forecast financial performance, financial position, and cash flows for both the benchmark and actual business. We then forecast financial ratios for both tests and assessed Sydney Water's financial ratios compared to our target ratios (see Table D.22 and Table D.23).

We did not identify a financeability concern for Sydney Water that needs to be addressed in this review. It is our view that it can remain financially sustainable and continue to provide sustainable services over the 2025 determination period.

10.4.1 Implication for general inflation

Under section 15 of the IPART Act, we are required to consider the effect of our determinations on general price inflation.

The Australian Bureau of Statistics (ABS) collects data on capital city prices of various items of household expenditure, including 'water and sewerage'. The most recent update occurred in January 2025. The weighting given to water and sewerage in the CPI across 8 capital cities is 0.87. This means that a 1% change in the price of water and sewerage services in *all capital cities* would result in a 0.0087% change in the CPI.

Between 2025 and 2030, we expect the impact of our Draft Determination on the:

- 8 capitals index[e], to be around 0.066 or around 7 basis points[f]
- Sydney index to be around 0.149 or 15 basis points.

[e] Based on population, Sydney's contribution to the 8 capitals index is around 30.2%

[f] Change in CPI = Sydney Water bill change (typical bill increase by 25.2% between 2024-25 and 2029-30) x Water and sewerage weighting (0.87) x Sydney contribution to all capitals (30.2%) = 0.066

Chapter 11

Performance and accountability

11

Summary of our draft decisions on performance and accountability

We accept Sydney Water's proposed performance outcomes and objectives, but propose some amendments to measures and targets

Our draft decision is to accept the performance outcomes and objectives proposed by Sydney Water. We propose some additions to the performance measures to provide a more holistic view of performance and better reflect Sydney Water's actions.

We have also asked Sydney Water to consider if there are better ways in which it can track performance in some areas. It should also set out targets for new measures.

Apply the Efficiency Benefits Sharing Scheme and the Capital Efficiency Sharing Scheme to Sydney Water without any carve-outs

Our draft decision is to apply the Efficiency Benefits Sharing Scheme and the Capital Efficiency Sharing Scheme to Sydney Water, but without its proposed carve-outs. As a Standard business, we find Sydney Water has the appropriate systems in place to manage the mechanisms.

We did not find there was a strong enough argument for the carve-outs:

- For Mamre Road/Aerotropolis costs, updated costs and the deferral mechanism should reasonably manage uncertainty related to costs and timing which may be externally driven.
- For materials costs, we acknowledge there is volatility in the materials prices, but also find that materials costs are not entirely out of Sydney Water's control. We also consider there may be a better way to track materials cost changes than CPI, and we would need to identify the base level of materials costs in the capital expenditure program to implement this.

Apply Sydney Water's proposed Outcome Delivery Incentive for leakage

Our draft decision is to apply the Outcome Delivery Incentive for leakage. After submitting its proposal, Sydney Water provided some updates which include a re-estimate of its Economic Level of Leakage, which we have accepted.

Apply a 1% cap on revenue adjustments across the 3 incentive schemes

Our draft decision is to accept the proposed 1% cap on the revenue adjustment across the Outcome Delivery Incentive, Efficiency Benefits Sharing Scheme and the Capital Efficiency Sharing Scheme. This aligns with our default position and we consider it provides a reasonable balance of risk and incentives across the 3 incentive schemes. One per cent of the draft Notional Revenue Requirement is equal to $176 million.

11.1 Outcomes and performance measures

Under our water regulation framework, we expect businesses to develop performance outcomes related to customer, community and the environment. There is no set limit on how many outcomes a business must develop. For each outcome, we expect businesses to develop suitable performance measures and demonstrate a clear link between these outcomes and performance measures. This would include how the business' activities and expenditures are linked to outcomes.

Sydney Water developed 3 customer outcomes:

- **Deliver a great customer experience** – for which it proposed to invest $1 billion on digital improvements, proactive maintenance, and to supporting customer engagement.[187]
- **Provide safe, clean, reliable drinking water every day** – for which it proposed to invest $11 billion for water treatment and renewals and for the Mamre Road/Aerotropolis recycled water harvesting scheme.[188]
- **Ensure we protect our waterways and environment now and for the future** – for which it proposed to invest $12 billion on various capacity improvements and on building new wastewater and stormwater infrastructure.[189]

Under each of these outcomes it proposed 4 or 5 objectives, and each objective has one or 2 performance metrics attached.

Sydney Water has a Strategic Investment Plan for each of the 3 outcomes. These provide a link between the investment needed for each outcome and its proposed expenditure activities, the objectives and detail on the performance measures.

Sydney Water intends to report on progress through an online scorecard, shared on social media and in its Waterwrap newsletter that is delivered with bills. It proposed to "regularly" update its website with performance metrics, including daily drinking water quality reports. It will also report to IPART annually to inform our online performance dashboard.[190]

A summary of Sydney Water's objectives, performance measures and proposed targets is provided in Table 11.1 below.

Table 11.1 Summary of Sydney Water's outcomes, objectives and performance measures

Objective	Performance measure	Proposed target and trend
Fair and affordable bills	Average residential customer bill as a percentage of average disposable income for the Greater Sydney Region.	Target: ≤ 1.24% by 2030 Trend: **Maintain** (within benchmark range 1.2% to 1.6%)
Positive customer experience	Measured position compared to the top quartile of benchmarked peers in the quarterly Brand Tracker Customer Survey (an external survey), based on a customer rating for overall service satisfaction of 8 or above out of 10.	Target: top quartile Trend: **Maintain** (benchmark range)
Informed and empowered customers	Literacy score (out of 10) from the quarterly Water Literacy Tracker (an external survey) testing customers' understanding of water, where it comes from, how it's managed, and where it goes.	Target: ≥ 5.75 out of 10 by 2030 Trend: **Improve**

Objective	Performance measure	Proposed target and trend
Safe swimming and recreation	Annual increase in the number of sites with improved community access for recreation (including swimming). This includes sites managed by Sydney Water for temporary or long-term access and sites managed by local councils or other agencies.	Target ≥ 1 extra site per year Trend: **Maintain**
Safe and clean water	Percentage of systems where drinking water meets health guidelines.	Target 100% each year Trend: **Maintain**
Secure water supply	Proportion of drinking water demand that can be met by rainfall independent supplies (RFIs).	Target ≥ 33% by 2030 Trend: **Improve**
Saving water together	1. Residential drinking water use per person per day (in LPD, litres per person per day) 2. Percentage of drinking water supplied lost as leakage (proposed as ODI, outcome delivery incentive.	1. Target <182 LPD by 2030 Trend: **Improve** 2. Target ≤7% by 2030 Trend: **Improve**
Reliable water	Percentage of customers affected by an unplanned water interruption for more than 5 hours.	Target < 2% each year Trend: **Maintain**
Quality of treated wastewater (concentration of core pollutants):	Percentage of water resource recovery facilities where quality of wastewater discharged complies with annual concentration limits of core pollutants that treatment plants are designed to treat.	Target: 100% by 2030 Trend: **Improve**
Pollution and environmental harm incidents	Number of pollution incidents or other incidents that cause, or could cause, environmental harm, mainly as a result of wastewater treatment and network incidents. This also includes other incidents such as water discharge, vegetation or heritage impacts.	Target: ≤ 1053[a] Trend: **Maintain** (recent average weather performance)
Volume of recycled water available	Volume of our recycled water that is available for supply, including treated wastewater and harvested stormwater (gigalitres (GL)/year).	Target ≥ 62 GL/yr by 2030 Trend: **Improve**
Natural area and green infrastructure land	Percentage of Sydney Water land area with natural values and green infrastructure that is actively managed.	Target ≥ 78% by 2030 Trend: **Improve**
Net zero carbon emissions	Volume of Scope 1 and 2 carbon emissions (CO_2-e tonnes per year, where CO_2-e refers to 'carbon dioxide equivalent').	Target = Achieve net zero carbon emissions by 2030 Trend: **Improve**
Climate risk maturity health check	Enterprise-scale level of climate risk management maturity rated through the NSW Climate Risk Maturity Health Check Tool.	Target = Achieve advanced rating by 2030 Trend: **Improve**

a. For pollution and environmental incidents targets Sydney Water has set a variability band of one standard deviation of the long-term average performance which creates an upper bound of 1,497 incidents per year.
Source: Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 49-54.

11.1.1 Sydney Water's proposed outcomes and measures are linked to customer engagement

It is important that a business' performance outcomes and measures are developed through robust customer consultation to ensure that customer values and priorities are reflected in proposed indicators. Involving customers to set the priorities and outcomes that matter most is essential if water businesses are to identify better ways of delivering services.

We found that Sydney Water's proposed outcomes and objectives follow from customer engagement and are linked to customer priorities. We discuss the quality of customer engagement in more detail in Chapter 2.

Customer priorities were tested throughout Sydney Water's engagement, with initial identification in phase 1, further testing and trade-offs in phases 3 and 4 and confirmation in phases 5 and 6. Sydney Water identified 15 priorities, and its proposal focusses its investment, resources and performance monitoring on the top 7, while also ensuring it delivers on the remainder.[191]

11.1.2 Outcomes could be better tracked with additional metrics

For each outcome, and in this case objective, we expect businesses to develop suitable performance measures that are clearly linked to outcomes. Each performance measure should be a quantifiable measure of success that demonstrates improvement in performance that customers value with clear timeframes.

We assessed Sydney Water's proposed performance metrics (see Table 11.1) and found that:

- for most objectives, only one measure was proposed even though there was a combination of actions and approaches proposed to meet those objectives.
- some of the proposed measures had limited alignment to Sydney Water's actions as they could be influenced by external factors – including actions by other agencies or by the weather.

As such we consider that there is merit in including some additional metrics to provide more transparency into Sydney Water's performance progress. This was also suggested by the Justice and Equity Centre in its submission to our Issues Paper.[192]

In some cases, we have proposed additional metrics which we understand are readily available as they are reported elsewhere.[a] In other cases, we have recommended that Sydney Water develop additional or improved metrics to better reflect its actions in response to this Draft Report. It will also have to develop the related targets.

For transparency and accountability to customers, it is important to have a manageable number of meaningful metrics that are easily accessible. We consider that the additional measures set out below find a balance between a manageable amount of information for customers in a 'snapshot' and being sufficient to provide a more holistic view of performance.

The following sections step through our assessment of Sydney Water's proposed performance objectives, measures and targets, and identify areas where its performance reporting could be expanded.

[a] For instance, Sydney Water tracks and reports on many more metrics through other reports, including Annual Environment and Water Conservation Reports, Quarterly Drinking Water Quality Reports, Wastewater Treatment Plant Pollution monitoring summaries, and annual and periodic reporting to IPART.

Fair and affordable bills

Affordability was the second priority for customers. To measure affordability, Sydney Water proposed tracking the typical residential customer bill (200 kL usage) as a percentage of average disposable income for the Greater Sydney Region. It aims to maintain this within a benchmark of 1.2% to 1.6% (from 0.86% in 2023–24) which represents the average results for urban and rural utilities in Australia respectively. Sydney Water's proposed targets were based on the prices it proposed, and the benchmark is from a 2022–23 survey undertaken by the Water Services Association Australia.[193]

Affordability is impacted by prices as well as changes in each customer's income. We understand that Sydney Water expects uptake of its support programs to grow.[194]

To better understand affordability within the community over time, we consider Sydney Water could also report on:

- Numbers of customers on each payment assistance program and their time in the program (average and longest)
- The amount ($) in arrears, and percentage of bills this represents
- The number of threats of restrictions and actual restrictions, per 1,000 customers, including time off supply.

Positive customer experience

To measure customer experience Sydney Water proposed to track its position compared to the top quartile of benchmarked peers in a quarterly Brand Tracker Customer Survey (undertaken externally).

This metric is limited as changes in ranking can be driven by the actions of other utilities and industry changes, and the broad target (quartile) could hide changes in performance.

In addition to this, Sydney Water could provide more transparency into customer satisfaction by reporting on:

- The number of complaints received and resolved, the average time to resolve the complaint and systemic issues arising from the complaints. These are already reported to IPART annually.
- Number of complaints to, and investigated by, the Energy and Water Ombudsman NSW. This data indicates where people have not been able to resolve an issue with Sydney Water directly. The Energy and Water Ombudsman NSW publishes this annually which Sydney Water could replicate.[195]

The Justice and Equity Centre also noted that Sydney Water's current operating licence delineates between the terms 'customers' as referring to the landowner and 'consumers' which would include tenants. It suggested that Sydney Water incorporates positive *consumer* experience into this customer experience objective.[196] Sydney Water should consider how tenants, as users of its services, are included and represented in this objective and reporting metric.

Safe swimming and recreation

Sydney Water proposed to measure the number of new sites with improved recreational access (i.e. in addition to existing Sydney Water–managed sites and existing Beachwatch and RiverWatch swim sites). Its target for this price determination is ≥1 new sites per year. We note that Sydney Water's Strategic Investment Plan indicates that there will be 10 new sites by 2030,[197] and as such we recommend that the performance target reflect this goal.

Sydney Water also notes that it does not own or operate the swim sites which limits its ability to independently open new sites.[198] This indicates that success (or not) against this target is also likely to be strongly influenced by the actions of other bodies, and is not a strong indicator of performance.

We also consider there may be scope to improve measurement of this objective. For instance, in its customer consultation, Sydney Water referred to the number of recreational swimming sites with good or very good water quality.[199] Its proposal also refers to its Waterway Health Improvement Program[b], and it separately reports on Sydney Water's impact on swimming locations.[200] The Sydney Coastal Councils Group also suggested measures such as social amenity ratings.[201] We ask that Sydney Water, in response to this Draft Report, consider whether there may be another metric or metrics that better measures its performance in improving safe swimming and recreation.

Safe and clean water

Safe and clean water is customers' top priority. Sydney Water proposed to measure this as the percentage of its systems compliant with the Australian Drinking Water Guidelines. Compliance against these guidelines is a NSW Health standard,[202] and Sydney Water already publishes detailed reports on safety, flavour and odour tests as part of its regulatory requirements.[203] It also has an online tool where customers can check the daily water quality at their address.[204]

We consider that this measure provides transparency and confidence to customers on their drinking water quality, however, there could be instances where the guidelines are not fully met. For instance, Sydney Water is required to report to NSW Health on any incidents and emergencies. To promote greater transparency, we recommend that Sydney Water's customer reporting should also include the annual number of emergencies and incidents that required immediate reporting to NSW Health.

Reliable water

Sydney Water proposed to maintain current water continuity standards and avoid degradation of services. It proposed to report the percentage of customers affected by an unplanned water interruption for more than 5 hours, with the target to maintain this at <2%. This aligns with an Operating Licence obligation and was investigated and supported during customer consultation. To provide more detail on the types of interruptions that a customer might experience, we consider that Sydney Water should also report on:

- Number of properties that experience 3 or more unplanned water interruptions that each last for more than one hour, per year.

[b] Related to cool green natural places outcome.

- Number of properties that experience a water pressure failure, per year.

