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25 June 2025

The Hon Chris Minns MP
Premier

via email

Dear Premier,

IPART's Final Report on WaterNSW's prices from 1 July 2025

One of IPART's roles as the NSW independent economic regulator is to review WaterNSW's pricing proposal and set the maximum prices that WaterNSW can charge its customers for bulk water services to rural valleys.

In September 2024 WaterNSW proposed a significant increase of 53% in revenue for its services to rural valleys, which implies large price increases for customers. The Tribunal has given extensive consideration to the decisions required and questions raised, having regard to our legislated responsibilities.

The Tribunal thanks WaterNSW for responding to requests for information. We acknowledge that WaterNSW has undertaken more customer consultation than ever before, has provided extensive documentation and improved its planning, systems and processes.

However, at this stage, the Tribunal is not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as prudent and efficient, or that it is clear what share of the efficient increases should be passed on to customers and what proportion should be passed on to government. The Tribunal is not willing to allow significant price increases for customers until convinced that the customer share of WaterNSW's costs is appropriate. IPART is committed to making these decisions but will need to do more focused work with WaterNSW and stakeholders to assess the proposed levels of revenue and to review customer shares. We also need more detail to be able to allocate prices to different groups of customers (such as those in each valley) in a fair and cost-reflective way.

Ordinarily, when assessing a pricing proposal with large increases and a high level of complexity, IPART has flexibility to extend its previous pricing determination and allow more time for the review. However, in this case, due to unique, one-off legal requirements, the time available for this important decision-making is constrained. Water price regulation for specific valleys in rural NSW is transferring from the Commonwealth to NSW jurisdiction this year, so the current prices expire on 30 June 2025 and cannot be extended. IPART must set maximum WaterNSW prices for at least those rural and regional valleys under NSW laws with a new determination commencing 1 July 2025. Otherwise, some WaterNSW prices will be unregulated and consumer price protection will not be in place.

The Tribunal has decided to make a 1-year determination for WaterNSW bulk water services to rural valleys to allow an interim period where IPART will continue to assess WaterNSW's prudent and efficient revenue requirements, customer and NSW Government cost shares and cost-reflective pricing as well as the alternative affordability scenarios put forward by WaterNSW such as price capping, which imply NSW Government subsidies.

The maximum prices we have set in the 1-year determination will apply from 1 July 2025 for WaterNSW's Rural Valleys operations.

Attached is IPART's Final Report provided under embargo, until it is publicly released by IPART on 26 June 2025 at 11am. We have also provided a copy of the embargoed Final Report to the Treasurer, the Minister for Water, and the WaterNSW CEO.

Our final decision is to set a 1-year determination for WaterNSW's rural valleys operations, with bulk water prices increasing for most services by 5.8% plus inflation (8.3% total) as of 1 July 2025.

We will commence the next price review for WaterNSW bulk water services to rural valleys immediately. WaterNSW will not be required to submit a new proposal. Our next review will include a publication of a draft determination and draft report, consultation including a public hearing, and then a final report and determination.

Our current price review for WaterNSW bulk water services to Greater Sydney continues, and in September 2025 we expect to set maximum prices for WaterNSW bulk water supply to Greater Sydney to commence 1 October 2025. Sydney Water is the principal customer for these services and WaterNSW prices will flow into the final Sydney Water maximum prices to commence 1 October 2025.

I would be pleased to meet with you to further explain the Tribunal's decisions.

Yours sincerely

25/06/2025

X



Signed by: carmel.donnelly@ipart.nsw.gov.au

Carmel Donnelly PSM
Chair



Review of prices for
WaterNSW-Rural Valleys
from 1 July 2025

Final Report

June 2025

Water >>

Acknowledgment of Country

IPART acknowledges the Traditional Owners of the lands where we live and work. Our office is located on Gadigal land and our work touches on Aboriginal lands and waterways across NSW.

We pay respect to their Elders both past and present, and recognise Aboriginal people's unique and continuing cultural connections, rights and relationships to land, water and Country.



Image taken on Worimi Country (Myall Lakes)

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from IPART's website.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Jonathan Coppel
Sharon Henrick

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Foreword from the Chair

The purpose of this foreword is to highlight the broader challenges that have emerged during IPART's review of WaterNSW prices for bulk water customers in NSW rural valleys, and the next steps required. These challenges include risks to the sustainability and affordability of current arrangements for bulk water services provided in NSW rural valleys by WaterNSW.

This Report accompanies a 1-year maximum price determination for WaterNSW bulk water services to NSW rural valleys. In September, IPART will issue a separate report and determination for maximum prices for WaterNSW bulk water services for Greater Sydney, which covers around two thirds of WaterNSW's overall revenue, mostly derived from Sydney Water.

WaterNSW's proposed increases

In September 2024 WaterNSW proposed a significant increase of 53% in revenue for its services to rural valleys, which would flow through to customers as large price increases. The Tribunal has given extensive consideration to the decisions required and questions raised, having regard to our legislated responsibilities. The Tribunal thanks WaterNSW for responding to requests for information. I would like to acknowledge that WaterNSW has undertaken more customer consultation than ever before, has provided extensive documentation and improved its planning, systems and processes.

However, the increased revenue proposed by WaterNSW implies substantial price increases. In some rural valleys, such as the Peel Valley, estimated price increases of up to 37% per year and a total of 379% over five years would be required to fully fund the increased revenue WaterNSW proposed.

WaterNSW has indicated it is aware that affordability is an issue as passing on the full proposed increased revenue is not sustainable for many customers.¹

The proposed increase in revenue follows IPART approval for price rises for the 2021-2025 period. In 2021 IPART approved average increases of 29% in entitlement charges and 31% in usage charges for most rural valleys and up to 36% before inflation for the Fish River Water Supply Scheme. For North Coast and South Coast Valleys prices rose by inflation only, as a result of a continuing government subsidy that is not available to other customers.

Impact on customers

In our consultation during the current review, IPART has received hundreds of submissions and heard concerns from stakeholders about the very large price increases required to provide the increased revenue proposed by WaterNSW for the 2025 determination.

While we acknowledge that some of the revenue increase requested by WaterNSW is driven by market and economic changes and some increase is likely to be justified, at this stage, the Tribunal is not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as necessary and efficient, or that it is clear what share of the efficient increases should be passed on to customers and what proportion should be passed on to government. The Tribunal is not willing to allow price increases for customers until convinced that the customer share of WaterNSW's costs is appropriate. IPART is committed to making these decisions but will need to do more focused work with WaterNSW and stakeholders to assess the proposed levels of revenue and to review customer shares. We also need more detail to be able to allocate prices to different groups of customers (such as those in each valley) in a fair and cost-reflective way.

Unique time constraint

Ordinarily, when assessing a pricing proposal with large increases and a high level of complexity, IPART has flexibility to extend its previous pricing determination and allow more time for the review. For instance, the 2021 IPART decision on prices for WaterNSW-Rural Valleys followed a 14 month review. However, in this case, due to unique, one-off legal requirements, the time available for this important decision-making is constrained. Water price regulation for specific valleys in rural NSW is transferring from the Commonwealth to NSW jurisdiction this year, so the current prices expire on 30 June 2025 and cannot be extended. IPART must set maximum WaterNSW prices for at least those rural and regional valleys under NSW laws with a new determination commencing 1 July 2025. Otherwise, some WaterNSW prices will be unregulated and maximum price consumer protection will not be in place.

Proposed interim options to allow more time for the rural valleys pricing review

Earlier this year, WaterNSW wrote to IPART suggesting that the Tribunal, WaterNSW and WaterNSW shareholders would benefit from more time to resolve the structural issues revealed during this pricing review.

WaterNSW suggested delaying a determination from this pricing review by one year and making a short-term determination with a modest uplift in revenue plus increases to reflect inflation. WaterNSW suggested this delay would enable a strategic discussion with Government on how to achieve a sustainable outcome for all stakeholders. WaterNSW also indicated this discussion could consider whether WaterNSW, as currently constituted and regulated, is the most effective model or whether other arrangements may be more appropriate.

As a result, the Tribunal proposed a shorter-term pricing determination to allow more work to be done on the pricing review. In our Information Paper published in May we suggested a 3-year determination would allow a review of broader challenges highlighted through this review, at the time we suggested that a 1-year determination would not provide enough time for consideration of the broader challenges.

On behalf of the Tribunal, I would like to thank the individuals and organisations who provided submissions in response to the Information Paper. We have considered everything in every submission and published the non-confidential submissions on our website.

We heard feedback from WaterNSW and others that the proposed 3-year determination would not support financial sustainability. I acknowledge there were also a number of stakeholders who supported the proposed 3-year determination, as long as work to address the challenges outlined in our Information Paper commenced swiftly. The urgent need to address broader challenges was a key theme of submissions. Some stakeholders did argue that three years would not be long enough to resolve the complex matters highlighted in this pricing review.

WaterNSW indicated that the minimum revenue it requires for Rural Valleys over the next three years would imply a price increase of 25% (excluding inflation) for each of the three years starting in 2025-26, or a one-time increase in 2025-26 of 48% (excluding inflation) followed by no real increases in 2026-27 and 2027-28. WaterNSW proposed that if IPART could not adopt prices based on this minimum essential revenue requirement, the Tribunal should complete its review and make a final determination within one year.

Tribunal decisions

Considering all the stakeholder feedback received and the urgent need to address financial sustainability and pricing certainty, the Tribunal has decided to make a 1-year WaterNSW-Rural Valleys maximum price determination and to move swiftly into a new pricing review for WaterNSW-Rural Valleys bulk water services so the next price determination will set prices from 1 July 2026. We expect to communicate our plan for this next review and for opportunities for customer and stakeholder input in coming weeks.

In our May 2025 Information Paper, IPART proposed an increase in prices of 1.9% before inflation. In the submission received from WaterNSW, concerns were raised about the implications for longer term sustainability and immediate ability of WaterNSW to remain financially viable.

We also heard from stakeholders who supported the draft approach outlined in IPART's Information Paper. On balance, IPART has considered a revised approach and determined a price increase of 5.8% before inflation for key services to rural valleys customers, which allows a modest increase in revenue for WaterNSW, reflecting updated demand forecasts. This revised approach continues to moderate the bill shock for customers for an interim period while customer and government cost shares and cost reflective price allocations are verified by IPART. The 1-year determination price increase is materially lower than the 25% before inflation increase in prices in 2025-26 sought by WaterNSW in its submission to the Information Paper.

Broader considerations

The 1-year determination allows time to consider what other actions are needed to address the sustainability risks arising from declining sales of bulk water in regional NSW and proposed rising costs of maintaining assets and ensuring safe and reliable water services. In addition to IPART's work, this could include a review of the WaterNSW operating model and how best to ensure sustainable supply of bulk water and manage potential social, business and economic impacts in regional NSW.

I welcome the advice in the submission from the NSW Government that it is committed to undertaking a review.

As a Public Non-financial Corporation and State Owned Corporation, in line with NSW Treasury policy and WaterNSW's Statement of Corporate Intent, WaterNSW is expected to operate as a commercial business and provide a dividend to Government. However, unlike private sector businesses, WaterNSW cannot leave the industry and go into business elsewhere if its operations become less commercially sustainable. WaterNSW is providing an essential service and access to water is critical for people and businesses in NSW.

It appears that WaterNSW undertakes some non-commercial activities related to water security, safety, environmental and social outcomes, particularly in regional and rural NSW. We have heard from stakeholders who are concerned they are paying for obligations which do not improve the quality of services or water being received. This raises the question of whether some WaterNSW functions are more appropriately seen as community service obligations which may be better funded by Government.

Another question raised during this pricing review is whether the regulatory requirements on WaterNSW are fit for purpose. Could some regulatory requirements and related costs be reduced? Or are regulatory requirements and related costs likely to increase and add to the need for revenue? For example, the impact of historical PFAS contamination is currently driving national consultation on stronger regulation of water quality.

As IPART continues to assess WaterNSW's Rural Valleys costs, proposed prices and customer shares, it is possible the Tribunal may find that a further level of price increase is justified. We will continue to consider the social impacts of any increases, as required by legislation.

For example, higher bulk water prices may erode the margins and perhaps viability of some agricultural businesses. While there may be economic arguments that higher prices could deliver accurate price signals about the value of bulk water, that would appropriately drive unsustainable businesses to switch products or relocate high water consumption products to wetter climates, there could also be negative short-term impacts on local communities and economies. As mentioned above, some rural valleys are already subsidised via prices capped to inflation, but some are not.

Given lessons learned from COVID about the importance of available and resilient local supply chains, potential social impacts of any continued increases in bulk water prices may include reduced viability for some primary producers that the broader community relies on for resilience, such as key food producers.

There is a question of whether higher bulk water prices may further strain the financial sustainability of those NSW councils that are also local water utilities. A recent NSW Parliament Inquiry highlighted challenges facing the financial sustainability of the local government sector generally, especially in regional and rural NSW. The Productivity and Equality Commission also recently identified challenges faced by local water utilities (who are usually councils). Proactive analysis of likely impacts of any WaterNSW price increases on the local government sector would also be useful in minimising social impacts on regional NSW.

IPART's next steps

Over the next year, IPART will work in consultation with WaterNSW, the NSW Government, customers and stakeholders to:

- Progress setting the efficient level of revenue required by WaterNSW for bulk water services to rural valleys
- Review rural bulk water cost shares and better recognise community service obligations
- Consider the applicability of socially optimal pricing models for rural bulk water services
- Consider the social impacts of any price increases
- Provide advice on the alternative scenarios put forward by WaterNSW for rural and regional bulk water pricing so NSW Government can consider the feasibility of any subsidies
- Ensure flexibility in IPART's price regulation to reflect the circumstances of WaterNSW
- Expedite the concurrent pricing review for WaterNSW bulk water services to Greater Sydney
- Assist with any review of WaterNSW's regulatory obligations and operating model to enable sustainable, affordable, reliable, high quality bulk water supply.

Chapter 1 »

Report Summary

01

1.1 IPART has set WaterNSW's Rural Valleys maximum prices

Safe, reliable and affordable water services are essential for both the people of NSW, and many businesses within NSW. WaterNSW provides essential bulk water to water utilities across NSW, which in turn provide drinking water to communities, and to agricultural and other businesses in regional and rural areas across NSW.

WaterNSW is a state-owned corporation which operates as a business with the NSW Government as its shareholder. Most customers of WaterNSW do not have a choice about who provides their water, so NSW laws give IPART powers to protect customers by regulating the maximum prices that WaterNSW, as a monopoly service provider, can charge.

IPART regulates WaterNSW's maximum prices under 3 separate determinations, this report focuses on WaterNSW-Rural Valleys which supplies bulk water to customers in rural and regional NSW. IPART has set WaterNSW's Rural Valleys maximum prices for 1 year to commence on 1 July 2025, increasing existing prices by:

- For bulk water (excluding North and South Coast but including Fish River): 5.8% plus inflation of 2.4% a total of 8.3%.
- For MDBA customers: 0.6% plus inflation of 2.4% a total of 3.0%.
- For BRC customers: 1.1% plus inflation of 2.4% a total of 3.5%.
- All other prices (North Coast, South Coast and the Yanco Creek levy) are increasing by CPI only which is 2.4%

IPART's determination increases WaterNSW's Rural Valleys revenue by 1.9% plus CPI for 1 year.

We have made the following other key decisions:



To set a 1-year determination for WaterNSW-Rural Valleys

This avoids a period of time in which there is no valid price determination and no protection for consumers



To commence the next review of WaterNSW's Rural Valleys maximum prices immediately



Not to require a new submission from Water NSW

We note that WaterNSW will be required to provide additional information on its costs and operating model as we progress the next review



The next review will include publication of a draft report, a public hearing and a final report

This is our standard practice

We have conducted this review over the last 9 months. We received a pricing proposal from WaterNSW in September 2024, released an Issues Paper, held a public hearing in November 2024, and released an Information Paper containing draft decisions in May 2025.

WaterNSW proposed a significant increase (53% in real terms over 5 years) in its rural valleys notional revenue, while acknowledging that the increase in its expenditure is significantly higher than what could be funded by price increases alone.² To that end, WaterNSW asked IPART to engage with the NSW Government to find the right balance between WaterNSW's costs, what customers can afford, and the role of government.³ WaterNSW's proposal has meant that the Tribunal has not been able to adopt its usual approach to determine WaterNSW's Rural Valleys prices in accordance with the policy set out in IPART's Water Regulation Handbook.

We have considered all feedback we heard from stakeholders over the course of this review, including over 280 submissions to our Issues Paper and Information Paper on rural water and over 100 attendees at our rural water Public Hearing. Individuals, industry organisations, and local Councils have provided feedback on various aspects of WaterNSW's rural pricing proposal. The key themes were:

- **Customer consultation** by WaterNSW lacked information. This meant that stakeholders could not fully understand and comment on the impacts of WaterNSW's proposal. Further, much of WaterNSW's proposed expenditure was not consulted on, with WaterNSW describing it as uncontrollable and therefore 'out of scope'.
- The **prices** required to meet WaterNSW's Rural Valleys expenditure plan are not affordable.
- The price increases proposed by WaterNSW are not associated with improved **service levels**. Some stakeholders cited past instances of poor service quality e.g. failed program implementation, fewer staff in regional areas and reduced customer service hours.
- Whether current **cost shares** between customers and government are appropriate. Some submissions questioned the current impactor-pays principle and called for the NSW Government to bear a greater share of the costs of some activities, with some citing the inequity of rural water customers paying for benefits enjoyed by the wider community, such as meeting environmental outcomes.
- Concern that IPART's **draft prices** address the affordability concerns of stakeholders in the short-term, but may represent a threat to WaterNSW's financial viability and are not sustainable.

1.2 At this stage, the Tribunal is not convinced that the costs in WaterNSW's Rural Valleys proposal are efficient

WaterNSW has made substantial and positive progress since its last price review. However, we hold concerns about the quality of some of its engagement with its customers. For instance, customers were not shown accurate price impacts when asked to rank their preferences over priorities, and there is limited evidence that WaterNSW made any changes to its plans in response to feedback from its customers. A customer-centric proposal is key to delivering in the long-term interest of customers. Based on what customers have told us, we are not yet convinced that WaterNSW's customers support its plans.

A key priority for IPART has been to test the validity of WaterNSW's Rural Valleys proposed expenditure. We engaged AtkinsRealis (Atkins) as independent expert consultants to review the efficiency of the expenditure proposed by WaterNSW for its rural valleys business.

Atkins conducted this assessment based on information in WaterNSW's pricing proposal and extensive interviews with WaterNSW and delivered a draft report with expenditure recommendations to IPART. We shared this draft report with WaterNSW, and WaterNSW provided extended feedback. Atkins considered WaterNSW's feedback, adjusted its report to address WaterNSW's feedback and issued a final report to IPART. That report is available on our [website](#).

Atkins raised serious concerns with WaterNSW's proposal. It noted that "...there is greater uncertainty in our projections than when we have carried out similar reviews of other companies".⁴ This uncertainty stems from:⁵

- WaterNSW responded to information requests without including calculations or audit trails, limiting Atkins' ability to understand WaterNSW's costs and proposed adjustments.
- Unravelling the many proposed adjustments was difficult due to lack of clarity in the data (for instance, some step changes appeared to undo others).
- The inability of WaterNSW to provide detailed reasoning for historical variation to its operating expenditure.
- The lack of formal documentation detailing decision-making logic, efficiency and impacts analysis supporting such large-scale increases in expenditure.
- The proposal included significant capital renewals expenditure based on a simplistic asset management system which considers assets based on their book life only.⁶

The Tribunal is committed to finalising its assessment of the prudent and efficient revenue required by WaterNSW to deliver bulk water services in rural valleys in the next review, considering both Atkins' report and WaterNSW's response as well as other information and analysis. In making this 1-year determination to enable continued price regulation while our assessment continues, the Tribunal has given due weight to each of its statutory considerations.

Beyond the costs put forward in the proposal, we hold some concerns with the efficiency of WaterNSW's Rural Valleys base costs, which have been increasing over the 9 years since WaterNSW was established. Our analysis shows that WaterNSW's operating costs per water entitlement it manages have increased 42% in real terms since 2014-15, and its regulatory asset base per entitlement has increased 38% in real terms over the same period.^a

We are not yet convinced that the costs proposed by WaterNSW-Rural Valleys are sufficiently justified as necessary and efficient, or reasonably balance the other criteria IPART must consider under the IPART Act. IPART considers more work needs to be done by WaterNSW to support its proposed levels of capital and operating expenditure.

1.3 We conducted a building block analysis to estimate an indicative notional revenue requirement

To provide transparency in preparation for the next review we have published an indicative analysis of the notional revenue requirement that WaterNSW may require for a 1-year determination.

The expenditure used in this analysis is based on our consultant's recommended 'lower bound efficient costs', adjusted for safety considerations - \$62.9 million for operating expenditure, and \$45.6 million for capital expenditure. This is 25% less than what WaterNSW proposed for operating expenditure and 60% less for capital expenditure.

We also considered the updated weighted average cost of capital (WACC). Our 2021 Determination used 2 separate methods to calculate a WACC. We set a WACC for WaterNSW's 9 valleys in the Murray–Darling Basin (MDB) and rural customers in the Fish River Water Supply Scheme calculated using the ACCC's pricing principles as required under the Water Charge Rules 2010. This resulted in a WACC for the MDB valleys of 1.8% and reflected historical low cost of debt. For customers in coastal valleys we used our standard approach to calculating the WACC which resulted in a WACC of 3.0%.

For this review IPART is determining maximum prices under NSW laws. In December 2023 WaterNSW wrote to IPART seeking clarification of how we would implement our WACC methodology for their next price review. In May 2024 IPART wrote to WaterNSW agreeing to a 10-year transition to trailing average for the long-term debt and a 5-year transition for the current debt for the MDB valleys.

In September 2025 when IPART received WaterNSW's pricing proposal it became clear that the transitional arrangements would lead to a WACC for the MDB valleys that exceeds the WACC for coastal valleys.

^a Over the same period Hunter Water's opex per customer has been largely flat, and Sydney Water's has not increased. Hunter Water's RAB per customer has increased 16% and Sydney Water's 29%.

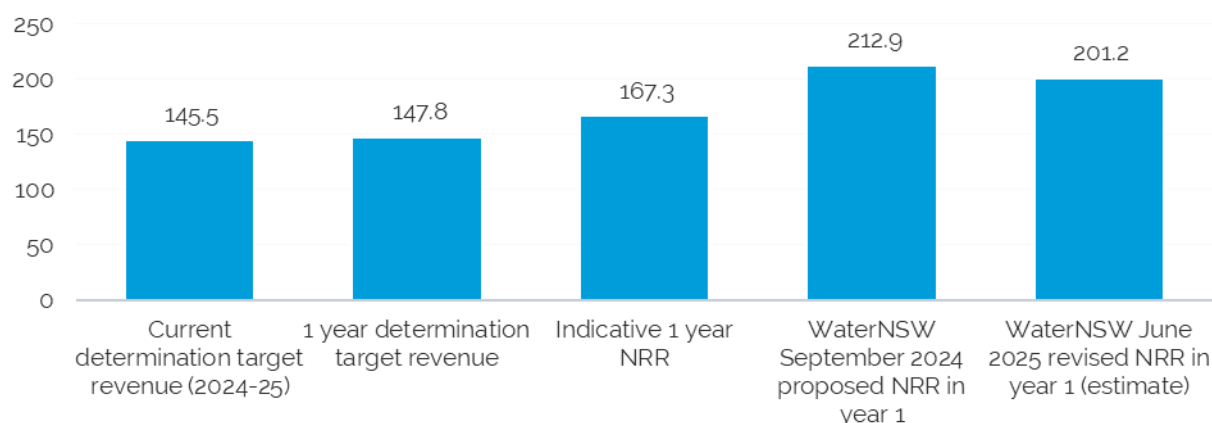
Since the 2021 determinations interest rates have increased and this is reflected in the updated WACC of 3.6%^b for MDB valleys and 3.1% for coastal valleys. Including the updated WACC results in an indicative NRR for WaterNSW-Rural Valleys of \$123.1 million for 1 year. WaterNSW's Rural Valleys prices would need to increase 26% to recover this. The largest driver of the difference between the revenue WaterNSW-Rural Valleys is forecast to recover through the maximum prices and the indicative building block analysis is the change in WACC.

We have exercised our discretion and have not updated the WACC to determine prices for the 1-year determination. This includes not basing the WACC on the 10-year transition to trailing average for the long-term cost of debt and a 5-year transition for the current cost of debt for the MDB valleys because it would result in price shocks.

As we have not relied on the building block methodology in this determination, we have not used the updated WACC to set the revenue allowance. However, we have included the updated WACC that includes the trailing average transition in the indicative notional revenue requirement. We will immediately commence the next review of WaterNSW-Rural Valleys prices. As part of this review, it will be open to the Tribunal to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue. We will assess the appropriate cost shares and will update the WACC.

