



IPART is reviewing prices for Essential Water & the Murray River to Broken Hill pipeline

28 October 2025

IPART sets the maximum prices that Essential Water can charge its Broken Hill customers for water and wastewater services (**Essential Water**). We also set the maximum prices that WaterNSW can charge for the water transportation services it provides to customers through its Murray River to Broken Hill pipeline (**WaterNSW pipeline**). The maximum prices we are setting in these reviews will apply from 1 July 2026.

Figure 1 provides a map showing the connection between the Murray River to Broken Hill pipeline and Essential Water's system.

We recognise that access to safe, reliable and affordable water at a fair price is critical to our communities, environment, and economy.

We set maximum prices so that customers pay only what water businesses require to efficiently deliver the services their customers need. Our aim is to hold water businesses accountable in a way that delivers good short-, medium-, and long-term customer outcomes. This normally means that the bills customers pay provide a water business with all the revenue it needs to cover what should be its efficient costs.

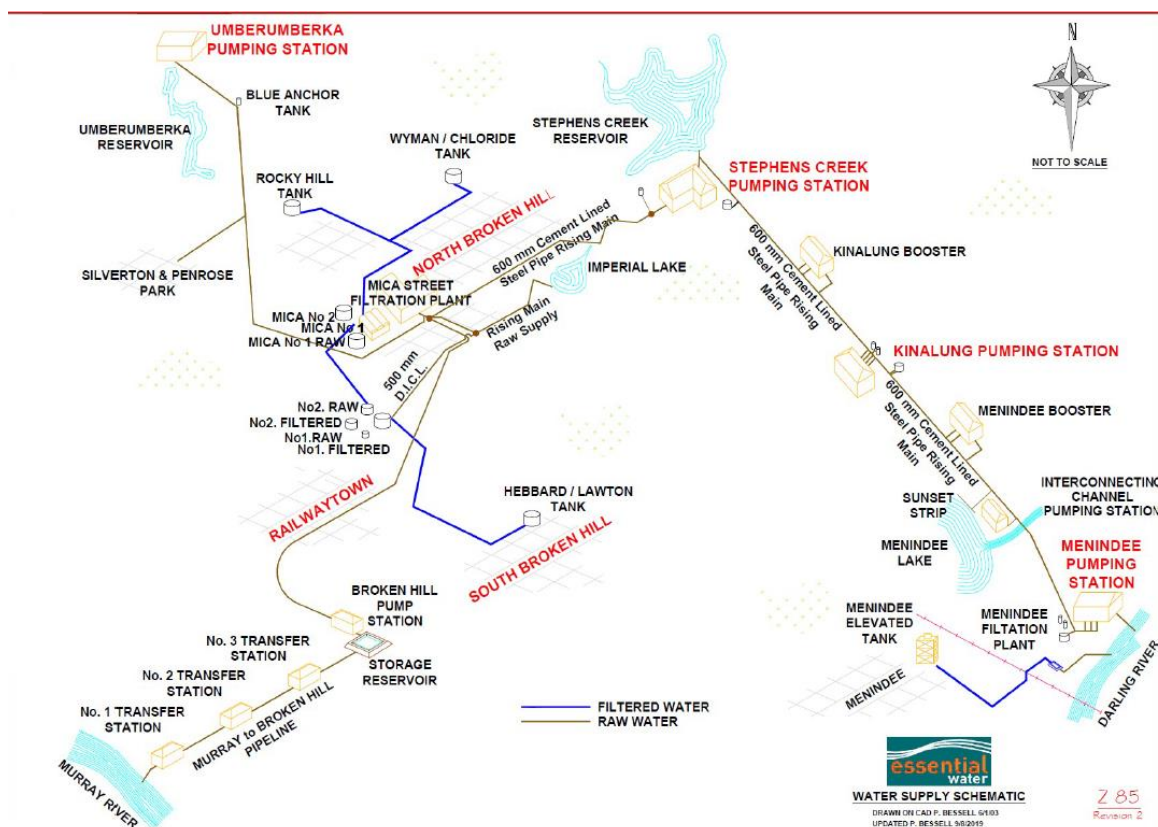
Sometimes however, setting maximum prices to recover a business's costs of efficiently delivering services would result in bills that are higher than customers can afford. This could arise because overall social and economic outcomes are better served where prices are lower than the business would otherwise need to recover the costs of delivering services efficiently.

This might mean we consider setting maximum prices which don't provide a business all the revenue it needs to recover its efficient costs over a 5-year determination period. In rare cases like this, the additional revenue needed might instead be contributed by the government and ultimately through it, taxpayers. This would help bridge the funding gap and allow the water business to fund necessary infrastructure and operating costs.

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.

Given the increases in bills proposed by Essential Water, we consider customer affordability and social impacts on the community will be key considerations for IPART in making our decisions on maximum prices, as well as other recommendations in our Final Report.

Figure 1 Essential Water system - map



Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 19.

Through our price review process, we focus on protecting customer affordability and promoting value for money, while also aiming to help the water businesses remain financially viable to efficiently deliver their services.

We will conduct a detailed, consultative process and we want to hear from you

We will conduct a thorough and transparent process to examine the costs and impacts for customers, which includes consulting customers and stakeholders. Your input is valuable to us as we undertake these price reviews.

You can get involved by making a [submission](#) to this Issues Paper on any matters relating to this review that you would like to tell us about. If you prefer, you can complete our short [survey](#) and/or register your interest in attending the [Public Hearing](#) on 24 November to discuss these topics in more detail.

Have your say

Your input is critical to our review process.

You can get involved by making a submission, submitting feedback or attending a public hearing.

[Submit feedback »](#)

[Complete the survey »](#)

[Attend the public hearing »](#)

[Subscribe to IPART»](#)

All stakeholders – including Essential Water's customers and the broader community – will have several opportunities to have their say during our price review.

- Our public consultation process commences with the release of this Issues Paper, as well as [Essential Water's pricing proposal](#) and [WaterNSW's pricing proposal](#) on 28 October 2025. We are seeking your feedback on these pricing proposals, with [submissions](#) to this Issues Paper due by 1 December 2025.
- We will hold a [Public Hearing](#) on 24 November 2025 in person at Broken Hill. The Public Hearing will be an opportunity to provide your feedback on this water review directly to the Tribunal and IPART Secretariat.
- We will consider all stakeholder and customer feedback, as well as input from our independent experts and our own analysis, before publishing separate Draft Reports for Essential Water and the WaterNSW pipeline with our draft decisions in March 2026. We will then seek written submissions on the Draft Reports. Following our consideration of submissions, we plan to publish our Final Reports by June 2026.
- Customers and stakeholders who would like to be notified when relevant material is released can [subscribe to receive updates from IPART](#).

