IPART Independent Pricing and Regulatory Tribunal | NSW

Review of prices for WaterNSW's services in Greater Sydney from 1 October 2025

Final Report

September 2025

Water »

Acknowledgment of Country

IPART acknowledges the Traditional Owners of the lands where we live and work. Our office is located on Gadigal land and our work touches on Aboriginal lands and waterways across NSW.

We pay respect to their Elders both past and present, and recognise Aboriginal people's unique and continuing cultural connections, rights and relationships to land, water and Country.

Image taken on Worimi Country (Myall Lakes)

The Independent Pricing and Regulatory Tribunal

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

Tribunal Members

The Tribunal members for this review are:

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

Enquiries regarding this document should be directed to:

water@ipart.nsw.gov.au

ISBN 978-1-76049-859-7

Contents

Chapter 1

Report summary **7**

1.1 IPART has set WaterNSW's prices in Greater Sydney for the next 4 years 8
1.2 Maximum prices will increase by 9.2% plus CPI per year under our decisions 9
1.3 Our maximum prices reflect efficient costs 9
1.4 We have decided to set a 4-year determination period 11
1.5 The prices we set provide WaterNSW a revenue envelope to manage its business to effectively deliver its services and meet its obligations 12
1.6 We considered all feedback from stakeholders 12
1.7 Efficient costs are higher than in our Draft Report 13
1.8 We considered the potential impacts of WaterNSW's plans to reduce its workforce 14
1.9 List of decisions 15
1.10 List of recommendations 17

Chapter 2

Assessment of WaterNSW's proposal for Greater Sydney **18**

2.1 Our Water Regulation Handbook 20
2.2 Our review process to date 22
2.3 Our decision is to set a determination length of 4 years 23
2.4 Summary of WaterNSW's proposal for Greater Sydney 25
2.5 WaterNSW's June 2025 submission to our Information Paper 25
2.6 WaterNSW's August 2025 submission to our Draft Report 28

Chapter 3

What we heard from stakeholders **29**

3.1 Submissions raised concerns regarding affordability 31
3.2 Stakeholders suggested that dividends should be paused or reallocated to reduce price pressures 32
3.3 Some stakeholders commented on the length of the determination 33
3.4 Wingecarribee Shire Council disputed forecast water sales volumes 33
3.5 Sydney Water requested IPART consider changing the drought pricing trigger 34
3.6 We have considered all stakeholder feedback 34

Chapter 4

Operating expenditure **35**

4.1 WaterNSW's operating expenditure was $7.1 million (1.6%) more than the allowance reflected in prices over the last determination period 37
4.2 WaterNSW proposed a 16.7% increase in operating expenditure 37
4.3 Our decision is to set the operating expenditure at $468.6 million over 4 years 38
4.4 WaterNSW's expenditure for the deferral year 45
4.5 We considered the potential impacts of WaterNSW's plans to reduce its workforce 46

Chapter 5

Capital expenditure **47**

5.1 WaterNSW's spending for its Greater Sydney business over the last 6 years 49
5.2 WaterNSW proposed a 158% increase in capital expenditure 50

5.3 We have set capital expenditure at $590.7 million over the 2025 determination period 51

Chapter 6

Notional revenue requirement 58

6.1 WaterNSW's notional revenue requirement for its Greater Sydney business is $1,125.6 million over 4 years 60
6.2 Rolling forward the regulatory asset base 63
6.3 Return on assets 64
6.4 Return of assets (regulatory depreciation) 65
6.5 Return on working capital 66
6.6 Tax allowance 66
6.7 Revenue adjustments 67

Chapter 7

Price control and risk sharing 69

7.1 Price control 71
7.2 Risk sharing 77

Chapter 8

Price setting 83

8.1 Demand 85
8.2 Price adjustment for deferred determination start 89
8.3 Unregulated pricing agreements for non-standard customers 90

Chapter 9

Prices 91

9.1 We have continued setting a non-drought and drought usage price for all customers 93
9.2 Maximum prices for Sydney Water 94
9.3 Maximum prices for council customers 96
9.4 Prices for raw and unfiltered bulk water customers 97

Chapter 10

Impacts of our decisions 99

10.1 Impacts on WaterNSW's Greater Sydney bulk water customers 100
10.2 WaterNSW's June 2025 alternative revenue request 102
10.3 Impacts on financial sustainability 103
10.4 Impacts on service standards 104
10.5 Impact on the Consolidated Fund 105
10.6 Implications for general inflation 105
10.7 Implications for the environment 105

Chapter 11

Performance and accountability 107

11.1 Outcomes and performance measures 108
11.2 Financial incentive schemes 114
11.3 Monitoring and credibility 114

Appendix A

Matters considered by IPART **118**

A.1 Matters under section 14A(2) of the IPART Act 119
A.2 Matters under section 15(1) of the IPART Act 120
A.3 Considerations under section 16 of the IPART Act 123

Appendix B

Financeability assessment **124**

B.1 IPART's approach to conducting the financeability assessments 125
B.2 IPART's financeability assessment 127

Appendix C

Weighted average cost of capital **130**

C.1 We use our standard approach to calculate the WACC 131
C.2 Our methodology to calculate WACC parameters 132

Appendix D

Detailed financial tables **135**

D.1 Building blocks and notional revenue requirement 136

Appendix E

Glossary **141**

Chapter 1

Report summary

01

1.1 IPART has set WaterNSW's prices in Greater Sydney for the next 4 years

WaterNSW owns and operates dams across NSW, capturing, storing and supplying water for the environment, agriculture, industry and the community. In the Greater Sydney region. WaterNSW supplies bulk, raw and unfiltered water to Sydney Water Corporation, Wingecarribee Shire Council, Shoalhaven City Council and Goulburn-Mulwaree Council and also provides raw and unfiltered bulk water to a number of other customers. Bulk water sales to Sydney Water make up around 99% of WaterNSW's total bulk water sales. The remaining 1% of bulk water sales are made to WaterNSW's 3 council customers and its 59 raw and unfiltered bulk water customers. We have reviewed and made decisions on the maximum prices WaterNSW can charge its customers for these services.

Safe, reliable and affordable water services are essential for both the people of NSW, and many businesses within NSW. WaterNSW (like many water businesses) is a monopoly provider, because in general customers have limited choice in who provides their water, and WaterNSW has limited competition to keep its prices low. For these reasons, IPART's role is to determine the maximum prices that WaterNSW can charge for its water services.

IPART seeks to set efficient prices which reflect the maximum that WaterNSW would need to charge to survive in a competitive environment. This means customers don't necessarily pay for what WaterNSW actually spends, but rather what an efficient business would need to provide the same WaterNSW services. It also means that WaterNSW generates the revenue it needs to plan, construct and maintain infrastructure as well as funding its day-to-day operations.

IPART regulates WaterNSW's maximum prices under 4 separate determinations:

- WaterNSW's Greater Sydney operations, which covers the supply of bulk water to Sydney Water and a small number of other customers in the Greater Sydney region and makes up roughly two-thirds of WaterNSW's revenue.
- WaterNSW's Rural Valleys operations, which supplies bulk water to customers in rural and regional NSW. This makes up just under 30% of WaterNSW's revenue.
- WaterNSW provides water management services on behalf of the Water Administration Ministerial Corporation (WAMC). This portion makes up around 6% of WaterNSW's revenue.
- In addition to the above, WaterNSW also provides water transportation services provided by the Murray River to Broken Hill pipeline (the WaterNSW Pipeline). IPART sets the prices WaterNSW can charge customers who rely on the WaterNSW Pipeline for water supply.

This review focuses on the first and largest component of WaterNSW's operations: Greater Sydney.

1.2 Maximum prices will increase by 9.2% plus CPI per year under our decisions

On average, our prices for WaterNSW's Greater Sydney bulk water customers will increase by around 9.2% per year before inflation. Prices for individual customers may vary from this based on the split between fixed service charges and variable usage charges in their bill, their water usage and the extent of drought in the next determination period. Prices under our decisions apply from 1 October 2025. Chapters 9 and 10 provide more detail on how each customer's bill is expected to change under our maximum prices.

Under our decisions in this review WaterNSW's charges to Sydney Water are expected to represent approximately 7.5% of Sydney Water's notional revenue requirement, which IPART set in September 2025 as part of our Final Report on Sydney Water's prices.

Our decisions would account for $102 of a typical residential customer's bill from Sydney Water in 2025-26 (including inflation). This is an increase from 2024-25, when the prices Sydney Water paid to WaterNSW for bulk water accounted for $94 of a typical residential customer's bill from Sydney Water. By 2028-29, our decisions are expected to account for $136 of a typical residential customer's bill from Sydney Water. This is approximately a $42 increase from what the same customer would have paid in 2024-25.

1.3 Our maximum prices reflect efficient costs

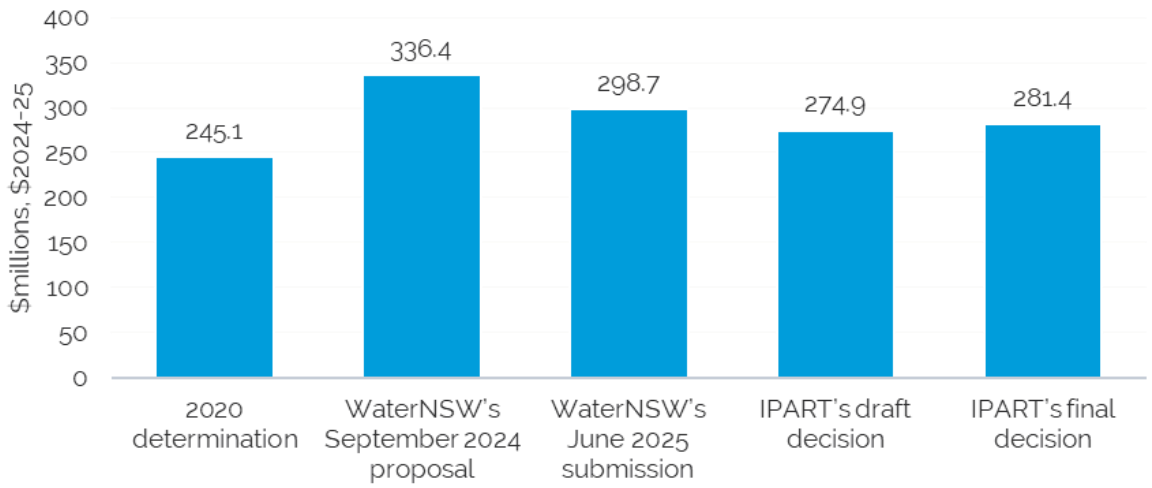
The increases under our decisions are lower than the 14% real increase per year put forward by WaterNSW in its September 2024 proposal, but higher than what customers currently pay. This is primarily because our review of efficient expenditure has indicated that not all of the increases in expenditure that WaterNSW proposed are necessary or efficient for this next 4-year period.

We have decided to set WaterNSW's notional revenue requirement (NRR) for Greater Sydney to $1,125.6 million for the 4-year determination period. This includes:

- Operating expenditure of $468.6 million. This equates to around an average of $117.2 million per year, which is around 6.5% higher than our draft decision, and 9% higher per year than the allowance for the base year (2023-24) in the 2020 Determination. We consider the allowance for the base year is a better comparator than the average allowance over the 2020 Determination for operating expenditure, as operating costs are typically recurring costs. The allowance for 2023-24 represents our assessment of the efficient recurring costs for the most recent year (with a full 12 months of data available).
- Capital expenditure of $590.7 million. This equates to around an average of $147.7 million per year, which is around 20% higher than our draft decision, and 28% higher than the average annual allowance over the 2020 determination period. We consider that the average allowance over the 2020 Determination is an appropriate comparator for capital expenditure as capital expenditure tends to be more lumpy or intermittent than recurrent.

The annual average revenue requirement of $281.4 million is 2.4% higher than our draft decision, 14.8% higher than the annual average revenue requirement over the 2020 determination period, 16.3% lower than WaterNSW's September 2024 proposal[a] and 5.8% lower than WaterNSW's June 2025 submission (see Figure 1.1).

Figure 1.1 Comparison of average annual revenue requirement ($millions, $2024-25)

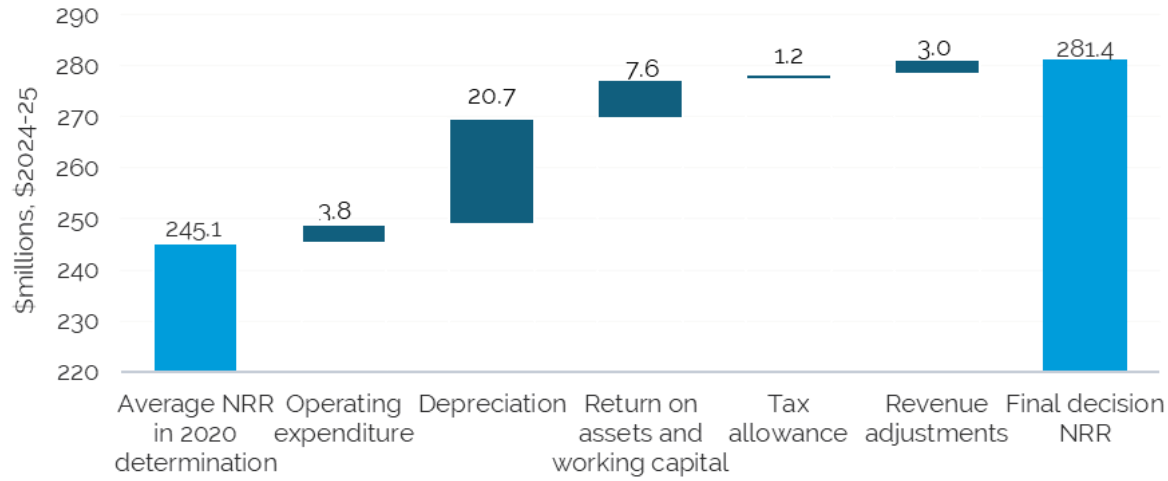


Note: Figures may not sum due to rounding.

Source: WaterNSW, 2024 Pricing Proposal, September 2024, WaterNSW, Submission to IPART Information Paper, June 2025 and IPART analysis.

Figure 1.2 shows the key drivers of the increase in the NRR under our decisions.

Figure 1.2 Average annual NRR under the 2020 Determination compared to IPART's decision ($millions, $2024-25)



Note: Figures may not sum due to rounding.

[a] In this Final Report where we have compared WaterNSW's September 2024 proposal to our decisions, we have referred to the first 4 years of its proposal for comparability with our decision to set a 4-year determination period, unless stated otherwise.

Source: IPART, Review of prices for WaterNSW Greater Sydney from 1 July 2020 – Final Report, June 2020 and IPART analysis.

The average annual NRR under our decision is 14.8% higher compared to the 2020 determination period. This is mainly driven by higher depreciation and a higher return on assets.

In our 2020 review we decided to calculate depreciation for new assets on a disaggregated basis, as this would better match the actual profile of asset consumption through time. This change supports intergenerational equity and means that customers pay for their fair share of short- and long-lived assets, at any point in time. The outcome of this is depreciation for shorter-lived assets categories under our decision has increased relative to 2023-24. This is discussed in more detail in section 6.1.

The increase in the return on assets component is due to a higher regulatory asset base (RAB) as well as a higher real post tax weighted average cost of capital (WACC) (from 3.4% under the 2020 Determination, to 3.5% under our decision).

Under our decisions prices for WaterNSW's Greater Sydney bulk water customers would increase by around 9.2% per year before inflation.

1.4 We have decided to set a 4-year determination period

Our draft decision was to set a determination length of 3 years for WaterNSW's services in Greater Sydney. The rationale for this was that a 3-year determination recognised uncertainty about WaterNSW's proposed costs, particularly for years 4 and 5 while balancing the need to minimise regulatory burden.

We now consider there are merits to extending this by one year i.e. to set a 4-year determination period. With a 3-year pricing determination, the next WaterNSW operating licence review and the next price review would be scheduled to be conducted concurrently in 2027-28. We consider there are benefits to separating these to enable WaterNSW to better focus and engage with each review process.

A 4-year determination period will provide greater price certainty to WaterNSW's customers in Greater Sydney, limit the impact of any potential true-ups in the next Sydney Water review for changes in bulk water prices, and minimise regulatory burden for WaterNSW. Noting the NSW Government has advised it will undertake a review of the broader issues arising from IPART's recent WaterNSW regional and rural bulk water price review, a 4-year determination will allow WaterNSW more time to respond to the NSW Government's broader review.

We recognise that WaterNSW and Wingecarribee Shire Council's submissions to the Draft Report expressed support for a 3-year determination. It is our view that the risks identified by WaterNSW in its submission can be appropriately managed with a 4-year determination.

We acknowledge that there is some uncertainty around WaterNSW's forecast costs in year 4, particularly for the Warragamba Dam Resilience project at this stage. While the costs in year 4 for this project are high, its impact on prices is expected to be small because dams have a long asset life (200 years) and our standard timing assumptions mean that we include only 6 months of return on and of assets in the NRR for this determination period. We note that at IPART's next review of WaterNSW's prices for Greater Sydney the Tribunal will have the option to review historical capital expenditure for efficiency.

1.5 The prices we set provide WaterNSW a revenue envelope to manage its business to effectively deliver its services and meet its obligations

IPART engaged independent experts, Aither and AtkinsRéalis (Atkins), to review the efficiency of proposed operating and capital costs to enable WaterNSW to meet its licensing obligations and deliver safe and reliable water services over the next 5 years. In providing their advice to IPART, the independent experts reviewed a sample of projects and forecast expenditures. This review assessed WaterNSW's approach to long term planning, optioneering and adaptive planning, asset management practices and processes, risk management, procurement and deliverability. The review also considered WaterNSW's approach to forecasting costs and contingencies, and scope for productivity improvements.

In making this determination IPART considered all submissions and stakeholders' comments in response to the Issues Paper, Information Paper, Draft Report and at the online Public Hearing. We received feedback on these from WaterNSW, the NSW Government and numerous stakeholders. We also considered the independent experts' reports and completed our own analysis of WaterNSW's proposed costs.

IPART does not approve individual projects or expenditures. IPART's decisions provide WaterNSW an overall efficient envelope of revenue to operate its business over the next 4 years. Our decisions reflect our estimate of the efficient level of operating and capital costs WaterNSW should incur in providing its services over the regulatory period. However, it is not a budget or an amount that WaterNSW is required to spend over the period. Forecasts, costs and unexpected events can change how much WaterNSW needs to spend, and what the priorities of the business are. WaterNSW should focus on continuing to provide value to customers, regardless of the estimated efficient costs we use to set maximum prices. It will be open to the Tribunal to consider and potentially adjust for any additional efficient expenditure in the next review of WaterNSW's Greater Sydney operations.

We expect WaterNSW to manage its business to deliver on its customer services and outcomes at the lowest sustainable cost, in a manner that promotes long-term customer value. This includes continuously reviewing its forecasts costs and reprioritising to drive efficiencies, innovations, and delivery of its water services over the next 4 years.

1.6 We considered all feedback from stakeholders

We began the review in September 2024 when WaterNSW submitted a proposal to IPART detailing its planned expenditure for the next 5 years. We released an Issues Paper in November 2024, an Information Paper in May 2025 laying out initial draft decisions on WaterNSW's Greater Sydney expenditure and prices, and a Draft Report in July 2025 with updated draft decisions based on further analysis.

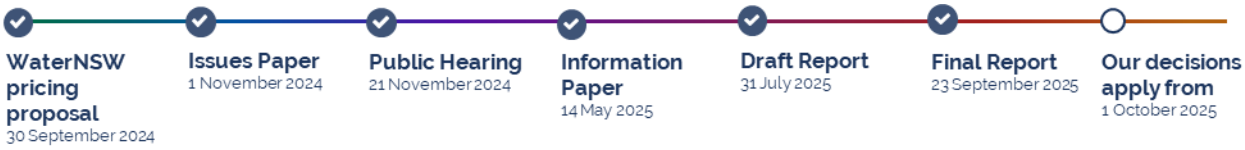
We heard from a range of stakeholders over our consultation period including individuals, industry organisations, businesses and government bodies. We received 477 submissions to our Issues Paper, 12 to our Information Paper, 11 to our Draft Report and held a Public Hearing attended by 108 stakeholders who provided feedback on various aspects of WaterNSW's pricing proposal.

Many stakeholders raised issues relating to:

- Affordability – stakeholders expressed concerns regarding price increases, especially in the context of a cost-of-living crisis.
- Concerns regarding short- and long-term costs – stakeholders raised concerns regarding short- and long-term investment, financial planning, impacts on customers and what is in the long-term interests of customers.
- Length of the determination – we received some submissions commenting on the length of determination, which were generally supportive of a 3-year determination.
- WaterNSW's financeability – some stakeholders were concerned that the initial draft decisions in our Information Paper would impact WaterNSW's ability to sustainably provide services.

We value the feedback that stakeholders have given us to date, and we have taken into account all views in reaching the decisions set out in this report. Chapter 3 of this report summarises what we heard from stakeholders in response to our Draft Report.

Figure 1.3 Timeline for our review



1.7 Efficient costs are higher than in our Draft Report

We have made several changes which have overall increased our decision on efficient costs since we published our Draft Report in July 2025. These changes are summarised below.

Setting efficient operating expenditure at $117.2 million per year over the next 4 years, which is:

- $7.1 million per year higher than we used to set draft prices in the Draft Report
- $14.2 million per year lower than WaterNSW's September 2024 proposal
- $15.1 million per year lower than WaterNSW's June 2025 submission.

Setting efficient capital expenditure at $147.7 million per year over the next 4 years, which is:

- $24.2 million per year higher than we used to set draft prices in the Draft Report
- $153.3 million per year lower than WaterNSW's September 2024 proposal
- $37.5 million per year higher than WaterNSW's June 2025 submission.

These changes have led to an increase in the annual average revenue requirement, which is 2.4% higher compared to what we used to set prices in the Draft Report, 16.3% lower compared to WaterNSW's September 2024 proposal and 5.8% lower compared to WaterNSW's June 2025 submission.

Under our decisions, prices for WaterNSW's Greater Sydney bulk water customers would increase by around 9.2% per year before inflation for 4 years. We note that the annual price increases each year is lower than proposed in our Draft Report (10.4% per year before inflation for 3 years), despite the higher average annual NRR. This is due to our decision to set a 4-year determination period, which means that the increase in the NRR is spread over a longer period, and recovered over 4 years rather than 3 years, under our price path.

1.8 We considered the potential impacts of WaterNSW's plans to reduce its workforce

In August 2025, WaterNSW announced that it intends to reduce its total workforce by approximately 300 employees.[1]

We have not made a revenue adjustment for WaterNSW's plans to reduce its workforce because, in line with the IPART Act, the Tribunal sets maximum prices that reflect our assessment of what any efficient business would need to deliver WaterNSW's bulk water services in Greater Sydney.

The Tribunal does not set prices based on specific management decisions made by regulated water utilities. The Tribunal acknowledges that WaterNSW's Board has discretion over which capital projects it prioritises and how it designs and manages its organisational structure. IPART's role is limited to setting maximum prices to provide a revenue allowance and monitoring performance against licence conditions.

WaterNSW told us in its submission to IPART's May 2025 Information Paper that its costs have increased and the draft prices initially proposed by IPART in May 2025 would not provide WaterNSW with enough revenue to run its operations and would threaten its financial sustainability.[2]

In June 2025, IPART issued a short-term one-year determination on the maximum prices that WaterNSW can charge to provide rural bulk water services, in order to enable more time for a further, more in-depth review of WaterNSW's rural bulk water prices, which we have now commenced. In the June 2025 short-term determination, we set prices based on WaterNSW's existing allowance plus an uplift for essential safety expenditure and inflation.

When making decisions around WaterNSW's maximum prices, the Tribunal must consider a range of factors in line with the IPART Act. While we considered the costs of delivering services and WaterNSW's financial sustainability, the Tribunal also considered all the other required factors, including the social impact of increased prices, the need to protect consumers from abuses of monopoly power and the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers.

IPART assessed the effect of its decisions about maximum prices on WaterNSW's financeability and found that WaterNSW is likely to be financeable for the next 4 years under the maximum prices we have set for WaterNSW's Greater Sydney business in this review.

We note that there may be many reasons why a business could be required to address financial sustainability risks, such as market disruption, regulatory change, broader economic impacts on their customers or inefficiency. We have identified a number of broader challenges in our recent reports and suggested the NSW Government conduct a broader review of WaterNSW's operating model; what is needed to ensure the sustainable supply of bulk water in rural and regional NSW, and how any potential social, business and economic impacts in regional NSW might be managed. We welcome the advice in a recent submission from the NSW Government that it is committed to undertaking a review.

As mentioned above, IPART is currently undertaking a new, more in-depth review of prices for WaterNSW's regional and rural bulk water from 1 July 2026. As part of this review, IPART will undertake further analysis of WaterNSW's costs of providing its bulk water services in regional and rural NSW and the need for greater efficiency in the supply of the services so as to reduce costs for the benefit of consumers and taxpayers.

1.9 List of decisions

1. To set prices for a 4-year determination period commencing 1 October 2025 and ending 30 June 2029, or when replaced. 23

2. To set the efficient level of operating expenditure for the 2025 determination period at $468.6 million as shown in Table 4.2. 38

3. To set the efficient level of capital expenditure for 2019-20 to 2023-24 at $477.1 million, as shown in Table 5.1. 49

4. To set the efficient level of capital expenditure to be included in the notional revenue requirement for the 2025 determination period at $590.7 million, as shown in Table 5.2. 51

5. To set the notional revenue requirement at $1,125.6 million for the 2025 determination period. 60

6. To set an allowance of $339 million for the return on assets component of the notional revenue requirement for the 2025 determination period, noting that: 64
   a. the opening RAB on 1 July 2025 is $2,313.4 million 64
   b. we added $590.7 million in capital costs, net of disposals and depreciation 64
   c. we used a real post tax WACC of 3.5% as the efficient rate of return. 64

7. To set the return of assets (regulatory depreciation allowance) as $277.1 million for the 2025 determination period. 65

8. To set the return on working capital as $8.7 million for the 2025 determination period. 66

9. To set a tax allowance of $20.2 million for the 2025 determination period. 66

10. To make the following adjustments to the notional revenue requirement for the 2025 determination period: 67
    a. -$6.1 million for the cost of debt true-up 67
    b. $18 million for the deferral year true-up. 67

11.	To retain the current price cap approach to setting prices and not adopt WaterNSW's proposed revenue cap.	71
12.	To maintain the drought water usage charge.	72
13.	To remove the Sydney Desalination Plant volumetric charge adjustment.	73
14.	To maintain the Shoalhaven Transfers cost pass-through mechanism.	77
15.	To not adopt WaterNSW's proposed cost pass-throughs relating to:	77
	a. Warragamba Deep Water Pump Station	77
	b. Projects undertaken for Government	77
	c. Operating licence changes	77
	d. General pass-through events.	77
16.	To ask that the Tribunal consider at the next determination of prices for WaterNSW's services in Greater Sydney whether a true-up of revenue over the 2025 determination period is necessary to address any over or under-recovery due to changes in energy costs.	81
17.	To not adopt WaterNSW's proposed Sydney Desalination Plant volumes true-up.	81
18.	To adopt the forecast water sales volumes outlined in Table 8.1.	85
19.	To adopt WaterNSW's forecast customer numbers outlined in Table 8.2.	85
20.	To not adopt WaterNSW's proposed demand volatility adjustment mechanism.	85
21.	To not allow WaterNSW to enter into unregulated pricing agreements with non-standard customers.	85
22.	To set a non-drought and drought usage charge for all customers as shown in Table 9.1, Table 9.2 and Table 9.3.	93
23.	To apply drought usage prices when dam levels fall below 60% and maintain these in place until dam levels reach 70%. Otherwise, non-drought prices would apply.	93
24.	To set the maximum price for Sydney Water as shown in Table 9.1.	94
25.	To maintain the price structure of 80:20 fixed to usage ratio for Sydney Water.	94
26.	To set the maximum price for Wingecarribee Shire Council, Shoalhaven City Council and Goulburn Mulwaree Council as shown in Table 9.2.	96
27.	To set the maximum prices for raw and unfiltered bulk water customers as shown in Table 9.3.	97
28.	To accept WaterNSW's proposed performance outcomes, measures and targets as they relate to Greater Sydney, with some modifications as shown in Table 11.2.	110

1.10 List of recommendations

1.	That WaterNSW continues to work to develop and report on performance measures, and include information on performance against targets as part of its next Greater Sydney pricing proposal.	113

Chapter 2

Assessment of WaterNSW's proposal for Greater Sydney

02

Summary of decisions resulting from WaterNSW's pricing proposal

Our decision is to set prices for a 4-year determination

Our decision is to set prices for 4 years.

A 4-year determination will provide greater price certainty to WaterNSW's customers in Greater Sydney and limit the impact of any potential true-ups in the next Sydney Water review for changes in bulk water prices.

A 4-year determination period will provide funding certainty to WaterNSW, while providing more time for it to develop more robust proposed expenditure past the 4-year horizon. This means that customers will not pay more than the efficient costs having regard to a range of statutory factors that include social impacts and ecologically sustainable development.

We note that with a 3-year pricing determination, the next WaterNSW operating licence review and price review would be scheduled to be conducted concurrently in 2027-28. We consider there are benefits to separating these to enable WaterNSW to better focus and engage with each review process.

IPART sets maximum prices that WaterNSW can charge its customers for bulk water services in the Greater Sydney area, under the IPART Act. In setting these maximum prices, we assess WaterNSW's pricing proposal and make decisions to protect customers from abuses of monopoly power, so that the prices they pay are fair, efficient and aligned with their best interests.

The considerations under sections 14A(2) and 15(1) of the IPART Act have been central to our approach in setting maximum prices

We applied the considerations in the IPART Act when setting WaterNSW's maximum prices. Those considerations include affordability; WaterNSW's cost of providing bulk water services; the need to protect WaterNSW's customers from abuses of monopoly power; the effect of our prices on general inflation over the medium term; the need for WaterNSW to be more efficient so as to reduce costs for the benefit of its customers and taxpayers; the social impacts of our prices; and standards, quality, reliability and safety.

In each of the subsequent chapters of this report, as well as Appendix A we explain how we applied the considerations and the IPART Act in setting WaterNSW's maximum prices for Greater Sydney.

Matters for IPART to consider when setting maximum prices

2.1 Our Water Regulation Handbook

We used our Water Regulation Handbook when we assessed WaterNSW's proposal. Our Handbook includes a water regulation 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.

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

The water regulation framework and the 12 guiding principles

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

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

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

In addition to our legislative responsibilities and the Water Regulation Handbook, in August 2024 we received a letter from the NSW Government requiring us to consider the cost-of-living impacts of Sydney Water and Hunter Water's prices.[a] While the letter does not specifically address WaterNSW, the maximum bulk water prices we set in our determination for WaterNSW's Greater Sydney operations affect the prices residential and business customers pay for the water they buy from Sydney Water. We consider the impact of WaterNSW's prices on Sydney Water's customer bills in section 10.1 of this Final Report. Our Sydney Water Final Report includes more information on cost-of-living impacts and the effectiveness of existing rebates (see Chapter 10 of our Final Report on prices for Sydney Water Corporation from 1 October 2025).

