



Essential Water prices 2026-2031

Final Report

June 2026

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.

The Independent Pricing and Regulatory Tribunal

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Tribunal Members

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Chapter 1 »

Report summary

01

1.1 IPART has set Essential Water's prices for the next 5 years

We have reviewed the maximum prices Essential Water can charge households and businesses for water and wastewater services in Broken Hill and surrounding areas. The maximum prices we have set will apply until 30 June 2031. This report sets out our decisions, how and why we reached them and what impact they will have on customers, the Broken Hill community, Essential Water and the NSW Government.

Water and wastewater services are essential services. Our role is to set maximum prices that allow Essential Water to recover the efficient costs of providing safe, reliable services, while also protecting customers from the impacts of monopoly pricing and managing affordability, particularly in an environment of rising cost-of-living pressures.

The efficient costs Essential Water should incur in delivering water and wastewater services to Broken Hill are increasing. While lower than Essential Water proposed, our decisions on its efficient expenditure reflect our view that it will need to invest substantially more in building new, and replacing aging infrastructure over the next 5 years. Key projects include the construction of a new Wastewater Treatment Plant, and the replacement of water and wastewater pipes at the end of their useful lives.

Affordability of bills to cover those costs was a crucial factor in the decisions we have made on the prices customers pay. The maximum prices we set do not recover all Essential Water's costs over the next 5 years – even if it operates efficiently.

We have indicated the NSW Government will need to contribute around \$15.3 million in additional funds over the next 5 years to provide the balance of the revenue Essential Water needs to fund its operations. This is higher than the \$12.6 million we estimated in the Draft Report.

Under our maximum prices, a typical household bill will increase by 8.9% in 2026-27, then by 4.7% plus inflation in each of the following 4 years

In discussing typical household residential bills, we refer to the combined water and wastewater bill a typical residential household would pay for consuming 250 kilolitres (kL) of water a year. Our maximum prices will see a typical household bill increase in 2026-27 by 4.7% plus inflation, or 8.9% including inflation. They will then increase by 4.7% plus inflation in each of the next 4 years to 2030-31.

The bill increases under our decisions would be substantially lower than the bill increases proposed by Essential Water. There are several reasons for this:

- Our decisions on efficient expenditure mean that the costs Essential Water needs to recover over the next 5 years are lower than it proposed. This is partially offset by our decision on the weighted average cost of capital (WACC) of 3.7%, compared to Essential Water's proposal which used a WACC of 3.1%.
- We have capped residential prices below the level that would allow Essential Water to fully recover these customers' share of efficient costs.
- We have not capped non-residential prices, which are set at the level to recover these customers' share of efficient costs.

Under our prices, the increase in a typical household bill will be \$145 (or 8.9%) to \$1,769 in 2026-27 including inflation, then by 4.7% plus inflation in each subsequent year to 2030-31. To express this without inflation, the increase would be \$76 (or 4.7%) to \$1,700 in 2026-27 plus inflation, then by 4.7% plus inflation in each subsequent year to 2030-31.

The typical household bill in 2025-26 is \$1,624.^a

Table 1.1 below compares the typical household bill under our maximum prices with those proposed by Essential Water in each year of the 2026 determination period. For reference, we also show the estimated residential bills if we had set prices to recover efficient costs.

Table 1.1 Comparison of a typical household bill between IPART's decision, Essential Water proposed, and full cost-recovery (\$2026-27)

Scenario	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Full cost recovery of efficient costs	1,624	2,036	2,243	2,350	2,464	2,588
IPART decision	1,624	1,769	1,852	1,939	2,030	2,125
Essential Water proposed	1,624	1,953	2,256	2,604	3,006	3,469
<i>Difference</i>		-184	-404	-665	-976	-1,344
<i>Difference (%)</i>		-9.4%	-17.9%	-25.5%	-32.5%	-38.7%

Note: Based on a residential house with water consumption of 250 kL/year.
Source: IPART analysis; Essential Water Pricing Proposal September 2025.

Non-residential customer bills will increase on average between 3.1% and 11.8% per year plus inflation, depending on customer type and water use. Table 1.2 sets out the impact of bills for the 2 mining operations served by Essential Water.

Table 1.2 Impact of our maximum prices on the water and wastewater bills of mining customers (\$'000, \$2026-27)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Perilya Ltd.	6,369	8,014	8,841	8,980	9,126	9,273
<i>% change</i>		25.8%	10.3%	1.6%	1.6%	1.6%
BHM Ltd.	1,241	1,630	1,832	1,868	1,906	1,944
<i>% change</i>		31.4%	12.4%	2.0%	2.0%	2.0%

Note: Based on yearly water consumption for Perilya and BHM of 3,434 kL and 512 kL respectively.

We discuss impacts on customer bills in more detail in Chapter 8.

Affordability is a key concern for the community

Affordability was the dominant issue raised by customers and stakeholders during consultation. We have considered affordability carefully in reaching our decisions, recognising that Broken Hill has lower average incomes and a higher proportion of households experiencing financial vulnerability and increasing hardship than many other parts of NSW.

^a We note that a household bill in 2025-26 is a product of current prices which we set in 2022. For that Determination, we decided to set a price path which increased in each year of the determination period, rather than a single step change like our decision here.

Using the United Nations' benchmark that water and wastewater bills should not exceed 3% of household disposable income, our analysis shows that:

- under Essential Water's proposed prices, around 49% of households would exceed this threshold
- under our prices, this proportion is reduced to around 29% of households.

While affordability pressures remain under our decisions, we consider this outcome represents a better balance between affordability and cost-recovery than Essential Water's proposal.

1.2 We have capped residential prices below full cost recovery for affordability reasons

We have decided to set prices for residential customers below the level that would allow Essential Water to fully recover the relevant share of efficient costs^b from residential prices (full cost recovery prices).

Our affordability analysis indicates that full cost recovery prices would require average household bill increases of around \$193 each year (or 9.8%) plus inflation, which we do not consider affordable for many residential customers in Broken Hill, particularly those experiencing financial vulnerability.

We focussed our affordability analysis on households experiencing vulnerability, that is, those on government support payments and their proximity to a 3% water stress threshold (discussed in Chapter 8.2.1).^c

To manage these impacts, we have set prices so that:

- bill increases for residential customers with an annual water usage of 200 kL have an annual average increase in their bills of 5% (plus inflation)
- non-residential customers pay full cost-reflective prices, as they tend to face lower affordability risks and have greater capacity to manage price increases.

This is in line with our Draft Report and reduces the social impacts of price increases while still moving prices closer to cost-reflective levels over time.

We would not typically set maximum prices that do not recover a water business's efficient costs. Setting prices to recover all its efficient costs of providing water and wastewater services means that Essential Water has the capacity to continue to invest in services, and customers make appropriate choices about how much of the service to use.

In this instance however, we have decided to cap residential prices over the next 5 years to promote access to an essential service. This means that we are asking the NSW Government, and through it, taxpayers, to make a contribution to top up Essential Water's revenue.

^b Excluding bulk-water costs associated with the WaterNSW Pipeline.

^c In this analysis we assume a water use at 200 kL/year, as opposed to the 250 kL/year which is a typical household. This smaller amount reflects a level of water usage which is necessary rather than typical.

Our pricing approach results in a funding shortfall of \$15.3 million

Setting residential prices below full cost recovery will result in a funding shortfall of around \$15.3 million over the 5-year determination period. This is around 8% of Essential Water's efficient costs over that period, excluding bulk water costs from the WaterNSW Murray River to Broken Hill Pipeline (the Pipeline).

We recommend the NSW Government fund the \$15.3 million revenue gap associated with IPART's prices. This allows Essential Water to recover its efficient costs over the 2026 determination period, and allows the NSW Government to further consider whether a long-term financial support strategy is needed, and if so, what form that might take.

Another option might be a capital grant which would moderate the increase in the regulatory asset base (RAB) and therefore Essential Water's ongoing capital costs. However, we note that the cost savings provided by a capital grant are spread across many decades and we estimate Essential Water would need a capital grant of around \$100 million to deliver the \$15.3 million over this determination period.

Another potential way that water services could be made more affordable would be through further government financial support directly to households that need it. Under this scenario, prices could be set at levels that recovered Essential Water's efficient costs, and government support could be targeted at particular households.

To manage affordability in the medium term, an option for government may be to identify households that may be experiencing financial hardship and provide direct financial support to pay water bills. This may be a more cost-effective way to achieve desired social outcomes, rather than through capping water charges to all residential customers.

The NSW Government currently reimburses Essential Water for the full costs of bulk water purchases from WaterNSW's Murray to Broken Hill pipeline

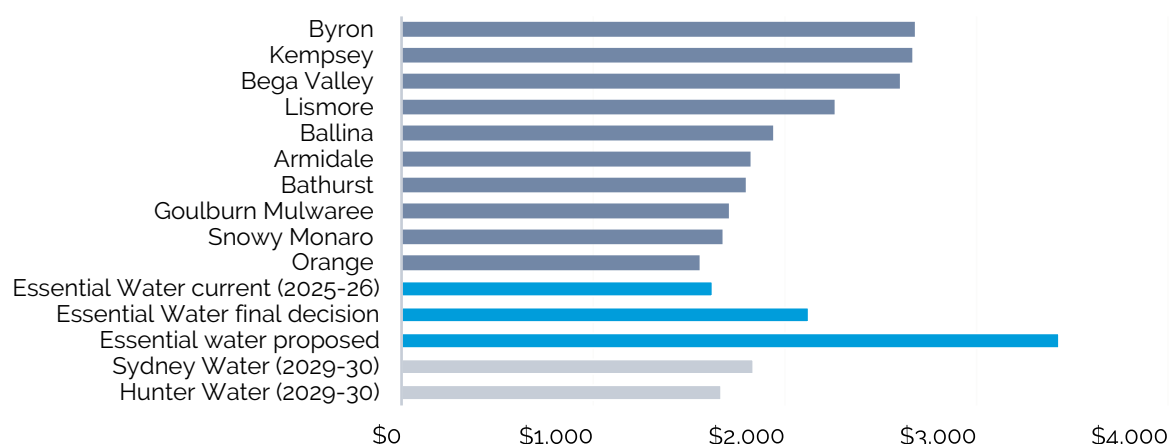
Our prices are based on the NSW Government continuing to fully fund Essential Water's bulk water costs associated with the WaterNSW Pipeline.

Over the 2026 determination period, we estimate bulk water costs will be around \$154.2 million. The continuation of this subsidy is critical to maintaining affordable water prices in Broken Hill. Without it, customer bills would increase to around \$4,000 by 2030-31.

A typical household bill would be higher than most in NSW

Under our maximum prices Essential Water's typical household residential bill will be higher than most other local water utilities in NSW of a comparable size, Sydney Water and Hunter Water.

Figure 1.1 Comparison of Essential Water's typical household residential bill in 2030-31 with a selection of comparable water utilities (\$2026-27)



Note: Bills shown (other than for Sydney Water, Hunter Water, and Essential Water) are based on 2024-25 charges, and assumed to stay constant in real terms. Bills for Sydney Water and Hunter Water are for 2029-30. Bills based on the average residential consumption in each water utility.

Source: [NPR_The_complete_dataset_2024-25.xlsx](#)

Most pensioners receive a pensioner rebate off their water and wastewater bill. However, the maximum rebate available to customers of local water utilities (LWUs) like Essential Water is \$175 a year.^{1 d} This rebate has not increased since 1993, over which time inflation has significantly reduced its value. If the pensioner rebate had been increased by inflation it would be around \$423 now.

Our analysis of pensioner rebates shows that the rebate is currently insufficient to bring eligible pensioners above the water stress threshold for both single and couple households receiving the aged pension, disability support pension and carer payment. By the end of the determination period, households receiving these pensions (and the pension rebate) will be further below the threshold (see Appendix C.5).

In our 2022 Essential Water pricing review, we recommended the NSW Government review pensioner concessions for water and wastewater bills across NSW.² In our reviews of Sydney Water and Hunter Water prices, we made recommendations that in reviewing pensioner rebates the NSW Government considers:

- targeting rebates to assist those most in need
- aligning goals, objectives and outcomes across NSW
- temporarily expanding eligibility to households that hold either a Health Care Card or Low Income Health Care Card
- exploring the merits of a utilities rebate
- expediting the review as soon as possible.³

^d For comparison, the maximum rebate available in 2025-26 to pensioner households served by [Sydney Water](#) and [Hunter Water](#) is around \$770 and \$410 a year respectively.

The NSW Government is currently reviewing the water and wastewater rebate available to pensioners in NSW. We recommend the government completes its review of water rebates as soon as possible, incorporating considerations which IPART has highlighted over several water pricing reviews.

1.3 We have reviewed Essential Water's operating and capital expenditure

We engaged expenditure experts Stantec to provide advice on Essential Water's efficient operating and capital expenditure. Stantec's advice is that the efficient level of both operating and capital expenditure is lower than proposed by Essential Water.

After considering Stantec's advice, we have set efficient expenditure as shown in Table 1.3 below.

Table 1.3 IPART's decision on total efficient expenditure compared to Essential Water's proposed expenditure, 2026-27 to 2030-31 (\$million, \$2025-26)

	Essential Water proposed	IPART decision	Difference	Difference (%)
Efficient core operating expenditure	102.2	100.0	-2.2	-2.2%
Efficient capital expenditure	246.9	174.3	-72.6	-29%

Operating expenditure

Our decision is to set Essential Water's total efficient operating expenditure at \$254.2 million over 5 years, including:

- \$100.0 million in core operating expenditure
- \$154.2 million in bulk water expenditure (fully funded by the NSW Government).

Core operating expenditure is around 2.2% lower than Essential Water proposed, reflecting our assessment of efficient costs, including corporate overheads. We consider the allowed overhead costs to be reasonable and necessary to support the safe and effective operation of the business.

Capital expenditure

Our decision is to include \$174.3 million of capital expenditure in calculating Essential Water's notional revenue requirement (NRR) over the determination period.

We have prioritised capital projects that deliver the greatest value to customers and reflect realistic delivery timelines, given affordability constraints. Key projects include:

- the Wills Street Wastewater Treatment Plant, which is necessary to replace aging assets and meet environmental requirements, and is supported by a \$17.6 million NSW Government grant
- water and wastewater mains renewals to manage asset condition and service reliability.

We have adjusted the timing and scope of some proposed projects to better balance affordability, deliverability and long-term service outcomes.

Balancing affordability, service quality and financial sustainability

Our decisions aim to balance affordability for customers, the need to maintain and renew essential infrastructure, and the financial sustainability of Essential Water.

We have sought to lessen bill impacts while ensuring Essential Water can continue to deliver safe, reliable services and meet regulatory and environmental obligations. We recognise that affordability pressures remain significant for many customers.

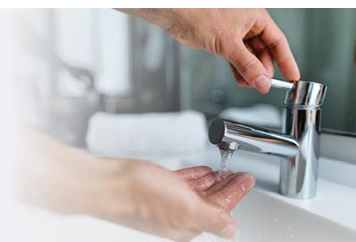
1.4 We have considered a range of matters in setting our maximum prices

We have had regard to the considerations in sections 14A(2) and 15(1) of the IPART Act when making our decisions on Essential Water's maximum prices. Those considerations include, but are not limited to:

- the social impacts of our prices (including affordability)
- Essential Water's cost of providing water, and wastewater services
- the need to protect Essential Water's customers from abuses of monopoly power
- the need for Essential Water to be more efficient to reduce costs for the benefit of its customers
- the need for ecologically sustainable development
- standards of quality, reliability and safety.

Each of the chapters in this report explain how we considered and carefully balanced these matters in reaching our decisions for Essential Water's costs, prices, and service standards. A summary and index of how we considered the matters in section 14A(2) and section 15(1) of the IPART Act is set out in Appendix A.

Matters for IPART to consider when setting water prices



What are the costs?



Are customers protected from abuses of monopoly power?



Is there an appropriate return on assets for the water business?



What is the effect on general price inflation?



Do the prices promote greater efficiency?



Do the prices promote ecologically sustainable development?



What is the impact of the prices on the finances and assets of the water business?



What is the impact of the prices on third party contracts of the water business?



Do the prices promote competition?



What is the impact of the prices on demand management and least cost planning?



What are the social impacts of the prices?



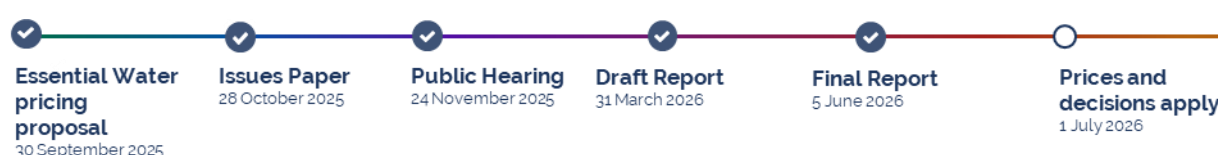
What is the impact of the prices on quality, reliability and safety standards?

1.5 We have considered all feedback received from stakeholders

We heard from a range of stakeholders over our consultation period including individuals, industry organisations and community groups. We received 16 submissions to our Issues Paper, 20 submissions to our Draft Report and held a Public Hearing attended by 10 stakeholders. Many stakeholders raised issues relating to affordability and the impacts of proposed price increases on the cost-of-living for different customers.

We value the feedback that stakeholders have provided, and we have considered all views in reaching the decisions set out in this report. Chapter 2 summarises what we heard from stakeholders in our review.

Figure 1.2 Timeline for our review



1.6 List of decisions

1.	To set prices for a 5-year determination period commencing 1 July 2026 and ending 30 June 2031.	27
2.	To include \$100.0 million of efficient operating expenditure in Essential Water's notional revenue requirement for the 2026 determination period, as shown in Table 3.2.	30
3.	To set Essential Water's actual capital expenditure over 2021-22 to 2025-26, as shown in Table 4.1.	38
4.	To set the efficient level of forecast capital expenditure at \$174.3 million for the 2026 determination period, as shown in Table 4.2.	40
5.	To set Essential Water's notional revenue requirement as \$349.4 million over the 2026 determination period.	53
6.	To set Essential Water's bulk water purchase costs as \$154.2 million over the 2026 determination period.	57
7.	To set an allowance of \$58.0 million for the return on assets component of the notional revenue requirement, noting that:	57
	a. The opening RAB for the 2026 determination period is \$208.2 million, and we added \$155.4 million of capital costs (net of depreciation) for the period.	57
	b. We used a real post-tax WACC of 3.7% as the efficient rate of return.	57
8.	To set the return of assets (regulatory depreciation allowance) as \$32.7 million.	58
9.	To set the return on working capital as \$0.8 million over the 2026 determination period.	59

10.	To set the tax allowance as \$0.7 million over the 2026 determination.	59
11.	To make the following revenue adjustment to Essential Water's notional revenue requirement over the 2026 determination period:	60
a.	add \$2.9 million for the cost of debt true-up.	60
12.	To make the following adjustment to Essential Water's RAB over the 2026 determination period:	60
a.	add \$23.2 million for the tax on assets-free-of-charge true-up.	60
13.	To adopt Essential Water's water demand forecast for the 2026-31 determination period.	64
14.	To maintain Essential Water's ±5% Demand Volatility Adjustment Mechanism (DVAM) materiality threshold for the 2026-31 determination period.	64
15.	To set prices on the basis that the NSW Government will fully subsidise Essential Water's bulk water transportation costs associated with the WaterNSW Pipeline.	66
16.	To continue to set maximum prices (a price cap approach to regulation).	66
17.	To continue using current price structures for:	66
a.	setting the water usage charge with reference to long-run marginal cost of water supply	66
b.	setting the wastewater usage charge with reference to the short-run marginal cost of wastewater supply	66
c.	setting fixed service charges on a full cost recovery basis for non-residential customers.	66
18.	To set maximum service charges for residential customers which cap total bill increases for customers using 200 kL a year at an annualised 5% on average (plus inflation).	66
19.	To maintain our current approach for setting the wastewater service price for the mines as a non-residential customer on the basis of a single 100mm meter for the period with a 100% discharge factor.	66
20.	To set Essential Water's maximum water usage charges as shown in Table 7.1.	80
21.	To set Essential Water's maximum water service charges as shown in:	80
a.	Table 7.2 for residential customers	80
b.	Table 7.3 for non-residential customers.	80
22.	To set Essential Water's maximum usage charge for wastewater as shown in Table 7.5.	80
23.	To set Essential Water's wastewater service charges as shown in:	80
a.	Table 7.6 for residential customers	80
b.	Table 7.7 for non-residential customers.	80
24.	To continue not setting recycled water prices.	84
25.	To deduct 50% of the revenue received from recycled water sales from Essential Water's notional revenue requirement for regulated services.	84
26.	To maintain the current price structures for unmetered properties but to apply residential and non-residential charges aligning with the type of customer.	85

27.	To maintain the current price structures for unconnected properties.	85
28.	To set Essential Water's trade waste and miscellaneous charges as shown in Appendix C.2 and C.3.	86
29.	To set Essential Water's performance outcomes, measures and targets, as in Table 9.1. 107	
30.	To grade Essential Water's pricing proposal as Standard.	143

1.7 List of recommendations

Recommendations

1.	We recommend that the NSW Government continue to fully fund the cost of the Murray River to Broken Hill Pipeline, at the amount of \$154.2 million over the determination period, to continue to manage the affordability of Essential Water's bills.	67
2.	We recommend that the NSW Government develop a long-term plan for funding the costs of the WaterNSW Murray River to Broken Hill Pipeline.	67
3.	We recommend that the NSW Government fund the \$15.3 million revenue gap associated with the maximum prices Essential Water can charge for water and wastewater services.	77
4.	We recommend that the NSW Government completes its review of water rebates as soon as possible, incorporating considerations which IPART has highlighted over several water pricing reviews.	99
5.	We recommend that Essential Water investigate the feasibility and usefulness of instigating a survey process over the 2026-31 period about customer service satisfaction, value for money and financial hardship measures.	107
6.	We recommend that Essential Water publishes, each year on its website, how it has performed against each of its performance measures.	109

Chapter 2 »

What we heard from stakeholders

02

2.1 We consulted with stakeholders to inform our decisions

We provided several opportunities for customers and stakeholders to provide input during this review:

- 28 October 2025, we published an [Issues Paper](#) for the Essential Water and WaterNSW Murray River to Broken Hill Pipeline. We invited stakeholders to make written submissions or respond to our survey.
- 24 November 2025, [we held a public hearing](#) which allowed the community to provide comments and ask questions directly to Essential Water and to IPART.
- 30 March 2026, [we published our Draft Report](#) outlining our draft decisions regarding Essential Water's proposed expenditure, prices and bill impacts. We invited stakeholders to make written submissions or respond to our survey.

We thank all stakeholders for their time and effort spent to provide us with feedback through these avenues. We considered all feedback received to inform our analysis and decisions on Essential Water's prices. Our consultation with stakeholders has helped us to consider the social impacts of our determination and recommendations under section 15(1) of the IPART Act including section 15(1)(k).



2.2 What stakeholders told us about Essential Water's proposed prices

We heard from a range of stakeholders over our consultation period, mostly individual stakeholders. We also received submissions from organisations including the Energy and Water Ombudsman NSW (EWON), Foundation Broken Hill (FBH), Broken Hill City Council (BHCC) and the Justice and Equity Centre (JEC).

Of the 20 submissions we received to our Draft Report, 2 were confidential. While we have considered all submissions in developing our decisions, this report only quotes those submissions that are not confidential.

Throughout our consultation sessions, stakeholders raised important concerns related to:

- affordability and price increases, including price charging structures and subsidies and rebates
- the Pipeline and related subsidies
- service reliability and water quality
- lead dust, health concerns and mining
- performance measures.

2.2.1 Affordability and price increases were the main concerns among stakeholders

To our Issues Paper, affordability was the central theme of submissions, and 90% of survey respondents strongly disagreed that proposed increases in typical household bills are affordable.

Stakeholders raised concerns surrounding the need to reduce household expenditure, struggles to pay current bills, and the impact of proposed prices on health, finances and social life.

The majority of submissions to our Draft Report (19 out of 20 submissions) and responses to our survey still highlighted affordability and price increases as the main concerns.

IPART's proposed 5% cap was too high for customers, and for Essential Water

To our Draft Report survey, the majority of respondents did not think that draft bill increases were affordable.

Individual submissions to our Draft Report indicated that any price increase is unaffordable. Some examples include:

- "This increase is unfair and an extra cost past onto our community. The current cost of living is already breaking families and a 20% increase over 4 years is out of the question."⁴
- "My evaporative cooler is very effective in Broken Hill's dry heat ... I cannot afford to pay more for the water to run it."⁵
- "I deplore the amount that is expected to be paid by many struggling pensioners and unemployed people... To consider a further increase from July 1, 2026 is extremely stressful."⁶

BHCC submitted that pensioners typically cannot afford rising water costs, and that many low-income Aboriginal households do not have the disposable income to pay increased water charges, and will forego watering gardens.⁷

Mr Roy Butler MP submitted that the increased (capped) prices for residential customers remain unaffordable for many Broken Hill residents. This in turn reduces liveability and discourages household green spaces and lead dust suppression, which could hamper economic growth.⁸

FBH welcomed IPART's decision to "materially reduce" residential price increases, noting they result in "non-trivial price increases for households" which "represent a significantly improved and more manageable outcome" for residents compared with Essential Water's pricing proposal.⁹

The JEC also strongly supported IPART's draft decision to cap residential price increases, however recommended an alternative approach whereby the subsidy amount is set (e.g. at 10%) and the difference between the 'full cost recovery' price would be rebated back to customers.¹⁰

Essential Water raised concerns that even with a 5% residential price cap, price rises may not be affordable for customers. It raised a further concern for non-residential customers that the combined increase of water prices and other increasing prices could cause their businesses to pass on costs to the community, or no longer be viable, which would impact the community.¹¹

Stakeholders raised concerns regarding price charging structures

To our Draft Report (consistent with stakeholder views to our Issues Paper¹²), the JEC did not support increases in prices being completely allocated to the fixed service charges as it does not allow for customers to have adequate control over their bills.¹³ FBH similarly submitted that "High fixed charges disproportionately affect low-use and vulnerable households".¹⁴

We note that there is a tension between stakeholder opposition to the increase being in fixed costs, and concern about high water prices disincentivising use to manage lead dust (this is further discussed below).

Further, the JEC did not support the 'front loading' of bill increases as in its experience, consumers prefer a 'smoothed' implementation of cost changes and "short term inflation and cost of living concerns make cost increases now much more significant".¹⁵

Stakeholders' views about IPART's affordability analysis

The EWON welcomed that IPART "carefully considered water affordability for all customers, and specific cohorts of customers at risk of vulnerability, in its analysis and decision-making."¹⁶

FBH acknowledged "IPART's consideration of Broken Hill's comparatively low household incomes" and the proportion of households vulnerable to water stress, alongside broader economic and social impacts of essential service pricing.¹⁷

The JEC noted IPART's affordability analysis and comparison between regional water providers in NSW (such as Bourke). The JEC suggested that the differences in costs highlight a need for more consistent support for affordable water across NSW.¹⁸

Stakeholders' views about affordability for businesses, including mining customers

The majority of respondents to our Draft Report survey thought it is fair to set non-residential prices (including mines) at a level which recovers their share of efficient costs (excluding Pipeline costs), and to cap price increases at a lower level for residential customers.

The JEC supported there being a differential pricing approach for residential and commercial customers.¹⁹

2.2.2 Government support, rebates and subsidies

Throughout our review, stakeholders reiterated that they do not believe they should be paying for the WaterNSW Pipeline. The full water transportation expense is covered by a subsidy from the NSW Government, and it is not included in the current prices or our decisions for this pricing review.

To our Draft Report, stakeholders suggested that water infrastructure should be supplied through general taxation rather than be paid by the water users of that infrastructure.²⁰

FBH supported "IPART's position that customer bills cannot reasonably bear the full cost of the required capital program and that alternative funding sources must play a material role."²¹

BHCC submitted that "Essential Water has not adequately planned for infrastructure renewal, and such should be seeking government assistance" for infrastructure costs rather than increasing prices for customers.²² This sentiment was also shared by an individual submission.²³ BHCC further suggested that there should have been an amount for future infrastructure on past bills.²⁴

The JEC stated that "the NSW Government should implement measures to ensure the approach to supporting affordability is more consistent across all water utilities in the State" and that subsidies "should be determined on need, merit and consistent criteria".²⁵

Essential Water commented on the form of an additional subsidy

Essential Water's submission noted its preferred funding method as a capital grant, reflecting customers' desire for longer term certainty, compared with a direct contribution. It submitted that redirecting existing subsidies could harm businesses in the region (including mining businesses).²⁶

Stakeholders wanted longer-term subsidy commitment for the Pipeline

Consistent with stakeholders' views throughout this review, to our Draft Report, FBH, Mr Roy Butler MP and the Association of Mining and Exploration Companies (AMEC)^a advocated for longer-term commitment regarding the Pipeline subsidy to protect customers from pricing volatility and pricing uncertainty at each determination, and promote long-term affordability.²⁷

Mr Roy Butler MP noted that he has advocated for this with the current and former relevant ministers, and that there be a consideration that other impactors bear part of the cost (such as South Australia and irrigators).²⁸

The NSW Government did not make a submission to IPART's Draft Report.

^a Submission to the associated [WaterNSW Pipeline Draft Report](#).

Stakeholders called for rebate reform

Throughout our review, stakeholders called for further subsidies and rebates to support affordability.

Consistent with its submission to our Issues Paper, the EWON welcomed IPART's restatements that "pensioner rebates are out of step with prices and provide insufficient financial assistance" and the associated recommendations that they be reformed.²⁹

Essential Water submitted that pensioner rebates have not kept pace with prices, with increases needed to support customers with the current cost of living pressures, especially considering Broken Hill's aging population and lower median income.³⁰

Our recommendations regarding rebates are discussed in section 8.2.3.

2.2.3 Stakeholders provided feedback on proposed expenditure and services

An individual stakeholder submitted that the water treatment plant is a need for the community and should not be a burden, but rather a government built and funded infrastructure.³¹

FBH welcomed the reduction and reprofiling of capital expenditure in IPART's Draft Report to manage customer bills. It also encouraged "greater transparency in the allocation of corporate and shared overheads" across Essential Energy's businesses, particularly in relation to capital expenditure.³²

The JEC supported robustly assessing investment to support ongoing service affordability broadly, and noted the importance of quality and security of the water supply in Broken Hill.³³

Essential Water considered the draft expenditure allowance too low

To our Draft Report, Essential Water considered the expenditure allowances too low, relating to:

- water mains renewals being too slow and not addressing the risk of breaks
- sewer mains renewals being too slow
- Wills St WWTP reprofiling creating more costs and risk
- Stephens Creek pumping station replacement creating risk in being too slow
- a confidential business case for smart meters and reiterated customer support for its rollout.³⁴

Essential Water also submitted:

- that a 0.5% productivity improvement is challenging
- corporate overheads leave an expenditure gap as the method for allocation was approved by a different regulator (AER).³⁵

Essential Water's feedback on our draft decisions and our expenditure allowances, as well as our final decisions regarding operating and capital expenditure are discussed in Chapters 3 and 4, respectively.

