Review of Murray-Darling Basin Authority and Border Rivers Commission costs associated with WaterNSW-Rural and WAMC activities

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Prepared by:
Stantec, in association with Rockpool Consulting

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Stantec Australia Pty Ltd

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Review of MDBA and BRC costs associated with WaterNSW and WAMC activities

Prepared by:

Signature

Ben Steel (Stantec)

Signature

Ross Muir (Rockpool Consulting)

Reviewed by:

Signature

Ella Hingston (Stantec)

Approved by:

Signature

Ella Hingston (Stantec)

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Executive summary

Introduction

Background

The Independent Pricing and Regulatory Tribunal (IPART) is the independent pricing regulator in New South Wales (NSW) established under the *Independent Pricing and Regulatory Tribunal Act 1992*. IPART acts as a pricing regulator for water, public transport, and local government, as well as acting as the licence administrator of water, electricity and gas. Pricing for these services is determined through an independent decision utilising advice from external reviewers and set to reflect the efficient cost of delivering a utility's monopoly services.

IPART is required to review and set the maximum prices that:

- **WaterNSW** can charge for the bulk water storage and delivery services it provides to water access licence holders on regulated rivers in NSW (that is, rivers that are controlled by a major storage or dam to supply water). For brevity throughout this report, we refer to this part of WaterNSW's regulated business as 'WaterNSW-Rural'.
- The **Water Administration Ministerial Corporation** (WAMC) can charge water access licence holders across regulated rivers, unregulated rivers and groundwater sources for its water management activities in NSW. WAMC's services are delivered by three agencies: the Department of Climate Change, Energy, the Environment and Water (DCCEEW); WaterNSW, and the Natural Resources Access Regulator (NRAR).

Both sets of activities (the activities delivered by WAMC, and the regional and rural bulk water services delivered by WaterNSW-Rural) are subject to separate price determinations made by IPART. Additionally, WaterNSW is subject to separate determinations for its Greater Sydney bulk water services and Broken Hill Pipeline water services. The prices set by IPART for WaterNSW-Rural and WAMC will apply for the five-year period from 1 July 2025.

The Dumaresq-Barwon Border Rivers Commission (BRC) recovers costs from WaterNSW-Rural and WAMC for the respective services they deliver to licence holders. The NSW Government funds the Murray-Darling Basin Authority (MDBA) as per the Ministerial Council agreed cost shares and annual workplan and budget. The NSW Government has made the policy decision to recover these costs (and the extent to which they are recovered from end users) via the WaterNSW-Rural and WAMC pricing determinations.

IPART does not regulate these interjurisdictional organisations directly. However, the prices it sets need to cover the efficient costs of those organisations, as their respective costs are recovered from prices that WaterNSW-Rural and WAMC charge their respective customers.

Review objectives and scope

Stantec, in association with Rockpool Consulting, has been engaged by IPART to review the proposed MDBA and BRC costs associated with WaterNSW-Rural and WAMC activities, including the provision of advice on appropriate user shares and allocation between WAMC and WaterNSW-Rural.

The objective of our review is to provide an opinion to IPART on the efficient range of MDBA and BRC costs allocated to NSW between the WaterNSW-Rural and WAMC determinations for the 2025/26 – 2029/30 period. This period is referred to as the 'future determination period' (or 'future period') throughout our report. Conversely, throughout this report, we have used 'current determination period' (or 'current period') to refer to the 2021/22 – 2024/25 period.

The key output from this work is recommended efficient expenditure to be included in relevant activity codes for WaterNSW-Rural and WAMC services, which in turn is to be used by IPART to set prices for WaterNSW-Rural and WAMC.

Review methodology

The activities and costs of the MDBA and BRC related to WAMC and WaterNSW-Rural monopoly services are an input to the overall expenditure and service delivery of WAMC and WaterNSW-Rural.

We have only identified an efficient range for MDBA and BRC expenditure where there were specific issues that lent themselves to establishing such a range. As such, we have approached the MDBA and BRC expenditure in terms of whether the scope of the service being provided is relevant to that activity, and whether the delivery of that service is efficient. Where we have set an upper and lower range, we have done so at an activity rather than an input level.

Our methodology comprised:

- Reviewing the scope of work proposed against the intent and scope of the relevant activities forming WAMC and WaterNSW-Rural services
- Assessing whether any work or expenditure could be deferred or scaled back
- Reviewing whether the underlying arrangements between WAMC and WaterNSW-Rural, and the MDBA and BRC, are subject to prudent governance arrangements and drive efficient outcomes
- Making an overall assessment of the efficiency of the proposed costs and recommending the efficient expenditure for those services. If relevant, we have also recommended an upper or lower range.

Allocation of MDBA and BRC costs between the WaterNSW-Rural and WAMC determinations

Broadly speaking, MDBA and BRC natural resource management program costs are assigned to the WAMC determination in reflection of WAMC's water management functions and IPART's 'impactor pays' principle. MDBA and BRC river operations costs (including the costs of constructing, operating, maintaining, renewing and enhancing river management assets) are assigned to the WaterNSW-Rural determination in reflection of the functions performed and IPART's impactor pays principle. An exception is the cost of Salt Interception Schemes, which is assigned to the WAMC determination based on the impactors of saltwater intrusion being broader than regulated river licence holders only. The customer or user share of the MDBA and BRC costs are passed through to each of the WAMC and WaterNSW-Rural determinations.

Recommended efficient expenditure for MDBA costs

Overall conclusion

Our assessment of the WAMC and WaterNSW proposed MDBA expenditure for the next determination period has identified no changes to the scope of activities between the agencies from the current period. We have assessed the current cost allocations and user share allocations as being appropriate (and mostly in line with the current period).

The information provided by WAMC, WaterNSW and the MDBA has provided no basis for the recommendation of scope, efficiency, service level or savings adjustments to the proposed MDBA expenditure within the WAMC and WaterNSW (Rural) pricing proposals. That is, there is *no evidence that the proposed expenditure is inefficient*. However, based on this review alone, we note that *this does not mean that we have sufficient evidence upon which to conclude that all proposed expenditure is efficient.* We noted in our initial draft report that the most recent independent review conducted of the Joint Programs (the 2024 Aither review) may have provided this evidence, but that we had not sighted this review at the time of writing our initial draft report. We have since received a copy of this report.

Our review of the Aither 2024 independent assessment of the MDBA Joint Programs multi-year work plan and budget has yielded evidence of the prudency, efficiency and transparency of the proposed MDBA costs. In its report[1], Aither concluded that it was 'confident that the overall budget submission [was] transparent… prudent [and] reflected an efficient level of expenditure… subject to [its] recommendations being adopted'. Aither recommended minor downward adjustments to two sampled projects and opportunities for improvement in relation to some documentation but noted that 'this [did] not impact on [its] overall assessment of the efficiency of the budget submissions'.

In its report, Aither noted that the approach taken to the review was 'similar to that taken to undertake expenditure reviews for economic regulators in the water sector'. However, we note that the review pre-dates the first (and current) application of IPART's '3Cs framework' to expenditure and pricing reviews. As such, while the Joint Programs costs have been independently assessed as prudent and efficient in their own right, 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* if the Joint Programs costs are subjected to the same tests, considerations, and definition of an efficient range of expenditure as IPART-regulated costs.

In making the above conclusion, we note that IPART does not regulate interjurisdictional organisations, such as the MDBA, directly. Rather, it is a decision for the NSW Government to recover these costs via the WaterNSW-Rural and WAMC pricing determinations. Recognising the interjurisdictional governance arrangements that exist for the Joint Programs, we recommend that the NSW Government engage with IPART to understand how it can efficiently demonstrate that the Joint Programs costs it chooses to recover from customers are not only prudent and efficient in their own right but also meet the standards expected by the 3Cs framework.

[1] Assessment of prudence and efficiency of Joint Programs multiyear workplan and budget – Aither 2024

Considerations in forming our conclusion

We acknowledge that the proposed MDBA expenditure over the next determination period, relative to the IPART-allowed MDBA expenditure in the current period, represents a significant increase. Our key considerations in concluding that there is *no evidence that the proposed expenditure is inefficient* include:

- An acknowledgement that WAMC and WaterNSW proposed MDBA expenditure has been subject to multi-jurisdictional and risk-based prioritisation and planning through established MDBA governance, planning and budgeting frameworks
- An acknowledgement that the proposed WAMC and WaterNSW MDBA costs have been subject to fundamentally different planning and cost development processes than the water management and bulk water costs as part of the WAMC and WaterNSW (Rural) core pricing proposals
- An acknowledgement of the cost sharing principles between the Contracting Governments for the funding of MDBA activities (River Murray Operations and non-River Murray Operations). This includes our understanding, based on discussions with the MDBA and further assessment, that the cost sharing principles have been established based on the consumption and benefit derived by the controlling states, while working to ensure shared accountability and benefit across the basin[2].
- Several independent reviews over the current period that have provided critical review and insights into the MDBA Joint Programs from the perspectives of efficiency, prudency and effectiveness (including capacity to deliver), with observed changes to the MDBA's planning, budgeting, asset management and efficiency approaches.

We acknowledge that our findings may be inconsistent with the proposed efficiency and scope adjustments made across both the WAMC and WaterNSW (Rural) expenditure reviews, but our view is that the context of the proposed MDBA expenditure (and the way in which the proposed costs have been developed) is significantly different to that of the standalone WAMC and WaterNSW proposed costs and activities for the future determination period.

In making our recommendations, however, we have made a number of observations that we believe should be considered by IPART in making its determination relating to the proposed MDBA expenditure over the next determination period:

- **Treatment of under expenditure:** We acknowledge the MDBA's treatment of 'genuine' and 'committed' underspend, with genuine underspends being made available to the Contracting Governments (allocation determined by the Cost Share principles) to undertake special projects on the Basin or to offset their contributions in any year from their share of the previously underspent funds. We were unable to determine the extent of the NSW share of the MDBA 'genuine' underspend pool as part of our review to the extent that it could possibly offset proposed MDBA expenditure.
- **Delivery and underspend risk:** Our review has identified the real and continued risk of delivery and underspend across the MDBA Joint Programs across determinations. This has driven the detailed and independent reviews of prudency, efficiency and overall effectiveness of how the MDBA and Contracting Governments deliver the Joint Programs, with several direct observations and improvement opportunities relating to the consistent underspend across the Programs. While we acknowledge that the MDBA and Contracting Governments have been

[2] Cost Shares Principles: A summary of the cost sharing basis of the Joint Programs budget - Cost Shares Principles

making significant progress to address these risks through the Joint Programs Improvement Project, we were unable to assess the extent to which this effort would address or mitigate the continued underspend and delivery risk for the MDBA and the impact that this would have on asset reliability and services.

Recommended efficient expenditure for BRC costs

WaterNSW-Rural

The scope of BRC activity for WaterNSW-Rural is consistent with the bulk water service and maintains current service levels. We are comfortable that the BRC costs have been separated into WaterNSW-Rural and WAMC services, and that the common costs relating to BRC management have been appropriately allocated between the two services.

We separated the forecast into operating and capital expenditure to enable the continuation of the regulatory asset base approach to pricing – consistent with the 2021 determination.

We benchmarked the operating expenditure with the efficient operating expenditure set by the Queensland Competition Authority for Sunwater in southern Queensland water supply schemes and found the costs to be comparable. We also applied a 0.2% cumulative efficiency target to operating costs, consistent with the rate applied by the Queensland Competition Authority for Sunwater.

We included the renewals and enhancement program items that were not related to a specific asset in operating expenditure but treated all other renewals and enhancement projects as capital expenditure. We also removed the annuity fund contribution to arrive at our recommended operating expenditure. We did not recommend an upper and lower bound given the nature and quantum of expenditure.

Recommended range of efficient operating expenditure – WaterNSW-Rural

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	3,658	2,595	2,510	2,677	2,474
Scope adjustments	-2,109	-987	-912	-1,057	-881
Efficiency adjustments	0	-3	-6	-10	-13
Recommended upper bound efficient operating expenditure	**1,549**	**1,604**	**1,591**	**1,610**	**1,581**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**1,549**	**1,604**	**1,591**	**1,610**	**1,581**

WaterNSW did not propose any capital expenditure.

For our recommended upper bound capital expenditure, we included the proposed program of renewals and enhancement expenditure (except for non-asset specific items) but excluded the annuity fund contributions. We have not made any further adjustments to arrive at the recommended lower bound capital expenditure.

Recommended range of efficient capital expenditure – WaterNSW-Rural

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed capital expenditure	0	0	0	0	0
Scope adjustments	2,109	987	912	1,057	881
Efficiency adjustments	0	0	0	0	0
Recommended upper bound efficient capital expenditure	**2,109**	**987**	**912**	**1,057**	**881**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient capital expenditure	**2,109**	**987**	**912**	**1,057**	**881**

WAMC

The scope of BRC activities for WAMC is stable and reflects a long-term monitoring program. The BRC costs are also stable with modest increases proposed that reflect cost pressures facing most businesses in the economy.

While there is no long-term contract in place with the agencies providing the services to the BRC, we consider this low risk and unlikely to be generating material inefficiencies. We consider a cost pass-through arrangement, where BRC bears cost risk, as reasonable provided that ongoing controls are in place. However, a more formal contract-style arrangement that clearly sets out expectations and key processes (e.g., audit of actual costs) would assist governance, and a periodic review of the arrangement would ensure it remains fit-for-purpose (e.g., a contract end date and/or review schedule).

We do not see the need to set an upper and lower range for WAMC-related BRC expenditure given its scale and nature. Our recommended expenditure for the next regulatory period is set out below, inclusive of a 1% cumulative efficiency target.

Recommended range of efficient operating expenditure – W01-01 (BRC)

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	607	616	643	626	652
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	-6	-13	-19	-25
Recommended upper bound efficient operating expenditure	**607**	**610**	**630**	**607**	**627**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**607**	**610**	**630**	**607**	**627**

Recommended range of efficient operating expenditure – W01-03 (BRC)

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	93	94	98	96	100
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	-1	-1	-3	-4
Recommended upper bound efficient operating expenditure	**93**	**93**	**97**	**93**	**96**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**93**	**93**	**97**	**93**	**96**

Recommended range of efficient operating expenditure – W02-01 (BRC)

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	83	85	88	86	90
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	-1	-2	-3	-4
Recommended upper bound efficient operating expenditure	**83**	**84**	**86**	**83**	**86**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**83**	**84**	**86**	**83**	**86**

1 Introduction

1.1 Background

1.1.1 The role of the Independent Pricing and Regulatory Tribunal

The Independent Pricing and Regulatory Tribunal (IPART) is the independent pricing regulator in New South Wales (NSW) established under the *Independent Pricing and Regulatory Tribunal Act 1992*. IPART acts as a pricing regulator for water, public transport, and local government, as well as acting as the licence administrator of water, electricity and gas. Pricing for these services is determined through an independent decision utilising advice from external reviewers and set to reflect the efficient cost of delivering a utility's monopoly services.