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

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

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

We review operating and capital costs, so customers only pay what is fair. We also identify any productivity improvements WaterNSW could make.

02 **Fair and equitable risk sharing**

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

03 **What customers must pay is reasonable**

We determine the maximum prices WaterNSW can charge its Greater Sydney bulk water customers, considering the reasons for the proposed increases.

2.2 Our review process to date

Our price review of WaterNSW's Greater Sydney operations began with the submission of its pricing proposal in September 2024. We published WaterNSW's 2024 Pricing Proposal and an Issues Paper on 1 November 2024. In our Issues Paper, we summarised key aspects of the proposal and invited stakeholders to make written submissions over 5 and a half weeks.

We then held an online Public Hearing on 21 November 2024. This allowed the community to let us know what they thought about the pricing proposal and ask questions directly to WaterNSW and to IPART.

As part of this review, we engaged independent experts Aither and Atkins to review the efficiency of proposed operating and capital costs for WaterNSW over the next 5 years. The independent experts provided their draft expenditure reports to WaterNSW for comment in March 2025.

On 14 May 2025, we published our Information Paper and May Draft Determination outlining our initial draft decisions on the maximum prices WaterNSW can charge for its bulk water, raw and unfiltered water services in the Greater Sydney area. In coming to our initial draft decisions, we considered all stakeholder feedback to the Issues Paper, including WaterNSW's suggestions of delaying the review or having a shorter determination period. We invited stakeholders to make written submissions to the Information Paper over a 3-week consultation period. During this consultation period, WaterNSW put forward an alternative revenue request in its June 2025 submission, in response to our May Information Paper.

Aither and Atkins considered WaterNSW's feedback to their draft expenditure reports, and issued their final expenditure reports. Aither's report on its assessment of WaterNSW's expenditure proposal for its Greater Sydney business is available on our website. Atkins' report on its assessment of WaterNSW's proposed expenditure for its Rural Valleys business, which includes its assessment of WaterNSW's proposed digital expenditure across the Greater Sydney, Rural Valleys and WAMC price reviews, is also available on our website.

On 31 July 2025, we published our Draft Report and July Draft Determination outlining our draft decisions on the maximum prices WaterNSW can charge for its bulk water, raw and unfiltered water services in the Greater Sydney area. In coming to our draft decisions, we considered all feedback received in response to our Issues Paper and Information Paper, and at our online Public Hearing. We also considered WaterNSW's initial pricing proposal in September 2024 and its alternative submission which it submitted in June 2025, as well as the independent expert advice provided by Aither and Atkins. We invited stakeholders to provide feedback on the draft decisions outlined in our Draft Report and accompanying Draft Determination over a 3-week consultation period.

In coming to our decisions in this Final Report, we have considered all feedback received in response to the Issues Paper, Information Paper, Draft Report and at the online Public Hearing. We have also considered WaterNSW's September 2024 pricing proposal, June 2025 alternative submission and submission to our Draft Report in August 2025, as well as independent expert advice.

2.3 Our decision is to set a determination length of 4 years

Our decision is:

1. To set prices for a 4-year determination period commencing 1 October 2025 and ending 30 June 2029, or when replaced.

Under the water regulation framework, the default length of a determination period is 5 years, however IPART can set a determination period of a shorter length and has made a decision to set a short-term determination for 4 years.

Our draft decision was to set a determination length of 3 years for WaterNSW's services in Greater Sydney. The rationale for this was that a 3-year determination recognises uncertainty about WaterNSW's proposed costs, particularly for years 4 and 5, while balancing the need to minimise regulatory burden.

We now consider there are merits to extending this by one year, that is, to set a 4-year determination period. With a 3-year pricing determination, the next WaterNSW operating licence review and the next price review would be scheduled to be conducted concurrently in 2027-28. We consider there are benefits to separating these to enable WaterNSW to better focus and engage with each review process.

A 4-year determination period will provide greater price certainty to WaterNSW's customers in Greater Sydney, limit the impact of any potential true-ups in the next Sydney Water review for changes in bulk water prices, and minimise regulatory burden for WaterNSW. Noting the NSW Government has advised it will undertake a review of the broader issues arising from IPART's recent WaterNSW regional and rural bulk water price review, a 4-year determination will allow WaterNSW more time to respond to the NSW Government's broader review.

2.3.1 WaterNSW expressed support for a 3-year determination

In its August 2025 submission to our Draft Report, WaterNSW expressed support for a 3-year determination period. It considered that there are several risks that suggest a shorter period for Greater Sydney is more appropriate:

- Project risks - primarily associated with the costs and timing of the Warragamba Dam Resilience project, where a significant portion of the costs are anticipated in years 4 and 5.
- Determination risks - a 5-year determination period would exacerbate the financial consequences of any funding shortfall. In addition, a 3-year determination period provides a 'real option' to assess the extent of any financial risk relating to Sydney Desalination Plant's (SDP's) operation.
- Regulatory risks - several potential regulatory reviews may be initiated over the next 3 years, which may have a material impact on WaterNSW's Greater Sydney and overall business. WaterNSW submitted that a 5-year determination period that could not be reopened introduces considerable risk to WaterNSW's financeability.[3]

WaterNSW considered that, on balance, these risks lend support for a shorter (i.e. 3-year) determination period.[4]

Wingecarribee Shire Council was supportive of the 3-year determination period, however it did not provide further reasons for this.[5]

2.3.2 We carefully balanced the submissions in support of a 3-year determination period with the benefits and risks of a 4-year determination

We consider that WaterNSW and Wingecarribee Shire Council's preference for a shorter determination period does not conflict with our decision to set a 4-year determination. While WaterNSW has expressed support for a 3-year determination (consistent with our draft decision), it is our view that the risks identified by WaterNSW in support of this can be appropriately managed with a 4-year determination.

WaterNSW expects to spend $140 million on the Warragamba Dam Resilience project in 2028-29 (i.e. year 4 of the determination period). We recognise that there is some uncertainty around the costs and timing of the project, and a risk that customers pay more than what is necessary and efficient through the inclusion of these costs. However, while the costs in year 4 for this project are high, its impact on prices is small. This is because dams have a long asset life (200 years), and our standard timing assumptions mean that we include only 6 months of return on and of assets in the notional revenue requirement (NRR) for this determination period. We note that a future Tribunal will have the option to review historical capital expenditure for efficiency at our next review of WaterNSW's prices for Greater Sydney.

We consider the determination risks identified by WaterNSW to be minimal as we have found WaterNSW to be financeable under our decisions (see Appendix B). Further, we consider that a 4-year determination period will not increase WaterNSW's regulatory risks. Noting the NSW Government has advised it will undertake a review of the broader issues arising from IPART's recent WaterNSW regional and rural bulk water price review, the extension from a 3-year to a 4-year determination period will allow more time for WaterNSW to respond to the NSW Government's broader review. This would be due in 3 years' time under a 4-year determination period.

2.4 Summary of WaterNSW's proposal for Greater Sydney

In order to meet its regulatory and legislative obligations, WaterNSW included a cost reflective base case in its September 2024 proposal. The base case included a proposed revenue requirement of $1.7 billion over a 5-year determination period. This represented an annual average revenue requirement of $340.2 million[b], which is 38.9% higher than the annual average revenue requirement in the current determination period.[6] The proposed increase is driven by:

16.7%

proposed increase in the average annual operating expenditure.[7]

158%

proposed increase in the average annual capital expenditure.[8]

Note: These are slightly higher than presented in our May Information Paper and WaterNSW's September 2024 proposal because we have updated the inflation from the forecast inflation of 3% for 2024-25 to the actual inflation of 2%.

WaterNSW proposed to change the form of price control from its current price cap to a revenue cap, to better manage the impact of water sales or revenue volatility on customer prices and its ability to recover efficient costs.[9]

WaterNSW's proposal, and IPART's review, have raised broader challenges that WaterNSW is facing. As a result, we have decided not to grade the proposal. These challenges will take time to work through.

2.5 WaterNSW's June 2025 submission to our Information Paper

WaterNSW raised a range of concerns about the initial draft decisions we made in our Information Paper. It stated that the prices in our Information Paper do not provide sufficient funding to keep WaterNSW solvent and to allow it to meet statutory and legal obligations.[10] It considered that IPART must complete its expenditure review and make a final determination within one year that ensures its ongoing financial viability, "otherwise WaterNSW will be insolvent in the second year."[11]

[b] Based on WaterNSW's September 2024 proposal over a 5-year period.

WaterNSW argued that the proposed price paths were out of step with regulatory determinations in other jurisdictions. On this point, WaterNSW indicated that it did not believe IPART's assessment of its costs, including the impact of current market conditions, interest rates and the regulatory obligations, and service levels of the business was correct, and that it was out of line with IPART's own guidelines and regulatory obligations.[12]

WaterNSW also submitted that IPART had not had regard to the relevant matters in the IPART Act, including the impact on public sector assets and the impact on debt and equity holders. It claimed "WaterNSW considers that IPART has not deliberated, as required, on the relevant matters in section 15 of the IPART Act… in considering the proposed allowed revenues and WaterNSW's ability to operate as a going concern financially."[13]

WaterNSW believed there was no guidance from IPART on how WaterNSW would recover unfunded revenues when final determinations are made. It also submitted that there was no guidance as to how WaterNSW should finance new and existing debt, believing that IPART had not followed its own guidelines in determining the WACC allowance.[14]

We have considered these matters in making our decisions in both our Draft Report and in this report. Specifically, in our Draft Report, we considered WaterNSW's views on its solvency and financial viability in response to our Information Paper (see section 2.5.3, section 10.3 and Appendix B of our Draft Report). We also considered WaterNSW's alternative revenue request as outlined in its June 2025 submission to the Information Paper in reaching our decisions, including prices under the building block approach (e.g. see section 10.2 of this report and our Draft Report). We have carefully weighed the matters we are required to consider when setting maximum prices for WaterNSW's Greater Sydney operations. These are discussed in subsequent chapters of this report, and are also summarised in Appendix A.

2.5.1 WaterNSW put forward price increases of 14% per year for 3 years

In its submission to IPART's Information Paper, WaterNSW put forward an alternative revenue request, which it stated would be necessary to remain solvent and meet basic statutory and regulatory obligations.[15] WaterNSW submitted that under its alternative revenue request, customer service levels would fall and WaterNSW's operational risks would increase. Under this alternative revenue request, prices would need to increase by 14% (excluding inflation) each year for 3 years starting in 2025-26, or by a one-off increase of 30% (excluding inflation) in 2025-26 followed by no real increases in 2026-27 and 2027-28. Under WaterNSW's alternative revenue request, the increase is driven by:

16.7%

increase in the average annual operating expenditure.

4.5%

decrease in the average annual capital expenditure.

Operating expenditure

Under its alternative revenue request, WaterNSW put forward $396.9 million ($2024-25) of operating expenditure over a 3-year period for Greater Sydney. This is:

- $19 million ($2024-25) or 16.7% higher than the average annual allowance over the 2020 determination period[c]
- $5.5 million or 1.4% higher than its original (September 2024) proposal.[d]

WaterNSW noted that while it reduced the level of operating expenditure in its June 2025 alternative revenue request compared to its September 2024 proposal, the reduction is masked by a large level of capitalised overheads ($8 million per year) that it submitted have necessarily been reallocated to operating expenditure due to the approximately 70% lower implied capital program in the Information Paper.[16] The net impact of this is a $5.5 million increase in operating expenditure compared to its September 2024 proposal.

Capital expenditure

Under its alternative revenue request, WaterNSW put forward $330.6 million ($2024-25) of capital expenditure over a 3-year period for Greater Sydney. This is:

- $5.2 million ($2024-25) or 4.5% lower than the average annual allowance allowed for the 2020 determination period[e]
- $168.4 million or 60.4% lower than its original (September 2024) proposal.[f]

We also note that since 2019-20, WaterNSW's actual capital expenditure was $139 million (or 23%) lower than the efficient funding envelope set in the 2020 Determination.

2.5.2 We expect WaterNSW is likely to be financeable for the next 4 years under our maximum prices

Our financeability tests indicate that under the maximum prices we have set, WaterNSW's Greater Sydney business would likely have sufficient headroom to meet its interest obligations almost twice over under the actual test (which is also the case when considered with the Rural Valleys business) and more than 3 times over under the benchmark test. While the funds from operations (FFO) over debt ratio is expected to be below the target in the first year, this ratio is expected to exceed the target in subsequent years of the determination period. More information about our financeability analysis can be found in section 10.3 and Appendix B of this report.

[c] These figures differ to those presented in the Draft Report due to updating inflation for 2024-25 from forecast to actual.
[d] Figures are based on annual averages.
[e] These figures differ to those presented in the Draft Report due to updating inflation for 2024-25 from forecast to actual. Totals may not add due to rounding.
[f] Figures are based on annual averages.

Further, we are setting WaterNSW's NRR for its Greater Sydney business to be $36.3 million or 14.8% higher per year than its allowance over the 2020 determination period. We consider the maximum prices we have set should provide WaterNSW with a sufficient amount of revenue to meet its statutory and legislative obligations and maintain or improve its assets and services over the 2025 determination period.

2.6 WaterNSW's August 2025 submission to our Draft Report

WaterNSW responded to our Draft Report and provided comment on our independent experts' expenditure review reports. WaterNSW welcomed the July Draft Determination approach to price setting with the return to our building block approach. WaterNSW submitted that while its initial preference was for a 5-year determination period, there are risks that lend support for a shorter (i.e. 3-year) determination period. WaterNSW asked that the Tribunal reconsider costs for new obligations, and real increases in non-labour costs together with the impact on fixed overhead costs arising from lower capital expenditure.[17]

WaterNSW requested that IPART reconsider aspects of our July 2025 draft decisions, including:

- the additional information WaterNSW provided about its allocation of corporate overheads, which would result in IPART reallocating corporate overheads
- to better recognise WaterNSW's costs of meeting its regulatory obligations and real increases in non-labour costs
- to address a perceived understatement of security service costs in the 2023-24 base year
- to allow greater amounts for WaterNSW to meet its future insurance costs and land tax liabilities
- to increase its allowance for digital people and software licensing costs
- to apply a lower efficiency factor of 0.7% per year, rather than the 0.9% proposed in the Draft Report
- to make a greater allowance for operating expenditure for the Warragamba E-flows project
- to make greater allowances for the Cataract Dam Safety and Upgrade Project, the water infrastructure renewals program and digital expenditure
- to introduce a Demand Volatility Adjustment Mechanism (DVAM) because of the greater volume risk WaterNSW considered it faces in Greater Sydney
- to reconsider our approach to how the impact of volumes from SDP affect WaterNSW's ability to recover its efficient costs
- the detrimental impacts on WaterNSW of the complexity of the review, tight timeframes and the expenditure allowances proposed by IPART's independent expert expenditure consultants.[18]

We have carefully weighed each of the matters raised by WaterNSW in its submission to our Draft Report against the considerations we must or may take into account. The subsequent chapters of this report describe how we undertook that exercise and the decisions we made as a result of undertaking that exercise.

Chapter 3

What we heard from stakeholders

03

Summary of what we heard from stakeholders

Submissions raised concerns regarding affordability

Stakeholders expressed concerns regarding price increases, especially in the context of cost-of-living pressures currently being faced by consumers.

Stakeholders suggested that dividends should be paused or reallocated

Stakeholders suggested that dividends should be paused or reallocated to reduce pressure on prices for end users.

Some stakeholders commented on the length of the determination

Those stakeholders who commented on the length of the determination were generally supportive of a 3-year determination.

Wingecarribee Shire Council disputed the forecast water sales volumes

The council disputed the proposed forecast volumes presented in our Draft Report as drought and non-drought figures were lower than what it has experienced.

Sydney Water requested IPART consider changing the drought pricing trigger

In response to IPART continuing drought pricing when dam levels fall below 60%, remaining in effect until levels reach 70%, Sydney Water suggested aligning the drought pricing trigger with the 75% threshold to prevent financial disconnect between costs and recovery.

We have sought feedback from stakeholders throughout this review, including:

- On 1 November 2024, we published WaterNSW's pricing proposal and an Issues Paper summarising the key aspects of the proposal. We invited stakeholders to make written submissions over 5 and a half weeks.
- On 21 November 2024, we held an online Public Hearing which allowed the community to let us know what they thought about the pricing proposal and ask questions directly to WaterNSW and to IPART.
- On 14 May 2025, we published an Information Paper outlining our initial draft decisions on the maximum prices WaterNSW can charge for its bulk water, raw and unfiltered water services in the Greater Sydney area, and its rural bulk water services. We invited stakeholders to make written submissions over a 3-week period.

- On 31 July 2025, we published a Draft Report outlining our draft decisions on the maximum prices WaterNSW can charge for its bulk water, raw and unfiltered water services in the Greater Sydney area. We invited stakeholders to make written submissions over a 3-week period.

We heard from a range of stakeholders over the course of this review including individuals, businesses, and industry organisations and associations. We also received submissions from the NSW Government, and Wingecarribee Shire Council. WaterNSW also made submissions to our Issues Paper, Information Paper and Draft Report.

We thank all stakeholders for their time and effort spent to provide us with feedback through these avenues. We have considered all feedback received to date in making our decisions on WaterNSW's prices. Our consultation with stakeholders has helped us to form our decisions, particularly relating to the social impacts of our determination under section 15(1) of the IPART Act including section 15(1)(k).

The following sections of this chapter discuss the main concerns we heard from stakeholders in response to our Draft Report.

3.1 Submissions raised concerns regarding affordability

Stakeholders expressed concerns regarding price increases, especially given the context of cost-of-living pressures.

One stakeholder submitted that as a self-funded pensioner, their income continues to reduce as the price of services increase and is therefore against pay rises that place pressures on the cost-of-living.[19]

National Seniors Australia (NSA) submitted that cost-of-living remains a particular concern for seniors, including those on fixed incomes, particularly as those receiving the Age Pension spend a higher proportion of their income on water:[20]

[a] We received 64 submissions to our May Information Paper, 12 of which related to Greater Sydney.

"Older people relying on pension payments are highly sensitive to price increases for essential service like water, especially when these increase faster than their pension income."[21]

NSA also submitted that while water in Sydney only accounts for a very small proportion of CPI, this fails to account for the impact of rising prices across the economy.[22] The NSA is concerned that:

"raising the cost of water, well beyond inflation, will contribute to inflationary pressures at time that the RBA is trying to get inflation under control."[23]

Wingecarribee Shire Council (WSC) objected to the proposed prices published in our July Draft Determination believing that fixed and variable prices are unjustified, and that financial impacts are also underplayed due to the disputed estimates of drought and non-drought water demand.[24] WSC submits that it is currently upgrading water infrastructure to meet capacity for a growing population, which is adding to capital and operational costs, which are too rising, such as the cost of electricity and chemicals. It submits that these costs are increasing at rates higher than can be reasonably passed onto its community.[25]

WSC also submitted that:

"Councils experience is evolving from one of Water NSW providing a security net scenario, to one of a monopoly holding the community to ransom in a financial climate where residents are already experiencing a cost-of living crisis. In the current economic climate, rising costs need to be limited to justified essentials, not an opportunity to claw back for non-commercial essentials or a legacy maintenance gap."[26]

Sydney Water Corporation (Sydney Water) submitted that:

"In comparison to our updated proposal, submitted on 23 June 2025, IPART's proposed bulk water prices for Greater Sydney would increase our water service charge by an average of $16 each year. The water service charge represents about 5.5 per cent of the 2024-25 typical bill, so the overall bill impact is about two percentage points over the 2025-28 period."[27]

The Centre for Independent Studies (CIS) submitted that IPART setting capital expenditure allowances less than proposed by water businesses restricts the growth of the supply of housing, leading to increases in rent and the price of new homes. The CIS states that:

"The increased cost of housing, due to lower supply, is much larger than the reduction in water bills."[28]

Our analysis of the potential impact of our prices on customers is set out in Chapter 10.

3.2 Stakeholders suggested that dividends should be paused or reallocated to reduce price pressures

One stakeholder suggested the reallocation of Sydney Water dividends to reduce cost rises.[29]

NSA submitted that:

"If WaterNSW is concerned about its financial position in the absence of substantial price increases, then we question why it should be paying a dividend to the NSW Government."[30]

The NSA highlighted the NSW Treasury Policy and Guidelines[b], which states that:

"There may be circumstances where the shareholder agrees with the business that payment of a dividend is not required for a period of time… The payment of a dividend should not place additional pressure on prices, service quality or future reliability of the business."[31]

NSA considers that if WaterNSW requires very large price increases to avoid insolvency, this would warrant for a dividend to be paused so as to not place unrealistic burdens on end consumers to enable government to raise a revenue. NSA also challenged how charging a higher price for water would benefit the people of NSW when the people of NSW pay for dividends.[32]

Chapter 10 and Appendix A outline our reporting requirements on the impact to the Consolidated Fund.

3.3 Some stakeholders commented on the length of the determination

We received few submissions commenting on the length of the determination.

WSC submitted that it is supportive of a 3-year determination period.[33]

WaterNSW submitted that:

"…while WaterNSW originally proposed a 5-year determination period, there are several project, determination and regulatory risks associated with the draft determination that suggest a shorter period is more appropriate. On balance, these risks for WaterNSW and our customers over the next few years lends support for a 3-year rather than a 5-year determination period."[34]

Our decision on the length of the determination is discussed in Chapter 2.

3.4 Wingecarribee Shire Council disputed forecast water sales volumes

WSC disputed the forecast volumes of drought and non-drought levels of water demand, and requested forecasts and prices reflect realities, year on year growth, and the impact on smaller communities' reduced economies of scale and ability to pay. WSC submitted that its services extend to 45,000 people directly, which exceeds 50,000 in real terms during drought conditions, and that during the 2019-20 drought, potable water usage increased significantly due to factors including:[35]

"15% of the Shires residences being off grid and relying on Councils Water Filling Stations for water when their storage was exhausted."[36]

WSC therefore rejected drought demand being significantly lower than non-drought forecasts. WSC also forecasted non-drought demand volumes which are 5% higher than WaterNSW's projection. WSC has taken an average of its actual raw water volumes from 2022-23 to 2024-25 (5.6% per year) to explain its requested 5% year on year non-drought growth forecast.[37]

[b] Capital Structure and Financial Distribution Policy for Government Businesses (TPG21-10).

Our decision on forecast water sales volumes is discussed in Chapter 8.

3.5 Sydney Water requested IPART consider changing the drought pricing trigger

In response to IPART continuing drought pricing when dam levels fall below 60%, remaining in effect until levels reach 70%, Sydney Water submitted that the NSW Government's Greater Sydney Water Strategy Implementation Plan 2022–2025 and the Sydney Desalination Plant (SDP) Decision Framework in contrast activates supply management at 75% dam capacity. Sydney Water stated that the SDP Decision Framework creates a financial disconnect as it is required to purchase from SDP when dam levels fall below 75%, increasing operating costs, but drought pricing, which helps recover these costs, doesn't begin until dam levels drop to 60%.

Sydney Water submitted that:

"Aligning the drought pricing trigger with the 75 per cent threshold would provide earlier and clearer signals to the community, support more proactive drought planning, and help slow dam depletion… This misalignment means cost recovery relies on a retrospective true-up mechanism, which could result in higher bills for customers in the following period and raise affordability concerns."[38]

Our decision on drought usage prices is discussed in Chapters 7 and 9.

3.6 We have considered all stakeholder feedback

Consultation with the community is an important part of our water price review process. We have considered all feedback provided throughout this review in making our decisions on WaterNSW's maximum prices for its Greater Sydney business to apply from 1 October 2025.

We recognise that while we expect the impact of WaterNSW's prices on inflation to be very small, this does not take into account potential increases in other areas of the economy. In making our decisions for the 2025 determination period, we have set prices based on our assessment of efficient costs so that customers do not pay more than what is necessary.

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

Chapter 4

Operating expenditure

04

Summary of our decisions on operating expenditure

We set the operating expenditure allowance at $468.6 million for 4 years

At an average of $117.2 million per year, this is:

- $7.1 million (or 6.5%) higher per year than our draft decision
- $9.7 million (or 9%) higher per year than the allowance we set for the base year (2023-24) in the 2020 Determination
- $14.2 million (or 10.8%) lower per year than WaterNSW's September 2024 proposal
- $15.1 million (or 11.4%) lower per year than WaterNSW's June 2025 submission.

We assessed controllable operating expenditure using the base-trend-step approach.

The difference between WaterNSW's proposal and the allowance we have determined is mainly driven by our decision to use 2023-24 as the base year for operating expenditure instead of 2022-23, and our decisions on adjustments to the base year. This resulted in a -13.8% change in the base costs, which is the largest component of the base-trend-step approach.

The impact of our decision to set a lower base operating expenditure is partly offset by our decision to apply a total step change of $13.2 million for the next 4 years, which is higher than the -$12.2 million proposed by WaterNSW in its September 2024 proposal.

This chapter sets out our assessment of the level of operating expenditure WaterNSW requires to operate its Greater Sydney business efficiently over the 2025 determination period. WaterNSW'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, contractors, electricity, insurance and digital costs.

We have carefully reviewed WaterNSW's proposed operating costs for its Greater Sydney business using a base-trend-step approach, as outlined in our Water Regulation Handbook. In reaching our decisions, we considered independent expert advice from Aither and Atkins, and additional supporting documentation provided by WaterNSW. Aither's report on its assessment of WaterNSW's expenditure proposal is available on our website. We also considered submissions and views expressed at our public hearing and any information provided by other regulators.

Our assessment of WaterNSW's operating expenditure for its Greater Sydney business balances the considerations set out in sections 14A(2) and 15(1) of the IPART Act.[a] This chapter examines the economic costs of WaterNSW's services in the Greater Sydney area and assesses efficiency in its supply of its services.

[a] Specifically, we considered sections 14A(2)(a), 14A(2)(b), 15(1)(a) and 15(1)(h) in terms of economic costs and expenditures, and 15(1)l in terms of standards of quality, reliability and safety.

Our estimates also factor in compliance with environmental regulations pursuant to sections 14A(2)(g) and 15(1)(f) of the IPART Act and customer expectations on service standards. We have compared WaterNSW's proposed future costs to its current and past levels of expenditure to inform our estimates.

4.1 WaterNSW's operating expenditure was $7.1 million (1.6%) more than the allowance reflected in prices over the last determination period

In 2020 we set the operating expenditure for a 4-year period up to and including 2023–24. Due to an extension to the determination period, we did not set an allowance for 2024–25. In the 4 years of the last determination period, WaterNSW spent 1.6% more operating expenditure than the amount we used to set the prices (see Table 4.1).

Table 4.1 WaterNSW's operating expenditure over the 2020 determination period ($millions, $2024-25)

	2020-21	2021-22	2022-23	2023-24	Total
2020 Allowance	116.9	114.6	114.3	107.5	453.3
WaterNSW's actual cost	117.6	112.5	123.5	106.7	460.3
Difference ($m)	0.7	-2.1	9.2	-0.8	7.1
Difference (%)	0.6%	-1.8%	8.1%	-0.7%	1.6%

Note: Totals may not sum due to rounding.

Source: IPART analysis.

4.2 WaterNSW proposed a 16.7% increase in operating expenditure

WaterNSW proposed $661.3 million in operating expenditure for a 5-year period. This equates to an annual average of $132.3 million[b], which is 16.7% higher than the annual average of $113.3 million in the 2020 determination period.

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

- Establishing **base** operating expenditure for 2022-23. WaterNSW stated that this decision was made due to the 2023-24 operating expenditure being completed too late for inclusion in the pricing proposal.[39]
- Proposing a total **trend** component of $9.8 million over a 5-year period, including $15.3 million of efficiency savings.[40]
- Adjusting for any **step** changes. WaterNSW proposed a negative total step change of $13.6 million over a 5-year period. While there are some increases, the most significant change is a negative step change in the overhead allocation adjustment that is applied to Greater Sydney.[41]

[b] Based on WaterNSW's September 2024 proposal over a 5-year period.

4.3 Our decision is to set the operating expenditure at $468.6 million over 4 years

Our decision is:

2. To set the efficient level of operating expenditure for the 2025 determination period at $468.6 million as shown in Table 4.2.

Table 4.2 Decision on WaterNSW's efficient operating expenditure for its Greater Sydney business ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
Controllable operating expenditure	112.1	108.1	108.1	110.1	438.5
Non-controllable operating expenditure	6.8	7.2	7.8	8.4	30.2
Total operating expenditure	118.8	115.3	115.9	118.5	468.6
WaterNSW's September 2024 proposal	133.4	128.1	129.9	134.0	525.4
Difference from proposal ($m)	*-14.6*	*-12.7*	*-13.9*	*-15.5*	*-56.8*
Difference from proposal (%)	*-10.9%*	*-9.9%*	*-10.7%*	*-11.5%*	*-10.8%*

Note: Totals may not sum due to rounding.

Source: IPART analysis.

Our decision is to set WaterNSW's total operating expenditure at $468.6 million for 4 years, or an average of around $117.2 million per year. This is $9.7 million (or 9%) higher per year than the allowance we set for the base year (2023-24) in the 2020 Determination. We consider the allowance for the base year is a better comparator than the average allowance over the 2020 Determination for operating costs, as these are typically recurring costs. The allowance for 2023-24 represents our assessment of the efficient recurring costs for the most recent year. We also note that the operating expenditure profile set by IPART in the 2020 Determination was decreasing year on year over the 4-year determination period (see Table 4.1).

The average annual operating expenditure allowance under our final decision for the 2025 determination period is $3.8 million (or 3.4%) higher than the average annual allowance we set for 2020 determination period.

Table 4.3 shows the average annual operating expenditure based on our 2020 Determination, the allowance and actuals for the base year (i.e. 2023-24), WaterNSW's September 2024 proposal, and our draft and final decisions.

Table 4.3 Average annual operating expenditure ($millions, $2024-25)

	2020 Determination average allowance	Base year (2023-24) allowance	Base year actuals	WaterNSW Sept 2024 proposal	Draft decision	Final decision
Operating expenditure	113.3	107.5	106.7	131.3	110.0	117.2

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

The key change compared to WaterNSW's September 2024 proposal is that our decision on controllable operating expenditure is $53.4 million (or 10.9%)[c] lower over the 4-year determination period. We used the base-trend-step approach outlined in our Water Regulation Handbook to assess WaterNSW's efficient controllable operating expenditure. We also engaged independent experts – Aither and AtkinsRéalis (Atkins) – to inform our decisions regarding this. Controllable operating expenditure has increased from our draft decisions due to the inclusion of additional base year adjustments and higher step changes.

Non-controllable operating expenditure is $3.4 million (or 10%)[d] lower than WaterNSW's proposal over the 4-year determination period as a result of incorporating more up-to-date decisions on WaterNSW's bulk water and water licence costs (based on IPART's WaterNSW Rural Valleys Determination for 2025-26 and IPART's WAMC Determination for 2025-26 to 2028-29). Non-controllable operating expenditure has increased from our draft decisions due to the inclusion of fixed energy costs for the Shoalhaven Transfer Scheme, and the reallocation of land tax costs from controllable to non-controllable expenditure.

Figure 4.1 Decision on WaterNSW's efficient operating expenditure ($millions, $2024-25)

Source: IPART calculations.

