IPART Independent Pricing and Regulatory Tribunal | NSW

Review of prices for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June 2028

Draft Report

June 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:

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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 Tuesday, 1 July 2025

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

You can also send comments by mail to:

WAMC Prices 2025-2028
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.

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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.

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Chapter 1

Report Summary

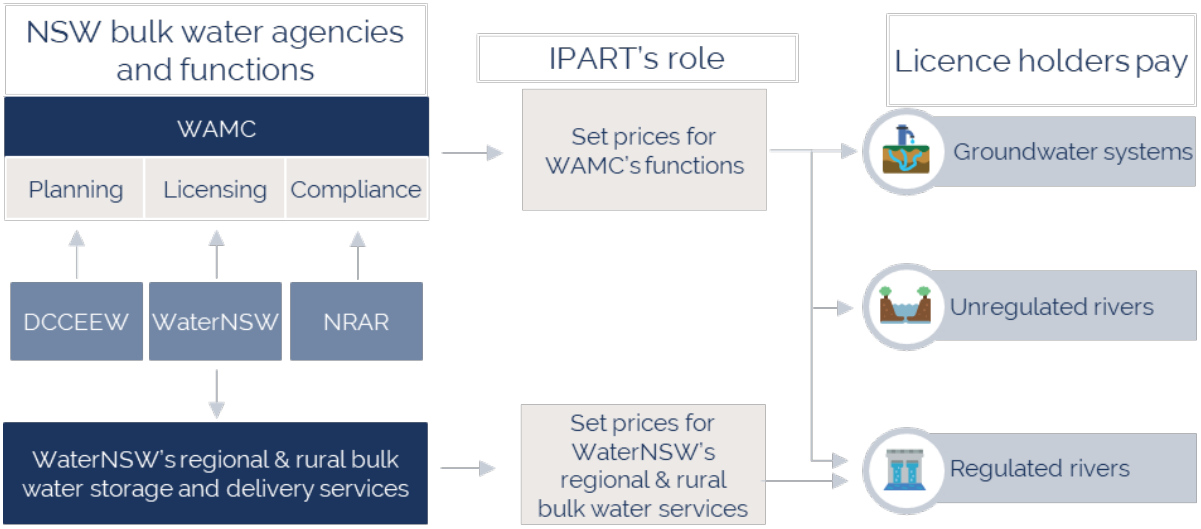
01

1.1 IPART is reviewing WAMC's prices

The Water Administration Ministerial Corporation (WAMC) is the entity responsible for water resource management in NSW. This includes developing plans for sharing water between users and the environment, administering water licences and allocations, and ensuring compliance with water laws and licences. Sustainable, reliable and efficient provision of these water management services is critical to the agricultural sector and the wellbeing of communities across NSW. Effective water management is also critical to the state's ability to manage the impacts of and adaptation to climate variability and climate change.

We are currently reviewing WAMC's prices and have made draft decisions on the maximum prices we propose WAMC can charge its customers from 1 October 2025. This Draft Report sets out and explains our reasons for our draft decisions.

Figure 1.1 Overview of WAMC and WaterNSW functions and IPART's role in setting maximum prices



IPART's role is to set the maximum prices WAMC can charge water access licence holders (WAMC's customers) for these services. In doing so, we set maximum prices that mean customers would only pay for expenditure that is assessed to be efficient having regard to a range of statutory factors that include social impacts and ecologically sustainable development. The prices we set aim to recover a share of the efficient costs of providing water services and support sustainable ongoing service delivery. The prices include:

- **Water management charges**, which aim to recover water customers' share of the costs of WAMC's water planning, regulation, licensing, compliance, enforcement, customer service and other activities.
- **MDBA and BRC charges**, which aim to recover customers' share of the efficient NSW contributions to the cross-jurisdictional water management agencies, the Murray–Darling Basin Authority (MDBA) and the Dumaresq–Barwon Border Rivers Commission (BRC).
- **Consent transaction charges**, which are fee-for-service charges set to recover the administrative costs of issuing or amending water access licences, water allocation assignments and works approvals.

- **Metering charges**, including metering service charges, water take assessment charges, and meter testing and verification charges. These fee-for-service charges are set to recover the cost of maintaining and reading water meters, and of testing or verifying the accuracy of meters.

This Draft Report sets out the maximum prices we propose to apply from 1 October 2025 to 30 June 2028 (2025 determination period).

1.2 We propose increases of up to 5% in maximum prices per year

Since the 2021 review of WAMC's prices, its water planning activities have increased, it has been enhancing compliance regulation, as well as rolling out non-urban metering and floodplain harvesting programs.

At the same time, high inflation has resulted in a challenging environment for water licence holders in NSW. We received a high volume of submissions from stakeholders expressing concerns that the proposed increases in water charges (including the increases proposed by WAMC) could have significant detrimental impacts on water users including agricultural and town water providers and on regional and rural communities.

Our draft decisions attempt to balance a wide range of factors including establishing the efficient costs of WAMC's services and transitioning prices towards full cost reflective levels while mitigating the financial impact on water users. These draft decisions include limiting price increases for water management services including floodplain harvesting, as well as limiting the duration of the pricing determination to 3 years. Our draft decision to set a shorter determination period reflects WAMC's very large proposed increase in costs, our assessment that not all of the increase is sufficiently justified at this stage, the significant recent changes in the level of output required of WAMC, and therefore the elevated level of uncertainty over WAMC's costs in the medium term.

In reaching these draft decisions we considered the legislative, regulatory, and environmental requirements for WAMC, the efficient levels of expenditure for WAMC's activities and the level of evidence available on the efficiency of proposed expenditures (having regard to a range of statutory factors that include social impacts and ecologically sustainable development), customer affordability and resulting community impacts.

In setting prices, our draft decisions are to:

- constrain the increase in WAMC's water management component charges to a maximum of 5% per year and a total of 15.8% from 2024–25 to 2027–28 (before inflation) to mitigate the extent of price increases for WAMC's customers
- constrain the increase in WAMC's water management component charges for customers paying the Minimum Annual Charge (MAC) to a maximum of 2.5% per year and a total of 7.7% from 2024–25 to 2027–28 (before inflation)
- maintain MDBA and BRC charges in line with inflation only from 2024-25 to 2027-28
- continue to apply the water take charges (water management services, MDBA and BRC) to floodplain harvesting licences

- introduce an additional water management charge for floodplain harvesting to help recover WaterNSW's incremental floodplain harvesting costs
- revise the structure of metering charges and update metering charges to reflect our assessment of efficient costs.

We recommend there be a review of WAMC's cost allocation and pricing structures prior to the next pricing review. This review may be led by WAMC, the Department of Climate Change, Energy, the Environment and Water, IPART or another organisation. Further detail regarding this recommendation is included in Chapter 14.

1.2.1 We propose to increase WAMC's water management prices by 5% per year before inflation

Our draft decision is to set WAMC's water management prices to transition towards the level required to recover the customer share of efficient costs of WAMC's water management services. No water sources are expected to achieve full cost recovery prices by the end of the proposed 3-year determination period.

This means we are constraining the increase in WAMC's water management prices to 5% per year, or 15.8% over the next 3 years from 2024–25 to 2027–28.

We propose to accept WAMC's proposal to increase the MAC by 2.5% per year over to the next determination period.

- These price increases are before inflation. We further discuss bill impacts in Chapter 13.
- Users with a regulated river water access licence can also refer to the 2025 WaterNSW Information Paper to review our draft decisions on these components of their water bill.

1.2.2 We propose MDBA and BRC charges to only increase with inflation

Our draft decision is to keep charges that enable WAMC to recover some of the NSW Government's contributions to the MDBA and BRC constant in real terms. This means that MDBA and BRC charges would increase by inflation only from 2024-25 to 2027-28.

Our draft decision was informed by WAMC's proposal. Notably, WAMC did not provide evidence in its proposal that MDBA and BRC contributions delivered sufficient value for its customers. WAMC must ensure that it does not treat MDBA and BRC costs as a pass-through. It is important for WAMC to engage with its customers when developing its proposals for MDBA and BRC. It should also ensure that the proposed MDBA and BRC charges promote the long-term interests of customers.

Our draft decisions on specific charges, including for individual water sources are available in Chapter 10.

More information about our draft decision, including our analysis of WAMC's proposed approach to MDBA and BRC charges is available in Chapter 7.

1.2.3 We propose to adjust WAMC's water management and MDBA and BRC prices in 2025-26 to account for the 3-month delay to new prices

Our draft decision to delay the introduction of new WAMC prices until 1 October 2025 means that existing 2024-25 prices would continue to apply over the 3 months from 1 July to 30 September 2025 and new WAMC prices would apply over the 9 months from 1 October 2025 to 30 June 2026. We propose to adjust WAMC prices to apply over the 9 months from 1 October 2025 to 30 June 2026 to account for the difference in revenue WAMC would expect to recover as a result of the 3-month delay.

The effect of this adjustment is that:

- Water management prices would remain unchanged from 1 July to 30 September 2025 and then increase by 7.7% before inflation from 1 October 2025 to 30 June 2026.
- The MAC would remain unchanged from 1 July to 30 September 2025 and then increase by 4.1% before inflation from 1 October 2025 to 30 June 2026.
- MDBA and BRC prices would remain unchanged from 1 July to 30 September 2025 and then increase by 1% before inflation from 1 October 2025 to 30 June 2026.

These adjustments to prices are intended to result in the average prices applying over 2025-26 being equal to what these prices would have been had the introduction of new prices not been delayed by 3 months. We note that while this adjustment would affect prices that apply over 2025-26, it would not affect prices in 2026-27 and 2027-28.

1.2.4 We propose no real increases to many existing consent transaction charges and propose to set most new charges lower than WAMC's proposal

Our draft decision is to allow no real increases for most existing consent transaction charges. The largest increases relate to existing groundwater assessment components of between 15% and 96% (before inflation), but our proposed draft decision is to set these charges lower than what was proposed by WAMC. Several existing charges would also decrease by up to 83% in line with WAMC's proposal.

We propose to set new charges lower than what was proposed for larger customers (Type A) and for groundwater assessment component charges. For smaller customers (Type B), we propose to accept most new charges as proposed by WAMC, while 3 new charges we propose to set 20% less than what was proposed.

We further discuss how we reached our draft decisions in Chapter 12.

1.3 We propose to set maximum prices for 3 years

Our draft decision is to set maximum prices for 3 years, rather than the 5 years proposed by WAMC. A 3-year determination period will provide WAMC funding certainty, while providing more time for WAMC to develop more robust proposed expenditure past the 3-year horizon. This also ensures that customers do not pay more than the efficient costs having regard to a range of statutory factors that include social impacts and ecologically sustainable development.

Our proposed 3-year determination period reflects:

- WAMC's customer engagement was primarily focussed on informing customers and determining their broad priorities, with less focus on asking customers to consider trade-offs in expenditure and outcomes.
- We are not yet convinced that all of the increased costs proposed by WAMC are sufficiently justified based on our consideration of WAMC's proposal, stakeholder submissions and all the matters IPART is required to consider in this review.

This draft decision is discussed further in Chapter 2.

1.4 Our proposed prices reflect efficient costs

WAMC proposed an 83% annual average increase in its forecast operating costs over 2025-26 to 2027-28 (compared to the 2021 annual average allowance) so that it can deliver its services and obligations. WAMC's actual expenditure in the 2021 determination period has been higher than the amount factored into prices. Efficient costs have increased with the growing requirements that WAMC must meet to implement the *Water Management Act 2000*.

Our draft decision on efficient operating expenditure for water management services over the next 3 years is $318 million. This is:

- $29 million per year (39%) higher than the average annual operating expenditure forecast we used to set prices in the 2021 determination period
- $41 million per year (28%) lower than WAMC's estimated average annual operating expenditure over the 2021 determination period
- $101 million (24%) lower than WAMC's proposal for the next 3 years.

The efficiency of the level of expenditure proposed by WAMC has not been fully justified. Our forecast is within the range of efficient expenditure identified by our independent experts, Stantec, and is calculated by reducing the expenditure proposed by WAMC for:

- $32.2 million in scope adjustments to direct costs
- $48.7 million in efficiency adjustments to direct costs
- $20.5 million in adjustments to corporate overheads.

We propose to allow all of WAMC's actual capital expenditure in the 2021 determination period to be included in the regulatory asset base for recovery in future prices, except for a reduction of $2.7 million in the estimated expenditure for 2024-25.

Our forecast of efficient capital expenditure relating to water management services over the next 3 years is $83.3 million. This is $6.5 million or 7% lower than WAMC's proposal.

Based on our draft decisions on WAMC's efficient costs, we estimate the notional revenue requirement for WAMC's water management services over the next 3 years to be $390 million. Averaged over the 2025 determination period this would be $42.5 million or 49% higher per year than the notional revenue requirement over the 2021 determination period.

1.5 The customer share of efficient costs has increased

Our draft decision is to allocate $319.6 million or 82% of the water management notional revenue requirement to WAMC's customers. We propose to reduce the customer share for one activity, W06-05 Regional planning and management strategies, from 60% to 0%. However, increases in expenditure requirements have tended to occur for activities with higher customer shares. As a result, the overall customer share of 82% is slightly higher than the 78% customer share for water management in the 2021 Determination. We note that our draft decision to cap water management prices at 5% per year before inflation means that WAMC prices will not fully recover the customer share of WAMC's efficient costs.

1.6 We have reviewed and updated metering charges

In response to the Matthews Inquiry into water theft, the NSW Government introduced the non-urban metering policy in 2018[1] to improve the accuracy, transparency, and accountability of water measurement across the state.[2] As part of the 2021 Determination, IPART approved the charge structure proposed by WaterNSW which included the introduction of 5 new non-urban metering charges to recover the efficient costs of implementing the NSW Government's non-urban metering reforms.[3] The new charges were the Scheme Management charge, Telemetry charge, Non-telemetry charge, Meter Service charge (operating costs), and Meter Service charge (capital costs). In addition to adding new metering charges, various existing charges relating to metering were also maintained.

For the forward period WAMC proposed to introduce 2 new charges, the Attestation charge and the Alternative Assessment charge, discontinue the Meter Service charge (capital costs), and to rename the Non-telemetry charge to an LID download/validation charge.

Our draft decisions are to:

- maintain the Scheme Management charge and the Telemetry charge
- discontinue the Non-telemetry charge and the Meter Service charge (capital costs)
- not implement the proposed Attestation charge or the proposed Alternative Assessment charge
- allow WAMC to charge customers, which would have otherwise had the Alternative Assessment charge applied, a water take charge corresponding to 100% of entitlement volume for the given billing year
- maintain the other non-urban metering charges.

We have made these draft decisions on the charge structure to allow WAMC to recover costs for which they have sufficiently justified the revenue requirements. We consider that the 2 new charge categories WAMC proposed to have insufficient evidence that implementation of the charges is necessary and that the charges are efficient. We further discuss how we reached our draft decisions in Chapter 11.

1.7 We considered feedback from the community

We heard from a wide range of stakeholders during the consultation period. This included 230 submissions to our Issues Paper, including 174 individuals and businesses, 40 industry organisations and associations, 12 government bodies including local councils, and 3 regulated businesses.[a]

Issues raised commonly by many stakeholders from the submissions included:

- concerns about the affordability of proposed prices
- cost shares and IPART's impactor pays approach
- service quality and value for money
- customer engagement
- environment.

In addition, stakeholders provided feedback on First Nations water rights, over-regulation and a lack of a holistic plan for rural water.

Affordability and fairness of proposed prices was the central theme of most submissions to the Issues Paper, including from individuals and organisations. Many submissions highlighted risks in the viability of agricultural operations if prices increase too much for rural water.

To better understand these perspectives, IPART has obtained additional data to conduct its own impacts analysis of WAMC's proposal for farming businesses and local water utilities. Our detailed analysis is available in Appendix C.

Concerns over cost shares were related to affordability, as well as service levels.

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 Draft Report summarises what we have heard from stakeholders so far in this review.

[a] There was one additional submission which was concerned with a concurrent IPART pricing review of a different water business. That submission was referred to the appropriate pricing review.

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

- used a range of engagement methods, and its pricing proposal incorporated customer preferences
- included efficiency targets and an associated strategy in its pricing proposal and proposed a mechanism to transition prices to full cost recovery levels, though it did not use the base-trend-step approach and could not fully justify all of its proposed expenditure
- proposed a suite of outcomes and performance measures which it proposed to publicly report on annually.

1.9 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 1 July 2025.

Have your say

Your input is critical to our review process.

You can get involved by submitting feedback to our price review. We are seeking feedback by 1 July 2025 on our draft decisions.

Submit feedback »

Figure 1.2 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 1.2 WAMC water pricing review timeline

1.10 Structure of this report

The rest of this report provides more information on this review, our approach and our decisions:

Chapter	
01	Gives a summary of WAMC's pricing proposal, including the bill impacts under our draft decisions for customers.
02	Describes IPART's regulatory framework for water businesses and IPART's role, our assessment of the pricing proposal and how it has shaped our review.
03	Explains WAMC's stakeholder engagement activities, summarises feedback received as well as IPART's response to the feedback.
04	Operating expenditure and capital expenditure
05	Other costs and notional revenue
06	Cost shares and cost drivers
07	Expenditure and notional revenue requirements for the Murray Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC).
08	Demand
09	Price setting
10	Draft prices
11	Metering
12	Consent transactions
13	Impact of draft prices
14	Performance and accountability

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1.12 Tell us what you think

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Chapter 2

Assessment of WAMC's pricing proposal

02

Summary of IPART's draft decisions on WAMC's pricing proposal grading

We grade WAMC's pricing proposal as Standard

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

Our draft decision is to set prices for a 3-year determination period

Under the water regulation framework, the default length of a determination period is 5 years, however IPART can set a determination period of a shorter length.

Our draft decision is to set prices for 3 years as we are not yet convinced that all of the increased costs proposed by WAMC are sufficiently justified based on our consideration of WAMC's proposal, stakeholder submissions and all the matters IPART is required to consider in this review.

We regulate maximum prices for water businesses under the IPART Act. Our Water Regulation Handbook (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 (evidence their plans will be delivered).

Each water business self-assesses its pricing proposal as either Standard, Advanced or Leading using the 12 guiding principles set out in our Handbook as part of their pricing proposals. 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 WAMC'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 maximum 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.

Figure 2.1 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 WAMC - to actively involve and engage with its 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 that this is the first time WAMC 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.

Our review must also balance the cost pressures that many of WAMC's customers are facing with its ability to continue providing the services and infrastructure that its customers depend on.

Chapters 4 to 14 provide our detailed assessment of how we analysed each aspect of WAMC's pricing proposal. However, ultimately these were all underpinned by 3 key criteria:

01 Customers pay no more than needed

We review operating and capital costs to ensure what customers pay is fair and efficient. We also identify any productivity improvements that WAMC 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 WAMC's proposal as Standard

Our draft decision is:

1. To grade WAMC's pricing proposal as Standard.

Our reasons for a Standard grading

Customers

WAMC used its 'WAMC Engagement Charter' to engage with customers in developing its Engagement Outcomes, and incorporated customer preferences in its pricing proposal. This included feedback from surveys, public consultations, and workshops through a range of channels in collaboration with WaterNSW.

Some elements of WAMC's customer engagement could be improved for the next price review. This includes focussing more on seeking and incorporating customer input on a wider range of areas, rather than informing customers on the roles of WAMC and its agencies.

Costs

WAMC included efficiency targets and an associated strategy in its pricing proposal. Acknowledging the customer impact of proposed prices, WAMC proposed a mechanism to transition its prices to full cost recovery levels.

WAMC did not use the base-trend-step approach specified in our Water Regulation Handbook. WAMC's proposed expenditure is based on its actual expenditure during the previous determination period, which was higher than its allowances in that determination. WAMC has proposed efficiency targets to reduce spending below these levels, however it could not fully justify all of its proposed expenditure.

Credibility

The credibility of WAMC's proposal is supported by an articulated path towards meeting customer outcomes and achieving cost efficiency. There are some challenges however including a lack of a clear accountability framework, and there were errors in the pricing proposal which subsequently needed to be corrected.

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 the 3Cs 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.

Source: IPART, Water Regulation Handbook, July 2023.

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

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

- historical and proposed operating and capital expenditure, including the proposed costs of the Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC)
- performance against its output measures and performance indicators
- consent transactions and miscellaneous charges
- proposed metering program and associated costs.

Our draft decisions on WAMC's efficient expenditure are set out in Chapters 4 to 7 of this report.

2.2.2 WAMC self-assessed its proposal as Standard

WAMC self-assessed its proposal as 'Standard', and identified 5 focus principles from our water regulation framework that it considered reflected its customers' priorities.[4] These focus principles were given greater emphasis in our review of the proposal compared to the other principles. WAMC told us that its focus principles were:

- 2 Customer focus principles
  - customer engagement
  - customer outcomes

- 2 Cost focus principles
  - balance of risk and long-term performance
  - equitable and efficient cost recovery
- 1 Credibility focus principle
  - demonstrating continuous improvements.

In making its self-assessment, WAMC told us that it chose appropriate engagement methods which included conducting stakeholder research through its surveys, interviews, and Water Working Groups (WWG). It also told us that its proposed performance targets were informed by past performance, customer engagement and its legislative responsibilities, and that it will report annually upon its performance against these targets. This is part of a broader commitment by WAMC to provide more information to its customers and stakeholders, and to improve transparency around its water management decisions.

On cost principles WAMC told us that its proposed investment and asset management decisions are informed by cost benefit analysis and a risk-based approach.[5] WAMC's proposal also stated that it had been informed by long-term water strategies, including the NSW Water Strategy, the NSW Aboriginal Water Strategy, their Joint Technology Roadmap, among others.[6]

On credibility principles, WAMC indicated that it is committed to efficiency by lowering expenditure while water management activity is forecast to increase, and ensuring it meets key performance targets and supports long-term water strategies.

For more information, see Attachment B of WAMC's pricing proposal.

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

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

We took a holistic approach to assessing WAMC's proposal. We considered WAMC's self-assessment of its proposal against each of the 12 guiding principles. However, in keeping with our water pricing framework we allocated a single grade to the proposal as a whole, rather than allocating a grade to each principle. This recognises that each proposal's grading is not a simple weighted average of the grades for each of the 12 principles. It also reflects the importance of businesses developing robust pricing proposals that balance customer, cost and credibility outcomes according to customer preferences.

In reaching this draft decision we considered that:

- WAMC's pricing proposal incorporated customer preferences, and the water business used its 'WAMC Engagement Charter' to engage across its 3 agencies with customers and to develop its Engagement Outcomes. This included surveys, public consultations and workshops through a range of channels in collaboration with WaterNSW. While customers had concerns about the level of engagement, some noted an improvement relative to past efforts.[7]

- WAMC included efficiency targets and an associated strategy in its pricing proposal. Acknowledging the customer impact of proposed prices, WAMC proposed a mechanism to transition its prices to full cost recovery levels. However, WAMC did not use the base-trend-step approach specified in our Water Regulation Handbook (Handbook). WAMC's expenditure during the 2021 determination period exceed the allowances in that determination. WAMC's proposed efficiency targets are relative to its previous actual expenditure levels. WAMC could not fully justify all of its proposed expenditure for the 2025 determination period.
- The credibility of WAMC's proposal is supported by a planned path towards meeting customer outcomes and achieving cost efficiency. There are some challenges however including a lack of a clear accountability framework, and there were errors in the pricing proposal which subsequently needed to be corrected.

We note that this is the first time WAMC has submitted a proposal under IPART's water regulation framework, supported by our Handbook. We have taken this into account when assessing the proposals submitted by the water businesses.

In assessing WAMC's proposal, we identified some areas for improvement, where we anticipate that WAMC will develop upon in its subsequent pricing proposals. These are discussed throughout our Draft Report, and include elements across all of the 3 principles of customer, cost, and credibility under IPART's water regulation framework.

Further, we make draft decisions which impact customer prices to avoid price shocks for customers in the transition to full cost recovery (see Chapter 9 and Chapter 10).

2.2.4 WAMC made a number of corrections to its pricing model

In December 2024 the Department of Climate Change, Energy, the Environment and Water (DCCEEW) issued a correction on behalf of WAMC to its proposed prices after identifying 2 errors in its initial pricing proposal. In its correction, DCCEEW stated that these errors were[8]:

- Metropolitan water planning charges for WaterNSW and Hunter Water Corporation had erroneously included water management prices and additional Hunter Water costs, meaning proposed metropolitan water charges were higher than they should have been.
- Water management prices in 2024-25 did not reflect floodplain management licences, leading to proposed prices being higher than they should have been in these valleys.

We have provided a table in Appendix G linking these corrections to the corresponding tables in WAMC's pricing proposal.

2.3 Length of determination period

Our draft decision is:

2. To set a 3-year determination period commencing 1 October 2025 and ending on 30 June 2028.

Under our water pricing framework, the default length of a determination period is 5 years. This is intended to facilitate and encourage long-term planning. A business can propose a determination period of a different length, but this needs to be clearly justified in its pricing proposal and supported by customers.

IPART can also set determination periods of differing lengths from this default at its own discretion, if it decides that doing so is appropriate and in the best interests of customers.

Our draft decision is to set a shorter determination period of 3 years for WAMC. Our primary considerations in making this decision were:

- Customer engagement was primarily focussed on informing customers and determining their broad priorities, with little focus on asking customers to consider trade-offs in expenditure and outcomes.
- WAMC did not include sufficient justification for its proposed expenditure, particularly in years 4 and 5 of the pricing proposal.

A shorter determination period will provide WAMC funding certainty, while providing it more time to develop more robust justification for proposed expenditure past the 3-year horizon.

Seek Comment

1. What are your views on the proposed 3-year determination length?

2.4 We reviewed WAMC's customer engagement

Under the water pricing framework, we assess each water business' 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 engaged with its customers in a meaningful way to understand its customers' needs and preferences, and that these insights have been 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 International Association for Public Participation's (IAP2) Participation Spectrum[a], 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.

2.4.1 WAMC undertook a 2-phase engagement program

WAMC collaborated with WaterNSW to engage with customers across a number of channels, including:[9]

- Voice of customer surveys – a research program to gather qualitative and quantitative insights on the views and experiences of water customers.
- Water Working Groups (WWGs) – a series of primarily online meetings aimed at understanding customer and community priorities for bulk water and water management services to inform WaterNSW and WAMC's pricing proposals.
- Customer Advisory Groups (CAGs) – face-to-face forums hosted by WaterNSW where nominated representatives of all types of water users advise on issues relevant to water management programs, pricing, and delivery of services.
- Public sentiment and stakeholder interviews.

Across these activities its engagement covered 4 main areas:

- customers' preferences for service levels and maximum tolerable price increases
- WAMC's cost drivers and proposed investment levels
- optimal levels of NRAR compliance enforcement activity
- customer, community and environmental outcomes and performance measures.

WAMC undertook a 2-phase approach to its engagement. The first phase focused on 'looking back' to build a fuller understanding of customers' views on how WAMC is delivering its statutory and regulatory obligations. During this phase WAMC also analysed past engagements on its policies, and held initial meetings with WWGs and CAGs.

Phase 2 consisted of targeted engagement to seek feedback on specific aspects of WAMC's pricing proposal. This included polling stakeholders to test options for proposed prices, service levels, and investment programs for the coming determination period. The performance of WWGs and CAGs was also evaluated towards the end of this phase, which included seeking stakeholder feedback on how effectively they felt WAMC had engaged with them through these programs.

[a] 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).

WAMC consulted with a wide range of customers using different methods to target them

As a result of its engagement program, WAMC received input from customers across a wide geography, spanning licence holders, community members and First Nations people. This feedback included:[10]

- 1,188 Voice of Customer survey participants
- 450 community sentiment survey participants
- 48 peak body, industry and government stakeholder interviews
- 10 information and engagement sessions
- 13 online WWGs.

For instance, in constructing each WWG, participant recruitment goals included a representative from an agricultural producer, an industrial activity, an irrigation operator, a water user association, First Nations groups, Council, an environmental group, a recreation group, a community organisation, and environmental water holders.[11] We note that this full breadth was not always achieved and not all of those stakeholder groups were ultimately represented in each of the WWGs.

We expect that a water business will engage with and consider the needs of First Nations peoples to identify community outcomes. WAMC stated in its pricing proposal that it engaged in targeted First Nations engagement through the WaterNSW First Nations Roadshow in late 2023, and through the NSW Aboriginal Water Strategy which will be delivered separately to the WAMC pricing proposal.

WAMC linked customer preferences with outcome measures and the broader pricing proposal

WAMC told us the priorities and outcomes outlined in chapter 2 of its pricing proposal are based on what its customers said are important to them.[12] This included priorities around water management and planning, customer service and information, as well as compliance and enforcement. WAMC's 4 high-level customer priorities are outlined below in Table 2.1.

Table 2.1 WAMC's customer priorities and outcomes

01	Enhanced customer experience
02	Sustainable and effective water resource management
03	Confidence in water resource management
04	Value for money

WAMC evaluated its Engagement Outcomes in Attachment D of its pricing proposal. WAMC's findings suggested the key considerations that its customers valued most were:[13]

- assurance of water security and reliability
- support for NRAR's enforcement activities, with a strong preference for on-site visits
- licence holders and taxpayers are divided as to whether there should be increased funding by water users
  - many licence holders questioned the 'impactor pays' principle and supported increased government funding
  - conversely taxpayers generally preferred that users pay for a larger share of WAMC's expenses
- efficient delivery of WAMC services and minimising duplication of WAMC's activities
- simplifying WAMC's current pricing structure.

While feedback from WWGs and other engagement activities does align with the WAMC's proposed outcomes and associated measures, it underrepresents key feedback messages which we observed in submissions to our Issues Paper. Namely, affordability was paramount in stakeholder submissions as well as cost shares (Chapter 3).

WAMC proposed to cap annual price increases at 15% (plus inflation) for users not on the Minimum Annual Charge (MAC). WAMC proposed this cap level having only surveyed stakeholder preferences for caps between 2.5% and 10% (plus inflation), The proposed increase of 15% (plus inflation) is higher than what was consulted on, and much higher than surveyed customer preferences.

Further discussion of our draft decisions on pricing is in Chapter 9, and reporting and accountability in Chapter 14 of this report.

WAMC considered different types of customers and stakeholders, and appropriate levels of consultation for them

WAMC's Engagement Charter states that the purpose of WAMC's customer engagement activities are to 'inform' and 'consult' its customers.[14] We note WAMC has many functions which are defined by legislation and therefore leave less scope for a more collaborative approach. However, we consider that WAMC's approach may have limited its ability to genuinely engage on trade-offs between service levels and costs, particularly in areas such as floodplain harvesting and non-urban metering.

WAMC included both licence holders and other community representatives in its engagement activities to allow for a more comprehensive view of stakeholder preferences. However, it may also have impacted quantitative survey results.

One submission raised a concern about how data was collected during the WWGs. Following WWG presentations surveys were undertaken to collect stakeholder feedback on the topics discussed. These surveys did not record whether the respondent was a licence holder or not. Another issue the submission raised was that the range of pre-written answers to select from did not always capture the full range of customer views, noting the lack of an option to write a custom response.[15]

There is scope for continual improvement in WAMC's customer engagement

We found WAMC's customer engagement program was impacted by challenges which could be the subject of continual improvement in future pricing proposals. Some participants praised WAMC's efforts to engage customers in the price proposal more than has been done in the past and noted that WAMC had made meaningful efforts including through its CAGs, WWGs, field days and site tours.[16] [17] Many stakeholder submissions, however, have also emphasised the need for WAMC to further develop its customer engagement program.[18] [19]

Consultation was described by some stakeholders however as not sufficiently representative, and some suggested that their views were not sufficiently incorporated into the pricing proposal given the proposed price increases. Stakeholder feedback is discussed further in Chapter 3.

Following the conclusion of phase 2, WWG participants were asked to evaluate the process and provide anonymous feedback on the quality of each meeting. These evaluations indicated that participants felt that WAMC had made positive steps in improving its engagement activities, with around 79% of respondents reporting that their session was 'good' or 'excellent'.[20]

An opportunity for improvement we identified in WAMC's customer engagement was accessibility. We expect a business to communicate with its customers in a clear and timely manner. We also expect that businesses will endeavour to ensure that all the material they publish is accessible.

WAMC does not publish its performance metrics, engagement materials, or pricing proposal on its own website. As a result, a customer wishing to know about these matters are able only to find them on IPART's website. WAMC should develop an online presence so that it can be found by customers as a matter of urgency. Further, WAMC's pricing proposal was initially submitted in a format which was not searchable, and did not include any alt-text for its images and figures.

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 an Issues Paper on the 2025 pricing proposals for WAMC and WaterNSW rural and regional along with a call for submissions in response to the Issues Paper. This included how WAMC 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 WAMC's pricing proposal by sending us written submissions. On 14 November 2024 we also held an online public hearing which allowed the community to provide comments and ask questions directly to WAMC and to IPART.

In total, we received 230 submissions to our Issues Paper. We thank all stakeholders for their time and effort spent to provide us with feedback. We considered all feedback received to inform the analysis and draft decisions on WAMC's prices.

3.2 We received a high volume of submissions

We received a total of 230 submissions to our Issues Paper with almost all submissions relevant to both pricing reviews, including 174 from individuals and businesses, 40 from industry organisations and associations, 12 from government bodies including Councils, and 4 from regulated businesses.[a]

Of the submissions we received, 61 were confidential. While we have considered all submissions in reaching our draft decisions, this report only refers to those submissions that are not confidential.

[a] The three regulated business that provided submissions to our Issues Paper were the Natural Resources Access Regulator (NRAR), Hunter Water, and WaterNSW (noting that WaterNSW provided two submissions). There was one additional submission which was concerned with a concurrent IPART pricing review of a different water business. That submission was referred to the appropriate pricing review.

Issues raised commonly by many stakeholders from the submissions included:

- concerns about the affordability of proposed prices
- cost shares
- service quality and value for money
- customer engagement
- environment.

In addition, stakeholders provided feedback on First Nations water rights, over-regulation and a lack of a holistic plan for rural water.

3.3 Affordability was the key concern amongst stakeholders

Affordability and high inflation were key concerns among stakeholders for this review. We recognise that prices at even the proposed capped rate, with inflation could have substantial impacts on some customers. Affordability and fairness of proposed prices was the central theme of almost all (174) individual submissions to the Issues Paper, as well as organisational responses.

Dozens of submissions suggested that their farming operation or farming operations of those in the community would become non-viable.[21] Submissions warned that WAMC's proposed price increases would cause them to reduce staffing[22], sell water entitlements (noting additional costs for this)[23], reduce or cease irrigating operations. Commonly referenced industries in submissions include beef and dairy farms, as well as farms growing grains, cotton, and rice.

Many submissions highlighted that even with a 15% annual cap, water management prices would double over the course of the determination (without factoring in CPI), making them unaffordable for water users.[24] Ricegrowers Association of Australia suggested that it is disingenuous for WAMC to claim a modest cap on prices when it is applied to cost blow-outs.[25]

Irrigators further warned that if prices threaten the viability of agriculture in NSW, it could cause challenges feeding the population of NSW through increased transport costs, higher grocery prices, and reliance on other states and countries for food.[26] Irrigators cited increasing cost pressures on other farming inputs, and the inability of farmers to pass on costs due to a lack of market power, or long term contracts for supply of goods.[27]

Feedback on the 2.5% cap for annual increases for the Minimum Annual Charge (MAC) was mixed, and seen as a far more acceptable cap. Some smaller users made submissions about paying minimum charges on entitlements that cannot be used, which have risen and will continue to rise (at 2.5% plus CPI under WAMC's price proposal).[b]

Submissions highlighted that the proposed higher prices are to cover existing services obligations, rather than improving services to customers[28] (discussed further below). A theme through submissions was that there did not appear to be strong justifications for the price increases, which are far above CPI.

[b] WAMC has stated in its pricing proposal (pp 148-149) that if small users were to pay for the full fixed administrative costs for licences their bills would exceed the MAC. This highlights a potential disconnect between WAMC's charges and customers' understanding of what the different charges represent in their water bills.

Our Issues Paper and associated Information Paper included the proposed capped prices (capping water management fees excluding MDBA/BRC[c] charges and floodplain harvesting at 2.5% for MAC and 15% otherwise). Some stakeholders questioned what would happen if IPART decided on a price cap but additional funding was not forthcoming.[29]

Stakeholders strongly challenged the analysis and suggestions by WAMC that customers can afford the proposed price increases.[30]

This theme was raised by several stakeholders at the public hearing. Claire Miller (NSW Irrigators Council) questioned the WAMC pricing proposal suggestion that larger water users were better able to withstand the proposed 15% annual price increases compared with small water users who are proposed to face 2.5% annual increases on the MAC. Claire stated that the proposed price increases are unaffordable and suggested that stakeholders need to see WAMC's analysis that shows that water users can afford the increases.[31]

IPART has conducted affordability analysis of WAMC's proposal as part of our pricing review (see Appendix C), and we have also considered the impact of our draft decisions in Chapter 13.

3.4 Current cost share ratios are not supported by many water users

A large number of submissions expressed a view that cost shares should be reviewed. Many of these submissions included arguments concerning the merits of the impactor pays principle and included calls for the NSW Government to take on a greater share of costs for activities where the wider community is a beneficiary.[32] Most of these submissions tended to link the unaffordable proposed prices with the perceived inequity of rural water customers having to pay for activities that provide wider benefits to the community or to pay to remediate poorly executed projects by the water business.[33] [34]

Some submissions highlighted the additional costs in the pricing proposal of reviewing more Water Sharing Plans and other regulatory and legislative requirements in water planning and management.[35] These submissions suggest that such costs (i.e. costs incurred for environmental outcomes or due to increased regulatory requirements on water businesses) are not directly attributable to rural water customers, and that the Government share for these costs should increase.[36]

A few submissions challenged the inclusion of NRAR's costs in customer prices.[37] One submission noted that NRAR had acknowledged during the public hearing that the vast majority of water users are compliant and then suggested that the actions of a handful are being paid for by all.[38] Another pointed out however that water users themselves are the beneficiary of NRAR's compliance activities as these activities result in the greater availability of water.[39]

NRAR's chair Craig Knowles relayed a statement by the NRAR board both in the public hearing and as a submission, which questioned the applicability of the *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004* on the activities of NRAR.[40]

[c] These acronyms refer to the Murray Darling Basin Authority (MDBA), and the Dumaresq-Barwon Border Rivers Commission (BRC), respectively.

