



# Summary of the 17 November 2025 workshop on pricing and related issues

17 November 2025

## 1 Introduction

IPART held the second of two public workshops on pricing and related issues following the release of its Discussion Paper in October 2025 (available on IPART's website).

IPART's Chair Carmel Donnelly PSM introduced the Tribunal members and key members of the secretariat in attendance and introduced the 2025 review of WaterNSW rural valleys.

The Chair gave an overview of the previous review of WaterNSW's prices for bulk water services in regional and rural NSW.

This included some of the matters raised by stakeholders in the 2024-25 review and the factors that led to the Tribunal's decision to make a short-term maximum price determination of prices from 1 July 2025 to 30 June 2026 and commence a further review to examine the above issues in more detail.

IPART's Chair then summarised some of the matters the Tribunal will consider in more detail in the current 2025-26 review including reviewing WaterNSW's base operating costs, the approach to allocating efficient costs between water users and the NSW Government, how prices are structured. The Tribunal will also consider the social, environmental and affordability impacts of pricing decisions.

The Chair outlined the review timeline including that a Discussion Paper was released in October 2025, that 2 online workshops are being held in November 2025, and the due date for stakeholder submissions to the Discussion Paper in late November 2025. IPART's Draft Report, Public Hearing and Final Report are scheduled to take place in the first half of 2026 with new prices coming into effect from 1 July 2026.

The Chair confirmed that IPART will consider both previous submissions made during the 2024-25 review and new submissions made during the 2025-26 review.

The Chair introduced the three key work streams of this review (expenditure, approach to sharing costs between users and the NSW Government, and pricing and related issues).

The Chair noted some stakeholders had provided feedback seeking further opportunities for updates and consultation before the Draft Report is published in March 2026.

The Chair invited attendees to introduce themselves and their organisations and make any opening statements or questions.

## 2 Presentation and discussion summary

### 2.1 Stakeholder views to date

IPART presented a summary of key themes heard from stakeholders in the previous review (2024-25). These included:

- Potential social impacts of proposed prices
- Support for a shorter determination period
- Lack of stakeholder support for WaterNSW's proposed revenue cap
- Concern about the accuracy of the 20-year rolling average method for forecasting water sales
- Concern about WaterNSW's proposal to move away from valley-based pricing towards regional-based pricing
- Concern about increased MDBA and BRC costs
- The need for greater transparency of WaterNSW's costs

### 2.2 Length of determination

IPART presented factors for consideration in deciding the length of the determination period (up to a maximum of 4 years to 30 June 2030).

#### Stakeholder discussion on the length of determination

- One stakeholder, a small scale irrigator, expressed support for a 5-year determination period to provide greater certainty and stability of prices, noting that IPART may wish to align WaterNSW's next price review with WAMC's next price review but that there may be benefits in undertaking the next WaterNSW price review after the next WAMC price review.

Other stakeholder views included:

- If the determination period were shorter, IPART should consider whether the 3Cs framework is appropriate given the costly approach and shorter time period to prepare for the next review.
- Ideally price rises should be limited to CPI only until confidence about efficiency of costs is achieved for the long term and the broader issues outside the scope of the review for the NSW Government are resolved before locking in prices.
- Price regulation in Australia has typically used shorter determination periods when there is heightened uncertainty and increased determination periods with increased confidence in proposals. Given the level of uncertainty expressed by IPART and its consultants in the 2024-25 review, a longer determination period would not be supported. IPART should consider its approach to price setting for other industries (e.g. local government) where council price rises are set at a certain level, and an application must be made to go above this level.
  - For example, IPART could set the price at CPI and WaterNSW would need to do additional work such as engage with customers to justify price increases above this level.

## 2.3 Form of price control

IPART explained the current form of control (price cap) and WaterNSW's proposed form of control (revenue cap with side constraints of +/-5%) for nine of the valleys.

IPART presented its findings from the 2024-25 review (an assessment of the impacts of the proposed changes had not been completed). At that stage, the Tribunal was not convinced of the merits of a revenue cap.

### Stakeholder discussion on the form of price control

- Stakeholders raised concerns about shifting risk from WaterNSW to individual landholders, especially in years of low water usage, and questioned whether WaterNSW had sufficiently justified the benefits of a revenue cap.
- One stakeholder questioned how the benefits of a revenue cap would be shared with customers.
- Concerns were raised that in low usage years landowners would need to pay higher prices, combined with lower production and revenue, paying less in a dry year/low revenue year would be preferable and may be the difference between staying in or going out of business.
- The view was expressed that WaterNSW, as a large organisation, is better positioned to absorb risk than individual irrigators or councils.
  - One stakeholder considered landowners are less able to absorb risk than WaterNSW which has a larger geographic footprint and has operations in all the valleys which may be experiencing different patterns of water usage in the same year. Statistical analysis could be conducted to measure and assess WaterNSW's overall level of revenue risk.
  - A stakeholder noted that if risk is passed to customers through a revenue cap, a lower WACC should be used to account for lower risk to WaterNSW.
- Stakeholders noted that constraints on water use stem from environmental conditions and are imposed by the Government, and this is outside the control of water users.
- Under a revenue cap, WaterNSW would not over-recover in high use years, and WNSW also proposed side constraints of 5% or 10% to limit price volatility and risk to water customers.
- Local Water Utilities provide essential services to many remote and low income parts of the state. Household consumption cannot be reduced significantly, price rises may be unacceptable to communities served by Local Water Utilities. Local water utilities are prioritised above high security entitlement holders in the water sharing plans.
- WaterNSW indicated it is a fixed cost business.
- More stability in prices between determination periods would be another benefit of the revenue cap as a result of under or over recovery in a previous period that may require a catchup mechanism and may result in larger changes in prices between determination periods.