1.1.2 The WAMC and WaterNSW-Rural determinations

IPART is required to review and set the maximum prices that:

- **WaterNSW** can charge for the bulk water storage and delivery services it provides to water access licence holders on regulated rivers in NSW (that is, rivers that are controlled by a major storage or dam to supply water). For brevity throughout this report, we refer to this part of WaterNSW's regulated business as 'WaterNSW-Rural'.
- The **Water Administration Ministerial Corporation** (WAMC) can charge water access licence holders across regulated rivers, unregulated rivers and groundwater sources for its water management activities in NSW. WAMC's services are delivered by three agencies: the Department of Climate Change, Energy, the Environment and Water (DCCEEW); WaterNSW, and the Natural Resources Access Regulator (NRAR).

Both sets of activities (the activities delivered by WAMC, and the regional and rural bulk water services delivered by WaterNSW-Rural) are subject to separate price determinations made by IPART. Additionally, WaterNSW is subject to separate determinations for its Greater Sydney bulk water services and Broken Hill Pipeline water services. The prices set by IPART for WaterNSW-Rural and WAMC will apply for the five-year period from 1 July 2025.

1.1.3 The review of Murray-Darling Basin Authority and Border Rivers Commission costs associated with WaterNSW-Rural and WAMC activities

The Dumaresq-Barwon Border Rivers Commission (BRC) recovers costs from WaterNSW-Rural and WAMC for the respective services they deliver to licence holders. The NSW Government funds the Murray-Darling Basin Authority (MDBA) as per the Ministerial Council agreed cost shares and annual workplan and budget. The NSW Government has made the policy decision to recover these costs (and the extent to which they are recovered from end users) via the WaterNSW-Rural and WAMC pricing determinations.

IPART does not regulate these interjurisdictional organisations directly. However, the prices it sets need to cover the efficient costs of those organisations, as their respective costs are recovered from prices that WaterNSW-Rural and WAMC charge their respective customers.

1.2 Review objectives and scope

Stantec, in association with Rockpool Consulting, has been engaged by IPART to review the proposed MDBA and BRC costs associated with WaterNSW-Rural and WAMC activities, including the provision of advice on appropriate user shares and allocation between WAMC and WaterNSW-Rural.

The objective of our review is to provide an opinion to IPART on the efficient range of MDBA and BRC costs allocated to NSW between the WaterNSW-Rural and WAMC determinations for the 2025/26 – 2029/30 period. This period is referred to as the ‘future determination period’ (or ‘future period’) throughout our report. Conversely, throughout this report, we have used ‘current determination period’ (or ‘current period’) to refer to the 2021/22 – 2024/25 period.

The key output from this work is recommended efficient expenditure to be included in relevant activity codes for WaterNSW-Rural and WAMC services, which in turn is to be used by IPART to set prices for WaterNSW-Rural and WAMC.

1.3 Cost data

Our primary reference for data was the model, ‘2024 MDBA BRC WORKING MODEL QA VERSION 240724’, provided to us by DCCEEW.

Our secondary reference for MDBA expenditure was the model, ‘IPART and Recommended Budget’, provided to us by the MDBA.

2 Review methodology

2.1 Review requirements

Our terms of reference (Task 3) require us to review the proposed MDBA and BRC costs, including the provision of advice on appropriate user shares and allocation between WaterNSW-Rural and WAMC.

2.2 Our approach to meeting the review requirements

The activities and costs of the MDBA and BRC related to WAMC and WaterNSW-Rural monopoly services are an input to the overall expenditure and service delivery of WAMC and WaterNSW-Rural.

We have only identified an efficient range for MDBA and BRC expenditure where there were specific issues that lent themselves to establishing such a range. As such, we have approached the MDBA and BRC expenditure in terms of whether the scope of the service being provided is relevant to that activity, and whether the delivery of that service is efficient. Where we have set an upper and lower range, we have done so at an activity rather than an input level.

Our methodology comprised:

- Reviewing the scope of work proposed against the intent and scope of the relevant activities forming WAMC and WaterNSW-Rural services
- Assessing whether any work or expenditure could be deferred or scaled back
- Reviewing whether the underlying arrangements between WAMC and WaterNSW-Rural, and the MDBA and BRC, are subject to prudent governance arrangements and drive efficient outcomes
- Making an overall assessment of the efficiency of the proposed costs and recommending the efficient expenditure for those services. If relevant, we have also recommended an upper or lower range.

2.3 Information sources

In carrying out this review, we have utilised information from sources including:

- The WAMC 2025-30 pricing submission, in particular attachments I and J
- The WaterNSW pricing submission, in particular attachments 12, 16 and 29
- Information provided to us via requests for information (RFI)
- The model, ‘2024 MDBA BRC WORKING MODEL QA VERSION 240724’, provided to us through the RFI process
- Discussions with BRC and MDBA representatives.

3 Overview of proposed costs

3.1 DCCEEW's approach to cost allocation

Broadly speaking, MDBA and BRC natural resource management program costs are assigned to the WAMC determination in reflection of WAMC's water management functions and IPART's 'impactor pays' principle. MDBA and BRC river operations costs (including the costs of constructing, operating, maintaining, renewing and enhancing river management assets) are assigned to the WaterNSW-Rural determination in reflection of the functions performed and IPART's impactor pays principle. An exception is the cost of Salt Interception Schemes, which is assigned to the WAMC determination based on the impactors of saltwater intrusion being broader than regulated river licence holders only. The customer or user share of the MDBA and BRC costs are passed through to each of the WAMC and WaterNSW-Rural determinations.

All MDBA activities are planned, monitored and reported through the MDBA's governance framework and processes. The overall NSW share of contributions is set through the cost-sharing principles within the Murray-Darling Basin Agreement, which is Schedule 1 to the *Water Act 2007* (Cth), and DCCEEW is responsible for allocating costs between the WAMC and WaterNSW-Rural determinations.

BRC conducts discrete activities as allocated between the WAMC and WaterNSW-Rural determinations. This enables the BRC to account for the costs of these activities separately through how it records and reports actual expenditure and budgets for the future. BRC management costs are allocated across WAMC and WaterNSW-Rural proportional to the direct costs of performing activities for each. The NSW share of costs is 50%, consistent with legislative arrangements.

3.2 Costs proposed to be allocated to the WaterNSW-Rural determination

MDBA costs are forecast to be higher than actual expenditure over the current determination period. WaterNSW advised that this is mainly due to compounding risks of continued constrained budgets, with a budget uplift proposed across the MDBA for the future period to meet the asset and service needs of the MDBA's River Murray Operations.

WaterNSW has proposed to treat all MDBA costs as operating expenditure.

BRC costs are forecast to be higher than actual expenditure over the current determination period. WaterNSW advised that this is mainly due to including the BRC's costs arising from the services provided by Sunwater for bulk water assets. WaterNSW has also proposed to increase the allowance for annuity fund deposits, reflecting an expectation for increasing renewals and enhancement (R&E) expenditure.

WaterNSW has proposed to treat all costs for bulk water as operating expenditure, reflecting the cost-pass-through arrangements between the BRC and its service providers (including Sunwater).

3.3 Costs proposed to be allocated to the WAMC determination

MDBA costs are forecast to increase over the future determination period, being driven by the proposed overall MDBA budget uplift to address compounding service risks of ongoing constrained budgets. WAMC has proposed that MDBA costs for non-River Murray Operations and Salt Interception Schemes are treated as operating expenditure.

BRC costs have been relatively stable and are proposed to continue at a steady rate into the future. Actual costs were lower in the early part of the current regulatory period, due to COVID-19 and floods interrupting access to measuring equipment.

4 Review of Murray-Darling Basin Authority activities and expenditure

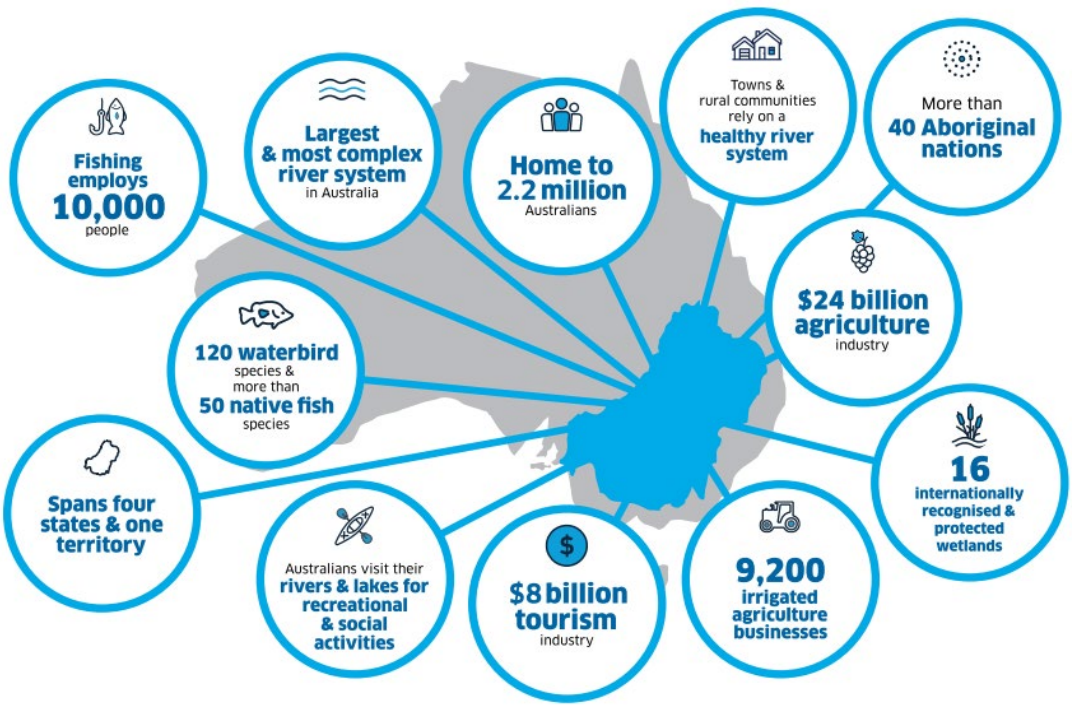
4.1 Operating context

4.1.1 Murray-Darling Basin Authority

The MDBA is a Commonwealth statutory authority established by section 171 of the *Water Act 2007* (Cth) (the 'Act'). The MDBA sits within the Australian Government's Department of Climate Change, Energy, the Environment and Water portfolio. The policy and strategic direction of the MDBA's activities are set by its seven-member Authority, consisting of a Chair, the MDBA's Chief Executive, an Indigenous member and four part-time members.

Although the MDBA sits within an Australian Government portfolio, it reports to the Murray-Darling Basin (the 'Basin') Ministerial Council (the 'Ministerial Council'), through the Basin Officials Committee, for River Management and Natural Resource Management functions. The Ministerial Council comprises the ministers responsible for water from the Australian Government and each of the five Basin jurisdictions, while the Basin Officials Committee comprises one senior official from the Australian Government and each of the five Basin jurisdictions. The Basin jurisdictions are the New South Wales, Victorian, South Australian, Queensland and Australian Capital Territory governments.

The MDBA has the functions, powers and duties conferred onto it by the Act and is responsible for planning for and managing the water resources of the Basin. As part of this role, the MDBA is responsible for managing the Joint Programs on behalf of the contracting governments, including the joint management of the River Murray Operations assets and coordinating and directing river operations. We define and describe the role of the 'contracting governments' in Section 4.1.4.



4.1.2 Legislative framework

4.1.2.1 Water Act 2007

The *Water Act 2007* (the 'Act') is the primary Commonwealth legislative framework that governs the management of water resources in the Murray-Darling Basin. The Act aims to[3]:

- Improve water security for all uses of water resources in the Murray-Darling Basin
- Promote the use and management of the Basin's water resources in a way that optimises economic, social, and environmental outcomes
- Ensure the return to environmentally sustainable levels of extraction for water resources that are overallocated or overused
- Protect, restore, and provide for the environment of the Basin
- Maximise the economic returns to the Australian community from the use and management of the Basin's water resources
- Implement relevant international agreements to address the threats to the Basin's water resources
- Ensure that the management of the Basin's water resources takes into account the broader management of natural resources in the Basin
- Achieve efficient and cost-effective water management and administrative practices in relation to the Basin's water resources
- Provide for the collection, collation, analysis, and dissemination of information about:
    - Australia's water resources
    - The use and management of water in Australia.

The MDBA is established by section 171 of the Act, with the functions, powers, and duties conferred onto it by the Act. Additionally, sub-section 86A(3) of the Act defines the scope of the River Murray System. Fundamentally, the River Murray System is the primary regulated river system that drains the southern part of the Murray-Darling Basin and extends across parts of New South Wales, Victoria, and South Australia.

The Act also incorporates the Murray-Darling Basin Agreement (the 'Agreement'), which is Schedule 1 to the Act, as well as the requirements for making, reviewing, and analysing the effectiveness of the Basin Plan.

Each of these instruments are discussed below in the following sections.

[3] MDBA 2024, *The Water Act*, https://www.mdba.gov.au/about-us/what-we-do/water-act, viewed 21 February 2025.

4.1.2.2 Environmental watering framework

The current environmental watering framework is derived from the 2004 *Intergovernmental Agreement on Addressing Over-Allocation and Achieving Environmental Objectives in the Murray-Darling Basin*. To address the declining health of the River Murray System, this Intergovernmental Agreement committed funding to recover 500 gigalitres (GL) annually, with the agreement parties being the Commonwealth Government, and the Governments of New South Wales, Victoria, South Australia, and the Australian Capital Territory. The Agreement prioritised action for six ecologically significant sites, including the Barmah-Millewa Forest, Gunbower and Koondrook-Perricoota Forests, Hattah Lakes, the Chowilla floodplain (including Lindsay-Wallpolla), the Murray Mouth, Coorong and Lower Lakes, and the River Murray Channel.

The Act was amended in 2008 to give effect to the Intergovernmental Agreement. Section 20 of the Act prescribes the purpose of the Basin Plan, including the requirements to provide for:

(a) giving effect to relevant international agreements (to the extent to which those agreements are relevant to the use and management of the Basin water resources); and

(b) Basin-wide environmental objectives for water-dependent ecosystems of the Murray-Darling Basin and water quality and salinity objectives…

Under Section 28 of the Act, the overall environmental objectives for the water-dependent ecosystems of the Murray-Darling Basin are to be specified within an environmental watering plan, along with targets and an environmental management framework.

Included within Chapter 8 of the Basin Plan, the environmental watering plan delineates three broad environmental objectives for water-dependent ecosystems and ecosystem functions, along with specific underlying objectives. These objectives align with, and reinforce, the overall objectives and outcomes in relation to environmental outcomes, as set out in Section 5.03 of the Basin Plan:

(1) The objectives in relation to environmental outcomes are, within the context of a working Murray-Darling Basin:

   a. to protect and restore water-dependent ecosystems of the Murray-Darling Basin; and

   b. to protect and restore the ecosystem functions of water-dependent ecosystems; and

   c. to ensure that water-dependent ecosystems are resilient to climate change and other risks and threats; and

   d. to ensure that environmental watering is co-ordinated between managers of planned environmental water, owners, and managers of environmental assets, and holders of held environmental water.

(2) The outcome in relation to subsection (1) is the restoration and protection of water-dependent ecosystems and ecosystem functions in the Murray-Darling Basin with strengthened resilience to a changing climate.

Schedule 7 to the Basin Plan specifies high-level targets for measuring progress towards the objectives. Additionally, the environmental watering plan establishes an obligation on the MDBA to develop a Basin-wide environmental water strategy.