Figure 1.1 below shows different revenue requirement scenarios for WaterNSW-Rural Valleys, ranging from its current revenue allowance (\$145.5 million), to its proposal of (\$212.9 million).

Figure 1.1 Revenue requirement scenarios for WaterNSW-Rural Valleys



Note: The final bar contains an estimate of WaterNSW's Rural Valleys revenue requirement under its revised proposal because the proposal did not specify government share of costs.

Source: IPART analysis

^b This WACC update used our standard WACC methodology and is consistent with the transitional arrangements requested by WaterNSW for MDB debt.

However, our concerns as to the quality of WaterNSW's customer engagement and justification of proposed costs, along with these larger questions as to the medium to long-term viability of WaterNSW's Rural Valleys operating model, mean that we are not satisfied the building block outputs represent WaterNSW's Rural Valleys efficient costs. We need to be satisfied that any price increases (particularly of the magnitude being proposed by WaterNSW) are in the medium to long run interests of customers. The Tribunal is not yet convinced that the expenditure put forward by WaterNSW in its proposal is efficient or reasonably balances the competing statutory factors which the Tribunal must consider when determining maximum prices. As such, we have not been able to use our building blocks approach to set WaterNSW's Rural Valleys maximum prices.

WaterNSW has told us that its costs have increased and the prices we set could exacerbate the difference between WaterNSW's proposed expenditure and expected revenue from maximum prices we set.

We estimate there would be a shortfall of \$19.5 million if we compare the revenue we expect WaterNSW will earn from our maximum prices with the revenue WaterNSW would earn if we were to use our preliminary indicative NRR derived from our building block approach. We estimate this shortfall would be \$65.1 million if we compare the revenue we expect WaterNSW will earn from our maximum prices with the revenue WaterNSW proposed in its September 2024 proposal.

We consider there are a number of ways to address the shortfall. Those ways include WaterNSW reprioritising its work program and/or realising efficiencies and/or reducing the dividend it pays to the NSW Government and/or by obtaining a subsidy from the NSW Government.

1.4 This review has uncovered broader challenges in the rural water sector and this short determination provides more time to work through these

The key challenges during this review have been to assess WaterNSW's Rural Valleys efficient costs and to determine prices that appropriately balance what customers can afford to pay for bulk water with the need for WaterNSW to be financeable and to meet its other obligations in a sustainable way.

These challenges are broader than what a standard price review is designed to address, and go to the heart of bulk water supply in rural and regional NSW. We have questions around whether WaterNSW's Rural Valleys operating model is fit for purpose, or indeed whether it is possible for WaterNSW (or any such business) to fulfill its current responsibilities and obligations without customer prices increasing to a point where customers, including customers in the NSW agricultural sector face would significant disruption.

We have concerns that WaterNSW's proposal focuses on what it considers to be its required funding in the short term based on its current operating model, obligations and priorities without demonstrating that it has considered the implications of significant price increases on the viability of the regional and rural water sector in the medium to longer term. There is a risk that significant price increases in the NSW agricultural sector could lead to a negative feedback loop where the need for ongoing, significant price increases to recover the costs of supplying bulk water and related services will continue to shrink WaterNSW's Rural Valleys customer base and continue to shrink its revenues, with potentially substantial detrimental effects for WaterNSW itself and rural and regional NSW.

At this stage, the Tribunal is not confident that the significant price increases proposed by WaterNSW adequately balance the social impacts of the higher prices; the need for WaterNSW's costs to be efficient; the need for WaterNSW's prices to protect its customers from abuses of monopoly power, and the need for WaterNSW to remain financeable.

The Tribunal accepts that the significantly higher prices proposed by WaterNSW could provide a relatively higher rate of return on WaterNSW's assets, could allow WaterNSW to continue to pay the dividends it pays to the Government for the benefit of the people of NSW, and would not be detrimental to WaterNSW's capacity to borrow or its ability to renew and increase its assets. However, the Tribunal is concerned, based on what each of WaterNSW and its customers have told us, that the significantly higher prices proposed by WaterNSW would be disruptive to NSW's agricultural sector because they would not be affordable for WaterNSW's customers. The Tribunal is also concerned about the potential effects of the disruption on WaterNSW itself.

The Tribunal considers these challenges should be thoroughly reviewed by the Government, with full co-operation from WaterNSW, WaterNSW's customers and IPART, to arrive at a sustainable model for supporting NSW's regional and rural water sector and WaterNSW in the medium and longer term. The Tribunal recognises the additional regulatory burden associated with a thorough review, however expects that any regulatory burden will be outweighed by the benefits of a more sustainable operating model for WaterNSW.

We note that many stakeholder submissions supported a 3-year determination to allow time to work through these challenges thoroughly. However, on balance we consider that the urgency of our concerns requires a faster review and so have set a 1-year determination.

This short-term determination is designed to avoid a period of time in which there is no valid price determination and no protection for consumers. We consider the fact that some prices will be unregulated if the 2021 Determination is not replaced is a compelling reason to depart from our usual approach.

1.5 We have limited price increases for customers

In light of these broader challenges and to avoid a period of time in which there is no valid price determination and no protection for consumers, we have decided to break with our standard process, and issue a short-term determination where we set prices based on a holding pattern of expenditure, asking WaterNSW to manage largely within its existing allowance (with minor uplifts for essential safety expenditure).

This will provide WaterNSW, the NSW Government and IPART time to work through these more fundamental challenges, and to identify a sustainable solution. We have made this decision having full regard to all matters we are required to consider under section 15 of the IPART Act, particularly the need to protect consumers from the abuse of monopoly power, the need for efficiency in the supply of services, and the social impact of our decisions. We also note that prices for WaterNSW-Rural Valleys customers increased on average by around 30% in the 2021 determination, and we need more assurance before passing on further significant price rises.

In response to stakeholder feedback we decided to update the draft prices in our Information Paper during this 1-year determination period to reflect changes in demand forecasts, but have otherwise left our draft pricing decisions unchanged.

Prices to apply from 1 July are based on existing prices, plus CPI, plus an uplift for key crane and electrical safety upgrades, the new Dams Safety Levy, and the updated demand forecasts.^c

While we have not based prices on an NRR this time, our intention will be to use our building block model and WaterNSW's Rural Valleys updated NRR to set prices in our next review. This is contingent on IPART receiving more information from WaterNSW to allow us to have confidence in the efficiency of the business's costs (both its base costs and its proposed step changes), and the allocation of costs between valleys (to enable cost reflective pricing).

We have conducted our usual financeability checks and are satisfied that these prices do not present a threat to WaterNSW's Rural Valleys financial viability over the course of this 1-year determination. As such, we expect WaterNSW to continue to deliver its water services and regulatory requirements by reprioritising and managing within its allowance.

^c We note that for WaterNSW-Rural Valleys we use a 20-year rolling historical average for forecasting, and that while the average is falling, actual sales have exceeded forecast sales in recent years, meaning revenue has been higher than predicted.

1.6 We have considered matters raised by the NSW Government in response to our Information Paper

The NSW Government wrote to IPART following the publication of our Information Paper. The submission was supportive of IPART's focus on customer affordability, and committed to work with IPART to address the medium to longer term challenges we identified. It also requested we confirm our decisions will not prevent WaterNSW from continuing to provide its essential services. Specifically, it asked that we confirm we have considered:

The appropriate Weighted Average Cost of Capital (WACC) for the short-term determination

- IPART's 2021 Determination was based on WACC estimates of 1.8% for WaterNSW's MDB valleys and 3.0% for WaterNSW's coastal valleys. IPART's decision to set prices for 2025-26 based on current prices with adjustments for CPI, safety related expenditure, and updated demand forecasts means that prices in 2025-26 reflect the 2021 WACC estimates of 1.8% for MDB valleys and 3.0% for coastal valleys.
- We note that the estimate of an indicative NRR presented in this Final Report is based on updated WACC estimates of 3.6% for MDB valleys and 3.1% for coastal valleys.
- Around \$13.2 million^d of the \$19.5 million shortfall between the revenue expected to be recovered through maximum prices in 2025-26 and our estimate of the indicative NRR is because our indicative NRR has a higher WACC than the Australian Competition and Consumer Commission's WACC in 2021 which we were required to use to set maximum prices in our 2021 Determination. The remaining \$6.3 million comes from other sources, including a small increase in operating costs and higher depreciation due to a growing RAB with an increasing user share.

Including actual financeability tests (in addition to the benchmark tests in our Information Paper)

- We have completed these tests and are satisfied that WaterNSW-Rural Valleys will not face financial sustainability issues in the short term, as long as expenditure does not exceed the allowances included in IPART's indicative NRR. Please see Chapter 14 and Appendix B of this report for more details.

WaterNSW's current cost base, including the impact of macroeconomic trends

- Our independent expert consultants reviewed the expenditure put forward by WaterNSW in its pricing proposal, including the impact of macroeconomic trends and regulatory changes. In its report, Atkins made recommendations as to the appropriate changes to WaterNSW's cost base, and we note that the operating expenditure Atkins concluded would be appropriate is very similar to its current allowance (within 3%).

^d \$9.5 million of the difference comes from the WACC increasing from 1.8% to IPART's standard WACC of 3.1%. A further \$3.5 million comes from moving from a 3.1% to a 3.6% WACC.

- However, the efficiency of WaterNSW's underlying existing base costs was largely out of scope for our expert expenditure consultants. The Tribunal considers the suggestion to look at this in more depth is valuable, and plans to conduct a thorough review of WaterNSW's Rural Valleys base costs in the next review (commencing immediately).

The impact of cost decisions on WaterNSW's ability to deliver on its regulatory requirements

- We estimate that the maximum prices we determined for WaterNSW-Rural Valleys will result in a slight increase in revenue. We consider this should be sufficient to allow it to continue to meet its regulatory obligations, though we note it may need to make strategic and operational decisions to deliver within the revenue envelope.
- In making decisions around WaterNSW's maximum prices, IPART must weigh up multiple factors and while concern over financial sustainability is one factor, it is not the only one. There are many reasons that a business may face financial sustainability concerns, such as market disruption, organisational level structural change or inefficiency. We are committed to working with WaterNSW and the NSW Government to work through any financial sustainability issues that WaterNSW faces in our next review (commencing immediately).

The impact of disallowing operating expenditure on overheads

- WaterNSW has not provided its corporate overheads model (despite request), so we are unable to comment on the appropriateness of its reallocation of overheads between capital and operating expenditure. This is an example of one of the elements of WaterNSW's operating model that we will seek to better understand in the next review.

Capital maintenance works in the short-term

- We have considered WaterNSW's proposed capital expenditure program extensively, and agree with our independent consultants that the largest capital expenditure projects can be postponed beyond this short-term 1-year determination period. We consider that with a slight increase in WaterNSW's revenue allowance it should be able to manage its existing capital maintenance program.

Including details on potential customer price adjustments/impacts for foregone revenue in the medium term

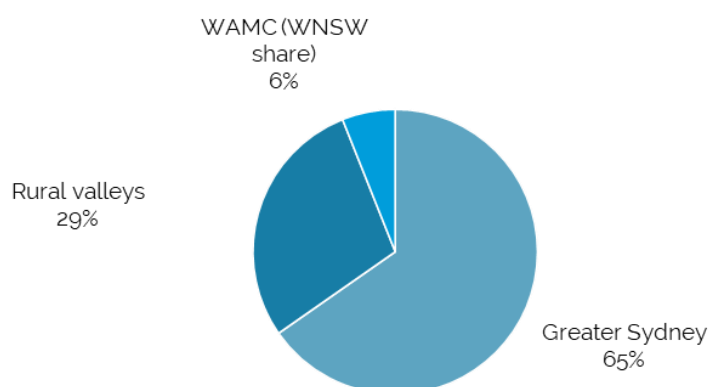
- One of the largest challenges in this review has been establishing what is in the best medium-long term interests for customers. From what we have seen, we consider it is likely that prices may need to increase, but large questions remain as to how much they would need to increase, and whether all of the increases should fall to customers.
- This short-term determination is designed to avoid a period of time in which there is no valid price determination and no protection for consumers and allow more time for IPART to work with WaterNSW, the NSW Government and WaterNSW's rural and regional customers to work through these challenges, find the efficient revenue allowance for WaterNSW-Rural Valleys, and determine the appropriate customer share of prices going forwards. It will be open to the Tribunal in the next review to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue.

1.7 Our process

IPART regulates WaterNSW's maximum prices under 3 separate determinations:

- WaterNSW-Greater Sydney, which covers the supply of bulk water to Sydney Water and a small number of other customers in the Greater Sydney region and makes up roughly two-thirds of WaterNSW's revenue (see Figure 1.2 below).
- WaterNSW-Rural Valleys, which supplies bulk water to customers in rural and regional NSW and is the subject of this report. This makes up just under 30% of WaterNSW's revenue.
- WaterNSW also provides water management services on behalf of the Water Administrative Ministerial Corporation (WAMC). This is the smallest portion of WaterNSW's business, making up around 6% of revenue.

Figure 1.2 WaterNSW's 3 determinations, by revenue share



Source: IPART analysis

We have conducted this review over the last 9 months. We received a pricing proposal from WaterNSW in September 2024, released an Issues Paper, held a public hearing in November 2024, and released an Information Paper containing draft decisions in May 2025.

Over the same period, IPART has conducted price reviews for WaterNSW-Rural Valleys, WaterNSW-Greater Sydney, Sydney Water, Hunter Water and WAMC. While our processes are similar for each review, we have adjusted the timeline for each based on the quality of each business's pricing proposal and the complexity of the issues uncovered. For instance, we completed Hunter Water's review (based on an advanced proposal) in 9 months, and plan to complete Sydney Water and WAMC's (both standard proposals) in 12 months.

Our Information Paper (published in May) covered both WaterNSW-Rural Valleys and WaterNSW-Greater Sydney. We have now separated these reviews, and this Final Report focuses solely on WaterNSW-Rural Valleys. We have revised the timeline for the WaterNSW-Greater Sydney determination, to bring it in line with that of Sydney Water. We plan to release a Final Report and new Determination for WaterNSW-Greater Sydney in September.

1.8 Potential next steps

It is important to note that IPART does not see this short-term determination as the end of our process. We have set a short determination to allow time to continue working through these broader challenges with both WaterNSW and the NSW Government.

The short duration of the 2025 Determination means we will commence a new price review of WaterNSW-Rural Valleys immediately. The goal will be for this review to be more consistent with our standard regulatory processes for price reviews. We will not require WaterNSW to submit another proposal for this next review, but we will need more information on key aspects of the existing proposal from WaterNSW. We have balanced the regulatory burden on WaterNSW and other stakeholders when formulating next steps.

At the same time, we propose to commence a wider work program, investigating some of WaterNSW's underlying cost base in more detail and reassessing our cost shares framework. We will consult with key stakeholders as we progress this planning.

Our pricing decisions provide time for WaterNSW, the NSW Government and IPART to address several broader challenges relating to rural bulk water services including:

- the tension between affordability and cost recovery in WaterNSW's Rural Valleys current pricing structures
- the risks and costs of adapting to climate change and increasing climate variability
- the lack of distinction between WaterNSW's Rural Valleys commercial and non-commercial activities.

1.9 Structure of this report

Chapter

02	Describes our assessment of the price proposal and how it has shaped our review.
03	Explains our stakeholder engagement activities, and summarises feedback received as well as IPART's response to the feedback.
04	Outlines our initial view on WaterNSW's Rural Valleys operating expenditure
05	Outlines our initial view on WaterNSW's Rural Valleys capital expenditure
06	Discusses our findings on the efficient and prudent expenditure and notional revenue requirements for Murray Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC).
07	Steps through our building block analysis for other costs and national revenue
08	Discusses cost shares and cost drivers
09	Outlines our views on risk allocation
10	Updates customer demand numbers
11	Discusses our method for price setting in this short-term determination
12	Lists our final decisions on bulk water prices
13	Lists our final decisions on miscellaneous prices and metering charges
14	Discusses the impacts of our final prices
15	Proposes a way forward for dealing with the resulting funding gap

1.10 List of decisions

In this review we have made 3 types of decisions:

1. Decisions we have made for this 1-year determination – these are part of our Determination and relate largely to customer pricing.
2. Decisions we have made in response to feedback through this review – these relate to matters raised either through WaterNSW's proposal or through stakeholder feedback received through the course of this review.
3. Estimates we used to enable an indicative NRR analysis in this review – these estimates do not feed into pricing in this Determination, and have been included for transparency rather than as key decisions.

The decisions are listed below. A full list can be found in Appendix F.

List 1: Decisions we have made for this 1-year determination

- To set prices for a 1-year determination period commencing 1 July 2025 and ending 30 June 2026, or when replaced.
- To commence the next review of maximum prices for WaterNSW bulk water services to rural valleys immediately, including publishing a draft report and draft determination and holding a public hearing before issuing a final report and determination.
- Not to require a new submission from WaterNSW
- To note that it will be open to the Tribunal in the next review to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue.
- To note that we estimate that WaterNSW's rural valleys operations are likely to be financeable under our 1-year pricing determination as long as expenditure does not exceed allowances included in IPART's indicative NRR.
- To increase existing prices by:
 - For bulk water customers (excluding North and South Coast but including Fish River): by 5.8% plus inflation of 2.4%, a total of 8.3%, uniformly across all valleys.
 - For MDBA customers: an increase in the MDBA charges of 0.6% plus inflation of 2.4%, a total of 3.0%.
 - For BRC customers: an increase in the BRC charges of 1.1% plus inflation of 2.4%, a total of 3.5%.
 - All other prices (North Coast, South Coast and Yanko Creek levy) are increased by CPI only, which is 2.4%.
- To set forecast water entitlement and water usage volumes for regulated rivers as shown in Table 10.1.
- To set forecast Minimum Annual Quantities (MAQ) and water usage volumes for the FRWS as shown in Table 10.2.

- To set bulk water entitlement charges as shown in Table 12.1.
- To set bulk water take charges as shown in Table 12.2.
- To set a special entitlement charge for WaterNSW-Rural Valleys for the North Coast and South Coast Valleys as shown in Table 12.1.
- To increase Irrigation Corporations and districts discounts by CPI (2.4%), as outlined in Table 2.5 of the Determination.
- To set the charges for bulk raw and filtered water for the Fish Water River Scheme as shown in Table 12.3, and maintain the minimum annual quantity (MAQ) of FRWS customers at existing levels, as outlined in Table 3.1 of the determination.
- To set the Yanco Creek Levy at \$0.92 per ML of entitlement.
- To set existing meter service charges as outlined in Table 4.1 of the Determination.
- To set meter accuracy testing charges as outlined in Table 4.2 of the Determination.
- To set other trade processing and FRWS connection and disconnection charges as outlined in Table 4.3 of the Determination.
- To maintain new metering charges at current levels, as outlined in Part 5 of the Determination, with these charges to be replaced by the WAMC determination from 1 October 2025.

List 2: Decisions we have made in response to feedback through this review

- To exempt Aboriginal cultural and Aboriginal community development licences from all WaterNSW-Rural Valleys regulated charges.
- To index the Yanco Creek levy to CPI.
- To not accept WaterNSW's proposal for a revenue cap for rural and regional bulk water services.
- To not accept WaterNSW's general pass-through provisions for regulatory change, service standard, tax changes, insurance coverage, insurer's credit risk, natural disaster or terrorism events.
- To not accept WaterNSW's nominated pass-through provisions for operating licence changes, non-urban metering reform and the Chaffey pipeline's drought operations.
- To maintain the valley-based approach to setting WaterNSW's rural bulk water service charges for the 12 valleys and for the Fish River Water Supply Scheme.
- To maintain the current 2-part price structure for WaterNSW's rural bulk water service charges for each of the Murray–Darling Basin and Coastal valleys (i.e. excluding Fish River Supply Scheme).
- To:
 - maintain the existing approach to calculating the indicative high security premium
 - maintain the current security factors
 - use the high security premiums to calculate entitlement charges.

List 3: Estimates we used to enable an indicative NRR for analysis in this review

- For transparency, we have included IPART's current indicative working NRR and its building blocks:
 - Regulatory Asset Base capital expenditure of \$312.6 million over 2020-21 to 2024-25, as shown in Table 5.1 and Table 7.3.
 - Capital expenditure for 2025-26 of \$45.6 million as shown in Table 5.2 and Table 7.3.
 - Indicative opening RAB of \$1,293.9 million on 1 July 2025 and closing RAB of \$1,312.7 million on 30 June 2026.
 - Operating expenditure for 2025-26 of \$62.9 million as shown in Table 4.2 and Table 7.1.
 - Return on assets of \$46.2 million as shown in Table 7.2.
 - Return of assets is \$26.4 million, which is also the regulatory depreciation as outlined in Table 7.4.
 - Tax allowance of \$1.4 million as shown in Table 7.7.
 - Return on working capital of \$1.4 million as shown in Table 7.8.
 - Cost of debt true-up allowance of \$0.6 million as shown in Table 7.9.
 - Unders and overs payback of \$1.9 million as shown in Table 7.10.
 - Irrigation Corporation and Districts rebate of \$1.9 million as shown in Table 7.11.
 - Customer share of WaterNSW's Rural Valleys NRR of \$123.1 million as shown in Table 8.1.
- For our indicative NRR analysis, maintain the indicative cost share ratios from our 2021 Determination as shown in Table 8.2.

Chapter 2

Assessment of WaterNSW's pricing
proposal for NSW Rural Valleys

02

Summary of decisions resulting from WaterNSW's pricing proposal

Our decision is to set prices for a 1-year determination

Our decision is to set prices for 1 year as we are not yet convinced that all of the increased costs proposed by WaterNSW for NSW Rural Valleys are sufficiently justified based on our consideration of WaterNSW's proposal, stakeholder submissions and all the matters IPART is required to consider in this review.

IPART sets maximum prices that WaterNSW can charge its customers for rural bulk water services, under the IPART Act. In setting these maximum prices, we assess WaterNSW's pricing proposal and make decisions to protect customers from the abuse of monopoly powers and ensure that the prices they pay are fair, efficient and aligned with their best interests.

In our assessment of WaterNSW's proposal, we carefully balanced the factors we are required to consider under the IPART Act. Each of the chapters in this report explain how we took into account these considerations in reaching our decisions on WaterNSW's costs, price settings, prices, and service standards for NSW Rural Valleys.

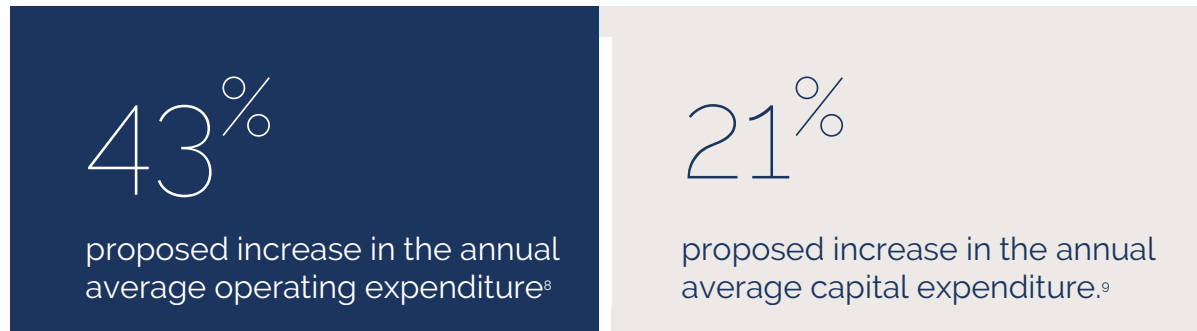
The considerations under sections 14A(2) and 15(1) of the IPART Act have been central to our approach in setting maximum prices

We applied the considerations in the IPART Act when setting WaterNSW's maximum prices. Those considerations include affordability, WaterNSW's cost of providing bulk water services; the need to protect WaterNSW's customers from abuses of monopoly power; the effect of our prices on general inflation over the medium term; the need for WaterNSW to be more efficient so as to reduce costs for the benefit of its customers and taxpayers; the social impacts of our prices; and standards, quality, reliability and safety. In each of the subsequent chapters of this report, as well as Appendix A we explain how we applied the considerations and the IPART Act in setting WaterNSW's maximum prices for NSW Rural Valleys.

We used our [Water Regulation Handbook](#) when we assessed WaterNSW's proposal. Our [Water Regulation Handbook](#) includes a water regulation framework based on customers, costs and credibility and provides a useful system for analysing the considerations in the IPART Act we must or may take into account.

