IPART Independent Pricing and Regulatory Tribunal | NSW

Review of prices for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June 2029

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

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Chapter 1

Report Summary

01

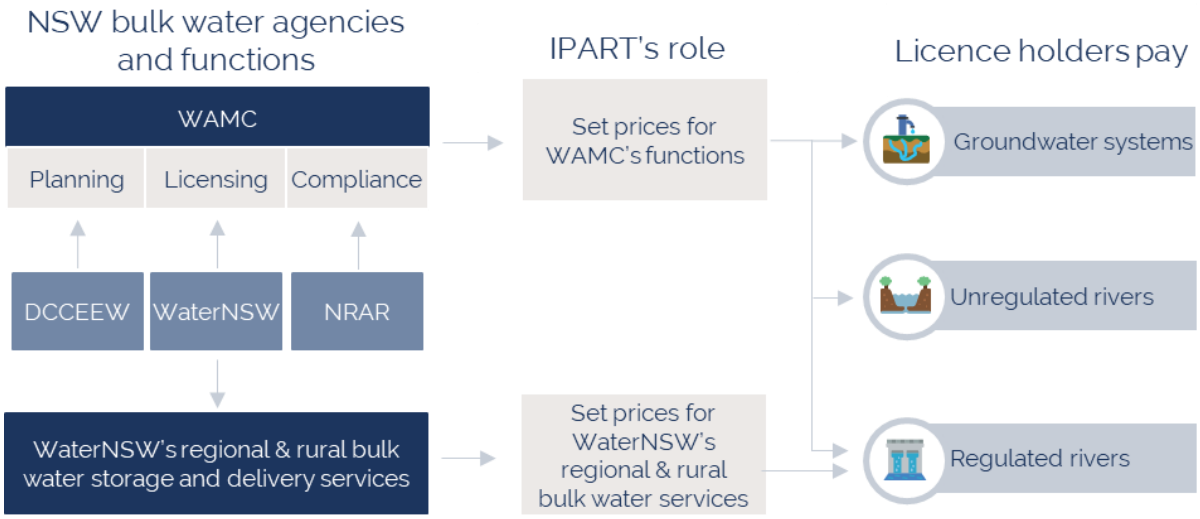
1.1 IPART has set WAMC's maximum prices for the next 4 years

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

We have reviewed WAMC's prices and have made decisions on the maximum prices it can charge its customers from 1 October 2025. This report outlines our decisions and explains how and why we reached them.

IPART is aware of the work that has been undertaken regarding the remake of the water management regulations. IPART's decisions are consistent with the *Water Management (General) Regulation 2025* and the *Water Management (Water Supply Authorities) Regulation 2025*.

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



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

- **Water management charges**, which aim to recover water customers' share of the costs of WAMC's water planning, regulation, licensing, compliance, enforcement, customer service and other activities.
- **MDBA and BRC charges**, which aim to recover customers' share of the efficient NSW contributions to the cross-jurisdictional water management agencies, the Murray–Darling Basin Authority (MDBA) and the Dumaresq–Barwon Border Rivers Commission (BRC).

- **Consent transaction charges**, which are fee-for-service charges set to recover the administrative costs of issuing or amending water access licences, water allocation assignments and works approvals.
- **Metering charges**, including metering service charges, water take assessment charges, and meter testing and verification charges. These fee-for-service charges are set to recover the cost of maintaining and reading water meters, and of testing or verifying the accuracy of meters.

This Report sets out the maximum prices to apply from 1 October 2025 to 30 June 2029 (2025 determination period).

1.2 Most bills will increase by between 2.5% and 5% per year plus inflation

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

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

Our decisions reflect how we have carefully weighed the statutory considerations to which we must have regard. Those statutory considerations are contained in sub-section 15(1) and section 16 of the IPART Act. The considerations are further discussed in Appendix A.

Our decision to set a 4-year determination period strikes an appropriate balance between:

- WAMC's proposal to substantially increase its operating expenditure from the allowance of $74.5 million in 2024-25[a] to an annual average of $138.6 million per year over the 4-year determination period
- the significant recent changes to the level of output required of WAMC, including the increased number and complexity of water sharing plans
- the elevated level of uncertainty about WAMC's operating costs in the medium term and the need for price path certainty for both users of WAMC's services and WAMC itself.

Our decisions also reflect WAMC's legislative, regulatory and environmental obligations, consistent with our obligation to consider the need to maintain ecologically sustainable development, considerations of demand management and least cost planning and the social impacts of our decisions, including the submissions we received from users of WAMC's services about affordability[1].

[a] (in $2024-25)

In setting maximum prices, our decisions are to:

- allow WAMC to increase water management charges by up to an annualised average of 5% per year plus inflation (a total of 21.6% plus inflation between 2025-26 and 2028-29
- allow WAMC to increase its water management charges for customers paying the Minimum Annual Charge (MAC) by up to an annualised average of 2.5% a year plus inflation (a total of 10.4% plus inflation between 2025-26 and 2028-29)
- allow WAMC to fully recover its MDBA related costs between 2025-26 and 2028-29
- allow WAMC to fully recover its BRC related costs in regulated and unregulated water sources and transition BRC prices towards full cost recovery at 5% per year before inflation in ground water sources between 2025-26 and 2028-29
- allow WAMC to apply the water take charges (water management services, MDBA and BRC) to floodplain harvesting licences
- allow WAMC to introduce an additional water management charge for floodplain harvesting to help recover WaterNSW's incremental floodplain harvesting costs
- allow WAMC to continue to levy maximum metering charges in accordance with a revised charging structure and in a way that reflects the efficient costs of the metering services provided by WAMC.

1.2.1 WAMC's water management prices will increase by an annualised 5% per year plus inflation

Our decision is to set WAMC's water management prices to transition towards the level required to recover the customer share of efficient costs of WAMC's water management services. No water sources are expected to achieve full cost recovery prices by the end of the 4-year determination period.

This means we are constraining the increase in WAMC's water management prices to an annualised 5% per year, or 21.6% over the next 4 years from 2024–25 to 2028–29.

We accepted WAMC's proposal to increase the MAC by an annualised 2.5% per year over to the next determination period.

- these price increases are before inflation. We further discuss bill impacts in Chapter 13
- Users with a regulated river water access licence can also refer to the 2025 WaterNSW Rural Valleys Final Report and Determination to review our decisions on these components of their water bill.

1.2.2 MDBA and BRC charges will be set based on efficient costs

Our decision is to use full cost recovery prices to set charges for WAMC to recover the NSW Government's contributions to the MDBA. For WAMC's BRC-related charge, our decision is to set prices as the minimum of the full cost recovery price and the previous year's price with a 5% increase. This means that in situations where the full cost recovery price is below the current price, the price will fall to the new full cost recovery level. In situations where the full cost recovery price is above the current price, the price will start at the current price and transition toward the full cost recovery price at the same rate as other WAMC charges (i.e. 5% per year plus inflation) until the full cost recovery price is achieved.

Our decisions were informed by WAMC's proposal and submissions to the Draft Report including the provision of new and relevant information to determining the efficient costs. More information about our decisions, including our analysis of WAMC's proposed approach to MDBA and BRC charges is available in Chapter 7.

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

1.2.3 WAMC's water management prices and its contributions to the MDBA and the BRC will be adjusted to account for the 3-month delay to new prices

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

The effect of this adjustment is that:

- water management prices have remained unchanged from 1 July to 30 September 2025 and will increase by 7.5% before inflation from 1 October 2025 to 30 June 2026
- the MAC has remained unchanged from 1 July to 30 September 2025 and will increase by 3.9% before inflation from 1 October 2025 to 30 June 2026
- MDBA and BRC prices have remained unchanged from 1 July to 30 September 2025 and will increase or decrease depending on the water source (see Chapter 9.3).

These adjustments to prices will result in the average prices applying over 2025-26 being equal to what these prices would have been had the introduction of new prices not been delayed by 3 months. We note that while this adjustment will affect prices that apply over 2025-26, it will not affect the average annualised increase over the determination period.

1.2.4 We have made some changes to our decisions for consent transaction charges, including real increases for some existing charges

Out of the 17 existing consent transaction charges for larger customers (Type A), 16 of them will remain constant before inflation. The 16 include reintroducing 7 charges relating to amending an approval, water access licence dealings and water allocation assignments. These 7 Type A charges were in the 2021 determination but were omitted from the 2025 Draft Report.

One charge out of 17, will be around 5.5% lower than the existing price before inflation. We have not made any changes to prices since our Draft Report for the 6 new Type A consent transactions. We have however removed one new Type A charge that was in the 2025 Draft Report, as this would now be covered by the 2 charges relating to amending an approval. These charges will range between $154.62 to $1,745.02.

For smaller customers (Type B), we are increasing 16 out of 18 existing charges between 2.0% and 7.7% before inflation. Two existing charges will also be below the existing price by 45% and 83% before inflation. There will be 11 new Type B consent transaction charges that will range between $123.17 to $6,582.46. This range includes our decision to increase 2 new Type B charges by $15 each from our Draft Report. The 11 new charges also include our decision to add 2 new charges to reflect the passing of costs incurred by WAMC to suspend/cancel/reinstate a water access licence (WAL) payable to the Land Registry Service applicable to customers for non-payment of debt relating to their WAL.

We have also maintained our draft decision relating to groundwater assessment component consent transactions. This means the 4 existing charges will increase between 15% and 96% (before inflation) and we are introducing one new charge of $362.02.

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

1.3 We set maximum prices for 4 years

Our decision is to set maximum prices for 4 years, rather than the 5 years proposed by WAMC, and 3 years in our Draft Report.

IPART considered feedback from WAMC, NRAR and other stakeholders which resulted in revising our draft decision on the length of the determination. Our 4-year determination period:

- provides WAMC funding certainty for the next 4 years
- allows sufficient time for WAMC to conduct its price structure reviews, as well as continuing to deliver its statutorily required water management activities and prepare its next pricing proposal.
- justification for WAMC's proposed expenditure was not as strong for the later years of the determination period
- more time for development and reporting on performance measures.

This also reinforces that customers do not pay more than the efficient costs having regard to a range of statutory factors that include social impacts and ecologically sustainable development

This decision is discussed further in Chapter 2.

1.4 Our maximum prices reflect efficient costs

WAMC proposed an 82% increase in its forecast operating costs over 2025-26 to 2028-29 (compared to the 2021 Determination) so that it can deliver its services and obligations. WAMC's actual expenditure in the 2021 determination period has been higher than the amount factored into prices. Efficient costs have increased with the growing requirements that WAMC must meet to implement the *Water Management Act 2000*.

Our decision on efficient operating expenditure for water management services over the next 4 years is $443 million. This is:

- $35 million per year (46%) higher than the average annual operating expenditure forecast we used to set prices in the 2021 determination period
- $35 million per year (24%) lower than WAMC's estimated average annual operating expenditure over the 2021 determination period
- $112 million (20%) lower than WAMC's proposal for the next 4 years, of which:
  - $34 million reflects our view of proposed activity that is outside the scope of the regulated service or not sufficiently certain to proceed, and
  - $78 million reflects our different view of the efficient cost of delivery.

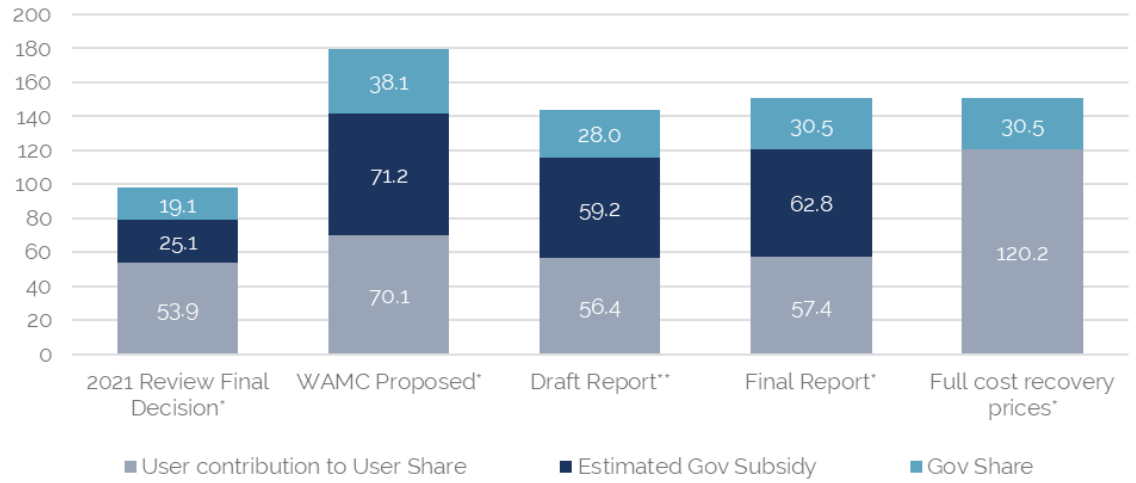
Our forecast is within the range of efficient expenditure identified by our independent experts, Stantec.

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

Our forecast of efficient capital expenditure relating to water management services over the next 4 years is $106.2 million. This is $1.5 million or 1.4% lower than WAMC's proposal.

Based on our decisions on efficient costs, we estimate the notional revenue requirement for WAMC's water management services and MDBA and BRC costs over the next 4 years to be $602.9 million. Averaged over the 2025 determination period this would be $52.6 million or 54% higher per year than the notional revenue requirement over the 2021 determination period (See Figure 1.2).

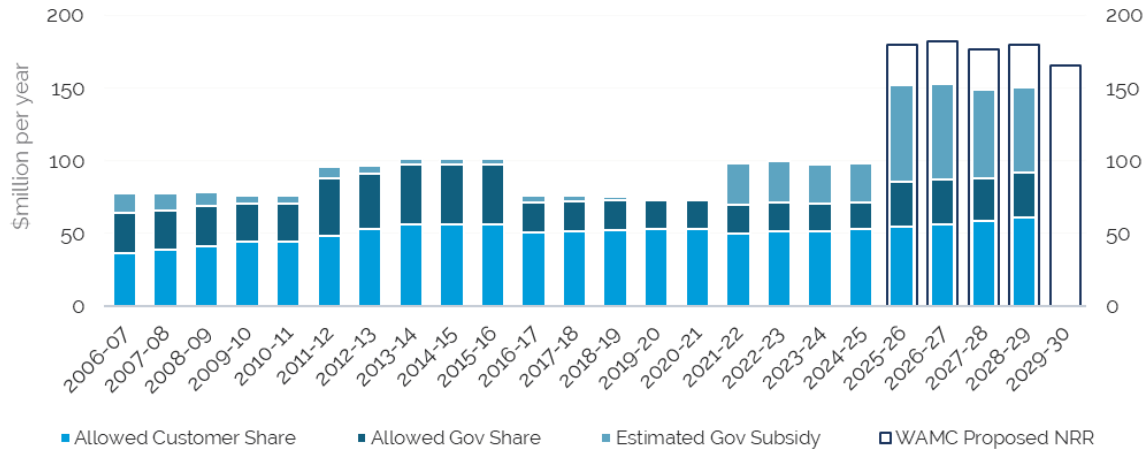
Figure 1.2 Average annual notional revenue requirement by contribution component for the 2025 determination period ($ million, $2024–25)



* Averaged over four years. For WAMC's proposal we used the average of the first four years.
** Averaged over three years, based on draft determination period.
Source: IPART analysis.

Although our decisions on efficient costs are lower than proposed by WAMC, they are a large increase on the 2021 Determination Period, and prior to that.

Figure 1.3 WAMC's historical and forecast notional revenue requirement ($ million, $2024-25)



Source: IPART analysis.

1.5 The customer share of efficient costs has increased

Our decision is to allocate $447.6 million or 81% of the water management notional revenue requirement to WAMC's customers. We have also decided to include an additional $0.4 million cost of debt true-up in the customer share. Compared to our 2021 Determination, we have changed the customer share of operating expenditure for two activities, W06-05 Regional planning and management strategies, from 60% to 0%, and W08-02 Consents management licence conversion, from 100% to 85%. We have increased the customer share of capital expenditure for surface water activities from 77% to 99% to reflect a weighted average of the customer shares for the underlying W01-01 and W07-01 activities. The overall customer share of 81% is slightly higher than the 78% customer share for water management in the 2021 Determination. We note that our decision to cap water management prices at 5% per year before inflation means that WAMC's prices will not fully recover the customer share of WAMC's efficient costs.

1.6 We have reviewed and updated metering charges

In response to the Matthews Inquiry into water theft, the NSW Government introduced the non-urban metering policy in 2018[2] to improve the accuracy, transparency, and accountability of water measurement across the state.[3] As part of the 2021 Determination, IPART approved the charge structure proposed by WaterNSW which included the introduction of 5 new non-urban metering charges to recover the efficient costs of implementing the NSW Government's non-urban metering reforms.[4] The new charges were the scheme management charge, telemetry charge, non-telemetry charge, meter service charge (operating costs), and meter service charge (capital costs). In addition to adding new metering charges, various existing charges relating to metering were also maintained.

For the forward period WAMC proposed to introduce 2 new charges, the attestation charge and the alternative assessment charge, discontinue the meter service charge (capital costs), and to rename the non-telemetry charge to an LID download/validation charge.

Our decisions are to:

- retain the scheme management charge and the telemetry charge
- discontinue the non-telemetry charge and the meter service charge (capital costs)
- introduce the LID download/validation charge.
- not implement the proposed attestation charge or the proposed alternative assessment charge
- allow WAMC to charge customers, which would have otherwise had the alternative assessment charge applied, a water take charge corresponding to 100% of entitlement volume for the given billing year.
- maintain the other non-urban metering charges.

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

1.7 We have considered all feedback received from stakeholders

We heard from a wide range of stakeholders during the consultation periods. This included 230 submissions to our Issues Paper, a Public Hearing attended by 102 stakeholders, and 20 submissions to our Draft Report. Stakeholders provided feedback on various aspects of WAMC's pricing proposal.

Issues raised commonly by many stakeholders from the submissions to our Draft Report included:

- concerns about the affordability of proposed prices
- cost shares and IPART's impactor pays approach
- expenditure, service quality and value for money
- charges relating to MDBA and BRC
- non-urban metering

In addition, stakeholders provided responses to our focus questions.

Affordability and fairness of proposed prices was the central theme of most submissions to both the Issues Paper and Draft Report, including from individuals and organisations.

To better understand these perspectives in preparing our Draft Report, IPART obtained additional data to conduct its own impacts analysis of WAMC's proposal for farming businesses and local water utilities. This analysis has been reviewed and updated considering additional feedback from stakeholders on our Draft Report. Our detailed analysis is available in Appendix C.

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

1.7.1 WAMC and NRAR made submissions to the Draft Report.

WAMC made a submission to the Draft Report which challenged IPART's proposed prices, and the associated expenditure. In particular, WAMC questioned:

- IPART's expenditure review and how that review was used to identify WAMC's efficient costs
- whether allowing expenditures lower than it proposed would create unreasonable risks for it
- IPART's draft decision to capitalise part of its contribution to the MDBA and BRC
- IPART's proposed price cap on water management services

- IPART's proposed affordability analysis
- whether IPART had properly applied and weighed its legislative considerations.

However, WAMC's submission did not provide sufficient evidence, on which IPART could rely, to support the questions it raised.

The Tribunal carefully considered the feedback regarding expenditure, price and affordability throughout the relevant chapters in this Final Report.

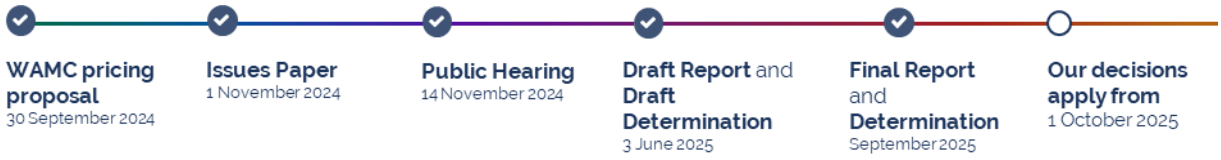
1.8 Considerations ahead of the next price review

IPART recommends that the Minister for Water lead a review focussing on WAMC's governance prior to the next pricing review. We consider that WAMC governance matters fall under the purview of the Minister for Water.

IPART additionally intends to conduct a review of WAMC's cost shares. The review may include other pricing components. We intend to provide further details regarding the scope of this review subsequent to this Report, and complete it prior to our next WAMC pricing review, which will commence in 2028.

Further details regarding these recommendations are included in Chapter 14.

Figure 1.4 WAMC water pricing review timeline



1.9 List of decisions

1.	To grade WAMC's pricing proposal as Standard.	28
2.	To set a 4-year determination period that commences on 1 October 2025 and ends on 30 June 2028.	31
3.	To reflect all of WAMC's proposed activities in prices for its monopoly services for the 2025 determination period.	51
4.	To allow $443.0 million of efficient operating expenditure in WAMC's notional revenue requirement for the 2025 determination period, as shown in Table 4.1.	52
5.	To set the efficient level of WAMC's historical capital expenditure to be included in the regulatory asset base as shown in Table 4.4.	62
6.	To allow $106.2 million of forecast capital expenditure in the regulatory asset base used to set prices for the 2025 determination period, as shown in Table 4.5.	64

7. To allow a notional revenue requirement for water management of $552.8 million (as shown in Table 5.1) and a cost of debt true-up of $0.6 million over the 2025 determination period. 68

8. To set the return of assets (regulatory depreciation allowance) at $79.2 million for the 2025 determination period, as shown in Table 5.2. 70

9. To allow $12.8 million for return on assets over the 2025 determination period as shown in Table 5.5, noting that: 71
   a. the opening RAB on 1 July 2025 is $61.2 million and the closing RAB on 30 June 2029 is $86.7 million as shown in Table 5.4 71
   b. we use a real post-tax WACC of 3.5% as the efficient rate of return. 71

10. To set the working capital allowance at $9.5 million for the 2025 determination period as shown in Table 5.1. 72

11. To set the tax allowance at $8.2 million for the 2025 determination period as shown in Table 5.1. 73

12. To allow the cost shares set out in WAMC's proposal with the exceptions of: 78
   a. W06-05 Regional planning and management strategies for which we set the user share to 0% (compared to 60% in the 2021 Determination and 50% in WAMC's proposal) 78
   b. W08-02 Consents management and licence conversion for which we set the user share to 85% (compared to 100% in the 2021 Determination and WAMC's proposal) 78
   c. operating expenditure under the W01 Surface water activity codes, for which we set user shares to 100%, 50%, 60%, 40% and 50% for the W01-01, W01-02, W01-03, W01-04 and W01-05 activity codes, respectively (compared to 77% proposed by WAMC to apply across all W01 activities). 78
   d. capital expenditure on water management surface water activities, for which we set the user share to 99% (compared to 77% proposed by WAMC). 78

13. To set the user share of WAMC's notional revenue requirement for water management at $447.6 million or 81%. 78

14. To allow WAMC's proposed cost drivers, except the proposed driver for W05-03. The resulting allocation across water sources of the user share of WAMC's efficient costs is as shown in Table 6.4. 82

15. To set WAMC's water entitlements and water take forecasts for regulated rivers for the 2025 determination period as shown in Table 8.1 and Table 8.2 respectively. 91

16. To set WAMC's water entitlements and water take forecasts for unregulated rivers for the 2025 determination period as shown in Table 8.3 and 8.4 respectively. 93

17. To set WAMC's water entitlements and water take forecasts for floodplain harvesting for the 2025 determination period as shown in Table 8.5. 95

18. To set WAMC's water entitlements and water take forecasts for groundwater for the 2025 determination period as shown in Table 8.6 and Table 8.7 respectively. 96

19. To maintain the approach and set for the 2025 determination period: 100
   a. Metered charges, comprising of an entitlement charge ($ per ML of entitlement or unit share) and a water take charge ($ per ML of water extracted), for regulated water, unregulated water and groundwater sources, where water take is measured, and 100

b. Unmetered charges, comprising of an entitlement charge ($ per ML of entitlement or unit share), for unregulated water and groundwater sources, where water take is not measured. 100

20. To maintain the approach and set for the 2025 determination period unmetered charges as the sum of the entitlement charge and water take charge set for metered charges in each water source. 100

21. For WAMC's water management price component, to set the pricing structure for the metered charges so that 70% of forecast revenue is recovered through the entitlement charge and 30% of forecast revenue is recovered through the water take charge, except for the North Coast regulated water source where this ratio is kept at current levels of 92% entitlement and 8% water take. 100

22. For MDBA and BRC price components, to set the pricing structure for the metered charges so that 80% of forecast revenue is recovered through the entitlement charge and 20% of forecast revenue is recovered through the water take charge. 100

23. To set floodplain harvesting inclusive charges for the regulated rivers of Border, Gwydir, Macquarie and Namoi, and the unregulated rivers of Gwydir, Namoi and the Far West. 100

24. For WAMC's water management price component, to transition prices towards full cost recovery at a capped annual real rate of 5% until full cost recovery is achieved. 105

25. For the minimum annual charge, to transition prices towards full cost recovery at a capped annual real rate of 2.5% until full cost recovery is achieved. 105

26. To adjust the prices to apply over the 9 months from 1 October 2025 to 30 June 2026 to account for the difference in revenue WAMC would expect to recover as a result of the determination commencing on 1 October 2025. 111

27. To apply a separate WAMC charge to WaterNSW and Hunter Water, to recover the user share of water planning costs by way of an additional fixed charge ($ per ML of entitlement or unit share) applied to relevant water access licences. 113

28. To allow WAMC's proposed special licence categories as shown in Table 9.4 114

29. To set a maximum price of nil for Aboriginal cultural licences, and Aboriginal community development licences for the 2025 Determination. 115

30. To introduce a new floodplain harvesting water take charge of $3.62 per ML. 118

31. To introduce a WaterNSW charge for floodplain harvesting water entitlements of $1.09 per ML for licences with non-compliant storages. 118

32. To transition the new floodplain harvesting water take charge toward the full cost recovery price at a capped annual real rate of 5% until full cost recovery is achieved. 118

33. For regulated rivers to set the entitlement and water take charges as shown in Table 10.2 and Table 10.3 respectively. 126

34. **For unregulated rivers metered licences:** to set the entitlement and water take charges as shown in Table 10.4 and Table 10.5 respectively. 126

35. **For unregulated rivers unmetered licences:** to set the entitlement charges as shown in Table 10.6. 126

36.	**For special entitlement charge for WaterNSW:** to set a special entitlement charge for WaterNSW for the South Coast unregulated water source; and for Hunter Water for the Hunter unregulated water source as shown in Table 10.4	126
37.	**For groundwater metered licences:** to set the entitlement and water take charges as shown in Table 10.7 and Table 10.8 respectively.	127
38.	**For groundwater unmetered licences:** to set the entitlement charges as shown in Table 10.9.	127
39.	To set the minimum annual charge for regulated, unregulated and groundwater sources as shown in Table 10.10.	127
40.	**For floodplain harvesting:** to set water take charges for regulated rivers as shown in Table 10.11 and Table 10.13 and to set water take charges for unregulated rivers as shown in Table 10.14 and Table 10.16.	127
41.	To set the scheme management charge to $113.58.	153
42.	To set the telemetry charge to $255.22.	155
43.	To introduce the LID Download/Validation charge $617.40 and discontinue the non-telemetry charge.	156
44.	License holders whose water-take cannot be determined through the self-reporting, and who would otherwise require a site-visit to determine water-take, are allowed to be charged 100% of their entitlement in a water-take charge.	158
45.	To not implement an attestation charge.	159
46.	To set the meter service charge – operating costs at $1,015.56.	160
47.	To set the channel meter service charge – operating costs at $7,522.86.	160
48.	To set the annual meter service charges as set out in Tables 5.2 and 5.3 of the determination.	161
49.	To set the water take assessment charge at $249.75.	161
50.	To set the ancillary charges as set out in Table 5.5 of the determination.	161
51.	To discontinue the meter service charge – capital costs.	162
52.	To set the maximum price of WAMC's Type A consent transactions charges as shown in Table 12.1.	166
53.	To set the maximum price of WAMC's Type B consent transactions charges as shown in Table 12.3.	172
54.	To set the maximum price of WAMC's groundwater assessment component consent transactions charges as shown in Table 12.4.	177
55.	To set WAMC's proposed performance measures and targets as outlined in Table 14.1.	196

1.10 List of recommendations

1.	That WAMC establish a web presence that communicates key information about its business and the water management services it provides, including information on price reviews and determinations and a facility for customer and community engagement.	201
2.	That the Minister for Water initiates a review of WAMC to improve its governance arrangements.	207

Chapter 2

Assessment of WAMC's pricing proposal

02

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

We graded WAMC's pricing proposal as Standard

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

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

Our decision is to set prices for 4 years as we were not convinced that all of the increased costs proposed by WAMC were sufficiently justified based on our consideration of WAMC's proposal, stakeholder submissions and all the matters IPART is required to consider in this review.

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

IPART sets maximum prices that the Water Administration Ministerial Corporation (WAMC) can charge its customers for water management services, under the IPART Act. In setting these maximum prices, we assess WAMC's pricing proposal and make decisions to protect customers from the abuse of monopoly power and will mean that the prices they pay are fair, efficient and aligned with their interests.

In our assessment of WAMC's proposal, we carefully balanced the matters we are required to consider under the IPART Act. Each of the chapters in this report explain how we took into account these matters in reaching our decisions on WAMC's costs, price settings, prices, and service standards.

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

We had regard to the matters in section 15(1) of the IPART Act when setting WAMC's maximum prices. Those matters include:

- WAMC's cost of providing water management services
- the need to protect WAMC's customers from abuses of monopoly power
- the effect of our prices on general price inflation over the medium term
- affordability
- the need for WAMC to be more efficient so as to reduce costs for the benefit of its customers and tax payers
- the need to maintain ecologically sustainable development by appropriate pricing policies that take into account all of the feasible options available to protect the environment
- the social impacts of our prices, and standards of quality, reliability and safety.

Figure 2.1 Matters for IPART to consider when setting maximum water prices

Throughout this report, as well as Appendix A, we explain how we applied, and had regard to, the considerations in the IPART Act in setting WAMC's maximum prices.

2.1 We applied our water regulation framework

Our Water Regulation Handbook (Handbook) sets out our water regulation framework. This framework encourages water businesses to develop proposals that:

- promote the long-term interests of their **customers**
- limit their **costs** to efficient levels
- encourage **credibility** (evidence their plans will be delivered).

The framework is centred around water businesses developing pricing proposals that promote customer value. The framework strongly encourages water businesses to actively involve and engage with their customers and bring customers into the decision-making process when they set outcomes. This is essential if water businesses are to identify better ways of delivering their services that align with their customers' preferences.

The framework, and our Water Regulation Handbook, is underpinned by 12 guiding principles.

Figure 2.2 The water regulation framework and the 12 guiding principles

Source: IPART, Water regulation handbook July 2023, p 2.

2.1.1 WAMC self-assessed its proposal as Standard

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

WAMC told us that its focus principles were:

- 2 Customer focus principles
  - customer engagement
  - customer outcomes

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

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

On cost principles we heard from WAMC that its proposed investment and asset management decisions are informed by cost benefit analysis and a risk-based approach.[6] WAMC's proposal also stated that it had been informed by long-term water strategies, including the NSW Water Strategy, the NSW Aboriginal Water Strategy, their Joint Technology Roadmap, among others.[7]

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

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

2.1.2 Our preliminary assessment of WAMC's proposal as 'Standard' informed our approach to the review

After a water business submits its pricing proposal, we make a preliminary assessment based on the 3 gradings. This preliminary assessment helps us to determine the approach we take to reviewing a business's proposal.

Our preliminary grading for WAMC was Standard (see our Issues Paper).

To inform our decisions we engaged independent experts, Stantec, to examine WAMC's:

- historical and proposed operating and capital expenditure
- performance against its output measures and performance indicators
- consent transactions and miscellaneous charges
- proposed metering program and associated costs.

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

2.2 Our decision is that WAMC's proposal is Standard

Our decision is:

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

Our reasons for a Standard grading

Customers

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

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

Costs

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

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

Credibility

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

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

Our draft decision was to agree with WAMC's self-assessment of its pricing proposal and maintain our preliminary grading. No submissions to our Draft Report raised explicit objections to this draft grading, with multiple submissions supporting and offering constructive input on key aspects of our pricing review – including the then proposed 3-year determination period, and our recommendation that WAMC's pricing structures be reviewed prior to its next pricing review[8].

We have maintained our draft decision to grade WAMC's pricing proposal as Standard. In reaching this decision, we considered the matters set out in section 15(1) of the IPART Act.

WAMC demonstrated a Standard proposal because:

- WAMC's pricing proposal incorporated customer preferences. The water business used its 'WAMC Engagement Charter' to engage across its 3 agencies with customers and to develop its engagement outcomes. This included surveys, public consultations and workshops through a range of channels in collaboration with WaterNSW. While customers had concerns about the level of engagement, some noted an improvement relative to past efforts.[9]
- WAMC included efficiency targets and an associated strategy in its pricing proposal. Acknowledging the customer impact of proposed prices, WAMC proposed a mechanism to transition its prices to full cost recovery levels. However, WAMC did not use the base-trend-step approach specified in our Water Regulation Handbook (Handbook). WAMC's expenditure during the 2021 determination period exceed the allowances in that determination. WAMC's proposed efficiency targets are relative to its previous actual expenditure levels. WAMC could not fully justify all of its proposed expenditure for the 2025 determination period.
- The credibility of WAMC's proposal is supported by a planned path towards meeting customer outcomes and achieving cost efficiency. There are some challenges however including a lack of a clear accountability framework, and there were errors in the pricing proposal which subsequently needed to be corrected.

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

In assessing WAMC's proposal we identified some areas for improvement, which we expect that WAMC will develop upon in its subsequent pricing proposals. These included the need for more robust, evidence-based justification of its proposed costs, increased responsiveness to customer engagement, and greater transparency through establishing an online website (Chapter 14.2).

These are discussed throughout this report, and include elements across all of the 3 principles of customer, cost, and credibility under IPART's water regulation framework (see Chapter 1).

In brief, the main issues with WAMC's proposal that we identified were;

- insufficient justification of costs
- implementation issues with customer engagement program
- WAMC lacks its own website and did not indicate a firm commitment to create one in its pricing proposal.

WAMC provided insufficient justification of its operating expenditure

WAMC proposed significant increases to its operating expenditure, which it proposed to pass through to customers via price increases (see Table 4.1 and Table 4.2). For a water business to pass through proposed cost increases of the magnitude proposed by WAMC (an increase of 125% in capital expenditure and 98% in operating expenditure[10]), we require a high standard of supporting evidence to justify the full extent of the increase in spending. We found that the evidence WAMC provided was not sufficient to fully justify its proposed operating expenditure for all of its activities.

In setting out its proposed operating expenditure, WAMC did not apply the base-trend-step (BTS) approach outlined in our Handbook. In the absence of this BTS information we sought to understand WAMC's material increases in expenditure relative to our forecasts for the 2021 determination period. We then considered potential scope and efficiency adjustments identified by our independent expert, Stantec, to assess upper and lower bounds for the efficient levels of expenditure required for WAMC to conduct each of its activities. This enabled us to evaluate and make the necessary adjustments to WAMC's proposed expenditure levels in order to bring them into line with efficient costs (see Chapter 4). As a result, we have decided to allow WAMC $112 million less in operating expenditure, over the course of the determination period, than it requested in its proposal. Further, we have made decisions about customer prices to avoid price shocks for customers in the transition to full cost recovery (see Chapter 9 and Chapter 10).

WAMC needs to further develop its customer engagement

WAMC undertook a 2-phase customer engagement program, engaging with stakeholders via channels including Voice of customer surveys, Water Working Groups (WWGs), Customer Advisory Groups (CAGs) and public sentiment and stakeholder interviews.

WAMC linked customer preferences with its proposed outcome measures, and engaged with a wide range of stakeholders including water customers, First Nations groups, industry representatives and peak bodies, environmental water holders, and members of the public.

However, we maintain our position from our Draft Report that WAMC must continue to develop its customer engagement practices. In their responses to our Issues Paper, several customers emphasised the need for WAMC to further develop its customer engagement program to reach outcomes that better reflect the interests and concerns of its customers.[11]

WAMC's Engagement Charter states that the purpose of WAMC's customer engagement activities are to 'inform' and 'consult' its customers.[12] We note WAMC has many functions which are defined by legislation and therefore leave less scope for a more collaborative approach. However, we consider that WAMC's approach may have limited its ability to genuinely engage on trade-offs between service levels and costs, particularly in areas such as floodplain harvesting and non-urban metering.

Some stakeholders raised concerns that consultation was not sufficiently representative and that their views were not reflected in WAMC's pricing proposal (stakeholder feedback is discussed further in Chapter 3). Some stakeholders also raised concerns that WAMC had insufficiently weighted customer concerns about affordability in developing its proposed price increases.

In its future engagements WAMC should make sure that it appropriately distinguishes between responses from relevant stakeholder categories. Specifically, WAMC should take care to identify and distinguish responses from licence holders separately from responses from other groups, to more accurately account for the differences in interests and priorities of its customers. This is particularly important when interpreting and representing survey results, as paying customers will tend to have materially different cost appetites and service level preferences when compared with responses from other stakeholder types (such as community groups and taxpayers). While we encourage WAMC to continue engaging with a wide range of stakeholders, it is crucial that WAMC also demonstrates a clear understanding of the differing priorities held by each of the relevant stakeholder groups in its future pricing proposals.

2.3 We have set a 4-year determination period

Our decision is:

2. To set a 4-year determination period that commences on 1 October 2025 and ends on 30 June 2028.

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

IPART may set a determination period which is different to the default period of 5 years as a result of weighing the competing statutory considerations to which it must or may have regard.

In our Draft Report we proposed setting a shorter determination period of 3 years.

Customer stakeholders were generally supportive of the proposed 3-year determination period.[13] though one submission considered that a longer determination period with prices capped at IPART's proposed 5% level "could provide more certainty to water users".[14]

WAMC opposed a 3-year determination because it considered 3 years would not allow it sufficient time or resources to complete the review of its price structures, which we had also proposed in our Draft Report.[15] WAMC indicated it had intended to complete this review itself during the 2025 determination period, but that this plan was based on the assumption it would receive a 5-year determination. In the lead-up to its 2021 determination WAMC had similarly stated its intentions to complete a comprehensive price structure review by 2025, however this work has not yet commenced due to a range of extenuating factors.

WAMC noted that the shorter determination period would bring forward additional costs as it would need to begin development of its next pricing proposal almost immediately after the 2025 determination period commences, rather than in the last 2 years of a 5-year determination. WAMC stated that it cost around $6 million[16] to develop its 2024 pricing proposal.[a] WAMC raised concerns that this would divert resources from its core statutory water management responsibilities and compromise its ability to deliver upon these obligations. In its submission to our Draft Report WAMC said:

> Shorter price paths increase uncertainty for WAMC and water users and are not conducive to long-term planning for water management, which is a key tenet of IPART's 3Cs framework.[17]

WAMC also submitted that the proposed shortened determination period could place an increased burden on its customers, claiming that "water users are already fatigued from the level and intensity of engagement in regional NSW on NSW Government programs (water and non-water)"[18].

[a] WAMC indicated that $6 million was the combined total cost of its 2024 pricing proposal for its constituent agencies DCCEEW, WaterNSW and NRAR.

NRAR expressed similar concerns in its own separate submission to IPART's Draft Report:

> NRAR acknowledges the rationale for reducing the determination period to three years. However, we believe this change increases the burden on agencies and stakeholders. During the public hearing, concerns around consultation fatigue and the resource costs of ongoing engagement were clearly expressed.
>
> The shortened timeframe, when combined with the recommendation to undertake a pricing structure review before the next determination, further increases the pressure on agency and stakeholder resources.[19]

IPART has decided upon a 4-year determination period

IPART has considered all of the feedback submitted in response to its draft decision to set a 3-year determination period, from customers, WAMC and NRAR, and has decided to revise its draft decision and set a determination period of 4 years as its final decision.

The key reasons for our decision are:

- uncertainty regarding the justification of WAMC's costs, particularly in year 5 of the pricing proposal
- balancing the regulatory costs associated with more frequent pricing reviews
- enabling a more reasonable timeframe for the Minister for Water to review WAMC's governance arrangements, and for IPART to review cost shares and other issues.

In our Draft Report we considered that some of the costs WAMC proposed to pass through to its customers were not sufficiently justified by customer driven outcomes or preferred cost of service trade-offs. A key consideration that informed the intent of IPART's draft decision for a shorter determination period was to allow WAMC some funding certainty, while providing it enough time to develop a more robust justification for its proposed expenditure.[20]

IPART has decided to set 4-year determination period (instead of 5 years), to help minimise the risk of unfair pricing outcomes for customers while ensuring sufficient time for the Minister for Water to review conduct a review into WAMC's governance arrangements (Chapter 14.4.2). IPART also intends to conduct a review of WAMC's cost shares (and other matters) during this time (Chapter 14.4.3). We consider that a 4-year determination period allows sufficient time for these reviews to be completed before WAMC must begin work on its next pricing proposal in the lead-up to the 2028-29 WAMC Pricing Review.

Chapter 3

What we heard from stakeholders

03

3.1 We consulted with stakeholders to inform our decisions

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

- 1 November 2024, we published an Issues Paper on the 2025 pricing proposals for WAMC and WaterNSW Regional and Rural. We invited stakeholders to make written submissions.

  In total we received 230 submissions with almost all submissions relevant to both pricing reviews, including 174 from individuals and businesses, 40 from industry organisations and associations, 12 from government bodies including Councils, and 4 from regulated businesses.[a]
- 14 November 2024, we held an online public hearing which allowed the community to provide comments and ask questions directly to WAMC and to IPART.
- 3 June 2025, we published our Draft Report outlining our draft decisions regarding WAMC's proposed expenditure, prices and bill impacts. We invited stakeholders to make written submissions over 4 weeks. We received 20 submissions, including 5 from businesses who are water users, 8 from peak bodies, 4 from regulated businesses, 2 from other government entities, and one from an individual.

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

[a] The 3 regulated business that provided submissions to our Issues Paper were the Natural Resources Access Regulator (NRAR), Hunter Water, and WaterNSW (noting that WaterNSW provided 2 submissions). There was one additional submission which was concerned with a concurrent IPART pricing review of a different water business. That submission was referred to the appropriate pricing review.

3.2 What stakeholders told us

Throughout our consultation sessions stakeholders raised important concerns, with the affordability of proposed price increases being the primary focus of most submissions.

Other issues commonly raised by many stakeholders included:

- cost shares
- service quality and value for money
- customer engagement
- environment.

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

3.3 Affordability was the key concern amongst stakeholders

Affordability and high inflation were key concerns among stakeholders for this review. We heard that prices even at the capped rate, with inflation could have substantial impacts on some customers. Affordability and fairness of WAMC's proposed prices was the central theme of almost all (174 out of 200+ submissions) individual submissions to our Issues Paper, as well as organisational responses.

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

Submissions to our Draft Report still highlighted affordability, however this only included 14 out of 20 submissions.

Customers preferred IPART's draft 5% price cap over WAMC's proposed 15% price cap

Water users told us that they preferred IPART's draft decision of a 5% (plus CPI) annual cap on water management prices over WAMC's proposed 15% (plus CPI) annual cap, with 2 responses indicating that some water users may regard our proposed price caps as a "reprieve".[24]

Lachlan Valley Water (LVW) voiced its support for the proposed 5% price cap, on the basis that this would mitigate the extent of price increases for WAMC customers.[25]

However, some customer stakeholders did not see a 5% cap as going far enough,[26] with multiple submissions noting that even under the proposed cap the impacts of the increased prices would still be felt by farming businesses[27].

One submission did not support the 5% cap on the basis that IPART identified large efficiency reductions in operating expenditure. Murray Irrigation stated its view that WAMC had not demonstrated a reliable or efficient cost base and under these circumstances could not justify price increases (above CPI).[28] Coleambally Irrigation Co-operative Limited (CICL) similarly advocated for IPART to only apply CPI to WAMC charges.[29]

No licence holders supported the alternative 10% annual price cap posed in our Draft Report.[30]

WAMC did not support IPART's draft decision of a 5% price cap

WAMC opposed our proposed 5% cap, and said that it will "unnecessarily continue to subsidise larger, more profitable water users at the expense of other government priorities", and that it will create undue risk to water management outcomes.[31]

WAMC stated that IPART's draft price cap decision would result in either:

> "IPART dictating the NSW Government subsidy to water users – we suggest the NSW Government is best placed to allocate its budget across the community (given the Government's role and holistic view of a range of competing interests for funding), or
>
> Leaving WAMC with a significant revenue shortfall that, when combined with IPART's decisions on WAMC's expenditure allowances, means water management outcomes and obligations will not be delivered – if the NSW Government elects not to provide this additional funding."[32]

We discuss our consideration of WAMC's comments on this matter in Chapter 9.

WAMC did not respond to our question posed in the Draft Report about the alternative of a 10% price cap, nor did it identify any other alternative price cap options for consideration between our draft and final reports.

WAMC consulted with stakeholders on options of 2.5%, 5% and 10% caps, while it was preparing its pricing proposal. WAMC later put forward a 15% cap in its pricing proposal. However, it did not consult on this option with stakeholders.

IPART's proposed 2.5% cap for users on the MAC received mixed responses

Stakeholders gave mixed feedback on the proposed[b] 2.5% (plus inflation) cap on annual price increases for users on the minimum annual charge (MAC). Some users were supportive of the lower cap. Other submissions to our Issues Paper voiced concerns about paying the MAC on entitlements that cannot be used, while charges have risen and continue to increase.[33] [c]

WAMC supported the draft decision to apply a 2.5% cap on the MAC, as this aligned with its own pricing proposal.[34]

[b] Initially proposed by WAMC in its pricing proposal, and subsequently by IPART in our Draft Report.

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

Other customers were opposed to the lower cap for users on the MAC, holding the view that all customers should see their prices increase at the same rate, regardless of their size or scale of water usage. NSW Irrigators' Council (NSWIC) criticised the 2.5% cap on the MAC as creating a 2-tiered pricing model, where WAMC can seek higher price rises for larger water users based on a "dubious claim this group can afford it better".[35] CICL and other stakeholders echoed these sentiments. Lachlan Valley Water (LVW) described the difference in cap for MAC and non-MAC users as "price discrimination" and suggested that WAMC should develop a process to retire small licences if holders are not receiving a benefit from the licence.[36]

IPART has considered all stakeholder feedback in deciding to maintain its draft decisions to apply a 2.5% (plus CPI) annual cap for customers on the MAC, and a 5% (plus CPI) annual cap for all other water users. We discuss these decisions further in Chapter 9 where we set out our approach to price setting and consider the impacts of our final pricing decisions in Chapter 13.

3.3.1 Stakeholder provided feedback on IPART's affordability analysis

Several stakeholders acknowledged IPART's efforts to explore the impact of our draft pricing decisions on the agricultural sector (see Appendix C of IPART's Draft Report). These submissions also discussed some aspects of our analysis which they considered not fully reflective the financial realities of farming in NSW.

As part of its submission, Murray Irrigation submitted a report produced by its consultant, RM Consulting Group (RMCG), which provided a critique of the assumptions underpinning our affordability analysis.[37] While acknowledging IPART's analysis to be technically sound under limited assumptions, RMCG put forward the following points:

- Profit margins should also have been considered instead of just gross margins. Gross margins calculations exclude capital expenditure (e.g. depreciation) which may overstate farm resilience.
- The use of 5-year average data (2017-2022) can be misleading as a 5-year average smooths out any variations.
- Our analysis ignores the realities faced by farmers, such as macroeconomic conditions and dynamic real-world decision making (i.e. how farmers adapt production based on allocation levels and financial pressures). The analysis could be potentially improved by incorporating sensitivity calculations.

IPART appreciates the feedback provided by stakeholders on this matter and has considered it in reaching its final decisions. See Appendix C for IPART's affordability analysis.

3.4 Some customers didn't feel sufficiently engaged

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

Some stakeholders described the consultation as a 'tick box exercise', that they were not able to reject expenditure and that they did not feel like their voice was valued. Stakeholders submitted that they felt WAMC attended the WWGs, advised on what their activities would be and explained them rather than asking for feedback and engaging on them.[38]

Stakeholder groups submitted that they weren't provided sufficient information at the valley level[39], sufficient modelling to justify expenditure and price increases, or time to assess relevant material.[40] A number of customers felt their feedback, especially opposition to price increases (and cost shares) was not taken into account.