In response to the additional costs to meet regulatory obligations, one stakeholder submitted that setting a larger Government share for activities where there is wider public benefit would give Government an incentive for cost-effectiveness and efficiency in the design of policy settings and regulatory requirements.[41]

Another stakeholder suggested that the impactor pays principle is not aligned with the National Water Initiative which states that "Best Practice Water Pricing should give effect to the 'user pays' model", which they see as more aligned with a 'beneficiary pays' approach.[42] They also submit that NSW is currently the only state that sets water prices according to the impactor pays model.[43]

Additionally, one large irrigation stakeholder submitted that the customer share of costs in the Murrumbidgee Valley is not proportionate to the extent of water usage by consumptive water users, and cites the Water Sharing Plan for the valley which outlines that half of the average annual flow which must be preserved and will contribute to the maintenance of basic ecosystem health.[44]

Some stakeholders made submissions that raised a broader point about whether the current cost sharing framework is reaching a point where it is unviable, as a declining customer base is asked to pay for new and enhanced costs resulting from increased expectations of Government and the community, while at the same time facing significant economic headwinds which affect their ability to pay the basic costs needed to sustain their businesses.[45] Further, as WAMC transitions to full cost recovery, the overall customer share has been increasing.[46]

The NSW Irrigators Council (NSWIC) submission and comments at the public hearing were also critical of the impactor pays principle. The NSWIC suggest that WAMC should adopt a user-pays model such as in Victoria, with the cost being paid statewide, including from metro households and businesses. The NSWIC also argue that the definition of 'impactor' is too narrowly defined, and IPART's counterfactual is flawed as high consumptive use from towns is a given, and climate change has not been caused by NSW irrigators.[47]

We discuss our consideration of cost shares in Chapter 6.

3.5 Customers don't see service levels as rising with water prices

Many stakeholders perceived rising prices to not be associated with greater service levels, and instead are partly attributable to failed program implementation, poor organisational structures, and a monopolistic approach which did not consider the needs of customers, particularly the need to deliver efficiently for a low price.

Some stakeholders questioned the costs of NRAR, including what regulatory standard they are aiming to reach and how they are budgeting to achieve that level efficiently.[48] Further to this, some stakeholders highlighted the inefficiency in having to report information to multiple agencies.[49]

There were a large number of submissions which referenced costs and challenges involved in non-urban metering, with criticisms of a range of elements of the program.[50] Concerns were based around overall cost and meters that are not robust or experience many errors.[51] Stakeholders perceive that they are now paying for the remediation of a failed project through their water prices.[52]

Some stakeholders suggest that mistakes in the design and implementation of metering reform are being repeated in floodplain harvesting measurement, leading to implementation delays, and increased costs both for government and customers.[53]

Stakeholders also expressed concerns about the lack of accountability for charges passed through from the MDBA[54] and paying for entitlements which they were not able to use.[55]

3.6 Some customers didn't feel sufficiently engaged

A number of the submissions were from stakeholders who participated in WAMC's stakeholder engagement processes, which is required under the Water Regulation Handbook[d]. This includes members of the Water Working Groups (WWGs) as well as the Customer Advisory Groups (CAGs).

Some stakeholders described the consultation as a 'tick box exercise', that they were not able to reject expenditure and that they did not feel like their voice was valued. Stakeholders submitted that they felt WAMC attended the WWGs, advised on what their activities would be and explained them rather than asking and engaging on them.[56]

Stakeholder groups submitted that they weren't provided sufficient information at the valley level[57], sufficient modelling to justify expenditure and price increases, or time to assess relevant material.[58] A number of customers expressed that their input to consultations, and particularly their opposition to price increases (and cost shares) was not taken into account.

Complaints included that the cumulative impacts of expenditure were not provided or able to be factored into responses[59], and a large proportion of expenditure was presented as simply out of the control of the water business. Further, IPART received feedback that the 15% price cap proposed by WAMC had not been consulted on.[60]

Many water users expressed dissatisfaction with the level of inclusion of community stakeholder views, and others who are not water licence holders being part of consultations[61], or that the water literacy of some participants was very low[62], and talks being held at inconvenient times.[63]

We consider that it is not always necessary for a qualitative consultation to only poll stakeholders of a similar type, or to use weighted sample sizes, to accurately represent the balance of views. However, we also note that for a survey which reports back what percentage of respondents agreed or disagreed with a particular notion (such as support for revenue caps), this may impact the conclusions drawn from that consultation.

A different view by one stakeholder was that price caps and cost shares which move costs to government would shift costs to taxpayers, who were not consulted in the pricing proposals at all.[64]

[d] It is important to note that much of the customer engagement was performed a joint way, at the same meetings as regarding WaterNSW.

Some customers noted it was difficult to get information or be engaged. One stakeholder commented that WAMC simply directed customers to the IPART website for information, and provided no plain language emails.[65] We note that the combined price impact of WaterNSW and WAMC prices was not available until IPART published an Issues Paper and detailed Information Paper to ensure public awareness of the price impacts in November 2024, and it would have therefore been difficult for stakeholders to assess the combined impact of proposed prices until that time.

3.7 Environmental considerations and First Nations water rights were key issues for some stakeholders

3.7.1 Environmental considerations were included in multiple submissions

We received a submission from the Commonwealth Environmental Water Holder (CEWH), who noted that as the largest environmental water holder, they would see a significant increase in annual costs from WAMC under its pricing proposal, as was the case in the previous determination.[66] CEWH highlighted significant contributions to environmental objectives including providing river flows that support good quality water for the environment and water users, connecting rivers to floodplains to maintain food chains and support fish movement, filling wetlands that support native fish and birds, supporting environmental recovery following drought, and building drought resilience.[67]

Whilst many submissions expressed support for environmental outcomes, this was most often accompanied by a view (commonly shared by irrigators) that water licence holders should not be solely responsible for funding stricter environmental regulation and better environmental outcomes under the cost shares.[68] The basis for this assertion is that all NSW residents benefit from a better environment, and the Government is creating the costs by passing legislation and regulations.

Macquarie River Food & Fibre suggested the approach of considering climate change in Water Sharing Plans should be reviewed with a view to considering scenarios rather than forecasts.[69]

At the public hearing, the Nature Conservation Council (NCC) broadly supported WAMC's pricing proposal citing the importance of increased funding for developing Water Sharing Plans and policies. NCC noted that extraction limits do not consider the environmental requirements of rivers and wetlands nor consider climate change forecasts and that the way Water Sharing Plans are made prevents inclusion of recent droughts in determining water allocations. They also highlighted that the NSW Government has acknowledged the importance of considering climate change risks in policy decisions.[70]

3.7.2 First Nations water rights are important

The New South Wales Aboriginal Land Council (NSWALC) and Murray Lower Darling Rivers Indigenous Nations (MLDRIN) made submissions focussing on impacts on Aboriginal communities and licence holders.[71]

These submissions emphasised the principles that water rights for Aboriginal communities and organisations are a matter of equity, historical dispossession and reconciliation, as well as a vehicle for economic self-sufficiency.

NSWALC highlighted the impact of rising prices on Aboriginal communities and Local Aboriginal Land Councils (LALCs), stating that IPART should consider the negative social impacts, and provide fee-relief and exemptions to avoid undue hardship and pressure on communities. NSWALC submitted that as healthy fresh cheap drinking water is a right, the necessary higher costs of delivering water in rural NSW should not be passed onto customers by LALCs.[72]

Further, NSWALC stated its strong position that rising prices should not negatively impact Aboriginal communities and organisations, and that there should be no fees for Aboriginal Cultural Specific Purpose Access Licences (SPAL), with exemptions extended to Aboriginal Community Development and Environmental SPALs. NSWALC noted pricing needs to take into account the NSW Aboriginal Water Strategy and the Closing the Gap National Agreement.[73] Both NSWALC and MDLRIN suggested that commercial water access licences be fee-free for First Nations people and organisations.[74] MDLRIN pointed to the Victorian Water is Life Roadmap as an example.[e]

NSWALC doesn't consider the current penalties under regulations to be a sufficient deterrent for water offences, and suggested instead that offenders have water licences suspended and given to Aboriginal organisations.[75] On cost shares, NSWALC supported efforts to improve the health of waterways, but did not believe those costs (through Water Sharing Plans) should be absorbed by Aboriginal water users and licence holders.[76]

MLDRIN suggested that the First Nations consultation on the WAMC pricing proposal was not transparent, with the related NSW Aboriginal Water Strategy not including targeted consultations prior to mid-2024 and noted that it did not participate in the 2023 WaterNSW First Nations Roadshow.[77] MLDRIN highlighted differences between sections of the WAMC Engagement Outcomes attachment as to whether First Nations representatives were invited to or included in Water Working Groups (WWG) and suggested asking WWG participants to rank the importance of priorities including "Access to water for First Nations people" is inappropriate as it is non-negotiable.[78]

MLDRIN raised questions about language used in the WAMC pricing proposal which committed to 'strengthening statutory planning engagement with First Nations people', while Attachment D of the WAMC pricing proposal references inclusions for best practice engagement[f]. This potentially represents a different standard which MLDRIN sees as having different cost implications.[79] MLDRN supports WAMC's proposed activity of developing a framework to evaluate statutory plan outcomes regarding Aboriginal people and the local cultural value of water ecosystems, and requests for First Nations peoples to be part of the development and share decision making authority.[80]

Support for Aboriginal Special purpose licences is discussed in Chapter 10 of this Draft Report.

[e] See Victorian Government Water is Life Roadmap. We note that under this program, purely commercial licences are not included, and funding is from the Victorian Government rather than a cost paid by other water users.

[f] Compare page 62 of the WAMC pricing proposal, with page 46 of Attachment D to the WAMC pricing proposal.

3.8 Other issues were also raised

3.8.1 Pricing errors were referenced by Hunter Water

Hunter Water provided a submission noting that amounts outlined in the WAMC proposal are well above what Hunter Water had expected including water management and payments for recovery of the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) costs for development of the Lower Hunter Water Security Plan.[81] In response, WAMC wrote to IPART correcting the relevant errors.[82]

3.8.2 Over-regulation and lack of a holistic plan for rural water was highlighted

Lachlan Valley Water (LVW) submitted that the level of regulation imposed on the Murray-Darling Basin (MDB) irrigation industry is excessive. It queried the role of WaterNSW and NRAR on licence enforcement when metering usage monitoring and telemetry systems already ensure compliance. LVW also cited those in the MDB must comply with the *Basin Plan 2012* and that compliance is administered by both MDBA and NRAR. LVW acknowledges that regulation is designed to manage finite water resources sustainably but notes that such regulation leads to high costs and administrative burden for farmers.[83]

Macquarie River Food & Fibre (MRFF) made a similar claim regarding the level of NRAR regulation. MRFF suggests that there is an incentive for NRAR to raise compliance standards to a level which is not optimal or risk based, and that water sources with higher compliance levels should be rewarded with lower costs.[84]

LVW states there is an opportunity for IPART "to lead a review into streamlining the excessive and costly regulatory environment to find an acceptable balance between costs to irrigated agriculture and achievable and beneficial environmental outcomes".[85] MRFF recommends IPART benchmark regulatory activities so that they are optimal.[86]

Chapter 4

Water management expenditure

04

Summary of our draft decisions on water management expenditure

We are proposing that WAMC's prices reflect all of its proposed activities

All of WAMC's proposed activities are connected to the monopoly services for which we set prices. Therefore, we are proposing to make an allowance for those costs in our draft decisions.

WAMC's efficient expenditure is higher than when we last set prices

WAMC's actual expenditure in the 2021 determination period was higher than we allowed. WAMC's costs have increased because it is required to implement the *Water Management Act 2000*.

Our draft decision for efficient operating expenditure is $101 million or 24% lower than WAMC's proposal

The efficiency of the level of expenditure proposed by WAMC for the 2025 determination period has not been fully justified. Our allowance for efficient operating expenditure is less than that proposed by WAMC. We are proposing to:

- reduce the direct costs proposed by WAMC by $32.2 million for scope adjustments
- reduce direct costs by a further $48.6 million for efficiencies we identified WAMC should be able to realise
- reduce by $20.5 million the corporate overheads proposed by WAMC.

We are proposing to include an allowance of $318 million for operating expenditure in WAMC's notional revenue requirement for the 2025 determination period. While this allowance is 24% lower than WAMC proposed, it is 39% higher than the average annual operating expenditure allowance we used to set prices in the 2021 determination period.

We propose to include most of WAMC's capital expenditure in the 2021 determination period in the regulatory asset base

Except for $2.7 million in the estimated capital expenditure for 2024–25, we have accepted all of WAMC's actual capital expenditure in the 2021 determination period as prudent and efficient and have included it in the regulatory asset base.

Summary of our draft decisions on water management expenditure

Our draft decision for efficient capital expenditure is $6.5 million or 7.3% lower than WAMC's proposal

The capital expenditure forecast we are proposing to factor into WAMC's prices is lower than that proposed by WAMC. We are proposing to set prices that reflect:

- a deferral of WAMC's proposed expenditure on non-essential renewals of monitoring equipment and infrastructure
- a reduction to WAMC's proposed capital expenditure on the Ecosystem Data Strategy by 14%
- a reduction to WAMC's proposed capital expenditure on Water Market Systems by 9%.

We are proposing to include $83.3 million of forecast capital expenditure in the regulatory asset base used to set prices for the 2025 determination period, which is $6.5 million less than that proposed by WAMC.

This chapter sets out our assessment of the level of operating and capital expenditure WAMC requires for efficient water management activities over the 2025 determination period having regard to a range of statutory factors that include social impacts and ecologically sustainable development. This chapter does not include proposed expenditure for Murray–Darling Basin Authority (MDBA) and Dumaresq–Barwon Border Rivers Commission (BRC) (Chapter 7), consent transactions (Chapter 12), nor metering charges (Chapter 11).

WAMC's operating costs are the day-to-day expenses involved in water management and planning, including preparing water sharing plans, conducting compliance and enforcement activities, and maintaining the infrastructure and equipment it uses to provide services. It includes costs such as staff wages, contractors, and monitoring operations.

WAMC'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. monitoring infrastructure and IT systems).

We have carefully reviewed WAMC's proposed operating expenditure. We recognise WAMC faces additional challenges to those faced by water utilities when applying the base-trend-step (BTS) approach specified in our Water Regulation Handbook.[87] The information provided by WAMC cannot be fully disaggregated into the BTS components (e.g. output growth, input price growth, efficiency gains, and step changes in obligations, relative to a base year).

We have carefully reviewed WAMC's proposed capital costs and the need to address priority customer outcomes and deliver value for money in accordance with all of the statutory and other factors which IPART may or must consider.[88]

In reaching our draft decisions, we considered independent expert advice from Stantec, additional supporting documentation provided by WAMC and comments from stakeholder consultation. Stantec's report on its assessment of WAMC's expenditure forecast is available on our website.[89]

Stantec provided a range of efficient expenditure, where:

- The **upper bound** of the range is WAMC's proposed expenditure less any:
  - Scope adjustments for activities outside the regulated service scope or lacking sufficient certainty
  - Efficiency adjustments (e.g., removal of inefficiencies, realistic cost assumptions, activity bundling, and improved expenditure profiling).
- The **lower bound** of the range includes:
  - Further scope adjustments for any changes to service levels and other matters of scope that could be removed or deferred from the expenditure forecast, but with some risk to service delivery or water resource outcomes
  - Further efficiency adjustments for any savings from changes in assumptions and opportunities from reform, as well as any other efficiency measures that could be achieved with the removal of certain constraints, or an increase in risk to service delivery of water resource outcomes.

4.1 We are proposing that WAMC's prices reflect all of its proposed activities

Our draft decision is:

> 3. To reflect all of WAMC's proposed activities in prices for its monopoly services for the 2025 determination period.

As part of our review we determine which WAMC activities are sufficiently relevant to the monopoly services for which we set prices for their costs to be factored into prices. We then examine the efficiency of the proposed costs of conducting these activities, as outlined later in this chapter.

The *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004* defines WAMC's monopoly services as the making available of water, the making available of WAMC's water supply facilities, or the supplying of water, whether by means of WAMC's water supply facilities or otherwise.[90] When interpreting this definition in previous decisions, IPART has considered the definition in the National Water Initiative (NWI) pricing principles of water management and planning activities whose costs are to be included in charges levied on water users.[91]

WAMC did not propose any changes to the list of activities included in the 2021 determination. However, the Natural Resources Access Regulator (NRAR) indicated in its remarks at the Public Hearing that it is "a law enforcement agency and does not make water available, own water facilities or supply water" and "[w]hilst not relevant to this determination process, the Board is motivated to assess its inclusion as a provider of monopoly water services under the Order."[92]

We asked our consultant, Stantec, to consider the scope of WAMC's monopoly services. It recommended removing from scope 2 of WAMC's proposed activities – W06–03 Floodplain management plan development and W06–05 Regional planning and management strategies. Stantec considered W06–03 to be primarily about land management, not water resource management. Activities undertaken to manage land-based impacts are excluded from the definition of water planning and management by the NWI pricing principles.[93] In relation to W06-05, Stantec's view is that the strategies prepared by WAMC to date have not involved defining the consumptive pool of the water resource nor allocating that resource among uses and users.[94]

We have considered the scope of WAMC's monopoly services and our draft decision is to accept WAMC's proposed list of activities. The focus of the NWI pricing principles is on whether activities are funded by water users or by government. This funding split is determined not only by our decision on the scope of monopoly services, but also by our decisions on cost shares (see Chapter 6) and any price caps (see Chapter 9). The question of scope is a matter of judgement and, given it is possible the nature of the work conducted under an activity code may change over time, our draft decision is to include W06–03 and W06–05 activities within the scope of monopoly services. We further consider Stantec's views in relation to these activities when determining cost shares (see Chapter 6).

IPART has included compliance and enforcement activities within the scope of monopoly services at each of our past reviews of WAMC's prices, including our 2021 determination following the establishment of NRAR. We have considered this issue again for the 2025 determination and our draft decision is that compliance and enforcement activities fall within the scope of WAMC monopoly services. These activities contribute to the making available of water, since one customer's non-compliance can reduce the volumes of water available to another customer. Our draft decision is consistent with the NWI pricing principles, which also include compliance activities within the definition of water management activities whose costs are to be apportioned between water users and governments.[95]

4.2 We are proposing to set WAMC's efficient level of operating expenditure at $318.0 million

Our draft decision is:

4. To include $318.0 million of efficient operating expenditure in WAMC's notional revenue requirement for the 2025 determination period, as shown in Table 4.1.

Table 4.1 Draft decision on efficient operating expenditure for the 2025 determination period ($millions, $2024-25)

	2025–26	2026–27	2027–28	Total
WAMC proposal	142.7	143.3	133.3	419.3
Stantec upper bound	124.2	117.6	108.8	350.6
Stantec lower bound	104.2	97.3	90.8	292.2
IPART draft decision	**112.5**	**106.6**	**98.9**	**318.0**
Difference to proposal	-30.2	-36.8	-34.4	-101.4
Difference to proposal (%)	-21.1%	-25.6%	-25.8%	-24.2%

Source: IPART analysis.

WAMC proposed operating expenditure of $419 million for the first 3 years of the 2025 determination period. Our draft decision is to set WAMC's efficient level of operating expenditure for the 2025 determination period at $318 million. This is $106 million per year, on average, which is $29 million (39%) higher than the average annual operating expenditure forecast we used to set prices in the 2021 determination period. It is $41 million (28%) lower than WAMC's actual average annual operating expenditure over the 2021 determination period (including estimated expenditure for 2024–25), which has been significantly higher than IPART's allowance for the 2021 determination period (Table 4.2).

Table 4.2 WAMC's allowed and actual operating expenditure over the 2021 determination period ($ millions, $2024–25)

	2021–22	2022–23	2023–24	2024–25	Total
IPART allowance	78.3	78.2	75.1	74.5	306.0
Actual	113.6	134.2	164.3	174.6	586.8
Difference	35.4	56.1	89.2	100.2	280.8
Difference (%)	45.2%	71.7%	118.8%	134.5%	91.8%

Note: The 2024–25 actual is a WAMC estimate. The IPART allowance includes around $12 million per year ($2024–25) which IPART excluded from the user share over the 2021 price determination. IPART recommended the excluded costs be funded by the NSW Government.
Source: IPART analysis.

WAMC identified the drivers of the higher actual costs as:

- increased water planning, with a greater number of statutory water plans requiring replacement, amendment or review
- compliance and enforcement, with greater activity needed to meet regulatory objectives, including legal costs previously funded by the Crown Solicitor's Office
- digital improvements, including investments in ICT and customer service platforms, and
- inflationary pressures on input prices for labour, energy, and insurance.[96]

We recognise an increase in forecast operating expenditure is needed to cover the costs of meeting the growing requirements of implementing and complying with the *Water Management Act 2000*. Our draft decision reflects an estimate of the operating expenditure required to deliver efficient water management and planning services over the 2025 determination period. It is not a budget or an amount that WAMC is required to spend. Unforeseen circumstances may change WAMC's priorities and the amount it needs to spend. WAMC should focus on providing value to customers, regardless of the estimated efficient costs we use to set maximum prices.

4.2.1 Our draft decision is $101 million less than WAMC's proposed operating expenditure

We do not propose to increase our forecast to the level of expenditure proposed by WAMC, because the efficiency of the proposed expenditure has not been justified.

We agree with Stantec's view that there remains room for improvement in clarifying risk tolerance and ensuring trade-offs between service level, cost and risk are considered and informed by community engagement.[97] We recognise WAMC faced challenges preparing forecasts within a BTS framework for 30 activity codes across 3 organisations with varying levels of information quality. However, we encourage WAMC to adopt the BTS framework outlined in our Water Regulation Handbook for forecasting operating expenditure for at least some activity codes in its pricing proposal for the 2028 determination period. We recognise there may be aspects of the framework for which there are good reasons why WAMC's approach needs to differ from that of other water businesses. However, quantifying the roles of changes in output, changes in input prices (such as wages), changes in efficiency, and step changes to obligations or scope, relative to an actual base year, will help to more clearly justify proposed expenditure. It will also develop a clearer link between WAMC's efficiency strategy and its expenditure forecasts.

In the absence of the BTS information, our estimation approach varied across activity codes depending on the nature of available information. We sought to understand the material increases in both observed and forecast expenditure relative to our forecasts for the 2021 determination period. We considered the range of potential scope and efficiency adjustments that Stantec identified at an activity level and their associated risks. We based our draft decisions on a selection of those adjustments.

Our proposed reductions in forecast operating expenditure relative to WAMC's proposal, includes:

- $32.2 million in scope adjustments to direct costs
- $48.6 million in efficiency adjustments to direct costs, and
- $20.5 million in adjustments to corporate overheads.

4.2.2 We are proposing to adopt the lower bound of Stantec's estimated range of efficient costs for most activity codes

We are proposing to adopt the lower bound of the range of efficient expenditure estimated by Stantec for corporate overheads and for direct costs for all activity codes except W04-01, W04-02, W06-01, W06-02, W06-06 and W08-03. Our reasons can be summarised as follows.

- WAMC has not demonstrated its proposed cost increases are efficient. For example, WAMC's proposed DCCEEW corporate overheads for the 2025 determination period are 221% higher than IPART's allowance for the 2021 determination period on an average annual basis. These overheads make up 19% of the notional revenue requirement attributed to DCCEEW in WAMC's pricing proposal.[98] This proportion is significantly higher than that of NRAR and government agency benchmarks. The supporting evidence provided by WAMC is not sufficiently transparent to enable an assessment of the efficiency of these costs.[99]
- Some of WAMC's proposed costs should be treated as transitional. WAMC proposed ongoing costs for activities whose costs should be expected to decline over time, such as metering activities once metering targets have been met. Stantec's recommendations incorporate efficiency adjustments to reflect these expectations.[100]
- Some costs are associated with a higher service level that has not been justified. For example, WAMC has proposed expenditure on forecasting models which would deliver a service level improvement additional to the expected improvement from experience. The lower bound estimates reflect a deferral of this expenditure and a continuation of current service levels.[101]
- Customer consultation on the proposed increases was insufficient. Customers were not consulted about some of the proposed increases in charges. We are not confident that increasing costs above the lower bound would deliver value to customers or manage the ongoing affordability of water management and planning in NSW.

The operating expenditure allowance we have factored into our draft decision is compared to WAMC's proposal and Stantec's recommendations at an activity-level in Table 4.3, including direct costs and adjustments for corporate overhead allocations.

Table 4.3 Average annual operating expenditure by activity code ($ millions, $2024–25)

Cost Code	Cost Code title	2021 IPART allowance	WAMC pricing proposal	Stantec upper bound	Stantec lower bound	Draft decision
W01–01	Surface water quantity monitoring	6.7	5.7	5.7	5.6	5.6
W01–02	Surface water data management and reporting	0.6	0.6	0.6	0.6	0.6
W01–03	Surface water quality monitoring	1.5	1.2	1.2	1.2	1.2
W01–04	Surface water algal monitoring	0.9	0.3	0.3	0.3	0.3
W01–05	Surface water ecological condition	0.4	1.5	1.1	0.9	0.9
W02–01	Groundwater quantity monitoring	0.8	5.7	5.6	5.5	5.5

Cost Code	Cost Code title	2021 IPART allowance	WAMC pricing proposal	Stantec upper bound	Stantec lower bound	Draft decision
W02–02	Groundwater quality monitoring	3.1	1.0	1.0	0.9	0.9
W02–03	Groundwater data management and reporting	0.0	0.1	0.1	0.1	0.1
W03–01	Water take data collection	0.0	0.0	0.0	0.0	0.0
W03–02	Water take data management and reporting	0.0	0.0	0.0	0.0	0.0
W04–01	Surface water modelling	4.2	5.2	5.0	4.2	4.5
W04–02	Groundwater modelling	1.3	1.6	1.5	1.3	1.3
W04–03	Water resource accounting	0.7	0.9	0.8	0.7	0.7
W05–01	Systems operation and water availability management	3.3	9.5	6.1	5.5	5.6
W05–02	Blue-green algae management	0.7	0.9	0.9	0.9	0.9
W05–03	Environmental water management	1.5	3.9	2.0	1.1	1.1
W05–04	Water plan performance assessment and evaluation	3.1	6.1	5.7	5.1	5.2
W06–01	Water plan development (coastal)	2.0	8.8	3.2	1.9	2.9
W06–02	Water plan development (inland)	3.4	7.4	5.0	3.7	4.6
W06–03	Floodplain management plan development	2.1	6.7	6.4	3.8	3.8
W06–04	Drainage management plan development	0.0	0.0	0.0	0.0	0.0
W06–05	Regional planning and management strategies	6.5	9.1	6.3	3.2	3.2
W06–06	Development of water planning and regulatory framework	1.8	2.3	2.1	1.8	1.9
W06–07	Cross-border and national commitments	1.9	2.9	2.6	2.4	2.4
W07–01	Water management works	2.5	5.3	3.5	3.2	3.2
W08–01	Regulation systems management	0.0	0.0	0.0	0.0	0.0
W08–02	Consents management licence conversion	1.6	1.7	1.7	1.4	1.4
W08–03	Compliance management	19.0	36.3	36.3	30.3	36.3
W09–01	Water consents transaction	0.0	0.0	0.0	0.0	0.0
W10–01	Customer management	4.8	5.0	4.0	3.6	3.6
W10–02	Business governance support	0.0	7.4	5.9	5.9	5.9
W10–03	Billing management	2.1	2.4	2.4	2.2	2.2
Total		**76.4**	**139.7**	**116.9**	**97.4**	**106.0**

Note: Total operating expenditure, including user and government share. The Stantec upper and lower bound include both the adjustments made by Stantec to direct costs at the activity level and the corporate overhead adjustments made by Stantec at a total level. IPART has allocated the corporate overhead adjustments to activities based on forecast DCCEEW costs. Because total forecast DCCEEW costs differ between the Stantec lower bound and our draft decision, the allocation of corporate overhead adjustments across activities also differs,

though it is the same in total. Some figures appear equal due to rounding, but differ without rounding. For example, the draft decision and Stantec lower bound for average annual operating expenditure for W04–02 are $1.339 million and $1.261 million.
Source: IPART analysis.

4.2.3 We are proposing to adopt the upper bound of Stantec's estimated range of efficient costs for some activity codes

We propose to adopt the upper bound of the range of efficient expenditure estimated by Stantec for the direct costs of the Surface water modelling (W04–01), Groundwater modelling (W04–02), Water plan development (W06–01 and W06–02), Development of water planning and regulatory framework (W06–06) and Compliance management (W08–03) activity codes.

The lower bound estimates for W04–01, W04–02, W06–01, W06–02, and W06–06 are consistent with a world in which the regulatory environment changes to allow deferral of and extensions to lower-risk water sharing plans and postponement of regulation repeal. While we expect there will be opportunities for regulatory reform and risk-based prioritisation to improve efficiency of water management in the long run, we do not have sufficient information at the current time to be confident that the changes on which the lower bound expenditure estimates are based would be efficient in the 2025 determination period. In relation to W06–06, our view is that the postponement of regulation repeal assumed in the lower bound cost estimate would not be efficient. Good regulation involves regular review to prevent atrophy in the regulatory framework. With respect to W04–01, W04–02, W06–01 and W06–02, WAMC's influence over water sharing plan requirements is limited and there would be considerable risks of non-compliance at the lower bound levels of expenditure. The upper bound estimates for these activities provide for the efficient costs of maintaining good regulatory practice and meeting obligations in the existing regulatory environment.

For the W08–03 activity there is merit in strengthening NRAR's capacity to establish a robust compliance framework across the sector, address critical gaps in regulatory oversight, and implement education and outreach measures. We expect this expenditure will deliver long-term value by accelerating the development of industry-wide compliance, reducing future enforcement costs, and creating a more sustainable regulatory environment. Beyond the 2025 determination period, as compliance culture becomes embedded within the sector, we expect regulated entities will internalise standards and improve self-monitoring, enabling NRAR to transition from its current establishment phase to a maintenance role that utilises targeted and risk-based approaches requiring fewer resources.

4.3 We are proposing to include $42.4 million of efficient historical capital expenditure in the regulatory asset base

Our draft decision is:

5. To set the efficient level of WAMC's historical capital expenditure to be included in the regulatory asset base as shown in Table 4.4.

When setting prices for the 2025 determination period, we factor in gradual recovery of prudent and efficient historical capital expenditure over the useful life of the assets.

Since 2020–21, WAMC's actual capital expenditure has been slightly higher ($2.6 million or 6%) than the efficient funding envelope set in the 2021 determination (Table 4.4).

Table 4.4 Efficient historical capital expenditure for water management activities ($ millions, $2024–25)

	2020–21 (previous period)	2021–22	2022–23	2023–24	2024–25	4-Year Total (ex 2020–21)
IPART allowance	19.0	10.8	11.0	11.8	9.0	42.5
WAMC actual	11.9	13.6	7.6	4.4	19.6	45.1
Difference	-7.0	2.8	-3.4	-7.4	10.6	2.6
Difference (%)	-37%	26%	-31%	-63%	118%	6%
IPART draft decision	**11.9**	**13.6**	**7.6**	**4.4**	**16.8**	**42.4**
Difference to actual	0.0	0.0	0.0	0.0	-2.7	-2.7
Difference to actual (%)	0%	0%	0%	0%	-14%	-6%

Note: Since actual expenditure is not available for the final year of a determination period at the time of making our pricing decisions, we need to decide on the prudent and efficient capital expenditure in 2020–21, the final year of the 2016 determination period.
Source: IPART analysis.

Stantec considered the reasons cited by WAMC for the increased expenditure to be valid drivers of efficient cost in all but one instance. These reasons were that the allowance in the 2021 determination did not adequately reflect the challenging capital expenditure environment, including the impacts of COVID–19, flooding and bushfire events, supply chain issues, and cost inflation.[102]

Stantec's only recommended adjustment was to the estimated capital expenditure for 2024–25. Stantec proposed reducing the estimate from the proposed $19.6 million to $16.8 million to account for a 20% efficiency in the proposed $13.7 million spend on water systems under the W10–02 cost code.[103] We propose to accept this recommendation.

Our draft decision is to roll all historical capital expenditure, subject to the adjustment described above, into the regulatory asset base used to set prices for the 2025 determination period.

4.4 We are proposing to set WAMC's efficient forecast capital expenditure at $83.3 million

Our draft decision is:

6. To include $83.3 million of forecast capital expenditure in the regulatory asset base used to set prices for the 2025 determination period, as shown in Table 4.5.

We factor into prices the overall envelope of capital expenditure that we consider reasonable to maintain or improve WAMC's assets and services over the 2025 determination period. This forecast does not signal the amount WAMC is required to spend on specific capital projects. We expect WAMC to reprioritise prudent and efficient capital works within the envelope as circumstances change to deliver value to customers.

Table 4.5 Draft decision on efficient capital expenditure for the 2025 determination period ($ millions, $2024–25)

	2025–26	2026–27	2027–28	Total
WAMC proposal	31.9	31.0	27.0	89.9
Stantec upper bound	32.6	31.7	27.5	91.8
Stantec lower bound	29.9	28.8	24.6	83.3
Draft decision	**29.9**	**28.8**	**24.6**	**83.3**
Difference to proposal	-2.0	-2.2	-2.4	-6.5
Difference to proposal (%)	-6.2%	-7.0%	-8.9%	-7.3%

Source: IPART analysis.

4.4.1 Our draft decision is $6.5m less than WAMC's proposed

Our draft decision is to set forecast capital expenditure at a lower level than the $89.9 million proposed by WAMC for the 3 years of the 2025 determination period (Table 4.5). WAMC told us that its forecast capital expenditure will be driven by its need to invest in:

- surface water monitoring ($15.6 million)
- groundwater monitoring ($12.7 million)
- business governance and support ($61.6 million)

We have adopted the lower bound of Stantec's range of efficient capital expenditure, which is 7% lower than WAMC's proposal. We consider this estimate reflects the efficient cost of maintaining essential services. The adjustment includes:

- deferral of non-essential renewals of monitoring equipment and infrastructure, and
- a 14% reduction to expenditure on the Ecosystem Data Strategy, and
- a 9% reduction to expenditure on Water Market Systems.

We have not adjusted WAMC's proposed capital expenditure for Water Compliance and Customer Metering Systems.

Chapter 5

Water management notional revenue requirement

05

Summary of our draft decision on the notional revenue requirement (NRR) for water management

We are proposing to set the NRR for water management at $390 million

This is $107 million or 21% lower than the NRR proposed by WAMC for the next three years. The difference is due to:

- adjustments we are proposing to make to forecast operating expenditure, which is $101 million lower than WAMC proposed
- adjustments we are proposing to make to estimated 2024-25 and forecast capital expenditure and the rate of return on assets, which is now 3.4% (post-tax real) compared to the 3.6% 'placeholder' rate of return in WAMC's pricing proposal.

WAMC will be able to meet its environmental obligations

WAMC can recover all efficient costs it incurs in meeting its environmental obligations through draft prices and NSW Government contributions.

This chapter sets out our approach and draft decisions on the NRR for WAMC's water management services. The NRR represents our view of the total efficient cost of providing water management services in each year of the determination period. The building blocks that make up the NRR are:

- operating expenditure
- return of assets (also known as the regulatory depreciation allowance)
- return on assets
- working capital allowance
- tax allowance.

The NRR is used to set water management prices in Chapter 10.

5.1 Our draft decision on the NRR for water management is $390.0 million

Our draft decision is:

7. The notional revenue requirement for water management is $390.0 million over the 2025 determination period as shown in Table 5.1.

We continue to use the building block approach to calculate the NRR, as outlined in our Water Regulation Handbook.[104] We reached the $390.0 million figure for the NRR by adding the various building block components as shown in Figure 5.1.

This chapter explains how we reached the dollar value for each component, except the operating allowance. This is because we use the $318.0 million figure for the efficient operating expenditure that was discussed in Chapter 4.

Figure 5.1 Building block approach to calculating the draft NRR

Cost building blocks	Total over the determination period ($ millions, $2024-25)	More information
Operating allowance (Operational costs including administration)	318.0	Chapter 4.2
Capital allowance Return of assets = Regulatory depreciation + Return on assets = **Regulatory asset base (RAB)** = (Opening RAB + efficient capital expenditure – regulatory depreciation – asset disposals) x **Weighted average cost of capital (WACC)**	51.0 8.5	Chapter 5.2 Chapter 5.3
Working capital allowance	6.9	Chapter 5.4
Tax allowance	5.6	Chapter 5.5
Notional revenue requirement	390.0	Chapter 5.1

A breakdown of the building blocks and NRR by year is provided in Table 5.1. Our draft decision on the NRR is $107 million or 21% lower than WAMC proposed, primarily due to the adjustments we have made to forecast operating expenditure, which make up $101 million of the difference.

Table 5.1 also shows the share of the NRR that has been allocated to recovery from water users rather than recovery from the NSW Government. The draft decision on this user share is set out in Chapter 6.

Table 5.1 Draft decision on WAMC's total NRR for water management in the 2025 determination period ($ millions, $2024–25)

	2025-26	2026–27	2027–28	Total
Total NRR proposed by WAMC	**164.3**	**169.4**	**163.0**	**496.7**
IPART draft decision (building block components)				
Operating allowance	112.5	106.6	98.9	318.0
Regulatory depreciation	13.7	17.1	20.2	51.0
Return on assets	2.4	2.9	3.2	8.5
Working capital allowance	2.2	2.4	2.3	6.9
Tax allowance	1.7	1.9	2.0	5.6
Total NRR for water management (IPART draft decision)	**132.5**	**130.8**	**126.6**	**390.0**
Difference between proposed and IPART draft decision	-31.8	-38.6	-36.4	-106.7
Difference between proposed and IPART draft decision (%)	-19%	-23%	-22%	-21%
User share of IPART draft decision on total NRR for water management	**108.2**	**107.2**	**104.1**	**319.6**
User share of IPART draft decision on total NRR for water management (%)	82%	82%	82%	82%

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.

5.2 Our draft decision for WAMC's return of assets (regulatory depreciation) is $51.0 million

Our draft decision is:

8. To set the return of assets (regulatory depreciation allowance) at $51.0 million over the 2025 determination period, as shown in Table 5.2.

We include an allowance for depreciation in the NRR to ensure that the capital invested by WAMC in its water management assets is returned over the useful life of the assets. 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 propose to accept the regulatory asset life assumptions proposed by WAMC (Table 5.3).

Our proposed allowance for regulatory depreciation is 5% lower than that proposed by WAMC due to adjustments we have made to estimated capital expenditure for 2024-25 and forecast capital expenditure for the 2025 determination period, which are discussed in Chapter 4.

Table 5.2 Draft decision on WAMC's allowance for return of assets for the 2025 determination period ($ millions, $2024-25)

	2025-26	2026-27	2027-28	Total
WAMC proposal	14.4	17.9	21.1	53.5
IPART draft decision	13.7	17.1	20.2	51.0
Difference	-0.7	-0.8	-0.9	-2.5
Difference (%)	-5%	-5%	-4%	-5%

Source: IPART analysis.

