



Prices for WaterNSW bulk  
water services

# Information Paper

May 2025

Water >>

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## Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

## Tribunal Members

The Tribunal members for this review are:

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

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## Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

## Submissions are due by Tuesday, 3 June 2025

We prefer to receive them electronically via our [online submission form](#).

You can also send comments by mail to:

WaterNSW prices 2025  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop, Sydney NSW 1240

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's [submission policy](#) is available on our website.

## The Independent Pricing and Regulatory Tribunal

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

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## Foreword from the Chair

IPART's current review to set the maximum prices for WaterNSW has been complex. WaterNSW has proposed a significant increase in revenue, which implies large price increases for customers. Some broader issues have also emerged during the review.

The Tribunal thanks WaterNSW for preparing its pricing proposal and responding to requests for information. We acknowledge that WaterNSW has undertaken more customer consultation than ever before and improved planning, systems and processes. However, additional information and analysis is required before the Tribunal can determine how much revenue WaterNSW requires to operate efficiently. IPART, WaterNSW customers, NSW Government and other stakeholders also need time to examine alternative price scenarios put forward by WaterNSW to reduce the impact of its proposed increases on rural customers.

Due to unique, one-off legal requirements, the time available for this important decision-making is constrained. Water price regulation for specific valleys in rural NSW is transferring from the Commonwealth to NSW jurisdiction this year, so the current prices expire on 30 June 2025 and cannot be extended. IPART must set maximum WaterNSW prices for at least those rural and regional valleys under NSW laws with a new determination commencing 1 July 2025.

As a result, the Tribunal proposes shorter-term pricing determinations to allow more work to be done on the issues that have arisen through this review. This will provide a pathway towards well justified, efficient, affordable, sustainable pricing determinations in the medium to long term.

This Information Paper has been published to enable consultation on the shorter-term pricing determinations proposed by IPART.

### **WaterNSW is seeking significantly more revenue**

WaterNSW has sought a 43% increase in revenue. WaterNSW acknowledges this would lead to price increases above what customers have told WaterNSW they can afford.<sup>1</sup> WaterNSW indicates the main drivers of the increases are macroeconomic factors and regulatory and government policy requirements which have imposed additional costs. WaterNSW has advised IPART that, without increased revenue, it cannot cover the costs of continuing to provide services it is expected to deliver to the required standard<sup>2</sup>.

WaterNSW maximum prices are set in two parts, a rural and regional pricing determination and a Greater Sydney pricing determination. WaterNSW has sought increases in revenue of 53% for rural and regional NSW and 38% for Greater Sydney.

### **The impact on customers**

IPART has received hundreds of submissions and heard concerns from stakeholders about the very large price increases that would be required to provide the increased revenue proposed by WaterNSW.

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<sup>1</sup> In its proposal, WaterNSW states that "Providing a safe and reliable water supply in the current environment will require additional investment that comes at a significant cost. To enable WaterNSW to support our customers in this environment it is important that our financial capacity to manage these costs is considered in determining prices." - WaterNSW, Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal, 30 September 2024, pp 5.

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IPART agrees that these proposed increases are large in Greater Sydney; accepting WaterNSW's proposed increases in revenue would result in price increases of around 14% per year or 93% over 5 years which would flow through to customers of Sydney Water. In some rural valleys price increases of up to 37% per year and a total of 390% over 5 years would be required to fully fund the increased revenue WaterNSW proposes.

WaterNSW has indicated it is aware that affordability is an issue as passing on the full proposed increased revenue is not sustainable for many customers.<sup>2</sup>

## **IPART's approach to regulating water prices**

The IPART Act requires the Tribunal to take a range of factors into account when setting prices. I will touch on some factors in this foreword and the full list is in Appendix A.

The Tribunal is very aware of current cost of living pressures affecting residents, communities and businesses in NSW. We are required to consider the social impact of our water pricing determinations, including what effect any increase in water prices would have on residents, communities and businesses in NSW regions, towns, cities and on the NSW agriculture sector. Other factors considered by IPART include the prudent and efficient costs of WaterNSW providing services to the required level and protection of customers from monopolistic prices.

Customers of government organisations (like government owned businesses, government departments and local councils) often tell IPART they want service providers to consult customers and understand customer priorities and capacity to pay. They expect good long-term planning, strong financial management and value for money. Our approach to water pricing reviews encourages water service providers to meet those expectations.

IPART aims to ensure water customers pay only what an efficient water business would need to deliver quality water services, and we hold water businesses accountable for substantiating proposed cost and price increases, consulting their customers and finding efficiencies.

WaterNSW has previously supported IPART's regulatory approach, including IPART's intent to ensure the regulatory framework leads to greater customer engagement, innovation and efficiency in the water sector. However, in the course of this pricing review, WaterNSW has raised concerns that its circumstances are unique when compared to other water utilities, suggesting there is misalignment between WaterNSW's circumstances and IPART's regulatory approach, including conflicts over customer affordability and service delivery that it appears WaterNSW cannot resolve. WaterNSW also raised concerns about whether current institutional arrangements are adequate, however this is a matter for government and outside the remit of this review.

## **IPART's assessment of the WaterNSW pricing proposal so far**

IPART's first step has been to rigorously test the validity of WaterNSW's costings and justification for the increased revenue sought. IPART engaged independent experts to undertake a detailed expenditure and cost review that was similar to previous pricing reviews. The cost consultants' initial work identified potential areas for efficiencies or cost reduction. WaterNSW had the opportunity to review draft advice from the consultants and disagrees with a number of matters. The consultants are considering WaterNSW's feedback and the Tribunal is also giving WaterNSW's views due consideration.

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At this stage, the Tribunal is not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as necessary and efficient. IPART will need to do more focused work with WaterNSW to assess its proposed levels of capital and operating expenditure. The Tribunal has taken a range of factors into account in reaching this opinion and has not relied solely on the consultant's review. We particularly considered feedback from our public consultation.

### **Further steps required in IPART's pricing review**

The first step for IPART to determine how much revenue an efficient water business would need to deliver quality water services to the level of quality, reliability and safety required must be completed before other steps in the review, to avoid passing on inefficient costs to customers, the government or taxpayers. The Tribunal is continuing its assessment of the efficient level of revenue needed by WaterNSW to deliver services of the required quality, reliability and safety.

The next step is then to determine how much of that revenue should be paid for by customers. This is particularly important in rural and regional NSW where a share of the efficient costs is borne by customers, and a share of the efficient costs may be borne by government. IPART anticipates our review of these cost shares will require additional time to decide how much of the efficient revenue should be funded through customer fees and charges.

WaterNSW has put forward several alternative scenarios for rural bulk water prices and suggested IPART work with the NSW Government to assess whether any of these scenarios would be feasible to reduce price impacts on rural customers.<sup>3</sup> The alternative scenarios proposed by WaterNSW all require funding for subsidies to limit price increases to 15% each year. One scenario also reduces costs by not delivering some specific projects. Another scenario would divide rural NSW into two regions, with consistent prices within each region rather than specific prices for each valley, potentially introducing cross-subsidies between rural bulk water customers in different valleys.

The broader impacts of these options would need to be assessed carefully by IPART in consultation with customers, stakeholders, other regulators, NSW Treasury and the NSW Government. Options that include a price cap of 15% would presumably mean the government would subsidise WaterNSW – contributing more revenue above the government cost shares. This could be expected to require consideration as part of the NSW Budget.

### **Broader issues**

While IPART will work to continue its assessment of WaterNSW's pricing proposal, that may not be enough to address broader issues.

The COVID pandemic, climate change, drought, bushfires and floods over recent years have reinforced how important it is for water businesses to be able to deliver reliable, safe water services and good quality water during tough times.

Water security and resilience strategies are leading to investment in non-rainfall dependent sources of water. This means WaterNSW faces more competition in Greater Sydney, with the Sydney Desalination Plant operating on an ongoing basis and increased interest in purified recycled water. This may reduce demand for WaterNSW bulk water – but it may not reduce the significant fixed costs of bulk water supply such as maintaining infrastructure and protecting water catchments.

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Water demand may also be affected in future by external factors, such as droughts requiring stringent water restrictions. WaterNSW has a relatively small direct customer base compared to water utilities like Sydney Water and Hunter Water. WaterNSW has also advised that it forecasts a long-term downward trend in water consumption<sup>ii</sup>. In some rural areas any increased costs could potentially be borne by customers who are using less water but paying more.

It has emerged that these supply and demand challenges may be testing WaterNSW's operational model. As a Public Non-financial Corporation and State Owned Corporation, WaterNSW is expected to operate as a commercial business and provide a dividend to government. However, unlike private sector businesses, WaterNSW cannot leave the industry and go into business elsewhere. It is providing an essential service and access to water is critical for every person and many businesses in NSW.

WaterNSW was established in 2015, under the *Water NSW Act 2014*. A statutory review of that legislation reported in 2020 that the objectives of the Act remained valid and provisions of the Act were fit for purpose to achieve the objectives of the Act (and WaterNSW). However, 5 years later, this IPART pricing review has highlighted a risk that WaterNSW may not be able to deliver its functions without significant price increases or government subsidies. It may be timely for a further review of the WaterNSW operating model.

It appears that WaterNSW undertakes some non-commercial activities related to water security, safety, environmental and social outcomes. We have heard from stakeholders who are concerned they are paying for obligations which do not improve the quality of services or water being received. They question whether some WaterNSW functions are more appropriately seen as community service obligations which may be better funded by government.<sup>4</sup>

Another question raised during this review is whether the regulatory requirements on WaterNSW are fit for purpose. Perhaps some regulatory requirements and related costs could be reduced, although other regulatory requirements and related costs likely to increase and add to the need for revenue. For example, the water quality impacts of historical PFAS contamination are currently driving national consultation on stronger regulation of water quality.

## **Pathway for WaterNSW price regulation**

WaterNSW has proposed that the Tribunal, WaterNSW and WaterNSW shareholders would benefit from more time to resolve the issues emerging during this pricing review.

WaterNSW has written to the Tribunal to suggest delaying a determination from this pricing review by one year and issuing a short-term determination with a modest uplift in revenue plus increases to reflect inflation. WaterNSW suggested this delay would enable a strategic discussion with the NSW Government on how to achieve a sustainable outcome for all stakeholders. WaterNSW also indicated this discussion could consider whether WaterNSW, as currently constituted and regulated, is the most effective model or whether other arrangements may be more appropriate.

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<sup>ii</sup> Compared to current determination, WaterNSW's proposal has WaterNSW Average Annual Volumes decreasing by -13.2% for Sydney Water Customers, -25.7% for Council Customers and -5.9% for Rural Valleys Customers.



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The Tribunal agrees WaterNSW's suggested delay and shorter-term price determinations is a constructive next step. However, we are concerned that a one-year shorter term determination may not be sufficiently flexible, as it may not allow sufficient time for IPART to complete the assessment of WaterNSW's efficient costs and review price structures and cost shares or for broader issues to be considered by government.

Instead, the Tribunal proposes to make 3-year WaterNSW Greater Sydney and Rural and Regional price determinations based on the current prices, adding increases for inflation and some increases to reflect safety-related priorities where the Tribunal is satisfied the increases are in the public interest.

We intend that these prices would be in place until June 2028 unless subsequent work by WaterNSW and IPART and discussion with the NSW Government enables new price determinations earlier. Any new determinations would be made by the Tribunal only after IPART issues a draft report, seeks and considers submissions and holds a public hearing. IPART could commence this process at any time during the determination period.

## **The future**

IPART stands ready to continue working with WaterNSW and the NSW Government to:

- progress setting the efficient level of revenue required by WaterNSW
- consider how to improve rural bulk water cost shares and better recognise community service obligations
- provide advice on the alternative scenarios put forward by WaterNSW for rural and regional bulk water pricing so the NSW Government can consider the feasibility of any subsidies
- ensure flexibility in IPART's price regulation to reflect the circumstances of WaterNSW
- assist with any review of WaterNSW's regulatory obligations and operating model to enable sustainable, affordable, reliable, high quality bulk water supply.

Carmel Donnelly PSM

IPART Chair

Chapter 1 »

Executive summary

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01

## 1.1 IPART is reviewing WaterNSW's maximum prices

Safe, reliable and affordable water services are essential for both the people of NSW, and many businesses within NSW. WaterNSW provides essential bulk water to water utilities across NSW, who in turn provide drinking water to communities, and to agricultural and other businesses in regional and rural areas across NSW.

Most customers of WaterNSW do not have a choice about who provides their water, so NSW laws give IPART powers to protect customers by regulating the maximum prices that WaterNSW, as a monopoly service provider, can charge.

IPART is currently undertaking a review of WaterNSW's maximum prices. We received a pricing proposal from WaterNSW in September 2024, released Issues Papers and held public hearings in November 2024. IPART will set prices for the next period at the review's conclusion. We determine maximum prices for WaterNSW in 2 parts, a rural and regional pricing determination (which will take effect from 1 July 2025) and a Greater Sydney pricing determination (which will take effect from 1 October 2025).

The review to date has been complex and challenging, as WaterNSW has proposed significant increases in operating and capital expenditures for both of its business segments. WaterNSW has sought increases of revenue of 38% for Greater Sydney and 53% for regional and rural NSW in real terms over the next 5 years. Combined, this is an increase of 43% across WaterNSW's operations. In its pricing proposal, WaterNSW acknowledged that its proposed expenditures are significantly higher than what can be reasonably funded through price increases alone<sup>5</sup>.

We have considered all feedback we heard from stakeholders over the course of this review so far, including over 700 submissions to our Issues Papers and over 100 attendees at our rural water Public Hearing. Individuals, industry organisations, and local Councils have provided feedback on various aspects of WaterNSW's pricing proposal. The key themes are:

- **Customer consultation** by WaterNSW lacked information. This has meant that stakeholders could not fully understand and comment on the impacts of WaterNSW's proposal. Further, much of WaterNSW's proposed expenditure was not consulted on, with WaterNSW deeming it uncontrollable and therefore 'out of scope'.
- The **prices** required to meet WaterNSW's expenditure plan being unaffordable.
- Proposed price increases are not associated with improved **service levels**. Some stakeholders cited past instances of poor service quality e.g. failed program implementation and organisational issues.
- Whether current **cost shares** between customers and government are appropriate. Some submissions questioned the current impactor-pays principle and called for the NSW Government to bear a greater share of the costs of some activities, with some citing the inequity of rural water customers paying for benefits enjoyed by the wider community, such as meeting environmental outcomes.

