



The Hon Daniel Mookhey MLC
Treasurer

The Hon Courtney Houssos MLC

Minister for Finance
Minister for Domestic Manufacturing and Government Procurement
Minister for Natural Resources

The Hon Rose Jackson MLC

Minister for Water
Minister for Housing
Minister for Homelessness
Minister for Mental Health
Minister for Youth

Carmel Donnelly
Chair
Independent Pricing and Regulatory Tribunal

Re: Information paper on WaterNSW bulk water services

Dear Ms Donnelly

I write regarding IPART's information paper dated May 2025 regarding prices for WaterNSW bulk water services.

Addressing cost of living impacts is a key priority for the government and we appreciate the focus on customer affordability in the proposed draft prices.

The Government understands the significant challenges facing WaterNSW over the medium term and agrees that this work will take time to complete. We are committed to undertaking a review and appreciate IPART's commitment to working with the Government through this process.

Considering the challenges and need for a broader review, IPART's proposal to make a shorter-term pricing determination to allow this work to be completed is welcomed. However, until this work is complete, WaterNSW needs to continue to provide safe and affordable services to customers and meet their existing statutory and legislative obligations. We expect that interim prices will be established on this basis.

We understand that prices for the rural valleys need to be in place by 1 July 2025 and we expect that IPART:

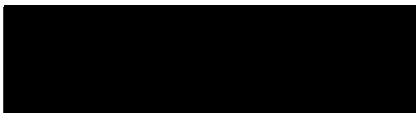
- Update the financeability analysis to reflect WaterNSW's actual cost of debt and confirm the impacts of the determination on the financial sustainability of WaterNSW and the implications for the broader NSW government sector.
- confirms that the revenue provided will allow WaterNSW to continue to meet their regulatory and legislative obligations in a way that is financially sustainable and clarify where IPART recommends further work on the prudence of the regulatory requirements.
- provide an initial view on the prudence and efficiency of the WaterNSW submission. We appreciate the significant investment to date on this review and an initial view on the prudence and efficiency of the proposal will provide clarity and support transparency on future services for all stakeholders.

If this work cannot be completed by 1 July, we would like to discuss the fastest possible timeframe.

This information is critical for the interim determination commencing from 1 July 2025. It will support WaterNSW and the Government in scoping the review, and providing confidence to the Government, regulators and stakeholders that WaterNSW can continue to deliver its regulatory and legislative obligations in a sustainable manner over the interim determination period. We have provided further detail on the matters we believe need to be addressed in the Draft Determination in Attachment A.

We thank IPART for its work to date in this challenging context and once again we look forward to working with IPART and other key stakeholders going forward to resolve the range of issues that have risen through this review.

Sincerely,




Daniel Mookhey MLC
Treasurer

Date: 4 June 2025



Courtney Houssos MLC
Minister for Finance
Minister for Domestic Manufacturing and Government Procurement
Minister for Natural Resources

Date: 4 June 2025



Rose Jackson MLC
Minister for Water
Minister for Housing
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Minister for Mental Health
Minister for Youth

Date: 4.6.25

Government response to IPART's Information Paper – WaterNSW's service delivery and financial sustainability

The NSW Government understands that IPART's proposed three-year short-term determination for WaterNSW's Rural Valley bulk water service is to allow time for:

- IPART undertaking more work to assess WaterNSW's proposal and finalising a determination based on IPART's assessment of the prudence and efficiency of WaterNSW's expenditure; and
- WaterNSW, the NSW Government and other stakeholders to consider the broader issues arising from the pricing review process which might not be able to be addressed by the pricing determination.

The NSW Government looks forward to working with IPART, WaterNSW and other stakeholders over the next few years to consider these issues.

The NSW Government also notes the commentary in the Information Paper that IPART's decisions do not change WaterNSW's obligations to meet its legislative and regulatory requirements and IPART expects WaterNSW to continue to deliver its water services and regulatory obligations during the short-term determination period.

WaterNSW has raised concerns with the NSW Government over their ability to deliver these obligations within the temporary revenue allowance provided from the draft decisions presented in the Information Paper, while also maintaining their financial sustainability over the next three years and managing the risks of future customer price increases.

The NSW Government would like IPART to consider the following matters in further detail ahead of issuing the Final Report of the short-term pricing determination for WaterNSW's Rural Valley bulk water services:

- The considerations around the Weighted Average Cost of Capital (WACC) in determining the interim revenue allowance and the consistency of the approach with IPART's regulatory framework.
- Completion of the financeability tests by including an actual financeability test using WaterNSW's actual cost of debt, in addition to the benchmark test included in the Draft Information Paper.
- Consideration of the current cost base of WaterNSW including the incremental costs related to the updated market and macroeconomic conditions and the delivery of additional legislative and regulatory obligations that have been imposed on WaterNSW since the last determination period (including updated Operating Licence obligations). These matters do not appear to have been reflected in the draft decision to roll forward the cost base from the previous determination.
- Consideration of the impacts on the operating cost base of the disallowance of the majority of the capital program and the consequential expensing of unavoidable overheads.
- To the extent not covered above, consideration of increases in WaterNSW's operating costs to deliver legislative and regulatory obligations that had been assessed as being prudent and efficient by the consultant engaged by IPART for the cost review, but which have not been incorporated in the revenue allowance.
- Considerations around the capital maintenance works that need to continue over the short-term determination period to minimise potential material operating and safety risks.
- Including details on potential customer price adjustment mechanisms for revenue forgone in the temporary determination period following IPART completing the review

of WaterNSW's proposal, including consideration of customer affordability in the next determination period.

Should the consideration of the matters raised above result in a significant increase in the price increase in the first year of the determination period, the Government would welcome IPART's consideration of a smoothed price increase over the short-term determination period to mitigate the impact on customers.