Table 5.3 Asset life assumptions (years)

	Existing assets	New assets 2025-26	New assets 2026-27	New assets 2027-28
Surface water	5.8	18.0	18.0	18.0
Groundwater	14.0	17.0	17.0	17.0
Corporate	3.8	7.0	7.0	7.0
Government	4.6	9.3	9.4	9.8

Source: IPART analysis.

The opening and forecast RAB that results from our draft decisions on historical and forecast capital expenditure and regulatory depreciation is shown in Table 5.4. We calculated an opening balance of $56.3 million and a closing balance of $87.8 million for the water management RAB over the 2025 determination period.

Table 5.4 Draft decision on the water management regulatory asset base for the 2021 and 2025 determination periods ($ millions)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
	$nominal	$nominal	$nominal	$nominal	$2024-25	$2024-25	$2024-25
	2021 determination period				2025 determination period		
Opening RAB	37.6	46.6	49.7	47.5	**56.3**	72.2	83.7
Plus: Efficient capital expenditure	12.0	7.1	4.2	16.8	29.9	28.8	24.6
Less: Asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Regulatory depreciation	5.7	7.0	8.4	9.7	13.9	17.4	20.5
Plus: Inflationary gain	2.7	3.0	2.0	1.7	0.0	0.0	0.0
Closing RAB	46.6	49.7	47.5	**56.3**	72.2	83.7	**87.8**
WAMC proposed closing RAB	46.6	49.7	47.5	59.1	76.3	89.0	94.5
Difference	0.0	0.0	0.0	-2.8	-4.0	-5.3	-6.7
Difference (%)	0.0%	0.0%	0.0%	-4.7%	-5.3%	-6.0%	-7.1%

Source: IPART analysis.

5.3 Our draft decision for WAMC's return on assets is $8.5 million

Our draft decision is:

9. To set an allowance of $8.5 million for return on assets over the 2025 determination period as shown in Table 5.5, noting that:
   a. the opening RAB on 1 July 2025 is $56.3 million and the closing RAB on 30 June 2028 is $87.8 million as shown in Table 5.4
   b. we use a real post-tax WACC of 3.4% as the efficient rate of return.

The NRR building block relating to return on assets allows for the opportunity cost of historical efficient capital expenditure that has yet to be factored into (full cost recovery) prices. We calculate the return on assets by multiplying the value of the RAB over the determination period (see Table 5.4) by an efficient rate of return. Our allowance for return on assets is 11% lower than the value proposed by WAMC over the 2025 determination period. This is partly due to our draft decision to reduce forecast capital expenditure (and therefore the RAB) and partly due to a reduction in the efficient rate of return.

Table 5.5 Draft decision on WAMC's return on assets for the 2025 determination period ($ millions, $2024–25)

	2025-26	2026-27	2027-28	Total
WAMC proposal	2.7	3.2	3.6	9.5
IPART draft decision	2.4	2.9	3.2	8.5
Difference	-0.3	-0.3	-0.4	-1.0
Difference (%)	-10%	-11%	-11%	-11%

Source: IPART analysis.

5.3.1 Our draft decision on the real return on capital (post-tax real WACC) is 3.4%

As in previous reviews, we determined the rate of return using a WACC. We used our 2018 standard methodology[105] to calculate a post-tax real WACC of 3.4% for this draft decision. This is lower than the 3.6% 'placeholder' WACC applied in WAMC's pricing proposal due to changes in market conditions since the proposal was submitted in September 2024.

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

5.4 Our draft decision for WAMC's return on working capital is $6.9 million

Our draft decision is:

10. To set the return on working capital as $6.9 million over the 2025 determination period as shown in Table 5.1.

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.

5.5 Our draft decision for WAMC's tax allowance is $5.6 million

Our draft decision is:

11. To set the tax allowance as $5.6 million over the 2025 determination period as shown in Table 5.1.

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 NRR. This tax allowance reflects the water business's forecast tax liabilities. The tax allowance is not intended to recover WAMC's actual tax liability over the determination period. Rather, it reflects the liability to which a comparable commercial business would be subject.

We calculated the tax allowance for each year by applying a 30% statutory corporate tax rate adjusted for franking credits to the business's (nominal) taxable income. We applied our standard methodology to set the tax allowance.

5.6 WAMC would have sufficient funding to meet its environmental obligations

Under section 15 of the IPART Act, we are required to have regard to the need to maintain ecologically sustainable development by taking account of all feasible options to protect the environment.

Managing environmental water is a key part of WAMC's water resource management services. Environmental water requirements are set out in section 8 of the *Water Management Act 2000* and individual water sharing plans include environmental water management requirements.

In determining WAMC's revenue requirement, we have ensured WAMC can fully recover all efficient costs it incurs in meeting its environmental obligations through prices and NSW Government contributions.

Chapter 4 sets out our assessment of the level of operating and capital expenditure WAMC requires for efficient water management activities over the 2025 determination period.

Chapter 6

Cost shares and cost drivers

06

Summary of our draft decisions on cost shares and cost drivers

We are proposing to accept most of the cost shares proposed by WAMC

Our proposed user share of WAMC's efficient costs is $319.6 million or 82% of the notional revenue requirement (NRR) over the 2025 determination period.

Our draft decision is consistent with the cost shares proposed by WAMC, except for the W06-05 Regional planning and management strategies activity and operating expenditure in the W01 Surface water activities.

The user share for W06-05 was set at 60% in the 2021 Determination. WAMC proposed reducing it to 50%. Our draft decision is to apply a user share of 0%.

WAMC proposed retaining the 77% user share that was applied to all W01 activities in the 2021 Determination due to unavailability of disaggregated expenditure by activity. We propose to apply user shares of 100%, 50%, 60%, 40% and 50% to operating expenditure in the W01-01, W01-02, W01-03, W01-04 and W01-05 activity codes, respectively, because disaggregated data are now available.

We are proposing to accept most of the cost drivers proposed by WAMC

Our draft decision is consistent with the cost drivers proposed by WAMC, except for the W05-03 Environmental water management activity. WAMC proposed to change the driver for this activity to environmental water management works dollar cost, but we propose to retain the environmental entitlements driver used in the 2021 Determination.

As part of our price setting process, we share the efficient costs for WAMC's services between customers and the NSW Government on behalf of other users such as recreational users and the broader community. We examine who is creating the need for an activity and therefore who should incur its associated costs.

We comprehensively reviewed the regional and rural water cost sharing framework in 2019.[106] We made further revisions to this framework as part of our review of WAMC's prices in 2021.[107]

The key principles underpinning IPART's cost sharing framework are outlined in Box 6.1.

Box 6.1 Who should pay for WAMC's efficient costs?

We use the following funding hierarchy to determine who should pay WAMC's efficient costs:

1. Preferably, the party that creates the need to incur the cost should pay in the first instance.
2. If that is not possible, the party that benefits should pay.
3. When it is not feasible to charge the above parties, the NSW Government (taxpayers) should pay. Examples of when it may not be feasible include social welfare policy, public goods, externalities, or an administrative or legislative impracticality of charging.

Once the cost shares are determined, we use them to calculate the user and government shares of WAMC's NRR, which in turn enable us to set prices. They apply to water management expenditure, as well as expenditure on Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC) activities (Chapter 7).

6.1 We are proposing to retain an impactor-pays framework

WAMC proposed to retain cost shares for most activities at the levels determined in the 2021 Determination. These shares were determined within an impactor-pays framework in which costs are allocated to the party creating the need for expenditure relative to a world without high-consumptive water use.

Maintaining a principles-based approach to setting cost shares is important because it signals the total cost of water use, even though final prices for some water sources may be subject to a subsidy. The impactor-pays framework is the principles-based approach we are proposing to use for this determination because it is consistent with the National Water Initiative (NWI) pricing principles, which specify an impactor-pays approach,[108] and the guidance we have provided in the Water Regulation Handbook (see Box 6.1).[109] It compares favourably to alternative approaches on grounds of economic efficiency, equity, transparency and practicality:

- By reflecting the cost of high-consumptive water use, the impactor-pays framework seeks to avoid distortions in the price of water relative to the prices of other inputs to production (including household 'production') that would impact allocative efficiency across the economy.
- Water users as a group will not pay more in total than the benefits they receive from the services. If the cost of an activity is higher than water user benefits — that is, if its economic viability depends on external benefits, such as flood mitigation or recreation — we will not allocate the full cost to water users under the impactor-pays framework.[110]
- The impactor-pays framework has enabled transparent reporting of the reasoning for user shares at an activity level. [111]

- The approach of applying rounded percentage shares at an activity level strikes a balance between accuracy and simplicity, improving stakeholder engagement and limiting administrative cost.

As noted in Chapter 3, several submissions from stakeholders raised concerns about WAMC's proposed cost shares and the impactor-pays framework within which they were derived. One of the common themes across those submissions is that user cost shares should be lower because water management cost increases are being driven by changes in regulation and/or the preferences of the wider community. Regulatory changes identified include policy that is in the public interest,[112] operating licence changes and additional regulatory obligations such as environmental measures,[113] regulation driven by climate change,[114] the complexity of Commonwealth and State legislation,[115] the establishment of NRAR,[116] metering policy, and government reforms reducing access to water.[117] Changes in the preferences of the wider community identified by submissions include those relating to public good services,[118] better water management,[119] and resource management decisions.[120]

These are important concerns. Under the impactor-pays framework, water users are the impactor for costs in many of these cases, because the costs would not be required in a world without high-consumptive water use. The fact that community preferences may be changing over time does not make the community an impactor. Impactors are identified relative to a hypothetical counterfactual world without high-consumptive water use, not relative to the world 5 years ago. We understand some stakeholders disagree with the use of this counterfactual.[121] However, the alternative of identifying impactors based on a point in recent history would not adequately reflect in prices the economic costs of water use. That said, IPART is open to further review of the approach to water management pricing before the next determination.

We recognise some water users make long-lived investments based on expectations about water prices. When applying the impactor-pays framework it is important only costs that are efficient are factored into prices and that impacts on customers are managed. Where WAMC has proposed increases in costs to be recovered from water users, we have considered the prudent and efficient level of these costs (see Chapter 4) and whether price caps are needed to manage the impacts on water users of a transition to full cost recovery (see Chapter 9).

Other submissions argue the existing cost sharing framework gives inadequate recognition to the wider public benefits of water management, including environmental outcomes,[122] the benefits of compliance,[123] public safety, bushfire protection, and weed control.[124] The impactor-pays framework factors these benefits into user shares to the degree that the economic viability of an activity relies on those benefits. In most cases, arguments for a greater allocation of costs to government on the basis of these benefits appeal to the use of a different counterfactual. For example, environmental outcomes may be framed as benefits relative to the state of the environment 10 years ago, but relative to a hypothetical world without high-consumptive water use these outcomes do not represent an improvement. As noted above, the use of a counterfactual based on a point in recent history would not adequately reflect in prices the economic costs of water use, but we are open to further review before the next determination.

6.2 We are proposing to accept most of the cost shares proposed by WAMC

Our draft decisions are:

12. To accept most of the cost shares set out in WAMC's proposal. The exceptions are:
    a. W06-05 Regional planning and management strategies for which we propose to reduce the user share to 0% from 60% in the 2021 Determination and from 50% in WAMC's proposal
    b. operating expenditure under the W01 Surface water activity codes, for which we propose to apply user shares of 100%, 50%, 60%, 40% and 50% to the W01-01, W01-02, W01-03, W01-04 and W01-05 activity codes, respectively, rather than 77% proposed by WAMC to apply across all W01 activities.

13. The user share is $319.6 million or 82% of the NRR (also see Chapter 5).

We propose to accept WAMC's proposed cost shares, except for those applying to the W06-05 Regional planning and management strategies activity and operating expenditure in the W01 Surface water activities.

The cost shares we propose to accept are identical to those used in the 2021 Determination. The rationales supporting whether water users are a sole impactor, major impactor, minor impactor or not an impactor for each of the activities associated with these cost shares remain sound. This is true even in cases where efficient costs have increased due to policy and regulation. We acknowledge the potential impacts of these increases on water users and the importance of managing these impacts. We prefer that WAMC manages these impacts using caps on annual price increases, rather than cost shares, to ensure transparency with respect to the costs of water management. WAMC's proposed cost shares are available in its pricing proposal.[125]

6.2.1 We propose to decrease the user share for W06-05 regional planning and management strategies to 0%

WAMC proposed to decrease to the user share of activity W06-05 from 60% to 50%. It argued that increased requirements associated with understanding the impacts of climate change shifted the balance of shares towards government. Our independent expert, Stantec, considered that the climate change modelling is driven by a need to understand water availability and does not imply a change in impactors. Stantec recommended rejecting WAMC's proposed change.[126]

Stantec also made strong arguments that W06-05 should be fully government funded. It argues that, with the benefit of being able to review the completed regional plans, it is now apparent the plans are more akin to policy development than policy implementation and do not resemble the catchment-level or localised plans that are specified as potentially user-funded by the NWI pricing principles.[127] We agree W06-05 should be fully government funded in the 2025 determination period.

Stantec recommended that 100% government funding be achieved by excluding this activity from scope, however we did not agree. Our draft decision is to retain the activity within scope, as discussed in Chapter 4, and adopt a 0% user share.

6.2.2 We applied disaggregated user shares to operating expenditure in W01 Surface water activity codes

WAMC proposed applying a 77% user share across all W01 surface water activities. This figure was a weighted average across W01 activities applied to water management (but not MDBA or BRC) expenditure in the 2021 Determination due to a lack of operating expenditure and capital expenditure data disaggregation. In the current review, disaggregated data are available for operating expenditure, and our draft decision is to apply the cost shares for individual activities to that expenditure. The user shares are 100%, 50%, 60%, 40% and 50% for the W01-01, W01-02, W01-03, W01-04 and W01-05 activity codes, respectively. Capital expenditure data for surface water activities continues to be available only at the aggregate W01 level, so we retain the 77% W01 cost share for capital expenditure only.

6.2.3 The user share is similar to the user share in our 2021 Determination

We discuss how we used our building block approach to calculate the NRR in Chapter 5. The cost shares which we are proposing result in an overall user share of the water management NRR of 82%. This compares to an overall user share of 78% of the water management NRR in the 2021 Determination (Table 6.2). This share has increased, despite the fact that there has not been an increased user share for any individual activity code, because expenditure increases have tended to occur in activity codes with higher user shares.

6.3 We are proposing to accept most of WAMC's proposed cost drivers to allocate cost across the water sources

Our draft decision is:

14. To accept WAMC's proposed cost drivers, except the proposed driver for W05-03. There is insufficient evidence that the proposed driver (dollar cost of environmental water management works) would be superior to the driver used in the 2021 Determination (environmental entitlements).
    a. This decision results in the user share of WAMC's efficient costs being allocated across water sources as listed in Table 6.2.

With respect to the cost drivers used to allocate costs across water sources, WAMC proposed a continuation of drivers used in the 2021 Determination, except for 3 activity codes: W05-01 Systems operation and water availability management, W05-03 Environmental water management, and W05-04 Water plan performance assessment and evaluation.

6.3.1 We are proposing to accept 2 of WAMC's proposed changes to cost drivers

Our draft decisions on the cost drivers for which changes were proposed by WAMC are shown in Table 6.1. We propose to accept WAMC's proposal to retain the cost drivers used in the 2021 Determination for other activity codes.

Our independent expert, Stantec, agreed with WAMC's proposed cost drivers, with the exception of W05-03. It found no evidence that the proposed driver (dollar cost of environmental water management works) would be superior to the driver used in the 2021 Determination (environmental entitlements).[128]

We agree with Stantec's view. We have based our draft decision on the W05-03 cost driver allocation in the 2021 Determination, which WAMC has advised is still current.

Table 6.1 Draft decision on WAMC's proposed changes to cost drivers for the 2025 determination period

Activity code	2021 cost drivers	Proposed cost drivers	IPART's draft decision
W05-01 Systems operation and water availability management	Water operations complexity	Implementation of water management plans	Implementation of water management plans
W05-03 Environmental water management	Environmental entitlements	Environmental water management works dollar cost	Environmental entitlements
W05-04 Water plan performance assessment and evaluation	Volume of entitlements	Prioritisation matrix for monitoring, evaluation and reporting (MER) plans	Prioritisation matrix for MER plans

Source: Water Administration Ministerial Corporation 2025-30 pricing proposal, September 2024, pp 129-130.

6.3.2 Impact of our cost driver draft decision on user share

The impact of the two changes in cost drivers proposed by WAMC which we propose to accept is shown in Table 6.2. The changes result in a reduction in the share of efficient expenditure allocated to regulated rivers and increases in the shares allocated to unregulated rivers and groundwater.

Table 6.2 Draft decision on allocation of user share of NRR across water sources ($ millions, $2024–25)

	2021 Determination		2025 Determination	
Water source	**Annual average**	**%**	**Annual average**	**%**
Regulated rivers	27.0	35.5%	43.9	33.7%
Unregulated rivers	17.5	23.1%	35.0	26.9%
Groundwater	14.8	19.6%	27.8	21.3%
User share of NRR	**59.3**	**78.2%**	**106.7**	**81.9%**
Government share of NRR	16.5	21.8%	23.5	18.1%
Total NRR	75.8	100.0%	130.2	100.0%

Source: IPART analysis.

Chapter 7

Murray–Darling Basin Authority and Dumaresq–Barwon Border Rivers Commission costs

07

Summary of our draft decisions for Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC) costs

We are proposing to hold prices for MDBA and BRC constant before inflation

Our draft decision means that MDBA and BRC charges will only change in line with inflation. Our decision reflects:

- insufficient evidence that proposed increases to WAMC's contributions to MDBA and BRC will deliver value-for-money for customers
- feedback from stakeholders on the proposed increases to MDBA and BRC expenditure
- insufficient evidence to determine the efficient costs of MDBA and BRC services.

WAMC contributes to 2 inter-jurisdictional water management organisations on behalf of the NSW Government – the MDBA and BRC. The MDBA administers joint programs on behalf of the Australian, New South Wales, Victorian, Queensland, South Australian and Australian Capital Territory governments. The cost of the joint programs is divided between the governments based on agreed cost share principles. The BRC was created by the NSW and Queensland governments to control and coordinate the available water in the border rivers near the shared boundary. It is funded by annual call-ups to each government. The NSW Government is obliged to meet its MDBA and BRC funding call-ups regardless of IPART's pricing decisions.

IPART does not regulate MDBA and BRC. We set MDBA and BRC charges that enable WAMC, on behalf of the NSW Government, to share recovery of NSW's portion of the efficient costs for MBDA and BRC between water users and the NSW Government.

In making our draft decision on MDBA and BRC pricing we considered WAMC's proposal, including the supplementary information it provided to IPART, stakeholder feedback to our Issues Paper and a report from Stantec reviewing MDBA and BRC expenditure.[a]

7.1 WAMC proposed significant increases to prices for MDBA and BRC

7.1.1 WAMC proposed increased expenditure for MDBA

WAMC proposed a significant increase in expenditure for MDBA in the 2025 determination period. WAMC's proposed expenditure for MDBA over the 3 years is $38.3 million, equivalent to an average of $12.8 million per year. This is $2.4 million per year or 23% higher than the average expenditure allowance in the 2021 determination above inflation (Table 7.1).

[a] IPART engaged Stantec to assist in reviewing the WAMC component of MDBA's and BRC's expenditure.

Table 7.1 WAMC's historical and proposed expenditure for MDBA ($ millions, $2024-25)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Annual average
IPART allowed	10.5	10.5	10.3	10.1				10.3
Actual/estimate	10.6	9.9	10.8	11.4				10.7
WAMC proposed					14.0	11.9	12.4	12.8
Difference between proposed to allowed								2.4
Difference between proposed to allowed (%)								23%

Note: Totals may not add due to rounding.
Source: IPART calculations

WAMC's proposal indicated cost increases were required to improve the prudency, transparency and efficiency of the joint programs undertaken by MDBA. For the 2024-25 budget, governments within the MDBA jurisdictions agreed to a budget at the same level as 2022-23.[129] MDBA stated that operating on a constrained budget (i.e. without CPI increases) would increase its risk profile in several ways:

- optimised lifecycle cost approach not adopted, thus increasing outyears' costs
- a backlog of construction, renewal and compliance projects deferred and risk and costs increasing
- interdependencies of projects at sites, leading to multiple deferrals and compounding risks
- construction inflation is high and above CPI for some sites/states (i.e. steel, materials etc.)
- an aging asset base, increasing the risk of failure and non-compliance with safety standards, investigation funding needed for upcoming significant projects
- fleet, major and minor plant and equipment aging and not compliant with corporate policies
- decreased operating expenses reducing stakeholder engagement and/or confidence in the operation of the programs and assets, leading to high stakeholder and reputational risks.[130]

7.1.2 WAMC proposed increases in MDBA prices for some customers

WAMC proposed to allocate 68% of the notional revenue requirement for MDBA to water users, based on application of the activity-level cost shares in the 2021 determination to direct costs and allocation of corporate overheads entirely to government.[131]

Proposed changes in MDBA charges vary significantly across valleys and tariff components from 46% decreases to 124% increases.[132] The unweighted average increase across all prices is 23%, which is similar to the proposed expenditure allowance increase discussed above.

7.1.3 WAMC's proposed expenditure on BRC is lower than the allowance in the 2021 determination, but higher than actual expenditure

WAMC's total (capital and operating) expenditure on BRC was only around half of the allowance in the 2021 determination period. It has proposed to increase expenditure in the 2025 determination period to $0.8 million per year. This is $0.4 million per year or 32% lower than the allowance in the 2021 determination period (Table 7.2).

Table 7.2 WAMC's historical and proposed expenditure for BRC ($ millions, $2024-25)

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	Annual average
IPART allowed (opex + capex)	1.2	1.1	1.3	1.1				1.2
Actual/estimate (opex + capex)	0.4	0.5	0.8	0.8				0.6
WAMC proposed					0.8	0.8	0.8	0.8
Difference between proposed to allowed								-0.4
Difference between proposed to allowed (%)								-32%

Note: Totals may not add due to rounding.
Source: IPART calculations

WAMC's proposal indicates that BRC expects higher costs of operating surface water gauging stations and groundwater monitoring. WAMC also stated there have been cost increases due to increases in material costs, wage increases, communications network upgrades, asset upgrades and workplace health and safety requirements. WAMC proposed that BRC-related costs be designated as operating expenditure because the BRC does not have a fixed asset register and does not own the gauging stations and groundwater assets used to provide its services.[133]

7.1.4 WAMC proposed increases in BRC prices for some customers

WAMC proposed to allocate 79% of the notional revenue requirement for BRC to water users, based on application of the activity-level cost shares in the 2021 determination.

Under WAMC's proposal, there would be a major reallocation of BRC recovery across water sources. BRC water management charges would decline by between 43% and 65% for Border regulated river and Far West unregulated river customers and increase more than tenfold for groundwater customers.[134] WAMC is proposing a new price for Border unregulated river customers.[135] The unweighted average change across all prices would be an increase of 170%.

7.1.5 Stakeholders raised concerns about the proposed charges

Stakeholders were critical of the level of increases proposed for MDBA charges, claiming the proposed charges would put undue financial pressures on customers.

One stakeholder from the Murray Valley said that the pass-through of MDBA costs are not acceptable in the current form and stated:

"*It should be deemed unacceptable that the Murray Darling Basin Authority (MDBA) can increases its charges by up to 60% without any review process, justification or transparency with its costings.*"

Several stakeholders raised concerns about the lack of transparency of MDBA charges. An irrigator in the Murray Valley claimed that the full make-up of MDBA's operational costs, and the assessment of the value-for-money analysis was not provided, stating:

"*The full make-up of the MDBA operational costs which form the basis of the costs to NSW irrigators, and the assessment of any value -for -money analysis has not been provided.*"

7.2 We have insufficient information to estimate efficient MDBA and BRC costs

7.2.1 WAMC has not demonstrated costs are efficient

A thorough assessment of proposed costs is essential for IPART to set new prices for monopoly services. The information in WAMC's proposal and subsequent correspondence with our expenditure consultants, Stantec, is insufficient for IPART to conduct this assessment and determine the efficient cost of MDBA and BRC services.

The lack of information impacted Stantec's ability to assess the efficient cost of MDBA and BRC services. It advised in relation to MDBA's expenditure:

> The information provided by WAMC, WaterNSW and the MDBA has provided no basis for the recommendation of scope, efficiency, service level or savings adjustments to the proposed MDBA expenditure within the WAMC and WaterNSW (Rural) pricing proposals.[136]

We acknowledge MDBA's proposed costs are developed in a multi-jurisdictional context, using established planning and budget frameworks for the MDBA. We also acknowledge the cost sharing principles between the contracting governments for the funding of MDBA activities. However, IPART must make a decision that reflects the information and evidence we have been given. We have not been provided with information that demonstrates the MDBA and BRC costs will be efficient.

7.2.2 Better customer engagement on MDBA and BRC costs is needed

WAMC is effectively proposing that NSW's contributions to the MDBA and BRC should be treated as a cost pass-through. It is of IPART's view that these costs are not a pass-through and require the same treatment as other costs incurred by WAMC. By proposing the costs indicated by MDBA and BRC, WAMC does not appear to be actively working to ensure its customers' contributions to MDBA and BRC deliver value for money.

WAMC's proposal provides no evidence that it has consulted with customers on the activities proposed by MDBA and BRC. Customer consultation is particularly important given the proposed increases in some MDBA and BRC charges are relatively large. We encourage WAMC to do more to test whether proposed MDBA and BRC charges deliver outcomes that are supported by customers.

7.2.3 MDBA and BRC costs should reflect underlying assets

We are concerned about WAMC's proposed treatment for some of BRC's costs. For instance, WAMC's proposal suggests renewals and enhancements of surface water gauging stations and groundwater infrastructure should be treated as operating expenditure as they relate to assets that are not owned by BRC.[137] WAMC's proposed operating costs reflect the pricing arrangements BRC has with the asset owners. However, the maximum prices set by IPART do not seek to exactly reflect input pricing arrangements for the regulated business. Maximum prices typically recover the cost of assets using straight-line depreciation and provide a return on the capital invested.

WAMC's treatment of MDBA and BRC expenditure should reflect the economic life of the underlying assets used to deliver services. WAMC should not assume pass through of costs based on the service delivery model and payment structures adopted by BRC.

7.3 Draft decisions on MDBA and BRC pricing

Our draft decision is:

15. To hold MDBA and BRC charges constant in real terms.

As the information supplied by WAMC was insufficient to estimate efficient forecast costs for MDBA and BRC, we decided to hold the MDBA and BRC charges constant in real terms. The MDBA and BRC charges are set out in Chapter 10.

7.3.1 Forecast WAMC revenue from MDBA charges

Based on our draft decision, we forecast WAMC will generate $22.1 million from MDBA charges over the 2025 determination period (Table 7.3). This is $3.8 million or 15% lower than the user share of WAMC's proposed revenue requirement over the 3 years.

Table 7.3 Forecast WAMC revenue from MDBA charges ($millions, $2024-25)

	2025-26	2026-27	2027-28	Total
Forecast revenue	7.4	7.4	7.4	22.1

Note: Totals may not add due to rounding.
Source: IPART calculations and Stantec, *Review of Murray-Darling Basin Authority and Border Rivers Commission costs associated with WaterNSW-Rural and WAMC activities*, March 2025.

7.3.2 Forecast WAMC revenue from BRC charges

Based on our draft decision, we estimate WAMC will generate $2.9 million from BRC charges over the 2025 determination period (Table 7.4). This is $0.9 million or 50% higher than the user share of WAMC's proposed revenue requirement over the 3 years.

Table 7.4 Forecast WAMC revenue from BRC charges ($millions, $2024-25)

	2025-26	2026-27	2027-28	Total
Total	1.0	1.0	1.0	2.9

Note: Totals may not add due to rounding.
Source: IPART calculations and Stantec, *Review of Murray-Darling Basin Authority and Border Rivers Commission costs associated with WaterNSW-Rural and WAMC activities*, March 2025.

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Chapter 8

Demand

Summary of our draft decisions for water entitlement and water take forecasts

For regulated rivers, we are proposing to accept WAMC's forecast methods

- Water entitlement volumes are based on the latest year of actual data
- Water take volumes are based on a 20-year historical average.

For unregulated rivers and groundwater sources, we are proposing to accept WAMC's forecast methods

- Water entitlement volumes are based on the latest year of actual data
- Water take volumes are based on historic utilisation rates and WAMC's best available information on metering roll-out.

For floodplain harvesting, we are proposing to accept WAMC's forecast methods

- Water entitlement and water take volumes are based on WAMC's best available information.

We use water entitlement and water take forecasts to calculate the fully cost reflective prices for each water source to cover the customer share of efficient costs. We then decide how to transition towards fully cost reflective prices e.g. setting a percentage cap (see Chapter 9).

While water entitlement volumes are generally stable over time, water take volumes vary from year-to-year. It is important that the water take forecasts are accurate, so that fully cost reflective prices are set at levels that are reasonably expected to recover the customer share of WAMC's efficient costs.

This chapter sets out the water entitlement and water take forecasts we used to calculate fully cost reflective prices for regulated rivers, unregulated rivers and groundwater sources. We have included floodplain harvesting entitlements and water take forecasts for the water sources where floodplain harvesting is available, or expected to be available, during the determination period.

In Chapter 9, we consider the price path to full cost recovery that best balances cost recovery and mitigating bill shocks for licence holders.

8.1 Regulated rivers

Our draft decision is:

16. To set WAMC's water entitlements and water take forecasts for regulated rivers as shown in Table 8.1 and Table 8.2 respectively.

8.1.1 We are proposing to accept WAMC's water entitlement forecasts for regulated rivers

We are proposing to accept WAMC's proposal for constant water entitlement volumes for the regulated rivers over the 2025 determination period (Table 8.1). Water entitlements have historically been stable, and the forecast is based on the latest year of actual entitlement data (i.e. 2023–24). This approach was used in the 2021 price review.

Table 8.1 Draft decision on regulated river water entitlement forecasts for the 2025 determination period (ML per year)

Water source	Forecast entitlements
Border	266,132
Gwydir	536,935
Namoi	265,861
Peel	45,755
Lachlan	690,304
Macquarie	676,254
Murray	2,345,248
Murrumbidgee	2,706,032
North Coast	9,338
Hunter	208,655
South Coast	15,137

Source: IPART analysis based on data supplied by WAMC.

8.1.2 We are proposing to accept WAMC's water take forecasts for regulated rivers

We are proposing to accept WAMC's proposal for constant water take volumes over the 2025 determination period. WAMC's proposal used the average historical annual water take over 20 years to determine the constant volume forecast. After WAMC submitted its proposal, it provided us with actual water take data for 2023–24. We have incorporated this data to revise the 20-year historical period from 2004–05 to 2023–24 except for the Lowbidgee supplementary water take, which is calculated based on 12 years of historical data.

Our water take forecast for regulated water sources is provided in (Table 8.2). The water take forecast is disaggregated into its components to illustrate the impact of floodplain harvesting and the Lowbidgee supplementary water take on the forecast.

Table 8.2 Draft decision on regulated river water take forecasts for the 2025 determination period (ML per year)

Water source	Non-floodplain harvesting water take	Floodplain harvesting water take	Lowbidgee	Total forecast water take
Border	132,090	15,500	0	147,590
Gwydir	212,956	31,399	0	244,355

Water source	Non-floodplain harvesting water take	Floodplain harvesting water take	Lowbidgee	Total forecast water take
Namoi	132,494	12,714	0	145,208
Peel	11,597	0	0	11,597
Lachlan	159,390	0	0	159,390
Macquarie	199,081	14,673	0	213,755
Murray	1,347,696	0	0	1,347,696
Murrumbidgee	1,493,305	0	59,811	1,553,116
North Coast	671	0	0	671
Hunter	113,030	0	0	113,030
South Coast	3,817	0	0	3,817

Source: IPART analysis based on data supplied by WAMC.

In making our draft decision, we considered our findings on alternative forecasting methodologies from past reviews (e.g. time series and other statistical forecasting methods). Based on our investigation, we decided to maintain the use of a 20-year historical average to set the water take forecast.

8.2 Unregulated rivers

Our draft decision is:

17. To set WAMC's water entitlements and water take forecasts for unregulated rivers as shown in Table 8.3 and 8.4 respectively.

8.2.1 We are proposing to accept WAMC's water entitlement forecasts for unregulated rivers

We are proposing to accept WAMC's proposal for constant water entitlement volumes for the unregulated rivers over the 2025 determination period (Table 8.23). The forecast was based on the latest year of actual entitlements (i.e. 2023–24). In making our decision, we recognised that WAMC applied the same forecasting approach to water entitlements it used in the 2021 price review and that water entitlement volumes have historically been stable.

Table 8.3 Draft decision on unregulated river water entitlement forecasts for the 2025 determination period (ML per year)

Water source	Forecast entitlements
Border	44,418
Gwydir	51,357
Namoi	162,216
Peel	17,946
Lachlan	55,362
Macquarie	181,393
Far West	220,157
Murray	52,174
Murrumbidgee	97,356
North Coast	273,672
Hunter	484,746
South Coast	1,277,628

Source: IPART analysis based on data supplied by WAMC.

8.2.2 We are proposing to accept WAMC's water take forecasts for unregulated rivers

We propose to accept WAMC's proposal to apply average historic utilisation rates to forecast metered entitlements to determine the forecast water take volumes for unregulated rivers (Table 8.4). Most of the expected growth in water take is due to increases in the volume of metered entitlements.

Table 8.4 Draft decision on unregulated river water take forecasts for the 2025 determination period (ML per year)

Water source	2025-26	2026-27	2027-28
Border	14,452	16,723	16,832
Gwydir[a]	10,149	11,803	11,829
Namoi[a]	45,252	51,126	51,174
Peel	2,730	2,781	2,798
Lachlan	6,255	8,262	8,313
Macquarie	70,788	84,310	84,772
Far West[a]	203,173	207,020	207,246
Murray	7,512	9,263	9,294
Murrumbidgee	16,975	19,217	19,333
North Coast	56,929	59,345	59,529
Hunter	111,462	114,879	115,921
South Coast	545,644	550,468	557,118

a. Forecasts include floodplain harvesting water take.
Note: Water meter adoption increases through the forecast period due to the non-urban water metering program. This contributes to an increase in the water take as the number of metered entitlements increases.
Source: IPART analysis based on data supplied by WAMC.

In making our draft decision, we recognised that the methodology in WAMC's proposal was consistent with the approach it used for the 2021 price review. At the time, we considered that its approach made the best use of limited historical data. We still hold this view. There is now more data on the deployment of meters through the non-urban metering program and we have accepted WAMC's proposal to incorporate this into the water take forecast.

8.3 Floodplain harvesting

Our draft decision is:

18. To set WAMC's water entitlements and water take forecasts for floodplain harvesting as shown in Table 8.5.

We are proposing to accept WAMC's floodplain harvesting entitlement and water take forecast volumes for the 2025 determination period (Table 8.5).

We considered available information on floodplain harvesting licences from the Border, Gwydir and Macquarie regulated rivers, and the Gwydir and Far West unregulated rivers. Based on this information, we decided that WAMC's forecast entitlement volumes were reasonable.

We are proposing to accept WAMC's proposal to include Namoi in the water entitlement and water take forecasts. The regulatory framework for floodplain harvesting in the Namoi valley has recently been finalised. WAMC's forecast floodplain harvesting entitlements for the Namoi regulated and unregulated water sources were made prior to licences being issued and are based on its best available information.

We are proposing to accept WAMC's assumption that the water take would be 30% per year of forecast entitlements. Given the limited historical data, we considered it reasonable for WAMC to take this approach. However, we are seeking stakeholder feedback on this matter.

Seek Comment

2. How reasonable is it to assume the forecast water take from floodplain harvesting will be 30% of the floodplain harvesting entitlements?

Table 8.5 Draft decision on floodplain harvesting water entitlement and water take forecasts for the 2025 determination period (ML per year)

Water source	Forecast entitlements	Forecast water take
Regulated rivers		
Border	51,665	15,500
Gwydir	104,663	31,399
Namoi	42,379	12,714
Macquarie	48,911	14,673
Total regulated rivers	**247,618**	**74,286**

Water source	Forecast entitlements	Forecast water take
Unregulated rivers		
Gwydir	13,125	3,937
Namoi	52,913	15,874
Far west	51,322	15,397
Total unregulated rivers	**117,359**	**35,208**
Total floodplain harvesting	**364,978**	**109,493**

Note: Includes the regulated rivers of Gwydir, Namoi, Macquarie and Border, and the unregulated rivers of Gwydir, Namoi and the Far West.
Source: IPART analysis based on data supplied by WAMC.

8.4 Groundwater

Our draft decision is:

19. To set WAMC's water entitlements and water take forecasts for groundwater as shown in Table 8.6 and Table 8.7 respectively.

8.4.1 We are proposing to accept WAMC's water entitlement forecasts for groundwater

We are proposing to accept WAMC's proposal to use the same approach to forecast groundwater entitlements as it did for unregulated entitlements. The proposal contained constant groundwater entitlement volumes over the 2025 determination period (Table 8.6).

Table 8.6 Draft decision on groundwater water entitlement forecasts for the 2025 determination period (ML per year)

Water source	Forecast entitlements
Inland (ex. Murrumbidgee)	1,191,339
Murrumbidgee	370,010
Coastal	401,585

Source: IPART analysis based on data supplied by WAMC.

8.4.2 We are proposing to accept WAMC's water take forecasts for groundwater

We are proposing to accept WAMC's proposal to use the same approach for forecasting groundwater water take volumes as it used for unregulated water take volumes (section 8.2.2). Based on the previous considerations, we accepted WAMC's approach to forecasting groundwater water take volumes, including the impact of the non-urban metering program (Table 8.7).

Table 8.7 Draft decision on groundwater water take forecasts for the 2025 determination period (ML per year)

Water source	2025-26	2026-27	2027-28
Inland (ex. Murrumbidgee)	490,816	510,752	512,015
Murrumbidgee	244,282	247,173	247,250
Coastal	70,562	82,244	83,201

Note: Water meter adoption increases through the forecast period due to the non-urban water metering program. This contributes to an increase in the water take as the number of metered entitlements increases.
Source: IPART analysis based on data supplied by WAMC.

8.5 Improving water take forecasts

We encourage WAMC to investigate the key drivers of water take (including impacts from climate change) for future pricing proposals. The current method, which is based on historical averages, may not include contemporary factors influencing water take. WAMC is well placed, in terms of expertise and access to data, to investigate the drivers of water take and improve on the forecasting approach.

Chapter 9

Price setting

Summary of our approach to price structures and our draft decisions

Our draft decision is to maintain price structures

Our draft decisions are largely to accept WAMC's proposal on price structures, including:

- maintaining water source based pricing
- the entitlement and water take components in metered charges
- setting unmetered charges as the sum of the entitlement charge and water take charge set for metered charges in each water source (therefore assuming 100% take of the entitlement)
- retaining the minimum annual charge (MAC).