## 1.2 Further work is needed to consider customer views and establish efficient costs

WaterNSW has made significant progress since its last price review. For instance, we welcome WaterNSW's larger scale customer engagement, and its acknowledgement that affordability is a key concern for customers. However, we hold concerns about the quality of some of WaterNSW's engagement with its customers. For instance, customers were not shown accurate price impacts when asked to rank their preferences over priorities, and there is limited evidence that WaterNSW made any changes to its plans in response to customer feedback. A customer-centric proposal is key to delivering in the long-term interest of customers. Based on what customers have told us, we are not yet convinced that WaterNSW's plans are supported by its customers.

Another priority for IPART has been to rigorously test the validity of WaterNSW's proposed expenditure. We engaged independent experts AtkinsRéalis (Atkins) and Aither to review WaterNSW's proposed operating and capital expenditure. Atkins and Aither raised concerns about the inadequacy in the justifications set out in WaterNSW's proposal and identified substantial areas for efficiencies or cost reduction.

We are not yet convinced that all of the increased costs being proposed by WaterNSW are sufficiently justified as necessary and efficient, or satisfy the other criteria IPART must consider under the IPART Act. IPART considers more work needs to be done by WaterNSW to support its proposed levels of capital and operating expenditure. We have taken a range of factors into account in reaching this assessment including stakeholder submissions, our own analysis and our independent experts' review.

In considering next steps, this review is subject to a time constraint that does not affect IPART's other water pricing reviews. Because the current pricing determination for rural valleys expires on 30 June 2025 and transfers from Commonwealth to NSW jurisdiction, IPART must set maximum prices for WaterNSW rural valleys with a new determination to commence on 1 July 2025. IPART cannot extend the time for when WaterNSW's new maximum prices will apply to rural and regional customers beyond 1 July 2025.

## 1.3 We have limited price increases for customers

In WaterNSW's response to our consultants' draft reports, WaterNSW's CEO proposed that IPART make a 1-year maximum price determination based on current prices plus inflation and a modest increase, to enable more time to work through the review. This is a constructive suggestion. However, IPART is concerned that a 1-year determination may not provide sufficient time to address the issues raised in this review.

We propose to set a 3-year draft determination for both Greater Sydney and Rural Valleys based on WaterNSW's current prices indexed for inflation plus some key safety expenditure priorities.

We intend that these prices would be in place until June 2028 unless subsequent work by WaterNSW and IPART and discussion with Government enables new price determinations earlier. It would also be open to WaterNSW to seek new price determinations at any time during the determination period.

Any new determinations would be made by the Tribunal only after IPART issues a draft report, seeks and considers submissions and holds a public hearing. IPART is able to commence this process at any time during the determination period.

We note that with a 3-year pricing determination the next WaterNSW operating licence review and pricing review would be scheduled to be conducted in 2027-28. We will engage with WaterNSW and other stakeholders to look at options so that there is sufficient time and resources for both reviews to be completed.

In our draft determinations, we are limiting price increases to CPI, plus specific increases for key safety upgrades including crane and electrical safety, the new Dams Safety Levy, and initial funding to progress safety works at Warragamba Dam. This results in price increases of:

- For Greater Sydney customers: 6.9% plus inflation from 1 October 2025, and then by inflation only on 1 July 2026 and 1 July 2027
- For Rural Valleys customers: 1.9% plus inflation from 1 July 2025, and then by inflation only on 1 July 2026 and 1 July 2027.

We expect WaterNSW to continue to deliver its water services and regulatory requirements during this 3-year determination. This decision does not change WaterNSW's Board and management team's respective obligations to prioritise and allocate funds across the organisation to ensure service and regulatory requirements are met.

## 1.4 There are also broader issues facing WaterNSW

Beyond this determination and WaterNSW's current proposal, this review has highlighted a number of challenges facing WaterNSW. They include:

- the tension between cost recovery pricing and affordable prices
- bulk water competition in Greater Sydney
- the costs and consequences of water supply volatility
- the distinction between WaterNSW's commercial and non-commercial activities.

It is important to address these challenges before the cost of supplying rural bulk water becomes unmanageable for customers and taxpayers.

IPART considers that a 3-year price determination would allow time for WaterNSW and the NSW Government to consider these broader challenges and to refine plans, costings and service delivery priorities in consultation with customers and other key stakeholders. IPART stands ready to support these processes.

## 1.5 We want to hear your views

Your input is valuable to us as we undertake the WaterNSW Rural Valleys and Greater Sydney bulk water price reviews.

We are now seeking feedback on the draft decisions and the 2 draft determinations that accompany this information paper.

To have your say, please provide a submission by 3 June 2025.

## Have your say

Your input is critical to our review process.

[Submit feedback »](#)

You can get involved by making a submission to our price reviews. We are seeking feedback by 3 June 2025 on our draft decisions.

We will take into consideration all feedback received when we make final decisions for both the WaterNSW Rural Valleys and Greater Sydney price reviews.

- For the WaterNSW – Rural Valleys Determination, new prices will take effect from 1 July 2025.
- For the WaterNSW – Greater Sydney Determination, new prices will apply from 1 October 2025.

We will release a Final Report and Determination for each review ahead of new prices taking effect (see Figure 1.1 below).

Figure 1.1 Timeline for WaterNSW price review



## 1.6 List of draft decisions

- |    |  |    |
|----|--|----|
| 1. | To set 3-year determination periods for WaterNSW Greater Sydney and Rural Valleys and delay the commencement of prices for Greater Sydney until 1 October 2025.  | 41 |
| 2. | To set prices for WaterNSW Greater Sydney from 1 October 2025 to 30 June 2028 based on the current prices, adding increases for inflation and some specific increases to reflect safety-related priorities where the Tribunal is satisfied the increases are in the public interest. | 43 |
| 3. | To increase prices for WaterNSW Greater Sydney customers by 6.9% plus inflation from 1 October 2025, and then by inflation on 1 July 2026 and 1 July 2027.   | 43 |
| 4. | To adopt the forecast water sales volumes outlined in Table 6.1 for WaterNSW Greater Sydney.   | 44 |

5.	To set prices for WaterNSW Rural Valleys from 1 July 2025 to 30 June 2028 based on the current prices, adding increases for inflation and some specific increases to reflect safety-related priorities where the Tribunal is satisfied the increases are in the public interest.	49
6.	To increase prices for WaterNSW Rural Valleys customers by 1.9% plus inflation from 1 July 2025, and then by inflation on 1 July 2026 and 1 July 2027.	49
7.	To adopt the forecast water sales volumes outlined in Table 6.5 for WaterNSW Rural Valleys.	50

## 1.7 We are seeking comment on

We are seeking specific feedback on the issues outlined below. Some of these relate to some particular issues which are elaborated in greater detail in Section 6.

1.	Do you agree with the draft decision to set a 3-year determination period?	42
2.	In your view, what should WaterNSW focus on over the next 3 years?	42
3.	Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Greater Sydney's prices from 1 October 2025?	43
4.	Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Greater Sydney 2020 price review?	46
5.	Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Rural Valleys prices from 1 July 2025?	48
6.	Should IPART further adjust WaterNSW's current Rural Valley prices to account for changes in water sales volumes from the 2021 price review (ie, 3,964,658 ML/year) to this draft decision (ie, 3,806,128 ML/year)?	51
7.	Should the Yanco Creek levy remain constant in nominal terms at \$0.90 per ML or be changed (for example, indexed to CPI)?	51
8.	Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Rural Valleys 2021 price review?	52
9.	Do you agree that IPART's draft pricing decisions are likely to provide adequate revenue to support WaterNSW's financeability for up to 3 years?	55

## Chapter 2 »

About WaterNSW

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02



WaterNSW is a State-Owned Corporation (SOC) established under the *Water NSW Act 2014* (the Water NSW Act). It provides two-thirds of the water used in NSW including the bulk water supply for Greater Sydney as well as many regional areas. It also manages and operates the Fish River Water Supply Scheme (FRWS) and the Broken Hill pipeline. Through an agreement with the Water Administration Ministerial Corporation (WAMC) it also provides a range of services relating to unregulated rivers, groundwater and floodplain harvesting. The services provided by WaterNSW for WAMC are covered by a separate IPART pricing review and determination.

WaterNSW's functions and objectives are set out in the Water NSW Act. An operating licence, issued by IPART, authorises WaterNSW to carry out a range of functions related to its objectives.

WaterNSW's functions can be summarised as follows:

- Managing dams and protecting the [Greater Sydney drinking water catchment](#)
- Supplying bulk water to customers, communities and the environment by capturing, storing and releasing water
- Building, maintaining and operating the [essential infrastructure](#) to support water supply (e.g. dams and weirs)
- Monitoring surface and groundwater and ensuring compliance with water quality standards
- Providing support for services to meet the needs of customers
- Undertaking flood mitigation and management outside the Sydney catchment area and meeting environmental and health requirements.

WaterNSW employs around 1100 people,<sup>6</sup> operates 41 major dams and manages infrastructure at hundreds of waterways across the NSW. Its assets also include a water monitoring network and several digital platforms that provide real-time water monitoring, account management services and licensing information. WaterNSW's total regulated asset base (RAB) in Greater Sydney and the Rural Valleys was \$3.4 billion in 2023–24.<sup>7</sup>

WaterNSW's Statement of Corporate Intent is its agreement with its voting shareholders, the Treasurer and the Minister for Finance. It covers a range of matters including WaterNSW's objectives, activities and performance targets. The Statement of Corporate Intent indicates that WaterNSW expects to deliver a financial loss after tax of \$29m in 2024–25 and a loss after tax of \$6m in 2025–26.<sup>8</sup>

WaterNSW's 2023–24 annual report identifies revenue from five different segments:

- Regulated – Greater Sydney (subject to this current review)
- Regulated – Rural Valleys (subject to this current review)
- Regulated – Broken Hill Pipeline
- Regulated and Unregulated – Other
- Other revenue from water supply.<sup>9</sup>

The segments are consistent with IPART's approach to price-setting for WaterNSW's services. Our focus in this review is setting maximum prices for bulk water that will impact WaterNSW's *Regulated – Greater Sydney* and *Regulated – Rural Valleys* segments. We are concurrently considering prices for WAMC, which will impact WaterNSW's revenue for *Regulated and Unregulated – Other* and some of its revenue for the *Other revenue from water supply*. Consideration of the Broken Hill Pipeline will occur separately.

## 2.1 WaterNSW Greater Sydney

WaterNSW provides services in the Greater Sydney area, including supplying bulk water to urban water utilities for treatment and then consumption by Sydney, Illawarra, Blue Mountains, Southern Highlands and Shoalhaven communities. WaterNSW also provides commercial services within the Greater Sydney region, such as leasing some of its facilities and certain commercial hydrometrics services.

WaterNSW's largest customer in the Greater Sydney area is Sydney Water, which accounts for about 99% of WaterNSW's bulk water sales in Greater Sydney. IPART sets the maximum price WaterNSW can charge Sydney Water for the water Sydney Water takes from Warragamba Dam and its other smaller dams around Sydney. WaterNSW also supplies bulk water to three council customers (Wingecarribee Shire, Shoalhaven City and Goulburn Mulwaree), and provides raw and unfiltered water supply to 63 smaller end-use customers in Greater Sydney.

## 2.2 WaterNSW Rural Valleys

WaterNSW supplies bulk water from regulated rivers in twelve rural valleys and the Fish River. A regulated river contains water storages (e.g. dams or weirs) that enable the river level or flow rate to be controlled. If water is available, WaterNSW releases water on a regulated river for extraction by customers downstream. Customers have a right to request water up to an amount determined by their water access licence. WaterNSW's rural bulk water customers include irrigators, regional towns, major electricity suppliers, stock farms, and governments (who take water for environmental sustainability purposes).

## Chapter 3 »

Overview of WaterNSW's  
pricing proposal

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03

WaterNSW submitted its pricing proposal in September 2024, noting it was the first proposal it had prepared since IPART published its Water Regulation Handbook as well as being the first that reflects it as a single organisation providing services to both rural and urban customers. It is also the first time all prices will be set under NSW laws, given prices for some rural bulk water services were previously regulated under Commonwealth Water Charge Rules. The proposal sought to demonstrate how WaterNSW planned to balance customer preferences with rising costs, which it considered were largely driven by factors outside its control.

WaterNSW's proposal outlined the increased funding it said it required across a range of priorities. These included:

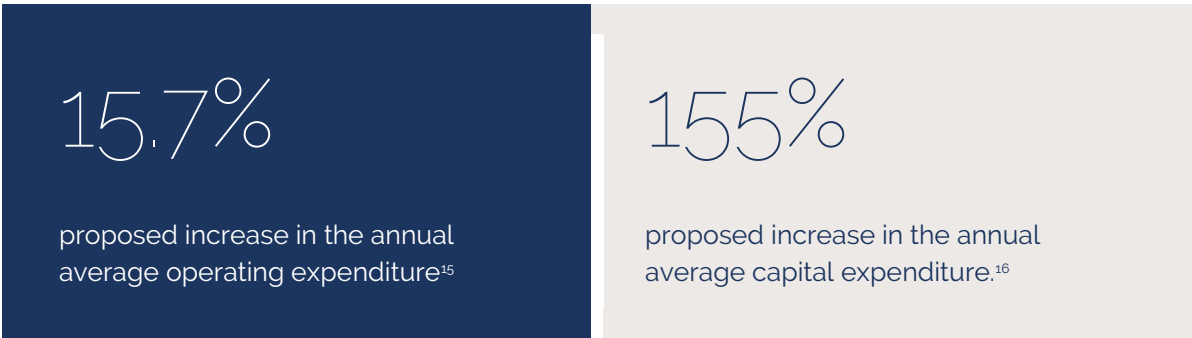
- costs related to the continued implementation of changes to the way it operates
- rising insurance and energy costs
- costs to upgrade its infrastructure and digital technology
- costs to meet existing and new regulatory requirements.