Figure 2 Essential Water and WaterNSW pipeline price reviews timeline



How we will assess these pricing proposals

We will closely review the pricing proposals by Essential Water and WaterNSW to determine whether they promote value for money, are in the interests of customers, and deliver the outcomes customers need and want. We do this by thoroughly examining the costs and carefully considering, for example, impacts of their pricing proposals on household budgets, service standards, the environment, and the economy more broadly.

Under the *Independent Pricing and Regulatory Tribunal Act 1992* (**IPART Act**) we must consider a range of matters (Figure 3 sets these out).

Figure 3 Matters for IPART to consider when setting water prices



We will consider each of these matters in making our decisions in this review. We use a framework to help water businesses prepare pricing proposals and to help us to effectively consider these matters. Our framework, which is explained in our [Water Regulation Handbook](#), is focused on customers, costs, and credibility. It is underpinned by 12 guiding principles that can be used by water businesses to develop, and by IPART to assess, pricing proposals.

Our framework expects water businesses to create pricing proposals that promote customer value. We encourage water businesses to involve customers in the decision-making process when preparing pricing proposals. Involving customers to set outcomes that matter most to them, and align with their preferences, is essential if a water business is to identify better ways of delivering its services.

Please refer to the [Water Regulation Handbook](#) for a detailed explanation of the principles and approach we take. This is the first time Essential Water has submitted a pricing proposal since we published our [Water Regulation Handbook](#).

This Issues Paper sets out the key issues and proposed prices from Essential Water's and WaterNSW's pricing proposals. It also outlines the key topics we are seeking your views on.

Seek Comment



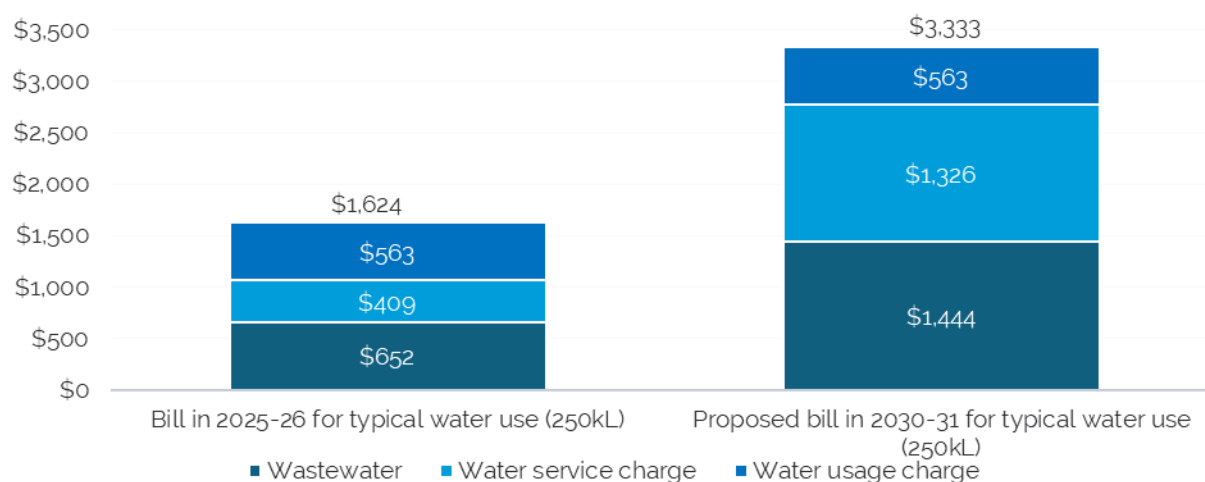
1. What do you think we should consider in this review?

Essential Water is proposing bills increase by around 15% a year plus inflation

Essential Water is proposing to increase bills for typical customers receiving water and wastewater services^a by \$342 on average (a 15% increase) each year over the next 5 years.¹ This is a proposed increase for a typical household from \$1,624 per year in 2025-26 to \$3,333 per year in 2030-31, plus inflation (see Figure 4). That is, inflation would be added onto these proposed bill increases.

^a A typical customer reflects a residential – treated water – non pensioner with an estimated median water demand of 250kL per year.

Figure 4 Essential Water's proposed typical residential bill in 2030-31 compared to the bill in 2025-26 (\$2025-26)



Note: Typical household is based on a customer living in a house using 250kL annually. Bills are shown in \$2025-26. The bills and prices presented in this Issues Paper may differ from those in Essential Water's Pricing Proposal as its bills and prices are shown in \$2026-27 (i.e. including the 2.9% inflation estimate). Annual bills from 2026-27 onwards will be adjusted in line with inflation.

Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, and IPART calculations.

Essential Water's proposal notes that affordability is a key issue for its customers. While setting prices to reflect costs, it has conducted some affordability analysis and suggests there is a case for additional support for customers for bills.²

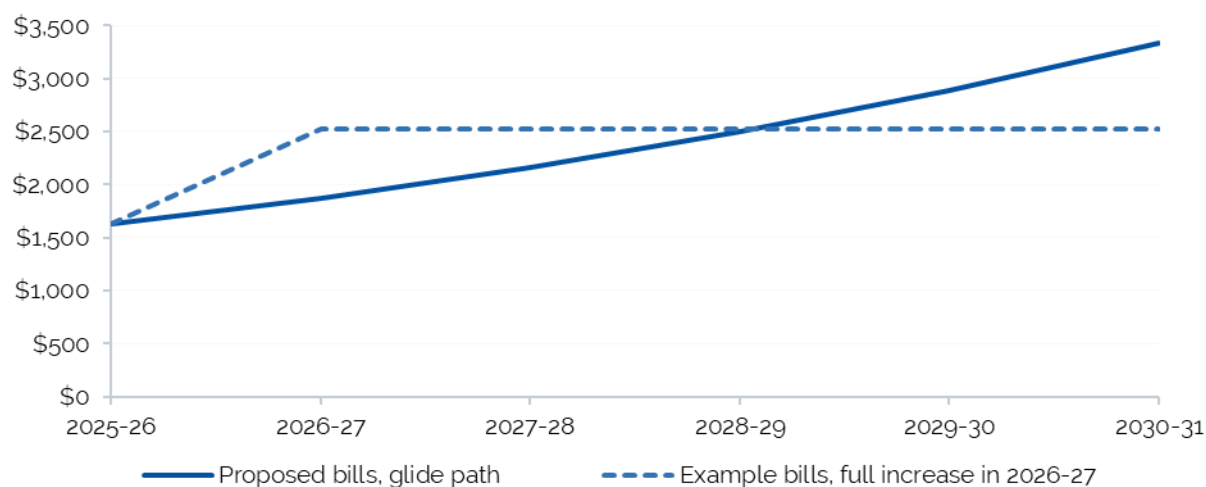
The proposal states that the key drivers of the proposed increases are:

- construction of a new Wills Street Wastewater Treatment Plant (WWTP) to align with requirements of the Environmental Protection Authority (EPA)
- replacement of the oldest parts of the water mains
- replacement of the oldest parts of the sewer mains.³

Essential Water has proposed bills increase at a constant rate each year (15% annually for the typical customer, plus inflation) over the determination period.⁴ Another way it might have chosen to recover its costs across the full 5-year period would be to have a bigger increase in 2026-27, but then keep prices constant for the following 4 years. We estimate that to recover the costs proposed by Essential Water, bills from 1 July 2026 would need to increase to around \$2,526 (plus inflation). This would be a one-off increase of around 55% in the typical residential bill in 2026-27, and then bills would remain at \$2,526 (plus inflation) for the following 4 years.