Complaints included that the cumulative impacts of expenditure were not provided or able to be factored into responses[41], and a large proportion of expenditure was presented as simply out of the control of the water business. Further, IPART received feedback that the 15% price cap proposed by WAMC had not been consulted on[42] (WAMC had consulted only on 2.5%, 5% and 10% caps).[43]

Many water users expressed dissatisfaction with the level of inclusion of community stakeholder views, and others who are not water licence holders being part of consultations[44], or that the water literacy of some participants was very low[45], and talks being held at inconvenient times.[46]

One submission raised a concern about how data was collected during the WWGs. [47] Following WWG presentations surveys were undertaken to collect stakeholder feedback on the topics discussed. These surveys did not record whether the respondent was a licence holder or not. Another issue raised was that the range of pre-written answers to select from did not always capture the full range of customer views, noting the lack of an option to write a custom response.[48]

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

A different view by one stakeholder was that price caps and cost shares which move costs to government would shift costs to taxpayers, who were not consulted in the pricing proposals at all.[49]

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

Some customers suggested it was difficult to get information or be engaged. One stakeholder commented that WAMC simply directed customers to the IPART website for information, and provided no plain language emails.[50] We note that the combined price impact of WaterNSW and WAMC prices was not available until IPART published an Issues Paper and detailed Information Paper to enable public awareness of the price impacts in November 2024. It would have therefore been difficult for stakeholders to assess the combined impact of proposed prices until that time.

3.5 Stakeholders provided feedback on proposed expenditure

We consulted with customers on WAMC's proposed capital and operating expenditure in our Issues Paper and discussed our draft decisions on this in our Draft Report.

Many stakeholders, including WAMC, provided feedback on the proposed expenditure allowances in our Draft Report.

Responses from water users were generally consistent with those provided to our earlier Issues Paper. Specifically, they did not agree with the level of expenditure proposed to be allowed by IPART over the determination period, with a strong preference for further reductions in expenditure. The Tribunal considered every matter raised in stakeholder submissions.

Customers are concerned that price increases have not been justified

Many stakeholders perceived rising prices were not associated with greater service levels.[51] They instead attributed increases with failed program implementation, poor organisational structures, and a monopolistic approach which did not consider the needs of customers. Submissions highlighted the proposed higher prices cover existing service obligations, rather than improving services to customers.[52] (Some customers expressed the view that they were being made to pay for Government policies and programs which are designed to benefit the wider public instead of water users.)

Submissions to our Draft Report provided further commentary on this issue, with Murrumbidgee Irrigation stating its disagreement with WAMC's explanation that legislative requirements were driving increases in costs. Instead, it contended that these cost increases had been driven by WAMC going above and beyond its legislative requirements, as well as poor performance in the form of "under-delivery, cost and time blowouts."[53] NSWIC also contends that changing community expectations, rather than a change in efficient costs is driving WAMC's increased expenditure.[54] NSWIC believes that the goal of full cost recovery is not possible with continuously expanding work programs, and suggested that this goal should either be abandoned (with programs funded by NSW Government), or expenditure should be significantly reduced.[55]

Hunter Valley Water Users Association (HVWUA) stated its view that water users should only have to pay for baseline service delivery. It also stated that while WAMC's bills have increased the "unregulated meter gauges are still poorly maintained, processing times for admin forms have not improved, access to in-person water agency staff is in decline (…)".[56]

Some stakeholders questioned the costs of NRAR, including what regulatory standard they are aiming to reach and how they are budgeting to achieve that level efficiently.[57] Further to this, some stakeholders highlighted the inefficiency in having to report information to multiple agencies.[58] A submission from Murrumbidgee Private Irrigators and Murrumbidgee Groundwater Inc, while supportive of a strong water compliance regime, stated that compliance costs must be efficient and proportionate. It claimed several instances of duplication in compliance costs (e.g. paying for metering infrastructure, telemetry and other reporting related charges).

A large number of submissions in response to our Issues Paper and Draft Report referenced costs and challenges involved in non-urban metering, with criticisms of a range of elements of the program.[59] Concerns were based around overall cost and meters that are not robust or experience many errors.[60] Stakeholders perceive that they are now paying for the remediation of a failed project through their water prices.[61]

Some stakeholders suggest that mistakes in the design and implementation of metering reform are being repeated in floodplain harvesting measurement, leading to implementation delays, and increased costs both for government and customers.[62]

Stakeholders also expressed concerns about the lack of accountability for charges passed through from the Murray Darling Basin Authority (MDBA)[63] and paying for entitlements which they were not able to use.[64]

Stakeholders had mixed views towards the proposed performance metrics

Irrigators in the Murray and Murrumbidgee valleys stated their preference for valley-based reporting and criticised the use of surveys in reporting.[65] While NSWIC was critical that the metrics would not be sufficiently aligned with efficiency measures to promote budget restraint on WAMC's part.

WAMC was concerned that it would be unable to deliver the performance measures in line with the specific targets proposed in our Draft Report. It further suggested it would need to revisit all proposed outcome measures. NRAR highlighted that IPART's proposed 3-year determination length may limit the amount of data available from any of WAMC's metrics

WAMC contested our draft decisions on expenditure allowances

WAMC provided considerable feedback on IPART's proposed expenditure allowances, which it generally considered "(…) not enough for WAMC to fulfil its legal obligations under the Water Management Act 2000.", and suggested that "These activities are not discretionary and reflect the government's highest priorities for water management".[66]

WAMC contended that IPART's Draft Report did not recognise the "substantial risk analysis, prioritisation and efficiency commitments of $25 million per year savings in WAMC's proposal, which resulted in proposed operating expenditure of 17% less than in the current period".[67] We note that this proposed efficiency reduction was based on an expenditure level considerably higher than that allowed by IPART in 2021, and therefore still represents a large increase in real terms from IPART's 2021 determination.

WAMC submitted that by selecting Stantec's lower bound estimates IPART had "effectively determined for Government the level of risk it should accept in relation to the exercise of its statutory functions around water planning."[68]

IPART notes that it does not determine the level of risk that the Government should accept for the delivery of statutory functions and water planning. IPART's primary role in setting prices for bulk water services is to make sure that customers only pay the efficient costs of them receiving these services having regard to:

- actual costs of providing the services
- the need to protect WAMC's customers from abuses of monopoly power
- the appropriate rate of return for public sector assets
- the effect on general inflation over the medium term
- the need for greater efficiency in the supply of the services to reduce costs for the benefit of WAMC's customers and taxpayers
- the need to maintain ecologically sustainable development; the impact of borrowing, capital and dividend requirements of WAMC and, in particular the impact of any need to renew or increase relevant assets
- the impact of any arrangements WAMC has entered for the exercise of its functions by some other person or body on pricing policies
- the social impact of IPART's determinations and recommendations as well as standards of quality, reliability and safety of WAMC's services.

IPART relies on evidence provided by the water business that its proposed expenditure is efficient. It would be a failure of IPART's role to allow cost recovery from customers for expenditure which is not sufficiently established as efficient. Consideration of risk is relevant to this exercise.

Further, IPART considers that in setting prices, we are not preventing WAMC from seeking further funding from NSW Government for activities which do not fall within the efficient envelope included in this pricing determination, including adoption of lower risk thresholds.

WAMC also challenged the methodology of Stantec's expenditure review, in particular its lower bound estimates. It contends that Stantec did not sufficiently:

- understand WAMC's water management activities and/or its explanation for its proposed cost allowances
- consider WAMC's comments and feedback on their draft analysis, and/or
- appropriately substantiate proposed reductions to WAMC's expenditure[69]

WAMC further contends that if it is not granted its initially proposed expenditure allowances that the following risks may materialise:

- the environmental health of water sources may not be protected
- long-term sustainability of water sources will be compromised, leading to degraded waterways and negative impacts on the environment, communities, and businesses

- water users will lack clear information about when and how water is available for extraction
- there will be a lack of clarity and security for water users on the sharing arrangements between the environment and different types of water users
- it may fail to deliver fit for purpose consultation across all stakeholders including First Nations consultation.[70]

WAMC stated its view that IPART's Draft Report should not have selected lower bound cost estimates for most water management activities, as it contends this incorrectly assumes water management activities can be deferred.[71]

We have considered WAMC's feedback on expenditure and this has resulted in some changes to our final expenditure decisions. The expenditure allowances are higher than in the 2021 Determination, but lower than WAMC's proposal, because the efficiency of the proposed costs has not been substantiated. Our consideration of WAMC's feedback on expenditure is explained in Chapter 4.

WAMC attributes these perceived shortcomings of Stantec's review to "the limitations of an expenditure review of WAMC conducted across a wide range of activities which reflect WAMC's role as a regulator performing statutory functions as well as delivering transactional customer services". WAMC believes itself to be "vastly different" to any other water agency regulated by IPART (or any other economic regulator), and that, for this reason it requires a tailored approach to expenditure reviews that fits the "unique role of WAMC".[72]

WAMC suggests that an approach whereby IPART sets an overall funding envelope and WAMC determines priorities is not a valid approach in the context of an entity where activities are required by legislation.[73] It further contents that our Draft Report placed "undue weight on the customer relationship" which it views as unwarranted given its statutory role in regulating and managing water resources.

We acknowledge that WAMC is subject to some different regulatory and legislative circumstances compared with other water business for which IPART regulate prices. Our Water Regulation Framework however is designed so that each business can tailor its consultation and pricing proposals to its own circumstances. Water users have an interest in and derive a benefit from the services which WAMC provides, and therefore customer consultation remains important. Across all of the regulated water businesses IPART sets prices for, a key consideration of IPART is setting prices for water services that reflect the efficient costs of the regulated services.

The Tribunal considered every issue raised by WAMC.

The NRC asked IPART to reconsider WAMC's allowances for specific cost codes

The Natural Resources Commission (NRC) submitted that it was concerned about the ability for WAMC to recover all efficient costs for certain cost codes related to environmental water management under IPART's proposed expenditure allowances.[74] It requested that IPART reconsider its funding allowances for the following cost codes:

- W05-01: Systems Operations and Water Availability Management
- W05-03: Environmental Water Management
- W06-01 and W06-02: Water Plan Development (inland and coastal).

The NRC also requested that IPART fully fund cost codes W05-04: Water Plan Performance Assessment and Evaluation and W04-03: Water Resource Accounting at the levels proposed by WAMC. It said that the former was necessary for WAMC to improve its efficiency, while the latter provides transparency to the community as to how WAMC is managing water.[75]

The Tribunal considered every issue raised by the NRC.

MDBA provided evidence that its costs included in WAMC's pricing proposal are efficient

The MDBA submitted that it disagreed with our Draft Report's assessment that there was insufficient evidence to determine the efficiency of MDBA costs[76]. To substantiate its position, it submitted a copy of its Joint Programs budget along with multiple expenditure reviews that it had commissioned over previous years, and its Strategic Asset Management Plan. We note, however, that MDBA provided these documents on a confidential basis, and we are therefore not able to publish these components of MDBA's submission.

The Tribunal considered the evidence provided by MDBA, and we include our final decisions regarding costs, in Chapter 7.

3.6 Stakeholders support a review of WAMC's pricing framework

Water users strongly supported the notion of a WAMC price structure review, with support leaning towards a larger, more comprehensive review of WAMC's corporate model and long-term sustainability, as well as reconsideration of cost shares and the impactor pays principle.

WAMC supported our draft recommendation to conduct a price structure review, stating "we support a comprehensive review of water management price structures and cost recovery, aiming for a simpler, more transparent framework that facilitates equitable cost sharing and cost recovery, with regulatory effort proportionate to the scale of costs being recovered". WAMC said that "the scope of this review will be considerable."[77] However WAMC also stated that a 3-year determination period may not allow sufficient time to implement the findings of such a review before its next pricing proposal.

Macquarie River Food and Fibre (MRFF) supported a comprehensive review of WAMC's operating model (as well as a review of WaterNSW) to enable a sustainable business model, as well as a review of the water sector and structural issues of water availability and cost of service. MRFF suggest that the role of Treasury should also be assessed, including how WaterNSW dividends are paid.[78]

The Commonwealth Environmental Water Holder (CEWH) also expressed its interest in exploring alternatives to the current one-part tariff (unmetered prices) that applies to its unregulated and groundwater licences. The CEWH explained that its water use is different from extractive users and suggested its preference for a two-part tariff based on modelled-water take that better reflects the realities of operating as an Environmental Water Holder.[79]

IPART has considered all feedback submitted by stakeholders in relation to cost shares, impactor pays, and our draft recommendations for a review of WAMC's pricing framework. We put forward our final recommendations and decisions regarding reviews of WAMC in Chapter 14.

Stakeholders advocate changes to cost shares and question 'impactor-pays'

A large number of submissions to our Issues Paper expressed a view that cost shares should be reviewed. Many of these submissions included arguments concerning the merits of the impactor pays principle and included calls for the NSW Government to take on a greater share of costs for activities where the wider community is a beneficiary.[80]

Murrumbidgee Irrigation submitted that setting a larger Government share for activities where there is wider public benefit would give Government an incentive for cost-effectiveness and efficiency in the design of policy settings and regulatory requirements.[81]

Some stakeholders made submissions that raised a broader point about whether the current cost sharing framework is reaching a point where it is unviable. A declining customer base may be asked to pay for new and enhanced costs resulting from increased expectations of Government and the community. At the same time they may face significant economic headwinds which affect their ability to pay the basic costs needed to sustain their businesses.[82]

In submissions to our Draft Report water users continued to advocate for changes to IPART's impactor-pays approach, and associated cost shares. NSWIC, Murray Irrigation, Murrumbidgee Irrigation and LVW identified a range of activities which they do not see as appropriately having a customer share:

- Murray Irrigation identified surveillance and monitoring activities where there is an overlap between the functions performed by cooperatives and NRAR.[83]
- Murrumbidgee Irrigation highlighted managing climate change, and areas where WAMC has discretion in its activities.[84] LVW also questioned whether regulatory changes in response to climate change should be paid for by users under the impactor pays framework, noting that climate change is a global phenomenon.[85]
- NSWIC raised a number of areas including compliance and enforcement, environmental flows, Aboriginal water programs, climate change planning, as well as areas driven by 'changing public expectations' such as metering reform, floodplain harvesting and NRAR.[86] They further identify a number of activities they see as being policy planning which should receive a 0% share such as much of water sharing plan activity (currently 70% user share).[87]

The chair of the NRAR board provided a statement both in the public hearing and as a submission our Issues Paper, which questioned the applicability of the *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004* to the activities of NRAR.[88] In its submission to our Draft Report, NRAR told us that it supports the "intent of a pricing review" for WAMC and reiterated its suggestion that such a review should consider the suitability of treating NRAR compliance and enforcement activities as monopoly services.[89] It also expressed support in its submission for reviewing the application of the impactor-pays principle in relation to compliance.[90]

NRAR requested that IPART clarify in our Final Report that the application of the impactor-pays principle is outside of NRAR's control, further stating that it "remains committed to fairness within the pre-determined cost recovery principles of the day."[91]

IPART notes that impactor pays is part of the National Water Initiative Pricing Principles.[92] IPART adapted and reviewed cost shares using this principle in 2019.[93] As discussed in Chapter 14, IPART is committing to review cost shares again, including considering when impactor pays is appropriate, and whether there are improvements that can be made to our approach.

IPART notes that the onus is on WAMC (as a whole) to develop pricing proposals that are in the long-term interests of its customers NSW community, including any proposed sharing of costs between water users and the NSW Government. We also note that it does so in the context of an intergovernmental agreement that specifies an impactor-pays approach and that IPART ultimately determines prices.

We have set out our decisions on cost shares in Chapter 6.

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

A recurring theme across customer submissions to both our Issues Paper and Draft Report, in addition to comments made during the WAMC and WaterNSW public hearings, was the impact of regulatory burden on the agricultural industry, and on farmers in particular.

One stakeholder response to our Draft Report shared concerns about the growing extent of regulation placed upon farmers. In their submission, they expressed frustration that "more and more rules have been made to cover less and less".[94] They further stated their view that such regulations offer *"little real benefit to farms"* and that water regulation *"forms but a small part of this overreach"*. In a similar vein, LVW raised concerns about a lack of transparency into the cumulative impacts of additional regulation, saying that this represents a "fundamental disconnect between customers and the Government regarding the water sector."[95]

LVW also queried the role of WaterNSW and NRAR on licence enforcement when metering usage monitoring and telemetry systems already support compliance. LVW cited that those in the MDB must comply with the *Basin Plan 2012*, in addition to the regular compliance regime, with compliance administered by both MDBA and NRAR.[96]

Macquarie River Food & Fibre (MRFF) made a similar claim regarding the level of NRAR regulation. MRFF suggested that there is an incentive for NRAR to raise compliance standards to a level which is not optimal or risk based, and put forward that water sources with higher compliance levels should be rewarded with lower costs.[97] One submission recognised NRAR's acknowledgment during the public hearing that the vast majority of water users are compliant, and suggested that the actions of a handful are being paid for by all.[98] Another suggested however that water users themselves are the beneficiary of NRAR's compliance activities as these activities result in greater availability of water.[99]

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

3.7.1 Environmental considerations were included in multiple submissions

We received a submission from the Commonwealth Environmental Water Holder (CEWH), which stated that as the largest environmental water holder, it would see a significant increase in annual costs from WAMC under its pricing proposal, as was the case in the previous determination.[100] CEWH highlighted significant contributions to environmental objectives including:

- providing river flows that support good quality water for the environment and water users
- connecting rivers to floodplains to maintain food chains and support fish movement

- filling wetlands that support native fish and birds
- supporting environmental recovery following drought, and building drought resilience.[101]

While many submissions expressed support for environmental outcomes, this was most often accompanied by a view that water licence holders should not be solely responsible for funding stricter environmental regulation and better environmental outcomes under the cost shares.[102] We heard the basis for this view is that all NSW residents benefit from a better environment, and the Government is creating the costs by passing legislation and regulations.

Macquarie River Food & Fibre (MRFF) suggested the approach of considering climate change in Water Sharing Plans should be reviewed with a view to considering scenarios rather than forecasts.[103]

At the public hearing, the Nature Conservation Council (NCC) broadly supported WAMC's pricing proposal, citing the importance of increased funding for developing Water Sharing Plans and policies. NCC said that extraction limits do not consider the environmental requirements of rivers and wetlands nor consider climate change forecasts and that the way Water Sharing Plans are made prevents inclusion of recent droughts in determining water allocations. It also highlighted that the NSW Government has acknowledged the importance of considering climate change risks in policy decisions.[104]

3.7.2 First Nations' water rights are important

The NSW Aboriginal Land Council (NSWALC) and Murray Lower Darling Rivers Indigenous Nations (MLDRIN) made submissions focussing on impacts on Aboriginal communities and licence holders.[105]

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

NSWALC highlighted the impact of rising prices on Aboriginal communities and Local Aboriginal Land Councils (LALCs), stating that IPART should consider the negative social impacts, and provide fee-relief and exemptions to avoid undue hardship and pressure on communities. NSWALC submitted that as healthy fresh cheap drinking water is a right, the necessary higher costs of delivering water in rural NSW should not be passed onto customers by LALCs.[106]

Further, NSWALC stated its strong position that rising prices should not negatively impact Aboriginal communities and organisations, and that there should be no fees for Aboriginal Cultural Specific Purpose Access Licences (SPAL), with exemptions extended to Aboriginal Community Development and Environmental SPALs. NSWALC said that pricing needs to take into account the NSW Aboriginal Water Strategy and the Closing the Gap National Agreement.[107] Both NSWALC and MDLRIN suggested that commercial water access licences be fee-free for First Nations people and organisations.[108] MDLRIN pointed to the Victorian Water is Life Roadmap as an example.[e]

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

NSWALC does not consider the current penalties under regulations to be a sufficient deterrent for water offences, and suggested instead that offenders have water licences suspended and given to Aboriginal organisations.[109] On cost shares, NSWALC supported efforts to improve the health of waterways, but did not believe those costs (through Water Sharing Plans) should be absorbed by Aboriginal water users and licence holders.[110]

MLDRIN suggested that the First Nations consultation on the WAMC pricing proposal was not transparent. It says that the related NSW Aboriginal Water Strategy did not include targeted consultations prior to mid-2024 and that it did not participate in the 2023 WaterNSW First Nations Roadshow.[111] MLDRIN highlighted differences between sections of the WAMC Engagement Outcomes attachment as to whether First Nations representatives were invited to or included in Water Working Groups (WWG). MDLRIN suggested asking WWG participants to rank the importance of priorities including "Access to water for First Nations people" is inappropriate as it is non-negotiable.[112]

MLDRIN raised questions about language used in the WAMC pricing proposal which committed to 'strengthening statutory planning engagement with First Nations people', while Attachment D of the WAMC pricing proposal references inclusions for best practice engagement[f]. This potentially represents a different standard which MLDRIN sees as having different cost implications.[113] MLDRN supported WAMC's proposed activity of developing a framework to evaluate statutory plan outcomes regarding Aboriginal people and the local cultural value of water ecosystems, and requests for First Nations peoples to be part of the development and share decision making authority.[114]

Support for Aboriginal Specific Purpose Access Licences is discussed in Chapter 10 of this Final Report. We also discuss in Chapter 14 our decision to include a new performance measure for 'First Nations water rights outcomes' which will track WAMC's progress in completing all actions it is responsible for fulfilling under the NSW Aboriginal Water Strategy.

3.8 We have considered all stakeholder feedback

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

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

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

Chapter 4

Water management expenditure

04

Summary of our decisions on water management expenditure

WAMC's prices reflect all of its proposed activities

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

We include an allowance of $443 million for operating expenditure in WAMC's notional revenue requirement for the 2025 determination period.

This allowance is 46% higher than the average annual operating expenditure allowance we used to set prices in the 2021 determination period. WAMC's costs have increased because it is required to implement the *Water Management Act 2000*.

Our decision for efficient operating expenditure is $112 million or 20% lower than WAMC's proposal. We are not satisfied that the level of expenditure proposed by WAMC for the 2025 determination period is efficient. The difference comprises:

- $34 million reflecting our view of proposed activity that is outside the scope of the regulated service or is not sufficiently certain to proceed, and
- $78 million reflecting our different view of the efficient cost of delivery.

We have included most of WAMC's capital expenditure in the 2021 determination period in the regulatory asset base

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

We include $106.2 million of forecast capital expenditure in the regulatory asset base used to set prices for the 2025 determination period

This allowance is $1.5 million or 1.4% lower than WAMC's proposal. The difference reflects:

- an additional annual $1.5 million to account for understated capitalisation of digital labour costs (with a corresponding decrease in the operating expenditure allowance)
- omitting the delivery component of the Gayini regulator project, pending the options assessment and business case
- an estimate of efficient expenditure on the Ecosystem Data Strategy that is 14% lower than proposed, and
- an estimate of efficient expenditure on the Water Market Systems project that is 9% lower than proposed.

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

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

WAMC's capital costs are the investments it makes to buy, build and renew the infrastructure and equipment it uses to provide its services (e.g. monitoring infrastructure and IT systems).

We have carefully reviewed WAMC's proposed operating expenditure. WAMC's overarching approach to forecasting operating expenditure is not in line with IPART's Water Regulation Framework. The intent of the Water Regulation Framework is for water utilities to develop expenditure proposals that demonstrate cost efficiency and a balancing of cost and risk, informed by community preferences, within a base-trend-step (BTS) framework.[115] The information provided by WAMC cannot be fully disaggregated into the BTS components (e.g. output growth, input price growth, efficiency gains, and step changes in obligations, relative to a base year). We recognise WAMC faces additional challenges to those faced by water utilities when applying the BTS approach. WAMC's proposal also represents a very significant increase on the allowance in the 2021 determination. We have used the available information and modified our approach to determine our best estimate of efficient costs.

Our assessment of WAMC's operating expenditure balances the considerations set out in sections 15(1) of the IPART Act.[g] This chapter examines the economic costs of WAMC's services and assesses the efficiency in its supply of its services. Our decisions factor in the costs of complying with environmental regulations and customer expectations on service standards. We have compared WAMC's proposed future costs to its current and past levels of expenditure to inform our decisions.

We have carefully reviewed WAMC's proposed capital costs and the need to address priority customer outcomes and deliver value for money in accordance with all of the requirements set out in section 15(1) of the IPART Act.[h] We assess the costs of WAMC's services and the efficiency of its historical and proposed capital investments. Our assessment also compares WAMC's proposed future costs to current and past levels of expenditure to inform our decisions.

In reaching our decisions, we considered independent expert advice from Stantec, additional supporting documentation provided by WAMC and comments from stakeholder consultation. Stantec's May 2025 report on its assessment of WAMC's expenditure forecast is available on our website.[116] Stantec's Supplementary Report, which updates its assessment based on information provided by WAMC in response to IPART's Draft Report, is also available on our website.[117]

g Specifically, we considered sections 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.
h Specifically, we considered sections 15(1)(a), and 15(1)(e) of the IPART Act.

Stantec provided a range of efficient expenditure, where:

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

4.1 WAMC's prices reflect all of its proposed activities

Our decision is:

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

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

The *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004* (the Order) declares WAMC's government monopoly services (monopoly services) as the making available of water, the making available of WAMC's water supply facilities, or the supplying of water, whether by means of WAMC's water supply facilities or otherwise.[118] For previous water price reviews, IPART has considered the definition in the National Water Initiative (NWI) pricing principles of water management and planning activities whose costs are to be included in charges levied on water users.[119]

WAMC did not propose any changes to the list of activities included in the 2021 determination. However, the Natural Resources Access Regulator (NRAR) indicated in its remarks at the Public Hearing that it is "a law enforcement agency and does not make water available, own water facilities or supply water" and "[w]hilst not relevant to this determination process, the Board is motivated to assess its inclusion as a provider of monopoly water services under the Order."[120]

We carefully considered the definition of monopoly services in the Order, including our interpretation in previous determinations, when determining the scope of activities for this determination.

We asked our consultant, Stantec, for its view on the scope of WAMC's monopoly services. It recommended removing from scope 2 of WAMC's proposed activities – W06–03 Floodplain management plan development and W06–05 Regional planning and management strategies. Stantec considered W06–03 to be primarily about land management, not water resource management. Activities undertaken to manage land-based impacts are excluded from the definition of water planning and management by the NWI pricing principles.[121] In relation to W06-05, Stantec's view is that the strategies prepared by WAMC to date have not involved defining the consumptive pool of the water resource nor allocating that resource among uses and users.[122]

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

IPART has included compliance and enforcement activities within the scope of monopoly services at each of our past reviews of WAMC's prices, including our 2021 determination following the establishment of NRAR. We have considered this issue again for the 2025 determination and our decision is that compliance and enforcement activities fall within the scope of WAMC monopoly services. These activities contribute to the making available of water, since one customer's non-compliance can reduce the volumes of water available to another customer. Our decision is consistent with the NWI pricing principles, which also include compliance activities within the definition of water management activities whose costs are to be apportioned between water users and governments.[123]

4.2 We have set WAMC's efficient level of operating expenditure at $443.0 million

Our decision is:

4. To allow $443.0 million of efficient operating expenditure in WAMC's notional revenue requirement for the 2025 determination period, as shown in Table 4.1.

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

	2025–26	2026–27	2027–28	2028–29	Total
WAMC proposal	142.7	143.3	133.3	135.2	554.6
Stantec upper bound	124.9	118.8	110.2	110.7	464.6
Stantec lower bound	104.9	98.6	92.3	91.9	387.6
IPART decision	**117.7**	**114.1**	**105.5**	**105.7**	**443.0**
Difference to proposal	-25.0	-29.2	-27.8	-29.6	-111.6
Difference to proposal (%)	-17.5%	-20.4%	-20.8%	-21.9%	-20.1%

Source: IPART analysis.

WAMC proposed operating expenditure of $555 million for the first 4 years of the 2025 determination period. Our decision is to set WAMC's efficient level of operating expenditure for the 2025 determination period at $443 million. This is $111 million per year, on average, which is $35 million (46%) higher than the average annual operating expenditure forecast we used to set prices in the 2021 determination period. It is $35 million (24%) lower than WAMC's actual average annual operating expenditure over the 2021 determination period (including estimated expenditure for 2024–25), which has been significantly higher than IPART's allowance for the 2021 determination period (Table 4.2).

Our draft decision was to set WAMC's operating expenditure allowance at $318 million for a 3-year determination period or $106 million per year on average. The increase in allowance between our Draft Report and Final Report reflects additional information provided by WAMC in relation to the following areas of expenditure:

- corporate overheads
- labour costs for the Sustainable Diversion Limit Adjustment Mechanism and Northern Basin Toolkit projects (activity code W05–03)
- spatial analysis resource for surface water ecological condition monitoring (W01–05)
- maintenance of unregulated weirs (W07–01), and
- overheads associated with the Gayini regulator project (W07–01).

It also reflects a correction to our estimate of the efficient cost of consents management and licence conversion (W08–02).

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

	2021–22	2022–23	2023–24	2024–25	Total
IPART allowance	77.6	77.5	74.4	74.5	304.0
Actual	112.7	133.1	162.8	174.6	583.2
Difference	35.1	55.6	88.4	100.2	279.2
Difference (%)	45.2%	71.7%	118.8%	134.5%	91.9%

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

WAMC identified the drivers of the higher actual costs as:

- increased water planning, with a greater number of statutory water plans requiring replacement, amendment or review
- compliance and enforcement, with greater activity needed to meet regulatory objectives, including legal costs previously funded by the Crown Solicitor's Office
- digital improvements, including investments in ICT and customer service platforms, and
- inflationary pressures on input prices for labour, energy, and insurance.[124]

We recognise an increase in the operating expenditure allowance is needed to cover the costs of meeting the growing requirements of implementing and complying with the *Water Management Act 2000.* Our decision reflects an estimate of the operating expenditure required to deliver efficient water management and planning services over the 2025 determination period. We considered this in terms of supporting the provision of ecologically sustainable development and operations as required by section 15(1)(f) of the IPART Act.

The allowance is not a budget or an amount that WAMC is required to spend. Unforeseen circumstances may change WAMC's priorities and the amount it needs to spend. WAMC may undertake any initiatives it has identified which will deliver net cost savings.[125] WAMC has discretion to consider how to undertake its role, regardless of the estimated efficient costs we use to set maximum prices.

In reaching this decision we considered that the expenditure allowance meets the need for greater efficiency in the supply of services to reduce costs for the benefit of consumers and taxpayers, as required under section 15(1)(e) of the IPART Act.

4.2.1 Our decision is $112 million less than WAMC's proposed operating expenditure

We have not increased our forecast to the level of expenditure proposed by WAMC, because the efficiency of the proposed expenditure has not been justified.

We agree with Stantec's view that there remains room for improvement in clarifying risk tolerance and ensuring trade-offs between service level, cost and risk are considered and informed by community engagement.[126] We recognise WAMC faced challenges preparing forecasts within a BTS framework for 30 activity codes across 3 organisations with varying levels of information quality. However, we encourage WAMC to adopt the BTS framework outlined in our Water Regulation Handbook for forecasting operating expenditure for at least some activity codes in its pricing proposal for the 2029 determination period. We recognise there may be aspects of the framework for which there are good reasons why WAMC's approach needs to differ from that of other water businesses. However, quantifying the roles of changes in output, changes in input prices (such as wages), changes in efficiency, and step changes to obligations or scope, relative to an actual base year, will help to more clearly justify proposed expenditure. It will also develop a clearer link between WAMC's efficiency strategy and its expenditure forecasts.

In the absence of the BTS information, our estimation approach varied across activity codes depending on the nature of available information. We sought to understand the material increases in both observed and forecast expenditure relative to our forecasts for the 2021 determination period. We considered the range of potential adjustments that Stantec identified at an activity level and their associated risks. We also considered Stantec's recommended adjustments to the Business Services component of corporate overheads. We based our decisions on a selection of those adjustments, taking into consideration the feedback provided by WAMC.

The difference between our operating expenditure allowance and WAMC's proposal includes:

- $34 million reflecting our view of proposed work that is outside the scope of the regulated service or is not sufficiently certain to proceed, and
- $78 million reflecting our different view of the efficient cost of delivery.

4.2.2 We have adopted the lower bound of Stantec's estimated range of efficient costs for most activity codes

We have adopted the lower bound of the range of efficient expenditure estimated by Stantec in its Supplementary Report for direct costs for all activity codes except W04–01, W04–02, W06–01, W06–02, W06–06, W08–02 and W08–03. Our reasons can be summarised as follows.

- We are not satisfied that WAMC's proposed cost increases are efficient. For example, Stantec found that some of the strategy implementation expenditure proposed under the W06–05 (Regional planning and management strategies) activity may duplicate work in other activity codes and signalled the need for evidence of the relevance of the expenditure to specific WAMC activities.[127] WAMC did not provide such evidence in its response to our Draft Report.[128]
- Some of WAMC's proposed costs should be treated as transitional. WAMC proposed ongoing costs for activities whose costs should be expected to decline over time, such as metering activities once metering targets have been met. Stantec's recommendations incorporate adjustments to reflect these expectations.[129]
- Some costs are associated with higher service levels that have not been justified. For example, WAMC has proposed expenditure on forecasting models which would deliver a service level improvement additional to the expected improvement from experience. The lower bound estimates reflect a deferral of this expenditure and a continuation of current service levels.[130]
- Customer consultation on the proposed increases was insufficient. Customers were not consulted about some of the proposed increases in charges. We are not confident that increasing costs above the lower bound would deliver value to customers or manage the ongoing affordability of water management and planning in NSW.

Our Draft Report used lower bound estimates from Stantec's report of May 2025. Stantec has considered information provided by stakeholders in response to our Draft Report and changed its lower bound estimates of efficient expenditure in the W01–05, W05–03 and W07–01 activity codes.

The changes were made in response to:

- clarification provided by WAMC that the proposed spatial analysis staff costs are based on utilising centralised resources from the Water, Knowledge and Analytics Geospatial Sciences team[131]
- further information provided by WAMC on the breakdown of ongoing operating costs and staff handover costs relating to the Sustainable Diversion Limit Adjustment Mechanism and Northern Basin Toolkit projects[132]
- further analysis of the discrepancy between the data in WAMC's cost model and price proposal relating to water management works (W07–01) expenditure,[133] and
- the Asset Management Plan for unregulated weirs provided by WAMC.[134]

We agree the changes are justified and have used the revised estimates in deriving the expenditure allowance.

Stantec reviewed the other concerns raised by WAMC and the Natural Resources Commission (NRC) in relation to the operating expenditure allowance and found no basis for a change to its recommendations. We agree with the reasoning for these decisions, which is set out in Stantec's Supplementary Report.

Stantec's Supplementary Report focused on feedback relating to evidence relevant to its lower and upper bound estimates of efficient cost, or potential errors in deriving those estimates. Other feedback related to evidence relevant to or potential errors in our interpretation and use of Stantec's recommendations. We considered all of these submissions and, in addition to incorporating Stantec's recommended changes, we decided to use the upper bound estimate of efficient costs for W08–02 (rather than the lower bound used in the Draft Report) and make several changes to the allowance for corporate overheads. These changes are discussed in subsequent sections. In relation to the other issues raised, we have decided there is no basis for a change to the operating allowance. Our reasons are as follows.

- WAMC submitted that our decision to adopt the lower bound for W01–05 contradicts our decision to adopt the upper bound for W06–01 and W06–02, because Stantec recommended that the lower bound should be adopted in the case that fewer water sharing plans (WSPs) are undertaken.[135] The lower bound adjustments for W01–05 were not based on an assumption of fewer WSPs. Rather, Stantec stated "Outputs of work in W01–05 are used in the water sharing plans (WSP); we have not adjusted the lower bounds here to correspond to the potential reduction in the quantum of WSPs."[136] Our interpretation of Stantec's recommendation to adopt the lower bound in the case that fewer WSPs are undertaken is that the upper bound would be unreasonably high in a scenario with fewer WSPs. Our decision is to use the lower bound estimate of efficient expenditure on W01–05 to derive the operating expenditure allowance.
- WAMC requested that $500,000 for delivering business cases for the Gayini Regulator and Regulator 183 projects (under activity code W07–01) be transferred from allowed capital expenditure to allowed operating expenditure.[137] Given this expenditure relates to specific capital expenditure projects and was proposed as capital expenditure in WAMC's pricing proposal, our decision is to include this expenditure in the capital expenditure allowance.

Some of the feedback from WAMC in response to our Draft Report expenditure allowances emphasised the importance of the services that WAMC proposes to deliver. Generally, we agree these services, or rather the outcomes from these services, are important. Many of our adjustments to WAMC's proposed expenditure allowances arise from a different view of the efficient cost of achieving those outcomes, rather than any different view on whether the outcomes ought to be delivered.

WAMC submitted that our draft decision to use the lower bound estimate of efficient cost for W01-05 activities contradicted our draft decision to adopt the upper bound estimate for water sharing plan development.[138] In our view there is no contradiction between these decisions. The lower bound for W01-05 was not based on an assumption of fewer water sharing plans (WSPs). Stantec's Final Report states that "Outputs of work in W01-05 are used in the [WSPs]; we have not adjusted the lower bounds here to correspond to the potential reduction in the quantum of WSPs."[139]

In relation to W01-05, WAMC also submitted that the NSW Water Strategy includes an action to develop cultural values for 2 water sharing plan areas by 2030 and that this will require early work (in activity code W01-05) to ensure these values are developed in an integrated and efficient way.[140] WAMC did not provide a specific reference and we have been unable to find this action in the strategy or the 2022-24 implementation plan. While there is merit in improving understanding of cultural values, we are not satisfied that the proposed expenditure within the 2025 determination period is efficient. We have retained our draft decision to use Stantec's lower bound estimate of efficient cost for the W01-05 activity.

In relation to several activities, WAMC proposed that we use 2024-25 actual costs as the base for forecasting allowances.[141] The 2024-25 financial year was incomplete at the time of Stantec's expenditure review and our Draft Report. While there is merit in taking account of new information, where possible, adjusting the base for analysis at this late stage of the review would not allow sufficient consultation and feedback on the approach. Our Water Regulation Handbook specifies that baseline operating expenditure relates to the second last year of the current determination period.[142] We have therefore not sought to update all expenditure analysis for 2024-25 actual costs.

WAMC contended that its proposed (W05-03) expenditure on a forecasting model is needed because in 2 separate independent reviews of other Northern Basin connectivity actions (the Claydon Review and the First Flush Review), water users have requested improved accuracy in model forecasting.[143] While there is evidence of customer concern about forecasting accuracy, we must weigh that evidence against considerations of affordability and customer willingness to pay for the outcomes from WAMC's proposed forecasting model. We also note that, although the First Flush Review identified potential modelling improvements, it concluded that the flow forecasting was reasonably robust.[144] We have retained our draft decision to use Stantec's lower bound estimate of efficient cost for the W05-03 activity.

Stantec's lower bound estimate for expenditure on W06-03 activities excluded legacy costs of addressing unapproved flood works that could have been avoided with more stringent management and compliance effort in the past."[145] WAMC acknowledged in its response to our Draft Report that a proportion of these costs is attributable to a lack of compliance action in the past, but stated its view that the expenditure should not be treated as a legacy cost, because "a significant proportion of the unapproved works have been constructed since the formation of NRAR and existing floodplain management plans (including works constructed during floods)."[146] While the work will need to be undertaken for developing floodplain management plans, in the absence of a sound basis for attributing costs to more recent unapproved works, we have decided to treat this expenditure as a legacy cost and exclude it from our estimates of efficient cost.

In relation to proposed W06-05 expenditure on a climate program, WAMC acknowledged that new hydrological data sets have been developed in the current determination period and that the climate program proposed for the 2025 determination period relates to developing and providing guidance to staff on how to apply and utilise the data.[147] While it is important that the new data sets are applied and utilised, the extent to which this guidance is additional to business as usual is unclear, given staff already work with hydrological data sets and consideration of weather variability has always been central to water management. We are not satisfied that the proposed expenditure for this activity, which exceeds $2 million per year, is efficient. We have retained our draft decision to use Stantec's lower bound estimate of efficient cost for the W06-05 activity.

The operating expenditure allowance we have factored into our decision is compared to WAMC's proposal and the upper and lower bound estimates derived by IPART from Stantec's revised recommendations at an activity-level in Table 4.3, including activity-specific adjustments and an allocation of the additional adjustment for the Business Services component of corporate overheads.

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

Cost Code	Cost Code title	2021 IPART allowance	WAMC pricing proposal	Stantec upper bound	Stantec lower bound	Decision
W01–01	Surface water quantity monitoring	6.7	5.7	5.7	5.6	5.6
W01–02	Surface water data management and reporting	0.6	0.6	0.6	0.6	0.6
W01–03	Surface water quality monitoring	1.5	1.2	1.2	1.2	1.2
W01–04	Surface water algal monitoring	0.9	0.3	0.3	0.3	0.3
W01–05	Surface water ecological condition	0.4	1.5	1.0	0.9	1.0
W02–01	Groundwater quantity monitoring	0.8	5.7	5.5	5.4	5.4
W02–02	Groundwater quality monitoring	3.1	0.9	0.9	0.8	0.8
W02–03	Groundwater data management and reporting	0.0	0.1	0.1	0.1	0.1
W03–01	Water take data collection	0.0	0.0	0.0	0.0	0.0

Cost Code	Cost Code title	2021 IPART allowance	WAMC pricing proposal	Stantec upper bound	Stantec lower bound	Decision
W03–02	Water take data management and reporting	0.0	0.0	0.0	0.0	0.0
W04–01	Surface water modelling	4.2	5.2	4.9	4.1	5.0
W04–02	Groundwater modelling	1.3	1.6	1.4	1.2	1.5
W04–03	Water resource accounting	0.7	0.9	0.8	0.7	0.8
W05–01	Systems operation and water availability management	3.2	9.5	5.6	4.9	5.4
W05–02	Blue-green algae management	0.7	0.9	0.9	0.9	0.9
W05–03	Environmental water management	1.5	3.7	2.0	1.3	1.5
W05–04	Water plan performance assessment and evaluation	3.1	6.2	5.7	5.2	5.8
W06–01	Water plan development (coastal)	2.0	8.7	3.1	1.8	3.7
W06–02	Water plan development (inland)	3.4	7.7	5.2	3.8	5.5
W06–03	Floodplain management plan development	2.1	6.7	6.3	3.7	4.0
W06–04	Drainage management plan development	0.0	0.0	0.0	0.0	0.0
W06–05	Regional planning and management strategies	6.4	9.0	6.1	3.1	3.6
W06–06	Development of water planning and regulatory framework	1.8	2.3	2.1	1.8	2.1
W06–07	Cross-border and national commitments	1.9	2.8	2.6	2.4	2.5
W07–01	Water management works	2.5	5.3	4.6	4.4	4.5
W08–01	Regulation systems management	0.0	0.0	0.0	0.0	0.0
W08–02	Consents management licence conversion	1.6	1.7	1.7	1.3	1.7
W08–03	Compliance management	18.9	35.5	35.5	29.5	35.5
W09–01	Water consents transaction	0.0	0.0	0.0	0.0	0.0
W10–01	Customer management	4.7	5.0	4.0	3.6	3.7
W10–02	Business governance support	0.0	7.3	5.8	5.8	5.8
W10–03	Billing management	2.1	2.4	2.4	2.2	2.2
Total		**75.9**	**138.6**	**116.2**	**96.9**	**110.8**

Note: Total operating expenditure, including user and government share. Some figures appear equal due to rounding, but differ without rounding. IPART's decision lies outside of Stantec's recommended range for some cost codes because IPART has adopted a different approach to adjusting corporate overheads to that used by Stantec in its Supplementary Report. See section 4.2.4 for further detail.
Source: IPART analysis.

4.2.3 We have adopted the upper bound of Stantec's estimated range of efficient costs for some activity codes

In our Draft Report we adopted the upper bound of the range of efficient expenditure estimated by Stantec for the direct costs of the Surface water modelling (W04–01), Groundwater modelling (W04–02), Water plan development (W06–01 and W06–02), Development of water planning and regulatory framework (W06–06) and Compliance management (W08–03) activity codes. We have retained this approach to these activity codes in our Final Report.

We considered views from stakeholders about the benefits of water sharing plans and regular review of the Regulations. We agree that the postponement of Regulation repeal assumed in the lower bound for W06–06 is not efficient or aligned to regulatory best practice. With respect to W04–01, W04–02, W06–01 and W06–02, WAMC's influence over water sharing plan requirements is limited and there would be considerable risks of non-compliance at the lower bound levels of expenditure. We have therefore selected the upper bound estimates for W04–01, W04–02, W06–01, W06–02, and W06–06.

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

We have changed our approach to estimating efficient costs for the W08–02 activity (Consents management and licence conversion) relative to the Draft Report. The expenditure allowance in our Draft Report used the lower bound estimate of efficient costs for this activity. In its response to the Draft Report, WAMC noted the lower bound was predicated on the removal of conditions relating to floodplain harvesting from customer charges through WAMC.[148] In formulating the expenditure allowance in our Draft Report we had overlooked the fact that Stantec's adjustment from the upper to the lower bound cost estimate for W08–02 was contingent on floodplain management activities being removed from the scope of Government Monopoly Services.[149] We have decided to retain those activities within scope (see section 4.1). The estimate of efficient expenditure consistent with that decision is the upper bound. Our final decision is therefore to use the upper bound estimate of efficient costs for the W08–02 activity for the purpose of setting the operating expenditure allowance.

4.2.4 We have changed our approach to estimating efficient corporate overheads

WAMC's pricing proposal involved significant increases in corporate overheads relative to the allowance in the 2021 determination. It proposed DCCEEW corporate overheads for the 2025 determination period that are 222% higher than IPART's allowance for the 2021 determination period on an average annual basis. The supporting evidence provided by WAMC was not sufficiently transparent to enable an assessment of the efficiency of these costs.[150]

As a result, adjustments made by Stantec to corporate overheads were made in two separate steps:

- adjustments to total activity-specific costs (which include both direct costs and corporate overheads), and
- adjustments to the Business Services component of corporate overheads.

In our Draft Report, we included adjustments to total activity-specific costs to the lower bound for some activities and to the upper bound for other activities, as discussed above. We used the lower bound adjustment for Business Services corporate overheads and allocated this adjustment across agencies and activity codes using adjustments to activity-specific costs as the driver.

In its response to the Draft Report, WAMC raised several concerns about the allocation of corporate overheads to DCCEEW, including that they comprise just 7% of DCCEEW's operating expenditure allowance and that the adjustments were inconsistent with the $20.5 million cited in section 4.2.1 of our Draft Report.[151]

Regarding the latter issue, there was a lack of clarity in our description of adjustments to corporate overheads in the Draft Report. The disaggregation of adjustments in section 4.2.1 used the labels 'direct' costs and 'overheads', but the amounts reported were consistent with the terms 'activity-specific' costs and 'the Business Services component of corporate overheads'. That is, some of the adjustments to corporate overheads were mislabelled as adjustments to direct costs. However, the total of the adjustments was correct and equal to the $101.4 million difference between WAMC's proposed allowance and IPART's draft allowance reported in Table 4.1 of the Draft Report.[152]

Stantec has also considered the concerns raised by WAMC and confirmed that its recommended adjustments to Business Services corporate overheads do not duplicate its recommended activity-level adjustments.[153]

Nevertheless, we agree the allowance made in the Draft Report for DCCEEW corporate overheads was below the efficient cost corresponding to our allowance for direct costs. Our final decision incorporates several changes to the approach in our Draft Report:

- In relation to the cost-code-specific adjustments to corporate overheads, our decision is to:
  - treat Stantec's cost-code-specific reductions as a percentage reduction in direct costs, with overheads separately calculated. The separate calculation of overheads is based on WAMC's proposed approach and includes a component that decreases in line with direct costs (as in our Draft Report approach) and another component that decreases in line with the implied reduction in FTEs.[154] This is consistent with Stantec's finding that "All agencies are utilising reasonable, and sound overhead cost build up methodologies for corporate overhead inputs and expenditure and consistent approaches to develop their proposed overhead cost inputs for WAMC as per previous determinations (except for DCCEEW business services forecasted expenditure)."[155] It is also consistent with Stantec's recommendation "that DCCEEW updates its overhead allocation model to recalculate the total allowed expenditure at the activity level."[156]
  - update the cost-code-specific adjustments for the changes made by Stantec in its Supplementary Report and our decision to use the upper rather than lower bound estimate for W08–02.

- In relation to adjustments to the DCCEEW Business Services component of corporate overheads, our decision is to:
  - take a weighted average of Stantec's lower and upper bound adjustments reflecting our adjustment to the direct cost allowance for each cost code, rather than applying the lower bound as in the Draft Report
  - adjust the allowance for the 'Economic Advisory' component to account for the determination period being shorter than the 5-year period proposed by WAMC. Stantec did not recommend any reductions in this expenditure item. WAMC proposed in its response to the Draft Report that all of the costs it proposed for the five-year period be included within the shorter determination period.[157] We agree the costs of preparing a pricing proposal will be brought forward by a year. However, we expect there would be an annual recurrent cost component avoided under a shorter determination period. Our decision is to use the costs proposed for 2026-27 to 2029-30 in WAMC's five-year proposal to set the allowance for 2025-26 to 2028-29.
- In addition, the approach to allocating adjustments to corporate overheads across activity codes and agencies has been revised. It uses FTEs as the driver, in accordance with WAMC's approach, rather than using direct costs as the driver as in our Draft Report.