WaterNSW proposed that combined annual average operating expenditure (for its Greater Sydney and Rural Valleys segments) would increase by 25% compared to WaterNSW's current determinations.<sup>10</sup> WaterNSW proposed that combined annual average capital expenditure (for its Greater Sydney and Rural Valleys segments) would increase by 96% compared to WaterNSW's current determinations.<sup>11</sup>

When these proposed increases to operating expenditure and capital expenditure are added to WaterNSW's proposed increases to other 'building blocks' in WaterNSW's cost base, the total proposed annual revenue requirement (for WaterNSW's Greater Sydney and Rural Valleys segments) for the upcoming determination period was 43% higher than the current determinations.<sup>12</sup> WaterNSW recognised that the proposed cost increases would lead to higher prices for customers and that the higher prices would be unaffordable for many customers<sup>13</sup>.

### 3.1 WaterNSW Greater Sydney

WaterNSW proposed a revenue requirement of \$1.7 billion over a 5-year determination period. This represents an annual average revenue requirement of \$340.2 million, which is 38% higher in real terms than the annual average revenue requirement in the current determination period.<sup>14</sup> The proposed increase is driven by:

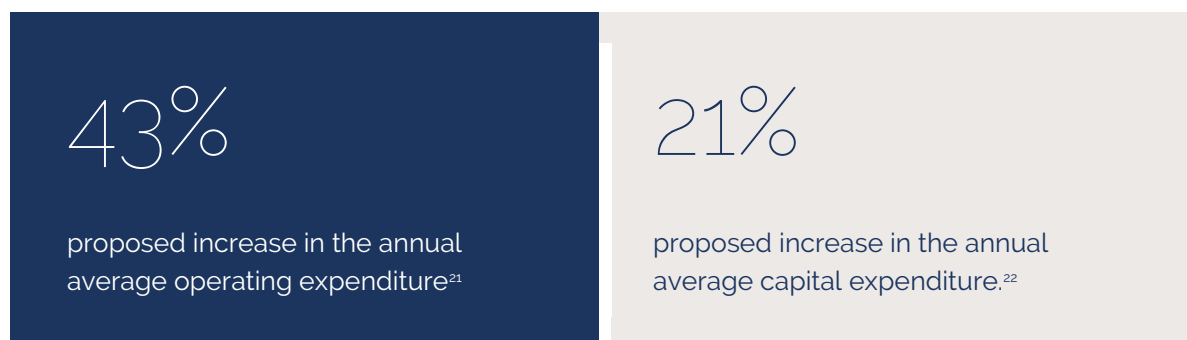


WaterNSW expects the higher proposed revenue requirement, coupled with lower forecast water sales volumes, to result in real price increases of 14% per year for 5 years for Sydney Water.<sup>17</sup> WaterNSW estimates that this would, if approved, increase a typical Sydney Water residential customers' bill by \$42 on average per year.<sup>18</sup>

WaterNSW proposed real price increases of 13% per year for 5 years for its council customers and real price increases of 14.7% per year for 5 years for its raw and unfiltered water customers.<sup>19</sup>

## 3.2 WaterNSW Rural Valleys

In order to meet its regulatory and legislative obligations, WaterNSW included a cost reflective base case in its proposal. The base case included a proposed a revenue requirement of \$982 million over a 5-year determination period. This represents an annual average revenue requirement of \$196 million, which is 53% higher than the annual average revenue requirement in the current determination period.<sup>20</sup> The proposed increase is driven by:



WaterNSW noted that "for rural customers, if the higher costs in the cost reflective base case are fully passed through to customers, it would lead to price increases beyond what they told WaterNSW they can afford<sup>23</sup>." Therefore, WaterNSW stated it is providing cost reflective prices "as a starting point for IPART to assess the prudence and efficiency of its proposed expenditures", and that IPART can then assess whether the proposed costs lead to prices that are affordable for customers."<sup>24</sup>

WaterNSW included 3 alternative scenarios in its proposal that would see smaller price impacts for customers<sup>25</sup>. However, these alternative scenarios involved setting prices below cost reflective levels which required additional funding to meet WaterNSW's proposed costs. WaterNSW did not specify how the revenue gaps resulting from each alternative scenario should be funded. Rather, it recommended that IPART "engage jointly with WaterNSW and the NSW Government in an effort to collaboratively work towards finding the right balance when forming its independent view of rural bulk water charges."<sup>26</sup>

WaterNSW proposed to change the form of price control from its current price cap to a revenue cap, to better manage the impact of water sales or revenue volatility on customer prices and its ability to recover efficient costs<sup>27</sup>. WaterNSW also proposed to increase the fixed proportion of some prices, with Licensed Environmental Water (LEW) holders proposed to move to a 100% fixed price (currently 40% fixed in most rural valleys), and Lachlan Valley entitlement holders proposed to move to 80% fixed price (currently 40% fixed)<sup>28</sup>.

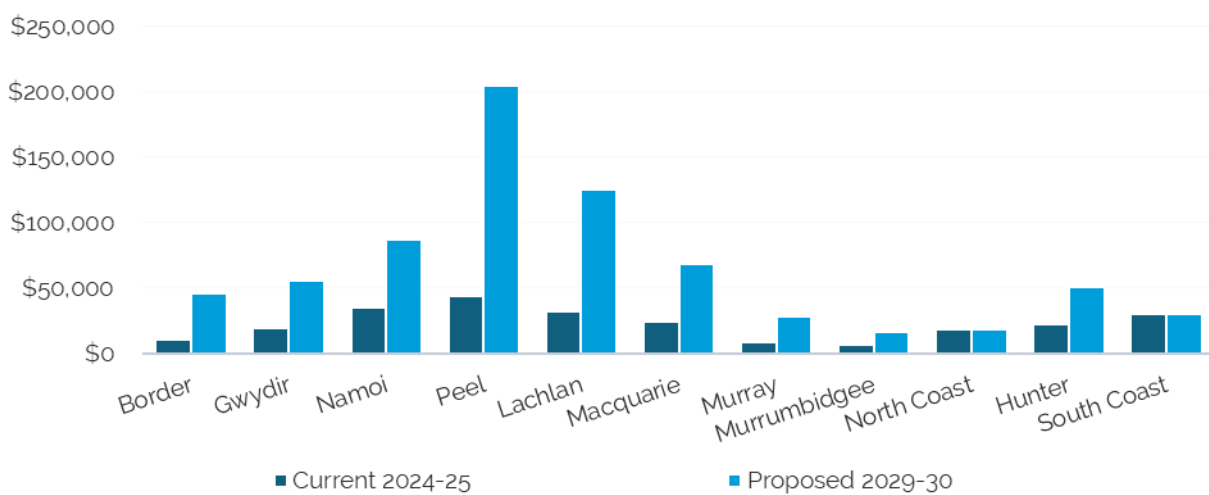
WaterNSW did not propose changes to the cost shares currently in place under its cost reflective base case proposal. However, under the alternative scenarios included in the proposal, WaterNSW identified the potential to increase the government's share of costs for 3 cost categories - dam safety compliance, environmental planning and protection, and flood mitigation in 2 valleys.<sup>29</sup>

Under the cost reflective base case, bill impacts would vary across rural valleys. WaterNSW notes that prices in the North Coast and South Coast valleys have remained constant in real terms in the current determination period, funded by Community Service Obligation (CSO) subsidy payments from the NSW Government<sup>30</sup>. It proposes to retain the current price levels in real terms for the upcoming determination period for these valleys funded by CSO payments..<sup>31</sup> Under WaterNSW's cost reflective base case bills would increase in all other rural valleys:

- For high security customers, by a range between 17% and 36% per year (excluding inflation).
- For general security customers, by a range between 17% and 37% per year (excluding inflation).<sup>32</sup>

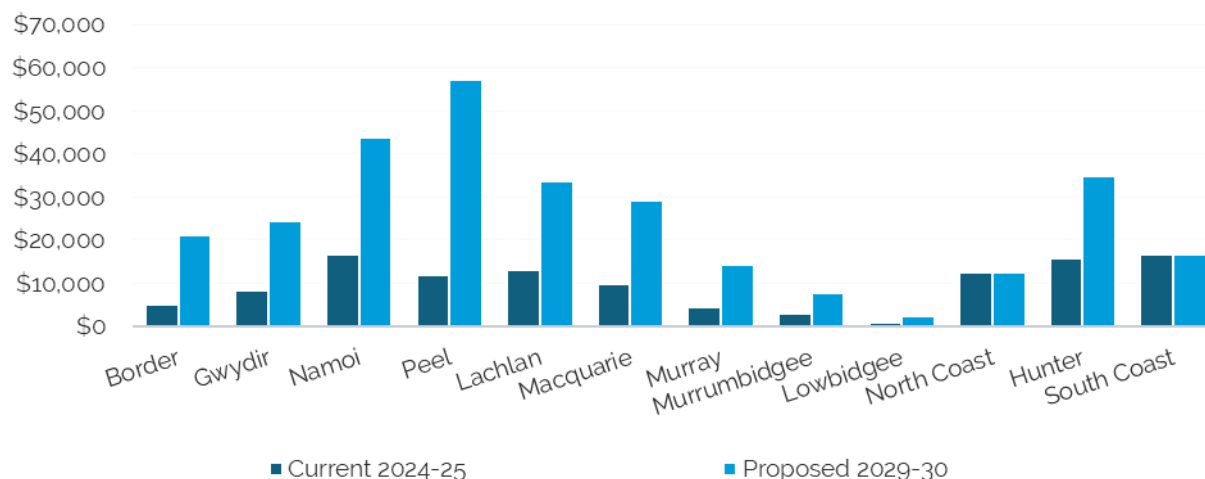
Example bills under WaterNSW's cost reflective base case for regulated river customers (including Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC) prices) are presented in Figure 3.1 (high security customers) and Figure 3.2 (general security customers).

Figure 3.1 WaterNSW example bills (cost reflective base case) for high security, medium users (500ML usage, 100% allocation, \$2024-25)



Note: Bills include MDBA and BRC prices and exclude WAMC prices. There are no high security entitlement holders in Lowbidgee.  
Source: WaterNSW proposal, IPART analysis.

Figure 3.2 WaterNSW example bills (cost reflective base case) for general security, medium user (500ML usage, 60% allocation, \$2024-25)



Note: Bills include MDBA and BRC prices and exclude WAMC prices.

Source: WaterNSW proposal, IPART analysis.

Further details of the cost reflective prices WaterNSW included in its proposal and example bills for customers can be found in the [Information paper](#) we published in November 2024.

As noted above, WaterNSW provided alternative scenarios that it considers have the potential to achieve a more balanced outcome for rural valley customers. The alternative scenarios contain lower price increases compared to WaterNSW's cost reflective base case, achieved by capping bulk water price increases at 15% per year (plus inflation), as well as other cost reallocations<sup>33</sup>. However, proposed MDBA and BRC charges would be outside the 15% price cap in the proposed alternative scenarios.

WaterNSW considers there is regulatory precedent for a price cap of this nature, and states that customer engagement supported the alternatives to the cost reflective base case<sup>34</sup>. WaterNSW's proposal does not specify how the revenue gaps resulting from each alternative scenario should be funded. WaterNSW's proposal does not address in detail how affordable the price increases would be under the alternative scenarios. The level of subsidy paid by taxpayers is a matter for the NSW Government and IPART would be concerned at setting a price cap which changes the expected cost share from the NSW Government without appropriate consultation.

## Chapter 4 »

### Assessment of WaterNSW's pricing proposal





## 4.1 Our water pricing review process

We regulate maximum prices for water businesses under the *Independent Pricing and Regulatory Tribunal Act 1992* (the IPART Act) and our Water Regulation Handbook. IPART aims to ensure water customers pay only what an efficient water business would need to deliver quality water services, having regard to the matters in the IPART Act we must consider when setting maximum prices. We hold water businesses accountable for substantiating any proposed price increases. We require water businesses to justify any forecast cost increases, to actively consult with their customers, and to strive to find the efficiencies they need to survive – as any business with competitors would need to do.

Our review methodology is transparent and regularly reviewed in consultation with stakeholders. We provide clear, transparent guidance about how we will make decisions in a fair and consistent way. We last reviewed our approach to water regulation in 2022.

Under the IPART Act, when setting water prices, we are required to consider a range of matters, which are listed at Appendix A.

Figure 4.1 Matters for IPART to consider when setting water prices



Our Water Regulation Handbook was developed to assist us in considering these matters, focusing on customers, costs, and credibility. It is underpinned by 12 guiding principles which water businesses and IPART use to develop and assess pricing proposals. Our [Water Regulation Handbook](#) provides further information on our framework.

Figure 4.2 The Water Regulation Handbook focuses on customer value in the short, medium and long-term



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

We require water businesses to back up any proposed cost increases; actively consult with their customers, and strive to find efficiencies – as any business with competitors would need to do.

WaterNSW was consulted on this approach and, in August 2022, it supported IPART's intent to ensure the regulatory framework leads to greater customer engagement, innovation and efficiency in the water sector. WaterNSW particularly supported a regulatory framework that encourages the embedding of customer preferences into business decisions and encourages efficient outcomes that are in the long-term interests of customers.<sup>35</sup>

Our approach in this review of WaterNSW's pricing proposal is based on the outcomes of our 2022 review, including the Water Regulation Handbook. Given the Water Regulation Handbook is subordinate to the IPART Act, the Tribunal carefully ensures it considers requirements under the IPART Act as well as the Handbook. The IPART Act requirements have not changed since previous WaterNSW pricing reviews.

The Water Regulation Handbook encourages water businesses – including WaterNSW – to be customer-centric and actively engage with their customers at all stages of the development of their pricing proposal, to bring customers into the decision-making process when they are setting outcomes. Involving customers in setting the outcomes that matter most to them, and aligning their pricing proposals with their customers' preferences, is essential if water businesses are to identify better ways of delivering their services. The Water Regulation Handbook aims to hold water businesses accountable in a way that delivers good short, medium and long-term customer outcomes.

We recognise this is the first time WaterNSW has submitted a pricing proposal using the Water Regulation Handbook. WaterNSW has undertaken substantially more customer consultation than for previous reviews and has materially improved its planning, systems and processes.

## 4.2 What we heard from stakeholders

IPART released Issues Papers in November 2024 to highlight the key elements of WaterNSW's proposal and the areas of focus for our review of WaterNSW's maximum proposed prices for Greater Sydney and Rural Valleys. Stakeholders were invited to comment on a range of questions in the Issues Papers, and IPART received over 200 submissions. IPART also held public hearings in November which allowed the community to provide comments and ask questions directly to WaterNSW about its pricing proposal.