2.2.4 Stakeholders expressed concerns regarding water quality, lead dust and health impacts

Throughout our review, stakeholders expressed concerns regarding high water prices that would prevent the people of Broken Hill using water to suppress lead dust.³⁶

To our Draft Report, stakeholders reiterated that lead dust has a detrimental effect on children and long-term health. Further, due to rising costs, many residents will no longer be able to maintain gardens or hose-down outdoor areas, which is critical to suppress lead dust.³⁷

Submissions from BHCC and Mr Roy Butler MP made strong representations around the impact of water prices on gardening, lead dust suppression and the overall liveability of Broken Hill.³⁸

An individual submission suggested that the EPA and LeadSmart must not have been consulted, as "water affordability is critical to ensuring the minimisation of lead in the environment."³⁹

The NSW Chief Health Officer made a submission to our Issues Paper highlighting affordability concerns and their connection to health in Broken Hill⁴⁰, which we have considered when making our final decisions.

Stakeholders raised water quality issues

Three survey respondents, and 2 submissions to our Draft Report raised issues regarding the safety of water at Sunset Strip, flagging that at least 1 resident was advised that the local water supply is not safe for basic use, such as showering, washing, drinking or food preparation, and that this was not consistently communicated to over 130 households.⁴¹

Stakeholders submitted that residents "must independently source safe drinking water",⁴² and that the "narrowing gap" between non-potable and potable water prices does not reflect these higher costs. Submissions called for lower usage charges for chlorinated water."⁴³

This followed media reports about residents being informed that their longstanding water supply (chlorinated and filtered water) is not classified as being at the Australian Drinking Water Guidelines' (ADWG) standards.⁴⁴

IPART notes that Essential Water's 2021 pricing proposal, and its 2025 pricing proposal, state that "Essential Water provides... non-potable water to the settlements of Silverton and Sunset Strip."⁴⁵ However the pricing proposals do not outline what potable water should or should not be used for by customers.

IPART understands Essential Water has been communicating with Sunset Strip residents.

Our decisions regarding chlorinated water pricing are outlined in Chapter 6.2.3 and Chapter 7.1.1.

2.2.5 Stakeholders expressed views about draft performance measures

Consistent with submissions to our Issues Paper⁴⁶, to our Draft Report, the EWON, JEC and FBH supported the 'value for money and affordability' outcome's indicators and additions to performance measures, particularly relating to affordability and hardship measures.⁴⁷

FBH and the EWON supported ongoing public reporting requirements.⁴⁸

Essential Water's submission to our Draft Report stated that it "considered the incremental usefulness" of IPART's additional 9 measures and 3 indicators, "who would benefit from the information and the extra costs associated with providing the information."⁴⁹ Essential Water agreed with a further 2 measures, and raised concerns with a number of proposed additional measures.

Performance measures and targets are discussed further in Chapter 9.

Survey summary



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Responses to our Draft Report Survey

85%

Either strongly disagreed/disagreed that the proposed bill increases are affordable for their household or business with little or no impact on their living standard or business' budget.

78%

Either strongly disagreed/disagreed that the proposed prices represent value for money given the service Essential Water provides.

65%

Of respondents thought Stephens Creek should be used as an emergency water supply (IPART's draft decision).

57%

Either strongly agreed/agreed that it is fair to set non-residential prices (including mines) at a level which recovers their share of efficient costs (excluding Pipeline costs), and to cap price increases at a lower level for residential customers.

45%

Either strongly disagreed/disagreed that constant water usage prices and increased fixed service charges will encourage customers to use water to manage lead dust.

62%

Preferred bill increases that are lower in the first year and higher in the last year of the period. The rest preferred a larger increase in the first year, followed by smaller increases.

What matters most to you about Essential Water's prices?



Affordability
and
value for money



Essential Water
meets its
regulatory requirements



That services
don't
deteriorate

2.3 We have considered all stakeholder feedback

Consultation with the community is an important part of our water pricing review process. We have considered all feedback provided on Essential Water's proposed prices in making our decisions on maximum prices to apply from 1 July 2026. The following chapters explain our decisions including our considerations of stakeholder feedback.

2.4 Our decision is to set a determination length of 5 years

Our decision is:



1. To set prices for a 5-year determination period commencing 1 July 2026 and ending 30 June 2031.

Essential Water proposed a 5-year determination period as population growth is flat, demand forecasts are relatively stable, proposed expenditure has been informed by long-term planning, and it has a secure supply of water from the Broken Hill Pipeline.⁵⁰

For each water pricing review, we need to decide how long to set prices for (the length of the determination period), which is generally between 1 and 5 years.

Our draft decision was to set a 5-year determination period, on the basis that it provides a balance between reducing regulatory burden on Essential Water and managing the risks of unforeseen events or circumstances.

Our final decision is also to set a 5-year determination period under the same reasoning, and noting no stakeholder objections.

Chapter 3



Operating expenditure

03

Summary of our decisions on operating expenditure

We set Essential Water's operating expenditure at \$254.2 million for 5 years

At around \$50.8 million per year this is:

- \$2.6 million per year (or 5.5%) higher than proposed by Essential Water
- \$9.7 million per year (or 23.5%) higher than we used to set prices in 2022
- \$1.5 million per year (or 3.1%) higher than our draft decision.

We set core operating expenditure at \$100.0 million for 5 years

Core operating expenditure is the day-to-day running costs of the business, excluding bulk water costs. At \$20.0 million per year this is:

- \$0.4 million (or 2.2%) lower than proposed by Essential Water
- \$3.9 million (or 24.4%) higher than we used to set prices in 2022
- \$0.4 million (or 2.1%) higher than our draft decision.

We set bulk water expenditure at \$154.2 million for 5 years

Bulk water expenditure is how much Essential Water pays WaterNSW for the water it delivers to Broken Hill through the Murray River to Broken Hill Pipeline. The NSW Government has indicated it will continue to fully reimburse Essential Water for these costs and as such, these bulk water costs do not impact customer bills over the next 5 years.

At \$30.8 million per year bulk water costs are:

- \$3.1 million per year (or 11.1%) higher than proposed by Essential Water
- \$5.7 million per year (or 22.9%) higher than we used to set prices in 2022
- \$1.1 million per year (or 3.8%) higher than our draft decision.

This chapter sets out our assessment of the level of operating expenditure Essential Water requires to operate its business efficiently over the 2026 determination period. Essential Water's operating costs are the day-to-day expenses involved in running its business and maintaining the infrastructure and equipment it uses to provide services. It includes costs such as staff wages, electricity, contractors, treatment operations and insurance.

We note that in setting operating expenditure, we state the efficient expenditure amount we used to set prices, rather than an amount Essential Water is allowed to spend.

We have carefully reviewed Essential Water's proposed operating costs using a base-trend-step approach, as outlined in our [Water Regulation Handbook](#).⁵¹ In reaching our decisions, we considered expert advice from Stantec, additional supporting documentation provided by Essential Water and comments from stakeholder consultation. [Stantec's report on its assessment of Essential Water's expenditure](#) forecast is available on our website.⁵²

Our assessment of Essential Water's operating expenditure balances the considerations set out in sections 14A(2) and 15(1) of the IPART Act. In particular, we have made decisions:

- on a continuing cost efficiency target that should allow Essential Water to deliver high quality, reliable and safe services without being compromised
- which consider the costs of providing services in regional NSW and also the need for greater efficiency in the supply of services
- that manage the costs of decommissioning of wastewater treatment plants to protect the environment and meet environmental regulations.

In our analysis in this chapter, we have distinguished the cost of using the Pipeline. These costs are not recovered through prices paid by customers, but through a contribution by the NSW Government. More details on Pipeline costs are set out in Chapter 6.2.1 of this report and in our concurrent review of [costs and prices for the Pipeline](#).

We present expenditure in this chapter in \$2025-26 terms.

3.1 Essential Water's total efficient operating expenditure is \$254.2 million

Our decision is to set Essential Water's total efficient operating expenditure over the 2026 determination period at \$254.2 million as set out in Table 3.1.

Table 3.1 Decision on Essential Water's total efficient operating expenditure (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Core expenditure	20.0	20.0	20.0	20.0	20.0	100.0
Bulk water expenditure	30.9	30.9	30.8	30.8	30.8	154.2
Total	50.8	50.9	50.8	50.9	50.8	254.2

Note: Totals may not sum due to rounding.
Source: IPART analysis

We discuss core operating expenditure and bulk water expenditure in sections 3.2 and 3.3 respectively.

3.2 Essential Water's proposed core operating expenditure is mostly efficient

Our decision is:



2. To include \$100.0 million of efficient operating expenditure in Essential Water's notional revenue requirement for the 2026 determination period, as shown in Table 3.2.

Table 3.2 Decision on Essential Water's efficient core operating expenditure (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Water	12.2	12.2	12.2	12.3	12.3	61.2
Wastewater	3.4	3.5	3.5	3.5	3.5	17.3
Corporate	4.3	4.3	4.3	4.3	4.3	21.5
Total	20.0	20.0	20.0	20.0	20.0	100.0
Essential Water proposed	20.2	20.2	21.2	20.2	20.2	102.2
<i>Difference</i>	-0.3	-0.3	-1.3	-0.2	-0.2	-2.2
<i>Difference (%)</i>	-1.3%	-1.3%	-5.9%	-1.0%	-1.0%	-2.2%

Source: IPART analysis

Essential Water proposed core operating expenditure of \$102.2 million for the 2026 determination period, averaging around \$20.4 million per year and excluding costs for transporting water using the Pipeline.⁵³ This is around 1.5% higher than the \$20.1 million we estimate Essential Water will spend in 2025-26. However, it represents a 27.1% increase on the annual expenditure we used to set prices over the 2022 determination period.

Our decision is that Essential Water's proposed operating expenditure is mostly efficient, but we have made some adjustments resulting in a lower allowance. Our decision is an operating expenditure of \$20.0 million per year on average, which is \$3.9 million (24.4%) higher than the allowance we used to set maximum prices in 2022 and is \$0.4 million (2.1%) higher than our draft decision.

This decision is in alignment with our draft decision. The higher allowance is the result of a higher inflation being applied to the (2024-25) base year as a result of updated data.

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

Essential Water has adopted IPART's base-trend-step methodology to forecast its operating expenditure for the 2026 determination period. This included:

- establishing a base operating expenditure for 2024-25, removing a one-off labour cost item⁵⁴
- applying a growth trend factor to real labour components and deducting the efficiency factor
- adjusting for a step change, which is for decommissioning of the current WWTs at Wills St and South Broken Hill at a one-off expense of \$1.0 million.⁵⁵

3.2.1 Essential Water's proposed base operating expenditure included some non-recurrent expenditure

Essential Water proposed a base operating expenditure of \$19.8 million per annum^a, which was its 2024-25 expenditure, removing a one-off labour cost item.⁵⁶ To help inform our decision on whether this is an efficient benchmark for future operating expenditure, our expenditure experts reviewed Essential Water's actual expenditure against the efficient level of operating expenditure to set maximum prices in 2022 and evidence provided to support adjustments made for climate variability, non-recurring and non-controllable costs.

Over the 2022 determination period, Essential Water's actual operating expenditure was \$14.5 million (22.6%) higher than the estimated efficient costs we used to set maximum prices in 2022. This is set out in Table 3.3.

Table 3.3 Essential Water's core operating expenditure over the 2022 determination period (\$million, \$2025-26)

	2022-23	2023-24	2024-25	2025-26	Total
2022 allowance	17.4	16.3	16.0	14.6	64.3
Essential Water's actual cost	19.1	19.2	20.4	20.1	78.8
<i>Difference (\$)</i>	1.7	2.9	4.4	5.5	14.5
<i>Difference (%)</i>	9.6%	18.1%	27.4%	37.8%	22.6%

Source: IPART analysis

Essential Water explained the reasons for the differences in spending included:

- additional labour costs driven by higher than expected salary costs which were related to deferred decommissioning of assets⁵⁷
- higher electricity prices.⁵⁸

Our expenditure experts, Stantec, found that these were largely reasonable, but proposed a slightly lower value on the basis that some contractor costs in the proposed base year appear to be one-off and not ongoing.⁵⁹

Since our Draft Report was published, new inflation estimates for 2025-26 have been factored into the efficient base year, which results in a small increase in efficient operating expenditure.

Given the above, our decision is to set base operating expenditure at \$19.9 million.

3.2.2 Our decision includes one step change regarding regulatory costs

Essential Water's proposal recommended a single step change, which was for a one-off cost of decommissioning the South Broken Hill and Wills St WWTs in 2028-29.⁶⁰ While decommissioning the existing plants upon commissioning of the new plant is prudent, its appropriateness as operating expenditure is a relevant consideration.

^a Calculated from the water and wastewater baseline controllable figures in Table 13 on page 54 of Essential Water's proposal.

Stantec suggested including this cost in the capital cost of the new Wills St W/TP rather than as operating expenditure. This was based on uncertainty in the cost estimate of \$1.0 million and an inability for an ex-post review of the actual costs or timing.⁶¹

Our draft decisions included one step change of \$60,000 in each of years 4 and 5 of the determination period to account for regulatory costs to develop its next pricing proposal.⁶²

In Essential Water's submission to our Draft Report, it stated that IPART's draft decisions on capital expenditure would lead to higher operational expenditure. Specifically, this included that:

- reprofiling capital expenditure on the Wills St W/TP to later in the 2026 determination period would lead to \$500,000 additional operating costs including maintenance and fault and emergency
- water mains renewals being lower than proposed would result in \$200,000-\$250,000 additional expenditure in fault and emergency costs.⁶³

We note that the reprofiling of expenditure for the Wills St W/TP is based on a delivery schedule that recognises uncertainties in delivering significant infrastructure in regional and remote areas, and in current global events. Should Essential Water be in a position to commission the plant earlier it should do so. On water mains renewal we note our final decision to increase the rate of renewal to 3 km/year from 2027-28 (see further discussion in Chapter 4).

Estimates of additional operating expenditure arising from the above items was additionally not broken down in great detail or accompanied by new evidence. As such, our final decision does not increase the level of efficient operating expenditure in response to Essential Water's submission.

3.2.3 Our decision aligns with Essential Water's proposed trend component

Essential Water proposed real input price growth based on expected above-inflation growth in labour prices, which were applied proportionally to total operating costs (including overheads).⁶⁴ We asked Stantec to consider this, who found it to be consistent with the business conditions Essential Water would face over the future period.⁶⁵

Essential Water did not propose any output growth as a result of a stable expected population and number of billable entities throughout the 2026 determination period (see section 6.1.1).⁶⁶

We consider that Essential Water's proposed trend component expenditure is efficient. Our decision is unchanged from our Draft Report.⁶⁷

3.2.4 Essential Water proposed a suitable target for ongoing efficiency

Cost efficiency targets are an important way for businesses to demonstrate a commitment to achieving ongoing efficiency and delivering improved value to customers.

Essential Water proposed a cost efficiency target of 0.5% per year on its forecast operating and capital expenditure.⁶⁸ For operating expenditure, this equates to a cost efficiency of \$2.1 million over the 2026 determination period.

Essential Water stated that its target is consistent with its approach across Essential Energy's electricity business and associated Australian Energy Regulator (AER) findings.⁶⁹ Further, its Cost Efficiency Strategy includes a plan to meet this target.⁷⁰

Stantec assessed Essential Water's targets and did not find the 0.5% efficiency factor to be directly relevant or transferrable to the water sector. Stantec highlighted that a market sector-based estimate of Australian multifactor growth productivity would suggest a higher efficiency factor of 0.8%.⁷¹ However, Stantec also noted Essential Water's unique challenges in operating a business in a remote location compared to an 'average' enterprise in the broader economy, particularly "challenges in sourcing inputs and attracting and retaining a skilled labour force".⁷²

After consideration of Essential Water's proposal, Stantec's advice to us and our own analysis, we have considered Essential Water's proposed efficiency target in the context of its operating environment. With this in mind, we consider that Essential Water's proposed 0.5% efficiency target is appropriate. Our decision is to set the efficiency target at 0.5% per annum.

This decision is unchanged from our Draft Report.⁷³

3.2.5 Corporate overheads are not at issue for operating expenditure

Regarding operating expenditure, Stantec's recommendation⁷⁴ and the IPART's draft and final decisions are consistent with Essential Water's proposal on corporate overheads.

Essential Water raised concerns about IPART's draft decisions on capital expenditure in the context of corporate overheads, and this is discussed in Section 4.4.4.

3.3 Essential Water's bulk water costs

Since 2019, Essential Water has sourced most of its water supply needs by purchasing water from WaterNSW's Murray River to Broken Hill Pipeline. The costs for this bulk water are paid by Essential Water to WaterNSW and therefore are part of Essential Water's operating expenditure.

Our decisions factor in \$154.2 million for bulk water over the 2026 determination period. This amount was the subject of a simultaneous IPART [pricing review into the Pipeline](#). Increasing bulk water costs reflect a higher cost of capital than in the previous determination. More information and analysis behind that price is included in our [Final Report](#) for that review.

Table 3.4 Decision on Essential Water's bulk water costs (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Decision	30.9	30.9	30.8	30.8	30.8	154.2
Essential Water proposed	25.2	26.5	27.7	29.0	30.4	138.8
<i>Difference (\$)</i>	5.6	4.4	3.1	1.8	0.4	15.4
<i>Difference (%)</i>	22.4%	16.8%	11.3%	6.2%	1.4%	11.1%

Source: IPART analysis.

Consistent with our 2019 and 2022 determinations and indications we have received from NSW Government, our decisions on notional revenue requirement and prices are made on the basis that the full bulk water expenditure via the Pipeline will be funded by the NSW Government.

Chapter 4 »

Capital expenditure

04

Summary of our decisions on capital expenditure

Include \$58.0 million of Essential Water's capital expenditure since 2021-22 in its regulatory asset base

We reviewed Essential Water's capital costs since 2021-22 to determine whether they met the prudence and efficiency criteria to include them within its RAB roll-forward.

Our view is that \$58.0 million of Essential Water's capital costs during this period were prudent and efficient. Our decision is to include Essential Water's actual capital costs since 2021-22 in its RAB roll-forward, however defer some expenditure in 2025-26 to 2026-27 on the basis it is not likely to be expended in the current financial year.

Include \$174.3 million of efficient capital expenditure into Essential Water's notional revenue requirement build-up over the 2026 determination period

We have decided to include \$174.3 million of Essential Water's capital expenditure into the notional revenue requirement (NRR) build-up for the 2026 determination period.

Essential Water has prioritised capital projects that are valued by customers and deliver greater water reliability to customers, as well as include necessary and unavoidable infrastructure upgrades such as the Wills St Wastewater Treatment Plant (WWTP).

In the context of a significant capital expenditure program and affordability concerns, our decisions further prioritise expenditure in projects that will result in the greatest value in outcomes to customers, and to reflect realistic delivery timelines.

Our expenditure decisions align with the use of supplementary water infrastructure (namely the Stephens Creek Reservoir) as an emergency source of water for Broken Hill.

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

We have carefully reviewed Essential Water's proposed capital costs in the context of its long-term investment plan, its program to replace aging assets and comply with environmental regulations, and its need to address priority customer outcomes and deliver value for money.

Our assessment of Essential Water's capital expenditure balances the considerations set out in sections 14A(2) and 15(1) of the IPART Act. In particular, we have made decisions:

- which consider the costs of providing services in regional NSW and the need for greater efficiency in the supply of services
- on a continuing cost efficiency target that should allow Essential Water to deliver high quality, reliable and safe services without being compromised
- that consider the social impacts of raising prices where affordability is a key issue for customers
- that balance Wills St WWTP timing and sewer upgrades timeframes with cost and environmental risks.

In reaching our decisions, we considered expert advice from Stantec, additional supporting documentation provided by Essential Water and comments from stakeholder consultation. [Stantec's report on its assessment of Essential Water's expenditure](#) is available on our website.⁷⁵

We additionally considered stakeholder feedback on our draft decisions, particularly where there was new information provided.

We present expenditure in this chapter in \$2025-26 terms.

4.1 Essential Water spending over the last 5 years

Our decision is:



3. To set Essential Water's actual capital expenditure over 2021-22 to 2025-26, as shown in Table 4.1.

Our decisions on capital expenditure reflect our assessment of the prudent and efficient level of expenditure on infrastructure that should be included in a business's regulatory asset base and recovered through prices. When we assess historical capital expenditure, we look at spending over the current determination period (2022-26), as well as spending over the final year of the previous determination period (i.e. 2021-22).^a

Over the 2022 determination period, Essential Water's reported actual capital expenditure was materially lower (\$29.3 million or 32.2%) than the efficient funding envelope set in the 2022 determination. This is set out in Table 4.1 below.

^a We look at spend over the final year of the last determination period (2021-22) because at the time of setting prices for our current determination period (2022-23 onwards) we would not have had a complete year of actual expenditure data from 2021-22 to assess its efficiency.

Table 4.1 Efficient capital expenditure for the 2022 determination period
(\$million, \$2025-26)

	2021-22	2022-23	2023-24	2024-25	2025-26 ^b	Total
Determination allowance	18.2 ^a	33.9	30.0	19.2	7.9	91.0
Essential Water's proposed historical	5.2	8.6	4.7	14.8	33.6	61.6
Adjustment for expenditure review (deferred to 2026-27)	0.0	0.0	0.0	0.0	-8.9	-8.9
Total efficient base capital expenditure	5.2	8.6	4.7	14.8	24.7	52.8
<i>Difference (\$)^c</i>	-13.0	-25.3	-25.3	-4.4	16.9	-38.2
<i>Difference (%)^c</i>	-71.5%	-74.7%	-84.5%	-22.8%	214.6%	-42.0%

a. This figure refers to the expenditure we determined as efficient in our 2022 review of Essential Water's prices.

b. 2025-26 figure is a forecast.

c. The table shows the difference between the determination allowance and total efficient capital expenditure.

Source: IPART analysis; Essential Water Pricing Proposal September 2025.

Essential Water provided an explanation for the variance in its allowed and actual expenditure, including the following adjustments:

- Wills St WWTP – had \$34.4 million allocated, however was not yet at tendering when the proposal was submitted.⁷⁶
- Graziers pipeline – \$7.8 million was included, however heritage studies and barriers to Australian Government grants resulted in the project being put on hold and with supply to the relevant customers currently being met by the Menindee pipeline (through a gravity configuration). This project is no longer proposed for the 2026 determination period.⁷⁷
- Stephens Creek – the planned \$4.6 million in works on the reservoir dam wall and related works, including the Mica Street service reservoir replacement and Rocky Hill service reservoir refurbishment and replacement, was delayed so that a water supply optimisation study could be completed instead.⁷⁸

Stantec considered project deferrals, such as the Graziers pipeline, as evidence of internally challenging the need for capital investment at various stages of project development.⁷⁹

After considering Essential Water's proposal, Stantec's advice and our own analysis our view is that Essential Water has taken prudent steps to seek value for its customers in deferring and reprioritising its capital program since 2021-22. However, our view is that its forecast capital expenditure in 2025-26 is not achievable. As of October 2025 (one third of the way into the financial year), Essential Water had spent only \$3.1 million (excluding corporate overheads).⁸⁰ Our decisions therefore defer some expenditure, particularly relating to the water mains renewals program and the Wills St WWTP, from 2025-26 into 2026-27.

We have therefore made a decision to set Essential Water's capital expenditure from 2021-22, as shown in Table 4.1.

4.2 Essential Water proposed a large capital expenditure envelope

Essential Water proposed capital expenditure of around \$49.4 million per year (or \$246.9 million in total) over the 2026 determination period in its revised proposal.^{81 b} This is:

- \$26.6 million (or 117.1%) higher per year than our decision on average efficient forecast capital expenditure we used to set prices in 2022
- \$34.0 million (or 220.4%) higher per year than its average actual capital expenditure over the 2022 determination period.^c

4.3 We have set Essential Water's forecast capital expenditure lower than proposed

Our decision is:



4. To set the efficient level of forecast capital expenditure at \$174.3 million for the 2026 determination period, as shown in Table 4.2.

The capital expenditure allowance we set for Essential Water represents our view on the overall envelope of capital expenditure that we consider reasonable to maintain or improve Essential Water's assets and services over the upcoming determination period. It doesn't signal the amount it is required to spend on specific capital projects, or discrete allowances for specific works. We expect a business to prioritise its planned prudent and efficient capital works within the envelope of capital expenditure that we consider reasonable to recover through customer prices.

Our decision is to set efficient capital expenditure of \$174.3 million over the 2026 determination period (i.e. around \$34.9 million per year).

Table 4.2 below summarises our decision on Essential Water's efficient level of capital expenditure for the 2026 determination period.

In the following sections we outline our analysis and explain how we reached this decision.

Table 4.2 Decision on Essential Water's efficient capital expenditure (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Water	16.7	6.1	5.9	5.1	4.3	38.1
Wastewater	28.9	38.3	32.2	10.1	3.1	112.6
Non-system	1.7	3.3	7.3	10.2	1.1	23.6
Total	47.3	47.6	45.5	25.4	8.5	174.3

Source: IPART analysis; Essential; Water Pricing Proposal September 2025.

^b Essential Water submitted revised proposed capital expenditure in November 2025, to accommodate recommendations on water supply optimisation.

^c These figures are as proposed – and thus do not factor in the deferral of some 2025-26 capital expenditure.

Essential Water proposed \$246.9 million in capital expenditure over the 2026 determination period

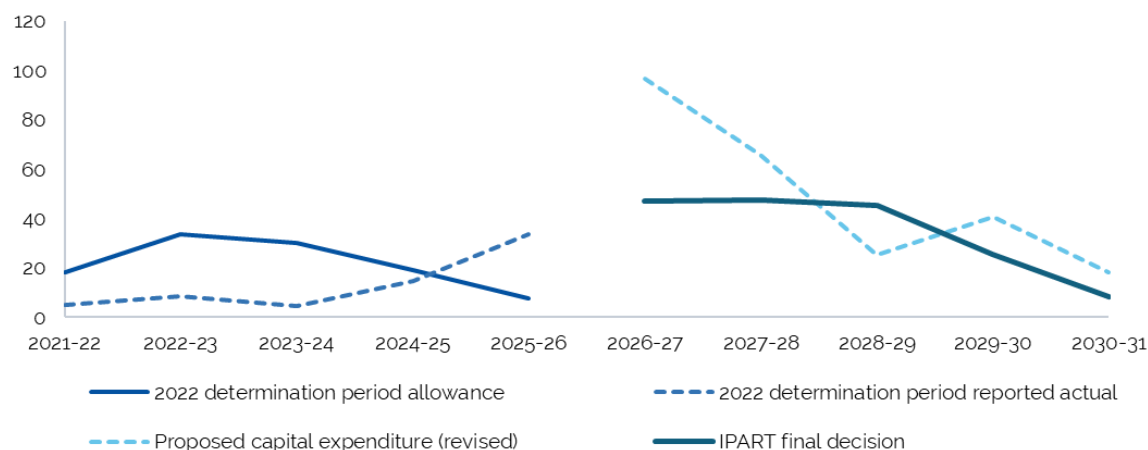
Essential Water has proposed investing \$246.9 million in capital expenditure across a range of projects.⁸² This includes:

- the Wills St WWTTP
- water mains renewals program
- sewer mains renewals program
- smart metering
- Stephens Creek water pump station
- other water and wastewater projects.

Essential Water also proposed a 0.5% efficiency target.⁸³ It identified various cost efficiency programs to pursue over the upcoming period to deliver these efficiencies, which it outlines in its Cost Efficiency Strategy.⁸⁴

Overall, Essential Water's proposed capital expenditure is a large increase from spending levels in prior years. Figure 4.1 below compares Essential Water's proposed capital expenditure for this period relative to prior years.

Figure 4.1 Comparison of Essential Water's proposed capital expenditure to prior years (\$million, \$2025-26)



Source: Essential Water, IPART analysis.

Essential Water prioritised capital expenditure which matched customer preferences, but wasn't subject to portfolio-level planning

In developing its proposal, Essential Water considered feedback from customers that emphasised the importance of reliable and good quality water and value for money. Essential Water's proposal to roll out smart meters directly responds to customer feedback (discussed in section 4.4.2).

We consider Essential Water's key business systems and processes, including risk, asset management and procurement processes, have a sound base but have opportunities for improvement. As noted by Stantec, there is evidence of a solid foundation of systems and processes within Essential Water, however these are focussed at a project level and don't yet demonstrate the maturity of an integrated planning approach at a portfolio level.⁸⁵

Stantec noted Essential Water's Strategic Plan (FY17-FY23), Water Asset Management Plan (FY18-27), and Integrated Water Cycle Management Strategy (2022) have not been updated since IPART's 2022 pricing review. Stantec noted that consequently the information in the documents related to the "proposed projects is out of date and doesn't align with timing and expenditure profiles presented in the pricing proposal".⁸⁶ However the scope is "relatively consistent with those included in the pricing proposal".⁸⁷

The documents were generally consistent with each other but some elements were not observed to be fully implemented in practice.⁸⁸

We discuss the planning and investment decisions below in section 4.4.

Stakeholders provided feedback on our Draft Report capital expenditure decisions

Essential water provided feedback in its submission to our Draft Report on each of its expenditure items, advocating for greater expenditure allowances on all key programs. This feedback is discussed below on those specific items.

Other stakeholders provided submissions on some capital expenditure items on a broader level.

In its submission to our Draft Report, FBH welcomed the reduction and reprofiling of capital expenditure to manage customer bills, including the reprofiling of the Wills St WWTP replacement. FBH also supported "IPART's position that customer bills cannot reasonably bear the full cost of the required capital program and that alternative funding sources must play a material role."⁸⁹

The JEC supported robustly assessing investment to support ongoing service affordability. It encouraged "IPART to ensure prudent long-term investments to maintain reliability, security and quality of service are not delayed", and that investment decisions "enable efficient investment in projects which ensure security and quality of water supply."⁹⁰

Increases in capital expenditure were linked by some stakeholders with price increases and affordability concerns:

- Some individual submissions and survey responses suggested that water infrastructure should be supplied through general taxation rather than paid by the water users of that infrastructure.⁹¹
- An individual stakeholder submitted that "While I understand that increases in water rates are necessary to maintain good services I deplore the amount that is expected to be paid".⁹²
- Roy Butler MP submitted that: "While I recognise IPART's challenge in balancing affordability with the need to fund aging infrastructure, these increases are not affordable for many Broken Hill residents. Broader economic pressures, including global conflict and rising fuel and food costs, are already placing significant strain on household budgets."⁹³

We considered the feedback from stakeholders and Essential Water in making our final decisions.