This would result in higher bills in 2026-27 and 2027-28, but lower bills in 2029-30 and 2030-31 relative to what Essential Water is proposing. An example of how this could look, for instance if IPART were to set prices that increase in a single step rather than incrementally as proposed by Essential Water, is shown in Figure 5.

Figure 5 Essential Water's proposed typical residential water and wastewater bills compared to an alternative price path over the next 5 years (\$2025-26)



Note: Typical household is based on a customer living in a house using 250kL annually. Bills are shown in \$2025-26. The bills and prices presented in this Issues Paper may differ from those in Essential Water's Pricing Proposal as its bills and prices are shown in \$2026-27 (i.e. including the 2.9% inflation estimate). Annual bills from 2026-27 onwards will be adjusted in line with inflation.

Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, and IPART calculations.

Essential Water's proposal will impact your water bill regardless of how much water you use

A water and wastewater bill typically has 2 types of charges which reflect the prices we set:

- **Usage charge.** This is a variable charge – how much you pay for this charge depends on how much water you use over the billing period.
- **Service (access) charge.** This is a fixed charge – you pay a set amount for the water service you receive over the billing period.

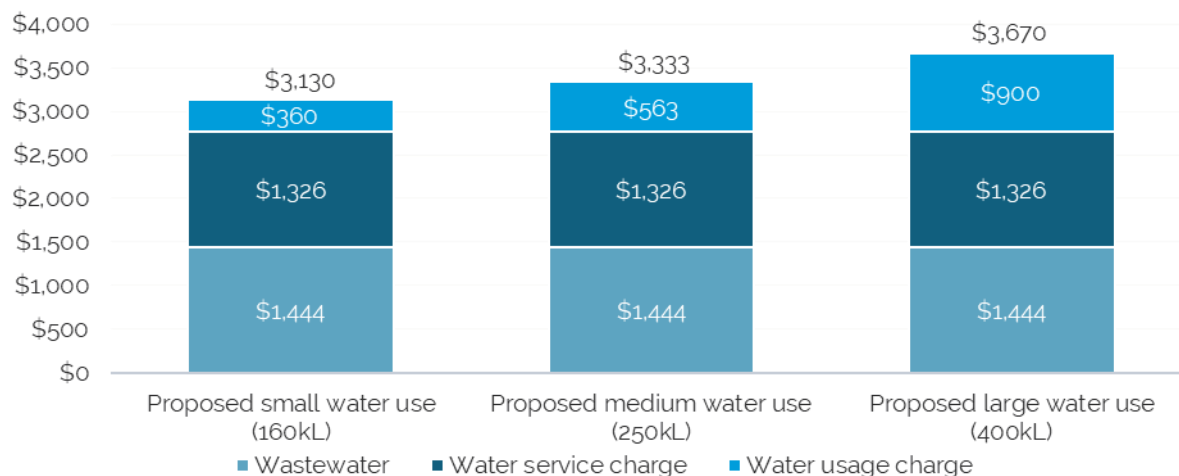
Essential Water has proposed to maintain water usage prices at \$2.32 per 1,000 litres (or kilolitres (kL)) across the determination period (plus inflation).⁵ This is significantly lower than the water usage charges we have set, or are proposed, for the other major water businesses we regulate.⁶ At the same time, fixed water service charges would increase by an annual average of 26%,⁶ and wastewater prices at an annual average of 17% for residential customers (and 21% for non-residential customers).⁷

This proposed price structure means that Essential Water's proposed typical residential bills in 2030-31 would be \$3,130 for small water users, \$3,333 for medium water users and \$3,670 for large water users, plus inflation (see Figure 6). Essential Water suggests this price structure "balances considerations of cost-reflectivity, equity, administrative efficiency, price stability and customer preferences".⁸

^b We have set water usage charges to increase to \$3.58 per kL and \$4.51 per kL in [Sydney Water](#) and [Hunter Water](#) respectively by 2029-30. We are currently also reviewing [Central Coast Council's](#) proposal which has proposed a water usage charge of \$3.12 per kL.

Essential Water considered reducing water usage prices to encourage water consumption for the purposes of mitigating health risks associated with lead dust caused by mining. However, in its proposal, Essential Water stated that this was not the preference of the customer panel who believed that dust suppression shouldn't be a responsibility of residential customers but rather the mining companies⁹. Essential Water's customers were in favour of key government agencies working with Broken Hill Council and Essential Water to manage the issues posed by lead dust.¹⁰

Figure 6 Essential Water's proposed typical residential bills in 2030-31 for small, medium and large users (\$2025-26)



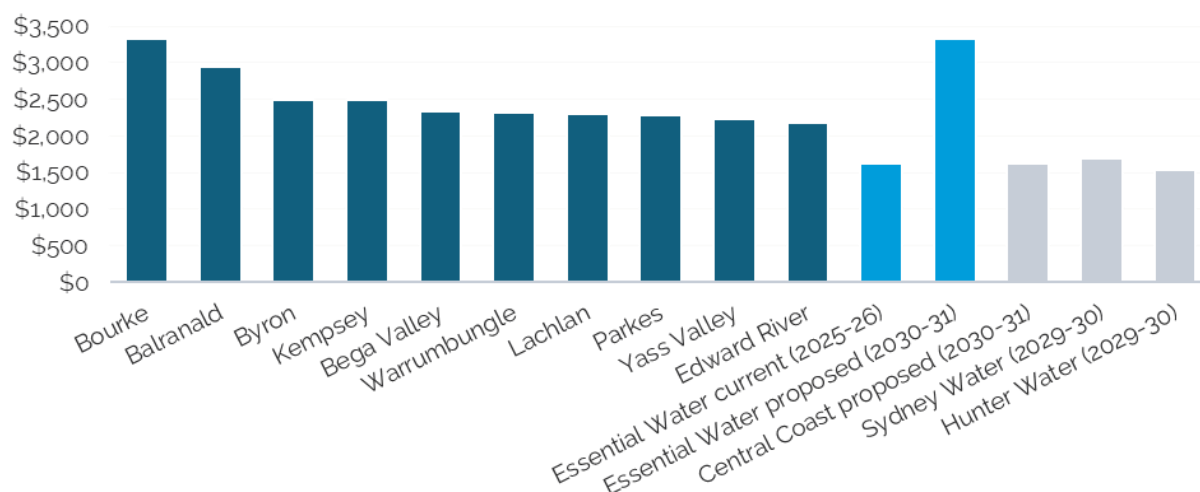
Note: Typical household is based on a customer living in a house. Bills are shown in \$2025-26. The bills and prices presented in this Issues Paper may differ from those in Essential Water's Pricing Proposal as its bills and prices are shown in \$2026-27 (i.e. including the 2.9% inflation estimate). Annual bills from 2026-27 onwards will be adjusted in line with inflation.

Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, and IPART calculations.

Figure 7 below compares Essential Water's current (2025-26) and proposed bills in 2030-31 with the 10 highest local water utilities' bills in NSW. It also includes Central Coast Council's proposed bills in 2030-31, and Sydney Water and Hunter Water's bills for 2029-30.

The 10 highest local water utility bills are from 2023-24 and all bills have been set to current dollars (\$2025-26). Figure 7 shows that Essential Water's proposed bills in 2030-31 would be the highest in NSW compared to bills data from 2023-24 and our recent price reviews.

Figure 7 Water and wastewater bills for typical household usage (\$2025-26)



Note: Bills are for typical residential consumption for each local water utility, which varies between utilities. Typical household is based on a customer living in a house. Bills are shown in \$2025-26. The bills and prices presented in this Issues Paper may differ from those in Essential Water's Pricing Proposal as its bills and prices are shown in \$2026-27 (i.e. including the 2.9% inflation estimate). Sydney Water and Hunter Water bills are actual expected bills in 2029-30 (in \$2025-26). Central Coast Council bills are proposed bills in 2030-31 (in \$2025-26). All other bills (except for Essential Water) are from 2023-24, increased by inflation (to \$2025-26).

Source: NSW Government, [Local water utility performance](#), accessed 23 October 2025; Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, and IPART calculations.

Seek Comment



2. What do you think about Essential Water's proposal to recover most of its additional costs to service customers through the water service charge (a fixed charge that does not vary by water usage)?
3. Would you reduce the amount of water you use to lower your water bill in response to Essential Water's proposed price increases, including outdoor use? If so, by how much?

Unique impacts of mining

Essential Water currently supplies water to 2 mines, which together account for approximately one-third of its customers' total water consumption.¹¹ The share of water usage by mines has been consistent since 2013-14. Their high water consumption and the overall low customer base of Essential Water means mining usage is material to overall water consumption and prices.

Essential Water has proposed to maintain the current price structure for its mining customers' water and wastewater charges.¹² This means mining customers would:

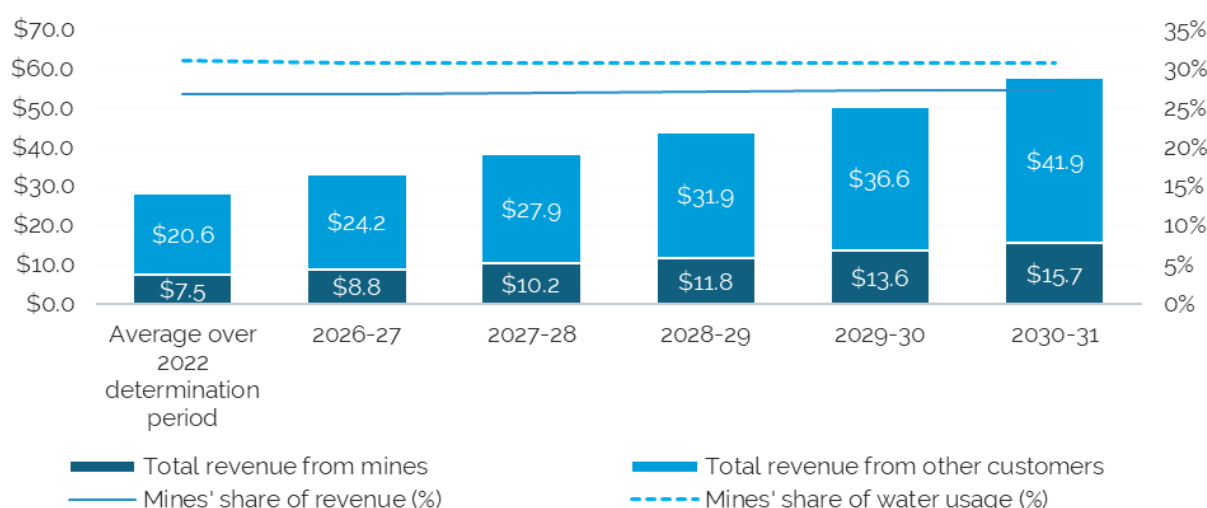
- Pay a water usage charge – set at the same rate as all other customers, which Essential Water has proposed to maintain (no increase before inflation).¹³
- Pay a fixed service charge – based on each mine's share of total water usage.¹⁴

Over the 2022 determination period, mines' share of Essential Water's revenue was 27% on average, and mines' share of water usage was 31% on average. Mines' share of Essential Water's revenue and water usage over the upcoming determination period are forecast to be at similar levels to the previous period's averages.

Essential Water's total revenue from mines was \$7.5 million on average per year over the 2022 determination period and \$20.6 million on average per year from other customers. Over the upcoming determination period, Essential Water's total revenue from mines is forecast to be \$12 million on average per year, and \$32.5 million on average per year from other customers.

Figure 8 shows the revenue received by Essential Water from its mining and other customers, and mines' share of Essential Water's revenue and water usage.

Figure 8 Mines' share of Essential Water's revenue from water and wastewater, and share of water usage (\$millions, \$2024-25)



Note: The bills and prices presented in this Issues Paper may differ from those in Essential Water's Pricing Proposal as its bills and prices are shown in \$2026-27 (i.e. including the 2.9% inflation estimate).

Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, and IPART calculations.

As part of this review we may consider whether proposed prices reflect the impact mining customers have on Essential Water's costs. We are seeking comment from the community on the fairness of the proposed pricing structure, and if the community believe mines can play a role to help suppress lead dust exposure in Broken Hill through this pricing review.

Seek Comment



4. Do you think Essential Water's current and proposed pricing structure for mines is fair?
5. Do you think mines should play a role to help suppress lead dust exposure in Broken Hill, and if so, how?
6. What impact would the increases proposed by Essential Water have on mining customers?

