Department of Climate Change, Energy, the Environment and Water

NSW GOVERNMENT

BN25/5118

Ms Carmel Donnelly
Chair
Independent Pricing and Regulatory Tribunal

By email: chair@ipart.nsw.gov.au

Dear Ms ~~Donnelly~~, CARMEL

Water Administration Ministerial Corporation (WAMC) response to IPART's draft report and draft determination

On behalf of the Department of Climate Change, Energy, the Environment and Water and WaterNSW, I attach WAMC's response to IPART's draft determination of WAMC prices. I note that the Natural Resources Access Regulator (NRAR) will be making a separate submission.

We are concerned that IPART's approach, analysis and draft decisions, if implemented, will reduce WAMC's costs to a level that will threaten its ability to manage water sustainably and effectively over the price determination period.

The expenditure IPART allowed is not enough for WAMC to fulfil its legal obligations under the Water Management Act 2000. These activities are not discretionary and reflect the government's highest priorities for water management.

IPART's draft decision to cap prices for larger users at 5% per year after inflation does not align with efficient price regulation and will result in government continuing to subsidise water businesses, or erosion of water management outcomes.

We are also concerned about IPART's draft decision to set a short price determination period. A 3-year price determination period would mean entering another price review cycle almost immediately, diverting resources from other water management activities and posing further risks to delivery.

IPART's draft decision will erode our ability to sustainably manage our precious water resources, with long term consequences for the environment, communities and for productive use of water.

We urge IPART to seriously consider our response to the draft determination with respect to its draft decision on costs of key water management activities, the level of price caps for larger water users and the length of the price determination period.

Yours sincerely

[redacted]

Anthony Lean
Secretary
4 July 2025

Response to draft determination of water management prices

Water Administration Ministerial Corporation

4 July 2025

Acknowledgement of Country

We acknowledge the traditional custodians of the land and pays respect to Elders past, present and future.

We recognise Australian Aboriginal and Torres Strait Islander peoples' unique cultural and spiritual relationships to place and their rich contribution to society.

Artist and designer Nikita Ridgeway from Aboriginal design agency – Boss Lady Creative Designs, created the People and Community symbol.

Submission to the Independent Pricing and Regulatory Tribunal's draft water management price determination

Developed by NSW Department of Climate Change, Energy, the Environment and Water, WaterNSW and the Natural Resources Access Regulator

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Contents

1 Executive summary

This document outlines the Water Administration Ministerial Corporation's (WAMC's) response to IPART's draft report and draft price determination to apply from 1 October 2025.

We have significant concerns with IPART's draft WAMC price determination. We are concerned about the rationale for draft decisions and that draft expenditure allowances would not allow WAMC to efficiently undertake its core, statutory water management responsibilities to support the Minister for Water. This would result in adverse water management outcomes to the detriment of water entitlement holders, the environment and the broader community.

Our key concerns with IPART's draft determination are:

- It will impede the Minister's ability to fulfil non-discretionary, statutory responsibilities under the *Water Management Act* 2000 (the Act) – which will have substantially adverse water management outcomes.
- There are shortcomings in IPART's assessment of the efficient costs of WAMC's water management activities.
- IPART has selected lower bound cost estimates for most activities, which poses significant risks to water resource outcomes and does not recognise the substantial risk analysis, prioritisation and efficiency commitments of $25 million per year savings in WAMC's proposal, which resulted in proposed operating expenditure of 17% less than in the current period (FY23-24 actual expenditure). Most of this saving falls on the department, which will have to absorb a further 40% reduction as a result of the draft determination.
- By adopting these lower bound estimates, IPART has effectively determined for Government the level of risk it should accept in relation to the exercise of its statutory functions around water planning. Respectfully, that is a decision for the Parliament and Government (as reflected through the Act and specific water sharing plan provisions for remaking of plans and the conduct of reviews), and not IPART.
- This is most clearly highlighted by the acceptance of Stantec's recommendation to remove the climate program on the basis it is "non-essential". Not only is this work required by water sharing plans, but its removal is also contrary to the *Climate Change (Net Zero Futures) Act* principle that "There is a critical need to act to address climate change, which is a serious threat to the social, economic and environmental wellbeing of New South Wales".
- IPART's draft decisions assume certain activities can be deferred or delayed which are required by law to be completed, such as the review, audit or remaking of water sharing plans. In many cases a deferral cannot occur without the Minister amending the plan, and in some cases, it will require the concurrence of another entity (e.g. the Natural Resources Commission) or an Act of Parliament to amend the Act. IPART's draft decision pre-empts these decisions.
- IPART appears to have applied an approach based on its pricing methodology for monopoly utility service providers where there is greater discretion to defer or delay expenditure. IPART here is making a determination in a very different context, namely it is considering the efficient pricing for exercise of statutory functions or requirements where there is no discretion to defer or delay. If WAMC is required to undertake certain activities by the Act or a water sharing plan,

IPART should be focussed on determining the efficient costs of fulfilling the statutory obligations, and not whether it should be done at all.

- While it might be argued by IPART that an overall funding envelope has been set, and it is for WAMC to determine priorities, this approach is not valid in a context where activities are required or mandated by the Act or statutory water sharing plans. The funding envelope under IPART's draft determination does not provide sufficient funding to meet all our statutory requirements.
- IPART's decisions on Murray Darling Basin Authority cost allowances puts basin-wide water management at risk, given the MDBA's higher cost estimates to deliver its functions.
- IPART's decision to cap price increases for larger water users at 5% per year will further undermine our ability to deliver WAMC's water management activities and will shift costs to NSW taxpayers, despite evidence that these larger businesses can afford to pay more. We note that with the conclusion of Commonwealth funding to support a number of the functions, NSW taxpayers are already taking on a greater share of funding WAMC activities.
- IPART places undue weight on customer engagement in determining efficient costs for WAMC, given WAMC's statutory and regulatory role of managing impacts of extraction on water resources. IPART's focus on affordability, which is an appropriate consumer protection role when regulating monopoly service provision, requires modification in this context where it is setting prices for mandated statutory functions or regulatory responsibilities.
- A shorter, 3-year price determination adds additional costs, to commence almost immediately another cycle of price review with no additional revenue, increases uncertainty straddling the fixed election cycle dates, and further compromises our ability to deliver statutorily required water management activities.
- IPART does not appropriately balance the matters it must consider under Section 15 of the *IPART Act*, with insufficient consideration of costs and of ecologically sustainable development. IPART's statement that revenue is sufficient to meet our environmental obligations is not true, as demonstrated by this submission.

Unless IPART reconsiders its decisions on these matters, WAMC will not be able to deliver on the requirements of the Act, which establishes legal obligations for water management in NSW. We ask that IPART carefully considers each of these points, outlined in more detail in this submission, in finalising its determination of WAMC's prices.

2 IPART's draft decisions would have detrimental outcomes for water management

WAMC's role includes delivering on the objects of the Act, **"to provide for the sustainable and integrated management of the water sources of the State for the benefit of both present and future generations"**.

WAMC water planning and management activities are delivered by the Department of Climate Change, Energy, the Environment and Water (the department), NRAR and WaterNSW. Achieving long term water management outcomes depends on all three agencies being funded at a suitable level for the water sector to be regulated effectively.

IPART's draft determination results in average reductions of $34 million per year (23%) to proposed WAMC expenditure. Most of this reduction was to activities delivered by the department, with reductions of $30 million per year (41%) in proposed operating expenditure.

IPART has not demonstrated that reductions of this magnitude can be achieved without severely undermining the achievement of WAMC's statutory functions, nor has IPART been able to confirm that the individual changes to the proposed expenditures do not have a materially compromising and compounding effect when considered in totality.

In light of this WAMC submits that IPART must revert to the proposed expenditures, unless otherwise stated throughout this response to the draft decision.

2.1 WAMC would be unable to meet is statutory water management obligations

WAMC's pricing proposal focussed on delivering statutory obligations that are required under NSW and Commonwealth legislation. IPART's draft determination means that WAMC would not be able to meet these obligations and will force WAMC to choose between activities required by law. For instance, under IPART's draft determination, there is a significant risk that:

- The department, the Minister and the Government would be unable to meet statutory obligations, with the implications of this failure to deliver including reputational and regulatory risk and negative impacts on water management including for the environment in NSW
- The department would not be able to deliver its committed statutory requirements as set out in statutory water sharing plans to set water take and trading rules, address NRC recommendations, Basin Plan review outcomes or relevant NSW water strategy actions
- The department would not be able deliver fit for purpose consultation across all stakeholders, including First Nation consultation as part of statutory planning requirements
- The department would be unable to fulfill its floodplain planning responsibilities.

The expenditure IPART allowed is not enough for WAMC to fulfil its legal obligations under the Act. Of particular concern are reductions to proposed costs for water sharing plan replacements, environmental water management, non-urban metering and priority projects to ensure that extraction limits in water plans reflect sustainable levels and consider the impacts of climate change. For example, IPART's decisions would mean only 4 of 14 coastal water sharing plans due over the next 3 years could be replaced and we would be in breach of the Act.

These activities are not discretionary and reflect the government's highest priorities for water management.

The need to deliver on our statutory requirements has been highlighted in recent years by a significant increase in litigation against the Minister for Water in relation to water sharing plan decisions under the Act. IPART's draft decisions on efficient costs will threaten our ability to remedy and mitigate these risks and will guarantee an increase in legal actions and associated costs.

Table 1 below summarises the legislative drivers and impacts on water management outcomes for WAMC activities to which IPART has made the largest reductions to proposed costs. Appendix A sets out our responses to IPART's activity-specific expenditure reductions and provides further information on adverse impacts water management that will occur if IPART does not correct its positions.

Table 1: Legal drivers and impacts of IPART's draft decisions

Activity	Pricing proposal ($m per year)	IPART draft decision ($m per year)	Reduction (%)	Legal requirement to undertake the activity	Impact of IPART's draft decisions
W01-05 – Surface water ecological condition monitoring	1.5	0.9	40%	• *Water Management Act 2000* (Water Management Act) (sections 7,10,35,95,91,333-6) • Independent audits and reviews (ICAC, NRC) • Water sharing plans	• WAMC will not have comprehensive and up-to-date data required to inform water sharing plans and other water management decisions. • This may lead water being allocated inefficiently or unfairly and increase risk of legal challenges. Current litigations of the Minister in the Land and Environment Court include challenging the adequacy of modelling data relied on for decision making.
W05-01 - Systems operations and water availability management	9.5	5.6	41%	• Water Management Act (statutory requirement under s101(A)) • Statutory requirement under MDBA Compliance Compact • *Water Management (General) Regulation* 2018 • *Water Act 2007* (Commonwealth)	• Government target for 95% of water taken to be metred by December 2026 is at risk • We will not be able to meet targets for metering water users in coastal catchments delaying compliance • NRAR will not be successful in compliance actions without metering in place • Erosion of public and water user confidence that water extraction is measured and managed and that compliance with water laws can be enforced
W05-03 Environmental Water management	3.9	1.1	72%	• Water Management Act *2000* – objects, s8 and s5 • Water sharing plan requirements and targets • Obligations under the Basin Plan to deliver SDLAM and Northern Basin Toolkit projects	• We are unable to protect environmental water releases under WSPs as well as failing to meet public expectations. • We will not meet customer requests for advice about allowable extraction during environmental watering events to comply with water sharing plan rules. • Reduced access to environmental water will mean more water recovery needed via buybacks to achieve Basin Plan outcomes with impacts on water users, regional economies and communities

Activity	Pricing proposal ($m per year)	IPART draft decision ($m per year)	Reduction (%)	Legal requirement to undertake the activity	Impact of IPART's draft decisions
W06-01 and W06-02 Water plan development – coastal and inland	16.2	7.5	54%	• Water Management Act (s44, s43A, s45) - Water plans must be replaced within 10-12 year deadlines. • Statutory reforms - Coastal sustainable extractions • Litigation settlement with NCC to include climate impacts in 7 inland WSPs by 2026 • Natural Resources Commission reviews and audits • Implementation of water strategy actions	• Insufficient funding to remake statutory water plans as required by statutory dates. For example,-only 4 out of 14 coastal water sharing plans required to be remade in the next three years can be delivered with the allowed funding. • 3 significant coastal plan amendments, plus audit, review and extensions unfunded • Risk we cannot develop sustainable extraction limits and incorporate them into plans • Increased legal risk if we do not meet the Act obligations and court settlement • If water sharing plans are not replaced in time, water take and trading is illegal in those plan areas • Environmental outcomes at risk if statutory reforms are not delivered • Climate change risks not incorporated into plans mean water not allocated efficiently to manage risks
W06-03 Floodplain plan development	6.7	3.8	43%	• Floodplain management plans are statutory plans under the Act (s44, s43A, s45) • The department review and Natural Resources Commission audits	• We will not be able to undertake work to address unapproved flood works, which can impound or divert water otherwise available to the environment or water users • Increased compliance, legal and enforcement costs
W06-05 – Water strategies	9.1	3.2	65%	• Water Management Act - water strategies program reflects objects of the Act. • Litigation settlement - include climate impacts in 7 water sharing plans by 2026 • Basin Plan review	• Water security risks not understood or managed strategically across the state - impact on water users • Will not be prepared to address impacts of climate change on water security for water users, food and fibre, regional towns and the environment
W07-01 – Water management works	5.3	3.2	40%	• Water Management Act (s5) • Asset management delivers services required under the Act • Murray Darling Basin Agreement • *Water Act 2007* (Commonwealth)	• Assets in poor and/or very poor condition not maintained or improved which may impact on the ability to deliver environmental and cultural flows • Increased risk of asset failure and increased safety risks to local landholders, traditional owners, contractors and staff. • removing costs to deliver the required capital renewal works will impact on the ability to deliver environmental and cultural flows, increasing safety, legislative and reputation risks.

Activity	Pricing proposal ($m per year)	IPART draft decision ($m per year)	Reduction (%)	Legal requirement to undertake the activity	Impact of IPART's draft decisions
W09-01 – Consent transactions	for service	Fee for service	75%	• Water Management Act (s5 , s7, ch.3, ch.4, ch.6, sch. 1, sch. 2, sch. 3) • *Water Management (General) Regulation* • Water Sharing plans	• Significant delays in processing applications and approvals (up to 5 months) and delays in water users being able to legally take water.

2.2 IPART's draft decisions threaten the delivery of WAMC's proposed outcomes

Our pricing proposal put forward WAMC outcomes and objectives that reflect:

- customer priorities for water management heard through our extensive engagement over the current price determination period
- our statutory obligations under the Act.

Achieving these outcomes, objectives and associated targets is contingent on the efficient level of investment set out in our pricing proposal. IPARTs draft decisions to reduce WAMC's proposed funding, and to move to a 3-year determination period, will significantly impact our ability to deliver on these outcomes and objectives. Examples of performance measures most impacted due to large reductions in activity costs include:

- 1.1: Customers reporting that they are able to find the information required to submit an application (reductions to Digital Roadmap)
- 1.3: Customer enquiries are resolved within specified timeframes (%) and 1.4: Customer applications determined within specified timeframes (%) (relating to W09-01)
- 2.2: percent of water entitlement in NSW measured through metering rollout under the new non-urban metering policy each year (relating to W05-01)
- 2.4: Number of inland regulated river water sharing plans updated, with integrated contemporary climate data for available water determination decisions (relating to W06-02 and W06-05).

We cannot deliver on higher performance targets recommended by IPART

In its draft report, IPART not only assumes we can deliver on all of the outcomes in our pricing proposal but recommends increased target levels for some.

For example, IPART has suggested higher target levels to performance measures:

- 1.1: Customers reporting that water rules are appropriately communicated (%)
- 1.2: Customers reporting that they are able to find the information required to submit an application (%)
- 3.3: Customers reporting that decisions regarding planning and management of water are transparent (%)

- 3.4: Customers reporting greater confidence that NSW water rules and regulations are being enforced (%)

Even where IPART has allowed our proposed expenditure, the draft decision to set a shorter determination period impacts our ability to deliver on proposed outcomes, objectives and targets.

Some of our measures rely on data from customer surveys. Because surveys relate to the previous year, the results reflect lags in customers views. A 3-year determination period will provide very limited opportunity to observe changes in these measures.

This issue is compounded by the requirement to submit our pricing proposal a year ahead of IPART's determination, limiting observed performance data even further.

Overall, IPARTs decision means that WAMC will need to revisit all of the proposed WAMC outcome performance measures and targets to understand the impacts of what is still achievable, under a new funding envelope and over a shorter determination period, when compared to our proposal.

3 There are shortcomings in IPART's assessment of efficient costs

There are key examples where IPART and its expenditure consultant, Stantec, did not sufficiently:

- understand our water management activities and/or our explanation for our proposed cost allowances
- consider our comments and feedback on their draft analysis, and/or
- substantiate proposed reductions to our expenditure.

These shortcomings reflect, in part, the limitations of an expenditure review of WAMC conducted across a wide range of activities which reflect WAMC's role as a regulator performing statutory functions as well as delivering transactional customer services. This makes WAMC is vastly different to those of any other water agency regulated by IPART (or any other economic regulator). Moving forward, we would like to engage with IPART on how an expenditure review can be designed that is suitable for water management, given the unique role of WAMC and the nature of water management activities and services.

This section outlines additional, 'top down' concerns, which we suggest are important in sense checking IPART's decisions on WAMC's expenditure allowances. They reflect our concerns that IPART's:

- selection of lower bound cost estimates for most water management activities incorrectly assumes water management activities can be deferred and does not adequately recognise the substantial risk-informed prioritisation process and efficiency targets reflected in WAMC's proposed expenditure allowances
- draft determination requires dramatic cuts in water management expenditure (and hence water management activities and capability), at a time when the demands on water management activities have never been greater

- draft determination places undue weight on a customer relationship which is unwarranted and engagement to determine efficient cost allowances for WAMC to regulate and manage water resources for the whole community as reflected in its statutory responsibilities.