We found Essential Water's capital expenditure proposal is greater than required

Stantec reviewed Essential Water's proposed capital expenditure for the 2026 determination period and proposed:

- A lower bound expenditure allowance of \$170.3 million, whereby:
 - expenditure on the Stephens Creek pump station is delayed,
 - water mains replacement only continues at the current rate, and there is lower rate of wastewater mains works than proposed by Essential Water.
- An upper bound expenditure allowance of \$183.8 million, whereby:
 - expenditure on the Stephens Creek pump station is included in year 5 of the determination period
 - water mains and wastewater mains replacement levels are higher than the lower bound, but lower than the proposal.⁹⁴

Stantec's upper bound was the Essential Water pricing proposal recommended expenditure excluding:

- scope adjustments (activities that could be considered outside the scope of the regulated service or are not sufficiently certain to proceed)
- efficiency adjustments (removal of operational inefficiencies, more realistic cost assumptions, bundling of activities, more realistic expenditure profiling, etc.).

The lower bound was based on the upper bound with further exclusions in:

- service level adjustments, removing projects that can be deferred, removing non-essential activities and projects (with accompanying risk analysis), and identifying non-essential projects/activities to provide the Tribunal with flexibility to balance service levels and affordability
- potential savings from changes in assumptions, such as accepting a high risk of failure, lower population growth, etc.
- potential savings opportunities from reforms to the operating environment.⁹⁵

We have considered Stantec's report, Essential Water's proposal, stakeholder views and undertook additional analysis on these matters. Our decision is for an expenditure allowance which is ultimately between the upper and lower bounds, reflecting on individual consideration of each proposed capital project in the context of complementary and competing considerations under section 15(1) of the IPART Act.

Our decision is therefore to set capital expenditure of \$174.3 million over the 2026 determination period, equivalent to roughly \$34.9 million per year. This figure includes corporate overheads and capital expenditure which has been deferred from 2025-26 to the 2026 determination period.

This is \$12.1 million (or 53.3%) higher on average per year than the allowance we used to set maximum prices in 2022. Some of the expenditure, namely regarding the Wills St WWTP has been reprofiled into later years of the determination period, which also impacts how expenditure impacts the RAB, the NRR and ultimately the revenue required in water and wastewater charges.

As noted earlier, the major drivers for Essential Water's proposed capital expenditure are replacing essential water and wastewater assets including the Wills St WWTP. We discuss our reasoning for including expenditure in section 4.4 below.

4.4 We considered the key proposed capital expenditure projects

In the context of a large proposed increase in capital expenditure built on the need to replace aging infrastructure, and serious affordability concerns for customers, we reviewed each of Essential Water's key projects. This included considerations under section 15(1) of the IPART Act, which ultimately led to our decisions on the capital expenditure envelope.

4.4.1 We consider it is prudent to include expenditure for water and wastewater infrastructure in this period

The most significant component of Essential Water's proposed capital program is the replacement of aging infrastructure, specifically the Wills St WWTP, water mains, and sewerage mains in Broken Hill.

Wills St WWTP

Stantec considered the project to be prudent and efficient, however both its upper and lower bounds reprofile capital expenditure over 2026-27 to 2029-30.⁹⁶ While both resulting in commissioning in 2029-30, the upper bound includes more expenditure in earlier years.

Replacing the existing Wills St WWTP (also allowing decommissioning of South WWTP) is supported by stakeholders and customers. The original Wills St WWTP was commissioned in 1939 and does not meet modern standards and environmental pollution concentration limits. As of 2021, there is an EPA condition on the Wills St WWTP to be replaced with an intermittent decanted extended aeration (IDEA) plant to treat flows sent to both Wills St and South WWTPs.⁹⁷

In IPART's [2022 pricing review Final Report](#), the project was included with a total cost of around \$30 million.⁹⁸ This estimate has increased considerably on the basis of the detailed design prepared by Beca Hunter H₂O.⁹⁹

The cost estimate at the time of the 2022 determination was a "pre-design concept stage cost estimate" prepared at a conceptual level only and was not comprehensive to the specific site and design requirements.¹⁰⁰

The increase is attributed to a range of items, which in totality comprise refining the design to meet the required specifications, and for the specific site. The last cost estimate was developed at the 85% design milestone as of July 2025.¹⁰¹ We consider the updated cost to be efficient.

In June 2025, the NSW Government approved a \$17.6 million grant for the project under the Safe and Secure Water program.¹⁰²

The basis for reprofiling the capital expenditure is:

- 2025-26 expenditure which is significantly below forecast, with 1% spent as of October 2025
- project delivery planning, such as delineation of roles and responsibilities between Essential Water, Essential Energy and Public Works Advisory which are yet to be agreed, and the project management plan not yet being delivered
- a backlog of capital projects which were planned for 2025-26 which are being reprofiled to 2026-27, and availability of Essential Water staff to oversee and support the management of them
- a pattern of deferred capital delivery through the current determination period
- the history of timing for similar projects in NSW.¹⁰³

Our draft decision included expenditure on the basis that this project should be delivered, but that delivery in 2029-30 is a more realistic delivery schedule.¹⁰⁴

It factored in the capitalisation of the decommissioning costs for retiring the WWTPs after the commissioning of the new plant, which Essential Water proposed be considered as operating expenditure.

In response to our Draft Report, Essential Water suggested that reprofiling the completion of the Wills St WWTP would lead to a potential non-compliance with EPA licence conditions. It further stated that "The grant approved by the NSW Government also has payments aligned with stages of completion and total funding from the Safe and Secure Water Program is required to be utilised by June 2028."¹⁰⁵

Essential Water additionally contended that delay in the delivery of the Wills St WWTP would result in greater required operational expenditure. This is discussed in Section 3.3.2.

Our final decision is consistent with our draft decision on the Wills St WWTP on the basis that we do not consider there to be sufficient evidence to revise our approach. We note that our decision is based on our own assessment of the uncertainties that might affect delivery timeframes.

It is not a suggestion that construction and commissioning be intentionally slowed, but a recognition that despite best efforts and intentions delays are possible. Our decision means customers do not bear the cost of some of those uncertainties. We also note that when we next set prices in 2031, we would include all efficient capital expenditure in the regulatory asset base (RAB) when it occurred.

We note the existing EPA licence for Wills St WWTP, and the risks of regulatory action if there is further delay in its delivery.¹⁰⁶ We also note the [Safe and Secure Water Program - Grants program guidelines](#) and the timeframes associated with the grant.

In fulfilling its regulatory functions, we anticipate that the EPA may take into account the complexities, relative magnitude of the project and progress towards its completion. This includes modest delays caused by matters beyond the control of Essential Water.

We also anticipate Essential Water will work with the Department of Climate Change, Energy, and the Environment and Water (DCCEE) to manage risks associated with the delivery timeframes concerning with the Safe and Secure Water Program grant.

Water mains replacement

Essential Water proposed 6 km of water mains renewal annually (using contractors), increasing from 1 km (delivered internally). Essential Water's business case for mains replacement cites the age of the infrastructure and increased bursts, with below 20% (approximately 36 km) of the network constructed prior to 1960, although a further 27% (approximately 58 km) was constructed between 1960 and 1970.¹⁰⁷

When compared with comparator utilities, based on National Performance Report (NPR) data on main breaks, bursts and leaks, Essential Water has generally performed better than its peers. These events have been below the cohort median in 7 of the last 10 years, and over the past 3 years of published data (2021-22 to 2023-24) well below the cohort median.¹⁰⁸ A similar trend is reflected in DCCEE data using a comparator cohort of NSW local water utilities.

Essential Water has several internal sources of information on asset condition, however Stantec concluded these sources provide "varying pictures of asset health" and does not use standardised terminology and reporting criteria.¹⁰⁹

Stantec noted that the proposed rate of renewal is not justified by the available data, the lack of risk-based prioritisation in the proposal and the challenges transitioning immediately from 1 to 6 km/year.¹¹⁰

Stantec therefore did not consider that the need for increased capital investment on water mains renewals had been fully justified. Its lower bound assumes the same rate of renewals as in the 2022 determination period, and its upper bound transitions more slowly to a lower level than proposed by Essential Water. Consequently, Stantec's:

- lower bound is to maintain 1 km/year
- upper bound is to increase to 3 km/year for years 2-5.¹¹¹

Our draft decision was for water mains expenditure which increases from the lower bound to the upper bound, so that Essential Water reaches 3 km/year in years 4-5, but allows more time for it to refine its data and its risk-based prioritisation.

In its submission to our Draft Report, Essential Water submitted that benchmarking data on breaks, bursts and leaks indicates better performance than its peers, however stated that this is distorted by its actions in lowering storage tank levels, which is itself a band-aid option.¹¹² It did not include information about how much lower its storage is, or the implications of these actions.

The submission included information indicating a higher level of main bursts for asbestos cement laid in the 1960's particularly in the 'low' zone, of which there is 26 km of mains.¹¹³

Essential Water advocated for 1 km of replacement in year 1, 3 km in years 2-3 and the full 6 km annual replacement in years 4-5, as opposed to transitioning from 1 km to 3 km annually as in our Draft Report.¹¹⁴

Essential Water further claimed an additional \$200,000-\$250,000 annually in fault and emergency costs through 2031 would be incurred without their proposed replacement level.¹¹⁵ This is discussed in Section 3.3.2.

With the benefit of Essential Water's submission, we consider there is sufficient justification to increase water mains replacement to the upper bound of Stantec's recommendation to accelerate replacement of cement mains laid in the 1960s. That is, 1 km in year 1, and 3 km in years 2-5.

This rate balances considerations that the proposed rate of replacement is not supported by main breaks, bursts and leaks data, and that Stantec's recommended upper bound recognises that the network is aging. We remain concerned about how quickly Essential Water can effectively increase replacement to 3 km/year as the current program has been delivered internally.

Sewer mains relining

Essential Water's proposal increases the current rate of renewals from 5 to 15 km of sewer mains replacements per year.¹¹⁶

Essential Water's business case cites "increasing blockages, tree root intrusion, cracking, joint displacement, infiltration, and asset failures as the drivers for its sewer mains renewals program", with 40% of the network constructed prior to 1950, and a further 6% prior to 1960.¹¹⁷

The sewer mains blockages/leaks/failures are supported by NPR data with Essential Water performance being below all comparator utilities in 8 out of the last 10 years. Local water utility data through DCCEEW further establishes this position, though notes a downward trend in breaks and chokes in the last 4 years.¹¹⁸

Stantec agree with the general need for increased capital investment in Essential Water's sewer mains, noting the evidence of sewer mains blockages, leaks and failures, as well as Essential Water's existing success working with contracted third parties to carry out works.¹¹⁹

However, Stantec does have reservations concerning a lack of condition and performance analysis underpinning a prioritised risk-based renewals program. As a result, Stantec recommended adopting actual 2024-25 expenditure (at 10 km/year) for 2025-26, then for the rest of the determination period:

- the lower bound to stay at 10 km/year
- the upper bound to increase to 15 km/year.¹²⁰

Our draft decision incorporated the lower bound, which increases the rate of renewals so that 75 km of sewer mains are renewed in total in the 2022 and 2026 determination period. This covers all mains constructed before 1950 by the end of the 2026 determination period, which represent the highest risk (aged assets increasing blockages).¹²¹

To our Draft Report, Essential Water maintained that its proposal for 15 km/year replacement was achievable and necessary (compared with the 10 km/year in our draft decisions), or alternatively proposed a phased approach from 10 km to 15 km/year before 2031.¹²²

Essential Water's submission did not introduce new information and we do not consider there is sufficient justification to move from our draft decision. Consequently, our draft decision is maintained as our final decision.

4.4.2 Our decisions do not include expenditure for a smart meter rollout

Smart meters are the only service improvement proposed by Essential Water, with the rest of the capital program centred around renewing aging infrastructure. In terms of practicality, stated benefits include fewer bill shocks from earlier leak detection, and more quickly identifying and responding to leaks.¹²³

Essential Water highlighted that an outsized proportion of its analogue meters are overdue for replacement and that it has had issues in accessing analogue meters for timely readings.¹²⁴ It also notes that DCCEEW have publicly promoted the benefits of residential smart meters as part of water efficiency.¹²⁵

Stantec included no allocation for smart metering rollout in either the lower or upper bound and did not consider it prudent and efficient based on the existing business case.¹²⁶

Stantec considered that there was an "absence of market sounding to inform an accurate range of the potential capital and operational investment requirements", that ongoing internal management costs were not included, and there was no sensitivity testing of the financial impact of the battery life of smart meters.¹²⁷ Stantec also considered that benefits involving leak detection lack supporting evidence in the form of costs and benefits.¹²⁸

Stantec consequently put forward both the upper and lower bounds to only cover replacement costs for analogue meters. We note that smart meters are an initiative with strong endorsement from Essential Water's Customer Panel but also that the business case is not comprehensive.¹²⁹

Our draft decision did not include any expenditure allowance for a smart meter rollout.¹³⁰ While some customers had indicated support, we consider not all costs of the proposed project had been included and customer support may be conditional on real value being delivered.

To our Draft Report, Essential Water submitted that it would not be efficient to replace 55% of the analogue meters in its network in the 2026-31 determination period, and to replace them again in the next regulatory period. It reiterated its Customer Panel feedback who were supportive for the introduction of smart meters.¹³¹

Essential Water provided a confidential, more detailed business case for the smart metering program which was considered by IPART. Upon review of the business case, we do not consider it provides sufficient evidence to justify expenditure in the 2026 determination period on the basis that the benefits are unlikely to outweigh the costs.

A free text response to our survey stated that smart meters "will encourage residents to better manage their water usage, and spot leaks earlier."

We acknowledge some of the benefits of smart meters, such as customers being notified about leaks, and being better able to manage their water usage. However, we identified challenges with both potential benefits and expenses in the business case which jeopardised its ability to reach a benefit-cost ratio above 1.

Further, Essential Water have identified serious affordability challenges with IPART's draft prices¹³², and customers have not indicated a willingness to pay higher water prices for more services.

Consequently, our decision is to include only expenditure for analogue meter replacements. We invite Essential Water to liaise with IPART ahead of their next pricing proposal on its smart metering business case.

4.4.3 We considered the use of and investment in supplementary and emergency water sources

Essential Water proposed replacing the aging Stephens Creek pump station with a new permanent pump station at a level that would allow it to be used as a 'alternative water source' (that is, 36 megalitres a day).¹³³ Essential Water has not proposed for the Stephens Creek dam wall rehabilitation to be included in the current determination period.¹³⁴

If the Murray River to Broken Hill Pipeline were to not be operational, the only sources of water remaining to Broken Hill would be Stephens Creek and Umberumberka, as the Menindee pipeline is no longer connected to Broken Hill.¹³⁵ Currently, Essential Water feeds Murray River water into Stephens Creek Reservoir to maintain an emergency storage of approximately 100 ML, which represents 3 days of peak day demand. This is in addition to the 1.5-2.5 days of potable water storage in town tanks.^d

Essential Water's Integrated Water Cycle Management Strategy states it anticipates "any single outage will take no longer than 3 days to restore supply".¹³⁶ Further, Stephens Creek is a less reliable water source than the Murray River and so it is only assured to have an emergency supply if water is pumped up via the Murray River to Broken Hill Pipeline.

Essential Water had commissioned a supply optimisation study by Sequana which discussed 3 back-up supply options for Broken Hill.¹³⁷ This study included upgrading the pumping station as well as additional storage capacity in the Murray River to Broken Hill Pipeline with no backup supply from Stephens Creek.

Stantec recommended (under both upper and lower bounds) that Stephens Creek be used as an 'emergency water supply' only, with construction of a 22 ML per day pumping station. This recommendation was consistent with the findings of the Sequana report. Stantec considered that this option is sufficient to manage risks appropriately.¹³⁸

Stantec's recommendations for upper and lower bounds therefore centred around timing of expenditure for a new 22 ML per day pumping station:

- the upper bound includes funding in year 5 for construction of the new pumping station
- the lower bound assumes funding will be in the subsequent determination period (i.e. from 2031-32) as it has been operating to date.¹³⁹

We considered the importance of water security in Broken Hill, and the limited risks which are actively managed by the Stephens Creek reservoir as an alternate or emergency water supply and costs associated with it.

^d The Murray River to Broken Hill Pipeline terminal storage holds 30 days of water stored at peak demand, so the risk being managed is failure between the Broken hill pump station and the Mica Street filtration plant.

Our draft decisions included expenditure which would maintain Stephens Creek as an emergency water supply for the 2026-2031 determination period without significant capital expenditure. Replacement of the pumping station was to occur after 2030-31.¹⁴⁰

In its submission on our Draft Report, Essential Water reiterated its preference for use of Stephens Creek as an 'alternative water source', noting that the capacity of the current pumping station would be at the 'alternative' level but is only used for emergencies. This is because the facility is so close to end of life and Essential Water has concerns about its reliability. Essential Water also noted that it is currently only using the pump at the 'emergency' level to maximise its reliability until replacement.¹⁴¹

To our Draft Report survey, 65% of respondents thought that Stephens Creek should be used as an emergency water supply, 17% thought it should not be used at all, and 4% thought it should be used as an alternative water supply. A free text response stated that Stephens Creek is "a much needed recreational area close to Broken Hill".

Our final decision maintains the approach in our draft decision on the basis that it appropriately balances water reliability and customer costs.

The decision allows for further consideration of the appropriate ownership and use of the assets in the next pricing review.

We have considered the possibility that the reliability of the existing pumping station declines with an increased risk of failure, resulting in Essential Water bringing forward replacement of the facility to an 'emergency water source' level. In that scenario the expenditure may be included in the RAB for the next determination period as efficient capital expenditure subject to Tribunal decisions at that time.

4.4.4 We have maintained our approach to corporate overheads

Essential Water's proposal allocated corporate overheads to both capital and operating expenditure in accordance with its Cost Allocation Methodology (CAM).¹⁴² This approach is applied across Essential Energy and was approved by the Australian Energy Regulator (AER) in the context of the energy business.¹⁴³

Under this approach, where a cost cannot be directly attributed to a specific service category, it is consolidated into a shared cost pool and allocated across parts of the broader business based on overall expenditure.¹⁴⁴ Essential Water noted in their submission that it increased the direct attribution between 2022 and their 2025 submission.¹⁴⁵

Considerations leading up to IPART's Draft Report

Regarding capital expenditure, Essential Water's proposal results in a large increase in corporate overheads (a mark-up of 45% on direct capital expenditure), while activities which would directly result in higher overhead expenditure do not increase proportionally.¹⁴⁶

Stantec suggested that the existing CAM is not fit-for-purpose in the context of the large, primarily externally delivered capital expenditure program on the basis that it is likely to over-allocate costs to customers of Essential Water.¹⁴⁷

Stantec recommended instead that corporate overheads be applied incorporating allocations to project owner costs (POC)^e:

- POCs are assigned based on project size for sample projects, with Stantec recommending a range of 18-20% for the remainder of the capital program.
- 28% overheads are then be applied to the POCs, consistent with Essential Water's operating expenditure proposal and our decisions.
- A project management mark-up of 0.5% is added to the direct costs to account for program management activities.¹⁴⁸

In calculating capital expenditure allowances as part of our Draft Report, IPART adopted this approach. Our draft prices incorporated an upper bound of 20% for project owners' costs for the remainder of the capital program, consistent with Stantec's recommended upper-bound.

Considerations leading up to IPART's Final Report

Essential Water's submission to our Draft Report contested the approach adopted by IPART on the basis that the CAM was approved by AER and noted the decision will lead to funding gap of \$45 million.¹⁴⁹ It stated that the size of the Essential Water business means that higher benchmarks should be used.

Essential Water's submission did not include new information, more appropriate benchmarks, or a proposed model for estimating corporate overheads which was different to its initial proposal.

Essential Water states that "Application of the CAM can result in an allocation of corporate overheads to Essential Water that seem large in times of increased expenditure by Essential Water, however this will balance out over time by also reflecting periods when expenditure by Essential Water is relatively low".¹⁵⁰

There are material affordability challenges in Broken Hill and Essential Water's pricing proposal puts further upward pressure on prices. In that context we do not consider that it is appropriate to over-allocate capital expenditure to Essential Water customers on the basis that they may be under-allocated at a different time in the future.

Essential Water also stated that it has a "requirement to allocate corporate costs in accordance with Essential Energy's AER approved CAM".¹⁵¹ We note that IPART is not bound by decisions of the AER and should not follow AER decisions where it would result in negative social impacts for Essential Water's customers.

We acknowledge that this creates a funding gap between AER and IPART determinations, and we recognise the difficulty in navigating regulation of each business under different frameworks and under different regulators.

We consider that Essential Energy review their CAM. We consider a revised CAM should more closely reflect actual corporate overhead expenditure, particularly in the context of large capital expenditure programs delivered externally.

^e Project owner's costs cover the planning, investigation, design, approvals, and project management functions necessary to develop and deliver infrastructure projects and outcomes. These costs generally make up the bulk of capital project overheads.

Chapter 5 »

Other costs and notional
revenue requirement

05

Summary of our decisions on revenue requirement

Set Essential Water's notional revenue requirement at \$349.4 million over the 2026 determination period

This is \$8.5 million or 2.4% lower than Essential Water's proposal. This change is in part due to expenditure decisions discussed in Chapters 3 and 4 as well as updates in inflation forecasts and the Weighted Average Cost of Capital (WACC).

This represents an average annual increase of \$16.9 million per year or 32.0% compared with our 2022 determination and an increase of \$2.3 million or 3.3% per year compared with our draft decision.

We continue to use the building block approach to calculate Essential Water's notional revenue requirement, as outlined in our Water Regulation Handbook.¹⁵²

In Chapter 3 we discussed our decisions on Essential Water's efficient operating expenditure. Similarly in Chapter 4 we discussed capital expenditure levels to be included in Essential Water's RAB. This chapter now outlines our decisions on the other remaining building blocks and adjustments, which are:

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

We present revenue requirements in this chapter in \$2025-26 terms.

5.1 Essential Water's notional revenue requirement is \$349.4 million

Our decision is:



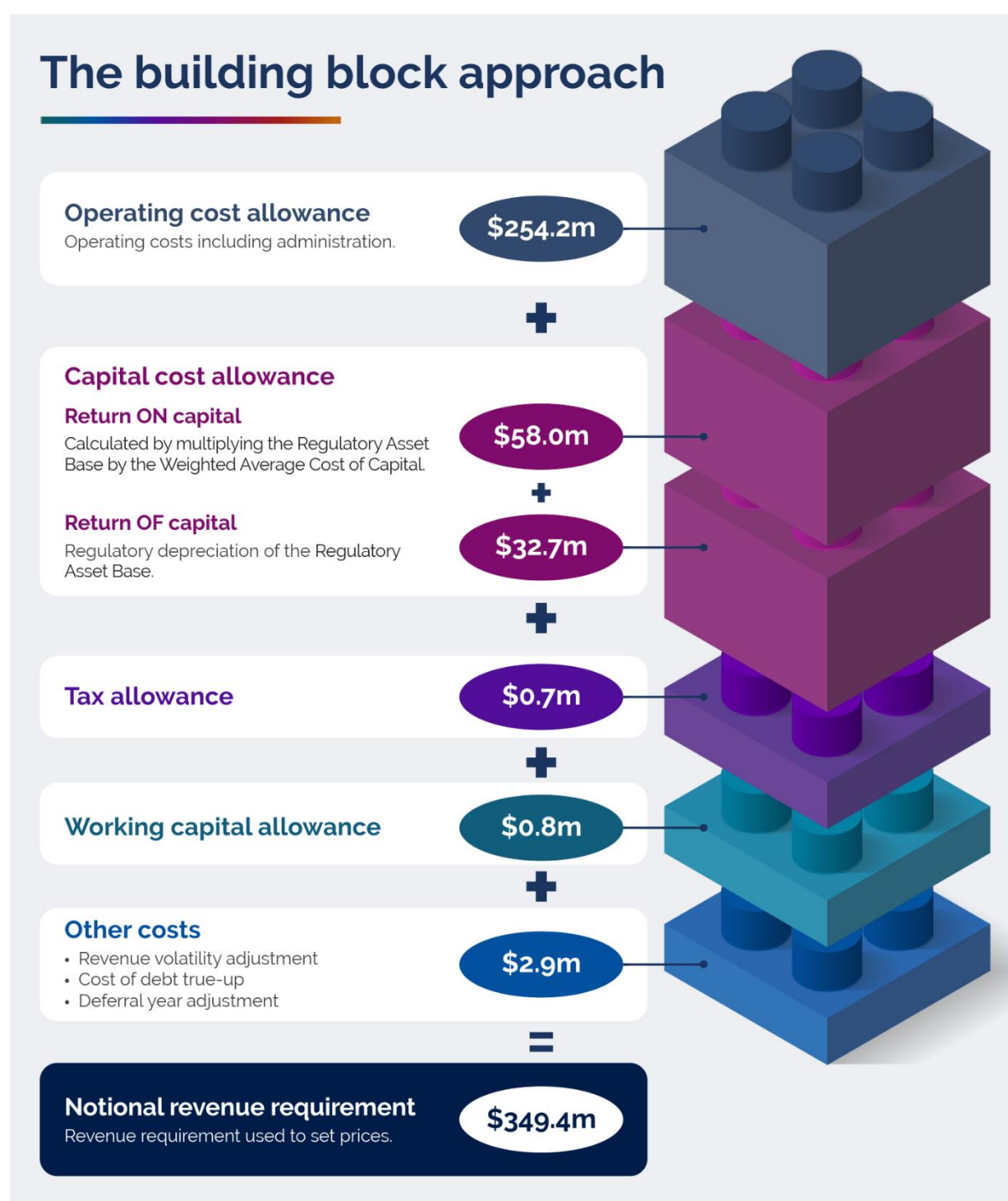
5. To set Essential Water's notional revenue requirement as \$349.4 million over the 2026 determination period.

Essential Water's notional revenue requirement is calculated as a build-up of various cost components – such as operating expenditure allowances, capital allowances and allowances for tax. We refer to each of these cost components as 'building blocks'.

We have calculated each of these building block costs and by adding them together, we arrive at a notional revenue requirement for Essential Water of \$349.4 million over the 2026 determination period. This amount represents our assessment of the total revenue Essential Water must generate to recover the efficient costs of providing its services to customers.

Figure 5.1 summarises the build-up of the notional revenue requirement using our standard building block approach. The figures shown below are a total over Essential Water's 5-year determination period.

Figure 5.1 Building block approach



Note: All dollar values shown are in \$2025-26 terms.

Our decision on Essential Water's notional revenue requirement is \$8.5 million or 2.4% lower than what Essential Water proposed. This is primarily due to expenditure decisions discussed in Chapters 3 and 4 as well as our decision to capitalise the gifted asset tax allowance true-up (see section 5.7 below).

Our WACC calculation differs from Essential Water's because it incorporates more up-to-date market data than was available at the time that Essential Water calculated the WACC for its pricing proposal. The WACC was updated between our draft and final decisions, and contributes to the higher NRR compared with our draft decision.

There are a number of minor differences between our draft and final decisions through this chapter. These differences are the result of:

- an increase in our decision on efficient capital expenditure
- a higher WACC of 3.7%, up from 3.6% in the Draft Report
- an updated inflation forecast for 2025-2026 of 4.8% up from 2.7%.

Table 5.1 below compares our decision on Essential Water's notional revenue requirement with its proposal.

Table 5.1 Decision on total notional revenue requirement for the 2026 determination period (\$ millions, \$2025-26)

	Essential Water's proposed total NRR	IPART's draft decision on total NRR	IPART's final decision on total NRR
Operating allowance (excluding bulk water purchases)	102.2	98.0	100.0
Bulk Water purchases	138.8	148.5	154.2
Return on assets	56.3	55.4	58.0
Return of assets (depreciation)	33.6	32.1	32.7
Return on working capital	0.4	0.8	0.8
Tax allowance	1.6	0.5	0.7
NRR before adjustments	333.0	335.3	346.5
Cost of debt true-up	2.3	2.8	2.9
Gifted asset tax allowance true-up	22.7	0.0 ^a	0.0 ^a
NRR after adjustments	357.9	338.1	349.4

a. Our decision is that the gifted asset true-up be included in the RAB, rather than directly included in the NRR (see section 5.7). As a result, the proposed gifted asset allowance is included through return on and return of assets. Totals may not add due to rounding.
Source: Essential Water price proposal and IPART analysis.

The following sections outline our decisions on each of the building block components of Essential Water's notional revenue requirement – except operating expenditure, which is explained earlier in Chapter 3.

A full breakdown of our decisions on Essential Water's building blocks is provided in Appendix C.1.

5.2 Bulk water purchases

Our decision is:



6. To set Essential Water's bulk water purchase costs as \$154.2 million over the 2026 determination period.

Essential Water sources most of its bulk water from the Murray River, via the Pipeline to its Mica Street water treatment plant.

We also set the prices WaterNSW can charge Essential Water for this service at the same time that we set Essential Water's prices.

Our decision on bulk water costs is based on Essential Water's forecast water sales, and prices from our Final Determination for the Pipeline. Our allowance is \$15.4 million (11.1%) higher than proposed by WaterNSW, largely due to the higher WACC and inflation forecast for 2025-26.

We further discuss demand forecasts, and recovery of bulk water costs via the Pipeline in Chapters 3 and 6.

5.3 Return on assets

Our decisions are:



7. To set an allowance of \$58.0 million for the return on assets component of the notional revenue requirement, noting that:
 - a. The opening RAB for the 2026 determination period is \$208.2 million, and we added \$155.4 million of capital costs (net of depreciation) for the period.
 - b. We used a real post-tax WACC of 3.7% as the efficient rate of return.

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

We calculated a return on assets allowance of \$58.0 million for Essential Water over the 2026 determination period.

The opening value of the regulatory asset base over the 2026 determination period is \$208.2 million

The RAB represents the value of Essential Water's assets on which it should earn a return on capital and an allowance for depreciation. We calculated the opening RAB for the 2026 determination period by "rolling the RAB forward" from the previous determination period. To do this we:

- added \$50.5 million (nominal) of historical capital expenditure from the 2022 determination period, as discussed in Chapter 5.1, net of \$4.9 million of cash capital contributions
- deducted \$23.0 million for regulatory depreciation of assets
- added \$37.8 million to account for annual indexation of the RAB.

To calculate the RAB for each year of the 2026 determination period we then:

- added \$165.6 million of forecast capital expenditure, which is based on the efficient capital expenditure allowance set out in Chapter 4, net of \$8.8 million of cash capital contributions.
- added \$23.2 million for the value of the tax paid on assets contributed in 2019 that Essential Water did not recover at the time (including holding costs)
- deducted \$33.3 million for regulatory depreciation of assets.

Our calculations result in the RAB increasing from \$208.2 million on 1 July 2026 to \$363.6 million by 30 June 2031. Our full RAB roll forward calculations are shown in Appendix C.1.

We used a real rate of return on capital (post-tax real WACC) of 3.7%

As in previous reviews, we determined the rate of return using a WACC. We used our standard WACC approach¹⁵³ to calculate a WACC of 3.7% for Essential Water's prices. This is higher than the 3.1% WACC that Essential Water used to calculate revenue requirement in its pricing proposal, and higher than the 3.6% used in our draft decisions.

A full explanation of our WACC calculation is provided in Appendix B.