4.3 We have included $47.4 million of efficient historical capital expenditure in the regulatory asset base

Our decision is:

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

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

Since 2020–21, WAMC's actual capital expenditure has been higher ($8.0 million or 19%) than the efficient funding envelope set in the 2021 determination (Table 4.4). In our Draft Report, we reported actual capital expenditure had been $2.6 million or 6% higher than the allowance in the 2021 determination. In its response to the Draft Report, WAMC indicated that actual capital expenditure of $5.1 million in W10-02 for 2023-24 had not been recognised in our Draft Report.[158] This capital expenditure had not been included in WAMC's Pricing Proposal, but was provided in an Annual Information Return (AIR) spreadsheet in response to a Stantec request for information.[159]

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

	2020–21 (previous period)	2021–22	2022–23	2023–24	2024–25	4-Year Total (ex 2020–21)
IPART allowance	18.8	10.7	10.9	11.7	8.9	42.1
WAMC actual (pricing proposal)	11.8	13.5	7.5	4.4	19.6	45.0
WAMC actual (request for information)	11.8	13.5	7.5	9.5	19.6	50.1
Difference	-7.0	2.8	-3.4	-2.1	10.7	8.0
Difference (%)	-37%	26%	-31%	-18%	120%	19%
IPART decision	**11.8**	**13.5**	**7.5**	**9.5**	**16.8**	**47.4**
Difference to actual	0.0	0.0	0.0	0.0	-2.7	-2.7
Difference to actual (%)	0%	0%	0%	0%	-14%	-5%

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

Stantec considered the reasons cited by WAMC for the increased expenditure to be valid drivers of efficient cost in all but one instance. These reasons were that the allowance in the 2021 determination did not adequately reflect the challenging capital expenditure environment, including the impacts of COVID–19, flooding and bushfire events, supply chain issues, and cost inflation.[160]

Stantec recommended an adjustment to the estimated capital expenditure for 2024–25. Stantec recommended reducing the estimate from the proposed $19.6 million to $16.8 million to account for a 20% adjustment to the proposed $13.7 million spend on water systems under the W10–02 cost code.[161] WAMC has submitted in relation to this adjustment that "to preserve incentives to invest in the water sector, a high bar is set before assets are stranded and written off by the business and shareholders."[162] However, any efficient investment above the allowance in 2024-25 will be recovered. The prudency and efficiency of actual expenditure for 2024–25 will be assessed when deciding the regulatory asset base for the 2029 determination. Stantec also recommended in its Supplementary Report that the regulatory asset base roll-forward be updated to incorporate the 2023-24 capital expenditure in W10–02 that had been omitted from WAMC's Pricing Proposal and IPART's Draft Report.[163] We accept both of Stantec's recommendations.

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

4.4 We have set WAMC's efficient forecast capital expenditure at $106.2 million

Our decision is:

6. To allow $106.2 million of forecast capital expenditure in the regulatory asset base used to set prices for the 2025 determination period, as shown in Table 4.5.

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

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

	2025–26	2026–27	2027–28	2028–29	Total
WAMC proposal	31.9	31.0	27.0	17.8	107.7
Stantec upper bound	32.6	31.7	27.5	18.3	110.1
Stantec lower bound	29.9	28.8	24.6	16.1	99.4
IPART decision	**31.6**	**30.5**	**26.3**	**17.8**	**106.2**
Difference to proposal	-0.3	-0.5	-0.7	0.0	-1.5
Difference to proposal (%)	-0.9%	-1.6%	-2.7%	-0.2%	-1.4%

Source: IPART analysis.

4.4.1 Our decision is $1.5 million less than WAMC proposed

Our decision is to set forecast capital expenditure at a lower level than the $107.7 million proposed by WAMC for the 4 years of the 2025 determination period (Table 4.5). WAMC told us that its forecast capital expenditure will be driven by its need to invest in:

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

Our capital expenditure allowance is 1.4% lower than WAMC's proposal.

The capital expenditure allowance in the Draft Report adopted Stantec's lower bound estimate of efficient expenditure for all activities, which was 7% lower than WAMC's proposal. In its response to the Draft Report, WAMC highlighted the risks associated with lower bound expenditure, including providing some new information on the risks of lower bound expenditure on groundwater activities.[164] Stantec concluded in its May 2025 report that WAMC's proposed capital expenditure on surface water (W01) and groundwater (W02) activities was adequately justified and that "WaterNSW have sought an achievable, risk-based and cost-efficient approach to implementing the renewal program".[165] We have decided to set the capital expenditure allowance based on Stantec's upper bound estimates of efficient expenditure in W01 and W02 activities, and Stantec's lower bound estimate of efficient expenditure in W07 and W10 activities.

We consider this estimate reflects the efficient cost of maintaining essential services. The difference between our allowance and WAMC's proposal includes:

- an additional annual $1.5 million to account for understated capitalisation of digital labour costs (with a corresponding decrease in the operating expenditure allowance)
- omitting the delivery component of the Gayini regulator project, pending the options assessment and business case
- an estimate of efficient expenditure on the Ecosystem Data Strategy that is 14% lower than proposed, and
- an estimate of efficient expenditure on the Water Market Systems project that is 9% lower than proposed.

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

Chapter 5

Water management notional revenue requirement

05

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

We have set the NRR for water management at $552.8 million and allowed a cost of debt true-up of $0.6 million over the 2025 determination period

This is $110 million or 17% lower than the NRR proposed by WAMC for the next four years. The difference is due to:

- our different view of efficient operating expenditure, which is $112 million lower than WAMC proposed
- our different view of efficient capital expenditure and the rate of return on assets, which is now 3.5% (post-tax real) compared to the 3.6% 'placeholder' rate of return in WAMC's pricing proposal.

WAMC will be able to meet its environmental obligations

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

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

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

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

Our decisions on these building blocks consider the matters set out in section 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 WAMC can promote competition and protect customers from the abuse of monopoly power. It establishes that prices are only allowed to recover a reasonable rate of return that would be earned by a similar firm operating in a competitive market. It also accounts for WAMC's borrowing, capital and dividend requirements and the need for new or renewed assets.[a]

[a] These are specified in sections 15(1)(b), 15(1)(c) and 15(1)(g) of the IPART Act.

5.1 Our decision on the NRR for water management is $552.8 million and the cost of debt true-up is $0.6 million

Our decision is:

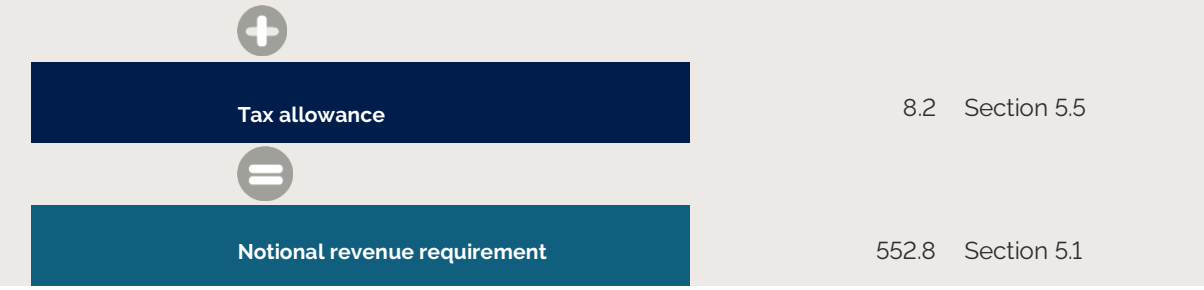
7. To allow a notional revenue requirement for water management of $552.8 million (as shown in Table 5.1) and a cost of debt true-up of $0.6 million over the 2025 determination period.

We continue to use the building block approach to calculate the NRR, as outlined in our Water Regulation Handbook.[166] The sum of the NRR ($552.8 million) and the cost of debt true-up ($0.6 million) is $553.4 million over the 2025 determination period.

This chapter explains how we reached the dollar value for each component, except the operating allowance. This is because we use the $443.0 million figure for the efficient operating expenditure that was discussed in Chapter 4.

Figure 5.1 Building block approach to calculating the NRR

Cost building blocks		Total over the determination period ($ millions, $2024-25)	More information
Operating allowance	(Operational costs including administration)	443.0	Section 4.2
Capital allowance			
Return of assets	= Regulatory depreciation	79.2	Section 5.2
+ Return on assets	= **Regulatory asset base (RAB)** = (Opening RAB + efficient capital expenditure – regulatory depreciation – asset disposals) x **Weighted average cost of capital (WACC)**	12.8	Section 5.3
Working capital allowance		9.5	Section 5.4



A breakdown of the building blocks and NRR by year is provided in Table 5.1. Our decision on the NRR is $110 million or 17% lower than WAMC proposed in its pricing proposal, prior to identifying $5 million of additional actual capital expenditure in 2023-24 (see section 4.3). The difference is primarily due to the adjustments we have made to forecast operating expenditure.

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

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

	2025-26	2026–27	2027–28	2028–29	Total
Total NRR proposed by WAMC	**164.3**	**169.4**	**163.0**	**166.1**	**662.8**
IPART decision (building block components)					
Operating allowance	117.7	114.1	105.5	105.7	443.0
Regulatory depreciation	15.0	18.8	22.1	23.3	79.2
Return on assets	2.6	3.2	3.5	3.5	12.8
Working capital allowance	2.3	2.4	2.4	2.4	9.5
Tax allowance	1.8	2.0	2.2	2.2	8.2
Total NRR for water management (IPART decision)	**139.5**	**140.5**	**135.7**	**137.1**	**552.8**
Difference between proposed and IPART decision	-24.9	-28.9	-27.3	-29.0	-110.0
Difference between proposed and IPART decision (%)	-15%	-17%	-17%	-17%	-17%
User share of IPART decision on total NRR for water management	**112.8**	**113.8**	**110.3**	**110.7**	**447.6**
User share of IPART decision on total NRR for water management (%)	81%	81%	81%	81%	81%

Note: Totals may not add due to rounding. In this table, the regulatory depreciation is a mid-year figure (i.e. the RAB roll-forward depreciation figure is discounted by half a year of WACC).
Source: IPART analysis.

5.2 Our decision for WAMC's return of assets (regulatory depreciation) is $79.2 million

Our decision is:

8. To set the return of assets (regulatory depreciation allowance) at $79.2 million for the 2025 determination period, as shown in Table 5.2.

We include an allowance for depreciation in the NRR to require that the capital invested by WAMC in its water management assets is returned over the useful life of the assets. Consistent with our usual approach, we used the straight-line depreciation method to calculate regulatory depreciation. Under this method, the assets in the RAB are depreciated by an equal value in each year of their economic life. We consider this method balances the need for simplicity, consistency and transparency.

We accept the regulatory asset life assumptions proposed by WAMC (Table 5.3).

Our allowance for regulatory depreciation is 5% higher than that proposed by WAMC in its pricing proposal. This is the net result of several differences, including the addition of $5 million of additional actual capital expenditure to 2023-24 that was submitted by WAMC after its Pricing Proposal, our different view of efficient capital expenditure for 2024-25, and our different view of efficient capital expenditure for the 2025 determination period—which involved reclassification of some operating expenditure to capital expenditure. These decisions are discussed in Chapter 4.

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

	2025-26	2026-27	2027-28	2028-29	Total
WAMC proposal	14.4	17.9	21.1	22.2	75.7
IPART decision	15.0	18.8	22.1	23.3	79.2
Difference	0.6	0.8	1.0	1.1	3.5
Difference (%)	4%	5%	5%	5%	5%

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

Table 5.3 Asset life assumptions (years)

	Existing assets	New assets 2025-26	New assets 2026-27	New assets 2027-28	New assets 2028-29
Surface water	5.8	13.5	13.5	13.5	13.5
Groundwater	14.0	17.0	17.0	17.0	17.0
Corporate	3.8	7.0	7.0	7.0	7.0
Government	4.6	7.1	7.1	7.1	7.2

Source: IPART analysis.

The opening and forecast RAB that results from our decisions on historical and forecast capital expenditure and regulatory depreciation is shown in Table 5.4. We calculated an opening balance of $61.2 million and a closing balance of $86.7 million for the water management RAB over the 2025 determination period.

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

	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	$nominal	$nominal	$nominal	$nominal	$24-25	$24-25	$24-25	$24-25
	2021 determination period				2025 determination period			
Opening RAB	37.6	46.6	49.7	52.7	**61.2**	77.4	88.9	92.7
Plus: Efficient capital expenditure	12.0	7.1	9.3	16.8	31.6	30.5	26.3	17.8
Less: Asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Regulatory depreciation	5.7	7.0	8.4	9.6	15.3	19.1	22.5	23.7
Plus: Inflationary gain	2.7	3.0	2.1	1.3	0.0	0.0	0.0	0.0
Closing RAB	46.6	49.7	52.7	**61.2**	77.4	88.9	92.7	**86.7**
WAMC proposed closing RAB	46.6	49.7	47.5	59.1	76.3	89.0	94.5	89.7
Difference	0.0	0.0	5.2	2.1	1.2	-0.1	-1.9	-3.0
Difference (%)	0.0%	0.0%	10.9%	3.6%	1.5%	-0.2%	-2.0%	-3.3%

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

5.3 Our decision for WAMC's return on assets is $12.8 million

Our decision is:

9. To allow $12.8 million for return on assets over the 2025 determination period as shown in Table 5.5, noting that:
   a. the opening RAB on 1 July 2025 is $61.2 million and the closing RAB on 30 June 2029 is $86.7 million as shown in Table 5.4
   b. we use a real post-tax WACC of 3.5% as the efficient rate of return.

The NRR building block relating to return on assets allows for the opportunity cost of historical efficient capital expenditure that has yet to be factored into (full cost recovery) prices. We calculate the return on assets by multiplying the value of the RAB over the determination period (see Table 5.4) by an efficient rate of return. Our allowance for return on assets is 3% lower than the value proposed by WAMC over the 2025 determination period. This results from several offsetting effects, including an upward adjustment to historical expenditure relative to WAMC's pricing proposal, our different view of efficient capital expenditure, and a reduction in the efficient rate of return.

We include an allowance for return on assets in the notional revenue requirement to account for the opportunity cost of capital invested to provide regulated services. This enables businesses to earn an appropriate rate of return and continue to make efficient capital investments in the future, which is a required consideration under section 15(1)(g) of the IPART Act.

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

	2025-26	2026-27	2027-28	2028-29	Total
WAMC proposal	2.7	3.2	3.6	3.7	13.2
IPART decision	2.6	3.2	3.5	3.5	12.8
Difference	0.0	-0.1	-0.1	-0.2	-0.3
Difference (%)	0%	-2%	-3%	-4%	-3%

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

5.3.1 Our decision on the real return on capital (post-tax real WACC) is 3.5%

As in previous reviews, we determined the rate of return using a WACC. We used our 2018 standard methodology[167] to calculate a post-tax real WACC of 3.5% for this decision. This is lower than the 3.6% 'placeholder' WACC applied in WAMC's pricing proposal due to changes in market conditions since the proposal was submitted in September 2024.

In reaching our decision on WAMC's WACC we considered the matters set out in 15(1) of the IPART Act.[b] Our WACC methodology establishes the rate of return that we use to set prices, which is benchmarked 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 protects customers from monopoly suppliers passing on inefficient costs through prices.

A more detailed explanation of our WACC calculation is provided in Appendix E.

5.4 Our decision for WAMC's return on working capital is $9.5 million

Our decision is:

10. To set the working capital allowance at $9.5 million for the 2025 determination period as shown in Table 5.1.

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

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

[b] Specifically, we consider sections 15(1)(b), 15(1)(c), 15(1)(g) and 15(1)(i) of the IPART Act.

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

5.5 Our decision for WAMC's tax allowance is $8.2 million

Our decision is:

11. To set the tax allowance at $8.2 million for the 2025 determination period as shown in Table 5.1.

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

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

5.6 WAMC will have sufficient funding to meet its environmental obligations

Under section 15(1)(f) of the IPART Act, we are required to have regard to the need to maintain ecologically sustainable development by taking account of all feasible options to protect the environment.

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

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

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

Chapter 6

Cost shares and cost drivers

06

Summary of our decisions on cost shares and cost drivers

We have accepted most of the cost shares proposed by WAMC

The user share of WAMC's efficient costs is $447.6 or 81% of the notional revenue requirement (NRR) over the 2025 determination period. We have also decided to include an additional $0.4 million cost of debt true-up in the customer share.

Our decision is consistent with the cost shares proposed by WAMC, except for the W06-05 Regional planning and management strategies activity, the W08-02 Consents management and licence conversion activity, operating expenditure on W01 Surface water activities, and capital expenditure on water management surface water activities.

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

The user share for W08-02 was set at 100% in the 2021 Determination and WAMC's Pricing Proposal. Our decision is to apply a user share of 85%.

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

WAMC also proposed the 77% user share be applied to capital expenditure on water management surface water activities. Our decision is to apply a user share of 99%, which is a weighted average of the 100% and 80% user shares for the W01-01 and W07-01 activity codes that comprise surface water capital expenditure, where the weights are our capital expenditure allowances for the two activity codes over the 2025 determination period.

We have accepted most of the cost drivers proposed by WAMC

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

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

We comprehensively reviewed the regional and rural water cost sharing framework in 2019.[168] We made further revisions to this framework as part of our review of WAMC's prices in 2021.[169]

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

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

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

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

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

6.1 We have retained the impactor-pays framework

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

Maintaining a principles-based approach to setting cost shares is important because it signals the total cost of water use, even though final prices for some water sources may be subject to a subsidy. The impactor-pays framework is the principles-based approach we established in the Water Regulation Handbook (see Box 6.1),[170] consistent with the National Water Initiative (NWI) pricing principles, which specify an impactor-pays approach.[171] In our Draft Report we noted the following benefits of the impactor-pays framework:

- By reflecting the cost of high-consumptive water use, the impactor-pays framework seeks to avoid distortions in the price of water relative to the prices of other inputs to production (including household 'production') that would impact allocative efficiency across the economy.
- Water users as a group will not pay more in total than the benefits they receive from the services. If the cost of an activity is higher than water user benefits — that is, if its economic viability depends on external benefits, such as flood mitigation or recreation — we will not allocate the full cost to water users under the impactor-pays framework.[172]
- The impactor-pays framework has enabled transparent reporting of the reasoning for user shares at an activity level.[173]

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

As noted in Chapter 3, several submissions from stakeholders raised concerns about WAMC's proposed cost shares and the impactor-pays framework within which they were derived. One of the common themes across those submissions is that user cost shares should be lower because water management cost increases are being driven by changes in regulation and/or the preferences of the wider community. Regulatory changes identified include policy that is in the public interest,[174] operating licence changes and additional regulatory obligations such as environmental measures,[175] regulation driven by climate change,[176] the complexity of Commonwealth and State legislation,[177] the establishment of NRAR,[178] metering policy, and government reforms reducing access to water.[179] Changes in the preferences of the wider community identified by submissions include those relating to public good services,[180] better water management,[181] and resource management decisions.[182]

These are important concerns. Under the impactor-pays framework, water users are the impactor for costs in many of these cases, because the costs would not be required in a world without high-consumptive water use. The fact that community preferences may be changing over time does not make the community an impactor under the established framework. Impactors are identified relative to a hypothetical counterfactual world without high-consumptive water use. Some stakeholders disagree with the use of this counterfactual.[183]

Other submissions expressed the view that the existing cost sharing framework gives inadequate recognition to the wider public benefits of water management, including environmental outcomes,[184] the benefits of compliance,[185] public safety, bushfire protection, and weed control.[186] The impactor-pays framework factors these benefits into user shares to the degree that the economic viability of an activity relies on those benefits. In most cases, arguments for a greater allocation of costs to government on the basis of these benefits appeal to the use of a different counterfactual. For example, environmental outcomes may be framed as benefits relative to the state of the environment 10 years ago, but relative to a hypothetical world without high-consumptive water use these outcomes do not represent an improvement.

Submissions in response to the Draft Report highlighted some of the key issues that need to be addressed by the cost sharing framework, including:

- whether the counterfactual of a world without high consumptive water use is appropriate[187]
- how to account for changes in community preferences for water management over time (e.g. in relation to environmental and Aboriginal water rights)[188]
- how to account for the wider public benefits from food security,[189] and
- the definitions of policy planning and policy implementation, and the share of WAMC activity in each category.[190]

We have decided to apply our established cost sharing framework in this determination, consistent with the NWI pricing principles. While it was not possible to comprehensively review the framework as part of this price review, we agree there would be merit in a review addressing the issues outlined above. We have therefore decided to conduct a transparent and consultative review of the cost sharing framework during the determination period.

NRAR, in its response to our Draft Report, requested that we clarify that the impactor-pays principle is outside of NRAR's control.[191] WAMC may develop pricing proposals in the long-term interests of the NSW community, including any proposed sharing of costs between water users and NSW Government. However, WAMC develops these proposals in the context of an intergovernmental agreement (the NWI) that specifies an impactor-pays approach and a regulatory framework in which it must explain how proposed cost shares are consistent with IPART's cost sharing framework and principles.[192]

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

6.2 We have accepted most of the cost shares proposed by WAMC

Our decisions are:

12. To allow the cost shares set out in WAMC's proposal with the exceptions of:
    a. W06-05 Regional planning and management strategies for which we set the user share to 0% (compared to 60% in the 2021 Determination and 50% in WAMC's proposal)
    b. W08-02 Consents management and licence conversion for which we set the user share to 85% (compared to 100% in the 2021 Determination and WAMC's proposal)
    c. operating expenditure under the W01 Surface water activity codes, for which we set user shares to 100%, 50%, 60%, 40% and 50% for the W01-01, W01-02, W01-03, W01-04 and W01-05 activity codes, respectively (compared to 77% proposed by WAMC to apply across all W01 activities).
    d. capital expenditure on water management surface water activities, for which we set the user share to 99% (compared to 77% proposed by WAMC).

13. To set the user share of WAMC's notional revenue requirement for water management at $447.6 million or 81%.

We accept WAMC's proposed cost shares, except for those applying to the W06-05 Regional planning and management strategies activity, the W08-02 Consents management and licence conversion activity, operating expenditure in the W01 Surface water activities, and capital expenditure on surface water activities.

The cost shares we accept are identical to those used in the 2021 Determination. As noted above, these cost shares are consistent with our established framework and the NWI pricing principles, however we have decided to conduct a review of the cost sharing framework during the determination period.

The cost shares we have decided to apply to operating expenditure are summarised by activity code in Table 6.1. The same user shares apply to water management, MDBA and BRC operating expenditure. The capital expenditure user shares for water management, MDBA and BRC are summarised in Table 6.2.

Table 6.1 Total operating expenditure user shares by activity code over the 2025 determination period ($ millions, $2024–25)

Cost Code	Cost Code title	Operating expenditure allowance	User share	User share of operating expenditure allowance
W01–01	Surface water quantity monitoring	24.5	100%	24.5
W01–02	Surface water data management and reporting	2.5	50%	1.2
W01–03	Surface water quality monitoring	6.0	60%	3.6
W01–04	Surface water algal monitoring	1.3	40%	0.5
W01–05	Surface water ecological condition	8.9	50%	4.4
W02–01	Groundwater quantity monitoring	21.9	100%	21.9
W02–02	Groundwater quality monitoring	3.1	100%	3.1
W02–03	Groundwater data management and reporting	0.5	100%	0.5
W03–01	Water take data collection	0.0	100%	0.0
W03–02	Water take data management and reporting	0.0	100%	0.0
W04–01	Surface water modelling	22.4	70%	15.7
W04–02	Groundwater modelling	5.9	100%	5.9
W04–03	Water resource accounting	3.0	100%	3.0
W05–01	Systems operation and water availability management	21.8	100%	21.8
W05–02	Blue-green algae management	3.7	40%	1.5
W05–03	Environmental water management	19.7	80%	15.7
W05–04	Water plan performance assessment and evaluation	23.0	50%	11.5
W06–01	Water plan development (coastal)	14.7	70%	10.3
W06–02	Water plan development (inland)	22.1	70%	15.5
W06–03	Floodplain management plan development	16.2	0%	0.0
W06–04	Drainage management plan development	0.0	0%	0.0
W06–05	Regional planning and management strategies	14.3	0%	0.0
W06–06	Development of water planning and regulatory framework	8.4	80%	6.7
W06–07	Cross-border and national commitments	12.8	50%	6.4
W07–01	Water management works	33.7	80%	27.0
W08–01	Regulation systems management	0.0	100%	0.0
W08–02	Consents management licence conversion	6.8	85%	5.7
W08–03	Compliance management	142.0	100%	142.0
W09–01	Water consents transaction	0.0	100%	0.0
W10–01	Customer management	14.9	100%	14.9

Cost Code	Cost Code title	Operating expenditure allowance	User share	User share of operating expenditure allowance
W10–02	Business governance support	23.4	80%	18.7
W10–03	Billing management	8.7	100%	8.7
Total		**486.1**		**390.9**

Note: Includes water management, MDBA and BRC operating expenditure.

Source: IPART analysis.

Table 6.2 Capital expenditure user shares by activity over the 2025 determination period ($ millions, $2024–25)

Activity	Capital expenditure allowance	User share	User share of capital expenditure allowance
Water management			
Surface water (contains W01-01 & W07-01 capex)	17.1	99%	16.9
Ground water (contains W02-01 capex)	16.9	100%	16.9
Corporate (contains W10-02 capex)	72.1	80%	57.7
MDBA			
Surface water (contains W01-01 & W07-01 capex)	4.5	80%	3.6
Ground water (contains W02-01 capex)	0.0	100%	0.0
Corporate (contains W10-02 capex)	0.0	80%	0.0
BRC			
Surface water (contains W01-01 & W07-01 capex)	0.6	100%	0.6
Ground water (contains W02-01 capex)	0.1	100%	0.1
Corporate (contains W10-02 capex)	0.0	80%	0.0
Total	**111.4**		**95.9**

Note: The water management surface water user share is a weighted average of the W01-01 and W07-01 capex included in this capex category.

Source: IPART analysis.

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

WAMC proposed to decrease to the user share of activity W06-05 from 60% to 50%. It stated that increased requirements associated with understanding the impacts of climate change shifted the balance of shares towards government. Our independent expert, Stantec, considered that the climate change modelling is driven by a need to understand water availability and does not imply a change in impactors. Stantec recommended rejecting WAMC's proposed change.[193]

Stantec also made a strong case that W06-05 should be fully government funded. It explained that, with the benefit of being able to review the completed regional plans, it is now apparent the plans are more akin to policy development than policy implementation and do not resemble the catchment-level or localised plans that are specified as potentially user-funded by the NWI pricing principles.[194] We agree W06-05 should be fully government funded in the 2025 determination period.

WAMC has submitted in its response to our Draft Report that this view is inconsistent with our view in the 2021 price review that regional water planning is a 'policy implementation' activity and that, under the NWI Pricing Principles, these costs should be recovered from water users.[195] We have not changed our view that the costs of policy implementation activity should be recovered from impactors. Rather, we are no longer satisfied that the plans represent policy implementation. This changed view is based on the nature of strategies that have been released since the 2021 determination. As noted in Section 6.1, there would be merit in further review of the categorisation of activity between policy development and policy implementation.

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

6.2.2 We have set the user share for W08-02 regional planning and management strategies to 85%

We have decided to change the user share for W08-02 (consents management and licence conversion) from 100% to 85%. This change is related to our decision to adopt Stantec's upper bound estimate of efficient operating expenditure on W08-02 activities (discussed in Chapter 4). The increase in the expenditure allowance for W08-02 between our Draft Report and Final Report relates to "transcription of floodplain management plans into mandatory conditions".[196] We set the user share for floodplain management plan development (W06-03) at 0% on the basis that broad land management planning is likely to occur even in a world without high consumptive water use.[197] It follows that transcription of those plans into mandatory conditions would also take place in that counterfactual. Stantec has estimated that 15% of W08-02 expenditure relates to this transcription.[198] We therefore allocate 15% of W08-02 expenditure to the government share, with the remaining 85% allocated to users.

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

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

6.2.4 We have updated the user share for water management surface water capital expenditure

WAMC proposed the 77% user share applying to W01 operating expenditure also be applied to capital expenditure on water management surface water activities. Our decision is to apply a user share of 99%, which is a weighted average of the 100% and 80% user shares for the W01-01 and W07-01 activity codes that comprise surface water capital expenditure, where the weights are our capital expenditure allowances for the two activity codes over the 2025 determination period.

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

We discuss how we used our building block approach to calculate the NRR in Chapter 5. The cost shares result in an overall user share of the water management NRR of 81%. This compares to an overall user share of 78% of the water management NRR in the 2021 Determination (Table 6.4).

6.3 We have accepted most of WAMC's proposed cost drivers to allocate cost across the water sources

Our decision is:

14. To allow WAMC's proposed cost drivers, except the proposed driver for W05-03. The resulting allocation across water sources of the user share of WAMC's efficient costs is as shown in Table 6.4.

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

6.3.1 We have accepted 2 of WAMC's proposed changes to cost drivers

Our decisions on the cost drivers for which changes were proposed by WAMC are shown in Table 6.3. We accept WAMC's proposal to retain the cost drivers used in the 2021 Determination for other activity codes.

Our independent expert, Stantec, agreed with WAMC's proposed cost drivers, with the exception of W05-03. It found no evidence that the proposed driver (dollar cost of environmental water management works) would be superior to the driver used in the 2021 Determination (environmental entitlements).[199]

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

This approach is unchanged from our Draft Report. Some submissions in response to our Draft Report raised concerns about cost drivers. There would be merit in giving these issues closer consideration as part of any price structure review during the 2025 determination period. Key issues any review could usefully address include how cost drivers account for the surveillance and monitoring activities[200] and other services provided by irrigation infrastructure operators.[201]

Table 6.3 Decision on WAMC's proposed changes to cost drivers for the 2025 determination period

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

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

6.3.2 Impact of our cost driver decision on user share

The impact of the two changes in cost drivers proposed by WAMC which we accept is shown in Table 6.4. The changes result in a reduction in the share of efficient expenditure allocated to regulated rivers and increases in the shares allocated to unregulated rivers and groundwater.

Table 6.4 Decision on allocation of user share of NRR across water sources ($ millions, $2024–25)

	2021 Determination		2025 Determination	
Water source	**Annual average**	**%**	**Annual average**	**%**
Regulated rivers	26.7	35.5%	47.2	34.1%
Unregulated rivers	17.4	23.1%	36.4	26.3%
Groundwater	14.7	19.6%	28.5	20.6%
User share of NRR	**58.8**	**78.2%**	**112.0**	**81.0%**
Government share of NRR	16.4	21.8%	26.3	19.0%
Total NRR	75.2	100.0%	138.3	100.0%

Note: The figures in this table are inclusive of the user share of cost of debt true-up.
Source: IPART analysis.

Chapter 7

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

07

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

We set an NRR of $47.3 million for MDBA to apply from 2025-26 to 2028-29

We have accepted WAMC's proposed total MDBA-related costs for the determination period. However, we disaggregated the expenditure where we had information to distinguish between the operating and capital expenditure of the MDBA.

In the draft decision, we were unable to determine the efficient costs for WAMC's MDBA contributions due to insufficient information. In response to the Draft Report, we received new and relevant information that enabled us to assess that WAMC's contribution to the MDBA is efficient.

We set an NRR of $2.8 million for BRC to apply from 2025-26 to 2028-29

We have accepted WAMC's proposed total BRC-related costs for the determination period. However, we disaggregated the expenditure where we had information to distinguish between the operating and capital expenditure of the BRC.

Based on the submissions we received, we consider our draft decision to keep prices constant would result in an over-recovery of revenue.

We applied the building block approach to WAMC's MDBA and BRC costs

We consider this approach is more efficient and equitable than recovering expenditure in the year it occurs (our previous approach).

In particular, capital expenditure would be recovered over the useful life of the assets it creates.

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

IPART does not directly regulate the MDBA and BRC. However, under section 15 of the IPART Act, the Tribunal may consider a number of matters when making pricing determinations including the costs of providing the services concerned and social impacts. WAMC is enabled, on behalf of the NSW Government, by the MDBA and BRC charges to recover NSW's portion of efficient costs for MDBA and BRC between water users and the NSW Government.

In making our decisions on MDBA and BRC pricing we considered WAMC's proposal, including the supplementary information it provided to IPART, stakeholder feedback to our Issues Paper and Draft Report.

7.1 WAMC proposed expenditure for the MDBA and the BRC

7.1.1 WAMC's proposal for MDBA-related expenditure raised concerns with some stakeholders

WAMC proposed a significant increase in expenditure for MDBA in the 2025 determination period. WAMC proposed expenditure for its MDBA-related contribution that is $2.4 million per year, or 23%, higher than the average expenditure allowance in the 2021 determination after adjusting for inflation.

In response to the Issues Paper and the Draft Decision, many stakeholders raised concerns relating to the proposed expenditure for the MDBA. Stakeholders indicated concerns about the lack of transparency regarding the underlying expenditure and how it relates to the MDBA's core functions and other policy-related costings.

7.1.2 WAMC's proposal for BRC-related expenditure was below the allowance from the 2021 price review

WAMC's total (capital and operating) expenditure on BRC was only around half of the allowance in the 2021 determination period. WAMC has proposed an expenditure profile that averages $0.8 million per year in the 2025 determination. This is $0.4 million per year or 32% lower than the allowance in the 2021 determination after adjusting for inflation.

7.2 We've applied the building block method for MDBA and BRC expenditures

We received information in response to the Draft Report that that was relevant to determining the efficient cost underpinning WAMC's MDBA and BRC related charges. Using this information, we have applied the building block approach to WAMC's share of these efficient MDBA and BRC costs.

7.2.1 Capital expenditure should be recovered over its useful life

We decided to split the underlying expenditure for WAMC's MDBA and BRC contributions where we had information to distinguish between operating and capital expenditure. We acknowledge this may not reflect WAMC's treatment of the expenditure related to the MDBA and the BRC contributions. The maximum prices set by IPART do not seek to exactly reflect input pricing arrangements for the regulated business. Maximum prices typically recover the costs using a straight-line depreciation and provide a return on the capital invested.

We consider that capital expenditure should be recovered over the economic life of the assets it creates. This approach assures that water users who receive a service from an asset over time contribute to its cost.

Under our standard building block approach, efficient:

- operating expenditure is passed through in the year it occurs
- capital expenditure is added to the RAB, and we include allowances for depreciation and return on assets for the value of that RAB.

This approach supports the principle that water users should only pay for their share of an asset that may deliver services over a long period, and the utility is compensated for:

- its initial investment (through a depreciation allowance for assets in the RAB)
- the economic cost of holding those assets over time (through the allowance for a return on assets, calculated as WACC x RAB).

In its proposal, WAMC proposed to treat all expenditure for MDBA and BRC as operating expenditure. We consider that there are disadvantages from this approach.

In making our decision, we considered the intergenerational impacts from passing capital costs through as operating expenditure. Recovery of capital expenditure upfront requires current users to pay for assets that ultimately benefit future users. This could be inequitable. If the costs are paid upfront, current users pay (and may not benefit), while future users benefit but might not bear any of the costs required to deliver those benefits. We also considered the potential impact on price stability from treating underlying capital expenditure as operating expenditure. Capital expenditure may be "lumpy" so there is a potential for one-off expenditure to have a significant, but short-lived impact on prices. This could lead to inefficient price signals as the cost of holding and consuming assets is not properly reflected through time.

7.2.2 We set efficient capital and operating expenditure for MDBA and BRC

Our decisions allowed for:

- total expenditure for MDBA of $50.9 million for the 2025 determination period. This is the same as WAMC's proposal
- total expenditure for BRC of $3.2 million for the 2025 determination period. This is the same as WAMC's proposal.

The split between operating and capital expenditure is shown in Table 7.1 and is inclusive of both user and government contributions.

Table 7.1 Classification of the underlying expenditure for MDBA and BRC ($'000, $2024-25) (excl. inflation)

Water sources	2025-26	2026-27	2027-28	2028-29	Total
MDBA					
Operating expenditure	11,976	10,828	11,694	11,837	46,336
Capital expenditure	1,990	1,073	708	750	4,521
Total expenditure	**13,966**	**11,902**	**12,402**	**12,587**	**50,857**
BRC					
Operating expenditure	600	634	637	633	2,505
Capital expenditure	184	161	193	174	712
Total expenditure	**784**	**796**	**830**	**808**	**3,217**

Note: Totals may not add due to rounding.

Source: IPART analysis

For MDBA, we classified $4.5 million of the contributions as capital expenditure over the 2025 determination. This is equivalent to 9% of total expenditure. The capital expenditure relates to the Salt Interception Schemes.

For BRC, we classified $0.7 million of the contributions as capital expenditure over the 2025 determination. This is equivalent to 22% of the total expenditure. The capital expenditure relates to the BRC's renewal and enhancement activity.

7.2.3 We set the NRR for WAMC's MDBA and BRC expenditures

The notional revenue requirement (NRR) represents the total efficient expenditures of delivering services. They include allowances for:

- operating expenditure
- regulatory depreciation
- return on capital
- tax
- working capital

Table 7.2 and Table 7.3 below respectively shows the NRRs for WAMC's efficient MDBA and BRC activities over the 2025 determination period arising from our decisions.

Table 7.2 WAMC's MDBA-related NRR ($million, $2024-25) (excl. inflation)

Item	2025-26	2026-27	2027-28	2028-29	Total
Operating expenditure	12.0	10.8	11.7	11.8	46.3
Return on assets	0.0	0.1	0.1	0.1	0.4
Regulatory depreciation	0.0	0.0	0.1	0.1	0.2
Tax allowance	0.0	0.0	0.0	0.0	0.0
Working capital allowance	0.1	0.1	0.1	0.1	0.3
Total	**12.1**	**11.0**	**12.0**	**12.2**	**47.3**

Note: Totals may not add due to rounding

Source: IPART analysis

Table 7.3 WAMC's BRC-related NRR ($million, $2024-25)(excl. inflation)

Item	2025-26	2026-27	2027-28	2028-29	Total
Operating expenditure	0.6	0.6	0.6	0.6	2.5
Return on assets	0.0	0.0	0.0	0.0	0.1
Regulatory depreciation	0.0	0.0	0.0	0.1	0.2
Tax allowance	0.0	0.0	0.0	0.0	0.0
Working capital allowance	0.0	0.0	0.0	0.0	0.1
Total	**0.6**	**0.7**	**0.7**	**0.7**	**2.8**

Note: Totals may not add due to rounding

Source: IPART analysis

Chapter 8

Demand

Summary of our decisions for water entitlement and water take forecasts

For regulated rivers, we used WAMC's forecast methods

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

For unregulated rivers and groundwater sources, we used WAMC's forecast methods

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

For floodplain harvesting, we used WAMC's forecast methods

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

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

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

This chapter sets out the water entitlement and water take forecasts we used to calculate fully cost reflective prices for regulated rivers, unregulated rivers and groundwater sources. As required under section 15(1)(j) of the IPART Act, we consider levels of demand when setting prices. We have included floodplain harvesting entitlements and water take forecasts for the water sources where floodplain harvesting is available, or expected to be available, during the determination period.

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

8.1 Regulated rivers

Our decision is:

15. To set WAMC's water entitlements and water take forecasts for regulated rivers for the 2025 determination period as shown in Table 8.1 and Table 8.2 respectively.

8.1.1 We used WAMC's water entitlement forecasts for regulated rivers

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

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

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

Source: IPART analysis based on data supplied by WAMC.

8.1.2 We used WAMC's water take forecasts for regulated rivers

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

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

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

Water source	Non-floodplain harvesting water take	Floodplain harvesting water take	Lowbidgee	Total forecast water take
Border	132,090	15,500	0	147,590
Gwydir	212,956	31,399	0	244,355
Namoi	132,494	12,714	0	145,208
Peel	11,597	0	0	11,597
Lachlan	159,390	0	0	159,390
Macquarie	199,081	14,673	0	213,755
Murray	1,347,696	0	0	1,347,696
Murrumbidgee	1,493,305	0	59,811	1,553,116
North Coast	671	0	0	671
Hunter	113,030	0	0	113,030
South Coast	3,817	0	0	3,817

Source: IPART analysis based on data supplied by WAMC.

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

8.2 Unregulated rivers

Our decision is:

16. To set WAMC's water entitlements and water take forecasts for unregulated rivers for the 2025 determination period as shown in Table 8.3 and 8.4 respectively.

8.2.1 We used WAMC's water entitlement forecasts for unregulated rivers

We used WAMC's proposal for constant water entitlement volumes for the unregulated rivers over the 2025 determination period (Table 8.3). The forecast was based on the latest year of actual entitlements (i.e. 2023–24). In making our decision, we recognised that WAMC applied the same forecasting approach to water entitlements it used in the 2021 price review and that water entitlement volumes have historically been stable.

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

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

Source: IPART analysis based on data supplied by WAMC.

8.2.2 We used WAMC's water take forecasts for unregulated rivers

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

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

Water source	2025-26	2026-27	2027-28	2028-29
Border	14,452	16,723	16,832	16,941
Gwydir[a]	10,149	11,803	11,829	11,854
Namoi[a]	45,252	51,126	51,174	51,223
Peel	2,730	2,781	2,798	2,815
Lachlan	6,255	8,262	8,313	8,364
Macquarie	70,788	84,310	84,772	85,233
Far West[a]	203,173	207,020	207,246	207,473
Murray	7,512	9,263	9,294	9,325
Murrumbidgee	16,975	19,217	19,333	19,449
North Coast	56,929	59,345	59,529	59,713
Hunter	111,462	114,879	115,921	116,975
South Coast	543,102	545,150	555,081	554,339

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

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

8.3 Floodplain harvesting

Our decision is:

17. To set WAMC's water entitlements and water take forecasts for floodplain harvesting for the 2025 determination period as shown in Table 8.5.

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

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

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

We accepted WAMC's assumption that the water take will be 30% per year of forecast entitlements. The NSW Irrigators' Council indicated this assumption is likely to be fairly accurate though it noted there will be variation across the different valleys.[202] Given the limited historical data, we considered that WAMC's assumption was reasonable.

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

Water source	Forecast entitlements	Forecast water take
Regulated rivers		
Border	51,665	15,500
Gwydir	104,663	31,399
Namoi	42,379	12,714
Macquarie	48,911	14,673
Total regulated rivers	**247,618**	**74,286**
Unregulated rivers		
Gwydir	13,125	3,937
Namoi	52,913	15,874
Far west	51,322	15,397

Water source	Forecast entitlements	Forecast water take
Total unregulated rivers	**117,359**	**35,208**
Total floodplain harvesting	**364,978**	**109,493**

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

8.4 Groundwater

Our decision is:

18. To set WAMC's water entitlements and water take forecasts for groundwater for the 2025 determination period as shown in Table 8.6 and Table 8.7 respectively.

8.4.1 We used WAMC's water entitlement forecasts for groundwater

We accepted WAMC's proposal to use the same approach to forecast groundwater entitlements as it did for entitlements on unregulated rivers (section 8.2.1). The proposal contained constant groundwater entitlement volumes over the 2025 determination period (Table 8.6).

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

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

Source: IPART analysis based on data supplied by WAMC.

8.4.2 We used WAMC's water take forecasts for groundwater

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

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

Water source	2025-26	2026-27	2027-28	2028-29
Inland (ex. Murrumbidgee)	490,816	510,752	512,015	513,278
Inland Murrumbidgee	244,282	247,173	247,250	247,328
Coastal	70,562	82,244	83,201	84,161

Note: Forecast increases in meter adoption contributes to an increase in the forecast water take.
Source: IPART analysis based on data supplied by WAMC.

8.5 Improving water take forecasts

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

Chapter 9

Price setting

Summary of our approach to price structures and our decisions

Our decision is to maintain price structures

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

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

We continue to transition prices towards full cost recovery levels

Our decisions transition prices toward full cost reflective levels while mitigating the financial impact on water users. Prices will increase at an annualised rate of 5% per year for water management charges, and 2.5% for the minimum annual charge, before inflation, towards full cost recovery. This is lower than the 15% cap on annual price increases proposed by WAMC for water management charges (WAMC consulted on 2.5%, 5% and 10% price caps).

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

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

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

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

Under our decisions WAMC will bear a portion of these new costs due to uncertainty over the forecast water take for floodplain harvesting, uncertainty over these costs and the limited customer consultation on the new floodplain harvesting charge.

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

9.1 We set prices to recover efficient costs

Our decisions are:

19. To maintain the approach and set for the 2025 determination period:
    a. Metered charges, comprising of an entitlement charge ($ per ML of entitlement or unit share) and a water take charge ($ per ML of water extracted), for regulated water, unregulated water and groundwater sources, where water take is measured, and
    b. Unmetered charges, comprising of an entitlement charge ($ per ML of entitlement or unit share), for unregulated water and groundwater sources, where water take is not measured.

20. To maintain the approach and set for the 2025 determination period unmetered charges as the sum of the entitlement charge and water take charge set for metered charges in each water source.

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

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

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

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

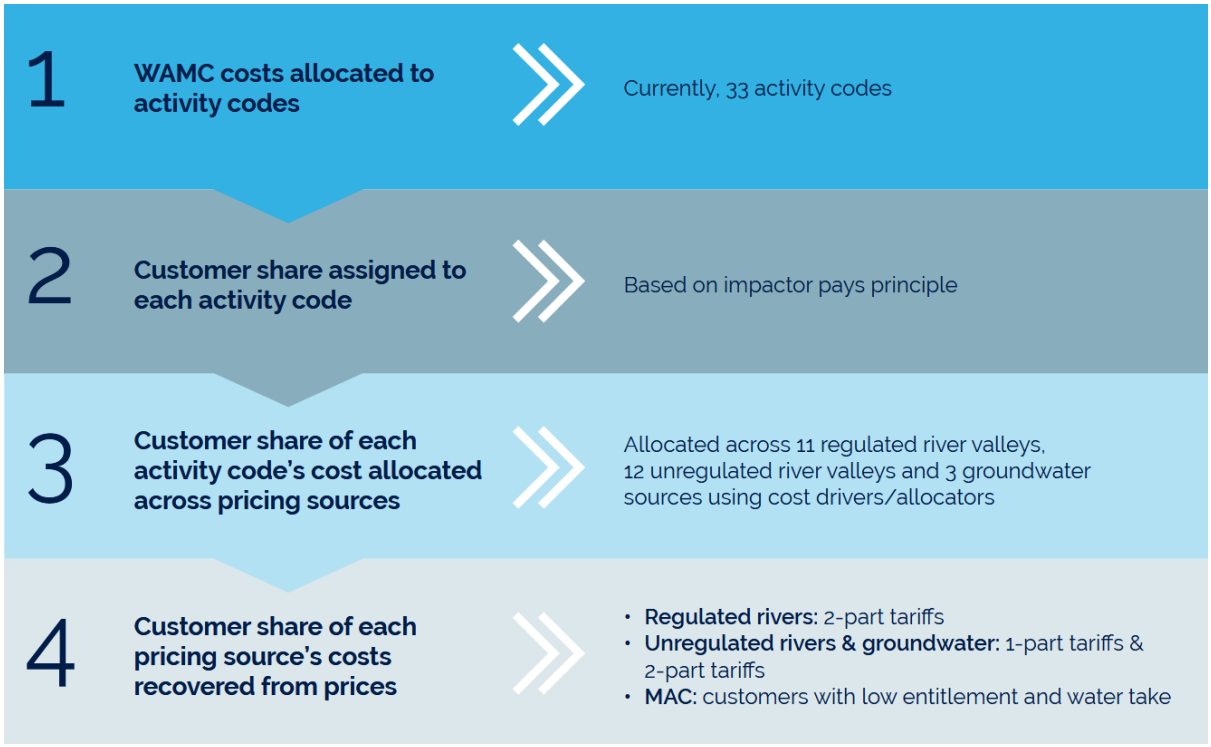
- allocating costs to water management activities (codes)
- applying the impactor pays principle to determine water customers' share of the costs of each activity
- allocating the customer share of each activity across each water source using cost allocators to determine the customer share of the 'notional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

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

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

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

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



Source: Attachment M of WAMC's pricing proposal

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

- price structure
- approach to managing transition to full cost recovery
- metropolitan water planning prices
- special categories of licences
- floodplain harvesting approach
- drought pricing
- discharge factors.

These elements ultimately inform the prices that we set, as outlined in Chapter 10.

In this chapter we discuss feedback from stakeholders and our assessment of the social impacts of our current pricing structure on WAMC's customers, as required under section 15(1)(k) of the IPART Act. We have made decisions on price structures that we consider minimise these social impacts by minimising bill shock through capped price increases.

Our decisions were made with careful consideration of the resulting social impacts and protection of customers from abuses of monopoly power, as required under sections 15(1)(b) and 15(1)(k) of the IPART Act. In particular, we considered that the capped price increases would limit sudden bill impacts for customers, and the weighing of entitlement and take charges enables customers to have sufficient control over their total bills.

9.1.1 Continuing to set prices for each water source

WAMC proposed to maintain the existing geographic split of prices across 3 water types[203] as set in the 2016 and 2021 Determinations.

Some stakeholders raised concerns that it is difficult for customers and stakeholders to understand whether costs are efficiently or fairly split with pricing being water source based, but with expenditure not clearly mapped to valleys.[204]

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

Interaction with floodplain harvesting prices

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

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

9.1.2 We accept maintaining the entitlement-to-water take ratio of 70:30

When setting prices for metered charges, the ratio of entitlement-to-water take prices is usually set to approximate the underlying cost structure of the agency or utility in question. WAMC proposed maintaining the current 70:30 entitlement-to-water take ratio for metered charges[205].

