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28 November 2025

Prices for WaterNSW regional and rural bulk water from 1 July 2026

Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop, Sydney NSW 1240

Via email: water@ipart.nsw.gov.au

Re: IPART's review of prices for WaterNSW regional and rural bulk water from 1 July 2026

NSW Farmers welcomes the opportunity to provide feedback to the Independent Pricing and Regulatory Tribunal (IPART) review of the maximum prices that WaterNSW can charge for its rural bulk water services in rural valleys of NSW for the next determination period. Please consider our submission to IPART from December 2024 as part of the review of prices from 2024-2025 alongside the feedback provided below.

NSW Farmers is Australia's largest state farming organisation and advocates for issues such as the environment, biosecurity, water, animal welfare, economics, trade, workforce, and rural affairs. Agriculture is crucial, employing more than 75,000 people in NSW and the ACT, and contributing more than \$24 billion to the economy. Our goal is to reach \$30 billion in output by 2030 by supporting stronger farming businesses. We ensure genuine farmer voices shape policies, and we provide specialist advice, along with valuable member benefits.

Following the 1-year determination commencing on 1 July 2025 for WaterNSW maximum prices for bulk water services to rural valleys, IPART identified a number of unresolved issues that led to this short and constrained determination, and it was encouraging to note that the Tribunal committed to immediately initiating another review of prices. Amongst the reasons identified by IPART and supported by an independent assessment by AtkinsRealis¹ was the significant evaluation that not all of the proposed increases in costs and prices by WaterNSW were justified and that much of the pricing proposal was not well evidenced. In the Discussion Paper² released by IPART in October 2025, the Tribunal noted the need to better investigate whether:

- the base costs proposed by WaterNSW are efficient;
- using the impactor-pays principle and existing cost sharing splits remain appropriate; and
- the pricing structure proposed by WaterNSW provides the appropriate prices signals and outcomes for its customers.

As shared during the 2024-2025 review, it was NSW Farmers' position at the time that the pricing proposal put forward by WaterNSW for the upcoming 5 years would have resulted in unaffordable water bills for nearly all customers, but small and medium sized farming businesses would be the most impacted and with the least capacity to pay. For some water users, the proposed prices would have resulted in a 200% increase in water costs over the five years to 2030. In addition, our submission at the time flagged the conflict between cost

¹ AtkinsRealis, [WaterNSW - Rural Valleys Expenditure Review \(2025\)](#), June 2025

² IPART, [WaterNSW Rural Valleys pricing review 2025-26 - Discussion Paper](#), October 2025

sharing arrangements and the increasing level of government-driven regulatory requirements on WaterNSW, pulling it away from delivering core business services to water customers. These concerns with affordability and service delivery still remain relevant for this review and NSW Farmers maintains that it is neither economically efficient nor equitable to continue to expect water users like farmers to foot the bill for the growing amount of non-commercial activities that should be the responsibility of other parties, namely the NSW Government on behalf of the broader community.

1. WaterNSW's expenditure

One component of IPART's role in assessing what level of revenue is required for an efficient business to deliver a quality service is determining whether the proposed expenditure is suitable and that customers only pay for what are deemed fair and efficient costs. It is concerning that WaterNSW have continued to exceed its expenditure allowances throughout the past several determination periods and its operating base costs per unit of water entitlement are growing by ~49% in real terms in the 10 years up to the previous review³. The same behaviour is displayed by WAMC through their expenditure, with an apparent unspoken expectation that water users will just pay for this excess spending through their bills at some point in the future. It is clear that this approach is unsustainable and inefficient for a monopoly service provider with a rapidly changing customer base who have a known limited capacity to pay rising bills. What has not been evidenced through the WaterNSW pricing proposal is whether this increased expenditure has resulted in better service delivery to customers, with feedback from our members indicated that overall service experiences with WaterNSW have not significantly improved over the past determination periods despite increasing prices being paid.

1.1 Core business, expenditure for non-commercial activities and service delivery

Concerns have continued to be raised for a number of years with the increasing requirement for WaterNSW to direct resources towards fulfilling activities that did not appear to relate to the deliver of quality service, all while costs continued to be assigned to water users to cover these activities. For example, the need to deal with increasing obligations arising from government programs, such as the active management of environmental flows or implementing Aboriginal water initiatives, is a substantial cost item for WaterNSW and cost recovery via customer bills occurs. While it is acknowledged that the provision of environmental water in part addresses negative externalities associated with the operation of a bulk water system, which should be internalised accordingly, they also produce a significant proportion of public benefits (positive externalities) that should also be internalised through adequate public financing. In addition, it is unclear the extent to which the work being undertaken by WaterNSW as a part of its expanded Licence Obligations represent the core work of a bulk water utility, or the core work of government administration through departments or agencies. For example, the requirement to set up a data management framework to provide other Government agencies with information, the expansion of research and development over the whole state beyond declared catchment areas, and the establishment of Cooperation Protocols with Fisheries all imply activities that relate to the general administrative and governance responsibilities of DCCEEW, rather than WaterNSW.