We continue to transition prices towards full cost recovery levels

Our draft decisions transition prices toward full cost reflective levels while mitigating the financial impact on water users. We are proposing to increase prices at an annual rate of 5% for water management charges, and 2.5% for the minimum annual charge, before inflation, towards full cost recovery. This is lower than the 15% cap on annual price increases proposed by WAMC for water management charges.

WAMC did not consult with customers on its proposed 15% cap during the development of its pricing proposal.

Our draft decision to delay the introduction of new WAMC prices until 1 October 2025 impacts WAMC's expected revenue in 2025-2026. Our draft decision is to adjust WAMC prices over the 9 month period between 1 October 2025 and 30 June 2026 to account for this difference.

Our draft decision is to introduce a new water take charge for floodplain harvesting and continue to apply the WAMC, MDBA and BRC water take charges to floodplain harvesting licences

WAMC proposed a new floodplain harvesting charge to recover new costs associated with floodplain harvesting. We are proposing to accept that a new charge is warranted, however we are proposing to set this charge as a water take charge (rather than as both entitlement and water take charges).

We are also proposing that WAMC should bear a portion of these new costs due to uncertainty over the forecast water take for floodplain harvesting, uncertainty over these costs and the limited customer consultation on the new floodplain harvesting charge.

The new floodplain harvesting charge is in addition to the water management and any applicable Murray–Darling Basin Authority (MDBA) and Dumaresq–Barwon Border Rivers Commission (BRC) water take charges that already apply to floodplain harvesting licences.

9.1 We set prices to recover efficient costs

Our draft decisions are:

20. To maintain setting:
    a. Metered charges, comprised of an entitlement charge ($ per ML of entitlement or unit share) and a water take charge ($ per ML of water extracted), for regulated water, unregulated water and groundwater sources, where water take is measured, and
    b. Unmetered charges, comprised of an entitlement charge ($ per ML of entitlement or unit share), for unregulated water and groundwater sources, where water take is not measured.

21. To maintain the approach of setting unmetered charges as the sum of the entitlement charge and water take charge set for metered charges in each water source.

22. For WAMC's water management price component, to set the pricing structure for the metered charges so that 70% of forecast revenue is recovered via the entitlement charge and 30% of forecast revenue is recovered via the water take charge, except for the North Coast regulated water source where this ratio is kept at current levels of 92% entitlement and 8% water take.

23. For MDBA and BRC price components, to set the pricing structure for the metered charges so that 80% of forecast revenue is recovered via the entitlement charge and 20% of forecast revenue is recovered via the water take charge.

24. Only set floodplain harvesting inclusive charges for the regulated rivers of Border, Gwydir, Macquarie and Namoi, and the unregulated rivers of Gwydir, Namoi and the Far West.

The current pricing framework involves first setting prices required to achieve full cost recovery by:

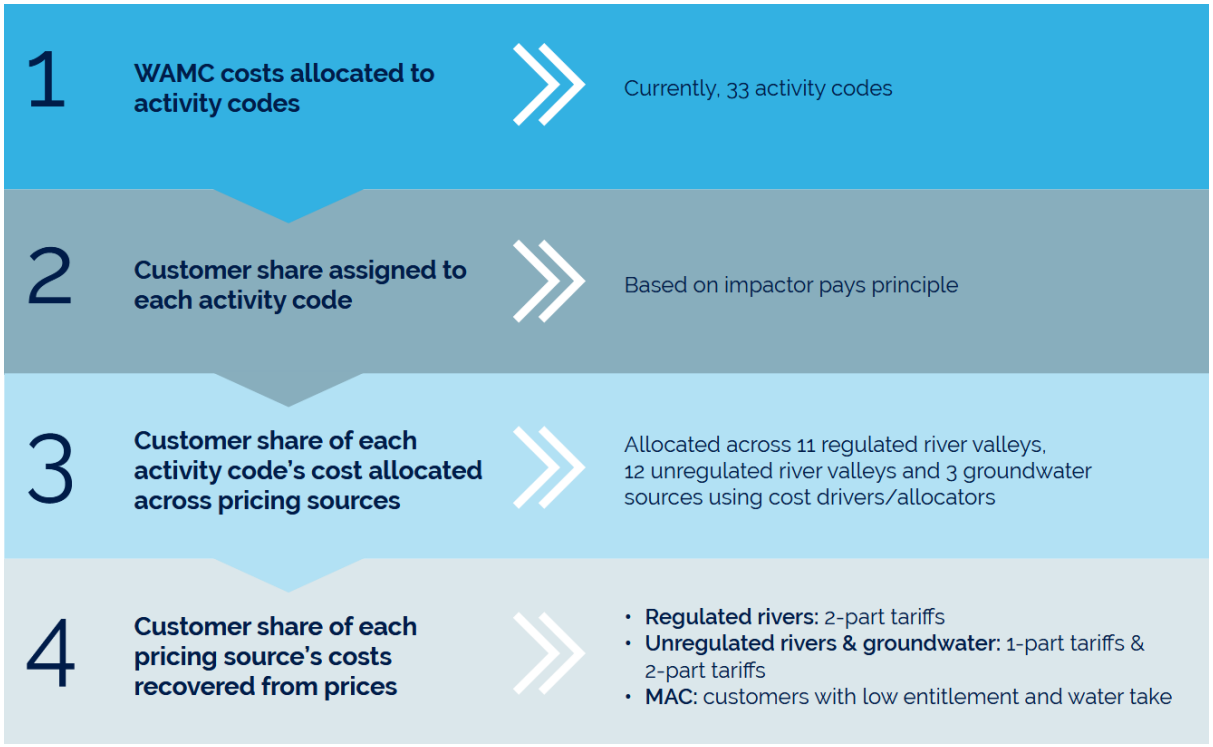
- allocating costs to water management activities (codes)
- applying the impactor pays principle to determine water customers' share of the costs of each activity
- allocating the customer share of each activity across each water source using cost allocators to determine the customer share of the 'notional revenue requirement' (i.e. costs to be recovered from water management prices) for each water source

- setting water management prices for each valley/source to recover its customer share of notional revenue requirement through:
  - metered charges for regulated river valleys (i.e. $ per ML of water entitlement and $ per ML of water take)
  - metered charges ($ per ML of water entitlement and $ per ML of water take) for customers with meters on unregulated rivers and groundwater sources
  - unmetered charges ($ per ML of water entitlement) for customers without meters on unregulated rivers and groundwater sources.
- applying a minimum annual charge (MAC) where a customers' two or one-part tariff would be less than the MAC, with the MAC set at a uniform level across New South Wales.

The maximum price a customer pays over the 2025 determination period is the minimum of:

- the above price, or
- current (2024-25) prices plus the price cap.

Figure 9.1 Key features of the framework for WAMC's water management charges



Source: Attachment M of WAMC's pricing proposal

9.1.1 Continuing to set prices for each water source

WAMC proposed to maintain the existing geographic split of prices across 3 water types as set in the 2016 and 2021 Determinations[138].

Some stakeholders raised concerns that it is difficult for customers and stakeholders to understand whether costs are efficiently or fairly split with pricing being water source based, but with expenditure not clearly mapped to valleys.[139]

We discuss further our recommendations on reviewing price structures at Chapter 14.

Interaction with floodplain harvesting prices

In our 2021 review, IPART set two price schedules for the water sources where the introduction of floodplain harvesting was expected to commence during the 2021 determination period. One price schedule included the floodplain harvesting entitlements and water take, and another schedule excluded them. The floodplain harvesting inclusive charges took effect in a valley in the financial year after Ministerial approval was given to issue floodplain harvesting licences for that valley. The floodplain harvesting inclusive charges led to the revenue requirement being spread over a greater volume of water take. This generally resulted in lower charges where floodplain harvesting was implemented.

For the 2025 price review, our draft decision is to set only one price schedule that is inclusive of floodplain harvesting for the regulated water sources of Border, Gwydir, Macquarie and Namoi, and the unregulated water sources of Gwydir, Far West and Namoi. Floodplain harvesting rules were issued for the Namoi (both regulated and unregulated water sources) in late 2024 but licences have not yet been issued. Given the imminent issue of these licences, we do not consider the added complexity of setting floodplain harvesting exclusive charges is warranted.

9.1.2 Maintaining the entitlement-to-water take ratio of 70:30

When setting prices for metered charges, the ratio of entitlement-to-water take prices is usually set to approximate the underlying cost structure of the agency or utility in question. WAMC proposed maintaining the current 70:30 entitlement-to-water take ratio for metered charges[140].

Our draft decision is to accept this proposal and apply it to the WAMC water management component. Under this split, draft prices are structured so 70% of the forecast revenue under the metered charge is received from the entitlement charge ($ per ML entitlement) and 30% from the water take (or variable) charge ($ per ML of water taken or extracted).

The exception to the 70:30 ratio is the North Coast regulated water source, which currently has a 92:08 entitlement-to-water take ratio. The ratio is set at a different level to reflect a low water activation rate for this water source, and mitigate bill and revenue variability that would result from applying a 70:30 ratio. This is consistent with our 2021 Determination and WAMC has not proposed changes.[141]

We consider our draft decision is an on-balance position as this provides WAMC with a reasonable degree of revenue certainty, while providing water users with some scope to reduce their bills through lower levels of water take, because:

- WAMC's cost structure is predominantly fixed costs. By maintaining the 70:30 entitlement to water take split for metered charges, WAMC is likely to generate around 80% of its revenue from entitlement charges, including revenue from unmetered charges and MACs. This proportion would be closer to reflecting WAMC's cost structure.
- Entitlement-to-water take ratios have been considered in previous determinations, and, the 70:30 entitlement to water take ratio mitigates some of the potential bill impact for water users on 2-part tariffs in times of low water availability compared with a ratio that better matches WAMC's cost structure (i.e. with a higher proportion of entitlement charges).
- We acknowledge that some water users and stakeholders prefer a ratio with a lower proportion of entitlement charges and higher proportion of water take charges. However most submissions to our Issues Paper did not raise the existing ratio as a concern, specifically in the context of WAMC.

9.1.3 We will continue to apply entitlement and take charges to WAMC's water management, MDBA and BRC pricing components

Consistent with our 2021 decision and WAMC's pricing proposal, our draft decision is to continue to apply entitlement and take charges for the 3 pricing components (water management, MDBA and BRC). In Chapter 10, we present draft prices for each water source as follows:

- water management prices for all water sources
- MDBA prices for relevant water sources
- BRC prices for relevant water sources
- combined prices (i.e. water management prices, MDBA and BRC prices).

9.1.4 Our draft decision is to accept WAMC's allocation of costs to activity codes with one exception

WAMC's submission proposed changes to the allocation of 3 activity codes to reflect a more direct attribution of costs[142]. As discussed in Chapter 6, our draft decision is to accept the proposed changes, except for that relating to W05-03 on the basis that there is insufficient evidence that the proposed driver would be superior.

9.2 Our draft decision is to set prices to recover efficient costs, with capped price increases

Our draft decisions are:

25. For the WAMC water management component, to transition prices towards full cost recovery at a capped annual real rate of 5% until full cost recovery is achieved.

26. For the minimum annual charge, to transition prices towards full cost recovery at a capped annual real rate of 2.5% until full cost recovery is achieved.

9.2.1 Prices will continue to transition towards full cost recovery

WAMC proposed recovering the user share of its proposed costs through a combination of price increases and additional contributions from the NSW Government.[143]

- WAMC proposed its water management charges (excluding BRC and MDBA) increase from 2024–25 price levels at a capped annual real rate of 2.5% for customers on the MAC and otherwise 15% to mitigate price impacts on customers.
- This approach would result in an under-recovery of revenue for all water sources. The implication of the proposal is a NSW Government funded subsidy of around $65 million per year over 5 years[144] or 37% of the total cost (which also brings the notional customer share down to 42% from 79%).[145]

While price caps (see below discussion) will assist in managing price shocks for customers, we consider that prices should continue to transition towards full cost recovery.

9.2.2 Stakeholders do not support WAMC's proposed price caps

WAMC consulted on annual price caps for its entitlement and access charges of 2.5%, 5% and 10% per year.[146] However, WAMC proposed 15% for larger users, higher than options consulted on during the development of WAMC's pricing proposal.[147]

We received a large number of stakeholder submissions raising concerns about WAMC's proposed 15% price cap noting that this was significantly higher than the options WAMC consulted on during the development of its pricing proposal (discussed in Chapter 3). Many stakeholder submissions highlighted that even with the price caps, customers in most water sources would see prices more than double over the next determination period[148] and this could contribute to making some irrigating operations financially unviable.[149]

Stakeholders challenged WAMC's affordability analysis which suggested larger customers can afford to move towards cost reflective prices at a faster rate than very small customers.[150] Stakeholder concerns about WAMC's affordability analysis include that:

- relatively small users were classified as large users in the analysis,
- 2021-22 data used in the analysis is out of date and is not representative of average conditions, and
- it doesn't recognise the potential impacts of price increases on more financially vulnerable industries such as dairy and rice.[151]

Further, some stakeholders including the Commonwealth Environmental Water Holder suggested that having different caps for the MAC and water management costs generally establishes a cross-subsidy based on use amount.[152]

We also note one business submitted that WAMC's proposed price caps shift costs to taxpayers "who do not seem to have a voice in this consultation process".[153]

9.2.3 IPART's affordability analysis of WAMC's proposal

IPART obtained from Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), 5-year averages (2017-18 to 2021-22) of gross margins and water use data by industry and size for Murray and Murrumbidgee from the MDB Irrigation Survey. The impact of WAMC's proposal to 2029-30, before inflation, could mean that the WAMC portion of a farming business's water bill would increase by more than 70%. We also found that the gross margins of cotton and rice farms would be most impacted (up to a 1.5% reduction). We also found that the gross margins of smaller farms would generally decrease at a greater rate than larger farms and that smaller broadacre farms would be most affected (up to a 2.8% reduction).

IPART's analysis of gross margins data from CottonInfo[154] showed that the impact of WAMC's proposal would reduce the gross margins of northern Basin cotton farms by around 1%, with Namoi being the most affected. We also analysed the impact of WAMC's proposal to 2029-30 for local water utilities (LWU).

Our detailed analysis of the affordability of WAMC's proposal is available in Appendix C.

9.2.4 Our draft decision is to impose price caps on water management charges to manage bill shocks for customers

Our draft decision is to continue to transition prices for each water source towards full cost recovery capped at a real rate of 5% for water management charges for each water source from 2024-25 charges, until full cost recovery is achieved.

We considered a range of potential price caps, and decided a 5% per year before inflation cap on water management prices provides an appropriate balance between transitioning to full cost recovery, while mitigating bill shock for customers. Under a 5% price cap on price increases, water management charges would increase by up to 15.8% over the determination period (before inflation).

We have assessed affordability for customers and consider that the proposed price cap better manages affordability considerations than the WAMC proposal of 15% for water management prices. Further analysis of the impact of our draft decisions is presented in Chapter 13.

We have also considered a 10% price cap. An advantage of this would be the rate of cost recovery for water management charges would be around 2-8% greater than the 5% price cap. While the 10% cap would be a better option to transition to full cost recovery, the bill impact for water management charges would be up to a 33.1% increase (before inflation). We have modelled the impact of a 10% cap in Appendix D, including bill impacts and cost recovery levels.

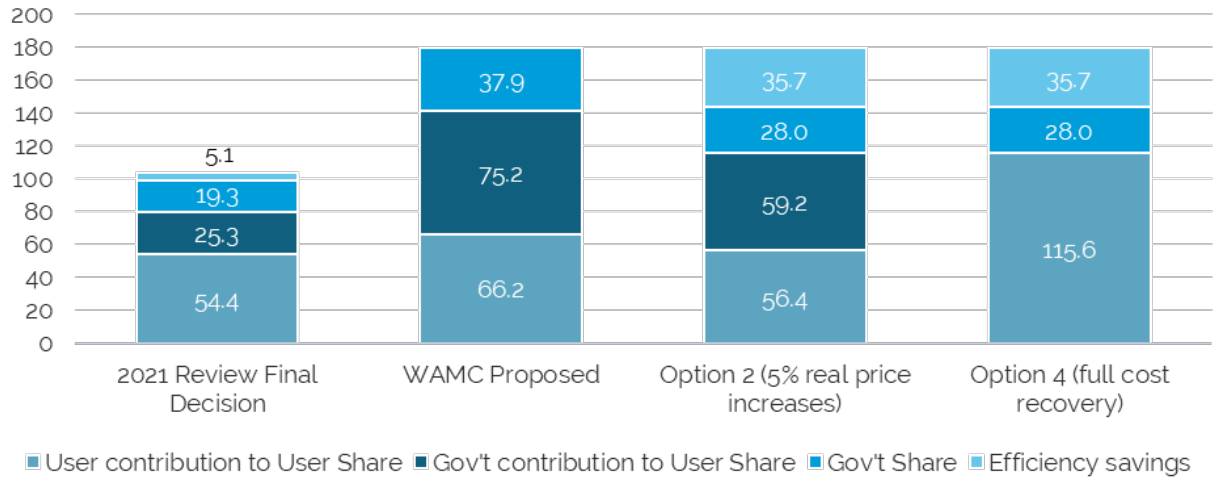
We are seeking stakeholder feedback on the potential impacts of 10% cap on price increases before inflation.

9.2.5 NSW Government contributions have increased since the 2021 Determination

While the prices for our draft decision for a 5% price cap over the 2025 determination period are higher than 2024-25 levels, we consider that our decisions achieve an appropriate balance between the need to transition towards full cost recovery and mitigating bill impacts on WAMC's customers.

Figure 9.2 shows that that estimated NSW Government contributions over the 2025 determination period would be on average $42 million higher per year than the 2021 determination period. However, this would be on average $26 million lower per year than forecast in WAMC's pricing proposal.

Figure 9.2 NSW Government total contributions over the 2025 determination period as annual averages ($ million, $2024–25)



Note: because we are not satisfied that the increase in MDBA and BRC costs are efficient, we have not included it in the efficiency savings category. The proposed increase is in these costs is included in the Government contribution to the user share category.
Source: IPART analysis.

Nevertheless, all water sources will remain below full cost reflective levels at the end of the determination period. Target revenue as a percentage of the user share of the Notional Revenue Requirement is called 'the level of cost recovery'. The shortfall is funded by the NSW Government effectively as a community service obligation through the 2021 determination period.

Table 9.1 summarises the impact of our draft pricing decisions on the level of cost recovery for water management prices. It shows that, for water sources not at full cost recovery, our draft maximum prices will transition towards full cost recovery levels at a capped real rate of 5% per year from 2025-26 to 2027-28.

Table 9.1 Impact of water management draft prices on cost recovery levels

Water source	IPART 2025-26	IPART 2026-27	IPART 2027-28
Regulated			
Border	55%	57%	60%
Gwydir	48%	51%	53%
Namoi	43%	45%	47%
Peel	41%	43%	45%
Lachlan	39%	41%	42%
Macquarie	43%	45%	47%
Murray	44%	45%	48%
Murrumbidgee	47%	50%	52%
North Coast	15%	16%	17%
Hunter	46%	48%	51%
South Coast	20%	21%	22%
Unregulated			
Border	32%	34%	35%
Gwydir	29%	30%	32%
Namoi	27%	28%	30%
Peel	38%	39%	40%
Lachlan	39%	39%	41%
Macquarie	39%	40%	42%
Far West	42%	44%	46%
Murray	29%	30%	31%
Murrumbidgee	32%	33%	34%
North Coast	36%	37%	39%
Hunter	33%	35%	36%
South Coast	57%	59%	62%
Groundwater			
Inland	52%	54%	57%
Border	52%	54%	57%
Murrumbidgee	43%	45%	47%
Coastal	35%	36%	38%

Source: IPART analysis.

9.2.6 The minimum annual charge will also transition under a price cap

A minimum annual charge (MAC) applies to water users or licence holders where the sum of water management charges are less than the MAC.

The MAC is intended to recover most of the cost associated with account management services for small-sized water holding.[155] Stakeholders submissions indicate this aspect is not well understood, particularly as differing prices across water sources mean the associated allowed volumes under the MAC vary[156]. WAMC also note that the MAC does not cover what they perceive to be efficient administrative costs, at $935[157] per annum (up from $500 in the previous proposal)[158].

WAMC proposed to notionally transition the MAC towards full cost recovery by increasing it at a rate of 2.5% per year, noting it would not occur within the determination period[159]. Our draft decision is to accept WAMC's proposal.

Seek Comment

3. Do the 2.5% and 5% caps on prices strike the right balance between cost recovery and impacts on customers?

4. What are your views on a potential alternative cap of prices for water management services at 10%?

9.3 We propose to adjust WAMC's water management and MDBA and BRC prices in 2025-26 to account for the 3-month delay to new prices

Our draft decision is:

27. To adjust WAMC prices to apply over the 9 months from 1 October 2025 to 30 June 2026 to account for the difference in revenue WAMC would expect to recover as a result of the 3-month delay.

Our draft decision to delay the introduction of new WAMC prices until 1 October 2025 means that existing 2024-25 prices would continue to apply over the 3-months from 1 July to 30 September 2025 and new WAMC prices would apply over the 9-months from 1 October 2025 to 30 June 2026. We propose to adjust WAMC prices to apply over the 9-months from 1 October 2025 to 30 June 2026 to account for the difference in revenue WAMC would expect to recover without the 3-month delay.

The effect of this adjustment is that:

- Water management prices would remain unchanged from 1 July to 30 September 2025 and then increase by 7.7% before inflation from 1 October 2025 to 30 June 2026.
- The MAC would remain unchanged from 1 July to 30 September 2025 and then increase by 4.1% before inflation from 1 October 2025 to 30 June 2026.
- MDBA and BRC prices would remain unchanged from 1 July to 30 September 2025 and then increase by 1% before inflation from 1 October 2025 to 30 June 2026.

These adjustments to prices are intended to result in the average prices applying over 2025-26 to be equal to what these prices would have been had the introduction of new prices not been delayed by 3 months. We note that while this adjustment would affect prices that apply over 2025-26, it would not affect prices in 2026-27 and 2027-28.

9.4 Metropolitan water planning prices

Our draft decision is:

28. To apply a separate WAMC price to WaterNSW and Hunter Water, which will recover the user share of metropolitan water planning costs and the Lower Hunter Water plan. The price will be an additional fixed charge ($ per ML of entitlement or unit share) applied to the water access licences held by Water NSW in the South Coast and Hunter Water in the Hunter (unregulated rivers) water sources respectively.

In our 2016 and 2021 Determinations, we set a separate price for WaterNSW to recover the costs of metropolitan water planning for the Greater Sydney region based on the impactor pays principle. We concluded that the impactor was Water NSW[160]. Water NSW is a major water utility that, on behalf of its customers, creates the need for metropolitan water planning to ensure a suitable balance between water supply and demand over time. Water access licences held by major water utilities provide for this demand. This means that WAMC can charge a special levy to Water NSW to recover the cost of water planning for the Greater Sydney region. Consequently, Water NSW has passed this cost onto its customers in the relevant region.

For this review, WAMC proposed to continue setting a separate charge to Water NSW, and introduce a new charge for Hunter Water to recover WAMC's costs of delivering planning services for the Lower Hunter Water plan.[161] These charges only apply to entitlements held by these businesses in South Coast and Hunter unregulated rivers respectively, and are in addition to the entitlement and water take charges set by IPART.

We decided to maintain the approach and include the Hunter Water charge – that is, setting a separate price to recover the user share of efficient costs for those water businesses. The rationale outlined in the 2016 Final Report continued to remain relevant over the 2021 and now 2025 determination period.[162] The separate price is specified in Chapter 10.

9.5 We propose to accept WAMC's special categories of licences

Our draft decision is:

29. To accept WAMC's proposed special categories of licences as shown in Table 9.2

There are 3 categories of licences:

4. **Entitlement charge licences** are subject to fixed, or fixed and water take charges.
5. **Water take charge only licences** are only subject to a charge based on the volume of water measured as taken against that licence. Water take charge only licences include 4 subcategories of regulated river licences and 3 subcategories of unregulated river licences. There are no groundwater licences that are water take charge only licences.
6. **Minimum charge only licences** are subject to the MAC and pay their fair share of MDBA and BRC costs. Water taken against these licences will have already been recorded (and charged) under another licence. In addition, water taken against this licence can only be used for water impacts management and cannot be used for consumptive or commercial purposes or traded.

In the 2021 Determination, we approved WAMC's proposed special categories of licences.[163] For the 2025 determination period, WAMC has proposed to substantially maintain the same special categories, listed in Table 9.2.

The one exception to this is the Major utility (Barnard) (regulated river), which WAMC had included as 'not applicable'. WAMC have since indicated that while there are no existing relevant licences under that category, they remain in the relevant water sharing plan and may still be granted[164]. As a result, this has been included in our Draft Determination, as it was in our 2021 Determination.

Table 9.2 Draft decision on special licence categories

Licence category	Tariff category
Supplementary water (regulated river)	Water take charge only
Supplementary water environmental access (regulated river)	Water take charge only
Supplementary water (Lowbidgee) (regulated river)	Water take charge only
Major utility (Grahamstown) (unregulated river)	Minimum charge only
Major utility (Barnard) (regulated river)	Minimum charge only
Supplementary Aboriginal environmental water access (unregulated river)	Water take charge only
Unregulated river (regulated supply)	Minimum charge only
Unregulated river (regulated supply – local water utility)	Minimum charge only
Unregulated river (special additional high flow)	Water take charge only
Salinity and water table management (groundwater)	Minimum charge only

For this review, we decided to accept WAMC's proposal to maintain having these special licence categories and tariff structures. We consider the rationale used in the 2016 and 2021 reviews remains relevant.[165] We received no stakeholder submissions regarding the above special licence categories.

9.6 We exempted Aboriginal Cultural licences from charges

Our draft decisions are:

30. To exempt Aboriginal cultural licences from all WAMC charges for the 2025 Determination.

31. To continue setting charges for Aboriginal community development and Aboriginal commercial licences, as we have in previous determinations.

32. To recommend NSW Government prioritise completing and implementing the actions within the NSW Aboriginal Water Strategy, specifically to provide ownership of and access to water for cultural and economic purposes.

Under the *Water Management Act 2000* the Minister has the power to issue 3 types of specific purpose access licences to meet the water needs of Indigenous communities, referred to as:

- Aboriginal cultural licences
- Aboriginal community development licences
- Aboriginal commercial licences.

These Indigenous licences are subcategories of other licence types, such as regulated river licences. For example, an Aboriginal cultural subcategory licence would be liable for the same charges as a regulated river licence under the 2021 Determination. The Department of Climate Change, Energy, the Environment and Water (DCCEEW) have indicated that community development licences are intended to include everything which would have been covered in commercial licences, therefore there are only likely to be cultural and community development licences going forward.

9.6.1 There are few existing licences

There are at present only 2 active Aboriginal cultural licences, which have both been in place for about a decade. WAMC suggest that the barriers to entry are costs, including for the entitlements themselves (exception is only for fees, not for entitlements) and for works such as setting up pumps and bores. WAMC indicates that consideration of these barriers is part of the actions in the workplan for the NSW Government Aboriginal Water Strategy.

There have been no Aboriginal community development or commercial licences to date, though there are no financial incentives to do so. WAMC notes that whilst some licences are held by Aboriginal organisations, such as Aboriginal Land Councils other licence holders may be Aboriginal and there is no existing information as to the full number of licences which are held by First Nations people in NSW or what activities those licences are used for.

9.6.2 The NSW Government Water Strategy and Draft Aboriginal Water Strategy have specific, relevant actions

In September 2021 the NSW Government published the NSW Government Water Strategy. Priority 2 in that strategy is to "Recognise First Nations/Aboriginal People's rights and values and increase access to and ownership of water for cultural and economic purposes", specifically including developing a state-wide Aboriginal Water Strategy, strengthening their role in water planning and management, and providing ownership and access for cultural and economic purposes.[166] These are consistent with the objectives and commitments under Closing the Gap[167].

The 2021-22 Annual progress report for the NSW Water Strategy noted IPART's 2021 Determination as providing opportunities for greater Aboriginal access and ownership of water, and notes that the department will work to identify opportunities for greater Aboriginal access and ownership.[168] The 2022-24 implementation planning also identifies an action as reviewing existing policy and regulatory frameworks to identify opportunities for greater Aboriginal access and ownership of water by June 2024.[169]

DCCEEW has been developing the NSW Aboriginal Water Strategy, with work commencing in 2023. A published draft strategy has been consulted on through the second half of 2024. A report on the consultation was published in December 2024[170], with the final strategy set to be published in 2025. As a result, whilst the WAMC pricing proposal had the benefit of some development of the NSW Aboriginal Water Strategy, at the time of submission DCCEEW had yet to conclude consultation on its draft.

A key action of the NSW Aboriginal Water Strategy is to review existing laws, policy and water planning to better support Aboriginal rights, interest and ownership; carry out the changes where approved by Government; and set up a statutory Aboriginal water investment entity.[171]

Key feedback on the NSW Aboriginal Water Strategy was that some stakeholders reported cultural access licences were not effective as they do not allow for ownership of water, which contradicts the aim of the objective of providing Aboriginal ownership and access to water for cultural and economic purposes[172]. We also note that Outcome 15 of the Closing the Gap national agreement includes Aboriginal and Torres Strait Islander people's owned land and water titles.[173]

Stakeholders are likely to be disappointed that these actions in the 2021 NSW Water Strategy are yet to be included in a final NSW Aboriginal Water Strategy by DCCEEW, or implemented. We consider these reforms are past due.

9.6.3 There is a strong argument to continue to ensure Aboriginal Cultural Licence fees are exempted

NSW Aboriginal Land Council's (NSWALC) and Murray Lower Darling Rivers Indigenous Nations' (MILDRIN) submissions to our Issues Paper supported continuing fee exemptions for cultural licences[174]. There were no other specific stakeholder responses to this issue, though there were broad concerns raised about cross-subsidisation by water users. We consider this exemption to be noncontroversial.

After engaging with stakeholders, we consider there is a strong case for exempting Aboriginal cultural licences for the 2025 Determination while the NSW Government develops a revised approach to these licences in the future.

We note that the current scope of Aboriginal licence arrangements is inadequate. The NSW Government's State Water Strategy identifies: "while there are some provisions for accessing water for cultural purposes in NSW, these do not currently meet the needs and obligations of Aboriginal people to care for Country or achieve the cultural water flows and water management aspirations".[175]

The NSW Water Strategy notes that under Action 2.2, the Aboriginal Water Strategy will involve "reviewing and identifying required amendments to the water management legislative framework to enable Aboriginal rights, interests and ownership of water". Such an action implies an expansion of support in licences for that purpose[176].

9.6.4 Stakeholder submissions and water strategies are consistent with greater support for Aboriginal community development licences

Both NSWALC and MLDRIN suggest that Aboriginal-owned General Water Access Licenses also be fee-free to support the economic development of Aboriginal communities, including commercial licences. NSWALC also advocates for Aboriginal community development licences to be fee-free, as well as associated consent transactions.

WAMC notes that no community development or Aboriginal commercial licences have been issued to date, and there is "no clear policy guidance on what conditions or use limitations might be placed on these if they were issued in future".[177]

WAMC have provided further information on the purpose of the community development licences being to support Aboriginal business with specified and approved purposes. WAMC has suggested that anecdotally, barriers may include water supply works (which would be required) which can be large and expensive to install. WAMC advises that in its current approach, community development licenses cover the field, replacing commercial licences.

Lower or no charges for Aboriginal owned licences in the above categories would be consistent with Objective 2 of the Draft Aboriginal Water Strategy, and also represents a policy shift from only exempting fees for cultural purposes to community and economic purposes.

DCCEEW have indicated they are progressing work on implementing the outcomes of the NSW Water Strategy and Aboriginal Water Strategy which may provide greater support for Aboriginal special purpose water access licences.

9.6.5 IPART supports current policy development and proposals to expand access to Aboriginal special purpose licences

IPART supports ongoing policy development and proposals within Government to expand access to Aboriginal special purpose licences across both WAMC and WaterNSW charges. In the context of water pricing this includes the design of - and fee barriers to - Aboriginal community development licences, as well as other non-water-charge barriers such as information, works, and access to licences.

Were the NSW Government to make a direction to WAMC and WaterNSW to waive licence fees for Aboriginal community development licences along with associated funding from Government, we consider our Determination should not serve as an impediment to that.

9.7 We updated our approach to charges for floodplain harvesting

Our draft decisions are:

33. Introduce a new floodplain harvesting water take charge of $3.38 per ML. It aims to recover approximately 50% of WAMC's efficient costs from users.

34. Transition the new floodplain harvesting charge toward the full cost recovery price at the same rate as other water management charges (i.e. 5%).

Floodplain harvesting became operational after the 2021 price review report was released. Floodplain harvesting licences have been issued for the regulated water sources in the Border, Gwydir and Macquarie valleys, and the unregulated water sources of Gwydir and the Far West. Floodplain harvesting was included in the water sharing plans for the Namoi Valley on 15 November 2024.

WAMC has proposed several components to the pricing structure for floodplain harvesting for the 2025 price review:

- **WAMC, MDBA and BRC water take charges**. These charges are set on a valley-by-valley basis. These charges aim to recover the efficient cost of water management services provided by WAMC, MDBA and BRC.
- **Telemetry charge**. This charge is linked to the installation of meters for floodplain harvesting. WAMC proposed the same telemetry charge for floodplain harvesting as other meters. These charges are address in Chapter 11.
- **Additional floodplain harvesting entitlement and water take charges**. These are new charges that WAMC has proposed for customers with floodplain harvesting licences. The charges are targeted at recovering incremental floodplain harvesting costs. WAMC has indicated these costs are not captured by the other activities of WaterNSW or WAMC.

9.7.1 Proposed additional floodplain harvesting charges

WAMC proposed new charges to recover the incremental costs of floodplain harvesting. These charges were:[178]

For metered services:

- A floodplain harvesting entitlement charge of $2.48 per ML
- A floodplain harvesting water take charge of $1.06 per ML.

For unmetered services[a]:

- A floodplain harvesting entitlement charge of $3.54 per ML.

The proposed new floodplain harvesting charges are in addition to the WAMC, MDBA and BRC water take charges.

WAMC's proposed new floodplain harvesting charge is intended to enable recovery of costs from issuing and managing floodplain harvesting licences. These costs, which relate to customer support and information technology platforms, are not covered by the existing water management activity codes. In principle, it is appropriate to recover these costs directly from licence holders. However, we are concerned about the proposal for three reasons:

- uncertainty over the water take for floodplain harvesting
- uncertainty over the level of efficient costs
- limited customer consultation on the proposed change to floodplain harvesting charges.

Uncertainty over the floodplain harvesting water take

WAMC indicated that it was challenging to forecast water entitlement and water take volumes as there was "little historical information, and it is difficult to forecast floods".[179] While we expect entitlement volumes to be stable, floodplain harvesting events are expected to be infrequent. WAMC assumed that the water take will be 30% of the floodplain harvesting entitlement. The assumption is underpinned by two components:

- 30% of compliant storages will have a floodplain harvesting event in a year.
- If there is a floodplain harvesting event, the storage will take a 100% of its entitlement.[180]

As set out in Chapter 8, we have accepted the floodplain harvesting water take volumes in WAMC's proposal. Nonetheless, there is significant uncertainty regarding this assumption, and we are interested in stakeholders' feedback on whether it is reasonable.

The reliability of the water take forecast informs our decision on price structures. WAMC has proposed prices that recover 70% of its costs through water entitlement charges (i.e. fixed charges) and 30% of its costs through water take charges (i.e. variable charges). We are concerned the proposed pricing structure creates a mismatch between benefits and costs for licence holders. The benefits of floodplain harvesting to licence holders are expected to be limited to periods during or after heavy rain. Such events are sporadic, which means the benefits to licence holders may also be sporadic.

[a] Floodplain harvesting licence holders are required to have a meter within twelve months of the licence being issued.

We consider that WAMC is better able to manage the risk of infrequent floodplain harvesting events than licence holders, and therefore the proposed additional floodplain harvesting charge should be based solely on water take volumes given the potential infrequency of floodplain harvesting events.

Uncertainty over WAMC's floodplain harvesting costs

WAMC's proposal has identified incremental costs related to the provision of floodplain harvesting. It has indicated that WAMC incurs costs from providing customer support and managing two information technology systems: (i) the Duly Qualified Person portal; and (ii) a telemetry system. WAMC states these costs are "ring-fenced" from other water management costs and, therefore, not captured by other WAMC pricing.

Our independent expenditure expert, Stantec, reviewed WAMC's forecast incremental costs for floodplain harvesting. It found the efficient cost of supporting floodplain harvesting was below the level indicated by WAMC (Table 9.3). Stantec indicated WAMC's estimate of costs was conservative and that if prices were set at that level, it would create the risk of an "over-recovery of costs".[181]

Table 9.3 Forecast floodplain harvesting costs ($'000, $2024–25)

	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
WAMC proposal[a]	1,054	1,270	1,242	1,223	1,566	1,268
Stantec[b]	N/A	842	799	757	1,048	770

a. WAMC 2025–30 pricing proposal to IPART, 30 September 2024, p 166.
b. Stantec, *Expenditure review of Water Administration Ministerial Corporation*, p 361.

Source: WAMC, Stantec.

We have investigated WAMC's proposal and the independent expert's findings on forecast costs. We are concerned WAMC's costs are too high and that they include common costs that might be better supported by other activities. Therefore, our draft decision is to use the cost estimate provided by our expenditure review expert as the basis for determining the appropriate level of floodplain harvesting charges.

Limited customer consultation

WAMC's proposal included significant changes to the charging arrangements for floodplain harvesting including the introduction of a new floodplain harvesting charge. According to its proposal, a floodplain harvesting bill could increase by 200-500% in the first year of its proposed charges.[182] The increase is due to the changes in WAMC, MDBA and BRC charges for floodplain harvesting as well as the proposed introduction of the new floodplain harvesting charges. Most of the increase is due to the proposed new charges.

Customer consultation is important given the potential impact of the proposed new floodplain harvesting charges. However, WAMC only undertook limited consultation.[183] Several stakeholders indicated the floodplain harvesting consultation provided insufficient detail on key issues, such as costs, which made it difficult to engage and provide feedback.[184]. While we acknowledge some consultation has occurred, it is our view that the customer engagement process has not informed WAMC's proposal on floodplain harvesting charges.

Draft additional floodplain harvesting water take charge

The costs incurred by WAMC to implement floodplain harvesting are the direct result of new obligations to measure the water take from floodplain harvesting. Some customers noted problems with implementing floodplain harvesting measurement including a shortage of Duly Qualified Persons (DQPs) and cost overruns due to issues with information technology platforms.[185] If a large portion of costs are recovered from entitlement charges it may mute WAMC's incentives to efficiently and effectively resolve customers' problems with floodplain harvesting water take measurement. Given these issues and the limited consultation, we are concerned about the proposed new floodplain harvesting entitlement charge.