A summary of the key messages raised by stakeholders through submissions to the Issues Papers and at the public hearings is presented below.

### 4.2.1 Lack of detailed information in the proposal was a key concern

Many stakeholders said that information in WaterNSW's proposal was limited and did not allow them to fully understand the impacts of various scenarios on them. Some submissions said that the bill impacts associated with the different investment scenarios were not provided by WaterNSW, which made it difficult for stakeholders to understand impacts at a valley level.

Murrumbidgee Irrigation submitted that key information missing on a valley-by-valley case hindered customers' ability to respond to WaterNSW's proposal, stating:

*"I also note that despite the 1700 pages of information, a lot of key information appears to be missing (particularly at a valley-scale), which is need for water users to make an informed response to this process."*<sup>36</sup>

Stakeholders also raised concerns that WaterNSW did not provide bill impacts until late in its customer engagement process, which limited the ability for stakeholders to provide meaningful input to the pricing proposal.

In their submission Murray Irrigation noted:

*"Customers were not provided with individual or stacked bill impacts of [WaterNSW] 11 engagement questions, denying their ability to meaningfully confirm service/price trade-offs."*<sup>37</sup>

### 4.2.2 Concerns that large amount of proposed WaterNSW expenditure was out of scope for customer engagement

Some stakeholders raised concerns about WaterNSW's accountability for some aspects of the proposal, notably in expenditure and customer engagement.

Stakeholders raised concerns that a large proportion of WaterNSW's proposed expenditure was designated as 'uncontrollable' which WaterNSW deemed as out of scope for customer engagement, regardless of the potential impact on prices. As such, some submissions claimed that this was a way for WaterNSW to avoid being accountable for its expenditures.

In their submission regarding MDBA charges, which are collected by WaterNSW, the Southern Riverina Irrigators were critical of the proposed increase in charges saying:

*"The increase in MDBA charges is reprehensible and with no formal oversight or 'accountable' process, will continue unabated."*<sup>38</sup>

Other stakeholders indicated that some engagement activities were to inform customers rather than engaging with stakeholders to prioritise expenditures.

In contrast, some stakeholders acknowledged that the customer engagement process had improved compared to the past.

#### 4.2.3 Proposed price increases are unaffordable

Many stakeholders across a range of sectors and organisation types raised concerns that WaterNSW's proposed price increases would be unaffordable.

Greater Sydney stakeholders emphasised that price increases would be unaffordable, especially in the context of a cost of living crisis:

*"The increases being canvassed are both excessive and unwarranted, given that there is no shortage of water and there is a current cost of living crisis."*<sup>39</sup>

*"I cannot believe you are considering a 28% increase in water bills! To do this is in the middle of a cost of living crisis is irresponsible and shows a complete lack of understanding and care about how tough people are doing it out here."*<sup>40</sup>

*"I believe increasing cost of water supply by 14% would be so tough for people doing it already tough. A lot of people in this cost of living crunch is living pay check to pay check at the moment."*<sup>41</sup>

Agricultural customers submitted the proposed price increases would hinder farming operations and greatly impact their profitability. Some stakeholders believed that this would lead to the closure of some agricultural operations and the potential selling of water licences by irrigators, which could place further upward pressure on prices.

We have heard from several irrigator groups such as the Peel Valley Water Users Association who noted:

*"The price rises are excessive and would cause untold damage to the water users and the industry."*<sup>42</sup>

One submission from a customer in the Namoi Valley stated they were opposed to WaterNSW's pricing proposal:

*"If the WaterNSW and WAMC proposed exorbitant price rises of up to 152% are allowed to proceed, I fear for the viability of my farm business and many other farm businesses, which will be reduced resulting in significant decreases in production, threatening both my capacity and ability to continue operating."*<sup>43</sup>

A submission from a Greater Sydney stakeholder also expressed concern regarding the proposed price increases impact on food production:

*"Access to water is a human right and vital for production of food. Feeding the population is a component of 'Governmental Responsibility' and it is vital that food is produced at the lowest possible cost."*<sup>44</sup>

We also received submissions from local water utilities who were concerned about further costs that would be shifted on to them and the impacts that cost shifting may have on residents.

In their submission, Lachlan Shire Council submitted that their current water business is unable to recoup current operating costs from potable water sales to its community, and stated:

*"These costs will have to be passed onto the user, which will only further increase the cost of water bills, adding further strain to the budgets of the local community."*<sup>45</sup>

Cowra Shire Council also submitted that its typical residential bills means that it is *"already a high price water utility relative to national median and state trends"* and noted that the *"required annual increase in council LWU pricing to Cowra consumers to meet WAMC/WaterNSW's proposed prices"* would be up to 9.4% (over and above CPI) in 2029-30.<sup>46</sup> While the council's submission considers both WaterNSW's and WAMC's proposed prices, the submission shows that it would be mostly WaterNSW charges that drive the increases.

Stakeholders were concerned about the WaterNSW base case pricing. They were also concerned that the proposed price increases even in WaterNSW's alternative scenarios were far greater than what they could afford.

In a submission from a farmer in the Peel Valley, the farmer criticised WaterNSW's alternative proposals as significantly impacting water charges stating:

*"Even the Alternative proposals put forward by WaterNSW show increases of 15% plus CPI each year over the next five years which would more than double the water charges over the period."*<sup>47</sup>

Energy Australia also made a submission stating that the alternative scenarios would be unaffordable and would negatively impact WaterNSW's customers:

*"WaterNSW has proposed alternative scenarios including where bulk water price increases are capped at 15% per year. We consider these increases would still be unaffordable and have negative impacts on affected communities and dependent industries."*<sup>48</sup>

#### 4.2.4 Service level concerns

Many stakeholders noted that the proposed price increases are not associated with greater service levels, and some cited past instances of poor service quality including failed program implementation and organisational issues.

Stakeholders were concerned that WaterNSW may be proposing to move to a regional-based pricing model, with some claiming that WaterNSW had already reduced the presence of staff within the valleys, which has hindered the ability for customers to communicate their concerns with the WaterNSW.

One submission from a farming enterprise adjacent to the Hunter Valley raised concerns about the potential impact of the regional-based pricing model:

*"This centralization of water management to Sydney will result in more bureaucracy and less service for the region."*<sup>49</sup>

Stakeholders were also concerned that the regional-based pricing model was only considered within the alternative scenarios in the proposal and queried whether it had received the same scrutiny during WaterNSW's engagement process as items included in the cost reflective base case.

In their submission, Coleambally Irrigation Cooperative (CICL) stated:

*"CICL has significant concerns with WaterNSW proposal to shift towards regional pricing. CICL in principle does not support WaterNSW seeking this fundamental shift in approach at the same time as it is seeking higher water charges.*

*CICL observes the benefits of the alternative model are "WaterNSW centric" and not centred on improved services to valley-based customers.*

*Consideration of an alternative pricing model must be done in consultation with affected customers and include detailed assessment of the impacts on the different customer groups."*<sup>50</sup>

### 4.3 We have material concerns with WaterNSW's proposal

WaterNSW has made significant progress in some areas since its last price review. For instance, we welcome WaterNSW's larger scale customer engagement, and its acknowledgement that affordability is a key concern for customers. However, we do have concerns with WaterNSW's pricing proposal in its current form. Some specifics include:

- The proposal contained large scale annual increases in capital expenditure (capex) and operating expenditure (opex) without sufficient analysis or justification (96% in capex and 25% in opex in real terms).<sup>51</sup>
- We found WaterNSW's proposed price increases are large and would be unaffordable to many customers which follow relatively large price increases over the 2021 determination period, in which WaterNSW's bulk water charges increased by 30% on average.<sup>52</sup>
- IPART carried out analysis of ABARES data<sup>3</sup>, which indicated that the impact of the proposed cost reflective price changes over the upcoming determination period would reduce the gross margins of cotton and rice farms in the southern Basin by 6-13%. Some smaller southern Basin farms (i.e., farms which earn less than \$1 million in revenue) would also be sizably impacted, with reduction in gross margins of up to 17%. IPART's analysis of other data showed that cotton farms in the northern Basin would also be impacted with gross margins reducing by up to 16%.<sup>4</sup>
- We found that for some licence holders, their bills would be significantly higher than what they would pay in other jurisdictions. Our detailed impacts analysis is available in Appendix B.
- WaterNSW's customer engagement approach was lacking in several key areas. As mentioned above, we acknowledge that the scale of WaterNSW's customer engagement was greatly improved from last time. However, we have concerns about the content of this engagement, for instance:

<sup>3</sup> ABARES MDB Irrigation Survey (see Appendix B for more details).

<sup>4</sup> CottonInfo gross margins (see Appendix B for more details).



- customers were not shown accurate price impacts when asked to rank their preferences over WaterNSW's priorities in the next period (and were therefore uninformed when responding)
- little evidence that customer's insights had any impact on WaterNSW's plans.
- numerous submissions from customers who said that it felt as though WaterNSW was trying to justify its existing plans as opposed to using customer preferences to build its plans.

These issues go to the question of customer centricity – IPART expects businesses to build their plans around customer preferences and expectations.

- While WaterNSW identified and acknowledged the challenges it faces from needing more revenue to implement its plans than its customers are willing to pay, it did not propose a firm solution other than to ask IPART to work with it and the NSW Government to consider alternative scenarios including subsidies. While additional government funding cannot be decided by IPART, we will assist by providing advice and working constructively to enable solutions to this issue as appropriate.

While we have identified the above issues in assessing the WaterNSW pricing proposal so far, we also acknowledge there are some extenuating circumstances arising from broader issues that are unique to WaterNSW as outlined in Chapter 5 of this report.

A new element in the Water Regulation Handbook is that each business is required to self-assess its pricing proposal against 12 guiding principles (see Figure 4.2), and IPART grades the pricing proposal based on how well it promotes the long-term interest of customers.

In November 2024, we gave WaterNSW's proposal a preliminary grade of 'standard'. We have not reviewed our preliminary grading at this stage.

#### 4.4 We engaged independent experts to review WaterNSW's proposed expenditure

We undertake expenditure reviews on all pricing proposals. Having regard to our Water Regulation Handbook, these involve more intensive scrutiny where pricing proposals are higher risk or less well supported. Accordingly, we engaged independent experts, Atkins and Aither, to review WaterNSW's proposed operating and capital expenditure. We asked Atkins and Aither to specifically examine WaterNSW's:

- strategic planning and risk
- performance over the 2020 determination period
- proposed forecast operating expenditure
- proposed forecast capital expenditure
- proposed water demand.

IPART engaged these same consultants in the past to assess WaterNSW's proposed expenditure. Atkins assisted in IPART's reviews of rural valleys in 2017 and 2021, and with the 2020 review of Greater Sydney. Aither assisted with the 2016 Greater Sydney review.



The expenditure consultants have not considered the wider range of factors IPART considers when setting water prices (see Chapter 3), having been specifically tasked with making their best recommendations on the efficient range of costs based on available information.

We note that both Aither and Atkins have raised concerns about the quantity and quality of information made available by WaterNSW to inform their recommendations. IPART is in the process of considering the consultants' draft findings and the feedback received from WaterNSW and will continue to work with WaterNSW to clarify and assess the issues the consultants have identified.

## Chapter 5 »

Broader issues

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# 05

There are broader challenges facing WaterNSW. Some of the challenges evident from this review include:

- the tension between cost recovery and affordability
- bulk water competition in Greater Sydney
- the risks and costs of adapting to climate change and increasing climate variability
- lack of a clear distinction between WaterNSW's commercial and non-commercial activities.

Many of the challenges experienced by WaterNSW arise from the services it provides in rural valleys across NSW. It is important to address these issues so the cost of supplying rural bulk water does not become unmanageable for customers and/or taxpayers.

## 5.1 Tension between cost recovery and affordable prices

Cost recovery is an important part of the regulatory framework. We consider prices should be set so that forecast revenue is likely to meet the prudent and efficient costs of WaterNSW. This is consistent with our standing reference to consider section 29(2)(b) of the *Water Charge Rules 2010*. However, WaterNSW's proposal puts a spotlight on the tension between setting prices that enable recovery of prudent costs and the potential impacts of such prices.

The costs identified in WaterNSW's proposal would involve a significant increase on the costs allowed in the 2021 price review. If prices were to be set based on the costs in WaterNSW's proposal, they would likely have a large and adverse impact on WaterNSW's customers and the NSW economy. We modelled the impact of such prices on parts of the NSW agricultural sector and found that bills in the Murray and Murrumbidgee (southern Basin) could increase by 103–168%. The impact of this price change would reduce the gross margins of cotton and rice farms in the southern Basin by 6–13%. Smaller southern Basin farms (i.e. farms which earn less than \$1 million in revenue) would generally be more heavily impacted than large farms. We also found that the impact of this price change would reduce the gross margins of northern Basin cotton farms by 10–16%. Please refer to Appendix B for more information about our impacts analysis.

We are not convinced that the increased costs proposed by WaterNSW have been sufficiently justified as necessary and efficient, or otherwise satisfy the other statutory matters we must take into account. As set out in Chapter 6, we are proposing prices that are significantly below WaterNSW's cost reflective base case.

We remain committed to considering prices that ensure WaterNSW's forecast revenue recovers prudent and efficient costs.

## 5.2 Bulk water competition benefits Greater Sydney

WaterNSW is the main supplier of bulk water to Sydney Water. However, it faces increased competition from the Sydney Desalination Plant following changes made from 1 July 2023 enabling Sydney Desalination Plant's new, flexible full-time operation.

While IPART supports the introduction of competition in markets where possible, we recognise that adapting to competition may require adjustments for WaterNSW. For instance, demand for WaterNSW's bulk water may be lower than forecast if Sydney Water sources more water from the Sydney Desalination Plant or moves to use more recycled water. A change to forecast demand may impact WaterNSW's ability to recover its notional revenue requirement. We expect WaterNSW will need to adapt to emerging competition over the next review period. Like other predominantly fixed cost businesses (such as energy networks that face disruptions to their traditional operating models), WaterNSW will need to adapt and innovate in the way it delivers the services that its customers need.