Prevent pollution (for safe and clean waterways and water recreation areas)

Sydney Water proposed reporting on 2 pollution-related performance measures:

- Percentage of water resource recovery facilities where the quality of wastewater discharged complies with annual concentration limits of core pollutants that treatment plants are designed to treat, with the aim to improve from 96.2% to 100%.
- Number of pollution incidents or other incidents that cause, or could have the potential to cause, environmental harm, mainly as a result of wastewater treatment and network incidents. This also includes other incidents such as water discharge, vegetation or heritage impacts, with the view to maintain this at ≤1053 incidents, based on the historical average.[205]

These metrics are based on information reported to the Environmental Protection Agency.

We support Sydney Water's proposed reporting of effluent discharge compliance and consider this provides a valuable insight to customers on waterway outcomes. We also support reporting on pollution incidents that could cause environmental harm, but consider that providing more detail to customers on the nature or severity of specific incidents would provide important context for customers to understand pollution impacts. Several submissions noted the importance of reporting environmental metrics, including seeking metrics to help customers determine how the health of waterways would be protected or improved.[206]

We understand that this is a metric that Sydney Water has long been collecting data on. We ask that in its response to our Draft Report, Sydney Water propose an approach to report on different categories of incidents to provide more detail to customers on pollution incidents.

Recover resources

For this objective, Sydney Water proposed to increase recycled water and to continue to increase the proportion of other solid waste that is recycled. It proposed to report on the volume of recycled water available for supply (including treated wastewater and harvested stormwater), with the target increasing from 39 GL/year to ≥62 GL/year.[207]

We note that the associated Strategic Investment Plan suggested it would also report on the "percentage of waste materials recycled and reused (construction, office and operational) generated by Sydney Water each year (excluding biosolids)", with a target to improve from 79% to ≥85%.[208] Sydney Water should clarify its intention with this performance metric.

In addition, we consider there could also be merit in reporting the volume of drinking water saved by replacing non-drinking water uses with recycled water. Sydney Water tracks this in its Water Conservation Plan[209] and we consider it supports both this objective and 'saving water together'. We consider it aligns with customer comments for irrigation of public spaces using recycled water rather than drinking water and may be of value to customers.[210]

Cool green and natural places

Sydney Water proposed to improve active management of stormwater natural assets and land, including for Mamre Road and the Aerotropolis, and where feasible, to naturalise stormwater channels when they need renewal. It aims for more recycled water being used for irrigation of open spaces.

Sydney Water proposed to report on the percentage of its land area with natural values and green infrastructure that is actively managed, with the target to improve from 22% to 78%.

We found that this metric is better described as an output measure rather than an outcome measure, that is, it is not clear what outcome active management should achieve.

We consider that the proposed metric could be better defined - it is not clear what is meant by 'actively managed', and we also note that a significant increase in the target occurs when the Western Sydney stormwater facilities are developed, which may dilute or hide any other change.

Sydney Water should consider whether there is a better way to measure the expected outcomes from the land being actively managed. We note that Sydney Water already reports on indicators relating to native vegetation clearing, rehabilitation and gain, which may be an appropriate measure, although it is not clear if this aligns with Sydney Water's proposed actions.

Net zero carbon emissions

Sydney Water's customer engagement found that reaching net zero carbon emissions was important to customers, and that customers were willing to pay 3 times more to accelerate net zero from 2050 to 2030[211] (See Chapter 2 for more on customer engagement). Actions to achieve this include managing and expanding renewable energy facilities, moving to an electric vehicle fleet, exploring opportunities to produce or purchase carbon offsets.

The Justice and Equity Centre considers there should be a target relating to Sydney Water's performance in minimising its own emissions rather than offsetting them.[212]

We agree with the Justice and Equity Centre and consider that Sydney Water's customer reporting could include separate values for scope 1 (direct emissions 6-8% of emissions) and scope 2 emissions (electricity emissions, 35-40%)[213]. This is in line with what it already reports on in its Annual Environmental Performance Report.

Secure water supply

Secure water supply was customers' 4th highest priority. Sydney Water proposed to measure this as the 'proportion of drinking water demand that can be met by rainfall independent supplies', with the target to increase from the current 17% to 33% by 2030.[214]

We note Sydney Water intends to increase the availability of rainfall independent supply by 2030 through the proposed Sydney Desalination Plant expansion and this appears to be a driver of this target increase. We understand that Sydney Water's initial forecast was that the plant expansion would be able to produce additional desalinated water by 2028–29. We understand that this timing may not be achievable given that the NSW Government has not yet made its decision on the expansion.

To the degree that Sydney Water's proposed target reflects the additional desalinated water availability, the proposed target may not be achievable. Sydney Water may be justified in updating this in its response to our Draft Report.

Our draft decision is:

35. To accept Sydney Water's proposed performance measures and targets, with some modifications to metrics as discussed in Section 11.1.2.

Seek Comment

8. What are your views on our proposed performance metrics? Could these be improved?

11.2 Financial incentive schemes

Our water regulation framework includes 3 different incentive schemes that aim to encourage Sydney Water to continually seek more efficient ways of delivering services and share the benefits with customers. It includes:

1. Operating efficiency benefit sharing scheme (EBSS)
2. Capital efficiency sharing scheme (CESS)
3. Outcome delivery incentives (ODIs)

The 3 schemes are intended to work together to encourage the efficient trade-offs between operating expenditure, capital expenditure and outcomes.

More information on how these schemes operate is available in our Water Regulation Handbook.

11.2.1 Our draft decision is to apply the incentives schemes to Sydney Water

Our framework for water regulation sets out that a business that self-assesses its proposal as 'Standard' may opt-in to the incentive schemes, if it can make a strong case for its ability to respond to the schemes. Our Water Regulation Handbook states that:

> "We expect that Standard proposals would need to make a strong case for the inclusion of incentive schemes. Businesses self-assessing their proposal as Standard would need to provide us with confidence that expenditure proposals reflect efficient costs, and that their internal systems and processes have a strong cost efficiency perspective and are able to respond effectively to the incentive schemes."[215]

Sydney Water self-assessed its proposal as Standard, and our draft decision agrees with this grading.

In Chapters 4 and 5 of this report, we outline our assessment of Sydney Water's proposed expenditure. In some areas, we found that proposed expenditure was inefficient or not reasonably justified, and we made draft decisions to reduce the level of expenditure included in the draft prices. However, we also found that Sydney Water has relatively mature asset and risk management systems (noting there are some areas for improvement) and a mature procurement system.

Overall, we consider that Sydney Water's business processes and systems are sufficiently agile to enable it to make efficient decisions within its expenditure allowance to reprioritise and accelerate or defer expenditure efficiently. As such our draft decision is to apply the incentive schemes to Sydney Water.

11.2.2 We disagree with Sydney Water's proposed carve-outs

Sydney Water has proposed the efficiency benefit sharing scheme (EBSS) for operating expenditure and the capital expenditure sharing scheme (CESS) apply to its base operating expenditure and capital expenditure allowances. However, it proposed several adjustments to both the operating and capital expenditure mechanisms.[216]

As part of our water regulation framework, we have said that for the first period we apply these incentives, we would consider adjustment to the **CESS** for capital expenditure with strong reasoning. While we are open to adjustments, we stated that it is unlikely a project would be certain enough to be included in the regulated asset base but not in the incentives scheme, and that to the extent that there is a cap on the revenue adjustment we would expect that there will be a reduced case for excluding capital expenditure categories. We did not envisage additions or exclusions from the **EBSS** for operating expenditure.[217]

Proposed exclusions for Mamre Road and Aerotropolis costs

The Mamre Road/Aerotropolis stormwater precinct was the largest capital project in the proposal, and a stormwater project of unprecedented scale for Sydney Water. IPART recently reviewed the efficient expenditure of the Mamre Road precinct, concluding in November 2024 with recommended reductions.[218]

Sydney Water's proposal included $1.4 billion in capital expenditure and $80 million in operating expenditure ($33 million in land tax and $47 million in maintenance costs) over 2025–30, and the project will continue into the following period.[219] This represents about 8% of the proposed capital expenditure for the 5-year period, and 1% of operating expenditure.

Sydney Water proposed to exclude the costs from the CESS and the EBSS citing the scale and scope of the project and high level of timing uncertainty. It attributed the timing uncertainty largely to State Government's decisions that are yet to be made on transport infrastructure which will inform the rate of development. It added that the scale and scope of this project is unprecedented and carries material risk of running over budget, which would likely result in a material penalty on Sydney Water from the CESS. It proposed this could be revisited at the 2029 price review when forecasts will have improved.[220] In response to an information request, Sydney Water further stated that it removed the Mamre Road/Aerotropolis scheme because of the concurrent IPART review and further optioneering needed and that if costs variances that have already been seen are repeated, this could cost Sydney Water close to $80m in penalties which it considered material.[221]

During our review of efficient expenditure, Sydney Water updated its estimated capital expenditure, reducing its forecast capital expenditure to $922 million, and the operating expenditure down to $53 million. For the Mamre Road component, the updated costs reflected the recommendations in our November 2024 review.[222]

Our draft decision is to not accept this carve-out from the CESS. We find that the timing uncertainty can be managed with the deferral mechanism and the cost uncertainty has likely decreased.

- **Timing uncertainty is reduced and can be managed with the deferral mechanism for capital expenditure.** One key concern of Sydney Water was uncertain timing due to exogenous decisions. Sydney Water's updates included a 2-year timing shift. This implies reduced risk surrounding timing and it reduces the materiality of potential cost variations within this period.

  We also have a separate mechanism to manage material timing shifts which we consider is more appropriate for this scenario. Our framework allows efficiently deferred capital expenditure to be moved into the following period and our Water Regulation Handbook sets out materiality considerations for this mechanism to apply.[c] This can be considered at the end of the determination period based on actual information.
- **The magnitude and cost uncertainty are reduced following updated information.** As mentioned, Sydney Water significantly reduced its cost estimates. This was largely due to a 2-year delay as well as some updated costs and needs to find efficiencies. These updates reduce the uncertainty of the proposed operating expenditure and weaken any argument to try to remove them. We also note that in our previous review of Mamre Road costs (completed in November 2024), we found that Sydney Water has included appropriate contingencies which should help to manage cost uncertainty.[223]

Similarly, we do not consider there is a strong enough argument for an operating expenditure carve-out. As mentioned, our framework did not consider carve-outs from the EBSS. Our key method to manage operating expenditure uncertainty is to only allow for operating expenditure that is considered efficient and justified. Within the approved amount, the business should be able to reallocate costs and funds as needed across the 5-year period.

[c] IPART, Water Regulation Handbook, July 2023, p 80.

We acknowledge the uncertainty of this expenditure but consider this also has been reduced since the proposal was submitted. As mentioned above timing has been shifted, and land costs and hence land tax reduced. There remains uncertainty from changes to land purchase costs, which are exogenous – though the design and optioneering of the project can impact the amount of land that is needed.[d]

Beyond this, there is always some degree of movement in operating expenditure each year as project timings, scope and priorities change. If there is a significant change in a project leading to material impacts on the business or customers, this can be considered at the end of the period.

Proposed exclusion for materials cost increases

Sydney Water proposed to exclude materials cost increases above CPI from consideration under the CESS. It states this would ensure Sydney Water

> "…does not unnecessarily defer capital programs to avoid penalties where market conditions for non-substitutable goods exceed IPART's allowance, particularly where individual costs are not substantive enough to defer the entire capital programs".[224]

It states that including higher materials assumptions in its forecasts would put undue pressure on customers via the Regulatory Asset Base. Against our criteria, it submitted that:

- There is a strong likelihood that some capital expenditure for the specified category will differ materially from forecast, noting the recent highly volatile input prices
- It is taking steps to improve its forecasting. having informed its capital material costs based on a report commissioned from Oxford Economics.
- In terms of materiality, it is not able to provide a forecast, but states that "any anticipated penalty arising from the CESS would have a material impact on the financial outcomes of the business."[225]

Sydney Water states it is signalling to IPART the types of ex-post capital expenditure allowances it will be seeking in the 2029–30 review of financial incentives. It further states that "proposing this ex-ante allows for constructive discussions with IPART about the nature of the incentives the CESS is signalling to Sydney Water's infrastructure delivery teams and delivery partners, that collecting this information is a regulatory requirement".[226]

Our draft decision is to not accept this proposal

In certain circumstances, there may be merit in the argument that rewards or penalties should not be applied for costs that are beyond the control of the business. Further, we acknowledge there is inherent uncertainty in future costs.

However, our approach is to approve an expenditure envelope for the business to use to best deliver the customer outcomes at the most efficient cost. We expect the business to respond to changing circumstances (be they changes in market conditions, customer expectations or global impacts) and adapt the expenditure accordingly. Materials costs that Sydney Water faces, while based on international market prices are not fully out of Sydney Water's control and it has some scope to make efficient changes in response to large cost increases.

[d] For instance, land may be substituted with capital works to optimise costs.

In addition, it is not clear to us how this adjustment would work in practice and we would need more information including why the CPI is the preferred method to track Sydney Water's materials cost inputs, and the value of materials costs in the capital expenditure allowance.

11.2.3 Sydney Water proposed one ODI for leakage

Sydney Water proposed one ODI for its leakage management, linked to its customer objective to secure water supply. Its proposal includes $150 million in operating expenditure from 2025–30 to address leakages, as well as some asset management expenditure to support this objective.[227]

After submitting the proposal, Sydney Water updated the data underlying the proposed ODI, which we have used in the analysis.

Sydney Water proposed a deadband to the ODI that may protect it from penalties or rewards in the upcoming period

Sydney Water's ODI is based on its estimated Economic Level of Leakage (ELL), which sets a target to reduce leakages to 108 ML per day for the next 5 years.[e] Currently, Sydney Water's leakages exceed this target.[228]

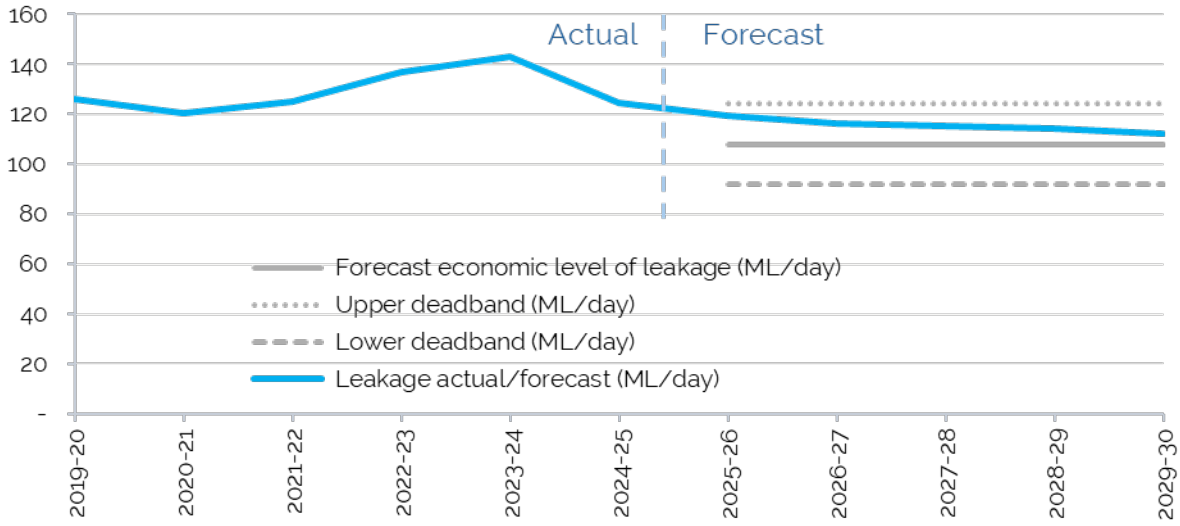
Sydney Water proposed a +/- 15% deadband around its ELL in which no reward or penalty should apply under the ODI. This aligns with a compliance deadband previously agreed with IPART under its Operating Licence, whereby it would not be considered non-compliant with its ELL requirement if it achieved within this range.[f] Sydney Water proposed to include the deadband because of inherent uncertainty in measuring actual leakages using a water balance method.[229]

The proposed deadband effectively protects Sydney Water from penalties or rewards under the ODI in the upcoming period (see Figure 11.1). This is because Sydney Water's reported leakages exceed the ELL and Sydney Water forecasts it will continue to exceed the ELL but remain within its proposed 15% deadband until 2029–30.