Our draft decision is to set the additional floodplain harvesting charge based on the water take only – that is, a fixed-to-variable ratio of 0:100. This avoids licence holders making payments (beyond the minimum annual charge) for floodplain harvesting if they face several years without water.

We have also decided that WAMC should bear a portion of the costs given:

- uncertainty over forecast water take volumes
- uncertainty over the efficient level of costs
- limited consultation by WAMC on the structure of floodplain harvesting charges.

We have used the cost share framework as a benchmark for setting the initial proportion of costs to be recovered by users (i.e. 46% in 2025–26, see Chapter 6). We have decided to transition the charge toward full cost recovery at the same rate as other water management charges (i.e. 5%) to ensure a consistent approach to price setting across services.

WAMC will face upside and downside revenue risks depending on water take volumes.

Chapter 10

Draft prices

10

Summary of draft decisions on WAMC prices

For regulated, unregulated and groundwater sources, total entitlement and water take prices would increase by up to 15.8% over the 2025 determination period before inflation

Our draft decision is to set water prices in line with the transition to full cost recovery discussed in Chapter 9.

The changes in draft maximum prices are driven by the overall increase in efficient costs, but limited to a 5% annual cap in water management prices plus inflation.

For water licence holders paying the minimum annual charge (MAC), prices would increase by 2.5% per year before inflation

Our draft decision is to set the MAC in line with the transition to full cost recovery discussed in Chapter 9.

The transition to full cost recovery is capped at 2.5% annually until full cost recovery is achieved.

For floodplain harvesting licences, water take prices will increase due to the proposed introduction of a new charge starting at $3.38 per ML and increasing by 5% per year

Our draft decision is to set prices for floodplain harvesting in line with the approach discussed in Chapter 9. This includes a new charge starting at $3.38 per ML in 2025–26 and existing water take prices increasing by up to 14.9% over the 2025 determination period before inflation.

The changes in draft maximum prices are driven by the overall increase in efficient costs, including new floodplain harvesting costs.

Our draft pricing decisions are based on our draft decisions on the notional revenue requirement, cost shares and cost allocations, price structures, and forecast entitlements and water take volumes for the 2025 determination period. These decisions are discussed in Chapters 4 to 9 of this Draft Report.

This chapter presents draft prices for water users in regulated water, unregulated water and groundwater sources that are on metered and unmetered tariffs. We also propose a minimum annual charge (MAC) to recover the efficient administrative costs of managing licences with small entitlements.

Under our draft decisions, water management charge price increases are capped so while they are transitioning to fully recover the user share of the notional revenue requirement , they will not reach that level in this determination period.

We also discuss our draft decision to continue to set a separate price for WaterNSW to recover the costs of metropolitan water planning for the Greater Sydney region, and set a new separate price for Hunter Water to recover the costs of the Lower Hunter Water Security Plan.

We report draft prices on the following basis (where applicable) in $2024–25:

- WAMC's water management charges for all water sources
- Floodplain harvesting charges
- Murray–Darling Basin Authority (MDBA) charges for relevant water sources
- Dumaresq–Barwon Border Rivers Commission (BRC) charges for relevant water sources
- combined charges (i.e. the sum of the above charges).

We provided combined prices to show the changes in prices over the 2025 determination period relative to current bundled 2024–25 prices.

Pricing components

WAMC's water management prices comprise 2 components:

- A fixed service price (usually expressed as $ per megalitre (ML)).
- A variable usage price (expressed as $ per ML of metered water supplied).

Water access licences are divided into metered and unmetered services. For licence holders with a metered service, there are at least two components to a bill:

- a fixed component, known as the **water entitlement charge**, which is based on the licence holder's entitlement to water from a particular source
- a variable component, known as the **water take charge**, which is determined by the amount of water extracted by the licence holder from a particular source.

For licence holders with an unmetered service, the water take is not measured, and the licence holder only pays a water entitlement charge. The entitlement charge for unmetered services will typically be higher than the entitlement charge for metered services as it assumes 100% of the entitlement is used.

The entitlement and water take charges on a bill are impacted by whether the water is extracted from a regulated, unregulated or groundwater source. The charges are set differently across the different water valleys in NSW.

Under our draft decisions, these water management charges are subject to a price cap of 5% per annum (excluding inflation) for the duration of the price determination.

There are additional charges for water licence holders depending on their location:

- for regulated rivers, there is a charge by WaterNSW for bulk water storage and delivery services.
- for water sources covered by either the MDBA or both MDBA and BRC, our draft decisions include additional charges to recover the customer share of these costs.

Our draft decisions include further charges which apply to floodplain harvesting licence holders. These charges recover efficient water management costs and specific costs associated with floodplain harvesting activities.

Water access licence holders with relatively small entitlements and usage pay the Minimum Annual Charge (MAC). The MAC sets a floor to water access licence holders' annual bills. We propose to cap annual increases in the MAC at 2.5% per annum (before inflation) over the 2025 determination period.

We provide a more detailed explanation in **Chapter 9** on how we set the draft prices outlined in this chapter.

Our draft decisions are:

35. **Regulated Rivers:** To set the entitlement charges as shown in Table 10.2 and water take charges as shown in Table 10.3

36. **Unregulated rivers metered:** To set the entitlement charges as shown in Table 10.4 and water take charges as shown in Table 10.5.

37. **Unregulated rivers unmetered:** To set the entitlement charges as shown in Table 10.6.

38. **Special entitlement charge for WaterNSW:** To set a special entitlement charge for WaterNSW for the South Coast unregulated water source; and for Hunter Water for the Hunter unregulated water source as shown in Table 10.4.

39. **Groundwater metered:** To set the entitlement charges as shown in Table 10.7 and water take charges as shown in Table 10.8.

40. **Groundwater unmetered:** To set the entitlement charges as shown in Table 10.9.

41. **Minimum Annual Charge:** To set the minimum annual charge for regulated, unregulated and groundwater systems as shown in Table 10.10**.**

42. **Floodplain harvesting:** To set water take charges for regulated water sources as shown in Table 10.11 and to set water take charges for unregulated water sources as shown in Table 10.13.

10.1 Draft prices to increase across all water sources

Under our draft decisions, total charges will increase for all entitlement holders, at an overall rate of 5% or less annually before inflation (Table 10.1). This equates to a total increase over the determination period of between 8.5% and 15.8%.

Table 10.1 Overall bill impact of draft pricing decisions by water source by 2028 including water management, MDBA, and BRC before inflation (average annual increases in brackets)

	Regulated rivers		Unregulated rivers		Groundwater[a]	
Border	8.5%	(2.7%)	14.6%	(4.7%)	14.1%	(4.5%)
Gwydir	10.6%	(3.4%)	14.6%	(4.7%)	15.1%	(4.8%)
Namoi	11.4%	(3.7%)	14.6%	(4.7%)	15.1%	(4.8%)
Peel	14.8%	(4.7%)	14.6%	(4.7%)	15.1%	(4.8%)
Lachlan	12.9%	(4.1%)	15.0%	(4.8%)	15.1%	(4.8%)
Macquarie	12.5%	(4.0%)	15.0%	(4.8%)	15.1%	(4.8%)
Far West	-	-	9.7%	(3.1%)	15.1%	(4.8%)
Murray	10.8%	(3.5%)	14.8%	(4.7%)	15.1%	(4.8%)
Murrumbidgee	10.2%	(3.3%)	15.3%	(4.9%)	15.0%	(4.8%)
North Coast	15.8%	(5.0%)	15.8%	(5.0%)	15.8%	(5.0%)
Hunter	15.8%	(5.0%)	15.8%	(5.0%)	15.8%	(5.0%)
South Coast	15.8%	(5.0%)	15.8%	(5.0%)	15.8%	(5.0%)

a. Groundwater bills exclude BRC prices, because these are paid by a very small number of customers in the Border valley.

Notes: Bills were calculated with the assumption that water take is 60% of water entitlement. This analysis excludes very small entitlement holders who pay WAMC's minimum bill.

10.2 Draft prices for regulated rivers are set to increase for all regulated water sources

10.2.1 Draft entitlement charges will increase for all regulated water sources

Over the 2025 determination period, combined draft entitlement charges for all water sources are increasing at different rates (Table 10.2).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.2 Draft decision on WAMC, MDBA, BRC entitlement component for regulated rivers from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total entitlement charge	*2027-28 WAMC entitlement charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total entitlement charge	% change from current to 2027-28	Average increase per year ($)
Border	4.35	2.56	0.63	1.51	4.70	8.0%	0.12
Gwydir	2.34	1.74	0.84	0.00	2.58	10.1%	0.08
Namoi	3.20	2.59	0.96	0.00	3.55	11.0%	0.12
Peel	3.95	4.24	0.29	0.00	4.53	14.6%	0.19
Lachlan	1.77	1.61	0.38	0.00	1.99	12.4%	0.07
Macquarie	2.21	1.96	0.52	0.00	2.48	12.1%	0.09
Murray	2.13	1.62	0.73	0.00	2.35	10.4%	0.07
Murrumbidgee	1.96	1.39	0.76	0.00	2.15	9.7%	0.06
North Coast	5.77	6.68	0.00	0.00	6.68	15.8%	0.30
Hunter	4.07	4.71	0.00	0.00	4.71	15.8%	0.21
South Coast	4.50	5.21	0.00	0.00	5.21	15.8%	0.24

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
Source: IPART analysis.

10.2.2 Draft water take charges will increase for all regulated water sources

Over the 2025 determination period, draft water take charges for all water sources are increasing at different rates (Table 10.3).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.3 Draft decision on WAMC, MDBA, BRC water take component for regulated rivers from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total water take charge	*2027-28 WAMC water take charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total water take charge	% change from current to 2027-28	Average increase per year ($)
Border	2.19	1.61	0.23	0.57	2.41	10.0%	0.07
Gwydir	1.46	1.27	0.36	0.00	1.63	11.9%	0.06
Namoi	1.71	1.57	0.35	0.00	1.92	12.5%	0.07
Peel	5.98	6.61	0.27	0.00	6.88	15.1%	0.30
Lachlan	2.57	2.56	0.36	0.00	2.92	13.6%	0.12

Water source	2024-25 current total water take charge	*2027-28 WAMC water take charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total water take charge	% change from current to 2027-28	Average increase per year ($)
Macquarie	2.09	2.04	0.33	0.00	2.37	13.3%	0.09
Murray	1.32	1.17	0.31	0.00	1.48	12.1%	0.05
Murrumbidgee	1.22	1.03	0.33	0.00	1.36	11.5%	0.05
North Coast	7.34	8.50	0.00	0.00	8.50	15.8%	0.39
Hunter	2.77	3.21	0.00	0.00	3.21	15.8%	0.15
South Coast	6.76	7.83	0.00	0.00	7.83	15.8%	0.36

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
Source: IPART analysis.

10.3 Draft prices for unregulated rivers are set to increase over the determination period

Our draft decision is to transition prices to full cost recovery and cap price increases across unregulated rivers to 5% annually plus inflation or lower for the 2025 determination period.

10.3.1 Draft entitlement charges will increase for all metered, unregulated water sources

Over the 2025 determination period, draft entitlement charges for all water sources are increasing at different rates (Table 10.4).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Our draft decision is to continue to set a separate charge for WaterNSW and include a new separate charge for Hunter Water to recover the specific costs of metropolitan water planning for the Greater Sydney region and for the Hunter regions respectively. Our draft decision to set this charge is discussed in Chapter 9.

Under our draft decisions, the costs of water planning will be recovered from:

- WaterNSW through a specific charge of $0.68 per ML.
- Hunter Water through a specific charge of $0.98 per ML

The price will be an additional fixed charge ($ per ML of entitlement or unit share) applied to the water access licences held by WaterNSW in the South Coast, and Hunter Water in the Hunter unregulated water source.

Table 10.4 Draft decision on WAMC, MDBA, BRC entitlement component for unregulated rivers metered licences from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total entitlement charge	*2027-28 WAMC entitlement charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total entitlement charge	% change from current to 2027-28	Average increase per year ($)
Border	1.95	2.06	0.17	0.00	2.23	14.4%	0.09
Gwydir	1.95	2.06	0.17	0.00	2.23	14.4%	0.09
Namoi	1.95	2.06	0.17	0.00	2.23	14.4%	0.09
Peel	1.95	2.06	0.17	0.00	2.23	14.4%	0.09
Lachlan	2.57	2.80	0.15	0.00	2.95	14.8%	0.13
Macquarie	2.57	2.80	0.15	0.00	2.95	14.8%	0.13
Far West	5.98	4.06	0.94	1.53	6.53	9.3%	0.18
Murray	2.22	2.35	0.19	0.00	2.54	14.4%	0.11
Murrumbidgee	3.69	4.11	0.14	0.00	4.25	15.2%	0.19
North Coast	5.51	6.38	0.00	0.00	6.38	15.8%	0.29
Hunter	1.58	1.83	0.00	0.00	1.83	15.8%	0.08
South Coast	1.84	2.13	0.00	0.00	2.13	15.8%	0.10
Hunter *(additional entitlement charge for Hunter Water only)*	NA	0.98	0.00	0.00	0.98	NA	NA
South Coast *(special entitlement charge for WaterNSW only)*	0.48	0.68	0.00	0.00	0.68	41.7%	0.07

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
Source: IPART analysis.

10.3.2 Draft water take charges will increase for all metered, unregulated water sources

Over the 2025 determination period, draft water take charges for all water sources are increasing at different rates (Table 10.5).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.5 Draft decision on WAMC, MDBA, BRC water take component for unregulated rivers for metered licences from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total water take charge	*2027-28 WAMC water take charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total water take charge	% change from current to 2027-28	Average increase per year ($)
Border	2.60	2.85	0.14	0.00	2.99	14.9%	0.13
Gwydir	2.60	2.85	0.14	0.00	2.99	14.9%	0.13
Namoi	2.60	2.85	0.14	0.00	2.99	14.9%	0.13
Peel	2.60	2.85	0.14	0.00	2.99	14.9%	0.13
Lachlan	4.67	5.22	0.16	0.00	5.38	15.2%	0.24
Macquarie	4.67	5.22	0.16	0.00	5.38	15.2%	0.24
Far West	3.08	2.52	0.34	0.56	3.42	11.2%	0.11
Murray	6.89	7.57	0.35	0.00	7.92	15.0%	0.34
Murrumbidgee	8.17	9.24	0.19	0.00	9.43	15.4%	0.42
North Coast	6.86	7.94	0.00	0.00	7.94	15.8%	0.36
Hunter	2.87	3.32	0.00	0.00	3.32	15.8%	0.15
South Coast	1.37	1.59	0.00	0.00	1.59	15.8%	0.07

Note: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
Source: IPART analysis.

10.3.3 Draft entitlement charges will increase for all unmetered, unregulated water sources

Over the 2025 determination period, draft water entitlement charges for all unmetered licences on unregulated water sources are increasing at different rates (Table 10.6).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.6 Draft decision on WAMC, MDBA, BRC entitlement component for unregulated rivers for unmetered licences from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total entitlement charge	*2027-28 WAMC entitlement charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total entitlement charge	% change from current to 2027-28	Average increase per year ($)
Border	4.55	4.91	0.31	0.00	5.22	14.7%	0.22
Gwydir	4.55	4.91	0.31	0.00	5.22	14.7%	0.22
Namoi	4.55	4.91	0.31	0.00	5.22	14.7%	0.22
Peel	4.55	4.91	0.31	0.00	5.22	14.7%	0.22
Lachlan	7.24	8.02	0.31	0.00	8.33	15.1%	0.36
Macquarie	7.24	8.02	0.31	0.00	8.33	15.1%	0.36
Far West	9.06	6.59	1.28	2.09	9.96	9.9%	0.30
Murray	9.11	9.92	0.54	0.00	10.46	14.8%	0.45
Murrumbidgee	11.86	13.35	0.33	0.00	13.68	15.3%	0.61
North Coast	12.37	14.32	0.00	0.00	14.32	15.8%	0.65
Hunter	4.45	5.15	0.00	0.00	5.15	15.8%	0.23
South Coast	3.21	3.72	0.00	0.00	3.72	15.8%	0.17

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
Source: IPART analysis.

10.4 Draft prices for groundwater users are also increasing at a maximum of 5% annually

Draft prices for groundwater are set on a metered or unmetered structure as not all water users have meters. We used the same approach to calculate the unmetered draft price as unregulated rivers where the fixed charge for each groundwater source was equal to the sum of the fixed charge and usage charge set for the metered users.

10.4.1 Draft entitlement charges will increase for all metered, groundwater sources

Over the 2025 determination period, draft water entitlement charges for all metered licences on groundwater sources are increasing at different rates (Table 10.7).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.7 Draft decision on WAMC, MDBA, BRC entitlement component for groundwater for metered licences from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total entitlement charge	*2027-28 WAMC entitlement charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total entitlement charge	% change from current to 2027-28	Average increase per year ($)
Inland	4.57	5.04	0.22	0.00	5.26	15.0%	0.23
Border	4.92	5.04	0.22	0.35	5.61	13.9%	0.23
Murrumbidgee	3.97	4.34	0.22	0.00	4.56	14.9%	0.20
Coastal	2.26	2.62	0.00	0.00	2.62	15.8%	0.12

Notes: MDBA prices will apply to 3 of 4 groundwater sources – i.e. Border, Inland and Murrumbidgee. MDBA prices do not apply to Coastal water sources because these sources are outside the responsibility of MDBA. BRC prices will only apply to Border. BRC prices do not apply to the remaining groundwater sources because these do not receive services from BRC.
Source: IPART analysis.

10.4.2 Draft water take charges will increase for all metered, groundwater water sources

Over the 2025 determination period, draft water take charges for all metered licences on groundwater sources are increasing at different rates (Table 10.8).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.8 Draft decision on WAMC, MDBA, BRC water take component for groundwater for metered licences from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total water take charge	*2027-28 WAMC entitlement charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total entitlement charge	% change from current to 2027-28	Average increase per year ($)
Inland	2.69	3.02	0.08	0.00	3.10	15.3%	0.14
Border	2.84	3.02	0.08	0.15	3.25	14.5%	0.14
Murrumbidgee	2.33	2.60	0.08	0.00	2.68	15.2%	0.12
Coastal	4.31	4.99	0.00	0.00	4.99	15.8%	0.23

Notes: MDBA prices will apply to 3 of 4 groundwater sources – i.e. Border, Inland and Murrumbidgee. MDBA prices do not apply to Coastal water sources because these sources are outside the responsibility of MDBA. BRC prices will only apply to Border. BRC prices do not apply to the remaining groundwater sources because these do not receive services from BRC.
Source: IPART analysis.

10.4.3 Draft entitlement charges will increase for all unmetered, groundwater sources

Over the 2025 determination period, draft water entitlement charges for all unmetered licences on groundwater sources are increasing at different rates (Table 10.9).

- Regions including BRC and MDBA charges have lower overall price increases as a percentage, because of our draft decision to increase these charges by inflation only.
- The highest price increase is capped at 5% annually excluding inflation over the determination period.

Table 10.9 Draft decision on WAMC, MDBA, BRC entitlement component for groundwater for unmetered licences from 1 October 2025 ($/ML, $2024-25)

Water source	2024-25 current total entitlement charge	*2027-28 WAMC water take charge*	*2027-28 MDBA component*	*2027-28 BRC component*	2027-28 total water take charge	% change from current to 2027-28	Average increase per year ($)
Inland	7.26	8.06	0.30	0.00	8.36	15.1%	0.37
Border	7.76	8.06	0.30	0.50	8.86	14.1%	0.37
Murrumbidgee	6.30	6.95	0.30	0.00	7.25	15.0%	0.32
Coastal	6.57	7.61	0.00	0.00	7.61	15.8%	0.35

Notes: MDBA prices will apply to 3 of 4 groundwater sources – i.e. Border, Inland and Murrumbidgee. MDBA prices do not apply to Coastal water sources because these sources are outside the responsibility of MDBA. BRC prices will only apply to Border. BRC prices do not apply to the remaining groundwater sources because these do not receive services from BRC.
Source: IPART analysis.

10.5 Minimum annual charges

A minimum annual charge (MAC) applies to water users or licence holders where the sum of the entitlement charge and water take charge is less than the minimum annual charge. The MAC is intended to recover most of the cost associated with account management services[a] for small water holdings.

The MAC reflects WAMC's administrative costs for small water users, which account for the majority of users (67%). Under our draft decisions, small water users that pay the MAC will also pay the relevant MDBA and BRC charges based on their location. We consider this change will improve the sharing of MDBA and BRC costs between all water users.

Our draft decision accepts the proposed 2.5% cap on price increases on the MAC as it transitions to full cost recovery. This equates to an increase of around $21 over the 2025 determination period.

[a] The costs relate to compliance management, customer management and billing management.

Table 10.10Draft decision on minimum access charge for the 2025 determination period ($2021–22)

Water source	2024–25 current ($2024-25)	2025-26	2026-27	2027-28	% change from current to 2029–30
All water sources	277.89	289.35	291.96	299.26	7.7%

Source: IPART analysis.

10.6 We set our draft floodplain harvesting charges

Our draft decision is to set WAMC, MDBA and BRC charges for floodplain harvesting and to introduce an additional floodplain harvesting charge to help recover WaterNSW's incremental floodplain harvesting costs. Under our draft decisions the WAMC, MDBA and BRC water take charges for floodplain harvesting are the same charges as set out in Sections 10.2.1 and 10.2.2.[b] As part of our draft decisions, floodplain harvesting licence holders should only pay charges based on their water take – that is, there are no entitlement charges.

Floodplain harvesting charges comprise up to four components:

- WAMC component
- an additional component related to WaterNSW's incremental costs from floodplain harvesting services
- MDBA component
- BRC component (only applicable to Border and Far West).

The WAMC, MDBA and BRC components are charges that vary by water source and increase in each year of the determination period. The additional WaterNSW component is set at a uniform rate across regulated and unregulated water sources.

10.6.1 Regulated rivers

Our draft floodplain harvesting charges will apply to four regulated water sources (i.e. Border, Gwydir, Macquarie and Namoi) over the 2025 determination period (Table 10.11). The charges only apply to the water take.

Table 10.11 Draft decisions on WAMC, WaterNSW, MDBA and BRC water take charges for floodplain harvesting for regulated rivers ($ per ML, $2024–25)

Water source	2025–26	2026–27	2027–28
WAMC component			
Border	1.50	1.53	1.61
Gwydir	1.18	1.21	1.27
Macquarie	1.46	1.50	1.57
Namoi	1.90	1.94	2.04

[b] The WAMC, MDBA and BRC water take charges apply to both non-floodplain harvesting access licences and floodplain harvesting access licences.

Water source	2025–26	2026–27	2027–28
WaterNSW component			
Border	3.38	3.55	3.73
Gwydir	3.38	3.55	3.73
Macquarie	3.38	3.55	3.73
Namoi	3.38	3.55	3.73
MDBA component			
Border	0.23	0.23	0.23
Gwydir	0.36	0.36	0.36
Macquarie	0.35	0.35	0.35
Namoi	0.33	0.33	0.33
BRC component			
Border	0.58	0.57	0.57

The aggregate draft floodplain harvesting water take charge for each regulated water source is shown in Table 10.12.

Table 10.12 Aggregate draft water take charges for floodplain harvesting for regulated water sources ($ per ML, $2024–25)

Water source	2025–26	2026–27	2027–28
Border	5.69	5.88	6.14
Gwydir	4.93	5.12	5.36
Macquarie	5.20	5.40	5.65
Namoi	5.61	5.82	6.10

10.6.2 Unregulated rivers

Our draft floodplain harvesting charges will apply to three unregulated water sources (i.e. Gwydir, Namoi, Far West) over the 2025 determination period (Table 10.13). The charges only apply to the water take.

Table 10.13 Draft decisions on WAMC, WaterNSW, MDBA and BRC water take charges for floodplain harvesting for unregulated water sources ($ per ML, $2024–25)

Water source	2025–26	2026–27	2027–28
WAMC component			
Gwydir	2.65	2.71	2.85
Namoi	2.65	2.71	2.85
Far West	2.35	2.40	2.52
WaterNSW component			
Gwydir	3.38	3.55	3.73
Namoi	3.38	3.55	3.73
Far West	3.38	3.55	3.73

Water source	2025–26	2026–27	2027–28
MDBA component			
Gwydir	0.14	0.14	0.14
Namoi	0.14	0.14	0.14
Far West	0.34	0.34	0.34
BRC component			
Far West	0.57	0.56	0.56

The aggregate draft floodplain harvesting water take charge for each unregulated water source is shown in Table 10.14.

Table 10.14 Aggregate draft water take charges for floodplain harvesting for unregulated water sources ($ per ML, $2024–25)

Water source	2025–26	2026–27	2027–28
Gwydir	6.17	6.40	6.72
Namoi	6.17	6.40	6.72
Far West	6.64	6.85	7.15

Chapter 11

Metering charges

11

Summary of draft decisions on non-urban metering charges

Our key draft decisions for non-urban metering are to:

- maintain the scheme management charge at $85.35 per license per year.
- decrease the telemetry service charge by 2% from $263.86 to $258.36 per meter per year.

Other draft decisions outlined in this chapter are to:

- discontinue the non-telemetry service fee (which WAMC proposed to rename the LID download/validation fee).
- not implement WAMC's proposed alternative assessment fee, rather allow WAMC to charge these customers a water take charge based on an assumed 100% usage of their water entitlement each year.
- not implement WAMC's proposed attestation charge.
- reduce the meter service charge (operating costs) by 5% from $1,047.16 to $991.76 per government owned meter per year.
- maintain the channel meter service charge (operating costs) constant before inflation at $7,346.54 per government owned meter per year.
- maintain the annual meter service charge for government owned meters constant before inflation between $475.22 to $684.27 per meter per year, depending on meter size.
- maintain the water take assessment charge constant before inflation at $243.90 per meter per year.
- maintain all ancillary charges constant before inflation. The prices for these services range from $302.10 to $8,153.87 per transaction, depending on the charge.
- discontinue the meter service charge (capital costs).

11.1 Metering framework

In Australia, the management of non-urban water resources is primarily the responsibility of individual states and territories, with each state and territory establishing its own licensing and regulatory frameworks. To promote consistency and accuracy in water measurement across the nation, all jurisdictions have agreed upon a national approach to non-urban water metering. Central to this approach is the Metrological Assurance Framework 2 (MAF2)[186], which outlines requirements ensuring confidence in meter accuracy, streamlined methods for verification, and uniform regulation of water metering practices. This aims to provide useful compliance data for water users, regulators, meter installers, and manufacturers.[187] However, regulatory approaches vary across Australia, with some jurisdictions adopting more flexible or risk-based policies to manage implementation challenges.

The NSW Government introduced the non-urban metering policy in 2018[188] to improve the accuracy, transparency, and accountability of water measurement across the state.[189] The reforms were implemented in response to the Matthews Inquiry into water theft, which highlighted the need for stronger compliance, particularly during drought conditions when public concern over water allocation and management was heightened.[190] The reforms aimed to ensure that the majority of licensed water take is measured using accurate, auditable, and tamper-evident meters, promoting fair and sustainable water management. The effective principle was: "no meter, no pump".[191]

11.1.1 2021 determination period

In the 2021 Determination, IPART approved the charge structure proposed by WaterNSW which included the introduction of five new non-urban metering charges to recover the efficient costs of implementing the NSW Government's non-urban metering reforms.[192] The new charges introduced were:

- **Scheme management charge:** An annual fee applied to all licence holders to recover the broader costs associated with implementing and managing the reforms.
- **Telemetry charge:** An annual charge per meter for installations using telemetry, which automatically records and transmits water take data.
- **Non-telemetry charge:** An annual charge per meter for installations using local intelligence devices (LIDs) that require manual data downloads.
- **Meter service charge – operating costs:** An annual fee applied to government-owned meters to recover the ongoing costs of maintenance and compliance.
- **Meter service charge – capital costs:** An annual fee for the capital costs of upgrading government-owned meters, initially set to $0 due to government funding.

In the final determination for the 2021-22 to 2024-25 period, IPART determined that the efficient costs of implementing the reforms ranged between $39.4 million and $47.8 million, depending on the extent of voluntary telemetry uptake. The highest costs were projected under WaterNSW's base case (0% voluntary uptake), while full telemetry uptake (100%) yielded the lowest cost estimate.[193] The actual roll-out was in the 0 to 25% range[194] and in the WAMC pricing proposal for the 2025 determination period it was noted that there were “significant impediments to the rollout of, and compliance with, the metering reforms”.[195]

IPART accounted for government funding when setting prices for the 2021 determination period. The NSW Government provided funding to cover the capital costs of upgrading government-owned meters, enabling the meter service charge – capital costs to be set at $0. Additionally, a joint $18 million telemetry rebate program, funded equally by the NSW and Australian Governments, provided a $975 rebate per eligible installation to encourage voluntary telemetry adoption.[196]

The 2019 IPART Rural Water Cost Shares review determined that water customers should bear 100% of the costs associated with metering and compliance.[197] IPART applied this principle in setting prices for the non-urban metering reforms. This decision was based on the rationale that customers directly benefit from improved water measurement and management and was consistent with the established cost-recovery framework.[198]

11.1.2 Review of the non-urban metering framework in NSW

Compliance with the non-urban metering reforms has been slower than anticipated.[199] Challenges such as a shortage of duly qualified persons (DQPs) to install and validate meters, impacts from droughts and floods, as well as technical and regulatory complexities, have delayed implementation. By mid-2023, compliance was projected to be achieved after 2040, significantly later than the original 2024 deadline.[200]

In response, the NSW Government initiated a review of the non-urban metering framework in 2023.[201] The review, conducted by the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW), identified several key issues, including high costs relative to the volume of water measured and systemic obstacles to timely compliance. The Recommendations report[202] from the review made several recommendations to simplify requirements, reduce costs, and accelerate compliance.

The recommendations aim to ensure that 95% of licensed water take in NSW will be accurately metered by the end of 2026[203], replacing the previous "no meter, no pump" principle with a "no measurement, no pump" principle.[204] These changes reflect a shift toward more flexible, risk-based requirements while maintaining the overarching goal of accurate and transparent water management. The Water Management (General) Regulation 2018[205] was amended to give effect to the changes outlined in the Recommendations report.[206]

11.2 WAMC's proposal for the 2025 determination period

In its September 2024 pricing proposal, WAMC proposed recovering its ongoing metering costs via separate fee-for-service charges. As such, the costs of metering are not included in the general operating expenditure base and are not recovered from all users via water management charges.

WAMC proposed to implement the recommendations from the DCCEEW Recommendations report.[207] In its proposal to IPART, WAMC proposed to:

- increase the scheme management charge by 35% from $85.35 to $114.93.
- increase the telemetry charge by 2% from $263.86 to $270.36.
- rename the non-telemetry charge to the LID download/validation charge and increase the charge by 99% from $263.86 to $524.24.
- introduce an alternative assessment charge at $665.19.
- introduce an attestation charge at $81.64.
- reduce the meter service charge – operating costs by 5% from $1,047.16 to $991.76.
- retain the channel meter service charge – operating costs charge constant in real terms at $7,346.54.
- retain the annual meter service charge for government owned meters constant in real terms between $475.22 to $684.27, depending on meter size.
- retain the water take assessment charge constant in real terms at $243.90.

- retain all ancillary charges constant in real terms. The prices for these services range from $302.10 to $8,153.87, depending on the charge.
- discontinue the meter service charge – capital costs for government owned meters.

These charges may be seen in Table 11.1. Note that all the prices in this chapter are displayed in $2024-25 terms and are subject to CPI increases in 2025-26.

Table 11.1 Current and WAMC proposed charges for non-urban metering ($2024-25)

Price category	Current ($2024-25)	WAMC (5-year determination) ($2024-25)	Percentage change (%)
Scheme management charge ($/licence)	85.35	114.93	35%
Telemetry charge ($/meter)	263.86	270.36	2%
LID download/validation charge (replaces former non-telemetry charge) ($/transaction)	263.86	524.24	99%
Alternative assessment charge, as needed ($/transaction)	NA	665.19	NA
Attestation charge ($/licence) (from 2026–27 if required)	NA	81.64	NA
Meter service charge – operating costs, government owned meters ($/meter)	1,047.16	991.76	-5%
Channel meter service charge – operating costs ($ per Government-Owned Meter that is a channel meter)	7,346.54	7,346.54	0%
Annual meter service charge for government owned meters that have not been made compliant	475.22 to 684.27	475.22 to 684.27	0%
Water take assessment charge	243.90	243.90	0%
Ancillary charges	302.10 to 8,153.87	302.10 to 8,153.87	0%
Meter service charge – capital costs	0	Discontinued	NA

11.3 Submissions from stakeholders

Stakeholders were invited to provide submissions on WAMC's pricing proposal to IPART. These submissions offer valuable insights from licence holders, industry groups, government agencies, and other interested parties, helping to ensure that IPART's final determination reflects a balanced and informed perspective.

The submissions highlight systemic dissatisfaction with the NSW non-urban metering framework and its associated costs. Five core themes emerged in the stakeholder submissions which are discussed in detail in the sections below. These concerns reflect widespread views that metering reform, while necessary in principle, has failed in practice and is undermining the viability of regional irrigation.

The submissions received have been considered in IPART's draft decisions.

11.3.1 Excessive and unfair costs to irrigators

Some stakeholders view the cost of compliance with metering obligations as unmanageable. Submissions detail large upfront expenses which are seen as particularly burdensome for licence holders with smaller entitlements. These costs often range from several thousand to tens of thousands of dollars per site, with no corresponding reduction in other service fees or administrative charges. Several irrigators noted that the financial burden has led them to reduce water use and some consider their licences unusable. These submissions have raised concerns about the long-term viability of smaller farming operations and the broader economic sustainability of regulated water access in NSW.

The following stakeholder submissions illustrate the scale and impact of these financial pressures:

- Macquarie River Food & Fibre members report spending $15,000 to $60,000 per site, with total costs exceeding $7.5 million across 300 meters.[208]
- Peel Valley irrigators cite $6,000–$12,000 per meter, which is disproportionate given their low water use and risk profile.[209]
- NSW Irrigators' Council warns that these costs have escalated beyond any user benefit, with irrigators subsidising a failed policy rollout.[210]
- A stakeholder estimates a $40,000 cost for compliant metering at his Hunter Valley dairy farm.[211]

11.3.2 Poor policy design and implementation

The non-urban metering framework is regarded by some stakeholders as technically flawed and unworkable in its current form. Submissions highlight systemic failures across multiple areas, including unreliable hardware, frequent telemetry faults, poor system integration, and a lack of trained personnel to install or maintain equipment. Several stakeholders also point to inadequate planning and rushed implementation as root causes of persistent non-compliance and inefficiencies. For some stakeholders, these issues have not only undermined the intended benefits of the reform but have also eroded trust in the agencies responsible for delivering it.

The examples below demonstrate how these technical and operational failures have affected users across different regions:

- A stakeholder details telemetry and LID malfunctions and a shortage of qualified installers.[212]
- Coleambally Irrigation criticises redundant telemetry upgrades that add no value over existing SCADA systems.[213]
- A stakeholder challenges the imposition of telemetry in coastal valleys and those without mobile reception.[214]
- Murrumbidgee Irrigation states it raised concerns about the feasibility of the non-urban metering reforms as early as 2018, suggesting poor design and implementation have led to increased costs.[215]
- Yanco Creek Advisory Council suggested that irrigators are unfairly bearing the costs of government delays and policy failures in the metering roll-out, despite compliance with requirements.[216]

11.3.3 Duplicative and inefficient systems

Several submissions emphasise the duplication of services between irrigation corporations, WaterNSW, and regulatory agencies such as NRAR. Users report being charged multiple times for overlapping compliance activities, such as metering, data collection, and reporting—despite already receiving effective services from their irrigation infrastructure operators. They consider that this duplication not only increases costs for irrigators but also creates administrative confusion and inefficiencies, as responsibilities between agencies remain unclear or poorly coordinated.

The following submissions provide specific examples of how duplicative systems are impacting water users:

- Olam Food Ingredients questions why it should pay for NRAR's regulatory activities, given it already pays its Irrigation Infrastructure Operator (CICL) for water metering and compliance services.[217]
- The Ricegrowers' Association rejects any model that requires already-metered users to subsidise others' installation costs.[218]
- Hunter Wine Country Irrigation District notes that earlier price reductions from efficiency gains have been reversed in recent determinations due to rising operating and capital costs, leading to concerns about affordability and value for irrigators.[219]

11.3.4 Inequitable cost sharing and funding model

Some stakeholders challenge the current "impactor pays" approach to cost recovery, arguing that water metering reforms serve broader public and environmental interests—such as improved resource monitoring, compliance transparency, and ecological protection. As such, they contend that these costs should not fall solely on individual licence holders but should be partially or fully funded by government. Several submissions stress that the current model unfairly penalises users who have already made significant investments in infrastructure and compliance, while delivering benefits that extend beyond private water use.

The submissions below highlight this concern and propose alternative, more equitable funding models:

- NSWIC urges IPART to revise its cost-sharing approach, arguing that the current "impactor-pays" model is inequitable and that a greater share of water management and reform costs should be publicly funded to reflect broader community benefits.[220]
- Gwydir Valley and Lachlan Valley stakeholders argue that rural water users are being asked to bear a disproportionate share of water management costs, including infrastructure and regulatory requirements that also serve broader public and environmental interests.[221, 222]
- Murray Valley Private Diverters argue that rising metering charges reflect an unfair cost shift from government to users and call for clearer limits on what can be recovered from irrigators.[223]

11.3.5 Lack of transparency, support, and consultation

Some irrigators report insufficient engagement and communication from WaterNSW and DCCEEW, particularly during the rollout of metering policy. Stakeholders describe a lack of meaningful consultation, limited access to timely advice, and inconsistent guidance when dealing with metering compliance issues. Several submissions also note a decline in support services over recent years, including reduced on-ground presence, slower response times, and a shift in responsibility to users without adequate assistance. This has contributed to confusion, frustration, and a sense of isolation among many water users navigating complex regulatory requirements.