We will look at how Essential Water has considered customers and affordability

When we set prices for Essential Water, we aim to set prices to cover the efficient costs of providing services to customers. This means that you would be paying for costs that enable Essential Water to continue to provide safe, reliable drinking water into the future. Costs may include the building of new infrastructure or replacing old assets. However, we recognise that affordability is a key issue for customers, and so we will need to set prices that customers can afford to pay.

Essential Water's proposal sets out that it has conducted a multi-stage engagement program for this pricing proposal. This engagement program included a customer panel ranking priorities and expressing preferences on optional bill components.¹⁵

Through our price review process, we will assess the effectiveness of Essential Water's customer engagement. We will consider whether customers were given clear, unbiased information about options for prices, investment options and service levels. We will also look at the degree to which the engagement allowed customers to influence the agenda.

While Essential Water has proposed price increases, it recognises that affordability is a key issue for its customers.¹⁶

We are interested in hearing from you about how Essential Water has engaged with its customers through its engagement program and how it considered setting prices which are affordable for people in the Broken Hill region.

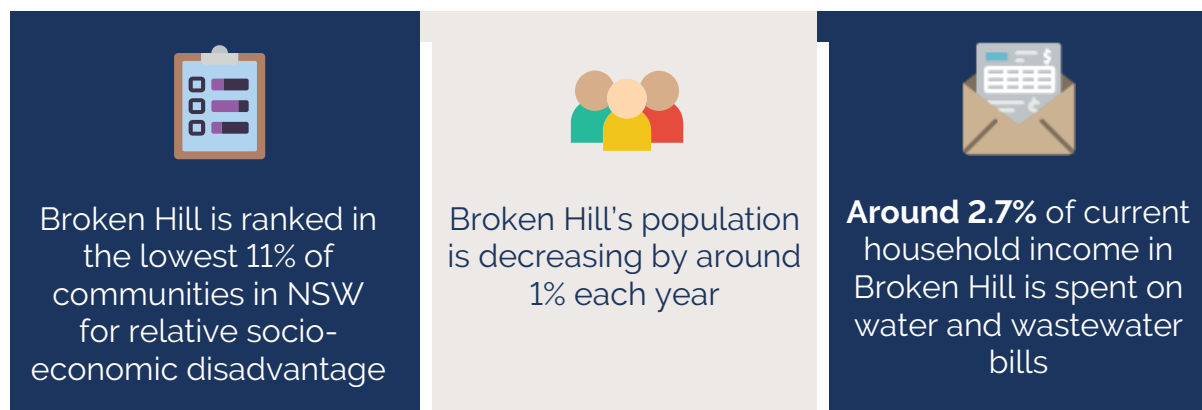
IPART will consider customer affordability

Water supply and wastewater are essential services. Affordability of those services will be a key consideration for IPART in making our final decisions on maximum prices. Essential Water's costs of delivering water to households and businesses in Broken Hill and surrounds is subsidised by the NSW Government (and hence taxpayers) by about 50% through contributions to the cost of the Wentworth to Broken Hill Pipeline.¹⁷ While this subsidy is likely to continue (see further discussion below), increases in proposed bills would not be covered through this mechanism as most new costs do not relate to the pipeline.

We are interested in hearing from you about what we should consider when we look at bill affordability. We will consider affordability while aiming to set bills that enable Essential Water to earn sufficient funds to maintain and build required infrastructure and deliver the desired level of water services.

Essential Water has conducted affordability analysis and suggests that it may be appropriate for the NSW Government to further subsidise bills.¹⁸ IPART acknowledges this and will examine whether fully recovered costs, as presented in the pricing proposal, will result in suboptimal social outcomes.

For example, we may consider the following factors:



Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, pp 20, 21, 22 and IPART analysis.

There are several ways additional support could be provided. Support may:

- take the form of government funding capital expenditure through a grant, or subsidising bills through an ongoing Community Service Obligation (CSO) payment
- extend across all customers (including mining and commercial customers), all residential customers, or be targeted to some residential customers (for example rebates for lower income households)
- be targeted on bills, or focussed on water usage prices to encourage greater use to assist in managing airborne lead dust in Broken Hill.

Essential Water's customer panel expressed a preference for any new subsidies to be distributed across the population, rather than targeted to specific groups.¹⁹

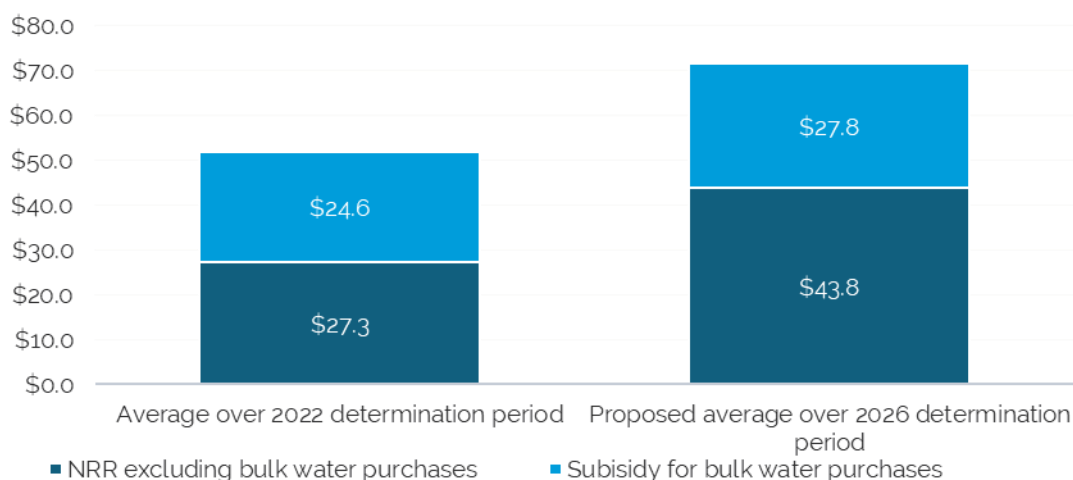
At present, pensioners can access a rebate of \$175 per annum which is provided by Essential Water and funded by the NSW Government.²⁰ This rebate does not increase with inflation and is set at a lower rate than other water business such as Hunter Water (up to \$410) and Sydney Water (up to \$643).^{c 21}

In our recent water pricing reviews, we made several recommendations to the NSW Government to improve the effectiveness of water rebates, including to consider aligning goals, objectives and outcomes of rebates across NSW. The NSW Department of Climate Change, Energy, the Environment and Water is currently leading this review of rebates on behalf of the NSW Government. We might make recommendations on rebates in this review based on our affordability analysis for different customer groups.²²

We are interested in your views on what further bill support is needed, and if so, what form it should take.