[c] Our decision on controllable operating expenditure **excludes** land tax costs, however these are **included** in WaterNSW's September 2024 proposal.

[d] Our decision on non-controllable operating expenditure **includes** land tax costs, however these are **excluded** in WaterNSW's September 2024 proposal.

4.3.1 Base costs have increased from the Draft Report

WaterNSW proposed an adjusted base cost of $128.6 million per annum, based on its 2022-23 expenditure with $12.1 million of adjustments to bring this to 2024-25 levels.[e 42]

Our draft decision was to set an adjusted base cost of $103.7 million per year, based on WaterNSW's 2023-24 expenditure with $2.8 million of adjustments.

The main reason for the difference between WaterNSW's September 2024 proposal and IPART's draft decision is that WaterNSW's actual expenditure in 2022-23 was significantly higher than its actual expenditure in 2023-24 (see Table 4.1). In our Draft Report we adopted 2023-24 as the base year as we considered that WaterNSW's actual expenditure in 2022-23 was not an accurate reflection of its recurrent operating expenses, because there was a considerable increase in costs relative to other years as a result of an atypical flood event. We also considered that using 2023-24 as the base year would be more consistent with the guidance in our Water Regulation Handbook that baseline operating expenditure reflects recurrent controllable operating expenditure in the second last year of the determination period i.e. the most recent year with a full 12 months of data available.[43]

We also made changes to WaterNSW's proposed adjustments for its operating model, digital related costs, overhead allocations, and other costs such as employee costs, insurance premiums and land tax based on further analysis and advice we received from Aither and Atkins.

We accepted additional base year adjustments

WaterNSW's submission to the Draft Report noted that the choice of the base year, whether that is 2022-23 or 2023-24, is not so important if the necessary adjustments have been made, and proposed that several additional adjustments be included.[44]

Our decision is to set an adjusted base cost of $107.1 million per year. This is $3.4 million higher than our draft decision, and reflects our decisions to accept some of the additional base year adjustments raised in WaterNSW's submission to the Draft Report, including:

- **External insurance recoveries revenue.** WaterNSW requested a $1.0 million base year adjustment for one-off revenue linked to flood rectification works incurred in 2022-23.[45] We have accepted this adjustment.
- **Defined benefit superannuation.** WaterNSW requested an additional $0.2 million base year adjustment for changes in the provisions for defined benefit superannuation.[46] We have reviewed the supporting information provided by WaterNSW from State Super and accepted this adjustment.
- **Misallocated security service costs.** WaterNSW requested an adjustment for direct security service costs that were understated and miscoded in 2023-24.[47] We have reviewed the supporting information provided by WaterNSW and accepted this adjustment.

[e] This is for controllable costs only.

We did not accept WaterNSW's proposed adjustment for:

- **Stormwater modelling.** In the Draft Report we did not accept WaterNSW's proposed base year adjustment for strategic (flood) modelling of $0.6 million because it was not clear from the information provided that the obligation is new, and also unknown if any costs from this modelling were incurred during the 2023-24 base year.[48]

  Our decision is to maintain the approach in our Draft Report. While WaterNSW's submission stated that the funding is required to meet the implementation of the Greater Sydney Water Strategy and its operating licence, it did not provide direct links between its regulatory requirements and the additional expenditure it has requested.[49] For this reason, we do not consider WaterNSW has provided sufficient information to justify that the proposed increase in stormwater modelling costs is efficient.

4.3.2 We made changes to the cost growth trend factor

In our Draft Report we set a cost growth trend factor of 0.9% per year and an efficiency factor of 0.9% per year for 3 years, from 2025-26 to 2027-28.

WaterNSW's submission to the Draft Report requested trend adjustments to:

- **Insurance.** WaterNSW noted that the annual increase adopted in the Draft Report is based on an annual forecast increase over 6 years. It considered that this escalation factor is not applicable for a shorter determination period because icare's forecast changes are heavily weighted to the early years of the regulatory period.[50]
- **Land tax.** WaterNSW submitted that land tax costs in the base year may not fully capture costs in future years and has requested a base year adjustment of $0.7 million. WaterNSW also considered that the productivity factor should not apply to land tax, given the uncontrollable nature of this expenditure.[51]
- **Efficiencies.** WaterNSW considers that its initial proposal is now overly optimistic, and the more appropriate efficiency factor to be applied is 0.7% per year.[52]

We have considered the issues raised in WaterNSW's submission to the Draft Report. We have decided to update the escalation factor for insurance costs based on the additional information provided by WaterNSW from icare, and reallocate land tax costs from controllable to non-controllable expenditure. We have also decided to maintain the efficiency factor at 0.9% per year.

Our decisions on WaterNSW's proposed trend adjustments are discussed in more detail below.

We adjusted the insurance escalation factor to reflect forecast increases over the next 4 years

In the Draft Report we adopted Aither's recommendation to apply an escalation factor of 5.34% per year to insurance costs.[53] WaterNSW's submission to the Draft Report raised that Aither's approach did not consider the individual weightings of the property and public liability components, and the escalation factor adopted is not applicable for a shorter determination period. It proposed that the appropriate adjustment for insurance costs is 9.35% per year, based on the average increase under icare's forecasts for property and public liability insurance over a 3-year period.[54]

We have reviewed the additional information provided by WaterNSW in its submission to the Draft Report and accept that icare's forecasts are higher in the earlier years of its 6-year forecast period. As a result, we have updated the insurance escalation factor to 6.9% per year. This is based on the average increase under icare's forecasts over a 4-year period (based on our updated decision on the length of determination), for all insurance categories (not just property and public liability).

We applied a base year adjustment for land tax, and reallocated this to non-controllable operating expenditure

We understand from WaterNSW's submission to the Draft Report that the Valuer General has already started valuing land not previous valued and backdating valuations for up to 5 years. As a result, historical estimates may not be representative of future expected land tax liabilities.[55]

We accept that WaterNSW's future land tax costs are likely to be higher than historical estimates, however, given that the valuation process is still being completed we consider there is some uncertainty about WaterNSW's base year adjustment. On balance, we have decided to include a base year adjustment of $0.35 million for land tax.

We have also decided to reallocate land tax from controllable, to non-controllable expenditure to recognise that WaterNSW cannot control the land tax rate applied to its landholdings and likely has limited ability to change the amount of land it holds in the Greater Sydney area.

Our decision is to maintain the efficiency adjustment factor at 0.9% per year

WaterNSW considered that its initial proposal is now overly optimistic in the context of IPART's draft decisions as it lacks the increased cost base that provided scope for future efficiencies. It proposes an updated efficiency factor of 0.7% per annum, noting this would be consistent with IPART's draft decision for Sydney Water and more recently as confirmed by the RBA as the best measure of long-term efficiency in Australia.[56]

We have decided to maintain the efficiency factor at 0.9% per year, consistent with WaterNSW's September 2024 proposal. This is higher than the efficiency factor of 0.7% per year we have set for Sydney Water for the 5-year period from 2025-26 to 2029-30, and consistent with the efficiency factor of 0.9% per year we have set for Hunter Water for the same period.

We do not consider that we need to apply the same factor across all water businesses. The efficiency factor reflects our assessment of the efficiency improvements we consider a business can achieve over the upcoming determination period, and as a result, can vary between different businesses for a multitude of factors. We note that 0.9% per year already represents the lower end of the efficiency factor range recommended by Aither in its expenditure review.

Our decision is to adopt an efficiency factor of 0.9% per year, consistent with WaterNSW's September 2024 proposal. We accept this efficiency challenge as practically achievable over the 2025 determination period.

4.3.3 Step change costs have increased from the Draft Report

WaterNSW's submission to the Draft Report requested adjustments to several of our draft decisions on step changes.

We have considered the issues raised in WaterNSW's submission. Our final decision is to include step increases of $13.2 million over the 4-year determination period. This is substantially higher than our draft decision, which was to include -$0.1 million of step changes over a 3-year period.

Our decisions on WaterNSW's proposed adjustments to step changes are discussed below.

Catchment audit costs

WaterNSW submitted that IPART's draft decision to adopt a 2023-24 base year and apply the same expenditure reductions for catchment audit obligations creates a funding shortfall for future audits in 2025-26 and 2028-29. WaterNSW also advised that the cost of future catchment audits will likely increase from the $300,000 per audit figure included in its September 2024 proposal.[57]

We have decided to include step increases of $300,000 in 2025-26 and 2028-29 to enable WaterNSW to meet its statutory audit obligations. We have not adopted the higher estimates provided in WaterNSW's submission at this stage as we consider that WaterNSW has not provided sufficient information to justify these increases.

Regulatory submission costs

WaterNSW did not support our draft decision not to include its full proposed increase in regulatory submission costs. WaterNSW also noted in its submission that the costs of preparing the next Greater Sydney proposal are expected to be similar whether it's a 3 or 5 year period.[58]

We have maintained our decision not to accept the full increase proposed by WaterNSW. This is because there is some uncertainty around WaterNSW's forecasts, and the step increase we have adopted already represents the upper end of the range recommended by our independent experts Aither in their expenditure review.

We acknowledge that the cost of preparing the next pricing proposal is likely to be similar, despite our decision to set a shorter length of determination. For this reason, we propose to adopt Aither's upper bound on regulatory submission cost step changes but recover the total amount for 5 years over the 4-year determination period to reflect our decision to set a 4-year determination.

Adjustment for Warragamba E-flows

In our Draft Report we applied a step change of -$0.3 million per year to reflect Aither's finding that there would be an associated decrease in recurrent operating costs under the deferral of the Warragamba E-flows project. WaterNSW's submission to the Draft Report requested that IPART reinstate this amount each year as these costs were not included in its September 2024 proposal.[59]

We have removed this step change based on WaterNSW's feedback.

Digital operating costs

WaterNSW submitted that the Draft Report understated its total proposed increase in digital operating costs as it did not include the component for salaries and wages. WaterNSW also considered that the proposed reductions in the Draft Report for software licensing costs are excessive.[60]

We have reviewed the information provided in WaterNSW's submission to the Draft Report which shows that its proposed digital operating costs represented step increases of $54.1 million over 5 years for Greater Sydney, including:

- $26.9 million over 5 years for non-salary and wages costs
- $27.2 million over 5 years for salary and wages (which makes up the majority of digital people related costs).[61]

Our decision is to not accept WaterNSW's proposed increase of $27.2 million over 5 years for salary and wages, on the basis that Atkins found that WaterNSW's proposed increase in digital people costs is not sufficiently justified.[62]

For WaterNSW's proposed increase for non-salary and wages costs we have decided to maintain the adjustment for software licensing costs, based on Atkins' finding that WaterNSW's proposed increase represents the worst-case scenario. Further, the increase in WaterNSW's headcount was not supported in Atkins' review and appears to be inconsistent with WaterNSW's plans to reduce its total workforce (see section 4.5). As a result, we consider some of the assumptions on the number of licences required will be subject to downward revision.[63]

This results in step increases of $4.3 million per year for digital operating costs, which is $2.2 million higher per year than under our draft decision.

Overheads

WaterNSW's submission to the Draft Report requested step increases of:

- $0.9 million per year based on updated vacancy rates
- $2.3 million over 3 years based on lower capitalised overheads.[64]

We have reviewed the information provided in WaterNSW's submission to the Draft Report as well as additional information it provided on its overheads model.

We found that WaterNSW's overheads model is designed to allocate all costs when these costs are known, for example when reporting for a past financial year. It works reasonably well when most costs are known or can be reasonably forecast, for example for the pricing submission WaterNSW knew its proposed costs for Rural Valleys, WAMC and Greater Sydney, and could reasonably estimate Pipeline costs. However, it is not well suited to allocating overhead costs when the costs of only one business unit are revised while the costs of the other business units are assumed to remain constant, which can lead to perverse outcomes.

We do not accept WaterNSW's assumption that the overhead pool does not change, despite our decisions to set operating and capital expenditure below WaterNSW's proposal. Additionally, we do not consider it is appropriate that lower capital expenditure leads to more overheads previously allocated to capital expenditure being recovered through operating expenditure.

Our decision is to not accept WaterNSW's proposed step increases for overheads.

Costs of recreational land management

WaterNSW's submission to the Draft Report noted that its September 2024 proposal includes an adjustment -$1.1 million per year based on IPART's recommendation in its 2020 review that the direct users of recreational facilities or the Government should fund 50% of the prudent and efficient cost of recreational land management.[65] This is to account for the fact that these costs are partially driven by the use of these recreational facilities (i.e. use of recreational facilities is contributing to the need to incur these costs and therefore the users of these facilities should contribute to these costs). WaterNSW has requested a formal declaration from IPART confirming its recommendation of $1.1. million per year in CSO payments to support recreational land management.[66]

We note that in the 2020 review, the Tribunal at the time made a decision to apportion 50% of the costs of providing recreation facilities to water customers, with the remaining 50% to be recovered from either direct users of recreational facilities (i.e. user fees) or the Government (on behalf of the broader community), if it is not practically feasible to recover these costs through user fees.[67]

We remain of the view that 50% of the prudent and efficient cost of recreational land management should be recovered from direct users of recreational facilities if feasible, or from the Government (on behalf of the broader community). These costs should not necessarily be funded by the NSW Government if it is practically feasible to recover these costs from direct users when using these recreational facilities, and WaterNSW should investigate if it is feasible to charge direct users before seeking a contribution from the NSW Government.

4.4 WaterNSW's expenditure for the deferral year

In November 2021, we approved the extension of WaterNSW's current pricing period by one year, to 2024-25. This meant that prices remained constant at 2023-24 levels, and no operating expenditure allowance was set for 2024-25. As part of this review, we have assessed WaterNSW's expenditure in 2024-25 to determine if it was efficient and in customers' best interests.

WaterNSW's forecast operating expenditure is $132.1 million for the 2024-25 deferral year.[68] This is around 16.6% higher than its average annual allowance of $113.3 million under the 2020 Determination.

We asked Aither to review and make recommendations on WaterNSW's efficient operating expenditure for 2024-25. Aither considered that efficient operating expenditure for 2024-25 can be inferred based on the adjusted base cost amount.

We consider that Aither's recommendation to use the adjusted base cost is reasonable. We have set the efficient level of operating expenditure for 2024-25 at $112.8 million, based on the adjusted base cost and non-controllable operating costs for 2024-25, for the purpose of the deferral year adjustment (see Chapter 6 and Appendix D for more information).

4.5 We considered the potential impacts of WaterNSW's plans to reduce its workforce

In August 2025, WaterNSW announced that it intends to reduce its total workforce by approximately 300 employees.[69]

We have not made a revenue adjustment for WaterNSW's plans to reduce its workforce because, in line with the IPART Act, the Tribunal sets maximum prices that reflect our assessment of what any efficient business would need to deliver WaterNSW's bulk water services in Greater Sydney. The Board of WaterNSW is responsible for the organisation's overall policy, strategy and direction and how operational decisions are made, and the Tribunal does not set prices based on specific management decisions made by regulated water utilities. For example, the Board retains discretion over which capital projects it prioritises and how it designs and manages its organisational structure. IPART sets maximum prices to provide a revenue allowance and monitors performance against licence conditions.

Chapter 5

Capital expenditure

05

Summary of our decisions on capital expenditure

We included most of WaterNSW's capital costs since 2019-20 in its regulatory asset base

We reviewed WaterNSW's historical capital expenditure for its Greater Sydney business to determine the efficient level of expenditure to include in the RAB roll-forward.

Since 2019-20, WaterNSW's actual capital expenditure was $138.8 million (or 23%) lower than the efficient funding envelope set in the 2020 Determination.

Our view is that WaterNSW's actual capital expenditure over the 2020 determination period was mostly efficient.

We applied an adjustment of -$4.0 million related to digital expenditure to account for reduced benefits being delivered by WaterNSW's Water Value Added Environment (WAVE) program.

We set the capital expenditure allowance at $590.7 million for 4 years

Our decision is to include $590.7 million of forecast capital expenditure into WaterNSW's RAB.

At an average of $147.7 million per year, this is:

- $24.2 million (or 19.6%) higher per year than our draft decision
- $32.3 million (or 28%) higher per year than the average annual allowance we set for the 2020 determination period
- $153.3 million (or 50.9%) lower per year than WaterNSW's September 2024 proposal
- $37.5 million (or 34%) higher per year than WaterNSW's June 2025 submission.

This chapter sets out our assessment of the capital expenditure WaterNSW requires to deliver good quality services and customer outcomes for its Greater Sydney business. WaterNSW's capital costs are the investments it makes to buy, build and renew the infrastructure and equipment it uses to provide its services.

In reaching our decisions, we considered independent expert advice from Aither and AtkinsRéalis (Atkins), additional supporting documentation provided by WaterNSW and comments from stakeholder consultation. Aither's report on its assessment of WaterNSW's expenditure proposal for its Greater Sydney business is available on our website. Atkins' report on its assessment of WaterNSW's proposed expenditure for its Rural Valleys business, which includes its assessment of WaterNSW's proposed digital expenditure across the Greater Sydney, Rural Valleys and WAMC price reviews, is also available on our website.

5.1 WaterNSW's spending for its Greater Sydney business over the last 6 years

Our decision is:

3. To set the efficient level of capital expenditure for 2019-20 to 2023-24 at $477.1 million, as shown in Table 5.1.

Our decisions on capital expenditure reflect our assessment of the prudent and efficient level of expenditure on capital works that should be included in a business's regulatory asset base and recovered through prices. When we assess historical capital expenditure, we look at spend over the current determination period (2020-25), as well as spend over the final year of the last determination period (i.e. 2019-20).[a]

Since 2019-20, WaterNSW's actual capital expenditure was $138.8 million (or 23%) lower than the efficient funding envelope set in the 2020 Determination. WaterNSW's proposal attributed the lower spend to:

- Strategic deferrals and cancellations, such as the cancelled Warragamba Dam Raising project (which included the Warragamba E-flow project).
- Delays resulting from natural disasters (bushfires and flood), pandemic restrictions and the complexity of some strategic options assessment.
- Changes in scope reduced actual costs for some renewal and replacement activities.[70]

To help us determine the efficient level of expenditure to include in the RAB roll-forward, we asked independent experts Aither and Atkins to assess and provide advice on WaterNSW's spending. Aither and Atkins found that this seemed mostly reasonable but recommended a downward adjustment of $4.0 million for digital expenditure over the period, due to a significant reduction in benefits being delivered by WaterNSW's Water Value Added Environment (WAVE) program.[71] Atkins' recommended adjustment is based on expected future efficiency savings from the program.[72]

WaterNSW's submission to the Draft Report did not agree with Atkins' recommended adjustment. WaterNSW acknowledged $1 million of potentially inefficient spending on the WAVE project but found IPART's draft decision unjustified and excessive. WaterNSW considered that Atkins disregarded program complexity in its assessment and sought IPART's reconsideration of this matter.[73]

We note that Atkins' report discussed complexity and associated challenges but ultimately found that "service and efficiency improvements have not been demonstrated" and "most of the functionality is still to be delivered".[74] Based on these findings, our decision is to maintain the approach taken in our Draft Report, to only allow the efficient amount of WaterNSW's historical expenditure on the WAVE program to be included in the RAB.

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

We also note that the references WaterNSW included to Atkins' report that the lower range would represent a very significant reduction from WaterNSW's forecasts" and that it is "not suggesting that WaterNSW could live within this envelope of expenditure" relate to Atkins' digital expenditure recommendations for the 2025 determination period, and do not apply for Atkins' recommendation on historical expenditure.[75]

We have included all historical capital expenditure, subject to the adjustment for digital expenditure, into the RAB. The efficient level of capital expenditure for the 2019-2024 period is presented in Table 5.1. We have updated these figures for actual inflation for 2024-25 between the Draft Report and the Final Report.

Table 5.1 Efficient capital expenditure for 2019-25 period ($millions, $2024-25)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25[a]	Total (2019-24)[b]
2020 allowance	158.6	128.2	102.6	125.0	105.6	NA	620.0
WaterNSW's actuals	144.2	100.9	50.8	71.4	113.8	137.1	481.1
Adjustment for digital expenditure	0.0	-0.2	-1.2	-1.1	-1.5	0.0	-4.0
Efficient base capital expenditure	**144.2**	**100.7**	**49.6**	**70.2**	**112.3**	**137.1**	**477.1**

a. 2024-25 is a forecast.
b. In this table, the total determination allowance considers only 5 years between 2019-20 to 2023-24. This is because no explicit allowance was set for 2024-25 when the price review as deferred.
Note: Totals may not sum due to rounding.
Source: IPART analysis.

5.2 WaterNSW proposed a 158% increase in capital expenditure

WaterNSW proposed a capital expenditure program of $1.5 billion over a 5-year period in its September 2024 proposal. This represents an annual average of $297.2 million[b], which is 158% above the average annual allowance of $115.4 million over the 2020 determination period.

The 2 major projects in WaterNSW's capital program (based on its September 2024 proposal) are:

- Warragamba Dam Resilience, to meet dam safety standards (initially $609 million over 5 years, later revised to $406 million over 5 years based on WaterNSW's revised forecast expenditure where a delay in project delivery shifts some expenditure beyond the next 5 years). WaterNSW submits that a detailed risk assessment justifies strengthening aspects of the dam to ensure compliance with regulation and the ongoing ability to handle extreme rainfall events.[76]
- Warragamba E-flows, to modify Warragamba Dam to enable the release of variable environmental flows ($302 million over 5 years). WaterNSW states that this will improve health and recreational opportunities in the Hawkesbury-Nepean River.[77]

Before the inclusion of these 2 projects, WaterNSW's proposed capital expenditure program is 0.3% lower than the average annual allowance over the 2020 determination period.

[b] Based on WaterNSW's September 2024 proposal over a 5-year period.

5.3 We have set capital expenditure at $590.7 million over the 2025 determination period

Our decision is:

4. To set the efficient level of capital expenditure to be included in the notional revenue requirement for the 2025 determination period at $590.7 million, as shown in Table 5.2.

Table 5.2 Decision on WaterNSW's efficient capital expenditure for the 2025 determination period ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
Total capital expenditure	**113.9**	**106.0**	**150.6**	**220.2**	**590.7**
WaterNSW's September 2024 proposal	164.3	300.9	370.8	367.9	1,203.9
Difference from proposal ($m)	*-50.4*	*-194.9*	*-220.2*	*-147.7*	*-613.2*
Difference from proposal (%)	*-30.7%*	*-64.8%*	*-59.4%*	*-40.1%*	*-50.9%*

Note: Based on WaterNSW's September 2024 proposal, not updated for the revised Warragamba Dam resilience project timeline.

Source: IPART analysis.

The capital expenditure allowance we set for WaterNSW represents our view on the overall envelope of capital expenditure that we consider reasonable to maintain or improve WaterNSW's assets and services over the upcoming determination period, and that should be recovered through prices. It does not signal the amount it is required to spend on specific capital projects, or discrete allowances for specific works. We expect WaterNSW to continue to review its expenditure and service priorities and strive to optimise customer value. This may mean revising its capital program up or down, substituting operating costs for planned capital expenditure, or to shift expenditure between one service and another, where these changes are prudent, efficient, and in customers' best interests.

We have decided to set efficient capital expenditure at $590.7 million over the 2025 determination period (i.e. $147.7 million per year for 4 years). This is $32.3 million (or 28%) higher per year than the average annual allowance we set for the 2020 determination period, and around $63.5 million (or 75.4%) higher than WaterNSW's actual average annual capital expenditure over the 2020 determination period. We consider that the average allowance over the 2020 Determination is an appropriate comparator for capital expenditure as capital expenditure tends to be more lumpy or intermittent than recurrent.

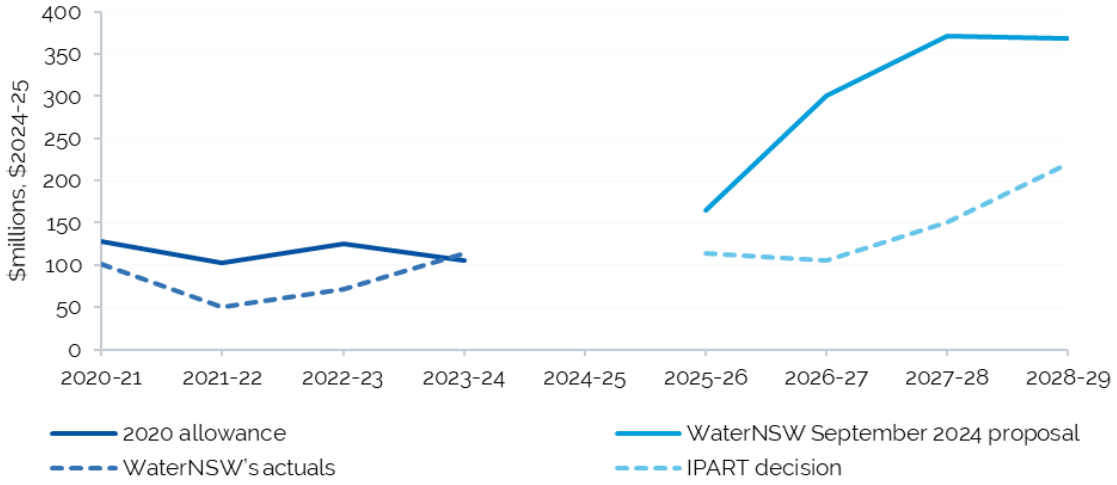
Table 5.3 shows the average annual capital expenditure based on our 2020 Determination, the allowance and actuals for 2023-24, WaterNSW's September 2024 proposal, and our draft and final decisions.

Table 5.3 Average annual capital expenditure ($millions, $2024-25)

	2020 Determination average allowance	2023-24 allowance	2023-24 actuals	WaterNSW Sept 2024 proposal	Draft decision	Final decision
Capital expenditure	115.4	105.6	113.8	301.0	123.5	147.7

Note: WaterNSW overspent on its allowance for 2023-24 but underspent by $138.8 million (or 23%) on the efficient funding envelope set in the 2020 Determination.

Figure 5.1 Decision on WaterNSW's efficient capital expenditure ($millions, $2024-25)



Source: IPART calculations.

5.3.1 We engaged Aither to help us assess WaterNSW's proposed capital expenditure

Aither examined the top 5 projects in WaterNSW's proposed capital expenditure program in WaterNSW's September 2024 proposal. These are:

1. Warragamba Dam Resilience ($609 million)
2. Warragamba Dam E-flows ($302 million)
3. Warragamba Pipeline Renewals ($97.8 million)
4. Cataract Dam Safety and Upgrade ($35.7 million)
5. The balance of the water infrastructure renewals program not reviewed as part of a specific project above ($270.4 million).[78]

Together, these account for $1,314.7 million (or 88%) of WaterNSW's proposed capital expenditure. Aither's findings on each of these projects are summarised in Table 5.4.

Table 5.4 Aither's recommendations and findings on the top 5 projects

Project	Lower bound	Upper bound	Aither's findings
Warragamba Dam Resilience	$6 million	$6 million	The Final Business Case (FBC) is not complete. The project is therefore too uncertain, in terms of whether it will proceed and the timing and cost of the preferred option, to justify expenditure beyond that required to deliver the FBC in this determination period.
Warragamba Dam E-flows	$0	$302 million	The project is well developed and has clearly articulated drivers, benefits and costings. The project has already been delayed and deferred, resulting in substantial increases in project cost estimates.
Warragamba Pipeline Renewals	$60.35 million All coating works are deferred.	$96.11 million Tranche 5 coating works (proposed to commence from 2028-29) are deferred.	The need for the project is demonstrated by the criticality of the infrastructure, the age of the infrastructure, reported failures and condition assessments. The low level of detail in the estimates for the Tranche 4 coatings and Tranche 5 coatings is concerning.
Cataract Dam Safety and Upgrade	$7.15 million	$7.15 million	There are dam safety risks present at Cataract Dam that should be addressed through the Cataract Dam Safety Upgrade project. However, the level of risk, and impact of the identified solution/s remain in question and must be resolved. Aither recommends undertaking one of the 2 initially proposed upgrade works.
Water infrastructure renewals	$156.7 million Aither considered that this scenario carries a low risk. Projects that have a maximum individual benefit score of Medium or Low would be deferred.	$265.2 million Aither considered that this scenario carries a very low risk. Projects that have a maximum individual benefit score of Low would be deferred.	Of the 147 projects proposed there are a large number that need to be completed. However, the prioritisation approach taken by WaterNSW to determine what is included (based on a benefits score of 0.2) appears arbitrary and lacks justification of prudency or efficiency.

Note: Aither's lower and upper bound recommendations are based on costs over a 5-year period.
Source: Aither, Expenditure Review of WaterNSW – Final Report, July 2025, pp 5-25.

The balance of WaterNSW's proposed capital expenditure includes:

- $49.9 million of digital capital expenditure. Aither referred to the recommendations of Atkins in its review of WaterNSW digital operating and capital expenditure across the Greater Sydney, Rural Valleys and WAMC price reviews.[79]
- For the remaining $121.2 million Aither made no specific recommendation, having not undertaken a detailed review of that expenditure. However, given no systemic issues were identified during the review of the selected projects, Aither considered that IPART can, with reasonable confidence, allow 100% of the remaining capital expenditure proposed by WaterNSW.[80]

5.3.2 Our decisions on WaterNSW's key capital projects

This section explains how we reached our decisions on WaterNSW's proposed key capital projects. While we considered recommendations by projects individually, the capital expenditure allowance we have set represents our view on the overall envelope of capital expenditure that we consider is reasonable. It is the responsibility of WaterNSW to reprioritise its spending where needed and manage its business within the revenue envelope.

Warragamba Dam Resilience

We have included WaterNSW's proposed costs for the Warragamba Dam Resilience project.

WaterNSW initially proposed to spend $609 million over the 5-year period from 2025-26 to 2029-30, followed by $357 million in the next pricing period.[81]

During this review WaterNSW revised this to $406 million over the 5-year period due to new climate modelling requirements stemming from new Australian Rainfall and Runoff Guidelines (amended in November 2024) that will delay the project delivery.

Based on WaterNSW's revised forecast expenditure, the total capital cost over the next 4 years is $222 million. The bulk of WaterNSW's proposed expenditure on this project is expected to occur beyond the next 4 years.

While at this stage, the project costs and the scope of work for the Warragamba Dam Resilience project have not been finalised, there is sufficient justification, based on the matters in the IPART Act, which we must take into account, to include enough capital for WaterNSW to progress the Warragamba Dam Resilience project to improve dam safety.

We recognise that there is a significant increase in forecast costs for the project in year 4 of the determination period. However, the impact of the increase in costs on prices is small because dams have a long asset life (200 years) and IPART's standing timing assumptions mean that we include only 6 months of return on and of assets in the notional revenue requirement. We note that a future Tribunal will also have the option to consider, at the next review of WaterNSW's services in Greater Sydney, an adjustment to historical capital expenditure.

Warragamba E-flows

On balance, we have not included costs for the Warragamba E-flows project in the prices we set for the next 4 years.

We recognise that Aither found that the project is well developed and has clearly articulated drivers, benefits and costings. However, we note that WaterNSW deferred the project despite having received an allowance for this in the 2020 determination period, and it did not prioritise this project as a critical and urgent top 5 project in its June 2025 submission to our Information Paper.[82] Additionally, the project does not impact WaterNSW's ability to deliver its core business.