3.1 IPART did not recognise the prioritisation and efficiency savings in WAMC's proposal

IPART's draft determination reflects Stantec's lower bound estimates of efficient costs for almost all WAMC activities.

IPART's draft decision to apply lower bound estimates of efficient costs fails to recognise the risk-informed prioritisation exercise and significant efficiency commitment already reflected in WAMC's proposed cost allowances. Our proposal includes a 17% reduction in average annual operating expenditure, relative to actual levels in 2023-24, despite a significant increase in the required level of water management activity across key areas (as specified in our proposal). This reflects:

- a focus on funding WAMC's core, statutory obligations under NSW and Commonwealth legislation – that is, there is no scope to defer or exclude the cost of water management activities relative to our proposal
- a broad range of identified and ambitious efficiency measures, plus a continuing efficiency factor – that is, there is no scope for 'further efficiency adjustments' to WAMC's proposed expenditure allowances, without significantly undermining the delivery of non-discretionary water management activities (and, in that case, they would not be 'efficiency adjustments', but rather 'cost reductions' with adverse consequences for water management services).

IPART's decisions to adopt lower bound cost imply that WAMC can defer or reduce the scope, costs and/or service levels for these activities, despite Stantec's report acknowledging that this would pose significant risks for some activities.

Given the reductions to WAMC's proposed expenditure relative to current levels. WAMC is already carrying significant risk under its price proposal - to take on further risk or to impose further risk on water management outcomes as IPART acknowledges will occur under lower bound cost estimates is unreasonable, and in a number of instances contrary to Stantec's recommendations to IPART.

3.2 IPART's draft decisions do not pass a 'sense check'

There are significant limitations and risks in relying on the findings of a consultant's expenditure review in determining WAMC's cost allowance, given WAMC's unique responsibilities relative to other water agencies regulated by IPART and the limited time available to the consultant to undertake such a review.

It is not possible to use benchmarking to determine WAMC's efficient costs, as there are no entities with the same legal context, regulatory framework, breadth of functions and operating environment and services as WAMC. Therefore, the best indicators of the efficiency of WAMC's proposed costs are:

- how proposed costs relate to actual, historical costs
- its processes to ensure efficiency, including its efficiency targets

- ‘top down’ checks, such as measures or indicators of the level of water management activity or effort required over the upcoming regulatory period, and what this means in terms of forecast costs relative to current costs.

Given this, the outcomes of IPART’s draft decisions do not pass a ‘sense check’. IPART’s draft decisions would significantly reduce water management expenditure below current levels for a period when the demands on water management have never been greater:

- the required activity required to deliver on statutory responsibilities is higher than ever (e.g. the number of water sharing plans to review, update and/or replace is increasing over the upcoming determination period) and a number of these must include consideration of climate change risk and sustainable extraction limits
- the demands of customers, the community and other stakeholders is higher than ever (e.g. customers and other stakeholder require more information, and every review of water plans or the water planning and management framework identifies the need for further action)
- the pressures on the environment and the need to undertake water planning and management activities to achieve our high priority statutory obligation to protect water dependent ecosystems is higher than ever
- water is becoming increasingly scarce and more valuable over time, as reflected in its market price (see Section 4 below) – which puts more demands and pressures on the water management framework, which protects these property rights, and increases the value and importance of this framework to customers.

The Natural Resources Commission’s submission to IPART’s issues paper, for example, identifies a number of areas where further water management work and funding is required to address gaps. Our price proposal to IPART also explains how water management work program is increasing in a range of important areas, including the development, review and implementation of water sharing plans.

Within this context, under IPART’s draft determination WAMC’s operating expenditure allowance for the period 2025-26 to 2027-28 would be:

- 35% lower than WAMC’s average annual operating expenditure over the current determination period,
- 24% lower than WAMC’s proposed operating expenditure for the next 3 years, even though WAMC’s proposed operating expenditure allowances already reflected a focus on core, statutory water management responsibilities and an ambitious efficiency target (see Figure 1).

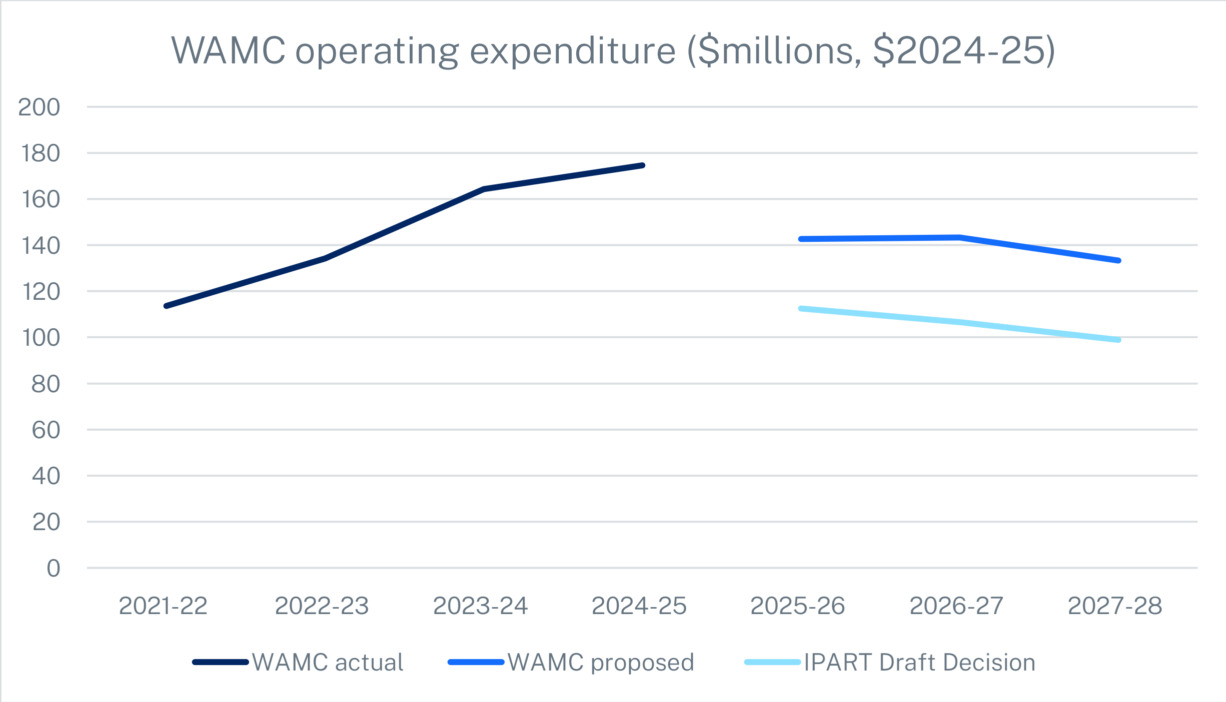

Figure 1: **WAMC's water management actual, allowed and proposed operating expenditure**

3.3 IPART puts undue weight on customer engagement in determining WAMC's expenditure allowances

IPART's draft report criticises WAMC for its lack of meaningful engagement with some stakeholders, stating that the engagement was more informative than consultative. We reject this criticism. IPART also suggests that a key reason for not allowing WAMC's proposed expenditure allowances in some instances was a lack of customer engagement. We argue that given WAMC's predominant regulatory role, the stated willingness of regulated water users to pay for mitigating their impact on water resources has limited utility in price setting.

Customer and stakeholder engagement is embedded in everything we do

IPART has significantly understated the extent of customer and stakeholder engagement we undertook to inform our price proposal and as part of our business-as-usual water management activities. We engage, provide opportunities for input to and publish 'What we heard' reports for every policy, strategy, reform and plan we develop and implement. The engagement with our broad range of stakeholders, along with data from science, modelling and economic analysis, informs every aspect of water management in NSW. Our customer engagement activity is outlined in Chapter 2 of our proposal, our Engagement Outcomes Report and our Customer Engagement Charter. Our customer, stakeholder and community engagement activities reflect our commitment to comprehensive and meaningful engagement with all stakeholders to inform our water management activities and hence our expenditure in some areas.

In addition to this, we engaged comprehensively with customers and community members on our WAMC pricing proposal, in line with IPART's 3Cs framework to understand priorities, inform outcomes and test views on different levels of price increases to transition prices to full cost recovery. We also engaged with our government stakeholders to understand the appetite for continuing to subsidise businesses in NSW that profit from the water they take from our rivers and aquifers. Like every significant water management decision, our pricing proposal was informed by balancing the views of these diverse customers and stakeholders.

The nature of water management and our statutory responsibilities limits the extent to which water users determine our water management activities

While we consult with water users and other stakeholders on all water management policies, strategies and plans, there is a limit to the role customer engagement should play in determining water management activities and hence expenditure. This is because WAMC's water management activities involve managing the potential negative external impacts of water use. That is, water management activities manage the potential adverse impacts of water users on the environment, the broader community and other water users – now and into the future. As the NWI Pricing Principles state:

> *"Water planning and management aims to provide clear rights to water while managing the negative external impacts of water use on other water users and the environment"*[1]

This limit to customer engagement is recognised via the statutory responsibilities imposed on WAMC, which are in the interests not just of water users (or WAMC's 'customers') but also of the broader community. These statutory obligations are intended to ensure that we undertake certain activities to sustainably manage water resources, irrespective of the views of current water customers. The Intergovernmental Agreement on a National Water Initiative, to which NSW is signatory, recognises that water management requires balancing interests for the benefit of the broader community:

> *"In Australia, water is vested in governments that allow other parties to access and use water for a variety of purposes – whether irrigation, industrial use, mining, servicing rural and urban communities, or for amenity values.* ***Decisions about water management involve balancing sets of economic, environmental and other interests.*** *The framework within which water is allocated attaches both rights and responsibilities to water users – a right to a share of the water made available for extraction at any particular time, and a responsibility to use this water in accordance with usage conditions set by government. Likewise, governments have a responsibility to ensure that water is allocated and used to achieve socially and economically beneficial outcomes in a manner that is environmentally sustainable."*[2]

This limit to customer engagement is also recognised in the National Water Initiative Pricing Principles' (and IPART's) application of the *impactor pays* (rather than beneficiary pays) approach to apportioning water management costs. The impactor pays approach promotes socially optimal outcomes by ensuring that water customers face the full efficient costs of the services they receive (as IPART has explicitly recognised in its Rural Water Cost Shares Final Report). It means that, in receiving services, customers pay the costs that the provision of those services create (e.g. costs of environmental remediation required as a result of the provision of services to customers) irrespective of their support for these costs to be included in the prices they pay.

[1] NWI pricing principles, p12

[2] Intergovernmental agreement on a National Water Initiative, p1

Further, given WAMC's statutory responsibilities, it would be counter-productive and inefficient to engage with 'customers' on every component of WAMC's submission, including those where they have limited influence or where there are separate engagement processes (e.g. MDBA/BRC costs). It is important that customer engagement is targeted and meaningful, particularly as there is evidence of consultation fatigue amongst water stakeholders in parts of regional NSW.

WAMC provides important services to water users through protecting their valuable property rights (water entitlements) – however, by their nature, the impacts of WAMC's water management activities are not always immediately apparent to water users and are often felt over time, over varying geographic areas and across the community. The external impacts of water use are why many of WAMC's water management activities are determined by legislation and regulation, informed by broad community engagement, rather than determined exclusively by the views of water users.

IPART regulates a diverse range of water agencies or businesses, with varied roles and responsibilities. WAMC's water management services are very different to the services of other regulated businesses, including the services of urban water utilities. This should be recognised in how IPART applies its "3Cs" framework.

3.4 IPART's decision on MDBA's costs puts Basin water management at risk

The MDBA Joint Programs oversee river management and operations in the southern Murray-Darling Basin, supporting water management that communities, economies, and water reforms depend on.

MDBA's proposed workplan and costs are developed and agreed within a legislated multi-jurisdictional governance framework. The MDBA Joint Programs costs are recovered through the WAMC and rural bulk water price determinations.

Under IPART's draft determination, WAMC's total expenditure allowance for the Joint Programs over 2025-26 to 2027-28 would be **23% lower than WAMC's proposal for the same period**. IPART's interim rural bulk water determination also includes a significant reduction to the bulk water component of the Joint Program costs.

Issues with IPART's draft decisions

Stantec's report contradicts itself. It acknowledges that an independent assessment of the Joint Programs' multi-year work plan and budget by Aither in 2024 "*yielded evidence of the prudency, efficiency and transparency of the proposed MDBA costs*"[3].

Despite this, Stantec's recommendation to IPART was: "*our conclusion remains that there is no evidence that the proposed expenditure is inefficient, but this does not mean that we have sufficient evidence upon which to conclude that all proposed expenditure is efficient*"[4].

[3] Review of Murray-Darling Basing Authority and Border Rivers Commission costs associated with WNSW-Rural and WAMC activities, 13 May 2025, Final, Stantec, pp v and 42.

[4] Review of Murray-Darling Basing Authority and Border Rivers Commission costs associated with WNSW-Rural and WAMC activities, Stantec, 13 May 2025, Final, ppv and 42.

Stantec's conclusions are contradictory and fail to provide clear guidance to IPART. Based on this, IPART decided proposed costs were not efficient.

Further, we disagree with IPART's decisions to reduce costs based on a lack of customer engagement on MDBA Joint Programs, rather than their efficiency.

The NSW Government and the relevant State Constructing Authorities undertake customer engagement as part of implementing the Joint Programs. This customer engagement focuses on ensuring customers have input to minimise impacts of implementation. The Joint Programs customer consultation includes processes to seek input on optimal timing of joint program activities to manage impacts on water users.

We acknowledge there was limited engagement on our pricing proposal however, there is a limit to the extent that WAMC and its customers can influence the MDBA's water management activities and hence expenditure.

The Joint Programs establish a range of initiatives that balance whole-of-basin outcomes across 5 jurisdictions. Robust interjurisdictional governance arrangements ensure that costs are efficient and prudent and fairly distributed across each jurisdiction. It is not appropriate to give weight to the views of NSW water users by engaging only with them on matters subject to interjurisdictional decisions. Engagement on pricing proposals for MDBA Joint Programs would necessarily be more informative than consultative.

We argue that IPART has unduly weighted customer input above setting efficient prices which will result in MDBA Joint Programs being unable to deliver on its water management objectives.

IPART's decision puts national water management at risk

IPART's decision could damage long-term water management and practices across the Murray-Darling Basin for years to come. Historic underinvestment and constrained budgets are already contributing to high, unacceptable risk for the asset portfolio, with many assets near or past their engineered lifespan. Since contributions to the Joint Programs are shared across the Basin Governments, IPART's decision puts national water management at risk. If IPART maintains its draft decision to increase MDBA Joint Program charges by CPI only:

- the Joint Programs will not be delivered efficiently or as planned, as the NSW Government is unlikely to contribute more than the efficient costs determined by IPART, or
- additional funding would be needed to fund the difference between NSW's agreed contributions to the MDBA Joint Programs and the revenue received from prices – which would likely come at the expense of other water management services.

We ask that WAMC prices for MDBA reflect the costs included in our pricing proposal, noting that this is more likely to under- than over-recover the efficient costs of delivering important national water management outcomes.

4 IPART’s cap on prices poses undue risk to water management

We support IPART’s draft decision to limit price increases at 2.5% per year, before inflation, for water users who pay the Minimum Annual Charge (MAC). This aligns with our pricing proposal and manages price impacts for these very small water users.

However, we do not support IPART’s draft decision to cap water entitlement and water take price increases at 5% per year, before inflation. We consider this cap on prices is excessively low, will unnecessarily continue to subsidise larger, more profitable water users at the expense of other government priorities, is not consistent with effective and efficient price regulation, and will create further undue risk to water management outcomes.

We proposed to cap annual price increases at 15% per year, before inflation. Our proposal was developed in consultation with the NSW Government, who would need to pay us the difference in revenue between our cost reflective prices and our proposed capped prices. Notably, WAMC secured the NSW Government’s support to make its proposal on this basis. The NSW Government has not committed to paying a larger portion of efficient costs under a lower price cap.

IPART’s draft decision to set a 5% price cap on larger users would result in:

- IPART dictating the NSW Government subsidy to water users – we suggest the NSW Government is best placed to allocate its budget across the community (given the Government’s role and holistic view of a range of competing interests for funding), or
- Leaving WAMC with a significant revenue shortall that, when combined with IPART’s decisions on WAMC’s expenditure allowances, means water management outcomes and obligations will not be delivered – if the NSW Government elects not to provide this additional funding.

Another factor mitigating potential impacts on customers is that water entitlements are valuable assets, which can generally be traded if a customer considers that the cost of holding it is too high. In fact, an objective of the water entitlement system and water markets is to achieve efficient water use, which involves promoting the distribution of water to its highest value uses for society as a whole – which, in turn, requires that water entitlement holders face accurate signals of the costs and benefits of their use of water.

In this context, we also note that:

- WAMC’s actual costs over the current determination period have been significantly higher than costs reflected in prices to water customers, which means the NSW Government has already provided substantial fundings on behalf of water users.
- The NSW Government (Treasury) has stated that it is not willing to continue to subsidise water users at such a high level and would prefer to move to cost reflective WAMC prices at a faster rate.
- WAMC’s water management activities protect the value of users’ water entitlements, and the value of these entitlements has increased significantly over time.
- Many water entitlement holders are using their water as an input to a production process. Under IPART’s draft determination, it is therefore either:

— increasing the NSW taxpayer's subsidy to these water users to levels above those determined by the NSW Government, which is a form of industry assistance, which we suggest is beyond IPART's remit, or

— creating a situation where WAMC will not be able to deliver essential water management activities (if the Government does not provide the additional funding to WAMC) – which will be to the detriment of water users, the environment and the broader community over the long-term.