[e] Note that Sydney Water's proposal (page 317) and customer consultation referred to an ELL of 106ML/day. Sydney Water states this was a preliminary estimate and it has been updated in response to questions related to the expenditure review.

[f] Compliance with a leakage target was previously an operating licence condition (Clause 7.2, Sydney Water Corporation Operating Licence 2010-2015). This is now included within a condition to have an 'Economic Level of Water Conservation' which includes water savings activities broader than leakage. The deadband was developed in acknowledgment of the uncertainty range in the water balance approach, with reference to the industry standard to report the 95% confidence range (as developed by the International Water Association (IWA) and adopted by the Water Services Association of Australia (WSAA)).

Figure 11.1 Sydney Water's historical and projected annual leakage performance compared to the ELL and deadband (ML/day)



Source: Sydney Water information return to IPART, February 2025, and response to IPART questions, 17 January 2025.

The proposed ODI received support from customers

Sydney Water consulted on the ODI in phase 6 of its engagement process, which as discussed in Chapter 2, we found to be of a high standard. Its engagement with customers showed that 68% per cent of the customer panel supported ODIs in principle and 70% of the panel agreed with the proposed leakage ODI.[230]

When explaining its proposed leakage ODI to the customer panel, Sydney Water presented a range of performance scenarios, with a starting point of Sydney Water's leakage being significantly higher than the ELL.[231] We consider this was a realistic representation for the forthcoming period as this is aligned with current performance, but note this resulted in presenting a higher level of penalties than rewards. It was also reported that:

> "Customers also recognised that the dollar value of the penalty to Sydney Water for under-performance was greater than the reward for over-performance. This understanding influenced their willingness to support the Water Leakage Customer Commitment – they believed that the potential penalties provided a strong incentive for Sydney Water to meet or exceed the target, ensuring accountability and commitment to leakage reduction."[232]

Overall, the panel supported the leakage ODI and deadband. While there was slightly more support for an ODI related to healthy waterways, Sydney Water decided against this proposal due to the administrative burden involved. It was also reported that it was important to customers that any reward be re-invested within Sydney Water and that there was transparency around how this was done.[233]

However, in response to our Issues Paper, the Justice and Equity Centre (who was on the Sydney Water Customer and Community Reference Group) disagreed with the conclusion that customers supported the ODI. It considered consumers did not clearly understand the considerations presented and expressed strong disagreements with the way the rewards and penalties were structured.[234]

Sydney Water's ODI meets the criteria set out in our Water Regulation Handbook

In our Water Regulation Handbook, we asked businesses to develop ODIs using 4 principles.[235] We have used these principles as the criteria for our assessment, which is summarised in Table 11.2 below.

Table 11.2 Assessment of Sydney Water's leakage ODI proposal

ODI assessment criteria	Draft assessment of Sydney Water's ODI proposal
Outcome performance is readily measurable, influenced by expenditure, and creates customer value.	**Yes,** while there are some inherent uncertainties in leakage calculations (noting that leakage is a water balance calculation), overall, it is readily measurable and is a suitable outcome for an ODI.[g]
The baseline level for the outcome should be well-justified.	**Yes,** the baseline is equivalent to Sydney Water's Economic Level of Leakage. It is calculated using an established method.
Methods used to estimate customer value should be reasonable and robust.	**Yes,** customer value is based on the usage price of drinking water as a proxy for the economic value of water.
ODIs should be succinct and not overlap.	**Yes,** Sydney Water has proposed only one ODI and as such there is no overlap. The leakage ODI is succinct and targeted.

Our assessment above shows that Sydney Water's leakage ODI proposal is well aligned with the criteria set out in our Water Regulation Handbook. Based on this we have made a draft decision to accept Sydney Water's leakage ODI proposal but note that any significant penalties or rewards are unlikely to apply in the price period given the proposed 15% deadband and Sydney Water's current leakage performance.

11.2.4 Sydney Water proposed a 1% cap on the revenue adjustment across ODI, EBSS and CESS

Our water regulation framework asks businesses to propose a revenue adjustment cap to apply across the 3 incentive schemes. We set a default limit for the combined incentive adjustments of 1% of the revenue requirement over the determination period but allowed businesses to propose different cap levels to this. In determining the cap, we take into account specific circumstances of the businesses and the anticipated risks involved with implementation of the incentive schemes.[236]

Sydney Water noted IPART's default revenue adjustment cap of 1% of the revenue requirement apply across the ODI, EBSS and CESS, and did not propose a change from this.[237]

[g] Leakage is calculated as a 'water balance' equation – it is calculated using the known amount of water produced, less the metered water usage, water for recycled water 'top-up' and estimates of several other water extractions. The amount of water that is produced but unaccounted for is assumed to be leakage. Therefore, there is a degree of uncertainty in the water leakages calculated.

Our draft decision is to accept this. We consider the 1% cap on revenue adjustments provides a reasonable balance of risk and incentives across the 3 incentive schemes. Based on our draft decisions, this cap would amount to $176 million over the 5-year price period.

Draft decision

36. To apply the following incentive schemes to Sydney Water:
    a. the CESS and EBSS with no carve-outs
    b. the leakage ODI as per Sydney Water's proposal with its updated data.

37. To apply a 1% cap on the revenue adjustment across the ODI, EBSS and CESS over the 2025 price period.

11.3 Monitoring and credibility

After setting revenues, performance targets and incentives, we monitor ongoing performance through a range of tools to make sure businesses deliver on their commitments to customers. Specifically, we track business performance in terms of customer outcomes and expenditure. We also collaborate with other NSW regulators so that businesses promote customers' long-term interests by responding to all regulatory requirements efficiently.

11.3.1 Monitoring compliance with pricing determinations

IPART has an ongoing role in monitoring the performance of certain specified businesses for the purposes of establishing and reporting to the Minister on the level of compliance by the business with an IPART pricing determination.[238] This ongoing role provides another layer of monitoring and accountability for Sydney Water to comply with its pricing determination. We collect annual information returns from the businesses which includes the prices they are charging.

11.3.2 Monitoring outcome performance

Sydney Water is expected to report to its customers on its progress

As part of our water regulation framework, we expect businesses to publish annual updates on their progress against outcome commitments. The aim of annual progress updates is to maximise accessibility and visibility for customers.

Sydney Water proposed reporting its performance through a 'scorecard' on its website as well as some periodic reporting including the daily water quality updates. It will share the scorecard on its social media and in its Waterwrap newsletter which is delivered quarterly with bills.[239]

Performance results in an online dashboard

IPART also monitors performance to ensure businesses maintain a customer focus, improve their services and deliver on outcome commitments included in their proposals. Publishing progress on these commitments increases public visibility and leverages reputational incentives for businesses to deliver on their promises.

We will publish a user-friendly online performance dashboard that tracks businesses' progress against their outcome commitment. Public access to this information promotes greater accountability and allows businesses and customers to compare performance outcomes across different water businesses to the degree that the data aligns.

The online dashboard will be designed to be easily accessible to all interested stakeholders. It will contain current and past information for all price-regulated businesses on:

- the grades that businesses received for current and past pricing proposals
- customer-informed outcome commitment targets and progress against achieving those targets in the current and past determination period, with 'traffic lights' to signal progress
- trends for operating and capital expenditure, including deeper levels of information on several standardised cost categories.

The dashboard will be accessible via our website once it has been established. For Sydney Water, we expect the dashboard to be available after the conclusion of this price review.

11.3.3 Annual licence audits

IPART has a role in auditing Sydney Water's compliance with the requirements of its operating licence. As part of this function, we collect annual performance information provided by the business on measures relating to water quality, system continuity and reliability, environmental performance and customer service.

Our annual operating licence audit reports are provided to the Minister for Water and are published on our website for public access.

The information collected through these audits may be published on our online dashboard to ensure transparency and improve public confidence. This provides additional incentives for businesses to perform to its expectations and continually identify areas for improvement.

Appendices

Appendix A

Matters considered by IPART

This appendix explains how we considered certain matters we are required to consider under the *Independent Pricing and Regulatory Tribunal Act 1992* (the IPART Act).

A.1 Matters under section 13(1) of the IPART Act

For this review, the Premier required us to consider:

a. the cost-of-living impacts of the price determinations

b. the effectiveness of existing rebates to manage the social impacts of the price determinations, including if the program will adequately support customers who may be disproportionately impacted by any price increase

c. opportunities to adjust project timelines within the price determination period and over the next ten years to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles, and

d. deliverability of the proposed capital plans based on capability and market conditions.

Table A.1 Consideration of section 13(1) matters by IPART

Section 13(1)		Report reference
1.	the cost-of-living impacts of the price determinations	Chapter 10 sets out the potential impact of our pricing decision on Sydney Water and its customers.
2.	the effectiveness of existing rebates to manage the social impacts of the price determinations, including if the program will adequately support customers who may be disproportionately impacted by any price increase	Chapter 10 sets out the potential impacts of our pricing decision on Sydney Water's customers, and also considers at a high level the current arrangements for existing rebates.
3.	opportunities to adjust project timelines within the price determination period and over the next ten years to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles, and	Chapter 5 sets out the efficient capital expenditure for Sydney Water, including out considerations of capital phasing.
4.	deliverability of the proposed capital plans based on capability and market conditions.	Chapter 5 sets out our assessment of Sydney Water's capital plans

The Letter from the NSW Premier to the Chair of IPART is provided below.

OFFICIAL

The Hon Chris Minns MP
Premier of New South Wales

NSW GOVERNMENT

Ref: A6131815

Ms Carmel Donnelly PSM
Chair
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop 1240

Re: Section 13 requirements for Sydney Water and Hunter Water and price determinations

Dear Ms Donnelly,

I write regarding the upcoming price determinations for Sydney Water Corporation and Hunter Water Corporation that will commence in September 2024.

The Government understands that Sydney Water and Hunter Water will lodge their submissions shortly, which may propose increases to their customers' bills. NSW households are currently experiencing increasing cost of living pressures, including rising housing and utility expenses. These cumulative price increases may disproportionately impact vulnerable communities.

To help address these pressures, pursuant to section 13(1)(c) of the *Independent Pricing and Regulatory Tribunal Act 1992* (**IPART Act**), I require IPART to consider the following matters:

- the cost-of-living impacts of the price determinations
- the effectiveness of existing rebates to manage the social impacts of the price determinations, including if the program will adequately support customers who may be disproportionately impacted by any price increase
- opportunities to adjust project timelines within the price determination period and over the next ten years to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles, and
- deliverability of the proposed capital plans based on capability and market conditions.

These directions will maintain IPART's independence, while ensuring that the NSW Government is afforded the information required to consider the impacts of IPART's draft determination.

Sincerely,

[redacted]

Chris Minns MP
Premier of New South Wales

30/8/24

52 Martin Place Sydney NSW 2000
GPO Box 5341 Sydney NSW 2001

02 7225 6000
nsw.gov.au/premier

1

OFFICIAL

A.2 Matters under section 14A(2) of the IPART Act

Where the Tribunal uses a methodology to fix prices, section 14A of the IPART Act requires us to report on what regard we have had to the matters listed in section 14A(2). These matters are:

a. the government agency's economic cost of production,

b. past, current or future expenditures in relation to the government monopoly service,

c. charges for other monopoly services provided by the government agency,

d. economic parameters, such as—

- discount rates, or
- movements in a general price index (such as the Consumer Price Index), whether past or forecast,

e. a rate of return on the assets of the government agency,

f. a valuation of the assets of the government agency,

g. the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the *Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment,

h. the need to promote competition in the supply of the service concerned,

i. considerations of demand management (including levels of demand) and least cost planning.

Table A.2 Consideration of section 14A(2) matters by IPART

Section 14A(2)		Report reference
a.	the government agency's economic cost of production,	Chapters 4, 5 and 6 set out Sydney Water's total efficient costs to deliver its regulated services over the determination period
b.	past, current or future expenditures in relation to the government monopoly service,	Chapters 4 and 5 set out our decisions on Sydney Water's efficient expenditure
c.	charges for other monopoly services provided by the government agency,	Appendix D sets out our decisions on Sydney Water's prices for other monopoly services
d.	economic parameters, such as— • discount rates, or • movements in a general price index (such as the Consumer Price Index), whether past or forecast,	Chapter 6 sets out how we have indexed Sydney Water's regulatory asset base to account for inflation, and chapters 7 and 8 set out how we have set prices to raise revenue that recovers efficient costs over the determination period in net present value terms.
e.	a rate of return on the assets of the government agency,	Chapter 6 and appendix C set outline that we have allowed a market-based rate of return on debt and equity which would enable a benchmark business to return an efficient level of dividends.
f.	a valuation of the assets of the government agency,	Chapter 6 sets out the value of Sydney Water's assets on which we consider it should earn a return on capital and an allowance for regulatory depreciation.
g.	the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the *Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment,	Chapters 4 and 5 set out Sydney Water's efficient expenditure that allows it to meet all of its regulatory requirements, including its environmental obligations.

Section 14A(2)		Report reference
h.	the need to promote competition in the supply of the service concerned,	In determining efficient costs, we have been mindful of relevant principles such as competitive neutrality (e.g. we have included a tax allowance for regulatory depreciation)
i.	considerations of demand management (including levels of demand) and least cost planning.	Chapters 4 and 5 outline how we have assessed Sydney Water's efficient expenditure required to deliver its regulated services at least cost.