WaterNSW's submission to IPART's Draft Report noted IPART's recommendation to not provide funding for the Warragamba E-flows project and stated that it will revisit this project at the subsequent determination.[83]

Our view remains that IPART determinations allow an envelope for efficient expenditure which enables water businesses to reprioritise their spending as a determination period progresses. We note that the Tribunal can decide to include additional efficient capital expenditure on the Warragamba E-flows project over the 2025 determination period in the RAB in the future, based on findings in the next price review.

Warragamba Pipeline Renewals

Our decision is to adopt Aither's upper bound estimate, given the criticality of the infrastructure, the age of the infrastructure, reported failures and condition assessments. We recognise that there is a risk of supply interruption from pipe failures should further deterioration occur due to a delay in the Tranche 4 coating works.[84]

We also note that WaterNSW identified Warragamba Pipeline works as one of its critical and urgent projects in its June 2025 submission.[85]

Cataract Dam Safety and Upgrade

In our Draft Report we proposed to adopt Aither's recommendation on this project based on Aither's finding that there is sufficient evidence that a single upgrade – which contributes 39% to total risk – can manage the dam safety risks to an acceptable level (provided interim risk mitigation measures are undertaken, including a contingency plan for a failure of the spillway wall).[86]

WaterNSW's submission to the Draft Report stated that it is firm in its position that both of the upgrades in its September 2024 proposal are reasonably practical and essential, and their implementation is necessary to meet regulatory obligations, maintain water security and ensure the safety of downstream communities.[87]

We have decided to maintain the approach taken in our Draft Report. WaterNSW's feedback to the Draft Report does not directly address Aither's finding that the documentation provided by WaterNSW does not sufficiently make a case for the implementation of the proposed upgrade to the spillway wall. Aither's review also determined that WaterNSW would avoid non-compliance with the Dam Safety Act 2025 and its regulatory obligations if it implements its contingency plan for the duration of the 2025 determination period.[88]

We note that this decision does not prevent WaterNSW from undertaking further work on the Cataract Dam Safety and Upgrade project over the upcoming determination period if it determines this is necessary. We note that the Tribunal can decide to include additional efficient capital expenditure on the Cataract Dam Safety and Upgrade project over the 2025 determination period in the RAB in the future, based on findings in the next price review.

Water infrastructure renewals program

In our Draft Report we proposed to adopt Aither's lower bound recommendation on this project based on Aither's finding that there is low risk associated with this scenario. Aither noted that under this scenario, projects with only a medium risk of an incident related safety, environmental harm or interference of supply would be deferred. While there is a risk that the condition of assets deteriorates, this risk is balanced through ongoing monitoring across various systems.[89]

WaterNSW's submission to the Draft Report stated that Aither's lower bound recommendation for this program introduces unacceptable risks for customers and the community, and that its original proposal investment remains the best value for money.[90]

We have decided to maintain the approach taken in our Draft Report. We recognise that Aither's findings are mainly based on a top-down methodology. While WaterNSW argued that this approach introduces unacceptable risks, it has not provided specific examples or new information to support its argument.

We consider it is the responsibility of WaterNSW to manage its assets and take all necessary actions to manage risks to safety, environmental harm, or interference of supply. As previously discussed, the capital expenditure allowance we have set represents our view on the overall envelope of capital expenditure that we consider reasonable, and WaterNSW can reprioritise its spending where necessary.

The capital expenditure allowance we have set for the 2025 determination period is 28% higher than the allowance we set in the 2020 determination period, and around 75% higher than WaterNSW's actual capital expenditure in the 2020 determination period (based on average annual figures). As a result, we consider the overall envelope provides WaterNSW with sufficient revenue to take all necessary actions to manage risks. We note that the Tribunal can decide to include additional efficient capital expenditure on the water infrastructure renewals program over the 2025 determination period in the RAB in the future, based on findings in the next price review.

We note that WaterNSW also has the option of seeking an early determination if it maintains the view that our decision would lead to an unacceptable risk of an incident related to safety, environmental harm, or interference of supply, and is able to provide further information to substantiate this claim.

Digital expenditure

In our Draft Report we proposed to adopt Atkins' upper bound recommendation, which is based on adjustments to specific digital programs and projects. Atkins recommended a 40% decrease for programs whose level of costs are not sufficiently justified, removing the Water Insights Portal project as the benefits are not mandatory or core, and removing the Digital Operations Support project because the expenditure is not justified and there are other mechanisms which provide better value for money.[91]

WaterNSW's submission to the Draft Report stated that while the upper range scenario adopted in the Draft Report is generally acceptable, it did not support Atkins' recommendation to remove expenditure for the Water Insights Portal ($7.8 million). WaterNSW argued that this is essential for customer and community engagement and the community's growing expectations for transparency, and its removal undermines the overall effectiveness of WaterNSW's digital strategy. WaterNSW also stated that the proposed investment had been shaped by customers to deliver on customer expectations.[92]

Atkins found that many of the stated benefits of the Water Insights Portal, while desirable, are not sufficiently or strongly justified (e.g. community engagement, community information and education, customer notification), and where efficiencies are identified, they are not quantified.[93] Atkins also observed that Water Insights appears to be ranked 32nd in the customer advisory group ranking of priorities. Atkins did not consider this to be robust evidence for strong customer support.[94]

We have decided to maintain the approach taken in our Draft Report, as we consider WaterNSW has not provided sufficient information to justify the inclusion of its proposed expenditure for the Water Insights Portal.

Chapter 6

Notional revenue requirement

06

Summary of our final decisions on revenue requirement

Set WaterNSW notional revenue requirement at $1,125.6 million over the 2025 determination period

At an average of $281.4 million per year over 4 years, this is $6.5 million or 2.4% higher than our draft decision.

Also, this is $36.3 million or 14.8% higher per year than WaterNSW annual average revenue requirement over the 2020 determination period and is $55 million (or 16.3%) lower than WaterNSW's September 2024 proposal. This difference is primarily due to our final decision on lower efficient operating expenditure, which is $14.2 million (or 10.8%) lower per year than WaterNSW proposed.

Our final decision also includes revenue adjustments for debt costs and the deferral year.

We have used the building block approach to calculate WaterNSW's notional revenue requirement for its Greater Sydney business, as is outlined in our Water Regulation Handbook. Based on our final decisions on WaterNSW's efficient operating and capital expenditure, this chapter explains how we calculate the:

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

Our decisions on these building blocks consider the matters set out in sections 14A(2) and 15(1) of the IPART Act. Our framework for setting the weighted average cost of capital (WACC) is an important component of ensuring that the maximum prices we set for WaterNSW can promote competition and protect customers from the abuse of monopoly power. It means that prices only recover a reasonable rate of return that would be earned by a similar firm operating in a competitive market. The WACC also enables WaterNSW to maintain its dividend requirements to the NSW Government.

6.1 WaterNSW's notional revenue requirement for its Greater Sydney business is $1,125.6 million over 4 years

Our decision is:

5. To set the notional revenue requirement at $1,125.6 million for the 2025 determination period.

WaterNSW'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 cost allowances and by adding them together, we arrive at a notional revenue requirement for WaterNSW of $1,125.6 million over the 2025 determination period. This amount represents our final assessment of the total revenue WaterNSW is expected to generate to recover the efficient costs of providing its services to customers.

Figure 6.1 illustrates the build-up of the notional revenue requirement (NRR) using our standard building block approach. These are the totals over WaterNSW's 4-year determination period.

Figure 6.1 Building block approach

	Cost building blocks	Total over the determination period
	Operating allowance (Operational costs including administration)	$468.6 million
+		
	Capital allowances	
Return on assets + Return of assets	**Regulatory asset base (RAB)** = (Opening RAB + efficient capital expenditure – regulatory depreciation – asset disposals) x **Weighted average cost of capital (WACC)**	$339 million
=	Regulatory depreciation of the RAB	$277.1 million
+		

Note: All dollar values shown are in $2024-25 terms. Figures may not sum due to rounding.

Our final decision is 2.4% higher than our draft decision, 16.3% lower than WaterNSW's September 2024 proposal and 5.8% lower than WaterNSW's June 2025 submission. The differences between our final decision, and WaterNSW's September 2024 proposal and June 2025 submission are largely driven by our final decisions on a lower level of efficient operating and capital expenditure.

Table 6.1 compares our final decision on WaterNSW's notional revenue requirement with its September 2024 proposal.

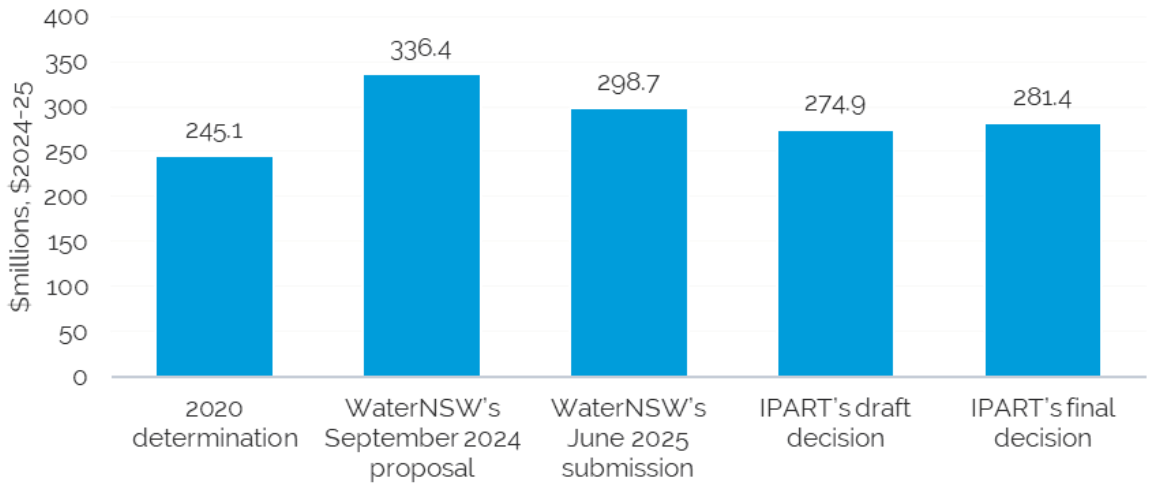
Table 6.1 Final decision on total notional revenue requirement for the 2025 determination period ($millions, $2024-25)

	WaterNSW's September 2024 proposed total NRR	IPART's final decision on total NRR
Operating expenditure	525.4	468.6
Return on assets	386.8	339.0
Return of assets (depreciation)	360.1	277.1
Return on working capital	8.0	8.7
Tax allowance	39.9	20.2
NRR before adjustments	1,320.1	1,113.7
Cost of debt true-up	5.2	-6.1
Deferral year	20.3	18.0
NRR after adjustments	1,345.6	1,125.6

Note: Figures may not sum due to rounding.
Source: WaterNSW September 2024 price proposal and IPART analysis.

Figure 6.2 compares our final decision on WaterNSW's annual average notional revenue requirement with IPART's draft decision, the 2020 determination and WaterNSW's September 2024 proposal.

Figure 6.2 Comparison of average annual revenue requirement ($millions, $2024-25)

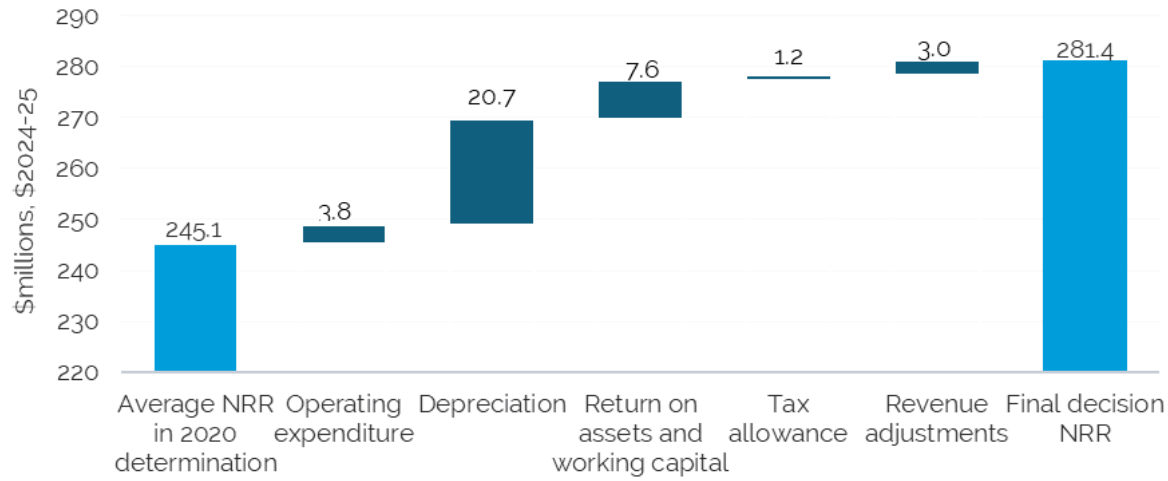


Note: Figures may not sum due to rounding.

Source: WaterNSW, 2024 Pricing Proposal, September 2024; WaterNSW, submission to IPART Information Paper, June 2025; IPART analysis.

Figure 6.3 shows the key drivers of the increase in the NRR under our final decisions.

Figure 6.3 Average annual NRR under the 2020 Determination compared to IPART's final decision ($millions, $2024-25



Note: Figures may not sum due to rounding.

Source: IPART, Review of prices for WaterNSW Greater Sydney from 1 July 2020 – Final Report, June 2020 and IPART analysis.

The average annual NRR under our final decision is 14.8% higher compared to the 2020 determination period. This is mainly driven by higher depreciation and a higher return on assets.

In our 2020 review we decided to calculate depreciation for new assets on a disaggregated basis, as this would better match the actual profile of asset consumption through time (while maintaining the existing approach to depreciating existing assets to support a transition from the old to new approaches over the medium- to longer-term). We consider that this change supports intergenerational equity and means that customers pay for their fair share of short- and long-lived assets, at any point in time.

The outcome of this transition is that depreciation for shorter-lived asset categories under our final decision has increased relative to the 2020 determination period, as these new shorter-lived assets are now depreciated over a shorter period, rather than over the weighted average life of all assets in the RAB. The increase in depreciation is also due to an increase in digital expenditure as a proportion of capital expenditure under our final decision, compared to the 2020 determination period.

The increase in the return on assets component is due to a higher RAB as well as a higher real post tax WACC (from 3.4% under the 2020 Determination, to 3.5% under our final decision).

The following sections explain our final decisions on each of the building block components of WaterNSW's notional revenue requirement.

A full breakdown of our final decisions on WaterNSW's building blocks is provided in Appendix D.

6.2 Rolling forward the regulatory asset base

In calculating the value of the regulatory asset base (RAB), we considered the appropriate value of assets that WaterNSW should earn a return on under our regulatory settings, pursuant to sections 14A(2)(e), 15(1)(c) and 15(1)(g) of the IPART Act.

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

To do this we:

- added $558.6 million of historical capital expenditure (net of capital contribution) from the 2020 determination period
- deducted $23.8 million in asset disposals
- deducted $267.1 million for the regulatory depreciation of assets
- added $420.5 million to account for annual indexation.

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

- added $590.7 million of forecast capital expenditure, which is based on the efficient capital expenditure allowance set out in Chapter 5, net of cash contributions
- deducted $1 million in asset disposals
- deducted $281.9 million for the regulatory depreciation of assets.

Our calculations result in the RAB increasing from $2,313.4 million on 1 July 2025 to $2,621.2 million by 30 June 2029.

WaterNSW submitted that in 2024-25 $21.3 million in drought planning desalination works will be transferred to Sydney Water Corporation and asked this to be reflected in the RAB. Specifically, WaterNSW requested that the closing RAB for the desalination asset class should be zero by the end of 2024-25.[95]

WaterNSW also noted that IPART has deducted 100% of the value of depreciating minor assets and that this is not consistent with IPART's asset disposal policy where 50% of the value is shared with customers and the remaining 50% is retained by the regulated entity. WaterNSW has requested that IPART amend this.[96]

For the final decision, we have updated our calculation of the asset disposal in line with WaterNSW's submission.

Our full RAB roll forward calculations are shown in Appendix D.

6.3 Return on assets

Our decision is:

6. To set an allowance of $339 million for the return on assets component of the notional revenue requirement for the 2025 determination period, noting that:
   a. the opening RAB on 1 July 2025 is $2,313.4 million
   b. we added $590.7 million in capital costs, net of disposals and depreciation
   c. we used a real post tax WACC of 3.5% 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 means businesses can continue to make efficient capital investments in the future. We calculate the return on assets by multiplying the value of the regulatory asset base (RAB) over the determination period by an efficient rate of return.

We calculated a return on assets allowance of $339 million for WaterNSW over the 2025 determination period.

6.3.1 We used a real return on capital (post-tax real WACC) of 3.5%

As in previous reviews, we determined the rate of return using a weighted average cost of capital (WACC). We used our standard WACC approach[97] to calculate a WACC of 3.5% for WaterNSW's final prices.

This is slightly lower than the 3.6% WACC that WaterNSW used to calculate the revenue requirement in its September 2024 pricing proposal and lower than our draft report WACC of 3.6%. This is due to changing the determination period from 3 years to 4 years.

The equivalent pre-tax real WACC for the final report is 4.3%.

In reaching our decision on WaterNSW's WACC we considered the matters set out in sections 14A(2) and 15(1) of the IPART Act.[a] Under our WACC methodology we benchmark the rate of return that we use to set prices to what would be earned by a similar firm operating in a competitive market. This means that customers' bills only fund an efficient and competitive rate of return, and customers are protected from monopoly suppliers passing on inefficient costs through prices. Our inclusion of a WACC in the building block calculation also allows WaterNSW to maintain its dividend requirements to the NSW Government.

More detail on our WACC calculation is provided in Appendix C.

6.4 Return of assets (regulatory depreciation)

Our decision is:

7. To set the return of assets (regulatory depreciation allowance) as $277.1 million for the 2025 determination period.

We include an allowance for depreciation in the notional revenue requirement to allow the capital invested by WaterNSW in its regulatory assets to be returned over the useful life of each asset.

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

We did not make changes to underlying asset lives for any asset types.

WaterNSW supported IPART's draft findings with respect to the return of capital (regulatory depreciation) and IPART's approach to calculate depreciation for new assets on a disaggregated basis. However, WaterNSW noted that IPART did not use the disaggregated categories for the purposes of calculating the depreciation allowance for the 2019-20 capital expenditure.[98]

WaterNSW requested that IPART calculate the depreciation allowance on a disaggregated basis for the 2019-20 capital expenditure. WaterNSW noted that implementing a disaggregated approach would result in a higher depreciation allowance and hence a higher total revenue requirement.[99]

We do not agree with WaterNSW. In the 2020 review, we decided to calculate depreciation on capital expenditure by using the individual asset life for each asset category over the 2020 determination period (i.e. 2020-21 to 2023-24). Therefore, we have maintained the approach taken in the draft report.

Appendix D shows our final decisions on asset lives for the 2025 determination period.

[a] Specifically, we consider sections 14A(2)(d), 14A(2)(e), 14A(2)(h), 15(1)(b), 15(1)(c), 15(1)(g) and 15(1)(i) of the IPART Act.

6.5 Return on working capital

Our decision is:

8. To set the return on working capital as $8.7 million for the 2025 determination period.

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

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

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

6.6 Tax allowance

Our decision is:

9. To set a tax allowance of $20.2 million for the 2025 determination period.

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' forecast tax liabilities. The tax allowance is not intended to recover WaterNSW's actual tax liability for Greater Sydney over the determination period. Rather, it reflects the liability that a comparable commercial business would be subject to.

Including this allowance is consistent with our aim to set prices that reflect the full efficient costs a business would incur if it were operating in a competitive market (including if it were privately owned). It is also consistent with the principle of competitive neutrality, that is, that a government business should compete with private business on an equal footing and not have a competitive advantage due to its public ownership.

For the draft decision, we calculated the tax allowance for each year by applying the relevant tax rate, adjusted for the value of imputation credits (the 'gamma'), to the business's taxable income, where taxable income is the notional revenue requirement (excluding tax allowance) less operating cost allowances, tax depreciation, and interest expenses.

Our policy on tax depreciation is to obtain expected tax depreciation from the businesses separately for existing assets and capital expenditure. We then adjust deprecation on capital expenditure based on our decisions about capital expenditure,

For the draft decision, we adjusted forecast tax depreciation provided by WaterNSW in proportion to our draft decision on total capital expenditure. However, this approach does not reflect the mix of assets, where most of the reductions were for long-life assets (e.g. dam and pipelines) rather than short-life assets (e.g. ICT).

For the final decision, we calculated the tax allowance based on tax depreciation for each asset category. This approach results in higher tax deprecation and, consequently, a smaller tax allowance. We calculated tax deprecation for each asset category based on the diminishing value method, consistent with the method used by WaterNSW.

Box 6.1 Refining our approach to tax allowances for capital contributions

Regulated businesses can receive capital contributions, including capital grants, towards infrastructure. When calculating a business's tax allowance in our notional revenue requirement, we typically include an allowance for income tax that it would need to pay on cash contributions.

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

WaterNSW does not expect to receive any cash capital contributions toward infrastructure for Greater Sydney over the 2025 determination period.

Businesses can also receive capital contributions in the form of assets constructed by developers and gifted to the business, known as assets free of charge (AFOC). WaterNSW does not receive any AFOC.

6.7 Revenue adjustments

Our decision is:

10. To make the following adjustments to the notional revenue requirement for the 2025 determination period:
    a. -$6.1 million for the cost of debt true-up
    b. $18 million for the deferral year true-up.

6.7.1 We have trued-up WaterNSW's cost of debt to -$6.1 million

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

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

We have made a final decision to use a true-up approach for changes to the cost of debt. We consider this reduces price fluctuations within price periods for customers while ensuring that businesses are adequately compensated for changes in the cost of debt that occur within each price period.

We have calculated a cost of debt true-up for the 2020 determination period of -$6.1 million. Our final decision is to include this true-up as an adjustment to WaterNSW's 2025–29 NRR. This true-up of -$6.1 million has the effect of reducing the NRR.

6.7.2 We have trued-up the cost of WaterNSW's deferral year to $18 million

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

We have accepted WaterNSW's proposal that it should recover deferral year costs and calculated the amount to be $18 million. To do this, we calculated the NRR for one year based on 2024–25 parameters and our standard building block approach. The true-up amount is the difference between our calculation of the NRR for 2024–25, and the revenue the business expects to receive in 2024–25, based on actual prices and forecast volumes. This is not a true-up to the actual costs incurred by the business, but a true-up compared to if we had set prices in our usual way for 2024–25.

This differs from WaterNSW's September 2024 proposal of $22.2 million because we used our estimate of efficient operating costs in 2024-25, which is $19.3 million lower than proposed by WaterNSW. These lower operating costs are partially offset by our estimated depreciation allowance, which is higher than WaterNSW's proposal, as well as updated demand forecasts which resulted in lower expected revenue from prices than WaterNSW's proposal. We used a lower WACC of 3.1%. We calculated the WACC as though a new 4-year determination period would start in 2023–24, whereas WaterNSW used the WACC from the 2020 determination period of 3.4%.

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

Chapter 7

Price control and risk sharing

07

Summary of our decisions on price control and risk sharing

To retain the current price cap approach

We are not convinced that a move away from the current price cap approach would be in customers' interests.

Maintain the drought water usage price

We have maintained our dynamic pricing approach, where usage charges are higher during periods of drought.

Remove the Sydney Desalination Plant volumetric charge adjustment

Under this approach, WaterNSW would no longer be fully protected from the demand risk of Sydney Water purchasing more water than forecast from SDP.

Maintain the Shoalhaven Transfer (and update benchmark energy costs)

We consider the existing cost pass-through for these costs is appropriate and efficient and accept WaterNSW's updated energy cost forecasts.

Not adopt WaterNSW's other proposed cost pass-throughs

WaterNSW proposed 4 other pass-throughs including for Warragamba Deep Pump Station, projects undertaken for Government, operating licence changes, and general pass-through events. We do not consider any of these meet our criteria for efficient cost pass-throughs.

One of the key themes we are considering through this price review is the allocation of risks between WaterNSW (including its shareholder, the NSW Government) and its customers. WaterNSW proposed to decrease its share of cost and revenue risks associated with our price determination and increase its customers' share of these risks. In this chapter, we discuss our decisions on allocating revenue risks and allocating cost risks, as well as mechanisms to encourage efficiency.

Revenue risk is the risk that the business would face revenue volatility from fluctuations in water sales. It exists because of the potential for an unforeseen event or condition to occur during the determination period which negatively affects WaterNSW's ability to meet the forecast water sales (used to set prices) and not be able to generate revenue equivalent to the NRR. We discuss this in section 7.1.

Cost risk is the risk that new and unforeseen costs may arise that are not reflected in prices. We discuss this in section 7.2

7.1 Price control

7.1.1 Revenue cap

Our decision is:

11. To retain the current price cap approach to setting prices and not adopt WaterNSW's proposed revenue cap.

In its September 2024 proposal, WaterNSW proposed moving away from maximum prices as a form of price control. Instead, it proposed implementing a revenue cap which would set the maximum revenue from customers, with a side constraint that would limit year-on-year price changes for customers to +/- 2%.[100]

WaterNSW considers that a revenue cap would be a more appropriate form of price control because it is a largely fixed cost business (meaning having revenue tied to water demand is inefficient), and that it would support WaterNSW's long-term stability, therefore promoting the long-term interests of its customers.

We are not convinced that moving to a revenue cap would be in customers' interests. While WaterNSW claims to have customer support for a revenue cap,[101] responses to our Issues Paper do not reflect this claim. Stakeholders have raised concerns over the consultation process and information provided for the revenue cap, the options provided to customers and the lack of information of the impact of a revenue cap on customer bills.[102]

We also have concerns with the consultation methods WaterNSW used to determine customer support for a revenue cap. Customers were only consulted on 2 options, and WaterNSW relied on a survey of 29 customers to demonstrate support for a revenue cap, which we consider is an insufficient sample size.[103] We also consider that the information customers were given in expressing a preference over form of price control was biased towards a revenue cap.

In addition to these concerns, we are not convinced that WaterNSW's revenue is as volatile as it suggests. WaterNSW claims that around 95% of its costs are fixed and do not vary with changes in customer water usage.[104]

The revenue that WaterNSW receives from Sydney Water is 80% predictable and reliable.[105] The amount of revenue that comes from variable charges to Sydney Water is relatively stable as demonstrated by Sydney Water's Demand Volatility Adjustment Mechanism (DVAM). The DVAM for Sydney Water shows a variation in demand of 6.1% (for 2012-13 to 2014-15); 5.6% (for 2016-17 to 2018-19); and -9.0% (for 2019-20 to 2023-24).[106] That is, the volatility in WaterNSW's revenue from Sydney Water was approximately 1%-2%.

Therefore we consider that there is very little revenue volatility for WaterNSW's Greater Sydney business, and a change to a revenue cap is unwarranted.

Table 7.1 below summarises IPART's response to WaterNSW's proposal to implement a revenue cap.

Table 7.1 WaterNSW's stated benefits of a revenue cap and IPART's response

	WaterNSW stated benefit	IPART response
Improved services to customers	Greater incentive for WaterNSW to reduce its operational costs and drive further efficiencies for it to benefit from a fixed revenue.	WaterNSW would have this incentive under either form of price control.
Reduced risk to customers	Ensures accurate forecasting by removing any incentive to distort forecast demand.	WaterNSW relies on Sydney Water's demand forecasts for the vast majority of its forecasts.
Bill certainty to customers	Customers have certainty and predictability around their bills.	Price certainty is greater under a price cap making bills predictable.
Sustainable water management	WaterNSW is incentivised to promote sustainable management of water resources instead of relying on price signals, which may not directly incentivise appropriate water consumption practices as customers may simply pay the higher price.	Price signals are likely to drive more efficient water use and sustainable management of water resources than WaterNSW can deliver.
No more, no less	Revenue cap may not balance the account in any given period it does ensure that the revenue retained by WaterNSW is no more or no less than the revenue set by IPART.	With the side constraints, the adjustment each year will be limited. WaterNSW has proposed that the short-fall or excess revenue be captured in a carry forward balance.
Aligns with customer preferences	The majority of our customers recognised the benefits of a revenue cap including reducing the potential for 'bill shock' and lower costs over time.	There are considerable issues with the customer engagement process and alleged support for the revenue cap.

Note: The first 3 WaterNSW claimed benefits had regard to the proposed +/- 2% side constraint.

Source: WaterNSW, 2024 Pricing Proposal – Attachment 13 Form of control (revenue cap or price cap), September 2024, p 4.

WaterNSW requested, in its submission to the Draft Report, the introduction of a Demand Volatility Adjustment Mechanism (DVAM) for Greater Sydney, should IPART continue to apply a price cap for its Greater Sydney bulk water services. WaterNSW also expressed the view that it is contradictory that IPART will not provide WaterNSW with the same level of protection from external factors afforded to other IPART regulated entities, such as Sydney Water, Hunter Water, Central Coast Council and Essential Water (among others).[107]

We have not accepted WaterNSW's proposal to introduce a DVAM for the 2025 determination period. Our decision to maintain the 80:20 price structure results in a relatively small amount of revenue risk, which we consider can be effectively managed by WaterNSW. We note that other IPART regulated entities are exposed to a higher level of revenue risk from variations between forecast and actual water sales, because a greater portion of water revenue is recovered through usage charges.

Our considerations on the DVAM are discussed further in section 8.1.3.

7.1.2 Drought water usage charge

Our decision is:

12. To maintain the drought water usage charge.

In the 2020 price review, we introduced dynamic water usage pricing. We implemented 2 usage prices: one that applied during non-drought conditions, and a higher one that took effect during drought (as measured by dam storage levels). The purpose was to send a price signal to customers during times of relative water scarcity, and to recognise that during drought, we expect water sales to fall (due to water restrictions) and so prices need to rise to allow WaterNSW to continue to recover its efficient costs. In general, stakeholders were supportive of this decision.[108] Our decision is to maintain this approach, in line with our decisions for the Hunter Water and Sydney Water reviews.

We will continue to use a '60/70% trigger' for moving between drought and non-drought prices. We note that Sydney Water argued, in its submission to the Draft Report, that changing the drought pricing trigger to 75% would better align with the NSW Government's Greater Sydney Water Strategy Implementation Plan 2022-2025 and the Sydney Desalination Plant (SDP) Framework.[109] We considered Sydney Water's feedback on the drought pricing trigger as part of our review of prices for Sydney Water Corporation, and determined that changing the drought price trigger, without also adjusting the value of the drought price uplift, may over-compensate Sydney Water for its drought costs and introduce greater bill volatility (see section 7.2.1 of the Sydney Water Final Report). As a result, we have decided to maintain the existing triggers for drought water usage prices for both Sydney Water and WaterNSW's Greater Sydney operations.

We will continue to use a rolling daily pricing trigger, lagged by 1 month, so:

- drought prices would be in place for 31 days after dam levels in the Greater Sydney catchment fall below 60%
- the drought usage price would continue to apply until 31 days after dam levels are above 70%, at which point the non-drought usage price would apply.