5.4 Return of assets (regulatory depreciation)

Our decision is:



8. To set the return of assets (regulatory depreciation allowance) as \$32.7 million.

We include an allowance for depreciation in the notional revenue requirement so that that the efficient capital invested by Essential Water in its regulatory assets is returned over their estimated economic life.^a

^a The regulatory depreciation in the notional revenue requirement (\$32.7 million) is slightly lower than the amount deducted from the RAB (\$33.3 million), because the notional revenue requirement amount is a mid-year value (i.e. the RAB roll-forward depreciation figure is discounted by half a year of WACC). The purpose of this adjustment is to account for the timing of the business's cash flows.

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

We did not make changes to standard asset lives for any asset types. Appendix C.1 shows our decisions on asset lives for the 2026 determination period.

5.5 Return on working capital

Our decision is:



9. To set the return on working capital as \$0.8 million over the 2026 determination period.

The working capital allowance component of the notional revenue requirement 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 2026 determination period represents the holding cost of net current assets.

5.6 Tax allowance

Our decision is:



10. To set the tax allowance as \$0.7 million over the 2026 determination.

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

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.

We note that the decision for tax allowance is only \$0.7 million over the 2026 determination period. This is because Essential Water's actual tax depreciation is substantially higher than regulatory depreciation (since it uses the accelerated tax depreciation methodology). Combined with a large capital expenditure program, this means that Essential Water is expected to accumulate a tax loss over the period, which will be carried over to the next determination period.

5.7 Revenue adjustments

Our decision is:



11. To make the following revenue adjustment to Essential Water's notional revenue requirement over the 2026 determination period:
 - a. add \$2.9 million for the cost of debt true-up.
12. To make the following adjustment to Essential Water's RAB over the 2026 determination period:
 - a. add \$23.2 million for the tax on assets-free-of-charge true-up.

Demand volatility adjustment mechanism (DVAM) true-up

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

In 2022, we set the DVAM threshold at $\pm 5\%$ for Essential Water.¹⁵⁴ This means Essential Water is only able to recover the difference between its actual sales and forecast demand, *if* the difference is greater than $\pm 5\%$ over the price determination period. This 5% threshold incentivises businesses to accurately forecast and manage water sales. We make DVAM adjustments in the pricing period *after* the differences have occurred.

Over the 2022 determination period, Essential Water's actual demand was 21,092 ML, compared with forecast of 20,317 ML, a variance of 3.8%.¹⁵⁵ Consequently, Essential Water did not propose to include an adjustment related to the DVAM and our decision aligns with that position.

Cost of debt true-up

Our 2018 review of the WACC method introduced a trailing average cost of debt. Under this method the WACC changes every year as new tranches of debt are introduced to the trailing averages and the oldest tranches drop out.¹⁵⁶ In our 2018 WACC methodology, we decided that at each price review we would consider whether to:

- update prices annually to reflect the updates in the WACC annually, or
- use a regulatory true-up at the next period, which we would pass through to prices at the beginning of the next period.¹⁵⁷

We have made a decision to use a true-up approach for changes to the cost of debt, consistent with our approach in Essential Water's 2022 price determination. We consider this to reduce price fluctuations within price periods for customers while ensuring that businesses are adequately compensated for changes in the cost of debt that occur within each price period.

We have calculated a cost of debt true-up for the 2022 price period of +\$2.9 million. Our decision is to include this true-up as an adjustment to Essential Water's 2026 determination period revenue requirement.

Tax on assets-free-of-charge (AFOC) true-up

Current tax law requires water businesses to pay tax on AFOC. Under the National Tax Equivalent Regime (NTER) administered by the Australian Tax Office, NSW State Owned Corporations, including Essential Energy (who Essential Water are part of), pay these tax obligations to Revenue NSW. AFOC is included in our regulatory tax allowance building block of the NRR.

On the commissioning of the Murray River to Broken Hill pipeline in 2018-19, Essential Water was gifted around \$60 million of assets (including a solar farm, generator, pipes, water tanks, pumps, motors, building).¹⁵⁸ This led to an actual net tax liability of around \$13 million which was paid in that financial year. Essential Water did not seek, and IPART did not include a tax allowance in our 2019 and 2022 determinations on the basis that it does not routinely receive AFOC and so was not aware of this pricing proposal element.

Essential Water has proposed that IPART allow recovery of the true-up tax on these AFOC over the 2026 determination period as a \$23.2 million adjustment to the NRR in 2026-27. This figure includes the original sum adjusted for inflation and holding costs using prevailing pre-tax WACC.¹⁵⁹

Our decision is to allow recovery of the value of the historical tax paid on AFOC as a capital adjustment to the RAB aligned to the economic life of the assets.

Chapter 6 »

Price setting

06

Summary of decisions on price setting

We adopted Essential Water's forecast of its demand for 2026-31 and proposal to maintain the DVAM at a $\pm 5\%$ threshold

With the population in and around Broken Hill projected to change by less than 0.2%, and water demand following a flat trend, our decision is to adopt Essential Water's forecast customer numbers and demand.

We also agree with Essential Water that the current mechanism to manage revenue volatility is appropriate to continue. This threshold means that Essential Water only recovers the difference between actual and forecast demand if it is greater than 5% (above or below forecast).

Our decision is to set maximum prices for residential customers with an annual water usage of 200 kL so that their bill increase is capped at 5% a year plus inflation

Our decision is to set water and wastewater charges so that residential bills for a modest water user increase by an annual average of 5% (this results in a 4.7% price increase plus inflation for a typical household which uses 250 kL of water a year). We consider that full cost recovery charges are not affordable for residential customers, particularly those experiencing vulnerability.

Our decisions set full cost recovery charges for non-residential customers, with the additional required revenue collected through annual service charges (of the non-residential customers).

We are recommending that the NSW Government meet the gap in required revenue for Essential Water

Our decision on maximum prices results in a funding shortfall of \$15.3 million over 5 years for Essential Water.

We recommend that the government meet that gap through a direct subsidy. We note an alternative approach of a capital grant of around \$99 million, which would deliver an equivalent reduction in revenue over the next 5 years.

This chapter sets out our approach to assessing Essential Water's proposed:

- forecast demand
- approach to managing revenue volatility for the 2026 determination period
- price control
- price structure.

These elements inform the prices that we set, as outlined in Chapter 7.

In this chapter we discuss feedback from stakeholders and our assessment of the social impacts of current and recommended prices on Essential Water's customers, as required under section 15(1)(k) of the IPART Act. We have made decisions on price structures that we consider minimise social impacts by capping price increases for residential customers.

While sections 15(1)(a) and 15(1)(e) of the IPART Act requires the Tribunal to consider the cost of providing services and the need for greater efficiency in the supply of services, there is a countervailing consideration for social impact in section 15(1)(k):

- Affordability was the key concern of customers as part of both IPART's Issues Paper and Draft Report consultation, and as raised in our Public Hearing.
- The NSW Chief Health Officer has written to the Tribunal Chair, highlighting affordability concerns and the connection to health in Broken Hill.

6.1 Water demand

Our decisions are:



13. To adopt Essential Water's water demand forecast for the 2026-31 determination period.



14. To maintain Essential Water's $\pm 5\%$ Demand Volatility Adjustment Mechanism (DVAM) materiality threshold for the 2026-31 determination period.

Understanding past and future demand for water services is important for setting prices. As required under sections 14A(2)(i) and 15(1)(j) of the IPART Act, we set prices using forecasts of:

- the number of customers we expect would receive water services in each year of the 2026 determination period (forecast connections)
- the volume of water we expect a water business would provide in each of those years (forecast water sales volumes).

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

There are many factors that impact water demand including:

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

Essential Water considers these factors in its modelling to forecast demand.

We note that water demand over the 2022 determination period was 4.9% higher than forecast. Essential Water explains this difference as the result of a reduction in rainfall and therefore higher demand.¹⁶⁰

6.1.1 Our decision is to adopt Essential Water's forecast sales volumes

Essential Water forecasts that demand will remain steady (from 4,462 ML in 2025-26 to 4,469 ML in 2030-31 for treated water and remain at 46 ML for chlorinated water and 916 ML for untreated water).¹⁶¹ It also forecasts wastewater to remain steady at 2023-24 to 2024-25 levels.¹⁶²

Essential Water used NSW Department of Planning projections, that include an increase in dwellings by an average of 6 per annum and no change in non-residential customers.¹⁶³

The owner of a local business suggested including additional demand associated with a proposed project (Hydroster's Silver City Energy Storage Project).¹⁶⁴ We consider that any water requirements are uncertain, would commence late into the determination period, and are unlikely to trigger the demand volatility adjustment mechanism. As a result, we have not included it in the demand forecast.

Essential Water has indicated it did not include the project in its demand forecasts as the water requirement and timing is too uncertain, and most of the demand would be for untreated water with no wastewater. It is therefore unlikely to impact expenditure which is shared with other water users in terms of fixed costs.¹⁶⁵

We consider that to continue to refine and improve its demand forecasts, Essential Water should develop an approach to include a price elasticity adjustment to its future forecasts.

Our decision is to adopt Essential Water's proposed demand forecast, as set out in Table 6.1.

Table 6.1 Decision on forecast water sales volumes (ML)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Sales ^a	5,424	5,426	5,427	5,429	5,430	5,432
Demand ^b	6,385	6,387	6,389	6,390	6,392	6,394

a Water sold to customers, including treated, chlorinated and untreated water

b Total demand including sales volumes, unbilled water usage, losses, etc.

Source: IPART analysis

6.1.2 Demand volatility adjustment mechanism (DVAM)

We use DVAM as a tool to account for uncertainty. DVAM allows for an adjustment to a business's NRR to account for over or under-recovery of revenue due to material differences between forecast and actual water sales over the previous determination period. The DVAM protects businesses from under-recovery due to lower than forecast water sales and protects customers in the case of over-recovery. In 2022, we set the DVAM threshold at $\pm 5\%$ of forecast revenue from water sales, meaning an adjustment is only made if the difference between actual sales and forecast demand is greater than 5%.

Our decision is to keep in place the same arrangement as the 2022 determination, that is, a $\pm 5\%$ threshold for the DVAM.

6.2 Price structure and price control

Our decision is:



15. To set prices on the basis that the NSW Government will fully subsidise Essential Water's bulk water transportation costs associated with the WaterNSW Pipeline.
16. To continue to set maximum prices (a price cap approach to regulation).
17. To continue using current price structures for:
 - a. setting the water usage charge with reference to long-run marginal cost of water supply
 - b. setting the wastewater usage charge with reference to the short-run marginal cost of wastewater supply
 - c. setting fixed service charges on a full cost recovery basis for non-residential customers.
18. To set maximum service charges for residential customers which cap total bill increases for customers using 200 kL a year at an annualised 5% on average (plus inflation).
19. To maintain our current approach for setting the wastewater service price for the mines as a non-residential customer on the basis of a single 100mm meter for the period with a 100% discharge factor.

6.2.1 WaterNSW Pipeline costs are assumed to be met by NSW Government

NSW taxpayers currently subsidise water prices in Broken Hill to offset the significant cost of building the Pipeline. When we set prices for Essential Water in 2019, the NSW Government committed to subsidising Essential Water's prices for 4 years, so that prices would not increase as a result of costs for the Pipeline.¹⁶⁶ This approach was continued in 2022,¹⁶⁷ and our understanding is that this arrangement is to continue through the 2026 determination period.

On that basis, our prices are set assuming that Pipeline costs would be funded by a subsidy from the NSW Government. We estimate the value of the total bulk water subsidy to be \$154.2 million over the 2026 determination period.

Throughout our review, stakeholders continued to express concern that the subsidy does not involve certainty beyond any particular pricing determination. This included submissions to our Issues Paper,¹⁶⁸ as well as our Draft Report.¹⁶⁹ This was particularly the case for stakeholders who do not consider the Pipeline was constructed for their benefit.¹⁷⁰

In its submission to our Draft Report, FBH indicated that it remains concerned about the short-term stability of bulk water subsidies, and the associated reliance on interim funding arrangements. It stated that "Greater funding certainty will better protect customers from repeated pricing volatility and enable more effective long-term infrastructure planning."¹⁷¹

Mr Roy Butler MP expressed similar sentiments, urging a longer-term view and that the community should not be subject to ongoing uncertainty for rising water prices at each determination.¹⁷²

The Association of Mining and Exploration Companies (AMEC) made a submission to the associated [WaterNSW Pipeline Draft Report](#), which encouraged "the NSW Government to continue the Broken Hill Pipeline subsidy to ensure the long-term affordability, economic stability and social sustainability of Broken Hill and its industries."¹⁷³

In our 2022 pricing review we acknowledged the same concerns. We also recommended that Essential Water work with NSW Government to explore options to provide customers with greater long-term certainty about the status of the Pipeline subsidy and to reflect this in its next pricing proposal.¹⁷⁴

We continue to recommend Essential Water work with NSW Government to explore options to provide customers with greater long-term certainty about the status of the Pipeline subsidy.

Recommendation

1. We recommend that the NSW Government continue to fully fund the cost of the Murray River to Broken Hill Pipeline, at the amount of \$154.2 million over the determination period, to continue to manage the affordability of Essential Water's bills.
2. We recommend that the NSW Government develop a long-term plan for funding the costs of the WaterNSW Murray River to Broken Hill Pipeline.

6.2.2 Our decision is to continue to use a price cap approach to regulation

In line with our water regulation framework, water businesses can propose a form of price control that is in their customers' interest. Also in our framework is that the regulatory period lasts for 5 years. Essential Water has proposed to maintain its current form of control, which is a price cap.¹⁷⁵ A price cap approach has some important benefits, such as:

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

Further information on price controls and the different forms is available in section 4.7.3 of the [Water Regulation Handbook](#).

Our decision is to continue with a price cap approach for the 2026 determination period.

6.2.3 Water price structure

Our decision aligns with Essential Water's proposal regarding price structure, that is a fixed or service charge and a water usage charge.

Essential Water has explained that it considers its proposal to increase the fixed service charge and keep the water usage charge constant appropriately balances cost-reflectivity, equity, administrative efficiency, price stability and customer preferences. Essential Water has also proposed to continue transitioning the untreated water usage price for Essential Water Pipeline customers towards the standard untreated water usage price over the 2026 determination period.¹⁷⁶

Essential Water submitted its Customer Panel was not in favour of reducing the water usage price to encourage water consumption to help mitigate the health risks associated with lead dust. Essential Water stated its proposal to maintain rather than increase the usage charge recognises the role of water consumption in managing lead dust.¹⁷⁷

In response to our Draft Report, consistent with the feedback received to our Issues Paper, some stakeholders did not support increases in prices being completely allocated to the fixed service charges and that this doesn't allow households to reduce their bills by lower water usage.¹⁷⁸

Other stakeholders however also highlighted the importance of water pricing in encouraging water use to mitigate the health impacts associated with lead dust, particularly the health and development impact on children associated with lead dust.¹⁷⁹

We further considered health impacts, including advice from the NSW Chief Health officer that:

- The [Lead Smart website](#) advises washing down outside play equipment and toys regularly, and, after windy or dusty days, wipe down windows, door screens, verandahs, play equipment and other outdoor surfaces with a wet cloth or mop.
- Far West Local Health District (LHD) has advised that when remediating houses, it recommend that people remove and/or cover backyard soil with mulch material rather than developing gardens and watering. Some households have also used artificial turf to cover backyards.
- Increases to water pricing is likely to lead to further equity and affordability issues. Maari Ma Health Aboriginal Corporation is concerned that increases will disproportionately impact Aboriginal households in Broken Hill.
- Evaporative air conditioners are also used in Broken Hill and contribute to increased water usage during summer – which is important for the health of residents.

We considered Essential Water's Long Run Marginal Cost (LRMC) and Short Run Marginal Cost (SRMC). LRMC is an estimation of the additional cost of providing an additional unit of water or wastewater. We use LRMC as a key reference point to set usage prices, as prices that relate to LRMC will promote efficient consumption.

We typically set water usage prices with reference to the LRMC of water supply in price reviews where future growth and water augmentation is expected. In the 2019 review, we noted that, following construction of the Pipeline, no further large-scale augmentation of the water supply was foreseeable in the future for Broken Hill. Therefore, we considered the LRMC and SRMC estimates should converge.

Our prices hold water usage charges constant for treated water and align untreated water

Our decision aligns with Essential Water's proposal to hold the treated water usage charge of \$2.34 per kL (\$2026-27) constant over the 2026 determination period (plus inflation in subsequent years). This means it would increase by the rate of inflation only.

This decision reflects our preference for setting usage prices with reference to the marginal cost of supply, as well as mitigating health impacts associated with water use and the suppression of lead dust.

Essential Water also supplies chlorinated water to customers in Silverton and Sunset Strip, and untreated water to a small number of customers along the Menindee, Stephens Creek and UMBERUMBERKA pipelines, as well as to other customers such as Broken Hill City Council and the mines. These customers currently pay different usage prices. Our decisions align these prices to a single usage price, which better reflects the cost of supplying untreated water.

The 10-year transition has been ongoing but alignment will be achieved in 2028-29.¹⁸⁰

Some residents of Sunset Strip recently became aware that the chlorinated water supplied to that location is not potable and is therefore unsuitable for a range of purposes including drinking and showering, and are considering the extra costs in procuring additional water or treatment suitable to their purposes.¹⁸¹ Residents also raised related concerns about the relative prices of treated and chlorinated water.¹⁸²

IPART acknowledges the costs borne by, and the cost pressures on the Sunset Strip community.

We note that the transitioned usage price for chlorinated water was set by IPART considering the costs of its supply in 2019.¹⁸³ The price for chlorinated water is due to match the price for untreated water from 2025-26, under the proposal and our decision, then only changes with inflation for the 2026 determination period (see Chapter 7.1).^a

We considered the affordability of non-residential customers when setting charges

Essential Water did not propose changes to its current price structures, in that the remainder of the revenue requirement would be met in the fixed service charges. This results in an increasing proportion of revenue from water service charges, as opposed to water usage charges under full cost recovery prices (see Table 6.2).

^a The chlorinated water usage price set in 2019 did not include capital costs. Therefore, the true SRMC is likely higher, implying chlorinated water usage prices should also be higher to recover efficient costs. Further, the SRMC of chlorinated water was higher than for untreated water, and chlorinated water was set to equal untreated water (over a gradual transition path). Chlorinated water price increases since 2019 reflect its transition to the untreated water price and inflation.

Table 6.2 Share of water revenue recovered from the service charge under full cost recovery prices (\$ million, 2025-26)

	Current 2025-26	2026- 27	2027- 28	2028- 29	2029- 30	2030- 31
Revenue from water service charge	8.7	12.7	15.1	15.5	15.9	16.3
Target Revenue for Water	20.7	24.7	27.1	27.5	27.9	28.4
Share of water revenue recovered from water service charge	42.0%	51.4%	55.7%	56.3%	56.9%	57.5%

Our decision recovers the fair share of efficient costs for non-residential customers

Our draft decisions on prices for non-residential customers were set to recover their share of efficient costs.

In response to our draft decision, Essential Water raised concern that the combined increase of water prices and other increasing prices could cause businesses to pass on costs to the community, or no longer be viable, which would impact the community.¹⁸⁴

The majority of respondents to our Draft Report survey however thought it is fair to set non-residential prices (including mines) at a level which recovers their share of efficient costs (excluding Pipeline costs), but to cap price increases at a lower level for residential customers. In its submission to our Draft Report, the JEC supported "IPART taking a differential approach, and not capping and subsidising costs for non-residential consumers."¹⁸⁵

We note that charges for non-residential customers are higher than our draft decisions because of:

- a higher WACC calculation
- higher inflation estimates for 2025-26 and its impacts through to the NRR
- capital expenditure decisions discussed in Chapter 4.

However we did not consider there was new information which would justify departing from our draft decisions. Further discussion on affordability for non-residential customers is in Chapter 8.

We revised our approach to the glide path for charges for non-residential customers

We also considered Essential Water's proposed price structure which increases average prices every year at a constant rate (smooth glide path), or a larger increase in year 1 followed by smaller increases in the subsequent years (step glide path).

A smooth glide path results in year 5 prices that substantially over-recover the required revenue for that year.^b Over-recovery could lead to price instability between regulatory periods, however a larger increase in year 1 with subsequent smaller increases does not cause the same issue.

Our draft decision was to adopt the step glide path as opposed to the smooth glide path on the basis that it results in a lower and more cost-reflective price in year 5 for non-residential customers.

^b The smooth glide path results in an effective (real post-tax) rate of return of 5.2%, compared to 3.8% under our recommended price path. The WACC is 3.7%.

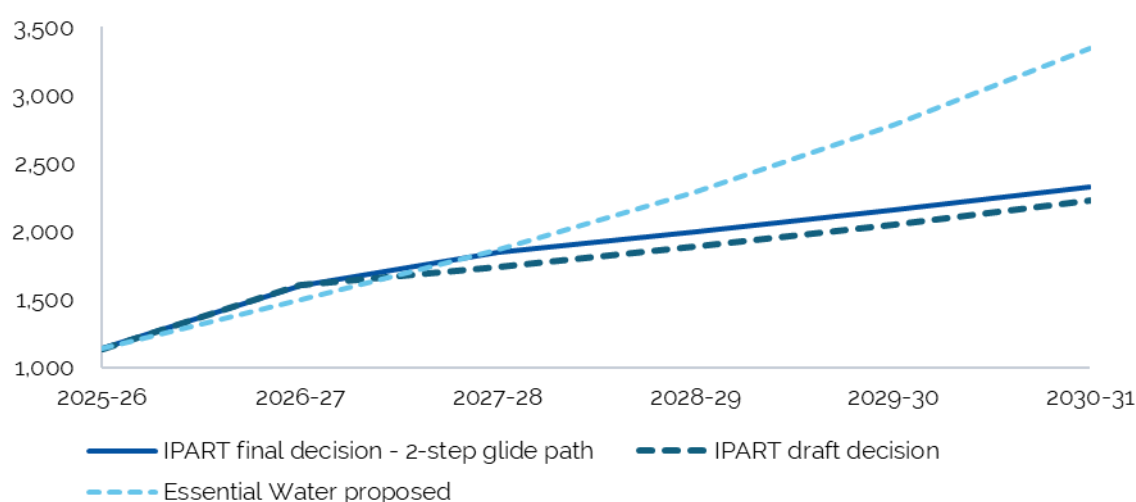
Some stakeholders however raised concerns in response to our Draft Report about having most of the price increase in year 1.

The JEC stated it do not support the 'front loading' of bill increases as in its experience, "consumers consistently express a preference for 'smoothed' implementation of cost changes".¹⁸⁶ Further, the majority of responses to our Draft Report survey preferred increases in bills that are lower in the first year and higher in the last year of the determination period.

Price increases in 2026-27 would be steeper still as a result of the increase in the NRR since the Draft Report.

In response to stakeholder feedback and to mitigate the steeper year 1 increase, we developed a new '2-step glide' path for non-residential customers, which involves a 20% increase in the average price in year 1 (25% with inflation), a 10% increase in year 2 and then a 1.5% annual increase in years 3-5 for water and 9% for wastewater (plus inflation).

Figure 6.1 Comparison of non-residential water and unadjusted wastewater service charges under Essential Water's proposal, our draft decision (step glide path) and our final decision (2-step glide path) (\$2026-27)



Note: 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation. The price used is the weighted average of fixed and usage charge, weighted by volumes (total residential and non-residential volumes).

On balance, our decision is to adopt the 2-step glide path as opposed to the smooth glide path or the step glide path on the basis that it results in a lower and more cost-reflective price in year 5 for non-residential customers, and mitigates the year 1 bill increase.

Our decision is to cap prices below full cost recovery levels for residential customers

Essential Water's proposed prices resulted in an annual average increase of 15% for the bill of a typical residential customer (before inflation)^c, or a total increase that more than doubles water prices. These increases would have become more pronounced for residential customers who consume less than the average water volumes.

While our decisions on expenditure relieve some of the bill pressure for Essential Water customers, overall bill impacts are still significant and a full cost recovery price (excluding bulk water charges) for a typical household would increase by 53% (plus inflation) by 2030-31. As discussed in Chapter 8, we do not consider these prices to be affordable and that they would have a negative social impact on Broken Hill.

The preferred approach for assisting customers experiencing financial vulnerability is by direct transfer payments to those who need support. Such an approach can consider the range of expenses those customers face and provide more targeted support.

However, we consider it appropriate to set prices below full cost recovery to support affordability for residential customers. 200 kL was used as the basis for affordability analysis rather than 250 kL (which is the annual usage of a typical household), as a customer experiencing vulnerability may reduce water usage to save money. Measures using a higher water use as a basis would lead to larger price increases on a proportional basis for customers experiencing vulnerability.^d

We describe customers with an annual water usage of 200 kL through this report as a 'modest water user', or households with 'modest water use'.

Customers raised concerns with any price increase

Individual submissions to our Draft Report indicated that any price increase is unaffordable. Some examples include:

- "This increase is unfair and an extra cost past onto our community. The current cost of living is already breaking families and a 20% increase over 4 years is out of the question."¹⁸⁷
- "My evaporative cooler is very effective in Broken Hill's dry heat and much more energy efficient than reverse cycle air conditioning I cannot afford to pay more for the water to run it."¹⁸⁸
- "I deplore the amount that is expected to be paid by many struggling pensioners and unemployed people... In times such as now when food security and/or affordability is decreasing, it is vital to consider self-sufficiency by growing fruit and vegetables... To consider a further increase from July 1, 2026 is extremely stressful."¹⁸⁹

^c A typical household reflects a residential – treated water – non-pensioner with an estimated average water demand of 250 kL/year.

^d The relationship between usage amount and bill impact scale inversely, which shows the difficulty in using water prices to manage social impacts of the cost of essential services in the context of Broken Hill. We also note that a typical household is different for different water businesses. For instance, Sydney Water have a typical house consumption at 200 kL/year.

Broken Hill City Council (BHCC) stated that "pensioners typically cannot afford rising water costs and so will forgo watering gardens. BHCC also highlighted the large (~10%) Aboriginal population in the area and that many low-income Aboriginal households do not have the disposable income to pay increased water charges to water gardens."¹⁹⁰

A submission by Mr Roy Butler MP stated that the increased (capped) prices for residential customers remain unaffordable for many Broken Hill residents. This in turn reduces liveability and discourages household green spaces and lead dust suppression, which could hamper economic growth.¹⁹¹

Essential Water raised concerns that even with 5% price caps for residential customers, price rises may not be affordable for customers. Essential Water also highlighted that fuel affordability amid current foreign conflicts is contributing to affordability issues in Broken Hill.¹⁹²

Capping prices at current levels is not sustainable

We acknowledge the feedback from submissions and survey responses that any increase in prices represents a meaningful affordability challenge in Broken Hill. Alongside that, we acknowledge the feedback from Essential Water that by not capping prices on non-residential customers, there are risks to businesses and the community.

We also recognise that Broken Hill is experiencing further affordability challenges in the context of higher fuel prices and associated inflation which were not anticipated at the commencement of the pricing review.

We consider that addressing affordability issues in other sectors (such as fuel prices) by capping water charges at a lower level is neither efficient nor justified. It is open to government to provide support to people in the community who are impacted by prices across sectors in totality.

Our final decisions still cap residential charges only, and mean prices will increase in the 2026 determination period. We consider that holding prices at current levels may lead to significant bill shock in the subsequent determination period as prices and costs would have continued to diverge further. We consider that residential customers should be the focus of any affordability measures that are implemented (see further discussion on affordability in Chapter 8).

In section 8.2.3 we note that IPART has been calling for reform of pensioner rebates through multiple pricing reviews. The maximum rebate of \$175 a year means that delay causes continued real reductions in support for pensioners in Broken Hill and across NSW.

Our analysis of pensioner rebates shows that the rebate is currently insufficient to bring eligible pensioners above the water stress threshold for both single and couple households receiving the aged pension, disability support pension and carer payment. By the end of the determination period, households receiving these pensions (and the pension rebate) will be further below the threshold (see Appendix C.5).

Our decision caps bills for residential customers with an annual water usage of 200 kL to 5% annual increases before inflation

We considered a range of pricing options to address the affordability concerns, including financial impacts. Our draft decision was to set charges which result in an overall bill impact of 5% as an annual average for households with an annual water usage of 200 kL. As noted above, this means a typical household (using 250 kL) would see prices increase by an annual average of 4.7%.

We estimate this approach will limit the number of customers who will pay above the 3% water stress threshold to under 30% (further affordability discussion is included in Chapter 8). It also allows greater flexibility to transition prices to full cost recovery under a slower pathway at a future determination.

Stakeholders commented on IPART's price cap draft decision

FBH welcomed IPART's decision to "materially reduce the scale of residential price increases and to cap prices below full cost recovery". It noted that the draft prices result in "non-trivial price increases for households", and that they "represent a significantly improved and more manageable outcome for the Broken Hill community" compared with Essential Water's pricing proposal.¹⁹³

The JEC strongly supported IPART's draft decision and recommendation that prices should be capped (with associated government support topping up revenue to the required level).¹⁹⁴

The JEC however recommended an alternative approach whereby the support amount or percentage is set (e.g. at 10%) and the difference between the 'full cost recovery' price be rebated back to customers. Under this suggestion, the support amount could be increased if needed, and different support levels be applied to different groups.¹⁹⁵

Essential Water acknowledged IPART's preference that support for customers (or people more generally) is ideally targeted to those who need it, but said that it does not have systems which could do that, and other government measures (such as pensioner rebate reform) are so slow as to not help customers in a timely way.¹⁹⁶

Our decision is consistent with our Draft Report

We considered the proposal by JEC that IPART specify the subsidy level (which may change if needed), rather than be the result of a fixed, specified maximum price increase. However, we consider that JEC's proposed approach would make it more difficult to achieve an affordable price and would result in less price certainty for Essential Water customers. This is because it cannot be assured that any particular subsidy amount will land at a price which appropriately balances costs and affordability.

Our decision is to set charges which result in an overall bill impact of 5% as an annual average for households with an annual water usage of 200 kL. This is consistent with our draft decisions. We consider that our decision reflects an appropriate balance of Essential Water's efficient costs and managing social impacts.

We note that this approach does not allow Essential Water to fully recover its target revenue over the 2026 determination period, and we discuss our recommendations for addressing the shortfall below.

The revenue gap resulting from our final decisions will be higher compared to our Draft Report as a result of higher full cost recovery prices, which themselves arise from:

- a higher WACC calculation
- higher inflation estimates for 2025-26 and its impacts through to the NRR
- capital expenditure decisions discussed in Chapter 4.