We also have the following concerns with IPART's affordability analysis in its draft report:

- provided prices reflect efficient costs, IPART should not be focused on maintaining the gross margins of select sectors of the economy – particularly if this comes at the expense of taxpayers and/or the statutorily required water management activities.
- IPART provides no clear indication of an 'acceptable' gross margin – which highlights the difficulty/problems of effectively trying to second guess 'acceptable' or 'appropriate' market outcomes.
- In assessing impacts on farm gross margins, IPART assumes all other cost inputs and output prices are held constant. However, these factors will impact gross margins. Therefore, IPART cannot really determine or estimate actual gross margins over the next few years
- IPART doesn't recognise the market values of water entitlements, which are significantly higher than WAMC's prices per ML and have increased significantly over the last 10 years. As **Table 2** shows, if this average annual increase in value continues, the increase in the market value of water entitlements will exceed the increase in WAMC prices under IPART's draft determination. This highlights several potential perverse outcomes:
  - — If WAMC cannot undertake water management activities (because, for example, if it is not funded for the difference between revenue under its proposed prices and revenue under IPART's determination), this may negatively impact on the value of water entitlements over time – which would be far more detrimental to water users than increases in WAMC's prices.
  - — Under IPART's draft determination, NSW taxpayers may be paying a subsidy to water users to limit increases in WAMC prices to 5% per year (excluding inflation), while the value of their water entitlement (which WAMC is working to maintain and protect) is likely to increase at a higher rate (even after adding inflation to the 5% per year cap).

Table 22: Changes in the traded price (value) of water entitlements (average of general and high security)

Regulated river	2015 Volume weighted average price ($/ML)	2025 Volume weighted average price ($/ML)	% change 2015-2025	Compound annual growth rate over 2015-2025
Border	1,820	3,409	87%	6%
Namoi	1,950	8,925	358%	16%
Lachlan	442	3,100	601%	22%

Macquarie	1,100	5,550	405%	18%
Murray	1,812	5,674	213%	12%
Murrumbidgee	2,274	5,619	147%	9%

Note: prices are in dollars of each year

Sources: Australian Government Department of Agriculture and Water Resources 2015, Water Entitlement Market Prices across the Murray–Darling Basin: summary report for December quarter 2015, Australian Government, Canberra; and Australian Government Department of Climate Change, Energy, the Environment and Water 2025, Water Entitlement Market Prices across the Murray–Darling Basin: market overview report as at 22 January 2025, Australian Government, Canberra,

5 A short determination period and review of the pricing framework puts cost pressure on WAMC

5.1 A 3-year determination will divert resources from core water management activities

IPART's draft determination is to set a 3-year price path with new prices ending on 30 June 2028. If IPART maintains its draft decision on this matter, then either:

- resources will be diverted away from WAMC's core, statutory water management responsibilities to prepare for the next price review, which will further compromise WAMC's ability to undertake these responsibilities, or
- WAMC will not have the resources to prepare for such a review so soon.

We note the following in response to IPART's proposal for a 3-year determination period:

- IPART reviews are costly for regulated entities and pricing proposals are expensive to produce, especially with the increased burden of the 3Cs framework.
- The lead time for WAMC decisions and approvals are much longer than water utilities (and State-Owned Corporations). WAMC must follow Government policy and Ministerial approval when publishing or consulting on information.
- Water users are already fatigued from the level and intensity of engagement in regional NSW on NSW Government programs (water and non-water)
- Shorter price paths increase uncertainty for WAMC and water users and are not conducive to long-term planning for water management, which is a key tenet of IPART's 3Cs framework.

Our 2024 pricing proposal cost WAMC around $6 million to develop (across the department, WaterNSW and NRAR). We planned for this expenditure in the final 2 years of the 5-year period. A 3-year determination would require bringing this expenditure forward into the first 2 years of the period.

We propose a 5-year determination period, and that IPART provides us with sufficient expenditure allowances and revenue over this period consistent with our positions in this submission.

5.2 Reform of the WAMC pricing framework is necessary

IPART's draft report recommends a review of WAMC's price structures prior to the next pricing review, and outlined 8 matters for consideration, including:

- the long-term sustainability of the level of water charges in regional and rural NSW
- Community Service Obligations and cost shares alongside the 'impactor pays' model.

We support a comprehensive review of water management price structures and cost recovery, aiming for a simpler, more transparent framework that facilitates equitable cost sharing and cost recovery, with regulatory effort proportionate to the scale of costs being recovered.

The scope of this review will be considerable.

NSW is the only jurisdiction that has implemented independent price regulation as part of the 2004 Intergovernmental Agreement on National Water Initiative. However, the framework has been challenging to implement. WAMC has never recovered the full costs of water management under IPART determined prices, requiring ongoing subsidies from Government to deliver on statutory requirements. WAMC's pricing framework is complex and changes will have impacts on water users and for recovery of water management costs.

Water users have criticised the impactor pays principle and called for the NSW Government to take on a greater share of costs. IPART's draft determination has retained the impactor pays principle, noting it is consistent with the NWI pricing principles for water planning and management.

WAMC supports the 'impactor pays' principle but we agree a review is needed to ensure it is applied equitably and consistently. For example, the NSW environmental water holder's function is to offset the impacts of river regulation and extractive use on the environment but, as a water licence holder, is treated as an impactor for the purposes of pricing.

Any review of WAMC's pricing framework will be a root and branch review of WAMC's price structures, how costs are distributed geographically and cost sharing arrangements between water users and the NSW Government.

IPART's draft determination, does not provide sufficient resources or time to undertake or participate in such a comprehensive review in the 3-year determination period - particularly if our next pricing proposal was due in September 2027.

We had planned to undertake this review over a 5-year determination period, which would allow time for such a detailed review, and on the assumption that IPART's determination would provide WAMC with sufficient revenue to also deliver its core water management responsibilities.

If IPART maintains its position of a 3-year determination, we will require it to increase our expenditure allowance over the next 3 years to participate in and/or lead such a review.

6 The draft determination does not balance section 15 matters in *IPART's Act*

Under section 15 of the *IPART Act*, in making a price determination, IPART is required to consider a range of maters, including (but not limited to):

- the costs of providing the services concerned
- the financial impact on 'the government agency'
- 'the people of NSW' and 'taxpayers'
- standards of quality, reliability and safety of the services concerned
- the need to maintain ecologically sustainable development.

We consider that IPART has not sufficiently had regard to, nor balanced the matters listed in section 15 of the *IPART Act*.

IPART has provided insufficient cost allowances for WAMC to undertake its statutory water management responsibilities, which will:

- require the NSW Government to provide a higher proportion of WAMC's costs, to enable it to undertake required water management activities, and/or significantly compromise water management service standards. The NSW Government has not agreed to this.
- shift added cost onto the people of NSW, including taxpayers.

Further, IPART has not had sufficient regard for the need to maintain 'ecologically sustainable development' in the WAMC context.

For water businesses like Sydney Water Corporation, whose main function is to provide water and sewerage services, IPART often addresses this matter by setting prices to include costs to comply with requirements set by the environmental regulator.

In contrast, protection of water for the environment is a core to WAMC's purpose and is a key outcome WAMC must deliver under the Act. The objects of the Act include:

a) to apply the principles of ecologically sustainable development, and

b) to protect, enhance and restore water sources, their associated ecosystems, ecological processes and biological diversity and their water quality, and

c) to recognise and foster the significant social and economic benefits to the State that result from the sustainable and efficient use of water, including—

   i. benefits to the environment, and
   ii. benefits to urban communities, agriculture, fisheries, industry and recreation, and
   iii. benefits to culture and heritage, and
   iv. benefits to Aboriginal people in relation to their spiritual, social, customary and economic use of land and water.

By not providing WAMC with sufficient revenue to efficiently undertake its statutory water management activities, IPART is significantly undermining the objective of ecologically sustainable development.

Appendix A - Our response to IPART's adjustments for key water management activities

Below we outline our concerns with Stantec and IPART's adjustments to the proposed expenditure allowances for specific WAMC activity codes and charges.

6.1 Surface water monitoring (W01-01)

In its draft report, IPART indicates that WAMC proposed a "surface water monitoring" forecast capital expenditure program over a three-year regulatory period of $15.6 million. We assume this to be the sum of the following W-Codes: W01-01 ($12.1 million) and W07-01 ($3.5 million). This section discusses the proposed reduction to W01-01, while W07-01 is discussed elsewhere in this response.

IPART has adopted the lower bound of Stantec's range of efficient capital expenditure, applying a 26% reduction to the proposed expenditure for this activity.

We believe that IPART's selection of the bottom of the Stantec range does not adequately address risk over the next three years and is counter to what Stantec itself has indicated is the 'efficient' outcome.

In its report, Stantec states:

*"The **total proposed expenditure was $20.17 million**. Our recommended upper bound is in line with the submitted pricing proposal. We are of the view that **the projects are in alignment with the requirements of these activities and adequate justification was provided**.*

*The **selection of the lower bound** is dependent on risk appetite. We evaluated two scenarios based on the discussion in Section 7.1.2.5 as follows:*

1. *Reduction of the renewal program by 10% and reduction of the site upgrades (fire, flood, instrumentation) by 30% (see Table 7-15), a reduction of $2,250,000 to give a **total $17.95 million***
2. *Reduction of the renewal program by 10% and no site upgrades (fire, flood, instrumentation), a reduction of $5,245,000 to give a **total of $14.93 million**. (emphasis added)"[5]*

Stantec then goes on to state that it has used the second scenario for the lower bound, noting that:

…not undertaking any site upgrades will increase the risk of additional operating expenditure to manage instrument failure and unplanned capital expenditure in the case of flood or fire events (as seen in FY22 and discussed in Section 7.1.2.4). Additionally, reducing the lower bound may increase risks for the availability of information, especially during events, e.g. floods, which may impact the ability to provide effective public communication.[6]

[5] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Final, Stantec, p121

[6] Ibid.

While Stantec has stated that it has accepted the WAMC proposal for the upper bound, it has used the second scenario for the lower bound, even though Stantec considers that the risk of the lower bound will increase risk of additional future costs and information, especially during floods.

We maintain that our proposal aligns to our requirements and has been adequately justified (as acknowledged by Stantec) and should be the capital expenditure allowance adopted by IPART for surface water monitoring without further adjustment.

6.2 Surface water and ecological condition monitoring (W01-05)

This activity involves production and application of data products to enable a risk-based water management framework that considers condition and ecological value of rivers, floodplains and wetlands. These data products provide accurate data to improve the implementation and outcomes of statutory water sharing plans and other WAMC activities across the department.

IPART has adopted Stantec's lower bound recommendation for this activity, accepting Stantec's assessment that we provided insufficient justification for increased costs and scope adjustments.

IPART's decisions result in:

- Reduction of 25% ($1.9m) of the costs proposed for Water Quality Index (WaQI), River Condition Index (RCI) and High Ecological Value Aquatic Ecosystem (HEVAE) work, despite the department providing a business case to support proposed expenditure
- removal of the cultural value from HEVAE on the basis it is not clear how it will be used to improve water management decisions
- reducing the spatial component by 30% ($72,000 per year) on the basis that a centralised model will result in efficiency gains

Stantec's analysis of the costs for this activity and their conclusions and opinions lack clear justification. Most of Stantec's report repeats information provided by WAMC without clearly demonstrating why its proposed cost cuts are efficient and how they will impact WAMC's outcomes.

The lack of real assessment of proposed costs and subjective dismissal of the business case provided does not represent an efficiency assessment. This shows that Stantec's approach was to cut costs rather than assess the efficiency of WAMC's proposal against its' outcomes.

Stantec recommended the lower bound should be adopted in the case that fewer water sharing plans are undertaken (i.e., lower bound for W06-01 and W06-02). IPART's decision to set costs at the lower bound contradicts its decision to adopt the upper bound for water sharing plan development under W06-01 and W06-02, acknowledging that water sharing plans cannot be extended beyond statutory dates in the current regulatory environment.

Proposed costs for data products are to continue current work

WaQI, RCI and HEVAE ensure that water management decisions are based on the most accurate and comprehensive understanding of water resources. It is critical that data is current to ensure water management is adaptive and resilient.

Stantec appears to have incorrectly assumed that the business case represents new work. In fact, the business case represents continuation of existing work programs required to provide the evidence base for Water Sharing Plan review and update.

If the costs set out in the business case are removed, then science data used in remaking water sharing plans in 2030 will be reliant on pre-2016 data. WAMC will not have comprehensive and up-to-date data to support water planning and management decisions. This may lead to conservative water allocation rules being adopted to manage uncertainty, resulting in water being allocated inefficiently or unfairly.

Cultural objectives are required in water sharing plans

Any proposed changes to water sharing plan rules must be assessed against social, environmental, economic and cultural objectives and outcomes. Without cultural values, impacts of rule changes on Aboriginal cultural outcomes cannot be adequately assessed. The NSW Water Strategy includes an action to develop cultural values for 2 water sharing plan areas by 2030. This is a challenging area and will require early work to ensure these values are developed in an integrated and efficient way.

Without funding, the cultural values framework for inclusion in HEVAE will not be progressed by the department. This will set back the recognition of cultural values of water and incorporation of those values in water planning and decision making to support Aboriginal access to water for cultural purposes. Cultural values may be developed in an ad hoc and inconsistent way, or not at all, leading to inefficiency and poor outcomes. Further, targets relating to Aboriginal water under the NSW Water Strategy will not be met.

We have already centralised spatial analysis

The costs of staff proposed to undertake spatial analysis tasks are already allocated to a centralised spatial team (Water, Knowledge, Analytics, Geospatial Sciences), with efficiency from centralisation recommended by Stantec already embedded in our proposed costs. This work is for support in publishing data products as interactive map products on the department website.

We recommend that IPART restore the full proposed expenditure of $1.55 million per year for W01-05 to avoid material impacts on WAMC's statutory obligations and cultural outcomes.

6.3 Groundwater monitoring (W02-01 and W02-02)

This activity is shared between WaterNSW and the department and monitoring data is used to inform a range of water management activities.

Monitoring data is used to build on existing knowledge of aquifers and aquitards, making this available to the broader public to manage groundwater resources and to manage local impacts. This means that adjustments made to monitoring activities in W02 (and in W01) will have impacts on the viability of work undertaken in other management and planning activities led by the department (such as W05-01 and W06-01 and -02) as well as NRAR's ability to undertake compliance and enforcement (W08-03).

Operating expenditure

IPART accepted Stantec's lower bound recommendations for groundwater monitoring, which are a 10% continuing efficiency adjustment to the field sampling program due to bores being telemetered under the WAVE program.

We agree that the WAVE program would deliver benefits to this activity, however we contend that the benefits have already been incorporated into the forecast operating program through direct and indirect efficiencies. Therefore, we consider this to be a double counting of accruing efficiencies.

Capital expenditure

Stantec's report recommends adopting the upper bound efficient capital expenditure, but IPART has adopted the lower bound of Stantec's range. In doing so, IPART applies a **15% reduction** to the proposed groundwater quantity monitoring expenditure for this activity as illustrated below.

Table 33: W02-01 forecast capital expenditure over three years ($000s, $2024-25) - Groundwater

Activity	WAMC Proposal	Stantec Lower Bound	Variance ($)	Variance (%)
W02-01 Groundwater monitoring	12,670	10,770	**-1,900**	**-15.0%**

Similar to the response for surface water monitoring expenditure discussed above, Stantec stated:

"Our recommended upper bound is in line with the submitted pricing proposal. We are of the view that the projects are in alignment with the requirements of these activities and adequate justification was provided. We are satisfied that WaterNSW have sought an achievable, risk-based and cost-efficient approach to implementing the renewal program.

The monitoring activities provide the foundation for the core responsibilities of WAMC across a range of other activity codes, so investing in the infrastructure to ensure the resulting data and quality information is available to a high standard is prudent. We are also conscious that the underspend in the current period will increase the risk of failure of the groundwater monitoring asset portfolio."[7]

However, as with surface water monitoring capital expenditure, in setting a lower bound Stantec states the following:

*For the lower bound we have taken a **15% reduction in the scope of the renewal program**. This could be realised by WaterNSW proactively reducing the scope through further prioritisation, or it could occur reactively through wet weather conditions impacting on construction progress, which occurred in the current period (66% reduction in expenditure). These climate-related challenges are likely to continue in the future.* [8]

Taking the lower bound approach will increase the risk of asset failure, reduce data reliability, increase operating costs, and transfer additional renewals expenditure into the following period.

[7]Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p145.

[8] Ibid.

We maintain that **our proposal aligns to our requirements and has been adequately justified (as acknowledged by Stantec)** and should be the capital expenditure allowance adopted by IPART for groundwater quantity monitoring without further adjustment.

IPART's adoption of the Stantec lower bound increases the risk of asset failure, reduced data reliability, increased operating costs and transfer of additional renewals expenditure into the following period – all risks acknowledged by Stantec.

If IPART maintains its draft decision on WaterNSW's proposed capital expenditure it will also compromise the department's water quality program in the following ways:

- Reduced data coverage will make assessing applications for new bores difficult and less likely to be approved if we don't understand the water quality in the relevant area.
- Salinity lens movement and other risks to agricultural activity may not be able to be managed without understanding of the water quality at an appropriate scale.
- Reduced data acquisition under this activity is a major risk to the ability to undertake the groundwater numerical model work and the impact assessments for dealings and approvals (W09-01).
- The absence of data will potentially open NSW to legal challenges where data is not available to support resource management.
- Some water sources with little monitoring to date (e.g. coastal areas) are facing increased competing demand for groundwater and hold a significant number of environmental values, high river connectivity and support smaller aquifer systems at risk of water level changes.