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

The exception to the 70:30 ratio is the North Coast regulated water source, which currently has a 92:08 entitlement-to-water take ratio. The ratio is set at a different level to reflect a low water activation rate for this water source, and mitigate bill and revenue variability that would result from applying a 70:30 ratio. This is consistent with our 2021 Determination and WAMC has not proposed changes.[206]

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

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

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

Consistent with our 2021 decision and WAMC's 2024 pricing proposal, our decision is to continue to apply entitlement and water take charges for the 3 pricing components (water management, MDBA and BRC). In Chapter 10, we present prices for each water source as follows:

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

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

WAMC's submission proposed changes to the allocation of 3 activity codes to reflect a more direct attribution of costs[207]. As discussed in Chapter 6, our decision is to accept the proposed changes, except for that relating to W05-03 on the basis that there is insufficient evidence that the proposed driver would be superior.

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

Our decisions are:

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

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

9.2.1 Prices will continue to transition towards full cost recovery

WAMC proposed recovering the user share of its proposed costs through a combination of price increases and additional contributions from the NSW Government.[208]

- WAMC proposed its water management charges (excluding BRC and MDBA) increase from 2024–25 price levels at a capped annual real rate of 2.5% for customers on the MAC and otherwise 15% to mitigate price impacts on customers.
- WAMC's proposal would result in an under-recovery of revenue for all water sources.[209]

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

9.2.2 WAMC and water users remain apart on proposed price caps

In our Draft Report, we proposed an annual cap on price increases of 5% for water management.

Water users preferred IPART's draft decision 5% annual cap on water management prices over WAMC's proposed 15% annual cap, with suggestions some may see it as a 'reprieve'.[210] Murrumbidgee Irrigation supported the actions taken by IPART to limit price increases in light of the initial proposal by WAMC, but said that 15.8% over 3 years plus CPI is still a significant price rise.

Some water users however did not see a 5% cap as appropriate, and advocated for no price rise, or alternatively a price drop. As a result, most stakeholders did not support the 5% cap:

- Murray Irrigation did not support the 5% cap on the basis that as IPART identified a large amount of inefficient operating expenditure, WAMC has not demonstrated a reliable or efficient cost base and should not see any price increases (above CPI).[211]
- Lachlan Valley Water (LVW) supported the proposed 5% price cap, on the basis that this would mitigate the extent of price increases for WAMC customers.

- Coleambally Irrigation Co-operative Limited (CICL) did not support the 5% price cap, and instead advocated for IPART to only apply CPI to WAMC charges.
- Hunter Valley Water Users Association (HVWUA) did not support the proposed 5% cap, stating its view that water users should only have to pay for baseline service delivery. It also noted that while WAMC's bills have increased the "unregulated meter gauges are still poorly maintained, processing times for admin forms have not improved, access to in-person water agency staff is in decline (…)".[212]

WAMC does not support the 5% cap, on the basis that it subsidises larger water users at the expense of other government priorities and will create undue risk to its water management outcomes.[213]

WAMC state that IPART's price cap decision would result in:

- "IPART dictating the NSW Government subsidy to water users – we suggest the NSW Government is best placed to allocate its budget across the community (given the Government's role and holistic view of a range of competing interests for funding), or
- Leaving WAMC with a significant revenue shortall that, when combined with IPART's decisions on WAMC's expenditure allowances, means water management outcomes and obligations will not be delivered – if the NSW Government elects not to provide this additional funding."[214]

As discussed in Chapter 1, we consider that IPART has a legitimate role in making sure that customers pay what is efficient. IPART's Final Report and Determination do not prescribe how funding is used, and WAMC is able to prioritise their expenditure.

9.2.3 IPART's affordability analysis of WAMC's proposal

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

IPART's analysis of gross margins data from CottonInfo[215] showed that the impact of WAMC's proposal would reduce the gross margins of northern Basin cotton farms by around 1%, with Namoi being the most affected. We also analysed the impact of WAMC's proposal to 2029-30 for local water utilities (LWU).

Our priority is to establish price levels that reflect efficient costs and then consider how best to transition towards these efficient cost reflective prices in a way that allows water licence holders time to adapt. Large price shocks could result in unintended consequences (e.g. disrupting sectors of the economy and impacting communities).

The analysis mentioned above informed our view to set a cap on water management prices that was lower than WAMC's proposed 15% annual cap (before inflation) and formed part of IPART's holistic consideration of the relevant matters under the IPART Act (see Appendix A).

We note that WAMC consulted with stakeholders on price cap levels of 2.5%, 5%, and 10%[216], which suggest they considered caps of that quantum reasonable options.

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

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

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

The Tribunal considered whether to increase the cap on annual price increases from the 5% per year before inflation proposed in our Draft Report, to either 7.5% or 10% per year before inflation. We considered several factors, including:

- the 2.5% per year before inflation cap on WAMC prices that applied over the 2021 determination period
- the feedback WAMC received on the options it presented (2.5%, 5% and 10%) during its customer consultation process
- stakeholder feedback we received throughout this price review and the expected impacts on WAMC's revenue that would result from prices under these various options.

We consider a 5% cap on annual price increases (before inflation) strikes the appropriate balance of these considerations and will allow for a sustainable transition of WAMC's prices towards full cost reflective levels over the 2025 determination period.

Under the 5% price cap on price increases, water management charges will increase by up to 15.8% over the determination period (before inflation).

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

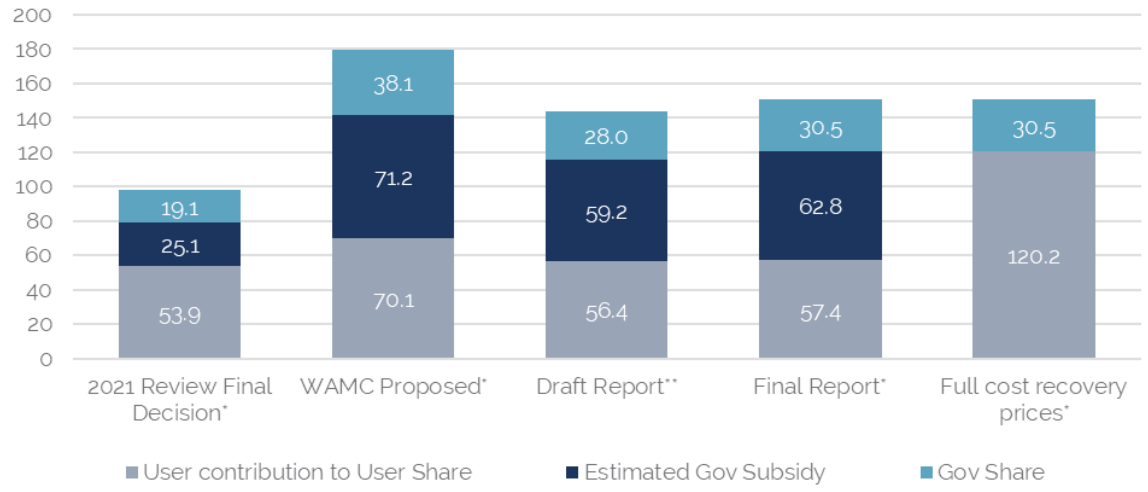
We additionally consulted on a 10% price cap. No licence holders supported a potential 10% annual price cap. WAMC also did not respond to this question, nor identify it as a compromise position.

9.2.5 NSW Government contributions have increased since the 2021 Determination

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

Figure 9.2 shows that that estimated NSW Government contributions over the 2025 determination period will be on average $49.1 million higher per year than the 2021 determination period. However, this will be on average $16.0 million lower per year than forecast in WAMC's pricing proposal.

Figure 9.2 Notional revenue requirement by contribution component of the 2025 determination period as annual averages ($ million, $2024–25)



* Averaged over four years. For WAMC's proposal we used the average of the first four years.
** Averaged over three years, based on draft determination period.
Source: IPART analysis.

The impact of our expenditure and cost share decisions (see Chapters 4 through 6) is that the user share, government contribution to the user share, and government share are all greater than they were in our Draft Report, as summarised in Table 9.1.

Table 9.1 Impact of Final Report decisions on user contribution, Government contribution to user share and government share ($ millions, $2024-25)

	Draft Report	Final Decisions	$ change from Draft Report	% change from Draft Report
User contribution to User Share	56.4	57.4	1.0	1.8%
Government contribution to User Share	59.2	62.8	3.6	6.1%
Government Share	28.0	30.5	2.5	9.0%
Difference between WAMC proposed NRR and final decision	35.7	28.6	-7.0	-19.7%

Source: IPART analysis.

All water sources will remain below full cost reflective levels at the end of the determination period. Target revenue as a percentage of the user share of the Notional Revenue Requirement (NRR) is called 'the level of cost recovery'. Consistent with WAMC's pricing proposal, we understand the shortfall will be funded by the NSW Government over the 2025 determination period.

Table 9.2 summarises the impact of our pricing decisions on the level of cost recovery for water management prices. It shows that, for water sources not at full cost recovery, our maximum prices will transition towards full cost recovery levels at a capped real rate of 5% per year from 2025-26 to 2028-29. These percentages show the proportion of the customer share that is expected to be recovered through WAMC prices.

Table 9.2 Impact of water management prices on cost recovery levels

Water source	2025-26	2026-27	2027-28	2028-29
Regulated				
Border	52%	54%	57%	60%
Gwydir	46%	48%	50%	52%
Namoi	42%	44%	46%	48%
Peel	40%	42%	44%	46%
Lachlan	38%	39%	41%	43%
Macquarie	41%	43%	45%	47%
Murray	39%	40%	42%	44%
Murrumbidgee	44%	46%	48%	51%
North Coast	15%	15%	16%	17%
Hunter	45%	47%	49%	51%
South Coast	23%	24%	25%	27%
Unregulated				
Border	31%	32%	34%	35%
Gwydir	28%	29%	30%	32%
Namoi	26%	27%	28%	30%
Peel	36%	37%	38%	40%
Lachlan	38%	38%	40%	41%
Macquarie	37%	39%	40%	42%
Far West	36%	37%	39%	41%
Murray	31%	32%	33%	35%
Murrumbidgee	35%	36%	38%	39%
North Coast	34%	36%	38%	39%
Hunter	32%	33%	35%	36%
South Coast	54%	57%	59%	62%
Groundwater				
Inland	50%	53%	55%	58%
Border	42%	44%	46%	48%
Murrumbidgee	34%	35%	37%	38%
Coastal	44%	46%	49%	51%

Source: IPART analysis.

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

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

WAMC proposed to notionally transition the MAC towards full cost recovery by increasing it at a rate of 2.5% per year, noting it will not occur within the determination period[217].

The MAC is intended to recover most of the cost associated with account management services for small-sized water holding.[218] Stakeholders submissions to our Issues Paper indicated this aspect is not well understood, particularly as differing prices across water sources mean the associated allowed volumes under the MAC vary.[219] WAMC also note that the MAC does not cover what they perceive to be efficient administrative costs, at $935[220] per annum (up from $500 in the previous proposal)[221].

In submissions to our Draft Report, NSWIC criticised the 2.5% cap on the minimum annual charge (MAC), as creating a 2-tiered pricing model, where WAMC can seek higher price rises for larger water users based on a "dubious claim this group can afford it better",[222] with CICL and other stakeholders echoing those sentiments.[223]

LVW described the difference as discriminatory, and suggested that WAMC should develop a process to retire small licences if holders are not receiving a benefit from the licence.[224]

We discuss potential reform of the MAC in Chapter 14.

Our decision is to accept WAMC's proposal to notionally transition the MAC towards full cost recovery at a rate of 2.5% per year.

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

Our decision is:

26. To adjust the prices to apply over the 9 months from 1 October 2025 to 30 June 2026 to account for the difference in revenue WAMC would expect to recover as a result of the determination commencing on 1 October 2025.

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

The effect of this adjustment is that:

- Water management charges have remained unchanged from 1 July to 30 September 2025 and will increase by 9,8% (7.4% before inflation plus 2.4% inflation) from 1 October 2025 to 30 June 2026.
- The MAC has remained unchanged from 1 July to 30 September 2025 and will increase by 6.4% (3.9% before inflation plus 2.4% inflation) from 1 October 2025 to 30 June 2026.[a]
- MDBA and BRC prices have remained unchanged from 1 July to 30 September 2025 and will change as represented in Table 9.3 from 1 October 2025 to 30 June 2026.

Table 9.3 Delay true-up adjustment applied to 2025-26 prices (which apply from 1 October 2025 to 30 June 2026)

Water source	MDBA	BRC
Regulated Rivers		
Border	2.5%	-25.9%
Gwydir	2.2%	
Namoi	2.1%	
Peel	2.2%	
Lachlan	2.4%	
Macquarie	2.2%	
Murray	1.3%	
Murrumbidgee	1.0%	
Unregulated Rivers		
Border	3.4%	
Gwydir	3.4%	
Namoi	3.4%	
Peel	3.4%	
Lachlan	9.6%	
Macquarie	9.6%	
Far West	0.8%	-13.0%
Murray	0.9%	
Murrumbidgee	5.2%	
Groundwater		
Inland	6.5%	
Border	6.5%	2.3%
Murrumbidgee	6.5%	

Source: IPART analysis.

[a] The figures for water management and MAC increases do not add up due to rounding.

These adjustments to charges are intended to result in the average prices applying over 2025-26 to be equal to what these prices would have been had the introduction of new prices not been delayed by 3 months. We note that while this adjustment will affect prices that apply over 2025-26, it will not affect prices in later years of the determination. While the annualised increase for water management charges and the MAC are 5% and 2.5% respectively for the determination period, this adjustment also causes a smaller annual increase from 2025-26 to 2026-27.

9.4 Metropolitan water planning charges

Our decision is:

27. To apply a separate WAMC charge to WaterNSW and Hunter Water, to recover the user share of water planning costs by way of an additional fixed charge ($ per ML of entitlement or unit share) applied to relevant water access licences.

In our 2016 and 2021 Determinations, we set a separate charge for WaterNSW to recover the costs of metropolitan water planning for the Greater Sydney region based on the impactor pays principle. We concluded that the impactor was WaterNSW[225]. WaterNSW is a major water utility that, on behalf of its customers, creates the need for metropolitan water planning to preserve a suitable balance between water supply and demand over time. Water access licences held by major water utilities provide for this demand. This means that WAMC can charge a special levy to WaterNSW to recover the cost of water planning for the Greater Sydney region. Consequently, WaterNSW has passed this cost onto its customers in the relevant region.

For this review, WAMC proposed to continue setting a separate charge to WaterNSW, and introduce a new charge for Hunter Water to recover WAMC's costs of delivering planning services for the Lower Hunter Water plan.[226] These charges only apply to entitlements held by these businesses in South Coast and Hunter unregulated rivers respectively, and are in addition to the entitlement and water take charges set by IPART.

Our decision is to maintain the approach and include the Hunter Water charge – that is, setting a separate price to recover the user share of efficient costs for those water businesses. The rationale outlined in the 2016 Final Report continued to remain relevant over the 2021 and now 2025 determination period.[227] The separate price is specified in Chapter 10.

9.5 We accept WAMC's special categories of licences

Our decision is:

28. To allow WAMC's proposed special licence categories as shown in Table 9.4

There are 3 categories of licences:

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

In the 2021 Determination, we approved WAMC's proposed special categories of licences.[228] For the 2025 determination period, WAMC has proposed to substantially maintain the same special categories, listed in Table 9.4.

The one exception to this is the Major utility (Barnard) (regulated river), which WAMC had included as 'not applicable'. WAMC have since indicated that while there are no existing relevant licences under that category, they remain in the relevant water sharing plan and may still be granted[229]. As a result, this has been included in our Final Determination, as it was in our 2021 Determination.

Table 9.4 Decision on special licence categories

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

For this review, we decided to accept WAMC's proposal to maintain having these special licence categories and tariff structures. We consider the rationale used in the 2016 and 2021 reviews remains relevant.[230] We received no stakeholder submissions regarding the above special licence categories to our Issues Paper or our Draft Report.

9.6 We exempted Aboriginal Cultural licences from charges

Our decision is:

29. To set a maximum price of nil for Aboriginal cultural licences, and Aboriginal community development licences for the 2025 Determination.

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

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

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

9.6.1 There are few existing licences

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

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

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

In September 2021 the NSW Government published the NSW Government Water Strategy. Priority 2 in that strategy is to "Recognise First Nations/Aboriginal People's rights and values and increase access to and ownership of water for cultural and economic purposes", specifically including developing a state-wide Aboriginal Water Strategy, strengthening their role in water planning and management, and providing ownership and access for cultural and economic purposes.[231] These are consistent with the objectives and commitments under the National Agreement on Closing the Gap[232].

The 2021-22 Annual progress report for the NSW Water Strategy noted IPART's 2021 Determination as providing opportunities for greater Aboriginal access and ownership of water, and notes that the department will work to identify opportunities for greater Aboriginal access and ownership.[233] The 2022-24 implementation planning also identifies an action as reviewing existing policy and regulatory frameworks to identify opportunities for greater Aboriginal access and ownership of water by June 2024.[234]

DCCEEW has been developing the NSW Aboriginal Water Strategy, with work commencing in 2023. A published draft strategy was consulted on through the second half of 2024. A report on the consultation was published in December 2024[235]. As a result, while the WAMC pricing proposal had the benefit of some development of the NSW Aboriginal Water Strategy, at the time of submission DCCEEW had yet to conclude consultation on its draft. The NSW Aboriginal Water Strategy is expected to be published in the near future, but was not yet published at the time of decisions for this Final Report.

A key action of the Draft NSW Aboriginal Water Strategy is to review existing laws, policy and water planning to better support Aboriginal rights, interest and ownership; carry out the changes where approved by Government; and set up a statutory Aboriginal water investment entity.[236]

Key feedback on the Draft NSW Aboriginal Water Strategy was that some stakeholders reported cultural access licences were not effective as they do not allow for ownership of water, which contradicts the aim of the objective of providing Aboriginal ownership and access to water for cultural and economic purposes[237]. We also note that Outcome 15 of the National Agreement on Closing the Gap includes Aboriginal and Torres Strait Islander people's owned land and water titles.[238]

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

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

Aboriginal cultural licences

NSW Aboriginal Land Council's (NSWALC) and Murray Lower Darling Rivers Indigenous Nations' (MILDRIN) submissions to our Issues Paper supported continuing fee exemptions for cultural licences[239].

We note that the current scope of Aboriginal licence arrangements is inadequate. The NSW Government's State Water Strategy identifies: "while there are some provisions for accessing water for cultural purposes in NSW, these do not currently meet the needs and obligations of Aboriginal people to care for Country or achieve the cultural water flows and water management aspirations".[240]

The NSW Water Strategy notes that under Action 2.2, the Aboriginal Water Strategy will involve "reviewing and identifying required amendments to the water management legislative framework to enable Aboriginal rights, interests and ownership of water". We consider that such an action implies an expansion of support for licences for that purpose[241].

Aboriginal community development licences

Both NSWALC and MLDRIN suggest that Aboriginal-owned General Water Access Licenses also be fee-free to support the economic development of Aboriginal communities, including commercial licences. NSWALC also advocates for Aboriginal community development licences to be fee-free, as well as associated consent transactions.[242]

WAMC notes that no community development or Aboriginal commercial licences have been issued to date, and there is "no clear policy guidance on what conditions or use limitations might be placed on these if they were issued in future".[243]

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

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

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

9.6.4 We have extended fee exemptions to Aboriginal community development licences

Our Draft Decision was to exempt Aboriginal cultural licences from fees only, but to continue setting charges for Aboriginal community development and Aboriginal commercial licences, as we have in previous determinations. This Draft Decision recognised our anticipation that further supports may be introduced by NSW Government prior to our Final Report, and an intention that our Determination would not serve as an impediment to that.

We have decided to extend this exemption to include both Aboriginal cultural and Aboriginal community development licences as we consider this to be consistent with Objective 2 of the Draft Aboriginal Water Strategy[244], and the National Agreement on Closing the Gap[245].

We note the community may have concerns about cross-subsidisation, and we suggest NSW Government consider the fee exemptions be funded as part of a Community Service Obligation (CSO) payment as part of the Aboriginal Water Strategy.

9.7 We updated our approach to charges for floodplain harvesting

Our decisions are:

30. To introduce a new floodplain harvesting water take charge of $3.62 per ML.

31. To introduce a WaterNSW charge for floodplain harvesting water entitlements of $1.09 per ML for licences with non-compliant storages.

32. To transition the new floodplain harvesting water take charge toward the full cost recovery price at a capped annual real rate of 5% until full cost recovery is achieved.

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

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

- **WAMC, MDBA and BRC water take charges**. These charges are set on a valley-by-valley basis. These charges aim to recover the efficient cost of water management services provided by WAMC, MDBA and BRC.
- **Telemetry charge**. This charge is linked to the installation of meters for floodplain harvesting. WAMC proposed the same telemetry charge for floodplain harvesting as other meters. These charges are address in Chapter 11.

- **Additional floodplain harvesting entitlement and water take charges**. These are new charges that WAMC has proposed for customers with floodplain harvesting licences. The charges are targeted at recovering incremental floodplain harvesting costs. WAMC has indicated these costs are not captured by the other activities of WaterNSW or WAMC.

9.7.1 Additional floodplain harvesting charges

WAMC proposed new charges to recover the incremental costs of floodplain harvesting. These charges were:[246]

- For metered services:
  - A floodplain harvesting entitlement charge of $2.48 per ML
  - A floodplain harvesting water take charge of $1.06 per ML.
- For unmetered services[b]:
  - A floodplain harvesting entitlement charge of $3.54 per ML.

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

WAMC's proposed new floodplain harvesting charge is intended to enable recovery of costs from issuing and managing floodplain harvesting licences. These costs, which relate to customer support and information technology platforms, are not covered by the existing water management activity codes. In principle, it is appropriate to recover these costs directly from licence holders. However, we have 3 concerns with the proposal:

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

Uncertainty over the floodplain harvesting water take

WAMC indicated that it was challenging to forecast water entitlement and water take volumes as there was "little historical information, and it is difficult to forecast floods".[247] While we expect entitlement volumes to be stable, floodplain harvesting events are expected to be infrequent. WAMC assumed that the water take will be 30% of the floodplain harvesting entitlement. The assumption is underpinned by 2 components:

- 30% of compliant storages will have a floodplain harvesting event in a year.
- If there is a floodplain harvesting event, the storage will take 100% of its entitlement.[248]

As set out in Chapter 8, we have accepted the floodplain harvesting water take volumes in WAMC's proposal. No water users expressed concern with this approach in their submissions to the Draft Report.

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

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

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

Uncertainty over WAMC's floodplain harvesting costs

WAMC's proposal has identified incremental costs related to the provision of floodplain harvesting. It has indicated that WAMC incurs costs from providing customer support and managing 2 information technology systems: (i) the Duly Qualified Person portal; and (ii) a telemetry system. WAMC states these costs are "ring-fenced" from other water management costs and, therefore, not captured by other WAMC pricing.

Our independent expenditure expert, Stantec, reviewed WAMC's forecast incremental costs for floodplain harvesting. It found the efficient cost of supporting floodplain harvesting was below the level indicated by WAMC (Table 9.5). Stantec indicated WAMC's estimate of costs was conservative and that if prices were set at that level, it would create the risk of an "over-recovery of costs".[249]

Table 9.5 Forecast floodplain harvesting costs ($'000, $2024–25)

	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30
WAMC proposal[a]	1,054	1,270	1,242	1,223	1,566	1,268
Stantec[b]	N/A	842	799	756	1,047	770

a. WAMC 2025–30 pricing proposal to IPART, 30 September 2024, p 166.
b. Stantec, *Expenditure review of Water Administration Ministerial Corporation*, p 358.

Source: WAMC, Stantec.

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

Limited customer consultation

WAMC's proposal included significant changes to the charging arrangements for floodplain harvesting including the introduction of a new floodplain harvesting charge. According to its proposal, a floodplain harvesting bill could increase by around 200-500% in the first year of its proposed charges.[250] The increase is due to the changes in WAMC, MDBA and BRC charges for floodplain harvesting as well as the proposed introduction of the new floodplain harvesting charges. Most of the increase is due to the proposed new charges.

Customer consultation is important given the potential impact of new floodplain harvesting charges. However, WAMC only undertook limited consultation.[251] Several stakeholders indicated the floodplain harvesting consultation provided insufficient detail on key issues, such as costs, which made it difficult to engage and provide feedback.[252] While we acknowledge some consultation has occurred, it is our view that the customer engagement process has not informed WAMC's proposal on floodplain harvesting charges.

Additional floodplain harvesting water take charge

The costs incurred by WAMC to implement floodplain harvesting are the direct result of new obligations to measure the water take from floodplain harvesting. Some customers noted problems with implementing floodplain harvesting measurement including a shortage of Duly Qualified Persons (DQPs) and cost overruns due to issues with information technology platforms.[253] If a large portion of costs are recovered from entitlement charges it may mute WAMC's incentives to efficiently and effectively resolve customers' problems with floodplain harvesting water take measurement. Given these issues and the limited consultation, we are concerned about the new floodplain harvesting entitlement charge.

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

However, in its response to our Draft Report, WAMC presented new evidence that suggested an entitlement charge was also appropriate. WAMC indicated that a key transitional element of the floodplain harvesting regulations is that customers have 12 months from when a floodplain harvesting licence is issued to make storages compliant. The level of compliance is low, with:

- 17% of storages compliant
- An additional 7% of storages on a path to becoming compliant.

WAMC also indicated that there had been 99 floodplain harvesting events over the past 2 years, with an average of 220 ML being harvested per event. This equates to a total of 10,890 ML per year being harvested over that period. WAMC has indicated this is 23.7% of the total amount of water (45,860 ML) that could be harvested. This is slightly below the forecast floodplain harvesting water take assumption (30%) proposed by WAMC and incorporated by IPART in its draft decision.

At the draft prices and without any change in the level of compliance, harvesting of 10,890 ML per year would yield revenue of $36,808 in 2025-26 and $38,660 in 2026-27 ($2024-25). This is below WAMC's expected costs over the same period ($1.27m and $1.24m respectively).

WAMC indicated the draft decision inappropriately placed the risk of delivering floodplain harvesting on WaterNSW. It suggested that WaterNSW does not have control over the market for Duly Qualified Persons (DQPs) or whether storages are made compliant. It suggested the role of WaterNSW is to facilitate the compliance process and assist customer and DQPs to become compliant. It further indicates the DQP program is administered by the DCCEEW and that customers make their own decisions regarding compliance.

Based on these issues, it proposed:

- accepting IPART's draft decision for a new floodplain harvesting water take charge of $3.38 per ML for licences with compliant storages
- introducing a new floodplain harvesting water entitlement charge of $3.38 per ML to be applied to licences with non-compliant storages

Any given licence would be subject to the entitlement charge until it becomes compliant, and it would then become subject to the water take charge instead. That is, no licence would ever be subject to both charges at the same time. WAMC stated that once all of the storages on a licence are compliant, only the water take charge will be applied.

We accept WAMC's reasoning that WaterNSW should not bear the risk of non-compliance with floodplain harvesting rules. Our analysis of WaterNSW's proposed costs indicated that it is likely to incur costs before storages become compliant. Therefore, we see merit in the pricing structure proposed for floodplain harvesting in WAMC's submission.

However, the proposed solution did not reflect the fact that the expected water take from floodplain harvesting is much lower than the floodplain harvesting entitlement. IPART's draft decision, based on WAMC's proposal, assumes the floodplain harvesting water take will be 30% of entitlements. WAMC's submission indicates the floodplain harvesting water take has been 24% of entitlements over the past 2 years. WAMC's proposed solution would mean the expected revenue from a licence with a non-compliant storage would exceed the expected revenue from a licence with a compliant storage. Such pricing could create misplaced incentives for WAMC by, for instance, providing a disincentive for WaterNSW to facilitate compliance in a timely manner.

Our decision is to retain the structure of WAMC's proposed solution but to adjust the pricing for the floodplain harvesting water entitlement charge to reflect the expected water take (i.e. 30%). Therefore, our decision is to introduce:

- a new floodplain harvesting water take charge of $3.62[c] per ML for licences with compliant storages in 2025-26
- a floodplain harvesting water entitlement charge of $1.09[d] per ML to be applied to licences with non-compliant storages in 2025-26.

Both the new floodplain harvesting charges will be increased by 5% per year before inflation over the determination period, in line with other WAMC prices.

[c] This includes inflation and takes into account the proportion of costs we have allocated to recover from users. The price also includes costs for the 2028-29 period, reflecting our decision to set prices over a 4-year determination period.
[d] This is 30% of the new FPH water take charge.

Chapter 10

Maximum Prices

10

Summary of decisions on WAMC maximum prices

For regulated, unregulated and groundwater sources, total entitlement and water take prices for water management will increase by up to 5% per annum over the 2025 determination period before inflation

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

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

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

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

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

For floodplain harvesting licences, water take prices will increase due to the introduction of a new charge starting at $3.62 per ML and increasing by 5% per year plus inflation

Our decision is to set prices for floodplain harvesting in line with the approach discussed in Chapter 9. This includes a new charge starting at $3.62 per ML in 2025–26 and existing water take prices increasing by up to 23.2% (exclusive of the new charge) over the 2025 determination period before inflation.

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

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

This chapter presents prices for water users in regulated water, unregulated water and groundwater sources that are on metered and unmetered tariffs. We also set the minimum annual charge (MAC) to support that bills reflect, at a minimum, the efficient administrative costs of WAMC.

Under our decisions, water management charge price increases are limited to an annual cap of 5% before inflation so while they are transitioning to fully recover the user share of the notional revenue requirement, they will not reach that level in this determination period.

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

We report prices on the following basis (where applicable) in $2025–26, unless otherwise stated:

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

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

In setting maximum prices, we considered how customers can be protected from abuses of monopoly power in terms of prices, pricing policies and standard of services, as required under section 15(1)(b) of the IPART Act. When setting maximum prices along with customer and government shares, we allow that WAMC recovers only the efficient costs of providing its services, and that those services are delivered to an appropriate standard of quality, reliability and safety.[a]

We present these maximum prices in $2025-26 terms. We presented our draft prices in our Draft Report in $2024-25 terms.

Pricing components

WAMC's water management prices comprise 2 components:

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

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

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

[a] Pursuant to sections 15(1)(a), 15(1)(g), and 15(1)(l) of the IPART Act.

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

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

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

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

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

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

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

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

Our decisions are:

33. For regulated rivers to set the entitlement and water take charges as shown in Table 10.2 and Table 10.3 respectively.

34. **For unregulated rivers metered licences:** to set the entitlement and water take charges as shown in Table 10.4 and Table 10.5 respectively.

35. **For unregulated rivers unmetered licences:** to set the entitlement charges as shown in Table 10.6.

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

37. **For groundwater metered licences:** to set the entitlement and water take charges as shown in Table 10.7 and Table 10.8 respectively.

38. **For groundwater unmetered licences:** to set the entitlement charges as shown in Table 10.9.

39. To set the minimum annual charge for regulated, unregulated and groundwater sources as shown in Table 10.10.

40. For floodplain harvesting: to set water take charges for regulated rivers as shown in Table 10.11 and Table 10.13 and to set water take charges for unregulated rivers as shown in Table 10.14 and Table 10.16.

10.1 Prices will increase across most water sources

Under our decisions, charges will increase for water management services at a rate of 5% annually before inflation. This equates to a total increase over the determination period of 21.6% (plus inflation).

With full recovery for MDBA and BRC charges however, water sources with those elements will differ (Table 10.1). The approach for MDBA and BRC represents a change from our Draft Report after receipt of new and relevant information which impacts overall prices, and is further discussed in Chapter 7.

As a consequence, for users that only pay water management, their bills will increase at 5% per year before inflation. For users paying the minimum annual charge, their bills will increase by 2.5% per year. For water users that pay both water management and MDBA/BRC prices, bill impacts vary by location. Bills in some water sources fall while bills in other water sources increase.

Table 10.1 Overall bill impact of pricing decisions by water source by 2028-29 including water management, MDBA, and BRC before inflation (average annual increases in brackets)

	Regulated rivers		Unregulated rivers		Groundwater[a]	
Border	-2.3%	(-0.6%)	20.6%	(4.8%)	21.5%	(5.0%)
Gwydir	16.4%	(3.9%)	20.6%	(4.8%)	21.5%	(5.0%)
Namoi	16.8%	(4.0%)	20.6%	(4.8%)	21.5%	(5.0%)
Peel	20.6%	(4.8%)	20.6%	(4.8%)	21.5%	(5.0%)
Lachlan	19.1%	(4.5%)	22.3%	(5.2%)	21.5%	(5.0%)
Macquarie	18.6%	(4.3%)	22.3%	(5.2%)	21.5%	(5.0%)
Far West	-	-	7.2%	(1.7%)	21.5%	(5.0%)
Murray	15.3%	(3.6%)	20.0%	(4.7%)	21.5%	(5.0%)
Murrumbidgee	14.1%	(3.4%)	21.3%	(5.0%)	21.5%	(5.0%)
North Coast	21.6%	(5.0%)	21.6%	(5.0%)	21.6%	(5.0%)
Hunter	21.6%	(5.0%)	21.6%	(5.0%)	21.6%	(5.0%)
South Coast	21.6%	(5.0%)	21.6%	(5.0%)	21.6%	(5.0%)

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

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

10.1 Prices for regulated rivers are set to increase for all regulated water sources

10.1.1 Entitlement charges will increase for most regulated water sources

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

- Water management charge increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location. Some bills will increase (driven by increases in water management prices). Some bills will decrease (driven by reductions in BRC prices).

Table 10.2 Decision on WAMC, MDBA, BRC entitlement component for regulated rivers from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total entitlement charge ($2024-25)	*2028-29 WAMC entitlement charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total entitlement charge	% change from current to 2028-29	Average increase per year ($)
Border	4.35	2.75	0.65	0.82	4.23	-2.8%	-0.03
Gwydir	2.34	1.87	0.86	0.00	2.73	16.6%	0.10
Namoi	3.20	2.79	0.98	0.00	3.77	17.8%	0.14
Peel	3.95	4.56	0.31	0.00	4.86	23.1%	0.23
Lachlan	1.77	1.73	0.40	0.00	2.13	20.3%	0.09
Macquarie	2.21	2.10	0.53	0.00	2.64	19.3%	0.11
Murray	2.13	1.74	0.76	0.00	2.50	17.3%	0.09
Murrumbidgee	1.96	1.49	0.78	0.00	2.28	16.1%	0.08
North Coast	5.77	7.18	0.00	0.00	7.18	24.5%	0.35
Hunter	4.07	5.07	0.00	0.00	5.07	24.5%	0.25
South Coast	4.50	5.60	0.00	0.00	5.60	24.5%	0.28

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.1.2 Water take charges will increase for all regulated water sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

Table 10.3 Decision on WAMC, MDBA, BRC water take component for regulated rivers from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total water take charge ($2024-25)	*2028-29 WAMC water take charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total water take charge	% change from current to 2028-29	Average increase per year ($)
Border	2.19	1.73	0.29	0.37	2.40	9.4%	0.05
Gwydir	1.46	1.37	0.47	0.00	1.84	26.2%	0.10
Namoi	1.71	1.69	0.45	0.00	2.14	25.3%	0.11
Peel	5.98	7.11	0.30	0.00	7.41	23.9%	0.36
Lachlan	2.57	2.75	0.43	0.00	3.18	23.8%	0.15
Macquarie	2.09	2.19	0.42	0.00	2.61	25.0%	0.13
Murray	1.32	1.26	0.33	0.00	1.59	20.2%	0.07
Murrumbidgee	1.22	1.11	0.34	0.00	1.45	18.7%	0.06
North Coast	7.34	9.14	0.00	0.00	9.14	24.5%	0.45
Hunter	2.77	3.45	0.00	0.00	3.45	24.5%	0.17
South Coast	6.76	8.41	0.00	0.00	8.41	24.5%	0.41

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.2 Prices for unregulated rivers are set to increase over the determination period

Our decision is to transition prices to full cost recovery and cap price increases across unregulated rivers to 5% annually plus inflation or lower for the 2025 determination period for water management services, and to fully cost recover MDBA and BRC related charges.

10.2.1 Entitlement charges will increase for all metered, unregulated water sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

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

Under our decisions in $2025-26 terms, the costs of water planning will be recovered from:

- WaterNSW through a specific entitlement charge of $0.88 per ML in 2025-26 then $0.78 per ML (plus inflation) for subsequent years of the 2025 determination period (see Table 13.5).
- Hunter Water through a specific entitlement charge of $1.50 per ML in 2025-26 then $1.12 per ML (plus inflation) for subsequent years of the 2025 determination period (see Table 13.6).

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

Table 10.4 Decision on WAMC, MDBA, BRC entitlement component for unregulated rivers metered licences from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total entitlement charge ($2024-25)	*2028-29 WAMC entitlement charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total entitlement charge	% change from current to 2028-29	Average increase per year ($)
Border	1.95	2.22	0.20	0.00	2.42	23.9%	0.12
Gwydir	1.95	2.22	0.20	0.00	2.42	23.9%	0.12
Namoi	1.95	2.22	0.20	0.00	2.42	23.9%	0.12
Peel	1.95	2.22	0.20	0.00	2.42	23.9%	0.12
Lachlan	2.57	3.01	0.26	0.00	3.28	27.5%	0.18
Macquarie	2.57	3.01	0.26	0.00	3.28	27.5%	0.18
Far West	5.98	4.37	1.05	1.21	6.63	10.8%	0.16
Murray	2.22	2.53	0.22	0.00	2.75	23.9%	0.13
Murrumbidgee	3.69	4.42	0.19	0.00	4.61	24.8%	0.23
North Coast	5.51	6.86	0.00	0.00	6.86	24.5%	0.34
Hunter	1.58	1.97	0.00	0.00	1.97	24.5%	0.10
South Coast	1.84	2.29	0.00	0.00	2.29	24.5%	0.11
Hunter *(additional entitlement charge for Hunter Water **only**)*	NA	1.12	0.00	0.00	1.12	NA	NA
South Coast *(special entitlement charge for WaterNSW **only**)*	0.48	0.78	0.00	0.00	0.78	61.9%	0.07

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.2.2 Water take charges will increase for all metered, unregulated water sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

Table 10.5 Decision on WAMC, MDBA, BRC water take component for unregulated rivers for metered licences from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total water take charge ($2024-25)	*2028-29 WAMC water take charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total water take charge	% change from current to 2028-29	Average increase per year ($)
Border	2.60	3.06	0.14	0.00	3.20	23.0%	0.15
Gwydir	2.60	3.06	0.14	0.00	3.20	23.0%	0.15
Namoi	2.60	3.06	0.14	0.00	3.20	23.0%	0.15
Peel	2.60	3.06	0.14	0.00	3.20	23.0%	0.15
Lachlan	4.67	5.61	0.14	0.00	5.75	23.2%	0.27
Macquarie	4.67	5.61	0.14	0.00	5.75	23.2%	0.27
Far West	3.08	2.71	0.26	0.30	3.27	6.2%	0.05
Murray	6.89	8.14	0.29	0.00	8.43	22.3%	0.38
Murrumbidgee	8.17	9.93	0.18	0.00	10.11	23.8%	0.49
North Coast	6.86	8.54	0.00	0.00	8.54	24.5%	0.42
Hunter	2.87	3.57	0.00	0.00	3.57	24.5%	0.18
South Coast	1.37	1.71	0.00	0.00	1.71	24.5%	0.08

Note: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.2.3 Entitlement charges will increase for all unmetered, unregulated water sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

Table 10.6 Decision on WAMC, MDBA, BRC entitlement component for unregulated rivers for unmetered licences from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total entitlement charge ($2024-25)	*2028-29 WAMC entitlement charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total entitlement charge	% change from current to 2028-29	Average increase per year ($)
Border	4.55	5.28	0.34	0.00	5.62	23.5%	0.27
Gwydir	4.55	5.28	0.34	0.00	5.62	23.5%	0.27
Namoi	4.55	5.28	0.34	0.00	5.62	23.5%	0.27
Peel	4.55	5.28	0.34	0.00	5.62	23.5%	0.27
Lachlan	7.24	8.62	0.40	0.00	9.02	24.6%	0.45
Macquarie	7.24	8.62	0.40	0.00	9.02	24.6%	0.45
Far West	9.06	7.08	1.31	1.51	9.90	9.3%	0.21
Murray	9.11	10.67	0.51	0.00	11.18	22.7%	0.52
Murrumbidgee	11.86	14.35	0.37	0.00	14.72	24.1%	0.72
North Coast	12.37	15.40	0.00	0.00	15.40	24.5%	0.76
Hunter	4.45	5.54	0.00	0.00	5.54	24.5%	0.27
South Coast	3.21	4.00	0.00	0.00	4.00	24.6%	0.20

Notes: MDBA prices will apply to 8 out of 11 regulated water sources – i.e. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Murray and Murrumbidgee. MDBA prices do not apply to North Coast, Hunter and South Coast water sources because these are outside the responsibility of MDBA. BRC prices will only apply to one out of 11 regulated water sources – i.e. Border. BRC prices do not apply to the remaining regulated water sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.3 Prices for groundwater users are also increasing

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

10.3.1 Entitlement charges will increase for all metered, groundwater sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

Table 10.7 Decision on WAMC, MDBA, BRC entitlement component for groundwater for metered licences from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total entitlement charge ($2024-25)	*2028-29 WAMC entitlement charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total entitlement charge	% change from current to 2028-29	Average increase per year ($)
Inland	4.57	5.41	0.26	0.00	5.68	24.2%	0.28
Border	4.92	5.41	0.26	0.44	6.11	24.2%	0.30
Murrumbidgee	3.97	4.67	0.26	0.00	4.93	24.2%	0.24
Coastal	2.26	2.81	0.00	0.00	2.81	24.5%	0.14

Notes: MDBA prices will apply to 3 of 4 groundwater sources – i.e. Border, Inland and Murrumbidgee. MDBA prices do not apply to Coastal water sources because these sources are outside the responsibility of MDBA. BRC prices will only apply to Border. BRC prices do not apply to the remaining groundwater sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.3.2 Water take charges will increase for all metered, groundwater water sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

Table 10.8 Decision on WAMC, MDBA, BRC water take component for groundwater for metered licences from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total water take charge ($2024-25)	*2028-29 WAMC entitlement charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total entitlement charge	% change from current to 2028-29	Average increase per year ($)
Inland	2.69	3.25	0.12	0.00	3.37	25.1%	0.17
Border	2.84	3.25	0.12	0.19	3.55	25.1%	0.18
Murrumbidgee	2.33	2.80	0.12	0.00	2.92	25.2%	0.15
Coastal	4.31	5.36	0.00	0.00	5.36	24.5%	0.26

Notes: MDBA prices will apply to 3 of 4 groundwater sources – i.e. Border, Inland and Murrumbidgee. MDBA prices do not apply to Coastal water sources because these sources are outside the responsibility of MDBA. BRC prices will only apply to Border. BRC prices do not apply to the remaining groundwater sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.3.3 Entitlement charges will increase for all unmetered, groundwater sources

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

- Water management increases are capped at 5% annually excluding inflation over the determination period.
- For water users that pay both water management and MDBA / BRC charges, the impact on their overall bills will vary by location.

Table 10.9 Decision on WAMC, MDBA, BRC entitlement component for groundwater for unmetered licences from 1 October 2025 ($/ML, $2025-26)

Water source	2024-25 current total entitlement charge ($2024-25)	*2028-29 WAMC water take charge*	*2028-29 MDBA component*	*2028-29 BRC component*	2028-29 total water take charge	% change from current to 2028-29	Average increase per year ($)
Inland	7.26	8.66	0.38	0.00	9.04	24.5%	0.45
Border	7.76	8.66	0.38	0.63	9.67	24.6%	0.48
Murrumbidgee	6.30	7.47	0.38	0.00	7.85	24.6%	0.39
Coastal	6.57	8.17	0.00	0.00	8.17	24.4%	0.40

Notes: MDBA prices will apply to 3 of 4 groundwater sources – i.e. Border, Inland and Murrumbidgee. MDBA prices do not apply to Coastal water sources because these sources are outside the responsibility of MDBA. BRC prices will only apply to Border. BRC prices do not apply to the remaining groundwater sources because these do not receive services from BRC.
The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.4 Minimum annual charges

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

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

Our decision accepts the proposed 2.5% cap on price increases on the MAC as it transitions to full cost recovery. This equates to an increase of around $36 over the 2025 determination period (before inflation).

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

Table 10.10 Decision on minimum annual charge for the 2025 determination period ($2025–26)

Water source	2024–25 current ($2024-25)	2025-26	2026-27	2027-28	2028-29	% change from current to 2028-29
All water sources	277.89	295.66	298.97	306.44	314.10	13.0%

Note: The % change from current prices to 2028-29 will exceed the compounded annual increase as it includes an inflation component from 2024-25 to 2025-26.
Source: IPART analysis.

10.5 We set WAMC floodplain harvesting charges

We have updated the existing water management, MDBA, and BRC charges that apply to floodplain harvesting licences. We have also introduced new floodplain harvesting charges to help recover WaterNSW's incremental floodplain harvesting costs. Under our decisions the water management, MDBA and BRC water take charges for floodplain harvesting are the same charges as set out in Sections 10.2.1 and 10.2.2.[c] We have also decided that floodplain harvesting licence holders with compliant storages (and not in possession of any non-complaint storages) should only pay charges based on their water take – there are to be no entitlement charges (See Chapter 9.7).

For floodplain harvesting licence holders who have one or more non-complaint storages, an entitlement charge will apply instead of the water take charge (See Chapter 9.7).

Floodplain harvesting charges for licence holders with compliant storages comprise up to four components:

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

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

10.5.1 Regulated rivers

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

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

Table 10.11 Decisions on WAMC, WaterNSW, MDBA and BRC water take charges for floodplain harvesting for regulated rivers ($ per ML, $2025–26)

Water source	2025–26	2026–27	2027–28	2028-29
WAMC component				
Border	1.53	1.57	1.65	1.73
Gwydir	1.21	1.24	1.30	1.37
Macquarie	1.94	1.99	2.09	2.19
Namoi	1.50	1.54	1.61	1.69
WaterNSW component				
Border	3.62	3.80	3.99	4.19
Gwydir	3.62	3.80	3.99	4.19
Macquarie	3.62	3.80	3.99	4.19
Namoi	3.62	3.80	3.99	4.19
MDBA component				
Border	0.30	0.29	0.29	0.29
Gwydir	0.48	0.47	0.47	0.47
Macquarie	0.43	0.42	0.42	0.42
Namoi	0.46	0.45	0.45	0.45
BRC component				
Border	0.27	0.37	0.37	0.37

Note: In our Draft Report, prices for Macquarie and Namoi were incorrectly labelled as each other in this table. This error did not appear in our Draft Determination

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

Table 10.12 Aggregate water take charges for floodplain harvesting for regulated water sources ($ per ML, $2025–26)

Water source	2025–26	2026–27	2027–28	2028-29
Border	5.72	6.03	6.30	6.58
Gwydir	5.31	5.51	5.76	6.03
Macquarie	5.99	6.21	6.50	6.80
Namoi	5.58	5.79	6.05	6.33

Note: In our Draft Report, prices for Macquarie and Namoi were incorrectly labelled as each other in this table. This error did not appear in our Draft Determination

For floodplain harvesting customers on regulated water sources who have one or more non-compliant storages an entitlement charge will apply instead of the water take charges in Table 10.11. These non-compliant floodplain harvesting entitlement charges are shown in Table 10.13.

Table 10.13 Decisions on entitlement charges for floodplain harvesting licences with one or more non-compliant storages for regulated water sources ($ per ML, $2025-26)

Water source	2025–26	2026–27	2027–28	2028-29
Border	1.09	1.14	1.20	1.26
Gwydir	1.09	1.14	1.20	1.26
Macquarie	1.09	1.14	1.20	1.26
Namoi	1.09	1.14	1.20	1.26

10.5.2 Unregulated rivers

Our floodplain harvesting charges will apply to three unregulated water sources (i.e. Gwydir, Namoi, Far West) over the 2025 determination period (Table 10.14). The charges only apply to the water take.

Table 10.14 Decisions on WAMC, WaterNSW, MDBA and BRC water take charges for floodplain harvesting for unregulated water sources ($ per ML, $2025–26)

Water source	2025–26	2026–27	2027–28	2028-29
WAMC component				
Gwydir	2.71	2.78	2.92	3.06
Namoi	2.71	2.78	2.92	3.06
Far West	2.40	2.46	2.58	2.71
WaterNSW component				
Gwydir	3.62	3.80	3.99	4.19
Namoi	3.62	3.80	3.99	4.19
Far West	3.62	3.80	3.99	4.19
MDBA component				
Gwydir	0.14	0.14	0.14	0.14
Namoi	0.14	0.14	0.14	0.14
Far West	0.26	0.26	0.26	0.26
BRC component				
Far West	0.26	0.30	0.30	0.30

The aggregate floodplain harvesting water take charge for each unregulated water source is shown in Table 10.15.