^c The rebate each pensioner household served by Hunter Water receives is equal to 27.25% of the bill of a household customer who uses 200 kilolitres of water a year. The rebate each pensioner household served by Sydney water is equal to \$67 for water and \$532 for wastewater. IPART note that there are different bill pressures which apply in different parts of NSW.

Figure 9 Essential Water's current and proposed notional revenue requirement and government subsidy for the WaterNSW pipeline (\$millions, \$2025-26)



Note: Figures are shown in \$2025-26.

Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, pp 74-76 and IPART calculations.

Seek Comment



7. How would the bill increases proposed by Essential Water impact your household budget?
8. Setting prices that customers can afford is a key concern for this review. What factors should we take into account when considering customer affordability?
9. Should any additional assistance be applied across all customers, or targeted to groups most in need?
10. Are the rebates and financial assistance schemes currently offered by Essential Water sufficient and targeting appropriate customer groups?
11. Should additional assistance be targeted to the water use bill element to assist in managing airborne lead dust in Broken Hill?

Essential Water has told us it is committed to delivering 4 key outcomes for its customers

Essential Water has told us it has consulted with its customers to find out what is most important to them. Essential Water's customer engagement process has allowed it to develop 4 customer and community outcomes to guide its service delivery, which are:

- **Water reliability** – reliable access to drinking water
- **Water quality** - clean and safe drinking water
- **Sustainability and environmental protection**
- **Good customer service.**²³

Essential Water advises that these outcomes shape its expenditure for what it plans to do over the next 5 years.

Essential Water has developed targets to track its performance against these outcomes (see Table 1). It plans to hold itself accountable for performance for these outcomes via annual reporting to customers, in addition to current quarterly and annual drinking water quality reports.²⁴

Table 1 Essential Water's proposed measures and targets

Outcomes	Performance measures	Target
Water reliability – reliable access to drinking water	Average number of unplanned interruptions per customer	0.04 per annum (baseline of 0.04 per annum)
	Average number of customer minutes lost from unplanned interruptions	15.4 in 2026-27, reducing gradually to 12.5 in 2030-31
Water quality - clean and safe drinking water	Percentage compliance with Australian Drinking Water Guidelines	100% compliance with Australian Drinking Water Guidelines
Sustainability and environmental protection	Wastewater service interruptions (frequency, duration and number of customers affected by planned and unplanned interruptions)	No wastewater service interruptions
	Notifiable environmental impacts (number by type and response time)	No notifiable environmental impacts
Good customer service	Number and type of customer complaints	No increase in complaints
	Response time for customer complaints	Maintain response times - respond to 95% of complaints or enquiries within 4 working days of receipt.
	Notify customers of planned outages within agreed notice periods	Continue to notify customers within agreed timeframes – 2 days written notice for residential customers and 7 days' written notice for non-residential customers.

Source: Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 33

Unlike many other water businesses that we set prices for (such as Sydney Water and Hunter Water), Essential Water does not have an operating licence that sets performance standards or compliance requirements. Water pricing reviews, and publishing reporting of the customer outcomes are the accountability measures available to IPART.

Seek Comment



12. What do you think about Essential Water's engagement process? Do you think Essential Water has engaged effectively with its customers and stakeholders?
13. What do you think about the key outcomes and the performance measures Essential Water is aiming to deliver for its customers?

Essential Water proposes to spend more money to improve water security, renew its assets, and meet environmental standards

To provide reliable water services, Essential Water proposes to spend money renewing ageing infrastructure which, if unaddressed, compromises the reliability and safety of water delivery.²⁵

It also proposes to maintain and replace its existing infrastructure.



Essential Water has indicated **\$252** million of investment is needed in the next 5 years²⁶

- This is a significant step-up in investment, around 2.3 times greater than its average infrastructure spend during the current determination period
- It includes a new wastewater treatment plant, as well as replacement of water mains and sewer mains.

This Issues Paper focuses on the key costs from Essential Water's pricing proposal that we are seeking your views on. When setting prices that represent good value for customers, we will look at whether Essential Water's costs are reasonable and no higher than they need to be over the next 5 years.

Essential Water's costs include:



Water transportation costs

Paying WaterNSW to transfer water to Broken Hill



Operating costs

The costs of running the water business



Capital costs

Maintaining and upgrading infrastructure



Other costs

Other costs such as tax and working capital

Essential Water proposes to invest in renewing its wastewater treatment plant and essential mains

As the existing Wills Street Wastewater Treatment Plant (WWTP) was built in the 1930s and is no longer compliant with contemporary environmental standards, a replacement solution is necessary in the upcoming determination period. Essential Water highlighted delays (due to design and COVID-19), but noted an updated, detailed business case and that expressions of interest for construction are expected in October 2025.²⁷

In June 2025, the NSW Government approved a \$17.6 million grant for Essential Water to support the Broken Hill (Wills St) Sewage Treatment project under the Safe and Secure Water program.^{d 28}

The second category of significant capital expenditure as part of the proposal is water mains replacement and sewer mains replacement. Essential Water have flagged that 200km of water mains is required to be replaced within the next 40 years to resolve higher levels of mains bursts and the interim solution of storing less water to reduce water pressure.²⁹ This asset replacement is replicated across sewer mains, with Essential Water stating that 210km requires relining within 40 years.³⁰

We will be closely reviewing Essential Water's proposed capital expenditure to determine whether these costs are efficient and deliver the outcomes customers need and want. To help us understand whether these projects are important to you we want to know what you think about the quality of Essential Water's water and wastewater services. For example, service quality can include the number of water main breaks, bursts and leaks, and sewer breaks and chokes that occur in the community. We will consider your views on quality in deciding how much money Essential Water needs to spend to meet your service expectations.

Seek Comment



14. What do you think about Essential Water's capital investment program and how it has prioritised, including its investment in the WWTP?
15. Tell us what you think about Essential Water's service standards for water and wastewater. What does good quality service mean to you?

Essential Water is proposing an increase in operating costs

Essential Water's operating costs include direct costs such as paying employees to manage water and wastewater services including meter-reading, customer services and billing, energy bills and other costs (such as vehicles, materials and corporate overheads).

Over the 2022 determination period, Essential Water reported operating expenditure 23% higher than IPART's allowances (excluding water transportation charges) as a result of labour and other costs for delivering services in Broken Hill.³¹

^d This grant is separate from other subsidies and budget allocations discussed in this paper.

Over the next 5 years, Essential Water proposes to spend \$102.2 million³², which is an average of \$20.4 million per year. Essential Water expects that its operating costs will stay in line with its expenditure in previous years, which exceeded the allowance we set in the previous determination.³³ This is around 1% higher than 2025-26 operating expenditure at \$20.1 million, but as above, represents a 29.9% annual average increase on expenditure allowed in the 2022 determination.