6.2.4 Wastewater charges

Essential Water proposed to set fixed wastewater service charges that recover the remaining wastewater revenue that is not captured by wastewater usage and trade waste prices. Wastewater service charges are based on water meter sizes (adjusted for discharge factors) because they are a readily available indicator of a customer's draw on the capacity of the supply network:

- Residential customers pay a fixed service charge which is comprised of a base level service charge and a deemed discharge amount (wastewater usage price x deemed volume of residential discharge to the wastewater network, which is 100 kL per annum).
- Non-residential customers pay a fixed service charge based on their meter size adjusted for each customer's discharge factor set with reference to a 20mm meter (the service charge for each customer is scaled up from the base 20mm meter charge to reflect the actual size of their meter, before a discharge factor is applied).
- Mines pay a fixed service charge equivalent to that of a 100mm meter, with a 100% discharge factor.¹⁹⁷

Non-residential customers and mines also pay a wastewater usage charge for actual discharges to the wastewater network. This is measured by applying their discharge factor to their metered water consumption (discharge factor x volume of water used).¹⁹⁸

The effect of our decisions is to:

- hold wastewater usage charges constant over the 2026 determination period and continue with Essential Water's current approach and use the deemed discharge amount for residential service charges
- maintain Essential Water's approach to wastewater charges for mines given the uncertain nature of the mines' wastewater usage and projected constant sales¹⁹⁹
- calculate the service charge as a residual based on water meter size and discharge factors to recover the remainder of the revenue required
- adopt a '2-step glide' path and set prices for non-residential customers on a full cost recovery basis
- set prices for residential customers so that overall bill increases for households with modest water use will not exceed an annual average of 5% over the determination period.

6.2.5 Our decision is to continue the current approach of setting prices for mining customers

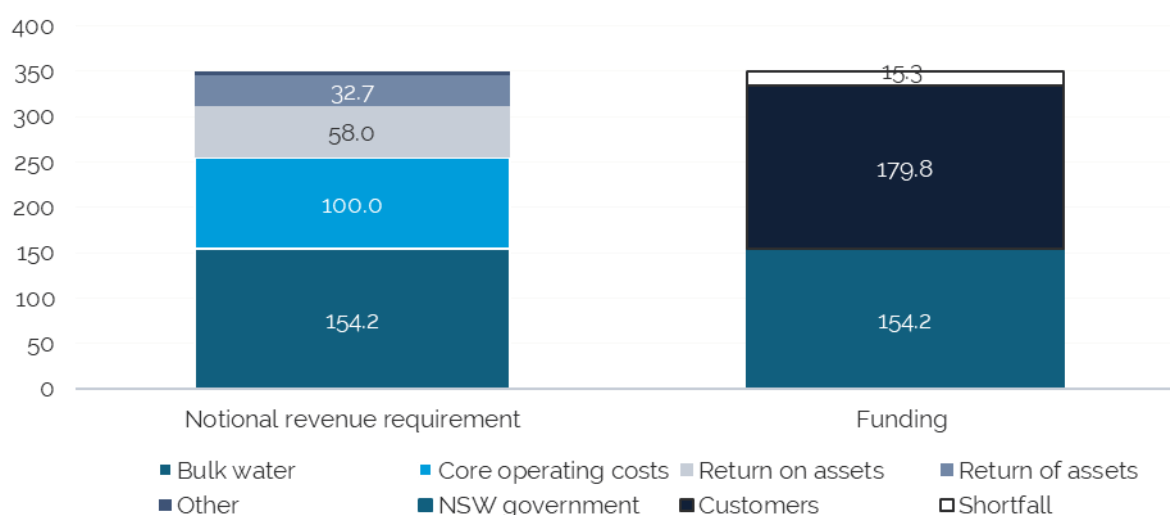
Our decision is to maintain our current approach for setting the water and wastewater service charges for mining customers on the basis that it reflects the impact mining customers has on the costs of water infrastructure and delivery.

This involves increasing the water service supply charge for each of the mines in proportion to the non-residential 20mm water service supply charge.

6.2.6 The pricing approach leads to a funding shortfall of \$15.3 million

We acknowledge that in setting our prices below full cost-reflective levels, Essential Water will not be able to recover full efficient costs through prices. Under our pricing approach, the shortfall is estimated at \$15.3 million (\$2025-26) (plus inflation) over the next 5 years.

Figure 6.2 NRR and funding sources (\$million, \$2025-26)



Source: IPART analysis

We consider this outcome to reflect a reasonable balance of the considerations under section 15(1) of the IPART Act, particularly the social impacts of the determinations and recommendations (section 15(1)(k)) alongside the appropriate rate of return on public assets (section 15(1)(c)).

We considered funding options to meet the shortfall between cost-reflective prices, and our prices

Our Draft Report sought feedback on 3 options by which funding the shortfall may be met. These included:

- A direct contribution from government to contribute to Essential Water's efficient costs as the most straightforward approach, but which would only extend through to 2031.
- A capital grant amount upfront from government, which may provide longer term certainty, but would be less flexible and require a greater expenditure up-front.

- Re-targeting the existing subsidy (for water transportation costs to all customers via the Pipeline) towards residential customers would be revenue neutral to government. This option would not have required more funding from government, but it may lead to steep price increases for non-residential customers and un-link the purpose of existing subsidies.

We did not receive many stakeholder submissions relating to funding options to meet the shortfall.

Essential Water's submission noted its preferred funding method as a capital grant, as it provides longer term and more certain subsidies (in addition to the WaterNSW Pipeline subsidy), reflecting customers' desire for longer term certainty, compared with a direct contribution annually across the determination period. Essential Water submitted that redirecting existing subsidies could harm businesses in the region, and extended this concern to mining businesses.²⁰⁰ It made the additional point that the original NSW Government commitment to a subsidy for the Pipeline did not differentiate between types of customers.²⁰¹

To our Draft Report survey, 37% of respondents thought the shortfall should be funded by a direct subsidy, 34% by a capital grant, and 20% by redirecting some of the existing subsidy for the NSW Pipeline.

We note that to meet the revenue gap of \$15.3 million (required under a direct contribution) the equivalent capital grant would be \$99.0 million (\$2025-26).^e

IPART does not consider there is sufficient stakeholder support or justification for the option whereby the existing Pipeline subsidy is re-targeted. Between the direct contribution and grant options, we do not consider there to be one single appropriate option with both having advantages and disadvantages. In that context, the NSW Government is best placed to manage the form of subsidy which best achieves its budgetary goals.

Our recommendation is therefore that NSW Government subsidise the revenue gap in the way it deems most appropriate.

Recommendation



3. We recommend that the NSW Government fund the \$15.3 million revenue gap associated with the maximum prices Essential Water can charge for water and wastewater services.

^e We note that grants are typically subject to taxation, and have estimate the contribution required on that basis (i.e. we included tax liability in the estimated contribution).

Chapter 7 »

Prices

07

Summary of prices

Maximum water prices will increase over the 2026 determination period

Under our decisions, the bill increase for a household with an annual water usage of 200 kL a year is 5% each year, plus inflation.

The water usage price will remain constant in real terms and only increase by inflation from 2026-27 to 2030-31. At \$2.34 per kL (\$2025-26), our decision is consistent with Essential Water's proposal.

The fixed water service charge would increase by 46.2% over the same period for residential customers and 95.4% for non-residential customers compared to current prices. This is 56.6% to 42.0% lower than Essential Water's proposal by 2030-31 respectively.

This is partly due to us identifying cost efficiencies in Essential Water's operations (see Chapters 3 and 4), and partly because we have capped prices so that the bill increase for a household with an annual water usage of 200 kL a year is 5% each year, plus inflation.

We outline in Chapter 8 why we consider this price structure to be in the customers interests and are consulting on different price structures.

Maximum wastewater prices will increase over the 2026 determination period

Under our decisions the wastewater service charge would increase by 44.4% over the same period for residential customers and 109.8% for non-residential customers compared to current prices.

We have set the wastewater fixed service charge to recover Essential Water's remaining efficient costs, which are 37.3% to 22.5% lower by 2030-31 than Essential Water's proposal respectively.

We have made minor changes to trade waste and miscellaneous charges

Our decisions adopt Essential Water's proposed minor changes to miscellaneous charges so that they reflect the actual costs of delivering the services. Further, some trade waste charges have been updated to reflect contemporaneous departmental advice from DCCEEW.

Essential Water currently provides 2 main services to customers:

- water services
- wastewater services.

Essential Water's prices for water services have 2 components:

- a variable usage price (expressed as dollars per kilolitre of metered water supplied)
- a fixed service price (expressed as dollars per year).

Customers pay a different water usage price if they receive treated water, chlorinated water or untreated water. This reflects the different costs involved in supplying these different types of water services to customers. Under our decisions, usage charges for untreated and chlorinated water will align with each other by the third year of the determination.

For Essential Water's wastewater services:

- Residential customers pay a fixed service price, which is the same for houses and apartments. It comprises an access charge and a deemed wastewater usage charge.
- Non-residential customers pay a fixed service price based on their meter size, and a variable usage price for actual discharges into the wastewater system.^a

Essential Water provides some recycled water services, which are not price regulated (under our decisions). We have also set prices for Essential Water's trade waste services.

This chapter sets out the maximum prices for Essential Water's regulated services under our decisions. We present prices in this chapter in \$2026-27 terms for prices from 1 July 2026, and \$2025-26 terms for current (2025-26) prices only.

Our decisions are:



20. To set Essential Water's maximum water usage charges as shown in Table 7.1.

21. To set Essential Water's maximum water service charges as shown in:

- Table 7.2 for residential customers
- Table 7.3 for non-residential customers.

22. To set Essential Water's maximum usage charge for wastewater as shown in Table 7.5.

23. To set Essential Water's wastewater service charges as shown in:

- Table 7.6 for residential customers
- Table 7.7 for non-residential customers.

^a The service price for each customer is scaled up from the base 20mm meter price to reflect the actual size of their meter before a discharge factor is applied.

7.1 Decisions on maximum water and wastewater prices

7.1.1 Water charges

The tables below present our decisions on maximum fixed and variable prices for water services. These prices are in \$2026-27, which means they will be adjusted for inflation from 2027-28 onwards.

Water usage charges increase by inflation only

Treated water charges will increase only with inflation, as our decision is to hold the water usage charge at the current price and increase only by inflation, which results in a charge of \$2.34/kL in 2026-27.

Untreated – Essential Water Pipeline (EW Pipeline) water will increase gradually from \$1.67 in 2025-26 to \$2.05/kL (plus inflation), to match the existing (and unchanged) prices for untreated non-pipeline water, and chlorinated water.^b

Chlorinated water will increase from \$1.97 in 2025-26 to \$2.05 in 2026-27 and then increase only with inflation to match prices for untreated water.

As discussed in Chapter 6, we consider the water usage charge effectively balances the SRMC as well as health impacts and assumed continuation of the Pipeline subsidy.

Table 7.1 Water usage charges (\$/kL, \$2026-27)^a

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Treated	2.25	2.34	2.34	2.34	2.34	2.34
Chlorinated	1.97	2.05	2.05	2.05	2.05	2.05
Untreated – EW Pipeline	1.67	1.84	1.95	2.05	2.05	2.05
Untreated – Non-pipeline	1.97	2.05	2.05	2.05	2.05	2.05

a. a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Water service charges to be capped for residential customers

Our decisions set water bills for residential customers so that the overall bill impact for a modest water user is an average annualised increase of 5% for the combined water and wastewater bill from 2026-27 to 2030-31. This was a result of our affordability analysis and discussion in Chapter 8.

With water usage charges to be held constant before inflation, this results in an overall increase for residential service charges of 46.2% and 95.4% for non-residential customers by 2030-31.

^b This refers to the Essential Water Pipeline, from Menindee, and not the WaterNSW Pipeline from the Murray River.

Table 7.2 Water service charge for residential customers (\$/year, \$2026-27)^a

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Change 25-26 to 30-31
Essential Water proposed	409.39	569.59	733.43	920.69	1,135.25	1,380.37	237.2%
Annual change (%)	N/A	39.1%	28.8%	25.5%	23.3%	21.6%	N/A
IPART decision	409.39	493.35	545.94	564.18	581.76	598.48	46.2%
Annual change (%)	N/A	20.5%	10.7%	3.3%	3.1%	2.9%	N/A

a. a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Table 7.3 Water service charge for non-residential customers (\$2026-27)

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Change 25-26 to 30-31
Essential Water proposed							
20mm	409.39	569.59	733.43	920.69	1,135.25	1,380.37	237.2%
Other sizes	$(\text{Meter size in mm})^2 \times \text{wastewater service charge for a 20mm Meter for the applicable Period}$						
			400				
Annual change (%)	N/A	39.1%	28.8%	25.5%	23.3%	21.6%	N/A
IPART decision							
20mm	409.39	622.83	740.13	759.46	779.64	800.12	95.4%
Other sizes	$(\text{Meter size in mm})^2 \times \text{wastewater service charge for a 20mm Meter for the applicable Period}$						
			400				
Annual change (%)	N/A	52.1%	18.8%	2.6%	2.7%	2.6%	N/A

a. a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Table 7.4 Water service charge for mining customers (\$'000/year, \$2026-27)

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Change 25-26 to 30-31
Essential Water proposed							
Perilya Ltd.	2,875.55	4,000.82	5,151.61	6,466.89	7,973.95	9,695.70	237.2%
BHM Ltd.	693.62	965.05	1,242.64	1,559.90	1,923.43	2,338.74	237.2%
IPART decision							
Perilya Ltd.	2,875.55	4,374.76	5,198.69	5,334.44	5,476.17	5,620.03	95.4%
BHM Ltd.	693.62	1,055.25	1,254.00	1,286.74	1,320.93	1,355.63	95.4%

a. a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

7.1.2 Wastewater charges

Wastewater usage charge is held constant in real terms at current level

As with water service charges, our decision is to maintain the existing wastewater usage charge in real terms for the 2026 determination period. That is, a deemed usage charge of \$167.00 for residential customers and a charge of \$1.67/kL (\$2026-27) for non-residential customers.

Table 7.5 Wastewater usage charge (\$/kL, \$2026-27)^a

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Essential Water proposed	1.60	1.67	1.67	1.67	1.67	1.67
IPART decision	1.60	1.67	1.67	1.67	1.67	1.67

a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Note: These prices are to be maintained over the 2026 determination period in nominal terms.

Wastewater service charges are increasing

The wastewater service charge is set to recover the remaining revenue requirement and recover efficient costs.

As discussed above in relation to water prices, our decisions set wastewater bills for residential customers so that the overall bill impact for a modest water user is an average annualised increase of 5% for the combined water and wastewater bill from 2026-27 to 2030-31.

Table 7.6 Wastewater charges for residential customers (\$2026-27)

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Change 25-26 to 30-31
Essential Water proposed							
Deemed usage charge	160.00	166.56	166.56	166.56	166.56	166.56	4.1%
Service charge – adjusted	492.33	631.79	770.24	931.33	1,118.75	1,336.80	171.5%
Total charge	652.33	798.35	936.80	1,097.89	1,285.31	1,503.36	130.5%
Annual change (%)	N/A	22.4%	17.3%	17.2%	17.1%	17.0%	N/A
IPART decision							
Deemed usage charge	160.00	167.00	167.00	167.00	167.00	167.00	4.4%
Service charge – adjusted	492.33	524.02	554.05	622.57	696.07	774.99	57.4%
Total charge	652.33	691.02	721.05	789.57	863.07	941.99	44.4%
Annual % change	N/A	5.9%	4.3%	9.5%	9.3%	9.1%	N/A
Difference (%)		-13.4%	-23.0%	-28.1%	-32.9%	-37.3%	N/A

a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Table 7.7 Unadjusted wastewater service charges for non-residential customers (\$2026-27)^a

	Current 2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Change 25-26 to 30-31
Essential Water proposed							
20mm	726.20	929.10	1,132.71	1,369.60	1,645.22	1,965.89	170.7%
Other sizes	$\frac{(\text{Meter size in mm})^2 \times \text{wastewater service charge for a 20mm Meter for the applicable Period}}{400}$						
Annual change %	N/A	27.9%	21.9%	20.9%	20.1%	19.5%	N/A
IPART decision							
20mm	726.20	972.87	1,104.61	1,232.45	1,371.80	1,523.68	109.8%
Other sizes	$\frac{(\text{Meter size in mm})^2 \times \text{wastewater service charge for a 20mm Meter for the applicable Period}}{400}$						
Annual change %	N/A	34.0%	13.5%	11.6%	11.3%	11.1%	N/A
Difference (%)	N/A	4.7%	-2.5%	-10.0%	-16.6%	-22.5%	N/A

a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

7.2 Our decision is to continue to not set recycled water prices

Our decisions are:



24. To continue not setting recycled water prices.

25. To deduct 50% of the revenue received from recycled water sales from Essential Water's notional revenue requirement for regulated services.

We decided to continue not setting recycled water prices, as well as deducting 50% of the revenue from recycled water sales from the Essential Water's NRR for regulated services.²⁰²

Essential Water supplies recycled water (or effluent water) to a small number of customers for non-potable uses, following treatment of wastewater.

Prices for recycled water are presently not regulated on the basis that services are provided to customers voluntarily, and the customer could choose to purchase regulated water services instead. 50% of the revenue from recycled water sales is deducted from the NRR for regulated services.²⁰³

In 2019 IPART undertook a review of pricing arrangements for recycled water and other services. In its review, IPART changed the regulatory framework for utilities for recycled water services and encouraged unregulated pricing agreements for utilities to charge for recycled water in most settings.²⁰⁴

7.3 Our decision is to maintain the current price structures for unmetered properties and unconnected properties

Our decision is:



26. To maintain the current price structures for unmetered properties but to apply residential and non-residential charges aligning with the type of customer.
27. To maintain the current price structures for unconnected properties.

Our decision is to broadly accept Essential Water's proposal and maintain the current price structures for unmetered properties and unconnected properties in the upcoming determination period.²⁰⁵

7.3.1 We decided to broadly maintain the current price structure for unmetered properties

Consistent with our pricing principles, unmetered residential and non-residential properties should pay the standard residential water and wastewater service price^c, plus a deemed level of water consumption.

Essential Water proposed to maintain the existing structure, which is that unmetered residential and non-residential customers are subject to:

- the standard residential water service charge
- a water usage price for a deemed consumption of 300 kL/year, for the applicable water quality
- the standard residential sewerage charge (which includes a deemed discharge of 100 kL/year).²⁰⁶

As the average level of residential water consumption was 230 kL/year in the 2022 determination period²⁰⁷, our decision is to maintain the deemed consumption amount at 300 kL/year for unmetered properties. By setting the deemed consumption amount higher, this may provide an incentive for small water users to have a meter installed.

^c The standard residential wastewater service price includes a deemed discharge allowance of 100 kL/year.

As our prices now use different charges for residential and non-residential customers, our decision on unmetered properties is to apply the respective charges at the 300 kL deemed consumption. Essential Water advise there are only 2 unmetered properties and it would be able to distinguish between residential and non-residential.

7.3.2 We have decided to maintain the current price structure for unconnected properties

Our decision is to maintain the current price structure for unconnected properties (including properties disconnected due to non-payment), that is, not charging unconnected properties.²⁰⁸ This is consistent with Essential Water's proposal.

In 2022, our reasoning for this position was that:

- unconnected properties do not directly impose costs on Essential Water's network
- properties that have been disconnected due to non-payment of fees should not continue to be levied water or wastewater charges.²⁰⁹

Essential Water may levy water and wastewater service charges to unconnected properties under the *Water Management Act 2000*, as long as, in the utility's opinion, it is reasonably practicable for water and wastewater services to be provided to that land.²¹⁰

However, in practice it is very difficult to recover charges, especially when owners cannot be traced, which causes additional expenses in debt recovery. It is therefore pragmatic to set water and wastewater charges to zero for unconnected properties.

7.4 Decisions on trade waste and miscellaneous charges

Our decision is:



28. To set Essential Water's trade waste and miscellaneous charges as shown in Appendix C.2 and C.3.

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

- trade waste charges - which mainly involve commercial and industrial customers who discharge more concentrated waste into Essential Water's wastewater system than regular domestic wastewater.²¹¹
- miscellaneous charges - for other monopoly services that Essential Water provides, such as damaged meter replacements and conveyancing certificates.²¹²

Both trade waste and miscellaneous charges account for a minor part of Essential Water's total revenue. In 2025-26, revenue from these charges is estimated to be around \$1.9 million – roughly 0.6% of its notional revenue requirement.

The full schedule of trade waste and miscellaneous charges are provided in Appendix C.2 and C.3.

We continue to align Essential Water's trade waste prices with DCCEEW guidance

While it has a trade waste policy^d, which is consistent with DCCEEW's guidelines^e, in our 2019 review we found that Essential Water was not recovering the costs of providing trade waste services to its customers.²¹³ We set its trade waste prices with reference to DCCEEW's Liquid Trade Waste Regulation Guidelines (DCCEEW's guideline prices), and included a 10-year transition period to avoid price shock.²¹⁴

In our 2022 review, Essential Water indicated it had not applied these trade waste prices to most customers and therefore proposed keeping in place the transition paths from the 2019 review, planning to implement trade waste prices in January 2023.²¹⁵ This approach maintained the transition path recommendations.²¹⁶

In its pricing proposal, Essential Water noted that it was not able to implement trade waste prices in the current determination period.²¹⁷ Essential Water anticipates completing the necessary actions to apply trade waste prices from 1 July 2026.²¹⁸

Since receiving Essential Water's proposal, we received updated guidelines from DCCEEW for trade waste fees and charges (provided for 2024-25). Our draft decision on fixed trade waste prices was to align prices to the new DCCEEW guidance, and where guidance was not available, update only for inflation.

As neither Essential Water nor other stakeholders indicated issues with this approach, our final decision is to uphold our draft decision.

Volume- and mass-based trade waste prices continue to transition to align with DCCEEW guidance

In line with the price transition path set in the 2019 review, Essential Water proposed to charge 80% of guideline variable prices in 2026-27, 90% in 2027-28 and 100% in 2028-29 (that is, full alignment with guideline prices by 2028-29).²¹⁹ Our decisions set volume-based prices that are updated to reflect the DCCEEW's 2024-25 guideline prices, and continue on the price transition path set in our 2019 review.

In its pricing proposal, Essential Water stated that although it is required to published mass-based charges, it does not currently have any mass-based (Category 3) customers.²²⁰ Essential Water did not propose mass-based charges, however, its trade waste revenue and forecasts are based on the transition path.

Our decisions include charges for mass-based trade waste prices which follow DCCEEW's 2024- 25 guidance, which is a shorter list of items than that in the last Determination (from 49 items to 18), with prices following the transition path.

^d Essential Water, [Water: Discharge of Liquid Trade Waste Policy CEOM7046](#), September 2022.

^e Department of Climate Change, Energy, the Environment and Water, [Liquid Trade Waste Management Guidelines](#), 2021.

Our decisions align NRR with expected trade waste revenue at cost-reflective levels

In our 2019 and 2022 reviews, IPART subtracted \$377,000 (\$2018-19) and \$395,000 (\$2021-22) per year from Essential Water's wastewater NRR, respectively.²²¹ This represented the revenue that Essential Water would receive under fully cost-reflective (guideline) prices, on the basis that other sewerage customers should not pay for trade waste services.²²² This shortfall was recovered by a NSW Government subsidy across both reviews.²²³

To date, Essential Water has not implemented the prices set in the price transition path in our 2019 pricing review. Therefore, Essential Water has not received trade waste revenue under transitioned prices and has absorbed these costs.

For the 2026 determination period Essential Water proposed that revenue and prices be based on its projections (which reflect transitioning prices) and the shortfall is too small to warrant further recommendations to government for a dedicated subsidy. Therefore, the wastewater NRR would be deducted by Essential Water's forecast trade waste revenue under transitioning prices (its expected revenue), rather than revenue under fully cost-reflective prices.

We consider this to be a reasonable approach and our decisions reflect accepting their proposal. Our NRR for Essential Water for the 2026 determination deducts only expected (forecast) trade waste revenue from wastewater NRR.

We consider the shortfall in revenue for Essential Water to be manageable, as outlined in Table 7.8. The shortfall would be \$0 by 2028-29 of the determination period as prices would be fully transitioned by year 3. The shortfall would be borne by other wastewater customers, and over a 5-year determination period, this would reflect as around \$4.39 (\$2025-26) per annum per 20mm equivalent customer bill for wastewater customers.

Table 7.8 Trade waste shortfall over the upcoming determination period (\$'000) (\$2026-27)

	2026-27	2027-28	2028-29	2029-30	2030-31
Estimated trade waste revenue under guideline prices	333	333	334	334	335
Estimated trade waste revenue under transitioning prices	187	309	334	334	335
Shortfall	146	24	0	0	0

b. a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Source: IPART analysis and Essential Water, Trade Waste Projections 2026-31, October 2025.

Our decisions include Essential Water's proposed increases, additions and removal to its miscellaneous charges

For the upcoming determination period, Essential Water proposed:

- **Increases to 10 charges** to reflect material increases in its efficient costs.²²⁴ These increases include updating external contractor fees, internal labour rates, and material and mobilisation costs to cost-reflective levels.
- **2 new charges** to cover the cost of services which are currently being provided but which are not being recovered.²²⁵ These are:
 - Reprint of a statement and send by mail, and
 - Standpipe hire – connection fee (to cover account set up, key and swipe card).
- **The removal of 1 charge** (the full conveyancing certificate with history search fee) as this category has never been used, and the other conveyancing certificate miscellaneous charges cover all potential requirements.²²⁶
- 44 miscellaneous charges are held constant in real terms:
 - 30 charges are proposed to increase by Consumer Price Index (CPI)
 - 14 services are proposed to continue to be charged by quote or have no fee.²²⁷

Our decisions adopt Essential Water's proposed miscellaneous charges on the basis these charges are a reasonable reflection of the efficient costs of providing these services.

Our decisions on Essential Water's miscellaneous charges are set out in Appendix C.3.

Chapter 8 »

Impacts of decisions



Summary of decisions on the impact of our prices

Typical water and wastewater bills will increase by \$84 on average each year over the next 5 years from 1 July 2026 (plus inflation)

Under our decisions, typical household water and wastewater bills will increase by \$84 (or 4.7%) each year from 1 July 2026 for 5 years plus inflation. This is less than Essential Water's proposal to increase typical water and wastewater bills by \$342 or 15.5% per year. Bills will be on average 27.0% less each year than under Essential Water's proposed prices.

Bills would have increased by \$172 (or 8.9%) on average each year over the next 5 years if we had set full cost recovery prices.

With forecast inflation of 4.1% in 2026-27, the typical household bill will increase by \$145 (or 8.9%), in nominal terms starting 1 July 2026.

Pensioner rebates are out of step with prices in Broken Hill

Pensioners are eligible for an annual rebate of \$175 (total across the fixed service charges). This value has not changed since 1993, and does not index with inflation.

We note there is a current NSW Government review on how to improve the effectiveness of existing rebates to provide greater support to those that are most in need of financial support. We support this review, and note the increasing gap between bill prices and rebates for pensioners in Broken Hill.

We reiterate our recommendations from previous water pricing reviews on potential considerations for rebates and on completing the pensioner rebate review as a matter of urgency.

Non-residential customer bills will increase on average between 3.1% and 11.8%

We analysed a sample of non-residential customers, and these would see an annual average increase of between 3.1% and 11.8%. The price increases represent the full cost recovery prices. We consider that these prices represent a lower risk than residential customers, particular in regard to mining businesses.

We present prices in this chapter in \$2026-27 terms for prices from 1 July 2026, and \$2025-26 terms for current (2025-26) prices only, except where specified.

8.1 Our decision caps residential prices for affordability

8.1.1 Household customers

In discussing a typical household bill, we refer to the combined water and wastewater bills a household of 3 to 4 people living in a house would pay.^a

Under our maximum prices, a typical household bill for water and wastewater services will increase by around \$84 (or 4.7%) on average each year over 5 years plus inflation (in \$2025-26). This is less than the yearly increases under Essential Water's proposed prices (\$342 or 15.5%).^b

The typical household bill will increase from \$1,624 in 2025-26 to:

- \$1,769 in 2026-27 with inflation
- \$2,125 in 2030-31 (plus inflation from 2027-28).

With inflation of 4.1% in 2026-27 prices, the typical household bill will increase by \$145 (or 8.9%) to \$1,769 in nominal terms starting 1 July 2026.

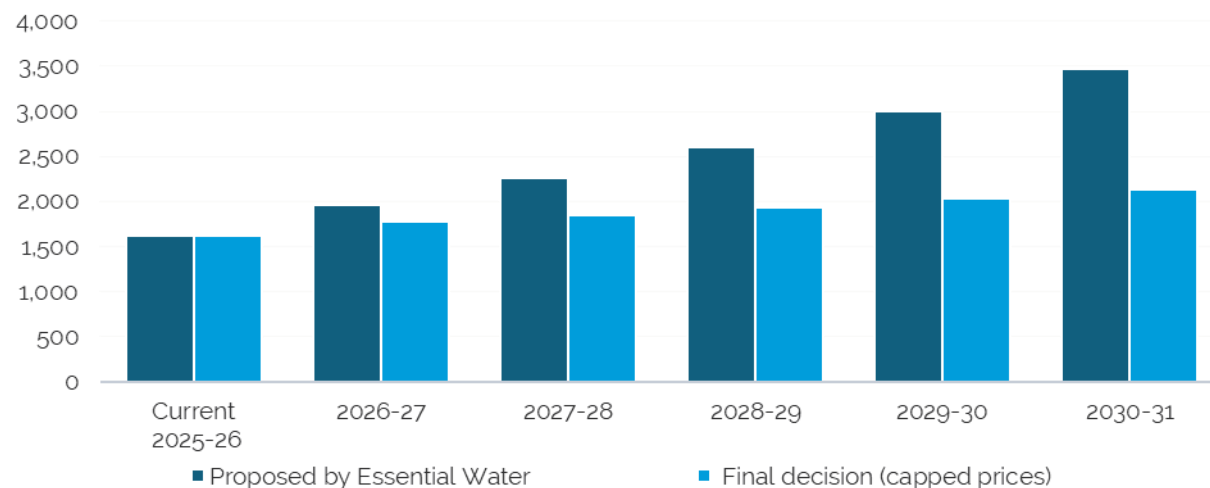
Figure 8.1 compares the current typical household bill and a typical household bill under Essential Water's proposed prices and our decisions. It includes:

- Essential Water's proposed prices
- our final decision which caps residential prices so that customers with an annual water usage of 200 kL have a 5% annual average bill increase over the 2026 determination period.

^a This is based on consumption of 250 kilolitres a year, which is the average amount of water an individually metered house in Essential Water's area of operations uses.

^b In \$2025-26 terms.

