

Our reference: D26/2122

Contact Carmel Donnelly
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13 February 2026

Mr Peter Duncan AM
WaterNSW Chair

via email

Dear Peter,

IPART's Review of WaterNSW Rural Valley's prices from 1 July 2026

Thank you for your letter of 16 December 2025. In regard to WaterNSW's concerns about the AtkinsRéalis expenditure review, and as discussed at the WaterNSW Board meeting, I can reassure you that no decision has been taken in relation to this advice.

As you would recall, in March last year WaterNSW raised a number of concerns about the AtkinsRéalis work and suggested a one-year delay to afford more time to address those concerns. The Tribunal made one year determination, consistent with the WaterNSW suggestion, as a temporary, one-year measure to ensure regulated prices were in place for the valleys coming out of Commonwealth regulation on 1 July 2025, while providing more time to work through the complex issues associated with pricing for rural valleys in a new review.

The Tribunal did not at that time form a view on the efficient cost of WaterNSW's rural valleys operations. As part of our usual process, the Tribunal provided AtkinsRéalis with a chance to respond to WaterNSW's feedback but we intended that the additional time provided by the short-term determination would mean the issues raised by WaterNSW could be properly understood and considered by the Tribunal in our current review. The Tribunal remains committed to that objective.

To assist with this process, and in view of the ongoing concerns outlined in your letter, IPART has engaged HoustonKemp to provide additional independent expert advice on the analysis presented by AtkinsRéalis and the views of WaterNSW. We have provided the Terms of Reference for that additional independent expert advice to WaterNSW's CEO and will continue to engage with WaterNSW throughout the process to ensure your views and information provided by WaterNSW are taken into account.

The Tribunal will also consider stakeholder submissions, feedback at workshops and public hearings and other relevant independent expert advice such as the new analysis undertaken by EY on WaterNSW's base operating expenditure and by HoustonKemp on cost shares.

The decision on the pricing determination including efficient expenditure remains a matter for the Tribunal itself to decide (rather than any advisors) after considering all relevant information, and the range of factors that the Tribunal must consider, consistent with the IPART Act.

Your letter also sought guidance about the Tribunal's approach to the weighted average cost of capital (WACC). Our framework for setting the WACC to be used in price determinations is a benchmark designed so that prices recover a reasonable rate of return that would be earned by a similar firm operating in a competitive market. I understand IPART's CEO has already advised WaterNSW's CEO that we will not be able to provide guidance in the timeframe you requested as the Tribunal will not yet have considered all the required matters or completed the process required under the IPART Act.

The Tribunal cannot provide the guidance that WaterNSW seeks on the WACC before making its price determination. Decisions on the WACC cannot be made in isolation, as they are an integral component of IPART's pricing decisions, which must consider all of the factors required under the IPART Act.

The Tribunal will be able to provide its draft decision on the WACC including transitional arrangements for the cost of debt and the length of the regulatory period in late March 2026, when the Draft Report is published and consultation invited. Fast tracking the draft report is not feasible given all the issues under consideration. Of course, there may well be changes in circumstances or evidence between the Draft Report and the Final Report as the Tribunal will consider all input from our consultation on the Draft Report. So while WaterNSW may decide to consider the draft determination WACC as an indication of Tribunal thinking, we cannot give a guarantee that this will be the Tribunal's final decision.


Thank you again for the constructive meeting on 3 December 2025 between the Tribunal and WaterNSW Board. As foreshadowed at that meeting, after considering the [IPART Submissions Policy](#) (available on our website), the Tribunal has decided to treat our note on that meeting as a record of an oral submission to the 2026 WaterNSW Rural Valleys price review and to publish it on the review website. We have revised the meeting note to include, in substance, the requested amendments we received from WaterNSW. The Tribunal has also decided to treat your letter of 16 December 2025 and related attachments as a submission to the 2026 WaterNSW Rural Valleys price review.

We intend to publish these documents on the review website when we publish our Draft Report on the review, unless WaterNSW requests to treat any of the documents as a confidential submission. Please advise me or Andrew Nicholls if you wish to make any claim of confidentiality, in which case the Tribunal may decide to include a record of the submission on the review website, but not its content.

We appreciate WaterNSW's ongoing constructive engagement with us on these critical and complex issues during the current price review. The Tribunal is pleased to take up the recent offer of a site visit, which is being organised for March. Thank you also for the recent feedback on the draft analysis undertaken by EY as part of this review. Please don't hesitate to get in touch if you would like to discuss these matters.

Yours sincerely

13/02/2026



Carmel Donnelly PSM
Chair