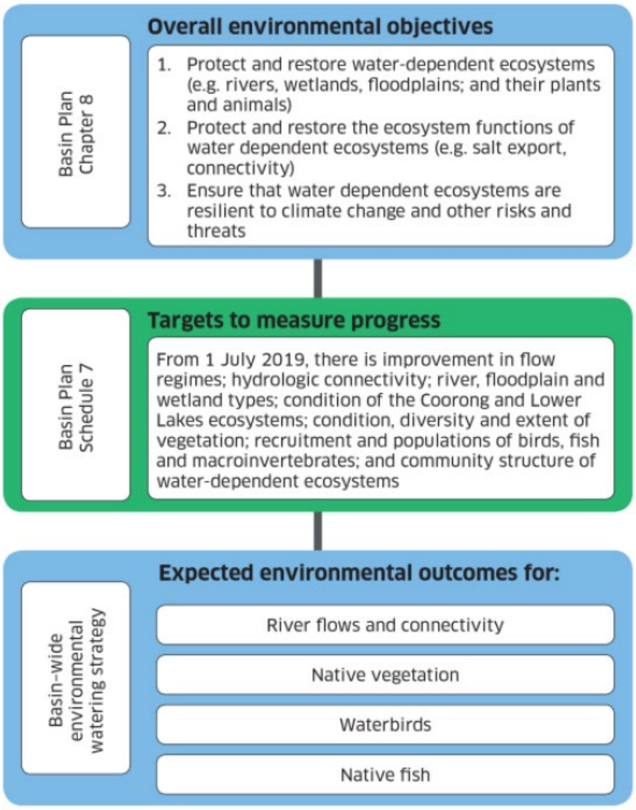


Figure 4-1: The hierarchy of environmental objectives established for the Murray-Darling Basin (source: MDBA 2019[4])

The objectives and targets specified by the environmental watering plan are further elaborated through the Basin-wide environmental watering strategy. This strategy outlines the expected outcomes for four ecological components of the river system, including river flows and connectivity, native vegetation, waterbirds, and native fish. These objectives, targets, and outcomes collectively form the objectives hierarchy shown in Figure 4-1.

The environmental watering plan also establishes an obligation on the Basin states to prepare a long-term environmental watering plan for each water resource plan area that contains surface water. The purpose of the long-term environmental watering plan is to guide the management of environmental water at regional scales over the long term. Long-term watering plans set objectives, targets, and watering requirements for priority environmental assets and functions, in alignment with the Basin Plan requirements and objectives.

[4] MDBA 2019, *Basin-wide environmental watering strategy*, second edition, 22 November 2019, revised February 2020, https://www.mdba.gov.au/sites/default/files/publications/basin-wide-environmental-watering-strategy-second-edition.pdf, viewed 21 February 2025.

As part of the Natural Resource Management function, the Joint Programs include several projects that relate to the planning and delivery of The Living Murray initiative, including undertaking monitoring and modelling and coordinating the implementation of the Indigenous Partnerships Program. The River Murray Operations asset base that is managed through the Joint Programs also includes Environmental Works and Measures assets. The 'icon sites' that are part of The Living Murray initiative have been, or are anticipated to be, identified as priority environmental assets in the completed long-term watering plans. Each of these sites has established ecological objectives based on site environmental watering requirements that can be achieved through the delivery of water for the environment and the use of environmental works. In 2018, the MDBA published a report on the performance of the icon sites against their ecological objectives over a ten-year period[5]. Annual condition monitoring reports are also typically produced for the icon sites.

The Ministerial Council established the Southern Connected Basin Environmental Watering Committee (SCBEWC) as a Tier 2 Committee of the Environmental Water Committee to coordinate the delivery of environmental water in the Southern Connected Basin and in particular the River Murray System, consistent with the Basin Plan Environmental Water Plan and its objectives, namely to:

- Protect and restore water-dependent ecosystems of the Murray-Darling Basin
- Protect and restore the ecosystem functions of water-dependent ecosystems
- Ensure that water-dependent ecosystems are resilient to climate change and other risks and threats.

SCBEWC is responsible for making decisions for the management of jointly committed environmental water, having visibility of and input into the development of the annual The Living Murray budget, and approving site management and monitoring activities.

4.1.2.3 Water quality and salinity management framework

Basin Plan

Under Section 22 of the Act, the Basin Plan is to include a water quality and salinity management plan. Section 25 of the Act details what must be included in the water quality and salinity management plan and states:

(1) The water quality and salinity management plan must:

a. identify the key causes of water quality degradation in the Murray-Darling Basin; and

b. include water quality and salinity objectives and targets for the Basin water resources.

(2) Without limiting paragraph (1)(b), a salinity target referred to in that paragraph:

a. may specify the place at which the target is to be measured; and

b. may specify a target in terms of a particular level of salinity being met for a particular percentage of time.

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[5] MDBA 2018, *Icon site condition: The Living Murray*, May 2018, https://www.mdba.gov.au/sites/default/files/pubs/Icon-site-conditionthe-living-murray-2-May-18.pdf, viewed 21 February 2025.

> (3) *In exercising their powers and performing their functions under this Division in relation to the water quality and salinity management plan, the [Murray-Darling Basin] Authority and the Minister must have regard to the National Water Quality Management Strategy endorsed by the Natural Resource Management Ministerial Council.*

The water quality and salinity management plan is contained within Chapter 9 of the Basin Plan and addresses the requirements of the Act. In particular, the water quality and salinity management plan sets out objectives and targets for water quality (including salinity). These objectives align with and support the overall objective and outcome in relation to water quality and salinity, as set out in section 5.04 of the Basin Plan:

> (1) *The objective in relation to water quality and salinity is to maintain appropriate water quality, including salinity levels, for environmental, social, cultural, and economic activity in the Murray-Darling Basin.*
>
> (2) *The outcome in relation to water quality and salinity is that Basin water resources remain fit for purpose.*

The targets within the water quality and salinity management plan operate independently to the salinity targets within Schedule B of the Agreement.

Basin Salinity Management 2030 strategy

In addition to the requirements of the Act and Basin Plan, the management of water quality and salinity in the Murray-Darling Basin is guided by the Basin Salinity Management 2030 strategy. The Basin Salinity Management 2030 strategy is the 'Ministerial Council's coordinated and cost-effective response to ensur[ing] that river salinity does not exceed agreed levels and to prevent a return to the highly saline conditions of previous decades'. While the Basin Plan sets high-level objectives and targets for salinity and provides guidance and requirements for *individual* Basin states and agencies, the Basin Salinity Management 2030 strategy provides for a *coordinated* approach to salinity management. Schedule B of the Agreement has the objective to 'implement certain aspects of the Basin Salinity Management 2030 [strategy]'.

4.1.3 Joint Programs

4.1.3.1 Overview of the Joint Programs

The Joint Programs are a partnership between the Australian Government and the Basin jurisdictions to promote and coordinate effective planning, management and sharing of the water and other natural resources of the Basin. The overarching governance arrangements for the collaborative activities of the Joint Programs are set out in the Murray-Darling Basin Agreement (the 'Agreement'), which is Schedule 1 of the Act. The Joint Programs comprise the three complementary functions of River Management (also known as River Murray Operations), Natural Resource Management and Enabling Programs.

4.1.3.2 River Murray System and River Murray Operations

River Murray Operations are the activities required to manage and operate the assets in the River Murray System. The River Murray System is defined in subsection 86A(3) of the Act and is the main regulated river system that drains the southern Basin and extends through parts of New South Wales, Victoria and South Australia. The River Murray System plays a critical role in sustaining regional and rural towns and communities including First Nations people, supporting agricultural production and the tourism industry, and nourishing plants and animals that are unique to Australia.

The functions of the River Murray Operations assets include:

- Delivery of water from storages along the system to end users, including agriculture and industry, and for critical human water needs
- Achievement of the water needs of the environment via targeted releases of water for the environment
- Provision of a system of constraints to control the levels of the river to reduce erosion and flooding.

The infrastructure assets that underpin the delivery of the above functions comprise the following core asset classes:

These asset classes are supported by floating plant, plant and equipment, land and easements.

4.1.4 Roles of contracting governments and constructing authorities

The contracting governments are defined under clause 2 of the Agreement as 'any of the Governments of the Commonwealth, New South Wales, Victoria, South Australia, Queensland and the Australian Capital Territory'. The contracting governments are responsible for:

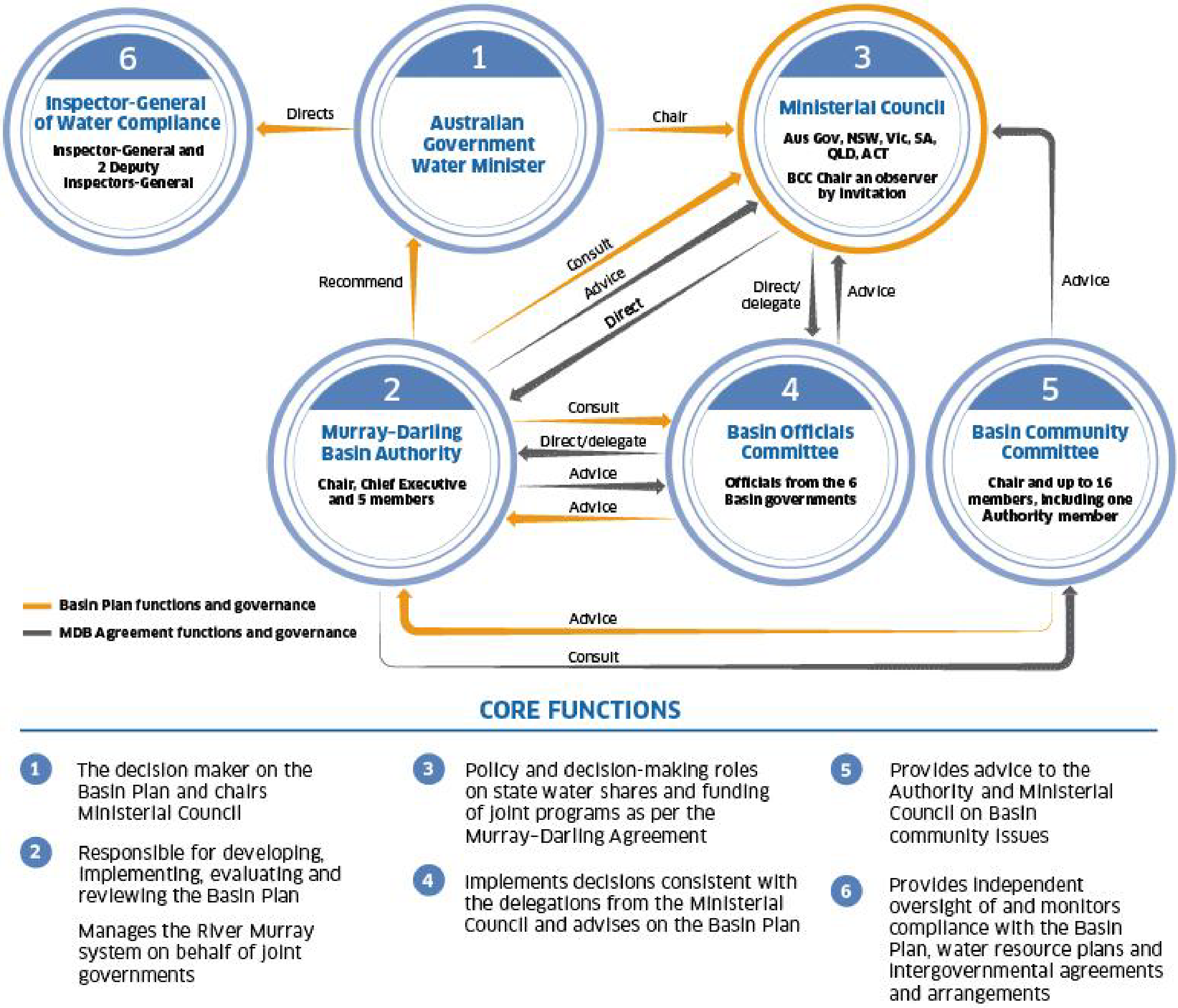
- Providing for or securing the execution and enforcement of the Agreement
- Constructing, operating, maintaining and implementing the works or measures in their jurisdiction that are required to deliver River Murray Operations
- Contributing to the costs of investigating, constructing, operating, maintaining and administering the works or measures in their jurisdiction that are required to deliver River Murray Operations.

Under clause 54 of the Agreement, the River Murray Operations assets are controlled jointly by the governments of the Commonwealth, New South Wales, Victoria and South Australia. These governments are defined as the 'asset controlling governments'.

4.1.5 Governance arrangements

The governance arrangements that oversee and direct MDBA priorities, risks, resources, plans, and investments to meet the needs of the Basin and communities are set out in the Act and Agreement. These government arrangements establish a cooperative model for the management of water resources in the Basin[6].

[6] Murray-Darling Basin Authority committees and decision making [Committees and decision making | Murray–Darling Basin Authority]



In our review of both the WAMC and WaterNSW proposals, and through interviews with MDBA senior leaders, it is evident that the governance arrangements of the MDBA are both significant and sufficient to meet the requirements and needs of the MDBA.

4.1.6 Funding arrangements

The MDBA is a corporate Commonwealth entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The MDBA's funding, where relevant to the Joint Programs, is derived from jurisdictional contributions from the Basin states and the Australian Government to fund the delivery of functions under the Murray-Darling Basin Agreement and agreed joint programs. This includes interest earned on the balance of the MDBA Joint Programs special account, and other revenue including the sale of Joint Venture assets, cottage rents, revenues, hydrogeneration, and the recovery of salinity mitigation and operation costs.

Funding is also drawn from the MDBA Joint Programs special account. Committed or contracted funds that are not spent during the financial year are carried over to the next financial year. Sub-program budgets are adjusted to reflect these changes after the completion of the audit of the MDBA Financial Statements each year.

The focus of this review is on the jurisdictional contributions by NSW with reference to the interfaces with other funding streams. For NSW, the costs are allocated between the WaterNSW rural bulk water and WAMC price determinations.

Throughout this report, where we refer to 'WaterNSW activities' or 'WaterNSW costs', we are referring to MDBA costs or activities that are allocated to the WaterNSW-Rural determination. Similarly, where we refer to 'WAMC activities' or 'WAMC costs', we are referring to MDBA costs or activities that are allocated to the WAMC determination.

4.2 Budget process and structure for the Joint Programs

4.2.1 Budget development and prioritisation

Under the Agreement, the MDBA is required to prepare a draft Annual Work Plan. This plan is developed in consultation with the delivery agencies, each of which proposes a work plan for the upcoming financial year and beyond.

The state constructing authorities generate expenditure proposals and forecasts based on their internal asset planning processes. These processes include assessments of condition, risk, cost, deliverability and criticality; prioritisation; and whole-of-life cost optimisation for the assets. The SCAs and the MDBA then jointly moderate, refine, and prioritise these expenditure proposals.

Budgets are set and approved under the Joint Programs governance arrangements. The MDBA provides a draft work plan and budget to the Ministerial Council for consideration, which is accompanied by advice from the Basin Officials Committee. Total costs are shared among the states and the Commonwealth based on cost shares agreed by the Ministerial Council. Each state government then shares its portion of the MDBA costs within its state according to its own cost-sharing arrangements. The SCAs are responsible for carrying out the approved works and activities as part of this process.