The promotion of competition in the supply of bulk water is an important consideration in IPART's regulatory framework. We will continue to consider how our decisions impact competition in the supply of bulk water in Greater Sydney.

### 5.3 Balancing the risks of water supply volatility

Water supply volatility is a critical issue in water management. New South Wales is prone to droughts, floods and bushfires. The latter can impact dam water quality and result in greater reliance on desalinated water. Even without these extreme events, there is significant variability in the amount of water available each year. Water users are acutely aware that fluctuating water supply requires careful management – harnessing water when it is plentiful and rationing it when it is scarce.

WaterNSW's proposal includes a revenue cap. The proposal would mean that even if there was less water available for WaterNSW to supply, it would collect the same amount of revenue from its customers. We consider that more balance is required between WaterNSW and its customers in sharing the risks of water supply volatility.

Even in the absence of a revenue cap, WaterNSW's customers pay a significant fixed amount each year. In Greater Sydney, WaterNSW faces limited revenue exposure to variations in its supply of water. The revenue it recovers from fixed charges is 80%. In rural valleys,<sup>53</sup> the target revenue from entitlement (i.e. fixed) charges was set at 40% for most rural valleys during the 2021 price review though there are some valleys where the target revenue from fixed charges was 80-100%.<sup>54</sup>

The proposed revenue cap raises important questions about the structure of WaterNSW's pricing. A critical issue for WaterNSW and its customers is who is best placed to manage the risk of water supply volatility. Under both the current arrangements and WaterNSW's revenue cap proposal, WaterNSW's customers insulate it from water supply volatility. This approach may not be sustainable if WaterNSW is contemplating significant cost increases. WaterNSW may need to consider commercial models with greater forecast revenue variation and less stable annual returns.

## 5.4 Distinguishing between commercial and non-commercial activities

WaterNSW's operating context may be impacting its ability to sustain an appropriate rate of return. As both a Public Non-Financial Corporation and a State Owned Corporation, WaterNSW is expected to operate as a commercial business and earn a rate of return that is sufficient to generate dividends or holding gains for government. In addition, WaterNSW's principal objectives require it to operate in a financially responsible manner. Through our investigations of WaterNSW's expenditure, we have identified several non-commercial activities that may be contributing to an escalation in WaterNSW's costs. If funding arrangements for non-commercial activities are not addressed then, over time, the cost of undertaking these activities may impact WaterNSW's ability to deliver a commercial rate of return or lead to large price increases for customers.

WaterNSW's functions include a range of non-commercial activities related to water security, water safety, environmental and social outcomes. Stakeholders have expressed concern that they are paying for obligations that do not relate to the services they receive. Given the prevalence of non-commercial activities, it may be appropriate for the NSW Government to consider whether more of WaterNSW's functions should be regarded as Community Service Obligations (CSOs). There are already examples of CSOs being applied to WaterNSW. For instance, the subsidy payments it receives for the North Coast and South Coast valleys and the subsidy payments it receives for recreational land management in Greater Sydney. Any consideration by the NSW Government of whether more CSOs are needed should place appropriate weight on the functions that WaterNSW provides to WAMC through the Roles and Responsibilities Agreement, and the revenue sharing arrangements associated with that Agreement.<sup>5</sup>

The NSW Government's competitive neutrality policy applies to all State Owned Corporations.<sup>55</sup> Competitive neutrality is particularly important in the context of services supplied by WaterNSW having regard to the existence of some competition for the supply of bulk water in Greater Sydney. The purpose of competitive neutrality is to remove resource allocation distortions that arise from public sector ownership. The government's contributions should be direct and transparent to ensure they are consistent with competitive neutrality principles. As such, all WaterNSW's non-commercial activities, regardless of the business segment, should be identified.

Some of WaterNSW's non-commercial activities may relate to regulatory requirements that are likely to drive costs and add to the need for revenue. For instance, the water quality impacts of historical PFAS contamination have led to national consultation on water quality regulation. In this review a broader issue that has been raised by WaterNSW is the breadth of WaterNSW's regulatory requirements and the related costs they are imposing on WaterNSW. In some cases it is reasonable that regulatory requirements are recovered from customers while in other cases the external benefits may support taxpayer funding.

WaterNSW should be able to operate in an environment that enables it to:

<sup>5</sup> The Roles and Responsibilities Agreement is an agreement between the Department of Climate Change, Energy, the Environment and Water (DCCEEW), WaterNSW and the Natural Resources Access Regulator that sets out how the agencies work together. It includes a revenue sharing requirements that outline how much revenue WaterNSW receives from WAMC.

- deliver water services efficiently and effectively
- pursue synergies in the delivery of water and related services to rural valleys
- effectively compete in the supply of bulk water to Greater Sydney.

## 5.5 Long-term sustainability of rural bulk water services

Our review of WaterNSW's proposed rural prices has identified challenges for long term affordability for some rural valleys and the risks that others may become unaffordable over time (e.g. the FRWS is highly dependent on a single customer). WaterNSW is highly dependent on a small customer base with the volatility in water supply often being outside the control of both WaterNSW and its customers. These issues are likely to continue into the future, presenting sustainability challenges for the WaterNSW business going forward. Yet these services are central to the towns and businesses throughout NSW.

IPART is open to reconsidering the framework for sharing the efficient costs of providing WaterNSW's rural water bulk water services between customers and the NSW Government (see Box 5.1) once we have completed our assessment of the efficient level of revenue required by WaterNSW.

### Box 5.1 IPART is open to a review of the cost share framework

The cost sharing arrangements cover some of WaterNSW's rural bulk water services and all of WAMC's water management services. The arrangements determine which costs are allocated to customers and which costs are allocated to the NSW Government. The latter incurs those costs on behalf of other users (e.g. recreational users) and the broader community.

IPART's last detailed review of cost share arrangements was conducted in 2019. In that review IPART decided to allocate efficient costs using the impactor pays principle. At the time, the Tribunal selected the impactor pays principle over alternative approaches as it achieves better efficiency outcomes, and ensures customers face the full costs of the services they receive. It also has the benefit of being a practical and transparent method for allocating costs. The review also considered two cost allocation frameworks: an activity-based framework and a service-based framework. The activity-based framework was in use at the time of the review. IPART retained it on the basis that alternatives did not materially enhance transparency or cost-reflectivity.

### Box 5.1 IPART is open to a review of the cost share framework

We consider that it is timely to review the cost sharing arrangements to determine whether they continue to reflect community and customer expectations. WaterNSW is experiencing escalating costs due to changes in input costs and changes in the scope of their activities. In addition, several policies have been operationalised by WaterNSW including non-urban metering and floodplain harvesting. Any review of the cost share framework would consider whether the cost allocation mechanisms are properly calibrated.

## Chapter 6 »

Draft decisions

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06



As discussed in Chapter 4, IPART is not convinced that the increased costs proposed by WaterNSW are sufficiently well justified as necessary and efficient. We consider more work needs to be done by WaterNSW to support its proposed levels of capital and operating expenditure. We have taken a range of factors into account including stakeholder submissions and independent experts' reviews. We also considered feedback from customers that they were not provided with clear information about bill impacts as part of WaterNSW's consultation.

Given this is the first pricing review for WaterNSW under our new framework for regulating water businesses, and taking into account and giving appropriate weight to the key broader issues have emerged through this review (discussed in Chapter 5), IPART proposes to make a 3-year determination so WaterNSW can continue to provide its bulk water services. This also allows time for WaterNSW and the NSW Government to consider these broader issues and to refine plans, costings and service delivery priorities in consultation with customers and other key stakeholders.

## 6.1 We propose to determine prices for up to 3 years

Our draft decision is:



1. To set 3-year determination periods for WaterNSW Greater Sydney and Rural Valleys and delay the commencement of prices for Greater Sydney until 1 October 2025.

WaterNSW has proposed that IPART, WaterNSW and WaterNSW shareholders would benefit from more time to resolve the issues that have been identified in this pricing review.

WaterNSW has written to IPART to suggest delaying a determination from this pricing review by one year and issuing a short-term determination with a modest uplift in revenue plus increases to reflect inflation, providing further time to address the matters raised in this review.

We consider this is a constructive suggestion. However, we are concerned that a 1-year determination may not be sufficiently flexible. Instead, the Tribunal proposes to make 3-year WaterNSW Greater Sydney and Rural and Regional price determinations based on the current prices, adding increases for inflation and some specific increases to reflect safety-related priorities where the Tribunal is satisfied the increases are in the public interest.

We intend that these prices would be in place until June 2028 unless subsequent work by WaterNSW and IPART and discussion with the NSW Government enables new price determinations earlier. Any new determinations would be made by the Tribunal only after IPART issues a draft report, seeks and considers submissions and holds a public hearing. IPART is able to commence this process at any time during the determination period.

We intend that these prices would be in place from 1 July 2025 for Rural Valleys and 1 October 2025 for Greater Sydney (to align with when the Sydney Water determination will commence) to 30 June 2028.

## Seek Comment



1. Do you agree with the draft decision to set a 3-year determination period?
2. In your view, what should WaterNSW focus on over the next 3 years?

## 6.2 Prices for WaterNSW Greater Sydney

### 6.2.1 We support increasing spending on safety-related items

We recognise the importance and necessity of some of WaterNSW's proposed cost increases such as those relating to safety and propose to include WaterNSW's proposed increases for the Dams Safety Levy and expenditure on crane and electrical safety in the upcoming determination period. These operating costs are low in materiality, collectively \$5.3 million over the 3 years from 2025-26 to 2027-28, which represents around 2% of IPART's annual operating expenditure allowance for WaterNSW Greater Sydney in the 2020 determination.<sup>6</sup> The inclusion of these costs would result in a real price increase of around 0.8% from 2025-26.

We also propose to include WaterNSW's proposed capital expenditure for the Warragamba Dam Resilience project. At this stage, the project costs and the scope of work for the Warragamba Dam Resilience project have not been finalised. Typically, we expect water businesses to show that funding will be spent efficiently before it is included in prices. However, we consider there is sufficient justification, based on the matters in the IPART Act which we must take into account, to include enough capital for WaterNSW to progress the Warragamba Dam Resilience project to improve dam safety.

We used WaterNSW's updated capital expenditure profile for the project and included \$82 million of proposed expenditure for the 3-year period from 2025-26 to 2027-28, based on our draft decision to set prices for a 3-year determination period (see section 6.1). We found that this would lead to an additional real price increase of 0.7% from 2025-26.<sup>7</sup>

We support WaterNSW making necessary improvements to address key risks such as dam, crane and electricity safety.

It is important to note that, while our adjustments are based on proposed expenditure for discrete items/projects, IPART determinations allow an envelope for efficient expenditure which enables water businesses to reprioritise their spending as a determination period progresses. We consider it is the responsibility of WaterNSW to manage its assets and take all necessary actions to manage safety risks.

<sup>6</sup> Based on \$1.8 million per year.

<sup>7</sup> We note that the proposed capital costs for the Warragamba Dam Resilience project increase significantly beyond 2027-28 under WaterNSW's updated project cost estimates.

## Seek Comment

3. Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Greater Sydney's prices from 1 October 2025?

## 6.2.2 We have made a draft decision to increase prices by 6.9% plus inflation

Our draft decisions are:

2. To set prices for WaterNSW Greater Sydney from 1 October 2025 to 30 June 2028 based on the current prices, adding increases for inflation and some specific increases to reflect safety-related priorities where the Tribunal is satisfied the increases are in the public interest.
3. To increase prices for WaterNSW Greater Sydney customers by 6.9% plus inflation from 1 October 2025, and then by inflation on 1 July 2026 and 1 July 2027.

Our draft decision is to keep customer prices largely unchanged (in real terms) for up to 3 years with an uplift for necessary safety upgrades. This would result in prices for WaterNSW Greater Sydney customers increasing by 6.9% plus inflation from 1 October 2025. Prices would then increase by inflation only on 1 July 2026, and 1 July 2027.

We last reviewed prices for WaterNSW's services in the Greater Sydney area in 2020 and set a determination for 4 years ending 30 June 2024. In 2021 we agreed to defer the scheduled 2023-24 review by one year. This meant that the 2023-24 prices set out in the 2020 determination remained constant in nominal terms in 2024-25, and as a result, WaterNSW under-recovered its efficient costs over 2024-25.

We propose to apply the following adjustments to account for forgone CPI increases in 2024-25:

- **3.6%**, to update prices to \$2024-25. WaterNSW's prices did not increase in 2024-25 as they were kept the same as they were in 2023-24 (i.e. prices were held constant in nominal terms). This means that the prices customers paid in 2024-25 were reflective of 2023-24 prices. This 3.6% increase reflects increasing prices by CPI for 2024-25.
- **1.3%**, to compensate for lost revenue in 2024-25 because prices did not increase by CPI. This adjustment enables WaterNSW to recover the full amount of revenue it lost in 2024-25 over our proposed 3-year determination period.

We then propose to add WaterNSW's proposed expenditure (operating and capital) for safety-related items (as discussed in section 4.1.2), including:

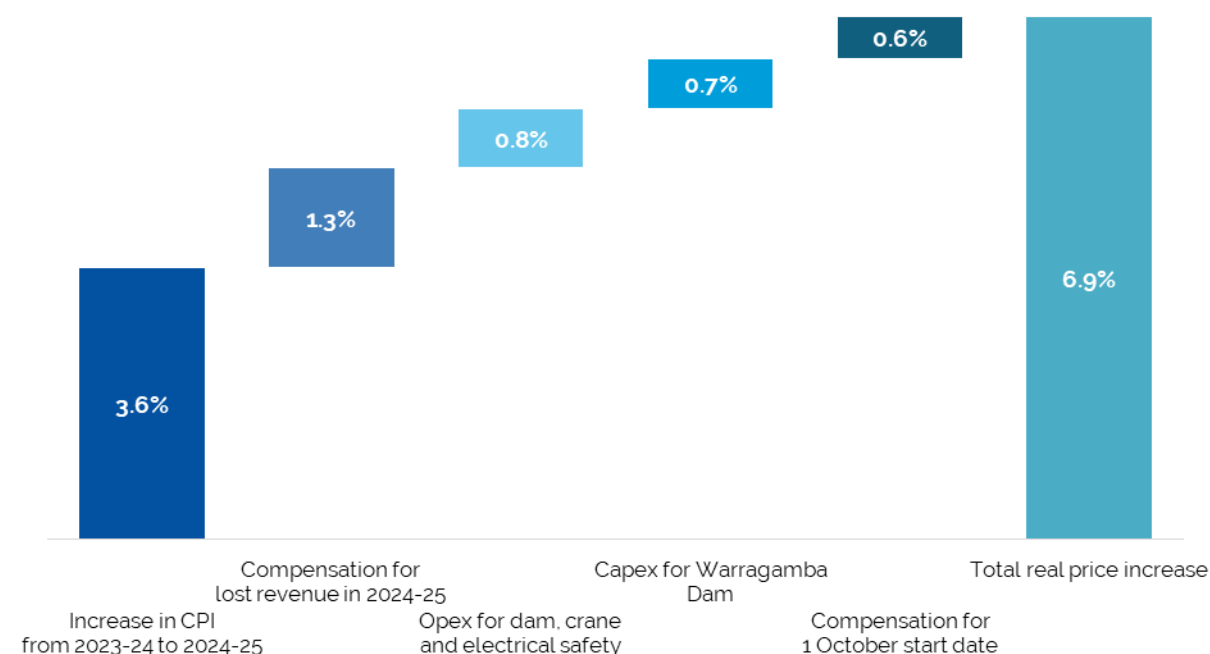
- **0.8%**, for the Dams Safety Levy and proposed increases in operating expenditure for crane and electrical safety.

