



Lachlan Valley Water Inc

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Sustainable, productive and efficient water use in the Lachlan Valley

Submission to IPART

Discussion Paper for WaterNSW Prices for WaterNSW Bulk Water Services

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Executive Summary

Lachlan Valley Water Inc. (LVW) welcomes the opportunity to respond to the Independent Pricing and Regulatory Tribunal (IPART) Discussion Paper for the WaterNSW Rural Valleys Pricing Review 2025–26. As the representative organisation for irrigators and water users across the Lachlan Valley, LVW plays a critical role in advocating for fair, transparent, and efficient pricing structures that reflect the true cost and benefit of bulk water delivery services. LVW represents some 450 members of all water licence types with the exception of those held by the Environment.

In our previous submissions we've outlined the challenges and implications of increasing irrigated water costs in New South Wales, focusing on the agricultural sector's critical need for accessible water to maintain productivity, food security, and rural community wellbeing. We also discussed issues with the "Impactor Pays" model, regulatory inefficiencies, and overlapping compliance requirements.

The Lachlan Valley is characterised by significant variability in water availability, low allocation reliability, and a predominance of mixed agricultural production systems that depend on affordable and reliable access to regulated water. The Lachlan Valley has repeatedly borne disproportionate cost impacts from centralised overhead recovery, while service performance has remained stagnant, and in many cases, has reduced.

This submission provides detailed responses to all 17 'seek comment' questions raised by IPART. It builds on LVW's previous submissions to both the Water Administration Ministerial Corporation (WAMC) and WaterNSW pricing reviews since January 2023. Each response includes specific examples from the Lachlan Valley and reflects member concerns about affordability, efficiency, and transparency in pricing determinations.

Key Recommendations

LVW's key recommendations are summarised as follows:

1. Require valley-specific transparency of expenditure and cost allocation.
2. Ensure government funding for public-good and environmental obligations.
3. Balance fixed and variable pricing components to better reflect actual usage.
4. Introduce affordability thresholds and annual escalation limits.
5. Benchmark WaterNSW's costs and performance against industry comparators.
6. Apply long-term pricing stability mechanisms for irrigators and licence holders.

Responses to IPART’s “Seek Comment” Questions

Q1. *What are the issues you consider IPART should further consider as part of this review?*

LVW response:

Primary issue: rapid, large increases in WaterNSW’s proposed opex and capex without valley-specific, robust business cases; this is making irrigation enterprises in the Lachlan Valley financially vulnerable. LVW has repeatedly flagged that WaterNSW has spent materially above prior allowances and proposed cost escalation is not adequately justified.

Secondary issues: inadequate valley-level transparency (costs, asset plans, utilisation), excessive allocation of non-core/policy costs to customers, weak benchmarking/productivity evidence, and the need for a capacity-to-pay assessment and smoothing mechanisms for bill shock.

Recommendation: IPART should require WaterNSW to supply valley-by-valley business cases for major projects, robust benchmarking vs comparable bulk-water operators, and implement formal capacity-to-pay and transitional smoothing.

Q2. *How has water use and crop production changed in your local area? Does the current method of water pricing support these changes?*

LVW response:

Observed changes: The Lachlan Valley has experienced structural changes: declining water usage overall, shifts away from very high water-use crops (for example reductions in rice area historically), and increased diversification (horticulture, higher-value dryland or lower-water enterprises). LVW has documented members’ experiences and industry trend observations in submissions since 2024.

Pricing misalignment: Current WaterNSW proposals (and some historic pricing outcomes) push larger fixed cost shares and higher per-entitlement charges that don’t necessarily align financially with lower volumes and changing enterprise structures, therefore requiring active water users to carry more of the costs in the valley — LVW supports a shift to a larger fixed proportion of entitlement charges for water users in the Lachlan Valley to more evenly attribute costs across entitlement holders.

Recommendation: Pricing should retain a material usage component to preserve flexibility and send efficient signals, and IPART should require WaterNSW to model pricing outcomes under plausible low-volume scenarios for Lachlan.

Q3. Have you observed improvements in the levels of rural water services provided by WaterNSW to explain the increase in its base costs over time?

LVW response:

While local WaterNSW staff historically provided good valley-level engagement prior to 2021, LVW has observed a drop in service levels since consummate with a loss of corporate knowledge and experience. LVW has not seen service improvements at scale that justify the magnitude of cost increases proposed by WaterNSW. Instead, LVW has repeatedly observed declining value for money and examples of major cost escalations on capital projects (e.g., Lake Cargelligo embankment cost escalation referenced by LVW).