We will review the operating costs proposed by Essential Water to test they are reasonable and no higher than they need to be. This will include reviewing how the baseline operating costs have been formulated, the trend forecasts for pricing and growth, as well as any step changes for additional activities undertaken over the proposed determination period.

Seek Comment



16. What do you think about the proposed increase in Essential Water's operating costs?

Essential Water proposes to continue investment in supplementary water supply

Currently, Essential Water receives most of its bulk storage requirements from the Murray River via the Broken Hill Pipeline, with Stephen's Creek reservoir acting as an emergency backup supply.³⁴ Essential Water supplies potable water from the Mica Street water treatment plant at Broken Hill and from the Menindee water treatment plant. Menindee sources raw water from the Darling River at Menindee and the Menindee Common Bore.³⁵

The Broken Hill Pipeline has improved water security for customers³⁶ and significantly reduced the risk to water security from drought, with the pipeline providing an estimated raw water supply reliability of 98%.³⁷ The majority of Essential Water's water supply is provided by the Broken Hill pipeline, unless there is a rare issue with supply. Such an occasion arose by a black water event in the Murray River in 2023, causing Essential Water to switch its supply to Stephens Creek.³⁸ Essential Water expects to continue to use Stephens Creek sparingly, reflecting the unreliable nature of this water source, the treatment risks associated with changing water sources and the ageing infrastructure.³⁹

Essential Water is reviewing its approach to the use of Stephens Creek as an emergency supply, alternate supply or decommissioning this asset.⁴⁰ For this determination period, Essential Water is proposing expenditure for compliance upgrades to Stephens Creek's pumping stations and safety works for the dam walls.⁴¹

Essential Water is proposing water treatment plant works at Menindee during 2025-26 to replace or upgrade temporary and retained assets with a permanent and optimal solution to further enhance the operation of the treatment plant.⁴² For this review, we may consider the advantages of the supplementary water supply and the benefits and risks to customers associated with retiring some of the associated infrastructure.

Seek Comment



17. Do you agree with Essential Water maintaining Stephens Creek pumping station and carrying out safety work on the dam walls so it has an alternative water source such as the water quality event in 2023?

Essential Water is proposing to maintain how it manages revenue risks

Essential Water proposes to keep its current adjustment mechanisms in place to manage revenue risks. These include:

- retaining a 5% end of period demand volatility adjustment mechanism (DVAM)^e
- an end of period cost of debt true up.⁴³

These mechanisms allow Essential Water to manage its revenue risk by protecting against uncertainties in its water sales forecasts and cost of debt,^f as well as reduced usage and higher costs during droughts.

WaterNSW is proposing average bill increases of 4.2% for Essential Water and 3.1% for offtake customers

As well as prices Essential Water charges its customers, we also set the maximum price WaterNSW can charge Essential Water for the bulk water it takes from the Murray River to Broken Hill. The WaterNSW pipeline also supplies bulk water to 4 offtake customers (across 5 offtakes).⁴⁴ Its largest customer is Essential Water, which accounts for over 99% of water transported.⁴⁵

WaterNSW is proposing a revenue requirement of \$138.5 million over the 5-year determination period.⁴⁶ This represents an annual average of \$27.7 million which represents a 12.2% increase when compared to the annual average revenue requirement in the current determination period.⁴⁷

WaterNSW has proposed that any new offtake customers over the next 5 years would be subject to any unregulated pricing arrangements negotiated between the parties, as was the case in IPART's 2022 determination.⁴⁸ Table 2 shows WaterNSW's proposed bills per offtake outlet for the upcoming determination period.

^e We set Essential Water's prices based on forecasts of water sales. Actual water sales may vary from forecasts due to unexpected changes in weather patterns or population growth. Having a 5% DVAM means that we would adjust Essential Water's prices in the next review for any under-recovery (or over-recovery) of money if actual water sales differ by greater than 5% when compared to forecast water sales.

^f Essential Water's proposal also suggests a mid-period cost of debt true up may be suitable if the WACC materially differ from forecast enough to threaten Essential Water's financeability.

Table 2 WaterNSW's proposed bills per offtake outlet (\$2025-26)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Annualised annual change
Small (0.5 ML)	7,587	7,789	8,076	8,331	8,616	8,908	3.3%
Medium (1 ML)	7,797	7,945	8,231	8,487	8,771	9,062	3.1%
Large (10 ML)	9,477	9,192	9,467	9,734	10,016	10,291	1.7%

Source: WaterNSW, *Pricing Proposal to IPART – Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, pp 102-103.

Higher revenue requirements are largely a result of capital costs

WaterNSW state that its proposed annual revenue requirement being \$3.0 million (12.2%) higher on average than the 2022 determination period (see Table 3) primarily results from sources which are not in their control:

- a higher placeholder post-tax real Weighted Average Cost of Capital (WACC) for the 2026 determination period (3.1% compared with 2.8% from the 2022 Determination)
- a cost of debt true-up that adjusts the 2026 Determination revenue requirement for the higher interest rates in the current determination period compared to the 2022 Determination cost of debt allowance.⁴⁹

Additionally, as the pipeline ages, capitalised asset replacement costs will rise, with the proposal including \$1.1 million over a 5-year determination period for Essential Water.⁵⁰

Table 3 Contribution to the increase in the WaterNSW Pipeline revenue requirement (\$thousands, \$2025-26)

	2022 determination average per year	Proposed average per year	Change	Change (%)
Operating expenditure	6,020	5,963	-57	-2%
Return on assets	12,850	13,593	743	25%
Regulatory depreciation	6,066	6,305	239	8%
Cost of debt true-up	-906	1,102	2,008	67%
Other	653	729	76	3%
Total	24,683	27,692	3,009	100%

Note: Electricity costs for the 2022 determination period have been adjusted to reflect average actual water usage by offtake customers of the period. This added around \$3,000 per year to operating expenditure over the period.

Source: WaterNSW, *Pricing Proposal to IPART – Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 87 and IPART calculations.

WaterNSW has told us it is committed to delivering 4 key outcomes for its customers

WaterNSW has told us it has consulted with its customers to find out what is most important to them. WaterNSW relied on Essential Water's customer engagement process in developing 4 customer and community outcomes to guide its service delivery, which are:

- **Secure and reliable water supply** – WaterNSW will provide secure and reliable water delivery
- **Water quality** - WaterNSW to play its part in ensuring optimal water quality
- **Efficiency and keeping costs low** - WaterNSW will be efficient and keep its costs as low as practical
- **Communication** - WaterNSW to continue to keep customers in the loop to ensure peak operations and support Essential Water in delivering optimal outcomes for end use customers.⁵¹

These outcomes shape WaterNSW's expenditure and what it plans to do over the next 5 years, and closely reflect those proposed by Essential Water.