A.3 Matters under section 15 of the IPART Act

IPART is required under section 15(1) of the IPART Act to have regard to the following matters in making determinations and recommendations:

1. the cost of providing the services concerned
2. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
3. the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales
4. the effect on general price inflation over the medium term
5. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
6. the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the *Environmental Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
7. the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
8. the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
9. the need to promote competition in the supply of services concerned
10. considerations of demand management (including levels of demand) and least cost planning
11. the social impact of the determinations and recommendations
12. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

Table A.3 Consideration of section 15(1) matters by IPART

Section 15(1)	Report reference
Cost of providing the services	Chapter 4, 5 and 6 set out Sydney Water's total efficient costs to deliver its regulated services over the determination period
Protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services	We consider our decisions will protect consumers from abuses of monopoly power, as they reflect the efficient costs Sydney Water requires to deliver its regulated services. This is addressed throughout the report, particularly in Chapters 4 and 5 (where we establish the efficient expenditure) and Chapters 7, 8 and 9 (where we set out our pricing decisions and impacts).
Appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales	Chapter 6 outlines that we have allowed a market-based rate of return on debt and equity that would enable a benchmark business to return an efficient level of dividends.
Effect on general price inflation over the medium term	Chapter 10 outlines that we estimate the impact of our prices on general inflation is negligible.
need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	Chapter 4 and 5 set out our decisions on Sydney Water's efficient expenditure. These decisions promote greater efficiency in the supply of Sydney Water's regulated services.
The need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment	Chapters 4 and 5 set out Sydney Water's efficient expenditure that allows it to meet all its regulatory requirements, including its environmental obligations.
The impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets	Chapters 6 sets out how we have provided Sydney Water with an allowance for a return on and of capital and Chapter 9 sets out our assessment of its financeability.
the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body	Chapters 4 and 5 sets out the efficient expenditure including operational contracts that Sydney Water has entered into, and costs associated with these over the next period.
the need to promote competition in the supply of the services concerned	In determining efficient costs, we have been mindful of relevant principles such as competitive neutrality (e.g. we have included a tax allowance for regulatory depreciation)
Considerations of demand management (including levels of demand) and least cost planning	Chapters 4 and 5 outline how we have assessed Sydney Water's efficient expenditure required to deliver its regulated services at least cost.
The social impact of the determinations and recommendations	Chapter 9 sets out the potential impact of our pricing decision on Sydney Water and its customers.
Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	Chapters 4 and 5 set out our consideration of Sydney Water's efficient expenditure so it can meet the required standards of quality, reliability and safety in delivering its services, and Chapter 10 sets out incentives, performance and outcomes.

A.4 Considerations under section 16 of the IPART Act

Section 16 of the IPART Act provides:

> If the Tribunal determines to increase the maximum price for a government monopoly service or determines a methodology that would or might increase the maximum price for a government monopoly service, the Tribunal is required to assess and report on the likely annual cost to the Consolidated Fund if the price were not increased to the maximum permitted and the government agency concerned were to be compensated for the revenue foregone by an appropriation from the Consolidated Fund.

Under section 16 of the IPART Act, we must report on the likely impact on the Consolidated Fund if prices are not increased to the maximum levels permitted. If this is the case, then the level of tax equivalent and dividends paid to the Consolidated Fund would fall. The extent of this fall would depend on Treasury's application of its financial distribution policy and how the change affects after-tax profit.

Our financial modelling is based on a tax rate of 30% for pre-tax profit and dividend payments at 70% of after-tax profit. A $1 decrease in pre-tax profit would result in a loss of revenue to the Consolidated Fund of 49 cents in total, which is 70% of the decrease in after-tax profit of 70 cents.

Appendix B

Grading rubric in the Water Regulation Handbook

Table B.1 Guidance for customer principles

1. Customer centricity

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

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Develop customer engagement strategy		
• The business has a published customer engagement strategy which: – sets out how it seeks to understand what matters to customers, and identifies the outcomes that maximise long-term customer benefit at an efficient cost – considers the level of influence customers have in how services are delivered – identifies the role of customer engagement in understanding customer preferences – commits to engage with customers in the pricing proposal and for major investments. • The strategy should be well structured and easy for customers to follow, and articulate clear roles and responsibilities of customers, regulator(s) and business.	• The strategy demonstrates that customers have a high level of influence in how services are delivered, and commits to gain insights from customers through a variety of methods.	• The strategy empowers customers to co-develop the most material aspects of its pricing proposal that impact price and service.
Customers influence business outcomes		
• Customer insights and engagement influence customer outcomes, inform business decisions, and short, medium and long-term plans.	• Customer insights are linked to customer outcomes, which inform ongoing improvements in the way services are delivered to customers.	
Processes support customer centricity		
• Systems in place to respond to ongoing customer feedback. • Consumer facing businesses propose assistance programs for customers experiencing vulnerability (e.g. hardship programs, payment plans, access to concessions or other)	• Learns from and keeps up with peers and industry best practice engagement methods. • Consumer facing businesses propose tools or processes to support early identification and interventions for customers experiencing a range of vulnerability circumstances.	• Clear evidence of continual improvement in customer value across the business where it reflects on, and incorporates, learnings from its engagement processes. • Consumer facing businesses propose simplifications to assist customers, including those experiencing vulnerability, improve accessibility and understanding (e.g. customer contracts, bills and accounts and water literacy).

2. Customer engagement

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

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Engage on what matters to customers		
• Select issues for engagement that matter to customers.	• Customers involved in setting priorities that matter most for deeper engagement.	• Collaborates with and empowers customers (and/or customer representatives) to develop solutions in customers' long-term interests.
Choose appropriate engagement methods		
• Suitable consultation method/s have been chosen to reach a representative customer base and/or their advocates, such as renters, home-owners, vulnerable groups, and businesses. • Opportunities for 2-way communication with customers exist. • Scope of engagement proportional to the level of expenditure and the impact of the project.	• Chooses effective methods to provide all customers – including more difficult-to-reach customers – with a high level of influence in how services are delivered. Responses are then triangulated and tested against other information.	• Continuously seeks to improve methods of engagement and explore innovative methods.
Engage effectively		
• Unbiased, clear explanation of context and objectives. • Participants are informed of the impact of their feedback. • Engagement is easy to understand, and customers' understanding is tested and where relevant, technical literacy/capacity is supported for effective engagement. • Culturally and linguistically diverse groups are supported in their engagement. • Information is accurate, objective, tells the whole story and is correctly targeted to its audience. • Clear explanations of investment options, service levels, and uncertainties.	• Engagement includes clear explanation of options (including price differences and any potential trade-offs), and participants are confident their feedback will influence outcomes.	

3. Customer outcomes

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

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Customers drive outcomes		
• Propose outcomes, based on customer engagement, that capture what customers want you to deliver. • Link proposed expenditure to these outcomes.	• Outcomes are concise, specific, measurable and written from customer's perspective. They are clearly aligned to customer preferences and proposed expenditure.	• Outcomes and supporting output measures and targets are co-designed with customers, and proposals are supported by customers.
Performance measures support outcomes		
• Propose performance measures for each outcome. • Propose performance targets for each measure, referencing IPART's principles, with: – internally consistent short-, medium- and long-term targets – targets justified based on past performance and other suitable industry benchmarks – targets that, at a minimum, meet customer protection operating licence standards and other regulatory requirements.	• Targets show a step change improvement to customer value and include adequate protections for individual customers.	• Where supported by customer willingness to pay, service targets exceed past performance and other suitable industry benchmarks by an ambitious but realistic margin.
Accountability for customer outcomes		
• Clear mechanisms ensure the business is accountable for delivering outcomes.	• All outcomes include steps the business will take if not meeting targets, and where appropriate, are supported by outcome delivery incentive (ODI) payments/penalties.	• All important customer outcomes with high customer value would typically be supported by ODI payment/penalty rates and targets.

4. Community

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

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Identify community outcomes		
• Engage with, and consider the broader community, including Aboriginal and Torres Strait Islander peoples, to identify community outcomes. • Assess the benefits and costs to the customer of delivering on broader community values, as they relate to the provision of regulated services. • Consider costs/benefits and bill impacts before proposing expenditures.	• Outcomes have demonstrated customer value and support, with awareness of bill impacts.	• Demonstrate step change improvements in community outcomes, which prioritise customer preferences revealed through engagement.
Community outcome performance measures		
• Community outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).	• Work and partner with local groups and other stakeholders to propose and deliver community outcomes within the scope of its services.	• Demonstrate innovative approaches to promote customer and community value.
Accountability for community outcomes		
• Clear mechanisms ensure the business is accountable for delivering community outcomes.	• Mechanisms include steps the business will take if not meeting targets.	

5. Environment

Have you identified and met broader environmental objectives, while ensuring services are cost reflective and affordable today and in the future?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Identify environmental outcomes		
• Meet all regulatory requirements, including environmental requirements, at an efficient cost. • Follow government directions[37] and regulatory obligations. • Set environmental outcomes that relate to the provision of regulated services, consistent with customer preferences, community views and waterway quality guidelines. • Consider long-term environmental costs/benefits and bill impacts before proposing expenditures. • Propose cost-efficient expenditure to manage and adapt to the impacts of climate change.	• Actively engage with other regulators, evaluate prospective government directions and obligations from the perspective of promoting the customer's long-term interests. • Incorporate climate change into forecasting models and undertake climate change adaptation and mitigation actions.	• Demonstrate step change improvements in environmental outcomes, revealed through engagement, which prioritise delivery of environmental outcomes that customers and the community value most.
Environmental outcome performance measures		
• Environmental outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).	• Work and partner with community groups, other businesses, stakeholders and government, to propose and deliver outcomes that meet regulatory requirements, promote customer value and provide environmental benefits.	• Demonstrate innovative approaches which promote customer value and maximise environmental benefits.
Accountability for environmental outcomes		
• Clear mechanisms ensure the business is accountable for delivering environmental outcomes.	• Mechanisms include steps the business will take if not meeting targets.	

[37] Government directions are typically made by Ministerial order through the *State Owned Corporations Act 1989* (the SOC Act) or other power under legislation

6. Choice of services

Are you providing opportunities to reflect customers' varied preferences for the tariffs and additional services they are willing to pay for?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Consider differentiated service offerings		
• No requirements at Standard.	• Engage with customers on opportunities for differentiated service offerings, including standard add-on mass market tariff options (e.g. carbon offsets), where it is cost efficient to do so. • Work with government and developers in growth planning to offer additional services and supply options to new developments.	• Offer customers innovative tariffs and products above licence obligations, consistent with customers' preferences if there is evidence of customer demand.

Table B.2 Cost principles

7. Robust costs

How well does your proposal provide quantitative evidence that you will deliver the outcomes preferred by customers at the lowest sustainable cost?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Justify proposed expenditure		
• Proposed operating expenditure (opex) is consistent with past expenditure and clearly explains any step changes or trends. • Proposed capital expenditure (capex): – is clearly explained – identifies baselines for recurrent expenditure and provides justification for any changes it proposes over time – for large capital projects with a clear scope is supported by cost-benefit analysis considering alternative options.	• Changes in expenditure are supported by quantitative evidence which demonstrates how it promotes customer value (e.g. in proposing step changes for opex, and justification in business cases for large capital projects).	• Proposes opex and capex that maximises customer value, supported by modelling which shows it is below industry benchmarks.
Optimise between opex and capex		
• Demonstrates consideration has been given to opex and capex trade-offs.	• Uses quantitative evidence to show that proposed opex and capex minimises net life-cycle costs.	• Takes into account the potential and likelihood for cost saving innovations when proposing a balance of opex and capex.
Accountability for expenditure outcomes		
• Expenditure performance targets have been identified that maintain compliance with licence conditions, other regulatory requirements, and are consistent with customer preferences.	• Demonstrates how performance targets have been developed through customer engagement and deliver customer value.	• Has adopted and implemented robust processes to ensure that forecasts are justified, evidence-based and deliverable.

8. 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?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Understand long-term performance		
• Investment and asset management decisions demonstrate a balancing of the risks and benefits to the customer and business in terms of long-term asset and service performance.		• Provides additional evidence optimising this balance of risks, using best practice, probabilistic investment decision and asset management systems.
Manage risks and reprioritise		
• Demonstrates all cost drivers and has mechanisms to monitor cost risks and reprioritise expenditures and asset management strategies as necessary. • Outlines its approach to manage long-term risks, including climate change	• Proposal commits to accept more risk where it has benefits for customers. • Demonstrates it has organisational resilience to absorb cost impacts arising from changes in the operating environment.	• Proposal includes capability and strategies to optimise and manage the value of risk factored into its forecasts and proposals.

9. Commitment to improve value

How much ambition do you show in your cost efficiency targets and what steps have you taken to demonstrate commitment to deliver on your promises?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Develop cost efficiency strategy • The business has a management[38] approved and externally published cost efficiency strategy that includes: – an annual 'efficiency factor' across opex and capex – productivity improvements achieved and proposed, which highlight that the business is adopting innovations – how it has performed against current period targets. **Accountability for cost efficiency outcomes** • Has clear mechanisms to ensure the business is accountable for achieving its proposed cost efficiency outcomes.	• Proposal is informed by cost efficiency strategy, justifies an ambitious annual expenditure 'efficiency factor' and explains reasons for its current performance.	• Proposes efficiency targets which would lead to a significant step change in cost efficiencies below historical costs and industry cost benchmarks.

[38] Depending on the organisation structure this approval may be Board, Council or executive leadership approval.

10.Equitable and efficient cost recovery

Are your proposed tariffs efficient and equitable, and do they appropriately share risks between the business and your customers?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Propose cost-reflective prices • Propose cost-reflective maximum prices for customers, with: – modelling to justify tariffs over the next determination period – a balance of fixed and usage charges that takes into account the long run marginal cost (LRMC) of providing services.	• Provides modelling to show that proposed prices: – are sustainable over time, and would avoid large future bill impacts – have been informed by LRMC model estimates – consider the impact of climate change on the level and structure of prices addressed • Justifies the appropriate form of price control that promotes the long-term interests of customers.	• Provides comprehensive modelling to support its proposed recovery of costs, including: – catchment level LRMC estimates where appropriate (to justify demand and supply side responses to delay augmentations or prioritise investments) – longer-term pricing paths supported by long-term cost estimates.
Justify within-period revenue adjustments • Provides a robust justification for any revenue adjustments, consistent with IPART's revenue hierarchy principles.		

Table B.3 Credibility principles

Credibility	Requirements (all levels)
11. Delivering Can you provide assurance that you have the capability and commitment to deliver?	• Proposed expenditures and service outcomes can be delivered in the timeframe proposed. • Sets out how progress against key investments and performance targets (both short- and long-term) will be regularly monitored and communicated to its customers. • Plans for foreseeable future challenges, including strategies for how it will reprioritise and adapt as changes arise. • The proposal has been approved by the Board (or equivalent), who endorse that the proposal would best promote the long-term interests of its customers. The proposal has evidence of a robust assurance process to ensure the veracity of information provided to IPART.
12. Continual improvement Does the proposal identify shortcomings and areas for future improvement?	• Justified self-assessment • Performance targets have been monitored and communicated to customers over the previous period, consistent with past regulatory proposals. You have justified and explained past performance to customers. • Demonstrates how experience and lessons from past determination period/s have been integrated into current and future/long-term strategies, where gaps remain, and how future plans will address these. • Identifies any shortcomings in its proposals including its plans to address any shortfalls.