IPART should therefore not adopt the Stantec lower bound that applies a 15% reduction in the scope of the renewal program when setting the capital expenditure allowance for this activity. **We recommend that IPART allow WNSW's original proposed capital expenditure of $12.67 million.**

6.4 Systems operation and water availability management (W05-01)

This activity involves the implementation and review of the procedures, processes and systems required to deliver provisions of the Act and water management plans to ensure the fair allocation of water across NSW. This includes:

- undertaking legislative compliance activities to ensure equitable access to water between consumptive users and the environment
- modelling and measurement of compliance with long-term extraction limits and sustainable diversion limits (established by the Basin Plan)
- monitoring, review and reporting of implementation activities, procedures and systems that underpin this activity.
- measuring water take through metering (to commence in 2025-26).

Stantec's upper bound and lower bound recommendations are the same for this activity. Stantec recommended eliminating costs of non-urban metering from 2026-27 as, in their view, by 2027 metering should be business-as-usual, the policy component complete, NRAR will have the responsibility for enforcing compliance and metering in new areas should require incremental effort only.

This represents a $3.08 million reduction per year in proposed expenditure on the non-urban metering program.

December 2026 is the target date for achieving the non-urban metering policy objective of having 95% of usage being accurately metered. However, this date has high uncertainty as it depends on the free market response i.e. water users first acting to become compliant and then the market responding to meet that demand.

Changes to the metering policy resulting from the 2024 review are designed to help address this failure, but they can't eliminate the risk. Should compliance rates not improve at the rate required to achieve this target, then further Government intervention in the market is likely to be warranted to keep the program on track.

If the department is not resourced to address these market barriers to metering roll out, there will be limits on the effectiveness, and upward pressure on costs, of NRAR's compliance action.

Note that the cost of this further market intervention has not been factored into the WAMC pricing proposal.

We maintain that the efficient costs of this ongoing function was appropriately included in the WAMC pricing proposal. This is a continuing responsibility that is independent of non-urban metering reform.

The Department has an ongoing metering function once 95% of usage is accurately metered. This function includes the maintenance and continuous improvement of rules, guidelines, standards and tools as well as the use of this data for statutory compliance functions (both sustainable diversion limit compliance under the Basin Plan and long-term average annual extraction limits under water sharing plans). **This ongoing business-as-usual activity is forecast to cost the department $1.8 million per year.**

Without funding for business as usual metering activities, we will not be able to effectively:

- develop metering data products and tools to support LTAAEL compliance work
- review and analyse metering data to identify areas for improvement, regulation amendment and generate information for Commonwealth bodies
- ensure awareness of metering obligations to support the metering roles and responsibilities of WaterNSW and NRAR
- amend metering rules where needed
- ensure metering equipment standards remain fit for purpose and reflective of technology changes ensuring benefits (including access to cheaper technology as units are replaced) can be realised by water users
- manage exemptions as technology improves or rules change
- ensure metering is incorporated in all future policy work to retain confidence in long term average annual extraction limit and sustainable diversion limit compliance
- work with inter-jurisdictional colleagues to help ensure NSW remains compliant with future changes in national metering policy.

We contest Stantec's recommendation that metering will transition to a business-as-usual status from 2027, particularly with regard to groundwater and unregulated surface water users.

Given the larger number of groundwater and unregulated surface water users with far less exposure to metering requirements, it is unreasonable to assume that the department can absorb the full costs of ongoing metering activities. Especially as the largest proportion of unregulated surface water users are on the coast where deadlines for metering compliance were extended through the non-urban metering reform by up to 2 years.

WAMC metering activities delivered by the department must continue and the efficient costs of these activities should be included in WAMC expenditure allowance over the whole determination period.

IPART's draft decisions mean there will be insufficient funding to deliver non-urban metering reforms, including roll out of the reform on the coast that will compromise the Government's objective of having the vast majority (95%) of water take accurately metered. Accurate meter data improves community confidence and will drive improved decision making and is assumed to be driving the efficiencies across all water management activities including compliance and enforcement by NRAR.

We recommend that IPART restore the full proposed expenditure of $9.5 million per year for W05-01 to avoid material impacts on WAMC's statutory obligations.

6.5 Environmental water management (W05-03)

This activity is responsible for leading:

- the development and implementation of environmental water planning, policy, legislative requirements, commitments and reforms that protect and enhance the use of environmental water so it can achieve its intended environmental objectives and outcomes.
- the Sustainable Diversion Limit Adjustment Mechanism (SDLAM) and Northern Basin Toolkit (NBTK) projects, which aim to meet Basin Plan environmental outcomes while requiring less water to be recovered from other water users.

Environmental water management is fundamental to achieving the objects of the Act, particularly s3(b) to **protect, enhance and restore water sources, their associated ecosystems, ecological processes and biological diversity and their water quality.** The principles of the Act (section 8) also highlight the importance of managing water for the environment.

The workload for environmental water management has increased over the current determination period, supported by external government funding. Since 2020, this has led to an additional 710 GL of environmental water protected across the northern Basin and 1,037 GL across the southern Basin that would have otherwise been available for extraction.

IPART's draft determination accepts Stantec's recommended lower bound expenditure, which:

- reflects expenditure on environmental water management and Snowy licence programs for 2021-22 to 2023-24 (excluding the forecast for 2024-25) with no allowance for communications and engagement

- excludes costs of the Connectivity Expert Panel forecasting model, while accepting the continuation of the current level of service, on the basis that WaterNSW model improvements will allow forecasting
- removes operational costs for SDLAM Yanga National Park, on the basis that these costs should reside with National Parks and Wildlife Service
- reduces proposed ongoing operating and maintenance expenditure for SDLAM and NBTK, which will continue after assets are transferred to WaterNSW
- excludes staff costs required to undertake handover activities for SDLAM assets.

The draft decision will mean that WAMC cannot deliver critical environmental programs, which are a requirement under the Act and the Murray-Darling Basin Plan.

The assumptions Stantec has made about the Environmental Water Management team's actual expenditure are incorrect

Stantec's recommendations were based on 2023-24 expenditure, which reflects the lowest year cost due to a need to reallocate resources to other activities. Expenditure in 2024-25 is more reflective of the true costs of the environmental water team.

We suggest efficient expenditure for environmental water management should be based on the current water year spending ($0.77 million). Given the use of Commonwealth funding for W05-03 work, and delays to being able to progress OM32, Stantec's upper bound recommendation does not reflect the actual baseline cost to deliver the environmental water management team's outputs measures in the recent period. 2024-25 better reflects the actual ongoing cost.

Stantec's justification for excluding the forecasting model is not sound

Stantec's justification for excluding the forecasting model is not sound and will lead to NSW not meeting customer expectations for accuracy in flow forecasting. Whilst WaterNSW states that it is constantly improving its northern Basin forecasting capability, the requested funding is required to allow the forecasting model to be updated, to include all the water sharing plan rule changes that arise from implementing the Connectivity Expert Panel's recommendations across all Northern Basin tributaries and the Barwon-Darling.

In 2 separate independent reviews of other northern Basin connectivity actions (i.e. the Claydon Review and the First Flush Review), water users have requested improved accuracy in model forecasting to ensure no unnecessary impacts on their water access.

Therefore, to meet water user expectations regarding impacts to water access, and to implement forthcoming connectivity rules, for the lower bound we suggest including all expenditure for the forecasting model, instead of completely removing it.

Staff costs for SDLAM and NBTK have not been included

The proposed expenditure for the SDLAM and NBTK projects is to:

- maintain and operate new infrastructure for the purposes of managing environmental water
- undertake additional WAMC activities such as water modelling, reviews of operational plans, Monitoring, Evaluation and Reporting (MER) requirements with the Commonwealth and general engagement with landholders and asset owners which require funding.

Stantec recommended adopting the costs for SDLAM that were provided in response to a request for information (RFI) during the expenditure review, rather than the costs in the pricing proposal.

The RFI asked "*what opex costs are forecast for Sustainable Diversion Limit Adjustment Mechanism Acceleration projects and Northern Basin Toolkit projects, and how were these derived*?"

The RFI response provided the ongoing operation and maintenance costs, which were lower than proposed, and did not include staff costs of $487,000 in 2025-26 and $87,000 in 2026-27 for benefit realisation, monitoring and handover of assets to WaterNSW.

We accept Stantec's recommendation to adopt the external operation and maintenance costs for these activities, as there was an error in our proposal. However, we argue that staff costs should also be included for handover of assets and benefits monitoring and realisation.

These costs are required to meet legislative and regulatory requirements for the purposes of managing assets and environmental water in accordance with agreements between NSW and the Commonwealth.

We disagree with Stantec's recommendations to remove costs of SDLAM project in Yanga national park

We dispute Stantec's recommendation to remove $60,000 per year in costs of SDLAM projects in Yanga National Park on the basis that National Parks and Wildlife Service should fund it.

We agree with Stantec's statement that *"There is a risk that the National Parks and Wildlife Service is unable to secure an additional budget and is therefore compromised in its operation and management of assets. This in turn may result in the target environmental flow outcomes of the project not being fully achieved."*

We argue that environmental water management is a WAMC environmental water management activity and therefore costs should be recovered through prices. Without this revenue, we will not be able to plan and manage environmental water events in Yanga National Park or provide a commensurate level of proactive and reactive maintenance for assets to achieve the outcomes for the initial operating period.

Commitments by the NSW Government under agreements with the federal Government to deliver SDLAM require that the long-term benefits of the program, are achieved.

Impacts of IPART's draft decisions

If IPART maintains its draft decision to reduce proposed costs for this activity, WAMC will not be able to undertake the following activities:

- Upgrade of WaterNSW's modelling to allow implementation of connectivity flows, once they are locked into Water Sharing Plans
- Active management of environmental water in Northern Basin, protection of Queensland held environmental water into the Barwon Darling, implementing restrictions to protect environmental water
- Addressing current gaps in water sharing plans for environmental water management
- Monitoring and evaluation and benefits realisation for SDLAM and Northern Basin Toolkit projects

- environmental flow outcomes of SDLAM projects in national parks will not be achieved.

We recommend that IPART include expenditure of $3.3 million per year (which includes some reductions in SDLAM and NBTK operating and maintenance costs) for W05-03 to avoid material impacts on WAMC's statutory obligations and environmental outcomes.

6.6 Water management plans (W06-01 and W06-02)

Water sharing plans are statutory plans that set out the rules for how water is managed and shared between the environment and other water users, to comply with the Act. The review, audit, amendment and replacement of water sharing plans is fundamental to achieving the Act's objectives and for adaptation to climate change. Under the Act, water sharing plans must be evaluated every 5 years and replaced every 10 years (with an option to extend for 2 years with approval of the Natural Resources Commission, the Minister for Water and the Minister for the Environment).

IPART's draft decision adopts Stantec's upper bound expenditure estimate, on the rationale that this represents the efficient cost of maintaining good regulatory practice and meeting obligations in the existing regulatory environment.

This draft decision results in a 50% reduction in costs for delivering these critical water management activities, compared to the efficient costs in our pricing proposal. Such significant cost reductions imply that we can defer plan replacements beyond statutory deadlines and mean we will not be able to deliver on other statutory planning requirements and Government priorities.

Stantec's calculation of efficient costs uses an incorrect baseline and omits critical inputs to water sharing plans

Stantec's recommendation incorrectly assumes that current expenditure on water sharing plans will stay the same over the next determination period.

This is despite the WAMC pricing proposal stating that, along with an increase in resources for more planning activities, forecast expenditure reflects:

*"…**improvements in how we estimate costs** along with increased input to First Nations engagement, implementation of state strategies, and several priority projects to deliver contemporary plans. Additionally, work is being progressed to consider the implications of climate change on regulated river systems."*[9]

During the expenditure review the department advised Stantec that current period expenditure and forecast efficient expenditure were not comparable, because:

- cost inputs to planning activities, such as science, spatial information, modelling, economics and stakeholder engagement, were not recorded against water sharing plan codes over the current period
- we included these input costs in our forecasts for W06-01 and W06-02 to provide a complete and transparent estimate of the full cost of undertaking this important activity.

Despite this, Stantec estimated future efficient costs by applying the current period costs of planning activities in the next determination period. This approach ignores our advice and

[9] WAMC pricing proposal – Attachment F,30 September 2024, p96.

substantially underestimates the true cost of planning activities. It fails to account for essential inputs to water sharing plans such as modelling, science, economics and stakeholder engagement, leading to an unrealistically low cost per activity.

In its final report, Stantec acknowledged that:

"The partner team costs for the future period are material, as noted by DCCEEW (around 50% of total costs). DCCEEW's comments on our draft report suggest that the actual expenditure it has reported over the current determination period, outlined in its submission, did not include partner team costs, implying only costs for the water planning team were reported as actuals....

...If there are material and justifiable differences in the composition of actual costs reported by DCCEEW to the proposed costs, then adopting actual costs as a baseline could indeed be flawed".[10]

However, Stantec maintained its recommendations based on the current period expenditure claiming that the department did not specify this earlier or provide evidence that the costs were not included in recorded actual expenditure over the current period.

This is not true. The department provided Stantec with substantial information on how water sharing plan costs were estimated, including partner costs as part of a request for information (RFI 73).

Stantec's reluctance to correct this error between its draft and final report is concerning. It means that the recommended allowance and IPART's draft decision, are not sufficient for WAMC to undertake statutory water management plan work – which is central to WAMC's functions.

IPARTs draft expenditure allowances are not sufficient and are skewed between coastal and inland planning

IPART's draft decisions include an unexplained and unjustified imbalance in allocation of funds between W06-01 - Coastal planning and W06-02 - Inland planning. It appears that IPART has not considered the statutory timeframes when shortening the determination period to 3 years.

IPART has allowed a smaller expenditure allowance for W06-01 and a larger amount for W06-02. This does not reconcile with the proportions of planning activities required during the 3 years from 2025-26 to 2027-28. Fourteen coastal plans are due to be replaced (plus 3 large amendments with a similar level of effort required to plan replacement) compared with 6 inland plan replacements over the period. This does not include the differing numbers of general amendments required or other statutory activities such as extensions, review and audits. **If IPART maintains its draft position, WAMC will only be able to deliver 4 of the 14 coastal plans due for replacement.**

Table 4 shows the total number of activities over the 3-year period and IPART draft expenditure allowances. **Table 5** and **Table 6** show the breakdown of planning activities for coastal and inland planning over the period.

Table 44: Water sharing plan activities required and IPART draft allowance for a 3-year determination period

WAMC activity	Number of activities required by 2027-28	IPART allowance in draft determination
Coastal (W06-01)	58.5 activities	$2.9 million (per table 4.3)
Inland (W06-02)	27.5 activities	$4.6 million (per table 4.3)

[10] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Final, Stantec, p190.

Table 55: Breakdown of coastal water sharing plan activities required for next 3 years

WSP Activity	2025-26	2026-27	2027-28	Total
Replacement	1	0	13	14
Amendment	2.5 (avg)	5.5	2.5 (avg)	10.5
Extension	11	1	0	12
Review	10	2	0	12
Audit	0	4	6	10
Total	24.5	12.5	20.5	58.5

Table 66: Breakdown of inland water sharing plan activities required for next 3 years

WSP Activity	2025-26	2026-27	2027-28	Total
Replacement	0	2	4	6
Amendment	2.5 (avg)	2.5 (avg)	2.5 (avg)	7.5
Extension	6	0	0	6
Review	6	0	0	6
Audit	1	1	0	2
Total	15.5	5.5	6.5	27.5

IPART's draft decisions for W06-02 covers the planning team's costs for delivering the full program of 6 plan replacements, 7 plan amendments, 6 plan extensions, 6 plan reviews and 2 plan audits. **However, the lack of funding for inputs to this work program (hydrological modelling, science, spatial information, economics and engagement) mean there would be a very high risk of not completing this work.**

Even if W06-02 can be completed with the available resources, it is unlikely to meet NSW government agency, customer, community, and environmental requirements and expectations.

IPART's decisions prevent the delivery of projects needed to meet legal obligations and achieve key water management priorities.

Importantly, the draft determination has also not allowed for expenditure on priority planning projects including the Coastal Sustainable Extraction project, Minimum inflows project and Northern Basin Connectivity project (see points below). These projects are required to meet legal obligations to incorporate the effects of climate change into water sharing plans, protect the environment and ensure water sharing plans support sustainable water extraction. Latest estimates are that these projects will cost around $6.2 million per year to deliver over the next 3 years.

If IPART confirms its draft determination, the department will need to prioritise core statutory planning activities with its reduced WAMC budget. This means that other areas of work will not be delivered as a result.

Implications of IPART's decisions for water management outcomes

IPART's decisions risk the department, the Minister and the Government not meeting statutory obligations, which will undermine the integrity and effectiveness of the water management in NSW. This will have adverse outcomes for customers, community and the environment, with significant reputational and regulatory risks. This means:

- The environmental health of water sources may not be protected

- Long-term sustainability of water sources will be compromised, leading to degraded waterways and negative impacts on the environment, communities, and businesses
- Water users will lack clear information about when and how water is available for extraction
- There will be a lack of clarity and security for water users on the sharing arrangements between the environment and different types of water users.

Further, if IPART maintains its draft position, the Department will be unable to deliver its committed statutory requirements outlined in water sharing plans, or address the Natural Resources Commission's recommendations, Basin Plan review outcomes, or relevant NSW water strategy actions. Much of this is non-discretionary water management reforms and strategic actions developed through extensive stakeholder engagement and economic analysis to identify options for addressing water risks that have the greatest strategic merit and highest net benefit. These include, but are not limited to:

- Incorporating the risk of climate change in water sharing plans – including Ministerial commitments made as part of legal settlement with the Nature Conservation Council, and obligations under statutory plans that legally require a review of the minimum inflows used to determine available water in the six regulated water sharing plans due for replacement.
- Coastal Sustainable Extraction project delivery - including Ministerial commitments made as part of legal settlement with the Nature Conservation Council, as well as requirements in current statutory plans and amendments based on the Natural Resources Commission's review and recommendations. The project will improve our understanding of sustainable water extraction in coastal areas, which will inform water sharing rules to support sustainable water use.
- Incorporation of outcomes from the Northern Basin Connectivity project into water sharing plans - this is a Ministerial commitment through the settlement of legal actions brought by the Nature Conservation Council and a Ministerial priority
- Review of long-term average annual extraction limits for sustainability and associated water sharing plan amendments required for a number of current statutory plans.

