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21 March 2022

Ms. Liz Livingstone  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
By email: [matthew\\_mansell@ipart.nsw.gov.au](mailto:matthew_mansell@ipart.nsw.gov.au)

Dear Ms. Livingstone

Thank you for your letter dated 21 February 2022 regarding the commencement of IPART's Annual Review of WaterNSW's 2022-23 Murray Darling Basin (MDB) regulated charges to be assessed against the criteria set out in Part 6 Division 3 of the *Water Charge (Infrastructure) Rules 2010 Cth* (WCIR).

As discussed with IPART officers last week, this letter and populated IPART Annual Update model contain WaterNSW's underlying data for consideration in the IPART Annual Review. In accordance with the WCIR information requirements, the attached model contains:

- WaterNSW's forecast of demand for, or consumption of, infrastructure services for the 2022-23 financial year;
- WaterNSW's estimate of demand or consumption for infrastructure services for the 2019-20 and 2020-21 financial years; and
- Information about how the forecasts and estimates were calculated.

Our application containing the remaining required information in accordance with the WCIR information requirements, including our proposed prices for 2022-23, will be provided as soon as practicable following the WaterNSW Board meeting on 30 March 2021. For instance, our formal application to be provided following the Board meeting will contain the above underlying data as well as additional information in response to the following the WCIR / IPART information requirements:

- Proposed Regulated Charges for the 2022-23 financial year as required under the WCIR;
- Any arguments required under rule 37(2) (if applicable) regarding whether or not prices should change from those set in the 2021 Determination, if it is reasonably necessary having regard to changes in the demand or consumption forecasts and price stability; and
- A declaration from the CEO certifying the accuracy of the information provided.

For clarity, the attached 20-year rolling average data are provided as input only for IPART's pricing considerations. The outturn prices calculated by the IPART Update model are mechanical only and do not represent WaterNSW's proposed prices or formal application.

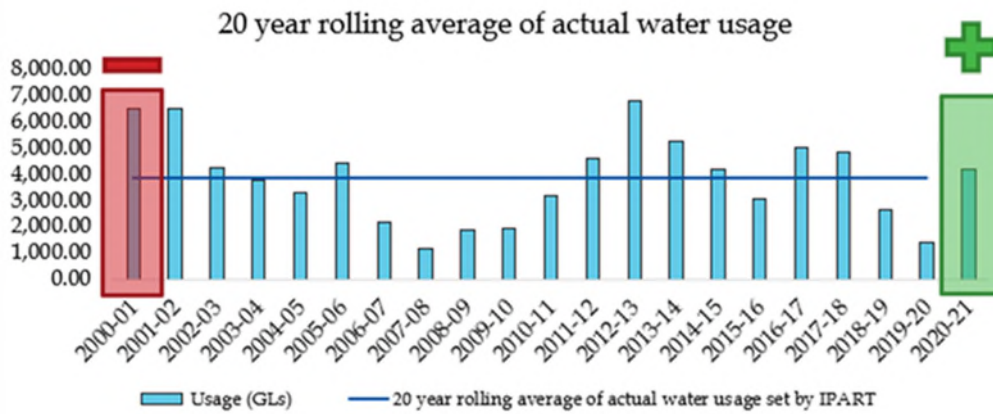
WaterNSW appreciates the assistance and cooperation extended by IPART regarding the timing of our application to ensure that sufficient time is available to consult with relevant stakeholders on proposed prices for 2022-23 in advance of the 30 March Board meeting.

The criteria in the WCIR authorises IPART to consider whether or not it is reasonably necessary to make variations to the 2022-23 charges having regard to 1) *changes in demand or consumption forecast* and 2) *price stability*. The variations to be considered by IPART are mechanical and

formulaic updates to the demand forecasts and regulatory inputs including the 20-year rolling average of actual water sales, entitlements volumes and the high security premium.

The effect of updating the 20-year rolling average is illustrated in the figure below, where the large variation between the 2020-21 volumes entering and the 2000-01 volumes exiting the calculation is likely to lead to further volume reductions and upward pricing pressures beyond 2022-23.

**Figure 1**



Should you have any questions regarding this data, please do not hesitate to contact Michael Martinson, Manager Economic Regulation on [REDACTED].

Yours sincerely

[REDACTED]

**Andrew George**  
**Chief Executive Officer**

Attachments

- Completed IPART WaterNSW - Annual update model 2022-23 (data only)