Appendix C

Weighted average cost of capital

To calculate an allowance for the return on assets in the revenue requirement, we multiply the value of the regulatory asset base (RAB) in each year of the determination period by an appropriate rate of return. To do this, we determine the rate of return using a weighted average cost of capital (WACC).

This appendix shows the parameters we used to calculate the WACC and explains our decision about how to treat annual changes in the WACC over the determination period.

C.1 We use our standard approach to calculate the WACC

We used out standard 2018 WACC methodology to calculate the WACC. Under this approach we estimate one WACC based on current market data, and one based on long-term average data. When our uncertainty index, which indicate the level of volatility in capital markets, is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values. The uncertainty index was within this range at the time we calculated the WACC.

Table C.1 sets out the parameters we used to derive Sydney Water's 3.2% post tax real WACC.

Table C.1 WACC calculation using IPART's standard approach

	Step 1 - Market data Market data		Step 2 – Final WACC range		
	Current	**Long term**	**Lower**	**Mid-point**	**Upper**
Nominal risk-free rate	3.2%	2.7%			
Inflation	2.7%	2.7%			
Implied debt margin	2.1%	2.3%			
Market risk premium	6.2%	6.0%			
Debt funding	60%	60%			
Equity funding	40%	40%			
Total funding (debt + equity)	100%	100%			
Gamma	0.25	0.25			
Corporate tax rate	30%	30%			
Effective tax rate for equity	30%	30%			
Effective tax rate for debt	30%	30%			
Equity beta	0.70	0.70			
Cost of equity (nominal post-tax)	7.5%	6.9%			
Cost of equity (real-post tax)	4.7%	4.1%			
Cost of debt (nominal pre-tax)	5.3%	5.0%			
Cost of debt (real pre-tax)	2.5%	2.2%			
Nominal vanilla (post-tax nominal) WACC	6.2%	5.8%	5.8%	6.0%	6.2%
Post-tax real WACC	**3.4%**	**3.0%**	**3.0%**	**3.2%[a]**	**3.4%**
Pre-tax nominal WACC	7.1%	6.6%	6.6%	6.8%	7.1%
Pre-tax real WACC point estimate	4.3%	3.8%	3.8%	**4.0%**	4.3%

C.2 Our methodology to calculate WACC parameters

This section sets out some of the key methodologies we use to derive the component parameters used to calculate the WACC under our standard approach.

C.2.1 Gearing and beta

In selecting proxy industries, we consider the type of business the firm is in. If we can't directly identify proxy firms that are in the same business, then we would consider which other industries exhibit returns that are comparably sensitive to market returns.

We adopted the standard values of 60% gearing and an equity beta of 0.7. We undertook preliminary proxy company analysis on several different types of industries with risk profiles similar to water businesses. Our analysis supported continuing to use an equity beta of 0.7 when 60% gearing is used.

C.2.2 Sampling dates for market observations

For the Draft Report, we applied a sampling period up to the end of December 2024 for the market observations. This sampling period will apply only for the purpose of the WACC calculated in this Draft Report. When we release our Final Report on Sydney Water's prices, we will use a sampling period that is closer to our Final Report release date and consistent with our 2018 WACC method.

For earlier years in the trailing average calculation of the historic cost of debt, we sampled to the end of March in each year.

C.2.3 Tax rate

We assumed the Benchmark Equivalent Entity is a large public water utility. The scale economies that are important to firms of this type suggest that the Benchmark Equivalent Entity would be likely to be well above the turnover threshold at which a firm becomes ineligible for a reduced corporate income tax rate. Therefore, we used a tax rate of 30%.

C.2.4 Regulatory period

We applied the WACC estimate for the duration of the determination period.

C.2.5 Application of trailing average method

Our 2018 review of the WACC method introduced a decision to estimate both the long-term and current cost of debt using a trailing average approach, which updates the cost of debt annually over the regulatory period.

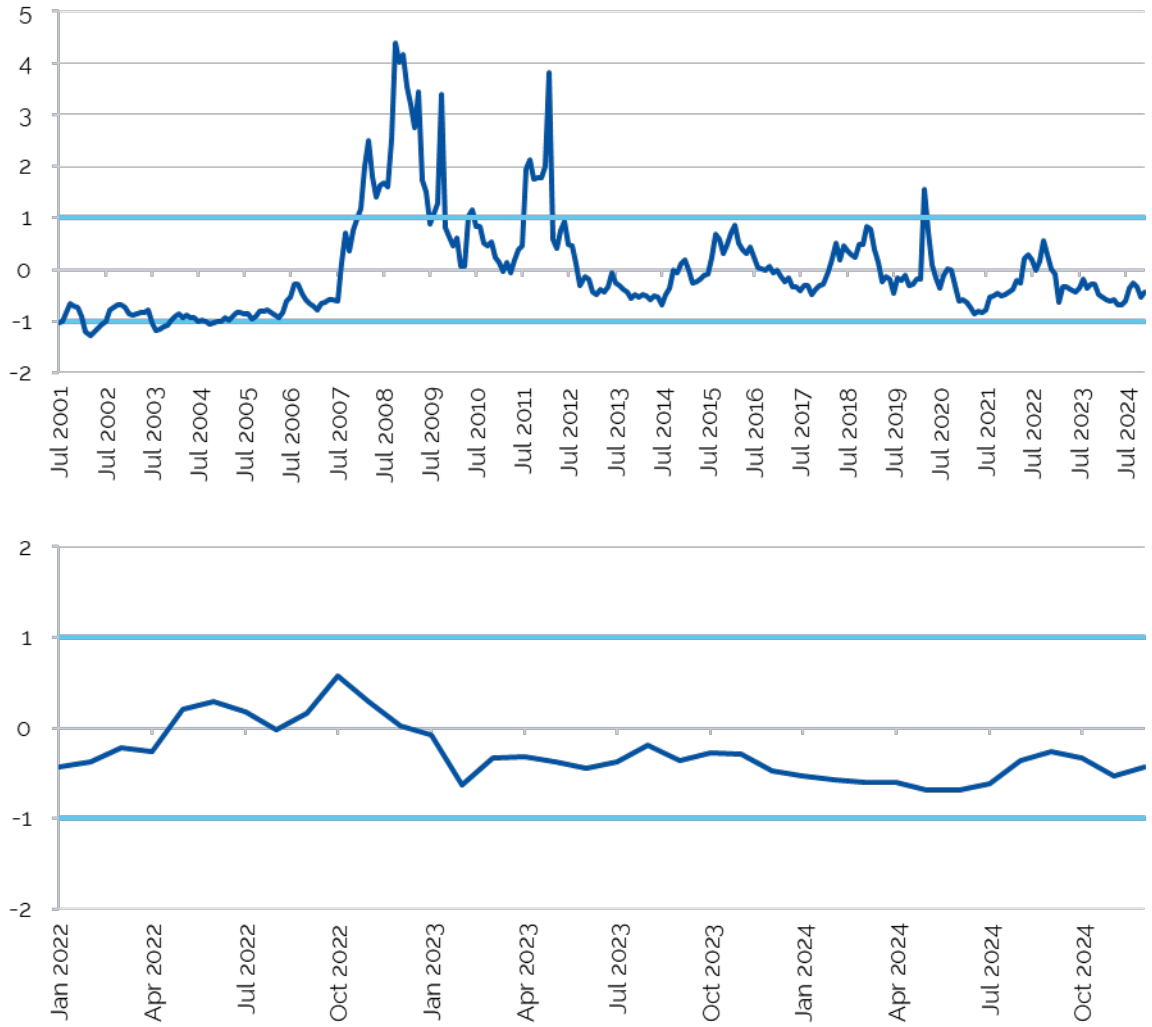
We have not applied a transition to the trailing average in our WACC calculation for this Draft Report. The transition to the trailing average was applied in Sydney Water's 2020 Determination, so we consider that the businesses is now fully transitioned to the trailing average approach.

C.2.6 Uncertainty index

Under current IPART's WACC method, we estimate one WACC using current market data and one using long-term average data. When our uncertainty index — which indicates the level of volatility in capital markets — is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values.

As Figure C.1 IPART's uncertainty index shows, the uncertainty index for market observations to the end of December 2024 is within one standard deviation of its mean value. Therefore, we have set our Draft Report WACC based on the mid-point of the current and long-term WACC values.

Figure C.1 IPART's uncertainty index



Data source: Refinitiv; Bloomberg; and IPART calculations

Appendix D

Detailed Financial Tables

D

D.1 Building blocks and notional revenue requirement

D.1.1 Total notional revenue requirement

Table D.1 Draft decision on total notional revenue requirement for the 2025 determination period ($ millions, $2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Total NRR proposed by Sydney Water	4,319.9	3,823.3	3,962.9	4,105.1	4,250.1	20,461.3
IPART decision (building block components)						
Operating Allowance	1,780.9	1,782.4	1,776.0	1,787.9	1,796.7	8,924.0
Return on assets	940.0	978.6	1,009.1	1,035.2	1,058.5	5,021.3
Return of assets (Depreciation)	532.5	569.2	606.2	641.0	673.9	3,022.9
Return on Working Capital	14.6	15.4	17.2	17.4	18.8	83.3
Tax Allowance	0.0	0.0	0.0	0.0	0.0	0.0
Other Costs / Adjustments	581.0	0.0	0.0	0.0	0.0	581.0
IPART decision - total Sydney Water NRR	**3,849.1**	**3,345.6**	**3,408.6**	**3,481.3**	**3,547.9**	**17,632.5**
Difference between the proposed and IPART draft decision total NRR ($)	-470.9	-477.8	-554.3	-623.7	-702.1	-2,828.8
Difference between the proposed and IPART draft decision total NRR (%)	-11%	-12%	-14%	-15%	-17%	-14%

Note: Totals may not add due to rounding. In this table, the regulatory depreciation is a mid-year figure (i.e. the RAB roll-forward depreciation figure is discounted by half a year of WACC).
Source: IPART analysis.

D.1.2 Return on assets

Table D.2 Draft decision on return on assets for the 2025 determination period ($ millions, $2024–25)

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Sydney Water proposal	1,105.4	1,190.5	1,267.7	1,336.5	1,402.5	6,302.7
IPART decision	940.0	978.6	1,009.1	1,035.2	1,058.5	5,021.3
Difference ($)	-165.5	-212.0	-258.6	-301.3	-344.1	-1,281.4
Difference (%)	-15%	-18%	-20%	-23%	-25%	-20%

Note: Totals may not add due to rounding.
Source: IPART analysis.

Table D.3 Draft decision on regulatory asset base roll-forward for the 2020 determination period ($ millions, $nominal)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening RAB for Sydney Water	18,023.7	18,426.6	19,612.6	21,522.8	23,872.0	26,379.1
Plus Efficient capital expenditure	814.5	883.1	1,159.4	1,551.5	2,144.2	2,344.1
Less Asset Disposals	0.8	0.0	3.6	0.4	0.9	5.5
Less Regulatory Depreciation	355.5	414.1	477.2	539.9	584.1	622.6
Plus Indexation	-55.3	717.0	1,231.6	1,337.9	947.9	826.5
Closing RAB	18,426.6	19,612.6	21,522.8	23,872.0	26,379.1	**28,921.5**
Sydney Water Proposal	18,429.6	19,617.9	21,529.1	23,879.2	26,387.2	29,235.4
Difference ($)	-3.0	-5.3	-6.3	-7.2	-8.1	-313.9
Difference (%)	0%	0%	0%	0%	0%	-1%

Note: Totals may not add due to rounding. These figures include finance leases and exclude RAB adjustments. The difference between the closing RAB and Sydney Water's proposal is due to adjustments to efficient capex in 2024-25.
Source: IPART analysis.

Table D.4 Draft decision on regulatory asset base roll-forward for the 2025 determination period ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	2029-30
Opening RAB for Sydney Water	28,921.5	30,219.1	31,334.1	32,119.2	32,954.4
Plus Efficient capital expenditure	1,850.1	1,704.0	1,417.5	1,501.1	1,296.6
Less Asset Disposals	11.6	10.6	16.6	14.7	1.6
Less Regulatory Depreciation	541.0	578.3	615.8	651.1	684.6
Plus Indexation	0.0	0.0	0.0	0.0	0.0
Closing RAB	30,219.1	31,334.1	32,119.2	32,954.4	33,564.9
Sydney Water Proposal	32,186.0	34,503.8	36,494.4	38,338.6	40,181.8
Difference ($)	-1,966.9	-3,169.7	-4,375.2	-5,384.2	-6,616.9
Difference (%)	-6%	-9%	-12%	-14%	-16%

Note: Totals may not add due to rounding.
Source: IPART analysis

D.1.3 Return of assets (regulatory depreciation allowance)

Table D.5 Draft decision on allowance for return of assets for the 2025 determination period ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Sydney Water proposal	564.4	620.8	676.1	726.2	774.5	3,362.0
IPART decision	532.5	569.2	606.2	641.0	673.9	3,022.9
Difference ($)	-31.9	-51.5	-69.9	-85.3	-100.6	-339.2
Difference (%)	-6%	-8%	-10%	-12%	-13%	-10%

Note: Totals may not add due to rounding.
Source: IPART analysis

Table D.6 Draft decision on remaining asset lives for existing assets (years)

	Remaining RAB lives of depreciable assets existing on 1 July 2025
Corporate	9.8
Water	67.5
Wastewater	41.1
Stormwater	124.7

Note: Existing assets account for finance leases.

Table D.7 Draft decision on expected lives of new assets (years)

	2025-26	2026-27	2027-28	2028-29	2029-30
Corporate	17.8	14.3	13.2	12.9	13.3
Water	71.4	71.0	71.2	71.5	64.3
Wastewater	42.5	42.0	48.6	54.8	57.7
Stormwater	150.0	150.0	150.0	150.0	150.0

D.1.4 Working capital allowance

Table D.8 Draft decision for the return on working capital allowance for the 2025 determination period ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Sydney Water proposal	17.3	12.5	14.8	16.3	17.0	77.9
IPART decision	14.6	15.4	17.2	17.4	18.8	83.3
Difference ($)	-2.7	2.9	2.4	1.1	1.8	5.4
Difference (%)	-16%	23%	16%	7%	10%	7%

Note: Totals may not add due to rounding.
Source: IPART analysis

D.1.5 Tax allowance

Table D.9 Draft decision on the tax allowance for the 2025 determination period ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Sydney Water proposal	44.8	44.6	36.0	30.1	34.2	189.7
IPART decision	0.0	0.0	0.0	0.0	0.0	0.0
Difference ($)	-44.8	-44.6	-36.0	-30.1	-34.2	-189.7
Difference (%)	-100%	-100%	-100%	-100%	-100%	-100%

Note: Totals may not add due to rounding.
Source: IPART analysis

D.1.6 Revenue adjustment for DVAM

Table D.10 DVAM true-up for Sydney Water ($million, $2024-25)

	2019-20 to 2023-24
Forecast revenue over the true-up period	8,058
Actual revenue over the true-up period	7,338
Variance (%) over the true-up period	-8.9%
True up with 5% threshold	317

Source: IPART analysis
Note: A negative adjustment in the DVAM calculator enters the notional revenue requirement as a positive adjustment.