Evidence example: LVW's June 2025 submission highlights WaterNSW exceeding IPART allowances (110–130% above allowance for some activities) and cites the Lake Cargelligo embankment where an \$11.5M allowance (2021) was later advised by WaterNSW to require \$45–60M to complete. LVW regards such project cost escalation as an indicator that WaterNSW's project planning and cost control need scrutiny.

Recommendation: IPART should require tangible valley-level performance metrics (service KPIs) and tie cost allowances to demonstrable service improvements and strict project governance (independent project reviews for large capex).

Q 4. What is the appropriate methodology to calculate WaterNSW's WACC and should IPART apply a 10-year transition to trailing average for the long-term cost of debt and a 5-year transition for the current cost of debt for the MDB valleys?

LVW response:

LVW's submissions focus on affordability and the need for stable, predictable price outcomes rather than endorsing a specific WACC technical approach. That said, LVW supports methodologies that avoid short-term volatility being passed immediately to irrigators and that reflect prudent commercial practice. Transition arrangements that smooth the cost of debt are preferable to immediate recognition of volatile market movements. (LVW emphasised price stability and predictability across submissions.)

Recommendation: IPART should adopt a smoothing/transition mechanism for WACC components (including debt) similar to a trailing average over a reasonable horizon (e.g., staggered transition) to avoid sharp price volatility. Any change should be accompanied by explicit true-up provisions and transparent calculation so irrigators can see the impact.

Q5. *Would it be appropriate to include a true-up when setting maximum prices to account for not updating the WACC in the 1-year 2025 Determination?*

LVW response:

Yes — if IPART did not update WACC in the 1-year determination and that omission materially benefits or costs WaterNSW or customers, a true-up mechanism is appropriate to ensure inter-generational equity and correct cost recovery across periods. LVW supports transparent reconciliations rather than hidden cross-period cost shifts.

Recommendation: IPART should include a clear true-up approach in the next determination that reconciles any WACC adjustments with prior under/over-recoveries and publish the calculation. This reduces risk of unexpected retrospective bills for customers.

Q6. *What do you consider the appropriate counterfactual to WaterNSW's operations under the impactor-pays principle?*

LVW response:

The counterfactual should be a sensible alternative that isolates the incremental cost that an identified impactor (or beneficiary) causes compared to no action. LVW emphasises that many costs that WaterNSW includes are policy or government obligations and thus should not automatically be socialised to customers. LVW has argued that research programs and broader policy work should be government-funded and not passed to irrigators. The appropriate counterfactual is a minimum statutory compliance service model. Only services directly benefiting licensed users should be recovered through charges. Broader planning, environmental monitoring, and interjurisdictional obligations are public goods and must be funded by government. This aligns with LVW's 2025 submission on beneficiary-pays principles.

Recommendation: For each activity, IPART should require WaterNSW to define the counterfactual (no project / minimal maintenance) and show incremental costs attributable to impactors. Where the beneficiary is the public (environmental outcomes, broad planning) the government should meet the costs

Q7. *Do you agree with the current cost share ratios listed in Table 4.1? If not, how and why should they be amended?*

LVW response:

No, LVW does not agree that the cost share ratios appropriately reflect capacity to pay and beneficiary allocation in the Lachlan Valley. LVW's submissions have highlighted that customer shares on many items are too high for our valley context, and historic increases in customer shares have contributed to unsustainable outcomes.

Specific concern: LVW pointed to the very large increases in proposed customer shares of capex/opex in earlier reviews for Lachlan and the practical impacts on irrigator viability.

Recommendation: Reassess and lower customer shares for categories where public or environmental benefits predominate; adopt a formal capacity-to-pay test; publish valley-level cost share tables and the rationale for any changes. LVW disputes the current cost share ratios, which allocate excessive responsibility to customers. For example, environmental monitoring and state compliance costs deliver broad community benefits. LVW recommends recalibration of cost shares for such activities, consistent with WAMC precedent.

Q8. Can you provide examples where it may be difficult to identify impactors? Or of situations where an impactor is easy to identify but unable or unwilling to pay the cost share assigned to them?

