Supplementary report

Prepared for:
Independent Pricing and Regulatory Tribunal

Date:
27 August 2025

Prepared by:
Stantec, in association with Rockpool Consulting

Project:
300204186

Stantec Australia Pty Ltd

Revision schedule

Revision no.	Date	Description	Prepared by	Quality reviewer	Project manager final approval
A	11/08/2025	Supplementary report	Ross Muir (Rockpool Consulting), Benjamin Steel (Stantec), Geoffrey Kleu (Stantec), Ella Hingston (Stantec)	Carlos Patino (Stantec)	Ella Hingston (Stantec)
B	24/08/2025	Revised supplementary report in response to IPART queries	Benjamin Steel (Stantec), Ella Hingston (Stantec)	Ella Hingston (Stantec)	Ella Hingston (Stantec)
C	27/08/2025	Revised supplementary report to consider unregulated weirs AMP (W07-01 – WaterNSW) and to update indirect cost assumptions for WaterNSW and NRAR	Geoffrey Kleu (Stantec), Ella Hingston (Stantec)	Ella Hingston (Stantec)	Ella Hingston (Stantec)

Disclaimer

The conclusions in the report are Stantec's professional opinion, as of the time of the report, and concerning the scope described in the report. The opinions in the document are based on conditions and information existing at the time the document was published and do not take into account any subsequent changes. The report relates solely to the specific project for which Stantec was retained and the stated purpose for which the report was prepared. The report is not to be used or relied on for any variation or extension of the project, or for any other project or purpose, and any unauthorised use or reliance is at the recipient's own risk.

Stantec has assumed all information received from the client and third parties in the preparation of the report to be correct. While Stantec has exercised a customary level of judgment or due diligence in the use of such information, Stantec assumes no responsibility for the consequences of any error or omission contained therein.

This report is intended solely for use by the client in accordance with Stantec's contract with the client. While the report may be provided to applicable authorities having jurisdiction and others for whom the client is responsible, Stantec does not warrant the services to any third party. The report may not be relied upon by any other party without the express written consent of Stantec, which may be withheld at Stantec's discretion.

Table of contents

List of tables

1 Introduction

1.1 Background

Stantec, in association with Rockpool Consulting, has been commissioned by the Independent Pricing and Regulatory Tribunal (IPART) to provide an opinion to IPART on the efficient level of historical and proposed operating and capital expenditure required by the Water Administration Ministerial Corporation (WAMC) to deliver its services. Historical expenditure is that incurred in the time since the 2020 Determination (1 July 2021 to 30 June 2025) and proposed expenditure is that which is proposed for the period from 1 July 2025 to 30 June 2030.

We have provided a Final Report to IPART which sets out our opinion on WAMC's efficient costs. IPART subsequently prepared a Draft Determination setting out the maximum prices that WAMC may charge for its services. As part of the Draft Determination, IPART set a revised determination period of 1 October 2025 to 30 June 2028.

IPART has invited, and will consider, submissions on its Draft Determination in making its Final Determination for WAMC's prices. In reviewing submissions, IPART is considering a four-year determination period of 1 October 2025 to 30 June 2029.

1.2 Purpose of this supplementary report

The purpose of this Supplementary Report is to respond to specific matters raised in response to IPART's Draft Determination. The most material submissions were provided by the agencies that deliver WAMC's services:

- Department of Climate Change, Energy, the Environment and Water (DCCEEW)
- Natural Resources Access Regulator (NRAR)
- WaterNSW

This report should be read in conjunction with our Final Report, referenced above, which provides the broader context for the matters discussed herein.

1.3 Structure of this report

This report is structured to align broadly with our Final Report and with specific matters raised in WAMC's submission in response to IPART's Draft Determination. This report is structured as follows:

- Section 2 discusses matters raised in relation to corporate overheads, other than those corporate overheads allocated to activity code W10-02
- Section 3 discusses matters raised in relation to specific activity codes
- Section 4 discusses matters raised in relation to fee-for-service charges
- Section 5 provides a summary of our recommended upper and lower bounds for each activity

1.4 Terminology and price base used in this report

For clarity throughout this report, we have used the following terminology:

- **'Current determination period'**, **'current period'** or **'2020 Determination period':** This refers to the period from 1 July 2021 to 30 June 2025
- **'Future determination period' or 'future period':** To allow cross-referencing with our Final Report, this refers to the *originally proposed* future period (1 July 2025 to 30 June 2030), as outlined in the terms of reference (scope of work) for our review
- Where we have referred to the *revised* future period (1 October 2025 to 30 June 2028), as set in IPART's Draft Determination, or the four-year determination period that is currently being considered by IPART, we have clarified this by exception in this report.

All costs provided in this report are in a real price base of 2024/25 unless noted otherwise.

2 Matters relating to corporate overheads

In its pricing submission, WAMC proposed average annual expenditure of $25.11 million across WAMC activities in the future determination period, which was 57.95% higher than the average annual actual expenditure in the current period. Section 5.2 of our Final Report recommended upper and lower bound adjustments to the DCCEEW Business Services components of WAMC's proposed overhead expenditure for the future determination period.

2.1 Application of DCCEEW corporate overhead adjustments to activity-level efficient total costs

In its submission in response to IPART's Draft Determination, WAMC stated:

> *Based on IPART's analysis and the analysis we were able to do, there appears to be an error in the calculation of overhead adjustments, possibly leading to a double count of reductions.*
>
> *For example, in section 4.2.1 in the IPART draft report, IPART cites a reduction in total WAMC overhead costs of $20.5 million over three years, however the cuts made to the department's overheads alone are $34.5 million over three years.*
>
> *In Stantec's report figures 4 and 5 of the executive summary (p17) show the recommended upper and lower bound operating expenditure for the department "including adjustments to DCCEEW corporate overheads" to be $55.4 million and $44.6 million per year. IPART's decisions result in operating expenditure allowance of $43.4 million per year, beneath the lower bound, despite accepting either Stantec's upper or lower bound efficient costs for each WAMC activity.*
>
> *The correct approach would have been for Stantec and IPART to make adjustments to the department's direct costs and then apply the overheads methodology to arrive at efficient costs with overheads.*

We have considered the observations made in our Final Report and the supporting notional revenue requirement (NRR) input information that we provided to IPART for our recommended upper and lower bounds of efficient expenditure for the future period.

In Figures 4 and 5 of our Final Report, we provided an ***indicative*** representation of our combined activity-level and corporate overhead adjustments for DCCEEW expenditure only, and recommended that DCCEEW update its overhead allocation model to recalculate the total allowed expenditure at the activity level following IPART's determination[1]. During our correspondence with IPART, as part of providing inputs to the NRR model to reflect our proposed expenditure adjustments, we noted difficulties in being able to calculate the exact adjusted overhead allocation at the activity level[2].

In Section 5 of this Supplementary Report, we have provided an integrated and holistic summary of our recommended expenditure for DCCEEW in the future period. However, it remains our recommendation

[1] Expenditure review of Water Administration Ministerial Corporation – Final Report p 21.
[2] NRR input templates email from Stantec to IPART 3 March 2025.

that DCCEEW update its overhead allocation model to confirm the exact total allowed expenditure at the activity level, incorporating our proposed adjustments to corporate overheads.

We consider that our proposed adjustments to DCCEEW's corporate overheads do not duplicate our activity-level adjustments for the following reasons:

> Our proposed adjustments to DCCEEW's corporate overheads are to its proposed WAMC Business Services costs. DCCEEW cites the incorporation of these WAMC Business Services costs as the 'main driver for increasing WAMC overhead costs'[3]. A significant proportion of these costs were externally funded in the current period[4].
>
> Unlike DCCEEW's Corporate Services costs (which are based on a percentage of DCCEEW's proposed direct operating costs) or DCCEEW's accommodation costs (which are based on the application of a flat workstation rate per full-time equivalent (FTE) staff member), the WAMC Business Services costs are based on a bottom-up estimate of labour and non-labour operating expenditure.
>
> During our corporate overheads interview with DCCEEW, and as part of our follow-up request for information (RFI), we queried DCCEEW regarding the business need, impact, benefit and scope of the proposed WAMC Business Services costs, given the significant step change in expenditure observed. However, the responses provided by DCCEEW, both during the interview and in response to our RFI, did not provide the transparency necessary to demonstrate the prudence and efficiency of the proposed WAMC Business Services costs.
>
> Additionally, we observed several components of the proposed WAMC Business Services costs that either directly related to the delivery of specific WAMC activities (e.g., delivery of a risk-based approach to water sharing plan review and remake), related to capital expenditure, or included contingent staff costs.
>
> We consider that these observations, which are detailed further in Section 5 of our Final Report, warrant the dedicated and distinct review, and adjustment, of WAMC Business Services costs.

2.2 Adjusted DCCEEW corporate overhead expenditure as a proportion of total future operating expenditure

In our Final Report, we referenced a benchmarking study by Price Waterhouse Coopers (PwC) on corporate services in the public sector[5]. PwC found that, across the Federal and State Government departments included in this study, the median for overhead cost allocation per FTE was 14%. This does not constitute a benchmark of overhead expenditure as a proportion of total operating expenditure.

The intent of the benchmarking exercise was to support our review of proposed WAMC overhead expenditure and align our assessment against existing and established industry performance benchmarks. The benchmarking outcomes were not intended to establish a fixed rate of corporate overhead expenditure as a portion of total operating expenditure, nor do they mandate any minimum level of corporate overhead expenditure as being either prudent or efficient.

[3] Attachment G to the WAMC pricing proposal, p 4.
[4] Based on Attachment G to WAMC pricing proposal, p 9.
[5] PwC 2015, *Sustainable Productivity*, viewed on 27 February 2025.

WAMC's response to IPART's Draft Determination indicated that the adjusted DCCEEW overhead expenditure allocation under the draft decision is 7% of total operating expenditure, which is well below the benchmark of around 14% noted in our Final Report[6].

Notwithstanding the above context relating to the application of benchmarking to our assessment of proposed WAMC overhead expenditure, it is our view that the overhead expenditure allocation for DCCEEW being a proposed 7% of operating expenditure is unrelated to the 14% median for overhead cost allocation per FTE in the PwC study.