WaterNSW has noted actions to achieve, but no quantitative targets (see Table 4).⁵²

Table 4 WaterNSW's proposed measures and targets

Outcomes	Actions to achieve	Reporting
Secure and reliable water supply	• Maintain water delivery assets and improve understanding of water system • Operations Management Plan (OMP) and Communications Protocol – Essential Water & Offtake Customers • OMP to ensure compliance with safety and environmental legislation and standards.	• Existing systems and channels • Annual performance report • Monitor water balances and report losses • Report against government standards for cyber protection of data and critical infrastructure.
Water Quality	• Management plans for Water Quality and Algal Management, reviewed annually with principle of quality to not significantly reduce from water sourced from the River Murray • Water quality sampling and monitoring.	• Notification of algal events to Essential Water.
Efficiency and keeping costs low	• Raising affordability concerns in pricing submission • Recognise significance of government subsidy to end use customers, and consult with Essential Water on wording • Only spend in accordance with agreed revenue • True-up for benchmark energy costs • Cumulative efficiency target of 1%.	• Annual reporting to Customer Advisory Groups (CAGs) • Operational reporting to CAGs.
Communication	• Utilise existing formal and informal channels to build relationships • Customer Engagement Policy with commitments to customer and community engagement • Engage through the CAG.	• Existing monthly and annual reporting • Apply communication protocol.

Source: WaterNSW, *Pricing Proposal to IPART – Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, pp 24-26.

The Pipeline has been subsidised by the NSW Government to date

In the 2022 determination period, Essential Water's cost of water supply from the WaterNSW pipeline was fully subsidised by the NSW Government through the Restart NSW fund.⁵³ This subsidised almost half of the bill for a typical customer. Essential Water's pricing proposal expects this to continue through the upcoming period and states "*NSW Government has indicated its commitment to continue the affordability subsidy for the Broken Hill Pipeline*".⁵⁴

In our [2022 Final Report](#) we acknowledged that stakeholders had concerns about the continuation about the subsidy and the mechanism being extended periodically rather than a longer term solution.⁵⁵

We will consult with the NSW Government and other stakeholders on the level of ongoing subsidy and provide recommendations to the NSW Government.

Seek Comment



18. What do you think about WaterNSW's engagement process for its water transportation services? Do you think WaterNSW has engaged effectively with customers and stakeholders?
19. What do you think of the WaterNSW pipeline proposed capital expenditure program?
20. What do you think about the WaterNSW pipeline proposed operating expenditure?
21. Do you have additional comments about the NSW Government subsidies of water prices covering the costs of the WaterNSW pipeline?

We have made preliminary gradings for Essential Water and WaterNSW

A water business will self-assess its pricing proposal as either 'Standard', 'Advanced' or 'Leading', reflecting the value being delivered to customers (refer to the [Water Regulation Handbook](#)). Both the Essential Water and WaterNSW pipeline pricing proposals have been self-assessed as a 'Standard' grading under our water pricing framework.

Our preliminary grading for both proposals is also a 'Standard' grading. The implication of the gradings is that we will provide a similar level of scrutiny to the expenditure and prices of the water businesses as we have for a typical water review.

We will review the proposed expenditure of the water businesses

We will engage independent experts to assist us in reviewing proposed expenditure for Essential Water and for WaterNSW. We anticipate a targeted expenditure review in the areas where there is greatest materiality, risk and uncertainty. This may include reviewing:

- efficient operating costs
- the scale, timing and estimated costs of major infrastructure projects
- how much day-to-day risk the water business is taking on in delivering services.⁹

Independent experts will advise us on whether Essential Water's proposed costs are efficient, and where costs should be lower in delivering services to customers. We will take the independent experts' findings into account when setting prices.

⁹ A lower level of overall risk generally means costs are higher, and vice versa.

- ¹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 11.
- ² Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 12.
- ³ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 9.
- ⁴ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 7.
- ⁵ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 81.
- ⁶ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 80.
- ⁷ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 83.
- ⁸ Essential Water, *Essential Water 2026-31 Pricing Proposal*, p 80.
- ⁹ Essential Water, *Essential Water 2026-31 Pricing Proposal Attachment 3.3 - Essential Water Customer Panel 3 Final Report*, September 2025, p 6.
- ¹⁰ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 80.
- ¹¹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 16.
- ¹² Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, pp 79-82.
- ¹³ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 78, 82.
- ¹⁴ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 79.
- ¹⁵ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, pp 25-26.
- ¹⁶ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 12.
- ¹⁷ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 76.
- ¹⁸ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, pp 91-93.
- ¹⁹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 93.
- ²⁰ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 88.
- ²¹ IPART, *Final Report - Sydney Water prices 2025-2030*, September 2025, p 20; [Pension rebate | Hunter Water](#) accessed 14 October 2025.
- ²² IPART, *Final Report - Sydney Water prices 2025-2030*, September 2025 pp 145-147, IPART, *Final Report - Hunter Water prices 2025-2030*, June 2025, p 100.
- ²³ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 33.
- ²⁴ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 35.
- ²⁵ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 41.
- ²⁶ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 46.
- ²⁷ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 48.
- ²⁸ [Safe and Secure Water program | NSW Government](#) accessed 10 October 2025.
- ²⁹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 47.
- ³⁰ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 49.
- ³¹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 52.
- ³² Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 51.
- ³³ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 51.
- ³⁴ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 22.
- ³⁵ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 18.
- ³⁶ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 22.
- ³⁷ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 112.
- ³⁸ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 58.
- ³⁹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 59.
- ⁴⁰ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 59.
- ⁴¹ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 47.
- ⁴² Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 45.
- ⁴³ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 36.
- ⁴⁴ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 90.
- ⁴⁵ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 10.
- ⁴⁶ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 12.
- ⁴⁷ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 7.
- ⁴⁸ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 100; IPART, *Review of WaterNSW's prices for the Murray River to Broken Hill Pipeline Final Technical Report*, November 2022, p 81.
- ⁴⁹ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 13.
- ⁵⁰ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, p 12.
- ⁵¹ WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, pp 23-25.
- ⁵² WaterNSW, *Pricing Proposal to IPART - Regulated prices for the Wentworth to Broken Hill Pipeline from 1 July 2026*, September 2025, pp 24-26.
- ⁵³ Department of Planning and Environment, [Letter on the Subsidy for the WaterNSW Pipeline](#), August 2022, p 1.
- ⁵⁴ Essential Water, *Essential Water 2026-31 Pricing Proposal*, September 2025, p 12.
- ⁵⁵ IPART, *Review of Essential Water's prices for water and wastewater services in Broken Hill - Final Report*, November 2022 p 6.