2.1 Summary of WaterNSW's proposal for Rural Valleys

In order to meet its regulatory and legislative obligations, WaterNSW included a cost reflective base case in its proposal. The base case included a proposed revenue requirement of \$982 million over a 5-year determination period. This represented an annual average revenue requirement of \$196 million, which is 53% higher than the annual average revenue requirement in the current determination period.⁷ The proposed increase is driven by:



WaterNSW noted that "for rural customers, if the higher costs in the cost reflective base case are fully passed through to customers, it would lead to price increases beyond what they told WaterNSW they can afford¹⁰." Therefore, WaterNSW stated it provided cost reflective prices "as a starting point for IPART to assess the prudence and efficiency of its proposed expenditures", and that IPART can then assess whether the proposed costs lead to prices that are affordable for customers."¹¹

WaterNSW included 3 alternative scenarios; each encompassing a 15% price cap with variations on asset lives and pricing models, in its proposal that would see smaller price impacts for customers¹². However, these alternative scenarios involved setting prices below cost reflective levels which required additional funding to meet WaterNSW's proposed costs. WaterNSW did not specify how the revenue gaps resulting from each alternative scenario should be funded. Rather, it recommended that IPART "engage jointly with WaterNSW and the NSW Government in an effort to collaboratively work towards finding the right balance when forming its independent view of rural bulk water charges."¹³

WaterNSW proposed to change the form of price control from its current price cap to a revenue cap, to better manage the impact of water sales or revenue volatility on customer prices and its ability to recover efficient costs¹⁴. WaterNSW also proposed to increase the fixed proportion of some prices, with Licensed Environmental Water (LEW) holders proposed to move to a 100% fixed price (currently 40% fixed in most rural valleys), and Lachlan Valley entitlement holders proposed to move to 80% fixed price (currently 40% fixed)¹⁵.

WaterNSW did not propose changes to the cost shares currently in place under its cost reflective base case proposal. However, under the alternative scenarios included in the proposal, WaterNSW identified the potential to increase the government's share of costs for 3 cost categories - dam safety compliance, environmental planning and protection, and flood mitigation in 2 valleys.¹⁶

Under the cost reflective base case, bill impacts would vary across rural valleys. WaterNSW noted that prices in the North Coast and South Coast valleys have remained constant in real terms in the current determination period, funded by Community Service Obligation (CSO) subsidy payments from the NSW Government¹⁷. It proposed to retain the current price levels in real terms for the upcoming determination period for these valleys funded by CSO payments.¹⁸ Under WaterNSW's cost reflective base case bills would increase in all other rural valleys:

- For high security customers, by a range between 17% and 36% per year (excluding inflation).
- For general security customers, by a range between 17% and 37% per year (excluding inflation).¹⁹

WaterNSW considered there is regulatory precedent for a price cap of this nature, and stated that customer engagement supported the alternatives to the cost reflective base case²⁰. WaterNSW's proposal did not specify how the revenue gaps resulting from each alternative scenario should be funded. WaterNSW's proposal did not address in detail how affordable the price increases would be under the alternative scenarios. The level of subsidy paid by taxpayers is a matter for the NSW Government and IPART would be concerned at setting a price cap which changes the expected cost share from the NSW Government without appropriate consultation.

WaterNSW also proposed the regional pricing framework as an alternative to the current valley-based system in their alternative scenario. Under the regional pricing framework, charging for capital and operating expenditure would shift to regionally-based charges, with regions being amalgamations of multiple valleys. WaterNSW proposed this change will provide benefits to customers and the business, including:

- Minimising price shocks between valleys within and between valleys in the future as expenditure are allocated across a wider customer base
- Providing WaterNSW with flexibility to operate across the region to deliver its required investment programs while still focusing on the priorities of each valley
- Providing opportunities for improved efficiency as the regionally based framework aligns to WaterNSW's regional structure for its maintenance and operational activities
- Achieving other administrative improvements, including more straightforward cost allocation across valleys.²¹

WaterNSW's proposal, and IPART's review, have raised broader challenges that WaterNSW is facing. As a result, we have decided not to grade the proposal. These challenges will take time to work through, but due to a one-off legal requirement we are unable to extend the timeline for this review. Under the water regulation framework, the default length of a determination period is 5 years, however IPART can set a determination period of a shorter length, and has therefore decided to set a short-term determination for 1 year and commence our next pricing review immediately.

Our decisions:

1. To set prices for a 1-year determination period commencing 1 July 2025 and ending 30 June 2026, or when replaced.
2. To commence the next review of maximum prices for WaterNSW bulk water services to rural valleys immediately, including publishing a draft report and draft determination and holding a public hearing before issuing a final report and determination.
3. Not to require a new submission from WaterNSW.
4. To note that it will be open to the Tribunal in the next review to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue.

2.2 WaterNSW's response to our information paper

WaterNSW responded to our Information Paper with a range of concerns about our draft decisions. It stated that the draft prices "do not provide sufficient funding to keep WaterNSW solvent and to allow it to meet statutory and legal obligations."²² It argued that the proposed price paths were out of step with regulatory determinations in other jurisdictions. On this point, WaterNSW indicated that it did not believe IPART's assessment of its costs, including the impact of current market conditions, interest rates and the regulatory obligations and service levels of the business was correct, and that it is out of line with IPART's own guidelines and regulatory obligations.

WaterNSW also submitted that IPART has not had regard to the relevant matters in the IPART Act for a determination period on prices, including the impact on public sector assets and the impact on debt and equity holders. It claimed "WaterNSW considers that IPART has not deliberated, as required, on the relevant matters in Section 15 of the IPART act and the matters in the Water Charge Rules 2010 in considering the proposed allowed revenues and WaterNSW's ability to operate as a going concern financially."²³

WaterNSW believed there was no guidance from IPART on how WaterNSW would recover unfunded revenues when final determinations are made. It also submitted that there was no guidance as to how WaterNSW should finance new and existing debt, believing that IPART had not followed its own guidelines in determining the WACC allowance.²⁴

2.2.1 WaterNSW proposed price increases of 25% per year for 3 years

In its response,²⁵ WaterNSW included its minimum essential revenue requirements (MERR) scenario, which it states would be necessary to remain solvent and meet basic statutory and regulatory obligations. WaterNSW submitted that under this scenario, customer service levels would fall and WaterNSW's operational risks would increase. Under this scenario, prices would need to increase by 25% (excluding inflation) each year for the three years starting in 2025-26, or by a one-off increase of 48% (excluding inflation) in 2025-26 followed by no real increases in 2026-27 and 2027-28.

Except for North Coast and South Coast valleys, WaterNSW proposed to maintain IPART's approach of charging the same percentage increase to each charge in each valley to reflect the shorter-term nature of a 3-year determination. Valley specific adjustments and reconciliations would need to be considered as part of the subsequent determination.

Operating expenditure

Under the MERR scenario, WaterNSW proposes \$249.5 million (\$2024-25) of operating expenditure over a 3-year period for Rural Valleys. This is:

- \$22.2 million (\$2024-25) or 37% higher than the average annual allowance allowed for the 2021 determination period
- \$68.6 million or 38% higher than the allowance based on the draft prices in IPART's Information Paper
- \$6.6 million or 3% lower than its original (September 2024) proposal.

WaterNSW noted that while it has reduced the level of operating expenditure in its MERR scenario compared to its September 2024 proposal, the reduction is masked by a large level of capitalised overheads (\$8 million per year) that it submitted have necessarily been reallocated to operating expenditure due to the approximately 70% lower implied capital program in the Information Paper.²⁶

Capital expenditure

Under the MERR scenario, WaterNSW proposed \$248.4 million (\$2024-25) of capital expenditure over a 3-year period for Rural Valleys. This is:

- \$20.8 million (\$2024-25) or 34% higher than the average annual allowance allowed for the 2021 determination period^a
- \$156.9 million or 171% higher than the allowance based on the draft prices in IPART's Information Paper
- \$166.2 million or 40% lower than its original (September 2024) proposal.

a The 2021 allowance excludes drought-related expenditure on dams because the three large dam infrastructure projects for drought have been transferred over to the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW).
2024-25 figures are forecasts. Totals may not add due to rounding.

2.2.2 WaterNSW's views on IPART's financeability tests

WaterNSW submitted that IPART has not appropriately considered WaterNSW's financial sustainability, and that IPART's financeability assessment does not fully capture WaterNSW's financial sustainability concerns. It submitted that there are flaws in the benchmark financial sustainability calculations, and that the calculations do not align to WaterNSW's forecast costs.

WaterNSW's response included a report from Frontier Economics that analysed IPART's proposed approach for WaterNSW-Rural Valleys for the regulatory period beginning in 2025, including financeability considerations. In this report, Frontier Economics on behalf of WaterNSW submitted that under the proposed 3-year determination in the Information Paper, WaterNSW would not pass the benchmark financeability test. Additionally, it submitted that the method to calculate the WACC should be corrected, and further stated that WaterNSW's proposed opex and capex should be considered when calculating the ratios.²⁷

Frontier Economics calculated an implied WACC of 1.0% and an implied allowed return on equity of -1.7%.^{b,28} This means that equity holders would be required to pay in real terms to supply equity capital to WaterNSW.

2.2.3 IPART's response to WaterNSW's submission to the Information Paper

We considered the matters raised by WaterNSW, Frontier Economics, NSW Government and stakeholders over the course of our review.

WaterNSW's financial sustainability

Our analysis indicates that WaterNSW will be financeable for the next year with our maximum prices. We estimate that our maximum prices will result in a small increase in WaterNSW's revenues compared to the current determination period. We consider that the revenue WaterNSW will derive from our maximum prices over the next year should be sufficient to allow WaterNSW to meet its obligations, including its liabilities, provided WaterNSW works within the envelope of revenue we have allowed. We provide information in the following chapters which supports our analysis and estimates.

IPART's legislative framework

We have carefully weighed our legislative considerations when setting the maximum prices for WaterNSW-Rural Valleys for a 1-year period. In doing so, we also thoroughly weighed WaterNSW's pricing proposal against all comments we received in written and verbal submissions and our independent expert expenditure consultants' report.

In particular, we gave thorough and active consideration to:

- whether WaterNSW's pricing proposals provided to IPART in September 2024 and June 2025 reflected the efficient costs of providing the services
- whether they protected customers from abuses of monopoly power in terms of prices and standards of service

^b Assuming a 3-year determination period.

- the effect of WaterNSW's prices on general inflation
- the need for greater efficiency in the services supplied by WaterNSW so as to reduce costs for the benefit of consumers and taxpayers
- the need for WaterNSW to maintain ecologically sustainable development with appropriate pricing policies that take into account all feasible options to protect the environment
- the impact of WaterNSW's proposed prices on borrowing, capital and dividend requirements of the NSW Government, including the impact on WaterNSW's ability to renew or increase its assets
- the impact of WaterNSW's pricing policies on its arrangements with the NSW Government and others
- the need to promote competition for the supply of bulk water services in regional and rural New South Wales
- demand management and least cost planning
- the social impacts of our determination, especially in rural and regional New South Wales, and the standards of quality, reliability and safety of WaterNSW's bulk water services in rural and regional New South Wales.

The outcome of our consideration of those matters is that we have made a short-term determination of 1 year to set WaterNSW's prices for Rural Valleys based on WaterNSW's current prices (2024-25) plus an allowance for safety expenditure and escalated that amount by CPI. This is to avoid prices that WaterNSW's customers have told us they cannot afford and to allow time for WaterNSW, the NSW Government and IPART to work together to find a more sustainable operating model for WaterNSW.

Guidance on how WaterNSW would recover unfunded revenues

This short-term determination is designed to avoid a period of time in which there is no valid price determination and no protection for consumers. The short-term determination also allows more time for IPART to work with WaterNSW, the NSW Government and WaterNSW's rural and regional customers to work through the broader challenges raised in this review, find the efficient revenue allowance for WaterNSW-Rural Valleys, and determine the appropriate customer share of prices going forward. It will be open to the Tribunal in the next review to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue.

IPART financeability tests

We have considered the analysis provided by WaterNSW and the report from Frontier Economics. Over the 2021 determination period, WaterNSW-Rural Valleys recovered around \$42 million per year (\$2024-25) from the NSW Government, meaning the Government share was 33% of WaterNSW's Rural Valleys notional revenue requirement (NRR). This amount excludes Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC) component of the NRR. In 2025-26, we estimate that the Government share of WaterNSW's Rural Valleys indicative NRR will be around \$42 million^c (\$2024-25), or around 29% of the total indicative NRR. We arrived at this estimate by applying the current cost shares to our indicative NRR. The current cost share ratios have not changed in our 1-year determination, so the difference noted above in Government share is simply a function of the proposed costs that WaterNSW has submitted. As discussed in Chapter 8, we intend to review the cost shares for the next determination. It appears that Frontier Economics did not include the Government share of revenue in its financeability analysis.

In our assessment of WaterNSW-Rural Valleys financial sustainability we have included the Government's share.^d After including this, we estimate the effective real return on equity would be at around 1.5% under the prices and costs.

For the Final Report, IPART has conducted benchmark financeability tests using a WACC of 3.6% for MDB Valleys and a WACC of 3.1% for the coastal valleys. These WACC values are based on a 1-year determination (see Appendix D for more information). We have also completed an actual financeability assessment based on a nominal cost of debt of 5.5%, which WaterNSW described in its submission as the current interest rate.²⁹ In summary, these assessments show that WaterNSW would likely be financeable in the short-term under IPART's decision to increase most WaterNSW-Rural Valleys bulk water prices by 5.8% plus inflation in 2025-26, as long as expenditure does not exceed the allowances included in the indicative NRR for WaterNSW-Rural Valleys. Our detailed financeability assessment is available in Appendix B.

^c Excluding MDBA and BRC.

^d It appears that Frontier Economics did not include the Government share of revenue in its financeability analysis.

Chapter 3 »

What we heard from stakeholders

03

Summary of what we heard from stakeholders

Stakeholders questioned WaterNSW's proposed costs

We have heard over the course of this review that customers do not agree with WaterNSW's proposed costs and consider that these have not been sufficiently justified through the customer engagement and price review processes. Customers also expressed concerns about the lack of transparency in costs passed on by the Murray-Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC).

The majority of submissions supported the approach in our Information Paper

Most submissions were supportive of the draft decision to increase prices by 1.9% in real terms. Customers said that WaterNSW's initial proposed costs are too high and would have led to exorbitant price increases that threatened the viability of farming businesses.

Some submissions agreed with the draft decision to allow for increases to safety-related costs, while others questioned if these should be shared with the broader community.

Some submissions did not agree with carrying forward prices from the previous determination and believed that costs need to increase by more than what is allowed under the draft prices. These submissions also expressed concerns about the possible impacts of reduced revenue on WaterNSW's financial sustainability.

Most stakeholders agreed with a 3-year determination period

Stakeholders considered that this strikes the right balance between price stability for irrigators and flexibility to respond to changes in external factors. Stakeholders also identified a range of matters that they considered WaterNSW should focus on over the next 3 years.

Some stakeholders expressed preferences for a longer determination period.

WaterNSW's submission requested that IPART commit to making a final determination within 12 months. If this is not possible, WaterNSW expressed conditional support for IPART's 3-year determination period provided the revenue requirement is based on full recovery of its proposed minimum essential revenue requirement, which would lead to annual prices increases of 25% (excluding inflation) for each of the next 3 years.

Most stakeholders did not agree with adjusting for updated water sales volumes

Stakeholders did not believe the 20-year rolling average is a representative projection of future water sales.

Stakeholders raised a range of other concerns

Cost shares was a key theme in submissions to the Issues Paper and the Information Paper. Stakeholders considered that the cost shares between water users and the NSW Government should be reviewed.

Some stakeholders raised concerns about IPART's review process.

We have sought feedback from stakeholders throughout this review, including:

- 1 November 2024, we published WaterNSW's 2025 pricing proposal and an [Issues Paper](#) summarising the key aspects of the proposal. We invited stakeholders to make written submissions over 5 and a half weeks.
- 14 November 2024, we held an online Public Hearing which allowed the community to let us know what they thought about the pricing proposal and ask questions directly to WaterNSW and to IPART.
- 14 May 2025, we published an [Information Paper](#) outlining our draft decisions on the maximum prices WaterNSW can charge for its rural bulk water services, and its bulk water, raw and unfiltered water services in the Greater Sydney area. We invited stakeholders to make written submissions over a 3-week period.

We heard from a range of stakeholders over the course of this review including individuals, businesses, and industry organisations and associations. We also received submissions from government bodies including the Dumaresq-Barwon Border Rivers Commission (BRC), the Commonwealth Department of Climate Change, Energy, the Environment and Water (DCCEE), the NSW Government, and a range of local councils. WaterNSW also made submissions to our Issues Paper and Information Paper.

We thank all stakeholders for their time and effort spent to provide us with feedback through these avenues. We considered all feedback received to inform our analysis and decisions on WaterNSW's prices. Our consultation with stakeholders has helped us to form our final decisions, particularly relating to the social impacts of our determination under section 15(1) of the IPART Act including section 15(1)(k).



The following sections of this chapter discuss the main concerns we have heard from stakeholders over the course of this review, and stakeholders' views on the draft decisions presented in our Information Paper.

3.1 A majority of submissions supported the draft prices

The affordability of prices has been a primary concern for stakeholders throughout our review.

Customers generally supported the draft decision to increase prices by 1.9% in real terms. Some stakeholders said that they cannot afford more price increases, particularly given increases in other living expenses.³⁰ They also noted that WaterNSW's initial proposal would have led to unaffordable price increases and threatened the viability of farming businesses.³¹

In response to our draft decisions, the NSW Irrigators' Council wrote in its media release:

*"NSWIC and its members told IPART loud and clear the current water pricing model is broken and must be fixed if our farmers are not to be priced out of business and local NSW produce priced off supermarket shelves. IPART has heeded that message, stating that its draft determination will enable affordability, cost-sharing, services and other issues to be worked through over the next three years to June 2028."*³²

A submission from the Murray Regional Strategy Group (MRSg) was also supportive of the draft determination, stating:

*"MRSg welcomes IPART's acknowledgment that the proposed WaterNSW price increase are not justified."*³³

One stakeholder expressed concern about the draft decision to allow a price rise plus inflation. They considered that the idea that inflation can be embedded as a base in approving higher prices to be charged by government bodies is unacceptable, particularly for farmers with no real ability to pass on inflation/rising costs. They also considered that government bodies should focus on containing costs so that their charges slow inflation generally, to relieve cost of living pressures.³⁴

3.1.1 Stakeholders had differing views on the safety-related costs

In our [Information Paper](#), we asked stakeholders whether WaterNSW's proposed safety-related costs (including dam, crane and electrical safety) should be included in WaterNSW prices.

Some stakeholders supported the inclusion of safety-related costs, provided that they are necessary and efficient. Peel Valley Water Users Association stated that WaterNSW needs to be compliant with safety and other legislation and should not be operating in an environment where the equipment is a risk to the operators.³⁵ The Commonwealth DCCEW's submission recognised the need for WaterNSW to fund critical safety-related measures required to operate its infrastructure.³⁶ EnergyAustralia also expressed support for the Tribunal's approach of allowing minimum expenditure for projects and activities that are critical from a safety perspective.³⁷

Hunter Valley Water Users Association (HVWUA) observed that WaterNSW has been inefficient and wasteful in the use of water user funds to perform safety-related projects in previous determination periods. It emphasised that if water users must pay, the costs must be efficient and represent value for money.³⁸

HWVUA also raised that safety-related costs should be shared with the broader community as they also benefit from these works.³⁹ This view was shared by other stakeholders including Jemalong Irrigation Limited, which strongly opposed the blanket inclusion of safety-related costs without disaggregating the costs that serve public benefit versus those that serve customers directly.⁴⁰ One stakeholder considered that safety-related costs should be borne by the State, not private farmers.⁴¹

Our final decision on the inclusion of safety-related costs is set out in Chapter 12.

3.1.2 Some submissions considered that costs need to increase

Other stakeholders did not agree with the draft prices in the Information Paper and believed that costs need to increase by more than the amount allowed under IPART's draft prices.

BRC expressed disappointment about the draft decision to allow MDBA and BRC prices to increase by CPI only and thought that the Tribunal did not provide sufficient justification for its draft decision not to accept BRC's proposed costs. It asked that the Tribunal consider including its costs with other essential elements included above the CPI increase.⁴²

The Commonwealth DCCEEW raised that the continued deferral of fishway construction at Wyangala Dam, Marebone Break Regulator, and Gunidgera Weir risks undermining environmental objectives and increasing future costs. It urged IPART to consider how these obligations should be funded as a matter of priority.⁴³ The Commonwealth DCCEEW also expressed support for funding river operations, the maintenance of infrastructure and the joint venture operations of the MDBA and BRC.⁴⁴

Infrastructure Partnerships Australia and the Water Services Association of Australia (WSAA) both considered that significant deferral in asset investment is not in the long-term interests of customers.⁴⁵

WSAA's submission stated that the decision to 'roll prices forward' does not constitute setting prudent and efficient prices for WaterNSW. It noted that capital expenditure is increasing steeply across the Australian water sector, and it is unaware of any Australian water utility that can reduce its capital expenditure in coming years. It also noted that it is well known that operating costs are increasing in real terms and questioned IPART's decision to freeze WaterNSW's operating costs at levels set in the previous determination while approving real operating cost increases for Sydney Water and Hunter Water.⁴⁶

The NSW Government emphasised its expectation that WaterNSW needs to continue to provide safe and affordable services to customers and meet their existing statutory and legislative obligations, and prices need to be established on this basis.⁴⁷

WaterNSW did not support the draft prices in our Information Paper. It considered that these prices would threaten its financial sustainability and ability to remain solvent. Under these prices it would be unable to fulfil its obligations, leading to a degradation of customer services in the delivery of bulk water. It would also not be able to meet all of its new regulatory and statutory obligations, including under its new Operating Licence.⁴⁸

Our views on costs are set out in Chapters 4, 5 and 8, and Chapter 11 outlines our approach to setting prices.

3.1.3 Stakeholders had differing views on financeability

In our [Information Paper](#), we asked stakeholders whether the draft pricing decisions were likely to provide adequate revenue to support WaterNSW's financial sustainability for up to 3 years.

Stakeholders had mixed views on this. Some considered that IPART's draft prices would provide WaterNSW with adequate revenue to be financially sustainable over the short term, provided that WaterNSW focuses on baseline services.⁴⁹ The NSW Irrigators' Council acknowledged that new infrastructure and programs may not be achievable under the temporary determination but pointed to financial metrics presented in WaterNSW's 2024 Annual Report as evidence that its budget situation is not dire.⁵⁰

Infrastructure Partnerships Australia, the WSAA and WaterNSW expressed concern that IPART's draft prices could impact WaterNSW's financial sustainability.⁵¹

Infrastructure Partnerships Australia considered that the heavily constrained draft determination by IPART will impact WaterNSW's ability to effectively operate and provide reliable services during the next 3 years. It noted that WaterNSW projects to make losses in 2024-25 and 2025-26, and the reduced revenue during the proposed 3-year determination may further impact its financial sustainability.⁵²

WaterNSW considered that IPART's financeability test understates the extent of the financial stress on its financial position and submitted an expert report from Frontier Economics that assess the financing and regulatory implications of IPART's proposed approach.⁵³

The NSW Government requested that the financeability tests for IPART's Final Report include an actual financeability test using WaterNSW's actual cost of debt, in addition to the benchmark test included in the Information Paper.⁵⁴

Our assessment of WaterNSW's financeability is in Chapter 14 and Appendix B.

3.2 Stakeholders support a short determination period

In our [Information Paper](#), we asked stakeholders whether they agreed with the draft decision to set a 3-year determination. The submissions generally supported a 3-year determination period with individuals, organisations, and government bodies stating that the 3-year period must be used for a broader review of WaterNSW, and that irrigators need to be closely involved in this. Our decision on the length of the determination is discussed in Chapters 2 and 11.

WaterNSW's submission requested that IPART commit to making a final determination within 12 months. If this is not possible, WaterNSW expressed conditional support for IPART's 3-year determination period provided the revenue requirement is based on full recovery of its proposed minimum essential revenue requirement, which would lead to annual prices increases of 25% (excluding inflation) for 3 years.⁵⁵

3.2.1 Most stakeholders support a 3-year determination period

Stakeholders were in favour of the 3-year determination period as it strikes a balance between price stability and responsiveness to changing conditions, gives irrigators enough time to plan ahead while allowing WaterNSW and IPART to adjust if external factors shift significantly, and allows sufficient time for WaterNSW to change its approach in determining its efficient valley-based costs and services.

The Commonwealth DCCEE⁵⁶ supported a shorter-term determination period of up to 3 years:

*"This approach provides a pragmatic and flexible pathway to address the complex issues raised during the review, including the need for further work on cost efficiency, customer affordability, and broader challenges facing WaterNSW. It also allows time for meaningful engagement with stakeholders and the NSW Government on long-term sustainable pricing and service delivery models."*⁵⁶

Stakeholders expressed that the 3-year period must be used to fundamentally reform the structure and cost base of WaterNSW. Submissions stressed the need for a deep, transparent review that tackles inefficiencies, outdated cost-sharing arrangements, and the viability of the state-owned corporation model, and for irrigators, farms and local communities to be involved.