It is important to recognise that the allocation of a specific percentage of corporate overhead expenditure – such as the 7% stated by DCCEEW[7] – should not, in isolation, be interpreted as evidence of insufficient or inadequate cost allocation. Rather, the appropriateness of overhead expenditure must be assessed in the broader context of WAMC's activities, operations, and resource requirements.

For instance, we referenced that NRAR's overhead costs comprised 9.6% of actual expenditure in the current determination period[8], a figure that demonstrates how overhead benchmarks and performance can vary significantly depending on an entity's structure and service delivery model.

Accordingly, a 7% allocation could reasonably reflect prudent and efficient corporate overhead expenditure for DCCEEW in the context of its operations across WAMC activities during the next determination period. However, this percentage should be considered indicative only and would be subject to further, more detailed assessment to confirm its appropriateness.

This further supports our position that overhead percentages should be contextualised within the wider resource and operational environment, rather than being viewed as a standalone indicator of efficiency or adequacy.

2.3 DCCEEW PMO proposed corporate overhead expenditure

In response to IPART's Draft Determination, WAMC stated:

> *Stantec did not apply benchmarking for PMO costs, despite explicitly referencing PMO budget benchmarking of 2-5% (Stantec Report, p79). Our proposed PMO expenditure of $1.3 million per year represents less than 2% of proposed operating costs and 3% of operating costs in IPART's draft determination, well within the range of efficient benchmarks.*
>
> *Attachment G and our responses to four requests for information during the expenditure review provided ample evidence for the proposed scope and costs of PMO.*

In our Final Report, we referenced benchmarking studies that indicated that the average cost of operating a Project Management Office (PMO) (utilising the ratio of the proposed PMO budget relative to the total value of the project portfolio it manages) was approximately 2% - 5%[9]. We note that this is a general benchmark of typical PMO costs to organisations, not an indicator of efficient or prudent expenditure.

[6] WAMC submission in response to IPART's Draft Determination.
[7] We have not been able to validate this percentage allocation as part of developing this Supplementary Report.
[8] Expenditure review of Water Administration Ministerial Corporation – Final Report – Table 5-2 (p 76).
[9] Expenditure review of Water Administration Ministerial Corporation – Final Report p 79.

The scope of the benchmarking studies referenced in our assessment did not factor in PMO costs as a proportion of the total operating costs of an organisation, but specifically as a direct and proportional cost against the defined project portfolio that the PMO is responsible for managing. While the proposed DCCEEW PMO costs represent less than 2% of proposed operating costs, it is not relevant to the context of the benchmarking study applied in our assessment.

It is our view that the proposed DCCEEW PMO expenditure for the future period, even at less than 2% of total operating expenditure, should not be considered in isolation as being prudent or efficient.

In our view, the information provided by WAMC in attachment G of the original pricing proposal, and subsequently in response to RFI 117, did not provide ample or sufficient justification of the scope, activities, and value of the proposed PMO expenditure by DCCEEW.

Our recommended upper bound and lower bound range of efficient expenditure for proposed DCCEEW PMO-related overhead expenditure remains unchanged.

3 Matters relating to individual activities

3.1 W01 (Surface water monitoring)

3.1.1 Whether the business case for science data under W01-05 being a continuation of existing programs, as distinct from new programs, has any impact on our findings

In its pricing submission, WAMC proposed average annual expenditure of $1.481 million for W01-05 (Surface water ecological condition monitoring) in the future determination period. This was 167% higher than the average actual expenditure in the current period and 319% higher than the average current period allocation. Our Final Report found that the business case provided for the Water quality index (WaQI), River Condition Index (RCI) and High Ecological Values Aquatic Ecosystem (HEVAE) products did not provide sufficient justification, and the associated costs were removed from our upper bound.

In its submission in response to IPART's Draft Determination, WAMC clarified that the work covered in the business case was a continuation of existing programs and is required to provide science data for water sharing plans through to 2030.

We have considered the observations made in our Final Report and the information we reviewed to inform those observations in light of the clarification provided by WAMC. We consider that the findings made in our Final Report remain valid, based on our understanding of the business case and overall funding position for this code.

We understand that the business case is for continuing programs, and that it articulates a description of the three products, their objectives, the legislative drivers and associated risks. It then briefly outlines the operational steps to deliver each product by year. The key change noted is that WaQI and RCI are to be delivered at five-yearly updates, rather than the previous 10-yearly updates. HEVAE will continue to be prepared 18 months in advance of the respective water sharing plan.

There are no other step changes, functionality improvements, or discussion around the benefits in decision making as a result of the information produced, as described in the business case. As such, we view the ongoing provision of these products to be in line with continual improvement.

In the current period, it was expected that all performance indicators would be achieved by June 2025, accomplished with an actual average expenditure of $554,000 per year. The nominated upper bound in our Final Report of $1,099,000 on average per year marks a 98% increase, which we believe is appropriate to meet the proposed change in reporting frequency and continual improvement activities.

3.1.2 Whether the spatial analysis resource under W01-05 being centralised in WAMC's proposal has any impact on our findings

Our Final Report recommended that there may be an opportunity for cost savings in the lower bound for W01-05 (Surface water ecological condition monitoring) by using a centralised spatial analysis resource. In its submission in response to IPART's Draft Determination, WAMC clarified that the spatial

analysis staff costs were already based on using centralised resources from the Water, Knowledge and Analytics Geospatial Sciences team.

We have considered the observations made in our Final Report, together with the clarification provided by WAMC. We have adjusted our recommended expenditure lower bound to remove this efficiency saving, as a centralised resource is already proposed. Our revised recommended expenditure is presented in Section 3.1.3.

3.1.3 Our revised recommended expenditure for W01-05

Our updated activity-level adjustments are provided in Table 3-1. In Section 5.1 of this Supplementary Report, we combine our activity-level adjustments (Table 3-1) with our adjustments to DCCEEW's corporate overheads, to present our overall recommended expenditure for each activity code.

Table 3-1 Updated range of efficient expenditure – W01-05 (Surface water ecological condition monitoring) ($'000)

Item	2025/26	2026/27	2027/28	2028/29	2029/30
Proposed operating expenditure	1,562	1,637	1,440	1,367	1,397
Scope adjustments	-332	-546	-363	-332	-332
Efficiency adjustments	0	0	0	0	0
Recommended upper bound efficient operating expenditure	**1,230**	**1,091**	**1,077**	**1,035**	**1,065**
Scope adjustments	-28	-28	-28	-28	-28
Efficiency adjustments	0	0	0	0	0
Recommended lower bound efficient operating expenditure	**1,202**	**1,063**	**1,049**	**1,007**	**1,037**

3.2 W05 (Water management implementation)

3.2.1 Whether the extended deadline for Coastal metering compliance has any impact on our findings for W05-01

Our review of W05-01 concluded that DCCEEW's costs for implementing non-urban metering reforms should be reduced, given the Government target to meter 95% of water take by December 2026. Accordingly, we recommended a re-profiling of the DCCEEW proposed expenditure as follows:

- 100% of proposed expenditure in 2025-26;
- 25% of proposed expenditure in 2026-27, with nil allowance for communications; and
- Nil expenditure from 2027-28 onward.

WAMC's submission to IPART's draft report argued for the expenditure to be continued in full across the regulatory period, for reasons including:[10]

[10] WAMC submission to IPART, p33.

> *Especially as the largest proportion of unregulated surface water users are on the coast where deadlines for metering compliance were extended through the non-urban metering reform by up to 2 years.*

The WAMC submission did not provide a reference for this decision to extend.

We have found a FAQ document published by DCCEEW in March 2025. This document provides an update following the changes to the *Water Management (General) Regulation 2018*:[11]

> *What has changed?*
>
> *Nothing has changed if you have a surface water pump of 500 mm or greater in diameter anywhere in NSW or works nominated by total licence entitlement of 100 ML or greater in inland NSW – you need compliant metering equipment in place now, unless otherwise exempt.*
>
> *For most other water users, the compliance deadlines have been extended.*
>
> *In the coastal regions, large water users with licence entitlements ≥100 ML have until 1 December 2026 to comply with the rules (excluding surface water pumps ≥500 mm in diameter who should already be compliant).*
>
> *Smaller water users across NSW with works nominated by total entitlements of >15 ML and <100 ML, (unless otherwise exempt) have until 1 December 2027 to comply or by the work approval renewal, whichever is later.*

The above suggests that large water users in coastal areas need to have compliant meters by December 2026. This is consistent with the dates we considered in our report, with the Government's deadline for the 95% compliance target also being December 2026. The timeframes for smaller water users (December 2027 or later) are also consistent with the dates considered in our Final Report.[12]

We therefore see no need to change our recommendations.

3.2.2 Whether staff costs need to be added to SDLAM and NBTK costs for W05-03

WAMC accepted our recommended operations and maintenance costs for SDLAM and NBTK projects. However, it submitted that the staff costs for handover of assets, benefits monitoring, and realisation should be included. The capital costs for these projects are externally funded.

In its original submission[13], WAMC stated that "while SDLAM Acceleration capital works are funded by the Australian Government, post-construction costs are not funded. These costs relate to the commissioning, handover, benefits realisation activities and defect period management of assets, in addition to longer-term operations and maintenance requirements."

This detailed distinction between cost types, such as ongoing operation costs and staff handover costs, was not clear in the WAMC pricing model or other information available through our review.

[11] Refer to https://water.dpie.nsw.gov.au/__data/assets/pdf_file/0010/626284/num-faqs-march25.pdf#frequently-asked-questions
[12] Refer to Table 7-47 on p162 of our final report.
[13] Refer Attachment F, p79.

Now that this clarification has been provided, we accept that WAMC's staff costs for handover, monitoring, and benefits realisation should be included in W05-03, being:

- $0.487M in 2025-26; and
- $0.087M in 2026-27.

We therefore recommend increasing the upper and lower bound forecast expenditure by these amounts, as set out in Section 3.2.3.

3.2.3 Our revised recommended expenditure for W05-03

Our updated activity-level adjustments are provided in Table 3-2. In Section 5.1 of this Supplementary Report, we combine our activity-level adjustments (Table 3-2) with our adjustments to DCCEEW's corporate overheads, to present our overall recommended expenditure for each activity code.