7.1.3 Sydney Desalination Plant (SDP) volumetric charge adjustment

Our decision is:

13. To remove the Sydney Desalination Plant volumetric charge adjustment.

In making our decisions on maximum prices for WaterNSW's Greater Sydney operations, we have considered the need to promote competition for the supply of bulk water services in the Greater Sydney area as required by the IPART Act.

In the 2020 Determination, we applied a volumetric usage formula to set the maximum usage charges that WaterNSW can charge its Large Customers (namely, Sydney Water). This is unlike our approach for WaterNSW's other Greater Sydney bulk water customers where we directly fix the maximum usage charge.[a]

[a] Under section 13(A) of the IPART Act, IPART may set a methodology (e.g., a formula) for setting maximum prices if the Tribunal is of the opinion that it is impractical to make a determination directly fixing the maximum price.

Figure 7.1 Volumetric charge formula in the 2020 determination

$$Volumetric\ charge = \frac{Target\ Revenue\ from\ usage}{Forecast\ Sales - Volume\ produced\ by\ SDP} + \frac{Cost\ of\ Shoalhaven\ Transfer}{Actual\ Sales}$$

Drought adjustment (the Target Revenue and Forecast Sales values vary under drought and non-drought conditions)

SDP adjustment

Shoalhaven cost pass-through

The volumetric charge formula serves 3 functions:

1. **Drought adjustment:** provides for higher volumetric charges to apply during droughts, to account for forecast reductions in water sales on drought days when water restrictions are in place (discussed in section 7.1.2 above).
2. **SDP adjustment**: adjusts the usage charge that WaterNSW can charge to Sydney Water such that WaterNSW's revenue is not impacted by SDP's supply to Sydney Water in a drought.
3. **Shoalhaven cost pass-through**: passes through the actual electricity costs of pumping water through the Shoalhaven Transfer Scheme to its Large Customers (discussed in section 7.2.1 below).

At the time of our last determination for Greater Sydney, Sydney Water did not have discretion over when, and how much, water it bought from SDP. The formula was introduced to address the risk that WaterNSW would under-recover revenue if its sales to Sydney Water reduced during droughts, when SDP was required to supply water under full production[b] and Sydney Water was required to accept all water supplied by SDP. If Sydney Water purchased water from SDP (and consequently less than forecast from WaterNSW), WaterNSW's usage charge to Sydney Water would rise proportionately such that WaterNSW's revenue remained constant.

We consider that this volumetric charge formula is no longer fit for purpose

Previously, the formula compensated WaterNSW for a drought-related revenue risk that was uncertain and outside its control.

Recent NSW Government policy changes have altered the nature of these risks, meaning that the volumetric charge:

- **Is no longer consistent with SDP's operating model:** the formula was designed with the purpose of minimising WaterNSW's revenue risk in periods when SDP was operational, so the usage price would only adjust during drought when SDP produced water at full capacity. This meant that the formula protected WaterNSW's revenue from the difference between SDP producing no water and SDP producing water at full capacity. SDP's new operating model has principally changed this risk for WaterNSW, given SDP now produces water flexibly, with a year-round minimum operating level.
- **Is not consistent with Sydney Water's determination:** in our Sydney Water Final Report, we replaced the SDP cost pass-through mechanism with an allowance for SDP bulk water costs using an assumed average purchase volume.

[b] 250 ML/d

- **Does not recognise that SDP's production has become more predictable:** in the past, SDP costs were unpredictable as they were triggered by the onset of drought. Under its new operating model, Sydney Water controls the volume of water it purchases from SDP. The volume of water Sydney Water is likely to purchase from SDP is more predictable now because:
  - We know Sydney Water must purchase a minimum of 50 ML/day from SDP (this is required under the new operating model) and
  - Since the SDP usage price is considerably higher than the WaterNSW usage price, and Sydney Water's determination no longer contains a pass-through, it is not unreasonable to assume Sydney Water would minimise its purchases from SDP.

  Based on this we applied a forecast of SDP bulk water purchases when setting Sydney Water's expenditure allowance, equivalent to 36 GL/year. We consider it is appropriate to apply the same SDP purchase estimates in setting WaterNSW's forecast demand from Sydney Water.

Our decision is to remove the SDP adjustment

We have removed the SDP adjustment from the volumetric charge formula for Large Customers, and replaced the drought adjustment with a:

- **maximum non-drought usage price**, calculated using demand forecasts that include average SDP purchase volumes (equal to the 36 GL/year level we assumed in the Sydney Water Final Report)
- **maximum drought usage price**, calculated using demand forecasts that assume SDP operates at full capacity (250 ML/day, or approximately 91 GL/year).

We are confident that the degree of risk WaterNSW will face is manageable and is in the long-term interest of customers. Firstly, the revenue risk WaterNSW will face is not material. Under our pricing structure, 80% of WaterNSW's revenue is derived from its fixed charge, and only 20% is from its variable usage charge. Since SDP can only produce up to 15% of Sydney Water's demand, SDP's **maximum** impact on WaterNSW's revenue from Sydney Water is 15% x 20% = 3%[c]. This impact is likely to be much lower under our recommended approach, since WaterNSW would be exposed to the revenue risk from fluctuations in actual SDP supply relative to our calculated average SDP supply (i.e., the short-term volatility around the long-term average).

Demand volatility is a risk that we expect other businesses, including Hunter Water and Sydney Water to bear – up to a certain threshold. Both businesses are exposed to 5% demand risk, with any larger under or over recoveries outside the 5% threshold accounted for by an end of period true-up under the demand volatility adjustment mechanism. Demand volatility has a higher revenue impact for these businesses, compared to WaterNSW, given that a much larger portion of their water revenue is derived from the usage charge.

The resulting volumetric charge is presented in Figure 7.2 below.

[c] Under SDP's current capacity. If SDP were expanded, this maximum impact would double.

Figure 7.2 Decision on volumetric charge

$$Volumetric\ charge = Maximum\ price + \frac{Cost\ of\ Shoalhaven\ Transfer}{Actual\ Sales}$$

Drought or non-drought price (based on 60% on dam level trigger)

Shoalhaven cost pass-through

We note that this means that WaterNSW will be exposed to a degree of revenue risk from SDP, but we consider this is appropriate because it will:

- **Expose WaterNSW to some competition:** retaining the current SDP-adjusted volumetric charge protects WaterNSW from its only competitor, SDP.
- **Incentivise WaterNSW to improve its service delivery:** exposing WaterNSW to some degree of revenue risk will improve incentives for it to maintain or improve its services at a high standard. For instance, WaterNSW could seek to improve its service delivery by improving its catchment management strategies to optimise water quality outputs or improve its readiness to changes in demand levels or environmental incidents.
- **Support improved engagement between water businesses**: if WaterNSW is indifferent to whether SDP produces water (as it set out by the current volumetric charge formula), it faces few incentives to engage effectively with Sydney Water on demand forecasting and in the price review process. Exposing WaterNSW to a manageable level of revenue risk improves its incentives to engage early and effectively with Sydney Water and deliver better outcomes for customers.

Finally, our WACC method compensates regulated water businesses for the risks borne by a benchmark firm operating in a competitive market environment. In our view, exposing WaterNSW to the (albeit minor) competitive risk posed by SDP is consistent with our assumptions of the level of business risk factored into the WACC.

WaterNSW's submission to the Draft Report did not support the introduction of competition for bulk water supply in Greater Sydney. WaterNSW argued that removing the SDP adjustment exposes WaterNSW to revenue risk that SDP is not exposed to (i.e. IPART's Terms of Reference for the SDP review require that we set SDP's prices to make it indifferent to the level of production – we do this by setting a fixed charge to recover all of SDP's fixed costs and a variable (usage) charge to recover all of SDP's variable costs) and thereby would create an unlevel playing field between WaterNSW and SDP.[110]

We do not agree with WaterNSW's argument. Although IPART is required to set SDP's prices to make it indifferent to levels of production, we also set WaterNSW's bulk water prices to approximately align with its primarily fixed cost structure. We do not consider SDP's indifference to production levels negates the potential benefits of providing Sydney Water price signals to inform its choice between alternative sources of bulk water and providing WaterNSW a financial incentive (to the extent that its fixed costs are greater than 80% in the short run) to provide reliable and high-quality services to Sydney Water.

7.2 Risk sharing

7.2.1 Cost pass-throughs

Our decisions are:

14. To maintain the Shoalhaven Transfers cost pass-through mechanism.

15. To not adopt WaterNSW's proposed cost pass-throughs relating to:
    a. Warragamba Deep Water Pump Station
    b. Projects undertaken for Government
    c. Operating licence changes
    d. General pass-through events.

In general, we provide an envelope of expenditure for a business and expect the business to manage its operations within that envelope. However, when there is a known, material cost that the business cannot control, we can include a cost pass-through (up front) in the determination. If the costs are incurred within the determination period, the business can automatically pass the costs through to customers.

Cost pass-throughs are intended only for large step changes in costs with material impact on a business. In setting a cost pass-through we would review the efficient cost of managing an event and set a price or a methodology for calculating the price. This provides an appropriate balance of revenue risk management with oversight for consumer protection.

WaterNSW proposed 5 cost pass-throughs for its Greater Sydney operations: one existing mechanism and 4 new ones. We have assessed each of these proposed pass-throughs against our cost pass-through criteria, as outlined in our Water Regulation Handbook.

Our decision is to continue to apply the existing Shoalhaven cost pass-through but not to adopt any of WaterNSW's new proposed pass-throughs. Below we explain our reasoning for each of these cost pass-throughs.

Shoalhaven cost pass-through (existing mechanism)

This cost pass-through allows WaterNSW to pass through additional costs it incurs from the pumping of water from the Shoalhaven system to dams in Greater Sydney. In accordance with the Water Sharing Plan for the Greater Metropolitan Region Unregulated River Water Sources (2023), pumping is triggered when Sydney dam levels are below 75% and continues until storage levels reach 80%.[111]

Our decision is to maintain this mechanism (which passes costs from WaterNSW to Sydney Water). We consider that this mechanism meets our pass-through criteria in that WaterNSW does not have control over the trigger event, costs can be fully assessed, and costs are material. We estimate that the operation of the Shoalhaven Transfer Scheme would add around $75 to the usage charge per ML for Sydney Water.[d]

Warragamba Deep Water Pump Station cost pass-through

WaterNSW has proposed a new cost pass-through mechanism to pass through the costs associated with the operation of the Warragamba Deep Water Pump Station (DWPS) to Sydney Water. In its pricing proposal, WaterNSW notes that it is required to operate the DWPS when Warragamba Dam drops to critical levels in the DWPS operating range (i.e. below 20% of storage volume).[112]

WaterNSW has proposed that the DWPS cost pass-through mechanism should operate the same way as the Shoalhaven cost pass-through mechanism and using the same benchmark costs of electricity estimated by Frontier. We disagree with WaterNSW's proposal because the operation of the Shoalhaven Transfer Scheme is likely to be very different from the DWPS. We sought further information from WaterNSW on how it will tailor key parameters of the Shoalhaven formula to reflect the composite usage factor and benchmark electricity cost for the DWPS. However, WaterNSW has not provided better estimates on the basis that it has never operationally commissioned the DWPS.[e] Our view is that just because the DWPS has not been operated, does not mean its operation and energy requirements cannot be modelled.

While there is a clearly defined trigger event for the proposed DWPS cost pass-through, we do not consider that WaterNSW has provided sufficient information to support the resulting efficient forecast cost at this stage. Nor can we be confident that the cost would be material.

WaterNSW's submission to the Draft Report proposed, as an interim measure, using the Shoalhaven Transfers composite factor, with a commitment to update the composite usage factors in the subsequent period and true-up the costs to ensure that only the efficient costs are passed through to customers.[113]

We have decided not to adopt the proposed cost pass-through mechanism in the absence of additional information from WaterNSW to support its estimate of efficient costs.

The Tribunal may, at the next review of prices for WaterNSW's services in Greater Sydney, consider an adjustment to the revenue and prices for any efficient costs incurred over the 2025 determination period in relation to the DPWS.

[d] Indicative estimate based on Frontier's benchmark electricity prices, a composite usage factor of 1.96 MWh/ML, and an assumed 70,000 ML transferred through the Shoalhaven scheme per year.

[e] For context, since Warragamba was built in 1960, its lowest dam level ever reached was 32.4% in February 2007 during the Millenium drought. Warragamba Dam dropped to about 42% capacity (in mid-January 2020) during the 2017-20 drought.

Projects undertaken for Government cost pass-through

WaterNSW also proposed a pass-through for costs associated with projects it must undertake as a result of Government-led business case and investment decisions. It argues that it cannot know the cost of these events at the time of the determination.[114]

We consider that without knowing costs (or even whether there will be any costs) we cannot adopt this pass through. The event is not clearly defined and there is no 'trigger' that would start the mechanism, WaterNSW has not proposed any way to assess the efficiency of any costs that are incurred, and we do not have confidence that WaterNSW has no influence over whether the event occurs. Therefore, our draft decision was to not adopt this mechanism.

WaterNSW's submission to the Draft Report stated that that the trigger for projects undertaken for Government would be if WaterNSW is formally requested by Government to undertake a project that impacts on the costs of providing bulk water services in Greater Sydney through a direction or formal communication from the relevant Minister.[115] However. without knowing the efficient costs and whether WaterNSW has influence over the event, we have decided to maintain our decision not to adopt this mechanism.

Operating licence changes cost pass-through

WaterNSW has proposed a pass-through to recover costs associated with changes in WaterNSW's Operating Licence, arising from any IPART review, that WaterNSW has not fully assessed and incorporated.[116]

As with the government projects pass-through, we consider this pass-through is insufficiently specified and does not meet our criteria. For instance, no costs have been defined, and materiality is not clear. Therefore, our decision is to not adopt this mechanism.

WaterNSW's operating licence requires WaterNSW to conduct its activities in a manner that is efficient, resilient, reliable, sustainable and equitable. Where we consider changes to WaterNSW's operating licence may be necessary we consult with stakeholders and consider cost impacts through a detailed cost-benefit analysis before recommending major changes to licence conditions.

General pass-through events

Finally, WaterNSW has proposed a general pass-through to cover unforeseen costs relating to:

- regulatory change events
- service standard events
- tax change events
- insurance coverage events (to address costs beyond the insurance cap and beyond the reasonably available insurance cover)
- insurer's credit risk events
- natural disaster events, and
- terrorism events.[117]

WaterNSW argues that these events, and the associated costs, cannot be practically identified at the time of a determination, but the cost impacts are material.

WaterNSW proposed a similar pass-through in the last price review. We did not adopt it on the basis that it would likely result in an inefficient transfer of risk from WaterNSW to its customers, weakening WaterNSW's incentives to manage these risks efficiently.[118]

WaterNSW proposes that the mechanism be designed to allow IPART to determine the efficient pass-through amount, and the recovery period for the pass through, at the time of the event (rather than specifying unknown costs at the time of the determination). It highlights that this approach aligns with the cost pass-through mechanisms in other regulatory regimes such as the National Energy Regulatory regime for electricity and gas networks.[119]

We maintain our view that a general cost pass-through would likely result in an inefficient transfer of risk from WaterNSW to its customers, weakening WaterNSW's incentives to manage these risks efficiently and the mechanism does not pass our criteria for a cost pass-through mechanism. Broadly:

- The proposed events are not new risks. The risks apply to all regulated businesses, and this is considered when determining the length of a determination period.
- The events are general and there is no clearly identified trigger event.
- The efficient cost resulting from these events cannot be fully assessed and calculated.
- There may be instances where the business can influence the trigger event or resulting cost. It is efficient for businesses to be at least partially exposed to risks that they have some ability to control or influence. This provides the business with an incentive to maximise the likelihood and benefits of upside risk and minimise the likelihood and cost of downside risk.

  For example, WaterNSW may be able to actively plan for a natural disaster and insure against these events to minimise the impact of the event risk and resulting cost. The proposed cost pass-through mechanism would remove the business's incentive to purchase appropriate insurance coverage.
- Our current form of regulation accommodates the risk related to identified events (e.g. natural disaster) that may have a material impact on its financial position, as businesses can seek to bring forward the next price review and determination. This approach is more consistent with our risk management framework.

Instead of a cost pass-through mechanism, we consider that it may be more appropriate to assess specific risks case-by-case as they arise. This means that a pass-through mechanism is only applied when it is likely that the pass-through event will occur during the determination period and where only the efficient costs resulting from the event are passed through to customers.

WaterNSW's submission to the Draft Report stated that events with a clearly defined trigger and cost certainty are extremely limited. It considered that IPART's framework does not go far enough to effectively manage risk and expressed interest in further discussing the role of cost pass-throughs as part of future framework reviews.[120]

CPI cost pass-through in relation to extended determination

WaterNSW's submission to the Draft Report requested that IPART include a CPI cost pass-through in the Greater Sydney determination, to allow maximum prices to increase by inflation if the determination continues to apply beyond 30 June 2028 (based on a 3-year determination). It noted that IPART introduced a CPI pass-through provision under the 2025 WaterNSW Rural Valley Determination.[121]

We set a one-year determination in our 2025 review of WaterNSW's Rural Valleys business and included a CPI pass-through provision to manage the risk that the next review of WaterNSW's Rural Valleys prices cannot be finalised by 30 June 2026. However, we do not consider the same risk applies for the Greater Sydney Determination.

Our decision is to not introduce a CPI pass-through provision. This is consistent with our standard approach, and also with our decisions for Sydney Water and Hunter Water.

7.2.2 True-ups

Our decisions are:

16. To ask that the Tribunal consider at the next determination of prices for WaterNSW's services in Greater Sydney whether a true-up of revenue over the 2025 determination period is necessary to address any over or under-recovery due to changes in energy costs.

17. To not adopt WaterNSW's proposed Sydney Desalination Plant volumes true-up.

While in general we expect businesses to manage within the expenditure envelope we set at the start of a determination, there are circumstances where this is not possible. If costs change materially during a determination period, businesses can apply for a true-up of costs at the next price review. These costs can then be recovered from customers in the following period.

WaterNSW has proposed 2 true-ups for its Greater Sydney operations in this determination period:

1. Electricity costs for the Shoalhaven cost pass-through
2. Sydney Desalination Plant volumes

Electricity cost for Shoalhaven pass-through

WaterNSW has proposed a true-up to sit alongside the Shoalhaven cost pass-through mechanisms. The proposed mechanism would true-up WaterNSW's electricity costs at the next determination period to eliminate the impact of electricity cost forecasting error.[122]

We have accepted WaterNSW's proposed benchmark energy price to apply to the mechanism for this determination. WaterNSW engaged Frontier to estimate benchmark prices by adopting a similar approach that was used for IPART at the 2020 Determination. We consider the approach to be reasonable as the methodology accounts for the impact of all the variable cost components of supplying energy, and how these components meet a constant load of the Shoalhaven system in a given period.

Given the uncertainty in energy prices, we see merit in considering a benchmark energy cost end-of-period true-up. It will be open to the Tribunal to consider and potentially adjust for any over or under-recovery due to changes in energy costs in the next review of WaterNSW's services in Greater Sydney.

Sydney Desalination Plant (SDP) volumes

WaterNSW has proposed a new true-up for variations between regulatory forecast and actual SDP water usage. WaterNSW argues that the operation of SDP is outside of its control and can have a material impact on the variable charges to Sydney Water. It proposes that the revenue effect of the variance in SDP usage (positive or negative), be added to its revenue requirement in the subsequent determination period.[123]

Our decision is to not adopt this true-up proposal. A true-up would make WaterNSW indifferent to the level of bulk water Sydney Water purchases from WaterNSW and reduce incentives for WaterNSW to improve its service delivery. This would also be inconsistent with our decision to remove the SDP volumetric charge adjustment.

Chapter 8

Price setting

Summary of our decisions on price setting

Demand

We have made adjustments to WaterNSW's non-drought demand forecasts for the upcoming determination period including updating council demands to reflect population growth, and updating Sydney Water demand forecasts. Our demand forecasts for Sydney Water are consistent with the decisions we have made as part of our concurrent review of Sydney Water, which largely accepts Sydney Water's proposed volumes, adjusted for the price elasticity of demand and inclusion of capital expenditure for digital meters.

We are applying a 7% reduction to WaterNSW's non-drought demand forecasts to derive drought forecasts.

We accept WaterNSW's forecast customer numbers.

We have decided to not introduce a DVAM for this determination period.

Deferred determination start

We extended our review of WaterNSW's prices by 3 months.

We will true-up the difference between revenue collected under current prices and what would have been collected under the new determination.

Unregulated pricing agreements for non-standard customers

We have decided to not introduce unregulated pricing agreements (UPAs) for this determination period.

A key step in our price setting process is to decide on WaterNSW's forecasts for water sales and customer numbers for the WaterNSW Greater Sydney business. These forecasts are used to determine the price levels necessary to recover WaterNSW's NRR.

It is important that the forecasts are reasonable. Differences between forecast and actual water sales over the determination period will lead to an over- or under-recovery of revenue. If forecasts are lower than actual sales, customers will pay higher than efficient prices (as the utility will 'over-recover' relative to its efficient costs). If they are higher than actual sales, WaterNSW may not earn sufficient revenue to recover its efficient costs.

In this chapter, we present our decisions on WaterNSW's forecast water sales and customer numbers for this determination period.

8.1 Demand

Our decisions are:

18. To adopt the forecast water sales volumes outlined in Table 8.1.

19. To adopt WaterNSW's forecast customer numbers outlined in Table 8.2.

20. To not adopt WaterNSW's proposed demand volatility adjustment mechanism.

21. To not allow WaterNSW to enter into unregulated pricing agreements with non-standard customers.

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 consider levels of demand when setting prices by using forecasts of:

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

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

There are many factors which impact water demand. The most important factors are:

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

Water demand over the 2020 determination period was 14.4% lower than forecast, with less demand from Sydney Water accounting for most of the variation.

8.1.1 We have adjusted forecast sales volumes to reflect updated forecasts for Sydney Water and population growth for WaterNSW's council customers

Bulk water sales to Sydney Water make up around 99% of WaterNSW's total bulk water sales. The remaining 1% of bulk water sales come from WaterNSW's three council customers and its 59 raw and unfiltered bulk water customers.

Non-drought demand

Our decision on water sales volumes for Sydney Water for the next 4 years reflects decisions we have made as part of our concurrent review of prices for Sydney Water Corporation to apply from 1 October 2025. Our decision for the Sydney Water review on forecast water sales volumes largely accepts Sydney Water's method, but adjusts volumes to reflect an elasticity response to our maximum prices for Sydney Water's customers. It also reflects our decision to include capital expenditure for digital meters in the Sydney Water review, which is likely to result in water leakage savings. This results in sales volumes and total demand decreasing marginally to 2026-27 and remaining relatively stable over the rest of the period. For more information, see Chapter 8 of our Final Report on Sydney Water's prices from 1 October 2025.

In response to our Draft Report, Wingecarribee Shire Council (WSC) provided its actual and forecast raw water volumes during non-drought and drought conditions for 2018-2028. WSC explained it applied a 5% growth rate per year for its forecasts as its average actual raw water volumes have increased by an average of 5.6% per year from 2022-23 to 2024-25.[124]

We recognise the need to facilitate that forecasts and hence prices are reflective of growth. We acknowledge that WSC experienced average increases in water demand of 5.6% per year over the 2022-23 to 2024-25 period. However, we have decided that considering WSC's yearly growth rates over a longer historical period is a more robust approach in determining water demand growth rates. We have therefore adjusted the non-drought demand forecasts for all 3 councils (Wingecarribee Shire, Shoalhaven City and Goulburn Mulwaree Councils) by the forecast annual population growth in that area.[a] That is, to calculate non-drought forecasts, we have used the 2024-25 figures provided by WaterNSW as a base year and applied each council's forecast annual population growth rate. The average annual growth rates for the 3 councils is 1.28% over the 4-year determination period.

Drought demand

Sydney Water's drought sales forecasts are on average 7% lower than the non-drought sales forecasts and take into account the effects of water restrictions and price elasticity of demand.

Since all customers contribute to the draw-down of dam levels and should support the system-wide supply of water in times of low rainfall by reducing their usage, we consider that a similar reduction in drought sales should apply for all customers. Based on this, we applied a 7% reduction to WaterNSW's non-drought demand forecasts for its council and raw and unfiltered bulk water customers to derive drought forecasts for these customers.

[a] We have used the NSW Government's population projections for each local government area.

WSC has disputed "drought demand being significantly lower than non-drought forecasts" as its potable water usage increases during drought periods.[125] We observe that WSC, and sometimes Shoalhaven City and Goulburn Mulwaree Councils, experience higher demand during drought periods than in non-drought periods. However, we consider that there is insufficient robustness in the data to justify changing drought demand forecasts at this stage as requested by WSC in its submission to the Draft Report. We will continue to observe water demands during the upcoming determination period and monitor if there is a drought period and its effects on councils' water demand and supply.

Table 8.1 outlines our decision on water sales volumes over the 4-year determination period. This reflects councils' non-drought demands increasing by population growth rates, and an uplift in councils' drought demand figures due to non-drought figures increasing. The table also reflects Sydney Water's updated demand forecasts.

Table 8.1 Decision on water sales volumes 2025-26 to 2028-29 (ML/year)

	2025-26	2026-27	2027-28	2028-29
Non-drought				
Sydney Water	497,794	497,258	506,838	505,745
Wingecarribee Shire Council	4,800	4,850	4,900	4,950
Shoalhaven City Council	93	94	96	98
Goulburn Mulwaree Council	39	40	40	41
Raw and unfiltered	152	152	152	152
Total non-drought	502,878	502,394	512,026	510,986
Drought				
Sydney Water	407,597	408,324	412,653	414,788
Wingecarribee Shire Council	4,405	4,477	4,551	4,624
Shoalhaven City Council	85	87	89	91
Goulburn Mulwaree Council	36	37	37	38
Raw and unfiltered	139	140	141	142
Total drought	412,263	413,065	417,471	419,683

Source: WaterNSW, 2024 Pricing Proposal – Attachment 21 Forecast customer numbers and demand, September 2024, p 7 and IPART analysis.

We note that the forecast water sales volumes in Table 8.1 for Sydney Water reflect our decision to remove the SDP component of the volumetric charging formula (see section 7.1.3). This change means that water sales volumes are now solely based on Sydney Water's forecast demand from WaterNSW, rather than Sydney Water's total forecast demand.

In its August 2025 submission to our Draft Report, WaterNSW requested confirmation that IPART has deducted approximately 90 GL per annum from WaterNSW's forecast bulk water sales to Sydney Water to reflect Sydney Water's purchases from SDP during drought periods.[126] We confirm that in deriving drought demand for Sydney Water, we have deducted an average of approximately 91 GL per annum from Sydney Water's forecasts to reflect the maximum daily purchases Sydney Water can make from SDP (250 ML).

8.1.2 Our decision is to accept WaterNSW's forecast customer numbers

Forecast customer numbers are used in calculating fixed service charges. Given Sydney Water accounts for approximately 99% of WaterNSW's total water sales, the effect of customer numbers is not as important in setting prices as forecast bulk water sales.

In its September 2024 proposal, WaterNSW forecast no change in its customer numbers over the 2025 determination period compared to 2024-25 levels, which have been constant since 2017-18. We consider WaterNSW's forecast is reasonable.

Table 8.2 Decision on customer numbers 2025-26 to 2028-29

	2025-26	2026-27	2027-28	2028-29
Wholesale customers	4	4	4	4
Raw water (i.e. unfiltered and untreated)	6	6	6	6
Unfiltered water (i.e. chemically treated)	53	53	53	53
Total customers	**63**	**63**	**63**	**63**

Source: WaterNSW, 2024 Pricing Proposal – Attachment 21 Forecast customer numbers and demand, September 2024, p 12.

8.1.3 We have decided to not introduce a demand volatility adjustment mechanism

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 its August 2025 submission to our Draft Report, WaterNSW sought the introduction of a Demand Volatility Adjustment Mechanism (DVAM) for Greater Sydney bulk water services that operates on the same principles as the mechanisms for Sydney Water and Hunter Water.

WaterNSW found it contradictory that the volumes that WaterNSW supplies to Sydney Water is appropriate to form the basis of a DVAM for Sydney Water to manage volume risk, but not variable enough to apply to WaterNSW. WaterNSW also submitted that it is contradictory that IPART will not provide WaterNSW with the same level of protection from external factors afforded to other IPART regulated entities (such as Sydney Water, Hunter Water, Central Coast Council, and Essential Water) for which the DVAM applies.[127]

We considered whether to include a DVAM in our 2016 and 2020 price reviews of WaterNSW's Greater Sydney business. We decided that a DVAM is not warranted as the 80:20 price structure means that 80% of WaterNSW's revenue from fixed charges is not impacted by changes in demand and only 20% of its sales are recovered by its usage charges.[b] WaterNSW's sales volumes are fairly reliable and predictable, reducing WaterNSW's exposure to revenue risk for its Greater Sydney business.

[b] The 80:20 price structure is applicable to WaterNSW's Greater Sydney business.

We note that DVAMs are currently in place for the (above) mentioned water utilities. However, as shown in Table 8.3, these water utilities are exposed to higher revenue risk due to variations in demand having a relatively larger effect on the utilities' water revenue compared to WaterNSW. This is because a greater proportion of the other utilities' revenue is collected via usage charges compared to WaterNSW.

Table 8.3 Water utilities fixed to variable charge ratios

Water utility	Fixed to variable charge ratio (fixed:variable)
WaterNSW	80:20
Sydney Water	54:46
Hunter Water	55:45
Central Coast Council	55:45
Essential Water	55:45

Note: Average share of actual revenue received from fixed charges over the period 2014-15 to 2023-24. 'WaterNSW' refers to only the Greater Sydney component of the business.
Source: IPART analysis.

We have therefore decided to not introduce a DVAM for the 2025 determination period.

8.2 Price adjustment for deferred determination start

We extended our review of WaterNSW's prices by 3 months to allow thorough consideration of its proposal (the 'deferral period'). As a result, the 2025 Determination will commence on 1 October 2025. In the meantime, WaterNSW will continue charging current prices for its bulk water, raw water and unfiltered water services in the Greater Sydney area.

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

To do this, we:

- calculated the notional revenue required to recover efficient costs for the 2025 determination period (see Chapter 6), and the prices needed to recover that revenue based on our maximum price structure decisions for a 4-year determination period starting from 1 July 2025
- estimated the revenue WaterNSW would recover from customers between 1 July and 30 September 2025 under existing prices, and the shortfall in revenue due to the 3-month delay
- adjusted prices to recover the estimated revenue shortfall and allow revenue neutrality over the 2025 determination period.

As a result, prices from 1 October 2025 are 0.2% higher to recover an expected $5.2 million shortfall.

8.3 Unregulated pricing agreements for non-standard customers

In its August 2025 submission to our Draft Report, WaterNSW requested that IPART consider a flexible framework that would allow WaterNSW to enter into unregulated pricing agreements (UPAs) with non-standard customers (e.g. data centre providers) who fall outside the scope of the Determination's defined customer classes or arguably overlap with the definition of a Large/Small Customer but are not intended to be captured by this definition.