The New South Wales Irrigators Council (NSWIC), supported by the NSW Farmers Association⁵⁷, submitted that:

*"NSWIC supports IPART's decision to set a three-year draft determination period, as long as this time is properly used for a wholesale review of the WaterNSW business structure and cost-sharing arrangements... NSWIC believes that this review should not just tinker at the margins but should be a deep review of the fundamental business structure of WaterNSW... We believe all key customer stakeholders, IPART, WaterNSW and relevant shareholding Ministers must be involved around the table... with key stakeholders being given access to adequate information to scrutinise cost drivers and WaterNSW operations."*⁵⁸

Gwydir Valley Irrigators Association Inc. endorsed by Cotton Australia⁵⁹, recommended that:

*"...over the next three years there needs to be a fundamental performance review of WaterNSW to ensure enhanced efficiencies and cost management so WaterNSW can deliver the fundamental service, bulk water delivery, to customers... The outcomes of this review should inform a fundamental review of the structure corporate objectives and regulatory framework for WaterNSW... Water users request to be actively involved in this fundamental review of the structure of WaterNSW."*⁶⁰

It also noted that:

*"a fundamental review should investigate the challenges of the expectation of a dividend to government given the volatile nature of the business."*⁶¹

Peel Valley Water Users Association submitted that it was strongly in favour of the 3-year determination period as it would give:

*"WaterNSW time to undertake strategic discussions with the NSW government of the important issues and review whether WaterNSW, as currently regulated, is actually the most appropriate model."*⁶²

Lachlan Valley Water INC, endorsed by Cotton Australia⁶³, submitted that:

*"The focuses on the price structures in the Lachlan and other Valleys should be further considered over the next three years. The transfer of volatility costs entirely onto customers is emblematic of the SOC model not working. A business that would be open to competition is extremely unlikely to have a price structure that is 100% certain. This risk sharing with customers should be a discussion to have across valleys."*⁶⁴

Murrumbidgee Irrigation indicated that prices for a fixed 3-year period would be important for certainty and business planning purposes.⁶⁵

3.2.2 Some stakeholders support a longer determination period

Some submissions expressed a preference for a longer determination period. These stakeholders considered a 3-year determination period is not long enough as they are constantly being asked to make submissions on government determinations and plans. Jemalong Irrigation Limited submitted that:

*"...a 3-year timeframe introduces uncertainty at a time when long-term confidence is critical. Agricultural enterprises make investment decisions over 5–10 year cycles, and lack of forward pricing guidance undermines strategic planning... The absence of clear long-term pricing policy is affecting farm viability and the ability of irrigators to secure finance or maintain investment in water infrastructure."*⁶⁶

The Hunter Valley Water Users Association (HVWUA) submitted that:

*"...HVWUA remain concerned about WaterNSW's Rural Valleys ability to create a justified, fair and affordable proposal within three years given the scope of change that is required... It may be appropriate to adopt a five-year determination period to resolve long-standing pricing issues and ensure the process is not rushed."*⁶⁷

Murray Irrigation Limited accepted the 3-year period as a minimum starting point but considered given the scale of transformation needed, a longer period of 4-5 years may be necessary to meaningfully demonstrate progress and outcomes.⁶⁸

3.2.3 Stakeholders made suggestions for WaterNSW's focus over the determination period

Stakeholders submitted a range of matters that WaterNSW should focus on over the next 3 years, including efficiency, affordability, transparency and engagement.

Peel Valley Water Users Association submitted that "there would be benefit in forensically examining WaterNSW's direct costs" and that there needs to be further discussion with the State Government on financial engineering aspects including the imposition of an expected return based on WACC and asset value, and depreciation costs.⁶⁹

HVWUA submitted that WaterNSW should focus on becoming more efficient and reduce costs, improve customer record data, improve customer services, communications, consultation and perform a review of the WaterNSW business model.⁷⁰

The NSW Irrigators Council, supported by Cotton Australia⁷¹ and the NSW Farmers Association⁷², submitted that WaterNSW should focus on delivering water to users in an efficient and affordable manner over the next 3 years, stick to core business and look for ways to improve efficiency.⁷³

Coleambally Irrigation Co-operative Limited submitted that WaterNSW should focus on a range of issues. These included establishing efficient valley-based costs, clearly identifying the cost drivers for services to support a review of cost shares, and the identification, quantification and separation of regulatory costs and non-commercial activities.⁷⁴

Jemalong Irrigation Limited considered that "WaterNSW must improve cost transparency and more clearly distinguish between commercial delivery costs and those associated with broader public benefit," and also focus on improving operational efficiency, introducing service-level benchmarks and working with stakeholders.⁷⁵

Other stakeholders submitted that WaterNSW should be driving internal efficiency, fixing the cost-share model, focusing on reducing costs at all stages, and improving the delivery of outcomes.⁷⁶

3.2.4 Stakeholders called for collaboration

As part of a fundamental review, stakeholders called for collaboration between IPART, regulated entities, the NSW Government and communities.

Murray Regional Strategy Group considered that there is a need for policy reform to address the bureaucratic framework governing water management which has become overly complex and enabling stakeholders to co-design solutions that protect the environment and sustainability of rural communities. It also considered that the involvement of affected communities, agricultural representatives, and industry experts is essential to ensuring future pricing determinations reflect economic realities.⁷⁷

Coleambally Irrigation Co-operative Limited recommends structured water user engagement on the issues being considered by IPART, WaterNSW and the NSW Government.⁷⁸

Infrastructure Partnerships Australia acknowledges that the broader issues and structural challenges WaterNSW faces require careful consideration by the Government, IPART and WaterNSW, which may require wider reform to enable WaterNSW's effective operation.⁷⁹

HVWUA submitted that WaterNSW should focus on:

*"Developing a new pricing proposal with the assistance of IPART and in consultation with customers, relevant peak bodies, NSW Treasury, NRAR, NSW-DCCEEW and NSW-DPIE."*⁸⁰

Lachlan Valley Water INC, endorsed by Cotton Australia⁸¹, submitted that there is a need for transparency and ongoing consultation during the next phase of the review of WaterNSW, and that IPART should recommend formally including the NSW Government and rural valley customers to co-design a reform process.⁸²

Jemalong Irrigation Limited highlighted the need to work "with stakeholders to ensure future pricing frameworks are equitable, sustainable, and predictable."⁸³ Murray Irrigation Limited submitted that WaterNSW should ensure business alignment with customer expectations through engagement.⁸⁴ One stakeholder submitted that WaterNSW should focus on rebuilding trust "through clear, transparent communication and genuine engagement with stakeholders that doesn't clash with peak farm seasons."⁸⁵

We appreciate this feedback and have considered it in determining our next steps (discussed in Chapter 15).

3.3 Stakeholders do not agree with WaterNSW's proposed costs

Throughout this review, we have repeatedly heard that customers do not agree with WaterNSW's proposed costs.

3.3.1 Proposed costs were too high

In our [Issues Paper](#), we asked stakeholders how WaterNSW's proposed prices would impact customers. We also asked stakeholders whether WaterNSW's proposal represented a reasonable and efficient balance of costs and service levels, and whether it aligned with customers' willingness to pay.

Many stakeholders across a range of sectors and organisation types were concerned that WaterNSW's proposed price increases would be unaffordable.

Agricultural customers stated the proposed price increases would hinder farming operations and greatly impact their profitability. Some stakeholders believed that this would lead to the closure of some agricultural operations and the potential selling of water licences by irrigators, which could place further upward pressure on prices due to a reduced customer base.

In its response to the proposal, Murray Irrigation Limited stated:

*"IPART faces an immense task in balancing the competing objectives of affordability, sustainability, and fairness in WaterNSW's pricing proposal – this balancing should have been undertaken by WaterNSW over many years. WaterNSW has proposed exorbitant price increases but left it up to the regulator to determine the fairest and best level of increases."*⁸⁶

We noted this sentiment was common across the different valleys, as we observed similar views, for instance from the Peel Valley Water User Association, which stated:

*"The Peel Valley Water Users believes this pricing proposal is absolutely untenable and impossible to support in any way. The price rises are excessive and would cause untold damage to the water users and the industry that they undertake in the Peel valley.... WaterNSW has said in their submission that their key outcome is to "maintain a downward pressure on costs and support customer affordability". This proposed price increase surely cannot coexist with that statement."*⁸⁷

3.3.2 Concerns of potential unrelated costs

Some stakeholders raised concerns that customers were paying for services that benefited segments of the community that may not be bearing the costs of these services.

In its submission, Yanco Creek and Tributaries Advisory Council stated:

*"Water planning and management has expanded beyond what is required for water storage and delivery systems to include climate change adaptation, fish passageways, environmental flow management, recreation and other public good services. These additional costs should be borne by the users, or beneficiaries, of those additional services, not just rural water customers."*⁸⁸

3.3.3 Lack of transparency in MDBA and BRC charges

Stakeholders were generally critical of the level of increases proposed for MDBA and BRC charges, claiming the proposed charges would put undue financial pressure on customers.

Murray Valley Private Diverters stated that the pass-through of MDBA costs are not acceptable in the current form, and stated:

*"In 2024, it should be deemed unacceptable that the Murray Darling Basin Authority (MDBA) can increase its charges by up to 60% without any review process, justification or transparency with its costings."*⁸⁹

Murray Irrigation Limited claimed that the full make-up of MDBA's operational costs, and the assessment of the value for money analysis was not provided.⁹⁰

Southern Riverina Irrigators' submission to our Information Paper expressed concern about the lack of scrutiny around MDBA's out of control cost structure. It questioned who is overseeing the increases in MDBA costs and why a shrinking productive pool should be tasked with the responsibility of funding them.⁹¹

The NSW Irrigators' Council considered that MDBA and BRC costs should be scrutinised as part of a future review of WaterNSW to ensure that they represent value for money and that the activities associated with these charges are necessary.⁹²

Our views on the MDBA and the BRC charges are set out in Chapter 6.

3.4 Stakeholders did not support price adjustments to account for changes in water sales

WaterNSW proposed to adopt a revenue cap with a 5% (plus CPI) side constraint for 9 rural valleys in its September 2024 pricing proposal.⁹³

Stakeholder submissions to our Issues Paper disagreed with WaterNSW's proposed 5% price adjustment mechanism regarding changes to water sales.

The Hunter Valley Water Users Association stated in their submission:

*"We do not support the WaterNSW revenue cap with up to 5% price adjustment per year. It should not be the responsibility of remaining water users to make up shortfall when increased water prices result in lowered water usage. If WaterNSW has observed that less water sales occur when water prices increase, it should be addressed in an alternative strategy without further burdening water users."*⁹⁴

This was a sentiment shared by Murray Irrigation Limited who stated that:

*"Murray Irrigation notes significant concerns relating to a revenue cap. In a series of dry years when farmers are most financially stressed, prices could rise significantly. In a series of wet years when farmers are experiencing higher profitability, prices will fall significantly. We believe that a revenue cap imposes higher costs to our customers when times are tough, and lower costs in the good years. While we have a slight preference for a revenue cap over higher fixed charges, note that we do not support the introduction of a counter-cyclical revenue cap."*⁹⁵

We outline our pricing decisions in Chapters 11-13.

3.4.1 Several submissions did not support adjusting prices to account for changes in water sales volumes

In our Information Paper we sought stakeholder feedback on whether IPART should further adjust WaterNSW's prices to account for a decrease in the 20-year rolling average for water sales volumes from the 2021 price review.

Many submissions that referred to volumes did not support adjusting prices to account for changes in water sales volumes. Several stakeholders disagreed with adjusting prices on the basis that the 20-year rolling average is not a representative projection of future sales and is impacted by drought periods. The Peel Valley Water Users Association considered the 20-year rolling average reflects the severe impact on water availability that the drought of the 2018-2020 period was responsible for and is not reflective of future water use.⁹⁶

The NSW Irrigators' Council noted that the 20-year rolling average sales figure is dragged down significantly by the Millennium Drought and northern 'Tinder Box' drought of 2017-2020, however these dry periods are outliers.⁹⁷ Lachlan Valley Water expressed the view that volumes going forward over a 3-year determination are likely to be affected by water in storages and noted that in the Lachlan Valley storage levels are currently around 80% (as of June 2025).⁹⁸

Stakeholders also raised that the gradual decrease in water use is a structural issue. The NSW Irrigators' Council stated that consumptive water use is decreasing due to water allocation methodology, climate change, water recover and various government policies. It considered that as irrigators are not driving the gradual reduction in water use, they should not be paying to maintain government revenue.⁹⁹ The Hunter Valley Water Users Association believes that water sales volumes will continue to decline as a result of external drivers, and it should not fall on customers to pay higher water prices due to the falling number of irrigators.¹⁰⁰

WaterNSW noted that updating prices for updated water sales volumes is consistent with good regulatory practice and IPART's normal price setting process, and not doing so would place more pressure on its ability to recover revenue. It proposed a uniform uplift of 4% to prices in each valley to account for the 4% reduction in the 20-year rolling average from the 2021 review (based on data from 2000-01 to 2019-20) to the 20-year rolling average based on the latest available actuals.¹⁰¹

Our decisions relating to demand are in Chapter 10.

3.5 Concerns over WaterNSW's accountability

In our [Issues Paper](#), we asked stakeholders what they thought about WaterNSW's engagement process. We also asked if WaterNSW's consultation process had targeted the right stakeholders, and whether the level of content provided to stakeholders was appropriate.

Stakeholders' sentiment regarding WaterNSW's accountability for its proposal was generally negative. Several submissions stated that while WaterNSW did engage with customers to an extent, there were concerns that the business was not taking responsibility for aspects of the proposal.

Irrigators in the Gwydir criticised the proposal and stated that it does not address the issues causing increased costs and affordability issues. The submission from the Gwydir Valley Irrigators Association stated:

*"WaterNSW have developed a proposal that is open-ended putting the onus on IPART to make decisions on its behalf. As a regulated utility that should understand services, drivers, and its customers, it is remarkable that the pricing proposal does not have a preferred option. We will respond to the options outlined in further detail, however, IPART faces an invidious choice without understanding the trade-offs associated with various options."*¹⁰²

3.5.1 Customer engagement

As part of the review process, stakeholders have reiterated concerns with WaterNSW's engagement process, highlighting the need for meaningful customer engagement which aligns business activities with customer expectations.

Murray Irrigation Limited noted shortcomings due to:

*"lack of engagement with Murray-Lower Darling customers, an absence of clarity regarding actual proposed price increases, the use of unrepresentative community panels, and the lack of incorporation of engagement learnings within its price submission."*¹⁰³

The NSW Irrigators Council, supported by Cotton Australia¹⁰⁴ and the NSW Farmers Association¹⁰⁵, submitted that:

*"The consultation process should likewise be improved. NSWIC and many of its members expressed frustration with the Customer Advisory Group (CAG) and felt that the process did little to convey the various trade-offs involved in setting water prices."*¹⁰⁶

3.6 Stakeholders are concerned about cost shares

In our [Issues Paper](#), we asked stakeholders for their views on WaterNSW's proposal to maintain the current cost share ratios and the alternative options WaterNSW provided. We also asked whether there was any new information about WaterNSW's activities we should consider when setting cost shares.

One of the key themes raised in stakeholder feedback to our Issues Paper was whether current cost shares between customers and government are appropriate. Some submissions questioned the current impactor-pays principle and called for the NSW Government to bear a greater share of the costs of some activities, with some citing the inequity of rural water customers paying for benefits enjoyed by the wider community, such as meeting environmental outcomes (see section 8.4 for more details).

Cost shares remained a key theme in submissions received to our Information Paper. Stakeholders identified a number of categories where they considered the community should pay for a greater share of costs.

One stakeholder expressed the view that irrigators are unfairly burdened with the costs of public benefits – from environmental flows to town water support. They believed that the current model assumes irrigators are the sole users and beneficiaries of bulk water, which they consider "could not be further from the truth," and cost shares must be revised accordingly.¹⁰⁷ Another stakeholder considered that costs associated with storage and waterways need to be socialised across the whole community, as they are also the beneficiaries.¹⁰⁸

The Peel Valley Water Users Association considered that the split of responsibilities between the community and water users for costs associated with less tangible aspects of managing the water system should be investigated, and identified fish health, environmental health, associated land management and First Nations' cultural values as a few examples.¹⁰⁹

Several stakeholders emphasised the need to commence a review of the cost shares between water users and the NSW Government. Coleambally Irrigation Co-operative Limited considered that this review would inform the Government's wider consideration of WaterNSW's operating model, and potential blurring of WaterNSW costs for WAMC [Water Administrative Ministerial Corporation] activities undertaken by WaterNSW.¹¹⁰

Murray Irrigation Limited proposed that a beneficiary-pays cost sharing model be applied in part to allocate costs equitably among the valleys. That is, wherever feasible, the beneficiaries of any environmentally or socially driven WaterNSW expenditure is borne by the broader community or government, rather than solely by irrigators.¹¹¹ The NSW Irrigators' Council also considered that 'user-pays' is the best practice approach to water management. Under this approach, users would only pay for core activities and anything beyond these would be funded by the community.¹¹²

Our views on a review of the cost shares framework are set out in Chapter 15.

3.7 Some stakeholders raised concerns about IPART's process

Some stakeholders were concerned that IPART's Information Paper had deviated from its normal regulatory process. They requested that more information be provided to support transparency and accountability, and to enable stakeholders to engage in a meaningful way.

The Dumaresq-Barwon Border Rivers Commission (BRC) noted that Stantec's findings on BRC costs were not mentioned in the Information Paper. BRC considered that the Tribunal has not justified its decision not to accept BRC's proposed costs, nor why it has not been deemed prudent and efficient.¹¹³ Our views on the BRC costs are set out in Chapter 8.

EnergyAustralia considered:

*"The Tribunal should develop a set of minimum information requirements to provide sufficient transparency and justification for future proposed expenditure allowances, cost allocation and price setting for each group of customers."*¹¹⁴

Infrastructure Partnerships Australia and the WSAA asked that IPART revert to its normal regulatory processes. Infrastructure Partnerships Australia expressed concern about the level of transparency provided in the process, noting the lack of explanatory evidence provided to corroborate the draft decision. It noted that while IPART's review has been informed by third party consultants, the consultant's report has not been published, and as a result, stakeholders do not have all the necessary information to make detailed submissions or engage in a meaningful way.¹¹⁵ WSAA similarly requested for the release of the consultant's report, WaterNSW's response and IPART's assessment so that they can be commented on by stakeholders, as well as detailed reasons for IPART's decisions and responses to stakeholder comments and feedback.¹¹⁶

The NSW Government asked IPART to consider a range of matters in further detail for the Final Report, including the consistency of the WACC approach with IPART's regulatory framework.¹¹⁷

WaterNSW's submission included Frontier Economics' Report, which stated that the approach taken in the Information Paper is fundamentally different from IPART's standard regulatory review process which involves:

- a process of submissions from stakeholders and the preparation of draft and final reports
- an update of the WACC to reflect market data available at the time of the determination, using IPART's standard WACC estimation approach
- the population of IPART's regulatory building block model to generate the set of allowed revenues.¹¹⁸

WaterNSW rejected the assertion that the ability for IPART to issue its determinations on time was impacted by the material provided or its customer engagement program.¹¹⁹

WaterNSW also raised that it considers IPART has not had regard to the relevant matters in the IPART Act, including the impact on public sector assets and the impact on debt and equity holders.¹²⁰ The Frontier Economics' report that WaterNSW included in its submission also considers IPART has not deliberated if the level of allowed revenues and prices would permit the recovery of efficient costs, as required under the Water Charge Rules 2010.¹²¹

We reject this claim, and have set out throughout this report how we have considered all relevant (and required) considerations in setting this determination.

3.8 Other issues

3.8.1 Yanco Creek

Submissions generally supported indexing the Yanco Creek levy by CPI, or by 2.5% each year.¹²²

The Yanco Creek and Tributaries Advisory Council submitted it would like to see the levy continued with a CPI increase, noting that:

*"With the sale of water back to the environment the levy returns have dropped from about \$160,000 a year to approximately \$90,000. Landholders take great pride in the health of the Yanco Creek system and the levy helps landholders engage."*¹²³

An individual stakeholder stated that:

*"The Yanco Creek levy SHOULD remain at \$0.90 per ML unless a change is agreed by YACTAC (Yanco Creek and Tributaries Advisory Committee)."*¹²⁴

Yanco Creek pricing is covered in Chapter 12.

3.8.2 Aboriginal licences and CSOs

The NSW Irrigators Council, endorsed by Cotton Australia¹²⁵, submitted that while only one Aboriginal Special Purpose Access Licence (SPAL) is presently in use, \$100 million in federal funding has been set aside for the federal Aboriginal Water Entitlements Program (AWEP), which will greatly increase Aboriginal ownership of water licences. However, it is unclear who will pay for licensing and other costs associated with these entitlements and any state-issued SPALs, and whilst SPALs presently have "a minor impact on prices," it will not necessarily remain this way into the future.¹²⁶

Lachlan Valley Water INC, endorsed by Cotton Australia¹²⁷, submitted that the NSW Water Strategy and Aboriginal Water Strategy should address the issue of costs, and that IPART should articulate a best practice approach to these charges. It submitted that:

*"If a subsidy is proposed to continue it is our view that Government should provide an explicit CSO for these charges. This should address if there are differences between Cultural licences and the ownership of Water Access Licences (WALs) for economic purposes which can generate significant revenue via irrigation activities or trading."*¹²⁸

The Hunter Valley Water Users Association requested that IPART consider whether agricultural water users in the Hunter Valley are eligible for a CSO, as the Hunter Valley has a similar profile of primarily small agricultural water users who are being priced out of irrigation, similar to that of the North Coast and South Coast.¹²⁹ The NSW Irrigators Council, endorsed by Cotton Australia, and the NSW Farmers Association support maintaining CSO payments for North and South Coast regulated customers — and extending them to unregulated customers and the Hunter, as irrigators in these regions face affordability issues.¹³⁰

Our decisions on Aboriginal licences are in Chapter 11.

3.8.3 Fishways and cold-water pollution

The Commonwealth DCCEEW submitted that:

*"...the continued deferral of fishway construction at Wyangala Dam, Marebone Break Regulator, and Gunidgera Weir risks undermining environmental objectives and increasing future costs."*¹³¹

The New South Wales Irrigators Council, endorsed by Cotton Australia¹³² and the NSW Farmers Association¹³³, support fishways and cold-water pollution works in principle, and hold the view that:

*"the benefits of fish passageways extend into the whole community and hence should be paid for by everyone."*¹³⁴

Murray Irrigation Limited shared this view, and believed customers should not pay twice with this expenditure proposed in the last pricing period.¹³⁵

Our assessment of large capital projects are in Chapter 5.

3.8.4 Stakeholders expressed diverse views on regional pricing

Peel Valley Water Users Association believes that efficiencies in operation could be achieved by WaterNSW by amalgamating some of the valleys into management units but that this proposal needs lots more work so that all the water users understand and support the outcome.¹³⁶

Coleambally Irrigation Co-operative Limited does not support WaterNSW's solution to lessen the impact in some valleys of introducing regional pricing and cross subsidies between water users in different valleys. It considers that this is not a solution to the viability of WaterNSW's commercial operations, creates 'winners' and 'losers' and does nothing to address transparency of WaterNSW's costs and its services.¹³⁷

Our decisions on pricing are in Chapter 11.

3.8.5 Irrigation Corporations and districts rebates

Coleambally Irrigation Co-operative Limited supports the continuation of the Irrigation Corporation District (ICD) rebates with these rebates increased by the same percentage of WaterNSW's allowed revenue increase.¹³⁸

Murray Irrigation Limited recommend the rebate be indexed annually in line with CPI and adjusted in step with any price increases approved by IPART to ensure fairness and reflect the true value of avoided costs.¹³⁹

Murrumbidgee Irrigation submitted that:

*"as a principle, if there is any increase in prices above CPI, the ICD rebate should also rise by a proportionate amount. IPART should consider further increasing this rebate to cover a broader range of activities carried out by ICDs."*¹⁴⁰

Our decisions on pricing are in Chapter 12.

Chapter 4 »

Operating expenditure



Our estimate of operating expenditure to enable an indicative notional revenue requirement analysis is \$62.9 million for 1 year

This is:

- \$20.8 million (or 25%) lower than WaterNSW's proposal
- \$2.0 million per year (or 3%) higher than what we used to set prices in the 2021 Determination (adjusted for inflation).

We have carefully reviewed WaterNSW's Rural Valleys proposed operating costs using a base-trend step approach. We considered independent expert advice from Atkins, and additional supporting information provided by WaterNSW.

Atkins raised concerns about the quantity and quality of information made available by WaterNSW. Its report notes that it considers "there is greater uncertainty" in its projects than when it carried out similar reviews of other businesses and therefore has less confidence in its recommendations than it has in the past.