Table 3-2 Updated range of efficient expenditure – W05-03 (Environmental water management) ($'000)

Item	2025/26	2026/27	2027/28	2028/29	2029/30
Total proposed operating expenditure	**4,484**	**4,221**	**2,974**	**2,963**	**2,912**
Proposed operating expenditure (DCCEEW)	4,032	3,779	2,525	2,499	2,433
Scope adjustments (DCCEEW)	0	0	0	0	0
Efficiency adjustments (DCCEEW)	-1,602	-1,670	-1,619	-1,504	-1,430
Recommended upper bound efficient operating expenditure (DCCEEW)	*2,430*	*2,109*	*906*	*995*	*1,003*
Proposed operating expenditure (WaterNSW)	452	442	449	464	479
Scope adjustments (WaterNSW)	0	0	0	0	0
Efficiency adjustments (WaterNSW)	0	0	0	0	0
Recommended upper bound efficient operating expenditure (WaterNSW)	*452*	*442*	*449*	*464*	*479*
Total recommended upper bound efficient operating expenditure	**2,882**	**2,551**	**1,355**	**1,459**	**1,482**
Scope adjustments (DCCEEW)	-1,247	-1,215	-60	-60	-60
Efficiency adjustments (DCCEEW)	0	0	0	0	0
Recommended lower bound efficient operating expenditure (DCCEEW)	*1,183*	*894*	*846*	*935*	*943*
Scope adjustments (WaterNSW)	0	0	0	0	0
Efficiency adjustments (WaterNSW)	0	0	0	0	0
Recommended lower bound efficient expenditure (WaterNSW)	*452*	*442*	*449*	*464*	*479*
Total recommended lower bound efficient operating expenditure	**1,635**	**1,336**	**1,295**	**1,399**	**1,422**

3.3 W06 (Water management planning)

3.3.1 W06-01 and W06-02 (Water plan development)

3.3.1.1 Response to RFI 73 and use of actual costs as a baseline

We adopted WAMC's actual expenditure over the current regulatory period (2021-25) as reflective of an efficient baseline from which to set an efficient expenditure forecast for the future regulatory period. In response to our draft report, WAMC stated the 2021-25 actual expenditure was an inadequate baseline for setting future efficient expenditure, as it did not include interjurisdictional commitments, priority projects, strategy projects or *partner team costs* (emphasis added).

In response, our Final Report noted that:

- WAMC's submission did not reference the inclusion of partner team costs in explaining the increase between actual and proposed expenditure. (Notably, partner teams costs are material and account for around 50% of WAMC's total proposed expenditure for these activity codes yet were not explicitly called out and justified in the submission.)
- WAMC had not provided evidence that the actual reported expenditure excluded partner team costs, nor, if, applicable, indicated where those costs were reported and their value. In the absence of this evidence and information, we retained our approach and recommendations.

In their submission to IPART's draft report, WAMC stated they have provided Stantec with substantial information on how costs were estimated, including partner costs as part of a request for information (RFI 73).

The WAMC response to that RFI did provide extensive and detailed information about how the *forecast expenditure* was developed, including the derivation of partner team costs. However, the only reference to the treatment of partner team costs over the current regulatory period (2021-25) is contained in the document *RFI 73 response.docx* (which formed part of the WAMC response to RFI 73):

> *As stated, partner costs for statutory water planning activities were not included in the proposed costs for the previous WAMC pricing proposal.*

This statement refers to the *proposed,* not *actual,* costs over the current regulatory period (2021-25). Stantec did not use the *proposed* costs for its analysis but instead relied on *actual costs*.

As noted in our Final Report, we were looking for evidence that the actual costs over 2021-25 for W06-01 and W06-02 did not include partner team costs. Such evidence is important given the materiality of the proposed partner team costs in terms of these activity code expenditures. WAMC has not provided such evidence in relation to actual costs over 2021-25.

WAMC's response to RFI 73 did not state that actual costs over 2021-25 excluded partner team costs. Nor did WAMC make mention that the inclusion of partner team costs in its proposed forecast expenditure was a factor behind the increase compared to actual expenditure, apart from a comment that it had improved its cost estimation (among many other factors):[14]

[14] Refer to Attachment F of the WAMC submission, p89.

> *The department is forecasting a substantial increase in the activities and services required from this activity in the next period. This is due to the increased resources required to address the cyclical nature of water planning, with a high number of coastal plans due for review, replacement, extension or amendment in the coming years. The increase in forecast expenditure represents a proportional increase in the number of staff required to deliver the services. It is also related to improvements in how we estimate costs along with increased input to First Nations engagement, implementation of state strategies, and several priority projects to deliver contemporary plans.*

As an aside, WAMC also included partner team costs in their proposed expenditure for W06-03 (Floodplain Management Plans). Our review of W06-03 compared the actual and proposed expenditure versus outputs for flood management plans across the current and future regulatory periods. We found that "*DCCEEW's proposed expenditure is set to achieve more output – more floodplain management plans and compliance assessment work – for a similar level of expenditure to actual expenditure in the current determination period*." Put simply, the inclusion of partner team costs in W06-03 in WAMC's proposed forecast expenditure did not result in an increase in cost when compared to actual expenditure and scope over 2021-25.

In closing, WAMC's response to RFI 73 provided a detailed breakdown of how it had *forecast* partner team costs for W06-01,W06-02 and W06-03, and stated that partner team costs were not included in the previous WAMC pricing proposal. The response to RFI 73 did not state partner costs were not included in its reported *actual* expenditure from 2021-25. This information is relevant to our recommendation and forms the basis of our baseline. Therefore, there is no impact on our recommendations in our Final Report.

3.3.1.2 Allocation of funds between W06-01 and W06-02

The WAMC submission to the IPART draft report stated there was an unexplained and unjustified imbalance in the allocation of funds between W06-01 (Coastal) and W06-02 (Inland).

The efficiency assessment for W06-01 and W06-02 resulted in a higher rate of reduction to the proposed costs for Coastal than for Inland over the five-year period. This assessment took into account the change in scopes of work for both activities across current and future regulatory periods, including the increasing scope to W06-01.

The reductions in direct costs over five years for each were:

- 62% reduction to proposed 5-year expenditure for W06-01 (Coastal)
- 28% reductions to proposed 5-year expenditure for W06-01 (Inland)

These reductions were then applied for each year consistent with WAMC's proposed five-year expenditure profile. This has resulted in the individual expenditure profile for each of W06-01 and W06-02 being maintained; however, the relativity between the two activity codes will be different as the reductions to W06-01 were far higher than to W06-02. This was largely because WAMC had proposed increases in expenditure for W06-01 (Coastal) that were disproportionate to the increase in scope of work. That is, WAMC proposed:

- For W06-01 (Coastal), a 237% increase in expenditure for a 29% increase in scope of work
- For W06-02 (Inland), a 35% increase in expenditure for a 3% reduction to scope of work

Over three years, WAMC's proposed expenditure resulted in 55% of water plan expenditure being for W06-01 and 45% for W06-02. The higher percent reductions in our recommended efficient expenditure for W06-01 (Coastal) compared to W06-02 (Inland) have resulted in coastal plans now comprising 39% of combined expenditure (with inland 61%).

In closing, WAMC's submission is concerned that the lower proportion of expenditure provided for W06-01 does not reflect the split of work between Coastal and Inland. However, this is due to the higher proportional reductions applied to Coastal, as its proposed expenditure increase was significantly out of proportion to the increase in scope of work when compared to actual expenditure and output over 2021-25.[15]

WAMC's concerns also suggest the cost of all plans (and as between coastal and inland) are equal, which is unlikely to be the case. For example, analysis of actual expenditure over the current regulatory period shows that the cost for per unit of output for W06-01 (coastal) was lower than for W06-02 (inland). This finding supports a lower per plan expenditure allowance for W06-01 (coastal) compared to W06-02 (inland).

3.3.1.3 Consideration of priority planning projects arising from the settlement with the Nature Conservation Council

WAMC's submission to IPART stated the draft determination did not allow for expenditure on priority planning projects, including the Coastal Sustainability Extraction Project, Minimum Inflows Project and the Northern Basin Connectivity Project. WAMC's submission estimates the cost of these projects at around $6.2M per year which arose from Ministerial commitments connected to a legal settlement with the Nature Conservation Council.

WAMC's original submission did not reference the cost of these projects as forming part of its expenditure proposal for W06-01 or W06-02, but rather made a generic reference: [16]

> *The increase in forecast expenditure represents a proportional increase in the number of staff required to deliver the services. It is also related to improvements in how we estimate costs along with increased input to First Nations engagement, implementation of state strategies, and several priority projects to deliver contemporary plans.*

Our Final Report noted that other priority projects were delivered over the current regulatory period (2021-25), which contributed to expenditure being greater than forecast. For example, WAMC's submission states expenditure in the current period was higher as:[17]

> *IPART's allowance covered costs for plan extension, replacement and amendment but it did not cover contribution to the statutory review and audit of plans, nor work on priority projects required from audit and review recommendations to Minister, to then support plan replacement and implementation.*

We concluded that some level of project-based improvements or enhancements to water plans occurred during the current period and therefore would be reflected in the baseline of actual costs

[15] Notwithstanding this reduction, Stantec's recommended upper bound efficient expenditure resulted in a 29% increase to actual expenditure (over five years) over the current determination period, consistent with the increase in scope between periods.
[16] Refer to Attachment K, p89.
[17] Refer to Attachment K, p88.

already. Hence adopting actual costs as the baseline for forecast expenditure already incorporates some level of 'project' based activity and expenditure, meaning a level of expenditure for future other 'projects' is maintained into the forecast expenditure.

We would have been able to explicitly consider the above priority projects in the expenditure forecast if WAMC had adopted a base-step-trend approach to its submission. Under this approach, it would have separated the step changes in the current period (e.g. the priority projects arising from audits and reviews) from the ongoing "base". It would then have set out the need, scope, and cost for priority projects to be included as step increases in its expenditure forecast.

In the absence of this information, a different approach was required. We were comfortable that the actual expenditure for the current period included some level of cost for priority projects, and using the actual expenditure as a baseline was the best way to continue an allowance for priority projects into the forecast.

We therefore do not propose any changes to our recommendations.

3.3.2 W06-05 (Regional planning and management strategies)

3.3.2.1 Removal of proposed costs for priority projects

WAMC's submission to the IPART draft report raised concerns that expenditure for W06-05 priority projects was removed without being transferred to other activity codes.