- **0.7%**, for proposed capital expenditure for the Warragamba Dam Resilience project. We used WaterNSW's updated profile for the project and included \$82 million of capital expenditure for a 3-year period.

Finally, we propose to apply an adjustment of **0.6%** to account for the 3-month delay to the final determination (new prices will apply from 1 October 2025), so that WaterNSW does not forgo revenue it would have otherwise received if new prices applied from 1 July 2025.

Figure 6.1 presents each of the components that make up the proposed 6.9% real price increase for WaterNSW Greater Sydney customers from 1 October 2025. Prices would also be adjusted for inflation each year from 2025-26 to 2027-28.

Figure 6.1 Components of the 6.9% real price increase for Greater Sydney



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

Our Draft Determination sets out the prices that would apply under our draft decisions. The maximum prices at 30 June 2028 would continue to apply beyond 30 June 2028 until the determination is revoked or replaced.

We are seeking feedback on our draft decision to keep price increases mostly limited to changes in inflation, with some increases for safety-related costs.

### 6.2.3 We propose to update forecast water sales volumes

Our draft decision is:



4. To adopt the forecast water sales volumes outlined in Table 6.1 for WaterNSW Greater Sydney.

We have made a draft decision to accept WaterNSW's non-drought demand forecasts for 2025-26 to 2027-28 for all customers except Sydney Water.

Our draft decision on water sales volumes for Sydney Water for the next 3 years reflects draft decisions we have made as part of our concurrent review of [review of prices for Sydney Water Corporation](#) to apply from 1 October 2025.

Sydney Water's drought sales forecasts are on average 8% lower than the non-drought sales forecasts and take into account the effects of water restrictions and price elasticity on demand.

Since all customers contribute to the draw-down of dam levels and should support the system-wide supply of water in times of low rainfall by reducing their usage, we consider that a similar reduction in drought sales should apply for all customers. Based on this, we applied an 8% reduction to WaterNSW's non-drought demand forecasts for its council and raw and unfiltered customers to derive drought forecasts for these customers.

**Table 6.1 Draft decision on water sales volumes 2025-26 to 2027-28 (ML/year)**

	2025-26	2026-27	2027-28
<b>Non-drought</b>			
Sydney Water	544,315	543,157	546,278
Wingecarribee Shire Council	4,748	4,748	4,748
Shoalhaven City Council	91	91	91
Goulburn Mulwaree Council	39	39	39
Raw and unfiltered	152	152	152
<b>Drought</b>			
Sydney Water	497,637	499,686	505,750
Wingecarribee Shire Council	4,341	4,368	4,396
Shoalhaven City Council	83	84	84
Goulburn Mulwaree Council	36	36	36
Raw and unfiltered	139	140	141

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

## 6.2.4 We do not propose to update forecast benchmark electricity prices

Our Draft Determination maintains all other decisions from the 2020 price review.

The 2020 Determination includes a cost pass-through for the efficient costs associated with the transfer of water from Shoalhaven to Sydney through the Shoalhaven transfer scheme. This relies on benchmark electricity prices to calculate the efficient costs of pumping.

We are proposing to maintain the benchmark peak and off-peak electricity prices for 2023-24 set in the 2020 Determination for the upcoming determination period. These prices will be inflated (indexed by CPI) each year to maintain prices in real terms.

We recognise that benchmark electricity prices may have changed since our last review, and WaterNSW has engaged Frontier Economics to estimate new benchmarks for the next 5 years.<sup>56</sup> We consider any material over or under-recovery of revenue due to changes in energy costs over the next 3 years could be addressed through a true-up at the beginning of the next pricing review and adjusted accordingly, as could be decided by the Tribunal at the time.

## Seek Comment



4. Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Greater Sydney 2020 price review?

### 6.2.5 Bill impacts under our draft decisions

Table 6.2 presents the bill impacts based on forecast water sales volumes for the upcoming determination period. The variation in bill increases for different customers (from 1.7% to 7.7%) is due to changes in water demand.

Table 6.2 Bill impacts of prices for WaterNSW's customers

Customers	Current bills 2024-25	Bills 2025-56 <sup>a</sup>	Change <sup>b</sup>
	\$2024-25	\$2025-26	%
Sydney Water	228,417,233	243,302,218	6.5%
Wingecarribee Shire Council	1,548,097	1,575,159	1.7%
Shoalhaven City Council	28,440	29,476	3.6%
Goulburn Mulwaree Council	28,924	30,621	5.9%
Raw water customers <sup>c</sup>	602	649	7.7%
Unfiltered water customers <sup>d</sup>	3,780	4,070	7.7%

a. Bills calculated based on 3 months of current prices and 9 months of prices under our draft decisions.

b. The percentage change includes forecast inflation from 2024-25 to 2025-26.

c. Bills for raw water customers are based on average consumption.

d. Bills for unfiltered water customers are based on average consumption and a 20mm meter connection.

Source: IPART analysis.

Sydney Water is WaterNSW's largest customer in the Greater Sydney area, accounting for about 99% of WaterNSW's bulk water sales. The prices that WaterNSW charges Sydney Water would have a small impact on the bills of Sydney Water's customers. Under our draft prices, the cost of Sydney Water's bulk water purchases from WaterNSW account for around 7% of Sydney Water's total revenue requirement over the 3-year period from 2025-26 to 2027-28.<sup>8</sup>

Our draft prices for WaterNSW's bulk water supply to Sydney Water would increase the bills of Sydney Water's customers (i.e. end-use customers). Table 6.3Table shows how our proposed pricing decisions for WaterNSW Greater Sydney will contribute to a small increase in Sydney Water's end-use customer bills in 2025-26 (i.e. WaterNSW's component of a typical end-use residential customer's bill is expected to increase from around \$96 in 2024-25 to around \$100 in 2025-26).

<sup>8</sup> This is based on non-drought demand and pricing.

Table 6.3 Impact of bulk water costs on a typical Sydney Water customer bill (non-drought demand and pricing scenario) (\$2024-25)

	2024-25	2025-26	2026-27	2027-28
<b>Residential: 20mm meter and 200kL pa</b>				
Water and sewerage bill, SWC customer (\$)	1,220	1,293	1,366	1,418
WaterNSW component of total bill (\$)	96	100	102	101
WaterNSW component of total bill (%)	7.8%	7.8%	7.5%	7.1%
<b>Non-residential: 40mm meter and 5800kL pa</b>				
Water and sewerage bill, SWC customer (\$)	23,530	25,583	26,966	27,678
WaterNSW component of total bill (\$)	2,495	2,755	2,838	2,825
WaterNSW component of total bill (%)	10.6%	10.8%	10.5%	10.2%

Source: IPART analysis.

## 6.2.6 WaterNSW Greater Sydney financial sustainability

When setting maximum prices, we consider the financial sustainability of the business resulting from our pricing decisions. To do this, we undertake a financeability test to assess how our price decisions are likely to affect the business's financial sustainability and ability to raise funds to manage its activities, over the upcoming regulatory period.<sup>9</sup>

We have run the benchmark financeability test for WaterNSW's Greater Sydney segment. We do not yet have information on WaterNSW's actual gearing and cost of debt to undertake the actual financeability test. The following table summarises the results of the benchmark test.

Table 6.4 WaterNSW – Greater Sydney financeability ratios

	Target ratio	2025-26	2026-27	2027-28
Real Interest Coverage Ratio	Higher is better >2.2x	3.4x	3.4x	3.4x
Real FFO/Net Debt	Higher is better >7.0%	6.4%	6.4%	6.3%
Net Debt/RAB	Lower is better <70%	60%	60%	60%

Source: IPART analysis.

- The real interest coverage ratio is above target, meaning that WaterNSW is expected to receive enough free cash flow to pay its real interest expense 3.4 times. This indicates WaterNSW would have sufficient revenue to service its interest expenses (based on benchmark parameters).
- The real funds from operations (FFO)/net debt ratio is below target. This result is driven by WaterNSW having relatively long-lived assets (which the fixed target ratio of >7% does not accommodate). We note WaterNSW Greater Sydney was below target on this ratio in the 2020 review.

<sup>9</sup> For more information on our financeability assessment, see [Review of our financeability test 2018](#).

- The net debt / RAB ratio (also known as the gearing ratio) is less than the 70% target.

In summary, we consider the benchmark test results indicate that draft prices are consistent with it being financeable in the short to medium term.

### Box 6.1 Benchmark assumptions for Greater Sydney financeability test

The financeability test is based on the operating costs and capital expenditure that underpin our proposed prices.

- The operating costs are based on the average allowance over the 2020 determination period, indexed for inflation, plus the additional costs for dam, crane and electrical safety
- Capital expenditure maintains the real value of the RAB plus the additional amounts for the Warragamba Dam Resilience project (around \$82 million).

Revenue is based on our proposed prices and forecast sales volumes.

The test uses a post-tax real WACC of 3.4%, based on IPART's standard methodology.

## 6.3 WaterNSW Rural Valleys

### 6.3.1 We support increasing spending on safety-related items

We recognise the importance and necessity of some cost increases such as those relating to safety, which is why we have made a draft decision to allow increases for the Dams Safety Levy and proposed expenditure on crane and electrical safety. These operating costs are relatively low in materiality, collectively \$5.0 million over the 3 years from 2025-26 to 2027-28, which represents around 8.2% of the average annual operating expenditure allowance for WaterNSW Rural Valleys under IPART's 2021 determination. The inclusion of these costs would result in a real price increase of around 1.9% from 2025-26.

### Seek Comment



5. Should WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) be included in WaterNSW Rural Valleys prices from 1 July 2025?



### 6.3.2 We have made a draft decision to increase prices by 1.9% plus inflation

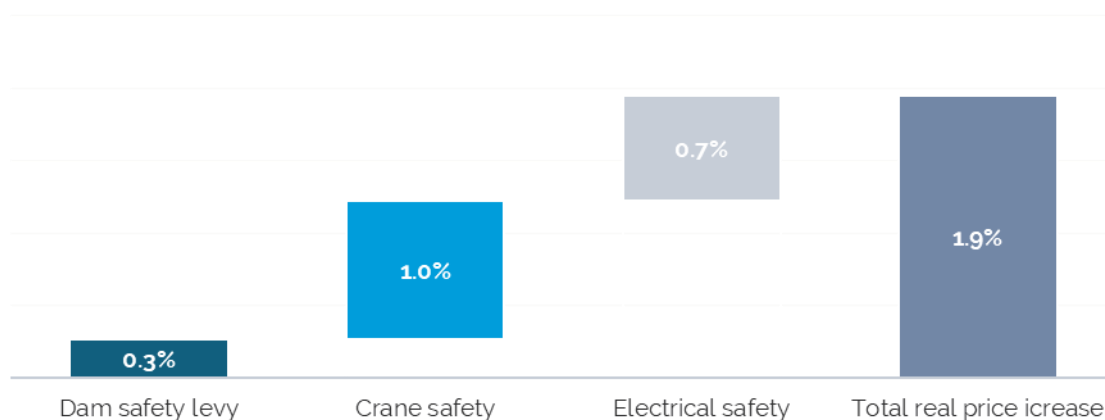
Our draft decisions are:

5. To set prices for WaterNSW Rural Valleys from 1 July 2025 to 30 June 2028 based on the current prices, adding increases for inflation and some specific increases to reflect safety-related priorities where the Tribunal is satisfied the increases are in the public interest.
6. To increase prices for WaterNSW Rural Valleys customers by 1.9% plus inflation from 1 July 2025, and then by inflation on 1 July 2026 and 1 July 2027.

Our draft decision is to keep customer prices largely unchanged (in real terms) for up to 3 years with an uplift for necessary safety upgrades. Prices for WaterNSW Rural Valleys customers would increase by 1.9% plus inflation from 1 July 2025. Prices would then increase by inflation each year.

The impact of the proposed entitlement and water take charges per ML is generally in line with a 1.9% real increase for both high security and general security licence holders. There would still be no real increases for North Coast and South Coast licence holders, consistent with what WaterNSW proposed.

Figure 6.2 Components of the 1.9% real price increase for Rural Valleys



Note: Totals may not sum due to rounding.

Source: IPART analysis.

Our Draft Determination sets out the prices that would apply under our draft decisions. The maximum prices at 30 June 2028 would continue to apply beyond 30 June 2028 until the determination is revoked or replaced.

We are seeking feedback on our draft decision to keep price increases mostly limited to changes in inflation, with some increases for safety related costs.

### 6.3.3 We propose to adopt forecast water sales volumes

Our draft decision is:



7. To adopt the forecast water sales volumes outlined in Table 6.5 for WaterNSW Rural Valleys.

WaterNSW proposed to maintain the approach from the 2021 price review and base water sales forecasts on the 20-year rolling average of historical water sales. WaterNSW proposed to use these forecasts to set water usage for 2025-26 prices, then move to annual forecasts of water sales as part of its proposed revenue cap.

