
Date	3 December 2025
Start Time Finish Time	9:00am-10:15am
Topic of meeting	IPART's price review for WaterNSW rural valleys bulk water services
Venue	Online via Teams

Tribunal members and staff in attendance Carmel Donnelly PSM (Chair), Darryl Biggar, Jonathan Coppel, Ben Strate, Fiona Towers PSM, Matthew Mansell and Letitia Watson-Ley.
Apologies: Sharon Henrick and Andrew Nicholls PSM.

WaterNSW Board and staff Peter Duncan AM (Chair), Catherine Bennett, Jason Conroy, Bob Debus AM, Kaye Stevenson, Victoria Taylor, Andrew George, Joe Pizzinga, Michael Martinson, Vanessa Bourne

1 Acknowledgement of Country

- The IPART Chair opened the meeting with an Acknowledgement of Country.

2 Preliminaries

- The IPART Chair indicated the Tribunal appreciated WaterNSW taking the time to have this discussion. While it was not usual for the Tribunal to meet with a regulated business's board during a price review, given the complexity of the price review, it was important to have an open channel of communication to get the best outcome.
- The IPART Chair explained this meeting would be logged in the public register of meetings between Tribunal members and stakeholders. Further, notes would be taken at the meeting and the Tribunal could decide to publish a summary of the meeting notes. If the Tribunal considers that WaterNSW has made a verbal submission in this meeting, the Tribunal may decide to publish a meeting summary for transparency, consistent with its submission policy. She noted the meeting notes may also potentially become public as a result of any GIPA request or Parliamentary information request. IPART offered to share the meeting summary with WaterNSW for fact checking.
- The WaterNSW Board indicated that WaterNSW respected and understood this process and that WaterNSW may also publish materials regarding this meeting.

3 Price review process

- The WaterNSW Board indicated it was concerned about the AtkinsRéalis expenditure review and whether it was based on flawed assumptions. Further, the WaterNSW Board would like the Tribunal's guidance on several issues (as set out in the suggested topics provided by WaterNSW (Attachment B)).
- The IPART Chair explained that today's meeting was an opportunity for IPART to listen to WaterNSW and discuss the issues raised by WaterNSW. The Tribunal would also be open to having further discussions with the WaterNSW Board.

- The IPART Chair noted the Tribunal members had read WaterNSW's submission to the Discussion Paper, as well as considered WaterNSW's pricing proposal and all submissions made for this review and the 2025 WaterNSW Rural Valleys review. IPART was aiming to make these submissions public soon and also publish summaries of the 2 workshops held in November 2025.

4 Additional information required to support the 2026 price review

- The IPART Chair indicated that IPART had engaged EY and Houston Kemp to assist with IPART analysis. The Tribunal appreciated the information provided by WaterNSW to date. While there may be a few more items requested in December, interviews with WaterNSW would likely form the main information requirement.
- The IPART Chair explained that IPART requested historical data to have a sound understanding of what factors had emerged over time for WaterNSW that were driving up its costs. This would help the Tribunal understand not only WaterNSW's regulatory requirements, but also any extra work added to WaterNSW's functions that should be funded as CSOs, which is relevant to cost shares. Having a workshop with the WaterNSW team may be an efficient way to build on the information requests and clarify IPART's understanding.
- The IPART Chair outlined that the Tribunal has an active and considered process for making decisions. Each Tribunal member as a statutory officer considers whether there is additional information required before making their decisions. Through this due diligence process, the Tribunal may need to seek further information in a focused way which minimises the burden on WaterNSW.
- The WaterNSW Board indicated IPART's October information request placed a burden on WaterNSW highlighting that it is challenging to review and respond to information requests at short notice with limited staff and resources. Better collaboration between WaterNSW and IPART could involve face-to-face workshops so IPART could understand WaterNSW's challenges.
- The IPART Chair acknowledged this feedback and indicated IPART would endeavour to hold workshops with WaterNSW.