NSW Farmers assess that activities like these do not represent core business work required to deliver service to customers and goes beyond the scope of what would be defined as commercial, essential activities. What is required is a more evidenced differentiation between commercial and non-commercial services that WaterNSW both chose to and are required to undertake and then set the expectation that the non-commercial activity costs are not paid for by water users through their charges. This would better align with the requirement that water users pay for only the essential activities that are needed for efficient service delivery.

³ IPART, [WaterNSW Rural Valleys pricing review 2025-26 - Discussion Paper](#), October 2025

NSW Farmers supports assigning the costs of non-commercial activities like environmental management to the agency or entity requiring the activity to occur, and these activities should not be funded via customers' water bills.

2. Cost sharing and the impactor-pays approach

As raised in our submission from 2024, and consistent with our concerns noted above regarding activity expenditure, NSW Farmers remains concerned with how the impactor-pays approach is used to assign costs between water users and the NSW Government on behalf of the broader community. The premise of the impactor-pays principle is that costs should first be assigned by those who cause or benefit from them, and if neither of these options are possible, then government should be assigned the costs. IPART then use this premise to define the counterfactual scenario in order to set the maximum prices that WaterNSW can charge customers, with that counterfactual being “a world without high consumptive water use”. It appears that IPART assumes the dams and associated infrastructure exist really only to serve irrigation water users. While the major water storages in NSW were developed with water for irrigation as the primary driver, purposes like flood mitigation, water security and economic development of the regions were key factors for the investment at the time. Since then, the provision of dams and infrastructure has delivered positive outcomes well beyond what could have been imagined through the 20th century and the myriad of economic, social and environment benefits for the general public extending from rural water services are expected to be maintained, even if all irrigation requirements were removed tomorrow. Where farmers are let down by the impactors-pays approach is that these secondary, but significant, benefits of high consumptive water use are not adequately factored into the cost sharing splits and productive water users continue to shoulder the larger part of costs to deliver and maintain water services on behalf of others.

Following the previous review and with further information provided by IPART through the Discussion Paper, while the impactor-pays approach initially appeared to be inappropriate for NSW rural bulk water pricing, it is now apparent that how the principle is applied and then identifying who are the true impactors and beneficiaries may be the missing piece. Additionally, other alternative approaches as identified by IPART (for example, externality-adjusted pricing as discussed further below) may prove overly complex to appropriately assign costs and challenging to implement for the unique rural water scenario in NSW. By adjusting the counterfactual to recognise the secondary benefits derived from water infrastructure and delivery and then allocating costs in a more equal manner to all beneficiaries, the expectations for water users and the NSW public can be better met within our contemporary environment. This would require major reallocation of the current cost share ratios used by IPART, which would in go some way to addressing the ongoing concern that farmers as rural water users are disproportionately burdened with costs on behalf of others, who reap all the benefit without contribution. For example, the cost of flood operations, environmental planning and protection, and scientific monitoring are expectations set by the public and therefore should not be assigned to customers. Whereas customer support and billing are costs that are understandably appropriate to be covered WaterNSW direct customers.

NSW Farmers supports a revision of how the impactor-pays approach is applied, with specific attention to identifying true impactors and beneficiaries, and then assigning costs that benefit more than rural waters alone to the broader public via the NSW Government.

3. Pricing-related issues

3.1 Affordability and capacity to pay

Since the initial review of rural water pricing by IPART in late 2024, farmers have continued to be squeezed at the affordability front. NSW Farmers internal surveying of members in May 2025 has shown that more than 50%

of respondents expect business conditions to deteriorate over the next 12 months, with factors influencing this sentiment including access to affordable insurance, increasing prices for inputs like fertiliser, and impacts from reduced services (e.g. telecommunications and roads). At a broader scale, the Australian Government has continued its voluntary water purchase program, which has concentrated buybacks in southern NSW and the water market influence and socio-economic impacts from these activities are still to be realised but are expected to be more negative than positive. The profitability of broadacre farms in NSW has continued to decrease over the past several years and farm business profit halved between 2021-22 and 2022-23⁴. Notably, even with adjusted final determinations from IPART for both WaterNSW and WAMC prices less than what was proposed, farmers are still set to see a significant increase in their water bills through to 2026, resulting in bills increasing up to 8.4% for high security licence holders and up to 8.3% for general security licence holders⁵.

NSW Farmers maintains that significant price increases beyond CPI as requested in the pricing proposals have the potential to fall hardest on members of the community that have the least ability to pay. It is clear that even if WaterNSW proposed expenditures could now be justified and determined to be efficient, the cost sharing of these expenditures needs to be better apportioned across water users and beneficiaries.

NSW Farmers support retaining the existing Community Service Obligation (CSO) arrangements for North and South Coast regions.