Not completing this work increases the risk that replacement plans will not receive concurrence and approval from Ministers, resulting in plans not being in place for periods of time. With no plan in place, enforcement of mandatory conditions may not be able to be undertaken, dealings may be undertaken contrary to any new plan rules, water allocation cannot be debited meaning in regulated systems more water may be release than taken, and licence holders cannot access supplementary water or uncontrolled flows in regulated systems.

Funding based on IPART's draft decisions for W06-01 and W06-02 means that neither these projects, nor the associated plan amendments (to implement the reforms), that have been statutorily committed to through inclusion of review clauses and/or amendments provisions within many water sharing plans, will be delivered. Much of this work links to Natural Resources Commission review recommendations meaning that the Department would not be able to fully consider issues raised by the Natural Resources Commission as part of plan replacements.

Finally, with the proposed funding the Department would not be able deliver fit for purpose consultation across all stakeholders including First Nation consultation as part of statutory planning requirements.

To ensure that WAMC can undertake these highest priority statutory planning responsibilities, we urge IPART to amend its draft decisions to reflect the efficient costs of $8.8M for W6-01 – Coastal water planning and $7.4 for W6-02 – Inland water planning, consistent with our proposal.

6.7 Floodplain management plan development (W06-03)

This activity involves the development, audit, review, amendment, or replacement of rural floodplain management plans (FMPs) to comply with the Act including the consultation activities, the technical work associated with plan development, and the implementation including monitoring, evaluation and reporting for inland rural floodplains.

IPART's draft decisions for W06-03 is to adopt Stantec's recommended lower bound of $4.45 million per year. This represents a reduction of $2.28 million per year in proposed costs of addressing unapproved flood works in the southern Murray-Darling Basin. Stantec recommended these costs be recovered through the annual budget cycle based on its view that these costs could have been avoided with more stringent management and compliance effort in the past.

While a proportion of the unapproved flood works may be attributable to a lack of compliance action in the past, a significant proportion of the unapproved works have been constructed since the formation of NRAR and existing floodplain management plans (including works constructed during floods). This practice will continue without improving the compliance culture of water users through the accelerated compliance program proposed as part of this activity.

The proposed decision to exclude the accelerated compliance program from W06-03 will have serious resource implications for other WAMC agencies, including NRAR - which will need to respond directly to the multiple-thousands of unapproved works, an activity it is not currently resourced to deliver. The scale of unapproved works is not something that can be addressed by enforcement alone and ad-hoc enforcement action that is not delivered in collaboration with a coordinated departmental program will have unintended consequences and sub-optimal results for floodplain management in the south.

The outcome of not including this is that water users and the environment will continue to be heavily affected by unauthorised flood works, including:

- Diversion/impoundment of water that would otherwise be available for the environment (or water users.
- Risk to life and property from uncoordinated development on the floodplain.

The proposed funding is insufficient to fully resource the floodplain planning requirements in this pricing period. This significantly compromises the delivery of statutory requirements under the Act. This work is not discretionary. It cannot be assumed that proposed Act amendments will be supported to enable a reduced/refined statutory water planning program within this period (e.g. extension of plans to enable longer replacement timeframes).

Reductions to W06-03 funding will result in delivery rationalisation. As a result, it will not be possible to deliver the Mirrool Creek Floodplain Management Plan (a high priority plan) in this pricing period. Mirrool Creek is a highly contentious area with complex water management issues, including a very high number of unapproved works, complex stakeholder relationships (local government, Irrigation Corporations, Urban/Rural interface), and politically engaged peak bodies and water users. There has been increasing pressure to deliver an FMP in this area. These matters will remain unresolved without an FMP for Mirrool Creek.

To ensure that WAMC can complete its statutory planning requirements, we request that IPART recommend that the pricing proposal submitted for W6-03 reflect the original proposal of $6.7m and failing that the original Stantec Lower bound of $4.45m.

6.8 Water Strategies (W06-05)

The water strategies program enables a strategic planning approach that identifies the most cost effective water policy, planning and infrastructure solutions to respond to climate risks and other changes impacting water availability across NSW. The water strategies program is aligned to the objectives of the Act, through the priorities of the NSW Water Strategy that cascade through the program. It sets the strategic direction for the NSW water sector over the long term and ensures a coordinated approach across NSW Government agencies.

In its draft determination, IPART has adopted Stantec's lower bound expenditure recommendation, **which results in a $5.4 million per year reduction in proposed costs for this activity**, by:

- Removing the climate program on the basis that it is non-essential
- Removing proposed costs of key projects to inform strategic responses to risks and issues impacting water management and sharing, on the basis that they may not be assigned to the right WAMC activity
- Reducing proposed costs of monitoring, evaluation and review (MER) of water strategies based on flawed benchmarking.

The climate program is essential

Stantec's recommendation **reduces costs of this activity by $2.36 million per year** by removing the climate program on the basis that it is non-essential.

This is not correct. Water management necessarily involves planning for and managing water resources to withstand severe and uncertain climate events. Climate change is likely to increase these extreme events and reduce water availability in some parts of NSW over the longer term, requiring greater water management effort over time.

It is increasingly an expectation of stakeholders and regulators, such as the Natural Resources Commission, that climate change impacts will be incorporated into agency decision making. Incorporating climate change into our decision making and planning is also a requirement of a litigation settlement between the department and the Nature Conservation Council.

In support of its recommendation, Stantec noted that *"While applying hydrological data sets that account for climate change is best practice, the data sets already exist."*[11] This is correct, but while hydrological data sets were developed during the current price determination period, they have not yet been used to inform a substantive change to the water planning framework because further work was needed to clarify how to apply and utilise this data to inform regulatory decisions. The program will develop and provide this guidance to staff across the business to incorporate climate change – largely to inform statutory water planning.

[11] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p218.

Stantec acknowledges that "*The lower bound carries the risk that WAMC may not be able to adequately update these data sets to account for new information or be able to adopt new methods to apply that data to decision-making. This in turn may reduce the quality and efficacy of its water management and planning activities*."[12]

Since IPART released its draft report, the department has received an independent review of climate change modelling from the Office of the Chief Scientist and Engineer (OCSE). The report notes that: "*Climate change poses ongoing and emerging risks and these should be accounted for through iterative improvements and adaptive management of the draft Method to estimate minimum inflows.*"

"The use of climate-adjusted paleo-stochastic data to incorporate climate change into the minimum inflows is adequate in the short term but should be continuously improved through evidence-based adjustments."

Stantec also noted that use of climate datasets *"…for water planning and management processes and decisions are better accounted for in the relevant WAMC activity*."[13] IPART has taken an asymmetric approach to adjusting WAMC's costs by accepting Stantec's recommendation to remove costs because they should be captured under a different activity, but not reallocating the costs, leaving a funding gap and putting delivery of this work at risk.

Stantec acknowledges that "*Excluding the climate change program expenditure… may in turn undermine the efficacy of future water sharing plans and other water management and planning tasks."*[14] (p. 216).

We agree with Stantec's statements and reiterate these risks. The real-world impact is that risks to water availability under climate change scenarios are not adequately considered and sufficient water reserves are not maintained to meet the needs of towns, producers and the environment in a changing climate.

If elements of this work are to be progressed, it would mean that funding is shifted from elsewhere within the IPART funding envelope, putting at risk other delivery elements. A significant risk of this funding shortfall is that we will not be able to fund essential modelling to undertake climate related analysis of:

- impacts on customers – increasing likelihood due to climate change of unplanned for water shortages – for both irrigation and urban water. Incorporating climate change into decision making could have anticipated the increasing frequency of these impacts.
- impacts on communities – increasing likelihood of unplanned for water shortages to support social and cultural needs
- impacts on the environment – increasing likelihood of environmental stress as a result of water shortage.

We ask IPART to reconsider its draft decision and includes the full cost of the climate program in its final determination.

[12] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p218.

[13] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p218.

[14] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p216.

Removal of priority water strategy projects shows a lack of understanding of WAMC services

Stantec has removed the costs of activities it considers "*unlikely to fall within the definition of WAMC monopoly services (e.g. infrastructure investigations if these are relating to urban water supply)*"[15]. Stantec appears not to have understood that local water utilities are WAMC customers and hold the highest security water access licences. In practice, this means that town water security drives significant water management effort, including consideration of options to balance town water security with water for other users and the environment.

IPART has accepted Stantec's recommendation to remove proposed costs of priority projects from W06-05 on the basis that they may more accurately relate to other WAMC activities. However, in doing this, IPART has not transferred the costs to any other activities so that these projects can be delivered.

IPART's decisions further erode WAMC's ability to deliver critical and high priority strategic projects to ensure long term water security risks are identified and managed in the most efficient way.

Stantec's benchmark for MER does not consider geographic scale or complexity

Stantec has benchmarked MER for strategies with efficient costs of water plan evaluation (W05-04). Stantec's proposed benchmark for water strategies MER, based on water sharing plan evaluation costs, is not appropriate as it does not account for differences in geographical size, water sources, the diversity and complexity of initiatives involved.

NSW Treasury's Evaluation Policy and Guidelines (Treasury Guidelines) indicate a monitoring and evaluation budget of 1-5% of initiative costs for recurrent or regulatory initiatives is appropriate. (p. 16)

On further consideration of strategy implementation costs and MER benchmarks, we propose costs for strategy MER of $153,000 per strategy, or $2.3 million over 5 years. This equates to 5% of strategy development costs of $46.3 million. This means committing to a further 11.5% in efficiency savings from our original proposal of $2.6 million over the period.

We argue that this is reasonable given alignment with Treasury Guidelines and the complexity of the strategies program. The investment by water users and the NSW Government in developing the strategies and implementation by a range of parties over a significant period of time warrants robust monitoring and evaluation that outcomes are achieved.

IPART has changed its position on who should pay for water strategies

Stantec's report erroneously recommended that the W06-05 should not be considered a WAMC activity, given the scope increase to include 'implementation.' We maintain that including implementation is not a scope increase and applies the definition of W06-05 that IPART adopted for the 2021 WAMC price determination.

WAMC's 2020 pricing proposal explicitly clarified the definition of this activity: "*The regional planning and management strategies activity code has, to date, covered the development, evaluation and review of regional water strategies, metropolitan water plans and other planning instruments,*

[15] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p212.

*including associated stakeholder engagement. Moving forward, a more accurate description would be the development, coordination, **implementation**, evaluation and review of state, regional and metropolitan strategies, providing full coverage across the state, and the associated stakeholder engagement.*"[16]

IPART's draft report acknowledges that W06-05 is a WAMC activity but IPART has assigned it a 0% user share, meaning that the broader community is the impactor, rather than extractive water users. IPART has not provided a persuasive rationale for this decision, and it is inconsistent with IPART's previous view that "***WAMC needs to establish water* management *plans and strategies mainly due to high consumptive water use. Therefore, water users are the primary drivers of these activities***"[17]

In its 2021 price determination report IPART concluded that "***We consider regional water planning is a 'policy implementation' activity. Under the National Water Initiative Pricing Principles, these costs should be recovered from water users*** *(i.e. only policy development activities should be excluded*".[18]

We disagree with IPART's decision to assign 100% of the costs of water strategies to the NSW Government on behalf of the broader NSW community. Without extractive water use this activity would not be needed. We maintain that a share of water strategies work should be recovered from water users.

Implications of IPART draft decisions on regional water strategies

IPART's draft decisions would significantly impact the expectations of customers and communities who have engaged extensively on the development of water strategies over the past four years. They also affect the ability to effectively monitor environmental metrics and respond as required. The proposed reductions will result in:

- **Failure to meet legislative requirements**: NSW has binding environmental and legislative obligations to consider and respond to climate change in water planning. Failing to uphold these requirements exposes the government to legal, reputational, and policy risks.
- **Wasted resources and fractured delivery**: Disbanding or weakening interagency strategic collaboration — such as that seen in the Restoring the Darling-Baaka River Program — leads to duplicated efforts, inefficient use of public funds, and misaligned agency objectives, ultimately undermining the effectiveness of water reform initiatives.
- **Loss of statewide coordination**: Without a strategic framework to guide decision-making, NSW risks missing critical signals across regions. This undermines our ability to prioritise and respond to water security threats in the face of growing climate pressures and fiscal constraints.
- **Stalled reform and missed opportunities**: Halting coordinated efforts delays delivery of major reform priorities, including WAMC contributions to NSW's energy transition — specifically, through key regional water strategies like Fish River-Wywandy and the Greater Hunter. These strategies help ensure resilient, future-focused infrastructure and sustainable regional growth.

[16] 2020 Water Administration Ministerial Corporation Pricing Submission – Attachment E, p117

[17] Review of prices for the Water Administration Ministerial Corporation from 1 October 2021 to 30 June 2025, p92

[18] Review of prices for the Water Administration Ministerial Corporation from 1 October 2021 to 30 June 2025, p92

- **Inability to move toward adaptive management of strategies**: Reducing the scope of the MER function will impact our capacity to make evidence-based adjustments, undermining the strategic agility required to deliver real outcomes.

We recommend that IPART restore the full proposed expenditure of $9.06 million per year for W06-05.

6.9 Water management works (W07-01)

This activity delivers water management works to reduce the impacts arising from water use and delivery. This involves 2 main areas of program delivery – to reduce salinity effects through salt interception schemes and to reduce the prevalence of riverbank erosion brought about by dam operations and river regulation through programs that improve riverbank stability.

This activity will also be responsible for delivering the actions identified in the WAMC Corporate Strategy relating to the management of water management assets owned by WAMC.

IPART's draft decision is to adopt Stantec's lower bound and to reduce W07-01 operating expenditure by $1.7 million per year, with $864,000 adjustments to the department's proposed costs and $800,000 adjustments to WNSW proposed costs.

Stantec has misinterpreted proposed costs

Stantec recommends costs be reduced by 17% ($730k) per year as a scope adjustment because the department did not explain a discrepancy between the costs in the pricing model and costs in the pricing proposal.

Figure 2: Cited discrepancy from Stantec Report (p243)

Table 7-91: Comparison of proposed DCCEEW future costs for W07-01 (Water management works) ($'000 2024/25)

Comparison of DCCEEW future costs	2025/26	2026/27	2027/28	2028/29	2029/30
As per NRR model '2.1 DCCEEW Costs - $24-25', Row 116	3,544	3,302	3,033	3,432	3,423
Amount in Proposal	4,534	3,902	3,632	4,022	4,021
Difference	-990	-600	-599	-590	-598

The models provided to Stantec show that this is not a discrepancy and that the additional amounts are due to $566,000 in operating expenditure which was added specifically to the Murrumbidgee valley for Gayini and $163,000 in overheads.

Stantec did not contact the Department either through an RFI or less formal query about the suspected discrepancy, so it was not known that information was required.

We maintain that the costs included in our pricing proposal are correct and should be included in efficient costs.

Stantec has misinterpreted asset ratings

Stantec recommended an efficiency adjustment to Salt Interception Scheme costs of $50,000 based on a reduction in service levels for asset maintenance.

Stantec view is that maintaining all assets to this indicator (category 3 - fair) will drive over-investment in the asset base forcing assets to be renewed sooner. Stantec recommended a lower standard of service (cat 4) which would defer renewal by up to 10 years.

We argue that Stantec has wrongly interpreted the asset condition rating 3 (fair) and the recommendation should be disregarded. Asset standards were developed specifically for the Joint Programs. Assets considered Fair (3) already have some loss of function. Assets in condition Grade 4 (poor) include considerable loss of function or failure imminent, immediate need for replacement of all or a majority of components.

A reduction in maintenance costs for water management assets such as Gayini will result in assets which are in poor and/or very poor condition not being effectively maintained and improved which may impact on the ability to deliver environmental and cultural flows at Gayini which has adverse social, environmental, cultural and economic impacts.

There is also increased risk of asset failure and increase safety risks to local landholders, traditional owners, contractors and staff working in Gayini.

Reducing maintenance costs for Gayini would also likely impact the remaining useful life of the assets and require Capital Renewal works to be undertaken sooner.

Not including costs to deliver the capital works at Gayini will result in delays to undertaking the required capital renewal works which will impact on the ability to deliver environmental and cultural flows, along with increased safety, legislative and reputation risks.

IPART's draft decision does not provide for asset maintenance or safety remediation

WaterNSW appreciates the recognition by Stantec of the need to consider costs for managing unregulated weirs, noting the previous funding arrangement. WaterNSW also appreciates that Stantec has recognised the previously funded costs of approximately $500,000 per year for inspections and investigations are prudent, necessary and efficient.

However, the Stantec report and the draft decision do not provide any operating expenditure to address maintenance or safety issues that should be considered to be the logical consequence of a robust inspection regime for which WaterNSW included approximately $732,000 per year in its proposal and supporting documentation to address minor renewals of $632,000 per year and weir removals of $100,000 per year over the next three years totalling $2.2 million.

Noting, the potential and realised safety risks associated with unregulated weirs, we strongly recommend that IPART reconsider an operating expenditure allowance for maintenance and safety remediation arising from the inspection program.

WaterNSW notes the passing comment that there was minimal information provided in the proposal or interviews to justify the expenditure. This inference that WaterNSW did not provide adequate information is wholly rejected by WaterNSW. WaterNSW provided all reviewers with access to a repository of information without the need for requests that included all our asset management plans. Within this repository WaterNSW included a 50-page report specifically for the management of our fleet of unregulated weirs.