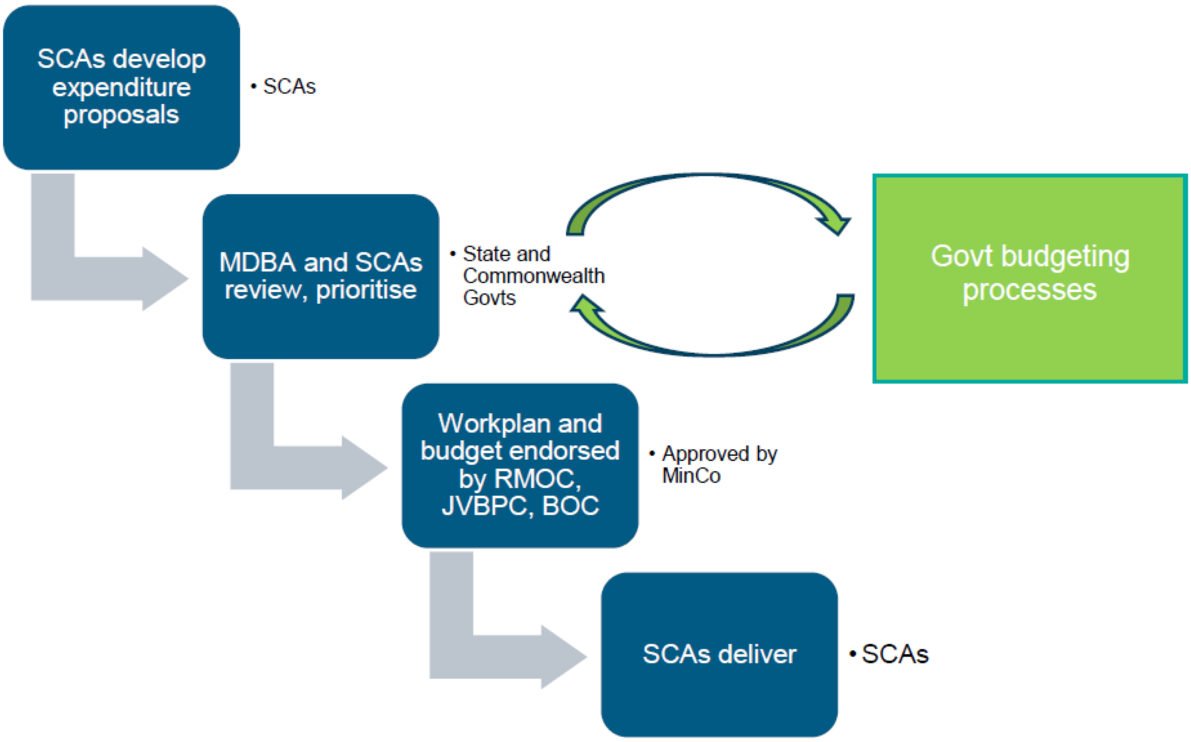


Figure 4-2: Joint Programs budget process (source: Atkins)

As part of our review of the WaterNSW and WAMC pricing proposals, and following further discussions with the MDBA, it has become evident that the MDBA and delivery agencies are transitioning to longer-term work planning. This shift aims to provide greater levels of certainty and assurance to the activities of the MDBA, ensuring that their initiatives are well-coordinated and effectively managed over an extended period[7].

However, it is important to note that the cycle of the MDBA's work planning and budgeting does not align with the IPART determination timeframe. This misalignment means that the financial planning for outyears FY29 and FY30 must be based on estimations derived from the best available information at the time. These estimations are inherently uncertain and may require adjustments as more accurate data becomes available.

Additionally, it should be highlighted that the FY30 expenditure proposed by WAMC and WaterNSW is based on a constrained budget scenario. This budget does not reflect the budget recommended by the MDBA, which is driven by the approved Strategic Asset Management Plan and its subsidiary documents. The constrained budget approach taken by WAMC and WaterNSW may limit the scope and effectiveness of planned activities, potentially impacting the overall goals and change to outcomes envisaged by the Murray-Darling Basin Agreement.

The MDBA does not support this constrained budget approach[8].

[7] Stantec interview with the MDBA and WaterNSW and WAMC Pricing Proposals
[8] RFI190 response from the MDBA

4.2.2 Cost categorisation

Expenditure for the River Murray Operations program is structured into the following five cost categories, which are referred to as agreement classifications:

1. Investigations
2. Construction
3. Operations
4. Maintenance – Planned
5. Maintenance - Routine

The Agreement, through clause 71, sets out broad definitions for 'investigations, construction and administration costs' and 'operation and maintenance costs'. The Agreement also provides a detailed definition of 'maintenance' (clause 2). While the agreement alone does not appear to explicitly define all agreement classifications in such a manner that allows the classifications to be distinguished from each other, the 2014 review of cost shares for joint activities provides definitions of each agreement classification. When considered in conjunction with the Agreement, the definitions supplied in Table 4-1 are surmised.

Table 4-1: Definitions of agreement classifications

Code	Description	Definition
I	Investigations	Investigating the need for new assets, asset renewals, or asset upgrades. This includes, but is not limited to, feasibility assessments and options assessments. Investigations may or may not lead to construction.
C	Construction	Design, approvals, and construction of any work.
O	Operations	Activities to operate the assets to deliver the intended service.
MP	Maintenance – planned	Maintenance is work necessary to keep an existing work in the state of utility in which it was upon its original completion or upon the completion of any improvement or replacement of the work. Maintenance excludes the execution of any improvement to the design or function of that work, the replacement of the whole of that work, or work to remedy the extraordinary failure of part or all of that work. Planned maintenance (also called major cyclic maintenance) typically comprises substantial maintenance activities that occur irregularly or at cycles greater than annually.
MR	Maintenance – routine	Maintenance is work necessary to keep an existing work in the state of utility in which it was upon its original completion or upon the completion of any improvement or replacement of the work. Maintenance excludes the execution of any improvement to the design or function of that work, the replacement of the whole of that work, or work to remedy the extraordinary failure of part or all of that work. Routine maintenance comprises regular maintenance activities that typically recur annually.

Within the Joint Programs budget, each expenditure item is also assigned to one of eight cost sharing categories. The combination of the agreement classification and cost sharing category determines how costs are shared between the Commonwealth and the Basin states.

4.2.3 Independent reviews of the Joint Programs budget and work plan undertaken in the current period

Several independent reviews of the MDBA River Murray Operations and Joint Programs budget and work plan have been undertaken in the current period. These include:

- River Murray Operations Cost Review 2019/20 to 2021/22. Issued September 2023.
- Business Case for Improvements for the Joint Programs – Independent Review of the Joint Programs Work Plan and Budget. Issued December 2022.
- The Review of Joint Programs – Assessment of Prudence and Efficiency of the 2022/23 to 2025/26 Expenditure – Review of Joint Programs. Issued July 2022.

The 2022 Review identified that investment in asset renewals was approximately 50-60% of recommended levels, and that the current single-year budgeting approach is time consuming to implement with considerable effort required to iterate the budget to match the funding contributions proposed by contracting governments. This contributes to delays in approval of the annual work plan.

Additionally, the review identified that this limits the ability of the MDBA to carry out activities in an efficient manner as delivery timescales are compressed, and discourages prudent activities and outcomes, which will take more than a single year to complete.

The 2023 Independent River Murray Operations Cost Review made similar findings to that of the 2022 Review, including the extent to which there is substantial evidence that the total level of funding needed to sustain River Murray Operations in the long-term needs to increase.

The Business Case for Improvements to the Joint Programs was endorsed by the partner governments in February 2023. The business case assesses and recommends practical charges to the process for development of the Joint Programs annual work plan and budget that:

- Increase transparency of program outcomes and associated investment for partner governments
- Facilitate improved securing of Joint Programs budget contributions by partner governments, thereby increasing certainty for all participants and enabling improved planning and delivery of the Joint Programs
- Mitigate the risk of ongoing underspends and the associated accumulation of uncommitted Joint Programs funds.

WAMC and WaterNSW, through the joint planning and budgeting process with the MDBA, have sought to address some of these findings and improvement opportunities in the next IPART determination period.

Additionally, there was a 2024 review of the Joint Programs undertaken by Aither. At the time of writing our initial draft report, we were unable to obtain a copy of the report to assess its findings and relevance to this review. We subsequently received a copy of the report and discuss our observations in the section below.

4.2.3.1 2024 Assessment of prudence and efficiency of Joint Programs multiyear workplan and budgets

Following the submission of our initial draft report to IPART, the MDBA granted us access to the independent assessment of the Joint Programs multi-year work plan and budget conducted by Aither in 2024. Upon reviewing this assessment, we have found evidence substantiating that the *overall* multi-year work plan and budget for the MDBA Joint Programs are prudent, efficient and transparent. This is confirmed through Aither's conclusion that it was 'confident that the overall budget submission [was] transparent… prudent [and] reflected an efficient level of expenditure… subject to [its] recommendations being adopted'.

To inform its assessment, Aither selected a representative sample of projects and activities for a detailed review, covering the MDBA and all SCAs, including DCCEEW (WAMC) and WaterNSW. Aither did identify several minor improvement opportunities. However, these recommendations were not expected by Aither to significantly impact the overall efficiency of the budget submissions reviewed[9]. Overall, the Aither review corroborates the prudence and efficiency of ongoing and future expenditure related to the Joint Programs, reinforcing the need for a streamlined, multi-year approach to planning and budgeting. This multi-year approach, underpinned by the existing interjurisdictional governance arrangements, supports the MDBA's ability to meet its objectives efficiently, effectively and transparently.

In its report, Aither noted that the methodology for the review was 'similar to that taken to undertake expenditure reviews for economic regulators in the water sector'. However, we note that the review pre-dates the first (and current) application of IPART's '3Cs framework' to expenditure and pricing reviews. We discuss the impact of this observation on our conclusions and recommendations in Section 4.6.

4.2.4 Joint Programs improvement program

The Joint Programs improvement program was established with the intent of increasing transparency, improving confidence and strengthening the certainty of funding streams for the MDBA and partner governments relating to the Joint Programs[10]. The primary benefits and outcomes of the improvement program are to drive increased efficiency, effectiveness and stability and long-term sustainability across the planning, budgeting and delivery of the Joint Programs.

In our assessment and analysis of proposed WAMC and WaterNSW expenditure allocated towards MDBA activities and outcomes, we identified that the WaterNSW direct expenditure contributions towards the Joint Programs Business Improvement by WAMC (aligned to WAMC activity code W06-07) tapered off in 2024/25 (at $1 million), with no proposed business improvement expenditure forecast over the next determination period[11].

In our follow-up interview and discussions with the MDBA, it was highlighted by the MDBA that key deliverables in the improvement project were due for completion by June 2025 and that dedicated funding for the improvement project, with future improvements to processes and practices to be funded through 'business as usual' plans and budgets[12].

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[9] Assessment of prudence and efficiency of Joint Programs multiyear workplan and budget – Aither 2024 p11
[10] Business Case for Improvements for the Joint Programs – Independent Review of the Joint Programs February 2023 p3
[11] 2024 MDBA BRC working model QA Version 240724 – MDBA Non-RMO Total FY25-30 tab
[12] Stantec interview with MDBA January 2025

4.3 Cost allocation to the WaterNSW-Rural and WAMC determinations

4.3.1 River Murray Operations assets managed by WaterNSW or DCCEEW

River Murray Operations assets managed by DCCEEW (WAMC) and WaterNSW respectively are listed below:

- WaterNSW:
  - Hume Dam
  - Koondrook-Perricoota Environmental Works
  - Barmah-Millewa Environmental Works
  - Euston Lock and Weir (Lock 15)
  - Wentworth Lock and Weir (Lock 10)
  - Hydrometric stations
  - Menindee Lakes
- DCCEEW:
  - Mallee Cliffs Salt Interception Scheme
  - Upper Darling Salt Interception Scheme
  - Buronga Salt Interception Scheme (MDBA ownership share is 29%)
  - River works in the Hume – Yarrawonga, Yarrawonga – Echuca, and Echuca – Wentworth reaches

4.3.2 Joint Programs projects allocated to the WaterNSW-Rural or WAMC determinations

Table 4-2 provides a summary of the MDBA programs attributed to either the WAMC or WaterNSW current determinations or pricing proposals for the future determination period.

Table 4-2: Summary of programs and relationship to WAMC and WaterNSW (Bulk Water)[13] pricing proposals

Programs	Projects	Considered in NSW Bulk Water or WAMC determinations
Asset management	Asset management strategies	Bulk Water
	Riparian and environmental assets	Bulk Water
	Environmental works and measures – program management	Bulk Water
	Environmental works and measures – operate and maintain	Bulk Water
	Operations services – hydrometric network[14]	Bulk Water
	Salt interception schemes	WAMC
	Hume irrigation outlets renewal	Bulk Water
	Water assets (NSW)	Bulk Water
	Water assets (South Australia)	Bulk Water
	Water assets (Victoria)	Bulk Water
Running the river	River operations	Bulk Water
	Operations services – river management office	Bulk Water
	Operations improvements	Bulk Water
Natural resource management	The Living Murray	WAMC
	Water quality and salinity	WAMC
Enabling programs	Interstate trade	WAMC
	Data capability and core modelling	WAMC

Our assessment of the MDBA and BRC cost model has identified the following mapping of WAMC proposed expenditure against the WAMC activity codes for MDBA activity related costs.

Table 4-3: Alignment of MDBA expenditure to WAMC activities and user share allocations

WAMC Activity Code	Description	MDBA Program (non-RM)	User Share	
			2021 – 2025	2025 - 2030
W01-03	Surface water quality monitoring	River Murray Water Quality	60%	77%
		Fish Demonstration Reaches		
W01-05	Surface water ecological condition monitoring	The Living Murray Monitoring	50%	77%
W04-01	Surface water modelling	The Living Murray Modelling	70%	70%
		Joint Venture Data Capability		
		Core Modelling		
W05-03	Environmental water management	The Living Murray Planning and Delivery	80%	80%
		The Living Murray Indigenous Partnerships		

[13] WAMC Expenditure Review – Attachment I (Murray-Darling Basin Authority) – p4
[14] State constructing authority carries out the majority of the project as an on-ground activity

WAMC Activity Code	Description	MDBA Program (non-RM)	User Share	
			2021 – 2025	2025 - 2030
W06-07	Cross-border and national commitments	Secretariat – Joint Committees	50%	50%
		Improving Interstate Trade		
		Basin Salinity Management Strategy 2030		
		Joint Programs Business Improvement		
W07-01	Water management works	Salt-Interception Schemes	80%	80%

4.3.3 Cost allocation approach and user shares

Within the WaterNSW (Rural) bulk water determination for customers within the Murray and Murrumbidgee valleys, MDBA costs are allocated between users and the NSW government according to IPART's cost sharing principles. For WaterNSW activities related to the MDBA pass-through costs, these user shares (current and future period comparison) are shown in Table 4-4.

The user share allocation remains consistent with the current period, noting that WaterNSW does not have any proposed expenditure for the MDBA activity of Environmental Planning & Protection for the future determination period.