Our own assessment, and the concerns raised by Atkins, leave us concerned as to the maturity of the planning and proposed expenditure from WaterNSW. There were instances where Atkins reported it was unable to verify that the business case for investment demonstrated decision-making logic, efficiency and consideration of impacts and benefits to customers for major projects.

We note that the expenditure review process does not start with a blank sheet of paper to establish the efficient costs of running a water business. Rather our consultants compare current and proposed expenditure and consider whether new expenditure can be deferred to later periods. As such, our expenditure reviews rely heavily on the quality of the business's proposal and responses to requests for further information through the expenditure reviews.

Because of the lack of robust justification for the proposed operating expenditure increases, we are not convinced that the proposed expenditure is efficient or otherwise justified, and so we are not using it to base prices in the short term.

To estimate indicative operating expenditure for 2025-26, we have adopted Atkins' lower bound operating expenditure for this indicative analysis, and added safety expenditure we consider is necessary and efficient. Atkins raised serious concerns about the inadequacy in the justifications set out in WaterNSW's proposal and identified substantial areas for efficiencies or cost reduction. We agree with these concerns. We are not yet convinced that the costs proposed by WaterNSW are sufficiently justified as necessary and efficient, or satisfy the other criteria IPART must consider under the IPART Act. We will continue to assess what 'efficient' expenditure looks like as we continue this review process after 1 July 2025.

This chapter sets out our initial assessment as to the level of operating expenditure WaterNSW-Rural Valleys would require to operate its rural business efficiently in 2025-26. WaterNSW's proposal included costs for 5 years, but given we are setting a 1-year determination, we have only considered operating expenditure of this 1 year.

WaterNSW's Rural Valleys operating costs are the day-to-day expenses involved in running its business and maintaining the infrastructure and equipment it uses to provide services. This includes costs such as staff wages, electricity, contractors, maintenance, treatment operations and insurance.

We have carefully reviewed WaterNSW's Rural Valleys proposed operating costs using a base-trend-step approach, as outlined in our Water Regulation Handbook.¹⁴¹ We considered independent expert advice from Atkins, and additional supporting information provided by WaterNSW. Atkins' report on its assessment of WaterNSW's Rural Valleys expenditure proposal is available on our website [here](#).

We also considered previous advice from FTI Consulting which assessed WaterNSW's business systems and processes in 2023. FTI's conclusion was that WaterNSW's systems and processes were 'at a standard consistent with expectations for an equivalent type of water utility approaching a mid-level of system maturity',¹⁴² and suggested several areas that WaterNSW could improve. However, it noted that it was important for WaterNSW "...to ensure that the investment governance systems and processes now developed are applied systematically for development of all investment plans and expenditure forecasts that will underpin its pricing proposal".¹⁴³ Our view (which is supported by our expert consultant Atkins' findings) is that WaterNSW has not effectively used these systems in preparing its proposal and responding to information requests.

Our assessment of WaterNSW's Rural Valleys operating expenditure balances the considerations set out in sections 14A(2) and 15(1) of the IPART Act.^a This chapter examines the economic costs of WaterNSW's Rural Valleys services and assesses the efficiency in its supply of its services.

Our estimates also factor in compliance with environmental regulations pursuant to sections 14A(2)(g) and 15(1)(f) of the IPART Act and customer expectations on service standards. We have compared WaterNSW's proposed future costs to its current and past levels of expenditure to inform our estimates.

^a Specifically, we considered sections 14A(2)(a), 14A(2)(b), 15(1)(a) and 15(1)(h) in terms of economic costs and expenditures, and 15(1)(l) in terms of standards of quality, reliability and safety.

4.1 WaterNSW-Rural Valleys spent overspent its allowance by \$45.0 million (18%) over the last period

WaterNSW-Rural Valleys spent \$288.7 million on its operating expenditure over the 2021 determination period or an annual spend of \$60.9 million. This is 18% more than the allowance of \$243.7 million used to set prices in 2021. This continues the pattern from the previous 2017 determination period, when actual operating expenditure was also higher than allowed.

In its proposal, WaterNSW argued that the higher operating expenditure was largely arising from overheads, land tax, and insurance (costs it considers are outside its control). However, Atkins considered that WaterNSW has not provided robust detailed justification, particularly for overhead costs, and the lack of explanation suggests that WaterNSW may not have a strong system of measuring, understanding and managing variance against the 2021 Determination.

Table 4.1 WaterNSW's Rural Valleys operating expenditure over the 2021 determination period (\$ million, \$2024-25)

	2021-22	2022-23	2023-24	2024-25	Total
2021 Allowance	61.0	64.4	60.0	58.4	243.7
WaterNSW's Rural Valleys actual costs	63.8	69.9	75.3	79.7	288.7
Difference (\$bn)	2.8	5.5	15.3	21.3	45.0
Difference (%)	5%	9%	26%	36%	18%

Note: Totals may not sum due to rounding
Source: IPART analysis

4.2 WaterNSW-Rural Valleys proposed \$83.8 million in operating expenditure for 2025–26

WaterNSW-Rural Valleys proposed \$83.8 million in operating expenditure for 2025–26. Under the proposal, the annual operating expenditure would be 11% greater than actual spend in 2023–24.

WaterNSW adopted IPART's base-trend-step approach to forecast its operating expenditure for the 2025 determination period. This included:

- Establishing a **base** operating expenditure. This was based on its actual expenditure from 2022-23 with adjustments based on WaterNSW's Rural Valleys proposed 2024-25 'budget'.
- Applying a growth **trend** factor ranging between 0.2% to 0.4% over 2025-26 to 2027-28 to reflect trend changes in labour, digital, insurance, and land tax valuation.¹⁴⁴
- Adjusting for any **step** changes in operating expenditure, including for compliance uplift, water licence fees, new operating licence conditions and new recurrent controllable operating expenditure arising from new capital expenditure.

WaterNSW also proposed an ongoing efficiency target of 1% per annum of its operating expenditure over the 2025 determination period, which we have considered under the trend component.

We are not convinced that the costs to deliver the services are efficient. Hence we are not convinced that the proposed approach will drive a need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers, as required under section 15(1)(e) of the IPART Act.

4.3 We are including operating expenditure of \$62.9 million for 2025–26 in our indicative building block model

For transparency we have included our current estimate of operating expenditure of \$62.9 million for 2025–26. This is:

- \$20.8 million (25%) lower than proposed by WaterNSW
- \$2.0 million (3%) higher than the allowance we used to set prices in 2021.

Our independent expenditure experts reviewed WaterNSW's Rural Valleys proposed operating expenditure and expressed concerns about the quantity and quality of the information WaterNSW made available to verify its proposed operating expenditure. Our independent expenditure experts considered that "there is greater uncertainty" in the projections they made about WaterNSW's Rural Valleys efficient operating expenditure than in other similar reviews they have conducted because, for example, the information provided by WaterNSW did not include calculations or audit trails and only included limited formal documentation in terms of business cases setting out WaterNSW's decision-making logic and how WaterNSW assessed efficiency and the impacts on its customers. This made it very challenging for our independent expenditure experts to verify the validity of WaterNSW's proposed expenditure.

Our independent expenditure experts used the information WaterNSW made available to them to develop a range of efficient operating expenditure, with an upper bound estimate and a lower bound estimate. Box 4.1 contains a summary of the upper and lower bound estimates.

Box 4.1 Summary of upper and lower bound estimates of operating expenditure

Our independent expenditure experts commenced with WaterNSW's proposed operating expenditure and assessed them against the information made available by WaterNSW in support of them. If the information made available by WaterNSW did not reasonably support the expenditure, the expenditure forecast was adjusted downwards.

Upper bound

The upper bound was estimated by deducting identified scope and efficiency adjustments. The upper bound of expenditure reflects the notionally efficient cost of in-scope activities and projects consistent with the proposed service levels and current operating environment.

Lower bound

The lower bound was estimated by utilising the 2021 Determination allowance for 2024-25, with adjustments for CPI plus variance and step changes that WaterNSW reasonably justified, a gradual phasing in of taxation of currently non-valued land over the determination period, and deductions for efficiencies.

The lower bound reflects expenditure that is sufficiently justified compared to the previous determination.

Source: Atkins final report p 19-20.

We provided a confidential draft of our independent expenditure consultant's report to WaterNSW for comment and provided WaterNSW's comments to our independent expenditure experts to consider before they finalised their report. We carefully considered our consultant's draft report, WaterNSW's comments on the draft report and our consultant's final report before forming our initial assessment. We did not accept all of the positions adopted by our independent expenditure consultants. For example, we disagreed with Atkins regarding crane safety where we have included the full proposed spend.

We will be immediately starting our next review of WaterNSW-Rural Valleys prices and we will further consider the difference of views between Atkins report and WaterNSW. However, given the legal time constraint we identified before issuing our information paper we considered we would not have adequate time to finalise our consideration of both WaterNSW input and Atkins advice.

We also considered the justifications offered by WaterNSW against the competing considerations we consider when determining maximum prices, including WaterNSW's Rural Valleys costs of providing bulk water; the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services; the appropriate rate or return on public sector assets, including appropriate payments of dividends to the Government for the benefit of the people of NSW; the effect on general price inflation over the medium terms; the need for greater efficiency in the supply of bulk water services; the need to maintain ecologically sustainable development; the impact of our determinations and recommendations on the borrowing and capital requirements of WaterNSW, including WaterNSW's need to renew or increase its assets; demand management; the social impact of our determinations and recommendations, particularly in rural and regional New South Wales and on WaterNSW itself, and standards of quality, reliability and safety to WaterNSW's services.

We weighed each of those considerations when we considered the information we obtained from WaterNSW and from the oral and written submissions we received from WaterNSW's Rural Valleys customers, the NSW Government, the Commonwealth DCCEE and others. Our weighing exercise saw us place more weight on the affordability concerns of WaterNSW's Rural Valleys customers and the implications of those concerns for the social impacts of our determination than we did, for example, on WaterNSW's obligations to pay a dividend to the NSW Government.

The outcome of our considerations is that we decided to adopt for our indicative building block model our expert expenditure experts' lower bound for operating expenditure with the following upward adjustments:

- Included an additional \$0.5 million for crane safety, in line with the full amount requested in the proposal to improve crane safety, including alignment of existing maintenance strategies to industry best practice and Australia Standard Requirements. This is in recognition that WaterNSW should make necessary improvements to step up inspection and maintenance activities on assets that represent its highest health and safety risk.
- Included \$0.3 million for the Dams Safety Levy. This is a new levy applied to all owners of 'declared dams' in NSW and was not included in Atkins analysis as the levy was finalised after WaterNSW's pricing proposal submission.

Our estimate is:



5. For transparency, we have included an indicative \$62.9 million of operating expenditure for 2025-26 into WaterNSW's Rural Valleys preliminary NRR, as shown in Table 4.2.

Table 4.2 WaterNSW's Rural Valleys operating expenditure (\$million, \$2024-25)

	2025-26
WaterNSW-Rural Valleys proposed	83.8
IPART	62.9
Difference	-20.8
Difference (%)	-25%

Source: IPART analysis

Chapter 5 »

Capital expenditure

05

Our estimate of capital expenditure to enable an indicative notional revenue requirement analysis is \$45.6 million for 2025-26

This is \$68.2 million (or 60%) lower than proposed by WaterNSW.

For the reasons set out in the previous chapter about our decision on operating expenditure, we are not satisfied that WaterNSW's Rural Valleys proposed capital expenditure is reasonably justified or reasonably balances the competing statutory factors to which we may or must have regard. Our indicative analysis on capital expenditure is aligned with our independent expert expenditure consultants' lower bound recommendation.

We have decided we need more time before making decisions about the NRR based on building block analysis, the Atkins report, further information and consideration of cost shares, cost reflective prices and measures to mitigate affordability and social impacts like rebates/subsidies.

This chapter sets out our preliminary assessment of WaterNSW's Rural Valleys proposed capital expenditure. WaterNSW's Rural Valleys capital costs are the investments it makes to build, maintain and upgrade the infrastructure it uses to provide its services.

In reaching our preliminary view on capital expenditure, we have considered independent expert advice from Atkins, additional supporting documentation provided by WaterNSW and comments from stakeholder consultations. Atkins' report on its assessment of WaterNSW's Rural Valleys expenditure is available on our [website](#).

Our preliminary views on WaterNSW's Rural Valleys capital expenditure also reflect the way we have balanced the competing statutory considerations to which we may or must have regard, which have been described in the previous chapter.

5.1 WaterNSW's Rural Valleys spending over the last 4 years

Our estimate is:



6. For transparency, we have included \$312.6 million of capital expenditure over 2020-21 to 2024-25 in WaterNSW's Rural Valleys indicative Regulatory Asset Base, as shown in Table 5.1.

Our assessment of expenditure on capital works is to include only prudent and efficient expenditure in a business's regulatory asset base to be recovered through prices over time. The Water Regulation Handbook describes how we assess historical capital expenditure by exception (for instance, where there was significant overspend).

When we assess historical capital expenditure, we look at spend over the current determination period (2021-25), as well as spend over the final year of last determination period (i.e. 2020-21).^a

Since 2020-21, WaterNSW's Rural Valleys actual capital expenditure was \$312.6 million, which is 10% lower than the forecast we used to set prices in 2021. This is set out in Table 5.1 below.

Table 5.1 Capital expenditure for 2020-2025 period (\$millions, \$2024-25)

	2020-21	2021-22	2022-23	2023-24	2024-25	Total
2021 Allowance	101.0	64.1	80.3	61.5	42.0	348.9
WaterNSW's Rural Valleys actual costs	64.4	44.2	47.7	83.0	73.3	312.6
Difference	-36.6	-19.9	-32.6	21.5	31.3	-36.4
Difference (%)	-36%	-31%	-41%	35%	75%	-10%

Notes: The 2021 allowance excludes drought-related expenditure on dams because the three large dam infrastructure projects for drought have been transferred over to the NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW).

2024-25 figures are forecasts. Totals may not add due to rounding.

Source: IPART analysis and Atkins Final Report.

Over the 2020-21 to 2024-25 period, WaterNSW-Rural Valleys underspent its allowance by \$36.4 million. However, when we exclude the year 2020-21, we found that WaterNSW-Rural Valleys slightly overspent its allowance by around 0.1%.

Our independent expenditure consultants did not review the efficiency of WaterNSW's Rural Valleys historical capital expenditure, but they did review the profile of expenditure. Atkins found that *proposed* capital expenditure over the past 2 determination periods were front-end loaded, that is, most of planned expenditure was early in the determination period and tapers off towards the end. However, the *actual* capital expenditure is back-end loaded. It notes that WaterNSW's Rural Valleys proposed 2025 capital expenditure profile is again front-end loaded, despite the evidence from the previous paths that it does not, or is not able to, deliver front-end loaded capital programs.

Atkins notes that this is not uncommon in regulated markets, where planning and procurement is paused until the outcome of a price determination is known, at which point decisions are made. However, due to long lead times for some capital works, it may be challenging to ramp activity back up to where it needs to be to deliver the front-end loaded capital program that was envisaged as part of the proposal.

WaterNSW provided reasons for where it under- or over-spent its capital expenditure and detailed assessment of variances across its major activity areas. These generally relate to strategic deferrals and cancellations of projects, delays or changes in scopes to projects, carryover from previous determination, cost increases for some projects and new projects.

Based on the variance amount and the explanation provided by WaterNSW, for the indicative notional NRR include all of WaterNSW's Rural Valleys actual capital expenditure from 2020-21 to 2024-25 into the Regulatory Asset Base (RAB).

^a We look at spend over the final year of last determination period (2021-21) because at the time of setting prices for our current determination period (2021-22 onwards) we would not have had a complete year of actual expenditure data from 2020-21 to assess its efficiency.

5.2 WaterNSW-Rural Valleys proposed \$113.8 million in capital expenditure

WaterNSW-Rural Valleys proposed capital expenditure of \$113.8 million for 2025-26. This is:

- \$51.8 million (84%) per year higher than the average forecast expenditure used to set prices in 2021 (excluding 2020-21)
- \$51.8 million (83%) per year higher than the average of WaterNSW's Rural Valleys reported actual expenditure per year over the 2021 determination period.

The increase in proposed expenditure is largely driven by significant step increases in:

- Environmental Planning & Protection: Largely consisting of a program of building fish ladders that WaterNSW planned to deliver in the 2021 Determination. So far, little progress has been made.
- Renewals and Replacement: WaterNSW has proposed an envelope for its renewals program using a long-term trend for the replacement of all assets at their end of book life.
- Dam Safety Compliance: Projects that are required for WaterNSW to comply with NSW Dams Safety regulatory requirements.
- Internal Corporate Projects: Largely comprised of its digital portfolio.

5.3 Our assessment is that WaterNSW-Rural Valleys requires capital expenditure of \$45.6 million in 2025-26

Our estimate is:



7. For transparency, we have included an indicative \$45.6 million of capital expenditure for 2025-26 into WaterNSW's Rural Valleys preliminary NRR, as shown in Table 5.2.

This capital expenditure of \$45.6 million for 2025-26 (set out in Table 5.2 below) is:

- \$16.3 million (26%) lower per year than the allowance we used to set prices in 2021
- \$16.4 million (26%) lower per year than WaterNSW's Rural Valleys actual capital expenditure over the 2021 determination period
- \$68.2 million (60%) lower per year than proposed by WaterNSW.

Table 5.2 WaterNSW's Rural Valleys capital expenditure (\$millions, \$2024-25)

	2025-26
WaterNSW proposed	113.8
IPART	45.6
Difference	-68.2
Difference (%)	-60%

Source: IPART analysis

As outlined in Chapter 4, our independent expenditure consultants Atkins raised concerns about the quality of information made available by WaterNSW to inform its recommendations. Atkins made recommendations based on the best available information, and a summary of its upper and lower expenditure bounds is set out in Box 5.1.

Box 5.1 Atkins' recommendations on capital expenditure

Atkins identified significant savings for WaterNSW's Rural Valleys capital expenditure program in both its upper and lower bound recommendations.

Upper bound for capital expenditure

Atkins recommended an upper bound expenditure of \$74.3 million, which represents a 35% reduction compared to WaterNSW's proposal. The primary reductions relate to:

- **Renewals and replacement:** Atkins found that there is no compelling evidence that the asset base is deteriorating. Rather, based on the data available, the asset base is showing as having improved over the current determination period. The upper bound is based on recent actual spend over 2022-23 and 2023-24.
- **Environmental planning and protection:** In recognition of the challenges in the 2021 Determination, Atkins' upper bound does not exclude any projects but rephases the program of works to be more aligned with the timing of the projects as foreseen and allowed in the 2021 Determination. This would allow for lessons learnt from one project to be carried forward to subsequent ones thereby enabling more efficient expenditure and more beneficial from a delivery perspective. Given we are only setting a 1-year determination, this has a large impact on expenditure included in the upper bound.
- **Corporate systems:** Atkins found WaterNSW's proposed increase relative to recent actuals were not strongly justified. Its upper bound-recommendation includes a reduction of expenditure to reflect recent average actuals from 2022-23 to 2023-24.

Box 5.1 Atkins' recommendations on capital expenditure

Lower bound for capital expenditure

Atkins recommended a lower bound expenditure of \$45.6 million, which is 60% less than WaterNSW's proposal. In addition to the expenditure not strongly justified in the upper bound, the lower bound includes cost reductions for:

- Environmental planning and protection: No allowance is provided in the lower bound as it is not clear that the regulatory requirements for the proposed projects are reasonably required within the short term. This is evidenced by the fact that these projects have been delayed by WaterNSW in the current 2021 Determination period, and that these projects do not impact the business's ability to deliver water to its customer as its core business. WaterNSW also proposed an alternative funding scenario in which the fishways and cold water pollution projects would not be funded by customers – implying a government subsidy or larger government cost share.
- Renewals and replacement: An additional downward adjustment to align with the allowed renewals expenditure in the 2021 Determination as the asset base is showing to have improved over the period.
- Corporate systems: The lower bound recommendation reflects a longer historical average from 2021-22 to 2023-24.
- Water delivery and other operations: Atkins found that WaterNSW's proposed increase is not strongly justified and the lower bound defers 2 of the more significant projects into the next determination period.

Source: Atkins final report p 127-137.

We have considered WaterNSW's Rural Valleys proposal for capital expenditure, Atkins' expenditure report, comments from all stakeholders and the competing statutory factors we may or must have regard to when we make a pricing determination and have decided to use Atkins' lower bound for our indicative analysis leading to a level of capital expenditure of \$45.6 million for 2025–26.

This is based on the limited evidence and quality of information provided by WaterNSW to reasonably justify its proposed expenditure as well as comments from all stakeholders and the statutory factors we may or must consider when setting maximum prices. For example, most of the significant capital expenditure proposals did not include cost-benefit analysis and were not linked to outcomes.

We consider that Atkins' lower bound appropriately:

- Includes the proposed expenditure for dam safety compliance, only delaying one project, provide a smoother profile of capital expenditure as significant amounts of capital delivery are forecast up front in the price path.
- Defers the fishways (\$100.8 million) and cold water pollution (\$46.8 million) projects. We agree with Atkins' view that the regulatory requirements for these projects do not seem urgent given WaterNSW has deferred the projects despite having received sufficient allowance for them in the current determination, and they do not impact the business's ability to deliver water to customers as its core business. WaterNSW also proposed an alternative funding scenario in which the fishways and cold water pollution projects would not be funded by customers.
- Reduces the proposed renewals and replacement expenditure given that Atkins found there is no compelling evidence that WaterNSW's rural asset base is deteriorating. Rather, based on available data, the asset base appears to have improved over the current price path.

We note that the estimate of capital expenditure for WaterNSW-Rural Valleys represents our view on the overall envelope of capital expenditure that we consider reasonable to maintain or improve WaterNSW's Rural Valleys assets and services in 2025-26. It does not signal the amount WaterNSW is required to spend on specific capital projects, or discrete allowances for specific works, projects or programs.

We expect WaterNSW to prioritise its planned prudent and efficient capital works within the envelope of capital expenditure that we consider reasonable to recover through customer prices. This means that WaterNSW can be dynamic in its spending and make investment and business decisions that are guided by its customers. For example, if WaterNSW invests in the fishways project over the 2025 determination period, then the efficient costs could be considered at the next price review to be included into the RAB.

Chapter 6 »

MDBA and BRC costs

06

Summary of assessment of MDBA and BRC costs

We were not provided with sufficient information to set charges for the MDBA and the BRC that reflect their prudent and efficient costs

It has not been possible for IPART to assess the prudence or efficiency of the MDBA's costs. The information provided by WaterNSW in its proposal, and subsequent information provided by WaterNSW and the MDBA was not sufficient for this purpose.

The BRC proposed a significant increase in operating expenditure. The information provided to support the increase was not sufficient to determine whether the BRC's investment plans were necessary or efficient. There was limited information about the BRC's customer engagement and limited information on whether its proposed expenditure would promote the long-term interest of customers. As such, we cannot be confident that the costs incurred by the BRC are prudent and efficient.

We are holding revenue for MDBA and BRC constant before inflation

We have limited price increases targeted at recovering the costs of the MDBA and the BRC from WaterNSW's customers for 1 year. The MDBA and BRC charges will increase by 0.6% and 1.1% respectively on 1 July 2025.

Our approach ensures the MDBA and the BRC charges are treated in a consistent manner to other WaterNSW-Rural Valleys charges. That is, we have held the expected revenue for the MDBA and the BRC constant in real terms. This has required an adjustment to prices as forecast water demand has fallen slightly (see Chapter 10). The MDBA and the BRC charges do not require an adjustment for safety-related items. In contrast to other WaterNSW-Rural Valleys charges, there is no requirement for a safety-related uplift in 2025–26.

WaterNSW recovers a portion of the NSW Government's costs relating to the activities of two inter-jurisdictional water management organisations — the MDBA and BRC. The MDBA administers joint programs on behalf of the Australian, New South Wales, Victorian, Queensland, South Australian and Australian Capital Territory Governments. The cost of the joint programs is divided between the Governments based on agreed cost share principles. The BRC was created by the NSW and Queensland Governments to control and coordinate the available water in the border rivers near the shared boundary. It is funded by annual call-up to each government. The NSW Government is obliged to meet its MDBA and BRC funding call-ups regardless of IPART's pricing decisions.

IPART does not regulate the MDBA and the BRC. We set MDBA and BRC charges that enable water users to contribute to NSW's share of the efficient costs for the MBDA and the BRC. WaterNSW, through an agreement with the NSW DCCEE (on behalf of the NSW Government), which provides revenue generated by the MDBA and BRC charges to the NSW Government. The user charge revenue is combined with government funding to pay NSW's full contribution to the MDBA and the BRC.

The relationship between WaterNSW, the MDBA and the BRC informs our approach to the treatment of the MDBA and BRC costs.