D.1.7 Calculation of the deferral year revenue

In 2021 we agreed to defer the scheduled 2023-24 water price review for Sydney Water by one year. This meant that the 2023-24 prices in the 2020 Determination remained constant in nominal terms in 2024-25, and therefore, Sydney Water under-recovered its efficient costs over 2024–25.

How we calculated what a deferral year true-up would be

At the beginning of each new determination period, we typically add efficient historical capital expenditure, including from any price review deferral years to the Regulatory Asset Base. We calculate the efficient costs incurred by Sydney Water in 2024-25 by calculating the notional revenue requirement for one year, based on 2024-25 parameters. The true-up amount would be the difference between our calculation of the NRR for 2024-25, and the revenue the business expects to receive in 2024-25, based on actual prices and forecast volumes under the prevailing determination. In this way, we can calculate the true-up amount as if we had set prices in our usual way for 2024-25.

Given that we have updated the WACC for 2024-25 there is no cost of debt true-up required for the deferral year. We have also not included the DVAM in the deferral year true-up. Normally, we do not include the final year of a determination period in our calculation, as complete actual data is not yet available. The DVAM true-up for 2024-25 will therefore be recovered in the 2030-35 price determination.

Applying this calculation method, we arrive at a potential revenue adjustment true-up for the deferral year of $333.9 million (See Table D.11).

Table D.11 Deferral year true-up for Sydney Water ($million, $2024-25)

	Water	Wastewater	Stormwater	Total
NRR for 2024-25	1,604.7	1,643.1	47.6	3,295.4
2024-25 Target revenue from prices	1,457.7	1,467.6	42.5	2,967.8
Revenue shortfall to be recovered	146.9	175.6	5.1	327.6
Deferral year true-up (Revenue shortfall with holding costs)	149.8	179.0	5.2	333.9

Source: Sydney Water Pricing Proposal and IPART analysis.

D.2 Trade waste charges

Our decision is to set the maximum trade waste prices from 1 October 2025 to 30 June 2030 as presented in the following tables.

Table D.12 Industrial agreement, commercial agreement and Wastesafe charges ($2024-25)

Charge	Unit	2024-25	2025-26 to 2029-30	% change
Industrial agreements				
Risk Index 1	$/year	12,755.58	19,572.30	53%
Risk Index 2	$/year	12,755.58	18,903.41	48%
Risk Index 3	$/year	12,755.58	17,056.39	34%
Risk Index 4	$/year	5,887.19	8,648.52	47%
Risk Index 5	$/year	3,924.80	5,064.34	29%
Risk Index 6	$/year	1,962.39	2,809.87	43%
Risk Index 7	$/year	981.21	2,554.01	160%
Commercial agreements				
First process	$/year	127.58	118.78	-7%
Each additional process	$/year	42.52	37.62	-12%
Wastesafe charges				
Additional inspection	$/year per trap	48.11	28.31	-41%

Table D.13 Trade waste ancillary charges ($2024-25)

Charge	Unit	2024-25	2025-26 to 2029-30	% change
Additional inspection	$/year	241.49	248.54	3%
Industrial trade waste application - standard	$/year	954.97	1,081.76	13%
Industrial trade waste application - non-standard	$/year	131.72	142.03	8%
Industrial trade waste application – variation	$/year	537.86	792.97	47%
Commercial trade waste agreement application charge - Low complexity	$/year	Nil	542.06	
Commercial trade waste agreement application charge - Medium complexity	$/year	Nil	601.24	
Commercial trade waste agreement application charge - High complexity	$/year	Nil	790.61	
Commercial trade waste permit variation fee		Nil	317.19	
Commercial customers - trade waste discharge meter reading fee	$/year	Nil	59.18	
Trade waste industrial variation non-standard	$/year	Nil	142.03	

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Administering non-compliance	$/year	Nil	137.91	142.88	148.02	153.35	158.87

Table D.14 Commercial pollutant charges ($2024-25)

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	% change 2024-25 to 2029-30
Low strength BOD food	$/kL	2.019	2.607	2.652	2.708	2.836	2.851	41%
High strength BOD food	$/kL	2.799	3.677	3.664	3.737	3.877	3.886	39%
Automotive	$/kL	0.575	0.764	0.779	0.791	0.825	0.828	44%
Laundry	$/kL	0.473	0.599	0.634	0.649	0.691	0.698	48%
Lithographic	$/kL	0.332	0.464	0.466	0.477	0.497	0.499	50%
Photographic		Nil	Nil	Nil	Nil	Nil	Nil	
Equipment hire wash	$/kL	3.331	4.063	4.083	4.163	4.335	4.348	31%
Ship to shore		Nil	Nil	Nil	Nil	Nil	Nil	
Miscellaneous		Nil	Nil	Nil	Nil	Nil	Nil	
Other (default)		Nil	Nil	Nil	Nil	Nil	Nil	
Charge for low and high strength BOD food if pre-treatment is not installed, is deemed to be undersized, or is not maintained in accordance with requirements	$/kL	15.618	18.716	18.819	19.610	19.881	20.003	28%

Table D.15 Industrial pollutant charges ($/kg above domestic equivalent) ($2024-25)

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	% change 2024-25 to 2029-30
Primary wastewater treatment plants								
BOD - treatment charge	$/kg	0.383	0.444	0.499	0.497	0.560	0.567	48%
BOD - corrosion charge	$/kg	0.166	0.190	0.247	0.275	0.288	0.300	81%
Suspended Solids	$/kg	0.540	0.549	0.607	0.607	0.672	0.678	26%
Grease	$/kg	0.490	0.519	0.577	0.576	0.641	0.648	32%
Secondary and tertiary wastewater treatment plants								
BOD - treatment charge	$/kg	1.890	2.903	2.557	2.578	2.573	2.535	34%
BOD - corrosion charge	$/kg	0.166	0.190	0.247	0.275	0.288	0.300	81%
Suspended Solids	$/kg	1.233	1.980	1.970	1.970	1.943	1.918	56%
Grease	$/kg	1.276	1.697	1.685	1.688	1.666	1.645	29%
Nitrogen	$/kg	1.413	2.644	2.632	2.631	2.591	2.555	81%
Phosphorous	$/kg	1.633	3.073	3.066	3.056	3.013	2.972	82%

Table D.16 Draft corrosive substance charges ($2024-25)

Charge	Unit	2024-25	2025-26 to 2029-30	% change
Acidity (pH)	Per ML of wastewater with <pH7	87.36	91.44	5%
Temperature	Per ML of wastewater with temperature >25˚C	9.67	10.12	5%

D.3 Miscellaneous and ancillary charges

Our draft decisions on miscellaneous and ancillary charges over the 2025 determination period are set out in the following table.

Table D.17 Draft miscellaneous service charges ($2024-25)

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	% change 2024-25 to 2029-30
Backflow Prevention and Testing								
Backflow Annual Test	$/Test	274.69	471.70	471.70	471.70	471.70	471.70	72%
Backflow Prevention Device Annual Administration Fee	$/year	Nil	41.12	40.20	39.29	38.41	42.07	
Backflow annual test - no access charge	$/year	Nil	368.13	368.13	368.13	368.13	368.13	
Backflow Prevention Device Application and Registration Fee	$/ Application	Nil	Nil	Nil	Nil	Nil	Nil	
Connection / disconnection charge								
Water reconnection	$/Request	66.41	72.67	72.67	72.67	72.67	72.67	9%
Water service connection approval application (25-65mm)	$/Request	392.65	429.63	429.63	429.63	429.63	429.63	9%
Water service connection approval application (80mm or greater)	$/Request	392.65	429.63	429.63	429.63	429.63	429.63	9%
Building plan approval application	$/Request	20.70	22.65	22.65	22.65	22.65	22.65	9%
Water pump application	$/Request	162.65	177.97	177.97	177.97	177.97	177.97	9%
Water and sewer extension application (eDev)	$/Request	620.55	678.98	678.98	678.98	678.98	678.98	9%

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	% change 2024-25 to 2029-30
Water service disconnection application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Water service connection installation application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Water main fitting adjustment application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Extended private service application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Wastewater connection installation application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Wastewater ventshaft relocation application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Disuse of wastewater pipe or structure	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Stormwater connection approval application	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Integrated service connection application	$/Request	309.80	Nil	Nil	Nil	Nil	Nil	
Conveyancing								
Conveyancing certificate electronic	$/ Certificate	8.41	9.20	9.20	9.20	9.20	9.20	9%
Property sewerage diagram								
(a) Over the counter	$/Diagram	Nil	Nil	Nil	Nil	Nil	Nil	
(b) Electronic	$/Diagram	16.07	17.59	17.59	17.59	17.59	17.59	9%
(c) Online (Tap In)	$/Diagram	28.86	31.58	31.58	31.58	31.58	31.58	9%
Service location diagram								
(a) Over the counter	$/Diagram	Nil	Nil	Nil	Nil	Nil	Nil	
(b) Electronic	$/Diagram	9.15	10.01	10.01	10.01	10.01	10.01	9%
(c) Online (Tap In)	$/Diagram	19.44	21.28	21.28	21.28	21.28	21.28	9%
Building over/Adjacent to asset advice	$/Request	55.26	60.46	60.46	60.46	60.46	60.46	9%
Request for asset construction details	$/Request	60.56	66.26	66.26	66.26	66.26	66.26	9%
Supply system diagram	$/Request	174.43	190.86	190.86	190.86	190.86	190.86	9%
Asset adjustment application	$/Request	319.92	350.05	350.05	350.05	350.05	350.05	9%

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	% change 2024-25 to 2029-30
Development requirements application								
(a) Development requirements - complying development	$/Request	234.65	256.75	256.75	256.75	256.75	256.75	9%
(b) Development requirements - other	$/Request	620.55	678.98	678.98	678.98	678.98	678.98	9%
Application to assess a water main adjustment	$/ Application	Nil	Nil	Nil	Nil	Nil	Nil	
Road closure application (eDev)	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Hire Services								
Sydney Water hourly rate	$/hour	176.80	193.44	193.44	193.44	193.44	193.44	9%
Standpipe hire - security bond	$/ Standpipe	Nil	Nil	Nil	Nil	Nil	Nil	
Standpipe hire - annual fee	$/year	Nil	Nil	Nil	Nil	Nil	Nil	
Standpipe water usage fee	$/kL	Nil	Nil	Nil	Nil	Nil	Nil	
Inspections								
Statement of available pressure and flow	$/Request	162.65	177.97	177.97	177.97	177.97	177.97	9%
Major works inspection fee	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Application for inspection of stormwater connection	$/Request	Nil	Nil	Nil	Nil	Nil	Nil	
Metering								
Special meter reading statement	$/Request	43.80	47.92	47.92	47.92	47.92	47.92	9%
Billing record search statement - up to and including 5 years	$/Request	40.580	44.40	44.40	44.40	44.40	44.40	9%
Workshop test of water meter								
(a) 20 mm, 25 mm and 32 mm meters	$/Request	212.68	232.71	232.71	232.71	232.71	232.71	9%
(b) 40 mm and 50 mm light meters	$/Request	262.82	287.57	287.57	287.57	287.57	287.57	9%
(c) 50 mm heavy, 80 mm, 100 mm and 150 mm meters	$/Request	293.03	320.63	320.63	320.63	320.63	320.63	9%
(d) 200 mm, 250 mm and 300 mm meters	$/Request	488.82	534.85	534.85	534.85	534.85	534.85	9%

Charge	Unit	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	% change 2024-25 to 2029-30
Monthly meter reading request by customer	$/Request	14.120	15.45	15.45	15.45	15.45	15.45	9%
Replacement of meter damaged by customer/customer's agent - replaced with smart meter								
(a) 20 mm meter	$/Request	231.93	395.74	395.74	395.74	395.74	395.74	71%
(b) 25 mm, 32 mm and 40 mm meters	$/Request	321.09	522.48	522.48	522.48	522.48	522.48	63%
Remote read meter (one off fee)								
(a) 20 mm meter	$/Request	257.64	281.04	281.04	281.04	281.04	281.04	9%
(b) 25 mm meter	$/Request	271.46	297.02	297.02	297.02	297.02	297.02	9%
(c) 32 mm, 40 mm, 50 mm light meters	$/Request	297.93	325.99	325.99	325.99	325.99	325.99	9%
(d) 50 mm heavy, 80 mm and 100 mm meters	$/Request	522.66	571.88	571.88	571.88	571.88	571.88	9%
Inaccessible meter fee (quarterly charge)	$/instance	11.75	12.86	12.86	12.86	12.86	12.86	9%
Smart meters for new connections - digital – 20 mm	$/Meter	Nil	295.08	295.08	295.08	295.08	295.08	
Workshop Test of Water Meter (digital meter) - 20, 25 & 32 mm meters	$/Test	Nil	359.45	359.45	359.45	359.45	359.45	
Workshop Test of Water Meter (digital meter) - 40 mm meter	$/Test	Nil	414.30	414.30	414.30	414.30	414.30	
Smart meter - opt out, requires manual meter read	$/Read	Nil	9.19	9.19	9.19	9.19	9.19	
Smart meter - pulse splitter/ double adapter installation	$/Splitter	Nil	598.35	598.35	598.35	598.35	598.35	
Interim Operating Procedure (IOP) charge	$/kL	Nil	23.09	23.09	23.09	23.09	23.09	

D.4 Bill impacts

Table D.18 Bill impacts for Sydney Water's proposed prices and our draft prices for water and wastewater (excluding stormwater) ($2024-25)

	Water usage (kL/ year)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Change 2025 to 2030	Average annual increase
Sydney Water proposed									
Small household (house)	100	953	1,127	1,224	1,328	1,439	1,558	**605**	**121**
% change			*18%*	*9%*	*8%*	*8%*	*8%*	***64%***	***10%***
Typical household (apartment)	160	1,113	1,314	1,411	1,515	1,626	1,745	**632**	**126**
Percentage change			*18%*	*7%*	*7%*	*7%*	*7%*	***57%***	***9%***
Typical household (house)	200	1,220	1,439	1,536	1,640	1,751	1,870	**650**	**130**
Percentage change			*18.0%*	*6.7%*	*6.8%*	*6.8%*	*6.8%*	***53.3%***	***8.9%***
Large household (house)	300	1,487	1,751	1,848	1,952	2,063	2,182	**695**	**139**
Percentage change			*18%*	*6%*	*6%*	*6%*	*6%*	***47%***	***8%***
Pensioner household (with rebate)	100	354	414	443	475	510	539	**185**	**37**
Percentage change			*17%*	*7%*	*7%*	*7%*	*6%*	***52%***	***9%***
Pensioner household (without a rebate)	100	953	1,127	1,224	1,328	1,439	1,558	**605**	**121**
Percentage change			*18%*	*9%*	*8%*	*8%*	*8%*	***64%***	***10%***
Draft decision									
Small household (house)	100	953	993	1,046	1,088	1,132	1,177	**224**	**45**
Percentage change			*4%*	*5%*	*4%*	*4%*	*4%*	***24%***	***4.3%***
Typical household (apartment)	160	1,113	1,173	1,238	1,286	1,336	1,387	**274**	**55**
Percentage change			*5%*	*6%*	*4%*	*4%*	*4%*	***25%***	***4.5%***
Typical household (house)	200	1,220	1,293	1,366	1,418	1,472	1,527	**307**	**61**
Percentage change			*6%*	*6%*	*4%*	*4%*	*4%*	***25%***	***4.6%***
Large household (house)	300	1,487	1,592	1,686	1,748	1,812	1,877	**390**	**78**
Percentage change			*7%*	*6%*	*4%*	*4%*	*4%*	***26%***	***4.8%***
Pensioner household (with rebate)	100	354	375	396	411	427	443	**89**	**18**
Percentage change			*6%*	*6%*	*4%*	*4%*	*4%*	***25%***	***4.6%***
Pensioner household (without a rebate)	100	953	993	1,046	1,088	1,132	1,177	**224**	**45**
Percentage change			*4%*	*5%*	*4%*	*4%*	*4%*	***24%***	***4.3%***