Table 10.15 Aggregate water take charges for floodplain harvesting for unregulated water sources ($ per ML, $2025–26)

Water source	2025–26	2026–27	2027–28	2028-29
Gwydir	6.47	6.72	7.05	7.39
Namoi	6.47	6.72	7.05	7.39
Far West	6.54	6.82	7.13	7.46

For floodplain harvesting customers on unregulated water sources who have one or more non-compliant storages an entitlement charge will apply instead of the water take charges in Table 10.14. These non-compliant floodplain harvesting entitlement charges are shown in Table 10.16.

Table 10.16 Decisions on entitlement charges for floodplain harvesting licences with one or more non-compliant storages for unregulated water sources ($ per ML, $2025-26)

Water source	2025–26	2026–27	2027–28	2028-29
Gwydir	1.09	1.14	1.20	1.26
Namoi	1.09	1.14	1.20	1.26
Far West	1.09	1.14	1.20	1.26

Chapter 11

Metering charges

11

Summary of decisions on non-urban metering charges

Our key decisions for non-urban metering are to:

- increase the scheme management charge by 33% from $85.35 to $113.58 per license per year
- decrease the telemetry service charge by 3.3% from $263.86 to $255.22 per meter per year
- introduce the LID Download/Validation charge and set it to $617.40 per meter.

Other decisions outlined in this chapter are to:

- discontinue the non-telemetry service fee
- not implement WAMC's proposed alternative assessment fee, rather allow WAMC to charge these customers a water take charge based on an assumed 100% usage of their water entitlement each year
- not implement WAMC's proposed attestation charge
- reduce the meter service charge (operating costs) by 3% from $1,047.16 to $1,015.56 per government owned meter per year
- increase the channel meter service charge (operating costs) by inflation of 2.4% from $7,346.54 to $7,522.86 per government owned meter per year
- increase the annual meter service charge for government owned meters by inflation of 2.4% from the range of $475.22 to $684.27 to the range of $486.63 to $700.69 per meter per year, depending on meter size
- increase the water take assessment charge by inflation of 2.4% from $243.90 to $249.75 per meter per year
- increase all ancillary charges by inflation of 2.4% from the range of $302.10 to $8,153.87 to the range of $309.35 to $8,349.56 per transaction, depending on the charge
- discontinue the meter service charge (capital costs).

11.1 Metering framework

In Australia, the management of non-urban water resources is primarily the responsibility of individual states and territories, with each state and territory establishing its own licensing and regulatory frameworks. To promote consistency and accuracy in water measurement across the nation, all jurisdictions have agreed upon a national approach to non-urban water metering. Central to this approach is the Metrological Assurance Framework 2 (MAF2)[254], which outlines requirements ensuring confidence in meter accuracy, streamlined methods for verification, and uniform regulation of water metering practices. This aims to provide useful compliance data for water users, regulators, meter installers, and manufacturers.[255] However, regulatory approaches vary across Australia, with some jurisdictions adopting more flexible or risk-based policies to manage implementation challenges.

The NSW Government introduced the non-urban metering policy in 2018[256] to improve the accuracy, transparency, and accountability of water measurement across the state.[257] The reforms were implemented in response to the Matthews Inquiry into water theft, which highlighted the need for stronger compliance, particularly during drought conditions when public concern over water allocation and management was heightened.[258] The reforms aimed to support that the majority of licensed water take is measured using accurate, auditable, and tamper-evident meters, promoting fair and sustainable water management. The effective principle was: "no meter, no pump".[259]

This section sets out our considerations of these charges, having regard to the cost of providing the services as required under section 15(1)(a) of the IPART Act.

11.1.1 2021 determination period

In the 2021 Determination, IPART approved the charge structure proposed by WaterNSW which included the introduction of five new non-urban metering charges to recover the efficient costs of implementing the NSW Government's non-urban metering reforms.[260] The new charges introduced were:

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

In the final determination for the 2021-22 to 2024-25 period, IPART determined that the efficient costs of implementing the reforms ranged between $39.4 million and $47.8 million, depending on the extent of voluntary telemetry uptake. The highest costs were projected under WaterNSW's base case (0% voluntary uptake), while full telemetry uptake (100%) yielded the lowest cost estimate.[261] The actual roll-out was in the 0 to 25% range[262] and in the WAMC pricing proposal for the 2025 determination period it was noted that there were “significant impediments to the rollout of, and compliance with, the metering reforms”.[263]

IPART accounted for government funding when setting prices for the 2021 determination period. The NSW Government provided funding to cover the capital costs of upgrading government-owned meters, enabling the meter service charge – capital costs to be set at $0. Additionally, a joint $18 million telemetry rebate program, funded equally by the NSW and Australian Governments, provided a $975 rebate per eligible installation to encourage voluntary telemetry adoption.[264]

The 2019 IPART Rural Water Cost Shares review determined that water customers should bear 100% of the costs associated with metering and compliance.[265] IPART applied this principle in setting prices for the non-urban metering reforms. This decision was based on the rationale that customers directly benefit from improved water measurement and management and was consistent with the established cost-recovery framework.[266]

11.1.2 Review of the non-urban metering framework in NSW

Compliance with the non-urban metering reforms has been slower than anticipated.[267] Challenges such as a shortage of duly qualified persons (DQPs) to install and validate meters, impacts from droughts and floods, as well as technical and regulatory complexities, have delayed implementation. By mid-2023, compliance was projected to be achieved after 2040, significantly later than the original 2024 deadline.[268]

In response, the NSW Government initiated a review of the non-urban metering framework in 2023.[269] The review, conducted by the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW), identified several key issues, including high costs relative to the volume of water measured and systemic obstacles to timely compliance. The Recommendations report[270] from the review made several recommendations to simplify requirements, reduce costs, and accelerate compliance.

The recommendations aim to support the policy that 95% of licensed water take in NSW will be accurately metered by the end of 2026[271], replacing the previous "no meter, no pump" principle with a "no measurement, no pump" principle.[272] These changes reflect a shift toward more flexible, risk-based requirements while maintaining the overarching goal of accurate and transparent water management. The *Water Management (General) Regulation 2018* was amended in March 2025[273] to give effect to the changes outlined in the Recommendations report.[274]

11.2 WAMC's proposal for the 2025 determination period

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

WAMC proposed to implement the recommendations from the DCCEEW Recommendations report.[275] In its proposal to IPART, WAMC proposed to:

- increase the scheme management charge by 35% from $85.35 to $114.93.
- increase the telemetry charge by 2% from $263.86 to $270.36.
- rename the non-telemetry charge to the LID download/validation charge and increase the charge by 99% from $263.86 to $524.24.
- introduce an alternative assessment charge at $665.19.
- introduce an attestation charge at $81.64.
- reduce the meter service charge – operating costs by 5% from $1,047.16 to $991.76.

- retain the channel meter service charge – operating costs charge constant in real terms at $7,346.54.
- retain the annual meter service charge for government owned meters constant in real terms between $475.22 to $684.27, depending on meter size.
- retain the water take assessment charge constant in real terms at $243.90.
- retain all ancillary charges constant in real terms. The prices for these services range from $302.10 to $8,153.87, depending on the charge.
- discontinue the meter service charge – capital costs for government owned meters.

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

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

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

11.3 Submissions from stakeholders

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

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

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

11.3.1 Stakeholders have described excessive costs to irrigators

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

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

- Macquarie River Food & Fibre members report spending $15,000 to $60,000 per installation, with total costs estimated to exceed $7.5 million across 300 meters.[276]
- Peel Valley irrigators cite $6,000–$12,000 per meter, which is disproportionate given their low water use and risk profile.[277]
- NSW Irrigators' Council warns that these costs have escalated beyond any user benefit, with irrigators subsidising a failed policy rollout.[278]
- A stakeholder estimates a $40,000 cost for compliant metering at their Hunter Valley dairy farm.[279]

11.3.2 Stakeholders have described poor policy design and implementation

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

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

- A stakeholder details telemetry and LID malfunctions and a shortage of qualified installers.[280]
- Coleambally Irrigation criticises redundant telemetry upgrades that add no value over existing SCADA systems.[281]
- A stakeholder challenges the imposition of telemetry in coastal valleys and those without mobile reception.[282]
- Murrumbidgee Irrigation states it raised concerns about the feasibility of the non-urban metering reforms as early as 2018, suggesting poor design and implementation have led to increased costs.[283]
- Yanco Creek Advisory Council suggested that irrigators are unfairly bearing the costs of government delays and policy failures in the metering roll-out, despite compliance with requirements.[284]

11.3.3 Stakeholders have described duplicative and inefficient systems

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

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

- Olam Food Ingredients questions why it should pay for NRAR's regulatory activities, given it already pays its Irrigation Infrastructure Operator (CICL) for water metering and compliance services.[285]
- The Ricegrowers' Association rejects any model that requires already-metered users to subsidise others' installation costs.[286]
- Hunter Wine Country Irrigation District notes that earlier price reductions from efficiency gains have been reversed in recent determinations due to rising operating and capital costs, leading to concerns about affordability and value for irrigators.[287]

11.3.4 Some stakeholders raised concerns about cost sharing and funding model

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

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

- NSWIC urges IPART to revise its cost-sharing approach, insisting that the current "impactor-pays" model is inequitable and that a greater share of water management and reform costs should be publicly funded to reflect broader community benefits.[288]
- Gwydir Valley and Lachlan Valley stakeholders stated that rural water users are being asked to bear a disproportionate share of water management costs, including infrastructure and regulatory requirements that also serve broader public and environmental interests.[289, 290]
- Murray Valley Private Diverters said that rising metering charges reflect an unfair cost shift from government to users and call for clearer limits on what can be recovered from irrigators.[291]

We have considered this feedback and decided to review cost shares and consider improvements to the methodology before the next price review.

11.3.5 Some stakeholders raised concerns about transparency, support and consultation

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

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

- A stakeholder reports having been unable to irrigate for 4 years due to the high cost of metering upgrades and criticises the lack of consultation prior to implementing these requirements.[292]
- A stakeholder describes poor communication and a lack of meaningful consultation from government agencies, despite their active role on advisory groups such as the Coastal CAG and Water Working Group.[293]
- A south coast irrigator reports that WaterNSW no longer reads meters or maintains a local presence, leaving licence holders to photograph and text in their own readings.[294]

- Stratharlie Pastoral Company contrasts the efficient local metering service of the 1960s with today's costly and inefficient system, citing rising charges, bureaucratic complexity, and poor service visibility.[295]

11.3.6 WAMC's response to the Draft Report

Scheme Management

WAMC has highlighted in its submission to our Draft Report that increases to the Scheme management charge are largely attributable to the inclusion of corporate support costs (overheads) which were excluded from this cost category in the 2021-2025 determination period.[296] WAMC also noted that costs were associated with "supporting an accelerated roll out of meters, significant increased support to customers and DQPs to facilitate their compliance, support the implementation of the new metering regulations, increased recording reporting obligations." [297]

WAMC expressed concerns that by adopting Stantec's recommendations relating to non-urban metering revenue requirements IPART has implicitly agreed that overheads require inclusion in the pricing calculations for the Scheme Management category. As a result of IPART's draft decision to include a government subsidy for price increases, and maintain the Scheme Management charge at $85.35, WAMC contends that this Government subsidy is applying to the overheads. WAMC proposes that, if the Government subsidy is maintained that the scheme management charge should be $104.98 as a minimum to reflect the inclusion of overheads.[298]

Telemetry

A key area of contention raised in WAMC's submission is the assumption that all FPH meters should be included in the denominator for calculating the per-user telemetry fee. WAMC has highlighted the following:

- Many FPH users are not telemetry compliant, and WaterNSW cannot compel compliance under the current regulatory framework.
- Telemetry costs are largely fixed, and including non-compliant users in the pricing base dilutes the per-user charge, resulting in a structural revenue shortfall.
- WaterNSW must maintain the telemetry system and support infrastructure even for users who may not become compliant for several years and should not be financially penalised for delays outside its control.[299]

WAMC also expressed concerns about the merging of the LID Download/Validation charge into the Telemetry category and requested that IPART reconsider this position.[300]

Non-telemetry and LID Download/Validation

In its submission, WAMC clarified that:

- The LID Download/Validation fee was intended to apply only in targeted cases where manual intervention was necessary (e.g. failed validation, missing data, or DQP unavailability).
- WaterNSW did not intend to charge both the telemetry and LID fees to blackspot users; rather, the LID Download/Validation fee would be the only applicable fee for those users.
- Without the fee, there would be no financial incentive for customers to resolve compliance issues, potentially increasing delays and compliance risks.[301]

Other concerns raised by WAMC

- WAMC raised concerns that IPART's draft decision did not allow for a transitional period between telemetry systems, noting that a one-year overlap between the current platform and the proposed Azure IoT system is necessary to support a smooth migration.[302]
- WAMC does not agree with IPART's reference to duplicative and inefficient systems and claims that IPART has misinterpreted aspects of how irrigation corporations and the broader water market operate. WAMC noted that there are different obligations for customers of irrigation corporations and that IPART's comments are not based on WaterNSW's costs and are not relevant.[303]

11.4 IPART assessment of WAMC proposal

We acknowledge the need for reform but consider there to be significant issues and cost impediments for stakeholders, as noted by many stakeholders in the submission process. Key considerations include:

- Large-volume and high-risk works account for 80% of entitlements and 95% of licensed water take across the state.[304]
- WAMC's pricing proposal indicated that 80% of metered entitlement incurs only 15% of projected costs under the existing framework.[305]
- WAMC has adopted the DCCEEW recommendations, which focus on ensuring compliance for larger, higher-risk water users who represent the majority of water take.[306,307]
- WAMC proposed a 1.4% increase in average annual costs for the 2025–30 period compared to 2023–24 allowances,[308] despite the shift in compliance focus to higher-risk users, who account for the majority of water take but a smaller share of projected costs.
- WAMC acknowledges a shortage of DQPs while simultaneously anticipating increased compliance activity by the December 2026 deadline.[309]
- WAMC acknowledges that errors in DQP submitted data have caused significant additional work and nonetheless proposed broadening DQP eligibility, which risks lowering expertise standards, potentially worsening compliance issues and error rates.[310]

We also note that according to the WAMC proposal "specific consultation was not undertaken on the proposed metering charges".[311]

11.4.1 WAMC's proposed metering charge structure

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

Specifically, we consider that:

- the scheme management fee is appropriate for all license holders
- the telemetry charge is appropriate for all license holders required to install telemetry
- the non-telemetry charge is no longer required and instead an LID download/validation charge is appropriate. Due to the possibility of telemetry metering exemptions, there is a need to create a cost category that captures high-risk users exempt from telemetry requirements but which still require metering.
- the alternative assessment charge is too costly to be applied to low-risk license holders and these users should instead pay for 100% of their entitlement for the given year, or the minimum charge, whichever is greater
- the proposed annual attestation fee is inequitable, particularly for low-risk licence holders, and should not be implemented. There is neither the evidence to support the cost allocations, nor the justification for the blanket application of the fee to all license holders. Furthermore, the policy intent of attestation, ensuring accurate water take reporting, may already be partially addressed through existing telemetry and metering requirements, raising concerns about unnecessary duplication and additional costs.
- the meter service charge – operating costs for government owned meters is appropriate for cost recovery of servicing charges
- the channel meter service charge – operating costs for government owned meters is appropriate for cost recovery of servicing charges
- annual meter service charge for government owned meters is appropriate to recover costs associated with operating, maintaining, and reading meters until they are upgraded or required to comply with the updated metering regulations
- the water take assessment charge is appropriate for cost recovery of measurement (or metering) services to licence holders in unregulated rivers and groundwater sources
- the ancillary charges are appropriate for cost recovery on a fee-for-service basis
- the meter service charge – capital costs is no longer required as costs are expected to continue being funded by a departmental grant.

11.4.2 Decision on charges

The prices for each of the charge categories may be seen in Table 11.2. While WAMC's proposal was based on a five-year determination period starting 1 July 2025, We have adopted a shorter nominal period of 4 years, commencing 1 October 2025. This results in an effective determination length of 3.75 years. The prices in this report reflect this revised timeframe.

Table 11.2 Non-urban metering prices

Price category	Current ($2024-25)	WAMC (5-year determination) ($2024-25)	IPART decision (4-year determination) ($2025-26)	Percentage change from WAMC proposal to IPART decision
Scheme management charge ($/licence)	85.35	114.93	113.58	-1.2%
Telemetry charge ($/meter)	263.86	270.36	255.22	-5.6%
LID download/validation charge (replaces former non-telemetry charge) ($/transaction)	263.86	524.24	617.40	17.8%
Alternative assessment charge, as needed ($/transaction)	NA	665.19	Not implemented	NA
Attestation charge ($/licence) (from 2026–27 if required)	NA	81.64	Not implemented	NA
Meter service charge – operating costs, government owned meters ($/meter)	1,047.16	991.76	1,015.56	2.4%
Channel meter service charge – operating costs ($ per Government-Owned Meter that is a channel meter)	7,346.54	7,346.54	7,522.86	2.4%
Annual meter service charge for government owned meters that have not been made compliant	475.22 to 684.27	475.22 to 684.27	486.63 to 700.69	2.4%
Water take assessment charge	243.90	243.90	249.75	2.4%
Ancillary charges	302.10 to 8,153.87	302.10 to 8,153.87	309.35 to 8,349.56	2.4%
Meter service charge – capital costs	0	Discontinued	Discontinued	NA

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

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

11.4.3 Assessment of individual charges

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

Scheme management charge

WAMC proposed to continue applying the scheme management charge to all licence holders, which covers costs for customer recording and reporting, validation processing, communications, and education. WAMC proposed a revenue requirement for this charge category of $22.5 million over the proposed 5-year determination period and has proposed increasing the charge by 35% from $85.35 to $114.93.[312]

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

- operationalise the new rules which have significant differences to the existing rules
- manage and upgrade systems to be able to manage the new rules
- manage the compliance process where DQPs will need to replace or remove all local intelligence devices (LIDs) installed in the current determination given the expected life of the LIDs.[313]

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

- Lowering the estimated DQP error rate from 42% to 39% to reflect expected improvements in submission quality.
- Reducing the number of formatting updates for websites, letterheads, and factsheets from 6 to 3 per year.
- Adjusting overhead costs from 25% to 23% to align with WaterNSW's broader operating expenditure assessments.
- Applying a continuing efficiency adjustment, ramping from 1% in FY26, 2% in FY27, and 3% from FY28 to FY30.[314]

In our Draft Report, we noted that the compliance targets for the 2021 determination period were not met, and WAMC proposed significant price increases for the 2025 determination period. We concluded that it would be inequitable to pass these increases onto water users in full, particularly where cost increases appeared to stem from policy implementation challenges rather than unavoidable cost drivers, such as shortages of DQPs, delays in meter rollouts, and inefficiencies in administrative processes. Our Draft Report proposed maintaining the current charge of $85.35, with WAMC funding the shortfall.

WAMC's proposal provided a list of cost drivers for the proposed increase to the scheme management charge, including expanded compliance activity, system upgrades, and DQP support. However, it did not explicitly identify the inclusion of corporate overheads as a major cost driver within the relevant section (section 9.5.1). While overheads were mentioned elsewhere in the document as a general contributor to metering-related costs, the link to the scheme management charge was not clearly articulated. Additionally, WAMC presented a graph suggesting that the proposed reforms should lead to lower costs but did not adequately explain these costs were not related to direct savings within the Scheme Management category.

WAMC's submission to the Draft Report has addressed our concerns regarding cost justification. The new information provided by WAMC indicates that the proposed increase is not solely attributable to internal inefficiencies, but to:

- structural cost allocations (overheads),
- implementation requirements for externally mandated reforms, and
- a temporary need for enhanced support during the transition to a more risk-targeted compliance model.[315]

We have estimated that the inclusion of overheads in the Scheme Management category accounts for approximately 75% of the proposed price increase, the remaining increase being attributable to direct cost increases for the Scheme Management category. We consider this quantum of the direct increase to be reasonable for enacting the proposed DCCEEW recommendations.

Informed by Stantec's revised cost figures for this pricing category and using the IPART pricing model, we have calculated an efficient revenue requirement for this charge category to be $17 million over the 4-year determination period with a corresponding charge of $113.58.

Our decision is:

41. To set the scheme management charge to $113.58.

Table 11.3 Revenue requirements for scheme management ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28	2028-29
WAMC proposal	$5,917.63	$4,239.68	$4,236.76	$4,073.89
Stantec recommendation	$5,487.66	$3,900.58	$3,882.52	$3,728.25
IPART (notional revenue requirement)	$5,506.20	$3,892.25	$3,885.83	$3,738.43

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Telemetry charge

WAMC proposed to continue the telemetry charge to cover costs for data recording, transmission, and system maintenance for telemetered meters.[316] WAMC proposed a revenue requirement for this charge category of $17.8 million over the proposed 5-year determination period and has proposed increasing the charge by 2% from $263.86 to $270.36.

WAMC noted that lower-than-expected telemetry uptake, compliance delays, and a shortage of DQPs have led to cost under-recovery in the 2021 determination period. To address this, WAMC proposed a transition to an Azure IoT system by 2028–29, pending funding approval. [317]

Stantec considered that WAMC's proposed costs for telemetry were overstated and recommended adjustments to reduce the calculated revenue requirement from $17.8 million to $17.2 million over the proposed 5-year determination period. These include:

- Expanding telemetry licensing and support costs to include 1,189 additional Floodplain Harvesting meters, increasing the total to 14,647 meters
- Adjusting licensing costs so that DAS licensing applies from FY26–FY29, with Azure costs included only from FY29 onwards to prevent customers from paying for two concurrent systems
- Reducing overheads from 25% to 23% to align with WaterNSW's broader operating expenditure
- Applying a 1% efficiency adjustment to non-fixed telemetry costs such as labour and FTE. [318]

We consider the continuation of the telemetry charge appropriate to support the existing telemetry system.

Our Draft Report decision was to incorporate the LID Download/Validation costs into the telemetry charge. We made this decision because we considered that customers required to install telemetry should not bear additional costs for system failures, blackspots, or data corruption beyond their control.

In its submission, WAMC raised concerns that:

- WaterNSW had no intention of charging customers in black-spots the telemetry fee and noted that they will continue to benefit from an exemption
- for these exempt license holders, a mechanism needs to be put in place to reinforce consistency with other water users' obligations [319]
- many FPHs are not telemetry compliant, and WaterNSW cannot compel them to install telemetry under current regulations
- including all FPHs in the pricing denominator dilutes the charge and will lead to revenue under-recovery, as non-compliant users do not contribute to cost recovery [320]
- IPART's draft decision did not allow for a transitional period between telemetry systems. [321]

Telemetry Exemptions

Although we remain concerned that the LID Download/Validation fee represents a large price increase for eligible customers in telemetry blackspots, we acknowledge that there is the ability for FPHs and blackspot license holders to be exempt from telemetry requirements in certain circumstances. For this reason, we consider that there should be a pricing mechanism applicable to these users to recover metering costs and support the introduction of the LID Download/Validation fee.

Number of Flood Plain Harvesters

WAMC has not provided forecast numbers of telemetry compliant FPHs for the upcoming determination period. WAMC has proposed excluding all FPHs from the telemetry charge calculation, both in terms of revenue contribution and user count, due to uncertainty about compliance. However, based on WAMC's submission, telemetry costs are allocated 92% to non-urban metering (NUM), 5% to floodplain harvesting (FPH), and 3% to other categories.

WAMC proposed charging telemetry-compliant FPHs the same $270.36 fee as NUM users, calculated solely from NUM costs. This implies that WAMC does not consider there to be a material difference in the per-user cost of servicing compliant FPH and NUM users.

Given this, we consider it reasonable for the IPART pricing model, which included all 1,189 FPHs in the draft determination, to revise the total number of telemetry users in line with the 92% and 5% cost allocation cited by WAMC. Based on 13,458 NUM users representing 92% of costs, a 5% allocation to FPH equates to approximately 731 telemetry-compliant FPHs.

IT Systems

WAMC raised concerns that IPART's draft decision did not allow for a transitional period between telemetry systems. However, we consider that the rationale provided by Stantec to exclude this overlap period to be compelling and have maintained its exclusion from the revenue requirements. [322]

Pricing

Informed by Stantec's revised cost model for this pricing category and a revised telemetry user count that more accurately reflects expected compliance while maintaining consistency with WAMC's cost allocation framework, we have calculated an efficient revenue requirement for this charge category to be $13.8 million over the 4-year determination period with a corresponding charge of $255.22. We note that this price calculation excludes the revenue from the LID Download/Validation charge which has now been introduced as a separate charge category, the reasons for which are discussed in the following section.

Our decision is:

42. To set the telemetry charge to $255.22.

Table 11.4 Revenue requirements for telemetry ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28	2028-29
WAMC proposal	$3,606.74	$3,483.78	$3,349.85	$4,284.79
Stantec recommendation	$3,654.41	$3,513.14	$3,370.29	$3,370.08
IPART (notional revenue requirement)	$3,601.51	$3,474.40	$3,339.66	$3,339.45

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

LID download/validation charge (non-telemetry charge)

WAMC proposed to rename the existing non-telemetry charge as the LID download/validation charge. This charge would apply to all users with mandatory telemetry reporting requirements which are unable to transmit data due to telemetry blackspots or equipment issues. The charge is intended to cover costs for site visits to manually download usage data or validate meter information.[323] WAMC proposed a revenue requirement for this charge category of $0.615 million over the proposed 5-year determination period and have proposed increasing the charge by 99% from $263.86 to $524.24.

Stantec assessed WAMC's proposed LID download/validation costs and recommended adjustments to reduce the revenue requirement from $0.615 million to $0.605 million over the proposed 5-year determination period. This reduction was due to reducing overheads from 25% to 23% to align with WaterNSW's broader operating expenditure.[324]

In our Draft Report we considered this charge to be unreasonable, as it would impose significant additional costs on customers for limitations beyond their control. Specifically, we considered that customers in telemetry blackspots could be required to:

- install telemetry (as per regulatory obligation),
- pay the annual telemetry fee, and
- also pay an additional fee for site visits to resolve data transmission failures.

We considered this to place a disproportionate financial burden on a small group of users and instead proposed incorporating the relatively small revenue requirement for LID Download/Validation of $0.615 million over the 5-year proposal period into the broader telemetry charge.[325]

However, due to the availability of a telemetry metering exemption, there is a need to create a cost category that captures high-risk users who may be exempt from telemetry requirements but which still require metering. Our decision is to introduce the LID Download/Validation charge to meet this requirement. We also acknowledge, and take on good faith, that WAMC and WaterNSW do not intend to apply both the Telemetry charge and LID Download/Validation charge to the same customers, as noted in the WAMC submission.[326] It will be open to the Tribunal to consider this in the next WAMC price review.

Informed by Stantec's revised cost figures for this pricing category and using the IPART pricing model, we have calculated an efficient revenue requirement for this charge category to be $556,000 over the 4-year determination period with a corresponding charge of $617.40.

Our decision is:

43. To introduce the LID Download/Validation charge $617.40 and discontinue the non-telemetry charge.

Table 11.5 Revenue requirements for LID download ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28	2028-29
WAMC proposal	$166.03	$126.92	$107.21	$107.21
Stantec recommendation	$163.38	$124.89	$105.50	$105.50
IPART (notional revenue requirement)	$173.73	$141.14	$120.93	$120.60

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Alternative assessment charge

WAMC proposed an alternative assessment charge for low-risk users (pumps <100mm, bores <200mm, or ≤15 ML entitlement) and small users (15-100 ML entitlement) who opt not to install their own meters and fail to provide necessary measurement information, requiring a site visit. This charge covers costs for travel, equipment configuration, and recalibration. WAMC proposed a revenue requirement for this charge category of $0.994 million over the proposed 5-year determination period and a charge of $665.19. Under the proposal, low-risk users must begin recording and reporting water take from 1 February 2025, while small users must install pattern-approved meters by 1 December 2027 or their work approval renewal date (whichever comes later). Until compliant, small users may also incur this charge if an alternative assessment is required.[327]

Stantec assessed WAMC's proposed alternative assessment costs and recommended adjustments to reduce the revenue requirement from $0.994 million to $0.968 million over the proposed 5-year determination period. These include:

- Reducing overheads from 25% to 23% to align with WaterNSW's broader operating expenditure
- Applying a 1% continuing efficiency rate per year for the determination period to reflect expected process improvements. [328]

Informed by Stantec's revised cost figures for this pricing category and using the IPART pricing model, we have calculated an efficient revenue requirement for this charge category to be $790,000 over the 4-year determination period with a corresponding charge of $717.08. However, we consider the alternative assessment charge to be economically inefficient and do not support its implementation.

WAMC estimates that 1,495 customers would incur this charge over the determination period, based on a 6% failure rate of the S91i self-reporting form. The charge is intended to cover on-site calibration of equipment, enabling small and low-risk users to determine water take without a meter.

However, our analysis of precinct data and water values suggests that only a small proportion of these 1,495 customers would extract water valued higher than the cost of the alternative assessment charge. Additionally, these users would still be required to pay both the assessment fee and the corresponding water-take charge determined through the assessment, further reducing the charge's economic efficiency.

Given these findings, we consider this charge unjustified. Instead, our decision is that low-risk users (including small-volume users), who would have otherwise been charged the alternative assessment fee, be charged 100% of their entitlement as a water-take charge. This will eliminate the need for inefficient site-visit costs while ensuring costs remain proportionate to water use.

Our decision is:

44. License holders whose water-take cannot be determined through the self-reporting, and who would otherwise require a site-visit to determine water-take, are allowed to be charged 100% of their entitlement in a water-take charge.

Table 11.6 Revenue requirements for alternative assessments ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28	2028-29
WAMC proposal	$227.58	$200.92	$194.65	$188.58
Stantec recommendation	$221.54	$195.58	$189.48	$183.56
IPART (notional revenue requirement)	$221.54	$195.58	$189.48	$183.56

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Attestation charge

WAMC proposed an annual attestation charge to fund a new reporting requirement aimed at ensuring that water users record and report water take against each specific licence. The charge would cover system setup costs of $5 million (in 2026–27 and 2027–28) and ongoing administrative costs such as system management, customer communication, and compliance monitoring. The charge would only apply if the government enforces attestation during the 2025 determination period, following a two-year trial funded by the NSW Government.[329] WAMC proposed a revenue requirement for this charge category of $12.81 million over the proposed 5-year determination period and proposed an attestation charge of $81.64.

The attestation requirement seeks to address gaps in the current reporting system, which focuses on the volume of water taken by a nominated work but does not indicate whether or how much water is attributed to each licence or basic landholder right where multiple licences exist. By requiring annual attestations, the policy aims to improve compliance enforcement, strengthen water resource management, and reduce regulatory uncertainty. While the attestation obligation is most relevant to multi-licence holders, it was proposed to apply to all licence holders.[330]

Stantec considered there was insufficient justification for the proposed attestation costs and does not support the introduction of an attestation charge for the next determination period. Given the lack of clear cost allocation and necessity, Stantec recommended that this charge not be included in the WAMC metering charges. [331]

Applying Stantec's generalised recommendation relating to overhead multipliers to the WAMC proposed revenue,[332] we have determined an efficient revenue requirement for this charge category to be $6.6 million over the 4-year determination period with a corresponding charge of $92.81.

We consider WAMC's proposed charge to be inequitable, particularly for licence holders with smaller entitlement volumes. The flat per-licence fee structure disproportionately impacts single-licence users, some of whom may pay more in attestation fees than the value of their annual water take (although we note that the minimum annual charge may apply to these users). This cost burden is difficult to justify given that the primary beneficiaries of attestation are regulators and entities managing multiple licences. Furthermore, Stantec considered that the attestation charge should not be introduced in the 2025–30 determination period, citing insufficient evidence to justify the proposed costs.

Given these concerns, our decision is to not introduce the attestation charge. We consider there should be further assessment of alternative cost-recovery mechanisms, including scaling the charge based on the number of licences held or exempting single-licence holders from the requirement. Additionally, a clearer rationale is needed for why attestation costs should be borne by licence holders rather than funded through other regulatory mechanisms, such as scheme management. Furthermore, if attestation is primarily a regulatory compliance function, we consider it may be more appropriate for these costs to be integrated into WAMC's general operating expenditure rather than recovered through a separate user charge.

Our decision is:

45. To not implement an attestation charge.

Table 11.7 Revenue requirements for attestations ($2024-25, $'000)

Entity	2025-26	2026-27	2027-28	2028-29
WAMC proposal	$0.00	$3,934.01	$4,638.14	$2,437.31
Stantec recommendation	$0.00	$0.00	$0.00	$0.00
IPART (notional revenue requirement)	$0.00	$1,026.57	$2,186.53	$3,349.11

Source: IPART calculations, WAMC Pricing Proposal, Stantec Report

Meter service charge – operating costs (government-owned meters)

WAMC proposed an annual meter service charge – operating costs of $991.76 for maintaining government-owned meters, reflecting a 5% decrease due to lower forecast costs and optimised maintenance schedules. This charge applies once meters are compliant or required to be compliant with updated metering requirements.[333] In response to our request for further information, WAMC stated that the price reduction is primarily due to projected decreases in outsourced maintenance contract costs.

Stantec considered WAMC's proposal to set the meter service charge – operating costs at $991.76 to be appropriate.[334]

In the previous determination, the cost of these services was assessed against market benchmarks and found to reflect efficient, market-based costs.[335] We consider maintaining the meter service charge – operating costs charge in real terms to be appropriate, and have determined a price of $1,015.56 per government owned meter per year based upon an inflation rate of 2.4%

Our decision is:

46. To set the meter service charge – operating costs at $1,015.56.

Channel meter service charge – operating costs

WAMC proposed maintaining the channel meter service charge at $7,346.54 in real terms for the 2025 determination period to allow cost recovery for the maintenance and validation of government-owned channel meters. This charge applies once meters are compliant or required to be compliant with updated metering requirements. [336]

In the previous determination, Cardno reviewed WaterNSW's cost assumptions for this charge. Cardno could not verify the need for increased site visits or higher associated costs, recommending that the charge remain unchanged. IPART accepted this advice, maintaining the charge at a level consistent with historical market rates. The continued application of this charge at the current level aligns with those previous findings.[337]

Stantec did not make any recommendations on the channel meter service charge – operating costs.

We consider maintaining the channel meter service charge – operating costs charge in real terms to be appropriate, and have determined a price of $7,522.86 per government owned meter per year based upon an inflation rate of 2.4%.

Our decision is:

47. To set the channel meter service charge – operating costs at $7,522.86.

Annual meter service charge for government owned meters that have not been made compliant

WAMC proposed maintaining the annual meter service charge for government-owned meters that have not yet been made compliant at its current level in real terms. This charge recovers the costs of operating, maintaining, and, when necessary, reading these meters until they are upgraded or required to comply with the updated metering regulations. The charge will continue to be applied annually until compliance is achieved.[338]

Stantec considered WAMC's proposal to maintain the existing annual meter service charge for government-owned meters in real terms to be appropriate.[339]

We consider maintaining the annual meter service charge in real terms to be appropriate. This approach is consistent with the 2021 determination, where IPART accepted these charges as cost-reflective based on an independent expert review.[340]

Our decision is:

48. To set the annual meter service charges as set out in Tables 5.2 and 5.3 of the determination.

Water take assessment charge

WAMC proposed to maintain the water take assessment charge at its current level in real terms for the 2025 determination period. This charge recovers the costs of measurement or metering services for licence holders. WAMC applied this charge for unregulated rivers and groundwater sources whilst WaterNSW administers these services for regulated rivers.

Stantec considered WAMC's proposal to maintain the water take assessment charge in real terms to be appropriate.[341]

We consider maintaining water take assessment charge in real terms to be appropriate, and have determined a price of $249.75 per meter per year based upon an inflation rate of 2.4%

Our decision is:

49. To set the water take assessment charge at $249.75.

Ancillary charges

WAMC provides ancillary services on a fee-for-service basis and proposed to maintain these various costs the same in real terms.

In the previous determination, IPART accepted WaterNSW's proposal to keep these charges in line with historical market rates, based on Aither's assessment of the costs associated with these services.[342] As these services are typically outsourced to private vendors, the fees continue to be cost-reflective and aligned with market benchmarks.[343]

Stantec considered WAMC's proposal to maintain ancillary charges in real terms to be appropriate.[344]

We consider maintaining the ancillary charges in real terms to be appropriate.

Our decision is:

50. To set the ancillary charges as set out in Table 5.5 of the determination.

Meter service charge – capital costs

WAMC proposed discontinuing the meter service charge – capital costs for government-owned meters, as compliance costs are expected to continue to be funded by a departmental grant. [345] In the previous determination period, IPART set the price for this charge at $0.[346]

Stantec did not consider the meter service charge – capital costs.

We consider discontinuation of this charge to be appropriate.

Our decision is:

51. To discontinue the meter service charge – capital costs.

11.4.4 IPART modelling approach

WAMC's proposed pricing model builds upon a set of base assumptions to estimate the expected costs for each pricing category, such as the number of staff hours required to perform specific tasks, the average salary per staff member, and vehicle expenses. From these assumptions, a projected total cost for each pricing category was developed. The proposed charges were calculated by dividing these total costs by the relevant units (e.g. licenses, users, or meters) over the five-year determination period, which is overly simplistic.

The price modelling approach in the WAMC proposed model is inconsistent with the historical approach used by IPART in the previous non-urban metering determination and general IPART practices. IPART traditionally implements a cost-building block framework using a net-present-value (NPV) analysis to account for the time value of money and a weighted-cost of capital approach to measure the opportunity cost of an investment decision.

We consider that the IPART modelling approach is more accurate in calculating efficient costs than the proposed model by WAMC. The key variations between the approaches include:

- use of the building blocks framework.
- use of allowed depreciation from the previous determination for the regulatory asset base.
- calculation of prices using net present values rather than simple totals and accounting for the weighted cost of capital.
- use of Stantec proposed capital expenditure, operating expenditure, and license/meter volumes for the non-urban metering cost categories.

Chapter 12

Consent transactions

12

Summary of decisions on consent transactions

Some existing consent transaction charges will increase above inflation

- There are 17 existing Type A consent transaction charges. 16 charges will remain constant before inflation and one charge will be around 5.5% lower than the current charge (before inflation).
- There are 18 existing Type B consent transactions. 16 charges will increase and 2 charges will decrease before inflation. The following figures are before inflation:
  - 8 charges will increase by 2%
  - 6 charges will increase between 2.3% and 3.8%
  - 2 charges will increase by 6.3% to 7.7%, and
  - 2 charges will be 45% and 83% lower than the current charges (before inflation).
- There are 4 existing groundwater assessment component charges which will increase between 15% and 96% before inflation.

We accepted 18 of WAMC's proposed new consent transaction charges

- There will be 6 new Type A consent transaction charges that will range between $154.62 to $1,745.02.
- There will be 11 new Type B consent transaction charges that will range between $123.17 to $6,582.46.
- There will be one new groundwater assessment component charge of $362.02.

We did not accept WAMC's proposal to include a further 14 consent transactions into the WAMC Determination

WAMC proposed to include a further 14 consent transactions charges for controlled activity approvals and flood work approvals into the WAMC Determination. These charges already exist but are outside the WAMC Determination. We have decided to not include these charges in the WAMC Determination because we consider they relate to land management activities.

Water consent transactions are fee-for-service activities that result in the issue, granting or amendment of water access licences and approvals under the NSW *Water Management Act 2000* (WM Act) and Part 5 licences under the *Water Act 1912*.[347] WAMC's consent transaction activities fall into 3 categories:[348]

- **water access licences** – transactions include issuing new licences, amending existing licences and any dealings in licences such as assigning share components, consolidating, subdividing and surrendering licences
- **water allocation assignments** – transactions include assigning water from one licensee account to another licensee account (commonly referred to as temporary trade) for unregulated and groundwater water sources
- **works and use approvals** – transactions include assessing and approving the construction and use of water supply works such as pumps, dams and bores, and for the application of water to the land.

WaterNSW and the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) are responsible for providing these consent transaction services on behalf of WAMC. Water consent transaction charges recoup WAMC's efficient costs of providing these services to users.

This chapter presents our decisions on WAMC's consent transactions charges, where we had regard to matters required under section 15(1) of the IPART Act, including the cost of providing the services and the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services.

12.1 WAMC proposed large increases to some of its consent transaction charges

WAMC has proposed:[349]

- increases between 35% and 522% (before inflation) for existing Type A charges
- 20 new Type A charges which would better describe specific circumstances of the activity and including bringing in 13 existing controlled activity approval transactions into the scope of this determination
- an increase of between 2% and 7.7% (before inflation) for existing Type B charges and new charges that range between $120 to around $8,000 ($2024-25), where the charge at the upper end relates to the combined approval application fee for both a Water Supply Work and water use approval
- significant reductions to several of its Type B charges
- increases of between 84% and 145% (before inflation) to its existing groundwater assessment component charges and proposed to introduce one charge.

Some of the large increases were proposed as WAMC has said it has under-recovered its costs during the 2021 determination period. WAMC explained its proposed consent transaction charges reflect the efficient full cost recovery of providing the consent transaction activities to customers.

WAMC's proposed consent transaction charges are set out in Tables 86-88 of its pricing proposal.

12.2 We have maintained our draft decisions on Type A consent transactions and reintroduced 7 charges and removed one charge

Our decision is:

52. To set the maximum price of WAMC's Type A consent transactions charges as shown in Table 12.1.

IPART's decision for Type A consent transactions is shown in Table 12.1 below. Type A consent transactions are provided by the NSW Department of Climate Change, Energy, the Environment (DCCEEW).

We have not made changes for existing Type A consent transactions that were presented in the Draft Report. We are maintaining the maximum Type A consent transaction charges constant before inflation, including one charge being lower than the current charge (before inflation).

We also have not made changes for new Type A consent transactions that were presented in the Draft Report.

The changes we have made from the Draft Report, as shown below are:

- Reintroduced 7 charges that are in the 2021 determination but were omitted from the 2025 draft determination:
  - Amended approval – Add and change water supply works, add and change water use or changes to conditions (Excludes Groundwater referral fee)
  - Amended approval – administrative (Excludes Groundwater referral fee)
  - Dealings – regulated rivers
  - Dealings – unregulated rivers and groundwater (All applications except those considered by the processing agency to be low risk or administrative) – Excludes Groundwater referral fee
  - Dealings – unregulated rivers and groundwater with low risk
  - Dealings – unregulated rivers and groundwater – administrative
  - Water allocation assignments – Unregulated rivers and groundwater.
- Removed one charge:
  - Application to amend a water supply work and/or use approval – irrigation corporations.

Table 12.1 Decision on Type A consent transaction charges for the 2025 determination period ($2025–26, $ per transaction)

	Category	Final decisions: 2025-26 to 2028-29
Type A Consent Transactions		
New water access licences applications		
Zero share	Existing	1,382.30
Controlled allocation	Existing	1,812.09

	Category	Final decisions: 2025-26 to 2028-29
Specific purpose access licence – Groundwater assessment may be required	Existing	3,094.51
Works and supply approvals		
Application to inactivate a Water Supply Work Approval and/or water use approval	New	1,006.49
Application for a new Water Supply Work Approval to take Groundwater under a domestic and stock right	Existing	1,237.38
Application for a new Water Supply Work Approval – town water supply – Groundwater assessment charge not included	Existing	5,464.73
Application for a new Water Supply Work Approval – Groundwater	Existing	2,329.79
Application for a new Water Supply Work Approval – pump	Existing	2,883.34
Application for a new Water Supply Work Approval - dam or storage	Existing	2,853.08
Application to extend a Water Supply Work Approval and/or water use approval – lodged before expiry date	Existing	422.69
Application to extend a Water Supply Work Approval and/or water use approval – lodged after expiry date	Existing	781.19
Application for a new Water Act Approval – monitoring bore - administrative	New	154.62
Application for a new Water Act Approval – injection bore – administrative	New	154.62
Amended approval – Add and change water supply works, add and change water use or changes to conditions (excludes Groundwater referral fee)	Existing	1,786.32
Amended approval – administrative (excludes Groundwater referral fee)	Existing	212.20
New application to surrender a Water Supply Work Approval and/or water use approval	New	947.64
Application for a new Water Supply Work Approval – miscellaneous works	New	1,317.00
Assessment of a State Significant Development	New	1,745.02
Water access licence dealings		
Dealings – Regulated Rivers	Existing	904.48
Dealings – Unregulated Rivers and Groundwater (all applications except those considered by the processing agency to be low risk or administrative) - excludes Groundwater referral fee	Existing	2,889.89
Dealings – Unregulated Rivers and Groundwater – low risk	Existing	1,309.52
Dealings – Unregulated Rivers and Groundwater – administrative	Existing	578.44
Water allocation assignments		
Unregulated Rivers and Groundwater	Existing	171.55

The Type A consent transactions are based on WAMC's pricing proposal (Table 86), including whether it is an existing or new charge. We have also re-introduced 7 Type A consent transactions from the IPART 2021 WAMC Final Determination.

Source: Table 86 WAMC Pricing Proposal September 2024, Table 8-14 Stantec Final Expenditure Report May 2025 and IPART analysis.

12.2.1 The reasons for maintaining our draft decisions for the Final Report for Type A consent transactions

WAMC, in its submission to the Draft Report, stated that IPART at a minimum should adopt Stantec's upper bound rather than the lower bound as reflected in our draft decisions.[350] WAMC claimed that under the draft decisions it would not be able to maintain current service levels, leading to significant delays and inefficiencies in the licensing and approval functions it exercises.[351] WAMC provided its enquiries and complaints data to support its submission that under IPART's draft decisions it would be unable to address customers' desire for improved assessment times. It also explained that NSW DCCEEW received Type A processing functions in April 2022.[352]

IPART has considered the further information and considered WAMC's pricing proposal and Stantec's advice.

Our draft decision for existing Type A transactions did not result in real increases for many charges. If we changed our draft decisions for Type A transactions to Stantec's upper bound, this would mean that for existing charges there would be:

- 4% to 7% increases (before inflation) for existing new water access licence transactions
- 0% to 357% increases (before inflation) for existing works and supply approval transactions, which includes no real increase to one charge, and increases ranging from 28% to 357% for the other transactions.

For the new Type A charges, adopting Stantec's upper bound would mean 50% increases (before inflation) for new transactions and an increase from $151 up to $2,590 for 2 new bore related transactions, compared to IPART's Draft Report (in $2024-25 terms).

However, adopting Stantec's upper bound would result in prices that are below those proposed by WAMC.

Stantec's upper bound recommendation is based on using average scenario time estimates and a 30% reduction to indirect costs.[353]

While moving Type A charges to the upper bound would be lower than WAMC's proposal, it would still lead to large increases from current charges i.e. up to a 357% increase. One stakeholder raised concern over the large size of the proposed increases (i.e. up to 522% increase) for Type A consent transaction charges.[354]

We consider that engaging with licence holders is crucial to understand their willingness to pay and views on trade-offs such as between service delivery and cost, particularly for large increases. WAMC has not undertaken this engagement. We have also considered Stantec's advice about overestimation in direct and indirect costs for the proposed Type A charges.[355]

We acknowledge Stantec's advice that maintaining our draft decisions may lead to under-recovery of actual direct costs, limited flexibility of DCCEEW to respond to variable workloads in a cost-effective manner and underperformance against existing service level targets.[356]

However, we consider that the risk of adopting Stantec's upper bound for Type A charges outweighs the risks of maintaining the draft decisions.

For instance, Stantec's advice about the risks of adopting the upper bound included the following points:[357]

- Could result in over-recovery of actual direct costs
- Customer affordability has not been tested nor have customers been engaged despite the large proposed increases in the charges.

Another factor in our decision to maintain our draft decision was DCCEEW's approach to proposing its Type A transactions. Stantec advised that DCCEEW's bottom-up estimation methodologies for direct and indirect costs overestimated risks and underestimated the synergies inherent in undertaking routine, process-based tasks for Type A transactions.[358]

We also accept Stantec's advice that the adoption of the lower bound takes into account DCCEEW having established processes in place for receiving, triaging and assessing and determining consent applications, as well as DCCEEW's explanation that it has implemented multiple efficiency improvements in the current 2021 regulatory period.[359]

Our decision is therefore to maintain our draft position for Type A consent transactions, which is to make no real increases to many existing charges. We are also maintaining our draft position for new Type A charges, which means that these charges would continue to be set lower than what WAMC proposed in its pricing proposal.

To reflect this decision, we have also made corrections to the price of 2 Type A consent transaction charges to reflect the current (2024-25) charges that apply, so that inflation would be applied to the correct base charge for the 2025 regulatory period. The corrections, before inflation, from the Draft Determination are:

- A decrease for $0.06 for new water access licence applications – Zero share
- An increase of $7.79 for new water access licence applications – Controlled allocation.

WAMC has also brought to our attention that the words 'miscellaneous works' was missing from the description for one proposed Type A transaction charges that was listed in our Draft Report. We have made this change for the Final Report. The relevant charge now reads as 'Application for new water supply work approval – miscellaneous works' (also see Table 12.1).