Our draft decision is to accept WaterNSW's approach to use the 20-year rolling average and to hold these forecasts constant over the 3-year determination period. This approach is consistent with the 2021 determination period. We have updated the 20-year rolling average using the latest set of actual water sales data as this data is now available for 2023-24 (it was not available at the time WaterNSW was preparing its pricing proposal). Table 6.5 sets out the water sales volumes used in the 2021 determination period, those proposed by WaterNSW, and water sales volumes under our draft decisions.

Table 6.5 Draft decision on water sales volumes (ML/year)

Valley	Current Determination	Proposal	Draft decision
Border	139,453	128,308	132,090
Gwydir	220,489	202,463	212,956
Namoi	138,241	124,286	132,494
Peel	12,625	11,474	11,597
Lachlan	182,100	149,333	159,390
Macquarie	232,545	188,478	199,081
Murray	1,379,454	1,324,577	1,347,696
Murrumbidgee	1,531,279	1,480,771	1,493,305
North Coast	676	668	671
Hunter	123,631	115,295	113,030
South Coast	4165	3867	3,817
<b>Total (excluding Fish River)</b>	<b>3,964,658</b>	<b>3,729,520</b>	<b>3,806,128</b>
Fish River	5,753	4,879	4,705

Source: IPART analysis.

We have calculated the 1.9% increase in prices based on updated water sales volumes (ie, 3,806,128 ML/year). We are also considering further adjusting WaterNSW's base prices to account for changes in water sales volumes from the 2021 price review (ie, 3,964,658 ML/year) to this draft decision (ie, 3,806,128 ML/year).

The purpose of this additional adjustment would be to maintain WaterNSW's expected revenue given changes in water sales volumes since the last price review in 2021. As shown in Table 6.5, water sales volumes have fallen in all valleys since the last price review. Therefore, updating prices to account for changes in water sales volumes would result in higher prices in all valleys.

## Seek Comment



6. Should IPART further adjust WaterNSW's current Rural Valley prices to account for changes in water sales volumes from the 2021 price review (ie, 3,964,658 ML/year) to this draft decision (ie, 3,806,128 ML/year)?

### 6.3.4 We would maintain all other decisions from the 2021 price review

Our Draft Determination maintains all other decisions from the 2021 price review. This section discusses the impacts of carrying forward those decisions.

#### The Yanco Creek Levy

The Yanco Creek natural resources management levy (Yanco Creek levy) is currently set at \$0.90/ML per entitlement for a water licence holder in the Yanco Columbo system. The levy has remained at that amount since IPART first set this charge in the 2005 determination. The Yanco Creek levy is a unique charge that is intended to fund the rehabilitation, improvement of flows and to provide water efficiencies for the system and Murrumbidgee valley.

## Seek Comment



7. Should the Yanco Creek levy remain constant in nominal terms at \$0.90 per ML or be changed (for example, indexed to CPI)?

#### Fishways and Cold Water Pollution

WaterNSW proposed to spend \$148 million on its Fishways and Cold Water Pollution programs over the upcoming determination period,<sup>57</sup> which it said is required to meet environmental regulations.<sup>58</sup> IPART understands that WaterNSW has been in contact with the Department of Primary Industries and Regional Development's (DPIRD) Fisheries team, and IPART is also seeking DPIRD's input.

WaterNSW has previously been allocated funding to help sustain key performance service areas including fishway construction, but little progress has been made in the current determination period, and it is unclear what the fishways capital allowance has been used for. Our view is that while WaterNSW should carry out the work required to comply with fishways and cold water pollution requirements, customers should not have to pay more than once for this expenditure. As WaterNSW has not been able to demonstrate the prudence and efficiency of the projects in its proposal, our view is that these costs should not be reflected in our draft prices.

It is important to note that any decision by IPART would not prevent WaterNSW from carrying out work on these programs in the upcoming determination period because IPART will allocate an envelope of expenditure to WaterNSW, which WaterNSW may use, based on its priorities, as the determination period unfolds. It will also be possible for WaterNSW to make submissions to IPART at the next pricing review about its need for the capital expenditure for any works to be added to the regulatory asset base and future capital costs recovered through future prices.

## Murray-Darling Basin Authority and Dumaresq-Barwon Border Rivers Commission costs

Consistent with the 2021 price review, our draft decision is to continue to use the building block approach for Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC) costs. However, under our draft decision to set prices for WaterNSW Rural Valleys from 1 July 2025 to 30 June 2028 based on current prices plus increases for inflation and safety-related priorities, these costs will be based on the previous determination period rather than the costs in WaterNSW's pricing proposal.

## Aboriginal licences

Aboriginal Cultural licences were exempt from charges in the 2021 WaterNSW Rural Valleys determination, and were instead funded by a small cross-subsidy from other water licence holders. Currently there is only one Aboriginal Cultural licence in existing WaterNSW prices, and the funding arrangement has a minor impact on prices.

We propose to retain the current arrangements, noting that the NSW Government is progressing its actions in the NSW Water Strategy and Aboriginal Water Strategy, which include providing greater ownership of, and access to, water for cultural and economic purposes including through licence fee exemptions. We expect any changes in government policy during the determination period relating to prices of Aboriginal licences to be implemented by WaterNSW if agreed with its shareholder Ministers.

## Metering charges

We are planning to set the metering charges that apply to all regulated, unregulated and groundwater licence holders in the upcoming WAMC determination. Regulated river customers who currently pay metering charges set in the WaterNSW determination will move to the charges in the WAMC determination from when this is published.

## Seek Comment



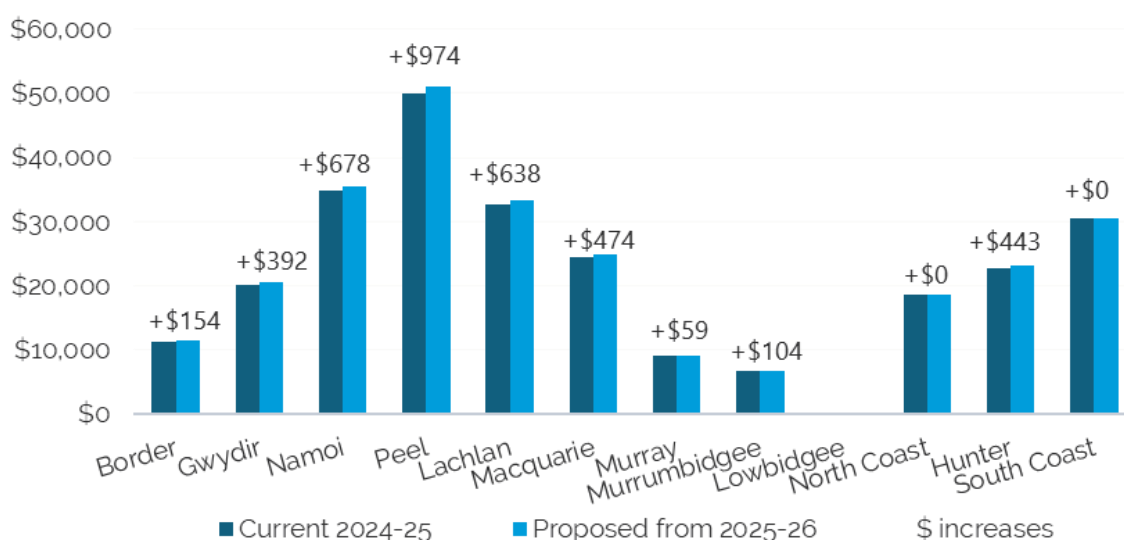
8. Are there any other matters we should consider in making our decision to carry forward decisions from the WaterNSW Rural Valleys 2021 price review?

## 6.3.5 Bill impacts under our draft decision

Under our draft decision, bill impacts would be broadly consistent across most rural valleys in percentage terms. The impact of the proposed entitlement and water take charges per ML is generally in line with a 1.9% real increase for both high security and general security licence holders. There would still be no real increases for North Coast and South Coast licence holders, consistent with what WaterNSW proposed. Additionally, percentage bill increases under our draft decision for Border, Murray and Murrumbidgee licence holders are slightly lower than other non-coastal valleys because MDBA & BRC prices are increasing by only CPI. In dollar terms, the impacts for a typical customer using 500ML per year would vary between \$974 (high security customer in the Peel valley) and \$0 (all North Coast and South Coast customers).

Example bills under our draft prices for regulated river customers (including MDBA and BRC prices) are presented in Figure 6.3 (high security customers) and Figure 6.4 (general security customers). The figures also show the proposed bill increases for year 1 of the new determination.

Figure 6.3 Draft example WaterNSW bills for high security, medium users (500ML entitlement, 100% allocation, \$2024-25)



Note: Bills include MDBA and BRC charges and exclude WAMC charges. There are no high security entitlement holders in Lowbidgee. Source: IPART analysis.

Figure 6.4 Draft example WaterNSW bills for general security, medium users (500ML entitlement, 60% allocation, \$2024-25)



Note: Bills include MDBA and BRC charges and exclude WAMC charges. Source: IPART analysis.

### 6.3.6 WaterNSW Rural Valleys financial sustainability

We also undertook the benchmark financeability test for WaterNSW's Rural Valleys segment. We do not yet have information on WaterNSW's actual gearing and cost of debt to undertake the actual financeability test. The following table summarises the results of the benchmark test.

Table 6.6 WaterNSW – Rural Valleys benchmark financeability ratios

	Target ratio	2025-26	2026-27	2027-28
Real Interest Coverage Ratio	Higher is better >2.2x	2.7x	2.8x	2.8x
Real FFO/Net Debt	Higher is better >7.0%	4.6%	4.7%	4.8%
Net Debt/RAB	Lower is better <70%	60%	60%	60%

Source: IPART analysis.

- The real interest coverage ratio is above target, meaning WaterNSW is expected to receive enough free cash flow to pay its real interest more than twice over. However, this is a decline from the 2021 price review (where the ratio was 8-9 times).<sup>59</sup>
- The real FFO/net debt ratio is below target. Rural Valleys was below the threshold in the 2021 determination as well, but it has dropped further in this review (from 5.4% in 2024-25 to 4.6% in 2025-26).<sup>60</sup>
- The net debt / RAB ratio (also known as the gearing ratio) is less than the 70% target.

Overall, our assessment is that our draft decisions are likely to provide adequate revenue to support WaterNSW's financial sustainability in the short-term. However, some of the ratios for Rural Valleys are lower than for Greater Sydney, and are lower than in the last Rural Valley determination. The root issue is identified in WaterNSW's proposal, which recognised that prices would need to increase significantly higher than what customers report they can afford if the business is to remain in a strong financial position.

We need time to resolve this tension between affordable prices for customers and strong financial performance for WaterNSW. This is part of the reason for our draft decision to issue a shorter, 3-year determination. While we work through this issue, our draft decision is to keep prices at a lower, but affordable level. WaterNSW will need to manage its business within the revenue envelope determined in this review.

We also note that this issue is isolated to the Rural Valleys segment of WaterNSW (which makes up around one-third<sup>10</sup> of WaterNSW's revenue).

We are continuing to consider these matters while we consult on this draft determination and we will consider them carefully before making a final 3-year determination for Rural Valleys. We will also consider financeability as we continue to assess the WaterNSW pricing proposal. We welcome stakeholder feedback.

<sup>10</sup> Based on 2024-25 expected revenue for WaterNSW's Greater Sydney and Rural Valleys segments.

## Box 6.2 Benchmark assumptions for Rural Valleys financeability test

The financeability test is based on the operating costs and capital expenditure that underpin our draft prices.

- The operating costs are based on the average allowance over the 2021 determination period, indexed for inflation, plus the additional costs for dam, crane and electrical safety
- All other recurrent costs<sup>11</sup> are based on the average allowance over the 2021 determination period, indexed for inflation
- Capital expenditure maintains the real value of the RAB.

Revenue is based on:

- Proposed prices and forecast entitlement and usage volumes, where usage volumes are the 20-year rolling average to 2023-24.
- Government payments that increase in proportion to prices.

The test uses a post-tax real WACC of 3.4%, based on IPART's standard methodology.

## Seek Comment



9. Do you agree that IPART's draft pricing decisions are likely to provide adequate revenue to support WaterNSW's financeability for up to 3 years?

<sup>11</sup> Such as MDBA & BRC costs, Irrigation Corporation and District (ICD) rebates and Unders and Overs Mechanism (UOM) costs.

## Appendix A >>

Matters being considered by IPART





This appendix lists the matters that we are considering as part of this review, as required under the *Independent Pricing and Regulatory Tribunal Act 1992*.

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

Where the Tribunal uses a methodology to fix prices, section 14A of the IPART Act requires us to report on what regard we have had to the matters listed in section 14A(2).

These matters are:

- a. the government agency's economic cost of production,
- b. past, current or future expenditures in relation to the government monopoly service,
- c. charges for other monopoly services provided by the government agency,
- d. economic parameters, such as
  - discount rates, or
  - movements in a general price index (such as the Consumer Price Index), whether past or forecast,
- e. a rate of return on the assets of the government agency,
- f. a valuation of the assets of the government agency,
- g. the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment,
- h. the need to promote competition in the supply of the service concerned,
- i. considerations of demand management (including levels of demand) and least cost planning.

## A.2 Matters under section 15 of the IPART Act

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

- 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 Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment

- g. the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
- h. the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
- i. the need to promote competition in the supply of 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).

### A.3 Other matters

For WaterNSW's Murray-Darling Basin Services, the Tribunal has also had regard to the approach to approving infrastructure charges provided for under rule 29(2)(b) of the *Water Charge Rules 2010* (Cth).

That sub-rule provides that the Tribunal must be satisfied that the forecast revenue from the charges is reasonably likely to meet, but not materially exceed, the prudent and efficient costs of providing the infrastructure services, less:

- a. any government contributions related to the provision of those infrastructure services; and
- b. any amount reflecting a direction by a government forgoing a return on its share of capital in an infrastructure operator; and
- c. any revenue (other than from infrastructure charges) derived from the water service infrastructure used to provide infrastructure services.

## Appendix B »

Impacts analysis

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# B

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As noted in section 4.2, many stakeholders that pay WaterNSW rural bulk water charges have expressed concern that the prices put forward by WaterNSW are unaffordable. We have analysed the impact of these prices to 2029-30 for the NSW agricultural sector. The analysis in section B.1 does not include the impact of WAMC's proposed increases and is isolated to WaterNSW's proposed rural bulk water cost reflective base case.