In our Final Report, we raised concerns about centralising expenditure for projects relating to strategy implementation in W06-05. We suggested WAMC adopt a more transparent approach. [18]

> *In the future, we suggest DCCEEW assigns implementation tasks arising from strategies (apart from MER) to the relevant WAMC activity. This will enhance transparency, avoid distortions to cost shares between users and government, and help ensure the implementation project / task falls within the scope of the WAMC monopoly service. In doing so, DCCEEW may wish to revise its assessment of strategy implementation activities and their relevance to W06-05 (Regional planning and management strategies) or other WAMC codes.*

In our review of W06-05, we considered the nature of the individual projects proposed by WAMC in two categories.

The first category was activities for which DCCEEW was the delivery lead ($5.137 million). These included a strategic assessment relating to town water supply to Tamworth, investigations into fish deaths at Menindee, a saltwater intrusion assessment, and options for catchment-based governance to improve water quality and availability. In preparing our report, it was not clear to us that such projects fall into the scope of WAMC monopoly services nor any particularly WAMC activity code. Accordingly, we did not attempt to assign them to another WAMC activity code given the lack of information and evidence to do so. Our draft report did signal to WAMC that providing such evidence would strengthen their position; however, no further information has been provided in their recent submission to IPART.

The second category, described by WAMC as activities relating to insights, advocacy and integration ($5.793 million), raised concerns that its expenditure may duplicate activities undertaken elsewhere. As

[18] Refer to p212 of our final report.

such, we did not include expenditure relating to these projects as we were not satisfied about efficiency given the potential for duplication of effort.

Other projects in this second category also had a tenuous connection to WAMC monopoly services or activity codes, including water infrastructure investigations. In the absence of supporting information and evidence about their relevance to WAMC scope, we did not re-assign these projects to other WAMC activity codes. We note that WAMC has not attempted to do so in its response to IPART's draft report, apart from a reference to infrastructure investigations relating to urban water supply where it stated[19]:

> *Stantec appears not to have understood that local water utilities are WAMC customers and hold the highest security water access licences. In practice, this means that town water security drives significant water management effort, including consideration of options to balance town water security with water for other users and the environment.*

However, the scope of this work remains unclear, and we note that water planning processes already address economic, social and environmental matters as part of their normal processes.[20] Moreover, the rationale for including investigations of town water infrastructure options - which could include demand management, leakage reduction, recycled water and trading from other licence holders - as part of WAMC monopoly services is not clear.

In closing, the above projects and expenditures were removed based on concerns about duplication and categorisation as WAMC monopoly services. We had no intention to re-allocate the expenditures for the above projects given the lack of information and justification from WAMC that they related to any particular WAMC activity.

3.3.2.2 Costs for strategy monitoring, evaluation and review

In its submission to IPART's draft report, WAMC proposed expenditure for Monitoring, Evaluation and Review (MER) at 5% of strategy development costs of $46.3 million, translating to $153,000 per strategy per annum. WAMC referred to NSW Treasury's Evaluation Policy and Guidelines.

We found that the link provided in WAMC's submission led to a message stating that this document was not available on the NSW Treasury website. We also searched separately for this document, and instead found the NSW Treasury Evaluation Guidelines (TPG22-22) which include revisions made in June 2025. These guidelines, which may post-date the WAMC submission, now state in relation to MER funding:[21]

> *Where the costing is not based on identified activities, sufficient funds should be allocated to monitoring and evaluation based on the scale of the initiative. It may be appropriate to allocate between 1% to 2% of the initiative budget for monitoring and evaluation. Larger initiatives (for example, valued over $100 million) may require a lower percentage (for example, less than 0.5%). Small initiatives or pilot initiatives may require a higher percentage.*

[19] Refer to p39.
[20] We make this point more broadly in our final report where we consider W06-05 as a WAMC activity in itself. Refer p53 of our final report.
[21] Refer to https://www.nsw.gov.au/sites/default/files/noindex/2025-07/tpg22-22-evaluation-guidelines.pdf

In our Final Report, we recommended MER expenditure of $117,000 per annum per strategy, based on benchmarking with other WAMC MER activities. Our recommended MER expenditure equates to 3.5% per strategy.

We do not recommend any change to forecast expenditure in response to the WAMC submission.

3.4 W07 (Water management works)

3.4.1 The disputed discrepancy in models provided for W07-01

In its pricing submission, WAMC proposed average annual expenditure of $5.198 million for this activity in the future determination period, which was 10% lower than the average actual expenditure in the current period and 109% higher than the average current period allocation. Our Final Report recommended a reduction in the upper bound efficient cost due to a discrepancy between the data presented in the DCCEEW cost model and interviews compared with the total amount in the proposal.

In its submission in response to IPART's Draft Determination, WAMC stated that the discrepancy in costs amounted to $566,000 for Gayini (Nimmie-Caira) average annual operational costs and $163,000 in overheads.

We have reviewed the cost model and information provided in the interview presentations to substantiate the costs provided by WAMC. On a different tab within the cost model[22], separate to the information relating to W07-01, we observed reference to additional operational costs for Nimmie-Caira that are to be "manually added …to the Murrumbidgee Valley". The value of the costs was, per year from FY26 to FY30: $787,000; $438,000; $425,000; $425,000; and $425,000. The total of these operational costs ($2.5 million) and the additional overheads ($815,000) fulfills the discrepancy noted in our final report.

The basis of these operational costs was not evident within the model, nor did they align with the information presented in the interviews and accompanying presentation. The costs shown on the main tab in the model for W07-01 and the presentation are in alignment. We have reviewed the WAMC Asset Management Plan for additional works for Gayini. While there is discussion on the deteriorating condition of the assets and the need for maintenance works, we do not see a clear connection to the specific works to be undertaken for the additional costs noted in the model.

Accordingly, we have adjusted our recommended expenditure bounds to include the additional overheads in the upper bound; however, we consider the additional operational costs to not be adequately described. The updated bounds are provided in Table 3-4.

3.4.2 Whether the information provided by WAMC's submission about asset condition ratings has any impact on our findings for W07-01

In its pricing submission, WAMC proposed average annual expenditure of $5.198 million for this activity in the future determination period, which was 10% lower than the average actual expenditure in the current period and 109% higher than the average current period allocation. Our Final Report

[22] RFI 77 - Row 17, Tab "Manl Chng W07-01 opex dir alloc" in file '20241213 (Final – sent to Stantec) NRR model input – DCCEEW WAMC costs.xlsx'

recommended a reduction of 20% to the maintenance allocation for Gayini, amounting to $68,000 per year, based on information in the WAMC Asset Management Plan. It also included a discussion on the service standard of maintaining the portfolio in condition 3 or better, where condition 1 is rated very good and condition 5 is very poor.

In its submission in response to IPART's Draft Determination, WAMC stated that assets in fair condition (rating 3) already have some loss of function and assets in poor condition (rating 4) have considerable loss of function or failure is imminent. They also stated a reduction in maintenance costs for Gayini would increase safety risks for staff and stakeholders.

We have considered the observations made in our Final Report and the information we reviewed to inform those observations. We consider that the recommendations made in our Final Report remain valid. The asset condition rating scale in the WAMC Asset Management Plan, Table 31 in 15.2 Appendix 2, states:

- Fair condition (rating 3): "Asset requires repair and exhibits damaged areas but not urgent."
- Poor condition (rating 4): "Asset deteriorated significantly and requires repair."
- Very poor (rating 5) "Asset failure is likely and requires immediate repair"

These definitions are consistent with guidance in the *International Infrastructure Maintenance Manual* (Section 2.5.4) as published by Institute of Public Works Engineers Australasia (IPWEA), and with the condition assessment practise notes also issued by IPWEA. As such, we confirm the view that assets in condition 3 may require some repair works (depending on the cause of degradation) and assets in condition 4 should begin the renewal planning process. This is the view upon which we undertook our assessment and presented in our Final Report.

As discussed in our Final Report, having a service standard that states '100% of assets in condition 3 or better' drives renewal works to be initiated earlier (at rating 3 instead of rating 4) which will lead to increased spending.

In regard to the maintenance allowance for Gayini, we have reviewed the WAMC Asset Management Plan, the interview presentation, and the assessment that led to our recommendation in our Final Report. The maintenance tasks described included weed control, servicing of regulators, minor repairs and preventative maintenance. These are routine tasks and do not address specific safety concerns or the causes of the lower-than-expected condition of the assets. Given the large increase in maintenance budget from the current period and the approach outlined in the Asset Management Plan, we are of the view the recommended expenditure and reasonings noted in our Final Report are appropriate, and we do not propose any further adjustment to the expenditure bounds.

3.4.3 Whether we considered the 50-page report on the management of WaterNSW's fleet of unregulated weirs (provided via access to a repository) when reaching our findings on W07-01 and, if not, whether the report has any impact on our findings

In its pricing submission, WAMC proposed average annual expenditure of $5.198 million for this activity in the future determination period, which was 10% lower than the average actual expenditure in the

current period and 109% higher than the average current period allocation. Our Final Report recommended a scope adjustment to the upper bound of the proposed costs for WaterNSW for unregulated weirs of 60%, or $3.5 million.

In its submission in response to IPART's Draft Determination, WAMC stated the cost reduction would not allow them to undertake works and repairs as a result of the inspection regime (a total of $2.2 million), which they noted was a logical outcome of undertaking the inspections. WAMC directed us to a 50-page report discussing the management of the unregulated weirs within the provided data repository.

We have reviewed the document titled "Asset Management Plan Unregulated Weirs" revision 1 (September 2024)[23] and have considered the information provided. The document discusses the scope of the unregulated weirs portfolio and the desired management approach, and it provides a summary of the condition of select assets and a renewals forecast. The asset management plan (AMP) notes that unregulated weirs were previously funded through Community Service Obligations (CSOs) (page 9), but consultation with NSW Treasury determined that funding through WAMC was more appropriate. The proposed expenditure for the future determination period is provided in Table 17 (page 34), which breaks down the expenditure into inspections, renewals, investigations and removals. The values in this table are similar to the original WAMC pricing submission in profile, with some discrepancies in values. The value for FY26 is higher in the AMP compared to the pricing submission, and the following years are all lower.

We have adjusted our recommendation to include the costs as presented in the AMP as prudent and efficient for the WaterNSW expenditure within W07-01. To align with the submission amounts, we have allowed for some reprioritisation of costs in the first two years to maintain consistent totals. We have deducted the difference between the submission and the AMP in FY28-FY30 to set the upper bound. The adjusted total represents a 10% reduction compared to the submission.