Box 6.1 Relationship between WaterNSW and the MDBA and the BRC

WaterNSW proposed that the MDBA and the BRC be treated as cost pass-throughs. The [Water Regulation Handbook](#) indicates that cost pass-throughs can be used when there is a known, material cost that the business cannot control. This is not the case with the MDBA and the BRC. WaterNSW is responsible for the MDBA works in NSW as a State Construction Authority and it is deemed a State Controlling Authority by the BRC.

Under the Murray-Darling Basin Agreement, the MDBA is required to prepare an Annual Work Plan. The State Construction Authorities generate expenditure proposals and forecasts based on their internal asset planning processes. These processes include assessing the conditions, risk, costs, deliverability, criticality and prioritisation for the assets. The State Construction Authorities and the MDBA then jointly refine and prioritise these expenditure proposals.

Specifically, the State Construction Authorities advise MDBA of their recommended construction and maintenance activities annually under the agency's joint programs and natural resource management activities. Budgets are set and approved under governance arrangements with total costs shared among the states and the Commonwealth based on the MDB Agreement. Each state government shares its portion of the MDBA costs within its state according to their own cost-sharing arrangements.

A similar arrangement exists with BRC. All works and services undertaken by BRC are undertaken or procured through a government entity of either state. For NSW, WaterNSW is the State Controlling Authority and provides work towards investigating, surveying, designing and constructing works on behalf of BRC.

We reviewed WaterNSW's proposals regarding the customer share of NSW contributions to the MDBA's and the BRC's costs. We engaged Stantec to assist with this review and asked them to review the efficiency of the MDBA's and BRC's costs.

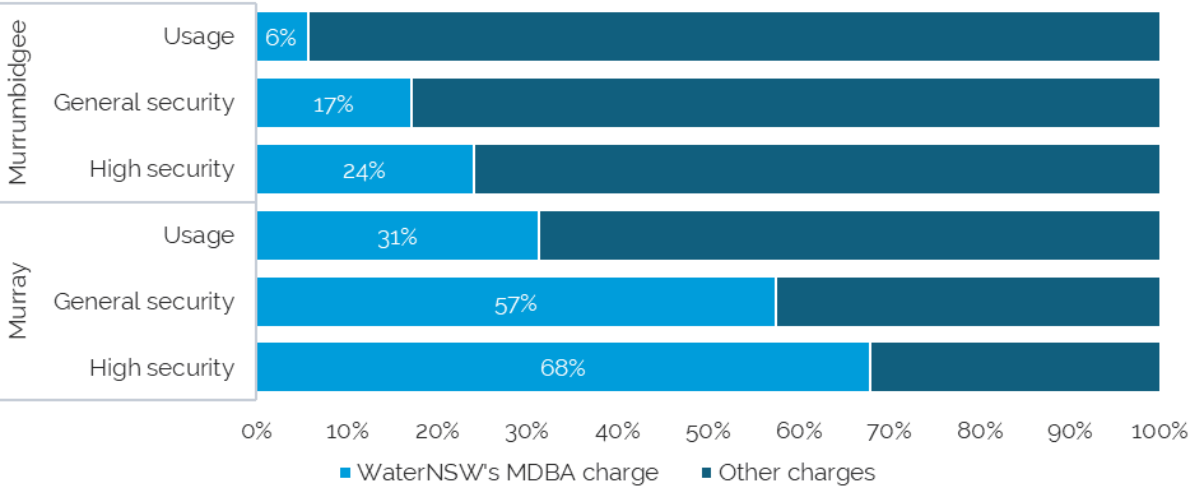
In the rest of this chapter, we outline WaterNSW's proposal, identify challenges in determining efficient costs, provide our reasons for maintaining the Regulatory Asset Base (RAB) and our decision on pricing.

6.1 WaterNSW proposed increases to MDBA and BRC charges

6.1.1 The MDBA charge is a large component of total charges for some licences

WaterNSW's MDBA charge applies to the Murray and Murrumbidgee valleys. There are several other water charges that apply to these valleys including the WaterNSW-Rural Valleys charge, the WAMC charge and WAMC's MDBA charge. WaterNSW's MDBA charges are a relatively large component of water pricing for the Murray valley (Figure 6.1). They are a smaller proportion of aggregated water charges in the Murrumbidgee valley.

Figure 6.1 WaterNSW's MDBA charges as a share of the aggregated charges collected by WaterNSW (2024–25)



Source: IPART analysis based on WaterNSW data.

WaterNSW indicated a significant increase in forecast costs relating to the MDBA (Table 6.1). WaterNSW's total estimated MDBA-related expenditure for 2024–25 was \$26.8 million, which was above its allowance of \$24.9 million. Its forecast MDBA-related expenditure for 2025–26 was \$31.6 million, which was an increase of 18% before inflation on its estimated expenditure.

Table 6.1 Allowed, estimated and proposed expenditure (\$'millions, \$2024–25)

	2024–25 ^a	2024–25 ^b	2025–26
	Allowed	Estimated actual	Proposed
Operating expenditure	18.89	18.35	31.56
Capital expenditure	6.02	8.41	0.00
Total expenditure	24.91	26.76	31.56

Notes: Allowed expenditure from the 2021 price review. Estimated expenditure based on actuals as reported by WaterNSW.
Source: WaterNSW Pricing Proposal, Attachment 16, pp 14 & 18.

In its letter to WaterNSW, the NSW DCCEEW noted that the increased costs for the MDBA were due to “the delivery of large infrastructure projects where assets have reached end of life”.¹⁴⁵ WaterNSW indicated that some of major renewals for River Murray Operations included the:

- Mildura Weir replacement
- Hume Dam irrigation outlet maintenance
- Lake Victoria outlet regulator replacement
- Hume Dam trash rack renewal
- Replacements for Kato cranes.

WaterNSW noted these items were capital expenditure for the MDBA. However, it proposed that all of NSW’s contribution to the MDBA should be characterised as operating expenditure. It indicated that NSW Government’s contributions to the MDBA are treated as recurrent operational expenditure and that a funding gap would emerge if some of the costs relating to the MDBA were treated as capital expenditure.

6.1.2 WaterNSW’s Rural Valleys proposed revenue requirement for the MDBA

WaterNSW’s Rural Valleys proposed total revenue requirement for the MDBA is shown in Table 6.2.

Table 6.2 Proposed total MDBA revenue requirement (\$millions, \$2024–25)

	FY21-25 average allowance	2025–26
Operating expenditure	18.98	31.56
Return of assets	0.26	0.49
Return on assets	0.21	0.93
Return on working capital	0.07	0.10
Regulatory tax allowance	0.02	0.06
Debt raising costs	0.01	0.00
Proposed total expenditure	19.55	33.14

Source: WaterNSW Pricing Proposal, [Attachment 16](#), p 22..

WaterNSW’s Rural Valleys proposed user share of the total revenue requirement for the MDBA is shown in Table 6.3.

Table 6.3 Proposed user share of the total MDBA revenue requirement (\$millions, \$2024–25)

	FY21-25 average allowance	2025–26
Operating expenditure	17.96	28.54
Return of assets	0.25	0.45
Return on assets	0.20	0.85
Return on working capital	0.07	0.09
Regulatory tax allowance	0.02	0.05
Debt raising costs	0.01	0.00

	FY21-25 average allowance	2025-26
Proposed total expenditure	18.50	29.98

Source: WaterNSW Pricing Proposal, [Attachment 16](#), p 22.

6.1.3 WaterNSW's proposed cost reflective base case pricing for the MDBA

To fund the large increase in costs, WaterNSW proposed large increases for all charges relating to NSW's contributions to the MDBA. WaterNSW proposed that the MDBA charges should more than double between 2024-25 and 2025-26. The increases in proposed prices ranged from 25% to 31% before inflation.

Table 6.4 Current and proposed prices before inflation (\$2024-25 per ML)

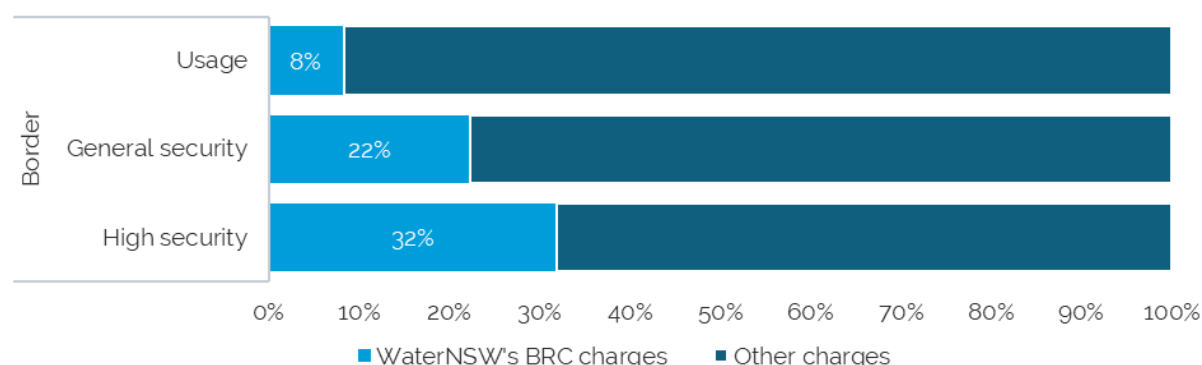
	2024-25	2025-26
	Current	Proposed
Murray		
High Security charge	10.07	12.61
General Security charge	4.43	5.74
Usage charge	2.16	2.82
Murrumbidgee		
High Security charge	2.17	2.78
General Security charge	0.75	0.97
Usage charge	0.43	0.56

Source: WaterNSW Pricing Proposal, [Attachment 16](#), p 24.

6.1.4 The BRC-related entitlement charges have a significant impact on customers

WaterNSW's BRC charges apply to the Border valley. There are several other water charges that apply to these valleys including the WaterNSW-Rural Valleys charges, the WAMC charges, WAMC's MDBA charges and WAMC's BRC charges. While WaterNSW's BRC water usage charge is relatively modest, WaterNSW's BRC entitlement charges could have a significant impact on water pricing for the Border valley (Figure 6.2).

Figure 6.2 WaterNSW's BRC charges as a share of the aggregated water charges collected by WaterNSW (2024–25)



Source: IPART analysis.

6.1.5 WaterNSW proposed increase in expenditure for the Dumaresq Barwon Border Rivers Commission (BRC)

WaterNSW indicated a sharp increase in forecast costs relating to the BRC (Table 6.5). It indicated the increase in costs reflecting a new contract between the BRC and Sunwater which included costs not covered by IPART's previous determination. WaterNSW's total estimated BRC-related expenditure for 2024–25 was \$1.7 million - double IPART's allowance from the 2021 price review. Its forecast BRC-related expenditure spikes in 2025–26 to \$3.7 million.

Table 6.5 Allowed, estimated and proposed BRC expenditure (\$millions, \$2024–25)

	2024–25 ^a	2024–25 ^b	2025–26
	Allowed	Estimated actual	Proposed
Operating expenditure	0.72	1.60	3.66
Capital expenditure	0.12	0.09	0.00
Total expenditure	0.84	1.69	3.66

a. Allowed expenditure from the 2021 price review.

b. Estimated expenditure based on actuals as reported by WaterNSW.

Source: WaterNSW Pricing Proposal, Attachment 12, pp 5 and 7.

6.1.6 WaterNSW's proposed total revenue requirement for the BRC

WaterNSW's proposed total revenue requirement for the BRC is shown in Table 6.6.

Table 6.6 Proposed total BRC revenue requirement (\$millions, \$2024–25)

	FY21–25 average allowance	2025–26
Operating expenditure	0.74	3.66
Return of assets	0.01	0.01
Return on assets	0.01	0.01
Return on working capital	0.00	-0.01
Regulatory tax allowance	0.00	0.00
Debt raising costs	0.00	0.00

	FY21-25 average allowance	2025-26
Proposed total expenditure	0.75	3.67

Source: WaterNSW Pricing Proposal, [Attachment 12](#), p 9.

WaterNSW's proposed user share of the total revenue requirement for the BRC is shown in Table 6.7.

Table 6.7 Proposed user share of the total revenue requirement (\$millions, \$2024-25)

	FY21-15 average allowance	2025-26
Operating expenditure	0.70	3.48
Return of assets	0.01	0.01
Return on assets	0.01	0.01
Return on working capital	0.00	-0.01
Regulatory tax allowance	0.00	0.00
Debt raising costs	0.00	0.00
Proposed total expenditure	0.72	3.48

Source: WaterNSW Pricing Proposal, [Attachment 12](#), p 9.

6.1.7 WaterNSW's proposed cost reflective base case pricing for the BRC

WaterNSW proposed large increases in charges related to recovering the BRC's costs. WaterNSW proposed that the BRC's charges increase significantly from 2024-25 to 2025-26 (Table 6.8). The annualised increases in proposed prices ranged from 44% to 54% before inflation.

Table 6.8 Current and proposed BRC-related charges before inflation (\$2024-25 per ML)

	2024-25	2025-26
	Current	Proposed
Border		
High Security charge	5.64	8.11
General Security charge	2.06	3.10
Usage charge	1.00	1.54

Source: WaterNSW Pricing Proposal, [Attachment 12](#), p 10.

6.2 Stakeholders' views on costs relating to the MDBA and the BRC

In response to the Information Paper, several stakeholders indicated support for IPART's proposed approach to pricing. Stakeholders were concerned by a perceived lack of transparency regarding the MDBA's proposed costs. Murray Irrigation stated that: "Despite being a significant cost, the rationale for these charges remains opaque, and customers are provided limited opportunity to interrogate or understand the methodology behind them".¹⁴⁶ Stakeholders indicated that the MDBA and the BRC costs should be scrutinised in a similar manner to other WaterNSW expenditure to ensure the costs were prudent and efficient.

The Commonwealth Environmental Water Holder (CEWH) indicated support for retaining a tariff structure that provides transparent and adequate funding for the joint venture operations of the MDBA and the BRC. It emphasised this was particularly important for the activities to support the environmental outcomes and objectives of the Murray-Darling Basin Plan.

The BRC expressed disappointment about the draft decision to allow MDBA and BRC prices to increase by CPI only and thought that the Tribunal did not provide sufficient justification for its draft decision not to accept BRC's proposed costs. It asked that the Tribunal consider including its costs with other essential elements included above the CPI increase.

The Commonwealth Department of Climate Change, Energy, Environment and Water (DCCEEW) expressed support for funding river operations, the maintenance of infrastructure and the joint venture operations of the MDBA and BRC.

6.3 We have insufficient information to verify whether the costs of the MDBA and the BRC are prudent or efficient

6.3.1 WaterNSW has not demonstrated its MDBA-related costs are prudent and efficient

The NSW DCCEEW wrote to WaterNSW to advise the MDBA costs it should include in its pricing proposal to IPART.¹⁴⁷ The letter indicated the budget for the MDBA Joint Programs included forecasts to 2027–28.

It has not been possible for IPART to assess the prudence or efficiency of the MDBA costs that WaterNSW has included in its proposal. Our expenditure review expert, Stantec, indicated the lack of information impacted its ability to assess the efficient cost of MDBA services. It advised in relation to MDBA's expenditure:

The information provided by WAMC, WaterNSW and the MDBA has provided no basis for the recommendation of scope, efficiency, service level or savings adjustments to the proposed MDBA expenditure within WAMC and WaterNSW (Rural) pricing proposals.¹⁴⁸

We acknowledge MDBA's proposed costs are developed in a multi-jurisdictional context, using established planning and budget frameworks for the MDBA. We also acknowledge the cost sharing principles between the contracting governments for the funding of MDBA activities. However, IPART must make a decision that reflects the information and evidence we have been given. We have not been provided with information that demonstrates the proposed MDBA-related costs are prudent and efficient.

We are also concerned by the lack of scrutiny for the MDBA costs in WaterNSW's proposal. These costs account for a significant portion of customers' charges in the Murray Valley, yet it is unclear whether the activities associated with these costs are delivering value for customers or otherwise satisfy the statutory criteria IPART may or must consider when determining maximum prices.

6.3.2 Limited information on the links between the BRC's investment plans, costs and customers

WaterNSW indicated that the BRC's forecast costs are expected to increase due to the inclusion of Sunwater costs not previously funded through the IPART determination. Specifically, Sunwater's renewal and enhancement expenditure has been included in their proposed costs. The expenditure includes a mixture of capital and operating costs however, BRC's annual call-up does not reflect this distinction and WaterNSW proposed that all expenditure should be treated as operating costs.

Stantec separated the forecast into operating and capital expenditure. It then benchmarked the operating expenditure for the BRC with the operating expenditure set by the Queensland Competition Authority for Sunwater in Southern Queensland. It found the costs comparable. We considered the information on the BRC's cost to be consistent with the information supplied in WaterNSW's proposal. However, we do not consider the information to be sufficient to determine the level of prudent costs.

Cost benchmarks, particularly those that are limited in scope, are not sufficient to demonstrate investment plans have been designed to deliver in the long-term interest of customers. WaterNSW's proposal does not indicate that the BRC applied the investment principles set out by IPART in the [Water Regulation Handbook](#), nor does it indicate that WaterNSW applied these principles before proposing to pass-through the BRC's costs.

The BRC has proposed increasing the operating expenditure recovered from WaterNSW's customers from IPART's allowance of \$0.7 million in the 2021 price review to \$3.7 million in 2025–26 (\$2024–25).¹⁴⁹ Given the proposed change, we expect the BRC to share its long-term investment plans, demonstrate it has consulted with end-users on those plans, explain how the plans support the proposed expenditure, and justify the associated price changes for current and future customers. In the absence of this information, we cannot be confident that the costs incurred by the BRC are prudent and efficient.

We do not accept the BRC's assertion that it was transparent and provided quality information to IPART.¹⁵⁰ Our expenditure review consultant, Stantec, stated:

WaterNSW and BRC did not provide (...) information on their accounting treatment for individuals projects that comprised the five-year, Sunwater-delivered, renewals and enhancement program.¹⁵¹

It further noted that the information provided on the renewals and expenditure program only included some of the information it expected on individual project costs, timing and needs/benefits. Some of the BRC information, such as its Asset Management Plan, were not available at the time WaterNSW submitted its proposal.

IPART is not satisfied that Stantec's report establishes that the BRC's expenditure is prudent and efficient, nor is it satisfied that the proposed expenditure is essential for 2025–26. Stantec did not state BRC's costs were efficient. Stantec proposed to split BRC's expenditure for 2025–26 into operating expenditure (\$1.5 million) and capital expenditure (\$2.1 million).¹⁵² It suggested the BRC-related operation and maintenance costs were comparable, when adjusted for scale, to the efficient costs determined by the Queensland Competition Authority for Sunwater's operation and maintenance of water supply schemes in Southern Queensland.¹⁵³ IPART is not satisfied that this is sufficient to establish that the costs are efficient. In the case of renewals and enhancement expenditure, Stantec stated that it had "assumed all projects in the [renewals and enhancement] program are capital expenditure" due to the lack of better information.¹⁵⁴ It further stated:

(...) proposals to recover a capital expenditure program are best presented with detail about the individual projects, their cost, timing and need/benefit. The renewals and expenditure program provided to us provides some of this information and is a step towards best practice.¹⁵⁵

It appears, based on this statement, that the information used to assess the capital expenditure is incomplete. When considered together with other information provided to us, we are not satisfied that the prudence and efficiency of the proposed capital expenditure has been established based on the evidence we have received from WaterNSW, the BRC and Stantec. We do not consider the information provides us with a reasonable foundation to set the BRC charge for customers in the Border valley.

6.3.3 Better engagement on the MDBA and the BRC costs is required

WaterNSW's proposal provides no evidence that it has consulted with customers on the activities proposed by the MDBA and the BRC, or that the respective organisations consulted with WaterNSW's customers in the relevant valleys. We encourage WaterNSW to do more to test whether the proposed MDBA and BRC charges deliver outcomes that are supported by customers.

WaterNSW should not assume that the expenditure requested for the MDBA and the BRC will be treated as cost pass-throughs. While WaterNSW's contributions to NSW's share of the MDBA and the BRC has generally been reflected in pricing decisions in previous price reviews, they have not been treated like cost pass-throughs. For example, in the 2021 price review, we scrutinised and made changes to certain costs by, for instance, changing the categorisation of some items from operating to capital expenditure, or by changing the entity responsible for recovering certain costs.

If NSW's contributions to the MDBA and the BRC are to be recovered from users, we will apply the same principles to consider the underlying costs as we use for WaterNSW's other costs. These principles are set out in the [Water Regulation Handbook](#).

6.4 Impact on pricing for the MDBA and the BRC

Overall, IPART has not been provided with sufficient information to determine the prudent and efficient costs of the MDBA and the BRC. We are not prepared to pass on cost increases to WaterNSW's customers when we are not confident that the costs are prudent and efficient. Therefore, we decided to hold the expected revenue from WaterNSW-Rural Valleys for the MDBA and the BRC constant before inflation. This means the MDBA and the BRC charges will increase by 0.6% and 1.1% respectively on 1 July 2025 to compensate for an expected decline in water usage. The MDBA and BRC charges are set out in Chapter 12.

Chapter 7 »

Notional Revenue Requirement



For transparency, we have included IPART's current indicative working Notional Revenue Requirement and its building blocks:

For the Regulatory Asset Base

- a. Regulatory Asset Base capital expenditure of \$312.6 million over 2020-21 to 2024-25, as shown in Table 5.1
- b. Capital expenditure for 2025-26 of \$45.6 million as shown in Table 5.2 and Table 7.3.
- c. The indicative opening RAB is \$1,293.9 million on 1 July 2025 and the indicative closing RAB is \$1,312.7 million on 30 June 2026.

For the indicative NRR

- d. Operating expenditure for 2025-26 of \$62.9 million as shown in Table 4.2 and Table 7.1.
- e. Return on assets of \$46.2 million as shown in Table 7.2.
- f. Return of assets of \$26.4 million, which is also referred to as the regulatory depreciation as shown in Table 7.4
- g. Tax allowance of \$1.4 million as shown in Table 7.7.
- h. Return on working capital of \$1.4 million as shown in Table 7.8.
- i. Cost of debt true-up of \$0.6 million as shown in Table 7.9
- j. Unders and overs payback of \$1.9 million as shown in Table 7.10.
- k. Irrigation Corporation and Districts rebate amount of \$1.9 million as shown in Table 7.11.
- l. Customer share of WaterNSW's Rural Valleys NRR of \$123.1 million as shown in Table 8.1.

We have not used the building block model to set prices for this short 1-year determination.

This chapter sets out our estimates we used to enable an indicative Notional Revenue Requirement (NRR).

7.1 We are not using the NRR to set prices

As discussed in earlier chapters, we have not used the building block model to set prices for this short 1-year determination.

The NRR calculated based on our best estimate of WaterNSW's Rural Valleys costs (using the Atkins lower bound recommendations and our updated Weighted Average Cost of Capital (WACC)), results in price increases that are far beyond what customers told WaterNSW they could afford. In its proposal, WaterNSW noted that 15% price increases would have significant negative impacts on customers.¹⁵⁶ To fund our indicative NRR, prices would need to increase 25% in 2025-26.

A key requirement of determining prices under a building block model is being able to confidently establish the efficient operating and capital expenditure required by the business to provide safe and reliable services. In this case, the Tribunal is not yet convinced that the expenditure put forward by WaterNSW in its proposal is efficient or prudent.

However, the main driver of the 25% increase in prices is an increase in the WACC of 1.8% to 3.6% for MDB valleys, for the reasons explained in Chapter 1 and section 7.2.1 below. The increase in the WACC accounts for around two thirds of the increase in prices.

Under our building block method, we set prices to recover the customer share of the NRR. As discussed in Chapter 9, stakeholders have expressed concerns about the costs sharing framework. We intend to review the cost sharing framework to inform future pricing decisions.

Given that we are not convinced that the expenditure in this analysis is prudent or efficient, and in the face of large increases in the WACC as well as concerns about the cost sharing framework, we cannot pass on these price increases.

We may consider adjustments for actual prudent and efficient expenditure in a future review.

Chapter 11 sets out how we have determined prices for this short 1-year determination.

7.2 We have calculated an indicative NRR

Calculating the indicative NRR using the building block methodology includes the:

- return on assets, incorporating the Regulatory Asset Base (RAB) and Weighted Average Cost of Capital (WACC)
- return of assets, incorporating the RAB and the remaining useful life of WaterNSW's Rural Valleys assets
- tax allowance
- working capital allowance
- other allowances applicable for WaterNSW-Rural Valleys e.g. revenue volatility allowance, UOM payback, ICD rebate etc.

The estimates outlined in this chapter exclude Murray-Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC). Chapter 6 outlines the decisions we made relating to the MDBA and BRC.

Our estimates take into account the matters set out in sections 14A(2) and 15(1) of the IPART Act. Our framework for setting the WACC is an important component of ensuring that prices promote competition and protect customers from the abuse of monopoly power. It ensures that prices only recover a reasonable rate of return that would be earned by a similar firm operating in a competitive market.^a

^a These are specified in sections 15(1)(b) and 15(1)(c) of the IPART Act.