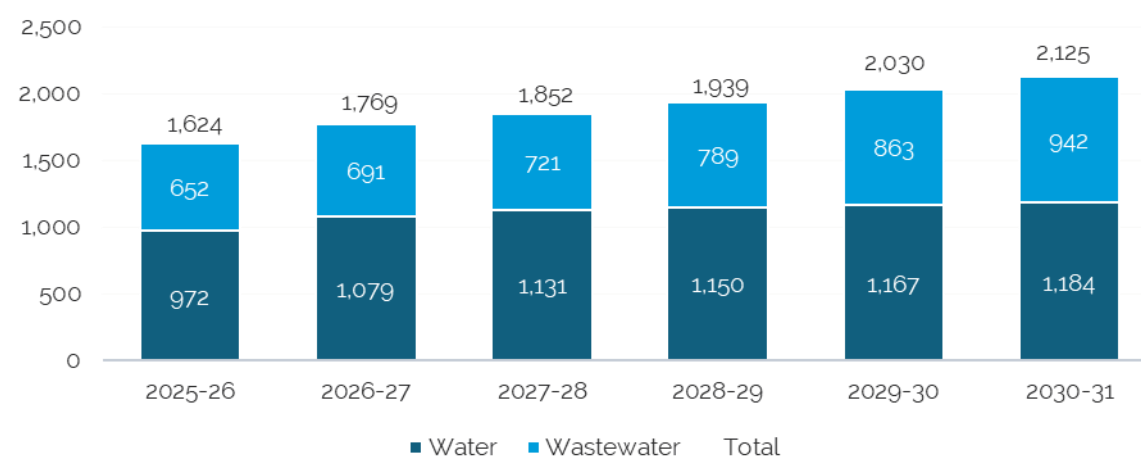
Figure 8.1 Typical household water and wastewater bills under our final decision prices compared to Essential Water's proposal (\$2026-27)



Note: Typical household water and wastewater bills are based on a customer living in a house and using 250 kL/year. Bills in 2025-26 reflect current bills. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.
Source: IPART analysis.

Figure 8.2 shows the typical household water and wastewater bill would increase under our prices. It shows that the bill increases by \$145 (or 8.9%) in 2026-27 with inflation, then by an average yearly amount over the 4 years from 2026-27 to 2030-31 of \$26 (or 2.4%) for water bills and \$63 (or 8.1%) for wastewater bills, plus inflation.

Figure 8.2 Typical bill increases under our final decision (\$2026-27)^a



Notes: A typical household bill is based on a customer living in a house and using 250 kL/year. 2025-26 bills are presented in \$2025-26. Bills from 2026-27 onwards are presented in \$2026-27. Bills in 2026-27 include inflation, bills from 2027-28 do not include inflation for the year.
Totals may not sum due to rounding.
Source: IPART analysis.

For other households, starting 1 July 2026, bills will increase on average each year (in addition to inflation) by:

- \$84 (or 5.8%) for a typical small household living in a standalone house
- \$84 (or 3.9%) for typical large household living in a standalone house
- \$84 (or 5.5%) for pensioner households (couples) without a rebate and \$88 (or 6.6%) with a rebate
- \$84 (or 5.9%) for pensioner households (singles) without a rebate and \$88 (or 7.0%) with a rebate.^c

Based on forecast inflation of 4.8%, water and wastewater bills will increase in the first year of the 2026-31 determination period from 1 July 2026 by:

- \$132 (or 10.2%) for a typical small household living in a standalone house
- \$159 (or 8.1%) for a typical large household living in a standalone house
- \$134 (or 9.9%) for pensioner households (couples) without a rebate, and by \$134 (or 11.4%) with a rebate
- \$131 (or 10.3%) for pensioner households (singles) without a rebate, and by \$131 (or 12.0%) with a rebate.

Table 8.1 presents bill impacts under our prices for a range of households under our final prices.

^c We note that Pensioners who receive a rebate would see their bills increase slightly more, before inflation, compared to other residential customers. This is because the pensioner rebate (set by NSW Government) is fixed in nominal terms at a maximum of \$175 per annum. Bills for pensioners remain lower with the rebate than they would be without the rebate.

Table 8.1 Bill impacts for residential customer types for water and wastewater (\$2026-27)^a

Customer	Water usage (kL/yr)	2025-26 Current	2026-27	2027-28	2028-29	2029-30	2030-31	Average annual change
Owner-occupiers								
Small household	100	1,287	1,418	1,501	1,588	1,679	1,774	6.6%
Household with modest usage	200	1,512	1,652	1,735	1,822	1,913	2,008	5.8%
Typical household	250	1,624	1,769	1,852	1,939	2,030	2,125	5.5%
Large household	400	1,962	2,120	2,203	2,290	2,381	2,476	4.8%
Pensioner – couple (without rebate)	130	1,354	1,489	1,571	1,658	1,749	1,845	6.4%
Pensioner – couple (rebate)	130	1,179	1,314	1,400	1,491	1,587	1,686	7.4%
Pensioner – single (without rebate)	90	1,264	1,395	1,478	1,564	1,655	1,751	6.7%
Pensioner – single (rebate)	90	1,089	1,220	1,307	1,398	1,493	1,593	7.9%
Renters with a separate meter								
Renter – small household	100	225	234	234	234	234	234	0.8%
Renter – household with modest usage	200	450	468	468	468	468	468	0.8%
Renter – typical household	250	563	585	585	585	585	585	0.8%
Renter – large household	400	900	936	936	936	936	936	0.8%
Renter – pensioner couple (no rebate)	130	293	304	304	304	304	304	0.8%
Renter – pensioner single (no rebate)	90	203	211	211	211	211	211	0.8%

a. 2025-26 charges are presented in \$2025-26. Charges from 2026-27 onwards are presented in \$2026-27. Charges in 2026-27 include inflation, charges from 2027-28 do not include inflation.

Note: Pensioners who receive a rebate would see their bills increase slightly more, before inflation, compared to other residential customers. This is because the pensioner rebate (set by NSW Government) is fixed in nominal terms at a maximum of \$175 per annum. Source: IPART analysis.

Water bills for renters will remain constant in real terms

Essential Water sends bills to property owners. However, property owners can pass on the water usage component of their bills to their tenants and may also increase rent to cover additional water costs associated with fixed charges.^d Tenants in this situation would not experience a real increase in their bills, as we have not changed the water usage charge under our prices (other than by inflation), assuming behaviour remains unchanged. However, they may face higher rent payments should the higher fixed charges paid by landlords be passed onto renters over the long term.

^d Property owners cannot pass on the fixed service charge components of their bill directly to tenants. However, the level of fixed service charges may be a consideration in the rent landlords charge, particularly in the longer term.

Fixed charges will increase for owners of rental properties

The bills paid by owners of rental properties include the fixed water service charge, fixed wastewater service charge and a deemed wastewater usage charge. Bills paid by property owners leasing out a house will increase by \$84 (or 6.9%) per year on average over the determination per year before inflation and \$123 (or 11.6%) in 2026-27 with inflation.

It should be noted that while landlords cannot directly pass on fixed water costs to tenants, there is the possibility that the increase in fixed costs could lead to an increase in rent charged to tenants.

8.2 Affordability is a key concern for the community

Affordability and high inflation were key concerns among stakeholders for this review, and Essential Water itself highlighted affordability issues associated with its proposal both in its pricing proposal and in its submission to our Draft Report.²²⁸ We recognise that any price increases could have substantial impacts on customers, including pensioners.

8.2.1 Bills as a proportion of income would be too great under full cost recovery prices

For the purposes of this report, we consider a household spending more than 3% of their income on water and wastewater bills as being in 'water stress', as proposed by the United Nations (UN).²²⁹

The UN doesn't specify whether this threshold is based on gross or disposable income. We have used disposable income for our affordability analysis in this report as it represents a more realistic estimate of cash available for households to spend.^e

Our estimates of household disposable incomes are based on data from the Australian Bureau of Statistics. Because there is no direct way to measure household disposable income, we used estimated effective tax rates for different national income levels and applied them to the income distribution of households within the Broken Hill area.

Affordability for a typical household becomes better under our decisions compared with Essential Water's proposal

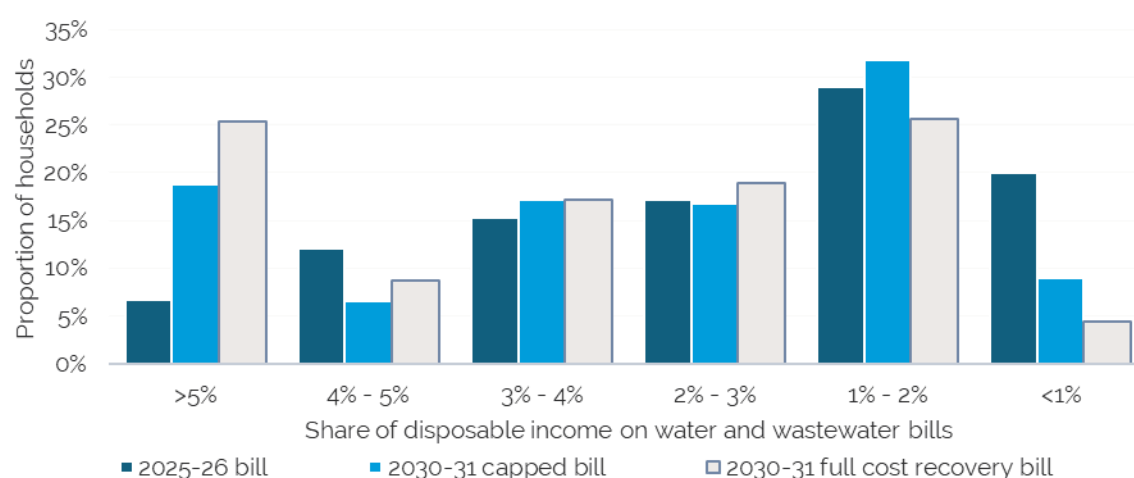
Figure 8.3 shows how the estimated distribution of Essential Water customers based on estimated percentage of disposable income spent on the typical water and wastewater bill under current prices and maximum prices starting 1 July 2026.

^e Gross household income was used in affordability analysis for the 2025 reviews of the maximum prices for Sydney Water and Hunter Water.

For affordability we estimated a proportion of households over the 3% water stress threshold would rise from 21% in 2025-26 to:

- 49% under Essential Water's proposed prices, with an average spend for those customers \$2,410 over the threshold in 2030-31
- 29% under our prices, capping annualised combined water and wastewater price increases to 5% for a modest water user with an average spend for those customers \$1,140 over the threshold in 2030-31.

Figure 8.3 Distribution of Essential Water customers based on estimated percentage of disposable income spent on water bills (200 kL user)



Note: While a typical household uses 250 kL pa, this chart reflects a modest water user at 200 kL as our affordability considerations were based on a modest water user.

Source: 2021 ABS census data, ABS Australian National Accounts: Distribution of Household Income, Consumption and Wealth, 2021-22 data (for household effective tax rates by income brackets), IPART analysis.

Table C.20 in Appendix C shows affordability ratios for owner-occupier households under our decisions. Households earning a median disposable income in the Broken Hill local government area of around \$71,700 would see their affordability ratio increase from:

- 2.3% in 2025-26 to 2.8% in 2030-31 for a typical household
- 2.7% in 2025-26 to 3.3% in 2030-31 for a large household (who own their own home, live in a house with a big garden and/or pool and have relatively higher water use).

Affordability for customers experiencing vulnerability is an even larger issue

Not all customers have the typical usage of 250 kL/year or pay all water and wastewater charges. For example, renters might only directly pay the water usage charge depending on their circumstances, and apartments typically use less water than houses.

Tables C.20 to C.22 in Appendix C show our analysis on how various income groups, households experiencing vulnerability, and renters might be impacted under our decisions.

We included in our affordability analysis households experiencing vulnerability, that is, those on government support payments that and their proximity to the 3% water stress threshold.

Under our prices:

- renters on low income in a large household: 2.3% in 2025-26 to 2.3% in 2030-31
- pensioner couples with the pensioner rebate: 2.5% in 2025-26 to 3.4% in 2030-31 (compared with 4.4% at full cost recovery)
- pensioner couples without the pensioner rebate: 2.9% in 2025-26 to 3.8% in 2030-31 (compared with 4.7% at full cost recovery).

Pensioner couples who don't apply for the pensioner rebate are close to water stress under current prices and would be 0.8% above the 3% threshold in 2030-31 under our decision. However, it is likely that most pensioners would claim the rebate. This would bring pensioner couples to 3.4% of estimated disposable income which is 0.4% above the 3% threshold. Our recommendations to the NSW Government for pensioner rebates are discussed further in section 8.2.3.

8.2.2 Our affordability analysis doesn't factor in potential real wage increases

Our analysis on affordability does not factor in potential real increases in disposable household incomes that may occur over the determination period. The May 2026 RBA Statement of Monetary Policy (SMP) forecasts an increase in real disposable household income of between 1.1% and 1.8% from now to December 2028.²³⁰ We note that if this increase is broadly uniform across income groups, this would lead to an improvement in affordability metrics presented in this report.

8.2.3 Pensioner rebates provide insufficient financial assistance

We are conscious the \$175 pensioner rebate to eligible customers has not increased since 1993, including through periods of high inflation. The pensioner rebate would be around \$423 if it had been adjusted for inflation since being set.

The pensioner rebate is available to Pension Concession Card holders and Department of Veteran Affairs Gold Card holders. Eligibility includes customers receiving the aged pension, disability support pension, the carer payment, the parenting payment and some JobSeeker recipients.²³¹

Our analysis of pensioner rebates shows that the rebate is currently insufficient to bring eligible pensioners above the water stress threshold for both single and couple households receiving the aged pension, disability support pension and carer payment. By the end of the determination period, households receiving these pensions (and the pension rebate) will be further below the threshold (see Appendix C.5).

We also find that other low-income groups that are not eligible for the pensioner rebate may see their bills increase beyond the 3% water stress threshold (see Appendix C.4).

The rebate available to Essential Water customers is significantly lower than the rebate available to pensioners served by both Hunter Water and Sydney Water.

In our 2022 Essential Water pricing review, we recommended the NSW Government review pensioner concessions for water and wastewater bills across NSW.²³² In our reviews of Sydney Water and Hunter Water prices, we made recommendations that in reviewing pensioner rebates NSW Government considers:

- targeting rebates to assist those most in need
- aligning goals, objectives and outcomes across NSW
- temporarily expanding eligibility to households that hold either a Health Care Card or Low Income Health Care Card
- exploring the merits of a utilities rebate
- expediting the review as soon as possible.²³³

We reiterate our recommendations and note the current NSW Government review on how to improve the effectiveness of existing rebates to provide greater support to those that are most in need of financial support. We support this review in line with our previous recommendations on considerations, and note the increasing gap between bill prices and rebates for pensioners in Broken Hill.

We note that IPART has been calling for reform of pensioner rebates through multiple pricing reviews. The maximum rebate of \$175 a year means that delays in the ongoing review of rebates causes continued real reductions in support for pensioners in Broken Hill and across NSW.

Recommendation



4. We recommend that the NSW Government completes its review of water rebates as soon as possible, incorporating considerations which IPART has highlighted over several water pricing reviews.

8.3 Non-residential customers

Non-residential customers' bills depend on several factors, including their water and wastewater usage, which can vary significantly depending on the size and nature of the customer. Bills also depend on meter configuration and trade waste discharge factors, as well as the catchment the customer is served by.

We explored the indicative bill impacts on a sample of non-residential business types.^f For that sample (shown in Appendix C.4) we found that on average from 1 July 2026 to 30 June 2031:

- increases will range between 3.1% to 11.8% per year plus inflation for non-residential customers, with lower average yearly changes for non-residential customers with greater water usage
- small businesses using 250 kL/year will see bill increases of 8.4% per year plus inflation

^f This includes impacts of water, wastewater and where applicable, trade waste prices.

- medium public hospital using 20,000 kL/year will see bill increases of 3.2% per year plus inflation
- mining customers will see bill increases of 6.9% to 8.5% per year plus inflation.

Under our final prices, a commercial – low use non-residential bill (250 kL usage) of \$1,760 in 2025-26 will increase by around:

- \$421 (23.9%) to \$2,181 in 2026-27, with inflation
- \$984 (55.9%) to \$2,744 in 2030-31, plus inflation from 2027-28

Appendix C.4 presents the bill impacts for various non-residential customers.

8.3.1 We did not identify affordability challenges for mining customers

IPART conducted affordability analysis on the impact of the rate increases on the two mining customers in Broken Hill.^g Combined, these mines comprise Essential Water's two largest customers and approximately 30% of Essential Water's revenue base.

IPART examined financial data for the two mines to understand the financial impact of our price increases. IPART modelling estimates the price increases would increase direct production costs^h on the order of 1% over the next determination period.ⁱ Both mines appear to be financially sound and broadly profitable.^j

We note these mining customers did not attend our Public Hearing or make a submission to our Issues Paper or Draft Report.

As noted in Chapter 6, The Association of Mining and Exploration Companies (AMEC) made a submission to the associated [WaterNSW Pipeline Draft Report](#), which encouraged "the NSW Government to continue the Broken Hill Pipeline subsidy to ensure the long-term affordability, economic stability and social sustainability of Broken Hill and its industries."²³⁴ AMEC did not raise further affordability concerns.

^g Perilya Limited and Broken Hill Mining (formerly CBH), which run the two primary mining operations in Broken Hill.

^h As reflected in Cost of Sales, which captures the direct costs of producing or purchasing goods sold during a period.

ⁱ Perilya Limited is a private company which does not release financial data. IPART has acquired financial statement data from IBISWorld but note these are modelled estimates only. [BHM 2025 Financial Report](#), page 12, cost of sales.

^j IPART acquired credit report data for Perilya Ltd, which did not show any indicators of poor financial health, IPART examined publicly available share price data for BHM and their ASX disclosures. BHM's share price has increased significantly since the company was listed in July 2025 while their 2025 Financial Report listed a profit. Together, these suggest sound financial health.

8.4 Impacts of our decisions on Essential Water's financial sustainability

When setting prices, we consider the financial sustainability of the business resulting from pricing decisions. To do this, we undertake a financeability test to assess how our price decisions are likely to affect the business's financial sustainability and ability to raise funds to manage its activities, over the upcoming regulatory period.

We assessed Essential Water's financeability over the 2026 determination by analysing its forecast financial performance, financial position, and cash flows for the benchmark business. We then forecast financial ratios for and assessed Essential Water's financial ratios compared to our target ratios. We have calculated the indicators based on the NRR and prices, using a WACC of 3.7%.

We did not identify a financeability concern for Essential Water that needs to be addressed in this review. It is our view that it can remain financially sustainable and continue to provide sustainable services over the 2026 determination period.

See Appendix C.6 for our detailed financeability analysis.

8.4.1 Implication for general inflation

Under Section 15(1)(d) of the *IPART Act 1992 (NSW)*, we are required to consider the effect of our determinations on general price inflation. The Australian Bureau of Statistics (ABS) does not collect data on Essential Water's water and wastewater prices. The national consumer price index (CPI) is based only on capital city prices, hence the change in Essential Water's prices are unlikely to have a measurable effect on the national CPI.

To assess the contribution of water bills on inflation, we have assumed in previous determinations that within its area of operations, changes in water prices have a similar effect on inflation as that of changes to Sydney Water's prices in Sydney. Currently, water and wastewater prices contribute 0.59% towards Sydney's CPI (All groups, Sydney)^k. This means that a 1% change in the price of water and sewerage services in all capital cities would result in a 0.0059% change in the CPI.

Under our prices Essential Water's typical water and wastewater bill increases by around 31% between 2025-26 and 2030-31. As such the impact on CPI arising from our prices is 0.182% or around 18 basis points. Based on this contribution, we estimate that the average annual increase for the typical household bill will have a small impact on inflation in Broken Hill.

^k Australian Bureau of Statistics, [Annual weight update of the CPI and Living Cost Indexes 2025](#), Appendix 2: Housing Capital Group Weights, 26 February 2025. [Consumer Price Index, Australia, October 2025](#) | Australian Bureau of Statistics, 26 November 2025

Chapter 9 »

Performance and accountability

09

Summary of our decisions on performance and accountability

We set Essential Water's performance outcomes, measures and targets with some modifications from our draft decisions

Our decision includes the performance outcomes, measures and targets originally proposed by Essential Water, but adds an additional outcome and some additional measures to improve transparency. We have made some revisions to our draft decisions reflecting Essential Water's submission to our Draft Report.

We consider that these additional measures and targets will help keep stakeholders aware of Essential Water's ongoing performance.

We recommend that Essential Water investigate the feasibility and usefulness of instigating a survey process over the 2026-31 period to expand on its performance measures.

We also recommend that Essential Water publicly report on all its performance outcomes and measures on its website and compare them to all available targets each year, as it currently only reports on its water quality on its website.

Essential Water did not propose to opt in to financial incentive schemes

We did not include any financial incentive schemes for Essential Water for the 2026 determination period. This was consistent with their proposal.

9.1 Outcomes and performance measures

Under our water regulation framework, we expect businesses to develop performance outcomes related to customer, community and the environment. There is no set limit on how many outcomes a business must develop. For each outcome, we expect businesses to develop suitable performance measures and demonstrate a clear link between these outcomes and performance measures. This would include how the business's activities and programs are linked to outcomes.

Pursuant to section 15(1)(b), 15(1)(f) and 15(1)(l) of the IPART Act, our assessment of Essential Water's outcome and performance measures is one way that we consider its standards of quality, reliability and safety, and how these compare with the costs we allow for in Essential Water's expenditure envelope. The public accountability aspect helps to protect consumers from the abuses of monopoly power and to protect the environment.

Essential Water is a water supply authority under the *Water Management Act 2000* and has no operating licence. As a result, its performance and accountability to customers, regulators and other stakeholders is one of the key issues for our review.

Essential Water proposed 4 customer and community outcomes:

- water reliability – reliable access to drinking water
- water quality – clean and safe drinking water
- sustainability and environmental protection
- good customer service.

In its September 2025 proposal, Essential Water proposed 8 performance measures associated with these outcomes.

9.1.1 We proposed additional performance measures in our Draft Report

We assessed Essential Water's proposed performance outcomes and measures using the criteria set out in our Water Regulation Handbook.

It is important that a business's performance outcomes and measures are developed through robust customer consultation to ensure that customer values and priorities are reflected in proposed indicators. We found that Essential Water's proposed performance outcomes and measures were developed with genuine community consultation, namely through its Customer Panel and survey.²³⁵

Throughout our review, stakeholders have suggested that Essential Water expand its performance measures, particularly relating to value for money and affordability.²³⁶ With the benefit of submissions to our Issues Paper, our Draft Report identified opportunities to provide greater transparency for customers on Essential Water's performance.

Our Draft Report therefore included additional measures and targets, which we asked Essential Water to provide feedback on.

9.1.2 We considered stakeholder feedback in setting final customer outcomes and performance measures

Stakeholder views on Essential Water's performance measures

The majority of respondents to both our Issues Paper and Draft Report surveys indicated that affordability and value for money matters most to them about Essential Water's prices.

To our Draft Report, consistent with submissions to our Issues Paper, the EWON, JEC and FBH supported the 'value for money and affordability' outcome and its measures and indicators.²³⁷

Respondents to our Draft Report survey indicated that they are most interested in Essential Water sharing information on water quality and safety (76%), financial hardship support (34%), environmental impacts (26%) water main breaks and leaks (22%) and customer satisfaction (21%).

Essential Water provided feedback to our additional measures

Essential Water agreed with 2 of the additional measures included in our Draft Report:

- average number of planned interruptions per 1,000 properties each year
- number of days to resolve complaints each year.²³⁸

Essential Water however raised concerns with several proposed additional measures:

- On measures which rely on customer surveys, Essential Water raised that previous experience has shown poor response rates and the need to incentivise customers to participate.
- On measures relating to the length of time for planned interruptions and the number of days to resolve complaints, Essential Water suggested a different measure or clarifying the measure (and updating the associated target) to be more useful to customers and reflect factors within its control.
- On the measure relating to wastewater main breaks and chokes, Essential Water considered the data reported in the National Performance Report (NPR) may not be reliable and therefore may not be a useful measure for customers.
- On measures relating to the Australian Drinking Water Guidelines (ADWG), Essential Water raised that it is held accountable under its reporting requirements to NSW Health.
- On indicators relating to affordability, Essential Water raised that this data is reviewed by its management and did not think it would be useful for customers.²³⁹

Our final performance measures balance customer benefit and feasibility

We considered stakeholder feedback on the importance of reporting value for money and affordability and the quality of drinking water, alongside the logistical challenges with some of our proposed measures.

In response to this feedback, we have adjusted Essential Water's performance outcomes, measures and targets since our Draft Report. Table 9.1 reflects our final decision and adjustments which include:

- removing measures that rely on surveys and recommending Essential Water investigate the feasibility and usefulness of instigating a survey process over the 2026-31 period
- accepting Essential Water's suggested updates to measures and targets relating to the length of time for planned interruptions and the number of days to resolve complaints
- removing the target associated with wastewater main breaks and chokes.

Measures relating to the ADWG and affordability indicators are unchanged from our draft decision.

We consider that Essential Water's performance outcomes, measures and targets (as detailed in Table 9.1) is well-balanced and will provide customers with sufficient transparency into how it is delivering on key customer outcomes, while maintaining reporting that is accessible and clear for customers to engage with.

Table 9.1 Performance outcomes, measures, targets and trends and indicators for Essential Water

Performance outcome	Performance measure	Performance target
Reliable access to drinking water	Average number of unplanned interruptions per 1,000 properties each year	Target: 35 per annum Trend: Maintain
	Average duration (minutes) of an unplanned interruption each year	Target: 114 minutes per annum ^a Trend: Improve
	Average number of planned interruptions per 1,000 properties each year	Target: 28 per annum Trend: Maintain
	Accuracy of estimate of the length of time for planned interruptions	
Clean and safe drinking water	Percentage compliance with Australian Drinking Water Guidelines (ADWG) values	Target: 100% compliance with Australian Drinking Water Guidelines values Trend: Maintain
	Frequency of all events out of specification of ADWG each year	Target: 0 per annum Trend: Maintain
	Frequency of selected specific events (such as colour) out of specification of ADWG each year	Target: 0 per annum Trend: Maintain
Sustainability and environmental protection	Wastewater service interruptions each year (frequency, duration and number of customers affected by planned and unplanned interruptions)	Target: No wastewater service interruptions per annum Trend: Maintain
	Notifiable environmental impacts each year (number by type and response time)	Target: No notifiable environmental impacts per annum Trend: Maintain
	Number of wastewater reticulation main breaks and chokes, house connection branch breaks and chokes, dry weather overflows and wet weather overflows each year	Trend: Improve
Good customer service	Number and type of customer complaints each year	Target: No increase in complaints (24 per annum) Trend: Maintain
	Response time for customer complaints and enquiries each year	Target: Respond to 95% of complaints or enquiries within 4 working days of receipt Trend: Maintain
	Successful notification to customers of planned outages within agreed notice periods each year	Target: 100% notification within 2 days written notice for residential customers and 7 days written notice for non-residential customers Trend: Maintain
	Average number of calendar days to resolve complaints each year (excluding complaints escalated to EWON)	Target: 10.2 days per annum Trend: Maintain
Value for money and affordability	Other indicators Number, or percentage, of customers supported under the 'Company Policy: Essential Water Financial Hardship Support' with payment plans or debt waivers program each year Percentage of customer accounts 90 days in arrears as proportion of total accounts each year Number of water restrictions completed for non-payment each year	

Source: Essential Water, [Essential Water 2026-31 Pricing Proposal](#), September 2025, p 33 and IPART analysis.

^a This target has been updated from 121 minutes per annum in our Draft Report to reflect the median for small utilities from the [2024-25 National Performance Report](#) (NPR).

Our decision is:



29. To set Essential Water's performance outcomes, measures and targets, as in Table 9.1.

Recommendation



5. We recommend that Essential Water investigate the feasibility and usefulness of instigating a survey process over the 2026–31 period about customer service satisfaction, value for money and financial hardship measures.

9.2 Financial incentive schemes

Our water regulation framework includes 3 different incentive schemes that aim to encourage Essential Water to continually seek more efficient ways of delivering services and share the benefits with customers. It includes:

1. Operating efficiency benefit sharing scheme (EBSS)
2. Capital efficiency sharing scheme (CESS)
3. Outcome delivery incentives (ODIs).

The 3 schemes are intended to work together to encourage the efficient trade-offs between operating expenditure, capital expenditure and outcomes.

More information on how these schemes operate is available in our [Water Regulation Handbook](#).

In its proposal, Essential Water did not propose to include any of the financial incentive schemes for the upcoming determination period. Essential Water stated that, rather, its cost allowances and reporting against output measures will provide it with a strong incentive to pursue cost efficiencies and appropriate service outcomes.²⁴⁰

Our decision is to not include any financial incentive schemes for Essential Water for the 2026 determination period.

9.3 Monitoring and credibility

After setting revenues, performance targets and incentives, we monitor ongoing performance through a range of tools to make sure businesses deliver on their commitments to customers. Specifically, we track business performance in terms of customer outcomes and expenditure. We also collaborate with other NSW regulators so that businesses promote customers' long-term interests by responding to all regulatory requirements efficiently.

9.3.1 Monitoring compliance with pricing determinations

While IPART does not have a role in monitoring compliance for performance standards, we are making recommendations for performance measures that should be reported.

Publishing the results of performance measures provides customers with a means to hold Essential Water accountable for the objectives which customers and the community have identified as important.

9.3.2 Monitoring outcome performance

Essential Water should report to its customers of its progress

As part of our water pricing framework, we expect businesses to publish annual updates on their progress against outcome commitments. The aim of annual progress updates is to maximise accessibility and visibility for customers.

In our Draft Report, we considered that Essential Water could enhance its accountability by publicly reporting on all performance measures on its website, rather than only publicly reporting its water quality reports.

We therefore made a recommendation that Essential Water publicly report on all performance measures on its website and compare them to all available targets each year.

To our Draft Report, Essential Water stated that it “will look to enhance customer awareness of the reporting available as [it] expand[s] [its] published performance measures over the next year.”²⁴¹ The EWON and FBH supported ongoing public reporting of measures in its submissions to our Draft Report.²⁴²

We maintain the recommendation made in our Draft Report.

Essential Water has additionally stated it will:

- undertake a communications campaign to inform customers about upcoming projects as well as forecast changes to bills²⁴³
- regularly engage with customers, sharing information about major investments, project implementation and initiatives, and seek feedback on its performance.²⁴⁴

We support Essential Water utilising its communications campaign to inform customers of not only bill changes, but to also increase customer awareness of its public reporting.

In addition to this, as part of our water regulation framework IPART intend to publish an online performance dashboard that tracks businesses' progress against their outcome commitments. We are currently working on preparing this dashboard. This reporting is additional to, rather than an alternative for Essential Water publishing on their own website. The dashboard will be accessible via our website once it has been established.

Recommendation



6. We recommend that Essential Water publishes, each year on its website, how it has performed against each of its performance measures.

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 14A(2) of the IPART Act

Where the Tribunal uses a methodology to fix prices, section 14A of the IPART Act requires us to report on what regard we have had to the matters listed in section 14A(2). These matters are:

- a. the government agency's economic cost of production
- b. past, current or future expenditures in relation to the government monopoly service
- c. charges for other monopoly services provided by the government agency
- d. economic parameters, such as—
 - i. discount rates, or
 - ii. movements in a general price index (such as the Consumer Price Index), whether past or forecast
- e. a rate of return on the assets of the government agency
- f. a valuation of the assets of the government agency
- g. the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
- h. the need to promote competition in the supply of the service concerned
- i. considerations of demand management (including levels of demand) and least cost planning.