3.2 Externality-adjusted prices

The suggestion by IPART to consider a new method of calculating the combined price for WaterNSW and WAMC services, that being using an externality-adjusted price model, may not be appropriate for the unique situation that is rural bulk water delivery. NSW Farmers assessment of the information provided on externality-adjusted pricing in the Discussion Paper alongside our understanding of farming businesses and agricultural economics has reached the conclusion that the complexities associated to transitioning to this pricing model may outweigh the benefits, especially once externalities and benefits are better understood.

It is important that IPART are considering how to better account for the external benefits, especially the benefits of improved environmental management that deliver outcomes for the general population, which is hard to quantify in an accurate and timely manner. The need to move to a new pricing model may not be required if issues with how the impactor-pays principle is applied are addressed and then cost shares could be more equally allocated to those that derive the benefit or demand the outcome driving the cost in the first place (such as regulatory requirements or environmental mitigations).

NSW Farmers recommends that IPART continue to consider how to more fairly assign costs of benefits derived from WaterNSW and WAMC activities but at this time do not support a move to an externality-adjusted pricing model.

3.3 Length of determination

While acknowledging that the pricing proposal from WaterNSW submitted in late 2024 detailed costs out to 2030, it is not appropriate to consider setting prices for up to 4 years when there is a high level of uncertainty regarding cost sharing as well as the identified need to more deeply review the rural water pricing model in NSW. IPART made a pricing determination for WAMC from 1 October 2025 for 4 years through to June 2029 and it is important that the total water pricing scenario in NSW, which includes both WaterNSW and WAMC, be

⁴ ABARES, [Financial performance of broadacre farms](#), July 2025

⁵ IPART, [Final Report – Review of prices for the WAMC from 1 October 2025 to 30 June 2029](#), September 2025 – (table 13.7, pg 191)

considered together if IPART recommend any significant changes to the impactor-pays approach or cost sharing within the next 4 years.

Importantly, there are several major reforms occurring over the coming year at a national level that will most likely impact water policy and pricing implementation in NSW, including:

- Murray-Darling Basin Authority's Basin Plan Review⁶ throughout next year, which requires them to provide a final report to the Australian Government in late 2026
- The replacement of the National Water Initiative with the National Water Agreement⁷, expected to occur in 2026.
- The Australian Government are required to complete a review of the Water Act 2007⁸ before the end of 2027.

There will be significant burden on rural water users and stakeholders throughout 2026 to be involved in these reviews, and it is clear that more time is needed to deeply review the overall model of rural water pricing in NSW. Farmers need the ability to actively forward plan for their businesses and having an understanding of costs for water more than 12 months in advance is important.

NSW Farmers recommends that IPART should seek to set a determination period of 2 years, through to June 2028.

3.4 Pricing structures

As identified in the Discussion Paper, several issues around pricing structure have been brought to light stemming from IPART's assessment of WaterNSW's pricing proposal as well as alternatives put forward by WaterNSW. One suggestion to address the issue of assessing price affordability was to move from the current valley-based pricing model to a regional-based pricing model. That would involve split the inland valleys into a northern region and a southern region and incorporating the North and South Coast valleys into these two regions, respectively. The valley-based model is well understood by water users and the level of transparency achieved by assigning costs at this scale is still important. Farmers have often been left under-served and facing higher costs when services have been removed from a district and consolidated at a more regional level – it is fair to assume this could be a reasonable outcome if the visibility of valley-specific services, costs and initiatives is reduced by centralisation.

NSW Farmers supports maintaining the current model of valley-based pricing and does not consider there is enough justification for moving to a regional-based pricing model, and does not consider this avenue to address affordability as a priority of focus for IPART.

3.5 Pass-through charges

The treatment of pass-through charges has long been a concern for water users in the affected valleys due to lack of transparency, questionable value for money and reality of cost recovery for these purposes. It is not clear why the recovery of the MDBA and BRC charges must be passed onto water users only when the NSW Government is obliged to meet funding requirements to these water management organisations on behalf of the whole state and regardless of any pricing decision by IPART. While it is acknowledged that IPART cannot regulate the MDBA or BRC, it is not appropriate for their charges to be passed through directly to water users if the level of scrutiny afforded to other efficient costs cannot also be given to these significant components of farmer's water bills.

⁶ Murray-Darling Basin Authority, [Roadmap to the 2026 Basin Plan Review](#), June 2023

⁷ Australian Government, [National Water Agreement overview](#), December 2024

⁸ <https://www.legislation.gov.au/C2007A00137/latest/text/2>

NSW Farmers does not support the simple transfer of opaque costs such as the MDBA and BRC pass-through charges to water users if IPART cannot determine efficiency of these costs or whether it is a cost share that must be borne entirely by the water user. While acknowledging that this review applies to WaterNSW costs only, our position on this issue applies equally to WAMC's MDBA and BRC costs as well.

4. Final recommendations

In summary, NSW Farmers recommends:

- IPART make a determination setting prices for up to 2 years from 1 July 2026, with a maximum price increase capped at CPI only for this period, and accounting for adjusted cost sharing and pass-through charge arrangements as detailed above.

NSW Farmers welcomes the opportunity to provide any further information. If this is required, please contact

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Yours sincerely

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