## B.1 Farming businesses

WaterNSW commissioned Deloitte Access Economics to consider the impact of bulk water price increases on the NSW agricultural sector. The report found that while irrigated broadacre farms (e.g. cotton and rice) would be more exposed to rising water costs they have capacity to pay, and dairy and livestock sectors would be more vulnerable to bulk water price increases.<sup>bxi</sup>

Stakeholders<sup>bxi</sup> raised that this affordability analysis should have also considered how water prices impact farms differently based on size and based on variations within industries. It was also noted that dry seasons should have been better factored in and that the analysis should have separated out dryland and irrigated farms.

Recent financial performance and water use data for irrigated NSW agriculture has been limited.<sup>12</sup> In this context, we acknowledge the affordability analysis provided by WaterNSW.

To better understand the perspectives put forward by stakeholders, we obtained from ABARES, 5-year averages (2017-18 to 2021-22)<sup>13</sup> of gross margins and water use data for broadacre (including cotton and rice) and horticulture (including grapes) and dairy in the southern Basin (Murray NSW and Murrumbidgee).<sup>14</sup> This data is from the ABARES Murray-Darling Basin [Irrigated Survey](#).

For cotton, we used [CottonInfo](#)'s national gross margins data to contextualise the impact of WaterNSW's proposed prices for valleys outside the southern Basin (Border, Gwydir, Macquarie, Namoi and Lachlan).

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<sup>12</sup> 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](#)).

<sup>13</sup> 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).

<sup>14</sup> 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](#) webpage.

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### B.1.1 Southern Basin

For the southern Basin, we found the following broad trends in relation to the impact of WaterNSW's proposed cost reflective prices over the next 5 years (2025-26 to 2029-30), before inflation:

- Generally, the gross margins of cotton and rice farms would be the most impacted (Murray -13.3% and Murrumbidgee -6.1%), followed by broadacre farms that do not grow cotton and rice (Murray -9.3% and Murrumbidgee -2.6%), then dairy (Murray -5.3%). The impact on horticultural farms (including grapes) is more variable (i.e. -1.5% to -5.2%). Please refer to Table B.1 for more information.
- The gross margins of smaller broadacre farms (<\$1 million revenue) would generally be more affected (i.e. -16.6% Murray and -12.3% Murrumbidgee) than broadacre farms with >\$1 million revenue (i.e. -9.8% Murray and -4.8% Murrumbidgee). Similarly, the gross margins of larger Murray horticultural farms would be less affected by rising bulk water costs compared to smaller Murray horticultural farms (-3.7% vs. -7.7%). However, for Murrumbidgee horticulture, the gross margins of larger farming businesses would be slightly more affected than smaller Murrumbidgee horticultural farms (-2.7% vs. -1.9%). Please refer to Table B.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 thus estimates. This means that the data is likely to be different from that which would have been obtained if information had been collected from a census of all farms. The gross margins analysis also assumes that all other cost inputs and output prices are held constant. We also acknowledge that this analysis does not account for how seasonal conditions (e.g. higher water/allocations availability) would influence water use and thus impact agricultural production.

Table B.1 Impact of WaterNSW's proposal on selected agricultural industries (\$2024-25, 2017-18 to 2021-22 averages per farm)

	Gross margin per farm (\$)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) water bill (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
<b>Cotton and rice</b>							
Murray <sup>a</sup>	441,100	2,512	2,400	35,904	58,579	163%	-13.3%
Murrumbidgee	522,700	3,242	2,031	29,308	31,990	109%	-6.1%
<b>Other broadacre (excl cotton and rice)</b>							
Murray	243,500	1,439	336	13,414	22,592	168%	-9.3%
Murrumbidgee	466,200	2,017	397	11,785	12,101	103%	-2.6%
<b>Grapes</b>							
Murray	696,400	1,216	1,036	16,517	27,035	164%	-3.9%
Murrumbidgee	438,400	1,481	1,120	14,822	16,347	110%	-3.7%
<b>Horticulture (excl grapes)</b>							
Murray	328,300	712	738	10,575	17,214	163%	-5.2%
Murrumbidgee	153,800	233	149	2,129	2,327	109%	-1.5%
<b>Dairy</b>							
Murray	489,700	1,166	979	15,739	25,771	164%	-5.3%

a. Data is based on 3-years of data i.e. 2017-18, 2020-21 and 2021-22.

b. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the [ABARES MDB Irrigation Survey](#).

c. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Thus, insights from this table should be treated as indicative only.

d. Gross margin = farm cash income - total cash receipts - total cash costs.

e. The cotton and rice data should be interpreted as averages of farms that grow cotton and/or rice, noting that many of the farms surveyed in the southern Murray-Darling 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 WaterNSW and WAMC charges, including MDBA and BRC charges. The impact of WaterNSW's proposal to 2029-30 is based on the cost-reflective prices that was proposed by WaterNSW (incl MDBA and BRC charges).

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 B.2 Impact of WaterNSW's proposal on selected agricultural industries by size (\$2024-25, 2017-18 to 2021-22 average per farm)

	Gross margin per farm (\$)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) water bill (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
<b>Revenue \$1m and more</b>							
Murray Broadacre	515,000	2,613	1,483	30,365	50,232	165%	-9.8%
Murrumbidgee Broadacre	813,900	4,132	2,364	35,685	38,752	109%	-4.8%
Murray Horticulture	888,700	1,267	1,501	20,111	32,615	162%	-3.7%
Murrumbidgee Horticulture	802,400	1,765	1,602	19,651	21,885	111%	-2.7%
<b>Revenue less than \$1m</b>							
Murray Broadacre	115,500	1,197	313	11,384	19,138	168%	-16.6%
Murrumbidgee Broadacre	93,700	1,600	528	10,937	11,521	105%	-12.3%
Murray Horticulture	137,300	554	312	6,419	10,621	165%	-7.7%
Murrumbidgee Horticulture	121,600	267	136	2,185	2,357	108%	-1.9%

a. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the [ABARES MDB Irrigation Survey](#).

b. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Thus, insights from this table should be treated as indicative only.

c. Gross margin = cash income - total cash receipts - total cash costs.

d. IPART calculated the estimated current water bill by using 2024-25 WaterNSW and WAMC charges, including MDBA and BRC charges. The impact of WaterNSW's proposal to 2029-30 is based on the cost-reflective prices that was proposed by WaterNSW (incl MDBA and BRC charges).

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.

## B.1.2 Northern Basin (Cotton)

We used CottonInfo's national gross margins data to estimate the impact of WaterNSW's cost-reflective proposed prices for cotton growers in Border, Namoi, Macquarie, Gwydir and Lachlan. As shown in Table B.3, we found WaterNSW's proposed cost reflective prices (2025-26 to 2029-30) would decrease gross margins by around 10% or more, with large impacts for Namoi (16.1% 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 B.3 Estimated impact of WaterNSW's prices for cotton farms (\$2024-25, per hectare)

	Estimated gross margin (\$ per ha)	Estimated current (2024-25) water bill (\$ per ha)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Border	4,269	236	468	198%	-11.0%
Gwydir	4,237	267	418	156%	-9.9%
Macquarie	4,239	266	441	166%	-10.4%
Namoi	4,049	456	650	142%	-16.1%
Lachlan	4,165	340	496	146%	-11.9%

a. 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.

b. IPART calculated the estimated current water bill by using 2024-25 WaterNSW and WAMC charges, including MDBA and BRC charges. The impact to 2029-30 is based on the cost-reflective prices that was proposed by WaterNSW (incl MDBA and BRC charges).

c. 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.



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## B.2 Interjurisdictional comparisons

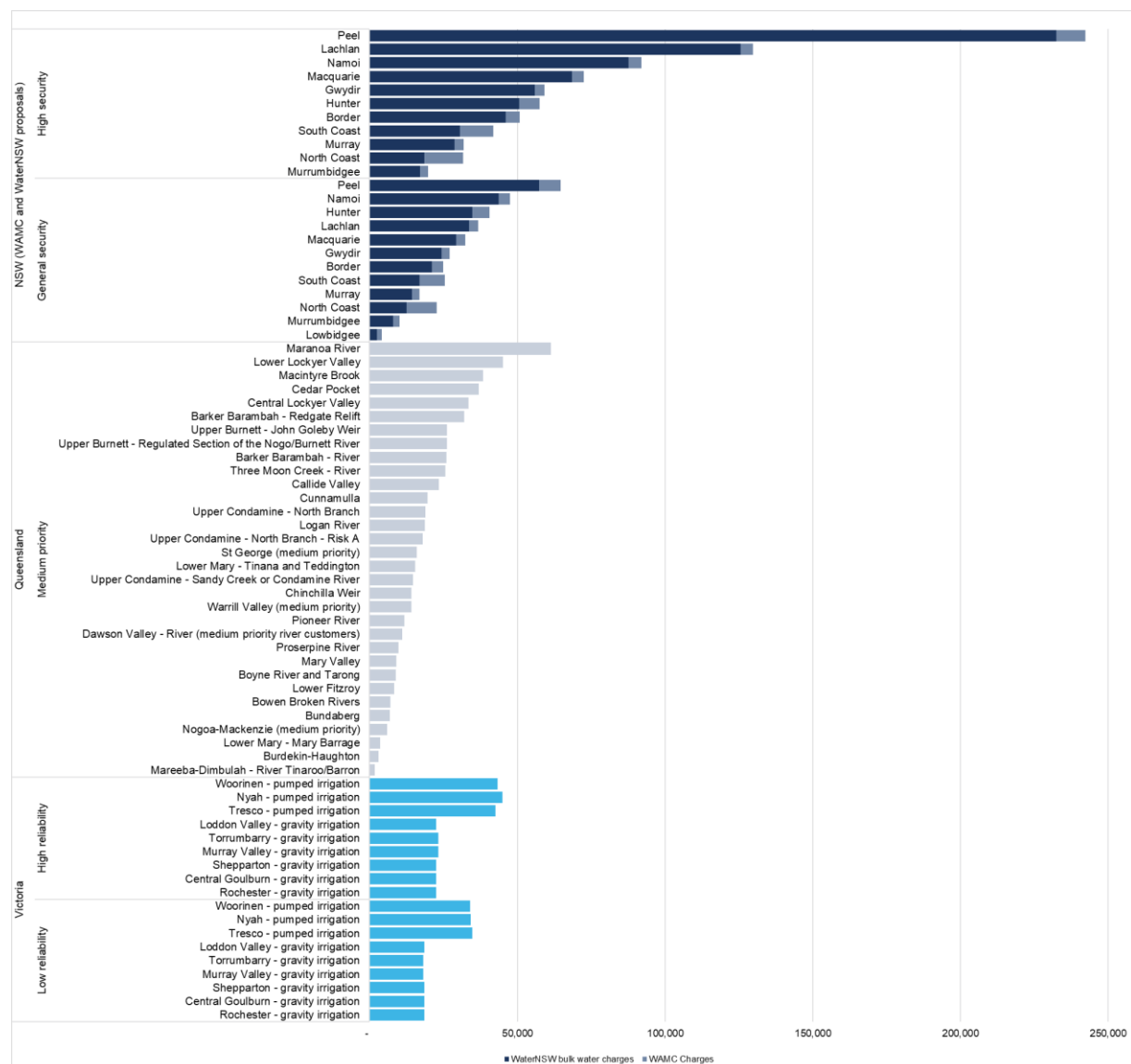
We also compared what a WaterNSW licence holder's bill at 2029-30 using its proposed cost reflective pricing would be compared to Queensland and Goulburn-Murray Water (Victoria). In this analysis, we also included the Water Administration Ministerial Corporation's (WAMC) proposed charges to make like-for-like comparisons with the other jurisdictions. IPART is also currently reviewing the maximum prices that WAMC can charge customers to provide water planning, management and regulation services.

Figure B.1 shows that:

- For a high security WaterNSW customer (500 ML entitlement & 100% water take), bills would be higher than what a high reliability Goulburn-Murray Water (GMW) customer would pay for the same entitlement and water take volume.
- For a general security WaterNSW customer (500 ML entitlement with 60% water take), bills would generally be in line (or slightly higher) than what a medium priority customer in Queensland would pay with the same entitlement and water take volume. However, the typical general security licence holder's bill would generally be higher than what a low reliability gravity and pumped irrigation GMW customer would pay.

GMW's current decision extends up to 2027-28 and Queensland's (Seqwater and Sunwater) pricing recommendations extend up to 2028-29. We have calculated the estimated 2029-30 bills using prices that would apply in the last year of each jurisdiction's current water decision or recommendation.

Figure B.1 Estimated interjurisdictional comparisons of bills at 2029-30 (\$2024-25)



- a. For Goulburn Murray Water (GMW), we assumed a delivery share of 5 ML/day, based on GMW's guide to divide water shares by 100 and excluded service point and subsurface drainage fees for comparability with NSW bills. We have assumed that both gravity irrigation and pumped irrigation bills would remain steady (before inflation) from 2024-25 to 2027-28. We also note that real increases for pumped irrigation bills would primarily be attributable to the service point and subsurface drainage fees.
- b. We only presented medium priority entitlements, as in general, irrigators in Queensland hold medium priority entitlements. While the Queensland Government will consider QCA's recommendations, when it determines irrigation prices, it is not bound to accept the QCA's recommendations.

Source: [Goulburn-Murray Water Pricing Simulators](#), [Irrigation price investigation 2025-29](#), [Goulburn-Murray Water final decision](#) and IPART analysis.

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- <sup>2</sup> WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p48.
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- <sup>10</sup> WaterNSW figures, IPART analysis.
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- <sup>12</sup> WaterNSW figures, IPART analysis.
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- <sup>19</sup> WaterNSW, [2024 Pricing Proposal – Attachment 26 Proposed Rural Valley bulk water charges and bill impacts](#), September 2024, pp 7-8.
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- <sup>39</sup> Individual (name suppressed) (W24/2707), [submission to IPART 2025 WaterNSW Greater Sydney price review – Issues Paper](#), November 2024, p 1.
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- <sup>46</sup> Cowra Shire Council, [submission to IPART 2025 WAMC and WaterNSW price reviews – Issues Paper](#), December 2024.
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