Table A.1 Consideration of section 14A(2) matters by IPART

Section 14A(2)	Report reference
a. the government agency's economic cost of production	In Chapters 3 and 4 we discuss our analysis and decisions on Essential Water's operating and capital expenditure. We assess economic costs with reference to current and past levels of expenditure, and with careful consideration of the likely customer outcomes and service standards that would be delivered. We consider how costs have and would be incurred to provide water and wastewater services, and discuss our decisions on the levels of expenditure that we consider appropriate to be recovered through Essential Water's maximum prices.
b. past, current or future expenditures in relation to the government monopoly service	In Chapters 3 and 4 we discuss our analysis and decisions on Essential Water's operating and capital expenditure. We assess economic costs with reference to current and past levels of expenditure, and with careful consideration of the likely customer outcomes and service standards that would be delivered. We consider how costs have and would be incurred to provide water and wastewater services, and discuss our decisions on the levels of expenditure that we consider appropriate to be recovered through Essential Water's maximum prices.
c. charges for other monopoly services provided by the government agency	In Chapter 7 and Appendix C we set out our decisions on Essential Water's prices for other monopoly services, including trade waste and miscellaneous charges. In reaching a decision on these charges we considered the efficient costs incurred by Essential Water in providing these services.

Section 14A(2)	Report reference
d. economic parameters, such as— • discount rates, or • movements in a general price index (such as the Consumer Price Index), whether past or forecast	In Chapter 5 we discuss our decisions and approach to indexing Essential Water's regulatory asset base to account for inflation. Chapters 6 and 7 set out how we have set prices to raise revenue that recovers efficient costs over the determination period in net present value terms.
e. a rate of return on the assets of the government agency	In Chapter 5 and Appendix B we explain our approach to setting the weighted average cost of capital (WACC) which is the benchmark rate of return we use in setting maximum prices. In setting the WACC, we estimate a rate of return that would be earned by a firm operating in a competitive market and facing similar risks to the regulated business. We calculate a benchmark cost of debt and cost of equity to ensure that the WACC allowance Essential Water receives incentivises its shareholders to invest efficiently. The full calculation of the WACC is provided in Appendix B.
f. a valuation of the assets of the government agency	In Chapter 5 we discuss our decisions and approach towards calculating Essential Water's regulatory asset base (RAB). Our decisions consider the need to earn an efficient return on Essential Water's RAB (through the WACC) and the annual regulatory depreciation allowance.
g. the need to maintain ecologically sustainable development (within the meaning of section 6 of the <i>Protection of the Environment Administration Act 1991</i>) by appropriate pricing policies that take account of all the feasible options available to protect the environment	In Chapters 3 and 4 we set out Essential Water's efficient expenditure that allows it to meet its known regulatory requirements and environmental obligations. In particular, our decisions on the Wills St wastewater treatment plant allow an efficient funding envelope for Essential Water to meet changing environmental regulations.
h. the need to promote competition in the supply of the service concerned	In determining efficient costs, we have been mindful of relevant principles such as competitive neutrality (e.g. we have included a tax allowance for regulatory depreciation). In Chapter 5, our building block approach to calculating NRR considers what costs a benchmark firm operating in a competitive market environment would incur in providing its services. In Chapter 6, our charges for some customers are however set below full cost recovery, with an associated discussion about the balancing of considerations.
i. considerations of demand management (including levels of demand) and least cost planning.	In Chapter 6 we explain our assessment of, and decisions on, forecast water demand, specifically: • the number of customers we expect would receive water services in each year of the 2026 determination period (forecast connections) • the volume of water we expect a water business would provide in each of those years (forecast water sales volumes). Our decisions on water demand and forecast sales volumes are used in determining Essential Water's charges over the 2026 determination period.

A.2 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:

- the cost of providing the services concerned
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services
- 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
- 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 Environment 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 the 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.3 Consideration of section 15(1) matters by IPART

Section 15(1)	Report reference
a) cost of providing the services	In Chapters 3 and 4 we discuss our analysis and decisions on Essential Water's operating and capital expenditure. We assess economic costs with reference to current and past levels of expenditure, and with careful consideration of the likely customer outcomes and service standards that would be delivered. We consider how costs have and would be incurred to provide water and wastewater services, and discuss our decisions on the levels of expenditure that we consider appropriate to be recovered through Essential Water's maximum prices.
b) protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services	Our role in setting maximum prices ensures that customers are protected from abuses of monopoly powers through unjustifiably high prices. When setting maximum prices, we ensure that Essential Water recovers only the efficient costs of providing its services, and that those services are delivered to an appropriate standard of quality, reliability and safety. Our considerations of efficient costs are discussed in Chapters 3, 4 and 5, while Chapter 6 discusses our consideration of price structures used to establish maximum prices.
c) 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	In Chapter 5 we explain our approach to setting the weighted average cost of capital (WACC) which is the benchmark rate of return we use in setting maximum prices. In setting the WACC, we estimate a rate of return that would be earned by a firm operating in a competitive market and facing similar risks to the regulated business. We calculate a benchmark cost of debt and cost of equity to ensure that the WACC allowance Essential Water receives incentivises its shareholders to invest and distribute dividends efficiently. The full calculation of the WACC is provided in Appendix B.
d) effect on general price inflation over the medium term	In Chapter 8 we assess the impact of our decisions on general inflation. We estimate the impact of our prices on general inflation is negligible.

Section 15(1)	Report reference
e) need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	In Chapters 3 and 4 we discuss our analysis and decisions on Essential Water's efficient level of operating and capital expenditure. To inform our decisions, we engaged expenditure experts, Stantec, to provide advice on the efficiency of Essential Water's expenditure. We make decisions on ongoing cost efficiency targets for Essential Water's operating and capital expenditure which we consider are appropriate and promote the need for greater efficiency in line with the productivity frontier.
f) the need to maintain ecologically sustainable development (within the meaning of section 6 of the <i>Protection of the Environment Administration Act 1991</i>) by appropriate pricing policies that take account of all the feasible options available to protect the environment	Chapters 3 and 4 set out Essential Water's efficient expenditure that allows it to meet its known regulatory requirements and environmental obligations. In particular, our decisions on step changes in capital expenditure related to the Wills St wastewater treatment plant allow an efficient funding envelope for Essential Water to meet changing environmental regulations.
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	In Appendix B we explain our approach to setting the weighted average cost of capital (WACC) which is the benchmark rate of return we use in setting maximum prices. In Chapter 8 and Appendix C we assess the impacts of our decisions on Essential Water's financial sustainability, including its ability to finance ongoing interest on its debt.
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	In Chapters 3 and 4 we discuss our decisions on the operating and capital expenditure allowances for Essential Water, including on the efficient costs of operational contracts that Essential Water has entered into over the next period.
i) the need to promote competition in the supply of the services concerned	In determining efficient costs in Chapters 3 and 4, we have been mindful of relevant principles such as competitive neutrality (e.g. we have included a tax allowance for regulatory depreciation). In Chapter 5, we discuss our decisions on Essential Water's allowances for tax, regulatory depreciation, return on assets, and other price building blocks. Our decisions on these building blocks consider what costs a benchmark firm operating in a competitive market environment would incur in providing its services.
j) considerations of demand management (including levels of demand) and least cost planning	In Chapter 6, we explain our assessment of, and decisions on, forecast water demand, specifically: - the number of customers we expect would receive water services in each year of the 2026 determination period (forecast connections) - the volume of water we expect a water business would provide in each of those years (forecast water sales volumes). Our decisions on water demand and forecast sales volumes are used in determining Essential Water's charges over the 2026 determination period.
k) the social impact of the determinations and recommendations	In Chapter 6 we discuss our decisions on price structures to apply in the 2026 determination period, with consideration to likely resulting social impacts. In particular, we considered the impact of water usage charges and the benefits associated with water use in lead dust in Broken Hill, as well as the social impact of full cost recovery prices on residential customers. In Chapter 8 we outline our assessment and consideration of the social impacts of our pricing decisions. We discuss the feedback we heard from stakeholders regarding affordability of prices and assess the impacts of our pricing decisions on various socio-economic groups. We extend this analysis to customer groups receiving rebates and note the current review into the appropriateness of them by NSW Government in Broken Hill and across NSW.

Section 15(1)	Report reference
l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	Chapters 3 and 4 set out our decisions on Essential Water's efficient expenditure that allows it to deliver upon its standards of quality, reliability and safety. In particular, we consider how major capital projects, including water mains and sewer mains renewal, deliver on improved reliability of services. We further consider Essential Water's current performance and targets of quality, reliability and safety in Chapter 9. We make decisions on the performance outcomes, measures and targets that Essential Water should publicly report against over the 2026 determination period. We consider these would provide a reputational incentive for Essential Water to maintain a high standard of service.

A.3 Considerations under section 16 of the IPART Act

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 >>

Weighted average cost of capital

B

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.

B.1 We used our standard approach to calculate the WACC

We used our 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 indicates the level of volatility in capital markets, is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values. The uncertainty index was within this range at the time we calculated the WACC (See B.2.6 for more detail).

Table B.1 sets out the parameters we used to derive the 3.7% post tax real WACC for Essential Water.

Table B.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	3.9%	3.0%			
Inflation	2.6%	2.6%			
Implied Debt Margin	2.1%	2.0%			
Market Risk premium	5.9%	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)	8.0%	7.2%			
Cost of equity (real-post tax)	5.3%	4.5%			
Cost of debt (nominal pre-tax)	6.0%	5.0%			
Cost of debt (real pre-tax)	3.3%	2.3%			
Nominal Vanilla (post-tax nominal) WACC	6.8%	5.9%	5.9%	6.4%	6.8%
Post-tax real WACC	4.1%	3.2%	3.2%	3.7%	4.1%
Pre-tax nominal WACC	7.7%	6.7%	6.7%	7.2%	7.7%
Pre-tax real WACC point estimate	5.0%	4.0%	4.0%	4.5%	5.0%

a. 5-year regulatory period. Market observations sampled to end March 2026. Transition to trailing average is complete.

Source: IPART analysis.

B.2 Our methodology to calculate WACC parameters

This section sets out some of the key methodologies we use to derive the component parameters used to calculate the WACC under our standard approach.

B.2.1 Gearing and beta

In selecting proxy industries, we consider the type of business the firm is in. If we cannot directly identify proxy firms that are in the same business, then we would consider which other industries exhibit returns that are comparably sensitive to market returns.

We adopted the standard values of 60% gearing and an equity beta of 0.7. We undertook preliminary proxy company analysis on several different types of industries with risk profiles similar to water businesses. Our analysis supported continuing to use an equity beta of 0.7 when 60% gearing is used.

For further information please see our [Equity Beta water update factsheet](#).

B.2.2 Sampling dates for market observations

For the Final Report we applied a sampling period to the end of March 2026.

B.2.3 Tax rate

We assumed the benchmark entity is a large public water business. The scale economies that are important to firms of this type suggest that the benchmark 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%.

B.2.4 Regulatory period

We applied the WACC estimate for the duration of the determination period, which in this case is 5 years for Essential Water.

B.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 Essential Water's 2022 determination, so we consider that the businesses is now fully transitioned to the trailing average approach.

B.2.6 Uncertainty index

As IPART's uncertainty index (Figure B.1 and Figure B.2) show, the uncertainty index for market observations to the end of March 2026 are within one standard deviation of their mean value. Therefore, we have set our Final Report WACC based on the mid-point of the current and long-term WACC values.

We acknowledge the impact of global conflicts and the consequential implications on commodities and financial markets at the time of publication. We observed a modest uptick in the Uncertainty Index in March 2026, but so far, the Uncertainty Index has remained well below the threshold of more than one standard deviation from the mean.

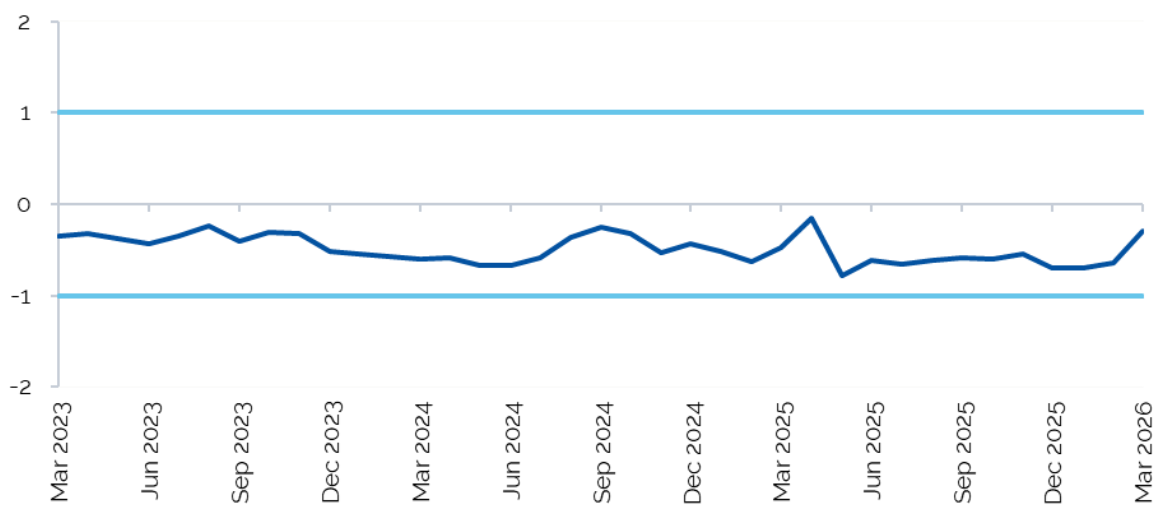
We note that there is always the risk that future events could impact financial markets more profoundly. However, our Uncertainty Index captures market sentiment, which has signalled expectations that the conflicts will be resolved in a predictable manner without significant knock-on impacts. Based on our preliminary projections at time of writing we anticipate a slight reduction in the Uncertainty Index by the time of publication.

Figure B.1 IPART's long term uncertainty index, standard deviations



Source: Refinitiv and IPART analysis.

Figure B.2 IPART's short term uncertainty index, standard deviations



Source: Refinitiv and IPART analysis.

Appendix C

Detailed financial tables



C.1 Building blocks and notional revenue requirement

C.1.1 Total notional revenue requirement

Table C.1 Decision on total notional revenue requirement for the 2026 determination period (\$million, \$2025-26)

	Average over 2022 Determi nation Period	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Total NRR proposed by Essential Water	52.9	83.9	63.8	68.2	69.7	72.2	357.8
IPART decision (Building Block components)							
Core operating allowance	16.1	20.0	20.0	20.0	20.0	20.0	100.0
Bulk water costs	25.1	30.9	30.9	30.8	30.8	30.8	154.2
Return on assets	6.5	9.2	10.6	11.9	13.0	13.3	58.0
Regulatory depreciation	4.9	5.4	6.0	6.6	7.2	7.5	32.7
Working capital allowance	0.2	0.1	0.1	0.1	0.2	0.3	0.8
Tax allowance	0.1	0.1	0.1	0.1	0.2	0.3	0.7
Other costs	-0.1	0.6	0.6	0.6	0.6	0.6	2.9
Essential Water total NRR (IPART decision)	52.9	66.2	68.3	70.2	72.0	72.8	349.4
Difference between the proposed and IPART decision total NRR		-17.7	4.5	2.0	2.2	0.5	-8.4
Difference between the proposed and IPART decision total NRR (%)		-21.1%	7.0%	2.9%	3.2%	0.8%	-2.4%

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.

C.1.2 Return on assets

Table C.2 Decision on return on assets for the 2026 determination period (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Essential Water proposal	8.3	10.6	11.8	12.5	13.1	56.3
IPART decision	9.2	10.6	11.9	13.0	13.3	58.0
Difference	0.9	0.0	0.1	0.5	0.2	1.7
Difference (%)	11.4%	0.0%	0.8%	3.7%	1.7%	3.0%

Note: Totals may not add due to rounding.

Source: IPART analysis.

Table C.3 Decision on regulatory asset base roll-forward for the 2022 determination period (\$million, \$nominal)

	2021-22	2022-23	2023-24	2024-25	2025-26
Opening RAB for Essential Water	142.8	152.6	165.6	171.7	184.5
<i>Plus:</i> Efficient capital expenditure	4.4	7.7	4.4	14.2	19.9
<i>Less:</i> Asset disposals	0.0	0.0	0.0	0.0	0.0
<i>Less:</i> Regulatory depreciation	3.6	4.1	4.7	5.1	5.5
<i>Plus:</i> Indexation	9.0	9.4	6.4	3.8	9.3
Closing RAB	152.6	165.6	171.7	184.5	208.2
Essential Water proposal	Not proposed	174.4	180.9	193.8	223.3
Difference	N/A	-8.8	-9.2	-9.3	-15.2
Difference (%)	N/A	-5.0%	-5.1%	-4.8%	-6.8%

Note: Totals may not add due to rounding. Essential Water's proposed RAB commenced on 1 July 2022.

Source: IPART analysis.

Table C.4 Decision on regulatory asset base roll-forward for the 2026 determination period (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31
Opening RAB for Essential Water	208.2	270.0	305.8	344.5	362.6
<i>Plus:</i> Adjustment to opening RAB ^a	23.2	0.0	0.0	0.0	0.0
<i>Plus:</i> Efficient capital expenditure	44.2	42.0	45.5	25.4	8.5
<i>Less:</i> Asset disposals	0.0	0.0	0.0	0.0	0.0
<i>Less:</i> Regulatory depreciation	5.5	6.2	6.8	7.3	7.6
<i>Plus:</i> Indexation	0.0	0.0	0.0	0.0	0.0
Closing RAB	270.0	305.8	344.5	362.6	363.6
Essential Water proposal	312.8	373.7	394.9	417.6	433.5
Difference	-42.8	-67.9	-50.3	-55.0	-69.9
Difference (%)	-13.7%	-18.2%	-12.7%	-13.2%	-16.1%

a. The adjustment represents the trued-up value of the tax paid on assets contributed in 2019 that Essential Water did not recover at the time (see Chapter 5).

Note: Totals may not add due to rounding.

Source: IPART analysis

C.1.3 Return of assets (regulatory depreciation allowance)

Table C.5 Decision on allowance for return of assets for the 2026 determination period (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Essential Water proposal	5.2	6.3	6.9	7.4	7.8	33.6
IPART decision	5.4	6.0	6.6	7.2	7.5	32.7
Difference	0.2	-0.2	-0.3	-0.2	-0.4	-0.9
Difference (%)	3.5%	-3.7%	-3.8%	-3.1%	-4.7%	-2.7%

Note: The allowance for return of assets is a mid-year value (i.e. the RAB roll forward depreciation value is discounted by half a year of WACC). Totals may not sum due to rounding.

Source: IPART analysis

Table C.6 Decision on remaining asset lives for existing assets (years)

Remaining RAB lives of depreciable assets existing on 1 July 2026	
Corporate	12.0
Water	52.0
Wastewater	51.5

Source: IPART analysis

Table C.7 Decision on expected lives of new assets (years)

	2026-27	2027-28	2028-29	2029-30	2030-31
Corporate	21.6	33.9	44.6	40.4	17.7
Water	58.7	81.3	87.7	93.5	98.6
Wastewater	79.2	79.7	79.8	78.3	77.3

Source: IPART analysis

C.1.4 Working capital allowance

Table C.8 Decision on the return on working capital allowance for the 2026 determination period (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Essential Water proposal	-0.2	0.0	0.2	0.2	0.2	0.4
IPART decision	0.1	0.1	0.1	0.2	0.3	0.8
Difference	0.2	0.1	-0.1	0.0	0.1	0.4
Difference (%)	-135.2%	-452.4%	-44.3%	22.6%	43.0%	115.8%

Note: Totals may not add due to rounding.

Source: IPART analysis

C.1.5 Tax allowance

Table C.9 Decision on the tax allowance for the 2026 determination period (\$million, \$2025-26)

	2026-27	2027-28	2028-29	2029-30	2030-31	Total
Essential Water proposal	0.2	0.3	0.3	0.4	0.5	1.6
IPART decision	0.1	0.1	0.1	0.2	0.3	0.7
Difference	-0.1	-0.2	-0.2	-0.2	-0.2	-0.9
Difference (%)	-53.4%	-65.3%	-67.2%	-53.2%	-41.4%	-54.7%

Note: Totals may not add due to rounding.

Source: IPART analysis

C.2 Trade waste charges

Our decisions on trade waste charges over the 2026 determination period are set out in the following tables:

Table C.10 Decision on fixed trade waste prices (\$2026-27)

	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
One-off fees						
Application fee	296.1	308.2	308.2	308.2	308.2	308.2
Reinspection fee	109.9	117.1	117.1	117.1	117.1	117.1
Annual fees						
Category 1 trade waste discharge	119.9	123.2	123.2	123.2	123.2	123.2
Category 1a trade waste discharge	119.9	123.2	123.2	123.2	123.2	123.2
Category 2 trade waste discharge	241.1	246.5	246.5	246.5	246.5	246.5
Category 3 trade waste discharge	807.1	831.9	831.9	831.9	831.9	831.9
Per operating mine	2,010.2	2,092.7	2,092.7	2,092.7	2,092.7	2,092.7
Food waste disposal fee (per bed, per eligible facility)	37.5	43.1	43.1	43.1	43.1	43.1

Note: The method to inflate trade waste prices to \$2025-26 follows the DCCEEW's prescribed methodology of applying the consumer price index (CPI) for Sydney in the preceding 12 months to December, which is an inflation rate of 2.4% for \$2024-25 to \$2025-26. For trade waste prices from 2026-27, the CPI that applies to all other prices will apply (i.e. the CPI for Australia in the preceding 12 months to March). Source: IPART analysis and Essential Water, Trade Waste Projections 2026-31, October 2025.

Table C.11 Decision on volume-based trade waste prices (\$/kL) (\$2026-27)

	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
Volume-based prices						
Category 2	1.6	1.9	2.1	2.3	2.3	2.3
Non-compliant volume-based prices						
Category 1	1.6	1.9	2.1	2.3	2.3	2.3
Category 1a	1.6	1.9	2.1	2.3	2.3	2.3
Category 2	14.4	17.0	19.1	21.2	21.2	21.2

Note: The method to inflate trade waste prices to \$2025-26 follows the DCCEEW's prescribed methodology of applying the consumer price index (CPI) for Sydney in the preceding 12 months to December, which is an inflation rate of 2.4% for \$2024-25 to \$2025-26. For trade waste prices from 2026-27, the CPI that applies to all other prices will apply (i.e. the CPI for Australia in the preceding 12 months to March). Source: IPART analysis and Essential Water, Trade Waste Projections 2026-31, October 2025.

Table C.12 Decision on mass-based trade waste prices (\$/kg) (\$2026-27)

	2026-27	2027-28	2028-29	2029-30	2030-31
Ammonia (as N)	2.5	2.8	3.1	3.1	3.1
Biochemical oxygen demand (BOD)	0.8	0.9	1.0	1.0	1.0
Cadmium	27.6	31.1	34.5	34.5	34.5
Chromium	27.6	31.1	34.5	34.5	34.5
Copper	17.0	19.1	21.2	21.2	21.2
Cyanide	83.8	94.3	104.8	104.8	104.8
Fluoride	4.1	4.7	5.2	5.2	5.2
Lead	41.4	46.6	51.8	51.8	51.8
Methylene blue active substances (MBAS)	0.8	0.9	1.0	1.0	1.0
Nickel	27.6	31.1	34.5	34.5	34.5
Oil and grease (total O&G)	1.5	1.7	1.9	1.9	1.9
Petroleum hydrocarbons	2.8	3.2	3.5	3.5	3.5
Phosphorous (total P)	1.7	1.9	2.2	2.2	2.2
Suspended solids (SS)	1.1	1.2	1.4	1.4	1.4
Sulphate (SO4)	0.4	0.4	0.5	0.5	0.5
Total dissolved solids (TDS)	0.2	0.3	0.3	0.3	0.3
Nitrogen (total Kjeldahl nitrogen less ammonia) as N	0.8	0.9	1.0	1.0	1.0
Zinc	17.0	19.1	21.2	21.2	21.2
Charge for exceeding approved pH range	As per the Trade Waste Policy				
Charge for exceeding approved BOD range	As per the Trade Waste Policy				
Non-compliant excess mass charge	As per the Trade Waste Policy				

Note: The method to inflate trade waste prices to \$2025-26 follows the DCCEEW's prescribed methodology of applying the consumer price index (CPI) for Sydney in the preceding 12 months to December, which is an inflation rate of 2.4% for \$2024-25 to \$2025-26. For trade waste prices from 2026-27, the CPI that applies to all other prices will apply (i.e. the CPI for Australia in the preceding 12 months to March). Source: IPART analysis and Essential Water, Trade Waste Projections 2026-31, October 2025.

C.3 Miscellaneous charges

Our decisions on miscellaneous charges over the 2026 determination period are set out in the following table.

Table C.13 Miscellaneous charges (\$2026-27)

No	Miscellaneous customer services	2026-27	2027-28	2028-29	2029-30	2030-31
1	Conveyancing certificate					
	Statement of outstanding charges					
	a. Full certificate with meter read	96.1	96.1	96.1	96.1	96.1
	b. Updated meter read request (special meter read)	72.0	72.0	72.0	72.0	72.0
	c. Urgent full certificate with meter read (within 48 hours)	166.5	166.5	166.5	166.5	166.5
2	Meter test					
	Refunded if meter is $\pm 3\%$	99.8	99.8	99.8	99.8	99.8
3	Drainage diagram	28.2	28.2	28.2	28.2	28.2
4	Plumbing inspection	46.6	46.6	46.6	46.6	46.6
5	Plumber's application	49.7	49.7	49.7	49.7	49.7
6	Site inspection for water and wastewater	160.0	160.0	160.0	160.0	160.0
7	Statement of available water pressure	504.2	504.2	504.2	504.2	504.2
8	Building plan approval – extension	44.9	44.9	44.9	44.9	44.9
9	Building plan approval – new connection	67.9	67.9	67.9	67.9	67.9
10	Fire service application	118.7	118.7	118.7	118.7	118.7
11	Relocation/increase in size of water service (tapping fee)	115.0	115.0	115.0	115.0	115.0
12	Backflow prevention device testing and certification (per hour plus materials)	139.9	139.9	139.9	139.9	139.9
13	Install water service					
	a. 20 mm service up to 3 metres	985.8	985.8	985.8	985.8	985.8
	b. 20 mm service over 3 metres and less than 30 metres	2,544.0	2,544.0	2,544.0	2,544.0	2,544.0
14	Downgrade meter size from 25mm to 20 mm	139.9	139.9	139.9	139.9	139.9
15	Repair damaged water service					
	a. First repair within 5-year period	Nil	Nil	Nil	Nil	Nil
	b. Second and subsequent repairs (per hour plus materials)	139.9	139.9	139.9	139.9	139.9
16	Rectification of illegal service	308.2	308.2	308.2	308.2	308.2
17	Replace damaged water meter					
	a. First replacement in a 5-year period	Nil	Nil	Nil	Nil	Nil
	b. 20 mm	148.3	148.3	148.3	148.3	148.3

No	Miscellaneous customer services	2026-27	2027-28	2028-29	2029-30	2030-31
	c. 25 mm	292.6	292.6	292.6	292.6	292.6
	d. 32 mm	425.3	425.3	425.3	425.3	425.3
	e. 40 mm	1,024.9	1,024.9	1,024.9	1,024.9	1,024.9
	f. 50 mm	1,278.5	1,278.5	1,278.5	1,278.5	1,278.5
	g. 80 mm	1,404.6	1,404.6	1,404.6	1,404.6	1,404.6
18	Water service disconnection					
	a. First disconnect within 1 year period	Nil	Nil	Nil	Nil	Nil
	b. Capping	123.6	123.6	123.6	123.6	123.6
	c. 20 mm to 25 mm	206.8	206.8	206.8	206.8	206.8
	D. Bitumen Repairs (\$ per metre) (minimum 1 metre)	104.1	104.1	104.1	104.1	104.1
19	Water service reconnection					
	a. First reconnect within 1 year period	Nil	Nil	Nil	Nil	Nil
	b. Un-capping	132.7	132.7	132.7	132.7	132.7
	c. 20 mm to 25 mm	222.4	222.4	222.4	222.4	222.4
	D. Bitumen Repairs (\$ per metre) (minimum 1 metre)	104.1	104.1	104.1	104.1	104.1
20	Asset location					
	a. Major or critical infrastructure (per hour)	139.9	139.9	139.9	139.9	139.9
	b. Minor or non-critical initial location	Nil	Nil	Nil	Nil	Nil
	c. Reinspect asset location (per hour)	139.9	139.9	139.9	139.9	139.9
21	Standpipe hire					
	A. Monthly (minimum charge)	41.0	41.0	41.0	41.0	41.0
	b. Annually	491.6	491.6	491.6	491.6	491.6
	c. Water usage charges (\$ per kL)					
	i. Treated	2.3	2.3	2.3	2.3	2.3
	ii. Untreated	2.1	2.1	2.1	2.1	2.1
	d. Connection fee (to cover account set up, key and swipe card)	41.0	41.0	41.0	41.0	41.0
22	Personal service of final warning notice	28.0	28.0	28.0	28.0	28.0
23	Water reconnections – after restrictions					
	a. during business hours	139.9	139.9	139.9	139.9	139.9
	b. outside business hours	200.5	200.5	200.5	200.5	200.5
24	Reprint of statement and send by mail	36.8	36.8	36.8	36.8	36.8

C.4 Bill impacts

Table C.14 Bill impacts for Essential Water's proposed prices and our prices for filtered water and wastewater (\$2026-27)

	Water usage (kL/ year)	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
Essential Water proposed							
Modest user – house	200	1,512	1,836	2,139	2,487	2,889	3,352
Annual change			21.5%	16.5%	16.3%	16.2%	16.0%
Typical user – house	250	1,624	1,953	2,256	2,604	3,006	3,469
Annual change			20.3%	15.5%	15.4%	15.4%	15.4%
Large user	400	1,962	2,304	2,607	2,955	3,357	3,820
Annual change			17.5%	13.1%	13.4%	13.6%	13.8%
Pensioner couple – receives a rebate	130	1,179	1,498	1,804	2,157	2,563	3,030
Annual change			27.0%	20.5%	19.5%	18.8%	18.2%
Pensioner couple – without a pensioner rebate	130	1,354	1,673	1,975	2,323	2,725	3,188
Annual change			23.5%	18.1%	17.6%	17.3%	17.0%
Pensioner single – receives a rebate	90	1,089	1,404	1,711	2,063	2,469	2,936
Annual change			28.9%	21.8%	20.6%	19.7%	18.9%
Pensioner single – without a pensioner rebate	90	1,264	1,579	1,881	2,230	2,632	3,095
Annual change			24.9%	19.1%	18.5%	18.0%	17.6%
Decision							
Modest user – house	200	1,512	1,652	1,735	1,822	1,913	2,008
Annual change			9.3%	5.0%	5.0%	5.0%	5.0%
Typical user – house	250	1,624	1,769	1,852	1,939	2,030	2,125
Annual change			8.9%	4.7%	4.7%	4.7%	4.7%
Large user	400	1,962	2,120	2,203	2,290	2,381	2,476
Annual change			8.1%	3.9%	3.9%	4.0%	4.0%
Pensioner couple – receives a rebate	130	1,179	1,314	1,400	1,491	1,587	1,686
Annual change			11.4%	6.6%	6.5%	6.4%	6.3%
Pensioner couple- without a pensioner rebate	130	1,354	1,489	1,571	1,658	1,749	1,845
Annual change			9.9%	5.6%	5.5%	5.5%	5.5%
Pensioner single – receives a rebate	90	1,089	1,220	1,307	1,398	1,493	1,593
Annual change			12.0%	7.1%	7.0%	6.8%	6.7%
Pensioner single –without a pensioner rebate	90	1,264	1,395	1,478	1,564	1,655	1,751
Annual change			10.3%	5.9%	5.9%	5.8%	5.8%

Note: The change between 2025-26 and 2026-27 includes inflation. Prices between 2027-28 and 2030-31 will be subject to yearly inflation.

