

3 June 2025

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Independent Pricing and Regulatory Tribunal
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Lodged electronically: <https://www.ipart.nsw.gov.au/>

Dear Tribunal Members

Prices for WaterNSW water services – Information Paper – 14 May 2025

EnergyAustralia is one of Australia's largest energy companies with around 2.4 million electricity and gas accounts across eastern Australia. We also own, operate and contract a diversified energy generation portfolio across Australia, including coal, gas, battery storage, demand response, wind and solar assets, with control of over 5,000MW of generation capacity.

We appreciate the Tribunal disclosing to stakeholders its recent interactions with WaterNSW and its views on the various issues it has uncovered during this time. We support its proposed approach to provide for a three year determination with relatively modest price increases, as an interim arrangement pending resolution of these broader issues. WaterNSW proposed a one year arrangement and we agree with the Tribunal that it is prudent to allow for more time to consider WaterNSW's longer term needs, its operating model and other matters involving the role of the NSW Government. Our expectation is that the Tribunal's regulatory functions may also be affected. These are complex matters affecting many diverse stakeholders, and the need for ongoing engagement will also require additional time.

During this time and in the lead up to the next price determination, the Tribunal should develop a set of minimum information requirements to provide sufficient transparency and justification for future proposed expenditure allowances, cost allocation and price setting for each group of customers. Customers need to understand how existing and future service levels are influenced by activities and forecast spending. This type of information would also be useful for any Tribunal or Government-led review into legislative and other requirements on WaterNSW, which could be amended as a means to alleviate price pressure.

For the next three years, we support the Tribunal's approach of allowing minimum expenditure for projects and activities that are critical from a safety perspective, including the Warragamba Dam Resilience project. The Tribunal's analysis of benchmark cashflows indicates its draft determinations overall would not negatively affect



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WaterNSW's financial sustainability for the relevant period, even with revenues that are significantly less than what WaterNSW had proposed.

We note the Tribunal's comments on the treatment of volume risk under WaterNSW's revenue cap and its reliance on fixed charges, as well as risks posed by the presence of several very large customers in some valleys, of which we are one. The Tribunal notes these arrangements may not be sustainable in the face of significant cost increases. Where the financial viability of some users is threatened and they close operations, this would transfer cost burden onto remaining users, further compounding price pressures. We recommend the Tribunal still consider how volume risks are allocated under its draft determinations. As we noted in our prior submission, we consider there are practical solutions that could be pursued in the near term, and separate to the Tribunal's determinations, involving short term temporary water trades to other parties. This would potentially alleviate WaterNSW's volume risk, as well as release critical water resources for customers and communities in need.

Related to these issues, we support IPART reviewing the cost share framework including impactor pays and activity versus service-based cost allocation. We expect a necessary first step in this review would be publishing sufficiently granular data to understand how WaterNSW currently allocates costs, and how these translate into pricing across different valleys.

We look forward to continually engaging with the Tribunal, WaterNSW and the NSW Government in resolving these matters.

If you would like to discuss this submission, please contact me on [REDACTED]
[REDACTED]

Regards

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