WaterNSW submitted that these UPAs would be negotiated on a commercial basis, reflecting the unique service requirements and characteristics of these customers, noting that flexible pricing agreements have precedent in other IPART determinations.[128]

Generally, UPAs are optional and are only entered into voluntarily if the agreement is mutually beneficial to the business and the end-use customer. If the foreseen benefits do not outweigh the costs, then parties should not enter the agreement. The additional administrative burden to negotiate, manage and ring-fence the agreement should be factored in when considering an agreement.

We consider WaterNSW's proposal of UPAs to have occurred late in the review process. We are not opposed to the future introduction of UPAs, however, more analysis is required to consider whether the potential benefits of allowing WaterNSW to enter into UPAs with customers outweigh the potential risks, and whether there are any unintended or adverse consequences for other customers if UPAs were introduced.

WaterNSW has the option to continue to develop its proposal of introducing UPAs for consideration and possible inclusion in the next price review.

Chapter 9

Prices

09

Summary of maximum prices

Fixed charges are increasing for all customers under our decisions

Over the 4-year determination period, under our decisions:

- Sydney Water's fixed charges will increase to around $200.9 million in 2025-26, which is a 10.0% nominal increase. The fixed charge in 2028-29 will be around $262.5 million ($2025-26), which is around a 43.7% increase from current prices.

For other customers the fixed charge will increase by around 9.2% each year in real terms for 4 years. The increase in 2025-26 is 11.8% for all other customers because it includes inflation (9.2% real increase with 2.4% inflation).

- Wingecarribee Shire, Shoalhaven City and Goulburn-Mulwaree councils' fixed charges will increase by 11.8% on average in 2025-26 and by 45.8% to 2028-29 plus inflation. The dollar increases are different for each council.
- Fixed charges for unfiltered water customers will increase to around $130 in 2025-26 which is an 11.8% increase. The fixed charge will be approximately $169 ($2025-26) in 2028-29, which is around a 45.8% increase from current prices.

Usage charges are increasing for all customers under our decisions

Over the 4-year determination period, under our decisions:

- Sydney Water's non-drought usage charge will increase to $100.88/ML in 2025-26, which is a 20% nominal increase. The same usage charge in 2028-29 will be $129.76/ML ($2025-26), which is around a 54.4% increase from current prices.

For other customers the non-drought usage charge will increase by around 9.2% each year in real terms. The increase to 2025-26 is 11.9% for all other customers because it includes inflation (9.2% real increase with 2.4% inflation).

- Wingecarribee Shire, Shoalhaven City and Goulburn-Mulwaree councils' non-drought usage charges will increase by 11.8% in 2025-26 and by 45.8% to 2028-29 plus inflation. The dollar increases are different for each council.
- Non-drought usage charges for raw water customers will increase to $0.85/kL in 2025-26 which is around an 11.8% increase. The same charge will be $1.11/kL ($2025-26) in 2028-29, which is around a 46.1% increase from current prices.
- Non-drought usage charges for unfiltered water customers will increase to $1.48/kL in 2025-26 which is around a 12.1% increase. The same charge would be $1.92/kL ($2025-26) in 2028-29, which is around a 45.5% increase from current prices.

The subsequent sections in this chapter also present prices that would apply during a drought.

This chapter sets out our decisions on prices that would apply for a 4-year determination period from 1 October 2025 to 30 June 2029 for WaterNSW's Greater Sydney bulk water customers:

- Sydney Water
- 3 local councils: Goulburn-Mulwaree, Shoalhaven City and Wingecarribee Shire councils
- 59 raw and unfiltered bulk water customers.

9.1 We have continued setting a non-drought and drought usage price for all customers

Our decisions are:

22. To set a non-drought and drought usage charge for all customers as shown in Table 9.1, Table 9.2 and Table 9.3.

23. To apply drought usage prices when dam levels fall below 60% and maintain these in place until dam levels reach 70%. Otherwise, non-drought prices would apply.

All customers will be subject to either a non-drought or drought usage price. This is consistent with our decisions from previous chapters to:

- maintain the drought water usage charge as explained in Chapter 7
- incorporate the non-drought and drought water sales volume forecasts outlined in Chapter 8.

In our last determination, we introduced dynamic water usage pricing, where either a non-drought or drought usage price would apply. The drought usage prices would apply when dam levels fall below 60% and remain in place until dam levels reach 70%. Otherwise, non-drought prices would apply. This is shown as 'Usage (non-drought)' or 'Usage (drought)' prices.

The purpose of having dynamic water usage prices is to recognise that during drought water sales are expected to fall and WaterNSW's bulk water price will need to increase in order for it to recover its efficient costs.

WaterNSW's costs are predominantly fixed. This means that a reduction in water sales during drought will result in lower revenues that are not offset by lower costs. Therefore, in order to achieve full efficient cost recovery, the usage price must increase during drought to allow WaterNSW to continue to recover its efficient costs from the lower volume of water sales.

9.2 Maximum prices for Sydney Water

WaterNSW's largest customer in the Greater Sydney area is Sydney Water, which accounts for about 99% of WaterNSW's bulk water sales in Greater Sydney. IPART sets the maximum price WaterNSW can charge Sydney Water for the water Sydney Water takes from Warragamba Dam and its other smaller dams around Sydney.

Our decisions are:

24. To set the maximum price for Sydney Water as shown in Table 9.1.
25. To maintain the price structure of 80:20 fixed to usage ratio for Sydney Water.

Table 9.1 presents our prices for Sydney Water and includes the scenario when the Shoalhaven Transfer Scheme would be in operation. Overall, when comparing current prices (2024-25) to 2028-29 prices[a], our decisions for Sydney Water are that the:

- Fixed charge will be approximately 10% higher in 2025-26 from 1 October, including inflation. This is then followed by increases of around 9.2% plus inflation on 1 July 2026, 9.6% plus inflation on 1 July 2027 and 9.2% plus inflation on 1 July 2028. In 2028-29 the fixed charge will be $262.51 million ($2025-26). The average price per annum from 2025-26 to 2028-29 will be around $230.78 million ($2025-26) per year.
- Non-drought usage charge will be approximately 20% higher in 2025-26 from 1 October, including inflation. This is then followed by increases of around 9.3% plus inflation on 1 July 2026, 7.5% plus inflation on 1 July 2027 and 9.4% plus inflation on 1 July 2028. In 2028-29 the charge will be $129.76 ($2025-26) per ML. The average price per annum from 2025-26 to 2028-29 would be around $114.88 ($2025-26) per ML.
- Drought usage charge will be approximately 31.6% higher in 2025-26 from 1 October including inflation, assuming the Shoalhaven Transfer Scheme is not operational. This is then followed by increases of around 9.0% plus inflation on 1 July 2026, 8.5% plus inflation on 1 July 2027 and 8.6% plus inflation on 1 July 2028. In 2028-29 the charge would be $158.22 ($2025-26) per ML. The average price per annum from 2025-26 to 2028-29 will be around $140.34 ($2025-26) per ML.

[a] The prices that will apply in 2025-26 include inflation to March 2025, which is consistent with IPART's CPI policy. Prices for 2026-27, 2027-28 and 2028-29 are expressed in $2025-26, as the price inflators for subsequent years are not known yet.

Table 9.1 Maximum prices for Sydney Water

	2024-25 ($2024-25)	2025-26 ($2025-26)	2026-27 ($2025-26)	2027-28 ($2025-26)	2028-29 ($2025-26)	% change to 2025-26	%change to 2028-29
Fixed charge							
Fixed charge ($million/year)	182.62	200.87	219.33	240.43	262.51	10.0%	43.7%
Non-drought usage charge							
Non-drought usage charge ($/ML)	84.04	100.88	110.27	118.59	129.76	20.0%	54.4%
Drought usage charge							
Drought usage charge ($/ML) assuming: • Shoalhaven Transfer Scheme is not operational	93.61	123.20	134.29	145.66	158.22	31.6%	69.0%
Drought usage charge ($/ML) assuming: • Shoalhaven Transfer Scheme is operational[a]	NA	200.92	211.83	222.22	234.21	NA	NA

a. This is an indicative estimate based on an energy price of $175/MWh, an energy requirement of 1.96MWh/ML and an assumed 70,000 ML transferred through the Shoalhaven Transfer Scheme per year.

Source: IPART analysis

9.2.1 We are maintaining the 80:20 fixed to usage price structure

In its September 2024 proposal, WaterNSW proposed implementing a revenue cap which would set the maximum revenue from customers, with a side constraint that would limit price changes for customers year on year by +/- 2%.[129] We outlined in Chapter 7 that our decision is to not accept WaterNSW's proposed revenue cap and to maintain the current price cap approach.

Our decision is to maintain the 80:20 fixed to usage ratio for setting bulk water prices for Sydney Water. This 80:20 ratio was then applied to Sydney Water's share of the total revenue required from charges (see Chapter 6) to calculate the fixed and usage charges for Sydney Water.

9.2.2 We have removed the mechanism that adjusts usage prices when Sydney Desalination Plant is in operation

We have removed the adjustments made to usage prices if Sydney Desalination Plant (SDP) supplies water to Sydney Water. This is to account for the fact that SDP's role has expanded beyond drought management. Under our change, WaterNSW would be exposed to revenue risk when more water is supplied from SDP to Sydney Water. We consider that exposing WaterNSW to competition from bulk water supply will improve incentives for WaterNSW to engage effectively with Sydney Water and deliver better outcomes for customers. Our detailed reasonings are set out in Chapter 7.

9.2.3 We have maintained our approach of adjusting usage prices when the Shoalhaven Transfer Scheme is in operation

The cost pass-through mechanism allows WaterNSW to recover the costs (i.e. in addition to the approved notional revenue requirement) incurred when transferring water from Shoalhaven to Sydney. The usage charge increase will depend on how much water is transferred through this scheme. The adjustment to the usage price takes into account all components of electricity costs to pump water from the Shoalhaven Transfer Scheme (Scheme), based on benchmark energy prices.

The cost pass-through will also apply to WaterNSW's usage prices for only Sydney Water. That is, prices to the 3 council customers, and raw and unfiltered bulk water customers will not change due to the Scheme.

The Scheme cost-pass through mechanism is outlined further in Chapter 7. Our off-peak and peak electricity prices ($/ML) are outlined in Part 2 of the Determination.

9.3 Maximum prices for council customers

WaterNSW has 3 council customers (i.e. Wingecarribee Shire Council, Shoalhaven City Council and Goulburn Mulwaree Council) which account for most of the remaining 1% of its bulk water sales and revenue.

Our decision is:

26. To set the maximum price for Wingecarribee Shire Council, Shoalhaven City Council and Goulburn Mulwaree Council as shown in Table 9.2.

Table 9.2 presents our prices for the 3 council customers. Overall, when comparing current prices (2024-25) to 2028-29, our price increases are generally uniform for all 3 councils:

- Fixed charges will be on average 11.8% higher (9.2% real increase plus inflation) in 2025-26, followed by real increases of 9.2% each year.
- Non-drought usage charges will be approximately 11.8% higher (9.2% real increase plus inflation) in 2025-26, followed by real increases of 9.2% each year.
- Drought usage charges will be approximately 1.8% higher (0.5% real reduction plus inflation) in 2025-26, followed by real increases of 8.6% each year.

Table 9.2 Maximum prices for council customers

	2024-25 ($2024-25)	2025-26 ($2025-26)	2026-27 ($2025-26)	2027-28 ($2025-26)	2028-29 ($2025-26)	% change to 2025.26	%change to 2028.29
Fixed charge ($/year)							
Wingecarribee Shire Council	1,152,031	1,288,548	1,407,456	1,537,344	1,679,208	11.9%	45.8%
Shoalhaven City Council	21,598	24,156	26,388	28,824	31,488	11.8%	45.8%
Goulburn Mulwaree Council	25,924	28,992	31,668	34,596	37,788	11.8%	45.8%
Non-drought usage charge ($/ML)							
All councils	60.01	67.12	73.32	80.08	87.47	11.8%	45.8%
Drought usage charge ($/ML)							
All councils	71.82	73.14	79.42	86.23	93.64	1.8%	30.4%

Note: Percentage increases may differ due to rounding.

Council fixed charges for 2024-25 differ to those presented in the Draft Report as they have been updated with actual prices.
Source: IPART calculations.

9.4 Prices for raw and unfiltered bulk water customers

Revenue from raw and unfiltered bulk water customers account for less than 0.1% of WaterNSW's bulk water sales and revenue.

Our decision is:

27. To set the maximum prices for raw and unfiltered bulk water customers as shown in Table 9.3.

Table 9.3 presents our prices for raw and unfiltered bulk water customers. Overall, when comparing current prices (2024-25) to 2028-29:

- The fixed charge for unfiltered water customers will be approximately 11.8% higher (9.2% real increase plus inflation) in 2025-26, followed by real increases of 9.2% each year.
- Non-drought usage charges for raw bulk water customers will be approximately 11.8% higher (9.2% real increase plus inflation) in 2025-26, followed by real increases of 9.2% each year.
- Non-drought usage charges for unfiltered water customers will be approximately 12.1% higher (9.2% real increase plus inflation) in 2025-26, followed by real increases of 9.2% each year.
- Drought usage charges for raw water customers will be approximately 2.2% higher (0.6% real reduction plus inflation) in 2025-26, followed by real increases of 8.6% each year.
- Drought usage charges for unfiltered water customers will be approximately 1.9% higher (0.6% real reduction plus inflation) in 2025-26, followed by real increases of 8.6% each year.

Table 9.3 Maximum prices for raw and unfiltered bulk water customers

	2024-25 ($2024-25)	2025-26 ($2025-26)	2026-27 ($2025-26)	2027-28 ($2025-26)	2028-29 ($2025-26)	% change to 2025-26	% change to 2028-29
Raw water customers							
Fixed charge ($/year)	-	-	-	-	-	-	-
Non-drought usage charge ($/kL)	0.76	0.85	0.93	1.01	1.11	11.8%	46.1%
Drought usage charge ($/kL)	0.91	0.93	1.01	1.09	1.19	2.2%	30.8%
Unfiltered water customers							
Fixed charge ($/year)	115.88	129.61	141.57	154.64	168.91	11.8%	45.8%
Non-drought usage charge ($/kL)	1.32	1.48	1.61	1.76	1.92	12.1%	45.5%
Drought usage charge ($/kL)	1.58	1.61	1.75	1.90	2.06	1.9%	30.4%

a. For unfiltered customers, there are separate fixed charges for 20mm, 25mm, 30mm, 32mm, 40mm, 50mm, 80mm, 100mm, 150mm and 200mm meter connections, which proportionately increase with the meter size. We only present the fixed charges for 20mm connections in this table. The fixed availability charges for other meter sizes are presented in our Determination in Table 5.1.
b. Percentage increases may differ due to rounding.

Source: IPART calculations.

Chapter 10

Impacts of our decisions

10

Summary of the impacts of our decisions

Customer bills will increase by around 8.9% in the first year including inflation

Over the 2025 determination period, customer bills would increase by around 45.8% from 2024-25 to 2028-29. This includes inflation from 2024-25 to 2025-26.

Bulk water charges from WaterNSW to Sydney Water account for approximately 7.5% of Sydney Water's total costs

Under our decisions, WaterNSW's costs for its Greater Sydney business are expected to be around 7.5% of Sydney Water's notional revenue requirement, which IPART set in September 2025 as part of our Final Report on Sydney Water's prices.

This translates to the typical residential Sydney Water customer paying $102 for the WaterNSW component in 2025-26 (including inflation), as a result of our decisions on the Greater Sydney business. This is a small increase from 2024-25, where the same customer would have paid $94 ($2024-25) for the WaterNSW component. By 2028-29, the typical residential customer would pay $136 ($2025-26) for the WaterNSW component. This is approximately a $42 (including inflation to 2025-26) increase from what the same customer would have paid in 2024-25 (i.e. $94).

Our prices are consistent with WaterNSW's Greater Sydney operations maintaining its financial sustainability over the 2025 determination period

We have completed both the benchmark and actual financeability test, where we used 5.5% as the cost of debt for the actual financeability test. We found that WaterNSW's Greater Sydney operations is likely to be financeable over the next 4 years under our decisions. The detailed financeability assessment is also available in Appendix B.

We have considered the implications of our pricing decisions on other matters

As required by section 15 of the IPART Act (see Appendix A), we have also considered the impact of our prices on WaterNSW's service standards, the NSW Government's Consolidated Fund, general inflation and the environment.

10.1 Impacts on WaterNSW's Greater Sydney bulk water customers

Table 10.1 shows that indicative bulk water customer bills will increase by around 8.9% (including inflation) for all customers between 2024-25 and 2025-26. Over the 4-year determination period, bills would increase by 45.8% (or 9.9% annually on average) for all customers, which includes inflation from 2024-25 to 2025-26.

Table 10.1 Bill impacts of prices under our decisions using 2024-25 volumes

	2024-25 ($2024-25)	2025-26 ($2025-26)	2026-27 ($2025-26)	2027-28 ($2025-26)	2028-29 ($2025-26)	% change to 2025-26[a]	% change to 2028-29[a]
Sydney Water	225,206,862	245,298,357	275,211,432	300,529,444	328,271,213	8.9%	45.8%
Wingecarribee Shire Council	1,436,959	1,564,667	1,755,557	1,917,566	2,094,525	8.9%	45.8%
Shoalhaven City Council	27,050	29,455	33,048	36,098	39,429	8.9%	45.8%
Goulburn-Mulwaree Council	28,289	30,803	34,561	37,750	41,234	8.9%	45.8%
Raw water customers[b]	602	656	736	804	878	8.9%	45.8%
Unfiltered water customers[c]	3,780	4,115	4,618	5,044	5,509	8.9%	45.8%

a. The percentage change includes inflation to 2025-26 (2.4%).
b. Bills for raw water customers with average consumption.
c. Bills for unfiltered water customers with average consumption and a 20mm meter connection.
Source: IPART analysis.

Under our decisions, WaterNSW's costs for its Greater Sydney business are expected to be around 7.5% of Sydney Water's notional revenue requirement, which IPART set in September 2025 as part of our Final Report on Sydney Water's prices.

Our prices for WaterNSW's bulk water supply to Sydney Water would increase the indicative bills of Sydney Water's customers (i.e. end-use customers).

This translates to the following for Sydney Water's customers, as also shown in Table 10.2:

- The typical residential Sydney Water customer would pay $102 for the WaterNSW component in 2025-26 (including inflation). This is an increase from 2024-25, where the same customer would have paid $94 ($2024-25) for the WaterNSW portion. By 2028-29, the typical residential customer would pay $136 ($2025-26) for the WaterNSW component. This is approximately a $42 (including inflation to 2025-26) increase from what the same customer would have paid in 2024-25 (i.e. $94).
- The typical non-residential Sydney Water customer would pay $2,663 for the WaterNSW component in 2025-26 (including inflation). This is an increase from 2024-25, where the same customer would have paid $2,442 ($2024-25) for the WaterNSW portion. By 2028-29, the typical non-residential customer would pay $3,536 ($2025-26) for the WaterNSW component. This is a $1,094 (including inflation to 2025-26) increase from what the same customer would have paid in 2024-25 (i.e. $2,442).

Table 10.2 Impact of bulk water costs on a typical Sydney Water customer bill under our decisions (non-drought demand and pricing scenario)

	2024-25 ($2024-25)	2025-26 ($2025-26)	2026-27 ($2025-26)	2027-28 ($2025-26)	2028-29 ($2025-26)	% change to 2025-26[a]	% change to 2028-29[a]
Residential: 20mm meter and 200kL pa							
Water and wastewater bill SWC customer ($)	1,220	1,388	1,481	1,545	1,618	13.8%	32.7%
WaterNSW component of the total bill ($)	94	102	114	125	136	9.4%	45.4%
WaterNSW component of the total bill (%)	7.7%	7.4%	7.7%	8.1%	8.4%		
Industrial - Medium (40mm meter, 5,800kL pa)							
Water and wastewater bill SWC customer ($)	23,530	26,315	27,946	28,707	29,505	11.8%	25.4%
WaterNSW component of the total bill ($)	2,442	2,663	2,952	3,229	3,536	9.0%	44.8%
WaterNSW component of the total bill (%)	10.4%	10.1%	10.6%	11.2%	12.0%		

a. Including inflation to 2025-26 prices of 2.4%.
Note: Totals may not add due to rounding.

Source: IPART analysis.

10.2 WaterNSW's June 2025 alternative revenue request

WaterNSW set out an alternative revenue request in June. WaterNSW argued that this alternative approach would support the ongoing viability of WaterNSW, including minimising longer term price impacts for customers.

In September 2024, WaterNSW proposed real price increases of 14% per year for 5 years for Sydney Water, 13% per year for 5 years for its council customers and 14.7% per year for 5 years for its raw and unfiltered water customers.

In June 2025, it then set out an alternative revenue request, which would be a 3-year price path of 14% (plus CPI) for each year or a 30% (plus CPI) increase in 2025-26, then CPI only increases in 2026-27 and 2027-28. These increases would be the same for all customers.

10.3 Impacts on financial sustainability

When setting maximum prices, we consider the financial sustainability (financeability) of the business resulting from our pricing decisions. Our financeability assessment considers the impact of our pricing decisions on WaterNSW's borrowing, capital and dividend requirements, as required under section 15(1)(g) of the IPART Act. 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 WaterNSW's financeability over the 2025 determination period by analysing its forecast financial performance, financial position, and cash flows for both the benchmark and actual business. We then forecast financial ratios for both tests and assessed WaterNSW's financial ratios compared to our target ratios (see Table B.1).

Our analysis indicates that WaterNSW's Greater Sydney operations would likely be financeable over the next 4 years under our prices. We estimate that our maximum prices will result in an increase in WaterNSW's revenues compared to the current determination period. We consider that the revenue WaterNSW will derive from our maximum prices over the determination period should be sufficient to allow WaterNSW to meet its obligations, including its liabilities, provided WaterNSW works within the envelope of revenue we have allowed.

We found that under both the benchmark and actual tests, over the 4-year determination period[a]:

- The interest coverage ratio (ICR) results show that the Greater Sydney business would likely have sufficient headroom to meet its interest obligations. Under the benchmark test, it could meet its obligations more than 3 times over (3.1x to 4.6x) and almost twice over under the actual test (1.9x to 2.7x).
- When considered together with the Rural Valleys operations, the ICR under the actual test is 1.9x. WaterNSW would likely have headroom to meet its interest obligations under our decisions for the Greater Sydney business.
- The funds from operation (FFO) over debt results show that WaterNSW's Greater Sydney operations is unlikely to face financeability issues over the determination period. Under the actual test, this ratio is below target in the first year (at 4.9%), then exceeds the target in the second, third and fourth years (7.0% to 8.4%). This is also the case under the benchmark test that focuses on the Greater Sydney business only. The ratio is 5.5% in the first year, followed by 7.5% to 9.6%.
- The FFO over debt ratio under the actual test is below target in the first year at 4.7% when considered together with WaterNSW's Rural Valleys operations. However, these results should be contextualised with WaterNSW's relatively long-lived assets. which means the initial investment in assets is recovered over a relatively long period of time through the depreciation allowance.
- The Net Debt over RAB Gearing ratio meets the upper target limit of 70% under the actual and benchmark tests.

For more information, please refer to Appendix B.

[a] The real cost of debt for the benchmark test is 2.7% and the nominal cost of debt for the actual test is 5.5%.

10.4 Impacts on service standards

WaterNSW is licensed under the *Water NSW Act 2014* (the WaterNSW Act). The WaterNSW Act requires WaterNSW to hold an operating licence that is issued by the Minister and audited annually by IPART. This licence contains a number of standards that WaterNSW must meet, or risk facing penalties associated with a breach of licence conditions. WaterNSW is also required to establish arrangements with Sydney Water under the WaterNSW Act, which include the standard of quality of the water supplied, the continuity of water supply and the maintenance of adequate reserves of water by WaterNSW. These arrangements are included in a Raw Water Supply Agreement (RWSA) with Sydney Water.[b]

WaterNSW's operating licence requires WaterNSW to conduct its activities in a manner that is efficient, resilient, reliable, sustainable and equitable. Where we consider changes to WaterNSW's operating licence may be necessary, we consult with stakeholders and consider cost impacts through a detailed cost-benefit analysis before recommending major changes to licence conditions.

We have reviewed WaterNSW's proposed expenditures including having our independent expert Aither assess the efficiency of the proposed expenditures. We also considered submissions and views expressed at our public hearing and any information provided by other regulators. Our decisions provide an efficient level of expenditure for the 2025 determination period, which facilitates WaterNSW continuing to meet its service standards. We do not approve individual projects or expenditures. IPART determines a total amount of forecast operating and capital costs that provides WaterNSW an efficient envelope of revenue to operate its business over the next 4 years. We expect WaterNSW to manage its business to deliver on its customer services and outcomes at the lowest sustainable cost.

However, we note that WaterNSW proposed additional expenditure to enable it to meet its operating licence obligations. These proposed costs were considered as part of the review by our independent expert consultant, Aither. We note that Aither supports an increase in WaterNSW's operating expenditure to meet new regulatory requirements, where system yield calculations should consider climate change factors. The increase in costs to comply with this new requirement has been estimated by WaterNSW based on 2 additional staff at 0.8 FTE and the cost to access additional data to undertake the modelling. We have accepted Aither's recommendation for this step change of $1.1 million. WaterNSW also proposed $0.02 million for costs relating to new operating licence conditions. We have accepted Aither's recommendation that this does not warrant a step change and would be better managed under WaterNSW's base level of operating expenditure. These are discussed further in Chapter 4.

[b] The agreement covers raw water quality management as well as flow measurement, information management, operational changes, system configuration, strategic planning and maintenance planning.

10.5 Impact on the Consolidated Fund

Under section 16 of the IPART Act, IPART is required to 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 be reduced. The extent of this reduction 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.

10.6 Implications for general inflation

Under section 15 of the IPART Act, we are required to consider the effect of our determinations on general price inflation.

The Australian Bureau of Statistics (ABS) collects data on capital city prices of various items of household expenditure, including 'water and sewerage'. The most recent update occurred in February 2025.

The weighting given to water and sewerage in the CPI for Sydney is 0.59[c], meaning that a 1% change in the price of water and sewerage services in Sydney would result in a 0.0059% change in the CPI for Sydney, which would not be large.

Further, the water and sewerage measure for the Sydney CPI contributes 22.55%[d] to the weighted measure given to water and sewerage in the CPI for the 8 capital cities, which is 0.87[e]. This means that a 1% change in the price of water and sewerage services in Sydney would result in around a 0.0020% change in the CPI for the 8 capital cities, which is small.

Further, considering that the cost of bulk water from WaterNSW to Sydney Water is expected to be around 7.5% of Sydney Water's NRR, the impact of WaterNSW's services on general inflation would be negligible.

10.7 Implications for the environment

Under section 15 of the IPART Act, we are required to have regard to the need to maintain ecologically sustainable development by taking account of all feasible options to protect the environment. For example, WaterNSW under its Operating Licence is required to undertake environment and climate reporting, catchment management and water quality monitoring.[130]

Our decisions provide WaterNSW the efficient costs to meet its environmental obligations.

[c] ABS Consumer Price Index, Weighting Pattern, 2025 – Table 2 (February 2025 release).
[d] ABS Consumer Price Index, Weighting Pattern, 2025 – Table 3 (February 2025 release).
[e] ABS Consumer Price Index, Weighting Pattern, 2025 – Table 2 (February 2025 release).

For example, we have accepted Aither's recommendation to incorporate additional costs for the Warragamba Dam resilience project. Further information about our decisions for efficient expenditure is outlined in Chapters 4-5.

Chapter 11

Performance and accountability

11

Summary of our decisions on performance and accountability

We accept WaterNSW's proposed performance outcomes and objectives, but propose some amendments to measures and targets

Our decision is to accept the performance outcomes and objectives proposed by WaterNSW, but propose some amendments to make measures and targets more relevant to WaterNSW's operations in Greater Sydney.

We ask that WaterNSW continues to work to develop and report on performance measures. This includes setting more clearly defined targets for measures where these are currently absent, for better transparency and accountability in the next price review.

We accept WaterNSW's proposal not to opt in to financial incentive schemes for the 2025 determination period

Our decision is to accept WaterNSW's proposal not to opt in to financial incentive schemes for the 2025 determination period, and accept WaterNSW's decision to reassess their position for the 2030 determination.

11.1 Outcomes and performance measures

Under our water regulation framework, we expect businesses to develop performance outcomes related to customer, community and the environment. There is no set limit on how many outcomes a business must develop. For each outcome, we expect businesses to develop suitable performance measures and demonstrate a clear link between these outcomes and performance measures. This would include how the business' activities and expenditures are linked to outcomes.

Pursuant to section 15(1)(b) of the IPART Act, we consider these would provide a reputational incentive for WaterNSW to maintain a high standard of service, which, by extension, would help to protect consumers from the abuses of monopoly power.

In its September 2024 proposal, WaterNSW developed 6 customer outcomes. Under each of these outcomes it proposed up to 4 performance metrics, as shown in Table 11.1 below. WaterNSW's proposal noted that these outcomes apply across its Rural Valleys and Greater Sydney determinations, and that performance measures may differ.[131]

WaterNSW intends to report on progress through a scorecard, based on the preferences of participants of its Water Working Groups and Customer Advisory Groups.

Table 11.1 Summary of WaterNSW's proposed outcomes and performance measures

Performance outcome	Performance measure	Performance target and Trend
Support customer affordability	Achieve efficiency targets proposed by WaterNSW	Target: 1% compounding operating cost savings per annum Trend: **Improvement**
Secure and reliable water delivery	All affected customers are notified at least 7 days before commencement of the interruption	Target: 100% of planned service interruptions (OL) Trend: **Maintain**
	All affected customers are notified of the expected rectification time within 24 hours of WaterNSW becoming aware that an interruption has occurred	Target: 95% of unplanned service interruptions (OL) Trend: **Maintain**
	Notify customers before rectification time finishes, if works will be longer	WaterNSW has not proposed a target[a]
	Meet its legislative obligations for cyber protection of data and critical infrastructure annually	WaterNSW has not proposed a target
Openness and transparency	Survey level of satisfaction with WaterNSW's financial reporting & its openness/transparency regarding charges/expenditure	WaterNSW has not proposed a target
Sustainable water and land management.	Report of progress for implementing targets (to be set) towards the 2025-2030 WaterNSW land management plan, climate adoption plan and water utilisation	WaterNSW has not proposed a target
Access to data and information	Increase in subscriptions to WaterInsights (portal and app)	Target: 10% increase in subscriptions from 2024 baseline by 2030 Trend: **Improvement**
	Survey responses indicating suitable opportunities for engagement	WaterNSW has not proposed a target
	Number of meaningful engagements between WaterNSW achieved	WaterNSW has not proposed a target
Good customer experiences	Notifying persons registered for advanced notifications in accordance with the early warning system	Target: 100% of registered persons notified (OL) Trend: **Maintain**
	Increase in traffic, subscriptions and downloads from Customer Portal	WaterNSW has not proposed a target
	Notifying customers of data breach of their personal information	Target: Notify all affected customers within 72 hours Trend: **Improvement**
	Assessment of Key Performance Indicators (KPIs) in annual Voice of Customer Insight Report: • Easy to do business • Trustworthy • Provides valuable service • Deliver water, when and where it matters	Achieve within Target Zone for each KPI Trend: **Maintain**

a. WaterNSW's Operating Licence includes the following performance target: For 100% of unplanned service interruptions where WaterNSW is unable to meet the expected rectification time, all affected customers are notified of the revised expected rectification time before expiration of the original expected rectification time.
Note: Measures that are performance standards on WaterNSW's Operating Licence are represented in the table with an (OL) marker.