Table D.19 Bill impacts for Sydney Water's proposed prices and our draft prices on water usage charges for renters with a separate meter ($2024-25)

	Water usage (kL/yr)	Current	2025-26	2026-27	2027-28	2028-29	2029-30	Change 2025 to 2030	Average annual increase
Sydney Water proposed									
Small household	100	267	312	312	312	312	312	**45**	**9**
Percentage change			*17%*	*0%*	*0%*	*0%*	*0%*	***17%***	***3%***
Typical apartment	160	427	499	499	499	499	499	**72**	**14**
Percentage change			*17%*	*0%*	*0%*	*0%*	*0%*	***17%***	***3%***
Typical household	200	534	624	624	624	624	624	**90**	**18**
Percentage change			*17%*	*0%*	*0%*	*0%*	*0%*	***17%***	***3%***
Large household	300	801	936	936	936	936	936	**135**	**27**
Percentage change			*17%*	*0%*	*0%*	*0%*	*0%*	***17%***	***3%***
Typical pensioner with no pensioner rebate	100	267	312	312	312	312	312	**45**	**9**
Percentage change			*17%*	*0%*	*0%*	*0%*	*0%*	***17%***	***3%***
Draft decision									
Small household	100	267	299	320	330	340	350	**83**	**17**
Percentage change			*12%*	*7%*	*3%*	*3%*	*3%*	***31%***	***5.6%***
Typical apartment	160	427	479	512	528	544	560	**133**	**27**
Percentage change			*12%*	*7%*	*3%*	*3%*	*3%*	***31%***	***5.6%***
Typical household	200	534	599	640	660	680	700	**166**	**33**
Percentage change			*12%*	*7%*	*3%*	*3%*	*3%*	***31%***	***5.6%***
Large household	300	801	898	960	990	1,020	1,050	**249**	**50**
Percentage change			*12%*	*7%*	*3%*	*3%*	*3%*	***31%***	***5.6%***
Typical pensioner with no pensioner rebate	100	267	299	320	330	340	350	**83**	**17**
Percentage change			*12%*	*7%*	*3%*	*3%*	*3%*	***31%***	***5.6%***

Table D.20 Bill impacts of Sydney Water's proposed prices and draft prices for wastewater charges on landlords ($2024-25)

	Water usage (kL/yr)	Current	2025-26	2026-27	2027-28	2028-29	2029-30	Change 2025-2030	Average yearly change
Sydney Water proposed									
Landlord that leases a separately metered property		n/a							
House	n/a	686	815	912	1,016	1,127	1,246	**560**	**112**
Percentage change			*19%*	*12%*	*11%*	*11%*	*11%*	***82%***	***12.7%***
Apartment	n/a	686	815	912	1,016	1,127	1,246	**560**	**112**
Percentage change			*19%*	*12%*	*11%*	*11%*	*11%*	***82%***	***12.7%***
Draft decision									
Landlord that leases a separately metered property		n/a							
House	n/a	686	694	726	758	792	827	**141**	**28**
Percentage change			*1%*	*5%*	*4%*	*4%*	*4%*	***21%***	***3.8%***
Apartment	n/a	686	694	726	758	792	827	**141**	**28**
Percentage change			*1%*	*5%*	*4%*	*4%*	*4%*	***21%***	***3.8%***

Table D.21 Draft bill impacts for a sample of non-residential customers ($2024-25)

	Water usage (kL/year)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Change 2025-2030	Average yearly change
Industrial user									
Low	150	1,088	1,147	1,213	1,263	1,315	1,368	26%	5%
Medium	5,800	23,530	25,583	26,966	27,678	28,396	29,121	24%	4%
High	26,000	100,992	110,060	116,108	119,181	122,276	125,393	24%	4%
Commercial user									
Low	310	1,703	1,819	1,921	1,987	2,055	2,125	25%	5%
Medium	6,700	28,612	31,015	32,683	33,573	34,473	35,383	24%	4%
High	21,000	87,812	95,324	100,432	103,094	105,782	108,497	24%	4%
Public hospital									
Medium	20,000	86,550	93,805	98,771	101,381	104,019	106,687	23%	4%
High	33,000	142,025	153,984	162,125	166,379	170,676	175,020	23%	4%
Private school									
Low	7,700	32,676	35,443	37,337	38,332	39,337	40,354	23%	4%

	Water usage (kL/ year)	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Change 2025-2030	Average yearly change
Medium	24,000	100,412	109,029	114,825	117,807	120,817	123,855	23%	4%
High	35,000	146,101	158,633	167,108	171,497	175,928	180,401	23%	4%
Commercial strata unit									
Low	130	998	1,049	1,109	1,157	1,205	1,256	26%	5%
Medium	180	1,483	1,555	1,646	1,718	1,793	1,870	26%	5%
High	2,100	10,334	11,113	11,718	12,079	12,447	12,822	24%	4%
Industrial strata unit									
Low	75	791	822	871	913	956	1,001	27%	5%
Medium	90	1,134	1,173	1,244	1,306	1,371	1,439	27%	5%
High	32,000	118,271	129,423	136,506	139,891	143,284	146,687	24%	4%

Table D.22 Benchmark financeability test results based on our draft decisions

		Target ratio	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Real interest cover		(higher is better)						
Benchmark test	2.2	**>2.2x**	2.8	1.9	3.6	3.8	4.0	4.3
Does it meet the target?			yes	no	yes	yes	yes	yes
Real FFO over debt		(higher is better)						
Benchmark test	7%	**>7.0%**	4.1%	2.1%	6.1%	6.8%	7.3%	7.8%
Does it meet the target?			no	no	no	no	yes	yes
Real gearing		(lower is better)						
Benchmark test	70%	**<70%**	60%	60%	60%	60%	60%	60%
Does it meet the target?			yes	yes	yes	yes	yes	yes

Table D.23 Financeability results – actual test based on draft decisions

		Target ratio	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Real interest cover		(higher is better)						
Benchmark test	1.8	**>1.8x**	2.2	2.3	2.3	2.3	2.4	2.5
Does it meet the target?			yes	yes	yes	yes	yes	yes
Real FFO over debt		(higher is better)						
Benchmark test	6%	**>6.0%**	4.3%	4.6%	5.0%	5.4%	5.8%	6.2%
Does it meet the target?			no	no	no	no	no	yes
Real gearing		(lower is better)						
Benchmark test	70%	**<70%**	62%	63%	63%	62%	61%	60%
Does it meet the target?			yes	yes	yes	yes	yes	yes

D.5 Affordability analysis

The following key can be used as a visual guide for the bill impacts set out in Tables D.22 to D.25.

Low Water Stress | 3% Water Stress Threshold | High Water Stress

Table D.24 Draft bill affordability impacts for households by income level ($2024-25, water and wastewater bills as % of total pre-tax income)

	Water usage (kL/year)	Income	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Median income (NSW)								
Small household	100	$104,816[a]	0.9%	0.9%	1.0%	1.0%	1.1%	1.1%
Typical apartment	160	$104,816	1.1%	1.1%	1.2%	1.2%	1.3%	1.3%
Typical household	200	$104,816	1.2%	1.2%	1.3%	1.4%	1.4%	1.5%
Large household	300	$104,816	1.4%	1.5%	1.6%	1.7%	1.7%	1.8%
Income Quartiles[b]								
Low Income	134	$50,775	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%
Lower-middle income	158	$77,681	1.4%	1.5%	1.6%	1.6%	1.7%	1.8%
Higher-middle income	199	$142,094	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%
High income	215	$179,660	0.7%	0.7%	0.8%	0.8%	0.8%	0.9%
Low income – typical household	200	$50,775	2.4%	2.5%	2.7%	2.8%	2.9%	3.0%
Low income – large household	300	$50,775	2.9%	3.1%	3.3%	3.4%	3.6%	3.7%
High income – large household	300	$179,660	0.8%	0.9%	0.9%	1.0%	1.0%	1.0%
Low income card eligible households - couple with dependent	200	$71,396[c]	1.7%	1.8%	1.9%	2.0%	2.1%	2.1%

[a] Based on ABS 2021 census data on NSW median income, https://www.abs.gov.au/census/find-census-data/quickstats/2021/1, and adjusted for wage growth.

[b] Income quartile water usage based on IPART's Research Paper: Residential water usage in Sydney, Hunter and Gosford 2016, low-income households have one or 2 people in a 2- or 3-bedroom dwelling. Income quartile median incomes based on ABS 2021 Census data reported in https://profile.id.com.au/newcastle/household-income-quartiles and adjusted for wage growth.

[c] Based on the threshold for receiving the full Family Tax Benefit Part A, Income test for Family Tax Benefit Part A - Family Tax Benefit - Services Australia.

Table D.25 Draft bill affordability impacts for pension-rebate eligible households ($2024-25, water and wastewater bills as % of benefit amount)

Household type	Rebate	Water usage (kL/year)	Benefit amount	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Age pensioner, disability pension or carer payment - single	Without rebate	100	$29,874[d]	3.2%	3.3%	3.5%	3.6%	3.8%	3.9%
	With rebate	100	$29,874	1.2%	1.3%	1.3%	1.4%	1.4%	1.5%
Age pensioner, disability pension or carer payment - couple	Without rebate	100	$45,037	2.1%	2.2%	2.3%	2.4%	2.5%	2.6%
	With rebate	100	$45,037	0.8%	0.8%	0.9%	0.9%	0.9%	1.0%
JobSeeker – single with dependent and looking for work	Without rebate	100	$21,749[e]	4.3%	4.5%	4.8%	4.9%	5.1%	5.4%
	With rebate	100	$21,749	1.6%	1.7%	1.8%	1.9%	1.9%	2.0%
Parenting payment – single	Without rebate	100	$26,291	3.5%	3.6%	3.8%	4.0%	4.1%	4.3%
	With rebate	100	$26,291	1.3%	1.4%	1.4%	1.5%	1.6%	1.6%

Table D.26 Affordability ratios for other owner-occupier households that may experience vulnerability and are not eligible for rebates ($2024-25, water and wastewater bills as % of benefit amount)

Household type	Water usage (kL/year)	Income	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Parenting payment - couple	200	$37,185	3.2%	3.4%	3.6%	3.8%	3.9%	4.1%
JobSeeker - single, no children	100	$20,309	4.6%	4.8%	5.1%	5.3%	5.5%	5.7%
JobSeeker – couple, no children	100	$37,185	2.5%	2.6%	2.8%	2.9%	3.0%	3.1%
JobSeeker – couple, with dependant(s)	200	$37,185	3.2%	3.4%	3.6%	3.8%	3.9%	4.1%
Family Tax Benefit Part A	200	$65,189[f]	1.9%	2.0%	2.1%	2.2%	2.3%	2.3%

Table D.27 Draft bill affordability impacts for renter households who are separately metered ($2024-25, water and wastewater bills as % of total pre-tax income)

Household type	Water usage (kL/year)	Income	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Low income	134	$50,775	0.7%	0.8%	0.8%	0.9%	0.9%	0.9%

[d] Aged pension income sourced from Services Australia: How much can you get, disability pension sourced from Services Australia: https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension/how-much-you-can-get, parenting payment sourced from services Australia: How much Parenting Payment you can get - Parenting Payment - Services Australia

[e] How much JobSeeker Payment you can get - JobSeeker Payment - Services Australia

[f] Income data sourced from Services Australia:

Household type	Water usage (kL/year)	Income	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Low income - large family	300	$50,775	1.6%	1.8%	1.9%	1.9%	2.0%	2.1%
Age or disability pensioner – couple	100	$50,232	0.5%	0.6%	0.6%	0.7%	0.7%	0.7%
Age or disability pensioner – single	100	$35,386	0.8%	0.8%	0.9%	0.9%	1.0%	1.0%
JobSeeker single, no children	100	$37,596	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%
JobSeeker single, with dependent	100	$26,504	1.0%	1.1%	1.2%	1.2%	1.3%	1.3%
JobSeeker couple, with 2 children	200	$42,791	1.2%	1.4%	1.5%	1.5%	1.6%	1.6%

Appendix E

Glossary

Term	Definition
Assessment tool	Guidance material to assist businesses preparing pricing proposals. It sets out, for each of the 12 principles in the framework, the key considerations IPART is going to make when assigning a grade to a proposal.
Base-Trend-Step approach (BTS)	The approach IPART will use when setting operating expenditure allowances. 'Base' refers to the efficient recurring expenditure required each year, calculated from recent past data. 'Trend' refers to predictable changes in expenditure over time due to known factors such as demand growth or inflation. 'Step' refers to changes in expenditure caused by new requirements or new processes.
Building block model	IPART's standard method for calculating a business's required revenue. Costs are broken down into 5 components to establish the amount of revenue needed to recover them.
Cap-and-collar	Cap on the maximum amount of benefits to be paid out through financial incentive schemes.
Capital Efficiency Sharing Scheme (CESS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with capex during a determination period.
Carve-out	Mechanism to allow businesses to exclude some uncontrollable costs from the calculation of capital expenditure incentive schemes.
Cost pass-through	Tool to allow businesses to pass some costs directly to customers within the determination period, under limited circumstances.
Customer	In the context of this report, 'customer' refers to direct bill payers as well as end users who might not be in a direct paying relationship with a water business (for example, an occupant or tenant of a serviced property).
Determination period	The period of time over which a determination of maximum prices applies.
Discount factor	The factor used to modify an annual amount to convert it to net present value terms.
DPE	Department of Planning and Environment in New South Wales.
Early engagement	Opportunity for businesses to engage with IPART 1 to 2 years before submitting their proposals.
Efficiency Benefit Sharing Scheme (EBSS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with opex during a determination period.
Efficiency factor	Factor applied to a business's forecast expenditure, when appropriate, to adjust it for ongoing productivity improvements.
EPA	Environment Protection Authority, the primary environmental regulator for New South Wales.
ESC	Essential Services Commission, the independent regulator of essential services in Victoria.
Expenditure review	IPART's method for reviewing a business's expenditure to ensure customers are only paying efficient costs.
Financial incentives	Mechanisms to adjust a business's revenue requirement based on its performance, for examples by rewarding the quality of a proposal (ex-ante incentives) or realised improvements in efficiency (ex-post incentives).
Incentive payments	The amount calculated through the application of an incentive scheme that is used to modify the revenue requirement in a subsequent determination period.
IPART Act	The *Independent Pricing and Regulatory Tribunal Act 1992,* which establishes IPART's regulatory role and functions in New South Wales.
LIS	Line in the sand. The LIS value is equal to the present value of future free cashflow and is used to establish the value of a business's initial Regulatory Asset Base.
Net Present Value (NPV)	The discounted value of a stream of benefits (or costs) taking into account the time value of money.
NRR	Notional Revenue Requirement, the revenue needed by a business to recover the cost of providing their services.
Operating licence	A regulatory instrument that authorises a water business to undertake its functions. Issued under the requirements of an Act by a Minister or the Governor, it contains terms and conditions governing a water business' operations. Not all water businesses are subject to a licence.

