

30 June 2025

Independent Pricing and Regulatory Tribunal (IPART)
via email: water@ipart.nsw.gov.au; ipart@ipart.nsw.gov.au

Re: Submission to IPART's Review of Prices for Sydney Water from 1 October 2025

Dear Chair,

The Australian Water Association (AWA) welcomes the opportunity to provide this submission in response to IPART's Draft Report on the Review of Prices for Sydney Water, from 1 October 2025.

As the national, member-based peak body for the Australian water sector, AWA represents over 5,000 professionals and organisations across utilities, government, industry, and academia. Our mission is to promote sustainable water management and advocate for a secure and resilient water future for all Australians.

We acknowledge IPART's objective to balance affordability with service delivery. However, we are deeply concerned about the proposed 35% reduction—equating to \$5.9 billion—in Sydney Water's capital investment program. While this reduction may temper short-term price pressures for customers, it poses significant risks to the long-term reliability, sustainability, and resilience of Greater Sydney's water services.

The proposed cuts threaten to undermine vital infrastructure renewal, delay critical upgrades, compromise environmental outcomes, and impair Sydney's ability to meet future challenges—including population growth, housing supply targets, climate variability, and evolving regulatory standards.

Why Sydney Needs Greater Investment in Water Infrastructure

The NSW Government's Greater Sydney Water Strategy (GSWS) highlights the urgent need to strengthen Sydney's water resilience. It calls for significant investment to secure new, climate-independent water sources, improve drought preparedness, and ensure infrastructure can withstand future shocks such as floods, heatwaves, and storms. The GSWS also emphasises the importance of liveable communities—supported by water for urban greening, healthy waterways, and sustainable growth.

Sydney Water's proposed capital investment program directly responds to these strategic priorities. It aims to renew aging infrastructure, expand capacity to support population growth and

housing supply, reduce reliance on rainfall-dependent sources, and address single points of system failure.

Like water utilities across Australia and internationally, Sydney Water is facing a step change in investment needs driven by aging assets, evolving environmental and health standards, climate volatility, and increasing customer expectations. Many existing systems are no longer fit for purpose, with some assets approaching end-of-life and unable to meet today's service, regulatory, or environmental requirements.

With Sydney nearing the sustainable limit of its existing water supply, investment in new sources and treatment technologies is essential to maintain security and reliability. Proactive, sustained investment now will help avoid future service failures, reduce long-term costs, and build community confidence.

Delaying this investment risks exposing Sydney to greater vulnerabilities—both in service delivery and in our capacity to meet the growing challenges of a changing climate.

Affordability and Intergenerational Equity

Sydney Water's bills are among the lowest of all Australian capitals. For over a decade, increased investment has been absorbed through a low cost of capital, keeping prices stable or declining in real terms. However, a step-up in capital requirements and a rising cost of capital make price increases inevitable.

We support targeted assistance to vulnerable customers rather than delaying essential investment. Intergenerational equity demands that we pay for today's infrastructure needs today—rather than deferring costs to future generations through underinvestment.

Sydney Water offer a variety of support mechanisms to assist customers with their water bills and their commitment to supporting customers through payment support programs and rebates remains unwavering. We support IPART's recommendations for the NSW Government to improve financial support for low-income households, including enhanced rebates for Health Care Card holders.

Ensuring Climate Resilience

We are concerned by IPART's deferral of investment based on assumptions that Level 5 water restrictions remain extremely unlikely. Decisions regarding climate risk should be informed by the best available science—including palaeoclimate science, existing climate data and projected impacts of anthropogenic climate change. Delaying investment until impacts are imminent may leave the system unprepared.

The Risks of Deferring Investment

1. Bill Shock Deferring investment leads to asset degradation and eventually forces rapid, large-scale capital works—resulting in sharp, unpredictable price rises. This lack of predictability erodes customer trust and makes financial planning more difficult for households and businesses alike. A

steady, long-term funding model allows for smoother price trajectories and reduces the impact of sudden increases.

2. Intergenerational Inequity When necessary investments are deferred, the burden of renewing infrastructure falls on future generations—who must pay higher prices for essential services while grappling with more degraded systems. Ensuring fairness requires spreading investment equitably over time so each generation pays its share.