5 Quality of WaterNSW's submission

- The IPART Chair stated that the Tribunal members actively reviewed materials relevant to the price review, including WaterNSW's submission. They consider external opinions on these materials, but form their own view and take accountability for that view.
- The IPART Chair explained that in forming its view, the Tribunal does not require unanimous agreement from stakeholders on an issue. In general, the Tribunal would rarely experience unanimous stakeholder consensus on an issue. Instead, the Tribunal often needs to work through diverse views from stakeholders. A key element of this decision-making process is for the Tribunal to refer to the matters that it must consider under the IPART Act.
- The WaterNSW Board spoke about the AtkinsRéalis expenditure review and raised concerns about how some of IPART's publications and public comments (for example, in workshops) presented the findings from AtkinsRéalis as fact, despite WaterNSW's representations that there are factual inaccuracies in the AtkinsRéalis report.
- The IPART Chair noted this concern and that WaterNSW contested the findings and recommendations in the AtkinsRéalis expenditure review. The Tribunal had not yet taken a position on this issue, having postponed Tribunal decisions using the building block model in response to the request from WaterNSW to set prices (for a short-term) at CPI plus and take an additional year for the review. The Tribunal is focused on forming an independent view that takes into account information from WaterNSW and AtkinsRéalis, as well as other evidence gathered as part of IPART's review process. Where IPART's publications reflect AtkinsRéalis' findings or recommendations, this is not an endorsement of them. As an example, the Final Report for the 2025 WaterNSW Rural Valleys review utilised AtkinsRéalis' assessment in informing an indicative building block model. It did not represent a decision made by the Tribunal about WaterNSW's efficient level of expenditure.
- The WaterNSW Board indicated that it was not confident that the Tribunal considered WaterNSW's feedback on the AtkinsRéalis expenditure review. The WaterNSW Board also agreed that it requested

a short-term pricing arrangement to enable more time for the Tribunal to consider the AtkinsRéalis report and WaterNSW's feedback, but emphasised that WaterNSW was not aware at the time that IPART would not apply its established framework and instead applied an approach that posed a risk to WaterNSW's solvency, necessitating an organisational restructure.

- The IPART Chair noted the Tribunal had received extensive feedback from WaterNSW on the AtkinsRéalis expenditure review and extended an invitation to WaterNSW to further engage with the Tribunal on this issue.

6 Cost shares

- The IPART Chair indicated the Tribunal was working through submissions and it was too soon to advise how it would address cost shares in the Draft Report. The Tribunal would be considering everything raised through its analysis and consultation. IPART was engaging with NSW Government agencies on this issue to enable good coordination between the NSW Government and IPART's concurrent reviews. Once the Tribunal makes its draft decision and authorises the sharing of information, IPART will brief WaterNSW and other stakeholders.
- The WaterNSW Board discussed the complexities of having 2 reviews in this area, as the NSW Government's WaterNSW reform review is also looking at cost shares.
- The IPART Chair noted a useful outcome would be to avoid duplication of work and enable the sharing of foundational information, while maintaining IPART's independent decision-making process.
- The WaterNSW Board explained that cost shares was a critical issue for WaterNSW to resolve. WaterNSW was unable to recover the costs for around 40% of its activities due to activities not included in IPART's one year determination (i.e. not updating the WACC from historically low levels). It would be beneficial for both reviews to be basing analysis on consistent foundational information for this issue.
- The IPART Chair indicated IPART would liaise with WaterNSW to facilitate work on this information sharing.

7 Regulatory model moving forward

- The IPART Chair outlined that IPART was considering whether methods used in other sectors could provide a useful model for this review. Externality-driven pricing could be an additional way to test the evidence of indirect or external beneficiaries for WaterNSW's activities. Some stakeholders have asserted that there are significant broad indirect benefits to the community that could mean taxpayers assume a greater cost share for WaterNSW's activities. This is a separate stream of work on external benefits and costs may assist to validate or test some of the qualitative statements from stakeholders around cost shares. Carmel acknowledged that this method may not be applicable in the water sector the same way as it is in setting maximum opal fares and that it may take time to develop.

8 Financeability

- The IPART Chair explained IPART's process for assessing WaterNSW's financeability across its determinations and the matters the Tribunal takes into account under the IPART Act in making its decisions. The Tribunal does consider WaterNSW's financeability for each determination separately, but will be able to look at all of WaterNSW's determinations and put its financeability assessment into this context.