Table 4-4: WaterNSW MDBA activities and percentage of user shares[15]

Activity	User share	
	2021 – 2025	2025 - 2030
Water Delivery & Operations	95%	95%
Hydrometric Monitoring	90%	90%
Routine Maintenance	95%	95%
Environmental Planning & Protection	80%	NA

Table 4-3 in the previous section outlines the proposed expenditure by WAMC (DCCEEW) for activities related to the MDBA. WAMC are proposing increases in the user share for MDBA costs and activities aligned to WAMC activity codes W01-03 (surface water quality monitoring) and W01-05 (surface water ecological monitoring) and a reduction in the user share for W04-01 (surface water modelling). The proposed user share increases by WAMC align to the overall WAMC proposed user share allocation for these activity codes. We find these drivers to be reasonable and in line with broader WAMC user share principles and approaches.

[15] 2024 MDBA BRC working model QA version 240724 – RM NSW BW Model Costs

We also note the reduction in the proposed user share for W04-01 from 80% to 70%. We believe that this is reasonable and reflects the proportion of MDBA program activities (e.g., joint venture data capability and a proportion of modelling activities) that is not for the direct benefit of the user / licence holder. We also note in our assessment of the proposed user share for W04-01, that the user share allocation for MDBA activities under this WAMC activity (70%) is less than the non-MDBA user share allocation of 100%.

All remaining user share allocations proposed by WAMC remain consistent with the current period.

4.3.4 Addressing recommendations from the previous review

In the 2021 review of relevant WAMC and WaterNSW MDBA expenditure, several recommendations relating to MDBA cost allocation and treatment by both NSW agencies were made. We have evidenced that these recommendations have been addressed by WAMC and/or WaterNSW and have summarised the status of these recommendations in Table 4-5[16].

Table 4-5: WaterNSW and WAMC (DCCEEW) responses to 2021 review recommendations

Issue	Atkins' recommendation	Reasoning	Implications: Bulk Water Costs	Implications: WAMC Costs	Status
Scope Adjustment: Salt Interception Schemes (SIS)	SIS costs, which are WaterNSW rural bulk water costs, to be allocated to WAMC	Saltwater intrusion is created from land use, drainage and water abstraction, and not just from regulated river licence holders – impactor pays principle	Removed from bulk water determination – decreasing	Additional cost to include in WAMC costs – increasing	**Implemented** in MDBA cost build-up
Scope Adjustment: Corporate overhead	Corporate overhead to be allocated to the Government share only. Needs to be separated from River Management costs.	MDBA corporate overhead and secretariat expenses not included in the allocation to water users and is instead borne by the state government, which ensures users do not bare	No change to overall cost but will change amounts allocated in Government and user share splits.	No change to overall cost but will change amounts allocated in Government and user share splits.	**Implemented** in MDBA cost build-up

[16] 2024 MDBA BRC working model QA version 240724

Issue	Atkins' recommendation	Reasoning	Implications: Bulk Water Costs	Implications: WAMC Costs	Status
		any intergovernmental inefficiencies.			
Catch up efficiency	Catch-up efficiency challenge of 1.1% p.a. cumulating within the current determination period. Continuous efficiency challenge of 0.7% p.a.	This is consistent with expenditure review findings of WaterNSW rural valleys and the concurrent expenditure review of WAMC	Factored into costs and narratives – decreasing	Factored into costs and narratives – decreasing	**N/A** - Efficiency objectives are part of MDBA Joint Program and partner agency processes

In our assessment, we have been able to validate the status of these improvement recommendations from the Atkins 2021 review of WAMC and WaterNSW MDBA and BRC expenditure in the development and build-up of proposed expenditure.

Additionally, we have been able to validate the extent to which efficiency outcomes are integrated into the MDBA processes and governance framework. In our discussions with the MDBA, it was also highlighted that one of the key outcomes and recommendations of the 2024 Aither review of the Joint Programs from a prudency and efficiency perspective was the consideration of a 0.3% efficiency dividend. The MDBA was reviewing the recommendations from this review at the time that this draft report was written[17].

In response to our draft report, the MDBA provided further context to the consideration of the above 0.3% efficiency dividend, in that this efficiency dividend proposed by the Aither 2024 assessment was on the basis of the full multi-year budget and work plan scenario, not the 'constrained' IPART budget.

4.4 Current period activities and expenditure

The MDBA reports on the financial and deliverable performance, as well as a detailed risk assessment, of the Joint Programs against the work plan and budget for any given financial year as per its obligations under the Agreement. These quarterly reports are a reference for the causes and mitigating responses to deviations in expenditure.

[17] Stantec interview with MDBA staff – January 2025

Both WAMC and WaterNSW have provided a summary of the issues identified as part of the MDBA's quarterly reporting over the financial years within the current determination period[18]. We have summarised the drivers of current period expenditure in Table 4-6.

Table 4-6: MDBA expenditure profile summary – 2021/22 to 2024/25

Financial year	End-of-year expenditure variation (whole of MDBA)	Drivers
2021-22	17% (underspend)	• Higher river flows preventing infrastructure maintenance and on-site assessments • Complexities of engineering design and scoping investigations (e.g., Hume Irrigation Outlets Renewals) • Supply chain issues • Ongoing COVID-19 impacts • Delayed approval of the Annual Work Plan • Delayed activity impacting multiple projects
2022-23	21% (underspend)	• Need to delay delivery of on-ground activities and focus on flood management, mitigation and remediation activities (resulting in the re-allocation of funds to activities that could be delivered and carried over to the 2023-24 program) • Complexity of work (Hume Irrigation Outlets Renewals), high water levels in the Hume Dam, and delays in structural investigations of the trash racks
2023-24	0.7% (underspend)	• Additional flood remediation work on SA Water assets ($3.1 million above the approved budget) • $1.2 million overspend across the state constructing authority components of the budget. This is largely driven by higher than anticipated maintenance costs for the NSW SIS program and additional Hume Dam investigations. • Underspend on the Running the River program due to staff vacancies and other complimentary studies • Forecasted $1.1 million underspend in Enabling Programs predominantly due to staff vacancies

[18] WaterNSW Pricing Proposal – Attachment 16 (MDBA pass through charges) p15, WAMC Pricing Proposal – Appendix I

The below highlights the impact of this operating context for the MDBA on the current period expenditure by WAMC and WaterNSW.

Table 4-7: WAMC expenditure for MDBA activities in the current period

MDBA WAMC	**2021-22**	**2022-23**	**2023-24**	**2024-25**
Operating expenditure (OPEX)				
IPART allowance	9,235	9,791	10,046	10,107
Actual (includes SIS O&M)	9,323	9,239	10,510	11,414
Over/Under	-88	552	-463	-1,307
Capital expenditure (CAPEX)				
IPART allowance	0	0	0	0
Actual	0	0	0	0
Over/Under	0	0	0	0
Total IPART MDBA Allowance	**9,235**	**9,791**	**10,046**	**10,107**
Total MDBA Actuals	9,323	9,239	10,510	11,414
Over/Under	-88	552	-463	-1,307

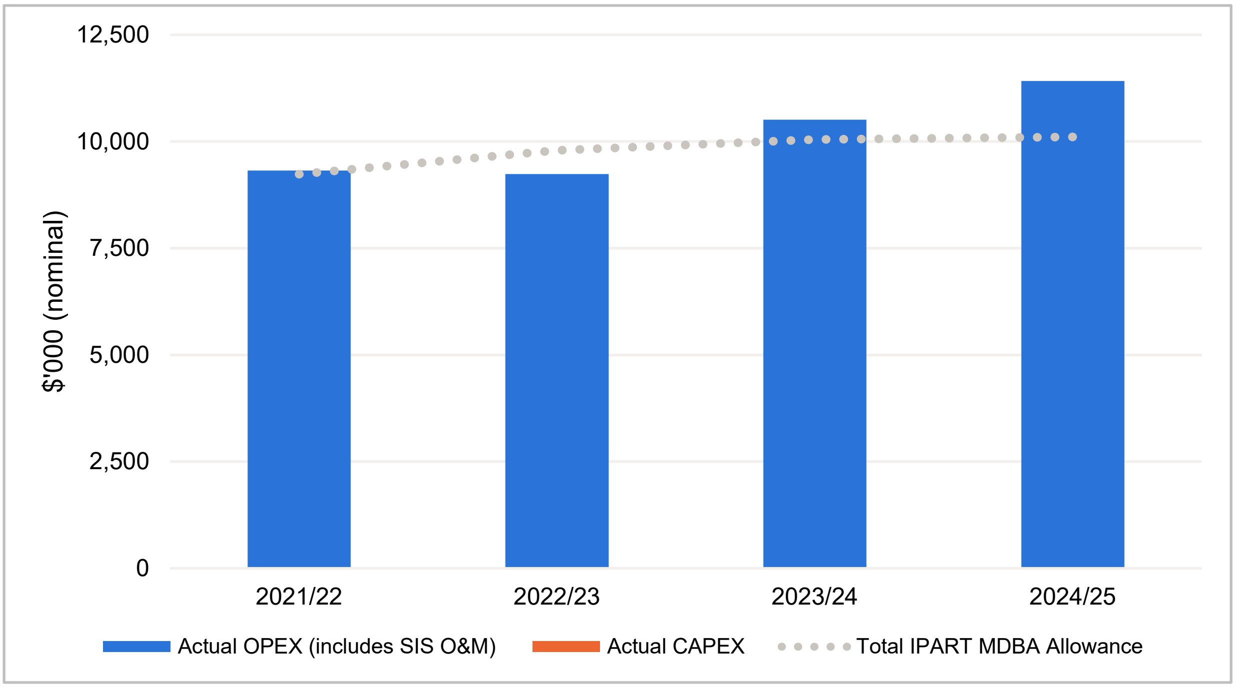

Figure 4-3: WAMC expenditure for MDBA activities in the current period

While each state constructing authority has its own capitalisation policy, WaterNSW only recognises its MDBA pass through costs as operating expenditure for its regulatory accounting purposes. It is noted that this is consistent with the agreed cost-sharing arrangements.

Table 4-8: WaterNSW expenditure for MDBA activities in the current period

MDBA Bulk Water	2021-22	2022-23	2023-24	2024-25
Operating expenditure (OPEX)				
IPART allowance (final report)	16,028	18,344	18,691	18,891
Actual (excludes SIS)*	12,993	10,627	17,548	18,346
Over/Under	3,035	7,717	1,143	545
Capital expenditure (CAPEX)				
IPART allowance (final report)	5,095	5,852	5,958	6,016
Actual (excludes SIS)*	4,526	3,975	4,712	8,410
Over/Under	569	1,877	1,246	-2,394
Total IPART MDBA Allowance	**21,123**	**24,197**	**24,649**	**24,907**
Total MDBA Actuals	17,519	14,602	22,260	26,756
Over/Under	3,604	9,595	2,388	-1,849

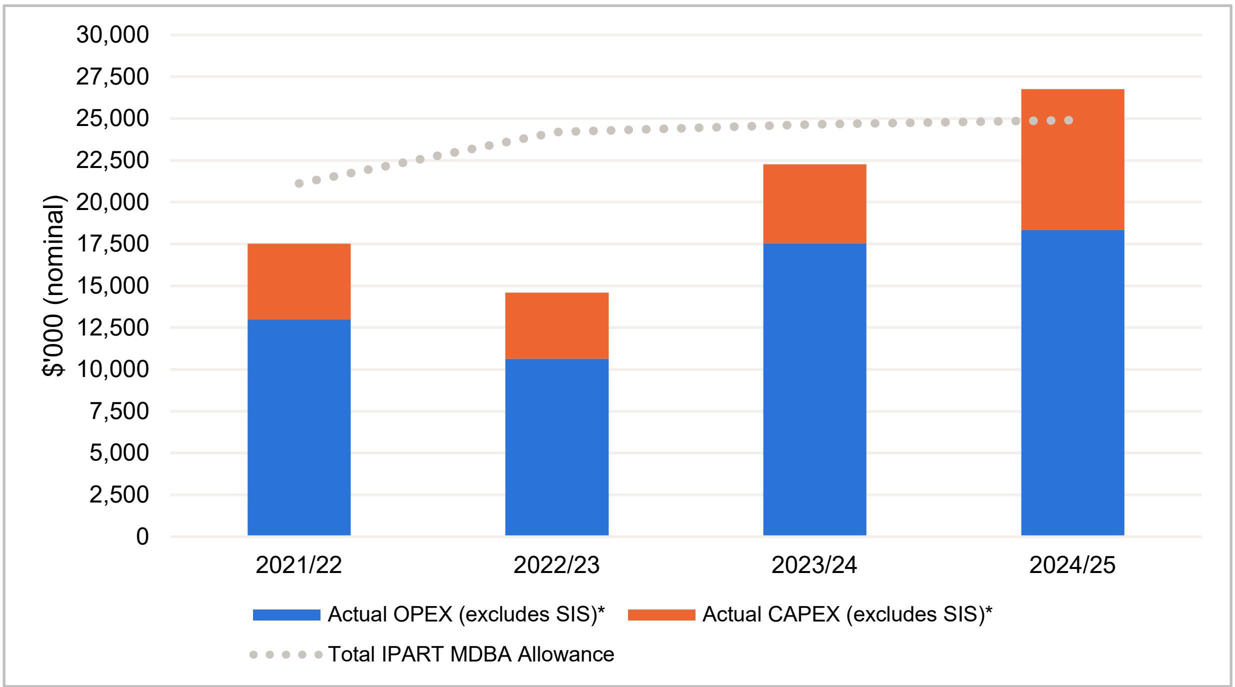

Figure 4-4: WaterNSW expenditure for MDBA activities in the current period

Consistent with the 2021 expenditure review and confirmed in our discussions with the MDBA, under expenditure across the Joint Programs is held in an underspend pool that is managed by the MDBA and driven by the Agreement[19].

[19] Atkins Review of MDBA and BRC costs associated with Water NSW and WAMC's activities Final Report March 2021

Underspend in budgets is not apportioned back to the contributing governments, but either carried over to the following financial year (where there has been a deferral of a project or activity through the MDBA governance framework) or held 'in reserve' (and retained by the MDBA on behalf of the contributing government via agreed cost share rations)[20].

4.5 Future period activities and expenditure

4.5.1 Overview of expenditure

At the time of our review and development of this report, the MDBA and SCAs were continuing the process of finalising their long-term view from a work plan and budget development perspective (due to be completed in the latter half of 2024-25). The extent to which there is a level of uncertainty in the outer year estimates by WAMC and WaterNSW has been evidenced through our discussions with the MDBA regarding 2029-30 proposed expenditure. Referring to the MDBA budget outlook for the future IPART determination period, the MDBA has indicated that:

> *Noting that the 5th year (29-30), is not provided. We note that the current MDBA position is that the provided 5th year within the IPART submission is based on a constrained budget (not the abovementioned endorsed Asset Management Framework and Budget Framework) that is consistent with prior years* [in the IPART submission by WAMC and WaterNSW]*, the MDBA does not support.*[21]

In response to the identified risks of continued constrained budgets on MDBA efficiency and effectiveness, and in response to the numerous independent reviews undertaken over the current period (refer to Section 4.2.3), the MDBA is proposing a budget uplift over the future determination period to address issues and risks. Figure 4-5 provides a summary of the risk impact of continued 'constrained' funding for the MDBA across all programs[22].