Table 3-3 Comparison between unregulated weirs AMP and original WAMC pricing submission

Category	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Submission	372	1,491	1,908	1,393	713	5,877
AMP total	433	1,428	1,761	1,111	555	5,288
Variance to AMP total	61	-63	-147	-282	-158	-589
Adjusted upper bound	372	1,491	1,761	1,111	555	5,290
Variance from submission to adjusted upper bound	0	0	-147	-282	-158	-587

3.4.4 Our revised recommended expenditure for W07-01

Our updated activity-level adjustments are provided in Table 3-4. In Section 5.1 of this Supplementary Report, we combine our activity-level adjustments (Table 3-4) with our adjustments to DCCEEW's corporate overheads, to present our overall recommended expenditure for each activity code.

[23] Filename "WNSW-W898-A-UR-GEN-FNAP-PLN-0220 Unregulated Weirs Asset Management Plan_REDACTED.pdf"

Table 3-4 Updated range of efficient expenditure – W07-01 (Water management works) ($'000)

Item	2025/26	2026/27	2027/28	2028/29	2029/30
Total proposed operating expenditure	**4,906**	**5,393**	**5,540**	**5,415**	**4,734**
Proposed operating expenditure (DCCEEW)	4,534	3,902	3,632	4,022	4,021
Scope adjustments (DCCEEW)	-827	-437	-436	-427	-435
Efficiency adjustments (DCCEEW)	-79	-79	-79	-79	-79
Recommended upper bound efficient operating expenditure (DCCEEW)	*3,628*	*3,386*	*3,117*	*3,516*	*3,507*
Proposed operating expenditure (WaterNSW)	372	1,491	1,908	1,393	713
Scope adjustments (WaterNSW)	0	0	-147	-282	-158
Efficiency adjustments (WaterNSW)	0	0	0	0	0
Recommended upper bound efficient operating expenditure (WaterNSW)	*372*	*1,491*	*1,761*	*1,111*	*555*
Total recommended upper bound efficient operating expenditure	**4,000**	**4,877**	**4,878**	**4,627**	**4,062**
Scope adjustments (DCCEEW)	0	0	0	0	0
Efficiency adjustments (DCCEEW)	-50	-50	-50	-50	-50
Recommended lower bound efficient operating expenditure (DCCEEW)	*3,578*	*3,336*	*3,067*	*3,466*	*3,457*
Scope adjustments (WaterNSW)	0	0	0	0	0
Efficiency adjustments (WaterNSW)	0	0	0	0	0
Recommended lower bound efficient expenditure (WaterNSW)	*372*	*1,491*	*1,761*	*1,111*	*555*
Total recommended lower bound efficient operating expenditure	**3,950**	**4,827**	**4,828**	**4,577**	**4,012**

3.5 W10 (Business and customer services)

3.5.1 W10-02 proposed capital expenditure adjustments

In Section 5 of our Final Report, we provided an assessment of WAMC's proposed digital roadmap expenditure in totality, rather than against individual activity codes. This included the assessment, analysis and justification of each individual digital roadmap investment proposed by WAMC. Our Final Report recommended that the proposed digital roadmap expenditure be either retained, reduced, or removed[24].

As part of our recommendations to reduce WAMC's digital expenditure, we identified that both the Ecosystem Data Strategy, Use Cases and Governance, and Water Market Systems activities were not sufficiently justified. This resulted in proposed expenditure reductions of 14% and 8.5% respectively.

[24] Expenditure Review of Water Administration Ministerial Corporation May 2025 – p 89 - 98

In the Final Report, we provided the following response to IPART and WAMC relating to justification for the proposed reduction in expenditure:

> *WAMC provided feedback to the draft report relating to the justification and rationale for our proposed expenditure reductions. Our rationale for the extent of proposed reductions considered several factors:*
>
> - *We sought to ensure that our analysis, assessment, and approach to any adjustments to proposed expenditure across the WAMC joint technology roadmap were aligned with the WaterNSW expenditure reviews for Rural and Greater Sydney, acknowledging the importance of alignment across the total digital investment portfolio for WaterNSW (including WAMC). In particular, alignment to the Atkins Realis review and assessment of WaterNSW (Rural) proposed digital expenditure.*
> - *Consideration of the prioritisation process undertaken by WAMC across the joint technology roadmap initiatives. Our recommended adjustments, while considerate and in acknowledgement of prioritisation undertaken, are primarily to account for the extent to which these activities and associated expenditure are justified.*
>
> *Stantec are not recommending any change to our proposed adjustments to WAMC joint technology roadmap expenditure.*

The expenditure for both proposed WAMC digital investments is directly mapped and aligned to activity code W10-02, being WaterNSW costs. The lower bound efficiency adjustments proposed by Stantec under activity code W10-02 reflect the recommended adjustments to WAMC's overall digital expenditure, as outlined in section 5.3 of our Final Report.

We do not propose any adjustments to the lower bound adjustment for future WAMC expenditure under W10-02.

3.5.2 W10-02 capital expenditure (joint technology roadmap) – evidence of customer engagement outcomes relating to trade-offs

In our assessment of proposed joint technology roadmap expenditure by WAMC over the next determination period (of which the WaterNSW component is allocated to W10-02), Stantec did evidence customer engagement outcomes related to the proposed joint technology roadmap investment options in the digital improvement strategies presentation provided by WAMC as part of our initial interview process[25].

In this presentation, WAMC highlighted the extensive customer engagement process undertaken to support the development of the joint technology roadmap proposed investments for the future determination period. We evidenced customer and stakeholder inputs to the range of digital investment options, including benefits and cost impacts (i.e., whether costs would be incurred entirely in the next determination period, or smoothed over multiple determination periods to minimise cost impacts to customers).

Our assessment of these customer engagement outcomes has identified that there were discussions with customers about the level of investment in improved digital capability ("do nothing, do something,

[25] WAMC_IPART – Business Improvement Strategies – Final presentation – WAMC response to RFI76

do it all"[26]) and how WAMC utilised that information to support proposed joint technology roadmap investment. This included customer input into trade-offs between the level of proposed digital investment and the trade-offs in customer value and outcomes, as well as business efficiency and effectiveness for the delivery of WAMC services.

However, we found no evidence of customer inputs or outcomes directly relating to trade-offs across WAMC's broader services and activities resulting from the proposed investment in the joint technology road map initiatives. Nor did we find specific customer input on the direct impact of these initiatives on customers' overall WAMC bills or prices.

3.5.3 W10-02 confirmation of WaterNSW capital expenditure for 2023-24

An assessment of our Final Report, WAMC's responses to RFIs and WAMC's response to IPART's Draft Determination have identified an administrative error in the assessment of 2023-24 expenditure against W10-02. WAMC's original pricing proposal indicated $1.9 million for 2023-24 in table 65[27]. In response to RFI 1, WaterNSW recorded $1.9 million for 2023-24 W10-02 corporate capital expenditure in the QA Cost Model Outputs spreadsheet provided[28]. Re-assessment of the additional information provided by WaterNSW in response to RFI 1 also identified $7.029 million of expenditure against W10-02 for 2023-24 in the WAMC – Annual Information Return (AIR) spreadsheet provided[29].

This provides for $4.648 million in regulated activity related expenditure, $1.190 million in unregulated activity related expenditure, and $1.191 million in groundwater related expenditure under the W10-02 activity code. The AIR expenditure for 2023-24 provided by WAMC represents an increase of $5.035 million from the actual capital expenditure included in the original pricing proposal (and $2.517 million over the 2021 determination forecast of $4.512 million).

Upon review of our current period capital expenditure assessment for W10-02, we have determined that there is no change to our assessment of justification for the current period. Considering the highlighted error in our original assessment, we recommend that the regulatory asset base (RAB) roll forward for WAMC be updated to reflect $7.029 million in capital expenditure for 2023-24 against activity code W10-02.

3.5.4 Impact on WaterNSW component of WAMC overheads – IPART decision on broader WaterNSW capital expenditure

In response to IPART's draft determination, WAMC stated:

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

[26] WAMC_IPART – Business Improvement Strategies – Final presentation – WAMC response to RFI76 -
[27] Attachment F – WAMC Pricing Proposal Summary of expenditure and services by WAMC activity p213
[28] CIE-20240917 QA Cost Model – Outputs – Report Version '1.3 WNSW-Capex' tab – WaterNSW Response to RFI1
[29] D2024 137406 RFI 96 WAMC – Annual Information Return (AIR) – 2023-24 (final) 'Capex – NSW' tab – WaterNSW Response to RFI1.

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

It is our position that a reduction in WaterNSW's capital expenditure (capex) allowance over the next determination period would have a direct impact on the proposed WAMC activities to be delivered by WaterNSW. Our assessment of WaterNSW's overhead allocation method in our review of proposed WAMC expenditure is that the proposed increase in capital expenditure by WaterNSW also resulted in a larger portion of overhead costs being allocated to capital projects and activities[30].

It is our assessment that, under the same cost allocation approach used by WaterNSW, the total value of the WaterNSW corporate costs would reduce proportionally to the reduction in WAMC-related capex. A reduction in activity due to reduced expenditure would result in a corresponding decrease in efficient overhead related to that activity.

In the absence of any ability to validate WAMC's justification for the proposed $2.5 million increase in overhead expenditure, Stantec is not able to comment directly on the prudent or efficient nature of those proposed costs.

[30] WaterNSW Base Trend Step (Step and Trend) Presentation

4 Matters relating to charges

4.1 Type B consent transaction charges

4.1.1 Whether the proposed AHIMS charge is efficient

Type B consent transaction activities are undertaken by WaterNSW. In the WAMC pricing submission, WaterNSW proposed 27 charges for Type B consent transactions, including nine new charges. For its 18 existing charges, WaterNSW generally proposed either decreases in the charges or increases ranging between 2% and 3.9%.

In its submission in response to IPART's Draft Determination, WAMC stated the following:

> *IPART was silent on whether a $15 cost relating to complex searches done through the Aboriginal Heritage Information Management System (AHIMS) could be passed through in the context of Type B consent transactions.*

WAMC clarified that, during the current period, a $60 external fee was introduced for complex searches undertaken in the Aboriginal Heritage Information Management System (AHIMS). WAMC also clarified that, on average, around 25% of applications require a complex search in AHIMS. As such, the basis of the $15 charge proposed to be recovered by WAMC was the application of a 25% factor to the $60 external fee for complex searches.