Term	Definition
Outcome Delivery Incentive (ODI)	An incentive scheme to provide financial benefits (penalties) for achieving (not achieving) customer agreed outcomes.
Price controls	Methodologies used by water businesses and the regulator to set prices charged to customers. Main examples are price caps, and revenue caps.
RAP	Regulators Advisory Panel
Regulatory Asset Base (RAB)	Calculated as the economic value of all assets the business owns. The RAB is used as basis to calculate the revenue we provide to businesses in our determinations.
Re-opener	Option to reopen a determination and replace it partially or entirely. This is a last resort solution in case unforeseen cost changes materially impact a business's capacity to carry out its services.
Revenue requirement	Amount of revenue a business should recover from customers to cover its costs, as calculated by IPART during a price determination.
Revenue risk	The risk of businesses not collecting enough revenue from customers because of unforeseen increases in expenditure that aren't reflected in the revenue allowance.
Sharing ratio	The fixed ratio of sharing of gains (or losses) between customers and a water business.
Stakeholder submission	Submission prepared by stakeholders in the sector (such as water businesses, advocacy groups, and other regulators) in response to our Draft Report or Discussion Papers
True-up	Mechanism to allow businesses to pass some unexpected costs to consumers in the following determination period. This is reserved for limited circumstances.
Underspend	Actual expenditure savings in any year of a determination period compared to forecast expenditure. A negative underspend is an overspend.
Water regulation framework	There are 3 pillars of our water regulation framework: Customer, Cost, and Credibility. The 12 principles we use to grade businesses' proposals are grouped under these pillars. Further detail can be found in our Water Regulation Handbook[240].
Weighted average cost of capital (WACC)	The post-tax real cost of capital as determined by IPART as part of a regulatory review.

[1] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 7.
[2] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 42.
[3] United Nations, Global Issues Water, accessed 19 March 2025.
[4] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 280-283.
[5] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 213.
[6] NSW Government, NSW Water Strategy, accessed 24 March 2025.
[7] Western Sydney Leadership Dialogue, submission to IPART 2025 Sydney Water price review - Issues Paper, December 2024, p 1.
[8] Sydney Coastal Councils Group, submission to IPART 2025 Sydney Water price review - Issues Paper, December 2024, p 2.
[9] Individual (name supressed), submission to IPART 2025 Sydney Water price review - Issues Paper, November 2024, p 1; Individual (name supressed), submission to IPART 2025 Sydney Water price review - Issues Paper, November 2024, p 1; Individual (T. Curtis), submission to IPART 2025 Sydney Water price review - Issues Paper, December 2024, p 1; Individual (name suppressed), submission to IPART 2025 Sydney Water price review - Issues Paper, December 2024, p 1.
[10] Sydney Water Customer and Community Reference Group, submission to IPART 2025 Sydney Water price review - Issues Paper, October 2024, pp 1-2.
[11] Justice and Equity Centre, submission to IPART 2025 Sydney Water price review - Issues Paper, December 2024, p 17.
[12] Name suppressed (W24/2284) submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[13] Name suppressed (W24/2328) submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[14] Name suppressed (W24/2332) submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[15] Knox, M, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[16] Frank, S, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[17] Name suppressed (W24/2663) submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[18] Energy and Water Ombudsman NSW - EWON submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p.3.
[19] Energy and Water Ombudsman NSW - EWON submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, pp 2-3.
[20] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 7.
[21] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 8 and p 9.
[22] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 25.
[23] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 10.
[24] Camden Council submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[25] City of Sydney Council submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[26] Kiama council submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[27] The Hills Shite Council submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[28] CEO Strata Pty Ltd submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[29] The Greens NSW submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[30] Water Services Association of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[31] Water Services Association of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[32] Water Services Association of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 10.
[33] Cooks River Alliance, Parramatta River Catchment Group, and Stormwater NSW submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 3.
[34] Cooks River Alliance, Parramatta River Catchment Group, and Stormwater NSW submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 5.
[35] Cooks River Alliance, Parramatta River Catchment Group, and Stormwater NSW submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 6.
[36] Western Sydney Leadership Dialogue submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 1.
[37] Sydney Water Corporation submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 1.
[38] Sydney Water Corporation submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 10.
[39] Sydney Water Corporation submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 1.

[40] Individual (name suppressed W24/2302), submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Individual (name suppressed W24/2303), submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Individual (name suppressed W24/2305), submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Individual (name suppressed W24/2355), submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Malpas, A, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Goodwin, E, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Collis, K, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024, Feng, L, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[41] Colliers submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[42] Sydney Coastal Councils Group submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[43] Sydney Water Customer and Community Group submission to IPART 2025 Sydney Water price review – Issues Paper, October 2024.
[44] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 18.
[45] Ross, C, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[46] Name suppressed (W24/2709) submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[47] coNEXA submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[48] coNEXA submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 3.
[49] The Greens NSW submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 1.
[50] Scotland Island Residents Association submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[51] Sydney Coastal Councils Group submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[52] Property Council of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[53] Scotland Island Residents Association submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 1.
[54] Sydney Water Corporation submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 10.
[55] The Hills Shite Council submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[56] Urban Development Institute of Australia NSW division submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 4.
[57] Property Council of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[58] Sydney Coastal Councils Group submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 3.
[59] Property Council of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 5.
[60] coNEXA submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 3.
[61] Ross, C, submission to IPART 2025 Sydney Water price review – Issues Paper, November 2024.
[62] Sydney Coastal Councils Group submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[63] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 22-31.
[64] Property Council of Australia submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[65] coNEXA submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[66] IPART, Water Regulation Handbook, July 2023, pp 42-43.
[67] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 9, 37.
[68] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 34, 39.
[69] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 40.
[70] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 34.
[71] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 188.
[72] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 185.
[73] IPART, Water Regulation Handbook, July 2023, pp 42-43.
[74] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 10.
[75] S Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 178.
[76] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025. p 73 and IPART calculations.
[77] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 65.
[78] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 183,
[79] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 72.
[80] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 123-124.
[81] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 184-185.
[82] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 71.
[83] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025. p 72.
[84] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 188.
[85] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 197.
[86] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 120.
[87] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 81.

[88] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025. pp 82-84.
[89] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 98.
[90] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 95-101..
[91] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 102-104.
[92] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 84. 87.
[93] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, table 3.24, p 85.
[94] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 92-95.
[95] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 94.
[96] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 95.
[97] Sydney Water, response to AtkinsRéalis'request for information 165.
[98] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 242.
[99] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 247-249.
[100] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 111.
[101] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 112.
[102] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 266.
[103] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 266.
[104] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 280-281.
[105] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 115-116,
[106] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 116.
[107] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 55.
[108] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 55.
[109] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 56.
[110] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 56-57.
[111] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 123.
[112] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025.
[113] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 120-121.
[114] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 120-125.
[115] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 127-128
[116] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 137.
[117] IPART analysis, and AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 175-180.
[118] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 175-176.
[119] IPART, *Mamre Road Stormwater Scheme – Final Report*, November 2024.
[120] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 149
[121] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 151-152
[122] NSW Government, Sydney housing supply forecast, accessed 17 April 2025.
[123] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 141.
[124] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 262.
[125] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 9, 11, 149-174, and 178-179
[126] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 11, 30-32 and 126-127.
[127] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 262-263.
[128] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 263
[129] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 233.
[130] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 217-220.
[131] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 222-223.
[132] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 231-233.
[133] IPART, Water Regulation Handbook, July 2023, p 58.
[134] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 242.
[135] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 244-245.
[136] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 246.
[137] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 246-247.
[138] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 264.
[139] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 251.
[140] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, pp 127 and 251-253.
[141] AtkinsRéalis, *IPART Sydney Water Expenditure Review (2025)*, 1 April 2025, p 253.
[142] IPART, Water Regulation Handbook, July 2023, pp 39-40; pp 94-99.
[143] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 220.
[144] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 220.
[145] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 221.
[146] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 221.
[147] Sydney Water email to IPART, 27 February 2025.
[148] IPART, Review of our WACC method, February 2018.
[149] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 264.
[150] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 264.
[151] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 264.
[152] IPART, 5-year review of the Sydney Desalination Plant's network operator's (10_010_ and retail supplier's (10_011R) licences, Report to the Minister, August 2022.
[153] IPART, Water Regulation Handbook, July 2023, pp 44-45; p 57.
[154] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 264.
[155] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 225.

[156] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 245.
[157] Sydney Water, 2024 Pricing Proposal to IPART September 2024, p 245
[158] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 492.
[159] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 265.
[160] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 287.
[161] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 287.
[162] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 261-263.
[163] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 343.
[164] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 267.
[165] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 269-271
[166] coNEXA Infrastructure Partners, Submission to IPART Issues Paper, December 2024, p 3.
[167] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 263.
[168] IPART, *Hunter Water prices 2025-2030 – Draft Report*, April 2025, p 78.
[169] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 267-268.
[170] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 259.
[171] Sydney Water, Letter to IPART about potential acquisition of Hawkesbury City Council's wastewater assets, April 2025.
[172] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 241.
[173] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 270-271.
[174] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 271.
[175] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 265.
[176] Sydney Water, 2024 Pricing Proposal to IPART – Drought Pricing, September 2024, pp 6-7.
[177] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p. 43
[178] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p. 276.
[179] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 16, 279-280.
[180] Fagundes, T, Marques, R, & Malheiros, T, Water affordability analysis: a critical literature review, AQUA – Water Infrastructure, Ecosystems and Society, 31 July 2023, 72 (8) pp. 1431-1445.
[181] United Nations, Global Issues Water, accessed 19 March 2025.
[182] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 302.
[183] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 289-297.
[184] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 298.
[185] NSW Government, https://water.dpie.nsw.gov.au/our-work/local-water-utilities/addressing-the-nsw-productivity-and-equality-commissions-review-of-alternative-funding-models, accessed 1 May 2025.
[186] NSW Productivity and Equality Commission, *Review of funding models for local water utilities – Final report*, July 2024, p 106.
[187] Sydney Water, Strategic Investment Plan – Customer Experience 2025-35, September 2024, pp 9-10.
[188] Sydney Water, Strategic Investment Plan 2025-2035 Water Quality and Reliability, September 2024, pp 8-9.
[189] Sydney Water, Strategic Investment Plan 2025-2035 Environmental Protection, September 2024 pp 9-10.
[190] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, 308-310.
[191] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 41.
[192] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, pp 27-29.
[193] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 54, 363.
[194] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 302, 535.
[195] Energy and Water Ombudsman NSW, Annual Report 2023-24, p 66.
[196] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, pp 26-27.
[197] Sydney Water, Strategic Investment Plan – Customer Experience 2025-35, September 2024, p 18.
[198] Sydney Water, Strategic Investment Plan – Customer Experience 2025-35, September 2024, p 19.
[199] Sydney Water, Strategic Customer Engagement Program Phases 1-6 Final Report, July 2024, pp 56-58.
[200] Sydney Water, Annual Environmental Performance Report 2022-23, pp 19-20.
[201] Sydney Coastal Councils Group submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 2.
[202] Sydney Water, Our drinking water management system, accessed 22 April 2025.
[203] Sydney Water, Water analysis, accessed 14 April 2025.
[204] Sydney Water, Daily drinking water quality report, accessed 14 April 2025.
[205] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 54.
[206] Sydney Coastal Councils Group submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024; Western Sydney Leadership Dialogue submissions to IPART 2025 Sydney Water price review – Issues Paper, December 2024; Cooks River Alliance, Parramatta River Catchment Group, and Stormwater NSW joint submissions to IPART 2025 Sydney Water price review – Issues Paper, December 2024.
[207] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 54.
[208] Sydney Water, Strategic Investment Plan 2025-2035 Environmental Protection, September 2024, pp 17-18.
[209] Sydney Water, Water Conservation 2023-24 performance and forward plan, 2024, p 28.
[210] Sydney Water, Strategic Investment Plan 2025-2035 Environmental Protection, September 2024, p 20.
[211] Sydney Water, Strategic Investment Plan 2025-2035 Environmental Protection, September 2024, p 24.
[212] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, p 31.
[213] Sydney Water, Annual Environmental Performance Report 2022-23, p 25.
[214] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 54.

[215] IPART, Water Regulation Handbook, July 2023, p 66.
[216] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, Pp 313-316.
[217] IPART, Water Regulation Handbook, July 2023, pp 69-70.
[218] IPART, Mamre Road Stormwater Scheme Final Report, November 2024, p 2.
[219] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 133, 313.
[220] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 315.
[221] Sydney Water response to IPART request for information, 17 January 2024.
[222] Sydney Water response to AtkinsRéalis' request for information 165.
[223] IPART, Mamre Road Stormwater Scheme Final Report, November 2024.
[224] Sydney Water response to IPART request for information, 17 January 2024, p 4.
[225] Sydney Water response to IPART request for information, 17 January 2024, pp 4-5.
[226] Sydney Water response to IPART request for information, 17 January 2024, pp 4-5.
[227] Sydney Water, Strategic Investment Plan 2025-2035 Water Quality and Reliability, September 2024, p 8.
[228] Sydney Water response to IPART request for information, 17 January 2024, p 2.
[229] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, pp 317- 318.
[230] Sydney Water, Our Water Our Voice Strategic Customer Engagement Program Phase 6 report (Final), September 2024, p 13.
[231] Sydney Water, Our Water Our Voice Strategic Customer Engagement Program Phase 6 report (Final), September 2024, p 63.
[232] Sydney Water, Our Water Our Voice Strategic Customer Engagement Program Phase 6 report (Final), September 2024, p 67.
[233] Sydney Water, Our Water Our Voice Strategic Customer Engagement Program Phase 6 report (Final), September 2024, pp 59-60.
[234] The Justice and Equity Centre submission to IPART 2025 Sydney Water price review – Issues Paper, December 2024, pp 3, 24.
[235] IPART, Water Regulation Handbook, July 2023, p 83.
[236] IPART, Water Regulation Handbook, July 2023, p 69.
[237] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 313.
[238] IPART Act s 24AA
[239] Sydney Water, 2024 Pricing Proposal to IPART, September 2024, p 308.
[240] IPART, Water Regulation Handbook, July 2023.

ISBN 978-1-76049-809-2