[20] Stantec interview with MDBA Staff – January 2025
[21] RFI190 response from the MDBA
[22] WAMC Pricing Proposal – Attachment I – Murray-Darling Basin Authority p19

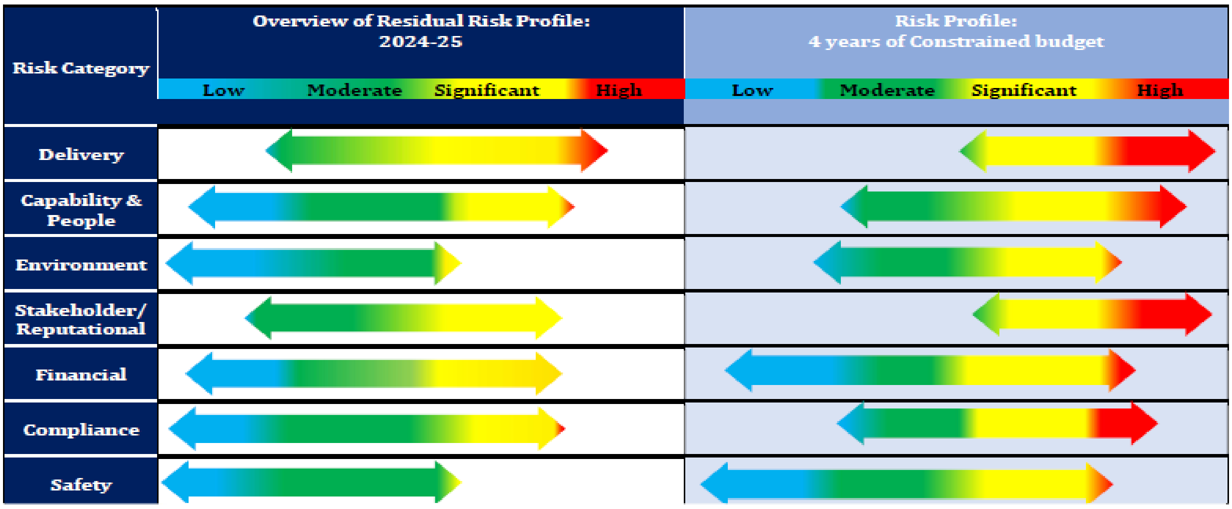

Figure 4-5: Summary profile of the risks to full delivery of the 2024-25 work plan and progression over a 5-year period, if the budget remains constrained across all programs (source: WAMC)

We have not been able to validate the extent to which the proposed MDBA budget uplift mitigates the risks identified in the above summary profile of MDBA risks as part of this review.

The basis for MDBA activities and proposed expenditure by both WaterNSW and WAMC over the 2026-30 period is the 2024-25 MDBA Work Plan and Budget. While this plan and budget have been subject to rigorous MDBA governance and oversight, 2024-25 is an interim year while the Joint Programs Improvement Project is running (to be finalised by June 2025).

In our discussions with the MDBA, it was identified that the IPART proposal[23] for future MDBA related expenditure by WaterNSW and WAMC was already out of step with the multi-year planning and budgeting process being undertaken by the MDBA[24]. The MDBA provided further context:

> *…the MDBA, with Partner agencies, have been preparing a multiyear budget since the MDBA IPART submission. This has been presented and continued to be worked through the MDBA RMO [River Murray Operations] Governance. The multiyear budget (4 years) includes more up to date costs, (budget uplift) which have been prepared consistent with the endorsed MDBA Asset Management Framework and Budget Framework*[25].

With the improvements being driven by the Joint Programs Business Improvement Project, it is expected that outer year forecasts will be updated and not aligned to proposed expenditure presented by WaterNSW and WAMC as part of their submissions.

[23] 'IPART proposal' or 'IPART submission' refer to the respective pricing proposals submitted by WAMC and WaterNSW
[24] Stantec interview with MDBA Staff – January 2025
[25] RFI188 response from the MDBA

Table 4-9, provided by the MDBA[26], provides a summary of the forecasted MDBA budget ('MDBA-recommended budget') for the forward period in comparison with the expenditure proposed by NSW for this expenditure review. It should be noted that the below table represents the total recommended MDBA expenditure as independently reviewed by Aither, and it illustrates the variances between what was recommended by the MDBA and what was included in the WaterNSW and WAMC Pricing Proposals ('IPART submission expenditure').

Table 4-9: MDBA Recommended Multiyear Budget vs IPART Pricing Submission Impacts (source: MDBA)

Joint Programs Budget	Recommended Budget				IPART Submission			
	2025-26	2026-27	2027-28	2028-29	2025-26	2026-27	2027-28	2028-29
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
River Management	123,371	162,750	178,659	196,664	110,312	120,136	149,184	170,623
Natural Resource Management	25,149	26,076	27,138	28,138	20,519	20,930	21,308	21,727
Enabling Services	5,617	5,700	5,542	5,444	3,405	3,467	3,505	3,583
Corporate Overheads	11,073	12,169	14,411	14,490	10,364	10,572	10,783	10,999
Total Budget	**165,210**	**206,695**	**225,750**	**244,736**	**144,600**	**155,105**	**184,780**	**206,932**

The below figures provide a breakdown of the MDBA-recommended budget and IPART submission expenditure by state constructing authority and service[27]. We note that, in both scenarios, there is a proposed overall uplift in expenditure over the future determination period. Our view is that the gap between the two scenarios may result in actual expenditure being above what is proposed in the IPART submissions over the next determination period.

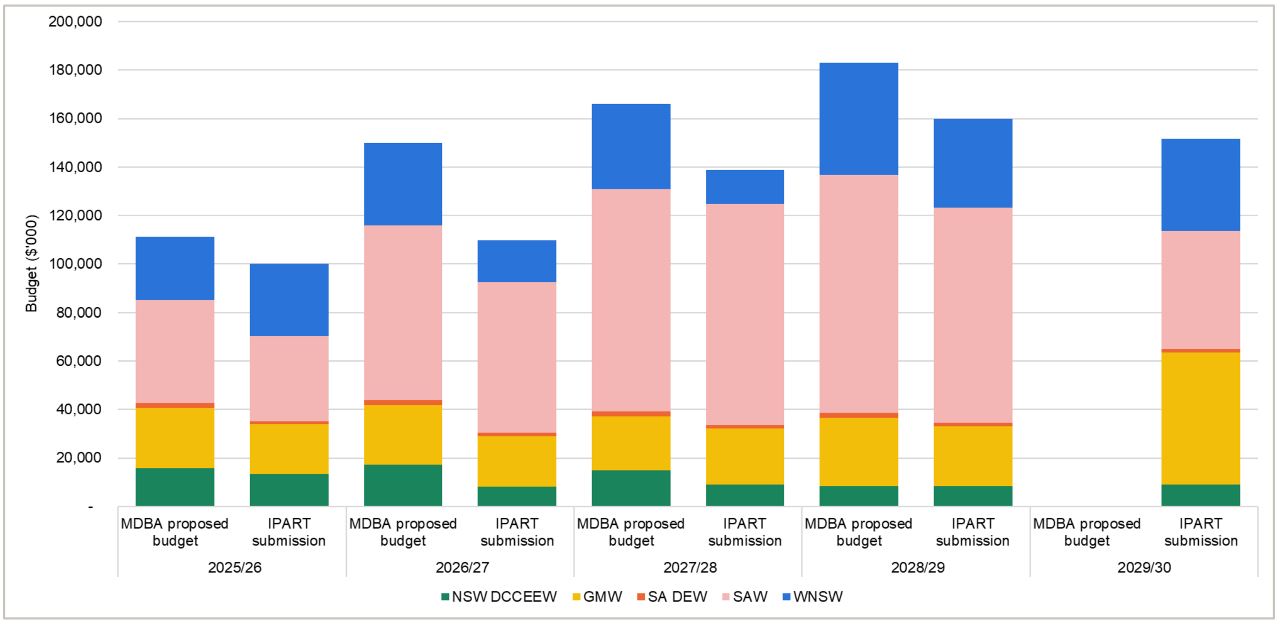

Figure 4-6: Proposed MDBA vs IPART budget by state constructing authority

[26] RFI190 response from the MDBA – IPART and Recommended Budget
[27] RFI190 response from the MDBA – IPART and Recommended Budget

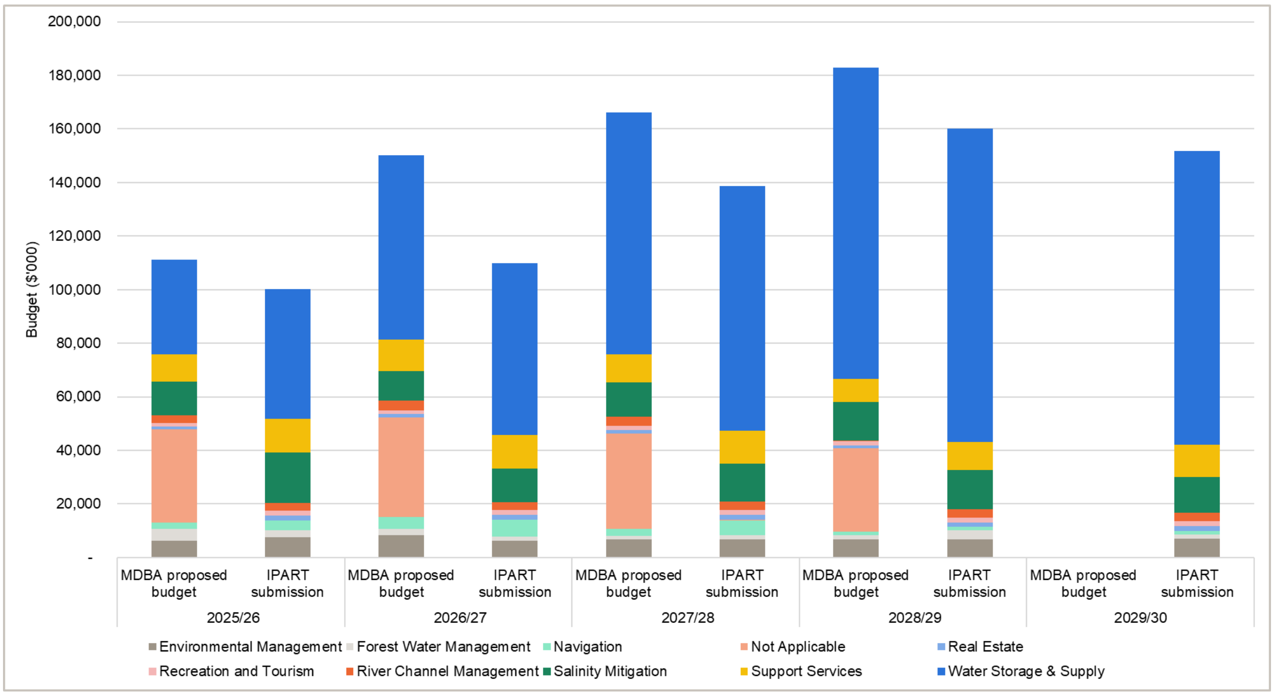

Figure 4-7: Proposed MDBA vs IPART budget by service

4.5.2 WaterNSW – Rural

For WaterNSW-Rural, the scope of services is proposed to remain static from the current determination period. However, total expenditure is set to substantially increase from the 2021 determination period actuals and forecast in line with the proposed MDBA budget uplift (in direct response to independent review recommendations). WaterNSW states that much of the proposed expenditure is for the continued operation and maintenance of River Murray Operations infrastructure, which are determined by standards and guidelines set by manufacturers, industry and legislation[28]. WaterNSW has proposed that all expenditure is treated as an operating cost, including asset-related expenditure.

Table 4-10: WaterNSW proposed MDBA pass through costs

Expenditure ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed expenditure (WaterNSW)	31,560	37,353	45,471	51,268	52,093

Over the next determination period, planned major River Murray Operations asset renewals include:

- Mildura Weir replacement
- Hume Dam irrigation outlet
- Lake Victoria outlet regulator replacement
- Hume Dam trash rack renewal
- Replacements for Kato cranes (critical plant at locks and weirs).

[28] WaterNSW (Rural) Pricing Proposal – Attachment 16 – MDBA pass through charges

4.5.3 WAMC (DCCEEW)

Like WaterNSW, WAMC's scope of services is proposed to remain static from the current determination period, with moderate expenditure increases proposed from the 2021 determination period actuals and forecast in line with the proposed MDBA budget uplift.

Table 4-11: WAMC proposed MDBA pass through costs

Expenditure ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed expenditure (WAMC)	13,966	11,902	12,402	12,587	12,394

As with WaterNSW, WAMC has proposed all expenditure is treated as an operating cost. WAMC's proposed expenditure is predominantly allocated towards non-River Murray Operations and Salt Interception Scheme management. The MDBA will continue to oversee related projects of non-River Murray Operations, and of the Salt Interception Scheme activities.

In its pricing proposal, DCCEEW (WAMC) has identified that it will continue to treat its MDBA costs as operating expenditure and not use a regulatory asset base (RAB) to incorporate MDBA capital costs in WAMC prices (as per the 2021 IPART determination recommendations)[29]. DCCEEW proposes that to utilise a RAB for MDBA capital costs would create a funding shortfall between the agreed NSW contribution from WAMC and the revenue received from WAMC prices.

We have not validated the extent to which this is accurate; however, on the basis of WAMC and WaterNSW advice, we would recommend that the true extent of the cost recovery and revenue impact of utilising a RAB for MDBA capital costs should be modelled in detail. For the purposes of this review and based on information available, we are not proposing a change to the accounting treatment of MDBA costs and contributions.

Our assessment has also validated that the proposed approach by WAMC (and WaterNSW) is consistent with how MDBA costs are treated by other utilities and price regulators in other jurisdictions.

4.5.4 Scope for efficiencies

Our view is that there is significant governance oversight of MDBA costs and activities through the established MDBA Governance Framework. In particular, this finding relates to the oversight provided by the Joint Venture Budget Performance Committee, the River Murray Operations Committee, the Basin Officials Committee and the MDBA Ministerial Council in overseeing and guiding the current and future budget and performance to efficiently manage MDBA commitments, activities and outcomes.

Our review of both the WAMC and WaterNSW pricing proposals and subsequent discussions with the MDBA have validated that efficiency is integrated across several governance layers and decision-making processes to ensure that the balance between service levels, cost and risk is maintained[30].

[29] WAMC Pricing Proposal – Attachment I – Murray-Darling Basin Authority – page 20
[30] Stantec interview with MDBA Staff – January 2025

Additionally, we are of the view that attempting to apply efficiencies only to the NSW component of the proposed MDBA costs as part of the IPART review process would not provide a prudent outcome, as efficiencies should be applied across the end-to-end activities and costs for the MDBA through the agreed MDBA budget and planning mechanisms.

4.6 Conclusions and recommendations

4.6.1 Overall conclusion

Our assessment of the WAMC and WaterNSW proposed MDBA expenditure for the next determination period has identified no changes to the scope of activities between the agencies from the current period. We have assessed the current cost allocations and user share allocations as being appropriate (and mostly in line with the current period).