## 2.4 Demand forecasting

To calculate maximum prices IPART uses forecasts of water entitlements and water sales. Water sales can be highly variable year to year. IPART uses a 20-year historical average to forecast demand over the next determination period. However, limitations have been identified with this approach.

### Stakeholder discussion on demand forecasting

Stakeholder questions and views included:

- Concerns about changing a stable, long term methodology prematurely before the completion of a 20 year cycle, without transparency of a new method.
- WaterNSW should propose a method consistent with a propose respond model of regulation, it should demonstrate the case that an alternative approach is likely to deliver more accurate forecasts.
- Customers are experiencing extreme variability in water availability year to year, and this impacts the ability to make farm profit and manage a business.
- Each determination period employs a new updated 20-year rolling average. The latest forecast calculated for the last determination is lower and has resulted in a 7% to 8% increase in prices. This is unacceptable and these 'edge effects' should be addressed.
- General security licence holders who are exposed to variability of water availability prefer to pay more in high rainfall years and pay less in low rainfall years. There is merit in exploring whether environmental license holders should pay 100% fixed charges.
- WaterNSW should not be completely de-risked, regulators should ensure businesses are as efficient as possible and need to respond to changes in their operating environment.
- The risk around the 20-year rolling average is the same risk that the revenue cap seeks to manage.

- How is IPART considering the potential impact of government policies including buybacks of water entitlements in the Murray-Darling Basin? These policies reduce the availability of water and mainly impact general security entitlement holders.
  - If government policies are shifting the availability of water for agricultural use and there are questions about the overall sustainability of current arrangements, the review can recommend broader consideration of the environmental policy.
  - Within the review of price regulation and how IPART could set prices, it could consider social impacts and impacts on customers and businesses. IPART should ensure that its Determination is fit for purpose for the current context.
- Many businesses have fixed costs (public transport, toll roads, airlines) these businesses need to manage their costs in a way that their revenue meets their costs. They don't charge every resident of the state a fixed charge for the fact that they might then be able to use the tollway if they want to. Variable revenue needs to match fixed costs.
- General security licence holders only receive services when the dam is full.
  - these customers have extreme vulnerability and IPART should consider how to prevent the misuse of monopoly power, variable pricing demonstrates that WaterNSW is not misusing that power.
- The consistency of demand for services year on year in an urban setting is very different to how irrigators use a general security licence on a farm. It needs to be shown how a fixed revenue cap would be fit for purpose. A price signal should be in place to ensure services are provided as efficiently as possible given the unique nature of the general security product.
- IPART should consider the upcoming changes within the broader policy space when setting prices such as Basin Plan implementation, 10 % increase in the southern basin, further buybacks and SDLAM shortfall when considering capacity to pay.
- IPART's Chair listed the considerations IPART is required to consider when setting maximum prices under section 15 of the IPART Act, including environmental considerations, consumer protections and social impacts of the determination.

## 2.5 Price structures & regional based pricing

IPART presented the current approach to setting prices, a valley-based two-part tariff comprised of a fixed component based on ML of entitlement and variable component based on ML of usage. In its proposal, WaterNSW proposed grouping valleys together into larger regions (a northern region and a southern region) for pricing purposes. WaterNSW also proposed increasing the fixed proportion of prices in the Lachlan Valley and moving to a 100% fixed tariff for licensed environmental water entitlement holders.

### Stakeholder discussion on price structures

Stakeholder questions and views included:

- What information is available to demonstrate how WaterNSW allocates costs by valley (e.g. a spreadsheet)?
  - Consider what information is already available (eg in WaterNSW's pricing proposal) and any further opportunities to improve visibility of cost allocation to valleys.
  - Greater visibility of costs and modelled impacts would be important before moving to a regional pricing model.
  - Publishing information of costs by valley is a fundamental requirement for transparency.
  - IPART's expenditure consultant produced this information in the previous review (5 years ago) but not in the most recent review. Regulators commonly publish financial models to promote transparency.
  - Provision of this type of information would be consistent with the GIPA Act requirements
  - Without this *cost* information (financial templates WaterNSW has submitted to IPART) it is very difficult to comment on levels of service.
- Peel Valley were likely to experience a very steep price rise (345%) and would likely support the regional pricing but the explanation of how it would reduce costs for WaterNSW is missing. WaterNSW should demonstrate that efficiencies in capital management and workforce management are significant and beneficial particularly to the smaller valleys.
  - Larger valleys in a stronger position may argue against regional pricing but should not ignore the smaller valleys.
- In theory, the Commonwealth Environmental Water Holder (CEWH) should pay the same entitlement and usage charges as irrigators but there are some practical implementation challenges due to usage patterns. There may be merit to changing how prices are set for the CEWH if these details can be resolved
- Priority should not be to devote time to regional pricing rather the priority at this time should be to gain a better understanding of efficient costs.
- Some valleys may require a Community Service Obligation (CSO) rather than a solution that cross subsidises from one valley to another.
- Not enough time to fully develop a regional based pricing model and rushing the development and implementation could introduce unintended consequences.
- Updating the cost shares and impactor pays model to reflect 2025 patterns of water use should be the priority.

## 2.6 High Security Premium

IPART presented the current method for calculating the High Security Premium charged to high security entitlement holders. The premium reflects greater reliability and priority for high security entitlements. The method for calculation the premium was last reviewed in 2017, and the reliability ratios are based on historical allocations data that was last updated in IPART's 2021 price review.

### Stakeholder discussion on the High Security Premium

One stakeholder questioned whether the high security premium should apply to Local Water Utilities, noting that they provide an essential service.

## 2.7 Irrigation Corporations and Districts rebates

IPART presented the Irrigation Corporations and District (ICD) rebates. ICDs undertake billing, metering and monitoring activities within their irrigation distribution networks allowing WaterNSW to service a smaller number of larger customers rather than a larger number of smaller customers. ICDs receive rebates reflecting the avoided costs (resulting from the existence of the ICDs) to WaterNSW such as billing, metering, compliance, telemetry installation and data transfer. The rebates were maintained in real terms for the current 1-year Determination.

### Stakeholder discussion on ICD rebates

- One stakeholder considered rebates should be linked to price increases at a minimum, but it is timely to complete a full review of activities, services involved and the costs.
- A stakeholder questioned the last time IPART reviewed the rebates. IPART last considered the rebates was during the 2020-21 review.

## 2.8 MDBA and BRC charges

Water users contribute directly to the NSW Government's share of costs for the Murray Darling Basin Authority (MDBA) and the Border Rivers Commission (BRC) through set charges. WaterNSW proposed charges for the MDBA increase by 29-31% and BRC by 49-54%. IPART will review projects to determine the efficient costs and what proportion and over what period these costs will recovered through MDBA and BRC charges.

### Stakeholder discussion on MDBA and BRC charges

Stakeholder questions and views included:

- it is critical that evidence is provided to demonstrate that these costs are efficient. It will be challenging in the Murray which has projects on both sides of the NSW-Victoria border with costs likely to be apportioned.
- A deep dive into the Murrumbidgee may be simpler to ensure cost reflectivity and apply any lessons to the Murray.
- One clarification was provided that these costs are not proposed by WaterNSW they are other agency costs.
- Lack of transparency about how the joint venture costs are negotiated, why the increase is needed and service delivery expectations around delivery.
- Consideration of how other jurisdictions approach MDBA and BRC costs and pricing would be useful.
- Timing of recovery of capital expenditure is different to operating expenditure. Capital expenditure often has longer term intergenerational benefits that should be reflected in pricing decisions.

## 2.9 Customer capacity to pay

IPART summarised what it has heard from stakeholders about affordability and capacity to pay and its findings from the previous review on impacts of proposed prices which vary by farm industry and size.

IPART sought feedback on the factors for consideration when assessing capacity to pay.

### Stakeholder discussion on capacity to pay

Stakeholder questions and views included:

- Recent work by Deloitte was cited, which would be relevant to the question of capacity to pay. In summary:
  - There are issues with gross margins, due to the corporatisation of farming and impact of supermarket pricing.
  - Assessing the impact on an average (profit) business is not helpful. IPART should instead consider the lower quartile or decile (profit) businesses to assess impacts.
- Increases in the fixed charges could impact trading in water markets.
- Difficult to identify the social impacts of impediments to production of small or niche products. Loss of these irrigators can result in significant impacts on local communities who are often performing significant roles in their community.
- Capacity to pay for general security licence holders is tied to the allocation received against that licence. The nature of the licence needs to be reflected as well.
- In the southern basin, there is uncertainty about the impact of further water recovery in the volume of water available in the consumptive pool, this has a direct impact on annual allocation prices. Capacity to pay is complicated by availability of water.
- Farm businesses are price takers; there is no capacity to pass on an increase in costs.
- IPART welcomed submissions and comments on how bulk water prices contribute to farm businesses' costs of production (ie, what share of the cost of production is attributable to bulk water prices), for different types of produce or case studies of impacts to inform the review.

## 2.10 Next steps

IPART's Chair confirmed the next steps for the review including the closing date for submissions to the Discussion Paper, thanked attendees for their participation in the workshops and provided contact details for further information.