The examples below illustrate how the lack of agency engagement and support has affected stakeholder confidence and compliance outcomes:

- A stakeholder reports having been unable to irrigate for 4 years due to the high cost of metering upgrades and criticises the lack of consultation prior to implementing these requirements.[224]
- A stakeholder describes poor communication and a lack of meaningful consultation from government agencies, despite his active role on advisory groups such as the Coastal CAG and Water Working Group.[225]
- A south coast irrigator reports that WaterNSW no longer reads meters or maintains a local presence, leaving licence holders to photograph and text in their own readings.[226]
- Stratharlie Pastoral Company contrasts the efficient local metering service of the 1960s with today's costly and inefficient system, citing rising charges, bureaucratic complexity, and poor service visibility.[227]

11.4 IPART assessment of WAMC proposal

We acknowledge the need for reform but consider WAMC's proposal not to be efficient. Key considerations include:

- Large-volume and high-risk works account for 80% of entitlements and 95% of licensed water take across the state.[228]
- WAMC's pricing proposal indicated that 80% of metered entitlement incurs only 15% of projected costs under the existing framework.[229]
- WAMC has adopted the DCCEEW recommendations, which focus on ensuring compliance for larger, higher-risk water users who represent the majority of water take.[230, 231]
- Given the shift in compliance focus to higher-risk users, who account for the majority of water take but a smaller share of projected costs, we would expect a reduction in the efficient cost of the scheme. However, WAMC proposed a 1.4% increase in average annual costs for the 2025–30 period compared to 2023–24 allowances.[232]
- WAMC acknowledges a shortage of DQPs while simultaneously anticipating increased compliance activity by the December 2026 deadline.[233]
- WAMC acknowledges that errors in DQP submitted data have caused significant additional work and is nonetheless proposing broadening DQP eligibility, which risks lowering expertise standards, potentially worsening compliance issues and error rates.[234]

The above factors raise concerns about the feasibility of WAMC's compliance target and the justification for increased costs. We also note that according to the WAMC proposal "specific consultation was not undertaken on the proposed metering charges".[235]

11.4.1 WAMC's proposed metering charge structure

We consider that WAMC's proposed charge structure for the 2025 determination period disproportionately impact smaller users and allocates costs to customers for factors beyond their control. Additionally, the structure does not sufficiently account for practical challenges in implementation, such as the ongoing shortage of DQPs.

Specifically, we consider that:

- The scheme management fee is appropriate for all license holders.
- the LID download/validation charge should be incorporated within the telemetry charge as WAMC intends to make telemetry mandatory for all high-risk and larger water users and these customers cannot control the telemetry coverage.
- the alternative assessment charge is too costly to be applied to low-risk license holders and these users should instead pay for 100% of their entitlement for the given year, or the minimum charge, whichever is greater.

- the proposed annual attestation fee is inequitable, particularly for low-risk licence holders, and should not be implemented. There is neither the evidence to support the cost allocations, nor the justification for the blanket application of the fee to all license holders. Furthermore, the policy intent of attestation, ensuring accurate water take reporting, may already be partially addressed through existing telemetry and metering requirements, raising concerns about unnecessary duplication and additional costs.
- the meter service charge – operating costs for government owned meters is appropriate for cost recovery of servicing charges.
- the channel meter service charge – operating costs for government owned meters is appropriate for cost recovery of servicing charges.
- annual meter service charge for government owned meters is appropriate to recover costs associated with operating, maintaining, and reading meters until they are upgraded or required to comply with the updated metering regulations
- the water take assessment charge is appropriate for cost recovery of measurement (or metering) services to licence holders in unregulated rivers and groundwater sources.
- the ancillary charges are appropriate for cost recovery on a fee-for-service basis.
- the meter service charge – capital costs is no longer required as costs are expected to continue being funded by a departmental grant.

11.4.2 We consider WAMC should bear increases in costs

As the compliance targets for the 2021 determination period were not met, and WAMC is now proposing significant price increases for the 2025 determination period, we consider it appropriate that a portion of these costs be absorbed by WAMC. The challenges experienced to date, such as shortages of DQPs, delays in meter rollouts, and inefficiencies in administrative processes, have stemmed from structural and implementation issues within the regulatory framework. We consider it inequitable to expect water users to bear the full financial burden of these inefficiencies, particularly when charges are rising despite reforms intended to enhance cost-effectiveness.

Although IPART's 2019 review of Rural Water Cost Shares concluded that customers should bear 100% of metering and compliance costs,[236] we consider it appropriate for WAMC to absorb the real increases in costs for continuing charges during this determination period. This position is supported by the fact that several unrelated charge categories, such as meter service and ancillary charges, are proposed to remain constant or decrease, reflecting stable pass-through costs from external contracts. In contrast, the proposed increases in metering-related charges appear primarily driven by shortcomings in policy implementation rather than unavoidable sector-wide cost pressures. We consider this a compelling reason not to pass these costs increases onto customers.

11.4.3 Draft decision on charges

The draft charges for each of the charge categories may be seen in Table 11.2. While WAMC's proposal was based on a five-year determination period starting 1 July 2025, IPART has adopted a shorter nominal period of 3 years, commencing 1 October 2025. This results in an effective determination length of 2.75 years. The draft prices in this report reflect this revised timeframe.

Table 11.2 Current, proposed, and recommended non-urban metering charges prices ($2024-25)

Price category	Current	WAMC (5-year determination)	IPART Draft decision (3-year determination)	Percentage change from WAMC proposal to IPART draft decision
Scheme management charge ($/licence)	85.35	114.93	85.35	-26%
Telemetry charge ($/meter)	263.86	270.36	258.36	-4%
LID download/validation charge (replaces former non-telemetry charge) ($/transaction)	263.86	524.24	Discontinued	NA
Alternative assessment charge, as needed ($/transaction)	NA	665.19	Not implemented	NA
Attestation charge ($/licence) (from 2026–27 if required)	NA	81.64	Not implemented	NA
Meter service charge – operating costs, government owned meters ($/meter)	1,047.16	991.76	991.76	0%
Channel meter service charge – operating costs ($ per Government-Owned Meter that is a channel meter)	7,346.54	7,346.54	7,346.54	0%
Annual meter service charge for government owned meters that have not been made compliant	475.22 to 684.27	475.22 to 684.27	475.22 to 684.27	0%
Water take assessment charge	243.90	243.90	243.90	0%
Ancillary charges	302.10 to 8,153.87	302.10 to 8,153.87	302.10 to 8,153.87	0%
Meter service charge – capital costs	0	Discontinued	Discontinued	NA

In our 2021 determinations, New Metering Charges were divided between our WAMC and WaterNSW Rural determinations, due to some charges being determined under Commonwealth legislation.

Now that all prices will be set under State legislation, we propose to migrate all New Metering Charges to sit under the WAMC determination. This will mean that New Metering Charges currently set under our WaterNSW Rural determination will be revoked upon the commencement of our WAMC determination and will be set under the WAMC determination instead.

11.4.4 Assessment of individual charges

The following sections provide an explanation of each individual charge proposed by WAMC, along with IPART's assessment of the proposals. IPART also engaged Stantec as an independent expert to review WAMC's proposed costs for each charge category and to identify any efficiency savings that may not have been included in the original submission.

Scheme management charge

WAMC proposed to continue applying the scheme management charge to all licence holders, which covers costs for customer recording and reporting, validation processing, communications, and education. WAMC proposed a revenue requirement for this charge category of $22.5 million over the proposed 5-year determination period and has proposed increasing the charge by 35% from $85.35 to $114.93.[237]

Some of the reasons WAMC provided for this price increase include:

- "operationalise the new rules which have significant differences to the existing rules"
- "manage and upgrade systems to be able to manage the new rules"
- "manage the compliance process where DQPs will need to replace or remove all local intelligence devices (LIDs) installed in the current determination given the expected life of the LIDs" [238]

Stantec considered that WAMC's proposed costs for the scheme management charge were overstated and recommended adjustments to reduce the calculated revenue requirement from $22.5 million to $20.7 million for the proposed 5-year determination period. These include:

- Lowering the estimated DQP error rate from 42% to 39% to reflect expected improvements in submission quality.
- Reducing the number of formatting updates for websites, letterheads, and factsheets from 6 to 3 per year.
- Adjusting overhead costs from 25% to 23% to align with WaterNSW's broader operating expenditure assessments.
- Applying a continuing efficiency adjustment, ramping from 1% in FY26, 2% in FY27, and 3% from FY28 to FY30.[239]

We consider the proposed increase to the scheme management charge to be unjustified. Many of the cost drivers identified by WAMC stem from implementing the DCCEEW Recommendations[240], which were specifically intended to reduce overall costs. It is counterintuitive to increase prices in order to implement reforms designed to improve efficiency and reduce expenditure.

Informed by Stantec's revised cost figures for this pricing category and using the IPART pricing model, we have calculated an efficient revenue requirement for this charge category to be $13.3 million over the 3-year determination period with a corresponding charge of $116.29. However, we propose a portion of this charge be borne by WAMC and be set to the current value in real terms of $85.35. This would leave a projected revenue shortfall to be covered by the NSW government of $3.64 million across the 3-year determination period.

Our draft decision is:

43. To set the scheme management charge to $85.35.

Table 11.3 Revenue requirements for scheme management ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28
WAMC proposal	$5,917.63	$4,239.68	$4,236.76
Stantec proposal	$5,487.66	$3,900.58	$3,882.52
IPART (notional revenue requirement)	$5,511.69	$3,896.73	$3,890.15

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Telemetry charge

WAMC proposed to continue the telemetry charge to cover costs for data recording, transmission, and system maintenance for telemetered meters.[241] WAMC proposed a revenue requirement for this charge category of $17.8 million over the proposed 5-year determination period and has proposed increasing the charge by 2% from $263.86 to $270.36.

WAMC noted that lower-than-expected telemetry uptake, compliance delays, and a shortage of DQPs have led to cost under-recovery in the 2021 determination period. To address this, WAMC proposed a transition to an Azure IoT system by 2028–29, pending funding approval. [242]

Stantec considered that WAMC's proposed costs for telemetry were overstated and recommended adjustments to reduce the calculated revenue requirement from $17.8 million to $17.2 million over the proposed 5-year determination period. These include:

- Expanding telemetry licensing and support costs to include 1,189 additional Floodplain Harvesting meters, increasing the total to 14,647 meters.
- Adjusting licensing costs so that DAS licensing applies from FY26–FY29, with Azure costs included only from FY29 onwards to prevent customers from paying for two concurrent systems.
- Reducing overheads from 25% to 23% to align with WaterNSW's broader operating expenditure.
- Applying a 1% efficiency adjustment to non-fixed telemetry costs such as labour and FTE. [243]

We consider the continuation of the telemetry charge appropriate to support the existing telemetry system. However, our draft decision is to incorporate the LID Download/Validation costs into the telemetry charge. We have made this decision because customers required to install telemetry should not bear additional costs for system failures, blackspots, or data corruption beyond their control. This is further discussed in the section below.

Informed by Stantec's revised cost figures for this pricing category and using the IPART pricing model, we have calculated an efficient revenue requirement for this charge category to be $11 million over the 3-year determination period with a corresponding charge of $258.36.

Our draft decision is:

44. To set the telemetry charge to $258.36.

Table 11.4 Revenue requirements for telemetry ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28
WAMC proposal	$3,606.74	$3,483.78	$3,349.85
Stantec proposal	$3,654.41	$3,513.14	$3,370.29
IPART (notional revenue requirement)	$3,828.23	$3,654.35	$3,491.28

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

LID download/validation charge (non-telemetry charge)

WAMC proposed to rename the existing non-telemetry charge as the LID download/validation charge. This charge would apply to all users with mandatory telemetry reporting requirements which are unable to transmit data due to telemetry blackspots or equipment issues. The charge is intended to cover costs for site visits to manually download usage data or validate meter information.[244] WAMC proposed a revenue requirement for this charge category of $0.615 million over the proposed 5-year determination period and have proposed increasing the charge by 99% from $263.86 to $524.24.

Stantec assessed WAMC's proposed LID download/validation costs and recommended adjustments to reduce the revenue requirement from $0.615 million to $0.605 million over the proposed 5-year determination period. This reduction was due to reducing overheads from 25% to 23% to align with WaterNSW's broader operating expenditure.[245]

We consider this charge unreasonable as it imposes significant costs on customers who cannot control telemetry coverage. WAMC acknowledges that 50% of download sites required revisits due to unusable data or configuration issues.[246] Under the proposed framework, a high-risk or large volume customer could be required to:

- install telemetry despite being in a blackspot
- pay the annual telemetry fee
- also pay site visit charges to validate failed transmissions.

This disproportionately impacts customers in blackspots, who would pay for telemetry services they cannot fully utilise. We also note that the total revenue requirement proposed by WAMC of $0.615 million for LID Download/Validation is relatively small in comparison to the proposed telemetry charge revenue of $17.8 million, at about 3%.

For our draft decision, we consider it more appropriate to incorporate LID download/validation costs into the broader telemetry charge, ensuring that the burden of faulty transmission or lack of telemetry coverage, both outside the customer's control, is equitably shared across all telemetry users rather than disproportionately placed on a subset of customers. Given that this charge represents only a small proportion of overall telemetry costs, we consider this approach would prevent excessive financial burdens on affected users while maintaining a fair and balanced cost distribution.

Our draft decision is:

45. That the non-telemetry charge be discontinued.

Table 11.5 Revenue requirements for LID download ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28
WAMC proposal	$166.03	$126.92	$107.21
Stantec proposal	$163.38	$124.89	$105.50
IPART (notional revenue requirement)	$0.00	$0.00	$0.00

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Alternative assessment charge

WAMC proposed an alternative assessment charge for low-risk users (pumps <100mm, bores <200mm, or ≤15 ML entitlement) and small users (15-100 ML entitlement) who opt not to install their own meters and fail to provide necessary measurement information, requiring a site visit. This charge covers costs for travel, equipment configuration, and recalibration. WAMC proposed a revenue requirement for this charge category of $0.994 million over the proposed 5-year determination period and a charge of $665.19. Under the proposal, low-risk users must begin recording and reporting water take from 1 February 2025, while small users must install pattern-approved meters by 1 December 2027 or their work approval renewal date (whichever comes later). Until compliant, small users may also incur this charge if an alternative assessment is required.[247]

Stantec assessed WAMC's proposed alternative assessment costs and recommended adjustments to reduce the revenue requirement from $0.994 million to $0.968 million over the proposed 5-year determination period. These include:

- Reducing overheads from 25% to 23% to align with WaterNSW's broader operating expenditure.
- Applying a 1% continuing efficiency rate per year for the determination period to reflect expected process improvements. [248]

Informed by Stantec's revised cost figures for this pricing category and using the IPART pricing model, we have calculated an efficient revenue requirement for this charge category to be $0.6 million over the 3-year determination period with a corresponding charge of $721.06. However, we consider the alternative assessment charge to be economically inefficient and do not support its implementation.

WAMC estimates that 1,495 customers would incur this charge over the determination period, based on a 6% failure rate of the S91i self-reporting form. The charge is intended to cover on-site calibration of equipment, enabling small and low-risk users to determine water take without a meter.

However, our analysis of precinct data and water values suggests that only a small proportion of these 1,495 customers would extract water valued higher than the cost of the alternative assessment charge. Additionally, these users would still be required to pay both the assessment fee and the corresponding water-take charge determined through the assessment, further reducing the charge's economic efficiency.

Given these findings, we consider this charge unjustified. Instead, our draft decision is that low-risk users (including small-volume users), who would have otherwise been charged the alternative assessment fee, be charged 100% of their entitlement as a water-take charge. This will eliminate the need for inefficient site-visit costs while ensuring costs remain proportionate to water use.

Our draft decision is:

46. License holders whose water-take cannot be determined through the self-reporting, and who would otherwise require a site-visit to determine water-take, may be charged 100% of their entitlement in a water-take charge.

Table 11.6 Revenue requirements for alternative assessments ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28
WAMC proposal	$227.58	$200.92	$194.65
Stantec proposal	$221.54	$195.58	$189.48
IPART (notional revenue requirement)	$221.54	$195.58	$189.48

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Attestation charge

WAMC proposed an annual attestation charge to fund a new reporting requirement aimed at ensuring that water users record and report water take against each specific licence. The charge would cover system setup costs of $5 million (in 2026–27 and 2027–28) and ongoing administrative costs such as system management, customer communication, and compliance monitoring. The charge would only apply if the government enforces attestation during the 2025 determination period, following a two-year trial funded by the NSW Government.[249] WAMC proposed a revenue requirement for this charge category of $12.81 million over the proposed 5-year determination period and proposed an attestation charge of $81.64.

The attestation requirement seeks to address gaps in the current reporting system, which focuses on the volume of water taken by a nominated work but does not indicate whether or how much water is attributed to each licence or basic landholder right where multiple licences exist. By requiring annual attestations, the policy aims to improve compliance enforcement, strengthen water resource management, and reduce regulatory uncertainty. While the attestation obligation is most relevant to multi-licence holders, it is proposed to apply to all licence holders.[250]

Stantec considered there was insufficient justification for the proposed attestation costs and does not support the introduction of an attestation charge for the next determination period. Given the lack of clear cost allocation and necessity, Stantec recommended that this charge not be included in the WAMC metering charges. [251]

Applying Stantec's generalised recommendation relating to overhead multipliers to the WAMC proposed revenue,[252] we have determined an efficient revenue requirement for this charge category to be $3.2 million over the 3-year determination period with a corresponding charge of $97.13.

We consider the proposed charge to be inequitable, particularly for licence holders with smaller entitlement volumes. The flat per-licence fee structure disproportionately impacts single-licence users, some of whom may pay more in attestation fees than the value of their annual water take (although we note that the minimum annual charge may apply to these users). This cost burden is difficult to justify given that the primary beneficiaries of attestation are regulators and entities managing multiple licences. Furthermore, Stantec considered that the attestation charge should not be introduced in the 2025–30 determination period, citing insufficient evidence to justify the proposed costs.

Given these concerns, our draft decision is to not introduce the attestation charge. We consider there should be further assessment of alternative cost-recovery mechanisms, including scaling the charge based on the number of licences held or exempting single-licence holders from the requirement. Additionally, a clearer rationale is needed for why attestation costs should be borne by licence holders rather than funded through other regulatory mechanisms, such as scheme management. Furthermore, if attestation is primarily a regulatory compliance function, we consider it may be more appropriate for these costs to be integrated into WAMC's general operating expenditure rather than recovered through a separate user charge.

Our draft decision is:

47. That the attestation charge is not implemented.

Table 11.7 Revenue requirements for attestations ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28
WAMC proposal	$0.00	$3,934.01	$4,638.14
Stantec proposal	$0.00	$0.00	$0.00
IPART (notional revenue requirement)	$0.00	$1,025.43	$2,183.94

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Meter service charge – operating costs (government-owned meters)

WAMC proposed an annual meter service charge – operating costs of $991.76 for maintaining government-owned meters, reflecting a 5% decrease due to lower forecast costs and optimised maintenance schedules. This charge applies once meters are compliant or required to be compliant with updated metering requirements.[253] In response to our request for further information, WAMC stated that the price reduction is primarily due to projected decreases in outsourced maintenance contract costs.

Stantec considered WAMC's proposal to set the meter service charge – operating costs at $991.76 to be appropriate.[254]

In the previous determination, the cost of these services was assessed against market benchmarks and found to reflect efficient, market-based costs.[255] We consider maintaining the meter service charge – operating costs charge in real terms to be appropriate.

Our draft decision is:

48. To set the meter service charge – operating costs at the WAMC proposed price of $991.76.

Channel meter service charge – operating costs

WAMC proposed maintaining the channel meter service charge at $7,346.54 in real terms for the 2025 determination period to ensure cost recovery for the maintenance and validation of government-owned channel meters. This charge applies once meters are compliant or required to be compliant with updated metering requirements. [256]

In the previous determination, Cardno reviewed WaterNSW's cost assumptions for this charge. Cardno could not verify the need for increased site visits or higher associated costs, recommending that the charge remain unchanged. IPART accepted this advice, maintaining the charge at a level consistent with historical market rates. The continued application of this charge at the current level aligns with those previous findings.[257]

Stantec did not make any recommendations on the channel meter service charge – operating costs.

We consider maintaining the channel meter service charge – operating costs charge in real terms to be appropriate.

Our draft decision is:

49. To set the channel meter service charge – operating costs at the WAMC proposed price of $7,346.54.

Annual meter service charge for government owned meters that have not been made compliant

WAMC proposed maintaining the annual meter service charge for government-owned meters that have not yet been made compliant at its current level in real terms. This charge recovers the costs of operating, maintaining, and, when necessary, reading these meters until they are upgraded or required to comply with the updated metering regulations. The charge will continue to be applied annually until compliance is achieved.[258]

Stantec considered WAMC's proposal to maintain the existing annual meter service charge for government-owned meters in real terms to be appropriate.[259]

We consider maintaining the annual meter service charge in real terms to be appropriate. This approach is consistent with the 2021 determination, where IPART accepted these charges as cost-reflective based on an independent expert review.[260]

Our draft decision is:

50. To set the annual meter service charges at the WAMC proposed prices, as set out in Tables 5.2 and 5.3 of the determination.

Water take assessment charge

WAMC proposed to maintain the water take assessment charge at its current level in real terms for the 2025 determination period. This charge recovers the costs of measurement or metering services for licence holders. WAMC applied this charge for unregulated rivers and groundwater sources whilst WaterNSW administers these services for regulated rivers.

Stantec considered WAMC's proposal to maintain the water take assessment charge in real terms to be appropriate.[261]

We consider maintaining water take assessment charge in real terms to be appropriate.

Our draft decision is:

51. To set the water take assessment charge at the WAMC proposed price of $243.90.

Ancillary charges

WAMC provides ancillary services on a fee-for-service basis and proposed to maintain these various costs the same in real terms.

In the previous determination, IPART accepted WaterNSW's proposal to keep these charges in line with historical market rates, based on Aither's assessment of the costs associated with these services.[262] As these services are typically outsourced to private vendors, the fees continue to be cost-reflective and aligned with market benchmarks.[263]

Stantec considered WAMC's proposal to maintain ancillary charges in real terms to be appropriate.[264]

We consider maintaining the ancillary charges in real terms to be appropriate.

Our draft decision is:

52. To set the ancillary charges at the WAMC proposed prices, as set out in Table 5.5 of the determination.

Meter service charge – capital costs

WAMC proposed discontinuing the meter service charge – capital costs for government-owned meters, as compliance costs are expected to continue to be funded by a departmental grant. [265] In the previous determination period, IPART set the price for this charge at $0.[266]

Stantec did not consider the meter service charge – capital costs.

We consider discontinuation of this charge to be appropriate.

Our draft decision is:

53. To discontinue the meter service charge – capital costs.

11.4.5 IPART modelling approach

WAMC's proposed pricing model builds upon a set of base assumptions to estimate the expected costs for each pricing category, such as the number of staff hours required to perform specific tasks, the average salary per staff member, and vehicle expenses. From these assumptions, a projected total cost for each pricing category was developed. The proposed charges were calculated by dividing these total costs by the relevant units (e.g. licenses, users, or meters) over the five-year determination period, which is overly simplistic.

The price modelling approach in the WAMC proposed model is inconsistent with the historical approach used by IPART in the previous non-urban metering determination and general IPART practices. IPART traditionally implements a cost-building block framework using a net-present-value (NPV) analysis to account for the time value of money and a weighted-cost of capital approach to measure the opportunity cost of an investment decision.

We consider that the IPART modelling approach is more accurate in calculating efficient costs than the proposed model by WAMC. The key variations between the approaches include:

- use of the building blocks framework.
- use of allowed depreciation from the previous determination for the regulatory asset base.
- calculation of prices using net present values rather than simple totals and accounting for the weighted cost of capital.
- use of Stantec proposed capital expenditure, operating expenditure, and license/meter volumes for the non-urban metering cost categories.

Chapter 12

Consent transactions

12

Summary of draft decisions on consent transactions

We are proposing to maintain most consent transaction charges at current levels before inflation

Under our draft decisions most existing charges will change in line with inflation, except

- One existing Type A charge would decrease by around 5%.
- One existing Type B charge would increase by 2%, and 2 existing Type B charges would decrease, as per WAMC's proposal.
- Existing groundwater assessment component charges would increase between 15% and 96% before inflation. These increases are lower than those proposed by WAMC.

New consent transactions would be generally lower than WAMC proposed

We are proposing to set charges lower than proposed by WAMC for new Type A and groundwater assessment component charges. For new Type B charges, our draft decision is to accept the charges proposed by WAMC, except 3 charges which we are proposing to set 20% lower than WAMC proposed.

We are proposing to not accept WAMC's proposal to add 14 additional consent transaction charges to the IPART determination

WAMC proposed to include 13 existing charges relating to controlled activity approvals and one flood work approval charge in IPART's determination. We are proposing to exclude these charges because we consider they substantially relate to land management.

WAMC is required to perform a number of water licence processing activities under the *Water Management Act 2000* and Part 5 licences under the *Water Act 1912*.[267] These activities are known as water consent transactions and they fall into 3 categories: [268]

- **water access licences** – transactions include issuing new licences, amending existing licences and any dealings in licences such as assigning share components, consolidating, subdividing and surrendering licences
- **water allocation assignments** – transactions include assigning water from one licensee account to another licensee account (commonly referred to as temporary trade) for unregulated and groundwater water sources
- **works and use approvals** – transactions include assessing and approving the construction and use of water supply works such as pumps, dams and bores, and for the application of water to the land.

WaterNSW and DCCEEW are responsible for providing these consent transaction services on behalf of WAMC. Water consent transaction charges recoup WAMC's efficient costs of providing these services to users.

This chapter presents our draft decision on WAMC's consent transactions charges.

12.1 WAMC proposed large increases to some of its consent transaction charges

WAMC has proposed:[269]

- increases between 35% and 522% (before inflation) for existing Type A charges
- 20 new Type A charges which would better describe specific circumstances of the activity and including bringing in 13 existing controlled activity approval transactions into the scope of this determination
- an increase of around 2% (before inflation) for Type B charges and new charges that range between $120 to around $8,000, where the charge at the upper end relates to the combined approval application fee for both a water supply work and water use approval
- significant reductions to several of its Type B charges
- increases of between 84% and 145% (before inflation) to its existing groundwater assessment component charges and proposed to introduce one charge.

Some of the large increases are being proposed as WAMC has said it has under-recovered its costs during the 2021 determination period. WAMC explained its proposed consent transaction charges reflect the efficient full cost recovery of providing the consent transaction activities to customers.

WAMC's proposed consent transaction charges are set out in Tables 86-88 of its pricing proposal.

12.2 We propose to maintain most existing consent transaction charges at current levels before inflation and set prices for most of the new charges below what WAMC proposed

Our draft decision is:

54. To set WAMC's consent transactions charges as listed in Table 12.1. These charges are based on a consistent schedule for two different customer types.

IPART's draft decision is shown in Table 12.1 below.

Table 12.1 Draft decision on consent transaction charges for the 2025 determination period ($2024–25, $ per transaction)

	2025-26 to 2027-28
Type A Consent Transactions	
New water access licences	
Application for new water access licence – zero share	1,349.96
Application for new controlled allocation	1,761.83
Application for new specific purpose – groundwater assessment may be required	3,021.98
Works and supply approvals	
Application to inactivate a water supply work and/or water use approval	982.90

	2025-26 to 2027-28
New application for water supply work approval to take groundwater under a domestic and stock right	1,208.38
New application for a water supply work approval – town water supply – groundwater assessment charge not included	5,336.65
New application for water supply work approval – groundwater	2,275.19
New application for water supply work approval – pump	2,815.76
Application for a new water supply work approval regarding a dam or storage	2,786.21
Application to extend a water supply work and/or use approval – before expiry	412.78
Application to extend a water supply work and/or use approval – after expiry	762.88
Application to amend a water supply work and/or use approval – irrigation corporations	1,170.83
Application for new Water Act 1912 approval – monitoring bore	151.00
Application for new Water Act 1912 approval – injection bore	151.00
New application to surrender a water supply work and/or use approval	925.43
Application for new water supply work approval	1,286.13
New fee for assessment of State Significant Developments	1,704.12
Type B Consent Transactions	
Water access licences	
Application for new water access licence – zero share	834.57
Application for new controlled allocation	811.95
New application for specific purpose (SPAL) – no groundwater assessment required	845.83
Surrender WAL (non-complex)	373.05
Surrender WAL (complex and zero share)	510.10
Water access licence dealings	
WAL dealings – regulated rivers	883.28
WAL dealings – unregulated rivers	2,822.15
WAL dealings – groundwater (excludes GW referral fee)	2,822.15
Dealings low risk	1,278.83
Dealings administrative	564.89
Water allocation assignments	
Water allocation assignment (temporary trade) – regulated rivers	58.16
Water allocation assignment (temporary trade) – unregulated rivers and groundwater	58.89
Approvals	
Application to inactivate/activate a work/works on a water supply work approval	105.00
Application for BLR bore (water supply work approval to take groundwater under a domestic and stock right)	1,040.66
Application for water supply work approval or use approval (excludes GW referral fee)	5,240.96
Application for combined approval (excludes GW referral fee)	6,413.18
Application for water supply work approval or use approval (low risk)	2,839.71
Application for combined approval (low risk)	3,480.23
Amend approval (WSWA, combined or use) (administrative)	624.95
Application for WSWA for firefighting purposes (excludes GW referral fee)	1,076.47
Application to extend a water supply work and/or use approval – before expiry	613.13
Application to extend a water supply work and/or use approval – after expiry <60 days	613.13
Application to extend a water supply work and/or use approval – after expiry >=60 days	1,110.97

	2025-26 to 2027-28
Surrender a water supply work or use approval (non-complex)	120.28
Surrender a water supply work or use approval (complex) or combined approval	267.03
Specialised assessment fee for WSWA, FW or use approval (i.e. noise assessment, water quality)	1,523.08
Change application for WSWA, use, FW or combined (after assessment commenced)	1,000.40
Groundwater assessment component	
New or amended works and/or use approvals	3,410.73
Bore extraction limit reviews	3,410.73
Water access licence dealings – unregulated rivers and groundwater	3,410.73
New basic landholder right bore	329.20
Temporary trade	353.54

For the 2025 determination period, DCCEEW and WaterNSW, on behalf of WAMC, proposed what it considered to be cost-reflective fee-for-service consent transaction charges.[270]

Our draft decision is to accept Stantec's recommended charges for the lower bound, which is the minimum expenditure that the business needs to conduct its essential operations. This means:

- There would be no real increases to most existing charges.
- Some new charges would be set lower than what was proposed, while some new charges have been accepted as proposed by WAMC.

We have summarised these draft decisions in Table 12.2 below.

Table 12.2 Summary of IPART's draft decision on consent transaction charges

	Summary of IPART's draft decision
Type A Consent Transaction Charges	•
Existing charges	• No real increases to 9 charges • One charge, 'New application for water supply work approval – town water groundwater' would decrease by around 5%.
New charges	• Five new charges would be around 50% to 58% lower than what WAMC proposed. • Two new charges relating to new applications for bores would be subject to a $151 administration fee as opposed to a proposed consent transaction charge of approximately $3,350.
Type B Consent Transaction Charges	
Existing charges	• No real increases to 15 charges. • One charge, 'Application to extend a water supply work and/or use approval – before expiry' would increase by 2%. • Two charges would decrease by 45% and 83%, as per WAMC's proposal.
New charges	• We propose to approve five new charges as proposed by WAMC. • We propose to approve one new charge as proposed by WAMC, but this is the result of an existing charge reducing by almost 80% (water supply works approval related to firefighting for community groups).

	Summary of IPART's draft decision
	• Three new charges would be set 20% less than what was proposed.
Groundwater Assessment Component Charges	
Existing charges	• Three charges that were proposed to increase by 84% would increase by 15%. • One charge that was proposed to increase by 145% would increase by 96%.
New charges	• The one new charge that was proposed would be set at 20% less than what was put forward by WAMC.

IPART reached this draft decision because:

- There are opportunities for improvement in how the WAMC agencies calculate costs to propose consent transaction charges.
- The WAMC agencies did not consult with stakeholders about its proposed charges, which are large increases for several consent transaction charges.

12.2.1 WAMC's approach to calculating costs

IPART has considered the advice from our independent expert Stantec. IPART agrees with Stantec's recommendations and has factored this into our draft decision as set out in Table 12.1. The advice IPART considered is set out below:[271]

- Stantec's advice was that DCCEEW's bottom-up estimation approach to Type A charges, overestimates risks and underestimates inherent synergies in undertaking routine, process-based tasks. Stantec also recommended that DCCEEW transition to applying a single percentage allowance for an efficient level of corporate overheads, instead of its current bottom-up calculations.
- For groundwater assessment component charges, Stantec noted that DCCEEW's approach to calculating indirect costs was generally reasonable. However, it noted there were opportunities to improve such as how data is captured to support bottom-up time estimates.
- Stantec's advice for existing Type B charges was that WaterNSW's approach was reasonable. Stantec also noted WaterNSW's approach to better understanding its actual costs, which has led to WaterNSW itself proposing to decrease some Type B charges. Stantec said that WaterNSW's approach to proposing new Type B charges were generally reasonable but noted there were opportunities for improvement such as how it calculates the factors it applied to some of its new charges.[a]

12.2.2 Lack of customer consultation

The WAMC agencies did not consult with customers on its proposed consent transaction charges, despite some significant increases.

In our 2021 determination we encouraged the WAMC agencies to engage with stakeholders to understand their willingness to pay for increased charges or potential trade-offs.[272]

[a] Specialised assessments, combined approval applications and amended applications.

Several stakeholders[273] in their submission to our Issues Paper raised concerns about the lack of direct consultation on the proposed consent transaction charges. One stakeholder raised the large size of the proposed increases to the consent transaction charges.[274] WAMC said that stakeholder consultation on consent transaction charges would take place in October 2024, but stakeholders submitted that the information provided was at a 'very high level with no costs underpinning the prices'.[275]

The lack of stakeholder engagement was a factor in our draft decision to propose the consent transaction charges as listed in Table 12.1, which means that there would be no real increases to many existing charges while several new charges were set below what was proposed.

12.3 Controlled activity and flood work approvals

WAMC proposed to bring 13 existing controlled activity approval (CAA) charges, previously set by the Minister, into the scope of this determination. Stantec advised that these charges should remain outside the scope of IPART's determination, as these charges in substance relate to land management. Examples of controlled activities include erecting a building, carrying out works such as the construction of bridges or sea walls, removing material from waterfront land, depositing material on waterfront land, and any activity which affects the quantity or flow of water in a water source.[276] IPART has considered this and propose that CAA charges remain out-of-scope for the draft decision.

Stantec also advised that the existing 'new flood work approval – technical referral' charge should be excluded from this determination for the same reason that it substantially relates to land management. Examples of flood works include barrages, causeways, cuttings, embankments, building pads and below-ground channels.[277] IPART has considered this and propose that the flood work approval charge is excluded from IPART's draft determination.

This is consistent with our draft decision to keep 'W06-03 floodplain management and development' in scope (see Chapter 6). W06-03 relates to the development, review, amendment and extension or replacement of Floodplain Management Plans, in collaboration with relevant government agencies. W06-03 also has a 0% user share, which means that the need to undertake W06-03 is driven solely by the NSW Government. In contrast, consent transactions are a fee-for-service charge paid for by an individual. Also, the exclusion of a consent transaction charge from our determination does not prohibit DCCEEW from setting its own fee-for-service under another relevant legislative or regulatory authority.

12.4 We have continued to set a schedule of charges for different customers

WAMC has separate schedules of consent transaction charges because currently DCCEEW and WaterNSW have different types of customers and different works/ activities (See Box 12.1).

Box 12.1 Shared responsibility for consent transaction activities/charges

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) is responsible for applications and approvals from major utilities, water supply authorities, local water utilities, irrigation corporations, state-owned corporations, mining companies and Aboriginal organisations. These, typically larger, customers represent 5% of licence holders and account for around 40% of the total regulated entitlement share. Processing these transactions is complex due to the scale of the water take and potential impact on water sources.

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

Source: WAMC 2025-30 pricing proposal, September 2024, pp 31-32.

Customers that are currently regulated by DCCEEW will pay Type A consent transaction charges. All other customers will pay Type B consent transaction charges.

12.4.1 Groundwater assessment component

For some consent transaction types, DCCEEW undertakes an assessment of the potential groundwater impacts of the consent application. This is incurred in addition to a Type A or Type B consent transaction charge. The additional groundwater assessment charges are usually incurred on top of Type B charges (e.g. see consent transaction charges that note 'excludes GW referral fee' in Table 12.1).

For the 2025 draft determination, we have separated this out as an additional category, as shown at the bottom of Table 12.1.

12.5 WAMC will continue reporting its output measures

Under our water regulation framework, we expect businesses to develop performance outcomes related to the customer, community and the environment. WAMC proposed to align consent transactions with Outcome 1 (Enhanced customer experience) and Outcome 4 (Value for money).[278] We discuss further WAMC's performance and accountability in Chapter 14.

Chapter 13 »

Impacts of draft decisions

13

Summary of impacts on water users and WAMC

Bill impacts vary between water sources

Based on our draft decisions, indicative annual customer bills[a] would increase for all water sources in 2025–26, ranging from a $43 to $309 increase before inflation. This means that:

- For metered regulated water users,[b] there would be increases of at least $140 for Peel and the Coastal valleys. In unregulated water sources, there would be larger increases of $208 in Murrumbidgee and $241 for the North Coast. For groundwater sources, bills would increase between $120 and $148.
- Increases for unmetered unregulated water users[c] range from $81 to $309, with larger increases of $288 in Murrumbidgee and $309 for the North Coast. Groundwater bills would increase between $150 and $174.

Annual bills would increase by around $20 over the determination period for water users close to the MAC threshold.

There would also be larger increases of between $1,718 and $1,752 for floodplain harvesting licence holders[d] in 2025-26, as our draft decision was to set an additional FPH charge per water take. However, this increase is event-driven and would only apply when a FPH licence holder has water take during a FPH event.

For WAMC regulated water users that also pay WaterNSW rural bulk water charges,[e] indicative combined bills would increase between 2.3% and 5.8% over the 3-year determination period.

We considered the impact of our maximum prices on water users and WAMC before making our draft decisions. We also considered our prices in the context of matters listed in section 15 of the *Independent Pricing and Regulatory Tribunal Act 1992* (IPART Act) (Appendix A). Each of these issues is discussed in turn in the sections below.

The impacts analysis in this chapter excludes the impact of fee-for-service such as consent transactions and metering services, which are discussed in Chapter 12 and Chapter 13 respectively.

[a] For a metered user with 500 ML of entitlement and 60% water take and an unmetered user with 500ML of entitlement and an assumed 100% water take.
[b] For a metered user with 500 ML of entitlement and 60% water take.
[c] For an unmetered user with 500ML of entitlement and an assumed 100% water take.
[d] Assuming 500 ML of water take.
[e] For a high security metered user with 500 ML of entitlement and 100% water take and a general security metered user with the same volume of entitlement but with 60% water take. For WaterNSW rural bulk water charges, prices from the May 2025 Information Paper was used.

13.1 Our draft decisions would result in lower price increases than proposed by WAMC

Our draft prices directly affect the amount paid annually by water users. The bill impact for a particular water user depends on the volume of entitlements they own, how much water they use, and whether they are subjected to the minimum annual charge (MAC).