LVW response:

LVW has highlighted that projects like large embankment upgrades (Lake Cargelligo example) often have multiple drivers (safety, environmental standards, broader catchment management) — separating the pure “impactor” is complex. Moreover, even when an impactor can be identified (e.g., new regulation causing additional works), local licence-holders may be unable to pay due to low allocations and tight margins. LVW cited the Lake Cargelligo cost escalations as an instance where attribution and ability to pay collide. Environmental releases mandated by the NSW Government or MDBA operations illustrate cases where the impactor cannot be charged. These are public-interest functions, yet costs are often reallocated to irrigators. LVW submits that such costs be excluded from the user cost base and transparently reported as government-funded.

Recommendation: Where attribution is uncertain, IPART should adopt conservative assignment to customers (i.e., default to government funding) or establish staged cost allocation where government funds initial works and customers pay clearly attributable incremental costs only when capacity exists. Also require evidence of the impactor’s ability to pay before assigning cost shares.

Q9. What do you consider the most appropriate method for allocating cost shares for WaterNSW’s rural operations?

LVW response:

LVW preference is a hybrid approach: apply the impactor-pays principle where attribution is clear; where benefits are public or multi-beneficiary, apportion to government/taxpayers; require beneficiary/policy costs to be funded by government appropriations rather than passed to licence-holders. LVW’s submissions recommend valley-specific allocation rules and public funding for research/environmental planning.

Recommendation: IPART should formalise a hierarchy: (1) impactor pays where clearly attributable and able; (2) beneficiaries pay if quantifiable; (3) government pays for broad

public/policy functions. Require WaterNSW to publish the applied allocation rationale at valley level. This approach provides clarity, ensures fairness, and avoids cross-subsidisation between valleys. It also reflects Lachlan Valley's distinct hydrological and economic conditions.

Q10. Over what determination period should we set prices?

LVW Response:

LVW prefers a multi-year determination (3–5 years) for stability and planning certainty for irrigators, but only if IPART has sufficient confidence in WaterNSW's cost base and performance measures. If significant uncertainty remains in WaterNSW's proposed expenditures, a shorter term with clear mid-term review points (e.g., 3-year with review) is acceptable. LVW's prior submissions emphasise predictability and that one-year determinations create unacceptable uncertainty.

Recommendation: Adopt a 3-year determination with explicit mid-term checkpoints and valley-specific triggers for reassessment, contingent on WaterNSW delivering robust valley business cases and productivity commitments, and balancing predictability with flexibility. Mid-term review mechanisms would be triggered by significant hydrological or cost changes. This avoids sudden shocks for irrigators during prolonged drought.

Q11. What are your views on WaterNSW's proposed revenue cap? Is further consideration of the form of price control a priority for you for the upcoming determination period?

LVW Response:

LVW is generally supportive of revenue-type controls paired with volume risk sharing, because pure price caps can expose customers to volume risk (i.e., if volumes fall the same prices lead to under-recovery and subsequent bill shocks). However, a revenue cap must be accompanied by transparent reconciliation mechanisms and protections for customers in low allocation years. LVW's submissions stressed the need to protect irrigators from volume volatility. During dry years, when allocations are low, users should not bear the same revenue burden as in high-flow periods. Volume adjustment factors should be explicitly defined to avoid over-recovery.

Recommendation: Further consideration is needed — IPART should design a revenue cap with an explicit volume reconciliation mechanism and caps on year-to-year tariff movements, plus valley-level adjustments. This should be a priority before multi-year determinations are set.

12. What factors should we take into account when assessing the most appropriate approach to forecasting water usage?

LVW response:

Key factors: historical allocation patterns and trends, structural changes in crop mix, on-farm

efficiency improvements, water trading patterns, climate change projections, irrigation technology adoption, and local economic drivers (commodity prices). LVW emphasises valley-specific data (not aggregate NSW averages).

Recommendation: IPART should require WaterNSW to produce valley-level forecasts with scenario analysis (high/medium/low) and sensitivity testing, and to provide a clear reconciliation mechanism if actual volumes deviate materially from forecasts. LVW also suggests independent review/audit of key forecasting assumptions. Forecasting should incorporate historical allocations, climatic cycles, and crop pattern data. IPART should ensure WaterNSW uses transparent, valley-specific assumptions and engages local stakeholders. Lachlan allocations vary dramatically from 0% to 100% between years, making generic forecasts unreliable.

Q13. What do you consider the most important issues relating to WaterNSW's rural pricing structures?