In assessing the efficiency of the AHIMS charge that is proposed to be recovered by WAMC, we have considered:

- Appropriate practice, at the consent application stage, for minimising the potential harm to Aboriginal objects caused by water supply works or use (i.e., the prudence of the activity for which a cost is proposed to be recovered);
- The extent to which the need for a complex search can be confirmed ahead of an application being submitted; and
- The balance between proposing:
  - » Simpler charging structures that are transparent and that can be readily understood by applicants; and
  - » More granular charging structures that have the potential to better reflect the exact cost of processing each individual application (and the diverse circumstances that inherently surround each application) but that would require increased administrative costs to develop and implement.

We have provided our comments against each of the above considerations in Table 4-1.

Table 4-1 Assessment of the efficiency of the proposed AHIMS charge

Consideration	Comments
Appropriate practice, at the consent application stage, for minimising the potential harm to Aboriginal objects caused by water supply works or use.	The *National Parks and Wildlife Act 1974* (NPW Act) provides that a person who exercises due diligence in determining that their actions will not harm Aboriginal objects has a defence against prosecution for a 'strict liability' offence if they later unknowingly harm an object without an Aboriginal Heritage Impact Permit (AHIP). A strict liability offence is an offence of harming an object whether or not a person knows it is an Aboriginal object. The NPW Act allows for a generic code of practice to explain what due diligence means. DCCEEW has established the Due Diligence Code of Practice for the Protection of Aboriginal Objects in New South Wales (2010) for this purpose. The code of practice is adopted by the *National Parks and Wildlife Regulation 2009* (NPW Regulation) made under the NPW Act. Carefully following the code of practice would be regarded as 'due diligence'. The code of practice recommends that an AHIMS database search is conducted to identify relevant confirmed site records or other associated landscape feature information in a proposed area of activity if the activity will disturb the ground surface or any culturally modified trees. AHIMS 'holds over 100,000 records and information about Aboriginal Places, objects and other significant sites'[31]. We consider that conducting an AHIMS search is a reasonable and practicable step, at the consent application stage, for minimising the potential harm to Aboriginal objects caused by water supply works or use.
The extent to which the need for a complex search can be confirmed ahead of an application being submitted.	A complex search ('extensive search') in AHIMS is required when the results of a 'basic search' show there is an Aboriginal site in the proposed area of activity. We consider that the need to undertake a complex search is unlikely to be known until after an application is submitted and the initial assessment has commenced.
The balance between proposing: • Simpler charging structures that are transparent and that can be readily understood by applicants; and • More granular charging structures that have the potential to better reflect the exact cost of processing each individual application (and the diverse circumstances that inherently surround each application) but that would require increased administrative costs to develop and implement.	We note that, in applying an 'averaged' charge of 25% of the external fee for complex AHIMS searches, there is a risk that some applicants are charged for complex searches that are not required, thereby weakening the link between the impactor and the charge. However, as noted above, the need to undertake a complex search is unlikely to be known until after an application is submitted and the initial assessment has commenced. We recognise that attempting to determine, ahead of an application being submitted, whether a complex search is required and then applying a different (new) charge category to those applications may result in increased administrative costs, which in turn may be allocated across multiple charges rather than being

[31] NSW Government Environment and Heritage 2024, *Aboriginal Heritage Information Management System*, Aboriginal Heritage Information Management System | Heritage | Environment and Heritage, viewed on 8 August 2025.

Consideration	Comments
	attributed to a single charge. We also recognise the support expressed by WAMC's customers, at a whole-of-determination level, for 'less complex charging structures for WAMC services' (Attachment D to WAMC's pricing submission), and we acknowledge that less complex charging structures may facilitate improved engagement with customers on the value of services provided to them, the levels (standards) of those services, and the trade-offs between costs and service standards. On the basis of the above, we consider the approach proposed by WAMC for the recovery of AHIMS fees to be appropriate.

Based on our assessment in Table 4-1, we consider the proposed AHIMS charge to be efficient.

5 Summary of revised recommended efficient expenditure

The following sections (Sections 5.1 and 5.1.4) summarise our recommended efficient operating and capital expenditure by activity code, year and agency.

Where we have revised our expenditure recommendations as part of this Supplementary Report, those revised recommendations are reflected in the following sections.

Where an activity code is not discussed as part of this Supplementary Report, or where we have not revised our expenditure recommendations, the following sections reflect the expenditure recommendations made in our Final Report.

To align with the *revised* future period set by IPART's Draft Determination, the following sections show our recommended efficient expenditure for 2025/26 – 2028/29 only.

The following sections exclude consent transaction charges, metering charges, and floodplain harvesting charges. Our recommendations for those charges can be found in Sections 8 to 10 of our Final Report.

5.1 Operating expenditure

5.1.1 Overview of allocation methodology for direct and indirect costs

Our Final Report articulated our activity-level adjustments (Section 7 of our Final Report) *separate to* our adjustments to DCCEEW's corporate overheads (Section 5.2 of our Final Report). This approach enabled us to undertake a detailed analysis of costs at a granular level, with consideration for the nature and level of activity linked to each set of costs. The following sections (5.1.2 and 5.1.3) integrate our activity-level adjustments with our adjustments to DCCEEW's corporate overheads to present a holistic picture of our recommended efficient expenditure, by year, at the activity code level.

For the following sections, the below approach was adopted to estimate the direct costs and indirect costs for each agency. The purpose of this breakdown is to provide the information necessary to understand the combined impact of our activity-level adjustments and our adjustments to DCCEEW's corporate overheads.

- **DCCEEW:**
  - » The *indirect cost proposed by DCCEEW* was estimated for each activity by:
    - – Calculating the proportion of FTEs allocated by DCCEEW to that activity, relative to the total number of FTEs allocated by DCCEEW to the WAMC determination
    - – Applying that proportion to the total value of DCCEEW's proposed indirect costs to calculate the indirect costs allocated to that activity
  - » The *direct cost proposed by DCCEEW* was estimated for each activity by subtracting the indirect cost calculated above from the total cost proposed by DCCEEW for that activity
  - » The *direct cost recommended by Stantec* was estimated for each activity by:
    - – Calculating the equivalent percentage adjustment made as part of our activity-level adjustments
    - – Applying that percentage adjustment to the direct cost proposed by DCCEEW
  - » The *indirect cost recommended by Stantec* was estimated for each activity by:
    - – Calculating the equivalent percentage adjustment made as part of our activity-level adjustments
    - – Applying that percentage adjustment to the indirect cost proposed by DCCEEW, less Stantec's adjustment to DCCEEW's Business Services overheads (forming part of its corporate overheads)
  - » The *total cost recommended by Stantec* was estimated for each activity by calculating the sum of the direct cost recommended by Stantec and the indirect cost recommended by Stantec.
- **WaterNSW:** Indirect costs were assumed to equate to 23.0% of total operating expenditure
- **NRAR:** Indirect costs were assumed to equate to 12.5% of total operating expenditure

The above approach was replicated for the upper and lower bounds.

5.1.2 Recommended upper bound operating expenditure

Table 5-1 Recommended upper bound direct costs ($'000)

	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29
W-code	**Total (WAMC)**				**DCCEEW**				**WaterNSW**				**NRAR**			
W01-01	4,404	4,308	4,366	4,478	-	-	-	-	4,404	4,308	4,366	4,478	-	-	-	-
W01-02	482	469	472	483	-	-	-	-	482	469	472	483	-	-	-	-
W01-03	949	927	937	964	-	-	-	-	949	927	937	964	-	-	-	-
W01-04	251	245	248	255	-	-	-	-	251	245	248	255	-	-	-	-
W01-05	948	862	817	798	948	862	817	798	-	-	-	-	-	-	-	-
W02-01	4,562	4,231	4,216	4,072	466	255	91	91	4,096	3,976	4,126	3,982	-	-	-	-
W02-02	822	873	797	432	822	873	797	432	-	-	-	-	-	-	-	-
W02-03	168	95	82	77	168	95	82	77	-	-	-	-	-	-	-	-
W03-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W03-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W04-01	4,156	4,143	4,143	4,143	4,156	4,143	4,143	4,143	-	-	-	-	-	-	-	-
W04-02	1,176	1,171	1,171	1,171	1,176	1,171	1,171	1,171	-	-	-	-	-	-	-	-
W04-03	680	683	684	684	680	683	684	684	-	-	-	-	-	-	-	-
W05-01	7,411	4,289	3,364	3,363	7,411	4,289	3,364	3,363	-	-	-	-	-	-	-	-
W05-02	715	703	718	737	-	-	-	-	715	703	718	737	-	-	-	-
W05-03	2,280	2,093	1,101	1,194	1,932	1,753	755	837	348	340	346	357	-	-	-	-
W05-04	5,314	4,794	5,067	4,828	5,314	4,794	5,067	4,828	-	-	-	-	-	-	-	-
W06-01	2,054	3,609	2,279	2,390	2,054	3,609	2,279	2,390	-	-	-	-	-	-	-	-
W06-02	4,021	6,017	2,411	4,876	4,021	6,017	2,411	4,876	-	-	-	-	-	-	-	-
W06-03	5,727	5,078	5,407	5,242	5,727	5,078	5,407	5,242	-	-	-	-	-	-	-	-
W06-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W06-05	6,373	5,292	4,515	4,869	6,373	5,292	4,515	4,869	-	-	-	-	-	-	-	-
W06-06	1,706	1,706	1,706	1,689	1,706	1,706	1,706	1,689	-	-	-	-	-	-	-	-
W06-07	2,288	2,184	2,300	2,255	2,288	2,184	2,300	2,255	-	-	-	-	-	-	-	-
W07-01	3,771	4,405	4,335	4,222	3,484	3,257	2,979	3,366	286	1,148	1,356	855	-	-	-	-
W08-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-02	1,353	1,307	1,278	1,341	619	596	596	596	734	711	682	745	-	-	-	-
W08-03	33,715	31,604	29,999	28,877	-	-	-	-	137	134	136	140	33,578	31,470	29,864	28,737
W08-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W09-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W10-01	3,192	3,106	3,129	3,183	999	998	999	999	2,193	2,108	2,130	2,184	-	-	-	-
W10-02	4,561	4,521	4,648	4,260	-	-	-	-	4,561	4,521	4,648	4,260	-	-	-	-
W10-03	1,883	1,820	1,840	1,911	-	-	-	-	1,883	1,820	1,840	1,911	-	-	-	-
Total	**104,961**	**100,534**	**92,030**	**92,793**	**50,344**	**47,653**	**40,163**	**42,705**	**21,039**	**21,411**	**22,003**	**21,351**	**33,578**	**31,470**	**29,864**	**28,737**