We have analysed a range of scenarios across all water sources and different water users to assess the impact of the draft prices for the 2025 determination period. Specifically, we analysed the impact on:

- the typical metered water user not subject to the MAC with 500ML of entitlements at 60% usage of entitlements
- the typical unmetered water user not subject to the MAC with 500ML of entitlements
- water users subject to the MAC
- the typical water user affected by the floodplain harvesting (FPH) framework with 500ML of water take
- WaterNSW and Hunter Water as licence holders in the South Coast and Hunter unregulated water sources, respectively
- the typical metered regulated river water user that pays WAMC and WaterNSW rural bulk water charges.

We note that due to the delay in WAMC charges not taking effect until 1 October 2025, bills for 2025-26 include 3 months of 2024-25 prices, and 9 months of 2025-26 prices.

13.1.1 Impact on metered water users not on the minimum annual charge

For the purposes of our analysis, we have defined a typical metered water user as having 500ML of entitlements and an annual water usage rate of 60%.

As shown in Table 13.1, our analysis shows that in 2025-26 there would be real increases in all water sources for the typical metered licence holder:

- For most regulated water sources, the increase ranges between $40 and $80. However, there would be larger increases of at least $140 for Peel and the three coastal valleys with the North Coast facing the highest increase at $254.
- For most unregulated water sources, bills would increase by more than $80 except for the South Coast ($67). There would be larger increases of at least $120 for Lachlan, Macquarie, Murray and Far West. There would be increases of at least $200 in Murrumbidgee and the North Coast, where North Coast would face the highest increase ($241).
- For all groundwater sources, bill would increase by at least $120 with the largest increase for Inland and Border ($148).

Table 13.1 Bill impacts for a typical metered licence holder with 500ML entitlement and 60% water take ($2024-25)

Water source	2024-25 (Current)	2025-26	2026-27	2027-28	$ change to 2025-26	% change to 2027-28
Regulated						
Border	2,832	2,908	2,988	3,072	76	8.5%
Gwydir	1,608	1,662	1,719	1,778	54	10.6%
Namoi	2,113	2,189	2,270	2,354	76	11.4%
Peel	3,769	3,946	4,132	4,327	177	14.8%
Lachlan	1,656	1,724	1,795	1,870	68	12.9%
Macquarie	1,732	1,801	1,873	1,948	69	12.5%
Murray	1,461	1,511	1,564	1,619	50	10.8%
Murrumbidgee	1,346	1,389	1,435	1,483	43	10.2%
North Coast	5,087	5,341	5,608	5,889	254	15.8%
Hunter	2,866	3,009	3,160	3,318	143	15.8%
South Coast	4,278	4,492	4,716	4,952	214	15.8%
Unregulated						
Border	1,755	1,836	1,922	2,012	81	14.6%
Gwydir	1,755	1,836	1,922	2,012	81	14.6%
Namoi	1,755	1,836	1,922	2,012	81	14.6%
Peel	1,755	1,836	1,922	2,012	81	14.6%
Lachlan	2,686	2,814	2,949	3,090	128	15.0%
Macquarie	2,686	2,814	2,949	3,090	128	15.0%
Far West	3,914	4,034	4,161	4,294	120	9.7%
Murray	3,177	3,326	3,482	3,646	149	14.8%
Murrumbidgee	4,296	4,504	4,723	4,953	208	15.3%
North Coast	4,813	5,054	5,306	5,572	241	15.8%
Hunter	1,651	1,734	1,820	1,911	83	15.8%
South Coast	1,331	1,398	1,467	1,541	67	15.8%
Groundwater						
Inland	3,092	3,240	3,395	3,558	148	15.1%
Border	3,312	3,460	3,615	3,778	148	14.1%
Murrumbidgee	2,684	2,812	2,945	3,086	128	15.0%
Coastal	2,423	2,544	2,671	2,805	121	15.8%

Note: Includes WAMC water management, MDBA and BRC charges.
Source: IPART analysis

13.1.2 Impact on unmetered water users not on the minimum annual charge

We have defined a typical unmetered water user as having 500ML of entitlements with an assumed 100% water take.

As shown in Table 13.2, our analysis shows that in 2025-26 there would be real increases in all water sources for the typical unmetered licence holder:

- For most unregulated water sources, bills would increase by more than $106 except for the South Coast ($80). There would be larger increases of at least $140 in Lachlan, Macquarie and Far West. There would be large increases of at least $200 in Murray, Murrumbidgee and the North Coast, where North Coast would face the highest increase ($309).
- For all groundwater sources, bill would increase by at least $150 with the largest increase for Inland and Border ($174).

Table 13.2 Bill impacts for a typical unmetered licence holder with 500 ML entitlement ($2024-25)

Water source	2024-25 (Current)	2025-26	2026-27	2027-28	$ change to 2025-26	% change to 2027-28
Unregulated						
Border	2,275	2,381	2,492	2,609	106	14.7%
Gwydir	2,275	2,381	2,492	2,609	106	14.7%
Namoi	2,275	2,381	2,492	2,609	106	14.7%
Peel	2,275	2,381	2,492	2,609	106	14.7%
Lachlan	3,620	3,793	3,975	4,166	173	15.1%
Macquarie	3,620	3,793	3,975	4,166	173	15.1%
Far West	4,530	4,672	4,822	4,978	142	9.9%
Murray	4,555	4,769	4,994	5,230	214	14.8%
Murrumbidgee	5,930	6,218	6,521	6,839	288	15.3%
North Coast	6,185	6,494	6,819	7,160	309	15.8%
Hunter	2,225	2,336	2,453	2,576	111	15.8%
South Coast	1,605	1,685	1,770	1,858	80	15.8%
Groundwater						
Inland	3,630	3,804	3,987	4,179	174	15.1%
Border	3,880	4,054	4,237	4,429	174	14.1%
Murrumbidgee	3,150	3,300	3,458	3,623	150	15.0%
Coastal	3,285	3,449	3,622	3,803	164	15.8%

a. Includes WAMC water management, MDBA and BRC charges.

Source: IPART analysis

13.1.3 Impact of the draft prices for users not on the MAC

We acknowledge there would still be real increases for many water users under our draft decisions as shown in Table 13.1 and Table 13.2. However, we assess that our draft decision to cap water management prices at 5% instead of WAMC's proposed 15% cap would better mitigate bill shocks.

We have also considered the impact of how our draft decisions on WaterNSW's bulk water charges would impact regulated WAMC water users (see section 13.2).

13.1.4 An alternative 10% cap

We have considered an alternative 10% per year cap on prices in Appendix D. An advantage of this would mean that the rate of cost recovery is greater than our draft decision to cap prices at 5%. However, bill increases would be greater for water users, for instance:

- For metered customers, the increase from 2024-25 to 2025-26 ranges from $87 to $509
- For unmetered customers, the increase from 2024-25 to 2025-26 ranges from $161 to $619.

As noted in Chapter 9, we are seeking stakeholder feedback on the potential impacts of a 10% cap on price increases before inflation

See Appendix D for more details about the impact of a 10% cap.

13.1.5 Impact on water users paying the minimum annual charge

Water users that pay the MAC (minimum annual charge), also pay MDBA and BRC charges based on their entitlement or water take, where applicable. To analyse bill impacts on water users on the MAC, we analysed the impact of our draft decisions for a small water user that has entitlements and water take close to the threshold of the MAC.

This threshold is different for each water source. It defines the relevant entitlement and water take volumes that would move a water user from paying the MAC to paying the applicable metered entitlement and water take charges, or unmetered entitlement charge.

As noted in Chapter 10, the MAC is currently set at $277.89 which would increase to $299.26 by 2027-28 under our draft decision to cap the MAC at 2.5% per year (before inflation).

Table 13.3 shows that for small water users close to the threshold, the changes in bills over the 3-year determination are reasonable at around $20 before inflation.

Table 13.3 Forecast bill for small water users ($2024-25)

Water source	A	B	2024-25 Total (MAC + MDBA and BRC)	2027–28 MAC	2027–28 MDBA	2027–28 BRC	2027–28 Total	$ change total bill to 2027-28	% change total bill to 2027–28
Regulated									
Border	98	30	512.09	299.26	68.78	165.42	533.46	21.37	4%
Gwydir	141	42	411.81	299.26	133.92	0.00	433.17	21.37	5%
Namoi	98	29	381.86	299.26	103.97	0.00	403.23	21.37	6%
Peel	48	14	295.74	299.26	17.85	0.00	317.11	21.37	7%
Lachlan	126	38	339.34	299.26	61.45	0.00	360.71	21.37	6%
Macquarie	117	35	350.03	299.26	72.14	0.00	371.40	21.37	6%
Murray	152	46	402.82	299.26	124.93	0.00	424.19	21.37	5%
Murrumbidgee	176	53	429.26	299.26	151.37	0.00	450.63	21.37	5%
North Coast	32	10	277.89	299.26	0.00	0.00	299.26	21.37	8%
Hunter	53	16	277.89	299.26	0.00	0.00	299.26	21.37	8%
South Coast	40	12	277.89	299.26	0.00	0.00	299.26	21.37	8%
Unregulated									
Border	103	31	299.65	299.26	21.76	0.00	321.02	21.37	7%
Gwydir	103	31	299.65	299.26	21.76	0.00	321.02	21.37	7%
Namoi	103	31	299.65	299.26	21.76	0.00	321.02	21.37	7%
Peel	103	31	299.65	299.26	21.76	0.00	321.02	21.37	7%
Lachlan	69	21	291.46	299.26	13.57	0.00	312.82	21.37	7%
Macquarie	69	21	291.46	299.26	13.57	0.00	312.82	21.37	7%
Far West	62	19	447.99	299.26	64.69	105.42	469.36	21.37	5%
Murray	65	19	296.99	299.26	19.10	0.00	318.36	21.37	7%
Murrumbidgee	43	13	286.46	299.26	8.57	0.00	307.82	21.37	7%
North Coast	34	10	277.89	299.26	0.00	0.00	299.26	21.37	8%
Hunter	106	32	277.89	299.26	0.00	0.00	299.26	21.37	8%
South Coast	115	34	277.89	299.26	0.00	0.00	299.26	21.37	8%
Groundwater									
Inland	50	15	290.18	299.26	12.29	0.00	311.55	21.37	7%
Border	50	15	310.07	299.26	12.29	19.89	331.44	21.37	7%
Murrumbidgee	58	18	292.14	299.26	14.25	0.00	313.51	21.37	7%
Coastal	73	22	277.89	299.26	0.00	0.00	299.26	21.37	8%

Notes: Column A refers to the estimated entitlement threshold in 2027-28. The threshold is different for each water source. It defines the relevant entitlement and water take volumes that would move a water user from paying the MAC to the relevant metered or unmetered charges. Column B refers to the estimated allocation in 2027–28.
The MDBA and BRC bills are calculated using the threshold entitlements and water take volumes.
Source: IPART analysis.

13.1.6 Impact of new floodplain harvesting charges

As explained in Chapters 9 and 10, our draft decision is to implement a new charge of $3.38 per ML of water take from 2025-26, which would then increase by 5% each year (before inflation).

We compared how our draft decision would impact a floodplain harvesting (FPH) licence holder who harvested 500 ML of water. Table 13.4 shows that if a licence holder harvested 500ML of water in 2024-25, then harvested the same volume in 2025-26, the approximate additional increase would be at least $1,700. The larger impacts would be seen in the unregulated rivers in Namoi and Gwydir ($1,752 increase).

However, please note that the new FPH charges would only apply if there was a floodplain harvesting event. It is also a charge that only applies to the water take, so a licence holder would not pay additional FPH charges when there is no event that gives a user the opportunity to harvest water.

Table 13.4 Bill impacts for 500 ML water take for a FPH licence holder ($2024-25)

Water source	2024-25 (Current)	2025-26	2026-27	2027-28	$ change to 2025-26	% change to 2027-28
Regulated						
Border	1,095	2,820	2,941	3,068	1,725	180.2%
Gwydir	730	2,448	2,561	2,681	1,718	267.2%
Namoi	855	2,580	2,700	2,826	1,725	230.5%
Macquarie	1,045	2,780	2,910	3,048	1,735	191.6%
Unregulated						
Gwydir	1,300	3,052	3,201	3,358	1,752	158.3%
Namoi	1,300	3,052	3,201	3,358	1,752	158.3%
Far West	1,540	3,285	3,427	3,576	1,745	132.2%

Notes: 2024-25 charges have been calculated using the relevant metered water take, MDBA and BRC charges for each water source. 2025-26 and 2027-28 charges have been calculated using the relevant draft metered water take, MDBA and BRC charges for each water source, and the draft additional WaterNSW component of the FPH charge.
Source: IPART analysis.

13.1.7 Impact on metropolitan water planning costs

WaterNSW is levied to recover the costs of metropolitan water planning for the Greater Sydney region. WAMC has also proposed a new charge for Hunter Water to recover the Department's costs of delivering planning services for the Lower Hunter Water plan. These charges only apply to entitlements held by these businesses in unregulated rivers and is in addition to the entitlement and water take charges set by IPART. The impact of these draft additional charges over the determination period is shown in Table 13.5 and Table 13.6 below.

Table 13.5 Estimate of WaterNSW's bill – South Coast unregulated ($2024-25)

	2024–25 (Current)	2025-26	2026-27	2027-28	% change 2024–25 to 2027–28
Entitlement charge – for water planning costs ($/ML)	0.48	0.68	0.68	0.68	41.7%
Entitlement charge ($/ML)	1.84	1.98	2.03	2.13	15.8%
Water take charge ($/ML)	1.37	1.48	1.51	1.59	15.8%
Entitlements ('000, ML)	987,000	987,000	987,000	987,000	0.0%
Water take ('000, ML)	505,531	500,336	502,576	508,875	0.7%
Total bill ($ million)	2.982	3.366	3.433	3.581	20.1%

Source: IPART analysis

Table 13.6 Estimate of Hunter Water Corporation's bill – Hunter unregulated ($2024-25)

	2024–25 (Current)	2025-26	2026-27	2027-28	% change 2024–25 to 2027–28
Entitlement charge – for water planning costs ($/ML)	NA	0.98	0.98	0.98	NA
Entitlement charge ($/ML)	1.58	1.70	1.74	1.83	15.8%
Water take charge ($/ML)	2.87	3.09	3.16	3.32	15.8%
Entitlements ('000, ML)	150,075	150,075	150,075	150,075	0%
Water take ('000, ML)	63,561	63,561	63,561	63,561	0%
Total bill ($ million)	0.420	0.599	0.610	0.633	50.8%

Source: IPART analysis

13.2 The impact of WaterNSW and WAMC draft prices are reasonable for regulated water users

Many submissions to our WAMC and WaterNSW Issues Paper were concerned about the proposed price increases for WAMC and WaterNSW. We recognise that WAMC water users in regulated water sources also pay rural bulk water prices determined by our review of rural bulk water services. Our draft decisions on WaterNSW's pricing proposal are available here.

We have modelled the impact of our draft decisions of WaterNSW's rural bulk water charges and WAMC prices for:

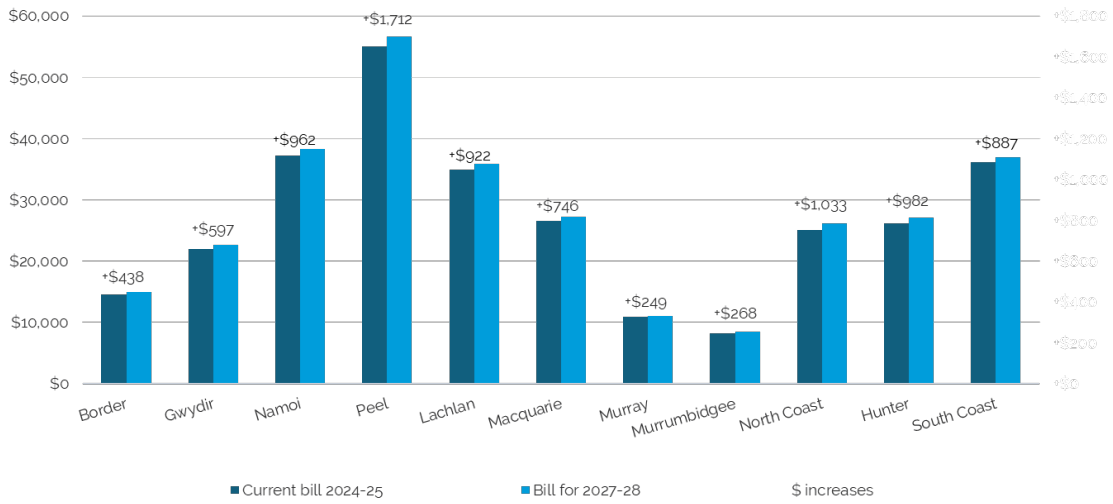
- High security licence holders based on 500ML entitlement and 100% water take
- General security licence holders based on 500ML entitlement and 60% water take.

We found that over the 3-year determination period, the combined impact of WaterNSW and WAMC draft decisions mean that, before inflation:

- For high security licence holders, bills would approximately increase between 2.3% and 4.1%. This equates to a bill increase in dollar terms ranging from approximately $249 to $1,712. The highest increase would be in Peel ($1,712). See Figure 13.1 for more details.

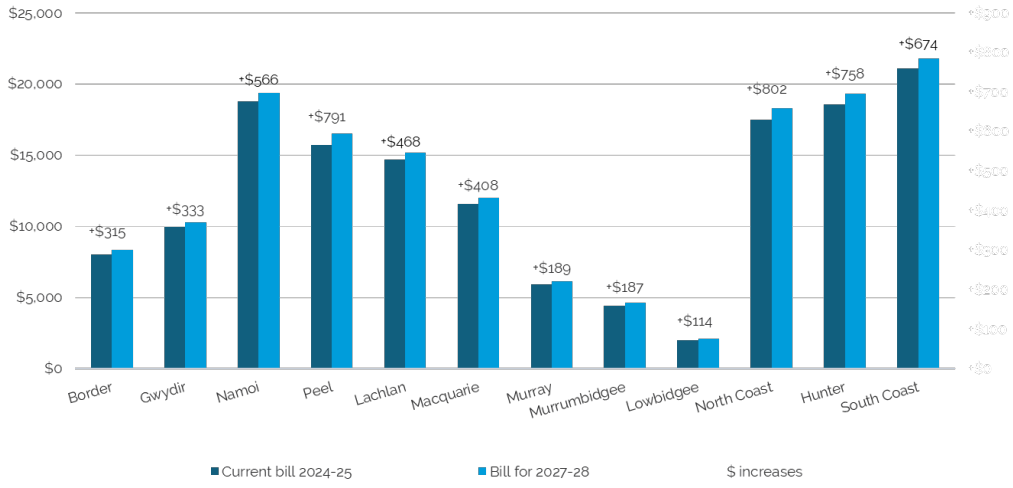
- For general security licence holders, bills would approximately increase between 3.0% and 5.8%. This equates to a bill increase in dollar terms ranging from approximately $114 to $802. The highest increase would be in North Coast ($802). See Figure 13.2 for more details.

Figure 13.1 Bill impact of WaterNSW and WAMC charges for a high security licence holder (500 ML entitlement and 100% water take)



Notes: All bills include IPART's draft decisions for WaterNSW rural bulk water prices and WAMC prices (including MDBA and BRC charges).
Source: IPART analysis.

Figure 13.2 Bill impact of WaterNSW and WAMC charges for a general security licence holder (500 ML entitlement and 60% water take)



Note: All bills include IPART's draft decisions for WaterNSW rural bulk water prices and WAMC prices (including MDBA and BRC charges).
Source: IPART analysis.

Chapter 14

Performance and accountability

14

Summary of our draft decisions on performance and accountability

We are proposing to accept most of WAMC's proposed performance outcomes and objectives with amendments to some measures and targets

Our draft decision is to largely accept the performance outcomes and objectives proposed by WAMC. We are proposing amendments to some performance measures to provide a more holistic view of performance and better reflect WAMC's actions.

Our draft decision is to accept WAMC's proposal to not include incentive schemes over the 2025 determination period.

WAMC's proposal outlines a new approach to outcomes and performance measures (previously called outcome measures and performance indicators). The new framework includes 4 outcomes and 16 performance measures. The proposal indicated that the 4 outcomes are aligned with WAMC activities (i.e. the activity codes). Each outcome covers several WAMC activity codes (e.g. Outcome 1 covers W09 and W10). By contrast, the 2021 performance and accountability framework included 79 outcome measures and 52 performance indicators. All WAMC sub-activity codes except W08-01 (regulation systems management) had one or more outcome measures (e.g. W02-02 was covered by outcome measures 16 and 17) and all sub-activity codes had one or more performance indicators.

Part of the reason for WAMC's new approach to the performance reporting framework is to align its business with the priorities identified by customers during WAMC's engagement activities,[279] and IPART's guidance in the Water regulation handbook. It identified 19 customer priorities that linked to the proposed outcomes.[280] Performance measures that are properly calibrated and linked to customer outcomes should provide customers with confidence that projects and initiatives are, or will be, efficiently delivered.

The new, streamlined approach to performance reporting should be considered alongside performance information already published by WAMC, WaterNSW or NRAR (e.g. WaterNSW's Water Insights platform). The streamlined approach may reduce the burden of reporting requirements. However, it is important that the new approach provides customers with confidence that water management activities are being undertaken in an efficient and effective manner, as well as sufficient transparency on the progress of critical water management activities.

In this section, we will:

- Review WAMC's proposed outcome and performance measures
- Summarise WAMC's progress against its previous outcome and performance measures
- Recommend a review of WAMC's pricing framework prior to the next determination.

14.1 Outcomes and performance measures

Under our water regulation framework, we expect businesses to develop 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.

WAMC developed 4 customer outcomes:

- Outcome 1 – Enhanced customer experience
- Outcome 2 – Sustainable and effective water resource management
- Outcome 3 – Confidence in water resource management
- Outcome 4 – Value for money

Under each of these outcomes it proposed objectives, and each objective has one or more performance metrics attached.

WAMC has identified key programs it proposes to undertake to support the first three outcomes. Outcome 4 focuses on cost efficient delivery of services and prudent investments. Outcome 4 also aims to ensure WAMC's compliance activities are delivered efficiently and effectively.

WAMC intends to report on progress through annual public reporting. It has suggested it will do this on its website. However, WAMC does not currently have a dedicated website, nor does it have a digital newsletter to keep customers updated. WAMC should develop an online presence which includes reports on progress to ensure the transparency and accountability of its outcome measures.

A summary of WAMC's objectives, performance measures and proposed targets is provided in Table 14.1 below.

Table 14.1 Summary of WAMC's outcomes, objectives and performance measures

Objective	Performance measure	Proposed target and trend
Outcome 1: Enhanced customer experience		
Customers can easily access accurate information they need to make informed decisions about managing their water	1.1 Customers reporting that water rules are appropriately communicated (%)	Target: improvement on previous year performance Trend: **Improve** (on 40%)
	1.2 Customers reporting that they are able to find the information required to submit an application (%)	Target: improvement on previous year performance Trend: **Improve** (on 57%)
Improved customer experience due to simple, reliable and efficient	1.3 Customer enquiries are resolved within specified timeframes (%)	Target: 80% Trend: **Improve** (on 50%)

Objective	Performance measure	Proposed target and trend
interactions with WAMC and timely outcomes.	1.4 Customer applications determined within specified timeframes (%)	Target: 80% Trend: **Improve** (on 50%)
Customers receive clear and accessible information about their water services and billing	1.5 Customers reporting greater satisfaction overall with billing (%)	Target 65% Trend: **Maintain**
Outcome 2: Sustainable and effective water resource management		
Improved river, floodplain and aquifer ecosystem health	2.1 % of water sources assessed that are compliant with long term average annual extraction limits, or compliance action taken where required each year	Target 100% Trend: **Maintain**
	2.2 % of water entitlement in NSW being measured through metering rollout under the new non-urban metering policy each year	Target: 95% Trend: **Improve** (on 60%)
Improved resilience to changes in water availability.	2.3 Number of inland regulated river water sharing plans updated with integrated contemporary climate data for available water determination decisions	Target: 9 Trend: **Improve** (on 0)
Increasing water user understanding of water laws and how to comply	2.4 Customers reporting that it is easy to understand the rules in their licence (%)	Target continual improvement Trend: **Improve** (on 38%)
Outcome 3: Confidence in water resource management		
Improved public confidence in water resource management	3.1 Monitoring, evaluation and reporting for water sharing plans is completed and published within specified timeframes (%)	Target: 100% Trend: **Improve** (on 40%)
	3.2 New or updated regulatory changes published on appropriate government website within 4 weeks. (%)	Target: 100% Trend: **Improve** (on 90%)
	3.4 Customers reporting that decisions regarding planning and management of water are transparent (%)	Target: improvement on previous year performance Trend: **Improve** (on 39%)
Increasing community confidence in the enforcement of water laws	3.4 Customers reporting greater confidence that NSW water rules and regulations are being enforced (%)	Target: improvement on previous year performance Trend: **Improve** (on 52%)
Outcome 4: Value for money		
An efficient and effective compliance and enforcement program.	4.1 Annual change in labour expenditure on compliance and enforcement services from 2025–26 ($)	3% savings in labour related expenditure per year: 2026–27: $35.1m 2027–28: $34.0m Trend: **Improve**
WAMC services efficiently deliver value for customers and the community.	4.2 Operating expenditure on WAMC water planning and management services relative to target ($)	Target opex: 2025–26: $142.7m 2026–27: $143.3m 2027–28: $133.3m Trend: **Improve**
	4.3 Customers reporting that the price they pay reflects the level of service they receive (%)	Target: improvement on previous year performance Trend: **Improve** (on 45%)

Source: WAMC pricing proposal to IPART, September 2024, pp 62-83.

14.1.1 WAMC's proposed outcomes and measures are linked to customer engagement

Our draft decision is:

55. To accept WAMC's proposed performance measures and targets, with some modifications to metrics as discussed in Chapter 14.1.2

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 to them is essential if water businesses are to identify better ways of delivering services.

We found that WAMC's proposed outcomes and objectives are connected to the priorities raised by customers through its engagement. However, we do not have evidence that engagement directly led to the establishment of the priorities. We discuss the quality of customer engagement in more detail in Chapter 2. The most common piece of stakeholder feedback to IPART's Issues Paper concerned affordability for customers.[281] This was expressed in a way by stakeholders which is distinct from the framing of the value for money outcome, with some customers framing any meaningful price increase as potentially impacting the viability of agricultural operations.[282]

14.1.2 Outcomes will need to be aligned with the draft determination timeframe

For each outcome and 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 note that WAMC will have less than 5 years to achieve those metrics and as a result some may be difficult to achieve in the relevant timeframe (e.g. the number of water sharing plans updated with contemporary climate data). We are interested to hear feedback from WAMC on that basis.

For transparency and accountability to customers, it is important to have a manageable number of meaningful metrics that are easily accessible and which are achievable. We consider that the additional measures set out below find a balance between a manageable amount of information for customers and being sufficient to provide a more holistic view of performance.

The following sections step through our assessment of WAMC's proposed performance objectives, measures and targets, and identify areas where its performance reporting could be amended.

Proposed outcome 1 – Enhanced customer experience

To measure customer experience, WAMC included 5 performance measures across 3 themes.

WAMC included measures on enquiries and applications being resolved within specified timeframes up to 80% from 50% currently. Despite the shorter determination period in our draft decision, we consider 80% to remain an appropriate target to reach by the end of the period.

WAMC also included a measure that customers are satisfied with their overall billing, with the success measure maintaining or improving the current metric. We note that billing for WAMC is conducted by WaterNSW and therefore their control of that metric is through the Roles and Responsibilities Agreement. The Agreement may need to be updated so that this type of service level metric is properly captured. Subject to our implementation suggestion, we consider the proposed performance targets for the above items to be appropriate.

WAMC's proposal also included two additional performance measures:

- the proportion of customers reporting that the water rules have been appropriately communicated
- the proportion of customers reporting that they can find the information they need.

The current performance for the two proposed metrics is a positive customer response to these questions of 40% and 57% respectively. WAMC are only seeking year-on-year improvements in the level of positive customer response. Given that stakeholders have reported that the current rules can be confusing[283], and that NRAR upcoming expenditure includes customer education on complying with the rules[284], we consider that quantitative targets are more appropriate, and recommend that they should be set at a level of 60% and 80% respectively.

Proposed outcome 2 – Sustainable and effective water resource management

To measure Outcome 2, WAMC included 4 performance measures across 3 themes.

We consider the proposed targets of 100% and 95% are appropriate for measures 2.1 and 2.2 respectively. We consider measure 2.3, which counts the number of inland regulated WSPs updated with integrated contemporary climate data each year, to be a key measure. However, this is an instance where the number of plans able to be made in the time is impacted by the determination length.

Measure 2.4 and measure 1.1 (customers reporting it is easy to understand the rules in their licence, and customers reporting that water rules are appropriately communicated) are similar. We consider that they are duplicative, and we recommend that measure 1.1 is amended so that it comprehensively reports on the relevant matters including the rules in the licence, with measure 2.4 excluded.

Proposed outcome 3 – Confidence in water resource management

To measure Outcome 3, WAMC included 4 performance measures across 2 themes.

Improving public and community confidence in water management goes to the heart of the reforms which led to the creation of NRAR in the late 2010s. Monitoring, evaluation and reporting being completed and published, as well as publishing regulatory changes (3.1 and 3.2) in a timely manner are both appropriate to keep at a 100% target.

We acknowledge the significant improvement in enforcement brought by NRAR. The change has been acknowledged by stakeholders. However, we do not consider that year-on-year improvements in customers reporting that decisions are transparent (3.3) and confidence that rules are being enforced (3.4) as specified is sufficient, as it may indicate very small increases on a low current performance level (39% and 52% respectively). As a result, our draft decision is that the performance target for both in the determination period be 80%.

Proposed outcome 4 – Value for money

To measure Outcome 4, WAMC included 3 measures across 2 themes.

Two of the proposed measures relate to expenditure — the annual operating expenditure on labour for compliance and enforcement services (Measure 4.1) and annual operating expenditure on water planning and management services (Measure 4.2).

For a water utility operating commercially, these performance measures may not be necessary due to existing financial incentives to limit expenditure under the periodic price review framework. For WAMC, however, it is not clear there are strong financial incentives to reduce expenditure below the levels provided for by budgeted government subsidies. Actual expenditure in the 2021 determination period provides no evidence of such incentives. Therefore, we consider it useful for WAMC to report on these measures within the determination period.

The performance targets for Measure 4.2 need to be set in accordance with the operating expenditure forecast in Chapter 4 at $111.8 million, $105.9 million and $98.2 million for 2025–26, 2026–27 and 2027–28, respectively ($2024–25, excluding MDBA and BRC costs).

Measure 4.3 is targeting an improvement each year in the proportion of customers reporting the price they pay reflects the level of service they receive. We consider this to be a useful overall measure of perceived improvements in the price-service mix being delivered by WAMC, as it will capture non-verifiable aspects of service quality that are not covered by other performance measures. IPART expects WAMC to achieve improvements over time in the service it provides relative to full cost recovery prices.

Achieving improvements in service relative to user prices, which are increasing towards full cost recovery, is more ambitious. Given the 2023–24 baseline performance of 45 per cent leaves considerable room for improvement, we support WAMC's proposed measure.

Seek Comment

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

14.1.3 Financial incentives

Our Water regulation handbook includes 3 financial incentive schemes to reward businesses for improvements on their past performance: the outcome delivery incentives (ODIs) scheme, the expenditure benefits sharing scheme (EBSS), and the capital expenditure sharing scheme (CESS).

Incentive schemes reward businesses that outperform their forecasts for operating expenditure (opex), capital expenditure (capex), and/or service delivery, encouraging businesses to continuously improve customer value over the medium to long term.

WAMC did not propose to include any of the financial incentive schemes for the upcoming determination period due to the level of business change they are managing.[285]

14.2 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.

14.2.1 We will monitor businesses 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 within the determination period.[286] This ongoing role provides another layer of monitoring and accountability for WAMC to comply with its pricing determination. We collect annual information returns from the businesses which includes the prices they are charging.

14.2.2 Monitoring outcome performance

WAMC 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 outcomes. The aim of annual progress updates is to maximise accessibility and visibility for customers.

WAMC has proposed reporting its performance through IPART as it does not have its own website. We note that it is difficult for customers to find information about WAMC online, and to therefore for WAMC to report to its customers on its progress. We consider that WAMC should develop an online presence so that it can be found by customers as a matter of urgency.

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 WAMC, we expect the dashboard to be available after the conclusion of this price review.

14.3 Performance over the 2021 determination period

Under our water regulation framework, our expectation is for a concise set of performance outcomes related to customer, community and the environment. This is discussed above, and replaces the approach we took in our 2021 Final Report.

In our 2021 review, we included output measures, which were to be reported annually against the framework in the Output Measures Report, and published on IPART's website. The penultimate of these reports is now published.

WAMC self-reported that out of 78 outcome measures, 49 are met, and 19 are on track, and that out of its 59 performance indicators, 43 are met, and 7 are on track.

Outcomes which were not met include those concerning groundwater modelling (OM21 and 22), and Snowy licence review (OM28), and some water management works are at risk of not meeting outcomes and performance indicators (OM67).

Table 14.1 WAMC self-reported performance and output measures

	Outcome measures	Performance indicators
Met	49	43
On track	19	7
Partially met	2	2
At risk	1	1
Off track	1	0
Not met	6	6
Total	**78**	**59**

Note: Performance indicators are not mapped 1:1 with outcome measures. Each Outcome measure as between 0 and 3 associated performance indicators.

Our independent expenditure experts reviewed WAMC's performance against its output measures and performance indicators. Their commentary on performance on outcome measures is included in the 2023-24 WAMC Output Measures Report.

14.4 We recommend a review of WAMC's pricing framework prior to the next determination

We recommend that there be a review of WAMC's pricing structures prior to their next pricing review. This review may be led by WAMC, DCCEEW, IPART or another organisation. The review could consider:

- reviewing the cost reflectivity of existing activity codes
- the direct and indirect allocation of costs to activities
- the level of disaggregation of prices by location or water source
- the relative fixed and variable proportions of prices
- replacing the minimum annual charge (MAC) which currently applies to customers with relatively small water entitlements with an administrative charge that applies to all customers
- the structure of pricing for non-urban metering

The review could also incorporate broader considerations including:

- the long-term sustainability of the level of water charges in regional and rural NSW
- Community Service Obligations and cost shares alongside the 'impactor pays' model.

14.4.1 We recommended pricing reform in the 2021 price review

In IPART's 2021 Final Report, we noted that WAMC's cost allocation methodology and price structures are complex, with prices determined by an indirect cost allocation process (using cost drivers) rather than direct attribution costs. This approach has advantages in being cost-reflective however is also complex and costly to administer.

We encouraged WAMC to consider this issue in the lead up to the current determination. WAMC considered this recommendation and outlined high level considerations. WAMC however ultimately decided there were greater customer priorities for their current proposal and that they would like more time to review and consult the cost structure to be able to propose a meaningful improvement. WAMC further noted that changes would necessarily result in some customers having greater price impacts and others less.

14.4.2 It is difficult for customers to assess value

Some WAMC customers told us they find matching pricing with services and activities in their water sources as challenging and opaque.[287] This is likely partly a function of there being 26 water sources, and providing a level of detail in allocation of costs across 30 activity codes for each of those in a proposal is challenging.

Attachment M to the WAMC pricing proposal considers a move to more aggregated pricing, noting challenges to that review include which geographic level is appropriate, how do water management services vary between types of water sources, and at what area and source level can WAMC robustly allocate costs to impacts.[288] The WaterNSW proposal also included a scenario to transition from the current water source based pricing to region based pricing.

A more consolidated geographic framework may make it simpler to allocate costs and understand prices, and more consistent pricing for licence holders across NSW. However, there are potential challenges, including fairness and potential cross-subsidisation of some licence holders by others.

14.4.3 The Minimum Annual Cost (MAC) does not directly reflect administrative costs

Customers have expressed confusion about the MAC through submissions to IPART's Issues Paper, highlighting that they are paying an amount of money for water despite using no or very little water. At the same time, WAMC has suggested that that the MAC under-recovers fixed administrative fees by a significant margin[a]. Transitioning to including a (fixed) administrative charge rather than a MAC may make overheads clearer and more understandable for customers. However, depending on the level the administrative charge, it may introduce either further cross-subsidisation or raise prices for holders of very small licences.

Under WAMC's suggestion that the MAC would have to be $935[289] to cover costs and a proposed 2.5% annual price increase on a 2024-25 price of $277.89, customers would not be projected to be paying their full customer share for some decades.

[a] The MAC full cost recovery price, WAMC estimated to be $1,012 declining to $885 in 2025-26 and 2029-30 respectively. $935 is the average over the proposed 5 year price path. Over 3 years the average is $963. We note that the WAMC estimate of administrative costs includes costs for NRAR (that is, regulatory costs). If these are removed, it is likely the current MAC would be closer to an appropriate administrative charge.

14.4.4 The pricing structure review should be conducted outside of an IPART pricing review

As some customers may ultimately end up with full cost recovery prices which are higher or lower than they currently are, consultation is likely to be contentious.

Conducting a comprehensive review of WAMC price structures simultaneously to a pricing review would not allow for sufficient analysis and adequate customer consultation to be fit-for-purpose, and therefore supported by stakeholders.

An advantage of consulting on these contentious issues outside an active price review is that stakeholders are able to focus on the structural pricing issues rather than focusing on the immediate combined pricing impact alongside other factors.

14.4.5 The pricing structure review could be led by one of several organisations.

A pricing structure review could be led by one of several organisations. We are seeking views from stakeholders on who would be best placed to lead this review.

WAMC

As part of our water regulation framework we expect businesses to take ownership their pricing proposals, including their pricing structures. This led to IPART's expectation that WAMC would conduct the pricing structure review prior to submitting its 2024 pricing proposal. Such an approach would carry advantages in ownership and WAMC's knowledge of their customer preferences.

We do acknowledge however, that consulting on such changes in a similar period to the consultation on WAMC's broader proposal would be contentious and make both tasks more difficult. We further acknowledge that under our draft decision for a 3 year determination period, there is less time to do so.

DCCEEW

Another option is for the pricing structure review to be conducted by the DCCEEW. This option has the advantage of not being directly conducted by the water business, ultimate ownership by the Minister for Water, who is responsible for WAMC, and deep water knowledge and data held by the department. A potential disadvantage is that it may not be seen as sufficiently independent from WAMC.

IPART

A third option for conducting the pricing structure review is for IPART to lead. This carries the advantage of the review being conducted by an independent agency. It may also enable the review to consider broader issues including WaterNSW's proposal to move towards regional pricing which was set out in WaterNSW's September 2024 Pricing Proposal.