The projected costs set out above are drawn from this report that also includes all the underlying rationale for each element of operating expenditure.

We recommend that IPART restore the full proposed expenditure for W07-01.

IPART's proposed adjustments to capital expenditure

IPART's draft decision is to reduce capital expenditure from $1.03 million per year to $167,000 per year allowing only $250,000 in first 2 years to develop business cases for Gayini and Regulator 183. This means that delivery of works required to repair and maintain these prudent WAMC projects, currently estimated at $4.7 million for Gayini and $12.7 million for Regulator 183, are unfunded.

Given that the allowed costs are for the delivery of business cases in the first 2 years ($250,000 per year, $500,000 total) of the determination, the Department requests that the $500,000 be transferred from allowed capital expenditure to allowed operating expenditure. The delivery of business cases is considered operating cost and not suitable for addition to a regulatory asset base.

6.10 Consents management and licence conversion (W08-02)

This activity has critical implications for the timeliness and quality of the service provided that WaterNSW provides to customers to ensure that they are made aware of their compliance obligations. Continued compliance and adherence to WAL conditions is not simply a matter of exposure for the individual water licence holder but goes to the social licence of the extractive water sector as a whole.

Recent history provides us with a clear understanding of the impact and societal cost of failing to meet community expectations regarding compliance for water extractions and failing to ensure that customers are fully aware of their obligations.

The bulk of WaterNSW's contribution to this activity is centred on updating critical customer and licensing systems and also notifying customers when Water Sharing Plans are periodically remade. In the regulatory proposal, WaterNSW proposed annual operating costs of approximately $945,000 per year This revenue requirement already included substantial benefits of system and process efficiencies proposed by WaterNSW.

Compared to the average annual actual operating costs incurred over the current determination of $1.1 million, the proposal by WaterNSW represents a substantial cost saving in the order of 16.7%. In light of the already significant savings compared to the realised costs in recent years, any further reduction would appear both premature and deleterious to customers' required levels of service. Indeed, WaterNSW is concerned that any reductions beyond that already proposed by WaterNSW will materially impact the quality and timeliness of customer notifications.

WaterNSW notes that the Stantec report accepted our proposal in full as being the appropriate upper bounds for the determination. WaterNSW also notes that the lower bounds (a further reduction of 15%) included in that report (and adopted by IPART) is predicated on the removal of conditions relating to floodplain harvesting from customer charges through WAMC.

WaterNSW submits that a reduction in costs to service existing functions in the order of 30% compared to actual costs for those services is both disproportionate and fails to appropriately evidence the incremental cost or reduced cost associated with the floodplain harvesting licences for WaterNSW's activities under the low scenario. It also fails to consider the cost inefficiencies that would arise from managing a likely increase in customer enquiries associated with reduced and or inadequate customer notifications.

Experience has shown us that any impact to the quality of the notification to reduce costs, for example provide less information in the notification, only leads to increased costs in customer management to deal with customers who require more detailed explanations to understand their compliance obligations including the periodical remake of Water Sharing Plans.

We ask that IPART review its draft decision for this activity and adopt the upper bounds accepted by Stantec recognising that this upper bounds already represents a saving in costs compared to existing activities of more than 15%.

6.11 Consent transactions (W09-01)

Consent transaction charges are fee-for-service charges to recover the cost of processing applications that result in the issue, granting or amendment of water access licences and approvals under the Act and Part 5 licences under the *Water Act 1912*. The department and WaterNSW share the responsibility for granting and managing water licences and approvals in NSW (for small customers).

The department also undertakes application-specific groundwater impact assessments to make recommendations on the acceptability of determinations made by licensing authorities (WaterNSW and the department Licensing & Approvals).

Type A consent transactions

We proposed significant increases to Type A consent transactions, aiming to correct historic under-recovery of these costs, requiring Government subsidy. IPART did not accept WAMC's proposed increases, despite detailed bottom-up cost estimation and proposed efficiency savings over the determination period. IPART's draft decisions will result in around 75% reduction in revenue from these charges compared to WAMC's proposed charges.

IPART's based its decisions for Type A consent transactions on:

- The lack of consultation with large customers (mines, water utilities, etc) and provision of trade-offs on cost and service level.
- Stantec's assessment of minimum operating costs.

IPART's draft determination reflects:

- Assumed service delivery by a mature organisation from the before 2021 determination period when this function was being delivered by a different organisation (the department received this function in April 2022) how consent transactions form an important part of the regulatory framework in NSW
- the impact underfunding WAMC in undertaking these activities will have on service levels water management and assessment times

Further, we note that IPART changed the names of some of the Type A consent transaction charges, we have provided corrections in Appendix D.

Comments on customer engagement

We acknowledged in our pricing proposal that it was not possible to engage with customers who are likely to pay Type A consent transaction charges, partly due to timing of Government decision processes. However, this does not mean that we don't understand what customers want. Specifically, customers want improved assessment times.

Much like with planning approvals for new buildings, businesses and councils are unable to progress projects or water supply without the department's works or licence approvals. This means that delays to approvals can be costly to Type A customers. This is evidenced by the enquiries and complaints received by the department.

In 2023 the department had a total of 3,102 interactions with customers through our licensing and approvals customer management process. 1,121 or 36.1% of these were related to the time taken to complete the assessment where 16% of total interactions were formal complaints about overdue determinations. To put this in context, customers making applications only represents 26.6% of all interactions.

Table 7: Enquires and complaints the department licensing and approvals 2023

Enquiry Type	Total	% of Total
Follow ups – Not overdue	319	8.8
Follow ups – Overdue	743	20.5
Enquiries – General	937	25.87
Enquiries – Complex	64	1.76
Complaints – Overdue determination	59	16
Complaints – Other	16	0.5
Applications	964	26.6

Consent transactions are an important part of the regulatory framework for effective water management in NSW. Licensing and work approvals are key to ensuring water user compliance with the Act and delivering desired outcomes of water management legislation and regulations.

IPART's draft decisions will mean we cannot meet customer expectations

According to IPART, its draft determination sets charges to recover the minimum expenditure that the department requires to conduct essential operations.

We disagree with IPART's assessment. WAMCs proposed fees reflect the resourcing effort required to meet current service levels, with efficiency savings embedded in the forecast costs. The draft determination translates to a 75% reduction in revenue that will translate to a reduction of 10-13 full time equivalent staff in the needed to deliver this function.

This reduction will cause:

- **Significant delays and backlogs in approving licence applications and work approvals**, including Aboriginal cultural licences. This will threaten water security for towns (which are high security licence holders), expose the environment and other water users to risk due to gaps in regulation and oversight, will reduce the efficiency of NRAR and will leave the Government exposed to increased litigation risks. It will have a direct negative impact on NSW Housing supply.

- **Significant inefficiencies in the licensing and approval's function.** This is because all functions currently undertaken by the team that are not directly attributable to a specific application will be left largely un-resourced, notably these functions include: team management, work planning, performance tracking, capability development, comms and education, technology development and testing (including through the technology roadmap), procedure and policy reviews, litigation defence and the statutory provision of information.

The department has only been able to start developing its capacity and capability in this area over the last three years because of Government subsidy. This subsidy will not be available in the future. Without increases to prices the department will start going backwards.

Stantec's upper bound recommendation is the minimum the department would need to maintain current service levels (i.e. not meeting most). Continual improvement and future efficiencies require the WAMC's proposed funding. We are unable to provide customers with price/service level trade-offs until service levels are met, and this function has had a chance to bed in and mature as it has with WaterNSW.

We recommend that IPART reconsider the required charges and at a minimum approve Stantec's high recommendation to at minimum maintain current service levels for W09-01.

Type B Consent transactions

This section examines IPART's proposed adjustments to WaterNSW's proposed consent transaction charges.

Overall, the aggregate revenue for all the consent transactions in the draft decision is a **reduction of 6%, or $318,000**. Importantly this is based on an average weather scenario, as the pricing is 100% variable for these transactional related charges, noting the largely fixed costs in labour that is required to ensure that WaterNSW can be responsive to emerging conditions.

WaterNSW is concerned that real cost increases have not been adequately factored into IPART's proposed charges based on the consultant's report findings. The cost increases that the consultant seems to acknowledge, including real wage growth (post Covid-19) and IT support costs (i.e. licensing, cloud and telecommunications) have not been adequately reflected in the draft report prices. We request that IPART reconsiders these increased costs in its consideration of the proposed consent transaction prices, and in particular WaterNSW's proposal for a modest 2% uplift in some charges.

IPART's draft decision across the range of consent transactions has a number of elements that we request IPART to reconsider as discussed below.

Pass through of AHIMS search fees

IPART appears to have not allowed for this increased cost, which at the start of the current determination AHIMS searches were available at no cost to WaterNSW. However, mid-way through the current determination a $60 fee per complex search was introduced by DCCEEW Environment and Heritage, the responsible agency.

On average 25% of applications require a complex search, therefore WaterNSW incurs an additional external cost, and we request the proposed $15 increase is included in the calculation for the applicable WAMC Type B consent transactions.

It should be noted that these costs have necessarily been absorbed since the fees were introduced by DCCEEW Environment and Heritage due to the operation of the current determination.

The Type B transactions an AHIMS search applies to are illustrated in the Table 8.

Table 8: Type B transactions that an AHIMS search applies to years ($)

Transaction type - Water Access Licence	2024-25 (current)	2025-26 (proposed)	IPART draft decision
Application for new water access licence - zero share	$834.57	$866.25	$834.57
Application for new controlled allocation	$811.95	$843.19	$811.95
New application for Specific Purpose (SPAL) - no groundwater assessment required	$845.83	$877.75	$845.83

Table 9: Type B transactions that an AHIMS search applies to years ($)

Transaction type - Approvals	2024-25 (current)	2025-26 (proposed)	IPART draft decision
Application for BLR Bore (water supply work approval to take groundwater under a **domestic and stock right (excludes GW referral fee)**	$1,040.66	$1,076.47	$1,040.66
Application for a water supply work approval or Use approval **(excludes GW referral)**	$5,240.96	$5,360.78	$5,240.96
Application for Combined Approval **(excludes GW referral)** New charge	$5,240.96	$8,016.48	$6,413.18
Application for water supply work approval or Use approval (low Risk) **(excludes GW referral)**	$2,839.71	$2,911.50	$2,839.71
Application for Combined Approval (Low Risk) (GW referral not required) New charge	$2,839.71	$4,350.29	$3,480.23
Application for WSWA for firefighting purposes **(excludes GW referral fee)** New charge	$5,240.96	$1,076.47	$1,076.47

Proposed 2% increase in charges

WaterNSW focused heavily throughout the current period on process improvement and lowering its cost to serve, which achieved cost efficiencies for our consent transaction activities that will be carried into the next determination. However, a 2% increase to most existing transactions is nonetheless required to ensure ongoing cost recovery for these activities and continued compliance with our regulatory obligations.

WaterNSW determined a 2% increase was prudent and efficient after thoroughly reviewing all consent transactions, offsetting the efficiencies achieved throughout the existing determination period against new and additional assessment requirements and effort, enhanced assessments and increased compliance obligations, which include:

- Increased obligations for assessing contaminated lands (also a recommendation of a recent Natural Resources Commission audit)
- New - Groundwater dependent eco-systems
- New - Groundwater culturally dependent systems
- New – declared wetlands
- Enhanced documentation of assessments against the water sharing plan principles (Natural Resources Commission recommendation)

If IPART chooses not to apply our proposed 2% increase, WaterNSW will be operating at below the efficient costs to deliver these services that will consequently impact our service delivery including performance against mandated Customer Service Standards (CSS) regulatory obligations.

Proposed new fees

WaterNSW understands and accepts IPARTs draft decision to adopt the lower band suggested by Stantec for the proposed new fees. We will leverage our continuous improvement program to determine if efficiencies can be found to achieve cost recovery for these activities.

Licence Suspension and Cancellation Pass Through Costs

WaterNSW proposed to pass through costs incurred by LRS for suspending and cancelling a WAL due to non-payment of fees. However, the draft determination was silent on these pass-through costs.

Section 78 of the Act permits suspension and cancellation of a Water License for non-payment of fees. Due to costs associated with suspending a WAL due to non-payment, WaterNSW proposes passing these costs to the relevant WAL holder, as opposed to incorporating these costs in socialised charges such as Billing Management (W10-03). As per our standard practice, several opportunities are provided to the WAL holder before suspension is implemented.

The cost to suspend or cancel a WAL in 2024-25 is $171.70 including GST, with the same fee also applicable to remove the suspension, this externally imposed fee also increasing annually. WaterNSW proposes to pass these fees on at cost.

Water Allocation Assignment Costs

WaterNSW proposes a fee of $62.62 for Water Allocation Assignment (Temporary trade) across Regulated Rivers, Unregulated rivers, and Groundwater for 2025/26, due to increasing complexities in assessing applications.

Since the draft determination maintains 2024 pricing, which does not account for regulatory changes and administrative burden. WaterNSW will be below cost recovery in processing water allocation assignment applications.

6.12 Customer management (W10-01)

WaterNSW spend on customer management for 2022-23 and 2023-24 was not representative of the efficient level as it was materially impacted by vacancies. Therefore, the 2024-25 spend is more representative of the forward-looking sustainable investment required for the customer management activity, including our increased level of proactive engagement with customers.

WaterNSW has demonstrated that the cost to serve increased over the current determination period parallel to water regulation having become increasingly complex in the same period; we anticipate this will continue into the next determination period.

Despite these expected cost pressures, our pricing proposal applied an efficiency adjustment to the actual 2024-25 costs: 3.6% in year 1 increasing to 6.4% in year 3. These targets were considered prudent, proactive and efficient to drive efficiencies while maintaining customer satisfaction standards.

Customers are finding it increasingly difficult to navigate the complexity of water regulation and require more engagement with knowledgeable WaterNSW staff to help them their water needs whilst remaining compliant with the rules.

WaterNSW, in consultation with our customers, increased our customer engagement to help customers navigate this complexity through:

- Renewed presence at field days across the state
- Facilitating forums on specific subjects as requested by customers, for example:
    - construction dewatering
    - floodplain harvesting
    - water sharing plan changes
    - Dam construction
- In Town for a Day – where, in consultation with user groups, WaterNSW schedules a day in a town to service customers who, due to their complex water needs, prefer face to face meetings.
- Increased customer support through encouraging customers to book a meeting with WaterNSW prior to submitting an application to confirm if an application is required, they apply for the right approval or licence, the customer understands the rules or limitations that may apply and the documentation required to support an application.

WaterNSW also expanded its use of call recording, incoming and outgoing, to improve both the level of service and quality of information provided to customers. To achieve this requires an increased level of monitoring by team leaders and ongoing support and training to improve staff knowledge and capability.

WaterNSW is confident the proposed revenue requirement we submitted is reflective of the true costs required to deliver the level of service expected by the customers and communities we serve. Any reduction in our level of service will increase costs elsewhere, likely through increased customer and ombudsman complaints, and submissions to ministers.

6.13 Business governance and support (10-02)

Business governance and support includes the business systems and processes that support organisation-wide activities including asset management, annual reporting, program management, finance, digital services and pricing submissions to IPART.

It also includes our proposed investment in the Digital Roadmap, comprising four business improvement strategies which have been strategically prioritised to uplift WAMC's capabilities in data management, information quality, customer experience, compliance and metering and improve ability to safeguard the sector against increasing cyber security threats and improve efficiency across WAMC.

Some of these services are specific to each WAMC agency, while others are shared across WAMC. The sections below address IPART's draft decisions to reduce costs to elements of this activity.

IPART's decisions on the Digital Roadmap would prevent efficiency improvements and erode customer experience

IPART's draft determination reflects decisions to apply:

- a 14% ($1.4 million) reduction to expenditure on the Ecosystem Data Strategy project
- an 8.5% ($2 million) reduction to expenditure on the Water Market Systems project
- a 20% efficiency in the 2024-25 capital expenditure for Water Market Systems (WMS) as part of WAVE 1.0, resulting in a reduction of capital expenditure to be rolled into the RAB of $2.7 million.

There is no justification or rationale of the scale of the 14% and 8.5% reductions. While we acknowledge the justification of benefits could be stronger, the concerns Stantec raised about interagency and joint Governance are significantly overstated.

The WAMC efficiency reductions were imposed after careful analysis, prioritisation and consideration of risk and issues through the joint agency governance framework.

The scale of the 14% and 8.5% reductions proposed, on top of the existing WAMC reductions imposed through the governance framework, are not explained or justified and WAMC submits that given the established governance frameworks in place which help to secure the delivery of the benefits, this reduction should be lowered.

Customers demonstrated support for digital investments

Through the customer consultation process, customers demonstrated support for investment in all Technology Roadmap projects. Water users and community groups were presented with potential trade-offs for cost and level of service.

WAMC's pricing proposal reflected the preferences of stakeholders, consistent with IPART's 3C's framework. This engagement highlighted that:

- 90% of respondents believed that investment was required for Ecosystem Data
- 83% of respondents believed investment is required for Water Market Systems.

Despite this, IPART's draft determination is to reduce expenditure on the Digital Roadmap investment below levels required to deliver customer expectations and proposed efficiencies.

Ecosystem Data Strategy, use cases and governance

This initiative is a critical project that supports regulatory compliance, establishes a unified framework for data governance, quality, and sharing, and enables cost-efficient, integrated service delivery across the department, WaterNSW, and NRAR and underpins risk mitigation for cyber and data. It aims to provide better services to our customers through improved access to reliable data, easier and efficient interactions and clear and accessible information.