3. Crisis-Driven Spending Emergency investment to address infrastructure failures is significantly more expensive than proactive, planned investment. Crisis-driven projects often face shortened timelines, higher contractor premiums, and less competitive procurement. They may also be delivered without the benefit of full community consultation or integration with long-term planning, increasing inefficiencies and duplicative costs and reducing opportunities for innovation.

4. Inability to Meet Housing Commitments Without sufficient infrastructure funding, the Government's housing commitments are at risk—particularly as Australia faces a national housing crisis. Accelerated investment in water services is essential to unlocking new housing supply. According to Sydney Water, reducing the capital program threatens to delay connections for up to 70,000 homes, undermining the NSW Government's Housing Accord target. Delays in enabling infrastructure stall housing construction, increase development costs, and exacerbate the broader housing affordability crisis.

5. Water Quality and Health Compliance Risks Maintaining water quality during drought and extreme weather is critical to public health. As dam levels drop and climate impacts intensify, raw water becomes harder to treat—especially after bushfires or heavy rainfall. Sydney Water proposed major upgrades to its water filtration plants, including Prospect, which serves over 80% of Greater Sydney, to ensure compliance with health standards under worsening conditions. However, IPART's draft report excluded 75% of the proposed \$957 million Pretreatment Program, citing insufficient urgency. Without these upgrades, Sydney risks boil water notices, supply disruptions, and an inability to meet future water demand safely.

6. Major Sewer Overflows Much of Sydney's water and wastewater infrastructure is aging, with some assets dating back to the 1880s. Nearly half the network is over 50 years old, making it increasingly prone to leaks, bursts, and inefficiencies. Deferring renewals raises the risk of service failures and escalates long-term costs, as reactive maintenance is more costly and disruptive than planned investment.

IPART's proposed \$700 million cut to Sydney Water's Critical Sewer Program would limit upgrades to high-risk assets like the Bondi and Northern Suburbs Ocean Outfall Sewers, heightening the risk of major overflows into Sydney Harbour with serious environmental and public health consequences. The recent sewer main failure in Freemantle in June 2025 underscores the consequences of aging infrastructure and the urgent need for proactive maintenance to prevent similar events in Sydney. Raw sewage flooded houses, streets, sports fields and the Swan River, prompting health and environmental warnings and causing widespread community disruption.

7. Capacity and Supply Chain Constraints The water sector has been preparing for increased capital investment in line with the GSWS and Sydney Water's Long Term Capital and Operating Plan, building workforce capability and aligning supply chain resources. A significant reduction in planned investment undermines this momentum, risks workforce attrition, and damages industry confidence. Delaying investment may create bottlenecks later, when the supply chain is unable to scale up quickly enough to meet urgent needs.

8. Reduced Climate Resilience Climate change is amplifying the frequency and severity of droughts, floods, and bushfires. Deferring resilience-building investments in climate-independent water sources, stormwater management, and treatment plant upgrades increases Sydney's exposure to these risks. Decisions that discount future climate impacts may leave the city ill-prepared to respond to the next major climate event.

9. Reputational and Regulatory Risks Service failures caused by underinvestment can damage public trust and erode the social licence of water utilities. They also increase the likelihood of breaches in environmental, health, and customer service regulations—leading to penalties, compliance costs, and long-term damage to institutional credibility.

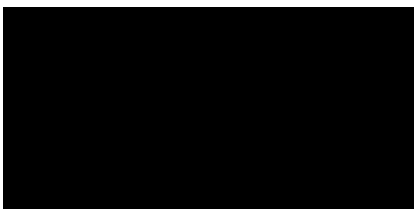
Conclusion

We urge IPART to reconsider the scale of reductions in Sydney Water's capital program. The proposed cuts may minimise short-term bill increases, but they risk long-term water security, environmental outcomes, service quality, and delivery of the NSW Government's housing and climate commitments.

Now is the time to invest strategically—guided by the GSWS and Sydney Water's Long Term Capital and Operational Plan—not to defer action and compound costs for future generations.

AWA welcomes the opportunity to discuss this submission further.

Yours sincerely,



Chief Executive Officer
Australian Water Association