Amend water supply work and/or use approval naming error

WAMC in its submission to our Draft Report outlined that IPART omitted 'amend a water supply work and/or use' (see Table 12.2).[360] WAMC noted that each of the 4 new application charges for a water supply work approval relating to town water supply, groundwater, pumps and dams/storage should be combined with 'amend water supply work and/or use approval' (see Table 12.2). WAMC also informed us that 'Application to amend a water supply work and /or use approval – irrigation corporations' could be removed if the corrections to the previous 4 charges were made (see Table 12.2).[361]

As Table 12.2 shows, we have assessed these charges as proposed in Table 86 of the pricing proposal submitted in September 2024. We wrote to WAMC in August 2025 to better understand its position. Its response was that the charges were described incorrectly in the pricing proposal and explained that its intention was for each of the 4 new water supply work application charges to be combined with 'amend a water supply work and/or use', and for 'application to amend a water supply work and /or use approval – irrigation corporations' to be removed.

Table 12.2 Amend water supply work and/or use approval naming error

WAMC pricing proposal	Draft Report (2025)	Requested changes by WAMC (July submission)	Draft determination price ($2024-25)
New application for a water supply work approval – town water supply – groundwater assessment charge not included	New application for a water supply work approval – town water supply – groundwater assessment charge not included	Application for a new or to amend a water supply work and/or use approval – town water supply – groundwater assessment charge not included	5,336.65
New application for water supply work approval – groundwater	New application for water supply work approval – groundwater	Application for a new or to amend a water supply work and/or use approval – groundwater	2,275.19
New application for water supply work approval - pump	New application for water supply work approval - pump	Application for a new or to amend a water supply work and/or use approval – pump	2,815.76
Application for a new water supply work approval regarding a dam or storage	Application for a new water supply work approval regarding a dam or storage	Application for a new or to amend a water supply work and/or use approval regarding a dam or storage	2,786.21
Application to amend a water supply work and/or use approval – irrigation corporations	Application to amend a water supply work and/or use approval – irrigation corporations	Remove this charge only if above charges are accepted	1,170.83

Source: Appendix D – WAMC's Submission to IPART Draft Report, Table 86 WAMC pricing proposal and IPART analysis.

We have considered this new information. As previously mentioned, WAMC did not propose 'amend a water supply work and/or water use' Type A charges in the 2025 pricing proposal. There are also no current Type A transactions where a 'new approval' is combined with 'amend a water supply work and/or use approval' in the current determination i.e. the 2021 Final Determination. Further, in the current determination, the 'amend' charges are all less expensive than the corresponding application for a new approval. The amend a water supply work and/or water use Type A consent transaction charges currently in place as per the 2021 Final Determination are:

- Amended – Add and change water supply works, add and change water use or changes to conditions – Groundwater assessment not required: $1,744.45 ($2024-25)
- Amended approval - administrative – Groundwater assessment not required: $207.23 ($2024-25).

Adding 'amend a water supply work and/or water use' to each of the 4 charges relating to a new application for a water supply work would be an implied real increase for the 'amend' scenario from the current charges that are in place. The charges relating to town water supply, groundwater, pumps and dams/storage were also not described as a combined 'new application and amend a water supply work and/or use' transaction in the pricing proposal. Stakeholders would not have been able to provide their views on a combined charge during our consultation periods for the Issues Paper and the Draft Report.

As such, our decision is to maintain the status quo by continuing the 2 separate 'amend a water supply work and/or water use' Type A charges that are in place from the 2021 Final Determination for the 2025 Final Determination. We are also maintaining these charges constant before inflation. This enables WAMC to be able to continue charging for providing licence holders with amendments to their water supply work and/or water use approvals, including for town water supply, groundwater, pumps and dams/storage.

As per WAMC's request, we have removed the 'Application to amend a water supply work and/or use approval – irrigation corporations', as this would be covered by the 2 amend a water supply work and/or water use Type A charges we are maintaining from the 2021 Final Determination.

Our final decision is to set the following 2 charges for the 2025 Final Determination, after inflation, (also shown in Table 12.1 above):[a]

- Amended approval - Add and change water supply works, add and change water use or changes to conditions – Excludes Groundwater referral fee: $1,786.32
- Amended approval - administrative – Excludes Groundwater referral fee: $212.20.

As is the case in the 2021 Determination, where a technical referral to the groundwater team is required, the relevant charges set in Table 12.4 may apply in addition to the 2 charges listed above.

IPART is open to a combined new application & amend water supply work and/or use Type A consent transaction charge for the next pricing review. However, such proposals should be supported by engagement with customers, particularly if large increases are being proposed.

Dealings and water allocation assignment charges

There are currently 6 dealings and water allocation assignment charges under Type A consent transactions in the 2021 Determination.[362]

These charges were not included in WAMC's pricing proposal and therefore were not included in our Draft Report. After further enquiries by IPART, WAMC requested the water access licence dealings and allocation assignment charges be retained in the 2025 Determination.

We have considered this new information and on balance have decided to retain these dealings and allocation assignment charges in the 2025 Determination. We note 2 of the charges contained in the 2021 Determination[b] have now been merged into a single charge in the 2025 Determination.[c]

We consider that not including these charges in the 2025 Determination could result in unregulated charges being applied by WAMC.

To protect customers from unregulated prices, we have decided to retain the 5 Type A water access licence dealings and allocation assignment consent transaction charges, with prices remaining constant before inflation (see Table 12.1).

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a The 2 prices include the impact of inflation from 2024-25 to 2025-26.

b Dealings - unregulated rivers and groundwater (All applications except those considered by the processing agency to be low risk or administrative) – groundwater assessment required and Dealings - unregulated rivers and groundwater (All applications except those considered by the processing agency to be low risk or administrative) – groundwater assessment not required).

c Dealings - unregulated rivers and groundwater (All applications except those considered by the processing agency to be low risk or administrative) – excludes Groundwater referral fee.

12.3 We have accepted WAMC's proposal for existing Type B consent transactions and made increases to 2 new Type B charges

Our decision is:

53. To set the maximum price of WAMC's Type B consent transactions charges as shown in Table 12.3.

IPART's decision for Type B consent transactions is shown in Table 12.3 below. Type B consent transactions are provided by WaterNSW.

Table 12.3 Decision on Type B consent transaction charges for the 2025 determination period ($2025–26, $ per transaction)

	Category	Final decisions: 2025-26 to 2028-29
Type B Consent Transactions		
Water access licences		
Application for new water access licence – zero share	Existing	887.05
Application for new controlled allocation	Existing	863.43
Application for a new specific purpose access licence – no Groundwater assessment required	Existing	898.82
Surrender WAL (non-complex)	New	382.00
Surrender WAL (complex and zero share)	New	522.34
Water access licence dealings		
Regulated Rivers	Existing	922.57
Unregulated Rivers	Existing	2,947.68
Groundwater (excludes Groundwater referral fee)	Existing	2,947.68
Low risk	Existing	1,335.72
Administrative	Existing	590.02
Suspension/cancellation of a water access licence initiated by WAMC for non-payment	New	175.70
Removal of a suspension applied on a water access licence	New	175.70
Water allocation assignments		
Water allocation assignment (temporary trade) – Regulated Rivers	Existing	64.12
Water allocation assignment (temporary trade) - Unregulated Rivers and Groundwater	Existing	64.12
Approvals		
Application to inactivate/activate a work/works on a Water Supply Work Approval	Existing	107.52
Application for a basic landholder rights bore - Water Supply Work Approval to take Groundwater under a domestic and stock right (excludes Groundwater referral fee)	Existing	1,102.31
Application for a Water Supply Work Approval or use approval (excludes Groundwater referral fee)	Existing	5,489.44
Application for a combined approval (excludes Groundwater referral fee)	New	6,582.46

	Category	Final decisions: 2025-26 to 2028-29
Application for a Water Supply Work Approval or use approval (low risk) (excludes Groundwater referral fee)	Existing	2,981.38
Application for a combined approval (low risk) (Groundwater referral fee not required)	New	3,579.12
Application to amend approval (Water Supply Work Approval, combined or use) – administrative (excludes Groundwater referral fee)	Existing	652.75
Application for a Water Supply Works Approval for firefighting purposes (excludes Groundwater referral fee)	New	1,102.31
Application to extend a Water Supply Work Approval and/or use approval – lodged before expiry date	Existing	627.85
Application to extend a Water Supply Work Approval and/or use approval – lodged after expiry date (<60 days)	Existing	627.85
Application to extend a Water Supply Work Approval and/or use approval – lodged after expiry date (>=60 days)	Existing	1,160.39
Surrender of a Water Supply Work Approval or use approval (non-complex)	New	123.17
Surrender of a Water Supply Work Approval or use approval (complex) or combined approval	New	273.44
Specialised assessment fee for Water Supply Work Approval, flood work or use approval (i.e. noise assessment, water quality)	New	1,559.63
Change application for Water Supply Work Approval, use, flood work or combined (after assessment commenced)	New	1,024.41

The Type B consent transactions are based on WAMC's pricing proposal (Table 87), including whether it is an existing or new charge.

Source: Table 87 WAMC Pricing Proposal September 2024, Table 8-18 Stantec Final Expenditure Report May 2025 and IPART analysis.

12.3.1 Our decision on existing Type B consent transactions

We have amended our draft decision for existing Type B transactions to reflect what WAMC proposed after considering the evidence provided. Our decision means that compared to current charges:

- 8 existing charges will increase by 2% before inflation
- 6 existing charges will increase between 2.3% and 3.8% before inflation
- 2 existing charges will increase by 6.3%-7.7% before inflation, where dollar increase amounts to around a $5 increase before inflation, i.e:
  - Water allocation assignment (temporary trade) – regulated rivers
  - Water allocation assignment (temporary trade) – unregulated rivers and groundwater
- 2 existing charges will decrease by 45% and 83% before inflation.

WAMC's response[363] to our draft decision on existing Type B transactions was that WaterNSW[d] is required to meet growing regulatory obligations and some applications are becoming increasingly complex. These include expanded assessments for contaminated lands, groundwater-dependent and culturally dependent ecosystems, declared wetlands, and enhanced documentation against water sharing plan principles. It also cited cost pressures relating to real wage increases and IT support costs. It was concerned about not meeting mandated customer service standards regulatory obligations. It said that under our draft decisions, its total revenue would be reduced by 6% ($318,000) and that this would impact its ability to respond to emerging weather conditions.

IPART has considered these views and revisited the evidence provided, including WAMC's pricing proposal and Stantec's analysis.

Stantec's advice in relation to the efficiency of existing Type B charges was that it considered WaterNSW has adopted a reasonable approach to calculating its proposed charges.[364] Stantec also considered it appropriate that WaterNSW has adopted an average scenario for its forecasted consent transaction volumes, which underpins its top-down calculation of charges. Stantec also noted that, in the current period, WaterNSW has optimised the mix of resources that it uses to deliver transaction and customer management activities.

We also note that WaterNSW proposed reductions of 45% and 83% before inflation to 2 existing Type B consent transactions, and we maintain these prices for the Final Determination:

- Application to extend a Water Supply Work Approval and/or use approval – lodged after expiry date (<60 days)
- Application to inactivate/activate a work/works on a Water Supply Work Approval.

WaterNSW in its response to our Draft Report also provided further information about cost pressures it faces to undertake complex searches on the Aboriginal Heritage Information Management System (AHIMS). It explained that AHIMS searches used to be available at no cost, but mid-way through the current determination a $60 fee was introduced.[e] WaterNSW explained that on average 25% of applications require this search, and explained that the relevant charges should also include the $15 cost relating to undertaking searches on the AHIMS.

The 6 existing charges where an AHIMS complex search may apply are:

- Application for new water access licence – zero share
- Application for new controlled allocation
- Application for a new specific purpose access licence – no groundwater assessment required
- Application for a basic landholder rights bore - Water Supply Work Approval to take Groundwater under a domestic and stock right (excludes Groundwater referral fee)
- Application for a Water Supply Work Approval or use approval (excludes Groundwater referral fee)
- Application for a Water Supply Work Approval or use approval (low risk) (excludes Groundwater referral fee).

[d] Type B consent transactions are handled by WaterNSW.
[e] The $60 fee refers to *Search-extensive* under List of Fees on NSW DCCEEW Environment and Heritage's webpage.

Stantec assessed the efficiency of the $15 AHIMS search cost in its supplementary report.[365] It found that conducting an AHIMS search is a reasonable and practicable step, at the consent application stage, for minimising the potential harm to Aboriginal objects caused by water supply works or use. Stantec also considered that embedding the $15 into the charges would mean some users that do not require this service would pay. However, it considered that setting multiple different charges would lead to complex charging structures, when some stakeholders have told WAMC their support for 'less complex charging structure for WAMC services'. Stantec also explained that the need to conduct a search is not likely to be known until an application is lodged. In conclusion Stantec found that passing on the $15 AHIMS cost was efficient.

We have considered this assessment and agree with this analysis. We have accepted the 6 charges as proposed by WAMC, which include the $15 fee for undertaking an AHIMS search. As a result, these 6 charges are increasing by 2.3% and 3.8% before inflation.

We have also considered the views put forward to us by stakeholders.

In response to our Draft Report, the Hunter Valley Water User Association said it "supports IPART's decision to not increase the cost of consent transaction charges. However, we believe charges are currently too high, are cost-prohibitive, and therefore should be reduced further".[366]

Several stakeholders[367] in their submission to our Issues Paper raised concerns about the lack of direct consultation on the proposed consent transaction charges. WAMC said that stakeholder consultation on consent transaction charges would take place in October 2024, but stakeholders submitted that the information provided was at a 'very high level with no costs underpinning the prices'.[368]

We acknowledge these views and consider the WAMC agencies should consult with stakeholders during the development of its pricing proposal. In our 2021 Final Report we also encouraged the WAMC agencies to engage with stakeholders to understand their willingness to pay for increased charges or potential trade-offs.[369]

We have balanced these considerations with the independent advice which assessed that WaterNSW adopted a reasonable approach to calculating its proposed charges for existing charges. We also consider that the quantum of the increases from the current charges are reasonable under our final decisions and note that 2 existing charges would be reduced as proposed by WaterNSW.

We also note that maintaining our draft decisions could also lead to cross-subsidisation where other users may subsidise Type B consent transactions, which are fee-for-service. Therefore, our final decision is to make the following increases to existing Type B transactions before inflation:

- 8 existing charges will increase by 2%, which is an increase between $11 and $57 increase.
- 6 existing charges will increase between 2.3% and 3.8%, where the dollar increase is between around a $31 and $120 increase.
- 2 existing charges will increase by 6.3%-7.7%, where the dollar increase is around a $4 to $5 increase
- 2 existing charges will decrease by 45% and 83%, which for both charges is around a $500 reduction.

12.3.2 Our decision on new Type B consent transactions

We have made a $15 increase before inflation to 2 new Type B consent transactions from the charges we set under our draft decisions to account for the complex search costs associated with the AHIMS (as explained previously). The 2 charges where this applies are:

- Application for combined approval (excludes Groundwater referral fee)
- Application for combined approval (low risk) (Groundwater referral fee not required).

Increasing these 2 charges by $15 before inflation from the draft decisions does not exceed what WAMC originally proposed for these 2 new Type B consent transaction charges.

As shown in Table 12.3 we maintain our draft decisions for new Type B consent transaction charges for all other new charges.

New dealing fees relating to non-payment of fees on water access licences (WAL)

In its submission to our Draft Report, WAMC noted that IPART was silent on its proposal to pass the fees paid to the Land Registry Service (LRS) at cost to customers when WAMC suspends/cancels/lifts suspensions for licences for customers in arrears.

WAMC's pricing proposal included a statement that it would like to recover the costs of LRS fees in the following situations:[370]

- WAMC initiates the suspension/cancellation of a water access licence (WAL) due to non-payment of fees by the holder
- WAMC removes the suspension on a WAL once payment is received.

WAMC explained that a suspension of a WAL will only be processed at the end of the debt management procedure, at a minimum of 90 days after the first collection notice is issued.[371] WAMC also explained that several opportunities are provided to the WAL holder before suspension.

We have considered WAMC's submission and the evidence that is available to us and, on balance, decided to introduce 2 new Type B transaction charges as shown below, after inflation:

- Suspension/cancellation of a WAL initiated by WAMC for non-payment: $175.70
- Removal of a suspension applied on a WAL: $175.70.

WaterNSW in its submission to the Draft Report explained that it proposes to pass the LRS fees related to non-payment directly to the licence holder rather than socialising these costs into W10-03 Billing Management.[372] We consider this is appropriate, licence holders who pay their WAL charges on time should not subsidise the costs incurred by WaterNSW to suspend/cancel/lift a suspension on a WAL which is due to the non-payment by another licence holder.

We also note that each time WaterNSW suspends/cancels a WAL for non-payment, then lifts the suspension on a WAL after receiving payment, it pays a dealing fee of $175.70 to the Land Registry Service[f]. This fee is externally set by the LRS. WaterNSW is not requesting to recover any costs associated with this process, other than passing on the relevant WAL dealing fee as set by the LRS.

We are also satisfied with WAMC's explanation that several opportunities are provided in instances of non-payment before suspending/cancelling a licence. Stantec also provided advice that this arrangement to pass the relevant LRS fees at cost directly to the licence holder who has not paid fees owing on their WAL was efficient.[373]

12.4 We have maintained our draft decisions for the groundwater assessment component consent transaction charges

Our decision is:

54. To set the maximum price of WAMC's groundwater assessment component consent transactions charges as shown in Table 12.4.

IPART's decision for the groundwater assessment component consent transaction charges is shown in Table 12.4 below. We have note made changes to the prices from our Draft Report.

Table 12.4 Decision on groundwater assessment component consent transaction charges for the 2025 determination period ($2025–26, $ per transaction)

Groundwater assessment component	Final decisions: 2025-26 to 2028-29
New or amended works and/or use approvals	3,492.59
Bore extraction limit reviews	3,492.59
Water access licence dealings – Unregulated Rivers and Groundwater	3,492.59
New basic landholder rights bore	337.10
Temporary trade	362.02

The groundwater assessment component consent transactions are based on WAMC's pricing proposal (Table 88), including whether it is an existing or new charge.

Source: Table 88 WAMC Pricing Proposal September 2024, Table 8-23 Stantec Final Expenditure Report May 2025 and IPART analysis.

For some consent transaction types, DCCEEW undertakes an assessment of the potential groundwater impacts of the consent application. This is incurred in addition to a Type A or Type B consent transaction charge. The additional groundwater assessment charges are usually incurred on top of Type B charges (e.g. see consent transaction charges that note 'excludes Groundwater referral fee' in Table 12.1 and Table 12.3). For the 2025 determination, we have separated this out as an additional category.

[f] The LRS fee that applies is the 'WAL dealing lodgment (excluding Application for replacement WAL Certificate)', Refer to the LRS webpage for more information.

12.5 Controlled activity and flood work approvals

WAMC proposed to include a further 14 consent transactions charges for controlled activity approvals and flood work approvals into the WAMC Determination. These charges already exist but are outside the WAMC Determination. We have decided to not include these charges in the WAMC Determination because we consider they relate to land management activities. We explain our reasons below.

WAMC proposed to bring 13 existing controlled activity approval (CAA) charges, previously set by the Minister, into the scope of this determination. Stantec advised that these charges should remain outside the scope of IPART's determination, as these charges in substance relate to land management. Examples of controlled activities include erecting a building, carrying out works such as the construction of bridges or sea walls, removing material from waterfront land, depositing material on waterfront land, and any activity which affects the quantity or flow of water in a water source.[374] IPART has considered this and decided that CAA charges remain out-of-scope for the Final Determination, as these charges in substance relate to land management.

Stantec also advised that the existing 'new flood work approval – technical referral' charge should be excluded from this determination for the same reason that it substantially relates to land management. Examples of flood works include barrages, causeways, cuttings, embankments, building pads and below-ground channels.[375] IPART has considered this and decided that the flood work approval charge is excluded from IPART's determination, as it relates to land management.

The decisions outlined in this section are consistent with our decision to keep 'W06-03 floodplain management and development' in scope (see Chapter 6). W06-03 relates to the development, review, amendment and extension or replacement of Floodplain Management Plans, in collaboration with relevant government agencies. W06-03 also has a 0% user share, which means that the need to undertake W06-03 is driven solely by the NSW Government. In contrast, consent transactions are a fee-for-service charge paid for by an individual. Also, the exclusion of a consent transaction charge from our determination does not prohibit DCCEEW from setting its own fee-for-service under another relevant legislative or regulatory authority.

12.6 We have continued to set a schedule of charges for different customers

WAMC has separate schedules of consent transaction charges because currently DCCEEW and WaterNSW have different types of customers and different works/ activities (See Box 12.1).

Box 12.1 Shared responsibility for consent transaction activities/charges

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) is responsible for applications and approvals from major utilities, water supply authorities, local water utilities, irrigation corporations, state-owned corporations, mining companies and Aboriginal organisations. These, typically larger, customers represent 5% of licence holders and account for around 40% of the total regulated entitlement share. Processing these transactions is complex due to the scale of the water take and potential impact on water sources.

WaterNSW is responsible for applications and approvals for all other customers, including individuals and businesses. These represent 95% of licence holders and account for around 60% of total regulated entitlement share.

Source: WAMC 2025-30 pricing proposal, September 2024, pp 31-32.

Customers that are currently regulated by DCCEEW will pay Type A consent transaction charges. All other customers will pay Type B consent transaction charges.

12.7 WAMC will continue reporting its output measures

Under our water regulation framework, we expect businesses to develop performance outcomes related to the customer, community and the environment. WAMC proposed to align consent transactions with Outcome 1 (Enhanced customer experience) and Outcome 4 (Value for money).[376] We discuss further WAMC's performance and accountability in Chapter 14.

Chapter 13

Impacts of decisions

13

Summary of impacts on water users and WAMC

Bills are increasing for most metered water users

Based on our decisions, indicative metered water users' bills[a] will increase for 25 out of 27 water sources from 1 October 2025 compared to current bills. Across the 27 water sources, the changes in bills to 2025-26 range from a decrease of $257 to an increase of $383, after inflation:

- For regulated rivers, changes in indicative bills for metered water users range from -$257 (Border) and $383 (North Coast)
- For unregulated rivers, changes in indicative bills for metered water users range from -$41 (Far West) and $362 (North Coast)
- For groundwater, changes in indicative bills for metered water users range from $182 (Coastal) and $271 (Border).

Bills are increasing for most unmetered water users

For unmetered water users, the indicative bills[b] will increase for 15 out of 16 water sources from 1 October 2025 compared to current bills. Across the 16 water sources, the changes in bills to 2025-26 range from a decrease of $77 to an increase of $465, after inflation:

- For unregulated rivers, changes in indicative bills for unmetered water users range from -$77 (Far West) and $465 (North Coast)
- For groundwater, changes in indicative bills for metered water users range from $247 (Coastal) and $320 (Border).

Bills for small water users

We analysed the impact of our decisions for a small water user that has entitlements and water take close to the threshold of the minimum annual charge. The changes in bills to 2028-29 for all water sources range from a decrease of $31 to an increase of $44 (after inflation). The indicative bill will increase for 26 out of the 27 water sources. This is based on some of the BRC maximum charges decreasing compared to the current maximum charges. This means that the change in bills to 2028-29 is -$31 for a Border small water user and a $16 increase for Far West small water users (after inflation). These are a smaller change compared to other water sources, where the change in bills to 2028-29 ranges from $36 to $44 (after inflation).

Impact of the new floodplain harvesting charges

There will also be large increases of between $1,719 and $1,921 for floodplain harvesting (FPH) licence holders[c] in 2025-26 with compliant storages (after inflation). However, this increase is event-driven and will only apply when a FPH licence holder with a compliant storage takes water during a FPH event.

We considered the potential financial impact on water users when making our decisions.[d] Each of these issues is discussed in turn in the sections below.

The impacts analysis in this chapter excludes the impact of fee-for-service such as consent transactions and metering services, which are discussed in Chapter 12 and Chapter 13 respectively.

13.1 Our decisions will result in lower price increases than proposed by WAMC

The bill impact for a particular water user depends on the volume of entitlements they hold, how much water they use, whether they have a meter and whether they are subject to the minimum annual charge (MAC).

We have analysed a range of scenarios across all water sources and different water users to assess the impact of the maximum prices for the 2025 determination period. Specifically, we analysed the impact on:

- a metered water user not subject to the MAC with 500ML of entitlements at 60% usage of entitlements
- an unmetered water user not subject to the MAC with 500ML of entitlements
- water users subject to the MAC
- the water user affected by the floodplain harvesting (FPH) framework with 500ML of water take
- WaterNSW and Hunter Water as licence holders in the South Coast and Hunter unregulated water sources, respectively
- the metered regulated river water user that pays WAMC and WaterNSW rural bulk water charges.

As set out in Chapter 2, we are setting maximum prices to apply from 1 October 2025 and ending on 30 June 2029 or when replaced. In that chapter, we summarised and responded to stakeholders' views on our determination period.

WAMC also contributes to 2 inter-jurisdictional water management organisations on the behalf of the NSW Government – the MDBA and BRC. IPART sets explicit maximum MDBA and BRC charges to recover the efficient user share of NSW's contribution to these organisations. As such, a portion of some WAMC bills comprise of charges to the MDBA and BRC.

The maximum MDBA charge applies to water users in the MDB valleys and the maximum BRC charge applies to water users in the Border River areas.

We have further considered MDBA/BRC charges including reviewing submissions made to our Draft Report and have decided to update these charges to reflect efficient costs (see Chapter 7 for more information).

[a] For a metered user with 500 ML of entitlement and 60% water take.
[b] For an unmetered user with 500 ML and an assumed 100% water take.
[c] Assuming 500 ML of water take.
[d] Specifically, we considered sections 15(1)(b), 15(1)(c), 15(1)(k) of the IPART Act

Appendix D sets out the maximum water management, MDBA and BRC entitlement and water take prices for each water source for each year of the 2025 determination period. For water users that pay both water management and MDBA/BRC prices, bill impacts vary by location. Bills in some water sources fall while bills in other water sources increase.

Maximum MDBA charges will generally increase in 2025-26 for MDB water sources for metered and unmetered water users (after inflation).[e] Generally, the MDB component of a water user's bill is small. Maximum BRC charges for groundwater will also increase in 2025-26 (after inflation). Generally, the BRC charges are a small component of a water users' bill. For regulated Border and unregulated Far West, the maximum BRC charges will decrease in 2025-26 (after inflation).

13.2 Impact of the maximum prices for users not on the minimum annual charge

In Chapter 9, we summarise, consider and respond to stakeholder views. As noted in that chapter, for the WAMC water management component, our decision is to transition prices towards full cost recovery at a capped annual rate of 5% (before inflation). We reached this decision after considering many factors, including affordability, the estimated NSW Government total contributions over the determination period and cost recovery rates.

In the Draft Report, we also consulted on a 10% annual cap. During our consultation period, no water user supported the 10% cap. WAMC did not support the 5% cap (before inflation), on the basis that it subsidises larger water users at the expense of other government priorities and will create undue risk to its water management outcomes (see Chapter 9 for more information).

We have also considered the impact of how our decisions on WaterNSW's bulk water charges will impact regulated WAMC water users (see section 13.6).

Table 13.1 and Table 13.2 show the indicative bill impacts under our decisions, that is using the maximum prices as shown in Chapter 10, including MDBA and BRC charges (where relevant).

13.2.1 Impact on metered water users not on the minimum annual charge

For the purposes of our analysis, we have defined a metered water user as having 500ML of entitlements and an annual water usage rate of 60%.

As shown in Table 13.1, our analysis shows that in 2025-26 there will generally be increases in all water sources for the indicative metered licence holder after inflation:

- For most regulated water sources, the increase ranges between $80 and $383. For instance, there will be increases of at least $216 for Peel and the three coastal valleys with the North Coast facing the highest increase at $383. The indicative bill for Border would decrease by $257 in 2025-26. However, after that the bill for Border does increase each year (see Appendix D for more details).

[e] However, for a few unregulated water sources, the MDBA water take charge is decreasing (after inflation) to 2025-26 and the unmetered entitlement charge is decreasing in one water source (after inflation) to 2025-26.

- For most unregulated water sources, bills will generally increase by at least $100. There will be increases of at least $222 for Lachlan, Macquarie and Murray. There will be increases of at least $335 in Murrumbidgee and the North Coast, where North Coast will face the highest increase ($362). However, the indicative bill for the Far West would decrease by $41 in 2025-26. However, after that the bill for Far West does increase each year (see Appendix D for more details).
- For all groundwater sources, bills will increase by at least $182 with the largest increase for Border ($271).

Table 13.1 Bill impacts for a typical metered licence holder with 500ML entitlement and 60% water take, including MDBA/BRC ($2025-26)

Water source	A: 2024-25 (Current) ($24-25)	B: 2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	C: 2028-29 ($25-26)	$ change from A to B	% change from A to B	$ change from A to C	% change from A to C
Regulated									
Border	2,832	2,575	2,656	2,742	2,832	-257	-9.1%	0	0.0%
Gwydir	1,608	1,734	1,792	1,853	1,917	126	7.8%	309	19.2%
Namoi	2,113	2,269	2,351	2,438	2,528	156	7.4%	415	19.6%
Peel	3,769	4,054	4,244	4,444	4,654	285	7.6%	885	23.5%
Lachlan	1,656	1,789	1,862	1,939	2,019	133	8.0%	363	21.9%
Macquarie	1,732	1,870	1,944	2,021	2,103	138	8.0%	371	21.4%
Murray	1,461	1,555	1,609	1,666	1,725	94	6.4%	264	18.1%
Murrumbidgee	1,346	1,426	1,472	1,521	1,573	80	5.9%	227	16.8%
North Coast	5,087	5,470	5,743	6,030	6,332	383	7.5%	1,245	24.5%
Hunter	2,866	3,082	3,236	3,397	3,567	216	7.5%	701	24.5%
South Coast	4,278	4,600	4,830	5,071	5,325	322	7.5%	1,047	24.5%
Unregulated									
Border	1,755	1,891	1,979	2,071	2,167	136	7.8%	412	23.5%
Gwydir	1,755	1,891	1,979	2,071	2,167	136	7.8%	412	23.5%
Namoi	1,755	1,891	1,979	2,071	2,167	136	7.8%	412	23.5%
Peel	1,755	1,891	1,979	2,071	2,167	136	7.8%	412	23.5%
Lachlan	2,686	2,930	3,068	3,213	3,365	244	9.1%	679	25.3%
Macquarie	2,686	2,930	3,068	3,213	3,365	244	9.1%	679	25.3%
Far West	3,914	3,873	4,003	4,139	4,281	-41	-1.0%	367	9.4%
Murray	3,177	3,399	3,559	3,727	3,904	222	7.0%	727	22.9%
Murrumbidgee	4,296	4,631	4,855	5,090	5,337	335	7.8%	1,041	24.2%
North Coast	4,813	5,175	5,434	5,705	5,991	362	7.5%	1,178	24.5%
Hunter	1,651	1,775	1,864	1,957	2,055	124	7.5%	404	24.5%
South Coast	1,331	1,431	1,503	1,578	1,657	100	7.5%	326	24.5%
Groundwater									
Inland	3,092	3,346	3,505	3,672	3,848	254	8.2%	756	24.4%
Border	3,312	3,583	3,754	3,933	4,122	271	8.2%	810	24.4%
Murrumbidgee	2,684	2,908	3,045	3,189	3,340	224	8.3%	656	24.4%
Coastal	2,423	2,605	2,735	2,872	3,016	182	7.5%	593	24.5%

Note: Based on the maximum WAMC water management charges and MDBA/BRC charges.
Source: IPART analysis

13.2.2 Impact on unmetered water users not on the minimum annual charge

We have modelled indicative bills for unmetered water users with 500ML of entitlements with an assumed 100% water take.

As shown in Table 13.2, our analysis shows that in 2025-26 there will generally be increases in all water sources for the indicative unmetered licence holder after inflation:

- For most unregulated water sources, bills will increase by at least $121. There will be increases of at least $308 in Lachlan, Macquarie and Murray. There will also be large increases of at least $453 in Murrumbidgee and the North Coast, where North Coast will face the highest increase ($465). However, the indicative bill for the Far West would decrease by $77 in 2025-26. However, after that the bill for Far West does increase each year (see Appendix D for more details).
- For all groundwater sources, bills will increase by at least $247 with the largest increase for Border ($320).

Table 13.2 Bill impacts for a typical unmetered licence holder with 500 ML entitlement, including MDBA/BRC ($2025-26)

Water source	A: 2024-25 (Current) ($24-25)	B: 2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	C: 2028-29 ($25-26)	$ change from A to B	% change from A to B	$ change from A to C	% change from A to C
Unregulated									
Border	2,275	2,448	2,562	2,681	2,807	173	7.6%	532	23.4%
Gwydir	2,275	2,448	2,562	2,681	2,807	173	7.6%	532	23.4%
Namoi	2,275	2,448	2,562	2,681	2,807	173	7.6%	532	23.4%
Peel	2,275	2,448	2,562	2,681	2,807	173	7.6%	532	23.4%
Lachlan	3,620	3,928	4,114	4,310	4,515	308	8.5%	895	24.7%
Macquarie	3,620	3,928	4,114	4,310	4,515	308	8.5%	895	24.7%
Far West	4,530	4,453	4,606	4,767	4,936	-77	-1.7%	406	9.0%
Murray	4,555	4,863	5,094	5,336	5,589	308	6.8%	1,034	22.7%
Murrumbidgee	5,930	6,383	6,693	7,019	7,360	453	7.6%	1,430	24.1%
North Coast	6,185	6,650	6,983	7,332	7,698	465	7.5%	1,513	24.5%
Hunter	2,225	2,392	2,512	2,638	2,769	167	7.5%	544	24.5%
South Coast	1,605	1,726	1,812	1,903	1,998	121	7.5%	393	24.5%
Groundwater									
Inland	3,630	3,931	4,118	4,315	4,521	301	8.3%	891	24.5%
Border	3,880	4,200	4,400	4,611	4,832	320	8.2%	952	24.5%
Murrumbidgee	3,150	3,415	3,576	3,746	3,923	265	8.4%	773	24.6%
Coastal	3,285	3,532	3,709	3,894	4,089	247	7.5%	804	24.5%

Note: Based on the maximum WAMC water management charges and MDBA/BRC charges.
Source: IPART analysis

13.3 Impact on water users paying the minimum annual charge

Water users that pay the MAC (minimum annual charge), also pay MDBA and BRC charges based on their entitlement or water take, where applicable. To analyse bill impacts on water users on the MAC, we analysed the impact of our decisions for a small water user that has entitlements and water take close to the threshold of the MAC.

This threshold is different for each water source. It defines the relevant entitlement and water take volumes that would move a water user from paying the MAC to paying the applicable metered entitlement and water take charges.

In Chapter 9, we considered views on the MAC. Our decision is to accept WAMC's proposal to notionally transition the MAC towards full cost recovery at a rate of 2.5% per year.

As noted in Chapter 10, the MAC is currently set at $277.89 ($2024-25) which will increase to $314.10 ($2025-26) by 2028-29 under our decision to maintain the 2.5% annual real increase for the MAC.

Table 13.3 shows that for small water users close to the threshold, the changes in bills over the 4-year determination range between a $31 decrease to around a $44 increase.

Table 13.3 Forecast bill for small water users ($2025-26)

Water source	A	B	2024-25 Total ($24-25) (MAC + MDBA and BRC)	2028–29 MAC ($25-26)	2028–29 MDBA ($25-26)	2028–29 BRC ($25-26)	2028-29 Total ($25-26)	$ change total bill to 2028–29	% change total bill to 2028–29
Regulated									
Border	96	29	506.52	314.10	71.34	89.71	475.14	-31.37	-6%
Gwydir	138	41	408.62	314.10	138.27	0.00	452.37	43.75	11%
Namoi	95	29	379.38	314.10	106.50	0.00	420.60	41.22	11%
Peel	47	14	295.31	314.10	18.70	0.00	332.80	37.48	13%
Lachlan	123	37	337.87	314.10	64.92	0.00	379.02	41.14	12%
Macquarie	114	34	348.32	314.10	75.17	0.00	389.27	40.95	12%
Murray	148	44	399.84	314.10	126.66	0.00	440.76	40.92	10%
Murrumbidgee	172	52	425.66	314.10	152.20	0.00	466.30	40.65	10%
North Coast	32	9	277.89	314.10	0.00	0.00	314.10	36.21	13%
Hunter	51	15	277.89	314.10	0.00	0.00	314.10	36.21	13%
South Coast	39	12	277.89	314.10	0.00	0.00	314.10	36.21	13%
Unregulated									
Border	100	30	299.14	314.10	24.17	0.00	338.27	39.14	13%
Gwydir	100	30	299.14	314.10	24.17	0.00	338.27	39.14	13%
Namoi	100	30	299.14	314.10	24.17	0.00	338.27	39.14	13%
Peel	100	30	299.14	314.10	24.17	0.00	338.27	39.14	13%
Lachlan	67	20	291.13	314.10	20.53	0.00	334.63	43.50	15%
Macquarie	67	20	291.13	314.10	20.53	0.00	334.63	43.50	15%
Far West	61	18	443.94	314.10	68.43	76.93	459.46	15.51	3%
Murray	63	19	296.54	314.10	19.58	0.00	333.68	37.14	13%

Water source	A	B	2024-25 Total ($24-25) (MAC + MDBA and BRC)	2028–29 MAC ($25-26)	2028–29 MDBA ($25-26)	2028–29 BRC ($25-26)	2028-29 Total ($25-26)	$ change total bill to 2028–29	% change total bill to 2028–29
Murrumbidgee	42	13	286.25	314.10	10.27	0.00	324.38	38.12	13%
North Coast	33	10	277.89	314.10	0.00	0.00	314.10	36.21	13%
Hunter	103	31	277.89	314.10	0.00	0.00	314.10	36.21	13%
South Coast	112	34	277.89	314.10	0.00	0.00	314.10	36.21	13%
Groundwater									
Inland	49	15	289.89	314.10	14.59	0.00	328.69	38.80	13%
Border	49	15	309.31	314.10	14.59	24.17	352.86	43.55	14%
Murrumbidgee	57	17	291.81	314.10	16.92	0.00	331.02	39.22	13%
Coastal	71	21	277.89	314.10	0.00	0.00	314.10	36.21	13%

Notes: Column A refers to the estimated entitlement threshold in 2028-29. The threshold is different for each water source. It defines the relevant entitlement and water take volumes that would move a water user from paying the MAC to the relevant metered or unmetered charges. Column B refers to the estimated allocation in 2028–29.
The MDBA and BRC bills are calculated using the threshold entitlements and water take volumes.
Source: IPART analysis.

13.4 Impact of new floodplain harvesting maximum charges

As explained in Chapters 9 and 10, our decision is to implement a new maximum floodplain harvesting charge of $3.62 per ML of water take from 2025-26, which will then increase by 5% each year (before inflation). This applies to licence holders with compliant storages. In Chapter 9, we considered views on the new floodplain harvesting charges during our consultation period for the Draft Report.

We compared how our decision would impact a floodplain harvesting (FPH) licence holder with a compliant storage who harvested 500 ML of water. Table 13.4 shows that if a licence holder harvested 500ML of water in 2024-25, then harvested the same volume in 2025-26, the approximate additional increase would be at least $1,700 (after inflation). The largest impact would be seen in regulated river Macquarie ($1,921 increase, after inflation).

However, please note that the new FPH charges will only apply if there was a floodplain harvesting event. It is also a charge that only applies to the water take, so a licence holder will not pay additional FPH charges when there is no event that gives a user the opportunity to harvest water.

As explained in Chapters 9, an additional maximum charge of $1.09 per ML applies on the *entitlement* for FPH licence holders with non-compliant storages. These licence holders cannot take water, so we have not modelled what the indicative bill impacts for such licence holders would be during a FPH event. FPH licence holders with non-compliant storages would pay the $1.09 per ML annually per ML of entitlement they hold, as opposed to licence holders with compliant storages who would only pay $3.62 per ML of water take when there is an FPH event.

Table 13.4 Compliant storages: Bill impacts for 500 ML water take for a FPH licence holder, including MDBA/BRC ($2025-26)

Water source	A: 2024-25 (Current) ($24-25)	B: 2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	C: 2028-29 ($25-26)	$ change from A to B	% change from A to B	$ change from A to C	% change from A to C
Regulated									
Border	1,095	2,889	3,016	3,151	3,291	1,794	163.8%	2,196	200.6%
Gwydir	730	2,636	2,756	2,882	3,015	1,906	261.1%	2,285	312.9%
Namoi	855	2,764	2,891	3,025	3,165	1,909	223.3%	2,310	270.1%
Macquarie	1,045	2,966	3,104	3,248	3,400	1,921	183.8%	2,355	225.4%
Unregulated									
Gwydir	1,300	3,199	3,355	3,520	3,692	1,899	146.1%	2,392	184.0%
Namoi	1,300	3,199	3,355	3,520	3,692	1,899	146.1%	2,392	184.0%
Far West	1,540	3,259	3,408	3,565	3,729	1,719	111.6%	2,189	142.1%

Notes: 2024-25 bills have been calculated using the relevant maximum WAMC water management metered water take, MDBA and BRC charges for each water source. 2025-26 to 2028-29 bills have been calculated using the relevant WAMC water management metered water take, MDBA and BRC maximum charges for each water source, and the additional WaterNSW component of the maximum FPH charge applicable on the water take for licence holders with compliant storages.
Source: IPART analysis.

13.5 Impact on metropolitan water planning costs

WaterNSW is levied to recover the costs of metropolitan water planning for the Greater Sydney region. WAMC has also proposed a new charge for Hunter Water to recover the Department's costs of delivering planning services for the Lower Hunter Water plan. These charges only apply to entitlements held by these businesses in unregulated rivers and is in addition to the maximum entitlement and water take charges set by IPART.

For Table 13.5, we have updated our volumes to be consistent with our water pricing reviews for Sydney Water and WaterNSW's Greater Sydney operations.

The impact of these additional maximum charges over the determination period are shown in the tables below.

Table 13.5 Estimate of WaterNSW's bill – South Coast unregulated ($2025-26)

	2024–25 ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)	% change 2024–25 to 2028-29
Entitlement charge - for water planning costs ($/ML)	0.48	0.88	0.78	0.78	0.78	61.9%
Entitlement charge ($/ML)	1.84	2.03	2.08	2.18	2.29	24.5%
Water take charge ($/ML)	1.37	1.51	1.55	1.62	1.71	24.5%
Entitlements (ML)	987,000	987,000	987,000	987,000	987,000	0.0%
Water take (ML)	505,531	497,794	497,258	506,838	505,745	0.0%
Total bill ($ million)	2.982	3.457	3.586	3.743	3.890	30.4%

The bill for 2025-26 is based the 2024-25 prices being applied for 1 July 2025 to 30 September 2025, and the 2025-26 prices being applied from 1 October 2025 to 30 June 2026.
Source: IPART analysis

Table 13.6 Estimate of Hunter Water Corporation's bill – Hunter unregulated ($2025-26)

	2024–25 ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)	% change 2024–25 to 2028-29
Entitlement charge - for water planning costs ($/ML)	NA	1.50	1.12	1.12	1.12	NA
Entitlement charge ($/ML)	1.58	1.74	1.78	1.87	1.97	24.5%
Water take charge ($/ML)	2.87	3.16	3.24	3.40	3.57	24.5%
Entitlements (ML)	150,075	150,075	150,075	150,075	150,075	0.0%
Water take (ML)	41,108	63,209	64,030	64,862	65,705	59.8%
Total bill ($ million)	0.355	0.619	0.644	0.670	0.698	96.7%

The bill for 2025-26 is based the 2024-25 prices being applied for 1 July 2025 to 30 September 2025, and the 2025-26 prices being applied from 1 October 2025 to 30 June 2026.
Source: IPART analysis

13.6 The impact of WaterNSW and WAMC maximum prices for regulated water users

Many submissions to our WAMC and WaterNSW Issues Paper and to our WAMC Draft Report were concerned about the proposed price increases for WAMC and WaterNSW. We recognise that WAMC water users in regulated water sources also pay rural bulk water prices determined by our review of rural bulk water services. Our decisions on WaterNSW's pricing proposal are available on our website.

We have modelled the impact of our decisions reflecting our:

- Final Determination for WaterNSW's rural bulk water maximum charges that commenced on 1 July 2025 and ending 30 June 2026, or when replaced
- Final decisions in this report relating to WAMC, reflecting maximum prices that would apply from 1 October 2025 and ending on 30 June 2029, or when replaced.

We have used the following inputs for our analysis:

- High security licence holders based on 500ML entitlement and 100% water take
- General security licence holders based on 500ML entitlement and 60% water take.

We have also modelled the indicative bills up to 2025-26, recognising that our determination for WaterNSW's Rural Valleys operations' pricing proposal was a 1-year determination.

As Table 13.7 shows, we found that from 2024-25 to 2025-26, the combined impact of WaterNSW and WAMC decisions mean that, after inflation:

- For high security licence holders, bills will approximately increase between 3.6% and 8.4%. This equates to a bill increase in dollar terms ranging from approximately $517 to $4,542. The highest increase will be in Peel ($4,542).
- For general security licence holders, bills will approximately increase between 1.4% and 8.3%. This equates to a bill increase in dollar terms ranging from approximately $109 to $1,546. The highest increase will be in Namoi ($1,546).

Table 13.7 Bill impact of WaterNSW and WAMC charges for a licence holder with 500 ML entitlement in Regulated Rivers, incl MDBA/BRC ($2025-26)

Water source	Total 2024-25 bill ($24-25)	WAMC 2025-26 ($25-26)	WaterNSW 2025-26 ($25-26)	Total 2025-26 bill ($25-26)	$ change to 2025-26	% change to 2025-26
High Security (100% water take)						
Border	14,520	3,007	12,030	15,037	517	3.6%
Gwydir	22,050	2,065	21,830	23,895	1,845	8.4%
Namoi	37,295	2,652	37,745	40,397	3,102	8.3%
Peel	54,980	5,342	54,180	59,522	4,542	8.3%
Lachlan	34,945	2,350	35,500	37,850	2,905	8.3%
Macquarie	26,510	2,333	26,390	28,723	2,213	8.3%
Murray	10,860	1,838	9,565	11,403	543	5.0%
Murrumbidgee	8,215	1,685	7,100	8,785	570	6.9%
North Coast	25,080	7,048	18,970	26,018	938	3.7%
Hunter	26,180	3,677	24,655	28,332	2,152	8.2%
South Coast	36,130	6,053	31,235	37,288	1,158	3.2%
General Security (60% water take)						
Border	8,024	2,575	5,558	8,133	109	1.4%
Gwydir	9,972	1,734	9,060	10,794	822	8.2%
Namoi	18,792	2,269	18,069	20,338	1,546	8.2%
Peel	15,724	4,054	12,949	17,003	1,279	8.1%
Lachlan	14,709	1,789	14,139	15,928	1,219	8.3%
Macquarie	11,590	1,870	10,678	12,548	958	8.3%
Murray	5,922	1,555	4,678	6,233	311	5.3%
Murrumbidgee	4,422	1,426	3,303	4,729	307	6.9%
Lowbidgee	1,980	1,036	1,085	2,121	141	7.1%
North Coast	17,510	5,470	12,722	18,192	682	3.9%
Hunter	18,578	3,082	17,020	20,102	1,524	8.2%
South Coast	21,098	4,600	17,224	21,824	726	3.4%

Notes: All bills include IPART's final decisions for WaterNSW rural bulk water maximum prices and WAMC maximum prices (including MDBA and BRC charges).
Source: IPART analysis.

13.7 Implication for general inflation

This section considers the impact of our pricing decisions on general price inflation, as required under section 15(1)(d) of the IPART Act.

We have considered the potential impact of our pricing decisions on WAMC and the NSW Government (on behalf of the broader community) in Chapter 9.

In this chapter, we have considered the impact on water users. While prices and bills for most water users are increasing, the impact on general price inflation is likely small.

This is because the indicative impact of the maximum charges that WAMC proposed to 2029-30 (i.e. the 15% annual cap before inflation) was relatively small when assessed in the context of:[f]

- select farming businesses
- increases in water bills for local water utility customers.

Given that our decision is to set a lower annual cap of 5% (before inflation), the impact on general price inflation (i.e. CPI) under our Final Determination is likely to be small.

[f] See Appendix C.

Chapter 14

Performance and accountability

14

Summary of our decisions on performance and accountability

We accept most of WAMC's proposed performance outcomes and objectives with amendments to some measures and targets

Our decision is to largely accept the performance outcomes and objectives proposed by WAMC. We have made amendments to some performance measures to provide a more holistic view of performance and better reflect WAMC's actions. In addition, we have included a performance measure for **Support for First Nations water rights, values and access,** to support accountability through WAMC publicly reporting on any actions it takes in support of the NSW Aboriginal Water Strategy.

We have also accepted WAMC's proposal to not include incentive schemes over the 2025 determination period.