IPART has accepted Stantec's recommendation that:

"Ecosystem Data Strategy, Use Cases and Governance costs are not sufficiently justified and the delivery of proposed $72 million of efficiencies and benefit across the WAMC agencies is also uncertain. Noting WAMC reductions of 16%, we recommend an additional 14% reduction to this activity."[19]

The costs to design, build and implement the Ecosystem Data Strategy, Use Cases and Governance Digital Improvement Strategy has been assessed and justified through extensive consultation by KPMG and with joint agency input and oversight. We maintain that we provided considerable evidence to Stantec demonstrating the costs and benefits of the project and that no adjustments should be made for this activity.

IPART's cost reductions will impact on efficiency savings across WAMC and reduce value for customers:

- Efficiency savings from this activity are embedded into other activity costs in our pricing proposal. Reducing proposed expenditure on this activity will put dependent activities and projects at risk of not achieving efficiencies, and the long-term costs may be higher to deliver the same work program.
- Investment in this project is needed to deliver better services to our customers through improved access to reliable data, easier and efficient interaction and clear and accessible information. Without this investment, we will not deliver outcomes relating to customer service expectations.

Water Market Systems project

IPART's draft decision to reduce expenditure on the Water Market Systems project by $2 million would strand this asset with ecosystem wide impacts as well as delaying benefits realisation into future periods, especially those related to decommissioning of legacy systems.

Without the full scope of functionality, it will also impact on our ability to respond to regulatory changes. Inefficiencies in management of data and in responding to customer enquiries will likely continue until full delivery of the program.

A further impact is that customers will not have digital access to comprehensive, clear and accessible information about their water services until beyond 2030, falling far short of reasonable expectations and feedback received through our customer engagement.

We maintain that considerable evidence was provided to the expenditure review consultants to demonstrate the costs and benefits of the project and that no adjustments should be made for this activity.

[19] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p98.

Capital expenditure in the 2021 determination period

The draft determination applies a **20% efficiency** reduction to the 2024-25 expenditure for Water Market Systems (WMS) as part of WAVE 1.0, resulting in a reduction of capital expenditure to be rolled into the RAB of **$2.7 million**.

We argue that this investment in the current period was foundational to the Water Market Systems project critical for connecting customer data across the ecosystem, and reduction in investment would impact customer benefits.

Stantec states the following with respect to capital costs being higher than allowed in the current (i.e. 2021) determination:

The observed increased actual capital expenditure for W10-02 (Business governance and support) activities in the current period is primarily due to investment in digital customer systems (WAVE programs). In addition, there was higher digital costs due to cloud adoption, licensing cost increases, and increased people related expenditure from the introduction of New Ways of [Working].[20]

Stantec then states that:

The actual expenditure in the current determination period averages $6,373,000 per year. This is $3,066,000 per year (93%) higher than allowed for in the 2021 Determination forecast, which averaged $3,307,000 per year.

Our assessment of WaterNSW capital expenditure for business governance and support activities over the current period has identified that a significant contributing factor to this overspend was due to WAVE Programs expenditure ($6 million for Water Market Systems) and higher than expected digital costs, including:

- *Cloud adoption – transition to building and hosting digital solutions in the cloud has resulted in a shift in expenditure, with one-off system development and implementation costs materialising as lower on-off capital expenditure and higher, recurrent business-as-usual digital operating expenditure*
- *Licensing cost increases*
- *Introduction of new ways of working, resulting in increased people related costs to provide DevSecOps activities through an Agile delivery model to balance the need for digital development and deployment with managing cybersecurity integration throughout the digital solutions development cycle.*[21]

and

*We have reviewed WaterNSW's digital capital expenditure in the current period and recommend an adjustment to the final year expenditure. We consider that there is some scope for efficiency in the final year (estimated) expenditure – primarily driven around the Water Systems expenditure. We have proposed a **20% efficiency** on 2024/25 expenditure to account for this.*[22] *(emphasis added)*

The above passages are the only justification for Stantec reducing our capital expenditure in the current period. We are concerned over the lack of justification for a such a significant capital

[20] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p72.

[21] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p284.

[22] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p285.

expenditure reduction other than stating that actual expenditure has been higher than regulatory forecasts from over four years ago.

WaterNSW provided details of possible inefficiencies identified in the WMS program to Stantec during the expenditure review, with these inefficiencies amounting to $1 million (2.5% of original program budget). It is unclear whether Stantec is recommending a greater reduction to the scope of the investments already made to the WAVE program or to 2024-25 investment is concerning. Good regulatory practice would suggest that, in order to preserve incentives to invest in the water sector, a high bar is set before assets are stranded and written off by the business and shareholders.

Stantec has not provided sufficient evidence to make any adjustment to the capital costs for the current regulatory period and we request IPART to revert to the WaterNSW proposal.

In addition, WaterNSW notes that in Stantec's analysis in Table 7-113 on page 283 of the consultant's report, Stantec has failed to recognise actual capital expenditure of **$5.1 million** in W10-02 for 2023-24. This information was provided by WaterNSW in RFI W-20 WAMC RFI1. We believe this to be an administrative omission from the consultant and seek the expenditure to be included in the RAB roll-forward for the current period.

Adjustments required to IPART's draft decision on digital investment

The actual 2024-25 investment in Water Market Systems (WMS) as part of WAVE 1.0 is foundational to the WMS project in the Digital Roadmap and insufficient justification has been provided for this asset write off. Therefore, WAMC submits that the **$2.7 million** removed in IPART's draft decision, should be reinstated into the opening RAB for the next determination period.

The WAMC Draft Determination also proposes a **$2 million reduction** to expenditure on the WMS project. Reducing funding would strand this asset, delay genuine customer benefits into future periods and impact the ability to respond to regulatory changes. The reduction in capital expenditure should be reinstated to the amount per the WAMC submission.

The WAMC Draft Determination implies a **$1.4 million** reduction to expenditure on the Ecosystem Data Strategy project. This reduction in expenditure should be reinstated to the amount per the WAMC submission to ensure that regulatory compliance with the Act and WaterNSW Operating Licence is achieved, as well as benefits to customers.

WaterNSW's WAMC overheads will increase due to IPART decisions on other determinations

IPART must consider the impacts of its related decisions when arriving at a final determination for WAMC.

Due to IPART's May 2025 decision to reduce the capital program by approximately 70% compared to our original proposal for bulk water, the amount of shared corporate costs — previously capitalised — must now be reallocated to all activities. This shift is required under accounting standards and WaterNSW's approved Cost Allocation Manual (CAM), which IPART has endorsed and has been clearly documented in our regulatory submissions.

As a result, WAMC share of WaterNSW overheads must necessarily increase by $2.5 million per year, totalling $7.6 million over FY26–FY28. This is not due to inefficiency or increased spending, but a necessary reallocation of costs following the reduced capital envelope and the application of the CAM.

WAMC submits that IPART must recognise this change and incorporate the additional $7.6 million into the final determination to ensure WAMC services remain properly funded and to ensure consistency across all IPART determinations. The reallocation of overhead from the bulk water determination must be accommodated to ensure WaterNSW is not financially disadvantaged due to the need for WaterNSW to comply with the relevant accounting standards.

WAMC overheads (department only)

The department uses activity-based costing to account for direct and indirect costs of WAMC water management activities (using WAMC activity codes). Where costs are not directly attributable to a certain WAMC activity but apply across all WAMC activities, for example, program management and financial services, they are allocated to overheads which are allocated across all WAMC activity activities. The department's overhead costs are made up of:

- obligatory corporate services and accommodation costs paid to service providers
- business services costs within the department's Water Group (for financial support, program management, digital services and regulatory pricing support).

IPART has made cuts to proposed overhead costs in both of these categories, which **reduces the department's proposed overhead expenditure by $11.5 million (80%), to $2.75 million per year.**

We discuss each category separately below. We argue that overall reductions are excessive (and may be in error) and that IPART's direct reductions to the department's business services costs are unwarranted.

Cuts to the department's overheads are excessive

IPART's draft decisions would result in the department's overheads being 7% operating expenditure, which is well below Stantec's benchmark. Stantec's report notes: "*overhead expenditure to notional revenue requirement percentage of 14% is reasonable*" (p17 and 74).

IPART's 80% reduction in overhead costs would result in all of the proposed WAMC business services being unfunded, despite Stantec finding that statutory financial reporting and regulatory pricing costs are efficient and prudent (p78, 80 and 86).

In addition to defunding WAMC business services, IPART's adjustments to the department's overheads would mean we are not able to cover payments to our government corporate services and accommodation providers, which are not controllable by the department. These additional adjustments contradict Stantec's report which found that the department's approach for including corporate services and accommodation costs is based on a sound methodology and consistent per previous determinations (p87).

Overhead adjustments are not transparent and may be in error

We were unable to calculate efficient direct costs and overhead costs from Stantec's and IPART's reports. IPART provided analysis based on its understanding of Stantec's approach in late June, which confirmed the excessively large overhead cost reductions.

IPART advised that Stantec made 2 rounds of overhead cost adjustments:

- Direct adjustments of $6.8 million to business services costs (PMO, digital services and efficiency investment)
- Additional adjustments of $4.7 million, proportionate to reductions in direct activity costs.

Based on IPART's analysis and the analysis we were able to do, there appears to be an error in the calculation of overhead adjustments, possibly leading to a double count of reductions.

Neither Stantec nor IPART articulated the additional round of adjustments in their reports and it contradicts the messaging in both reports. For example, in section 4.2.1 in the IPART draft report, IPART cites a reduction in total WAMC overhead costs of $20.5 million over three years, however the cuts made to the department's overheads alone are $34.5 million over three years.

In Stantec's report figures 4 and 5 of the executive summary (p17) show the recommended upper and lower bound operating expenditure for the department "***including adjustments to DCCEEW corporate overheads***" to be $55.4 million and $44.6 million per year. IPART's decisions result in operating expenditure allowance of $43.4 million per year, beneath the lower bound, despite accepting either Stantec's upper or lower bound efficient costs for each WAMC activity.

We maintain that the additional $4.7 million in overhead adjustments are not justified and conflict with the narrative in both reports about the efficient level of overheads.

To correct this, IPART's reductions to overhead costs beyond Stantec's lower bound adjustments should be reversed. The correct approach would have been for Stantec and IPART to make adjustments to the department's direct costs and then apply the overheads methodology to arrive at efficient costs with overheads.

Table 9: Overheads methodology endorsed by Stantec

DCCEEW overhead amount	Rate
Corporate services cost (fixed proportion of efficient opex	6% of efficient opex in final determination, **plus**
Accommodation cost (fixed amount per FTE)	$6,705 per FTE based on final determination, **plus**
WAMC Business Services cost (determined by IPART)	Efficient business services allowance in final determination

Reductions to business services costs are unwarranted

In its draft decisions, IPART has accepted Stantec's recommendation of lower bound expenditure for the department's overheads resulting in reductions in proposed costs of:

- Program management ($1.3 million per year)
- Investment to deliver the WAMC efficiency strategy ($1.7 million per year)
- Technology support ($3.8 million per year).

Stantec's rationale for this expenditure reduction is:

- Based on 2021 IPART determination's scope of overheads only. That is, no additional business services functions
- That to consider any alternate lower bound they will need greater clarity of cost justification, benefit, priority, need and alignment to specific WAMC activities.

It is unclear why IPART has adopted Stantec's lower bound adjustment especially considering that Stantec cites concerns about the impact on the department's delivery of WAMC activities: "*[We] acknowledge that DCCEEW has specific and broad governance, administrative and corporate support and enablement functions and responsibilities that are delivered to support the broader WAMC business* *and WAMC agencies in the delivery and discharge of responsibilities and obligations."*[23] Stantec's justifications for completely cutting costs to the Program Management Office, WAMC efficiency strategy and cutting 85% of technology support are not supported by any material reasoning.

Program Management Office (PMO)

IPART's decision not to fund the PMO moving forward ($1.3m reduction per year) introduces a substantial and immediate risk to the department's ability to deliver projects effectively.

Since it was established 3 years ago, the PMO has significantly lifted the department's project maturity — particularly in the areas of delivery governance, project delivery, reporting transparency, and the implementation of robust project management systems. This progress has directly contributed to improved project outcomes and greater accountability across the department.

Stantec's report noted that "*our concern is that this may represent a real risk (albeit largely unquantifiable from our perspective) that the proposed lower bound efficient operating expenditure for business services will impact current activities, resourcing, ways of working, and works in progress.*"

We agree with this statement and we are concerned that IPART didn't take it into account when making its draft decisions. IPART has previously criticised the Department for lacking formalised PMO functions and for underperformance in project delivery. It would be counterproductive of IPART to now not support this function that has addressed those concerns and delivered measurable improvements.

IPART's decision to remove costs of this service could include delays, cost blowouts, and reduced benefits. Without the PMO's coordination and oversight, the likelihood of delivery failure increases — potentially jeopardising critical water projects and services, environmental restoration efforts, and services relied upon by communities and customers across NSW. PMO functions that support WAMC project/ deliverables that will be impacted by the funding decision include:

- WAMC project reporting
- Project management system training and support
- Project assurance, project governance and risk management support
- Roll out and support of project and program MER framework as required by NSW Treasury and other funding partners
- Direct support for priority projects including Northern Basin Connectivity, incorporating climate change risks into statutory water plans, and sustainable long term average annual extraction limits.
- Further development and roll out of organisational project maturity and delivery support resources.

Stantec did not apply benchmarking for PMO costs, despite explicitly referencing PMO budget benchmarking of 2-5% (Stantec Report, p79). Our proposed PMO expenditure of $1.3 million per year represents less than 2% of proposed operating costs and 3% of operating costs in IPART's draft determination, well within the range of efficient benchmarks.

We dispute Stantec's criticism that there was insufficient data in cost build-up model or RFIs to indicate that PMO costs are within the 2-5% of total program value being managed benchmark

[23] Expenditure review of Water Administration Ministerial Corporation, 13 May 2025, Stantec, p76.

which Stantec has put forward. Attachment G and our responses to four requests for information during the expenditure review provided ample evidence for the proposed scope and costs of PMO.

We request that budget allocations for the PMO be aligned with these benchmarks to ensure we can continue to improve project delivery and resulting efficiency savings.

WAMC efficiency strategy

IPART's draft report accepts Stantec's recommendation to remove $1.7 million in costs of delivering the WAMC efficiency strategy.

Without this investment to implement planned efficiency initiatives, WAMC will be unable to deliver projects to embed an expected $5.8 million per year in cost savings in our systems and processes. We will not be able to deliver:

- Enhanced program and project governance by implementing a centralised and risk-based project assurance function
- Implementing project management tooling (SPACE) to standardise reporting and budget tracking, clear channels of communication to decision makers and streamlining effort
- Implementing risk based prioritisation for monitoring, evaluation and reporting and water sharing plan development.

Technology support

The digital overheads are essential for Water systems support and maintenance, and provision of data and publication services for the department's functions across all WAMC activities and supporting the interaction with both NRAR and WaterNSW. These systems and services are essential for WAMC to perform its function.

IPART's draft decision to reduce proposed costs by $3.8 million per year would result in more than 30 systems not being supported or rendered inoperable.

Without this expenditure:

- System and data access would not be possible
- Data and publication services would no longer be able to be supported,
- there would no longer be quality management for data,
- teams would be at risk of not being able to access or use data that is essential for the majority of WAMC functions.

IPART's decisions mean all systems will be vulnerable to cyber-attack and security threats with no ability to respond when an incident occurs. There is potential that systems would be shut down to avoid security risks with a need to revert to inefficient manual processes. Stantec's lower bound expenditure means we cannot sustain essential functions at current levels of service.

The justification of Stantec's upper-bound 40% reduction is unclear, and this would likely bring allowable costs under median benchmarks, despite a complex operational environment and high demands from across the WAMC business.

At a minimum, IPART should adopt the upper bound of Stantec's proposed adjustments to the department's overheads based on the need to include some level of PMO support, digital services and WAMC efficiency strategy.

WAMC will need to recover the full cost of participating in price reviews over the period

The draft determination reflects Stantec's recommendation to allow all of the department's proposed costs for participating in WAMC price regulation. Under the proposed 5-year determination we would incur most of these costs in 2027-28 to 2029-30 to prepare our next pricing proposal.

If IPART maintains its draft decision to set a 3-year determination period, we will incur these costs in 2025-26 to 2027-28, along with the costs of monitoring and reporting already planned for these years.

Given this, we ask that IPART set prices to recover the full costs of $4.7 million over the price determination period.

6.14 Billing management (W10-03)

WaterNSW handles billing for all WAMC service charges, with revenue managed under the Roles and Responsibility Agreement (RRA) among WaterNSW, the department, and NRAR.

The Stantec report highlighted significant impacts from non-urban metering reform, floodplain harvesting, and proposed attestation policies on customer and billing services at WaterNSW.

WaterNSW's actual billing management expenditure for 2022-23 and 2023-24 of $1.93m was not representative of the efficient level as was materially impacted by vacancies. In the next pricing period, fewer vacancies are expected, leading to an increase driven by complex billing enquiries managed by the WaterNSW contact centre and billing teams.

Therefore, the 2024-25 actual spend of $2.446m is more representative of the forward-looking sustainable investment required for the billing management activity. WaterNSW re-iterates that IPART should adopt the proposed forward looking cost of $2.449m (averaged) over the next regulatory period, as it is more representative of actual costs to support complex billing management for WaterNSW, the department and NRAR.

The highlighted significant impacts from non-urban metering reform, floodplain harvesting, and proposed attestation policies are continuing to grow and increasing putting pressure on WaterNSW costs.

6.15 Metering charges

IPART's draft decisions for non-urban metering are to:

- **Maintain the scheme management charge at $85.35 per license per year** and not accept WAMC's proposed increase to $114.93 per year because IPART believes the increase has not been sufficiently justified.
- **Decrease the telemetry service charge by 2.1%** from $263.86 to $258.36 per meter per year.