The information provided by WAMC, WaterNSW and the MDBA has provided no basis for the recommendation of scope, efficiency, service level or savings adjustments to the proposed MDBA expenditure within the WAMC and WaterNSW (Rural) pricing proposals. That is, there is *no evidence that the proposed expenditure is inefficient*. However, based on this review alone, we note that *this does not mean that we have sufficient evidence upon which to conclude that all proposed expenditure is efficient.* We noted in our initial draft report that the most recent independent review conducted of the Joint Programs (the 2024 Aither review) may have provided this evidence, but that we had not sighted this review at the time of writing our initial draft report. We have since received a copy of this report.

Our review of the Aither 2024 independent assessment of the MDBA Joint Programs multi-year work plan and budget has yielded evidence of the prudency, efficiency and transparency of the proposed MDBA costs. In its report[31], Aither concluded that it was 'confident that the overall budget submission [was] transparent… prudent [and] reflected an efficient level of expenditure… subject to [its] recommendations being adopted'. Aither recommended minor downward adjustments to two sampled projects and opportunities for improvement in relation to some documentation but noted that 'this [did] not impact on [its] overall assessment of the efficiency of the budget submissions'.

In its report, Aither noted that the approach taken to the review was 'similar to that taken to undertake expenditure reviews for economic regulators in the water sector'. However, we note that the review pre-dates the first (and current) application of IPART's '3Cs framework' to expenditure and pricing reviews. As such, while the Joint Programs costs have been independently assessed as prudent and efficient in their own right, 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* if the Joint Programs costs are subjected to the same tests, considerations, and definition of an efficient range of expenditure as IPART-regulated costs.

[31] Assessment of prudence and efficiency of Joint Programs multiyear workplan and budget – Aither 2024

In making the above conclusion, we note that IPART does not regulate interjurisdictional organisations, such as the MDBA, directly. Rather, it is a decision for the NSW Government to recover these costs via the WaterNSW-Rural and WAMC pricing determinations. Recognising the interjurisdictional governance arrangements that exist for the Joint Programs, we recommend that the NSW Government engage with IPART to understand how it can efficiently demonstrate that the Joint Programs costs it chooses to recover from customers are not only prudent and efficient in their own right but also meet the standards expected by the 3Cs framework.

4.6.2 Considerations in forming our conclusion

We acknowledge that the proposed MDBA expenditure over the next determination period, relative to the IPART-allowed MDBA expenditure in the current period, represents a significant increase. Our key considerations in concluding that there is *no evidence that the proposed expenditure is inefficient* include:

- An acknowledgement that WAMC and WaterNSW proposed MDBA expenditure has been subject to multi-jurisdictional and risk-based prioritisation and planning through established MDBA governance, planning and budgeting frameworks
- An acknowledgement that the proposed WAMC and WaterNSW MDBA costs have been subject to fundamentally different planning and cost development processes than the water management and bulk water costs as part of the WAMC and WaterNSW (Rural) core pricing proposals
- An acknowledgement of the cost sharing principles between the Contracting Governments for the funding of MDBA activities (River Murray Operations and non-River Murray Operations). This includes our understanding, based on discussions with the MDBA and further assessment, that the cost sharing principles have been established based on the consumption and benefit derived by the controlling states, while working to ensure shared accountability and benefit across the basin[32].
- Several independent reviews over the current period that have provided critical review and insights into the MDBA Joint Programs from the perspectives of efficiency, prudency and effectiveness (including capacity to deliver), with observed changes to the MDBA's planning, budgeting, asset management and efficiency approaches.

We acknowledge that our findings may be inconsistent with the proposed efficiency and scope adjustments made across both the WAMC and WaterNSW (Rural) expenditure reviews, but our view is that the context of the proposed MDBA expenditure (and the way in which the proposed costs have been developed) is significantly different to that of the standalone WAMC and WaterNSW proposed costs and activities for the future determination period.

In making our recommendations, however, we have made a number of observations that we believe should be considered by IPART in making its determination relating to the proposed MDBA expenditure over the next determination period:

- **Treatment of under expenditure:** We acknowledge the MDBA's treatment of 'genuine' and 'committed' underspend, with genuine underspends being made available to the Contracting Governments (allocation determined by the Cost Share principles) to undertake special projects on the Basin or to offset their contributions in any year from their share of the previously

[32] Cost Shares Principles: A summary of the cost sharing basis of the Joint Programs budget - Cost Shares Principles

underspent funds. We were unable to determine the extent of the NSW share of the MDBA ‘genuine’ underspend pool as part of our review to the extent that it could possibly offset proposed MDBA expenditure.

- **Delivery and underspend risk:** Our review has identified the real and continued risk of delivery and underspend across the MDBA Joint Programs across determinations. This has driven the detailed and independent reviews of prudency, efficiency and overall effectiveness of how the MDBA and Contracting Governments deliver the Joint Programs, with several direct observations and improvement opportunities relating to the consistent underspend across the Programs. While we acknowledge that the MDBA and Contracting Governments have been making significant progress to address these risks through the Joint Programs Improvement Project, we were unable to assess the extent to which this effort would address or mitigate the continued underspend and delivery risk for the MDBA and the impact that this would have on asset reliability and services.

5 Review of Border Rivers Commission activities and expenditure

5.1 Operating context

The BRC provides bulk water services through the ownership of water storage assets on the Border Rivers, including Glenlyon Dam, Boggabilla Weir, and other small weirs and regulators.

The BRC also performs WAMC-related activities, namely groundwater and surface water monitoring and carrying out a water quality monitoring program. The extent of these activities spans:

- 23 hydrometric stations (surface water monitoring), of which 14 are in NSW
- 61 groundwater monitoring bores, of which 25 are in NSW
- 22 quality monitoring sites.

The BRC does not own any assets relating to WAMC services.

5.1.1 Border Rivers Commission

The BRC operates in the upper Murray-Darling Basin. The Commission is a joint operation, with each state retaining 50% shareholding control.

The BRC determines, enables, and monitors each state's eligible share of water that crosses or passes into and along the NSW and Queensland border. It has certain investigative functions to identify and report on potential improvements for water sharing equity between the states. The Commission manages water at a wholesale supply level, and the stakeholders are the states and not individual water users of either state. Revenue from the water usage of individual water users is collected and retained separately by each state.

The Commission's operational area exists within the upper reaches of the Darling River within the Murray-Darling Basin, and its responsibility includes:

- Glenlyon Dam on Pike Creek, Queensland
- Dumaresq River watershed upstream of Mingoola Gauging Station
- The Carrier Rivers which are the rivers constituting part of the boundary between the states
- The Intersecting Streams which include those rivers and streams that cross the NSW-Queensland border west of Mungindi; the Moonie, Bokhara, Narran, Culgoa, Ballandool, Warrego and Paroo Rivers, and any stream or watercourse that forms part of the Darling River Drainage system
- Alluvial aquifers associated with the Border Rivers Alluvium.

5.1.2 Legislative framework

The Commission was constituted under the *New South Wales–Queensland Border Rivers Agreement* made between the NSW and Queensland governments on 27 August 1946. This agreement was ratified by NSW under the *New South Wales–Queensland Border Rivers Act* and is a schedule to that Act.

The purpose of the Commission is to implement the agreement in relation to:

- Sharing the waters of the rivers and streams which either form or intersect the boundary between the two states and the associated groundwater resources
- Investigating, constructing and operating works to conserve and regulate those waters considered desirable.

The statutory functions and duties of the Commission are to:

- Determine the anticipated quantity of water available each year from the border rivers and from the dams and weirs controlled by the Commission and notify the states of the portion of that water they may divert and use
- Control the construction, operation and maintenance of works taken over or constructed by the Commission under the *New South Wales–Queensland Border Rivers Agreement*, i.e., Glenlyon Dam and Boggabilla Weir, as well as other weirs and regulators on the border rivers and intersecting streams
- Undertake investigations considered necessary by the Commission to enable it to exercise the powers and discharge the duties conferred upon it by the *New South Wales–Queensland Border Rivers Agreement*
- Report and make recommendations from time to time to the governments of NSW and Queensland regarding the sharing of the waters of the intersecting streams, the sharing of groundwater, and other matters set out in the *New South Wales–Queensland Border Rivers Agreement*
- Investigate the practicability of constructing, maintaining and operating additional storage
- Arrange for the construction, operation and maintenance of gauging stations to record the flow in the Dumaresq River at Mingoola and at such other places as deemed necessary by the Commission
- Arrange for the construction, maintenance, operation and control of an effective groundwater monitoring system.

5.1.3 Roles of controlling authorities and delivery agencies

The BRC engages Sunwater to manage and operate bulk water infrastructure, including Glenlyon Dam and Boggabilla Weir. The BRC negotiated a contract with Sunwater for these services in 2021. This contract expires in 2026, and the BRC intends to negotiate a new contract to apply from this time.

The Commission engages WaterNSW and the Queensland Department of Local Government, Water and Volunteers (DLGWV) to carry out groundwater and surface water monitoring and gather water quality data – which is within the scope of WAMC monopoly service activities. There is no formal instrument or agreement between the Commission and these agencies that governs this relationship.

5.1.4 Governance arrangements

The BRC shareholder representatives are the relevant Queensland and NSW water ministers. These shareholders appoint the Commissioners from each state. The Commission has established Commission Committees to provide governance and oversight:

- Finance, risk and audit committee
- Service delivery and asset committee

- People committee.

The Commission is supported by a management structure, including a Chief Executive Officer.

5.1.5 Funding arrangements

Funding for the agreed budget is received by way of a yearly 'call-up' from each state via the issue of an invoice in June by the Commission. The Commission does not receive any significant income to offset its costs.

While annual budgets are set, the BRC is responsible for meeting the actual costs of service delivery by its service providers, including WaterNSW and Sunwater, over the year and hence bears cost risk.

The BRC also funds expenditure for the year, including renewals and enhancements expenditure for assets owned by the BRC.

5.2 Budget process and structure

The budget is set by different services, which can be grouped between WaterNSW-Rural and WAMC.

For WaterNSW-Rural, the budgeted services are:

- Infrastructure operations and maintenance
- Infrastructure refurbishment and enhancement
- Wholesale water-sharing management.

For WAMC, the budgeted services are:

- Surface water hydrometrics
- Groundwater monitoring
- Surface water quality monitoring.

The budget also includes an item 'other services and administration' which is common to both.

The BRC reports actual expenditure against these budgets in its annual report.

The BRC sets a 10-year financial plan, identifying risks and developing mitigation plans. The BRC also performs a service needs analysis on its assets to understand the needs at an asset level.

5.3 Cost allocation to the WaterNSW-Rural and WAMC determinations

The BRC costs are split 50-50 between NSW and Queensland consistent with the cost sharing arrangements between the states, regardless of where the expenditure is forecast to occur. The 50% share for NSW is allocated between WaterNSW-Rural and WAMC through the budget structure set out in Section 5.2. Actual expenditure is recorded and reported against these budgets.

BRC management costs, which cover both WaterNSW-Rural and WAMC, are allocated in proportion to direct costs. For the forecast expenditure, this amounts to 23% of management costs being allocated to the three WAMC activities with the balance (77%) allocated to WaterNSW-Rural.

WaterNSW has proposed to set the user share for BRC WaterNSW-Rural costs at 95%, consistent with the 2021 determination.

DCCEEW assigns the WAMC-related budgets from BRC to the three WAMC activities, which in turn have their own user shares:

- W01-01 Surface water quantity monitoring (77% proposed user share)
- W01-03 Surface water quality monitoring (77% proposed user share)
- W02-01 Groundwater quantity monitoring (100% proposed user share).

5.4 Current period activities and expenditure

For WaterNSW-Rural, total expenditure has been well above the current determination forecast. WaterNSW submitted this was due to higher costs of maintaining assets due to factors including supply chain issues associated with COVID-19, wage increases, and unforeseen costs such as additional dam safety management activities for Glenlyon Dam and upgrades to a water treatment plant at Glenlyon Dam to meet drinking water guidelines.

For WAMC, actual expenditure over the current period was lower than the IPART allowance. WAMC attributed this to less frequent inspections and other related work being unable to be performed due to COVID-19 restrictions, as well as wet weather conditions during the period.

There was no capital expenditure, despite an allowance in the current regulatory period. WAMC explained that capital expenditure was irrelevant in the context of the BRC scope of WAMC activities, as the BRC does not own any assets that provide these services. That is, WaterNSW and DLGWV own the hydrometric stations, monitoring bores and water sampling equipment and maintain that equipment accordingly. All costs are passed through to BRC and treated as operating cost items.

5.5 Future period activities and expenditure

5.5.1 WaterNSW-Rural

For WaterNSW-Rural, the scope of services and service levels is proposed to remain static from the current determination period. However, total expenditure is set to substantially increase from the 2021 determination period actuals. WaterNSW states the forecast includes Sunwater costs not previously included in the price determination, such as Sunwater refurbishment and enhancement expenditure on BRC WaterNSW-Rural assets. WaterNSW has proposed that all expenditure is treated as an operating cost, including asset-related expenditure.

We have examined the proposed expenditure in two categories: ongoing management and renewals and enhancements.

5.5.1.1 Ongoing management costs

The ongoing management costs comprise the costs from Sunwater for operating the bulk water assets, and their routine and corrective maintenance, as well as the BRC management costs allocated to WaterNSW-Rural. We agree these costs are operating costs.

We have compared these costs to the recent efficient costs determined by the Queensland Competition Authority for Sunwater's operation and maintenance of southern Queensland water supply schemes, in particular Macintyre Brook, St George and Upper Condamine. When we adjusted for scale[33], we found the proposed ongoing management costs for BRC bulk water assets were comparable to the other Sunwater water supply schemes.

In our draft report, we accepted the proposed ongoing management costs, but applied a 1% cumulative ongoing efficiency target consistent with the target proposed by WaterNSW (as a peer to Sunwater), to arrive at an upper bound level of efficient expenditure.

In response to our draft report, the BRC disagreed with the application of the 1% cumulative efficiency target, stating that the BRC was a small operation and the costs were already considered reasonable. The BRC further argued that:

- The BRC and Sunwater had already achieved basic efficiencies, and further savings could not be achieved
- A reduction to maintenance and servicing would risk asset failure and could lead to long-term issues
- As a small operation, the Commission does not have the same opportunity as WaterNSW to achieve savings through economies of scale.

In our view, the BRC itself may have a small corporate/management structure; however, it engages large service providers, such as WaterNSW and Sunwater, to perform the vast majority of operational services. We therefore consider it reasonable for ongoing efficiency targets to be set, in recognition of the ability of, and need to create incentives for, these organisations to continuously improve productivity. We do not consider the quantum of the efficiency target to be of concern in terms of asset maintenance and service delivery.

However, we acknowledge that the Queensland Competition Authority determined a slightly lower efficiency target for Sunwater of 0.2%[34], compared to the efficiency target proposed by WaterNSW of 1%. We have therefore recommended an ongoing efficiency target for WaterNSW-Rural, where services are largely provided by Sunwater, at the equivalent rate of 0.2%.