WaterNSW also included several performance measures that appear relevant to its Rural Valley (RV) operations. In this Final Report, we focus on the measures relevant to Greater Sydney.

Our decision is:

28. To accept WaterNSW's proposed performance outcomes, measures and targets as they relate to Greater Sydney, with some modifications as shown in Table 11.2.

11.1.1 WaterNSW's performance outcomes were developed through community engagement

It is important that a business' performance outcomes and measures are developed through robust customer consultation to allow customer values and priorities to be reflected in proposed indicators. Involving customers to set the priorities and outcomes that matter most is essential if water businesses are to identify better ways of delivering services.

WaterNSW consulted with customers to develop its performance outcomes, and sought feedback on the measures that would help customers understand what they pay for. We found that WaterNSW's proposed performance outcomes were backed by community preferences, however in the future, performance measures and targets should be more influenced by customer and community engagement for the reasons set out below.

11.1.2 Performance measures should be specific to Greater Sydney and better tracked with targets.

We assessed WaterNSW's proposed performance outcomes and measures using the criteria set out in our Water Regulation Handbook. Overall, we found that WaterNSW's proposed performance measures did not clearly distinguish between its Rural Valleys and Greater Sydney determinations, and WaterNSW has not proposed specific targets for many of its proposed performance measures. Further, we found several of WaterNSW's proposed performance targets were already requirements under its Operating Licence, and many were not directly driven by customer priorities. WaterNSW's operating licence requires WaterNSW to conduct its activities in a manner that is efficient, resilient, reliable, sustainable and equitable. Where we consider changes to WaterNSW's operating licence may be necessary we consult with stakeholders and consider cost impacts through a detailed cost-benefit analysis before recommending major changes to licence conditions.

Expenditure has also not been linked to outcomes. WaterNSW asked Water Working Group (WWG) participants to provide feedback for certain investment proposals, however it is not clear how this expenditure is linked to achieving these outcomes. Additionally, survey respondents were not presented with potential customer bill impacts when determining preferred service levels and considering investment proposals.

In some cases, we found that WaterNSW's performance measures referred to land management plans that have yet to be released, provided insufficient information on WaterNSW's proposed performance, and do not clearly support the stated performance outcomes. Therefore, in our Draft Report we considered there was merit in WaterNSW including some additional information or metrics, and transferring some performance measures to other performance outcomes to provide more transparency around its performance progress.

The following sections outline our assessment of WaterNSW's proposed performance outcomes, measures and targets and identify areas where its performance reporting could be improved.

Maintain downward pressure on costs to support customer affordability

WaterNSW intends to report on its performance against IPART-determined regulatory outcomes for operating and capital expenditure and include information for customers in hardship, to support achievement of this outcome. It proposed one measure: report on its performance against its proposed efficiency targets (i.e. 1% compounding operating cost savings per annum).

We have amended the efficiency target to 0.9% compounding operating cost savings per annum.

Provide secure and reliable water delivery

WaterNSW proposed several performance measures for this outcome, mainly focussed on notifying customers when there are planned and unplanned interruptions to water supply. Since WaterNSW is already required to meet these notification requirements for service interruptions under its Operating Licence[132], we do not consider these measures to be delivering any *additional* benefit to customers.

WaterNSW also proposed a measure around meeting its legislative obligations for cyber protection of data. However, it did not propose a specific target for this performance measure.

While WaterNSW did propose performance measures around releasing water and water conservation, these appear to relate to its Rural Valleys operations. For example, the water conservation measure involves WaterNSW implementing actions according to the "Drought Contingency Plans for each valley". There is no specific target for this water conservation measure.

In our Draft Report, we asked that WaterNSW consider whether there may be a performance target that measures its performance in water conservation for its Greater Sydney operations.

Be open and transparent (about customer charges and WaterNSW expenditure)

WaterNSW intends to provide transparency about its expenditure by reporting on its financial performance annually, itemising bills and providing clear information on pass-through charges.

WaterNSW proposed one measure for this outcome: survey Customer Advisory Group (CAG) members and their organisation members annually to determine their satisfaction levels of financial reporting and whether they perceive WaterNSW has been open and transparent regarding customer charges and expenditure. However, it did not propose a specific satisfaction target for this measure.

In our Draft Report, we asked that WaterNSW develop a target for consideration in our Final Report.

Drive sustainable water and land management

WaterNSW's proposal noted that it is in the process of completing an assessment of its managed lands, which was expected to be completed by early 2025. However, we have not received any update on the progress of this assessment. Following the completion of its assessment of managed lands, we understand that WaterNSW proposed to develop a land management program, which will set baseline data and appropriate targets year on year for delivery from July 2025.

WaterNSW proposed to report against a 'traffic light' dashboard as a metric to show if the program targets have been met (green), met in part (amber, with the percentage completed listed), or not met (red).

While we considered WaterNSW's proposed approach appropriate, we also asked that WaterNSW provide an update on its land management program and the performance targets for this outcome in its response to our Draft Report.

Provide good customer experiences

WaterNSW proposed using increased subscriptions, traffic and downloads through Customer Portal as a measure for this outcome, however we have not been provided with specific metrics WaterNSW proposes to meet. This measure was developed following consultation with the CAG, which recommended addressing Customer Portal's usability.[133] As WaterNSW has noted investments in improving Customer Portal, this measure seems appropriate to address the CAG recommendation and was endorsed by the WWG.[134]

In our Draft Report, we asked WaterNSW to provide us with performance targets for our Final Report.

WaterNSW also proposed measures that were either already required under its Operating Licence[135] or regulatory requirements, or it was already participating in, including:

- notifying registered persons for advanced notifications in accordance with early warning systems
- notifying all customers of data breaches with 72-hours
- achieving within acceptable targets in the annual Voice of Customer Insights Report.

Overall, these measures do not appear to have been developed through community engagement and do not improve upon WaterNSW's current performance. However, a 72-hour timeframe for notifying all customers of data breaches provides a stricter reporting deadline compared with the Office of the Australian Information Commissioner (OAIC) guidance of "as soon as possible."[136]

We consider there is merit in including 2 measures from the access to data and information outcome as measures for this outcome. Increasing its "number of meaningful engagements achieved" allows WaterNSW to provide customers and community with information on more than WaterInsights subscriptions (including Customer Portal and where to find further information on customer charges and WaterNSW expenditure). "Survey responses indicating suitable opportunities for engagement" can measure the success of WaterNSW increased engagement.

Amended performance outcomes, measures and targets for WaterNSW

In response to our Draft Report, WaterNSW did not provide feedback on our draft modifications to its performance outcomes, measures and targets for Greater Sydney. WaterNSW also did not provide specific targets for many of its performance measures for our consideration in the Final Report as requested in the Draft Report.

We consider that it is WaterNSW's responsibility to develop and propose targets that it can commit to delivering over the 2025 determination period. In this report, we have therefore noted instances where WaterNSW has not proposed a specific target against its performance measures. We ask that WaterNSW continues to work to develop and report on these targets, including the provision of metrics where possible in its next proposal.

We did not receive any comments on WaterNSW's performance outcomes and objectives from other stakeholders.

Table 11.2 outlines our modifications to performance outcomes, measures and targets.

Table 11.2 Amended performance outcomes, measures and targets for WaterNSW

Performance outcome	Performance measure	Performance target and Trend
Support customer affordability	Achieve efficiency targets proposed by WaterNSW	**Draft amended target:** 0.9% compounding operating cost savings per annum
Good customer experiences	**Draft amendment:** Number of meaningful engagements between WaterNSW achieved **(moved from Access to data and information)**	WaterNSW has not proposed a target
	Draft amendment: Survey responses indicate suitable opportunities for engagement **(moved from Access to data and information)**	WaterNSW has not proposed a target

In our Draft Report, we included a draft amended target to measure the increase in subscriptions to WaterNSW's WaterInsights portal and app. For our final decisions, we have removed this performance measure as we consider the Portal appears to be more relevant for WaterNSW's Rural Valley customers, than its Greater Sydney customers.

Recommendation

1. That WaterNSW continues to work to develop and report on performance measures, and include information on performance against targets as part of its next Greater Sydney pricing proposal.

11.2 Financial incentive schemes

Our water regulation framework includes 3 different incentive schemes that aim to encourage water businesses 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)

Incentive schemes reward businesses that outperform their forecasts for operating expenditure (opex), capital expenditure (capex), and/or service delivery, encouraging businesses to continuously improve customer value over the medium to long term.

More information on how these schemes operate is available in our Water Regulation Handbook.

In its September 2024 proposal, WaterNSW did not propose to include any of the financial incentive schemes for the upcoming determination period as it does not consider that they will deliver greater value for money for its customers at this time. WaterNSW stated that it will reassess whether to opt in to these schemes at the subsequent determination.[137]

We did not receive any comments on WaterNSW's proposal not to include financial incentives schemes for the upcoming determination period from stakeholders in response to our Draft Report.

11.3 Monitoring and credibility

After setting revenues, performance targets and incentives, we monitor ongoing performance through a range of tools to make sure businesses deliver on their commitments to customers. Specifically, we track business performance in terms of customer outcomes and expenditure. We also collaborate with other NSW regulators so that businesses promote customers' long-term interests by responding to all regulatory requirements efficiently.

11.3.1 Monitoring compliance with pricing determinations

IPART has an ongoing role in monitoring the performance of certain specified businesses for the purposes of establishing and reporting to the Minister on the level of compliance by the business with an IPART pricing determination.[138] This ongoing role provides another layer of monitoring and accountability for WaterNSW to comply with its pricing determination. We collect annual information returns from the businesses which includes the prices they are charging.

11.3.2 Monitoring outcome performance

WaterNSW is expected to report on its progress

As part of our water regulation framework, we expect businesses to publish annual updates on their progress against outcome commitments. The aim of annual progress updates is to maximise accessibility and visibility for customers.

WaterNSW intends to report on progress through a scorecard, based on the preferences of participants of its WWG and CAG. Additionally, participants requested that:

- the collating of information should not create an additional cost burden on WaterNSW
- WaterNSW should note the exceptions in its reporting, e.g. where construction milestones have not been achieved or where a negative financial event has occurred
- WaterNSW should clearly identify where reporting will be posted, and its website should be the starting point
- reporting should be in an easy to understand format (i.e. easy to navigate, simple, plain English) and provided through multiple channels, e.g. to CAGs, via newsletters, website
- the information should be in put in a simple email/newsletter message to all customers and stakeholders
- the information should be put in a simple format dashboard to accommodate customers with poor internet connection
- WaterNSW should report on significant issues that will affect the 2025-2030 period
- an efficient number of metrics provide customers and community reassurance about progress on the outcomes.[139]

Performance results in an online dashboard

IPART also monitors performance to allow businesses to maintain a customer focus, improve their services and deliver on outcome commitments included in their proposals. Publishing progress on these commitments increases public visibility and leverages reputational incentives for businesses to deliver on their promises.

We will publish a user-friendly online performance dashboard that tracks businesses' progress against their outcome commitment. Public access to this information promotes greater accountability and allows businesses and customers to compare performance outcomes across different water businesses to the degree that the data aligns.

The online dashboard will be designed to be easily accessible to all interested stakeholders. It will contain current and past information for all price-regulated businesses on:

- the grades that businesses received for current and past pricing proposals
- customer-informed outcome commitment targets and progress against achieving those targets in the current and past determination period, with 'traffic lights' to signal progress
- trends for operating and capital expenditure, including deeper levels of information on several standardised cost categories.

The dashboard will be accessible via our website once it has been established. For WaterNSW, we expect the dashboard to be available after the conclusion of this price review.

11.3.3 Annual licence audits

IPART has a role in auditing WaterNSW's compliance with the requirements of its Operating Licence.[140] As part of this function, we collect annual performance information provided by the business on measures relating to water quality, system continuity and reliability, environmental performance and customer service.

Our annual operating licence audit reports are provided to the Minister for Water and are published on our website for public access.

The information collected through these audits may be published on our online dashboard for transparency and to improve public confidence. This would provide additional incentives for businesses to perform to its expectations and continually identify areas for improvement.

Appendices

Appendix A

Matters considered by IPART

A.1 Matters under section 14A(2) of the IPART Act

Where the Tribunal uses a methodology to fix prices, section 14A(3) 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 outlines the sections of the report that address each matter.

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 4 and 5 we discuss our analysis and decisions on WaterNSW's operating and capital expenditure for its Greater Sydney business. We assess proposed 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 supply services in the Greater Sydney area and discuss our decisions on the levels of expenditure that we consider appropriate to be recovered through WaterNSW's maximum prices for its Greater Sydney business.
b) past, current or future expenditures in relation to the government monopoly service,	In Chapters 4, 5 and 6 we set out our assessment of WaterNSW's costs to deliver its monopoly services in the Greater Sydney area over the determination period. We assess proposed 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 supply services in the Greater Sydney area and discuss our decisions on the levels of expenditure that we consider appropriate to be recovered through WaterNSW's maximum prices for its Greater Sydney business.
c) charges for other monopoly services provided by the government agency,	In Chapter 9 we set our prices for WaterNSW's Greater Sydney operations. There are no other monopoly services (such as ancillary or miscellaneous services) provided by WaterNSW in the Greater Sydney area, aside from water supply services. WaterNSW does provide monopoly services outside the Greater Sydney area. We considered, but gave no weight to, the charges for those services when setting the maximum prices for WaterNSW's Greater Sydney business.

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 Chapters 8 and 9 we discuss how we set prices for WaterNSW's Greater Sydney business to raise revenue and our assessment of costs over the determination period in net present value terms. In Chapter 10 we set out what we expect the impact of the prices will have on inflation.
e) a rate of return on the assets of the government agency,	In Chapter 6 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. The full calculation of the WACC is provided in Appendix C.
f) a valuation of the assets of the government agency,	In Chapter 6 we discuss our approach towards calculating the regulatory asset base (RAB) for WaterNSW's Greater Sydney business. Our approach considers the need to earn an efficient return on the RAB for WaterNSW's Greater Sydney business (through the WACC) and the annual regulatory depreciation value of that asset base.
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,	In Chapters 4 and 5 we set out WaterNSW's efficient expenditure for its Greater Sydney business that allows it to meet its known regulatory requirements and environmental obligations. In Chapter 10 we discuss the implications of the prices for the environment. We consider that our decisions will mean WaterNSW's Greater Sydney business can fully recover all efficient costs it incurs in meeting its environmental obligations through prices.
h) the need to promote competition in the supply of the service concerned,	In Chapter 8 we discuss our approach to setting prices which reflect the maximum that WaterNSW's Greater Sydney business would need to charge for its services if it were operating in a competitive environment. We consider that our decisions, and the maximum prices, would result in customers only paying what WaterNSW's Greater Sydney business requires to deliver quality water services. Chapter 7 also outlines our decisions on risk sharing and price control. In Chapter 6, we discuss our decisions on WaterNSW's allowances for tax, regulatory depreciation, return on assets, and other price building blocks, for its Greater Sydney business. Our decisions on these building blocks consider what costs a benchmark firm operating in a competitive market environment would incur in providing its services. In Chapter 6 we also explain our approach to setting the WACC. Our framework for setting the WACC is an important component of ensuring that the maximum prices we set for WaterNSW's Greater Sydney business can promote competition.
i) considerations of demand management (including levels of demand) and least cost planning.	In Chapter 8 we set out our decisions on forecast water sales and customer numbers for the determination period. A key step in our price setting process is to decide on WaterNSW's forecasts for water sales and customer numbers for its Greater Sydney operations. Our decisions on water demand and forecast sales volumes are used in determining WaterNSW's charges for its Greater Sydney business over the 2025 determination period.

A.2 Matters under section 15(1) of the IPART Act

IPART is required under section 15(1) of the IPART Act to have regard to the following matters in making determinations and recommendations:

a. the cost of providing the services concerned,
b. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services,
c. the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales,
d. the effect on general price inflation over the medium term,

e. the need for greater efficiency in the supply of services as to reduce the 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 feasible options available to protect the environment,
g. the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets,
h. the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body,
i. the need to promote competition in the supply of services concerned,
j. considerations of demand management (including levels of demand) and least cost planning,
k. the social impact of the determinations and recommendations,
l. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

Table A.2 outlines the sections of the report that address each matter.

Table A.2 Consideration of section 15(1) matters by IPART

Section 15(1)	Report reference
a) Cost of providing the services	In Chapters 4 and 5 we discuss our analysis and decisions on WaterNSW's operating and capital expenditure for its Greater Sydney business. We assess proposed 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 services and discuss our decisions on the levels of expenditure that we consider appropriate to be recovered through WaterNSW's maximum prices for its Greater Sydney business.
b) Protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services	We consider our decisions would protect consumers from abuses of monopoly power, as they do not allow for recovery greater than the efficient costs WaterNSW's Greater Sydney business requires to deliver its regulated services. This is addressed throughout the report, particularly in Chapters 7, 8, 9 and 10 where we set out our pricing decisions and impacts. In Chapter 6 we set out our approach to calculating the WACC. The WACC is an important component of ensuring that the maximum prices we set for WaterNSW's Greater Sydney business can promote competition and protect customers from the abuse of monopoly power.
c) Appropriate rate of return and dividends on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales	Chapter 6 outlines our approach for a market-based rate of return on debt and equity for the indicative notional revenue requirement that would enable a benchmark business to return an efficient level of dividends. We considered carefully the public interest in WaterNSW's Greater Sydney business returning a dividend to Government for the benefit of the people of NSW.
d) Effect on general price inflation over the medium term	In Chapter 10 we assess the impact of our decisions on general inflation. While prices and bills for most water users are increasing, we expect the impact on general price inflation is likely to be minimal.
e) Need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	In Chapters 4 and 5 we discuss our analysis and decisions on WaterNSW's efficient level of operating and capital expenditure for its Greater Sydney business. To inform our decisions, we engaged independent experts Aither to provide advice on the efficiency of WaterNSW's expenditure for its Greater Sydney business.

Section 15(1)	Report reference
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	In Chapters 4 and 5 we set out WaterNSW's efficient expenditure for its Greater Sydney business that allows it to meet its known regulatory requirements and environmental obligations. In Chapter 10 we discuss the implications of the prices for the environment. We consider that our decisions will mean WaterNSW's Greater Sydney business can fully recover all efficient costs it incurs in meeting its environmental obligations through prices.
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 Chapter 6 we explain our approach to estimating WaterNSW's Greater Sydney business' return on capital for the indicative notional revenue requirement and our assessment of its financial sustainability is outlined in Chapter 10 and Appendix B.
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	Chapters 4 and 5 set out our assessment of WaterNSW's costs for its Greater Sydney business for the determination period. We consider our maximum prices are sufficient to allow the WaterNSW Greater Sydney business to enter into contracts with other parties to assist it with the provision of its services, where doing so is efficient.
i) The need to promote competition in the supply of the services concerned	In Chapter 8 we discuss our approach to setting prices which reflect the maximum that WaterNSW would need to charge for its Greater Sydney services if it were operating in a competitive environment. In Chapter 7 we also considered risk sharing and price control. We consider that our decisions, and the maximum prices, would result in customers only paying what WaterNSW's Greater Sydney business requires to deliver quality water services. In Chapter 6, we discuss our decisions on WaterNSW's allowances for tax, regulatory depreciation, return on assets, and other price building blocks, for its Greater Sydney business. Our decisions on these building blocks consider what costs a benchmark firm operating in a competitive market environment would incur in providing its services. In this Chapter we also explain our approach to setting the WACC. Our framework for setting the WACC is an important component of ensuring that the maximum prices we set for WaterNSW's Greater Sydney business can promote competition.
j) Considerations of demand management (including levels of demand) and least cost planning	In Chapter 8 we set out our decisions on forecast water sales and customer numbers for the determination period. A key step in our price setting process is to decide on WaterNSW's forecasts for water sales and customer numbers for WaterNSW's Greater Sydney business. Our decisions on water demand and forecast sales volumes are used in determining WaterNSW's charges for its Greater Sydney services over the 2025 determination period.
k) The social impact of the determinations and recommendations	In Chapter 10 we consider the potential impact of our pricing decisions on WaterNSW's Greater Sydney business, its customers and the NSW Government (on behalf of the broader community). Chapter 3 outlines what we heard from stakeholders, and we have considered all feedback in making our decisions on WaterNSW's prices for its Greater Sydney services.
l) Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	In Chapters 4 and 5 we set out our decisions on WaterNSW's Greater Sydney business' efficient expenditure that allows it deliver upon its standards of quality, reliability and safety. In Chapter 5 we set out our decisions on the Warragamba Dam Resilience Project, the Cataract Dam Safety Upgrade and the Water Infrastructure Renewal program.

A.3 Considerations under section 16 of the IPART Act

Section 16 of the IPART Act provides:

> If the Tribunal determines to increase the maximum price for a government monopoly service or determines a methodology that would or might increase the maximum price for a government monopoly service, the Tribunal is required to assess and report on the likely annual cost to the Consolidated Fund if the price were not increased to the maximum permitted and the government agency concerned were to be compensated for the revenue foregone by an appropriation from the Consolidated Fund.

Under section 16 of the IPART Act, we must report on the likely impact on the Consolidated Fund if prices are not increased to the maximum levels permitted. If this is the case, then the level of tax equivalent and dividends paid to the Consolidated Fund would fall. The extent of this fall would depend on Treasury's application of its financial distribution policy and how the change affects after-tax profit.

Our financial modelling is based on a tax rate of 30% for pre-tax profit and dividend payments at 70% of after-tax profit. A $1 decrease in pre-tax profit would result in a loss of revenue to the Consolidated Fund of 49 cents in total, which is 70% of the decrease in after-tax profit of 70 cents.

Appendix B

Financeability assessment

Summary of the financeability assessment for WaterNSW's Greater Sydney operations

WaterNSW's Greater Sydney business would likely be financeable under our decisions over the next 4 years

We consider that the Greater Sydney operations would likely be financeable over the 4-year determination period under our decisions, provided WaterNSW works within the envelope of revenue we have allowed. We have reached this view after conducting both a benchmark and actual financeability test.

When setting prices, we consider the financial sustainability of the business resulting from our pricing decisions. To do this, we undertake a financeability test to assess how our pricing decisions are likely to affect the business's financial sustainability, and ability to raise funds to manage its activities, over the upcoming regulatory period. The financeability test is based on the approach outlined in IPART's 2018 *Review of our financeability test* (2018 Financeability Review).[141]

B.1 IPART's approach to conducting the financeability assessments

IPART has conducted both the benchmark and actual tests on the financeability of WaterNSW's Greater Sydney operations over the next 4-years. We have also considered the financeability of WaterNSW by considering the financeability of the Greater Sydney operations together with the Rural Valleys business.

The difference between the two tests is that to conduct the:[142]

- Benchmark test: we set the inputs consistent with the indicative parameters in the building block approach such as using the real cost of debt and level of gearing in the WACC. For the benchmark test, we used:
  - 2.7% as the real cost of debt
  - 60% as the gearing ratio.
- Actual test: we use actuals provided by the business which may mean the inputs used to calculate the WACC may be different, such as using the forecast actual cost of debt and gearing. For the actual test, we used:
  - 5.5% as the cost of debt which WaterNSW described as its current interest rate in its submission to our May 2025 Information Paper.[143]
  - 51% as the gearing ratio based on WaterNSW's 2023-24 financial statements.[144]

The purpose of these 2 approaches is that:

- conducting the test on the benchmark business would identify any estimation and cash flow impacts arising from our building block approach, and
- conducting the test on the actual business would generate a warning that the actual business segment might face a financeability concern over the 4-year determination period.

Then for each of the benchmark and actual financeability tests, IPART calculates 3 ratios as described in Box B.1.

Box B.1 Explanation of IPART's financeability ratios

For the benchmark test, we calculate the financial ratios assuming the real interest rate (i.e. excluding inflation) and gearing set in the WACC. For the actual test, we calculate the financial ratios using the business's actual interest rate and gearing level.

Interest Coverage Ratio (ICR)

The ICR is a measure of the business's ability to service interest payments on debt. Our targets are:

- >2.2x for the benchmark test
- >1.8x for the actual test.

The 1.8x target for the actual test was set considering the ICR values used by Moody's, S&P Global and Fitch Ratings, including nominal metrics used for water and energy businesses. IPART includes a small uplift for the benchmark target (2.2x) because the standard financial ratios are not intended to be applied to a real interest rate situation.

Funds from Operation (FFO) over Debt

FFO over Debt measures how much free cash a business generates (i.e. after covering its operating costs, interest expense and tax) relative to the size of its total borrowings. Therefore, it is a measurement of a business's ability to generate cash flows to repay the principal of the debt. Our targets are:

- >7.0% for the benchmark test
- >6.0% for the actual test.

The 6.0% target for the actual test was set considering the FFO over Debt values used by Moody's, S&P Global and Fitch Ratings, including nominal metrics used for water and energy businesses. IPART includes a small uplift for the benchmark target (7.0%) because the inflation component of the interest rate is capitalised.

Net Debt/RAB Gearing ratio

Gearing is a measurement of the entity's financial leverage, which demonstrates the degree to which it is funded by creditors. A higher gearing ratio means a higher-risk capital structure – that is, a higher proportion of assets are funded by debt which, unlike equity, requires fixed interest payments that the business must continue to maintain over time. A gearing ratio above 70% would indicate a relatively high-risk capital structure. Our target is <70% for both the benchmark and actual tests.

Then to calculate each of the 3 financeability ratios under the benchmark and actual tests we used the decisions that we reached for:

- efficient expenditure as outlined in Chapters 4-5
- revenue which is based on our prices (Chapter 9) and volumes (Chapter 8).

The analysis that considered both WaterNSW's Greater Sydney and Rural Valleys businesses under the actual financeability test:

- incorporated our final decision to increase most prices for WaterNSW's Rural Valleys business by 5.8% plus inflation in 2025-26
- assumed that the Rural Valleys business's costs and revenue would be held constant in real terms for 2026-27 to 2028-29.

B.2 IPART's financeability assessment

Table B.1 shows the benchmark and actual financeability test results.

Table B.1 Financeability test results based on our decisions

	Target ratio	2025-26	2026-27	2027-28	2028-29
Benchmark financeability test results for WaterNSW's Greater Sydney operations					
Real Interest Coverage Ratio	Higher is better >2.2x	3.1x	3.8x	4.3x	4.6x
Real FFO/Net Debt	Higher is better >7.0%	5.5%	7.5%	8.7%	9.6%
Net Debt/RAB	Lower is better <70%	60%	60%	60%	60%
Actual financeability test results for WaterNSW's Greater Sydney operations					
Interest Coverage Ratio	Higher is better >1.8x	1.9x	2.3x	2.5x	2.7x
FFO/Net Debt	Higher is better >6.0%	4.9%	7.0%	7.7%	8.4%
Net Debt/RAB	Lower is better <70%	51%	50%	50%	51%
Actual financeability test results for WaterNSW's Greater Sydney and the Rural Valleys businesses					
Interest Coverage Ratio	Higher is better >1.8x	1.9x	-	-	-
FFO/Net Debt	Higher is better >6.0%	4.7%	-	-	-
Net Debt/RAB	Lower is better <70%	51%	-	-	-

Note: A real cost of debt of 2.7% was used for the benchmark financeability test and a nominal cost of debt of 5.5% was used for the actual financeability test.
Source: IPART analysis.

B.2.1 Interest Coverage Ratio

The Real Interest Coverage Ratio (RICR) under the benchmark test for the Greater Sydney business exceeds the target of >2.2x in all four years and gradually improves from 3.1x in the first year to 4.6x in the fourth year. This means that under our decisions, the Greater Sydney business is expected to have sufficient headroom to meet its interest obligations more than three times over.

Under the actual test, where 5.5% was used as the cost of debt, the Greater Sydney business is expected to exceed the target of >1.8x over all 4 years. The Interest Coverage Ratio (ICR) is 1.9x in the first year which gradually increases to 2.7x by 2028-29. This means that under our decisions, the Greater Sydney business is expected to have sufficient headroom to meet its interest obligations almost twice over under a 5.5% nominal cost of debt assumption.

When considered together with the Rural Valleys business, the ICR under the actual test is 1.9x. This demonstrates WaterNSW can meet its interest obligations almost twice over under our decisions for the Greater Sydney business in 2025-26.

The ICR results indicate that WaterNSW's Greater Sydney operations would likely be financeable over the 4-year determination period, assuming actual expenditure does not exceed the allowances included in IPART's NRR.

B.2.2 Funds from Operation over Debt

Under both the benchmark and actual tests, the Funds from Operation (FFO) over Debt ratio is below target in 2025-26. However, the ratio exceeds the target in 2026-27, 2027-28 and 2028-29 under both tests.

When considered together with the Rural Valleys business, the FFO over debt results under the actual test are below target in the first year (4.7%).

WaterNSW's relatively low FFO over debt ratio reflects that WaterNSW has a growing asset base of relatively long-lived assets, which means the initial investment in assets is recovered over a relatively long period of time through the depreciation allowance.

We also found it to be the case that this ratio was below target when conducting our benchmark financeability tests to set prices for water transport services supplied by WaterNSW via the Murray River to Broken Hill Pipeline (the Pipeline) and for the 2020 review of WaterNSW's Greater Sydney business.[145] The relatively lower FFO over Debt results in these reviews were attributable to longer-lived assets.

A future review of the financeability test could consider whether to vary the target FFO over Debt ratio to better account for differences in each business' average asset life.

Given this context, the FFO over debt results in Table B.1 do not indicate financeability issues.

B.2.3 Net Debt/RAB Gearing Ratio

The Net Debt over RAB Gearing ratio meets the upper target limit of 70% under all 3 scenarios (see Table B.1). The benchmark results will always reflect our decision to maintain the gearing ratio at 60%, which is based on our review of market evidence. The results under the actual tests that consider WaterNSW's Greater Sydney business by itself, and where it is considered together with the Rural Valleys business, both meet the target for all 4 years.

Appendix C

Weighted average cost of capital

To calculate an allowance for the return on assets in the revenue requirement, we multiply the value of the regulatory asset base (RAB) in each year of the determination period by an appropriate rate of return. To do this, we determine the rate of return using a weighted average cost of capital (WACC).

This appendix shows the parameters we used to calculate the WACC and explains our decision about how to treat annual changes in the WACC over the determination period.

C.1 We use our standard approach to calculate the WACC

We used 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 indicate the level of volatility in capital markets, is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values. The uncertainty index was within this range at the time we calculated the WACC.

Table C.1 sets out the parameters we used to derive the 3.5% post tax real WACC for WaterNSW's Greater Sydney business.

Table C.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	3.6%	2.7%			
Inflation	2.7%	2.7%			
Implied Debt Margin	2.3%	2.3%			
Market Risk premium	6.3%	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%	6.9%			
Cost of equity (real-post tax)	5.2%	4.1%			
Cost of debt (nominal pre-tax)	5.9%	5.0%			
Cost of debt (real pre-tax)	3.1%	2.2%			
Nominal Vanilla (post-tax nominal) WACC	6.7%	5.8%	5.8%	6.3%	6.7%
Post-tax real WACC	**3.9%**	**3.0%**	**3.0%**	**3.5%**	**3.9%**
Pre-tax nominal WACC	7.7%	6.6%	6.6%	7.1%	7.7%
Pre-tax real WACC point estimate	4.8%	3.8%	3.8%	4.3%	4.8%

a. Note: 4-year regulatory period. Market observations sampled to end March 2025.