IPART expects WAMC to start hosting its own website

IPART highly encourages WAMC to begin hosting its own website for the purposes of reporting performance outcomes measures against targets, and to improve accessibility for its customers. We set out the features that would be of most benefit to stakeholders for WAMC to include in its website in Box 14.1.

IPART recommends the Minister for Water commence an internal review of WAMC's governance arrangements and organisational structure

We recommend that the Minister for Water commence a review of WAMC's governance arrangements and organisational structure, as outlined in section 14.4, with the findings of said review to contribute towards IPART's upcoming review of WAMC cost shares.

WAMC's proposal outlined a new approach to outcomes and performance measures (previously called outcome measures and performance indicators). The new framework included 4 outcomes and 16 performance measures. The proposal indicated that the 4 outcomes are aligned with WAMC activities (i.e. the activity codes). Each outcome covers several WAMC activity codes (e.g. Outcome 1 covers W09 and W10). By contrast, the 2021 performance and accountability framework included 79 outcome measures and 52 performance indicators. All WAMC sub-activity codes except W08-01 (regulation systems management) had one or more outcome measures (e.g. W02-02 was covered by outcome measures 16 and 17) and all sub-activity codes had one or more performance indicators.

Part of the reason for WAMC's new approach to the performance reporting framework is to align its business with the priorities identified by customers during WAMC's engagement activities,[377] and IPART's guidance in the Water regulation handbook. It identified 19 customer priorities that linked to the proposed outcomes.[378] Performance measures that are properly calibrated and linked to customer outcomes should provide customers with confidence that projects and initiatives are, or will be, efficiently delivered.

The new, streamlined approach to performance reporting should be considered alongside performance information already published by WAMC, WaterNSW or NRAR (e.g. WaterNSW's Water Insights platform). The streamlined approach may reduce the burden of reporting requirements. However, it is important that the new approach provides customers with confidence that water management activities are being undertaken in an efficient and effective manner, with sufficient transparency on the progress of critical water management activities.

In this section, we will:

- Review WAMC's proposed outcome and performance measures
- Summarise WAMC's progress against its previous outcome and performance measures
- Recommend a review of WAMC's pricing framework prior to the next determination.

14.1 Outcomes and performance measures

Our decision is:

> 55. To set WAMC's proposed performance measures and targets as outlined in Table 14.1.

Under our water regulation framework, we expect businesses to develop outcomes related to customer, community and the environment. There is no set limit on how many outcomes a business must develop. For each outcome, we expect businesses to develop suitable performance measures and demonstrate a clear link between these outcomes and performance measures. This would include how the business' activities and expenditures are linked to outcomes. Pursuant to section 15(1)(a) and 15(1)(f), 15(1)(l) of the IPART Act, our assessment of WAMC's outcome and performance measures is one way that we consider WAMC's standards of quality, reliability and safety, and how these compare with the costs we allow for in WAMC's expenditure envelope.

WAMC developed 4 customer outcomes:

- Outcome 1 – Enhanced customer experience
- Outcome 2 – Sustainable and effective water resource management
- Outcome 3 – Confidence in water resource management
- Outcome 4 – Value for money

Under each of these outcomes it proposed objectives, and each objective has one or more performance metrics attached.

WAMC identified key programs it proposes to undertake to support the first three outcomes. Outcome 4 focuses on cost efficient delivery of services and prudent investments. Outcome 4 also aims to support that WAMC's compliance activities are delivered efficiently and effectively.

WAMC initially proposed 4 outcomes and 16 performance measures. In our Draft Report we proposed to accept most of WAMC's proposed performance outcomes and objectives, with amendments to some measures and targets. We considered subsequent feedback from WAMC and other stakeholders including on regarding the determination length, and have included an additional performance measure. A consolidated table of outcomes is shown below in Table 10.1.

Table 14.1 Summary of WAMC's outcomes, objectives and performance measures

Objective	Performance measure	Target and trend
Outcome 1: Enhanced customer experience		
Customers can easily access accurate information they need to make informed decisions about managing their water, and understand how to comply with water laws	1.1 Customers reporting that water rules are appropriately communicated, and that it is easy to understand the rules in their licence (%)	Target: 60% Trend: **Improve** (on 40%)
	1.2 Customers reporting that they are able to find the information required to submit an application (%)	Target: 80% Trend: **Improve** (on 57%)
Improved customer experience due to simple, reliable and efficient interactions with WAMC and timely outcomes	1.3 Customer enquiries are resolved within specified timeframes (%)	Target: 80% Trend: **Improve** (on 50%)
	1.4 Customer applications determined within specified timeframes (%)	Target: 80% Trend: **Improve** (on 50%)
Customers receive clear and accessible information about their water services and billing	1.5 Customers reporting greater satisfaction overall with billing (%)	Target 65% Trend: **Maintain**
Outcome 2: Sustainable and effective water resource management		
Improved river, floodplain and aquifer ecosystem health	2.1 % of water sources assessed that are compliant with long term average annual extraction limits, or compliance action taken where required each year	Target 100% Trend: **Maintain**
	2.2 % of water entitlement in NSW being measured through metering rollout under the new non-urban metering policy each year	Target: 95% Trend: **Improve** (on 60%)
Improved resilience to changes in water availability	2.3 Number of inland regulated river water sharing plans updated with integrated contemporary climate data for available water determination decisions	Target: 9 Trend: **Improve** (on 0)
Support for First Nations water rights, values and access	2.4 WAMC to report on its actions supporting the NSW Aboriginal Water Strategy.	
Outcome 3: Confidence in water resource management		
Improved public confidence in water resource management	3.1 Monitoring, evaluation and reporting for water sharing plans is completed and published within specified timeframes (%)	Target: 100% Trend: **Improve** (on 40%)

Objective	Performance measure	Target and trend
	3.2 New or updated regulatory changes published on appropriate government website within 4 weeks (%)	Target: 100% Trend: **Improve** (on 90%)
	3.3 Customers reporting that decisions regarding planning and management of water are transparent (%)	Target: 80% Trend: **Improve** (on 39%)
Increasing community confidence in the enforcement of water laws	3.4 Customers reporting greater confidence that NSW water rules and regulations are being enforced (%)	Target: 80% Trend: **Improve** (on 52%)
Outcome 4: Value for money		
An efficient and effective compliance and enforcement program	4.1 Annual change in labour expenditure on compliance and enforcement services from 2025–26 ($)	3% savings in labour related expenditure per year: 2026–27: $35.1m 2027–28: $34.0m Trend: **Improve**
WAMC services efficiently deliver value for customers and the community	4.2 Operating expenditure on WAMC water planning and management services relative to target ($)	Target opex: 2025–26: $117.7m 2026–27: $114.1m 2027–28: $105.5m 2028–29: $105.7m Trend: **Improve**
	4.3 Customers reporting that the price they pay reflects the level of service they receive (%)	Target: improvement on previous year performance Trend: **Improve** (on 45%)

14.1.1 WAMC's outcomes and measures are linked to customer engagement

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

We found that WAMC's proposed outcomes and objectives are connected to the priorities raised by customers through its engagement. However, we do not have evidence that engagement directly led to the establishment of WAMC's priorities. We discuss the quality of customer engagement in more detail in Chapter 2 and Chapter 3. The most common piece of stakeholder feedback to both IPART's Issues Paper and Draft Report concerned affordability for customers.[379] This was expressed in a way by stakeholders distinct from the framing of the value for money outcome, with some customers framing any meaningful price increase as potentially impacting the viability of agricultural operations.[380]

14.1.2 Stakeholders provided feedback on our Draft Decisions

We assessed WAMC's proposed performance outcomes and measures using the criteria set out in our Water Regulation Handbook. We found that many of WAMC's measures aligned with customer priorities were appropriate, and those measures have been accepted.

Our Draft Report identified some areas for improvement and proposed changes on that basis:

- Some measures were insufficiently quantitative to demonstrate an appropriate level of improvement and we therefore recommended that levels for them to be set (1.1, 1,2, 3.3, 3.4)
- We found that one measure was potentially duplicative and recommended its removal (the measure referred to as 2.4 in our Draft Report)
- Financial measures in Outcome 4 were proposed to be realigned with IPART expenditure decisions.

We noted in our Draft Report that the then proposed 3-year determination period may make achieving goals more challenging, we had considered this in our adjustments to performance targets. We explicitly sought feedback from WAMC on this particular matter, and more broadly for all stakeholders on all of our proposed outcomes and performance metrics for WAMC.

Water users broadly supported the proposed performance metrics with some caveats and suggestions, related to local outcomes and cost effective delivery of services to customers. This included suggestions to disaggregate measures to valleys[381], align more closely with budget and efficiency[382], include more targeted compliance measures[383], and consider confidence in the broader community[384].

WAMC's submission stated they cannot deliver on the higher performance targets recommended by IPART[a]. WAMC said it would need to revisit all proposed outcome measures. However it did not include alternative targets, or make any suggestions.[385]

NRAR highlighted an issue of reporting lag in the context of a shorter determination period, requesting IPART consider a transition pathway aligned to the original 5-year determination period. They noted WAMC would only have one meaningful data point to measure progress against its performance metrics, as opposed to the 3 data points it would normally record within a 5-year determination period. NRAR considered that this may incentivise methodology that would "distort the baseline, rather than addressing the root cause impeding the long-term outcome"[386].

14.1 WAMC's revised list of outcomes and targets

For each outcome and objective, we expect businesses to develop suitable performance measures that are clearly linked to outcomes. Each performance measure should be a quantifiable measure of success that demonstrates improvement in performance that customers value with clear timeframes.

Our final decision is to accept WAMC's proposed performance outcomes, measures and targets incorporating the proposed changes in our Draft Report, and updating figures in line with IPART expenditure decisions. We consider the outcomes to be sufficiently measurable and achievable.

[a] This primarily relates to performance measures where IPART suggested a specific target, rather than a broad year or year improvement.

We have additionally decided to include a new performance measure, **Support for First Nations water rights, values and access** which links WAMC's activities with the outcomes in the Draft NSW Aboriginal Water Strategy.[387] This new measure aligns with the broader outcome of Confidence in water resource management, and promotes accountability in the outcomes of the Draft Aboriginal Water Strategy.[b]

We have considered the feedback by WAMC and NRAR on the achievability of the targets in a shorter determination. We consider that the longer determination period of 4-years (compared with 3 years in our Draft Report, discussed in Chapter 2) will alleviate those concerns to some degree.

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

A summary WAMC's objectives, performance measures and targets under our decision for this pricing review is provided above in Table 14.1.

14.1.1 Financial incentives

Our Water Regulation Handbook includes 3 financial incentive schemes to reward businesses for improvements on their past performance: the outcome delivery incentives (ODIs) scheme, the expenditure benefits sharing scheme (EBSS), and the capital expenditure sharing scheme (CESS).

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

WAMC did not propose to include any of the financial incentive schemes for the upcoming determination period due to the level of business change they are managing.[388] As a result IPART has decided not to include any financial incentive schemes under our decisions for this pricing review.

14.2 Monitoring and credibility

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

[b] We note that at time of writing this Final Report the NSW Aboriginal Water Strategy had not been finalised, and as a result IPART acknowledges the possibility that some elements of the Strategy may change prior to its final release.

14.2.1 We will monitor businesses compliance with pricing determinations

IPART has an ongoing role in monitoring the performance of certain specified businesses for the purposes of establishing and reporting to the Minister on the level of compliance by the business within the determination period.[389] This ongoing role provides another layer of monitoring and accountability for WAMC to comply with its pricing determination. We collect annual information returns from the businesses which includes the prices they are charging.

14.2.2 Monitoring outcome performance

Our recommendation is:

1. That WAMC establish a web presence that communicates key information about its business and the water management services it provides, including information on price reviews and determinations and a facility for customer and community engagement.

We expect WAMC to establish its own web presence

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

WAMC has proposed reporting its performance through IPART as it does not have its own website. We note it is difficult for customers to find information about WAMC online, and for WAMC to report to its customers on its progress.

This obscures WAMC's role and functions from the general public, as well as presenting an accessibility barrier for stakeholders seeking further information about WAMC. In some cases this may even lead to stakeholder confusion about the roles of IPART, WaterNSW and WAMC, as we note that several submissions to both the WAMC and WaterNSW-Rural Valleys pricing reviews appeared to conflate the roles of these agencies.

We consider that WAMC's lack of online presence restricts its capacity to communicate with customers in a clear and timely manner. This also impedes accountability by limiting avenues through which customers can share their concerns and feedback with WAMC.

IPART recommends as a matter of urgency - that WAMC develop an online presence so that it can be accessed by customers. Box 14.1 sets out the features that we consider would be appropriate in a fit-for-purpose website for WAMC. These features could be implemented through a relatively simple website, however WAMC may choose to include additional functionality (i.e. an e-newsletter) at its own discretion or based on stakeholder feedback. WAMC may benefit from leveraging existing online infrastructure, such as that of either WaterNSW or the Department of Climate Change, Energy, the Environment and Water (DCCEEW) to support its online presence.

Box 14.1 Recommended features for WAMC's website

- **A 'contact us' page** - through which stakeholders can engage with WAMC directly to submit their queries and concerns relating to WAMC charges.
- **Updates and announcements** – WAMC should publish announcements as an additional means of notifying customers of any changes to its charges, billing procedures, or other relevant WAMC developments. It should also use its website as a platform to boost its engagement by alerting stakeholders to upcoming reviews and opportunities to have their say through Water Working Groups (WWGs), Customer Advisory Groups (CAGs), and Voice of customer surveys.
- **Links** to IPART's current pricing determination and performance dashboard, WAMC proposals and submissions to pricing reviews, as well as the landing pages for any ongoing IPART reviews that relate to WAMC.

Performance results in an online dashboard

IPART also monitors performance to encourage 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 provides 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. We expect the dashboard to be published once performance data from 2025-26 becomes available.

14.3 Performance over the 2021 determination period

Under our water regulation framework, our expectation is for a concise set of performance outcomes related to customer, community and the environment. This is discussed in section 14.1 and replaces the approach we took in our 2021 Final Report.

In our 2021 review, we included output measures, which were to be reported annually against the framework in the Output Measures Report, and published on IPART's website. The penultimate of these reports was published in June 2025 on IPART's website.

WAMC self-reported that out of 78 outcome measures, 49 are met, and 19 are on track, and that out of its 59 performance indicators, 43 are met, and 7 are on track.[390]

Outcomes which were not met include those concerning groundwater modelling (OM21 and 22), and Snowy licence review (OM28), and some water management works are at risk of not meeting outcomes and performance indicators (OM67). [391]

Table 14.1 WAMC self-reported performance and output measures

	Outcome measures	Performance indicators
Met	49	43
On track	19	7
Partially met	2	2
At risk	1	1
Off track	1	0
Not met	6	6
Total	**78**	**59**

Note: Performance indicators are not mapped 1:1 with outcome measures. Each Outcome measure as between 0 and 3 associated performance indicators.

Our independent expenditure experts reviewed WAMC's performance against its output measures and performance indicators. Their commentary on performance on outcome measures is included in the 2023-24 WAMC Output Measures Report.

14.4 We recommend reviews of WAMC's governance structure and pricing framework prior to WAMC's next pricing review

In our Draft Report we proposed a recommendation for a review of WAMC's pricing framework. In doing so we suggested that the review could consider a range of matters, including:

- reviewing the cost reflectivity of existing activity codes
- the direct and indirect allocation of costs to activities
- the level of disaggregation of prices by location or water source
- the relative fixed and variable proportions of prices
- replacing the minimum annual charge (MAC) which currently applies to customers with relatively small water entitlements with an administrative charge that applies to all customers
- the structure of pricing for non-urban metering.

The responses we received to this draft recommendation were overwhelmingly positive, with all stakeholders (including both customers[392] and regulated business[393]) supporting the proposed review. There were however a range of preferences for the scope of the review.

We considered several ways the proposed review could be structured, ranging from a one large, all-encompassing review of WAMC's pricing structure, to a handful of smaller reviews tailored to addressing different aspects of WAMC and could each be undertaken by different agencies. We consider the best outcomes are most likely to be achieved by splitting responsibilities through two separate reviews:

- The first review would primarily focus on investigating whether WAMC's governance arrangements are fit for purpose. IPART recommends that the Minister for Water complete this review prior to WAMC's next pricing review
- The second review would investigate WAMC cost shares in addition to other matters. IPART intends to conduct this review itself.

Our final recommendations are informed by the stakeholder feedback we received throughout this Pricing Review, as well as broader consideration of the needs of water customers (and the broader community), WAMC's key development areas, and our responsibilities under the IPART Act[c].

14.4.1 Stakeholders strongly support a review of WAMC's pricing framework

Water users strongly support price structure reviews, with a view towards reviewing WAMC's corporate model and an analysis of long-term sustainability as well as cost sharing and the impactor pays model.

Suggestions regarding the scope of this review included:

- Cost share arrangements
- Re-examining the 'impactor pays' model including the use of a counterfactual contemplated under this framework, that is, a natural state without significant consumptive water use,[394]
- Scrutinizing cost-recovery targets and efficiency
- Ensuring IPART decisions safeguard the long-term viability of the irrigation sector and food security.
- Valley-based costs vs top-down allocation,[395]
- Whether tax allowances should be included in WAMC's revenue base[396]
- Whether it is suitable to consider NRAR compliance and enforcement activities as monopoly services under the *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004.*[397]

WAMC also supported the recommendation of a price structure review. However, it expressed concerns that the 3-year draft determination period proposed in our Draft Report would be insufficient for it to implement the recommendations of the review prior to the next pricing proposal.

[c] *Independent Pricing and Regulatory Tribunal Act 1992*

Stakeholders suggested possible leaders for the proposed review

Murrumbidgee Private Irrigators Inc and Murrumbidgee Groundwater Inc (MPII and MGI), Hunter Valley Water Users Association (HVWUA), and NSW Irrigators Council (NSWIC) all suggested that the review should be led by the Minister[398], while some others[399] suggested IPART could lead the review. All submissions from water users emphasised the importance of ongoing consultation with customers throughout the review process.

WAMC has indicated in its submissions, and in prior pricing reviews, that it was interested in conducting its own price structure review.[400] No water user suggested that WAMC or DCCEEW lead the review.

It is difficult for customers to assess value

We heard from some WAMC customers that they find matching pricing with services and activities in their water sources as challenging and opaque.[401] This is likely partly a function of there being 26 water sources, for which providing a high level of detail in allocation of costs across 30 activity codes for each of those in a proposal is challenging.

Attachment M of WAMC's pricing proposal considers a move to more aggregated pricing, noting challenges to that review include; which geographic level is appropriate, how water management services vary between types of water sources, and at what area and source level can WAMC robustly allocate costs to impacts.[402] WaterNSW's pricing proposal also included a scenario to transition from the current water source based pricing to region based pricing.[403]

We noted in our Draft Report that a more consolidated geographic framework may make it simpler to allocate costs and understand prices, and more consistent pricing for licence holders across NSW. However, there are potential challenges, including fairness and potential cross-subsidisation of some licence holders by others. Our proposed review would consider these issues while seeking stakeholder input though consultation.

The Minimum Annual Charge (MAC) does not directly reflect administrative costs

In submissions to IPART's Issues Paper customers have expressed confusion about the MAC, highlighting that they are paying an amount of money for water despite using no or very little water. Others have challenged the existence of the MAC itself, described this as constituting a two-tiered approach to WAMC pricing which they perceived as price discrimination.[404] One water user suggested that WAMC should retire small licences if said licences are not providing any benefits to the licence holder.[405]

At the same time, WAMC has suggested that that the MAC under-recovers fixed administrative fees by a significant margin. Transitioning to including a (fixed) administrative charge rather than a MAC may make overheads clearer and more understandable for customers. However, depending on the level the administrative charge, it may introduce either further cross-subsidisation or raise prices for holders of very small licences.

WAMC suggested that the MAC would have to be $935[d] to cover costs and instead proposed to cap the MAC at a 2.5% annual price increase (before inflation) on the 2024-25 price of $277.89. We decided to accept WAMC's proposed increase cap for the MAC (Chapter 10), under this decision customers on the MAC would not be projected to be paying full cost recovery prices for some decades.[e]

WAMC's organisational structure

WAMC is a unique entity in terms of its functions and constitution compared to other water businesses which IPART Regulates.

Box 14.2 WAMC as a unique entity

WAMC is constituted as a corporation under the *Water Management Act 2000* and its affairs are managed by the Minister for Water. The Minister and WAMC may delegate their functions, and IPART understands WAMC's functions are effectively delegated to the Department of Climate Change, Energy, the Environment and Water, or the Natural Resources Access Regulator, or conferred on Water NSW.

We acknowledge that WAMC provides water planning and regulatory services, which are of a different nature to the water services delivered by the other water businesses which IPART regulates.

However, most other water businesses IPART regulates are established with boards of directors and chief executive officers, providing clarity and transparency about accountability for organisational decisions and performance. In addition, WAMC does not have a website and does not publish information online about its governance or performance.

[d] The MAC full cost recovery price was estimated by WAMC to be $1,012 declining to $885 in 2025-26 and 2029-30 respectively. $935 is the average over the proposed 5 year price path. We note that the WAMC estimate of administrative costs includes costs for NRAR (that is, regulatory costs). If these are removed, it is likely the current MAC would be closer to an appropriate administrative charge.

[e] Assuming that these caps were not changed over those decades.

Many of WAMC's issues stem from the fact that WAMC does not operate as a single entity, but instead as 3 agencies that collaborate for WAMC activities. In practice this arrangement can make it more challenging to develop efficient processes and procedures. We have identified that this may be a risk of:

- duplication of systems,
- inefficient reporting and planning, and
- a lack of transparency which makes risk management challenging.

IPART and our independent consultants, Stantec, have observed that the duplication of systems and efforts across WAMC's 3 agencies may lead to inefficiencies in both costs and in decision-making processes.[406] Consideration of WAMC's organisational structure could meaningfully contribute towards addressing these obstacles,

14.4.2 We recommend that the Minister for Water conduct a review into WAMC's governance arrangements

Recommendations

2. That the Minister for Water initiates a review of WAMC to improve its governance arrangements.

IPART recommends that the Minister for Water review the governance arrangements of WAMC which we have identified as an obstacle restricting WAMC's capacity to deliver its objectives efficiently.

IPART considers that this falls under the purview of the Minister for Water, who is best situated to investigate and implement findings from such a review. In addition, the Minister for Water may also decide to consider other issues, such as WAMC's organisational structure, the long-term sustainability of the level of water charges in regional and rural NSW.

The review is time sensitive as WAMC has submitted concerns[407] that it may not be able to implement the findings of such a review before it commences drafting its next pricing proposal. We note that the outcomes of such a review would be valuable in informing IPART's own intended review of WAMC cost shares (and other matters) and assist IPART to better optimise outcomes for both the NSW Government and water customers.

For this reason, IPART encourages the Minister for Water to conduct this review as soon as is practicable if it is to be performed.

Governance of WAMC

WAMC does not have directors or a board in the way that a typical State Owned Corporation does. Pursuant to the *Water Management Act 2000* (WMA) the affairs of WAMC are currently managed by the Minister (the Minister for Water)[408].

- Under the WMA, anything done in the name of, or on behalf of WAMC by the Minister, or with the authority of the Minister, is taken to have been done by WAMC.[409] The Minister may delegate to any person any functions conferred or imposed on the Minister by or under this Act[410], and WAMC may delegate to any person the exercise of any of its functions[411].
- WAMC has no staff itself but instead arranges for the use of the services of any staff or facilities of any Public Service agency or public authority.[412] Currently these are delegated to the Department of Climate Change, Energy, the Environment and Water (DCCEEW), the Natural Resources Access Regulator (NRAR) or conferred on Water NSW.

Under this framework management of WAMC's responsibilities is subject to delegations to these agencies. This approach has the potential to allow for a deal of flexibility, but also leads to some challenges:

- WAMC operates as a water business which charges customers for water management services, however the Minister who is ultimately charged with the management of WAMC's corporate affairs is also responsible for state-wide water policy frameworks and delivery at both a policy and political level (among many other responsibilities).
  - This differs from other water businesses such as WaterNSW, Hunter Water and Sydney Water which are established as statutory State Owned Corporations under self-standing legislation.[413]
- The Minister is accountable to the electorate, an arrangement different to the responsible person for any other water business or State Owned Corporation (or similar entity) in NSW.

A consequence of the arrangement is that the head of the water business is also making statutory decisions and progressing policy. These decisions impact efficient costs passed on to customers of the water business.

This component of the review may consider the governance structure of WAMC, up to and including investigating alternatives for a new governance structure (such as, for example, an appointed officer who is accountable to the Minister). A core objective of this review would be to improve transparency and accountability in decision making by those involved in WAMC's day-to-day operations. Another core objective would be identifying and examining the incentives within WAMC's governance structure, with a view to incentivise cost-efficiency and long-term planning.

14.4.3 IPART intends to complete a review of WAMC cost shares

IPART intends to consider the issue of cost shares in the interim between the 2025 WAMC determination and the next pricing review expected to commence in 2028.

Periodic review is important to improve the transparency and durability of the cost shares framework to provide the NSW Government, WAMC, customers and other stakeholders with greater certainty over its application. The cost share methodology for WAMC (and WaterNSW) was last comprehensively reviewed in 2019, wherein we determined cost shares in line with the impactor pays principle[f].

This next cost shares review will build on previous work by IPART that involved identifying the services being delivered, allocating costs, identifying users, impactors and beneficiaries, and establishing cost shares for these services.

Other issues that IPART is considering including within this review might include:

- Reconsideration of the counterfactual we use when determining appropriate cost shares
- Geographic structures of pricing, including evaluation of valley-based costs vs top-down cost allocation (and potentially other modes of allocation)
- The appropriateness of the current split between fixed and variable prices
- Affordability and customer capacity to pay – we conducted affordability analysis (Appendix C) as part of this pricing review. However, we could look further into the ability of different types of customers (e.g. small businesses) to pay for water, how that compares against the prices that WAMC's efficient costs generate, and whether there should be a role for subsidies in some cases
- Reconsideration of how the Minimum Annual Charge (MAC) works and whether a fixed administrative charge is more appropriate.

We will provide more details regarding the scope of this review following the commencement of WAMC's 2025 Determination. All stakeholders (including WAMC) will have the opportunity to provide submissions to IPART throughout the course of the review process. We consider that such a review would ideally commence immediately following, or towards the tail-end of, a review of WAMC's governance and organisational structure[g].

This review should be conducted outside of an IPART pricing review

Conducting a comprehensive review of WAMC cost shares (and other similar matters such as price structures) simultaneously to a pricing review would not allow for sufficient analysis of the issues that are most relevant to stakeholders. Pricing reviews focus specifically on setting efficient prices within the context of an existing cost sharing framework. The scope and structure of a pricing review generally does not accommodate more fundamental consideration of the principles that underpin the framework on which prices are set.

[f] i.e. the principle that those that created the need to incur the costs, should pay the costs.
[g] Such as that proposed to be conducted by the Minister for Water in the prior section of this chapter.

An advantage of consulting on these issues outside an active price review is that stakeholders are better positioned to focus on the structural pricing issues rather than focusing on the immediate combined pricing impact alongside other factors.

We recommended pricing reform in the 2021 price review

In IPART's 2021 Final Report, we noted that WAMC's cost allocation methodology and price structures are complex, with prices determined by an indirect cost allocation process (using cost drivers) rather than direct attribution of costs. Although this approach has the advantage of being cost-reflective, it also has the disadvantages of being complex and costly to administer.

We encouraged WAMC to consider this issue in the lead up to the current determination. WAMC considered this recommendation and outlined high level considerations. However, WAMC ultimately decided there were greater customer priorities for their (then) current proposal and that they would need more time to review and consult on the cost structure to be able to propose meaningful improvements. As a result, WAMC had not commenced this review as of the close of the 2025 financial year.

There remain timing challenges with a 4-year determination period

In our Draft Report we proposed a 3-year determination period, while this timeframe was supported by most customers, we received feedback from WAMC expressing concerns that it would be resource taxing to complete a review of the nature proposed within such a short timeframe, and that it may not be able to deliver upon the recommendations of such a review before it commences work on its next pricing proposal (Chapter 3).

IPART considered how best to manage these delivery risks for pricing and structural reviews in arriving at its final decision to set a 4-year determination for WAMC including meaningful consultation (see Chapter 2). This approach will provide an additional 12 months (compared with our Draft Decisions) to allow for WAMC to adopt the recommendation of any reviews completed in the interim between the commencement of the 2025 Determination and the leadup to its pricing proposal for IPART's 2028-29 WAMC Pricing Review.

While we have decided to extend the determination period, we have also been conscious to set recommendations that support keeping WAMC's administrative workload at reasonable levels throughout the review process, to minimise the risk that WAMC would have to divert resources away from its core regulatory responsibilities. These considerations have, in part, informed IPART's decision to lead this particular review itself.

Attachment M of WAMC's pricing proposal notes that a review of geographical pricing should additionally consider activity codes as the two are linked. IPART agrees with this notion and further considers that the two reviews might best be considered in parallel so that a wholistic solution can be devised.

However, IPART also considers that it would not be practicable for IPART to review WAMC's activity codes as they are internal to WAMC and based on specific context of its day-to-day operations. Considering the level of detail required, it would be more appropriate for WAMC to review the cost reflectivity of its existing activity codes, and the direct and indirect allocation of costs to activities.

We encourage WAMC to consider embarking on such a review alongside IPART's own review of WAMC cost shares. WAMC also indicated in its pricing proposal that its cost drivers are changing, suggesting that this may be the appropriate timing for such a revaluation of its existing cost codes.[414]

We further consider that, if conducted simultaneously, a constructive dialogue between IPART and WAMC would enhance process of these reviews. This would greatly increase the likelihood that the outcomes of the two reviews are aligned, and that they reflect the long-term best interests of customers.

This approach may also present opportunities to minimise stakeholder fatigue, which WAMC flagged as an issue in its submission to our Draft Report.[415] With appropriate coordination between IPART and WAMC, stakeholders could be invited to provide joint submissions to both reviews simultaneously, rather than separately and at different points in time.

Appendices

Appendix A

Matters considered by IPART

This appendix explains how we considered certain matters we are required to consider under the *Independent Pricing and Regulatory Tribunal Act 1992* (the IPART Act).

A.1 Matters under section 15 of the IPART Act

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

a. the cost of providing the services concerned

b. the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services

c. the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales

d. the effect on general price inflation over the medium term

e. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers

f. the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the *Environmental Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment

g. the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets

h. the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body

i. the need to promote competition in the supply of services concerned

j. considerations of demand management (including levels of demand) and least cost planning

k. the social impact of the determinations and recommendations

l. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

Table A.1 outlines the Chapters of the report that address each matter.

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

Section 15(1)	Report reference
Cost of providing the services	Chapters 4 and 5 set out WAMC's total efficient costs to deliver its monopoly services over the determination period. Chapter 7 sets out MDBA and BRC's total efficient costs allocated to WAMC and its water users. Chapters 11 and 12 consider the costs for providing consent transactions and metering services.
Protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services	We consider our decisions will protect consumers from abuses of monopoly power, as they reflect the efficient costs WAMC requires to deliver its monopoly services. This is addressed throughout the report, particularly in Chapters 4 to 7 (where we establish the efficient expenditure) and Chapters 9 through 13 (where we set out our pricing decisions and impacts).
Appropriate rate of return and dividends on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales	Chapter 5 outlines that we have allowed a market-based rate of return on debt and equity that would enable a benchmark business to return an efficient level of dividends.
Effect on general price inflation over the medium term	Chapter 13 considers the potential impact of our pricing decisions on WAMC, its water users and the NSW Government (on behalf of the broader community). While prices and bills for most water users are increasing, the impact on general price inflation is likely minimal. This is because the impact of WAMC's charges and bills is relatively small when assessed against farming businesses and the value of water entitlements and allocations (as determined through the water trading market).
Need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	Chapters 4 to 7 and 14 set out our decisions on WAMC's efficient historical and forecast expenditure. These decisions will promote greater efficiency in the supply of WAMC's monopoly services.
The need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment	Chapters 4 and 5 set out WAMC's efficient historical and forecast expenditure that allows it to meet all of its regulatory requirements, including its environmental obligations.
The impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets	Chapters 5 and 13 explain how we have provided WAMC with an allowance for a return on and of capital; our assessment of its cost recovery levels and our assessment of impact on Consolidated Funds.
The impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body	Chapters 4 and 5 determine the prudent and efficient cost of construction and operational contracts that WAMC has entered. Chapter 7 considers and includes decisions regarding expenditure and prices for MDBA and BRC.
The need to promote competition in the supply of the services concerned	In determining efficient costs, we were mindful of relevant principles such as competitive neutrality (e.g. we included a tax allowance for WAMC as set out in Chapter 5).
Considerations of demand management (including levels of demand) and least cost planning	Chapters 4 and 7 outline how we have assessed WAMC's efficient historical and forecast expenditure required to deliver its monopoly services at least cost. Chapters 9 and 12 outline how we have set prices to reflect efficient costs. Chapter 8 includes our decisions regarding forecast water entitlement and take over the 2025 Determination period.
The social impact of the determinations and recommendations	Chapter 13 considers the potential impact of our pricing decisions on WAMC, its customers and the NSW Government (on behalf of the broader community).

Section 15(1)	Report reference
Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	Chapters 4 and 7 detail our consideration of WAMC's efficient historical and forecast expenditure so it can meet the required standards of quality, reliability and safety in delivering its monopoly services.

A.2 Considerations under section 16 of the IPART Act

Section 16 of the IPART Act provides:

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

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

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

Appendix B

Grading rubric in the Water Regulation Handbook

Table B.1 Guidance for customer principles

1. Customer centricity

How well have you integrated customers' needs and preferences into the planning and delivery of services, over the near and long term?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Develop customer engagement strategy		
• The business has a published customer engagement strategy which: – sets out how it seeks to understand what matters to customers, and identifies the outcomes that maximise long-term customer benefit at an efficient cost – considers the level of influence customers have in how services are delivered – identifies the role of customer engagement in understanding customer preferences – commits to engage with customers in the pricing proposal and for major investments. • The strategy should be well structured and easy for customers to follow, and articulate clear roles and responsibilities of customers, regulator(s) and business.	• The strategy demonstrates that customers have a high level of influence in how services are delivered, and commits to gain insights from customers through a variety of methods.	• The strategy empowers customers to co-develop the most material aspects of its pricing proposal that impact price and service.
Customers influence business outcomes		
• Customer insights and engagement influence customer outcomes, inform business decisions, and short, medium and long-term plans.	• Customer insights are linked to customer outcomes, which inform ongoing improvements in the way services are delivered to customers.	
Processes support customer centricity		
• Systems in place to respond to ongoing customer feedback. • Consumer facing businesses propose assistance programs for customers experiencing vulnerability (e.g. hardship programs, payment plans, access to concessions or other)	• Learns from and keeps up with peers and industry best practice engagement methods. • Consumer facing businesses propose tools or processes to support early identification and interventions for customers experiencing a range of vulnerability circumstances.	• Clear evidence of continual improvement in customer value across the business where it reflects on, and incorporates, learnings from its engagement processes. • Consumer facing businesses propose simplifications to assist customers, including those experiencing vulnerability, improve accessibility and understanding (e.g. customer contracts, bills and accounts and water literacy).

2. Customer engagement

Are you engaging customers on what's most important to them, making it easy for customers to engage by using a range of approaches to add value?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Engage on what matters to customers		
• Select issues for engagement that matter to customers.	• Customers involved in setting priorities that matter most for deeper engagement.	• Collaborates with and empowers customers (and/or customer representatives) to develop solutions in customers' long-term interests.
Choose appropriate engagement methods		
• Suitable consultation method/s have been chosen to reach a representative customer base and/or their advocates, such as renters, home-owners, vulnerable groups, and businesses. • Opportunities for 2-way communication with customers exist. • Scope of engagement proportional to the level of expenditure and the impact of the project.	• Chooses effective methods to provide all customers – including more difficult-to-reach customers – with a high level of influence in how services are delivered. Responses are then triangulated and tested against other information.	• Continuously seeks to improve methods of engagement and explore innovative methods.
Engage effectively		
• Unbiased, clear explanation of context and objectives. • Participants are informed of the impact of their feedback. • Engagement is easy to understand, and customers' understanding is tested and where relevant, technical literacy/capacity is supported for effective engagement. • Culturally and linguistically diverse groups are supported in their engagement. • Information is accurate, objective, tells the whole story and is correctly targeted to its audience. • Clear explanations of investment options, service levels, and uncertainties.	• Engagement includes clear explanation of options (including price differences and any potential trade-offs), and participants are confident their feedback will influence outcomes.	

3. Customer outcomes

How well does your pricing proposal link customer preferences to proposed outcomes, service levels and projects?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Customers drive outcomes		
• Propose outcomes, based on customer engagement, that capture what customers want you to deliver. • Link proposed expenditure to these outcomes.	• Outcomes are concise, specific, measurable and written from customer's perspective. They are clearly aligned to customer preferences and proposed expenditure.	• Outcomes and supporting output measures and targets are co-designed with customers, and proposals are supported by customers.
Performance measures support outcomes		
• Propose performance measures for each outcome. • Propose performance targets for each measure, referencing IPART's principles, with: – internally consistent short-, medium- and long-term targets – targets justified based on past performance and other suitable industry benchmarks – targets that, at a minimum, meet customer protection operating licence standards and other regulatory requirements.	• Targets show a step change improvement to customer value and include adequate protections for individual customers.	• Where supported by customer willingness to pay, service targets exceed past performance and other suitable industry benchmarks by an ambitious but realistic margin.
Accountability for customer outcomes		
• Clear mechanisms ensure the business is accountable for delivering outcomes.	• All outcomes include steps the business will take if not meeting targets, and where appropriate, are supported by outcome delivery incentive (ODI) payments/penalties.	• All important customer outcomes with high customer value would typically be supported by ODI payment/penalty rates and targets.

4. Community

Are you engaging with and considering the broader community to understand their objectives, including traditional custodians of the land and water, while ensuring services are cost-reflective and affordable today and in the future?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Identify community outcomes		
• Engage with, and consider the broader community, including Aboriginal and Torres Strait Islander peoples, to identify community outcomes. • Assess the benefits and costs to the customer of delivering on broader community values, as they relate to the provision of regulated services. • Consider costs/benefits and bill impacts before proposing expenditures.	• Outcomes have demonstrated customer value and support, with awareness of bill impacts.	• Demonstrate step change improvements in community outcomes, which prioritise customer preferences revealed through engagement.
Community outcome performance measures		
• Community outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).	• Work and partner with local groups and other stakeholders to propose and deliver community outcomes within the scope of its services.	• Demonstrate innovative approaches to promote customer and community value.
Accountability for community outcomes		
• Clear mechanisms ensure the business is accountable for delivering community outcomes.	• Mechanisms include steps the business will take if not meeting targets.	

5. Environment

Have you identified and met broader environmental objectives, while ensuring services are cost reflective and affordable today and in the future?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Identify environmental outcomes		
• Meet all regulatory requirements, including environmental requirements, at an efficient cost. • Follow government directions[a] and regulatory obligations. • Set environmental outcomes that relate to the provision of regulated services, consistent with customer preferences, community views and waterway quality guidelines. • Consider long-term environmental costs/benefits and bill impacts before proposing expenditures. • Propose cost-efficient expenditure to manage and adapt to the impacts of climate change.	• Actively engage with other regulators, evaluate prospective government directions and obligations from the perspective of promoting the customer's long-term interests. • Incorporate climate change into forecasting models and undertake climate change adaptation and mitigation actions.	• Demonstrate step change improvements in environmental outcomes, revealed through engagement, which prioritise delivery of environmental outcomes that customers and the community value most.
Environmental outcome performance measures		
• Environmental outcomes have targets that are measurable, have intermediate steps and milestones built in (as needed).	• Work and partner with community groups, other businesses, stakeholders and government, to propose and deliver outcomes that meet regulatory requirements, promote customer value and provide environmental benefits.	• Demonstrate innovative approaches which promote customer value and maximise environmental benefits.
Accountability for environmental outcomes		
• Clear mechanisms ensure the business is accountable for delivering environmental outcomes.	• Mechanisms include steps the business will take if not meeting targets.	

[a] Government directions are typically made by Ministerial order through the *State Owned Corporations Act 1989* (the SOC Act) or other power under legislation

6. Choice of services

Are you providing opportunities to reflect customers' varied preferences for the tariffs and additional services they are willing to pay for?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Consider differentiated service offerings		
• No requirements at Standard.	• Engage with customers on opportunities for differentiated service offerings, including standard add-on mass market tariff options (e.g. carbon offsets), where it is cost efficient to do so. • Work with government and developers in growth planning to offer additional services and supply options to new developments.	• Offer customers innovative tariffs and products above licence obligations, consistent with customers' preferences if there is evidence of customer demand.

Table B.2 Cost principles

7. Robust costs

How well does your proposal provide quantitative evidence that you will deliver the outcomes preferred by customers at the lowest sustainable cost?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Justify proposed expenditure		
• Proposed operating expenditure (opex) is consistent with past expenditure and clearly explains any step changes or trends. • Proposed capital expenditure (capex): – is clearly explained – identifies baselines for recurrent expenditure and provides justification for any changes it proposes over time – for large capital projects with a clear scope is supported by cost-benefit analysis considering alternative options.	• Changes in expenditure are supported by quantitative evidence which demonstrates how it promotes customer value (e.g., in proposing step changes for opex, and justification in business cases for large capital projects).	• Proposes opex and capex that maximises customer value, supported by modelling which shows it is below industry benchmarks.
Optimise between opex and capex		
• Demonstrates consideration has been given to opex and capex trade-offs.	• Uses quantitative evidence to show that proposed opex and capex minimises net life-cycle costs.	• Takes into account the potential and likelihood for cost saving innovations when proposing a balance of opex and capex.
Accountability for expenditure outcomes		
• Expenditure performance targets have been identified that maintain compliance with licence conditions, other regulatory requirements, and are consistent with customer preferences.	• Demonstrates how performance targets have been developed through customer engagement and deliver customer value.	• Has adopted and implemented robust processes to ensure that forecasts are justified, evidence-based and deliverable.

8. Balance risk and long-term performance

How well do you weigh up the benefits and risks to customers of investment decisions, and how consistent are they with delivering long-term asset and service performance?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Understand long-term performance		
• Investment and asset management decisions demonstrate a balancing of the risks and benefits to the customer and business in terms of long-term asset and service performance.		• Provides additional evidence optimising this balance of risks, using best practice, probabilistic investment decision and asset management systems.
Manage risks and reprioritise		
• Demonstrates all cost drivers and has mechanisms to monitor cost risks and reprioritise expenditures and asset management strategies as necessary. • Outlines its approach to manage long-term risks, including climate change	• Proposal commits to accept more risk where it has benefits for customers. • Demonstrates it has organisational resilience to absorb cost impacts arising from changes in the operating environment.	• Proposal includes capability and strategies to optimise and manage the value of risk factored into its forecasts and proposals.

9. Commitment to improve value

How much ambition do you show in your cost efficiency targets and what steps have you taken to demonstrate commitment to deliver on your promises?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Develop cost efficiency strategy		
• The business has a management[b] approved and externally published cost efficiency strategy that includes: – an annual 'efficiency factor' across opex and capex – productivity improvements achieved and proposed, which highlight that the business is adopting innovations – how it has performed against current period targets.	• Proposal is informed by cost efficiency strategy, justifies an ambitious annual expenditure 'efficiency factor' and explains reasons for its current performance.	• Proposes efficiency targets which would lead to a significant step change in cost efficiencies below historical costs and industry cost benchmarks.
Accountability for cost efficiency outcomes		
• Has clear mechanisms to ensure the business is accountable for achieving its proposed cost efficiency outcomes.		

[b] Depending on the organisation structure this approval may be Board, Council or executive leadership approval.

10. Equitable and efficient cost recovery

Are your proposed tariffs efficient and equitable, and do they appropriately share risks between the business and your customers?

Standard Expectations	**Advanced** Additional expectations to Standard	**Leading** Additional expectations to Advanced
Propose cost-reflective prices • Propose cost-reflective maximum prices for customers, with: – modelling to justify tariffs over the next determination period – a balance of fixed and usage charges that takes into account the long run marginal cost (LRMC) of providing services.	• Provides modelling to show that proposed prices: – are sustainable over time, and would avoid large future bill impacts – have been informed by LRMC model estimates – consider the impact of climate change on the level and structure of prices addressed • Justifies the appropriate form of price control that promotes the long-term interests of customers.	• Provides comprehensive modelling to support its proposed recovery of costs, including: – catchment level LRMC estimates where appropriate (to justify demand and supply side responses to delay augmentations or prioritise investments) – longer-term pricing paths supported by long-term cost estimates.
Justify within-period revenue adjustments • Provides a robust justification for any revenue adjustments, consistent with IPART's revenue hierarchy principles.		

Table B.3 Credibility principles

Credibility	Requirements (all levels)
11. Delivering Can you provide assurance that you have the capability and commitment to deliver?	• Proposed expenditures and service outcomes can be delivered in the timeframe proposed. • Sets out how progress against key investments and performance targets (both short- and long-term) will be regularly monitored and communicated to its customers. • Plans for foreseeable future challenges, including strategies for how it will reprioritise and adapt as changes arise. • The proposal has been approved by the Board (or equivalent), who endorse that the proposal would best promote the long-term interests of its customers. The proposal has evidence of a robust assurance process to ensure the veracity of information provided to IPART.
12. Continual improvement Does the proposal identify shortcomings and areas for future improvement?	• Justified self-assessment • Performance targets have been monitored and communicated to customers over the previous period, consistent with past regulatory proposals. You have justified and explained past performance to customers. • Demonstrates how experience and lessons from past determination period/s have been integrated into current and future/long-term strategies, where gaps remain, and how future plans will address these. • Identifies any shortcomings in its proposals including its plans to address any shortfalls.

Appendix C

Affordability analysis

IPART's assessment of WAMC's proposal

C.1 Farming businesses

As previously noted in Chapter 3, many stakeholders who made a submission to our Issues Paper raised concerns around affordability. Many submissions highlighted the proposed 15% annual cap (plus inflation) on WAMC water management prices would still double prices over the course of the determination (without factoring in CPI) and would be unaffordable.

C.1.1 WAMC's affordability analysis

WAMC told us that around 30% of licences correspond to 97% of all water entitlement volumes. The remaining 70% of licenses are predominantly made up of customers who would be paying the Minimum Annual Charge (MAC).

WAMC's affordability analysis focused on licence holders that would be subject to WAMC's proposed 15% (plus CPI) annual cap.[416] WAMC concluded that these users are likely to have capacity to pay.

WAMC referred to ABARES' 2021-22 national farm business profit data by deciles, which showed that the largest 60% of farms generated profit, while the bottom 40% recorded losses. It also referred to general broadacre farm income and cotton income to demonstrate that irrigated farm operations tend to be more profitable than dryland farms. WAMC also analysed ABARES' NSW cropping farm cash income data from 2014-15 to 2023-24, which showed that although a declining trend has been shown since 2021-22, historically high levels of cash income were recorded in 2021-22. WAMC also noted that given the total value of water entitlements in NSW is over $41 billion its proposed pace to full cost reflectivity (i.e. 15% plus CPI annual cap for large users) is reasonable.

C.1.2 What we heard during the Issues Paper consultation

We heard from several licence holders and associations that queried aspects of WAMC's affordability analysis, such as:[417]

- Users not subject to the MAC do not necessarily have capacity to pay and are not necessarily large profitable users. For instance, a small agricultural user not paying the MAC (e.g. with 100ML of entitlement) may not necessarily be profitable and in a position to absorb cost increases.
- Granularity is important and industry specific data should have been obtained rather than using irrigated broadacre cropping as a proxy. Also, dryland performance data should have been separated from the performance of irrigated farming businesses.
- A variety of years should have been considered, noting that 2021-22 was a wet period with good yield and more recent data should have been used.

C.1.3 What we heard during the Draft Report consultation

Murray Irrigation, Murrumbidgee Irrigation and Lachlan Valley Water acknowledged IPART's efforts to explore the impact on the agricultural sector but explained that our analysis does not fully reflect the financial realities for farming.[418] In particular, Murray Irrigation's consultant RMCG, while acknowledging that IPART's analysis is technically sound under limited assumptions, pointed out areas for further consideration, including:[419]

- Other measures in addition to gross margins should have been considered i.e. indicators that also include fixed costs and capital servicing. Gross margins exclude permanent labour (paid and unpaid), administration, capital expenditure and depreciation.
- The use of 5-year average data (2017-2022) is misleading as a 5-year average smooths out any variations.
- Our analysis should also factor in the effect of macroeconomic conditions and dynamic real-world decision making (i.e. how farmers adapt production based on allocation levels and financial pressures). IPART's analysis could potentially be improved by incorporating sensitivity calculations.

