

3 December 2025

Mr Andrew Nicholls
Chief Executive Officer, IPART

Wentworth to Broken Hill Pipeline Issues Paper Response

Dear Mr Nicholls

I wanted to thank the IPART team and the Tribunal for the opportunity for WaterNSW to present at the public hearing held in Broken Hill on 24 November, and for accommodating the team presenting remotely.

I also wanted to take this opportunity to once again commend WaterNSW's Wentworth to Broken Hill Pricing Proposal to the Tribunal and acknowledge the constructive dialogue on the proposal and review process at the staff level.

WaterNSW was focused on presenting a fit for purpose proposal that reflected customer priorities, proposed expenditures to ensure the lowest sustainable costs to our customers and supported appropriate commercial and risk management outcomes. I am confident that our pricing proposal lodged in September delivers on these aims.

Fit for purpose engagement and proposal:

- We engaged with key stakeholders in the Broken Hill community, including Essential Water, offtake customers, councils, and the Barkandji Native Title Group. By collaborating with Essential Water and utilising existing resources, we avoided duplication and responded directly to stakeholder input. We prioritised customer and community insights in our decision-making, aiming to understand and address their evolving needs.

Customer Priorities

- Provide secure and reliable water delivery.
- WaterNSW should play its part in supporting Essential Water to ensure optimal water quality.
- Be efficient and keep its costs as low as practical.
- Continue to keep customers in the loop to ensure peak operations and support Essential Water in delivering optimal outcomes for end use customers

Timely and responsive capex and opex

- Investment in renewing or replacing ageing infrastructure for the pipeline is modest (\$1.4 million) for the upcoming five-year period.
- \$29.8 million (\$2025-26) will be invested in our 2027-31 operating program. We have identified expenditures for electricity to pump water, pipeline O&M costs and the pipeline's share of WaterNSW's operating overhead costs to meet regulatory and customer requirements. Proposed operating costs reduce in real terms.
- We commit to a cumulative efficiency target of 1% of SPV support operating expenditure per year consistent with our broader organisational efficiency strategy for expenditures within our control.

- Our proposal is informed by over six years of stable operation of the pipeline since its commissioning and demonstrated ability to deliver.

Appropriate commercial and risk management outcomes

- We seek a five-year determination period starting 1 July 2026.
- We are meeting all of our water security targets and aim to operate the pipeline in a way that keeps water prices as low as possible for customers.
- Our proposal is based on the efficient costs of providing transportation services that lead to a revenue requirement of \$138.5 million over five years, a 12.2% increase (excl. inflation) compared with the current IPART allowance.
- Factors outside of our control, e.g. Interest rates, account for more than 85% of the proposed increase.
- Placeholder post-tax real WACC of 3.1% as per the IPART February 2025 biannual update for the water sector.
- We propose an electricity true-up mechanism for the current period that will reduce future revenues by \$0.6 million to manage risk in a fair and symmetric manner with forward energy costs based on external benchmarks, publicly available information and expert advice.
- We have reduced costs within our control to minimise pricing impacts.
- We propose to maintain the current pricing structures that operate effectively and are supported by our major customer.

There is one matter that I would like to comment on, and it is in response to the final question in the issues paper and that is contained in the section covering WaterNSW's pricing proposal:

"21 Do you have additional comments about the NSW Government subsidies of water prices covering the costs of the WaterNSW pipeline?"

While it is understandable and appropriate that IPART raised this question, I would like to clarify that the subsidies relating to the cost of the pipeline have been, and continue to be, a matter between Essential Water and the NSW Government and that WaterNSW is not a party to those discussions.

I look forward to continuing the discussion on the Wentworth to Broken Hill Pipeline with IPART staff, the Tribunal and our customers over the coming months as we all work towards a final decision.

Yours sincerely

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