Seek Comment

6. What are your views on a potential price structure review?

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 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:

a. the cost of providing the services concerned

b. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services

c. 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

d. the effect on general price inflation over the medium term

e. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers

f. 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

g. 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

h. 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

i. the need to promote competition in the supply of services concerned

j. considerations of demand management (including levels of demand) and least cost planning

k. the social impact of the determinations and recommendations

l. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

Table A.1 outlines the Chapters of the report that address each matter.

Table A.1 Consideration of section 15(1) matters by IPART

Section 15(1)	Report reference
Cost of providing the services	Chapters 4 and 5 set out WAMC's total efficient costs to deliver its monopoly services over the determination period. Chapter 7 sets out MDBA and BRC's total efficient costs allocated to WAMC and its water users.
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 WAMC requires to deliver its monopoly services. This is addressed throughout the report, particularly in Chapters 4 to 7 (where we establish the efficient expenditure) and Chapters 9 through 13 (where we set out our pricing decisions and impacts).
Appropriate rate of return and dividends on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales	Chapter 5 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 13 considers the potential impact of our pricing decisions on WAMC, its water users and the NSW Government (on behalf of the broader community). While prices and bills for most water users are increasing, the impact on general price inflation is likely minimal. This is because the impact of WAMC's charges and bills is relatively small when assessed against farming businesses and the value of water entitlements and allocations (as determined through the water trading market).
Need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	Chapters 4 to 7 and 14 set out our decisions on WAMC's efficient historical and forecast expenditure. These decisions would promote greater efficiency in the supply of WAMC's monopoly 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 WAMC's efficient historical and forecast expenditure that allows it to meet all of 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 5 and 13 explain how we have provided WAMC with an allowance for a return on and of capital; our assessment of its cost recovery levels and our assessment of impact on Consolidated Funds.
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 determine the prudent and efficient cost of construction and operational contracts that WAMC has entered.
The need to promote competition in the supply of the services concerned	In determining efficient costs, we were mindful of relevant principles such as competitive neutrality (e.g. we included a tax allowance for WAMC as set out in Chapter 5).
Considerations of demand management (including levels of demand) and least cost planning	Chapters 4 and 7 outline how we have assessed WAMC's efficient historical and forecast expenditure required to deliver its monopoly services at least cost. Chapters 9 and 12 outline how we have set prices to reflect efficient costs.
The social impact of the determinations and recommendations	Chapter 13 considers the potential impact of our pricing decisions on WAMC, its customers and the NSW Government (on behalf of the broader community).
Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	Chapters 4 and 7 detail our consideration of WAMC's efficient historical and forecast expenditure so it can meet the required standards of quality, reliability and safety in delivering its monopoly services.

A.2 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[a] 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.	

[a] 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[b] 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.	• 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.
Accountability for cost efficiency outcomes		
• Has clear mechanisms to ensure the business is accountable for achieving its proposed cost efficiency outcomes.		

[b] 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

Affordability analysis

IPART's assessment of WAMC's proposal

C.1 Farming businesses

As previously noted in Chapter 3, many stakeholders who made a submission to our Issues Paper raised concerns around affordability. Many submissions highlighted the proposed 15% annual cap (plus inflation) on WAMC water management prices would still double prices over the course of the determination (without factoring in CPI) and would be unaffordable.

C.1.1 WAMC's affordability analysis

WAMC told us that around 30% of licences correspond to 97% of all water entitlement volumes. The remaining 70% of licenses are predominantly made up of customers who would be paying the MAC.

WAMC's affordability analysis focused on licence holders that would be subject to a 15% (plus CPI) annual cap.[290] WAMC concluded that these users are likely to have capacity to pay.

WAMC referred to ABARES' 2021-22 national farm business profit data by deciles, which showed that the largest 60% of farms generated profit, while the bottom 40% recorded losses. It also referred to general broadacre farm income and cotton income to demonstrate that irrigated farm operations tend to be more profitable than dryland farms. WAMC also analysed ABARES' NSW cropping farm cash income data from 2014-15 to 2023-24, which showed that although a declining trend has been shown since 2021-22, historical high levels of cash income was recorded in 2021-22. WAMC also noted that given the total value of water entitlements in NSW is over $41 billion its proposed pace to full cost reflectivity (i.e. 15% plus CPI annual cap for large users) is reasonable.

C.1.2 What we heard

We heard from several licence holders and associations that queried aspects of WAMC's affordability analysis, such as:[291]

- Users not subject to the MAC do not necessarily have capacity to pay and are not necessarily large profitable users. For instance, a small agricultural user not paying the MAC (e.g. with 100ML of entitlement) may not necessarily be profitable and in a position to absorb cost increases.
- Granularity is important and industry specific data should have been obtained rather than using irrigated broadacre cropping as a proxy. Also, dryland performance data should have been separated from the performance of irrigated farming businesses.
- A variety of years should have been considered, noting that 2021-22 was a wet period with good yield and more recent data should have been used.

C.1.3 Our analysis

Recent financial performance and water use data for irrigated NSW agriculture has been limited.[a] In this context, we consider the affordability analysis provided by WAMC in chapter 10[292] of its proposal is reasonable given these constraints.

To better understand the perspectives put forward by stakeholders in Chapter 3, we obtained from ABARES, 5-year averages (2017-18 to 2021-22)[b] of gross margins and water use data by industry and size. We analysed the impact on broadacre (including cotton and rice) and horticulture (including grapes) and dairy in the southern Basin (Murray NSW and Murrumbidgee).[c] The data is from the ABARES Murray-Darling Basin Irrigated Survey. For cotton grown in the northern Basin, we used CottonInfo's national gross margins data to contextualise the impact of WAMC's proposed prices.

While we acknowledge many farming businesses would also pay WaterNSW rural bulk water charges, the analysis in this section is isolated to WAMC's proposed charges. We have considered the impact of WaterNSW's proposed cost-reflective prices on selected NSW agricultural sectors in our draft information paper on prices for WaterNSW bulk water services.

Southern Basin

For the southern Basin, we found the following broad trends in relation to the impact of WAMC's proposed prices over the next 5 years (2025-26 to 2029-30), before inflation:

- Bills would increase between 69% and 76%
- Generally, the gross margins of cotton and rice farms would be the most impacted (Murray -1.5% and Murrumbidgee -1.2%), followed by broadacre farms that do not grow cotton and rice (Murray -1.1% and Murrumbidgee -0.7%), then dairy (Murray -0.6%). The impact on horticultural farms (including grapes) is more variable (i.e. -0.3 to -0.7%). Please refer to Table C.1 for more information.
- The gross margins of smaller broadacre farms (<$1 million revenue) would generally be more affected (-1.9% Murray and -2.8% Murrumbidgee) than broadacre farms with >$1 million revenue (-1.1% Murray and -1.0% Murrumbidgee). Similarly, the gross margins of larger horticultural farms in Murray (-0.4%) would be less affected by WAMC's proposed prices compared to smaller horticultural farms (-0.9%). However, the opposite was the case for Murrumbidgee horticulture where larger farms (-0.5%) would be more affected than smaller farms (-0.4%). Please refer to Table C.2 for more information.

[a] ABS Water Use on Australian Farms and the Rural Environment and Agriculture Commodities Survey (REACS) has ceased. ABS and ABARES are currently undertaking work to modernise agricultural statistics (see here).
[b] Except for Murray cotton and rice farms, where there was no data for 2018-19 and 2019-20. This was because few farms grew cotton or rice due to the drought (low water allocations).
[c] While we acknowledge that this data does not include the northern Basin - for rice, grapes, citrus, pome/stone fruits and irrigated dairy, the production tends to be concentrated in the southern Basin. Refer to ABARES' Irrigated farm in the Murray-Darling Basin web page.

The analysis provided above should be treated as indicative and contextual only. This is because the gross margins and water volumes data is based on surveying a subset of farms and are thus estimates. This means that the data is likely to be different from that which would have been obtained if information had been collected from a census of all farms. The gross margins analysis also assumes that all other cost inputs and output prices are held constant. We also acknowledge that this analysis does not account for how seasonal conditions (e.g. higher water/allocations availability) would influence water use and thus impact agricultural production.

Table C.1 Impact of WAMC's proposal on selected agricultural industries ($2024-25, 2017-18 to 2021-22 averages per farm)

	ABARES data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
Water sources	**Gross margin per farm ($)**	**Total entitlements (ML) per farm**	**Total volume of water used for irrigation (ML) per farm**	**Estimated current (2024-25) WAMC bill ($)**	**Increase under WAMC's proposal 2025-26 to 2029-30 ($)**	**Increase under WAMC's proposal 2025-26 to 2029-30 (%)**	**Impact on gross margins (%)**
Cotton and rice							
Murray[a]	441,100	2,512	2,400	8,519	6,454	76%	-1.5%
Murrumbidgee	522,700	3,242	2,031	8,832	6,265	71%	-1.2%
Other broadacre (excl cotton and rice)							
Murray	243,500	1,439	336	3,509	2,569	73%	-1.1%
Murrumbidgee	466,200	2,017	397	4,437	3,070	69%	-0.7%
Grapes							
Murray	696,400	1,216	1,036	3,959	2,988	75%	-0.4%
Murrumbidgee	438,400	1,481	1,120	4,270	3,046	71%	-0.7%
Horticulture (excl grapes)							
Murray	328,300	712	738	2,491	1,892	76%	-0.6%
Murrumbidgee	153,800	233	149	638	453	71%	-0.3%
Dairy							
Murray	489,700	1,166	979	3,777	2,850	75%	-0.6%

a. Data is based on 3-years of data i.e. 2017-18, 2020-21 and 2021-22.
b. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the ABARES MDB Irrigation Survey.
c. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Thus, insights from this table should be treated as indicative only.
d. Gross margin = farm cash income = total cash receipts - total cash costs.
e. The cotton and rice data should be interpreted as averages of farms that grow cotton and/or rice, noting that many of the farms surveyed in the southern Murray-Daring Basin tend to grow both cotton and rice. This is different to northern Basin cotton farms which are usually large specialist cotton growers or mixed farms with grains and/or livestock.
f. IPART calculated the estimated current water bill by using 2024-25 WAMC charges, including MDBA and BRC charges. The impact of WAMC's proposal to 2029-30 is based on the annual 15% cap for water management price and cost-reflective prices for MDBA and BRC.
g. The bill estimates were calculated assuming all entitlements and water use is based on regulated general security for simplicity.
Source: ABARES MDB Irrigation Survey and IPART analysis.

Table C.2 Impact of WAMC's proposal on selected agricultural industries by size ($2024-25, 2017-18 to 2021-22 average per farm)

	ABARES data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
	Gross margin per farm ($)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) WAMC bill ($)	Increase under WAMC's proposal 2025-26 to 2029-30 ($)	Increase under WAMC's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Revenue $1m and more							
Murray Broadacre	515,000	2,613	1,483	7,523	5,612	75%	-1.1%
Murrumbidgee Broadacre	813,900	4,132	2,364	10,982	7,770	71%	-1.0%
Murray Horticulture	888,700	1,267	1,501	4,680	3,571	76%	-0.4%
Murrumbidgee Horticulture	802,400	1,765	1,602	5,414	3,885	72%	-0.5%
Revenue less than $1m							
Murray Broadacre	115,500	1,197	313	2,962	2,172	73%	-1.9%
Murrumbidgee Broadacre	93,700	1,600	528	3,780	2,639	70%	-2.8%
Murray Horticulture	137,300	554	312	1,591	1,187	75%	-0.9%
Murrumbidgee Horticulture	121,600	267	136	690	487	71%	-0.4%

a. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the ABARES MDB Irrigation Survey.
b. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Thus, insights from this table should be treated as indicative only.
c. Gross margin = cash income = total cash receipts - total cash costs.
d. IPART calculated the estimated current water bill by using 2024-25 WAMC charges, including MDBA and BRC charges. The impact of WAMC's proposal to 2029-30 is based on the annual 15% cap for water management price and cost-reflective prices for MDBA and BRC.
e. The bill estimates were calculated assuming all entitlements and water use is based on regulated general security for simplicity.
Source: ABARES MDB Irrigation Survey and IPART analysis.

Northern Basin (Cotton)

We used CottonInfo's national gross margins data to estimate the impact of WAMC's proposed prices for cotton growers in Border, Namoi, Macquarie, Gwydir and Lachlan. As shown in Table C.3 we found that gross margins for these valleys would decrease by around 1% before inflation, with the impact in Namoi being the largest (1.1% decrease).

The analysis provided above should be treated as indicative and contextual only noting that the gross margins and irrigated water use information is based on national data rather than being specific to each valley. We also acknowledge the diversity of cotton growers in the northern Basin based on size and enterprise mix e.g. large specialist cotton growers versus mixed cotton farms with grains and/or livestock.

Table C.3 Estimated impact of WAMC's prices for cotton farms ($2024-25, per hectare)

	Estimated gross margin ($ per ha)	Estimated current WAMC bill ($ per ha)	Increase under WAMC's proposal 2025-26 to 2029-30 ($)	Increase under WAMC's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Border	4,269	90	32	36%	-0.8%
Gwydir	4,237	50	37	74%	-0.9%
Macquarie	4,239	40	34	85%	-0.8%
Namoi	4,049	54	43	79%	-1.1%
Lachlan	4,165	39	35	88%	-0.8%

Notes: IPART used data from CottonInfo which noted that the volume of water use for furrow irrigated cotton was 6.8ML per hectare. The entitlement volume per hectare was then estimated by applying the average water availability for regulated general security allocations from 2010-11 to 2023-24 to the 6.8 ML water take figure, for each valley.
IPART calculated the estimated current water bill by using 2024-25 WAMC charges, including MDBA and BRC charges. The impact of WAMC's proposal to 2029-30 is based on the annual 15% cap for water management price and cost-reflective prices for MDBA and BRC. Water bills were calculated assuming general security entitlements. The analysis also assumes all other cost inputs are kept constant.

Source: CottonInfo 2023-24 Furrow Irrigated Gross Margins, DCCEEW Allocations Dashboard, ABARES Cotton farms in the MDB and IPART analysis.

C.2 Local water utilities

In regional NSW water is generally supplied by a household's local council, known as a local water utility (LWU).

We obtained regulated water access licences (WAL) data held by local water utilities (e.g. town water supply and local water utility licence categories) from NSW DCCEEW to estimate the impact of WAMC's proposed prices to 2029-30.

C.2.1 Impact on Local Water Utilities

Over the 5-years, we found that the impact of WAMC's proposed increase to 2029-30 before inflation would be that:[d]

- LWUs' WAMC bills would increase by around $36,000 on average, with the largest increase being approximately $251,000.
- LWUs' WAMC bills on average would increase by 90%, with the largest increase in percentage terms being a 143% increase.

Many of the submissions we received from LWUs addressed the combined impact of WAMC's proposed prices and WaterNSW's proposed cost-reflective prices. Generally, WAMC charges are a small proportion relative to its WaterNSW rural bulk water bill (for instance see the breakdown provided in Cowra Shire Council's submission[293]).

[d] The calculated average figures are a simple average i.e. the arithmetic mean.

However, as noted above for many LWUs, under WAMC's proposed charges an LWU's WAMC bill would almost double over the 5-year determination period. Our analysis of the Office of Local Government's 2023-24 time series showed that 41 out of 94 regional and rural councils reported a net operating loss[e, 294]. This shows that WAMC's proposed increases could negatively impact the finances of some LWUs.

C.2.2 Impact on LWU customers

Over the 5-years, we found that the impact of WAMC's proposed increase to 2029-30 before inflation would be that:

- On average[f] bills would increase by around $4 per customer with the maximum increase being approximately a $17 increase.

However, the actual increase in a customer's bill may be much larger, especially if they are a non-residential customer.

We also acknowledge that WAMC charges are one of many cost components to run a council's water supply business. For instance, some councils may also purchase bulk water from county councils (e.g. Rous and Goldenfields) and there are other large cost drivers such as infrastructure renewals and maintenance costs.

For example, the Central NSW Joint Organisation submitted that Lachlan Shire Council customers may potentially see their water bills increase by $400 per year, as the council considers replacing its treatment plants.[295]

[e] Column AK of the OLG's 2023-24 Time Series.
[f] The calculated figure is a simple average i.e. the arithmetic mean.

Appendix D

Alternative scenario

10% annual cap on water management prices

We have also considered an alternative scenario of what prices would be if we adopted a 10% annual cap (before inflation) for WAMC water management prices over the 3-year determination. In its customer engagement, WAMC tested the level of support for varying levels of annual price increases up to a 10% cap.

Our analysis of the alternative 10% annual cap still assumes that over the 3-year determination period:

- A 2.5% per annum cap (before inflation) would apply to customers subject to the Minimum Annual Charge.
- There would be no real increases to MDBA and BRC charges.
- 2024-25 prices would apply for the first 3 months of 2025-26, then prices from the 2025 determination would apply from 1 October.

We are seeking stakeholder feedback on the potential impacts of a 10% cap on price increases before inflation (see Seek Comment question 3).

D.1 WAMC water management prices under a 10% cap

Table D.1 shows what the price per ML of entitlement or water take would be under our draft decision (5% cap) versus the alternative scenario (10% cap). All prices include the relevant MDBA and BRC charge.

While entitlement charges for unmetered users have been excluded from this table, these charges can be ascertained by summing the entitlement and water take charges.

Table D.1 WAMC entitlement and water take charges (incl MDBA and BRC) under a 5% and 10% cap

	2024-25	5% cap (IPART draft decision)		10% cap (Alternative)	
Water sources	**Current (A) ($2024–25 per ML)**	**2027-28 ($2024–25 per ML)**	**% total change from A (annualised %)**	**2027-28 ($2024–25 per ML)**	**% total change from A (annualised %)**
Regulated - Entitlement					
Border	4.35	4.70	8.0% (2.6%)	5.08	16.8% (5.3%)
Gwydir	2.34	2.58	10.1% (3.3%)	2.84	21.2% (6.6%)
Namoi	3.20	3.55	11.0% (3.6%)	3.94	23.2% (7.2%)
Peel	3.95	4.53	14.6% (4.6%)	5.16	30.7% (9.3%)
Lachlan	1.77	1.99	12.4% (4.0%)	2.23	26.0% (8.0%)
Macquarie	2.21	2.48	12.1% (3.9%)	2.77	25.3% (7.8%)
Murray	2.13	2.35	10.4% (3.3%)	2.59	21.8% (6.8%)
Murrumbidgee	1.96	2.15	9.7% (3.1%)	2.36	20.3% (6.3%)
North Coast	5.77	6.68	15.8% (5.0%)	7.68	33.1% (10.0%)
Hunter	4.07	4.71	15.8% (5.0%)	5.42	33.1% (10.0%)
South Coast	4.50	5.21	15.8% (5.0%)	5.99	33.1% (10.0%)
Regulated – Water Take					
Border	2.19	2.41	10.0% (3.2%)	2.65	21.0% (6.6%)

Water sources	2024-25	5% cap (IPART draft decision)		10% cap (Alternative)	
	Current (A) ($2024–25 per ML)	2027-28 ($2024–25 per ML)	% total change from A (annualised %)	2027-28 ($2024–25 per ML)	% total change from A (annualised %)
Gwydir	1.46	1.63	11.9% (3.8%)	1.82	24.9% (7.7%)
Namoi	1.71	1.92	12.5% (4.0%)	2.16	26.3% (8.1%)
Peel	5.98	6.88	15.1% (4.8%)	7.87	31.6% (9.6%)
Lachlan	2.57	2.92	13.6% (4.3%)	3.30	28.5% (8.7%)
Macquarie	2.09	2.37	13.3% (4.2%)	2.67	27.9% (8.5%)
Murray	1.32	1.48	12.1% (3.9%)	1.65	25.3% (7.8%)
Murrumbidgee	1.22	1.36	11.5% (3.7%)	1.51	24.1% (7.5%)
North Coast	7.34	8.50	15.8% (5.0%)	9.77	33.1% (10.0%)
Hunter	2.77	3.21	15.8% (5.0%)	3.69	33.1% (10.0%)
South Coast	6.76	7.83	15.8% (5.0%)	9.00	33.1% (10.0%)
Unregulated – Entitlement (metered)					
Border	1.95	2.23	14.4% (4.6%)	2.54	30.2% (9.2%)
Gwydir	1.95	2.23	14.4% (4.6%)	2.54	30.2% (9.2%)
Namoi	1.95	2.23	14.4% (4.6%)	2.54	30.2% (9.2%)
Peel	1.95	2.23	14.4% (4.6%)	2.54	30.2% (9.2%)
Lachlan	2.57	2.95	14.8% (4.7%)	3.37	31.2% (9.5%)
Macquarie	2.57	2.95	14.8% (4.7%)	3.37	31.2% (9.5%)
Far West	5.98	6.53	9.3% (3.0%)	7.14	19.4% (6.1%)
Murray	2.22	2.54	14.4% (4.6%)	2.89	30.3% (9.2%)
Murrumbidgee	3.69	4.25	15.2% (4.8%)	4.87	31.8% (9.7%)
North Coast	5.51	6.38	15.8% (5.0%)	7.33	33.1% (10.0%)
Hunter	1.58	1.83	15.8% (5.0%)	2.10	33.1% (10.0%)
South Coast	1.84	2.13	15.8% (5.0%)	2.45	33.1% (10.0%)
Unregulated – Water Take (metered)					
Border	2.60	2.99	14.9% (4.7%)	3.41	31.3% (9.5%)
Gwydir	2.60	2.99	14.9% (4.7%)	3.41	31.3% (9.5%)
Namoi	2.60	2.99	14.9% (4.7%)	3.41	31.3% (9.5%)
Peel	2.60	2.99	14.9% (4.7%)	3.41	31.3% (9.5%)
Lachlan	4.67	5.38	15.2% (4.8%)	6.16	32.0% (9.7%)
Macquarie	4.67	5.38	15.2% (4.8%)	6.16	32.0% (9.7%)
Far West	3.08	3.42	11.2% (3.6%)	3.80	23.4% (7.3%)
Murray	6.89	7.92	15.0% (4.8%)	9.05	31.4% (9.5%)
Murrumbidgee	8.17	9.43	15.4% (4.9%)	10.81	32.3% (9.8%)
North Coast	6.86	7.94	15.8% (5.0%)	9.13	33.1% (10.0%)
Hunter	2.87	3.32	15.8% (5.0%)	3.82	33.1% (10.0%)
South Coast	1.37	1.59	15.8% (5.0%)	1.82	33.1% (10.0%)

Water sources	2024-25	5% cap (IPART draft decision)		10% cap (Alternative)	
	Current (A) ($2024–25 per ML)	2027-28 ($2024–25 per ML)	% total change from A (annualised %)	2027-28 ($2024–25 per ML)	% total change from A (annualised %)
Groundwater – Entitlement (metered)					
Inland	4.57	5.26	15.0% (4.8%)	6.01	31.5% (9.6%)
Border	4.92	5.61	13.9% (4.4%)	6.36	29.3% (8.9%)
Murrumbidgee	3.97	4.56	14.9% (4.7%)	5.21	31.3% (9.5%)
Coastal	2.26	2.62	15.8% (5.0%)	3.01	33.1% (10.0%)
Groundwater – Water Take (metered)					
Inland	2.69	3.10	15.3% (4.9%)	3.55	32.1% (9.7%)
Border	2.84	3.25	14.5% (4.6%)	3.70	30.4% (9.3%)
Murrumbidgee	2.33	2.68	15.2% (4.8%)	3.07	32.0% (9.7%)
Coastal	4.31	4.99	15.8% (5.0%)	5.74	33.1% (10.0%)

Notes: All prices presented in this table are the combined charges of WAMC water management charges + MDBA charges + BRC charges. Entitlement charges for unmetered users for unregulated water and groundwater sources have been excluded from this table. Charges for unmetered water users are the sum of the entitlement and water take charges of the relevant metered entitlement and water take charges.
Source: IPART analysis

D.2 Bill impacts under a 10% cap on water management charges

Table D.2 shows the bill impact under a 10% cap for a metered water user with 500 ML of entitlements and 60% water take. Table D.3 shows the bill impact under a 10% cap for a unmetered water user with 500 ML of entitlements.

Table D.2 Bill impacts for a typical metered licence holder with 500 ML entitlements and 60% water take under the 10% annual cap ($2024-25)

Water source	2024-25 (Current)	2025-26	2026-27	2027-28	$ change from 2024-25 to 2025-26	% change from 2024-25 to 2027-28
Unregulated						
Border	2,832	2,984	3,152	3,336	152	17.8%
Gwydir	1,608	1,716	1,835	1,965	108	22.2%
Namoi	2,113	2,266	2,434	2,619	153	23.9%
Peel	3,769	4,123	4,513	4,942	354	31.1%
Lachlan	1,656	1,792	1,941	2,105	136	27.1%
Macquarie	1,732	1,869	2,020	2,186	137	26.2%
Murray	1,461	1,561	1,672	1,793	100	22.7%
Murrumbidgee	1,346	1,433	1,528	1,633	87	21.3%
North Coast	5,087	5,596	6,155	6,771	509	33.1%
Hunter	2,866	3,153	3,468	3,815	287	33.1%
South Coast	4,278	4,706	5,176	5,694	428	33.1%
Unregulated						
Border	1,755	1,918	2,097	2,294	163	30.7%
Gwydir	1,755	1,918	2,097	2,294	163	30.7%
Namoi	1,755	1,918	2,097	2,294	163	30.7%
Peel	1,755	1,918	2,097	2,294	163	30.7%
Lachlan	2,686	2,942	3,224	3,534	256	31.6%
Macquarie	2,686	2,942	3,224	3,534	256	31.6%
Far West	3,914	4,155	4,420	4,711	241	20.4%
Murray	3,177	3,475	3,802	4,162	298	31.0%
Murrumbidgee	4,296	4,713	5,171	5,676	417	32.1%
North Coast	4,813	5,294	5,824	6,406	481	33.1%
Hunter	1,651	1,816	1,998	2,197	165	33.1%
South Coast	1,331	1,464	1,611	1,772	133	33.1%
Groundwater						
Inland	3,092	3,388	3,713	4,071	296	31.7%
Border	3,312	3,608	3,933	4,291	296	29.6%
Murrumbidgee	2,684	2,939	3,220	3,528	255	31.4%
Coastal	2,423	2,665	2,932	3,225	242	33.1%

Note: Bills include MDBA and BRC charges.
Source: IPART analysis

Table D.3 Bill impacts for a typical unmetered licence holder with 500 ML entitlements under the 10% annual cap ($2024-25)

Water source	2024-25 (Current)	2025-26	2026-27	2027-28	$ change from 2024-25 to 2025-26	% change from 2024-25 to 2027-28
Unregulated						
Border	2,275	2,487	2,720	2,977	212	30.8%
Gwydir	2,275	2,487	2,720	2,977	212	30.8%
Namoi	2,275	2,487	2,720	2,977	212	30.8%
Peel	2,275	2,487	2,720	2,977	212	30.8%
Lachlan	3,620	3,967	4,348	4,767	347	31.7%
Macquarie	3,620	3,967	4,348	4,767	347	31.7%
Far West	4,530	4,815	5,127	5,472	285	20.8%
Murray	4,555	4,984	5,455	5,973	429	31.1%
Murrumbidgee	5,930	6,507	7,141	7,838	577	32.2%
North Coast	6,185	6,804	7,484	8,232	619	33.1%
Hunter	2,225	2,448	2,692	2,961	223	33.1%
South Coast	1,605	1,766	1,942	2,136	161	33.1%
Groundwater						
Inland	3,630	3,978	4,361	4,782	348	31.7%
Border	3,880	4,228	4,611	5,032	348	29.7%
Murrumbidgee	3,150	3,450	3,780	4,143	300	31.5%
Coastal	3,285	3,614	3,975	4,372	329	33.1%

Note: Bills include MDBA and BRC charges.
Source: IPART analysis

D.3 Bill impacts under a 10% cap on the additional floodplain harvesting charge

Table D.4 shows the bill impact under a 10% cap for a floodplain harvesting (FPH) licence holder who harvests 500ML during a FPH event.

Table D.4 Bill impact for 500ML water take for a FPH licence holder under a 10% cap ($2024-25)

Water source	2024-25 (Current)	2025-26	2026-27	2027-28	$ change to 2025-26	% change to 2027-28
Regulated						
Border	1,095	2,855	3,101	3,371	1,760	207.8%
Gwydir	730	2,476	2,705	2,958	1,746	305.2%
Namoi	855	2,614	2,857	3,126	1,759	265.6%
Macquarie	1,045	2,824	3,089	3,382	1,779	223.6%
Unregulated						
Gwydir	1,300	3,114	3,418	3,753	1,814	188.7%
Namoi	1,300	3,114	3,418	3,753	1,814	188.7%
Far West	1,540	3,340	3,629	3,946	1,800	156.3%

a. 2024-25 charges have been calculated using the relevant metered water take, MDBA and BRC charges for each water source.
b. 2025-26 and 2027-28 charges have been calculated using the relevant draft metered water take, MDBA and BRC charges for each water source, and the draft additional WaterNSW component of the FPH charge.

Source: IPART analysis.

D.4 Water management cost recovery rates

Table D.5 Impact of water management prices on cost recovery levels (5% v 10% cap) at 2027-28

Water source	5% cap (IPART draft decision)	10% cap (Alternative)
Regulated		
Border	60%	68%
Gwydir	53%	60%
Namoi	47%	53%
Peel	45%	52%
Lachlan	42%	47%
Macquarie	47%	53%
Murray	48%	54%
Murrumbidgee	52%	59%
North Coast	17%	19%
Hunter	51%	57%
South Coast	22%	25%
Unregulated		
Border	35%	38%
Gwydir	32%	35%
Namoi	30%	34%
Peel	40%	42%
Lachlan	41%	45%
Macquarie	42%	47%
Far West	46%	53%
Murray	31%	35%
Murrumbidgee	34%	39%
North Coast	39%	44%
Hunter	36%	40%
South Coast	62%	69%
Groundwater		
Inland	57%	65%
Border	57%	65%
Murrumbidgee	47%	54%
Coastal	38%	41%

Source: IPART analysis.

Appendix E

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.

E.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 E.1 sets out the parameters we used to derive WAMC's 3.4% post tax real WACC.

Table E.1 WACC calculation using IPART's standard approach

	Step 1 – Market data		Step 2 – Final WACC range		
	Current	Long term	Lower	Mid-point	Upper
Nominal risk-free rate	4.1%	2.7%			
Inflation	2.9%	2.9%			
Implied Debt Margin	2.1%	2.3%			
Market Risk premium	6.2%	6.0%			
Debt funding	60%	60%			
Equity funding	40%	40%			
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)	8.4%	6.9%			
Cost of equity (real-post tax)	5.4%	3.9%			
Cost of debt (nominal pre-tax)	6.2%	5.0%			
Cost of debt (real pre-tax)	3.2%	2.0%			
Nominal Vanilla (post-tax nominal) WACC	7.1%	5.8%	5.8%	6.5%	7.1%
Post-tax real WACC	4.1%	2.8%	2.8%	3.4%	4.1%
Pre-tax nominal WACC	8.1%	6.6%	6.6%	7.3%	8.1%
Pre-tax real WACC point estimate	**5.0%**	**3.6%**	**3.6%**	**4.3%**	**5.0%**

Note: 3 year regulatory period. Market observations sampled to end Dec 2024. Transition to trailing average is complete.

E.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 both our standard approach and the Australian Competition & Consumer Commission's (ACCC) Water Charge Rules.

E.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 that appear similar to water businesses. The results for the electric utilities industry and the multi-line utilities activity support continuing to use an equity beta of 0.7 when 60% gearing is used. While some other industries and activities analysed suggest a higher beta, the sample sizes for those proxy groupings are too small to warrant making what would be a major change from the status quo.

E.2.2 Sampling dates for market observations

We sampled all market observations as of the end of December 2024 in order to maintain consistency with the WACC inputs used for the Hunter Water and Sydney Water draft reports.

For earlier years in the trailing average calculation of the historic cost of debt we sampled to the end of March each year.

E.2.3 Tax rate

We assumed the Benchmark Equivalent Entity is a large public water business. 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%.

E.2.4 Regulatory period

We applied the WACC estimate for the duration of the determination period, which in this case is 3 years for WAMC.

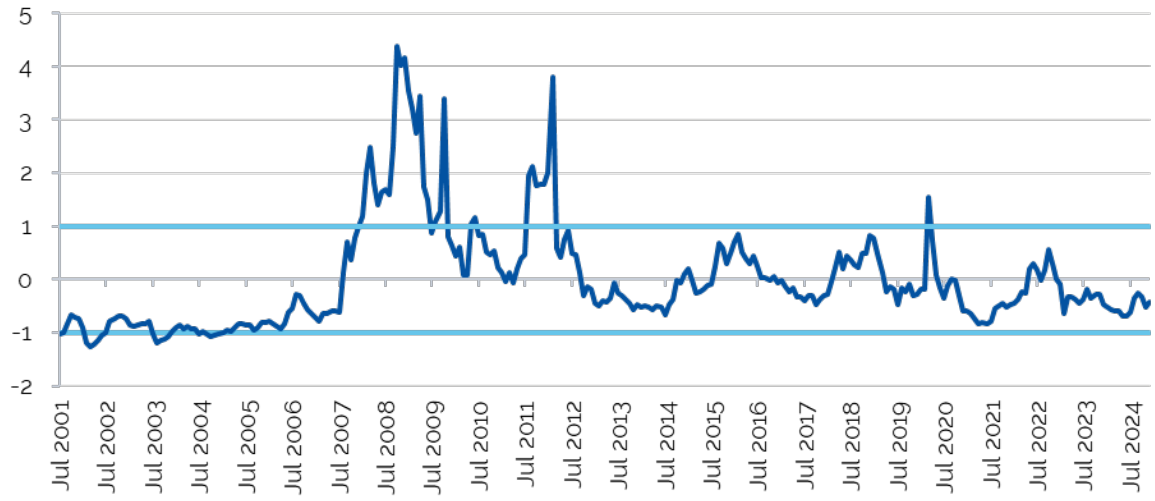
E.2.5 Application of trailing average method

We have not applied a transition to the trailing average. 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. The transition to the trailing average was applied in both WAMC's and WaterNSW's 2021 Determinations (excluding the Murray-Darling Basin valleys of WaterNSW, which were subject to the ACCC WACC at that time), so we consider that both businesses are now fully transitioned.

E.2.6 Uncertainty index

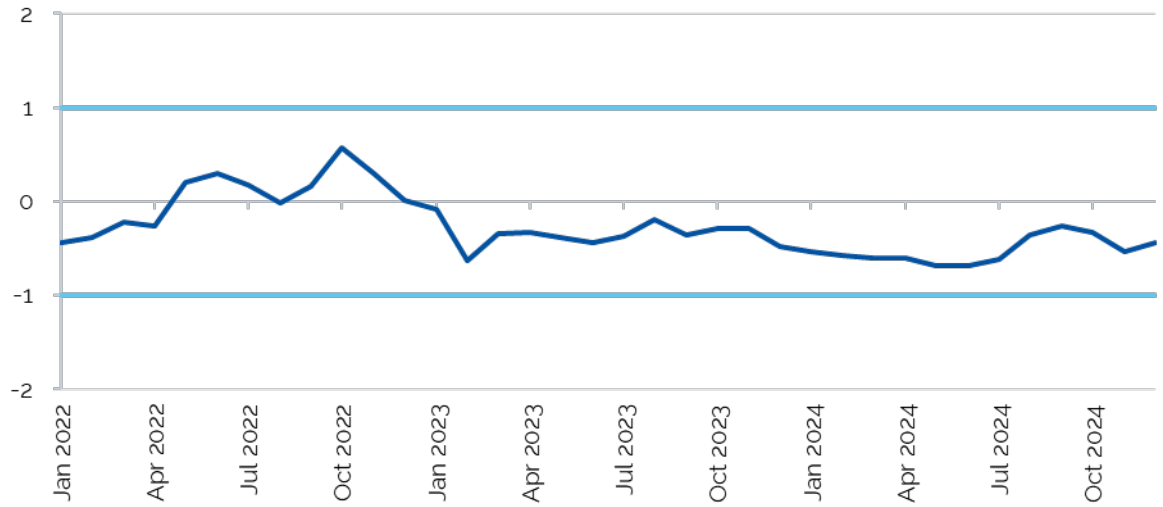
The uncertainty index is a standalone methodology used to assess the volatility of financial markets, which feeds into our WACC decision-making framework. Under this framework, we estimate a short-term WACC using current market data and long-term WACC using long-term average data. When our uncertainty 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 short-term and long-term WACC values.

Figure E.1 IPART's uncertainty index as at 31 March 2025



Source: Refinitiv and IPART calculations.

Short-term movements in uncertainty index



Source: Refinitiv and IPART calculations.

Appendix F

Glossary

F

Term	Definition
3Cs	The 3 pillars of our framework: Customer, Cost, and Credibility. The 12 principles we use to grade businesses' proposals are grouped under these pillars.
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.

Term	Definition
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.
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.
Weighted average cost of capital (WACC)	The post-tax real cost of capital as determined by IPART as part of a regulatory review.

Appendix G

WAMC pricing proposal error correction

G.1 Tables updated in WAMC's correction letter

In December 2024, the Department of Climate Change, Energy, the Environment, and Water (DCCEEW) sent a letter to IPART advising of some errors it had identified in WAMC's submitted pricing proposal. In its letter it advised of corrections to metropolitan water planning charges for WaterNSW and Hunter Water Corporation, and water managament prices which did not reflect floodplain management licences. These corrections corresponded to 5 of the tables in the pricing proposal, as per the table below:

Incorrect table in WAMC pricing proposal[a]	Page number	Updated table in WAMC's correction letter[b]
Table 85: Proposed metropolitan water planning charges for WaterNSW and Hunter Water Corporation ($2024-25)	169	Table 1 – Metropolitan water planning entitlement charges ($/ML, $2024-25)
Table 59: Regulated rivers – Water take component of 2-part tariff ($/ML, $2024–25)	152	Table 2 – Water Management Charges – Regulated rivers water take charges for metered licences ($/ML, $2024-25)
Table 60: Unregulated rivers – Water entitlement component of 2-part tariff ($/ML, $2024–25)	152	Table 3 - Water Management Charges – Unregulated rivers entitlement charges for metered licences ($/ML, $2024-25)
Table 61: Unregulated rivers – Water take component of 2-part tariff ($/ML, $2024–25)	153	Table 4 - Water Management Charges – Unregulated rivers water take charges for metered licences ($/ML, $2024-25)
Table 62: Unregulated rivers – 1-part tariff ($/ML, $2024–25)	153	Table 5 - Water Management Charges – Unregulated rivers entitlement charge for unmetered licences ($/ML, $2024-25)

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ISBN 978-1-76049-797-2