In this case we have not been able to set prices using the building block model because we are not confident that the cost inputs proposed by WaterNSW are efficient or prudent. Chapter 11 discusses how we have set prices for this short 1-year determination.

7.3 WaterNSW's Rural Valleys indicative notional revenue requirement is \$167.3 million

In a standard water review, we use the building block approach to calculate the notional revenue requirement, as outlined in the Water Regulation handbook.¹⁵⁷ We reached the figure for the notional revenue requirement by adding the various building block components as shown in Figure 7.1.

This section will explain how we reached the dollar value for each component, **except the operating allowance and MDBA and BRC costs**. This is because we use the \$62.9 million figure for operating expenditure that was discussed previously in Chapter 4. We discussed MDBA and BRC costs in Chapter 6.

Figure 7.1 Building block components

Cost building blocks		Amount (\$ millions)	More information
	Operating allowance (Operational costs including administration)	\$62.9	Chapter 4
	Capital allowance		
	Return on assets + Regulatory asset base (RAB) = (Opening RAB + efficient capital expenditure – regulatory depreciation – asset disposals) x Weighted average cost of capital (WACC)	\$46.2	Section 7.1.1
	Return of assets + Regulatory depreciation of the RAB	\$26.4	Section 7.1.2
	Tax allowance	\$1.4	Section 7.2
	Working capital allowance	\$1.4	Section 7.3
	Other costs:	\$1.9	Section 7.6
	ICD rebates	\$1.9	Section 7.5
	UOM Payback	\$0.6	Section 7.4
	Cost of debt true-up		
	MDBA and BRC costs	\$24.6	Chapter 7
	Notional revenue requirement	\$167.3	Chapter 7

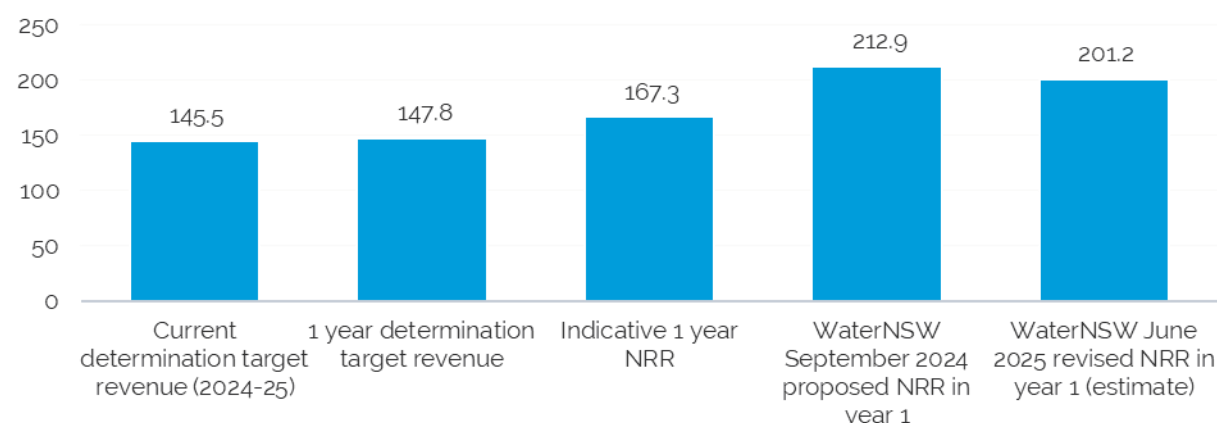
Table 7.1 Indicative notional revenue requirement for the 2025-26
(\$ millions, \$2024-25)

	2025-26
Total NRR proposed by WaterNSW (September 2024 proposal)	212.9
IPART estimates (Building Block components)	
Operating allowance	62.9
Return on assets	46.2
Regulatory depreciation	26.4
Working capital allowance	1.4
Tax allowance	1.4
ICD rebates	1.9
UOM payback	1.9
Cost of debt true-up	0.6
MDBA NRR	23.0
BRC NRR	1.6
WaterNSW-Rural Valleys indicative NRR (IPART estimate)	167.3
Difference between the proposed and IPART indicative NRR	-45.6
Difference between the proposed and IPART indicative NRR (%)	-21%
User share of IPART indicative total NRR	123.1
% of the total NRR	74%

Note: Totals may not add due to rounding. In this table, the regulatory depreciation is a mid-year figure (i.e. the RAB roll-forward depreciation figure is discounted by half a year of WACC).
Source: IPART analysis.

Figure 7.2 below shows different revenue requirement scenarios for WaterNSW-Rural Valleys, ranging from its current revenue allowance (\$145.5 million, to its September 2024 proposal of \$212.9 million).

Figure 7.2 Revenue requirement scenarios for WaterNSW-Rural Valleys



Note: The final bar contains an estimate of WaterNSW's Rural Valleys revenue requirement under its revised proposal because the proposal did not specify government share of costs.
Source: IPART analysis

7.3.1 WaterNSW's Rural Valleys indicative return on assets is \$46.2 million

The return on assets is \$10.6 million (18.7%) lower than what WaterNSW proposed over the same 1-year period.

Our method includes an allowance for return on assets in the indicative notional revenue requirement to account for the opportunity cost of capital invested to provide regulated services. This enables businesses to earn an appropriate rate of return and continue to make efficient capital investments in the future, which is a required consideration under sections 14A(2)(e) and 15(1)(g) of the IPART Act^b.

Table 7.2 Indicative return on assets for the 2025-26 (\$ millions, \$2024-25)

	2025-26
WaterNSW proposal	56.9
IPART estimate	46.2
Difference	-10.6
Difference (%)	-18.7%

Note: Totals may not add due to rounding.
Source: IPART analysis.

The indicative regulatory asset base on 30 June 2026 is \$1,312.7 million

We used our forecast RAB to generate the indicative return on assets and allowance for depreciation over the 2025 determination period.

We calculated the opening RAB for 2025-26 by rolling the RAB forward over the 2021 determination period.^c We then made the following adjustments for the relevant period to 30 June 2025, including:

- Adding indicative prudent and efficient capital expenditure
- deducting the indicative regulatory value of asset disposals
- deducting indicative regulatory depreciation.

We calculated the opening balance of \$1,293.9 million and closing balance of \$1,312.7 million for 2025-26 by applying the roll-forward method between the 2021 determination period and 2025 as shown in Table 7.3.

^b We also consider 14A(2)(f) of the IPART Act, and discuss our valuation of the assets of WaterNSW-Rural Valleys in this chapter.

^c We roll forward the RAB from the final year of last determination period (2020-21) because at the time of setting prices for our current determination period (2021-22 onwards) we would not have had the actual inflation rate or a complete year of actual capital expenditure data from 2020-21 to assess its efficiency.

Table 7.3 Regulatory asset base roll-forward for the 2021 and 2025 determination periods (\$ millions)

	2020- 21 nominal	2021- 22 nominal	2022- 23 nominal	2023- 24 nominal	2024- 25 nominal	2025-26 \$2024-25
	2021 determination period					2025 determination period
Opening RAB for WaterNSW-Rural Valleys	920.8	971.6	1,046.9	1,129.1	1,225.7	1,293.9
Plus: Efficient capital expenditure	54.1	39.4	45.1	81.3	73.3	45.6
Less: Asset disposals	20.3	0.6	0.2	0.2	0.2	0.0
Less: Regulatory depreciation	18.6	23.9	26.8	28.9	30.2	26.9
Plus: Indexation	35.6	60.4	64.2	44.4	25.2	0.0
Closing RAB	971.6	1,046.9	1,129.1	1,225.7	1,293.9	1,312.7
WaterNSW proposal	971.6	1,046.9	1,129.1	1,225.7	1,306.2	1,391.2
Difference	0.0	0.0	0.0	0.0	-12.3	-78.6
Difference (%)	0.0%	0.0%	0.0%	0.0%	-0.9%	-5.6%

Note: We roll forward the RAB from the final year of last determination period (2020-21) because at the time of setting prices for our current determination period (2021-22 onwards) we would not have had the actual inflation rate or a complete year of actual capital expenditure data from 2020-21 to assess its efficiency. Totals may not add due to rounding.

Source: IPART analysis.

Rates for the return on capital (post-tax real WACC) for MDB and Coastal Valleys

We estimated 2 different WACC values depending on the valley type:

- For Murray Darling Basin (MDB) valleys, the WACC estimate is 3.6%.
- For Coastal valleys, the WACC estimate is 3.1%.
- The WACC values for the Coastal valleys are calculated using our standard approach while we used WaterNSW's proposed method for WACC values applicable to the MDB valleys (i.e., 10-year transition to trailing average for the long-term debt and a 5-year transition for the current debt).

Previously, we used 2 methods to calculate the WACC as outlined below:

- For customers in MDB valleys we set prices using a WACC calculated with regard to the Australian Competition and Consumer Commission's (ACCC) pricing principles as required under the Water Charge Rules 2010 as part of transitional arrangements **(1.8% for the 2021 determination)**
- For customers in coastal valleys we set prices using our standard approach to calculating the WACC **(3.0% for the 2021 determination)**.¹⁵⁸

Our 2021 final report provides further information about our previous approaches to the WACC,¹⁵⁹ but for this review IPART is determining maximum prices under NSW laws. In December 2023 WaterNSW wrote to IPART seeking clarification of how we would implement our WACC methodology for their next price review. In May 2024 IPART wrote to WaterNSW agreeing to a 10-year transition to trailing average for the long-term debt and a 5-year transition for the current debt for the MDB valleys.

In September 2025 when IPART received WaterNSW's pricing proposal it became clear that the transitional arrangements would lead to a WACC for the MDB valleys that exceeds the WACC for coastal valleys. Since the 2021 determinations interest rates have increased and this is reflected in the updated WACC of 3.6%^d for MDB valleys and 3.1% for coastal valleys.

We have considered the matters set out in sections 14A(2) and 15(1) of the IPART Act.^e We have exercised our discretion and have not updated the WACC to determine prices for this 1-year short determination. This includes not basing the WACC on the 10-year transition to trailing average for the long-term debt and a 5-year transition for the current debt for the MDB valleys because it would result in price shocks.

As we have not relied on the building block methodology in this determination, we have not used the updated WACC to set the revenue allowance. However, we have included the updated WACC that includes the trailing average transition in the indicative notional revenue requirement. We will immediately commence the next review of WaterNSW-Rural Valleys prices. As part of this review, it will be open to the Tribunal to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue. We will also assess the appropriate costs shares and will update the WACC.

A full explanation of the WACC used in the indicative NRR is provided in Appendix D.

Asset disposals and cash contributions

Asset disposals can include asset sales, write-offs and write-downs. This may include the sale of land that is no longer needed to deliver services, the reduction in value of plant and equipment or the write-off of an asset that is now obsolete.

WaterNSW stated in its proposal, for 2020-21 and 2021-22, \$19.9 million of drought infrastructure assets were transferred to the NSW Government under a Ministerial Transfer Order.¹⁶⁰ This is the only significant disposal for the WaterNSW-Rural Valleys 2021 determination.

We have included WaterNSW's Rural Valleys actual asset disposals for the 2021 determination period and proposed asset disposals of zero in 2025-26 in the indicative RAB.

Cash capital contributions are external funding that a water business receives towards its capital expenditure, such as government grants. We accepted WaterNSW's proposed cash capital contributions of zero over the 2021 and 2025 determination periods.

^d This WACC update used our standard WACC methodology and is consistent with the transitional arrangements requested by WaterNSW for MDB debt.

^e Specifically, we consider sections 14A(2)(d), 14A(2)(e), 14A(2)(h), 15(1)(b), 15(1)(c), 15(1)(g) and 15(1)(i) of the IPART Act.

7.3.2 WaterNSW's Rural Valleys indicative return of assets (regulatory depreciation) is \$26.4 million

The return of assets is \$1.6 million (5.7%) lower than what WaterNSW has proposed over the same 1-year period.

We are required to assess the regulatory depreciation of the business's assets under our methodology outlined in the Water Regulation Handbook.

For this analysis, we used a straight-line depreciation method to calculate regulatory depreciation. Under this method, the assets in the RAB are depreciated by an equal value in each year of their economic life. We consider this method is superior to alternatives in terms of simplicity, consistency and transparency.

Our indicative return of assets allowance is lower than WaterNSW's proposal as our opening RAB on 1 July 2025 is lower due to lower expected inflation in 2024-25 (2.0% instead of 3.0%) and our capital expenditure in 2025-26 is 60% lower than that proposed by WaterNSW, as discussed in chapter 5.

Table 7.4 Indicative return of assets for the 2025 -26 (\$ millions, \$2024-25)

	2025-26
WaterNSW proposal	28.0
IPART estimate	26.4
Difference	-1.6
Difference (%)	-5.7%

Source: IPART analysis.

We assigned asset lives for new assets based on activity

We maintained our estimation of asset lives of new assets for different activities used in the 2021 determination as shown in Table 7.5.

Table 7.5 Expected lives of new assets by activity (years)

	2021 determination period	2025 determination period
Water Delivery & Other Operations	6.0	6.0
Flood Operations	15.0	15.0
Hydrometric Monitoring	15.0	15.0
Water Quality Monitoring	15.0	15.0
Environmental Delivery	80.0	80.0
Corrective Maintenance	80.0	80.0
Routine Maintenance	80.0	80.0
Asset Management Planning	80.0	80.0
Dam Safety Compliance	100.0	100.0
Environmental Planning & Protection	80.0	80.0
Drought projects (3 dams)	100.0	100.0
Drought projects (other)	80.0	80.0
Renewals and Replacement	80.0	80.0
Dam safety compliance on pre 1997 capital projects	100.0	100.0
Structural and other enhancements	80.0	80.0
Metering and compliance	15.0	15.0
Corporate Systems	7.0	7.0
Customer support	5.0	5.0
Corporate Systems-Lease	7.0	7.0

Source: IPART analysis.

We assigned asset lives on a valley and customer and government share basis

We typically calculate the remaining lives of existing assets by rolling forward our previous determination to incorporate new efficient assets and accounting for asset disposals. We maintained this approach for the 2025-26 determination period.

For new assets, we weighted the asset lives by activity in accordance with our estimates on WaterNSW's Rural Valleys capital expenditure (including customer cost shares), to derive the expected asset life for new assets on a valley and customer and government share basis.

The asset lives calculated using this method is presented in Table 7.6 below.

Table 7.6 Indicative asset lives for new and existing assets

	Remaining asset lives on 1 July 2025		Expected lives of new assets from 1 July 2025			
	Long-life RAB		Long-life RAB		Short-life RAB	
	User RAB	Govt RAB	User RAB	Govt RAB	User RAB	Govt RAB
Border	52.9	75.2	83.2	89.6	7.0	7.0
Gwydir	42.1	48.3	89.2	93.9	7.0	7.0
Namoi	45.6	50.6	56.7	70.7	7.0	7.0
Peel	56.3	63.6	26.0	78.5	7.0	7.0
Lachlan	56.2	50.9	80.2	80.3	7.0	7.0
Macquarie	53.2	52.7	80.3	80.5	7.0	7.0
Murray	44.8	40.1	92.7	97.9	7.0	7.0
Murrumbidgee	51.5	31.7	80.7	82.6	7.0	7.0
Lowbidgee	48.5	N/A	80.0	0.0	7.0	N/A
North Coast	66.0	99.2	70.0	81.4	7.0	7.0
Hunter	68.9	105.3	80.6	82.7	7.0	7.0
South Coast	44.1	69.1	87.1	94.5	7.0	7.0
Fish River	56.2	N/A	85.3	0.0	7.0	N/A

Source: IPART analysis.

7.4 Tax allowance

The indicative tax allowance is \$1.4 million for 2025-26. This is \$1.3 million (46.9%) lower than what WaterNSW has proposed.

We include an explicit allowance for tax because we use a post-tax WACC to estimate the allowance for a return on assets in the revenue requirement. This tax allowance reflects the regulated business' forecast income tax liabilities.

Table 7.7 Indicative tax allowance for the 2025-26 (\$millions, \$2024-25)

	2025-26
WaterNSW proposal	2.7
IPART estimate	1.4
Difference	-1.3
Difference (%)	-46.9%

Note: Numbers may not add up due to rounding

Source: WaterNSW's pricing proposal to IPART (Information Return), September 2024 and IPART analysis

We calculated the tax allowance for each year by applying a 30% statutory corporate tax rate adjusted for franking credits to the business's (nominal) taxable income. We applied our standard methodology to set the tax allowance.

For this purpose, taxable income is the NRR (excluding tax allowance) less operating cost allowances, tax depreciation and interest expenses. As part of calculating the appropriate tax allowance, the business is required to provide forecast tax depreciation for the determination period. Other items such as interest expenses are based on the parameters used for the WACC and the value of the RAB.

IPART's estimated tax allowance is significantly lower than WaterNSW's proposal due to lower profitability resulting from a lower WACC than proposed.

The tax allowance is not intended to recover WaterNSW's Rural Valleys actual tax liability over the determination period. Rather, it reflects the liability that a comparable commercial business would be subject to, including this allowance is consistent with our aim to set prices that reflect the fully efficient costs a business would incur if it were operating in a competitive market.

7.5 Return on working capital

The indicative working capital allowance is \$1.4 million for 2025-26. This is \$0.7 million (116.1%) higher than what WaterNSW has proposed over the same 1-year period.

The working capital allowance component of the NRR represents the return the business could earn on the net amount of working capital it requires each year to meet its service obligations. It ensures the business recovers the cost it incurs due to the time delay between providing a service and receiving the money for it (i.e. when the bills are paid).

In 2018, we developed a standard approach to calculate the working capital allowance, which can be found on our [website](#).

The indicative allowance is higher than that proposed by WaterNSW for the single year period, due to a change in methodology^f combined with lower expenditure. The amount we estimated for the 2025-26 determination period represents the holding cost of net current assets.

Table 7.8 WaterNSW's Rural Valleys indicative return on working capital allowance for 2025-26 (\$millions, \$2024-25)

	2025-26
WaterNSW proposal	0.6
IPART estimate	1.4
Difference	0.7
Difference (%)	116.1%

Note: Numbers may not add up due to rounding
Source: WaterNSW's pricing proposal to IPART (Information Return), September 2024 and IPART analysis

^f WaterNSW's approach in their proposal lags the value of receivables by 1 year. We updated the methodology to eliminate the lag, in line with our standard approach used for other businesses.

7.6 Cost of debt true-up

Our 2018 review of the WACC method introduced a trailing average cost of debt. Under this method the WACC changes every year as new tranches of debt are introduced to the trailing averages and the oldest tranches drop out.¹⁶¹ In our 2018 WACC methodology, we decided that at each price review we would consider whether to:

- update prices annually to reflect the updates in the WACC annually, or
- use a regulatory true-up at the next period, which we would pass through to prices at the beginning of the next period.

For the coastal valleys, we have used a true-up approach for changes to the cost of debt, consistent with our approach in WaterNSW's Rural Valleys 2021 price determination. A true-up does not apply to the MDB valleys because we calculated a WACC with regard to the ACCC pricing principles as explained in section 7.3.1 above,

We have calculated a cost of debt true-up for the 2020 price period of \$0.6 million. Our true-up value is higher than proposed because WaterNSW used incorrect parameters to calculate the true-up amount.

Table 7.9 WaterNSW's Rural Valleys indicative cost of debt true-up (\$ millions, \$2024-25)

	2025-26
WaterNSW proposal	0.2
IPART estimate	0.6
Difference	0.5
Difference (%)	297.2%

Note: In its proposal WaterNSW used incorrect parameters to calculate the cost of debt true-up amount.
Source: WaterNSW proposal, IPART analysis.

7.7 Unders and Overs Mechanism (UOM) Payback

In its 2014 Decision, the ACCC introduced a UOM for most of the Murray–Darling Basin valleys, to address WaterNSW's Rural Valleys revenue volatility risk.¹⁶² Our 2017 Determination discontinued the UOM, because we considered that a volatility allowance would better address WaterNSW's Rural Valleys revenue volatility risk. We also decided that WaterNSW should recover the negative UOM balance (i.e. the net amount under-recovered from customers) through prices over 12 years, in real terms.¹⁶³ This would mean that the outstanding UOM balance would be fully recovered by 30 June 2029.

WaterNSW proposed continuing this method for recovering UOM costs. We consider this approach remains appropriate and generally agreed with WaterNSW's proposed UOM payback amounts. We have not set a volatility allowance for the indicative NRR.

Table 7.10 WaterNSW's Rural Valleys indicative UOM payback amount (\$ million, \$2024-25)

	2025-26
WaterNSW proposal	2.0
IPART estimate	1.9
Difference	-0.1
Difference (%)	-3.0%

Source: IPART analysis.

7.8 Irrigation Corporation and Districts (ICD) rebates are \$1.9 million

ICDs, located in the Lachlan, Murray and Murrumbidgee valleys, undertake activities such as billing, metering and monitoring for customers that are serviced within their irrigation distribution network. The structure of ICDs and their activities means that WaterNSW services fewer large customers rather than many smaller customers.

Past determinations have included discounts via rebates to ICDs to reflect WaterNSW's 'avoided costs' of not having to directly service a larger number of smaller customers. The avoided costs are calculated based on the services WaterNSW does not need to provide due to the activities of ICDs (as a per ML of entitlement cost multiplied by the number of entitlements held by the ICD). These include billing metering and compliance, telemetry installation and data transfer.

Table 7.11 Indicative ICD rebates for the 2025-26 (\$ million, \$2024-25)

	2025-26
WaterNSW proposal	2.05
IPART estimates	
Jemalong	0.06
Murray Irrigation	0.77
Western Murray	0.02
West Corugan	0.04
Moirra	0.02
Eagle Creek	0.01
Murrumbidgee Irrigation	0.67
Coleambally Irrigation	0.29
Total IPART discounts	1.9
Difference	-0.2
Difference (%)	-8.3%

Source: IPART analysis.

We have not reviewed WaterNSW's calculation of the discounts. We have maintained the 2024-25 rebates in real terms due to uncertainty in efficient operating costs and their allocation between functions and valleys. This uncertainty means we are unable to confidently calculate avoidable costs.

Chapter 8 >>

Cost shares



Summary of our decisions on cost shares

The customer share of WaterNSW's Rural Valleys notional revenue requirement (NRR) is \$123.1 million for 1 year, or 74% of the total indicative NRR.

Our decision to limit price increases to CPI+5.8% will mean that prices are expected to recover \$103.5 million or 63% of the total indicative NRR (i.e., 84% of the customer share of the total indicative NRR).

To calculate the customer share of the indicative NRR, we maintained the impactor-pays principle and the cost share ratios used in the 2021 Determination

The cost reflective base case presented in WaterNSW's pricing proposal was based on maintaining the cost share ratios used in the 2021 Determination.

We considered the cost share ratio for each of WaterNSW's Rural Valleys activities and have decided to maintain the impactor pays principal and current cost share ratios at this time.

Stakeholders have called for a comprehensive review of the cost sharing framework

We received several stakeholder submissions in response to the Issues Paper and Information Paper calling for changes to the cost sharing framework. These submissions argue that the current approach to cost sharing results in an over-allocation of WaterNSW's Rural Valleys costs to customers and an under-allocation of costs to the NSW Government.

We intend to review the cost sharing framework to inform future WaterNSW-Rural Valleys pricing decisions

Our last comprehensive review of rural water cost shares was completed in 2019. Given the challenges in the rural water sector identified in this current review of WaterNSW's Rural Valleys prices, we consider it timely to review the cost sharing framework to ensure it continues to support efficient and equitable pricing outcomes into the future.

We use a cost sharing framework to allocate WaterNSW's Rural Valleys operating and capital expenditure between water users and the NSW Government (on behalf of other users and the broader community).^a These allocations of costs between customers and the NSW Government lead to a total customer share and a total Government share of WaterNSW's Rural Valleys notional revenue requirement (NRR).

The key principles underpinning IPART's cost sharing framework are outlined in Box 8.1

^a That is, water entitlement holders that are subject to WaterNSW's Rural Valleys regulated prices (as determined by IPART).

Box 8.1 Who should pay for WaterNSW's Rural Valleys efficient costs?

We use the following funding hierarchy to determine who should pay WaterNSW's Rural Valleys efficient costs:

1. Preferably, the party that creates the need to incur the cost should pay in the first instance.
2. If that is not possible, the party that benefits should pay.
3. When it is not feasible to charge the above parties, the NSW Government (taxpayers) should pay. Examples of when it may not be feasible include social welfare policy, public goods, externalities, or an administrative or legislative impracticality of charging.

Once the cost shares are determined, we use them to calculate the user and government shares of WaterNSW's Rural Valleys NRR. The cost shares apply to WaterNSW's Rural Valleys bulk water expenditure, as well as expenditure on Murray-Darling Basin Authority (MDBA) and Dumaresq-Barwon Border Rivers Commission (BRC) activities.