C.2 Our methodology to calculate WACC parameters

This section sets out some of the key methodologies we use to derive the component parameters used to calculate the WACC under our standard approach.

C.2.1 Gearing and beta

In selecting proxy industries, we consider the type of business the firm is in. If we 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. The results for the electric utilities industry and the multi-line utilities activity support continuing to use an equity beta of 0.7 when 60% gearing is used. While some other industries and activities analysed suggest a higher beta, the sample sizes for those proxy groupings are too small to warrant making what would be a major change from the status quo.

C.2.2 Sampling dates for market observations

For the Final Report, we applied a sampling period up to the end of March 2025.

For earlier years in the trailing average calculation of the historic cost of debt we sampled to the end of March each year.

C.2.3 Tax rate

We assumed the Benchmark Equivalent Entity is a large public water business. The scale economies that are important to firms of this type suggest that the Benchmark Equivalent Entity would be likely to be well above the turnover threshold at which a firm becomes ineligible for a reduced corporate income tax rate. Therefore, we used a tax rate of 30%.

C.2.4 Regulatory period

We applied the WACC estimate for the duration of the determination period, which is set at 4 years for our Final Determination. In our earlier Draft Determinations, we had proposed to apply a 3-year determination period. This meant that the WACC estimate used at that time was for 3 years.

C.2.5 Application of trailing average method

Our 2018 review of the WACC method introduced a decision to estimate both the long-term and current cost of debt using a trailing average approach, which updates the cost of debt annually over the regulatory period.

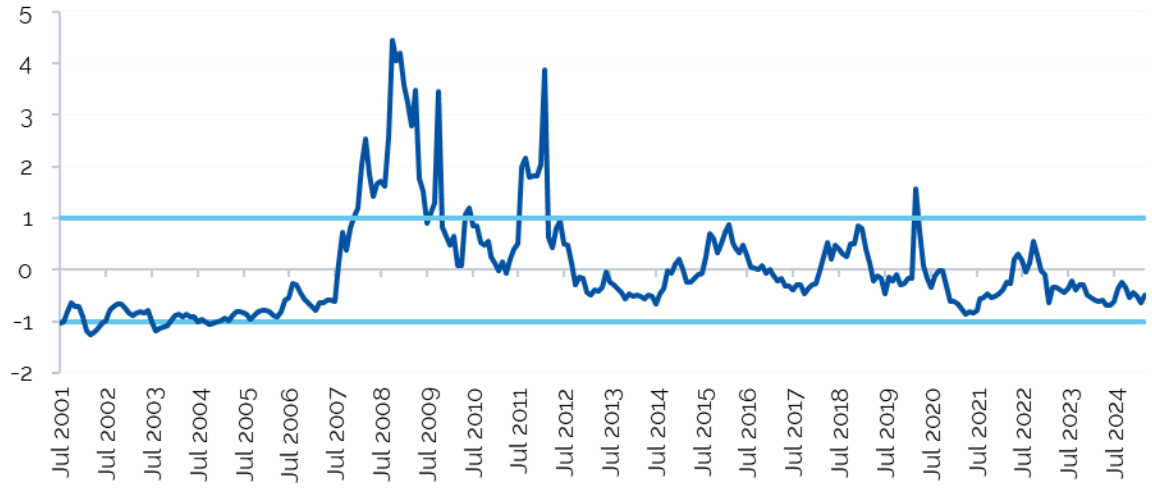
The transition to the trailing average was applied in WaterNSW's 2020 Determinations (excluding the MDB valleys of WaterNSW, which were subject to the ACCC WACC at that time), so we consider that the business is now fully transitioned.

C.2.6 Uncertainty index

The uncertainty index is a standalone methodology used to assess the volatility of financial markets, which feeds into our WACC decision-making framework. Under this framework, we estimate a short-term WACC using current market data and long-term WACC using long-term average data. When our uncertainty index — which indicates the level of volatility in capital markets — is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values.

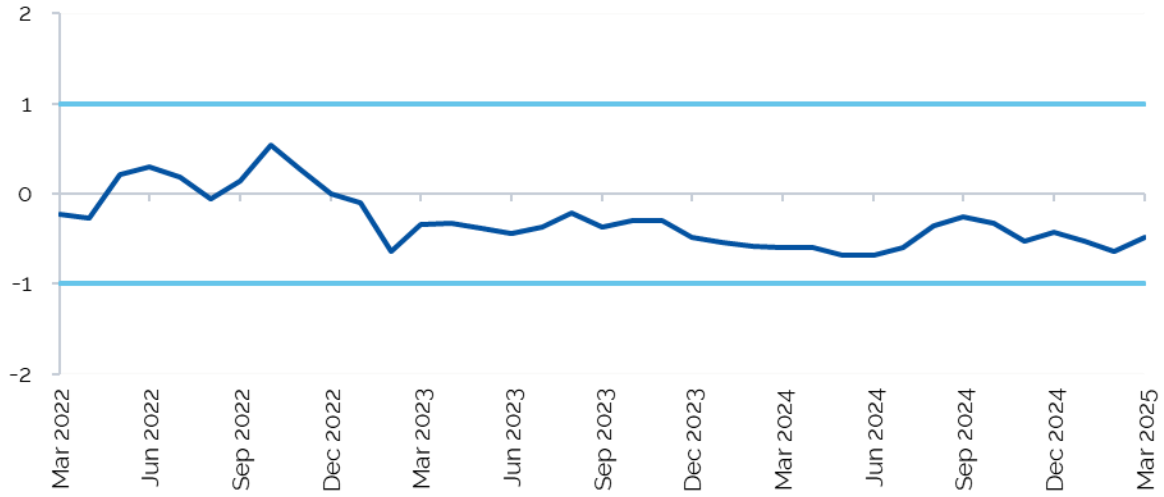
As Figure C.1 shows, the uncertainty index for market observations to the end of March 2025 is within one standard deviation of its mean value. Therefore, we have set the WACC based on the mid-point of the current and long-term WACC values.

Figure C.1 IPART's uncertainty index as at 31 March 2025



Source: Refinitiv and IPART calculations.

Short-term movements in uncertainty index



Source: Refinitiv and IPART calculations.

Appendix D

Detailed financial tables

D.1 Building blocks and notional revenue requirement

D.1.1 Total notional revenue requirement

Table D.1 Decision on total notional revenue requirement for the 2025 determination period ($millions, $2024-25)

	2025–26	2026–27	2027–28	2028-29	Total
Total NRR proposed by WaterNSW[a]	314.3	322.5	343.0	365.8	1,345.6
IPART decision (building block components)					
Operating allowance	118.8	115.3	115.9	118.5	468.6
Return on assets	81.5	83.2	85.2	89.1	339.0
Return of assets (regulatory depreciation)	61.6	67.0	72.1	76.4	277.1
Return on working capital	2.2	2.3	2.2	2.0	8.7
Tax allowance	3.6	4.6	5.7	6.3	20.2
IPART decision –WaterNSW NRR before adjustments	267.9	272.5	281.1	292.2	1,113.7
Cost of debt true-up	-6.1	0.0	0.0	0.0	-6.1
Deferral year	18.0	0.0	0.0	0.0	18.0
IPART decision – total WaterNSW NRR	279.8	272.5	281.1	292.2	1,125.6
Difference between the proposed and IPART decision total NRR ($)	-34.5	-50.0	-61.8	-73.6	-220.0
Difference between the proposed and IPART decision total NRR (%)	-11.0%	-15.5%	-18.0%	-20.1%	-16.3%

a WaterNSW's proposal includes an inflation forecast of 3% for 2024-25, compared to a forecast of 2.1% for our final report.
Note: Figures may not sum due to rounding. In this table, the regulatory depreciation is a mid-year figure (i.e. the RAB roll-forward depreciation figure is discounted by half a year of WACC).
Source: IPART analysis.

D.1.2 Return on assets

Table D.2 Decision on return on assets for the 2025 determination periods ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
WaterNSW proposal	85.8	91.2	100.0	109.7	386.8
IPART decision	81.5	83.2	85.2	89.1	339.0
Difference ($)	-4.3	-8.1	-14.8	-20.6	-47.8
Difference (%)	-5.0%	-8.9%	-14.8%	-18.8%	-12.3%

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

Table D.3 Decision on regulatory asset base roll-forward for the 2020 determination period ($ millions, $nominal)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Opening RAB	1,625.3	1,706.7	1,821.7	1,936.6	2,072.5	2,208.3
Plus: Efficient capital expenditure	116.6	84.5	44.2	66.3	110.0	137.1
Less: Cash capital contributions	0.0	0.0	0.0	0.0	0.0	0.0
Less: Asset disposals	0.4	1.2	0.3	0.1	0.3	21.5
Less: Regulatory depreciation	29.7	34.7	41.5	48.4	54.7	58.1
Plus: Indexation	-5.1	66.4	112.5	118.2	80.8	47.6
Closing RAB	1,706.7	1,821.7	1,936.6	2,072.5	2,208.3	2,313.4
WaterNSW proposal	1,707.1	1,823.6	1,939.9	2,077.2	2,215.0	2,343.9
Difference ($)	-0.4	-1.8	-3.3	-4.7	-6.7	-30.5
Difference (%)	0.0%	-0.1%	-0.2%	-0.2%	-0.3%	-1.3%

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

Table D.4 Decision on regulatory asset base roll-forward for the 2025 determination period ($ millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29
Opening RAB	2,313.4	2,364.3	2,401.9	2,479.0
Plus: Efficient capital expenditure	113.9	106.0	150.6	220.2
Less: Cash capital contributions	0.0	0.0	0.0	0.0
Less: Asset disposals	0.2	0.2	0.2	0.2
Less: Regulatory depreciation	62.7	68.2	73.3	77.7
Plus: Indexation	0.0	0.0	0.0	0.0
Closing RAB	2,364.3	2,401.9	2,479.0	2,621.2
WaterNSW proposal	2,429.6	2,643.3	2,917.0	3,179.3
Difference ($)	-65.2	-241.4	-438.1	-558.1
Difference (%)	-2.7%	-9.1%	-15.0%	-17.6%

Note: Figures may not sum due to rounding. In this table, the regulatory depreciation is the year-end value, which is higher than the depreciation allowance in the NRR (because for the NRR, the RAB roll-forward depreciation figure is discounted by half a year of WACC).
Source: IPART analysis.

D.1.3 Return of assets (regulatory depreciation allowance)

Table D.5 Decision on allowance for return of assets for the 2025 determination period ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
WaterNSW proposal	76.8	85.2	94.9	103.3	360.1
IPART decision	61.6	67.0	72.1	76.4	277.1
Difference ($)	-15.2	-18.1	-22.8	-27.0	-83.0
Difference (%)	-19.7%	-21.3%	-24.0%	-26.1%	-23.1%

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

Table D.6 Decision on remaining asset lives for existing assets (years)

	Remaining RAB lives of depreciable assets existing on 1 July 2025
All capex up to 1 July 2020 (for legacy combined RAB)	49
Dams	198
Other Storages	0
Pipelines	118
Buildings	38
Major Mechanical & Roads/Minor Civil	28
Meters	13
Plant & machinery	10
ICT systems & Systems/Controls	5
Vehicles & 5 yearly Inspections	3
Major Facilities - Sydney DP project	22
Major Facilities - Illawarra DP project	23

Table D.7 Decision on expected lives of new assets (years)

	2025-26	2026-27	2027-28	2028-29
Dams	200	200	200	200
Other Storages	80	80	80	80
Pipelines	120	120	120	120
Buildings	40	40	40	40
Major Mechanical & Roads/Minor Civil	30	30	30	30
Meters	15	15	15	15
Plant & machinery	12	12	12	12
ICT systems & Systems/Controls	9	9	9	9
Vehicles & 5 yearly Inspections	5	5	5	5
Major Facilities - Sydney DP project	30	30	30	30
Major Facilities - Illawarra DP project	30	30	30	30

D.1.4 Working capital allowance

Table D.8 Decision for the return on working capital allowance for the 2025 determination period ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
WaterNSW proposal	2.3	1.9	1.8	2.0	8.0
IPART decision	2.2	2.3	2.2	2.0	8.7
Difference ($)	-0.1	0.5	0.4	0.0	0.7
Difference (%)	-4.9%	24.2%	25.1%	-2.2%	9.2%

Note: Figures may not sum due to rounding.
Source: WaterNSW, Pricing Proposal to IPART, September 2024 and IPART analysis.

D.1.5 Tax allowance

Table D.9 Decision on the tax allowance for the 2025 determination period ($millions, $2024-25)

	2025-26	2026-27	2027-28	2028-29	Total
WaterNSW proposal	9.6	9.8	10.0	10.5	39.9
IPART decision	3.6	4.6	5.7	6.3	20.2
Difference ($)	-6.0	-5.2	-4.3	-4.2	-19.6
Difference (%)	-62.2%	-52.8%	-43.3%	-39.7%	-49.2%

Note: Figures may not sum due to rounding.
Source: WaterNSW, Pricing Proposal to IPART, September 2024 and IPART analysis.

D.1.6 Calculation of cost of debt true-up

We have calculated a cost of debt true-up for the 2020 determination period of -$6.1 million. This is $11.8 million lower than WaterNSW's proposal. WaterNSW's proposal included a true-up for the deferral year, which added about $5.7 million to the amount. This is inappropriate because, as explained in the section that follows, we used an updated WACC to calculate the NRR for the deferral year.

In addition, WaterNSW used a higher cost of debt in 2021-22 and 2022-23 than appropriate because it did not account for years 2 and 3 of the adjustment to the trailing average.

Table D.10 Decision on cost of debt true-up ($ million, $2024-25)

	Total
WaterNSW proposal (total amount)[a]	5.8
Our decision	-6.1
Difference ($)	-11.8
Difference %	-205.8%

a Total value at 1 July 2025. WaterNSW proposed to recover the amount over 5 years in NPV neural terms, or $1.3 million per year.
Note: Figures may not sum due to rounding.
Source: WaterNSW, Pricing Proposal to IPART, September 2024 and IPART analysis.

D.1.7 Calculation of the deferral year revenue

In 2021 we agreed to defer the scheduled 2023-24 water price review for Sydney Water by one year. This meant that the 2023-24 prices in the 2020 Determination remained constant in nominal terms in 2024-25, and therefore, WaterNSW under-recovered its efficient costs over 2024–25.

How we calculated what a deferral year true-up would be

At the beginning of each new determination period, we typically add efficient historical capital expenditure, including from any price review deferral years to the Regulatory Asset Base. We calculate the efficient costs incurred by WaterNSW in 2024-25 by calculating the notional revenue requirement for one year, based on 2024-25 parameters. The true-up amount would be the difference between our calculation of the NRR for 2024-25, and the revenue the business expects to receive in 2024-25, based on actual prices and forecast volumes. In this way, we can calculate the true-up amount as if we had set prices in our usual way for 2024-25.

Applying this calculation method, we arrive at a potential revenue adjustment true-up for the deferral year of $18 million (see Table D.11).

Given that we have updated the WACC for 2024-25 there is no cost of debt true-up required for the deferral year.

Table D.11 Decision on deferral year adjustment ($millions, $2024-25)

	Total
WaterNSW proposal (total amount)[a]	22.2
IPART's decision	
NRR for 2024-25	244.6
2024-25 target revenue from prices	226.9
Deferral year true-up (Revenue shortfall with holding costs)	18.0
Difference ($)	-4.2
Difference %	-18.9%

a Total value at 1 July 2025. WaterNSW proposed to recover the amount over 5 years in NPV neural terms, or $5.1 million per year.
Note: Figures may not sum due to rounding.
Source: WaterNSW, Pricing Proposal to IPART, September 2024 and IPART analysis.

Appendix E

Glossary

Term	Definition
ABS	Australian Bureau of Statistics.
AFOC	Assets free of charge 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.
Annual revenue requirement	The notional revenue requirement in each year of the determination period.
Base-Trend-Step approach (BTS)	The approach IPART will use when setting operating expenditure allowances. 'Base' refers to the efficient recurring expenditure required each year, calculated from recent past data. 'Trend' refers to predictable changes in expenditure over time due to known factors such as demand growth or inflation. 'Step' refers to changes in expenditure caused by new requirements or new processes.
Building block model	IPART's standard method for calculating a business's required revenue. Costs are broken down into 5 components to establish the amount of revenue needed to recover them.
Bulk water	Water delivered by WaterNSW to irrigators and other licence holders on regulated rivers across NSW.
Capital Efficiency Sharing Scheme (CESS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with capex during a determination period.
Cost pass-through	Tool to allow businesses to pass some costs directly to customers within the determination period, under limited circumstances.
Customer	In the context of this report, 'customer' refers to direct bill payers as well as end users who might not be in a direct paying relationship with a water business (for example, an occupant or tenant of a serviced property).
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.
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.
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.
Efficiency Benefit Sharing Scheme (EBSS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with opex during a determination period.
Efficiency factor	Factor applied to a business's forecast expenditure, when appropriate, to adjust it for ongoing productivity improvements.
E-flow	Environmental flow.
Expenditure review	IPART's method for reviewing a business's expenditure so that customers only pay efficient costs.
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).
Hunter Water	Hunter Water Corporation.
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 *Independent Pricing and Regulatory Tribunal Act 1992*, which establishes IPART's regulatory role and functions in New South Wales.
kL	Kilolitre (one thousand litres).
ML	Megalitre (one million litres).

Term	Definition
MWP	Metropolitan Water Plan.
Net Present Value (NPV)	The discounted value of a stream of benefits (or costs) taking into account the time value of money.
NRR	Notional Revenue Requirement, the revenue needed by a business to recover the cost of providing their services.
NSW DCCEEW	NSW Department of Climate Change, Energy, the Environment and Water.
Operating licence	A regulatory instrument that authorises a water business to undertake its functions. Issued under the requirements of an Act by a Minister or the Governor, it contains terms and conditions governing a water business' operations. Not all water businesses are subject to a licence.
September 2024 proposal	WaterNSW's pricing proposal submitted to IPART in September 2024.
Outcome Delivery Incentive (ODI)	An incentive scheme to provide financial benefits or penalties for achieving or not achieving customer agreed outcomes respectively.
Price controls	Methodologies used by water businesses and the regulator to set prices charged to customers. Main examples are price caps, and revenue caps.
RAP	Regulators Advisory Panel.
Regulatory Asset Base (RAB)	Calculated as the economic value of all assets the business owns. The RAB is used as a 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.
RWSA	Raw Water Supply Agreement.
SDP	Sydney Desalination Plant.
Section 16A direction	Ministerial direction pursuant to section 16A of the IPART Act.
Section 20P directions	Ministerial directions pursuant to section 20P of the SOC Act
SOC Act	*State Owned Corporations Act 1989* (NSW).
Stakeholder submission	Submission prepared by stakeholders in the sector (such as water businesses, advocacy groups, and other regulators) in response to our Draft Report, Issues Paper or Information Paper.
Sydney Water	Sydney Water Corporation.
Target revenue	The revenue WaterNSW generates from maximum prices set by IPART.
True-up	Mechanism to allow businesses to pass some unexpected costs to consumers in the following determination period. This is reserved for limited circumstances.
Underspend	Actual expenditure savings in any year of a determination period compared to forecast expenditure. A negative underspend is an overspend.
June 2025 submission / alternative revenue request	WaterNSW's submission to IPART in June 2025 to our May Information Paper, which put forward an alternative revenue request.
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.
Weighted average cost of capital (WACC)	The post-tax real cost of capital as determined by IPART as part of a regulatory review.

[1] WaterNSW, Media release – WaterNSW business transformation, August 2025.
[2] WaterNSW, submission to IPART Information Paper, June 2025, p 1.
[3] WaterNSW, submission to IPART Draft Report, August 2025, pp 7-8.
[4] WaterNSW, submission to IPART Draft Report, August 2025, p 8.
[5] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, p 1.
[6] WaterNSW, 2024 Pricing Proposal, September 2024, p 169.
[7] WaterNSW, 2024 Pricing Proposal, September 2024, p 126.
[8] WaterNSW, 2024 Pricing Proposal, September 2024, p 169.
[9] WaterNSW, 2020 Pricing Proposal, September 2024, p 100.
[10] WaterNSW, submission to IPART Information Paper, June 2025, p 2.
[11] WaterNSW, submission to IPART Information Paper, June 2025, p 26.
[12] WaterNSW, submission to IPART Information Paper, June 2025, p 2.
[13] WaterNSW, submission to IPART Information Paper, June 2025, p 2.
[14] WaterNSW, submission to IPART Information Paper, June 2025, p 2.
[15] WaterNSW, submission to IPART Information Paper, June 2025, p 5.
[16] WaterNSW, submission to IPART Information Paper, June 2025, p 35.
[17] WaterNSW, submission to IPART Draft Report, August 2025, p 2.
[18] WaterNSW, submission to IPART Draft Report, August 2025, pp 3-6.
[19] Jaeger, R, submission to IPART Draft Report, July 2025, p 1.
[20] National Seniors Australia, submission to IPART Draft Report, August 2025, pp 1-3.
[21] National Seniors Australia, submission to IPART Draft Report, August 2025, p 1.
[22] National Seniors Australia, submission to IPART Draft Report, p 3.
[23] National Seniors Australia, submission to IPART Draft Report, August 2025, p 3.
[24] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, p 1.
[25] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, p 2.
[26] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, p 2.
[27] Sydney Water Corporation, submission to IPART Draft Report, August 2025, p 1.
[28] The Centre for Independent Studies, submission to IPART Draft Report, August 2025, p 1.
[29] Jaeger, R, submission to IPART Draft Report, July 2025, p 1.
[30] National Seniors Australia, submission to IPART Draft Report, August 2025, p 1.
[31] NSW Treasury, NSW Treasury Policy and Guidelines: Capital Structure and Financial Distribution Policy for Government Businesses, pp 7-8.
[32] National Seniors Australia, submission to IPART Draft Report, August 2025, pp 1-2.
[33] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, p 1.
[34] WaterNSW, submission to IPART Draft Report, August 2025, p 3.
[35] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, pp 1-2.
[36] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, p 1.
[37] Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, pp 1-2.
[38] Sydney Water Corporation, submission to IPART Draft Report, August 2025, p 2.
[39] WaterNSW, 2024 Pricing Proposal – Attachment 08 Base-Trend-Step operating expenditure, September 2024, p 9 and Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 27.
[40] WaterNSW, 2024 Pricing Proposal – Attachment 08 Base-Trend-Step operating expenditure, September 2024, p 30.
[41] Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 32.
[42] WaterNSW, 2024 Pricing Proposal – Attachment 08 Base-Trend-Step operating expenditure, September 2024, p 29.
[43] IPART, Water Regulation Handbook, July 2023, p 43.
[44] WaterNSW, submission to IPART Draft Report, August 2025, pp 11, 13.
[45] WaterNSW, submission to IPART Draft Report, August 2025, pp 19-20.
[46] WaterNSW, submission to IPART Draft Report, August 2025, pp 20-21.
[47] WaterNSW, submission to IPART Draft Report, August 2025, pp 22-23.
[48] Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 44.
[49] WaterNSW, submission to IPART Draft Report, August 2025, pp 23-26.
[50] WaterNSW, submission to IPART Draft Report, August 2025, pp 30-31.
[51] WaterNSW, submission to IPART Draft Report, August 2025, pp 11, 15-16 & 19.
[52] WaterNSW, submission to IPART Draft Report, August 2025, pp 33-35.
[53] Aither, Expenditure Review of WaterNSW – Final Report, July 2025, pp 50-51.
[54] WaterNSW, submission to IPART Draft Report, August 2025, p 33.
[55] WaterNSW, submission to IPART Draft Report, August 2025, p 16.
[56] WaterNSW, submission to IPART Draft Report, August 2025, pp 33-35.
[57] WaterNSW, submission to IPART Draft Report, August 2025, pp 21-22.
[58] WaterNSW, submission to IPART Draft Report, August 2025, pp 35-36.
[59] WaterNSW, submission to IPART Draft Report, August 2025, p 36.
[60] WaterNSW, submission to IPART Draft Report, August 2025, pp 27-28.
[61] WaterNSW, submission to IPART Draft Report, August 2025, p 26.
[62] AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, pp 151-152.
[63] AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, pp 152-153.
[64] WaterNSW, submission to IPART Draft Report, August 2025, pp 37-38.
[65] WaterNSW, submission to IPART Draft Report, August 2025, p 38.

66 WaterNSW, submission to IPART Draft Report, August 2025, p 39.
67 IPART, Review of prices for WaterNSW Greater Sydney – Final Report, June 2020, pp 20-21.
68 WaterNSW, 2024 Pricing Proposal, September 2024, p 33.
69 WaterNSW, Media release – WaterNSW business transformation, August 2025.
70 WaterNSW, 2024 Pricing Proposal, September 2024, pp 150-151.
71 AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, p 138.
72 AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, pp 140-142, 148-149.
73 WaterNSW, submission to IPART Draft Report, August 2025, pp 51-53.
74 AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, pp 140-142.
75 WaterNSW, submission to IPART Draft Report, August 2025, p 52 and AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, pp 153-155.
76 WaterNSW, 2024 Pricing Proposal, September 2024, p 154 and WaterNSW, 2024 Pricing Proposal – Attachment 07 Project summaries for top 10 major projects, September 2024, p 7.
77 WaterNSW, 2024 Pricing Proposal, September 2024, p 155.
78 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 4.
79 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 25.
80 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p v.
81 WaterNSW, 2024 Pricing Proposal – Attachment 07 Project summaries for top 10 major projects, September 2024, p 7.
82 WaterNSW, submission to IPART Information Paper, June 2025, p 40.
83 WaterNSW, submission to IPART Draft Report, August 2025, p 4.
84 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 16.
85 WaterNSW, submission to IPART Information Paper, June 2025, p 40.
86 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, pp 17-18.
87 WaterNSW, submission to IPART Draft Report, August 2025, p 43.
88 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, pp 17-18.
89 Aither, Expenditure Review of WaterNSW – Final Report, July 2025, p 24.
90 WaterNSW, submission to IPART Draft Report, August 2025, p 45.
91 AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, pp 149-150.
92 WaterNSW, submission to IPART Draft Report, August 2025, pp 48-50.
93 AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, p 146.
94 AtkinsRéalis, WaterNSW Rural Valleys Expenditure Review 2025 – Final Report, June 2025, p 165.
95 WaterNSW, submission to IPART Draft Report, August 2025, pp 55-56.
96 WaterNSW, submission to IPART Draft Report, August 2025, pp 55-56.
97 IPART, Review of our WACC method, February 2018.
98 WaterNSW, submission to IPART Draft Report, August 2025, pp 54-55.
99 WaterNSW, submission to IPART Draft Report, August 2025, pp 54-55.
100 WaterNSW, 2024 Pricing Proposal - Attachment 13 Form of control, September 2024, pp 4, 20-21.
101 WaterNSW, 2024 Pricing Proposal - Attachment 13 Form of control, September 2024, p 18.
102 Gwydir Valley Irrigators Association Inc, submission to IPART Issues Paper, December 2024, p 12; Hunter Valley Water Users Association, submission to IPART Issues Paper, December 2024, p 7 and Macquarie River Food & Fibre, submission to IPART Issues Paper, December 2024, p 16.
103 WaterNSW, 2024 Pricing Proposal – Appendix 2 Pricing Proposal 2025-2030 Final Customer and Community Engagement Summary, September 2024, p 71.
104 WaterNSW, 2024 Pricing Proposal, September 2024, p 42.
105 IPART, Final Report – Review of Prices for WaterNSW Greater Sydney, June 2020, p 79.
106 IPART, Final Report – Review of prices for Sydney Water Corporation, June 2016, p 139 and IPART, Final Report – Review of prices for Sydney Water, June 2020, p 305.
107 WaterNSW, submission to IPART Draft Report, August 2025, p 58.
108 IPART, Final Report – Review of Prices for Water NSW Greater Sydney, June 2020, p 76.
109 Sydney Water, submission to IPART Draft Report, August 2025, p 2.
110 WaterNSW, submission to IPART Draft Report, August 2025, pp 62-63.
111 *Water Sharing Plan for the Greater Metropolitan Region Unregulated River Water Sources 2023* cl 57D.
112 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, p 8.
113 WaterNSW, submission to IPART Draft Report, August 2025, p 58.
114 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, pp 6-7.
115 WaterNSW, submission to IPART Draft Report, August 2025, p 59.
116 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, pp 6-7.
117 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, p 9.
118 IPART, Review of prices for WaterNSW Greater Sydney from 1 July 2020, June 2020, pp 175-177.
119 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, p 9.
120 WaterNSW, submission to IPART Draft Report, August 2025, pp 59-61.
121 WaterNSW, submission to IPART Draft Report, August 2025, p 61.
122 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, pp 9-11.
123 WaterNSW, 2024 Pricing Proposal - Attachment 27 Cost pass-throughs and true-ups, September 2024, p 10.
124 Wingecarribee Shire Council, submission to IPART Draft Report, August 2025, pp 1-2.
125 Wingecarribee Shire Council, submission to IPART Draft Report, p 1.
126 WaterNSW, submission to IPART Draft Report, pp 61-62.
127 WaterNSW, submission to IPART Draft Report, pp 56-58.
128 WaterNSW, submission to IPART Draft Report, pp 63-64.

[129] WaterNSW 2024, 2024 Pricing Proposal - Attachment 13 Form of control, September 2024, pp 4, 20-21.
[130] IPART, Water NSW Operating Licence 2024-2028.
[131] WaterNSW, 2024 Pricing Proposal, September 2024, p 7.
[132] WaterNSW Operating Licence 2024-2028, p 9.
[133] WaterNSW, 2024 Pricing Proposal, September 2024, p 100.
[134] WaterNSW, 2024 Pricing Proposal – Appendix 2 Pricing Proposal 2025-30 Final Customer and Community Engagement Summary, September 2024, p 94.
[135] WaterNSW Operating Licence 2024-2028, p 9.
[136] OAIC, Privacy guidance for organisations and government agencies, Part 4: Notifiable Data Breach (NDB) Scheme
[137] WaterNSW, 2024 Pricing Proposal, September 2024, p 105.
[138] IPART Act s 24AA.
[139] WaterNSW, 2024 Pricing Proposal – Attachment 4 Customer outcomes and performance measures, September 2024, p 3.
[140] WaterNSW Operating Licence 2024-2028.
[141] IPART, Review of our financeability test – Final Report, November 2018.
[142] IPART, Review of our financeability test – Final Report, November 2018.
[143] WaterNSW, submission to IPART Information Paper, June 2025, p 30.
[144] WaterNSW, Annual Report 2023-24, p 93.
[145] IPART, Review of WaterNSW's Rural Valleys prices for the Murray River to Broken Hill Pipeline Final Technical Report, November 2022, pp 90-91; IPART, Final Report – Review of Prices for WaterNSW Greater Sydney, June 2020, pp 90-91, 202.