Table 5-2 Recommended upper bound indirect costs ($'000)

	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29
W-code	**Total (WAMC)**				**DCCEEW**				**WaterNSW**				**NRAR**			
W01-01	1,316	1,287	1,304	1,337	-	-	-	-	1,316	1,287	1,304	1,337	-	-	-	-
W01-02	144	140	141	144	-	-	-	-	144	140	141	144	-	-	-	-
W01-03	283	277	280	288	-	-	-	-	283	277	280	288	-	-	-	-
W01-04	75	73	74	76	-	-	-	-	75	73	74	76	-	-	-	-
W01-05	207	164	187	169	207	164	187	169	-	-	-	-	-	-	-	-
W02-01	1,249	1,200	1,245	1,202	25	12	13	12	1,224	1,188	1,232	1,189	-	-	-	-
W02-02	57	170	190	98	57	170	190	98	-	-	-	-	-	-	-	-
W02-03	24	18	20	17	24	18	20	17	-	-	-	-	-	-	-	-
W03-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W03-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W04-01	814	695	852	799	814	695	852	799	-	-	-	-	-	-	-	-
W04-02	284	241	295	277	284	241	295	277	-	-	-	-	-	-	-	-
W04-03	130	112	138	129	130	112	138	129	-	-	-	-	-	-	-	-
W05-01	1,559	775	745	700	1,559	775	745	700	-	-	-	-	-	-	-	-
W05-02	214	210	214	220	-	-	-	-	214	210	214	220	-	-	-	-
W05-03	469	357	212	219	365	255	108	113	104	102	103	107	-	-	-	-
W05-04	699	575	705	649	699	575	705	649	-	-	-	-	-	-	-	-
W06-01	412	677	516	511	412	677	516	511	-	-	-	-	-	-	-	-
W06-02	836	1,126	530	1,017	836	1,126	530	1,017	-	-	-	-	-	-	-	-
W06-03	1,078	758	1,000	916	1,078	758	1,000	916	-	-	-	-	-	-	-	-
W06-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W06-05	1,092	749	782	794	1,092	749	782	794	-	-	-	-	-	-	-	-
W06-06	365	313	384	360	365	313	384	360	-	-	-	-	-	-	-	-
W06-07	373	321	407	366	373	321	407	366	-	-	-	-	-	-	-	-
W07-01	191	436	504	362	105	93	99	107	86	343	405	256	-	-	-	-
W08-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-02	366	335	354	364	147	123	150	141	219	213	204	222	-	-	-	-
W08-03	4,838	4,536	4,307	4,147	-	-	-	-	41	40	40	42	4,797	4,496	4,266	4,105
W08-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W09-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W10-01	898	838	891	892	243	208	255	240	655	630	636	652	-	-	-	-
W10-02	1,362	1,350	1,388	1,273	-	-	-	-	1,362	1,350	1,388	1,273	-	-	-	-
W10-03	562	544	549	571	-	-	-	-	562	544	549	571	-	-	-	-
Total	**19,894**	**18,277**	**18,214**	**17,898**	**8,812**	**7,385**	**7,376**	**7,416**	**6,285**	**6,396**	**6,572**	**6,377**	**4,797**	**4,496**	**4,266**	**4,105**

Table 5-3 Recommended upper bound total costs ($'000)

	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29
W-code	**Total (WAMC)**				**DCCEEW**				**WaterNSW**				**NRAR**			
W01-01	5,720	5,595	5,670	5,815	-	-	-	-	5,720	5,595	5,670	5,815	-	-	-	-
W01-02	626	609	613	627	-	-	-	-	626	609	613	627	-	-	-	-
W01-03	1,232	1,204	1,217	1,252	-	-	-	-	1,232	1,204	1,217	1,252	-	-	-	-
W01-04	326	318	322	331	-	-	-	-	326	318	322	331	-	-	-	-
W01-05	1,154	1,026	1,004	967	1,154	1,026	1,004	967	-	-	-	-	-	-	-	-
W02-01	5,811	5,431	5,462	5,274	491	267	104	103	5,320	5,164	5,358	5,171	-	-	-	-
W02-02	879	1,043	987	530	879	1,043	987	530	-	-	-	-	-	-	-	-
W02-03	191	113	102	94	191	113	102	94	-	-	-	-	-	-	-	-
W03-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W03-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W04-01	4,970	4,838	4,995	4,942	4,970	4,838	4,995	4,942	-	-	-	-	-	-	-	-
W04-02	1,460	1,412	1,466	1,448	1,460	1,412	1,466	1,448	-	-	-	-	-	-	-	-
W04-03	810	796	821	813	810	796	821	813	-	-	-	-	-	-	-	-
W05-01	8,970	5,064	4,108	4,063	8,970	5,064	4,108	4,063	-	-	-	-	-	-	-	-
W05-02	929	913	932	957	-	-	-	-	929	913	932	957	-	-	-	-
W05-03	2,748	2,450	1,313	1,414	2,296	2,008	864	950	452	442	449	464	-	-	-	-
W05-04	6,013	5,370	5,772	5,477	6,013	5,370	5,772	5,477	-	-	-	-	-	-	-	-
W06-01	2,465	4,285	2,795	2,901	2,465	4,285	2,795	2,901	-	-	-	-	-	-	-	-
W06-02	4,857	7,143	2,941	5,893	4,857	7,143	2,941	5,893	-	-	-	-	-	-	-	-
W06-03	6,806	5,836	6,407	6,158	6,806	5,836	6,407	6,158	-	-	-	-	-	-	-	-
W06-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W06-05	7,465	6,041	5,297	5,664	7,465	6,041	5,297	5,664	-	-	-	-	-	-	-	-
W06-06	2,071	2,019	2,090	2,049	2,071	2,019	2,090	2,049	-	-	-	-	-	-	-	-
W06-07	2,660	2,505	2,707	2,621	2,660	2,505	2,707	2,621	-	-	-	-	-	-	-	-
W07-01	3,962	4,840	4,839	4,584	3,590	3,349	3,078	3,473	372	1,491	1,761	1,111	-	-	-	-
W08-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-02	1,718	1,642	1,632	1,704	765	718	746	737	953	924	886	967	-	-	-	-
W08-03	38,553	36,140	34,306	33,024	-	-	-	-	178	174	176	182	38,375	35,966	34,130	32,842
W08-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W09-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W10-01	4,090	3,944	4,020	4,074	1,242	1,206	1,254	1,238	2,848	2,738	2,766	2,836	-	-	-	-
W10-02	5,923	5,871	6,036	5,533	-	-	-	-	5,923	5,871	6,036	5,533	-	-	-	-
W10-03	2,445	2,364	2,389	2,482	-	-	-	-	2,445	2,364	2,389	2,482	-	-	-	-
Total	**124,855**	**118,811**	**110,244**	**110,691**	**59,156**	**55,038**	**47,539**	**50,121**	**27,324**	**27,807**	**28,575**	**27,728**	**38,375**	**35,966**	**34,130**	**32,842**

5.1.3 Recommended lower bound operating expenditure

Table 5-4 Recommended lower bound direct costs ($'000)

	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29
W-code	**Total (WAMC)**				**DCCEEW**				**WaterNSW**				**NRAR**			
W01-01	4,361	4,265	4,322	4,433	-	-	-	-	4,361	4,265	4,322	4,433	-	-	-	-
W01-02	482	469	472	483	-	-	-	-	482	469	472	483	-	-	-	-
W01-03	939	918	928	954	-	-	-	-	939	918	928	954	-	-	-	-
W01-04	251	245	248	255	-	-	-	-	251	245	248	255	-	-	-	-
W01-05	926	840	796	776	926	840	796	776	-	-	-	-	-	-	-	-
W02-01	4,562	4,231	4,216	3,873	466	255	91	91	4,096	3,976	4,126	3,782	-	-	-	-
W02-02	822	873	753	390	822	873	753	390	-	-	-	-	-	-	-	-
W02-03	168	95	82	69	168	95	82	69	-	-	-	-	-	-	-	-
W03-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W03-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W04-01	3,865	3,853	3,853	3,853	3,865	3,853	3,853	3,853	-	-	-	-	-	-	-	-
W04-02	1,117	1,112	1,112	1,113	1,117	1,112	1,112	1,113	-	-	-	-	-	-	-	-
W04-03	680	683	684	684	680	683	684	684	-	-	-	-	-	-	-	-
W05-01	7,411	4,289	3,364	3,363	7,411	4,289	3,364	3,363	-	-	-	-	-	-	-	-
W05-02	715	703	718	737	-	-	-	-	715	703	718	737	-	-	-	-
W05-03	1,289	1,083	1,051	1,144	940	743	705	787	348	340	346	357	-	-	-	-
W05-04	5,314	4,794	5,067	4,828	5,314	4,794	5,067	4,828	-	-	-	-	-	-	-	-
W06-01	1,371	2,409	1,522	1,596	1,371	2,409	1,522	1,596	-	-	-	-	-	-	-	-
W06-02	3,299	4,937	1,978	4,001	3,299	4,937	1,978	4,001	-	-	-	-	-	-	-	-
W06-03	3,914	3,191	3,594	3,411	3,914	3,191	3,594	3,411	-	-	-	-	-	-	-	-
W06-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W06-05	3,963	2,956	2,169	2,549	3,963	2,956	2,169	2,549	-	-	-	-	-	-	-	-
W06-06	1,653	1,700	1,627	1,644	1,653	1,700	1,627	1,644	-	-	-	-	-	-	-	-
W06-07	2,288	2,184	2,300	2,255	2,288	2,184	2,300	2,255	-	-	-	-	-	-	-	-
W07-01	3,723	4,357	4,287	4,174	3,436	3,208	2,931	3,319	286	1,148	1,356	855	-	-	-	-
W08-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-02	1,150	1,111	1,086	1,140	526	506	506	507	624	604	580	633	-	-	-	-
W08-03	28,464	26,354	24,749	23,627	-	-	-	-	137	134	136	140	28,327	26,220	24,614	23,487
W08-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W09-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W10-01	2,973	2,895	2,915	2,964	999	998	999	999	1,974	1,897	1,917	1,965	-	-	-	-
W10-02	4,561	4,521	4,648	4,260	-	-	-	-	4,561	4,521	4,648	4,260	-	-	-	-
W10-03	1,694	1,639	1,656	1,720	-	-	-	-	1,694	1,639	1,656	1,720	-	-	-	-
Total	**91,953**	**86,706**	**80,198**	**80,294**	**43,158**	**39,626**	**34,133**	**36,232**	**20,468**	**20,859**	**21,451**	**20,575**	**28,327**	**26,220**	**24,614**	**23,487**