LVW response:

Most important issues: the balance of fixed (entitlement) vs variable (usage) charges; fairness across different customer types; predictability and smoothing of price increases; rebate mechanisms for irrigation corporations/districts; and ensuring price signals do not disproportionately penalise low-allocation years. LVW's submissions repeatedly emphasise fixed charges' "unfairness effects" in valleys like Lachlan. As a result of a survey of its members LVW has requested an 80% fixed cost based on the volume entitlement of a licence holder, and 20% of WaterNSW's income would be variable based on the volumes of water extracted which would efficiently and evenly distribute costs across all water users in the Lachlan Valley.

Recommendation: Affordability and fairness must remain central. The Lachlan Valley experiences some of the highest water charges in NSW, despite declining allocations. LVW recommends conducting an affordability impact test for all future increases. Maintain meaningful volumetric charges, limit sharp increases in all components, and ensure transparent, fair rebate rules for irrigation corporations and districts.

Q14. Are any of these changes to pricing structures feasible within the timeframe of this review and what are the likely impacts?

LVW response:

Feasibility: Some changes (e.g., modest adjustments to fixed/variable split, clearer rebate rules, transitional smoothing) can be implemented within a single determination. More structural changes (e.g., reallocation of cost shares, major reforms to rebate structures, new risk-sharing instruments) may require more time and valley-level consultation. LVW urged phased, consultative implementation in prior submissions.

Likely impacts: Short-term impact - modest administrative changes and immediate relief for

vulnerable customers if customer shares are adjusted. Longer term: improved alignment of prices with valley conditions, but only if accompanied by rigorous cost control and benchmarking of WaterNSW. More significant structural reforms should be phased in post-2026 to avoid disruption to irrigation enterprises.

Q15. Are there any other factors we should consider when setting Irrigation Corporation and Districts rebates?

LVW response:

Rebates must reflect the actual role and responsibilities of irrigation corporations/districts, avoid double-charging, and take into account irrigation corporations' own revenue constraints and governance capacity. LVW has previously highlighted issues where rebate design did not adequately consider local arrangements and the financial capacity of smaller irrigation entities. Rebates should reflect efficiency gains from bulk delivery, local data management, and maintenance. Irrigation Corporations that assume functions otherwise performed by WaterNSW should receive rebates that recognise avoided costs.

Recommendation: Design rebate rules that are valley-sensitive, proportionate, and transparent. Require WaterNSW to publish how rebate calculations interact with entitlement and usage charges, and allow appeals/adjustments based on demonstrated financial hardship by corporations/districts.

Q16. What are your views on the proposed approach to assessing efficient costs of the MDBA and the BRC?

LVW response:

LVW supports rigorous, transparent assessment of MDBA and BRC costs. Where these costs are passed to valley users, LVW wants full visibility of the activities funded and evidence that they are efficient and provide direct benefits. LVW has previously argued public/national functions should not be borne by local licence-holders without clear justification and government contribution. Current charges have increased faster than CPI without demonstrable benefits for valley operations. LVW's 2024 submission recommended benchmarking these against measurable performance indicators.

Recommendation: IPART should require disaggregated cost and activity reporting for MDBA and BRC charges, apply strict efficiency tests, and where activities are national/public policy, seek government funding rather than charging valley users

Q17. What factors should we take into account when assessing customer capacity to pay?

LVW response:

Factors LVW recommends: farm/enterprise margins, commodity price exposure, irrigation reliability, average and median farm incomes in the valley, distribution of farm sizes (smaller farms are more vulnerable), recent investment levels (sunk costs), debt levels, and cumulative regulatory cost burdens. LVW has emphasised the need to avoid one-size-fits-all assumptions and to use valley-level socioeconomic data.

Recommendation: IPART should develop an explicit capacity-to-pay framework and require WaterNSW to provide valley socioeconomic data, run distributional impact analysis for price scenarios, and adopt transitional arrangements/targeted support where material hardship is identified. This should be a decisive factor in calibrating customer share and phasing price increases. LVW recommends establishing affordability thresholds linked to productivity metrics. IPART should define an escalation limit of no more than 5% annually, beyond which affordability assessments are triggered. LVW's 2025 survey found over 60% of members consider existing charges unsustainable under prevailing commodity prices.