Table C.15 Bill impacts of Essential Water's proposed prices and prices on filtered water usage charges for renters (\$2026-27)^a

	Water usage (kL/year)	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
Decision and Essential Water proposed							
Modest user – house	200	450	468	468	468	468	468
Annual change			4.0%	0.0%	0.0%	0.0%	0.0%
Typical user – house	250	563	585	585	585	585	585
Annual change			4.0%	0.0%	0.0%	0.0%	0.0%
Large user	400	900	936	936	936	936	936
Annual change			4.0%	0.0%	0.0%	0.0%	0.0%
Pensioner couple – without a pensioner rebate	130	293	304	304	304	304	304
Annual change			4.0%	0.0%	0.0%	0.0%	0.0%
Pensioner single – without a pensioner rebate	90	203	211	211	211	211	211
Annual change			4.0%	0.0%	0.0%	0.0%	0.0%

a. The current rebate is only available to pensioners who own their home and not available to renters.

Note: The change between 2025-26 and 2026-27 includes inflation. Prices between 2027-28 and 2030-31 will be subject to yearly inflation.

Table C.16 Bill impacts for Essential Water's proposed prices and our prices for chlorinated water and wastewater (\$2026-27)

	Water usage (kL/year)	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
Essential Water proposed							
Modest user – house	200	1,456	1,778	2,081	2,429	2,831	3,294
Annual change			22.2%	17.0%	16.7%	16.5%	16.4%
Typical user – house	250	1,554	1,881	2,183	2,532	2,934	3,397
Annual change			21.0%	16.1%	16.0%	15.9%	15.8%
Large user	400	1,850	2,188	2,491	2,839	3,241	3,704
Annual change			18.3%	13.8%	14.0%	14.2%	14.3%
Pensioner couple – receives a rebate	130	1,143	1,460	1,766	2,119	2,525	2,992
Annual change			27.7%	21.0%	20.0%	19.2%	18.5%
Pensioner couple – without a pensioner rebate	130	1,318	1,635	1,937	2,286	2,688	3,151
Annual change			24.1%	18.5%	18.0%	17.6%	17.2%
Pensioner single – receives a rebate	90	1,064	1,378	1,684	2,037	2,443	2,910

	Water usage (kL/year)	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
Annual change			29.5%	22.2%	20.9%	19.9%	19.1%
Pensioner single – without a pensioner rebate	90	1,239	1,553	1,855	2,204	2,606	3,069
Annual change			25.3%	19.5%	18.8%	18.2%	17.8%
Decision							
Modest user – house	200	1,456	1,594	1,677	1,764	1,855	1,950
Annual change			9.5%	5.2%	5.2%	5.2%	5.2%
Typical user – house	250	1,554	1,697	1,779	1,866	1,957	2,053
Annual change			9.2%	4.9%	4.9%	4.9%	4.9%
Large user	400	1,850	2,004	2,087	2,174	2,265	2,360
Annual change			8.4%	4.1%	4.2%	4.2%	4.2%
Pensioner couple – receives a rebate	130	1,143	1,276	1,363	1,454	1,549	1,648
Annual change			11.6%	6.8%	6.7%	6.5%	6.4%
Pensioner couple- without a pensioner rebate	130	1,318	1,451	1,533	1,620	1,711	1,807
Annual change			10.1%	5.7%	5.7%	5.6%	5.6%
Pensioner single- receives a rebate	90	1,064	1,194	1,281	1,372	1,467	1,566
Annual change			12.2%	7.3%	7.1%	6.9%	6.8%
Pensioner single – without a pensioner rebate	90	1,239	1,369	1,451	1,538	1,629	1,725
Annual change			10.5%	6.0%	6.0%	5.9%	5.9%

Note: The change between 2025-26 and 2026-27 includes inflation. Prices between 2027-28 and 2030-31 will be subject to yearly inflation.

Table C.17 Bill impacts of Essential Water's proposed prices and prices for water and wastewater charges on landlords^a (\$2026-27)

	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31
Essential Water proposed						
House	1,062	1,368	1,671	2,019	2,421	2,884
Annual change		28.9%	22.1%	20.9%	19.9%	19.1%
Apartment	1,062	1,368	1,671	2,019	2,421	2,884
Annual change		28.9%	22.1%	20.9%	19.9%	19.1%
Decision						
House	1,062	1,184	1,267	1,354	1,445	1,540
Annual change		11.6%	7.0%	6.8%	6.7%	6.6%
Apartment	1,062	1,184	1,267	1,354	1,445	1,540
Annual change		11.6%	7.0%	6.8%	6.7%	6.6%

a. Landlords that lease separately metered properties. Fixed service charges only; the lessee pays the water usage charges.

Note: The change between 2025-26 and 2026-27 includes inflation. Prices between 2027-28 and 2030-31 will be subject to yearly inflation.

Table C.18 Bill impacts for a sample of non-residential customers (\$2026-27)

Customer	Meter size (mm)	Water usage (kL/year)	2025-26 (current, nominal)	2026-27	2027-28	2028-29	2029-30	2030-31	Average change per year (%)
Industrial – low	25	1,000	4,804	5,546	5,874	6,044	6,228	6,426	6.0%
Industrial – medium	40	2,100	10,748	12,584	13,422	13,858	14,329	14,836	6.7%
Industrial – high	80	21,000	85,454	94,550	97,903	99,644	101,527	103,556	3.9%
Commercial – low	20	250	1,760	2,181	2,391	2,499	2,617	2,744	9.3%
Commercial – medium	25	1,000	4,804	5,546	5,874	6,044	6,228	6,426	6.0%
Commercial – high	40	2,100	10,748	12,584	13,422	13,858	14,329	14,836	6.7%
Public hospital – medium	80	20,000	82,084	91,041	94,394	96,135	98,018	100,047	4.0%
Public hospital – high	100	25,000	107,193	120,321	125,559	128,279	131,223	134,392	4.6%
Private school – low	50	8,000	32,696	36,221	37,530	38,211	38,946	39,739	4.0%
Private school – medium	80	20,000	82,084	91,041	94,394	96,135	98,018	100,047	4.0%
Private school – high	100	30,000	124,043	137,866	143,104	145,824	148,768	151,937	4.1%
Commercial strata unit – low	20	150	1,423	1,830	2,040	2,149	2,266	2,393	11.0%
Commercial strata unit – medium	25	200	2,108	2,739	3,066	3,236	3,420	3,619	11.4%
Commercial strata unit – high	40	300	4,682	6,268	7,106	7,541	8,012	8,519	12.7%
Industrial strata unit – low	20	150	1,423	1,830	2,040	2,149	2,266	2,393	11.0%
Industrial strata unit – medium	25	200	2,108	2,739	3,066	3,236	3,420	3,619	11.4%
Industrial strata unit – high	40	300	4,682	6,268	7,106	7,541	8,012	8,519	12.7%

Notes: The change between 2025-26 and 2026-27 includes inflation. Prices between 2027-28 and 2030-31 will be subject to yearly inflation. Bill impacts for non-residential customers exclude trade waste charges.

Source: IPART analysis.

Table C.19 Bill impacts for mining customers (\$'000, \$2026-27)

	Water usage kL/ year	2025-26 (current, nominal)	2026- 27	2027- 28	2028- 29	2029- 30	2030- 31	Average change per year (%)
Perilya Ltd								
Water	3,434	6,310	7,947	8,770	8,906	9,048	9,192	7.8%
Wastewater		60	68	71	74	78	81	6.4%
Total		6,369	8,014	8,841	8,980	9,126	9,273	7.8%
BHM Ltd								
Water	512	1,206	1,588	1,787	1,820	1,854	1,889	9.4%
Wastewater		35	42	45	48	52	56	9.7%
Total		1,241	1,630	1,832	1,868	1,906	1,944	9.4%

Notes: The change between 2025-26 and 2026-27 includes inflation. Prices between 2027-28 and 2030-31 will be subject to yearly inflation. Bill impacts for non-residential customers exclude trade charges. Totals may not add due to rounding.

C.5 Affordability analysis

The following key can be used as a visual guide for the bill impacts set out in Tables D.20 to D.22.

Low Water Stress
 3% Water Stress Threshold
 High Water Stress

Table C.20 Affordability ratios for owner-occupier households of different socio-economic groups under prices

Customer type	Annual income	Water usage (kL/year)	2025- 26	2026- 27	2027- 28	2028- 29	2029- 30	2030- 31
Typical house	71,684	250	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%
Typical apartment	71,684	120	1.9%	2.0%	2.1%	2.2%	2.3%	2.4%
House - large household	71,684	400	2.7%	2.8%	3.0%	3.1%	3.2%	3.3%
House - small household	71,684	100	1.8%	1.9%	2.0%	2.1%	2.2%	2.4%
Income Quartiles								
Low income household	39,612	200	3.8%	4.0%	4.2%	4.4%	4.6%	4.9%
Lower middle income household	57,896	230	2.7%	2.9%	3.0%	3.1%	3.3%	3.4%
Higher middle income household	114,269	260	1.4%	1.5%	1.6%	1.6%	1.7%	1.8%
Higher income household	152,360	300	1.1%	1.2%	1.2%	1.3%	1.4%	1.4%
Low income quartile with typical household use	39,612	250	4.1%	4.3%	4.5%	4.7%	4.9%	5.2%
Low Income - large household	39,612	400	5.0%	5.1%	5.3%	5.6%	5.8%	6.0%
High income - large household	152,360	400	1.3%	1.3%	1.4%	1.4%	1.5%	1.6%

Customer type	Annual income	Water usage (kL/year)	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Low income health care card eligible household - couple	73,788	130	1.8%	1.9%	2.0%	2.2%	2.3%	2.4%
Low income card - single without child	42,172	90	3.0%	3.2%	3.4%	3.6%	3.8%	4.0%
Low income typical apartment use	39,612	120	3.4%	3.6%	3.8%	4.0%	4.2%	4.4%

Table C.21 Affordability ratios for renter households of different socio-economic groups under prices

Household	Yearly income	Water usage kL/year	2025-26	2025-26	2026-27	2027-28	2028-29	2030-31
Typical house	71,684	250	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Typical apartment	71,684	120	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
House - large household	71,684	400	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
House - small household	71,684	100	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Low income household	39,612	200	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Low income - large household	39,612	400	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
Age or disability pensioner – couple	47,070	130	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Age or disability pensioner – single	31,223	90	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Jobseeker - single, no children	21,255	120	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Jobseeker - single, with dependent	22,763	120	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Jobseeker - couple, 2 children	38,906	250	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%

Table C.22 Affordability ratios for other owner-occupier households that may experience vulnerability and are not eligible for rebates under prices

Household	Yearly income	Water usage kL/year	2025-26	2025-26	2026-27	2027-28	2028-29	2030-31
Parenting payment – couple without rebate	38,906	200	3.9%	4.1%	4.3%	4.5%	4.7%	5.0%
Jobseeker - Single, no children without rebate	21,255	90	5.9%	6.3%	6.7%	7.1%	7.5%	7.9%
Jobseeker - couple without rebate	38,906	130	3.5%	3.7%	3.9%	4.1%	4.3%	4.6%
Jobseeker - couple, 2 children without rebate	38,906	250	4.2%	4.4%	4.6%	4.8%	5.0%	5.2%
Family Tax Benefit Part A without rebate	66,722	250	2.4%	2.5%	2.7%	2.8%	2.9%	3.1%

C.6 Financeability assessment

We calculated Essential Water's financeability indicators based on the NRR and prices under our decisions. The following tables outline our benchmark tests of financial sustainability for Essential Water under our decisions.

Table C.23 Benchmark financeability test results based on our decisions if the revenue gap is fully funded from external sources

	Target ratio	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Real interest cover (higher is better)							
Benchmark test	>2.2x	3.5	3.0	3.4	3.2	3.3	3.5
Does it meet the target?		yes	yes	yes	yes	yes	yes
Real FFO over debt (higher is better)							
Benchmark test	>7.0%	4.5%	5.8%	6.6%	6.3%	6.4%	7.0%
Does it meet the target?		no	no	no	no	no	yes
Real gearing							
Benchmark test	<70%	60%	60%	60%	60%	60%	60%
Does it meet the target?	(lower is better)	yes	yes	yes	yes	yes	yes

Table C.24 Benchmark financeability test results based on our decisions if the revenue gap is unfunded

	Target ratio	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31
Real interest cover (higher is better)							
Actual test	>2.2x	3.5	2.4	2.4	2.2	2.2	2.2
Does it meet the target?		yes	yes	yes	yes	yes	yes
Real FFO over debt (higher is better)							
Actual test	>7.0%	4.5%	4.0%	4.1%	3.5%	3.3%	3.4%
Does it meet the target?		no	no	no	no	no	no
Real gearing (lower is better)							
Actual test	<70%	60%	60%	60%	60%	60%	60%
Does it meet the target?		yes	yes	yes	yes	yes	yes

Essential Water's benchmark ratios for the FFO over debt ratio are below the target over most of the 2026 determination period. However, we do not consider that this reflects a financeability concern for the 2026 determination period because, where the revenue gap between target revenue and prices (the revenue gap) are externally funded:

- The trend in the FFO over debt ratio improves over the determination period and reaches 7.0% (target of >7%) in the final year. Previously, we have been clear that if the trend in this ratio shows an improvement over the determination period, then we would assess that the business may not have a financeability concern.
- The real interest cover ratio for Essential Water exceeds the target of 2.2x over the 2026 determination period. Under our decisions, Essential Water is expected to receive enough free cash flow to pay its real interest more than three times over.

If the revenue gap is unfunded, our benchmark test suggests that Essential Water may face financeability concerns, especially towards the end of the determination period. Our analysis shows that both the FFO over debt ratio and the real interest cover ratio decline over the period.

Appendix D »

Pricing proposal assessment

D

Summary of decisions on Essential Water's pricing proposal grading

We have graded Essential Water's pricing proposal as Standard

Our decision is to grade Essential Water's pricing proposal as Standard, consistent with our preliminary grading and with Essential Water's self-assessment.

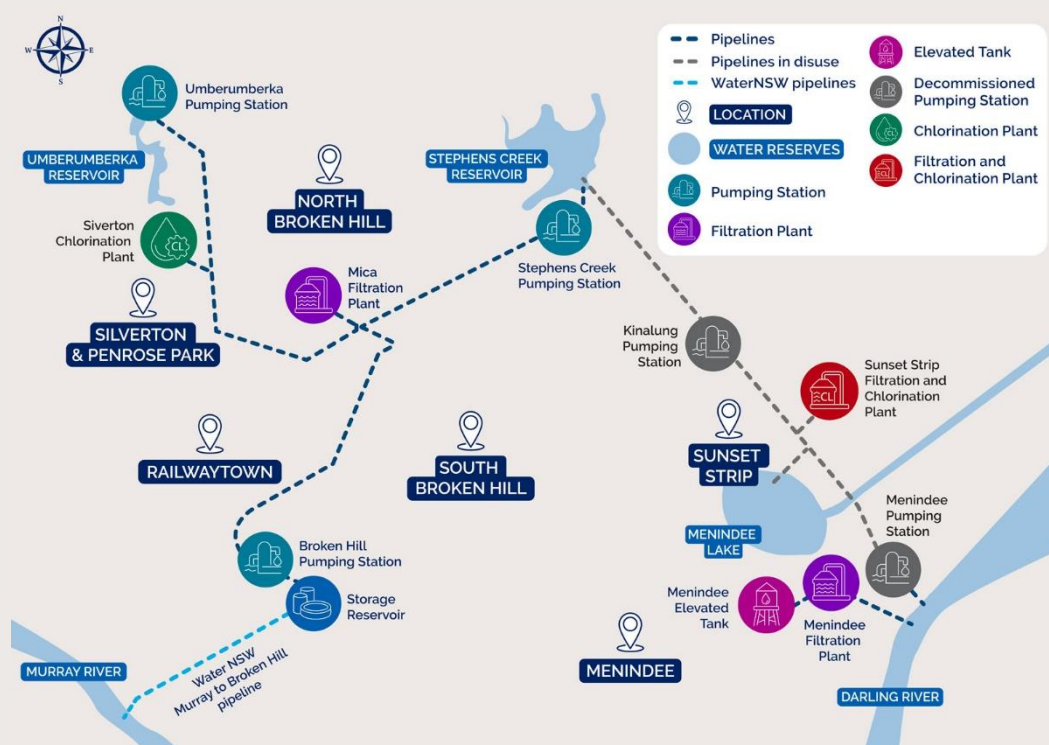
We have found that Essential Water has met the guiding principles of our water pricing framework for a Standard pricing proposal.

IPART sets maximum prices that Essential Water can charge its customers for water and wastewater services, under the *Independent Pricing and Regulatory Tribunal Act 1992*. In setting these maximum prices, we assess Essential Water's pricing proposal and make decisions to protect customers from the abuse of monopoly powers and promote their long-term interests.

This appendix explains the reasons for our grading of Essential Water's proposal as Standard.

Box D.1 Essential Water's services

Essential Water provides services to residential and non-residential customers in the Broken Hill and the surrounding areas of Menindee, Sunset Strip and Silverton region.



Box D.1 Essential Water's services

Essential Water provides:

- water services including providing potable (drinking quality) water to around 18,000 people in Broken Hill and Menindee, and non-potable water to the settlements of Silverton and Sunset Strip
- wastewater services to Broken Hill
- non-potable water to 48 rural users for stock and domestic purposes.

Essential Water carries approximately 6 gigalitres (GL) of water per year in its network to around 10,000 residential customers and around 900 non-residential customers. Its 2 largest customers are mines, which together account for approximately one-third of its customers' total water consumption.

Source: Essential Water, [Essential Water 2026-31 Pricing Proposal](#), September 2025, p 16.

D.1 We applied our water regulation framework

When assessing Essential Water's proposal, we used our [Water Regulation Handbook](#) which includes a framework based on customers, costs and credibility, and provides a useful system for analysing the considerations in the IPART Act we must or may take into account.

Our water regulation framework aims to encourage each water business to develop pricing proposals that:

- promote their customers' interests
- demonstrate that customer needs and preferences are delivered in the most cost-efficient manner
- enhance their business's credibility.

We expect proposals to explain how they will achieve efficient delivery of services that meet required standards. The framework is centred around water businesses developing pricing proposals that promote customer value. It encourages water businesses to actively involve and engage with their customers, and to bring customers into the decision-making process when they set outcomes. This is essential if water businesses are to identify better ways of delivering their services that align with their customers' preferences.

The framework is underpinned by 12 guiding principles which both IPART and water businesses use to assess pricing proposals.

Figure D.1 The water regulation framework and the 12 guiding principles



Source: IPART, [Water Regulation Handbook](#), July 2023, p. 2.

We recognise this is the first time Essential Water has submitted a pricing proposal under the framework, which we are continuing to improve with the help of all stakeholders to achieve our common goal of delivering customer value.

Chapters 3 to 9 detail how we assessed each aspect of Essential Water's pricing proposal. However, ultimately, we assess the quality of Essential Water's pricing proposal based on the grading rubric outlined in our [Water Regulation Handbook](#), which informs how we undertake our price review. There are 3 possible grades for the pricing proposal: Standard, Advanced or Leading (see Box E.1). A Standard grading means we will conduct our usual comprehensive assessment of the pricing proposal while an advanced proposal may require less intensive examination where extensive and well-justified evidence is provided.

Box D.2 There are 3 possible grades under our water regulation framework

The grades for a water business's pricing proposal are:

- Leading – for businesses that are industry leaders in understanding their customers, innovating to deliver services customers want and driving costs efficiencies. These businesses also demonstrate how they deliver 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.

D.2 Essential Water self-assessed its proposal as Standard

Essential Water self-assessed its proposal as Standard and identified 4 focus principles from our water regulation framework that it considered reflected the most important current priorities for its customers. These focus principles were given greater emphasis in our review of the proposal compared to the other principles. Essential Water's focus principles included:

- 2 customer focus principles:
 - customer centricity
 - customer engagement.
- 2 cost focus principles:
 - robust costs
 - balance risk and long-term performance.²⁴⁵

In making its self-assessment, Essential Water told us:

- on customer principles, it has consulted widely with its customers and stakeholders in the development of its proposal and has shaped its proposal around what customers have told Essential Water is important to them.²⁴⁶
- on cost principles, its proposed expenditure reflects customers' preferences and that it focuses on providing essential services.²⁴⁷
- on credibility principles, it has demonstrated in the past that it can reprioritise expenditure if required in response to changing or unforeseen circumstances.²⁴⁸

Essential Water self-assessed its proposal against each of the 12 guiding principles. For more information, see Appendix A of [Essential Water's pricing proposal](#).

D.3 We made a preliminary assessment to inform our approach to the review

Our preliminary grading for Essential Water was Standard (see our [2025 Essential Water and the Murray River to Broken Hill pipeline price review – Issues Paper](#)). As a result, we took a standard approach to our price review process, which includes a detailed review of Essential Water's expenditure. Our decisions on Essential Water's efficient expenditure are set out in Chapters 3 and 4 of this report.

D.4 Our decision is that Essential Water's proposal is Standard

Our decision is:



30. To grade Essential Water's pricing proposal as Standard.

Our reasons for a Standard grading



Customers

Over a well-organised, multi-phased and multi-faceted customer engagement program, Essential Water developed a comprehensive understanding of its customers' key priorities. It then developed customer outcomes based on these key priorities.

Essential Water undertook engagement with a diverse group of customers and stakeholders using new and existing engagement channels, committing to ongoing engagement. Essential Water provided genuine opportunities for customers to influence its proposal for discretionary investment relating to areas that matter to them.

While many aspects of Essential Water's customer engagement were meaningful, some elements could be improved for the next price review. These include allowing for more discussion regarding large expenditure items which were presented as not optional, and utilising its survey or other similar engagement methods throughout the entire engagement program rather than only at its commencement.



Costs

Essential Water demonstrated a commitment to improving its efficiency through integrating a cost efficiency strategy into its pricing proposal. However, Essential Water's proposed costs, specifically its capital costs, included expenditure which could be deferred or reconsidered. We consider that its costs are focused at a project level, rather than demonstrating an integrated planning approach at a portfolio level, reflecting the size and maturity of the water business.

We found that some of Essential Water's expenditure could be reasonably reprofiled to later in the determination period, and its capital projects be lowered to optimise customer value.



Credibility

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

We took a holistic approach to assessing Essential Water's proposal. We considered Essential Water's self-assessment of its proposal against each of the 12 guiding principles. However, we allocated a single grade to the proposal as a whole, rather than allocating a grade to each principle, consistent with our water regulation framework.

This recognises that each proposal's grading may not be 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.

Our draft decision was to agree with Essential Water's self-assessment of its pricing proposal and maintain our preliminary Standard grading. This grading was supported by Essential Water in its submission to our Draft Report.²⁴⁹

We have maintained our draft decision to grade Essential Water's pricing proposal as Standard. In reaching this decision, we considered the matters set out in sections 14A(2) and 15(1) of the IPART Act.

Appendix E >>

Glossary



E

Term	Definition
ABS	Australian Bureau of Statistics.
ADWG	Australian Drinking Water Guidelines.
AER	Australian Energy Regulator.
Annual revenue requirement	The notional revenue requirement in each year of the determination period.
Assets-free-of-charge (AFOC)	Refers to assets transferred by developers to utilities for 'no consideration', the value of which is regarded as assessable income, resulting in a tax benefit for developers and a tax liability for utilities, which is then added to the tax asset base.
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.
Benchmark entity	A firm operating in a competitive market and facing similar risks to the regulated business.
BHM Ltd.	Broken Hill Mines Ltd, formerly Coolabah Metals (CBH).
BHCC	Broken Hill City Council.
Building block approach	IPART's standard method for calculating a business's required revenue. Costs are broken down into components to establish the amount of revenue needed to recover them.
CAM	Cost Allocation Methodology.
Capital Efficiency Sharing Scheme (CESS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with capital expenditure during a determination period.
Core operating expenditure	Core operating expenditure is the day-to-day running costs of the business, excluding bulk water costs.
Cost pass-through	Tool to allow businesses to pass some costs directly to customers within the determination period, under limited circumstances.
CPI	CPI refers to the All groups consumer price index weighted average of 8 capital cities. This is published by the Australian Bureau of Statistics; or, if the Australian Bureau of Statistics does not, has not yet, or ceases to publish the index, then CPI will mean an index determined by IPART.
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).
DCCEEW	Department of Climate Change, Energy, the Environment and Water.
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.
Demand volatility adjustment mechanism (DVAM)	Demand volatility adjustment mechanism is a way to manage the revenue risk resulting from actual water demand over the determination period being materially higher or lower than the forecasts used to set prices.
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 operating expenditure during a determination period.
Efficiency factor	Factor applied to a business's forecast expenditure, when appropriate, to adjust it for ongoing productivity improvements.
EWON	Energy and Water Ombudsman.
EPA	Environment Protection Authority, the primary environmental regulator for New South Wales.
Essential Water Pipeline (EW Pipeline)	This refers to the Essential Water pipeline from Menindee, and not the WaterNSW Pipeline from the Murray River (the Pipeline).

Term	Definition
Expenditure review	IPART's method for reviewing a business's expenditure to ensure customers are only paying efficient costs.
FBH	Foundation Broken Hill.
FFO	Funds from operations.
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).
GL	Gigalitre (one billion litres).
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	Independent Pricing and Regulatory Tribunal.
IPART Act	The <i>Independent Pricing and Regulatory Tribunal Act 1992</i> , which establishes IPART's regulatory role and functions in New South Wales.
JEC	Justice and Equity Centre.
kL	Kilolitre (one thousand litres).
ML	Megalitre (one million litres).
Modest water user	We describe customers with an annual water usage of 200 kL through this report as a 'modest water user', or households with 'modest water use'.
LWU	Local water utility.
Net Present Value (NPV)	The discounted value of a stream of benefits (or costs) taking into account the time value of money.
NPR	Bureau of Meteorology National Performance Report.
Notional Revenue Requirement (NRR)	The revenue needed by a business to recover the cost of providing their services.
Operating licence	A regulatory instrument that authorises a water business to undertake its functions. Issued under the requirements of an Act by a Minister or the Governor, it contains terms and conditions governing a water business's operations. Not all water businesses are subject to a licence.
Outcome Delivery Incentive (ODI)	An incentive scheme to provide financial benefits or penalties for achieving or not achieving customer agreed outcomes respectively.
POC	Project owner costs.
Price controls	Methodologies used by water businesses and the regulator to set prices charged to customers. Main examples are price caps, and revenue caps.
Regulatory Asset Base (RAB)	Calculated as the economic value of all assets the business owns. The RAB is used as the basis to calculate the revenue we provide to businesses in our determinations.
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.
Stakeholder submission	Submission prepared by stakeholders in the sector (such as water businesses, advocacy groups, other regulators, and customers) in response to our Issues Paper or Draft Report.
Target revenue	The revenue Essential Water generates from maximum prices set by IPART.
The Pipeline	The WaterNSW Murray River to Broken Hill Pipeline.
True-up	Mechanism to allow businesses to pass some unexpected costs to consumers in the following determination period. This is reserved for limited circumstances.
Typical household	A typical household reflects a residential – treated water – non-pensioner with an estimated average water demand of 250 kL/year.
Underspend	Actual expenditure savings in any year of a determination period compared to forecast expenditure. A negative underspend is an overspend.

Term	Definition
Water regulation framework	There are 3 pillars of our water regulation framework: Customer, Cost, and Credibility. The 12 principles we use to grade businesses' proposals are grouped under these pillars. Further detail can be found in our Water Regulation Handbook .
WaterNSW Pipeline	WaterNSW's Murray River to Broken Hill pipeline.
Weighted average cost of capital (WACC)	The post-tax real cost of capital as determined by IPART as part of a regulatory review.
WWTP	Wastewater treatment plant.

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- ¹ *Local Government Act 1993* s 575(3)
- ² IPART, *Review of Essential Water's prices for water and wastewater services in Broken Hill Final Technical Report*, November 2022, p 88.
- ³ IPART, *Sydney Water prices 2025-2030 Final Report*, September 2025, p 20; IPART, *Hunter Water prices 2025-2030 Final Report*, June 2025, p 17.
- ⁴ Johnston, C, *submission to IPART 2025 Essential Water price review – Draft Report*, 30 March 2026, p 1.
- ⁵ Johnston, J, *submission to IPART 2025 Essential Water price review – Draft Report*, 27 April 2026, p 1.
- ⁶ Name suppressed (W26/2914), *submission to IPART 2025 Essential Water price review – Draft Report*, 27 April 2026, p 1.
- ⁷ Broken Hill City Council, *submission to IPART 2025 Essential Water price review – Draft Report*, 28 April 2026, p 2.
- ⁸ Butler, R, *submission to IPART 2025 Essential Water price review – Draft Report*, 28 April 2026, p 2.
- ⁹ Foundation Broken Hill, *submission to IPART 2025 Essential Water price review – Draft Report*, 24 April 2026, p 1.
- ¹⁰ Justice and Equity Centre, *submission to IPART 2025 Essential Water price review – Draft Report*, 30 April 2026, p 1.
- ¹¹ Essential Water, *submission to IPART 2025 Essential Water price review – Draft Report*, 28 April 2026, p 8.
- ¹² Foundation Broken Hill Limited, *submission to IPART 2025 Essential Water & the Murray River to Broken Hill pipeline price reviews - Issues Paper*, December 2025, pp 3-4; and The Justice and Equity Centre, *submission to IPART 2025 Essential Water & the Murray River to Broken Hill pipeline price reviews - Issues Paper*, December 2025, p 2.
- ¹³ Justice and Equity Centre, *submission to IPART 2025 Essential Water price review – Draft Report*, 30 April 2026, p 2.
- ¹⁴ Foundation Broken Hill, *submission to IPART 2025 Essential Water price review – Draft Report*, 24 April 2026, p 2.
- ¹⁵ Justice and Equity Centre, *submission to IPART 2025 Essential Water price review – Draft Report*, 30 April 2026, p 2.
- ¹⁶ Energy and Water Ombudsman NSW, *submission to IPART 2025 Essential Water price review – Draft Report*, 28 April 2026, p 1.
- ¹⁷ Foundation Broken Hill, *submission to IPART 2025 Essential Water price review – Draft Report*, 24 April 2026, pp 1-2.
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