9 Affordability

- The IPART Chair outlined that IPART has been implementing a more consistent approach to assessing affordability for residential customers for essential services like water by examining the percentage of household income for a more detailed range of households. There may be scope for IPART to apply a

similar affordability analysis to model the impacts for downstream customers of local water utilities. IPART is also developing an approach to consider affordability and impacts for other customer types, including business customers and will refine the analysis undertaken on impacts on primary producers, including considering the suggestions in WaterNSW's recent submission, The work on externality-driven pricing may also provide insights on this issue.

10 WACC

- The IPART Chair indicated the Tribunal had not yet made a decision on the approach to WACC and the length of the regulatory period. It is anticipated that IPART will conform with its usual WACC methodology and there would be potential for a WACC true-up.

11 Ranges for efficient expenditure

- The IPART Chair outlined that having consultants present upper and lower ranges for their expenditure recommendations was introduced as part of the Water Regulation Handbook, The Tribunal at the time anticipated that this would be an improvement on the previous method of asking consultants to give a single estimate of efficient cost as that may have created a risk of false precision and also effectively delegated to the consultants some of the Tribunal's responsibility for judgement, weighing up considerations in the IPART Act. It was also hoped it would be less adversarial. IPART will conduct a thorough and transparent post-implementation review of this approach in 2027. Using ranges facilitates the Tribunal to actively consider the matters under the IPART Act and form a view on the appropriate balance between those matters when setting maximum prices.
- The WaterNSW Board queried the scope of the AtkinsRéalis expenditure review, and were concerned it covered areas which the WaterNSW Board had responsibility for setting, such as WaterNSW's risk appetite.
- The IPART Chair explained the expenditure review process, and how this typically involved reviewing the management of risk within an organisation. The Tribunal respected that the WaterNSW Board has accountability and authority to make decisions around risk. Further, the Tribunal took WaterNSW's feedback on board and acknowledged it did not agree with the recommendations from the AtkinsRéalis expenditure review. These recommendations are an input into the Tribunal's decision-making process. The Tribunal has an open mind in terms of where the appropriate place is to land on WaterNSW's efficient level of costs, and it will form an independent view based on the evidence presented to it.
- The WaterNSW Board queried the next stages of the price review and sought assurances that WaterNSW would have an opportunity to fairly participate in the process.
- The IPART Chair noted that IPART will conduct its review in a transparent way in line with IPART's accountabilities, helping to build trust with stakeholders and keep open lines of communication.
- A Tribunal member indicated the Tribunal understood the issues raised by the WaterNSW Board and that these matters would be taken into account during the review.
- A Tribunal member noted this discussion had been a helpful way to understand the WaterNSW Board's concerns about the price review process.
- The WaterNSW Board sought assurances that IPART was working from a sound set of information about WaterNSW and thought better collaboration between WaterNSW and IPART on this issue would help. One option could be for the Tribunal to attend WaterNSW's regional offices to overview its operations. Further, the 1-year determination had caused financial difficulty for WaterNSW and it had let go around 1/3 of its workforce.
- The WaterNSW Board advised that WaterNSW was very willing to ensure a transparent review and for relevant analysis, feedback and information to be made public.
- The WaterNSW Board commented that the Rural Valley business division was still lossmaking even after the business transformation and workforce reduction.
- The WaterNSW Board queried the tone used in IPART's public materials for this review and the risk that IPART commentary had damaged the reputation of WaterNSW.
- The IPART Chair noted this point and advised that the Tribunal would take this feedback on board.

12 Conclusion

- The IPART Chair thanked the WaterNSW Board for a robust and open discussion. The Tribunal had heard WaterNSW's concerns and was alive to the sustainability issue raised by the WaterNSW Board. The Tribunal takes this feedback seriously. It would reflect on these matters and consider how best to respond to them to enable a constructive price review process with a fair outcome.

13 Action items and next steps

- IPART and WaterNSW to arrange meetings between relevant staff as part of the information gathering process for the expenditure and cost shares workstreams.
- WaterNSW to provide IPART with previously provided materials and additional information it would like it to consider relevant to the AtkinsRéalis expenditure review.
- IPART and WaterNSW CEOs to discuss the information sharing process around cost shares between the IPART and NSW Government reviews.