Other draft decisions outlined in by IPART is to:

- Discontinue the non-telemetry service fee, which we note WAMC proposed to rename the LID download/validation fee'.

- Not implement WAMC's proposed alternative assessment fee; rather, allow WAMC to charge these customers a water take charge based on an assumed 100% usage of their water entitlement each year.
- Not implement WAMC's proposed attestation charge.

Scheme Management

IPART has **maintained this charge at 2024-25 levels at $85.35** stating that justification for our proposed increase was not provided. On page 136 of the draft report, IPART determined a charge of $116.29, a 1.1% increase on what WAMC originally proposed. However, IPART stated that customers should only pay $85.35 and the shortfall should be covered by the NSW government (in effect IPART determined that customers should not be required to pay the full amount).

In any case, our proposal provided significant justification as to why the scheme management charge needed to increase. These included supporting an accelerated roll out of meters, significant increased support to customers and DQPs to facilitate their compliance, support the implementation of the new metering regulations, increased recording reporting obligations.

Further to changes to regulations such as the introduction of 2 new customer segments, the transition to a volumetric based compliance program as well as ongoing requirements to manage supporting system changes to ensure a more efficient, faster and cheaper end to end process for customers. IPART's decision will impact our ability to support customers and DQPs which will increase compliance time frames and costs for water users as well as put additional costs on customers due to a likely reduced level of services.

Cost increase

On page 136 of the draft report, IPART states *"Many of the cost drivers identified by WAMC stem from implementing the DCCEEW recommendations. it is counterintuitive to increase prices in order to implement reforms designed to improve efficiency and reduce expenditure"*

IPART has misinterpreted the cost benefits that will be realised by water users. All the customer comments in the draft report mention the cost of metering equipment, not the WaterNSW costs of implementing this important regulation. The CIE report has identified that **water users, especially with smaller entitlements, will save hundreds of millions of dollars as a result of the new regulations**. However, in order to do so, WaterNSW has to, for example, make changes to its systems to facilitate the reform as well as develop additional services to these customers who traditionally would have faced the cost of installing a meter and a LID.

The proposed increase of $30 per licence to the scheme management charges is required to facilitate these multi-million dollar cross sector savings.

Metering overheads

In the 2021 WAMC and Rural Valleys Determinations, WaterNSW did not apply overheads to its prices for metering related services. The significant increase in pricing for the 2025-30 determination has been the application of corporate support costs. IPART has acknowledged this but stated that this should be 23% to be consistent across the WaterNSW business. In light of this we believe that IPART has not applied this 23% to our current pricing of $85.35. **Therefore, the new scheme management charge, according to IPART's decision, should be $104.98 as a minimum.**

Duplicative and inefficient systems

Page 130 of the draft report makes reference to duplicative and inefficient systems. We do not agree with this reference as it appears that IPART has misinterpreted aspects of how irrigation corporations and the broader water market operate. Customers of irrigation corporations indeed do have obligations within their private scheme which are different to their obligations if they have a water access licence or work approval issued by the department/WNSW and should not be confused. These comments are not based on WaterNSW's costs and have no relevance to this pricing determination.

On this basis, we propose that IPART set the scheme management charge of at least $104.98 to allow WaterNSW to recover its IPART approved overhead margin.

Telemetry Charge

IPART has recommended the price be set at $258.36 for the 2025/26 year which represents a 2.1% reduction on the current price. IPART has suggested that there is duplication in costs between metering and floodplain harvesting and that the total number of meters that telemetry be applied against should be 14,647 not 13,458. There are several flaws in IPART's logic:

- Telemetry is only recovered from compliant sites and customers need to make their sites compliant as per the model (which is unlikely given the current experience) – as a result of this WaterNSW will continue to significantly under recover its costs given a large part of telemetry costs are fixed. WaterNSW has no mechanism to compel customers to comply or recover lost revenue during the period of non-compliance.
- IPART needs to acknowledge that customers are responsible for their own compliance and WaterNSW should not be penalised because of customer non-compliance. The system and processes must be available when a customer makes the decision to comply even if it is years after their compliance date.
- The costs for delivering the telemetry system has been apportioned between metering and floodplain harvesting – in the metering cost model – the tab Activities_A tab cell D498 only 92% of the telemetry costs are applicable to metering and the 1189 floodplain harvesting numbers are included in the denominator.
- In the floodplain harvesting model only 5% of the telemetry costs are included.
- Not allowing WaterNSW a transitional period to progressively migrate from the current telemetry system to the proposed Azure IOT system. This places significant risk and additional complexity on WaterNSW and may impact the smooth transition if this concurrence doesn't occur for the appropriate timeframe, potentially placing further costs and work onto DQPs and water users. This is common practice when transitioning between key operational systems.
- We applied the same telemetry charge to both metering and floodplain harvesting customers given they use the same system even though the costs of supporting each activity is different.

We therefore recommend that IPART maintain the telemetry fee at $270.36.

LID download/validation fee

We note that IPART is recommending that this fee be removed. IPART's justification for this was that customers should not be penalised if they are in a telemetry 'black spot'. We understand this, but WaterNSW was only contemplating using this fee under the following circumstances:

- When a visit to site to download the LID is required, or
- When a visit to site is required to validate the information on the metering equipment, if the DQP or customer is unable or unwilling to do so.

Blackspot customers will continue to benefit from a department exemption and WaterNSW had no intention of charging customers the telemetry fee. However, based on IPART's current decision there would be no incentive for a customer to do anything to resolve this and all the risk remains with WaterNSW to validate usage. If the decision is made to not allow these customers to be charged a fee, a mechanism needs to be put in place to ensure consistency with other water users (in terms of their obligations) and that WaterNSW is not exposed to unnecessary risk of managing this.

IPART has, however, overlooked the second part of this charge, which was to cover a visit by WaterNSW to validate the information on site if the DQP or customer cannot or will not do so. It was designed as an incentive for these water users to ensure an accurate and compliant installation. WaterNSW doesn't believe that the broader water market should pay when a site's data (master and usage) continues to be incorrect (especially after several discussions).

Compliance is the responsibility of the water user and WaterNSW is here to facilitate this, not assume responsibility. We have proposed this charge to help water users become compliant as the costs of engaging a DQP to do this is likely to be more expensive and take longer given the availability of DQPs.

We recommend that IPART:

1. Allow the charge for site visits to validate metering equipment or download the LID, or
2. If this charge is not allowed by IPART, then for customers in a blackspot should be charged the telemetry fee to cover the cost of managing their recording and reporting.

Alternative Assessment fee

We note the feedback from IPART and accept this approach.

Attestation Fee

We note the feedback from IPART.

6.16 Floodplain harvesting

We acknowledge that IPART has set floodplain harvesting charges at $3.38 per ML for 2025/26 which represents 95.4% of the proposed amount in the WAMC submission. We also acknowledge the reasons for this and that IPART, like WAMC, have acknowledged the difficulty in predicting future floodplain harvesting volumes. Whilst other water sources use a 20-year rolling average, that forecasting mechanism is not available in this instance due to the absence of verifiable historical volumes.

A key transitional element of the floodplain harvesting regulations is that customers have 12 months to make their storages compliant from when their floodplain harvesting licence is issued. Currently there is a low level of compliance with:

- 17% of storages being compliant; and
- An additional 7% of storages are on the pathway to compliance.

Floodplain licences for the unregulated Namoi water source were issued very recently (March 2025) and the licences for the regulated Namoi water sources are still to be issued (expected September 2025). Delays in customers making their storages compliant or the issuing of licences impacts WaterNSW resourcing as we are required to dedicate staff and supporting systems to manage the compliance process for far longer than was originally estimated.

Over the past 2 years there have been 99 floodplain harvesting events with on average 220ML being harvested per event. This equates to a total of 21,780ML being harvested over that period. Applying IPART's draft determination with a volumetric only charge of $3.38 per ML would equate to a revenue of $73,616 over 2 years or $36,808 per year. This is clearly insufficient by any objective standard to fund the work that is required to support customers and DQPs on the compliance journey or during actual events; whilst meeting our operating licence obligations for this activity.

Consequently, IPART's approach to the draft decision inappropriately places the risk of delivering this very complicated legislation on WaterNSW. WaterNSW is clearly not best placed to manage the risk of this legislative reform as it has no control or over the DQP market or whether customers make their storages compliant.

Rather, the role of WaterNSW is to facilitate the compliance process and assists customers and DQPs become compliant, the DQP program is administered by the department and customers make their own decisions regarding compliance. In light of these matters, WaterNSW recommends that IPART, make a slight amendment to the draft decision to address these concerns as outlined below.

How do current harvesting volumes compare with the forecast volumes

To provide context as the point of origin for the concerns outlined above:

- Outside of the Namoi there is a total of 269,763ML of floodplain harvesting entitlement in the other valleys.
- Assuming 30% is harvested each year then 80,928.9ML would be harvested.
- As only 17% of storages are currently compliant the maximum amount of water harvestable (if all storages were homogeneous) is 45,860ML.
- 21,780ML is the total harvested in the last 2 years or 10,890ML per year.
- 10,890ML is 23.7% of the total amount of water (45,860ML) that could currently be harvested given the existing compliance rate.

Therefore, the issue is not one of the forecast volumes, but rather the actual number of storages that are made compliant which is a combination of when licences are issued and customer inaction. Both of these drivers are outside the control of WaterNSW.

We accept that broad customer consultation did not occur on floodplain harvesting charges (as this is not a broad customer issue); however, targeted sessions were made available to all CAGs. Those sessions included 2 very prominent floodplain harvesters and one influential customer water group.

No one made any negative comments regarding the charges or their structure, they were more concerned with either compliance rates or other policy matters reinforcing our own concerns about compliance rates.

In our experience these stakeholders are very forthright if they do not agree with what is presented to them. As a result of this feedback, we had no evidence to indicate undertake further consultation on the subject would be of value to customers that had already been deeply involved in engagement activities across a number of issues over the last 18 months.

Suggested Option

In light of the issues and concerns outlined above and acknowledging IPART's concerns, WAMC proposes:

- to accept the usage charge as per the draft determination of **$3.38 per ML be applied to compliant sites;** and
- **a one-part fixed tariff of $3.38 per ML** based on the total entitlement of the licence **applied to licences with non-compliant sites**.
- Once all of the storages on a licence are compliant, only usage charges will be applied, and the one-part tariff should be pro-rated up to the day the licence is fully compliant.

WAMC submits that this approach would simultaneously address the concerns raised by IPART in the draft decision regarding the efficient pricing of floodplain harvesting measurement activities, whilst addressing the allocation of risk for non-compliance and the costs of supporting customers through the compliance journey.

7 Appendix B - Interaction with other price determinations

The WAMC proposal contains many elements that interact with the WaterNSW bulk water determinations for rural valleys and Greater Sydney. These areas of interaction include:

- Support costs and how these are allocated between determinations (i.e. Rural Valleys, Greater Sydney, WAMC and the Wentworth to Broken Hill Pipeline)
- Capital expenditure in each determination process and how this capital investment either attracts corporate overheads for capitalisation, or releases capitalised overheads costs back to operating expenditure, noting the material movement of capitalised costs into operating costs that could arise out of the bulk water determinations
- Water usage assumptions between determinations, including:
  - WAMC and Greater Sydney, including ensuring consistent treatment of Sydney Desalination Plant assumptions
  - WAMC and Rural Valleys and use of consistent assumptions where relevant
- Digital expenditure, noting the risk that WaterNSW will not be made “whole” through the allocation of digital costs to the WAMC, Greater Sydney and Rural Valleys determinations
- Service levels and achievement of outcome measures can be impacted by other determinations where they influence corporate or other enabling systems and processes and where there are contrary policy positions on key drivers between determinations

WaterNSW seeks IPART’s support to ensure WaterNSW is not financially disadvantaged by different allocations undertaken in each respective review. This risk is heightened due to the possible / likely misalignment of the respective regulatory periods and determination timelines.

8 Appendix C - Modelling issues

In reviewing IPART's draft determination, we have identified a number of issues with IPART's modelling of WAMC costs, revenue and prices. We have provided detailed feedback on these relatively minor issues to IPART and outlined the more significant ones below.

Correction of these modelling issues will result in:

- Increase in the WAMC notional revenue requirement of $1.79 million per year on average
- Change in the distribution of costs between water users and the NSW Government, with the subsidy required from Government due to the price cap increasing by $1.35 million per year and user revenue increasing by $0.03 million per year on average respectively.

Table 10: Change in NRR, user contribution to NRR and govt subsidy after updating asset lives, MAC inputs and FY24 historical corporate capital expenditure**

	2025-26	2026-27	2027-28	Total	Average
Government Subsidy ($ million)	1.36	1.36	1.35	**4.06**	**1.35**
User contribution ($ million)	0.03	0.03	0.03	**0.1**	**0.03**
NRR Total ($ million)	1.72	1.79	1.85	**5.36**	**1.79**

**Change refers to the difference between numbers generated from IPART draft determination price model and the department updated price model

8.1 Key modelling issues identified

Asset life assumptions

Asset lives for surface water and government regulatory asset base need to be updated to reflect final costs and determination period.

For surface water, more reductions in capital expenditure have occurred to longer lived (the department's) assets. This results in a reduction in the weighted asset life for new assets from 18 years to 15 years. This impacts the weighted average asset life for the government regulatory asset base accordingly (reduction from 10.8 to 8.9 years on average).

Licences erroneously excluded from minimum annual charge calculations

We have identified that some licences have not been included in minimum annual charge calculations as follows:

- 127 regulated river licences
- 10 unregulated river licences
- 66 groundwater licences.

W02-01 cost calculations

For activity W02-01, upper and lower bound cuts are made to WaterNSW costs but have erroneously been applied to the department in draft price model (see Table 7-30 in Stantec report).

Similarly, upper and lower bound totals are not correct. The 2026-27 total should be $5,436 and 2027-28 total should be $5,464. This relates to inconsistencies between numbers in Table 7-30 in Stantec report and the corresponding text on page 140. The text recommends applying continuing efficiencies to WaterNSW only, but efficiency cuts are applied to combined WaterNSW and the department's costs. Similarly, in Table 7-30 efficiency adjusted numbers from 2027-28 onwards are not consistent with the recommended cuts in the text.

BRC costs

BRC costs used to estimate surface water and groundwater capital expenditure proportions are not correct.

- the source costs need to be divided by 2 to account for NSW component only as NSW's portion is half of the total BRC costs (the other half is Queensland's)
- the source costs for 2024-25 onwards were in 2023-24 dollars and need to be escalated to 2024-25 dollars.
- the source costs excluded organisation costs which need to be added to account for 23% of WAMC's portion of overall BRC costs

User share inputs

Surface water weighted average user share needs to be recalculated. Surface water capital expenditure is composed of WaterNSW capital expenditure for activity codes W01-01 and W07-01, and the department's capital expenditure for W07-01.

Capital expenditure inputs

WaterNSW's corporate actual historical capital expenditure to be updated for FY24 which was omitted by IPART. This was raised with the consultants during the expenditure review.

Volume assumptions

Volumes have not been updated for WaterNSW Greater Sydney usage as per table 13.5 in the draft report.

Figure 33: Estimate of WaterNSW's bill – South Cost unregulated ($2024-25)

Table 13.5 Estimate of WaterNSW's bill – South Coast unregulated ($2024-25)

	2024–25 (Current)	2025-26	2026-27	2027-28	% change 2024–25 to 2027–28
Entitlement charge – for water planning costs ($/ML)	0.48	0.68	0.68	0.68	41.7%
Entitlement charge ($/ML)	1.84	1.98	2.03	2.13	15.8%
Water take charge ($/ML)	1.37	1.48	1.51	1.59	15.8%
Entitlements ('000, ML)	987,000	987,000	987,000	987,000	0.0%
Water take ('000, ML)	505,531	500,336	502,576	508,875	0.7%
Total bill ($ million)	2.982	3.366	3.433	3.581	20.1%

Source: IPART analysis

Table 11: WaterNSW Greater Sydney water take as per Table 6.1 in bulk water information paper

WaterNSW – Greater Sydney	2025-26	2026-27	2027-28
Water Take (ML)	544,315	543,157	546,278

WaterNSW requests that IPART align its assumptions in the bulk water and WAMC determinations wherever possible.

Operating and capital expenditure allocators

The operating expenditure and capital expenditure allocators to individual valleys and water sources should be updated to reflect the draft decision, as the current allocators appear to be based on the WAMC proposal. The update of allocators is to facilitate an accurate valley-based pricing tariff structure.

Appendix D: Consent transaction charge name corrections

The draft IPART report has incorrectly described some Type A Consent Transactions. Table 12 identifies amendments to the descriptions the department requires to ensure that customers understand each charge.

If the proposed descriptions are accepted there will be no need to keep the “Application to amend a water supply work and/or use approval – irrigation corporations” charge as this could be covered under the general application to amend a water supply work and/or use approval charge.

Table 12: Changes to Type A consent transaction charges

Proposed descripted as described in draft IPART report Type A Consent Transactions New water access licences	Proposed Fee $s	Description of transaction to change to read as:
New application for a water supply work approval – town water supply – groundwater assessment charge not included	5,336.65	Application for a new or to amend a water supply work and/or use approval – town water supply – groundwater assessment charge not included
New application for water supply work approval – groundwater	2,275.19	Application for a new or to amend a water supply work and/or use approval – groundwater
New application for water supply work approval – pump	2,815.76	Application for a new or to amend a water supply work and/or use approval – pump
Application for a new water supply work approval regarding a dam or storage	2,786.21	Application for a new or to amend a water supply work and/or use approval regarding a dam or storage
Application to amend a water supply work and/or use approval – irrigation corporations	1,170.83	Remove this charge only if above changes are accepted.
Application for new water supply work approval	1,286.13	Application for new water supply work approval – miscellaneous work