5.5.1.2 Renewals and enhancements

In the 2021 determination, IPART decided to apply a conventional 'building block' approach to determine the cost base for prices relating to BRC activities for both WaterNSW-Rural and WAMC. The opening value of the asset base was set to zero, and the capital expenditure forecast was based on the annuity fund contributions proposed over the period. IPART allocated 43.6% of the annuity fund contributions to WaterNSW-Rural, and 56.4% to WAMC.[35] This 2021 determination decision was a change to previous determinations where the annuity fund contributions were treated as operating expenditure.

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33 We adopted a measure of dam storage capacity, which we acknowledge is crude. Nonetheless, we are comfortable in using it for the purposes of establishing a level of comfort for our review.
34 Queensland Competition Authority (2025). Rural Irrigation Price Review: 2025-2029. Sunwater. Final Report. P50.
35 IPART (2021). Review of prices for the Water Administration Corporation from 1 October 2021 to 30 June 2025. P74.

However, WaterNSW has proposed a return to the approach prior to the 2021 determination, treating the Sunwater renewals and enhancement program as operating costs. Most of the expenditure relates to refurbishments and replacements, much of which we would expect would normally be capitalised.

WaterNSW argued that this expenditure should be treated as operating costs as this reflected the underlying cash flow and financing arrangements from the state governments of NSW and Queensland to the BRC. WaterNSW claimed that continuing the approach under the 2021 determination would:

- Require the NSW Government to fund the difference between NSW's actual contribution to the BRC and the revenue received from prices
- Come at the expense of other bulk water activities or services as there is no guarantee that the NSW Government would fund such a shortfall.

In our view it is important to distinguish between how an asset and future expenditure to maintain its service capacity is financed (a problem to be solved by the asset owner), and how the capital costs of that asset are recovered from users via charges. It is common for a regulated monopoly business to experience a timing mismatch between financing capital expenditure and obtaining a return on and of that capital investment over the life of the asset. The building block model for pricing compensates the asset owner for this mismatch over time.

We acknowledge that IPART made a decision in its 2021 determination, and the only apparent change is that the quantum of renewals and enhancement expenditure has increased compared to the forecast in that determination. We have therefore conducted our review of renewals and enhancement expenditure based on the current IPART approach (i.e., capitalisation).

In response to our draft report, the BRC stated the regulatory asset base and capitalisation approach was not consistent with the BRC cost and funding structure due to:

- The fluid nature of the one-off program of works with priorities changing over the determination period
- The BRC treating the majority of the expenditure as operating expenditure as it aligns more closely with operational maintenance and renewal, not a traditional capital investment program
- Many of the one-off projects involving little capital, and mostly operating elements, as they are maintaining existing assets with no new assets being created
- The strict application of a capitalisation approach creating accounting discrepancies among the BRC shareholders.

WaterNSW and BRC did not provide in their submission or in response to our draft report information on their accounting treatment for individual projects that comprised the five-year, Sunwater-delivered, renewals and enhancement program. We have not attempted to apply a detailed interpretation ourselves given the limited information at hand.

We recommend that for future reviews the BRC and/or WaterNSW identify projects as operating or capital expenditure, along with supporting accounting policies or other justification. We also recommend the BRC and/or WaterNSW provide information about the actual capital expenditure over the prior determination period, to enable consideration of ex post adjustments to the regulatory asset base based on actual (efficient and prudent) expenditure.[36]

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[36] This would help address the BRC's concerns about the fluid nature of the program and changing priorities.

The continuation of the regulatory asset base approach is a matter for IPART, noting its previous decision in 2021. For future reviews, we recommend the BRC and/or WaterNSW present its expenditure submissions consistent with the IPART framework established at the most recent determination.

In the absence of better information, we have assumed all projects in the program are capital expenditure, with the exception of line items that are for management plans or inspections, on the basis these are more akin to operating expenditure given their description. These line items total $0.2M (or $0.1M for the NSW share) over the future determination period.

WaterNSW has also proposed that prices recover annuity fund contributions over the future determination period, in addition to the five-year renewals and enhancements program. WaterNSW justified including both as follows:[37]

> *With the forecast Renewal and Enhancement (R&E) expenditure and the declining cash on hand, the Commission has, after discussion with NSW, included both amounts to be recovered through pricing...*
>
> *The Commission's total R&E expenditure has increased, but the only R&E expenditure captured in the IPART costs previously was the Annuity Fund Deposit. The Annuity Fund Deposit is not a true reflection of the Commission's full R&E expenditure.*
>
> *Despite efforts to not impact NSW with increasing R&E costs, the Commission has therefore increased its Annuity Fund Deposits from FY2026-FY2030 to ensure it will meet the upcoming costs.*
>
> *The Commission will also be including its R&E costs relating to Sunwater in the next determination period as a result of reviewing its financial sustainability over the next determination period. These are new costs that have not previously been funded by IPART.*
>
> *When the IPART pricing estimates were made, the Commission did not have full information on what the increases in annuity deposit would be, but it knew that there would be a shortfall. The decision was made to include both as there would be a shortfall with significant upcoming expenditure flagged, i.e. the Boggabilla Weir Scour Repairs.*

In our view, proposals to recover a capital expenditure program are best presented with detail about the individual projects, their cost, timing and need/benefit. The renewals and expenditure program provided to us provides some of this information and is a step towards best practice.

However, the addition of annuity fund contributions to this program is problematic as it does not relate to a specific project or expenditure need. Rather, the annuity fund contribution seems to have been included as a contingency and is now proposed to be needed for a possible new project (Boggabilla Weir). WaterNSW also explained that the annuity fund would contribute to the cost of renewals and enhancement projects.[38]

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[37] Response to RFI 199.
[38] Response to RFI 199.

While in past IPART determinations the annuity fund deposits have been used as a proxy for capital expenditure, this is no longer needed nor appropriate now that the BRC can provide a capital program with specific projects. Moreover, including both an annuity fund contribution and the cost of capital projects that would be funded by that contribution, represents double counting.

In our draft report we removed the annuity fund deposit from the recommended upper bound efficient expenditure.[39]

In response to our draft report, the BRC stated its pricing submission included the full costs of current expenditure, including an amount for an annuity deposit, as the BRC has limited remaining cash reserves left, and that:

- Including the full expenditure reflects the actual costs to provide the service and ensures that the customer charges are based on the real cost of maintaining the assets and service levels, not an artificially reduced figure
- The BRC Asset Management Plan 2025 has established an annuity deposit amount of $1.29M to maintain the assets over a 30-year period. This report was not available at the time of submission.
- Including current expenditure and an annuity deposit aligns with the principles of cost-reflectivity, and the long-term financial sustainability of the BRC
- Including the annuity deposit will rebuild the financial resilience of the BRC, which was drawn down last period, avoids price shocks and strengthens the BRC's ability to respond to unexpected costs or asset failures.

Nonetheless we remain concerned that including both the annuity deposit and renewals and enhancement project expenditure in customer prices represents double counting of capital expenditure. For example, in preparing our draft report we asked the BRC what expenditure was being financed out of the annuity[40]. The BRC responded that the renewals and enhancement expenditure projects were to be financed from the annuity and summarised the value of these projects. These values aligned with the values of the projects proposed for renewals and enhancement expenditure over the future determination period.

Under the capitalisation approach established in 2021, capital expenditure is added to the regulatory asset base and recovered over the life of the asset related to that expenditure. This recovery occurs through both a return on, and of, capital. In this way the BRC is compensated for the cost of capital expenditure over the life of the asset.

The alternative approach is to adopt a renewals annuity, whereby an annuity is set to recover the expected cost of maintaining the service capacity of an asset over a defined term (e.g. 30 years). A separate annuity balance is maintained, as the timing of annuity income (from customer prices) will not match the timing and pattern of expenditure. These two approaches are mutually exclusive when dealing with the same capital expenditure program. Including both an annuity contribution, as well as providing for recovery of capital expenditure through the capitalisation approach, represents double recovery of the same set of costs.

[39] We have not received any new or supplementary proposals from WaterNSW in relation to the Boggabilla Weir project or other new projects, or any overall update to the renewals and enhancements program.
[40] Response to RFI 199.

While the continuation of the capitalisation approach is ultimately a matter for IPART, our concern is that renewals and enhancement expenditure can only be recovered by one or the other of renewals annuity *or* capitalisation/via a regulatory asset base, not both.

We performed a high-level review of renewals and enhancement projects, and they appear consistent with the type of work expected for bulk water assets of a similar age and function. We are also satisfied that these projects relate to bulk water and not to WAMC monopoly services.

In our draft report, we identified two weir refurbishment projects that are contingent upon a maintenance strategy decision for those assets by BRC, and we concluded that there was insufficient certainty that these projects would be required, or if they were required would commence within the future determination period. In our draft report we removed them from our lower bound recommended expenditure. In response to our draft report, the BRC confirmed that a service needs analysis had been undertaken by the BRC which confirmed the long-term need, and claimed this was now sufficient to justify the inclusion of those projects into the capital expenditure forecast. We are satisfied with this advice from the BRC and have therefore made no lower bound adjustments for capital expenditure in this final report.

5.5.2 WAMC

For WAMC services, the BRC scope of activity does not change between periods, and the forecast expenditure is consistent with actual expenditure in the later years of the current determination period, which reflected more normal operating conditions (e.g., post COVID-19).

We are comfortable with the level of expenditure proposed.

As set out above, IPART's 2021 determination included 56.4% of the annuity fund contribution to WAMC and treated this as capital expenditure. WaterNSW submitted that this was an error:[41]

> *In its 2021 determination, IPART used the annuity fund deposit amount as a proxy for Sunwater R&E capital costs. The annuity fund deposit and Sunwater R&E are bulk water only.*
>
> *IPART incorrectly assigned a component of this annuity fund deposit to WAMC...*

While we have not reviewed the 2021 determination, we are satisfied that the Sunwater renewals and enhancement program proposed is 100% related to bulk water assets, which are owned by the BRC.

The BRC expenditure forecast includes renewals and enhancements relating to the specific assets providing the WAMC services, namely surface water gauging stations and groundwater infrastructure. We also note that unlike WaterNSW-Rural, these assets are not owned by the BRC but the agencies that provide services (groundwater and surface water monitoring) to the BRC.

We agree with the proposed treatment of the BRC WAMC-related expenditure as entirely an operating cost, on the basis that:

- BRC receives a service from WaterNSW and DLGWV, who in turn own the assets that provide that service

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[41] WaterNSW pricing submission, Attachment 12. P7.

- BRC has agreed funding and cost recovery arrangements for services from those assets as part of the service delivery model, which are reasonable in the circumstances given the scale of the assets involved and the nature of the service
- The assets in question are hydrometric stations, bores, etc. – which are not major infrastructure items such as dams and weirs – and any capital expenditure would be relatively immaterial.

Accordingly, we recommend all expenditure be treated as an operating cost, as proposed by WAMC.

We note that, as a service provider, WaterNSW has not been challenged to improve efficiency having reached what appears to be a steady state of scope and cost. We have set a lower bound that includes an ongoing efficiency target, consistent with WaterNSW's 1% cumulative efficiency target for WAMC[42] services generally.

In response to our draft report, the BRC raised the same concerns about this ongoing efficiency target as set out above for WaterNSW-Rural. For the same reasons in our response set out above, we continue to recommend an efficiency target be applied for WAMC, at a rate consistent with that proposed by WaterNSW elsewhere for WAMC (1%).

5.6 Conclusions and recommendations

5.6.1 WaterNSW-Rural

The scope of BRC activity for WaterNSW-Rural is consistent with the bulk water service and maintains current service levels. We are comfortable that the BRC costs have been separated into WaterNSW-Rural and WAMC services, and that the common costs relating to BRC management have been appropriately allocated between the two services.

We separated the forecast into operating and capital expenditure to enable the continuation of the regulatory asset base approach to pricing – consistent with the 2021 determination.

We benchmarked the operating expenditure with the efficient operating expenditure set by the Queensland Competition Authority for Sunwater in southern Queensland water supply schemes and found the costs to be comparable. We applied an ongoing efficiency target of 0.2% for operating costs, consistent with the target applied for Sunwater by the Queensland Competition Authority. We included the renewals and enhancement program items that were not related to a specific asset in operating expenditure but treated all other renewals and enhancement projects as capital expenditure. We also removed the annuity fund contribution to arrive at our recommended operating expenditure. We did not recommend an upper and lower bound given the nature and quantum of expenditure.

[42] WAMC pricing proposal, Attachment H. P9.

Table 5-1: Recommended range of efficient operating expenditure – WaterNSW-Rural

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	3,658	2.595	2,510	2,677	2,474
Scope adjustments	-2,109	-987	-912	-1,057	-881
Efficiency adjustments	0	-3	-6	-10	-13
Recommended upper bound efficient operating expenditure	**1,549**	**1,604**	**1,591**	**1,610**	**1,581**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**1,549**	**1,604**	**1,591**	**1,610**	**1,581**

WaterNSW did not propose any capital expenditure.

For our recommended upper bound capital expenditure, we included the proposed program of renewals and enhancement expenditure (except for non-asset specific items) but excluded the annuity fund contributions. We did not make any adjustments for the lower bound.

Table 5-2: Recommended range of efficient capital expenditure – WaterNSW-Rural

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed capital expenditure	0	0	0	0	0
Scope adjustments	2,109	987	912	1,057	881
Efficiency adjustments	0	0	0	0	0
Recommended upper bound efficient capital expenditure	**2,109**	**987**	**912**	**1,057**	**881**
Scope adjustments	0	0	0		
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient capital expenditure	**2,109**	**987**	**912**	**1,057**	**881**

5.6.2 WAMC

The scope of BRC activities for WAMC is stable and reflects a long-term monitoring program. The BRC costs are also stable with modest increases proposed that reflect cost pressures facing most businesses in the economy.

While there is no long-term contract in place with the agencies providing the services to the BRC, we consider this low risk and unlikely to be generating material inefficiencies. We consider a cost pass-through arrangement, where BRC bears cost risk, as reasonable provided ongoing controls are in place. However, a more formal contract-style arrangement that clearly sets out expectations and key processes (e.g., audit of actual costs) would assist governance, and a periodic review of the arrangement would ensure it remains fit-for-purpose (e.g., a contract end date and/or review schedule).

We do not see the need to set an upper and lower range for WAMC-related BRC expenditure given its scale and nature. Our recommended expenditure for the next regulatory period is set out below, inclusive of a 1% cumulative efficiency target, consistent with WaterNSW's target for WAMC generally.

Table 5-3: Recommended range of efficient operating expenditure – W01-01 (BRC)

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	607	616	643	626	652
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	-6	-13	-19	-25
Recommended upper bound efficient operating expenditure	**607**	**610**	**630**	**607**	**627**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**607**	**610**	**630**	**607**	**627**

Table 5-4: Recommended range of efficient operating expenditure – W01-03 (BRC)

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	93	94	98	96	100
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	-1	-1	-3	-4
Recommended upper bound efficient operating expenditure	**93**	**93**	**97**	**93**	**96**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**93**	**93**	**97**	**93**	**96**

Table 5-5: Recommended range of efficient operating expenditure – W02-01 (BRC)

Item ($'000 2024/25)	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	83	85	88	86	90
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	-1	-2	-3	-4
Recommended upper bound efficient operating expenditure	**83**	**84**	**86**	**83**	**86**
Scope adjustments	0	0	0	0	0
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**83**	**84**	**86**	**83**	**86**

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