WAMC also provided views on this topic, including:[420]

- IPART's impacts analysis should be considered in the context of potentially shifting costs to taxpayers and should not be focused on maintaining the gross margins of select sectors of the economy.
- The cost inputs and outputs that affect gross margins are dynamic and IPART does not indicate what an acceptable gross margin is.
- That the market value of water entitlement which are significantly higher than WAMC's proposed prices have not been considered.

C.1.4 IPART's response to what we heard during the Draft Report consultation

We set price levels to reflect efficient costs then consider how to transition toward efficient cost reflective prices

Our priority is to establish price levels that reflect efficient costs and then consider how best to transition towards these efficient cost reflective prices in a way that allows water licence holders time to adapt. Large price shocks could result in unintended consequences (e.g. disrupting sectors of the economy and impacting communities).

Our gross margins analysis informed our view to set a cap on water management prices that was lower than WAMC's proposed 15% annual cap (before inflation). The analysis presented in this appendix was not the sole consideration but formed part of IPART's holistic consideration of the relevant matters under the *IPART Act* (see Appendix A).

We also acknowledge that while gross margins is a useful overall indicator for context, it remains one element of a comprehensive industry assessment. Our analysis provided useful framing, along with many other considerations, to set an annual price cap of 5% (before inflation). For instance, we also considered other factors including:

- licence holders paying for their efficient share of user costs, which takes into account:
  - the price path for licence holders paying for their efficient share of costs, while considering bill impacts, and
  - the indicative impact on the NSW Government i.e. subsidies
- the price caps that were consulted with licence holders during the development of WAMC's pricing proposal (i.e. 2.5%, 5% and 10%) and what licence holders told WAMC during the customer engagement process
- what we heard during our consultation periods for our Issues Paper and Draft Report.

Our analysis was also based on best available historical data. The insights provided in this appendix are not our views on what is an acceptable gross margin nor views on how this metric would perform in the future.

We have also considered WAMC's view about the market value of entitlements and that our impacts analysis should also consider the impact on the taxpayer i.e. the government subsidy. IPART has discretion to set prices in line with the considerations set out in section 15(1) of the IPART Act, including customer affordability. As shown in Figure 9.2, the indicative annual NSW Government subsidy under IPART's final decisions on prices ($62.8 million p.a.) is lower than what would have been the case under WAMC's proposal ($71.2 million p.a.).

We also acknowledge that the value of water entitlements is high on the trading market. However, any links of the value of this asset to affordability must be carefully considered. For example, for many water users that are involved in agriculture, selling an entitlement could be a reduction in production and may impact their business viability.

Gross margins analysis: Contextual insight only

As also noted in the Draft Report, our gross margins analysis as provided in section C.1.5 should be treated as indicative and contextual only. This is because the gross margins and water volumes data is based on surveying a subset of farms and are estimates. This means that the data is likely to be different from that which would have been obtained if information had been collected from a census of all farms. The gross margins analysis also assumes that all other cost inputs and output prices are held constant. We also acknowledge that this analysis does not account for how seasonal conditions (e.g. higher water/allocations availability) would influence water use and impact agricultural production.

We used a 5-year average (2017-2022), as 2022 was the latest available year at the time of conducting our analysis. The period included some drought years and better yield years. Our analysis also focused on irrigated farm businesses and does not include non-irrigated farms.

The gross margins indicator that we used is the ABARES farm cash income measure, which is the difference between total cash receipts and total cash costs. While total cash costs exclude capital expenditure and owner–manager, partner and other family labour, it does include a variety of fixed and variable payments made by farm businesses for materials and services.[a] Total cash costs also include water charges which refers to any payments made by farm businesses for water, including rates, purchase of temporary/seasonal water allocations as well as any fixed charges associated with holding a water licence. Water charges however exclude purchases of permanent water entitlements as this is treated as a capital item.

C.1.5 Our analysis

Recent financial performance and water use data for irrigated NSW agriculture has been limited.[b] In this context, we consider the affordability analysis provided by WAMC in chapter 10[421] of its proposal is reasonable given these constraints.

To better understand the perspectives put forward by stakeholders in Chapter 3, we obtained from ABARES, 5-year averages (2017-18 to 2021-22)[c] of gross margins and water use data by industry and size. We analysed the impact on broadacre (including cotton and rice) and horticulture (including grapes) and dairy in the southern Basin (Murray NSW and Murrumbidgee).[d] The data is from the ABARES Murray-Darling Basin Irrigated Survey. For cotton grown in the northern Basin, we used CottonInfo's national gross margins data to contextualise the impact of WAMC's proposed prices.

While we acknowledge many farming businesses would also pay WaterNSW rural bulk water charges, the analysis in this section is isolated to WAMC's proposed charges. We have considered the impact of WaterNSW's proposed cost-reflective prices on selected NSW agricultural sectors in our Final Report on the maximum prices WaterNSW can charge to provide rural bulk water services.

[a] See Definition of items as listed in ABARES Farm surveys definitions and methods.
[b] ABS Water Use on Australian Farms and the Rural Environment and Agriculture Commodities Survey (REACS) has ceased. ABS and ABARES are currently undertaking work to modernise agricultural statistics (see here).
[c] Except for Murray cotton and rice farms, where there was no data for 2018-19 and 2019-20. This was because few farms grew cotton or rice due to the drought (low water allocations).
[d] While we acknowledge that this data does not include the northern Basin - for rice, grapes, citrus, pome/stone fruits and irrigated dairy, the production tends to be concentrated in the southern Basin. Refer to ABARES' Irrigated farm in the Murray-Darling Basin web page.

Southern Basin

For the southern Basin, we found the following broad trends in relation to the impact of WAMC's proposed prices over the next 5 years (2025-26 to 2029-30), before inflation:

- Bills would increase between 69% and 76%
- Generally, the gross margins of cotton and rice farms would be the most impacted (Murray -1.5% and Murrumbidgee -1.2%), followed by broadacre farms that do not grow cotton and rice (Murray -1.1% and Murrumbidgee -0.7%), then dairy (Murray -0.6%). The impact on horticultural farms (including grapes) is more variable (i.e. -0.3 to -0.7%). Please refer to Table C.1 for more information.
- The gross margins of smaller broadacre farms (<$1 million revenue) would generally be more affected (-1.9% Murray and -2.8% Murrumbidgee) than broadacre farms with >$1 million revenue (-1.1% Murray and -1.0% Murrumbidgee). Similarly, the gross margins of larger horticultural farms in Murray (-0.4%) would be less affected by WAMC's proposed prices compared to smaller horticultural farms (-0.9%). However, the opposite was the case for Murrumbidgee horticulture where larger farms (-0.5%) would be more affected than smaller farms (-0.4%). Please refer to Table C.2 for more information.

The analysis provided above should be treated as indicative and contextual only. This is because the gross margins and water volumes data is based on surveying a subset of farms and are estimates. This means that the data is likely to be different from that which would have been obtained if information had been collected from a census of all farms. The gross margins analysis also assumes that all other cost inputs and output prices are held constant. We also acknowledge that this analysis does not account for how seasonal conditions (e.g. higher water/allocations availability) would influence water use and impact agricultural production.

Table C.1 Impact of WAMC's proposal on selected agricultural industries ($2024-25, 2017-18 to 2021-22 averages per farm)

	ABARES data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
Water sources	**Gross margin per farm ($)**	**Total entitlements (ML) per farm**	**Total volume of water used for irrigation (ML) per farm**	**Estimated current (2024-25) WAMC bill ($)**	**Increase under WAMC's proposal 2025-26 to 2029-30 ($)**	**Increase under WAMC's proposal 2025-26 to 2029-30 (%)**	**Impact on gross margins (%)**
Cotton and rice							
Murray[a]	441,100	2,512	2,400	8,519	6,454	76%	-1.5%
Murrumbidgee	522,700	3,242	2,031	8,832	6,265	71%	-1.2%
Other broadacre (excl cotton and rice)							
Murray	243,500	1,439	336	3,509	2,569	73%	-1.1%
Murrumbidgee	466,200	2,017	397	4,437	3,070	69%	-0.7%

Water sources	ABARES data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
	Gross margin per farm ($)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) WAMC bill ($)	Increase under WAMC's proposal 2025-26 to 2029-30 ($)	Increase under WAMC's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Grapes							
Murray	696,400	1,216	1,036	3,959	2,988	75%	-0.4%
Murrumbidgee	438,400	1,481	1,120	4,270	3,046	71%	-0.7%
Horticulture (excl grapes)							
Murray	328,300	712	738	2,491	1,892	76%	-0.6%
Murrumbidgee	153,800	233	149	638	453	71%	-0.3%
Dairy							
Murray	489,700	1,166	979	3,777	2,850	75%	-0.6%

a. Data is based on 3-years of data i.e. 2017-18, 2020-21 and 2021-22.
b. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the ABARES MDB Irrigation Survey.
c. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Insights from this table should be treated as indicative only.
d. Gross margin = farm cash income = total cash receipts - total cash costs.
e. The cotton and rice data should be interpreted as averages of farms that grow cotton and/or rice, noting that many of the farms surveyed in the southern Murray-Daring Basin tend to grow both cotton and rice. This is different to northern Basin cotton farms which are usually large specialist cotton growers or mixed farms with grains and/or livestock.
f. IPART calculated the estimated current water bill by using 2024-25 WAMC charges, including MDBA and BRC charges. The impact of WAMC's proposal to 2029-30 is based on the annual 15% cap for water management price and cost-reflective prices for MDBA and BRC.
g. The bill estimates were calculated assuming all entitlements and water use is based on regulated general security for simplicity.
Source: ABARES MDB Irrigation Survey and IPART analysis.

Table C.2 Impact of WAMC's proposal on selected agricultural industries by size ($2024-25, 2017-18 to 2021-22 average per farm)

	ABARES data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
	Gross margin per farm ($)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) WAMC bill ($)	Increase under WAMC's proposal 2025-26 to 2029-30 ($)	Increase under WAMC's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Revenue $1m and more							
Murray Broadacre	515,000	2,613	1,483	7,523	5,612	75%	-1.1%
Murrumbidgee Broadacre	813,900	4,132	2,364	10,982	7,770	71%	-1.0%
Murray Horticulture	888,700	1,267	1,501	4,680	3,571	76%	-0.4%
Murrumbidgee Horticulture	802,400	1,765	1,602	5,414	3,885	72%	-0.5%

	ABARES data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
	Gross margin per farm ($)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) WAMC bill ($)	Increase under WAMC's proposal 2025-26 to 2029-30 ($)	Increase under WAMC's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Revenue less than $1m							
Murray Broadacre	115,500	1,197	313	2,962	2,172	73%	-1.9%
Murrumbidgee Broadacre	93,700	1,600	528	3,780	2,639	70%	-2.8%
Murray Horticulture	137,300	554	312	1,591	1,187	75%	-0.9%
Murrumbidgee Horticulture	121,600	267	136	690	487	71%	-0.4%

a. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the ABARES MDB Irrigation Survey.
b. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Insights from this table should be treated as indicative only.
c. Gross margin = cash income = total cash receipts - total cash costs.
d. IPART calculated the estimated current water bill by using 2024-25 WAMC charges, including MDBA and BRC charges. The impact of WAMC's proposal to 2029-30 is based on the annual 15% cap for water management price and cost-reflective prices for MDBA and BRC.
e. The bill estimates were calculated assuming all entitlements and water use is based on regulated general security for simplicity.
Source: ABARES MDB Irrigation Survey and IPART analysis.

Northern Basin (Cotton)

We used CottonInfo's national gross margins data to estimate the impact of WAMC's proposed prices for cotton growers in Border, Namoi, Macquarie, Gwydir and Lachlan. As shown in Table C.3 we found that gross margins for these valleys would decrease by around 1% before inflation, with the impact in Namoi being the largest (1.1% decrease).

The analysis provided above should be treated as indicative and contextual only noting that the gross margins and irrigated water use information is based on national data rather than being specific to each valley. We also acknowledge the diversity of cotton growers in the northern Basin based on size and enterprise mix e.g. large specialist cotton growers versus mixed cotton farms with grains and/or livestock.

Table C.3 Estimated impact of WAMC's prices for cotton farms ($2024-25, per hectare)

	Estimated gross margin ($ per ha)	Estimated current WAMC bill ($ per ha)	Increase under WAMC's proposal 2025-26 to 2029-30 ($)	Increase under WAMC's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Border	4,269	90	32	36%	-0.8%
Gwydir	4,237	50	37	74%	-0.9%
Macquarie	4,239	40	34	85%	-0.8%
Namoi	4,049	54	43	79%	-1.1%
Lachlan	4,165	39	35	88%	-0.8%

Notes: IPART used data from CottonInfo which noted that the volume of water use for furrow irrigated cotton was 6.8ML per hectare. The entitlement volume per hectare was then estimated by applying the average water availability for regulated general security allocations from 2010-11 to 2023-24 to the 6.8 ML water take figure, for each valley.
IPART calculated the estimated current water bill by using 2024-25 WAMC charges, including MDBA and BRC charges. The impact of WAMC's proposal to 2029-30 is based on the annual 15% cap for water management price and cost-reflective prices for MDBA and BRC. Water bills were calculated assuming general security entitlements. The analysis also assumes all other cost inputs are kept constant.
Source: CottonInfo 2023-24 Furrow Irrigated Gross Margins, DCCEEW Allocations Dashboard, ABARES Cotton farms in the MDB and IPART analysis.

C.2 Local water utilities

In regional NSW water is generally supplied by a household's local council, known as a local water utility (LWU).

We obtained regulated water access licences (WAL) data held by local water utilities (e.g. town water supply and local water utility licence categories) from NSW DCCEEW to estimate the impact of WAMC's proposed prices to 2029-30.

C.2.1 Impact on local water utilities

Over the 5-years, we found that the impact of WAMC's proposed increase to 2029-30 before inflation would be that:[e]

- LWUs' WAMC bills would increase by around $36,000 on average, with the largest increase being approximately $251,000.
- LWUs' WAMC bills on average would increase by 90%, with the largest increase in percentage terms being a 143% increase.

Many of the submissions we received from LWUs addressed the combined impact of WAMC's proposed prices and WaterNSW's proposed cost-reflective prices. Generally, WAMC charges are a small proportion relative to its WaterNSW rural bulk water bill (for instance see the breakdown provided in Cowra Shire Council's submission[422]).

[e] The calculated average figures are a simple average i.e. the arithmetic mean.

However, as noted above for many LWUs, under WAMC's proposed charges an LWU's WAMC bill would almost double over the 5-year determination period. Our analysis of the Office of Local Government's 2023-24 time series showed that 41 out of 94 regional and rural councils reported a net operating loss[f,423]. This shows that WAMC's proposed increases could negatively impact the finances of some LWUs.

C.2.2 Impact on LWU customers

Over the 5-years, we found that the impact of WAMC's proposed increase to 2029-30 before inflation would be that:

- On average[g] bills would increase by around $4 per customer with the maximum increase being approximately a $17 increase.

However, the actual increase in a customer's bill may be much larger, especially if they are a non-residential customer.

We also acknowledge that WAMC charges are one of many cost components to run a council's water supply business. For instance, some councils may also purchase bulk water from county councils (e.g. Rous and Goldenfields) and there are other large cost drivers such as infrastructure renewals and maintenance costs.

For example, during the consultation on our Issues Paper, the Central NSW Joint Organisation submitted that Lachlan Shire Council customers may potentially see their water bills increase by $400 per year, as the council considers replacing its treatment plants.[424]

f Column AK of the OLG's 2023-24 Time Series.
g The calculated figure is a simple average i.e. the arithmetic mean.

Appendix D

Final prices

This appendix shows the prices ($/ML, $2025-26) that would apply in each water source over the 2025 determination period, including MDBA and BRC charges. It shows the prices that would apply to both metered and unmetered water users.

D.1 Regulated Rivers

Table D.1 shows what the price per ML of entitlement or water take would be under our decision.

Table D.1 Regulated River prices ($/ML, $2025-26)

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Minimum annual charge	277.89	295.66	298.97	306.44	314.10
WAMC entitlement charges					
Border	2.21	2.43	2.50	2.62	2.75
Gwydir	1.50	1.65	1.69	1.78	1.87
Namoi	2.24	2.47	2.53	2.66	2.79
Peel	3.66	4.03	4.13	4.34	4.56
Lachlan	1.39	1.53	1.57	1.65	1.73
Macquarie	1.69	1.86	1.91	2.00	2.10
Murray	1.40	1.54	1.58	1.66	1.74
Murrumbidgee	1.20	1.32	1.35	1.42	1.49
North Coast	5.77	6.35	6.51	6.84	7.18
Hunter	4.07	4.48	4.59	4.82	5.07
South Coast	4.50	4.95	5.08	5.33	5.60

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
MDBA entitlement charges					
Border	0.63	0.67	0.65	0.65	0.65
Gwydir	0.84	0.88	0.86	0.86	0.86
Namoi	0.96	1.00	0.98	0.98	0.98
Peel	0.29	0.31	0.31	0.31	0.31
Lachlan	0.38	0.41	0.40	0.40	0.40
Macquarie	0.52	0.55	0.53	0.53	0.53
Murray	0.73	0.77	0.76	0.76	0.76
Murrumbidgee	0.76	0.79	0.78	0.78	0.78
North Coast	0.00	0.00	0.00	0.00	0.00
Hunter	0.00	0.00	0.00	0.00	0.00
South Coast	0.00	0.00	0.00	0.00	0.00
BRC entitlement charges					
Border	1.51	0.61	0.82	0.82	0.82
WAMC water take charges					
Border	1.39	1.53	1.57	1.65	1.73
Gwydir	1.10	1.21	1.24	1.30	1.37
Namoi	1.36	1.50	1.54	1.61	1.69
Peel	5.71	6.28	6.45	6.77	7.11
Lachlan	2.21	2.43	2.50	2.62	2.75
Macquarie	1.76	1.94	1.99	2.09	2.19
Murray	1.01	1.11	1.14	1.20	1.26
Murrumbidgee	0.89	0.98	1.00	1.06	1.11
North Coast	7.34	8.08	8.29	8.70	9.14
Hunter	2.77	3.05	3.13	3.28	3.45
South Coast	6.76	7.44	7.63	8.01	8.41
MDBA water take charges					
Border	0.23	0.30	0.29	0.29	0.29
Gwydir	0.36	0.48	0.47	0.47	0.47
Namoi	0.35	0.46	0.45	0.45	0.45
Peel	0.27	0.31	0.30	0.30	0.30
Lachlan	0.36	0.44	0.43	0.43	0.43
Macquarie	0.33	0.43	0.42	0.42	0.42
Murray	0.31	0.33	0.33	0.33	0.33
Murrumbidgee	0.33	0.34	0.34	0.34	0.34
North Coast	0.00	0.00	0.00	0.00	0.00
Hunter	0.00	0.00	0.00	0.00	0.00

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
South Coast	0.00	0.00	0.00	0.00	0.00
BRC water take charges					
Border	0.57	0.27	0.37	0.37	0.37
Total entitlement charge (WAMC + MDBA + BRC)					
Border	4.35	3.71	3.97	4.09	4.22
Gwydir	2.34	2.53	2.55	2.64	2.73
Namoi	3.20	3.47	3.51	3.64	3.77
Peel	3.95	4.34	4.44	4.65	4.87
Lachlan	1.77	1.94	1.97	2.05	2.13
Macquarie	2.21	2.41	2.44	2.53	2.63
Murray	2.13	2.31	2.34	2.42	2.50
Murrumbidgee	1.96	2.11	2.13	2.20	2.27
North Coast	5.77	6.35	6.51	6.84	7.18
Hunter	4.07	4.48	4.59	4.82	5.07
South Coast	4.50	4.95	5.08	5.33	5.60
Total water take charge (WAMC + MDBA + BRC)					
Border	2.19	2.10	2.23	2.31	2.39
Gwydir	1.46	1.69	1.71	1.77	1.84
Namoi	1.71	1.96	1.99	2.06	2.14
Peel	5.98	6.59	6.75	7.07	7.41
Lachlan	2.57	2.87	2.93	3.05	3.18
Macquarie	2.09	2.37	2.41	2.51	2.61
Murray	1.32	1.44	1.47	1.53	1.59
Murrumbidgee	1.22	1.32	1.34	1.40	1.45
North Coast	7.34	8.08	8.29	8.70	9.14
Hunter	2.77	3.05	3.13	3.28	3.45
South Coast	6.76	7.44	7.63	8.01	8.41

Source: IPART analysis

D.2 Unregulated Rivers

Table D.2 shows what the price per ML of entitlement or water take would be under our decision for metered water users in unregulated rivers. Table D.3 shows the relevant prices for unmetered water users.

Table D.2 Unregulated river prices for metered water users ($/ML, $2025-26)

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Minimum annual charge	277.89	295.66	298.97	306.44	314.10
WAMC entitlement charges					
Border	1.78	1.96	2.01	2.11	2.22
Gwydir	1.78	1.96	2.01	2.11	2.22
Namoi	1.78	1.96	2.01	2.11	2.22
Peel	1.78	1.96	2.01	2.11	2.22
Lachlan	2.42	2.66	2.73	2.87	3.01
Macquarie	2.42	2.66	2.73	2.87	3.01
Far West	3.51	3.86	3.96	4.16	4.37
Murray	2.03	2.23	2.29	2.41	2.53
Murrumbidgee	3.55	3.91	4.01	4.21	4.42
North Coast	5.51	6.06	6.22	6.53	6.86
Hunter	1.58	1.74	1.78	1.87	1.97
South Coast	1.84	2.03	2.08	2.18	2.29
MDBA entitlement charges					
Border	0.17	0.21	0.20	0.20	0.20
Gwydir	0.17	0.21	0.20	0.20	0.20
Namoi	0.17	0.21	0.20	0.20	0.20
Peel	0.17	0.21	0.20	0.20	0.20
Lachlan	0.15	0.29	0.26	0.26	0.26
Macquarie	0.15	0.29	0.26	0.26	0.26
Far West	0.94	1.06	1.05	1.05	1.05
Murray	0.19	0.22	0.22	0.22	0.22
Murrumbidgee	0.14	0.20	0.19	0.19	0.19
North Coast	0.00	0.00	0.00	0.00	0.00
Hunter	0.00	0.00	0.00	0.00	0.00
South Coast	0.00	0.00	0.00	0.00	0.00
BRC entitlement charges					
Far West	1.53	1.05	1.21	1.21	1.21
WAMC water take charges					

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Border	2.46	2.71	2.78	2.92	3.06
Gwydir	2.46	2.71	2.78	2.92	3.06
Namoi	2.46	2.71	2.78	2.92	3.06
Peel	2.46	2.71	2.78	2.92	3.06
Lachlan	4.51	4.96	5.09	5.35	5.61
Macquarie	4.51	4.96	5.09	5.35	5.61
Far West	2.18	2.40	2.46	2.58	2.71
Murray	6.54	7.20	7.38	7.75	8.14
Murrumbidgee	7.98	8.78	9.01	9.46	9.93
North Coast	6.86	7.55	7.74	8.13	8.54
Hunter	2.87	3.16	3.24	3.40	3.57
South Coast	1.37	1.51	1.55	1.62	1.71
MDBA water take charges					
Border	0.14	0.14	0.14	0.14	0.14
Gwydir	0.14	0.14	0.14	0.14	0.14
Namoi	0.14	0.14	0.14	0.14	0.14
Peel	0.14	0.14	0.14	0.14	0.14
Lachlan	0.16	0.15	0.14	0.14	0.14
Macquarie	0.16	0.15	0.14	0.14	0.14
Far West	0.34	0.26	0.26	0.26	0.26
Murray	0.35	0.29	0.29	0.29	0.29
Murrumbidgee	0.19	0.19	0.18	0.18	0.18
North Coast	0.00	0.00	0.00	0.00	0.00
Hunter	0.00	0.00	0.00	0.00	0.00
South Coast	0.00	0.00	0.00	0.00	0.00
BRC water take charges					
Far West	0.56	0.26	0.30	0.30	0.30
Total entitlement charge (WAMC + MDBA + BRC)					
Border	1.95	2.17	2.21	2.31	2.42
Gwydir	1.95	2.17	2.21	2.31	2.42
Namoi	1.95	2.17	2.21	2.31	2.42
Peel	1.95	2.17	2.21	2.31	2.42
Lachlan	2.57	2.95	2.99	3.13	3.27
Macquarie	2.57	2.95	2.99	3.13	3.27
Far West	5.98	5.97	6.22	6.42	6.63
Murray	2.22	2.45	2.51	2.63	2.75
Murrumbidgee	3.69	4.11	4.20	4.40	4.61

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
North Coast	5.51	6.06	6.22	6.53	6.86
Hunter	1.58	1.74	1.78	1.87	1.97
South Coast	1.84	2.03	2.08	2.18	2.29
Total water take charge (WAMC + MDBA + BRC)					
Border	2.60	2.85	2.92	3.06	3.20
Gwydir	2.60	2.85	2.92	3.06	3.20
Namoi	2.60	2.85	2.92	3.06	3.20
Peel	2.60	2.85	2.92	3.06	3.20
Lachlan	4.67	5.11	5.23	5.49	5.75
Macquarie	4.67	5.11	5.23	5.49	5.75
Far West	3.08	2.92	3.02	3.14	3.27
Murray	6.89	7.49	7.67	8.04	8.43
Murrumbidgee	8.17	8.97	9.19	9.64	10.11
North Coast	6.86	7.55	7.74	8.13	8.54
Hunter	2.87	3.16	3.24	3.40	3.57
South Coast	1.37	1.51	1.55	1.62	1.71

Table D.3 Unregulated river prices for unmetered water users ($/ML, $2025-26)

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Minimum annual charge	277.89	295.66	298.97	306.44	314.10
WAMC unmetered entitlement charges					
Border	4.24	4.67	4.79	5.03	5.28
Gwydir	4.24	4.67	4.79	5.03	5.28
Namoi	4.24	4.67	4.79	5.03	5.28
Peel	4.24	4.67	4.79	5.03	5.28
Lachlan	6.93	7.62	7.82	8.22	8.62
Macquarie	6.93	7.62	7.82	8.22	8.62
Far West	5.69	6.26	6.42	6.74	7.08
Murray	8.57	9.43	9.67	10.16	10.67
Murrumbidgee	11.53	12.69	13.02	13.67	14.35
North Coast	12.37	13.61	13.96	14.66	15.40
Hunter	4.45	4.90	5.02	5.27	5.54
South Coast	3.21	3.54	3.63	3.80	4.00

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
MDBA unmetered entitlement charges					
Border	0.31	0.35	0.34	0.34	0.34
Gwydir	0.31	0.35	0.34	0.34	0.34
Namoi	0.31	0.35	0.34	0.34	0.34
Peel	0.31	0.35	0.34	0.34	0.34
Lachlan	0.31	0.44	0.40	0.40	0.40
Macquarie	0.31	0.44	0.40	0.40	0.40
Far West	1.28	1.32	1.31	1.31	1.31
Murray	0.54	0.51	0.51	0.51	0.51
Murrumbidgee	0.33	0.39	0.37	0.37	0.37
North Coast	0.00	0.00	0.00	0.00	0.00
Hunter	0.00	0.00	0.00	0.00	0.00
South Coast	0.00	0.00	0.00	0.00	0.00
BRC unmetered entitlement charges					
Far West	2.09	1.31	1.51	1.51	1.51
Total unmetered entitlement charge (WAMC + MDBA + BRC)					
Border	4.55	5.02	5.13	5.37	5.62
Gwydir	4.55	5.02	5.13	5.37	5.62
Namoi	4.55	5.02	5.13	5.37	5.62
Peel	4.55	5.02	5.13	5.37	5.62
Lachlan	7.24	8.06	8.22	8.62	9.02
Macquarie	7.24	8.06	8.22	8.62	9.02
Far West	9.06	8.89	9.24	9.56	9.90
Murray	9.11	9.94	10.18	10.67	11.18
Murrumbidgee	11.86	13.08	13.39	14.04	14.72
North Coast	12.37	13.61	13.96	14.66	15.40
Hunter	4.45	4.90	5.02	5.27	5.54
South Coast	3.21	3.54	3.63	3.80	4.00

Source: IPART analysis.

D.3 Groundwater

Table D.4 shows what the price per ML of entitlement or water take would be under our decision for metered water users in groundwater.

Table D.5 shows the relevant prices for unmetered groundwater water users.

Table D.4 Groundwater prices for metered water users ($/ML, $2025-26)

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Minimum annual charge	277.89	295.66	298.97	306.44	314.10
WAMC entitlement charges					
Inland	4.35	4.79	4.91	5.16	5.41
Murrumbidgee	3.75	4.13	4.23	4.45	4.67
Coastal	2.26	2.49	2.55	2.68	2.81
MDBA entitlement charges					
Inland	0.22	0.28	0.26	0.26	0.26
Murrumbidgee	0.22	0.28	0.26	0.26	0.26
Coastal	0.00	0.00	0.00	0.00	0.00
BRC entitlement charges					
Inland (Border only)	0.35	0.39	0.40	0.41	0.44
WAMC water take charges					
Inland	2.61	2.87	2.95	3.09	3.25
Murrumbidgee	2.25	2.48	2.54	2.67	2.80
Coastal	4.31	4.74	4.87	5.11	5.36
MDBA water take charges					
Inland	0.08	0.12	0.12	0.12	0.12
Murrumbidgee	0.08	0.12	0.12	0.12	0.12
Coastal	0.00	0.00	0.00	0.00	0.00
BRC water take charges					
Inland (Border only)	0.15	0.17	0.17	0.18	0.19
Total entitlement charge (WAMC + MDBA + BRC)					
Inland	4.57	5.07	5.17	5.42	5.67
Inland (Border only)	4.92	5.46	5.57	5.83	6.11
Murrumbidgee	3.97	4.41	4.49	4.71	4.93

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Coastal	2.26	2.49	2.55	2.68	2.81
Total water take charge (WAMC + MDBA + BRC)					
Inland	2.69	2.99	3.07	3.21	3.37
Inland (Border only)	2.84	3.16	3.24	3.39	3.56
Murrumbidgee	2.33	2.60	2.66	2.79	2.92
Coastal	4.31	4.74	4.87	5.11	5.36

Source: IPART analysis.

Table D.5 Groundwater prices for unmetered water users ($/ML, $2025-26)

Water source	2024-25 (Current) ($24-25)	2025-26 ($25-26)	2026-27 ($25-26)	2027-28 ($25-26)	2028-29 ($25-26)
Minimum annual charge	277.89	295.66	298.97	306.44	314.10
WAMC unmetered entitlement charges					
Inland	6.96	7.66	7.86	8.25	8.66
Murrumbidgee	6.00	6.61	6.77	7.12	7.47
Coastal	6.57	7.23	7.42	7.79	8.17
MDBA unmetered entitlement charges					
Inland	0.30	0.40	0.38	0.38	0.38
Murrumbidgee	0.30	0.40	0.38	0.38	0.38
Coastal	0.00	0.00	0.00	0.00	0.00
BRC unmetered entitlement charges					
Inland (Border only)	0.50	0.56	0.57	0.59	0.63
Total unmetered entitlement charge (WAMC + MDBA + BRC)					
Inland	7.26	8.06	8.24	8.63	9.04
Inland (Border only)	7.76	8.62	8.81	9.22	9.67
Murrumbidgee	6.30	7.01	7.15	7.50	7.85
Coastal	6.57	7.23	7.42	7.79	8.17

Source: IPART analysis.

Appendix E

Weighted Average Cost of Capital

To calculate an allowance for the return on assets in the revenue requirement, we multiply the value of the regulatory asset base (RAB) in each year of the determination period by an appropriate rate of return. To do this, we determine the rate of return using a weighted average cost of capital (WACC).

This appendix shows the parameters we used to calculate the WACC and explains our decision about how to treat annual changes in the WACC over the determination period.

E.1 We use our standard approach to calculate the WACC

We used out standard 2018 WACC methodology to calculate the WACC. Under this approach we estimate one WACC based on current market data and one based on long-term average data. When our uncertainty index, which indicate the level of volatility in capital markets, is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values. The uncertainty index was within this range at the time we calculated the WACC.

Table E.1 sets out the parameters we used to derive WAMC's 3.5% post tax real WACC.

Table E.1 WACC calculation using IPART's standard approach

	Step 1 – Market data		Step 2 – Final WACC range		
	Current	**Long term**	**Lower**	**Mid-point**	**Upper**
Nominal risk-free rate	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%**

Note: 4-year regulatory period. Market observations sampled to end March 2025.

E.2 Our methodology to calculate WACC parameters

This section sets out some of the key methodologies we use to derive the component parameters used to calculate the WACC under our standard approach.

E.2.1 Gearing and beta

In selecting proxy industries, we consider the type of business the firm is in. If we can't directly identify proxy firms that are in the same business, then we would consider which other industries exhibit returns that are comparably sensitive to market returns.

We adopted the standard values of 60% gearing and an equity beta of 0.7. We undertook preliminary proxy company analysis on several different types of industries with risk profiles that appear similar to water businesses. The results for the electric utilities industry and the multi-line utilities activity support continuing to use an equity beta of 0.7 when 60% gearing is used. While some other industries and activities analysed suggest a higher beta, the sample sizes for those proxy groupings are too small to warrant making what would be a major change from the status quo.

E.2.2 Sampling dates for market observations

For the Final Report, we applied a sampling period up to the end of March 2025. This uses more up to date market observations compared to our Draft Report, which applied a sampling period up to the end of December 2024.

For earlier years in the trailing average calculation of the historic cost of debt we sampled to the end of March each year.

E.2.3 Tax rate

We assumed the Benchmark Equivalent Entity is a large public water utility. The scale economies that are important to firms of this type suggest that the Benchmark Equivalent Entity would be likely to be well above the turnover threshold at which a firm becomes ineligible for a reduced corporate income tax rate. Therefore, we used a tax rate of 30%.

E.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 Report, we had proposed to apply a 3-year determination period. This meant that the WACC estimate used at that time was for 3 years.

E.2.5 Application of trailing average method

Our 2018 review of the WACC method introduced a decision to estimate both the long-term and current cost of debt using a trailing average approach, which updates the cost of debt annually over the regulatory period.

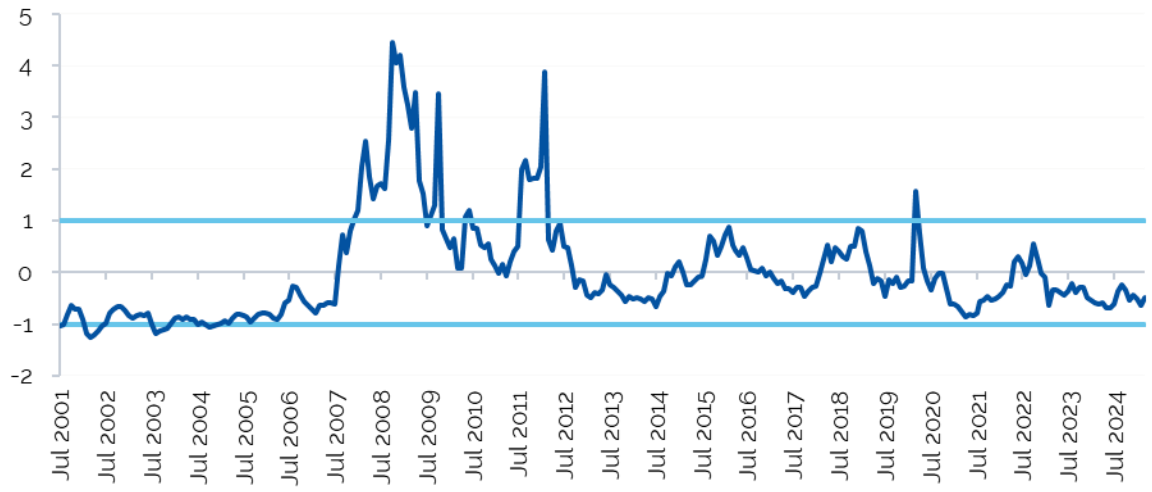
We have not applied a transition to the trailing average in our WACC calculation for this Report. The transition to the trailing average was applied in both WAMC's and WaterNSW's 2021 Determinations (excluding the Murray-Darling Basin valleys of WaterNSW, which were subject to the ACCC WACC at that time), so we consider that both businesses are now fully transitioned.

E.2.6 Uncertainty index

The uncertainty index is a standalone methodology used to assess the volatility of financial markets, which feeds into our WACC decision-making framework. Under this framework, we estimate a short-term WACC using current market data and long-term WACC using long-term average data. When our uncertainty index — which indicates the level of volatility in capital markets — is within one standard deviation of its mean value, we select the mid-point of the short-term and long-term WACC values.

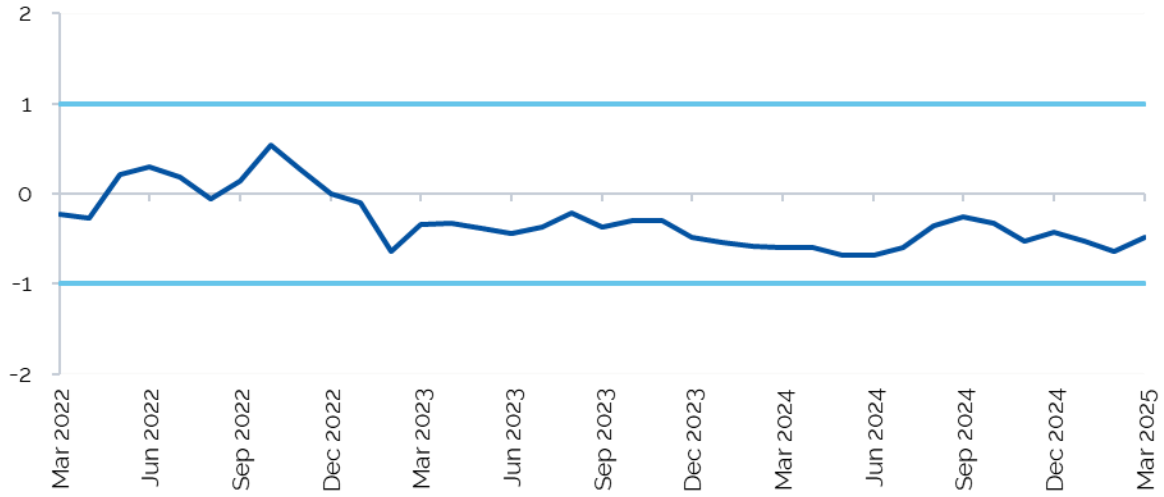
As Figure E.1 shows, the uncertainty index for market observations to the end of March 2025 is within one standard deviation of its mean value. Therefore, we have set the WACC based on the mid-point of the current and long-term WACC values.

Figure E.1 IPART's uncertainty index as at 31 March 2025



Source: Refinitiv and IPART calculations.

Short-term movements in uncertainty index



Source: Refinitiv and IPART calculations.

Appendix F

Glossary

Term	Definition
3Cs	The 3 pillars of our framework: Customer, Cost, and Credibility. The 12 principles we use to grade businesses' proposals are grouped under these pillars.
Assessment tool	Guidance material to assist businesses preparing pricing proposals. It sets out, for each of the 12 principles in the framework, the key considerations IPART is going to make when assigning a grade to a proposal.
Base-Trend-Step approach (BTS)	The approach IPART will use when setting operating expenditure allowances. 'Base' refers to the efficient recurring expenditure required each year, calculated from recent past data. 'Trend' refers to predictable changes in expenditure over time due to known factors such as demand growth or inflation. 'Step' refers to changes in expenditure caused by new requirements or new processes.
Building block model	IPART's standard method for calculating a business's required revenue. Costs are broken down into 5 components to establish the amount of revenue needed to recover them.
Cap-and-collar	Cap on the maximum amount of benefits to be paid out through financial incentive schemes.
Capital Efficiency Sharing Scheme (CESS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with capex during a determination period.
Carve-out	Mechanism to allow businesses to exclude some uncontrollable costs from the calculation of capital expenditure incentive schemes.
Cost pass-through	Tool to allow businesses to pass some costs directly to customers within the determination period, under limited circumstances.
Customer	In the context of this report, 'customer' refers to direct bill payers as well as end users who might not be in a direct paying relationship with a water business (for example, an occupant or tenant of a serviced property).
Determination period	The period of time over which a determination of maximum prices applies.
Discount factor	The factor used to modify an annual amount to convert it to net present value terms.
DPE	Department of Planning and Environment in New South Wales.
Early engagement	Opportunity for businesses to engage with IPART 1 to 2 years before submitting their proposals.
Efficiency Benefit Sharing Scheme (EBSS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with opex during a determination period.
Efficiency factor	Factor applied to a business's forecast expenditure, when appropriate, to adjust it for ongoing productivity improvements.
EPA	Environment Protection Authority, the primary environmental regulator for New South Wales.
ESC	Essential Services Commission, the independent regulator of essential services in Victoria.
Expenditure review	IPART's method for reviewing a business's expenditure to ensure customers are only paying efficient costs.
Financial incentives	Mechanisms to adjust a business's revenue requirement based on its performance, for examples by rewarding the quality of a proposal (ex-ante incentives) or realised improvements in efficiency (ex-post incentives).
Incentive payments	The amount calculated through the application of an incentive scheme that is used to modify the revenue requirement in a subsequent determination period.
IPART Act	The *Independent Pricing and Regulatory Tribunal Act 1992*, which establishes IPART's regulatory role and functions in New South Wales.
LIS	Line in the sand. The LIS value is equal to the present value of future free cashflow and is used to establish the value of a business's initial Regulatory Asset Base.
Net Present Value (NPV)	The discounted value of a stream of benefits (or costs) taking into account the time value of money.
NRR	Notional Revenue Requirement, the revenue needed by a business to recover the cost of providing their services.

Term	Definition
Operating licence	A regulatory instrument that authorises a water business to undertake its functions. Issued under the requirements of an Act by a Minister or the Governor, it contains terms and conditions governing a water business' operations. Not all water businesses are subject to a licence.
Outcome Delivery Incentive (ODI)	An incentive scheme to provide financial benefits (penalties) for achieving (not achieving) customer agreed outcomes.
Price controls	Methodologies used by water businesses and the regulator to set prices charged to customers. Main examples are price caps, and revenue caps.
RAP	Regulators Advisory Panel
Regulatory Asset Base (RAB)	Calculated as the economic value of all assets the business owns. The RAB is used as basis to calculate the revenue we provide to businesses in our determinations.
Re-opener	Option to reopen a determination and replace it partially or entirely. This is a last resort solution in case unforeseen cost changes materially impact a business's capacity to carry out its services.
Revenue requirement	Amount of revenue a business should recover from customers to cover its costs, as calculated by IPART during a price determination.
Revenue risk	The risk of businesses not collecting enough revenue from customers because of unforeseen increases in expenditure that aren't reflected in the revenue allowance.
Sharing ratio	The fixed ratio of sharing of gains (or losses) between customers and a water business.
Stakeholder submission	Submission prepared by stakeholders in the sector (such as water businesses, advocacy groups, and other regulators) in response to our Draft Report or Discussion Papers.
True-up	Mechanism to allow businesses to pass some unexpected costs to consumers in the following determination period. This is reserved for limited circumstances.
Underspend	Actual expenditure savings in any year of a determination period compared to forecast expenditure. A negative underspend is an overspend.
Weighted average cost of capital (WACC)	The post-tax real cost of capital as determined by IPART as part of a regulatory review.

Appendix G

WAMC pricing proposal error correction

G.1 Tables updated in WAMC's correction letter

In December 2024, the Department of Climate Change, Energy, the Environment, and Water (DCCEEW) sent a letter to IPART advising of some errors it had identified in WAMC's submitted pricing proposal. In its letter it advised of corrections to metropolitan water planning charges for WaterNSW and Hunter Water Corporation, and water managament prices which did not reflect floodplain management licences. These corrections corresponded to 5 of the tables in the pricing proposal, as per the table below:

Incorrect table in WAMC pricing proposal[a]	Page number	Updated table in WAMC's correction letter[b]
Table 85: Proposed metropolitan water planning charges for WaterNSW and Hunter Water Corporation ($2024-25)	169	Table 1 – Metropolitan water planning entitlement charges ($/ML, $2024-25)
Table 59: Regulated rivers – Water take component of 2-part tariff ($/ML, $2024–25)	152	Table 2 – Water Management Charges – Regulated rivers water take charges for metered licences ($/ML, $2024-25)
Table 60: Unregulated rivers – Water entitlement component of 2-part tariff ($/ML, $2024–25)	152	Table 3 - Water Management Charges – Unregulated rivers entitlement charges for metered licences ($/ML, $2024-25)
Table 61: Unregulated rivers – Water take component of 2-part tariff ($/ML, $2024–25)	153	Table 4 - Water Management Charges – Unregulated rivers water take charges for metered licences ($/ML, $2024-25)
Table 62: Unregulated rivers – 1-part tariff ($/ML, $2024–25)	153	Table 5 - Water Management Charges – Unregulated rivers entitlement charge for unmetered licences ($/ML, $2024-25)

[a] WAMC pricing proposal to IPART, September 2024.
[b] Jones, A, Deputy Secretary Water (DCCEEW), Letter to IPART, A Correction to WAMC price calculations.

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[2] *Water Management (General) Regulation 2018*
[3] Non-urban metering, accessed 9 March 2024.
[4] IPART, Review of Water NSW's rural bulk water prices, Final Report, September 2021, pp 189-214.
[5] WAMC pricing proposal to IPART, Attachment B, September 2024, p 3.
[6] WAMC pricing proposal to IPART, Attachment B, September 2024, p 12.
[7] WAMC pricing proposal to IPART, September 2024, p 60.
[8] Murrumbidgee Irrigation, Submission to IPART Draft Report, July 2025, pp 6-7; Hunter Valley Water Users Association, Submission to IPART Draft Report, July 2025, p 2; Lachlan Valley Water INC - G Daley, Submission to IPART Draft Report, July 2025, pp 14-15; Murray Irrigation, Submission to IPART Draft Report, July 2025, pp 6-7.
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[10] IPART, Issues paper - IPART is reviewing prices for WAMC and WaterNSW - 1 November 2024, p 15.
[11] Peel Valley Water Users Association, Submission to IPART 2025 WAMC price review - Issues Paper, November 2024, pp 10-11; Southern Riverina Irrigators, Submission to IPART 2025 WAMC price review – Issues Paper, 9 December 2024, p 4.
[12] WAMC pricing proposal to IPART, Attachment C, September 2024 p 6.
[13] Macquarie River Food and Fibre, Submission to IPART Draft Report, July 2025, p 1; Murray Irrigation, Submission to IPART Draft Report, July 2025, pp 3, 10; Coleambally Irrigation Co-operative Limited - J. Speed , Submission to IPART Draft Report, June 2025, p 2; NSW Irrigators' Council, Submission to IPART Draft Report, July 2025, p 3; Murrumbidgee Private Irrigators Inc and Murrumbidgee Groundwater Inc, Submission to IPART Draft Report, July 2025, p 3.
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[16] Water Administration Ministerial Corporation, Submission to IPART Draft Report, July 2025 p 20.
[17] Water Administration Ministerial Corporation, Submission to IPART Draft Report, July 2025 p 20.
[18] Water Administration Ministerial Corporation, Submission to IPART Draft Report, July 2025 p 20.
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[20] IPART, Review of prices for the Water Administerial Ministerial Corporation - Draft Report, July 2025, pp
[21] NSW Irrigators' Council, Submission to IPART Issues Paper, December 2024, p 16.
[22] Glen Baxter, Submission to IPART Issues Paper, December 2024, p 1.
[23] Hunter Wine Country Private Irrigation District in support of Hunter Valley Water Users Association, Submission to IPART Issues Paper, December 2024, p 5.
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[29] Coleambally Irrigation Co-operative Limited - J. Speed, Submission to IPART Draft Report, June 2025, p 2.
[30] Murray Irrigation, Submission to IPART Draft Report, July 2025, p2; Murrumbidgee Irrigation, Submission to IPART Draft Report, July 2025, p5; Lachlan Valley Water INC - G Daley, Submission to IPART Draft Report, July 2025, p5; NSW Irrigators' Council, Submission to IPART Draft Report, July 2025, p8.
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[34] Water Administration Ministerial Corporation, Submission to IPART Draft Report, July 2025 p 18.
[35] NSW Irrigators' Council, Submission to IPART Draft Report, July 2025, p 5.
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[37] Murray Irrigation, Submission to IPART Issues Paper, December 2024, from p 13.
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[39] Coleambally Irrigation Cooperative, J. Speed., Submission to IPART Issues Paper, December 2024, p 3.
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[52] Coleambally Irrigation Cooperative, J. Speed, Submission to IPART Issues Paper, December 2024, p 3.
[53] Murrumbidgee Irrigation, Submission to IPART Draft Report, July 2025, pp 3-4.
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[56] Hunter Valley Water Users Association, Submission to IPART Draft Report, July 2025, pp 1-2.
[57] J Martin, Submission to IPART Issues Paper, December 2024, p 5.
[58] Lachlan Valley Water Inc, Submission to IPART Issues Paper, December 2024, p 4.
[59] Yanco Creek and Tributaries Advisory Council , Submission to IPART Issues Paper, December 2024, p 3; J Martin, Submission to IPART Issues Paper, December 2024, p 3.
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