Conclusion

Lachlan Valley Water appreciates the opportunity to contribute to IPART's *WaterNSW Rural Valleys Pricing Review 2025–26*. This submission has outlined a number of critical concerns and recommendations intended to support fair, transparent, and sustainable water pricing outcomes for all rural valleys, and particularly for the Lachlan system.

Throughout this submission, LVW has emphasised the importance of:

- Ensuring **cost-reflective and efficient pricing** that accurately represents the real cost of service delivery within each valley, rather than applying broad averages or legacy cost structures that distort the true picture of valley-level operations.
- Recognising the **unique hydrological, operational, and climatic circumstances of the Lachlan Valley**, including its episodic inflows, reliance on storages for regulated reliability, and the need for sustained investment in infrastructure maintenance and data management.
- Providing **greater transparency and accountability** in WaterNSW's expenditure claims, capital planning, and cost allocation methodologies, particularly where proposed increases are driven by corporate overheads or statewide functions with limited local benefit.
- Acknowledging the **interdependence between WaterNSW and WAMC pricing**, and the cumulative burden that simultaneous increases impose on irrigators and other licence holders, especially under current economic and climatic pressures.

LVW stresses that **IPART must not be constrained by time at the expense of accuracy or fairness**. This pricing review is a pivotal opportunity to correct long-standing inequities and to establish a durable pricing framework that recognises valley-specific service levels, hydrology,

and cost drivers.

Given the complexity and far-reaching consequences of these determinations, LVW strongly urges IPART to **extend its review timeframes if necessary**, to ensure a **thorough, considered, and evidence-based Draft Determination**. A rushed process risks undermining stakeholder confidence, producing unintended inequities between valleys, and eroding the transparency and trust that IPART's regulatory framework is built upon.

In LVW's view, a carefully paced and analytically rigorous approach — even if it requires additional time — will deliver far greater long-term benefit to both WaterNSW customers and the integrity of IPART's regulatory process.

Lachlan Valley Water and its members remain committed to working constructively with IPART and WaterNSW to ensure that the final pricing determination reflects a fair, efficient, and regionally appropriate outcome for the Lachlan and all rural valleys across New South Wales.



Links to relevant LVW Submissions:

[March 2024 - LVW Submission to IPART regarding the discussion WaterNSW Draft Operating Licence 2024-29](#)

[December 2024 - LVW Submission to IPART regarding the Issues Paper for WAMC and WaterNSW Proposed Pricing](#)

[June 2025 - LVW Submission to IPART regarding the Information Paper for WaterNSW Prices for WaterNSW Bulk Water Services](#)

[July 2025 – LVW Submission to IPART regarding the Review for the Water Administration Ministerial Corporation from 1 October 2025 to 30 June 2028 Draft Report](#)

About Lachlan Valley Water INC

Lachlan Valley Water INC (LVW) is an industry organisation representing surface water and groundwater licence holders in the Lachlan and Belubula valleys.

Membership of LVW is voluntary and our 450 members represent all categories of licences except for those held by environmental water managers. We are the collective advocacy and lobbying body representing Lachlan Valley irrigators. As the industry leaders in water advocacy, we are committed to supporting sustainable water management and ensuring fair access for all who rely on this vital resource. From water licensing to policy development, Lachlan Valley Water is a critical port of call for expert guidance and representation.

Irrigated agriculture may be last in line to access water, but it is first in delivering essential food and fibre that supports Australian households and industries.

We are dedicated to securing the future of water resources for the people who rely on them most. As an independent industry group, funded by water licence holders in the Lachlan catchment, Lachlan Valley Water are your voice at every level – working with government, community, and other stakeholders to ensure fair access to water for productive use.

While this submission is made on behalf of our members, individual members may also make their own submissions.

The Lachlan River is the lifeblood of one of New South Wales' most productive and diverse landscapes, spanning 90,000 square kilometres. Flowing from the Great Dividing Range to the Great Cumbung Swamp on the Riverine Plains, it nurtures the people, ecosystems, and industries that depend on its waters.

Agriculture and irrigation thrive in the Lachlan Valley, with the river supplying water to sustain crops, livestock, and livelihoods. Its highly variable flows present challenges for water management, but through sustainable practices, this precious resource is used effectively to support the economic and social wellbeing of the region.

Collaboration with the Lachlan Environmental Water Advisory Group (EWAG) ensures that water is also allocated to maintain vital ecosystems. From black box woodlands and river red gum forests to the habitats that support native wildlife, the balance between productive use and environmental sustainability remains central to the river's management.