Table 5-5 Recommended lower bound indirect costs ($'000)

	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29
W-code	**Total (WAMC)**				**DCCEEW**				**WaterNSW**				**NRAR**			
W01-01	1,302	1,274	1,291	1,324	-	-	-	-	1,302	1,274	1,291	1,324	-	-	-	-
W01-02	144	140	141	144	-	-	-	-	144	140	141	144	-	-	-	-
W01-03	281	274	277	285	-	-	-	-	281	274	277	285	-	-	-	-
W01-04	75	73	74	76	-	-	-	-	75	73	74	76	-	-	-	-
W01-05	76	50	62	54	76	50	62	54	-	-	-	-	-	-	-	-
W02-01	1,233	1,192	1,237	1,134	9	4	4	4	1,224	1,188	1,232	1,130	-	-	-	-
W02-02	22	53	62	29	22	53	62	29	-	-	-	-	-	-	-	-
W02-03	9	6	7	5	9	6	7	5	-	-	-	-	-	-	-	-
W03-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W03-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W04-01	286	202	272	245	286	202	272	245	-	-	-	-	-	-	-	-
W04-02	102	72	96	87	102	72	96	87	-	-	-	-	-	-	-	-
W04-03	49	35	47	43	49	35	47	43	-	-	-	-	-	-	-	-
W05-01	590	243	255	231	590	243	255	231	-	-	-	-	-	-	-	-
W05-02	214	210	214	220	-	-	-	-	214	210	214	220	-	-	-	-
W05-03	171	136	138	142	67	34	35	35	104	102	103	107	-	-	-	-
W05-04	264	180	242	214	264	180	242	214	-	-	-	-	-	-	-	-
W06-01	104	141	118	112	104	141	118	112	-	-	-	-	-	-	-	-
W06-02	259	289	149	275	259	289	149	275	-	-	-	-	-	-	-	-
W06-03	279	149	228	196	279	149	228	196	-	-	-	-	-	-	-	-
W06-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W06-05	257	131	129	137	257	131	129	137	-	-	-	-	-	-	-	-
W06-06	134	98	126	115	134	98	126	115	-	-	-	-	-	-	-	-
W06-07	141	101	139	121	141	101	139	121	-	-	-	-	-	-	-	-
W07-01	125	372	439	290	39	29	34	35	86	343	405	256	-	-	-	-
W08-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-02	233	213	217	229	47	33	44	40	186	181	173	189	-	-	-	-
W08-03	4,088	3,786	3,557	3,397	-	-	-	-	41	40	40	42	4,047	3,746	3,516	3,355
W08-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W09-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W10-01	681	632	660	666	92	65	88	79	589	567	572	587	-	-	-	-
W10-02	1,362	1,350	1,388	1,273	-	-	-	-	1,362	1,350	1,388	1,273	-	-	-	-
W10-03	506	489	495	514	-	-	-	-	506	489	495	514	-	-	-	-
Total	**12,987**	**11,890**	**12,060**	**11,557**	**2,826**	**1,914**	**2,137**	**2,056**	**6,114**	**6,231**	**6,407**	**6,146**	**4,047**	**3,746**	**3,516**	**3,355**

Table 5-6 Recommended lower bound total costs ($'000)

	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29	2025/26	2026/27	2027/28	2028/29
W-code	**Total (WAMC)**				**DCCEEW**				**WaterNSW**				**NRAR**			
W01-01	5,663	5,539	5,613	5,757	-	-	-	-	5,663	5,539	5,613	5,757	-	-	-	-
W01-02	626	609	613	627	-	-	-	-	626	609	613	627	-	-	-	-
W01-03	1,220	1,192	1,205	1,239	-	-	-	-	1,220	1,192	1,205	1,239	-	-	-	-
W01-04	326	318	322	331	-	-	-	-	326	318	322	331	-	-	-	-
W01-05	1,002	890	858	830	1,002	890	858	830	-	-	-	-	-	-	-	-
W02-01	5,795	5,423	5,453	5,007	475	259	95	95	5,320	5,164	5,358	4,912	-	-	-	-
W02-02	844	926	815	419	844	926	815	419	-	-	-	-	-	-	-	-
W02-03	177	101	89	74	177	101	89	74	-	-	-	-	-	-	-	-
W03-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W03-02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W04-01	4,151	4,055	4,125	4,097	4,151	4,055	4,125	4,097	-	-	-	-	-	-	-	-
W04-02	1,219	1,184	1,209	1,199	1,219	1,184	1,209	1,199	-	-	-	-	-	-	-	-
W04-03	729	719	731	726	729	719	731	726	-	-	-	-	-	-	-	-
W05-01	8,001	4,531	3,619	3,594	8,001	4,531	3,619	3,594	-	-	-	-	-	-	-	-
W05-02	929	913	932	957	-	-	-	-	929	913	932	957	-	-	-	-
W05-03	1,460	1,219	1,189	1,285	1,008	777	740	821	452	442	449	464	-	-	-	-
W05-04	5,579	4,974	5,309	5,042	5,579	4,974	5,309	5,042	-	-	-	-	-	-	-	-
W06-01	1,475	2,550	1,640	1,708	1,475	2,550	1,640	1,708	-	-	-	-	-	-	-	-
W06-02	3,558	5,226	2,127	4,276	3,558	5,226	2,127	4,276	-	-	-	-	-	-	-	-
W06-03	4,193	3,340	3,822	3,607	4,193	3,340	3,822	3,607	-	-	-	-	-	-	-	-
W06-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W06-05	4,219	3,086	2,297	2,686	4,219	3,086	2,297	2,686	-	-	-	-	-	-	-	-
W06-06	1,786	1,798	1,752	1,759	1,786	1,798	1,752	1,759	-	-	-	-	-	-	-	-
W06-07	2,429	2,284	2,440	2,375	2,429	2,284	2,440	2,375	-	-	-	-	-	-	-	-
W07-01	3,848	4,728	4,725	4,464	3,476	3,237	2,964	3,353	372	1,491	1,761	1,111	-	-	-	-
W08-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-02	1,383	1,324	1,303	1,368	573	539	550	546	810	785	753	822	-	-	-	-
W08-03	32,552	30,140	28,306	27,024	-	-	-	-	178	174	176	182	32,374	29,966	28,130	26,842
W08-04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W08-99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W09-01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
W10-01	3,654	3,527	3,575	3,630	1,091	1,063	1,086	1,078	2,563	2,464	2,489	2,552	-	-	-	-
W10-02	5,923	5,871	6,036	5,533	-	-	-	-	5,923	5,871	6,036	5,533	-	-	-	-
W10-03	2,200	2,128	2,151	2,234	-	-	-	-	2,200	2,128	2,151	2,234	-	-	-	-
Total	**104,940**	**98,596**	**92,258**	**91,851**	**45,984**	**41,540**	**36,270**	**38,288**	**26,582**	**27,090**	**27,858**	**26,721**	**32,374**	**29,966**	**28,130**	**26,842**

5.1.4 Comparison to our Final Report

To demonstrate the impact of changes made in our Supplementary Report, we have compared the expenditure recommendations of our Final Report with the expenditure recommendations made by this Supplementary Report. To provide a consistent basis for comparison, we have applied the allocation methodology described in Section 5.1.1 to the adjustments recommended by our Final Report.

Table 5-7 Comparison of recommended upper bound operating expenditure ($'000) – total costs

	2025/26	2026/27	2027/28	2028/29
Final Report	124,205	117,562	108,810	109,917
Supplementary Report	124,855	118,811	110,244	110,691
Difference	**650**	**1,249**	**1,434**	**774**

Table 5-8 Comparison of recommended lower bound operating expenditure ($'000) – total costs

	2025/26	2026/27	2027/28	2028/29
Final Report	104,210	97,269	90,750	90,997
Supplementary Report	104,940	98,596	92,258	91,851
Difference	**730**	**1,327**	**1,508**	**854**

5.2 Capital expenditure

5.2.1 Recommended upper bound capital expenditure

Table 5-9 Recommended upper bound capital expenditure ($'000)

W-code	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
W01-01	7,816	2,318	1,787	1,505	4,115	3,999	3,980	4,009
W02-01	0	1,257	589	4,377	4,215	4,236	4,219	4,244
W07-01	0	0	0	0	378	374	124	124
W10-02	5,798	3,995	7,029	10,964	23,863	23,098	19,182	9,893
Total	**13,614**	**7,570**	**9,405**	**16,846**	**32,571**	**31,707**	**27,505**	**18,270**

5.2.2 Recommended lower bound capital expenditure

Table 5-10 Recommended lower bound capital expenditure ($'000)

W-code	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
W01-01	7,816	2,318	1,787	1,505	3,045	2,959	2,945	2,967
W02-01	0	1,257	589	4,377	3,583	3,601	3,586	3,607
W07-01	0	0	0	0	378	374	124	124
W10-02	5,798	3,995	7,029	10,964	22,863	21,898	17,982	9,393
Total	**13,614**	**7,570**	**9,405**	**16,846**	**29,869**	**28,832**	**24,637**	**16,091**

Stantec

Stantec is a global leader in sustainable engineering, architecture, and environmental consulting. The diverse perspectives of our partners and interested parties drive us to think beyond what's previously been done on critical issues like climate change, digital transformation, and future-proofing our cities and infrastructure. We innovate at the intersection of community, creativity, and client relationships to advance communities everywhere, so that together we can redefine what's possible.

Stantec Australia Pty Ltd
Level 3, 52 Merivale Street
South Brisbane QLD 4101
AUSTRALIA
ABN 17 007 820 322
stantec.com