8.1 The customer share of WaterNSW's Rural Valleys indicative NRR is \$123.1 million

For our indicative NRR analysis, we set the customer share of WaterNSW's Rural Valleys NRR requirement to \$123.1 million, as shown in Table 8.1.

Table 8.1 Decision on customer share of WaterNSW's Rural Valleys indicative notional revenue requirement (\$ millions, \$2024–25)

	2025-26
Operating expenditure	57.9
ICD rebates	1.9
Return of capital	13.4
Return on capital	24.7
Tax allowance	0.5
Volatility allowance	0.0
UOM payback	1.9
Cost of debt true-up adjustments	0.5
MDBA and BRC payments	22.3
Notional Revenue Requirement (NRR)	123.1

Source: IPART analysis.

We note that our decision to cap price increases to CPI+5.8% in this review means that revenue from prices is not expected to recover the total customer share of WaterNSW's Rural Valleys indicative NRR. That is, the amount of revenue that is expected to be recovered from regulated charges is \$103.5 million or 84% of the customer share of WaterNSW's Rural Valleys indicative NRR of \$123.1 million.

8.2 We are maintaining the impactor-pays principle for the 1-year determination

We are maintaining the impactor-pays framework for this short-term determination because it is consistent with the guidance we have provided in the Water Regulation Handbook (see Box 8.1), and the National Water Initiative (NWI) pricing principles, which specify an impactor-pays approach.¹⁶⁴ The key features of the impactor-pays framework are:

- It seeks to avoid distortions in the price of water relative to the prices of other inputs to production (including household 'production') that would impact allocative efficiency across the economy.
- Water users as a group will not pay more than the full efficient costs associated with the services they receive. If the cost of an activity is higher than what is required to provide the regulated services — that is, if its economic viability depends on external benefits, such as flood mitigation or recreation — we will not allocate the full cost of that activity to water users under the impactor-pays framework.¹⁶⁵
- It has enabled transparent reporting of the reasoning for user shares at an activity level.¹⁶⁶
- The approach of applying rounded percentage shares at an activity level strikes a balance between accuracy and simplicity, improving stakeholder engagement and limiting administrative cost.

8.3 We maintain the cost share ratios from our 2021 Determination

Our estimate is:



8. For our indicative NRR analysis, we have maintained the cost share ratios from our 2021 Determination as shown in Table 8.2.

Table 8.2 Cost share ratios applied to WaterNSW's Rural Valleys expenditure

	Category of expenditure	Customer share (%)
Customer support	Operating	100
Customer billing	Operating	100
Metering and compliance	Operating and Capital	100
Water delivery and other operations	Operating and Capital	95
Flood operations	Operating and Capital	80
Hydrometric monitoring	Operating and Capital	90

	Category of expenditure	Customer share (%)
Water quality monitoring	Operating and Capital	80
Direct insurances	Operating and Capital	100
Corrective maintenance	Operating and Capital	95
Routine maintenance	Operating and Capital	95
Asset management planning	Operating and Capital	95
Dam safety compliance	Operating and Capital	80
Dam safety compliance (pre-1997)	Capital	0
Environmental planning and protection	Operating and Capital	80
Corporate systems	Operating and Capital	80
ICD rebates	Operating and Capital	100
Renewals and replacement	Operating and Capital	95
Risk transfer product	Operating	100

Source: IPART, Rural water cost share Final Report, February 2019, p 51. IPART, Review of WaterNSW's rural bulk water prices, September 2021, p 103.

8.4 Stakeholders have called for a comprehensive review of the cost sharing framework

Many stakeholders expressed concerns that the impactor-pays principle disproportionately places the financial burden on rural water users, particularly farmers, who are experiencing uncertainty related to production conditions, rising input costs and market conditions. They argue that the impactor-pays approach leads to unsustainable price increases, potentially driving small to medium-sized irrigation farmers out of business. For example, the NSW Irrigators' Council highlighted that under this principle, WaterNSW's customers are expected to cover 80–100% of operating and capital costs, which they view as inequitable given the broader community benefits derived from water services.¹⁶⁷ The NSW Farmers Association also raised concerns about the financial strain caused by this principle, submitting that it challenges the viability of small and medium sized farming operations who bear disproportionate costs and calling for a more balanced approach to cost sharing between water users and the Government.¹⁶⁸

Several submissions call for the NSW Government to take on a greater share of costs for activities where the wider community could be considered the beneficiary and where costs are increasing as a result of new regulatory obligations, new operating licence conditions and for projects requested by the Government. Murray Irrigation Limited proposes that IPART consider adopting a beneficiary-pays approach where any environmentally or socially driven expenditure is allocated to the broader community or government.¹⁶⁹

Some stakeholders also questioned the allocation of costs for specific activities, such as dam safety and infrastructure maintenance, suggesting there is a lack of transparency about who is driving the need for these costs to be incurred. Some submissions claim that, under the current approach, water users are required to pay for inefficiently designed and implemented government policies. They pointed out that reforms such as the establishment of WaterNSW in 2015 (resulting from the merger of State Water and the Sydney Catchment Authority (SCA)) has not delivered expected efficiencies. Instead, these changes have added complexity and costs, which are being passed on to water users.

There is a strong call from water users for IPART to undertake a comprehensive review of the cost sharing framework, arguing that the current approach is unsustainable. These stakeholders advocate for a more equitable distribution of costs that considers the capacity of rural communities to bear these expenses. These calls also included suggestions for IPART to review the alignment between pricing, service standards, and community expectations, and to incorporate considerations of economic capacity and equity.

8.5 We intend to review to cost sharing framework to inform future pricing decisions

Our last comprehensive review of rural water cost shares was completed in February 2019.¹⁷⁰

Given the challenges identified in this current review of WaterNSW prices (and in our current review of the Water Administration Ministerial Corporation (WAMC) prices) and concerns raised in stakeholder submissions to these reviews, we consider it is timely to review the cost sharing framework to ensure it continues to support efficient and equitable pricing outcomes into the future.

We intend to commence a review of the cost shares framework in 2025–26. This will cover the cost share arrangements for WaterNSW and WAMC. The output from the review of the cost shares framework may be used as an input to the new price review for rural valleys. We will publish a work plan in the next few months to inform stakeholders of the timetable and consultation steps.

Chapter 9 »

Price control and risk sharing



Summary of decisions on the form of price control and risk sharing

We did not accept WaterNSW's proposal for a revenue cap

We did not find evidence of widespread customer support for a change to the form of price control. As WaterNSW is in a better position to handle water supply volatility than its customers, we did not consider that the proposed revenue cap would promote the long-term interests of customers.

We did not accept WaterNSW's proposals for cost pass-throughs

We did not accept WaterNSW's proposed general cost pass-throughs. We found the proposed general pass-through events would result in an inefficient transfer of risk from WaterNSW to its customers.

We did not accept WaterNSW's proposal for nominated cost pass-through provisions for operating licence changes, non-urban metering reform and the drought operations of the Chaffey pipeline. We found these risks were poorly defined or unnecessary due to the determination length. We were also concerned that they would cause an inefficient transfer of risk from WaterNSW to its customers.

One of the challenges we investigated in this price review was the allocation of risk between customers, WaterNSW and the NSW Government. WaterNSW proposed to reduce its revenue and costs risks which implicitly increases prices and price volatility for customers.

Revenue risk is an inherent part of WaterNSW's business. One cause for this risk is the deviations in water usage from forecast demand. The deviations could be due to climatic factors (e.g. drought or floods), natural fluctuations (e.g. annual rainfall changes), or other factors.

Cost risks typically refer known, material costs that a business cannot control. We can include a cost pass-through in a determination for event-driven risks. The cost pass-through, if triggered, allows the business to automatically pass the relevant costs on to customers within the determination period. Alternatively, we can include a true-up at the next price review for costs that are material but unlikely to impact the business's ability to deliver services.

In this chapter, we discuss our decisions on the form of price control and cost pass-throughs and outline our approach to cost true-ups for WaterNSW.

9.1 Form of price control

Our decision is:



9. To not accept WaterNSW's proposal for a revenue cap for rural and regional bulk water services.

We did not accept WaterNSW's proposal for a revenue cap.

WaterNSW proposed to change the form of price control from its current price cap to a revenue cap.¹⁷¹ The proposal would mean that even if there was less water available for WaterNSW to supply, it would collect the same amount of revenue from its customers.

We found that WaterNSW is in a better position to handle water supply volatility than customers. A revenue cap would provide WaterNSW with flexibility to respond to changes in the demand for water from year to year. However, this is achieved at the expense of customers who would be required to bear the cost of water supply volatility through higher prices and greater price uncertainty.

It is possible to impose side constraints that limit price uncertainty. WaterNSW proposed this approach, suggesting a 5% (plus CPI) side constraint to apply to nine rural valleys — Border, Gwydir, Hunter, Namoi, Lachlan, Peel, Macquarie, Murray and Murrumbidgee. It also proposed to keep the fixed portion of the fixed-to-variable ratio constant at its 2024–25 levels for each of the nine rural valleys except Lachlan. However, side constraints raise the prospect of cost over- or under-recovery in the short term and re-introduce price volatility for customers, particularly over the long-term.

The benefits from a reduction in bill variability claimed by WaterNSW only occur because bills are less reflective of the amount of water used. Higher prices do not benefit customers.

We did not find evidence of widespread customer support for a change to the existing price structure. Some of the concerns raised by stakeholders include:

- counter-cyclical economic impacts — imposing higher prices on customers when water is scarce and requiring lower prices from customers during wetter years could amplify the economic challenges facing communities in drought-affected areas¹⁷²
- muted incentives to reduce water consumption, which may discourage effective water management practices
- the fixed component of prices was too high, some stakeholders felt prices should be related to use rather than being fixed as this was more reflective of the variable nature of water use.¹⁷³

If alternative forms of price control are being sought by WaterNSW, it is critical that they are supported by customers and that they align with the long-term interests of customers. Some stakeholders indicated that WaterNSW did not undertake the required level of engagement and suggested that the level of support for the revenue cap was lower than stated.¹⁷⁴

A revenue cap is a methodology for fixing maximum prices. Under clause 13A(2) of the *Independent Pricing and Regulatory Tribunal Act 1992*, we may not choose to make a determination that involves setting the methodology for fixing a maximum price, unless we are of the opinion that it is impractical to make a determination directly fixing the maximum price. Thus, in order to impose a revenue cap for WaterNSW-Rural Valleys in future, we would need to first be satisfied that it is impractical to directly set maximum prices.

9.2 Risk sharing

The [Water Regulation Handbook](#) seeks to promote the long-term interest of customers, identifying and rewarding businesses that sustain better customer outcomes and cost efficiencies. However, we recognise that within a determination period there are inherent uncertainties that may require additional costs (or avoided costs) to be shared between customers and the business if they arise.

This section outlines our response to WaterNSW's proposals for two risk sharing mechanisms — cost pass-throughs and true-ups.

9.2.1 Cost pass-throughs

Our decision is:



10. To not accept WaterNSW's general pass-through provisions for regulatory change, service standard, tax change, insurance coverage, insurer's credit risk, natural disaster or terrorism events.



11. To not accept WaterNSW's nominated pass-through provisions for operating licence changes, non-urban metering reform and the Chaffey pipeline's drought operations.

When there is a known, material cost that the business cannot control, we can include a cost pass-through (up front) in the determination. However, cost pass-throughs generally go against our principle of providing an envelope of expenditure for a business. The aim of setting prices based on the forecast revenue requirement is to enable businesses to reprioritise their spending as circumstances change through the determination period. Cost pass-throughs are intended only for large step changes in costs with material impact on a business. Our [Water Regulation Handbook](#) identifies six principles that businesses should demonstrate when proposing a cost pass-through.

WaterNSW proposed several cost pass-through provisions for unforeseen events.¹⁷⁵ It proposed seven general cost pass-through events:

- regulatory change event
- service standard event
- tax change event
- insurance coverage event
- insurer's credit risk event
- natural disaster event
- terrorism event.

We did not accept the proposed general cost pass-throughs. Cost pass-throughs are not required for a 1-year determination. We also found that, if the determination period were longer, the proposed general pass-throughs would result in an inefficient transfer of risk from WaterNSW to its customers. This would reduce WaterNSW's incentives to manage these risks efficiently. We also found the proposed mechanisms did not meet all six principles for cost pass-throughs that we identified in the [Water Regulation Handbook](#).

WaterNSW also proposed three nominated cost pass-through events relevant to rural valleys:

- operating licence changes
- non-urban metering reform
- the Chaffey pipeline's drought operations.

We did not accept WaterNSW's proposal for nominated cost pass-through provisions for operating licence changes, non-urban metering reform and the drought operations of the Chaffey pipeline. Given the 1-year determination, we do not consider that cost pass-throughs are required.

9.2.2 True-ups

WaterNSW proposed electricity cost true-ups where actual network charges and benchmark wholesale electricity costs in the 2025 determination were "trued up" in the subsequent determination. WaterNSW requested that the electricity cost true-up be applicable to the Chaffey Dam pipeline.

We consider there may be merit to an end-of-period energy true-up mechanism for the Chaffey Dam pipeline. We are open to working with WaterNSW to develop a true-up mechanism that appropriately balances the energy cost risks for this pipeline between WaterNSW and its customers subject to WaterNSW demonstrating that:

- the electricity costs of the Chaffey Dam pipeline meet our six cost pass-through principles
- the electricity costs of the Chaffey Dam pipeline do not have an immediate impact on the business's ability to deliver services, but cannot be borne by the business longer-term
- the electricity costs of the Chaffey Dam pipeline are assessable

It is appropriate to pass additional costs to customers but, at the same time, waiting to recover the costs does not materially impact the cost reflectivity of prices.

Chapter 10 »

Demand

10

Summary of decisions on water entitlement and usage forecasts

We accepted WaterNSW's methods for forecasting water entitlements and water usage

For regulated rivers, we decided to:

- Accept WaterNSW's proposed approach to set the water entitlement forecast for each water source based on the latest actual year of data for that water source (i.e. 2023–24)
- Maintain the approach of using a 20-year rolling average (i.e. 2004–05 to 2023–24) to forecast water usage for all water sources.

For the Fish River Water Supply Scheme (FRWS), we decided to:

- Accept WaterNSW's proposed approach to keep the Minimum Annual Quantities constant at the level of the latest actual year of data for the FRWS (i.e. 2023–24)
- Maintain the approach of using a 20-year rolling average (i.e. 2004–05 to 2023–24) to forecast water usage for the FRWS.

This chapter sets out the water entitlement and usage forecasts we used to inform our decision on maximum prices. As required under sections 14A(2)(i) and 15(1)(j) of the IPART Act, we consider levels of demand when setting prices. In this price review we used water entitlement and usage forecasts to ensure the revenue generated by WaterNSW-Rural Valleys was constant, before inflation, at 2024–25 levels. The forecasts were also used to inform our financeability assessment (Appendix B).

Despite stakeholder support to maintain demand based on actuals up to 2022–23 (see Chapter 3), we decided to use actual water entitlement and usage data from 2023–24 to develop our forecasts as this would ensure revenue maintenance. The 2023–24 data was provided by WaterNSW and was not available at the time it was preparing its proposal. Hence, there are differences between the forecasts in this report and the corresponding forecasts in WaterNSW's proposal.

Further information on demand forecasts and how businesses are required to justify their forecasts is available in section 4.7.2 of the [Water Regulation Handbook](#).

10.1 Forecast entitlements and water usage for regulated rivers

We accepted WaterNSW's method for forecasting water entitlements and maintain our previous approach to forecasting water usage volumes for regulated rivers.

Our decision is:



12. To set forecast water entitlement and water usage volumes for regulated rivers as shown in Table 10.1.

Table 10.1 Decision for regulated rivers on entitlement and water usage forecasts for 2025–26 (ML)

Water source	High security entitlements	General security entitlements	Water usage
Border ^a	3,141	262,991	132,090
Gwydir	27,212	509,723	212,956
Namoi	8,841	257,020	132,494
Peel	17,366	28,389	11,597
Lachlan	57,180	633,125	159,390
Macquarie	43,832	632,422	199,081
Murray	261,647	2,083,602	1,347,696
Murrumbidgee	438,244	2,267,789	1,493,305
Lowbidgee ^b	0	747,000	na
North Coast	137	9,201	671
Hunter	70,690	137,965	113,030
South Coast	1,167	13,970	3,817
Total	929,457	7,583,197	3,806,128

a. Includes general security A and general security B entitlements in the Border valley.

b. Supplementary entitlements in the Lowbidgee valley are treated as general security for pricing purposes.

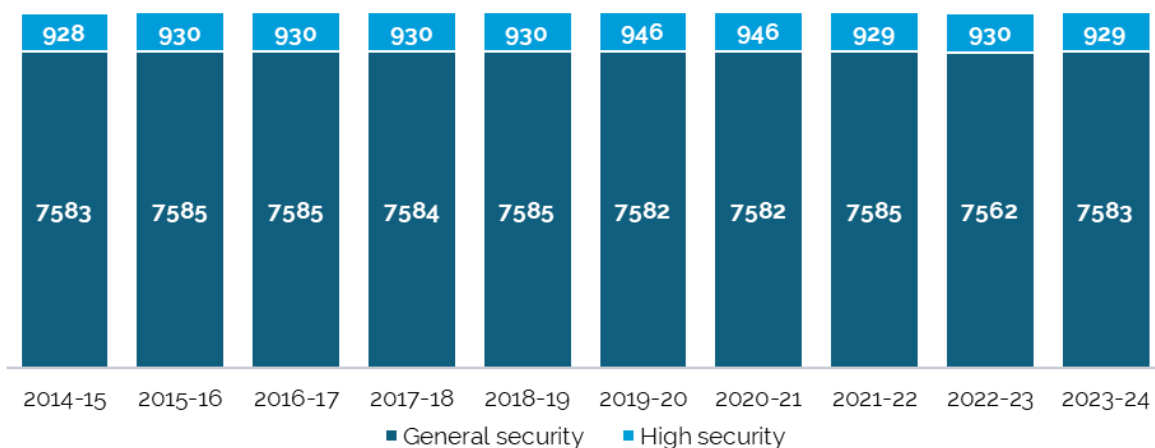
Notes: na means not applicable.

Source: IPART analysis.

10.1.1 Forecast water entitlements for regulated rivers

Water entitlements specify the maximum volume of water a licence holder is allowed to extract from a designated water source. The total amount of entitlements in each water source is capped by legislation; entitlements can only be created or rescinded in limited circumstances. Therefore, water entitlements tend to remain stable through time (Figure 10.1).

Figure 10.1 Historical water entitlement volumes (all valleys, gigalitres)



Note: Excludes Lowbidgee supplementary entitlements which are treated as general security for pricing purposes.

Source: IPART analysis.

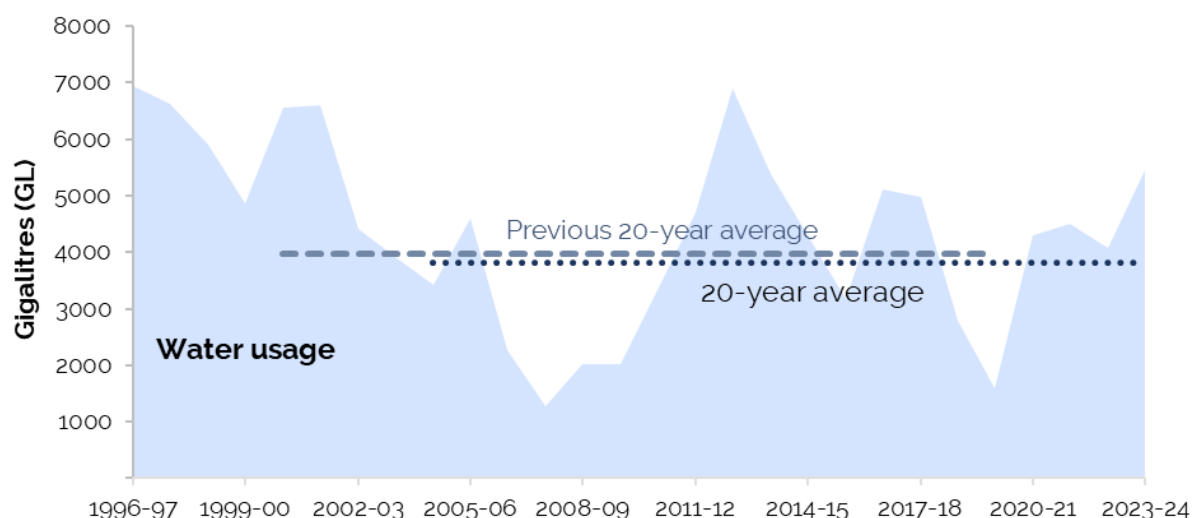
We accepted WaterNSW's proposed approach to forecasting water entitlements. Under the approach, forecast entitlements will be set at the level of the latest actual year data for that valley. After WaterNSW submitted its proposal, it provided us with the actual water entitlements and usage by water source for 2023-24. We have used this information to forecast water entitlements.

10.1.2 Forecast water usage for regulated rivers

WaterNSW proposed to use a 20-year rolling average to forecast the first year of water usage for each regulated river. It then proposed to transition to annual forecasts of water usage as part of its proposed revenue cap. WaterNSW's proposal to use annual forecasts is only workable under the revenue cap form of price control. As we did not accept the proposed revenue cap, we did not consider it necessary to review WaterNSW's proposed annual forecast methodology.

We decided to maintain using a 20-year rolling average to forecast water usage for the 2025 determination. We have used actual water usage data for each regulated river from 2004-05 to 2023-24 to determine the 20-year average.

Figure 10.2 Historical water usage volumes and the 20-year average from 2004–05 to 2023–24 (all valleys)

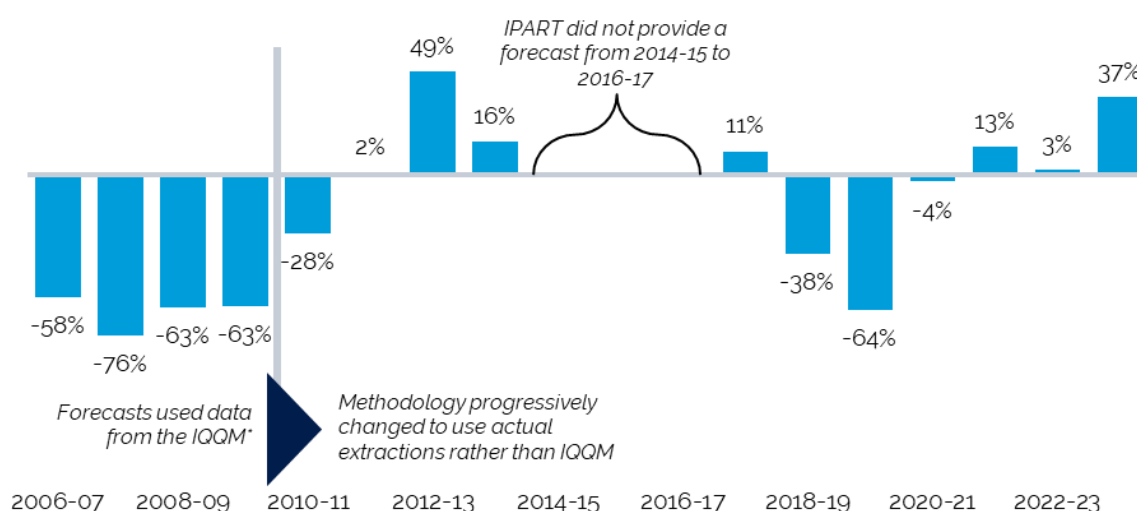


Note: Excludes Lowbidgee supplementary entitlements which are treated as general security for pricing purposes.

Source: IPART analysis.

The use of a 20-year rolling average to forecast water usage has limitations. Notably, there are occasionally large and persistent deviations in water usage from the 20-year average (Figure 10.2). For instance, WaterNSW generated more revenue from water usage than was expected at the time of the 2021 price review. In 2023–24, water usage (excluding Lowbidgee) was 37% higher than forecast (Figure 10.3). During the last determination period, which commenced in 2021–22, water usage was above the 20-year rolling average forecast in 2021–22, 2022–23 and 2023–24.

Figure 10.3 How total water usage for rural valleys has deviated from IPART's forecasts (%)



Note: Does not include Lowbidgee. 'IQQM' refers to the Integrated Water Quantity and Quality simulation model.

Source: IPART analysis using data from our 2006, 2010, 2017 and 2021 bulk water pricing final reports.

Due to the issues with using the 20-year rolling average to forecast water usage, we have considered several alternatives to the 20-year average in past reviews including statistical methods (e.g. ARIMA models and key driver modelling) as well as considering changes to the length of the period used to determine the average. Ultimately, we have not found a method that delivers significant improvement over the 20-year rolling average for multi-year demand forecasts. Nonetheless, we remain of the view that improvements can be made to forecasting long-term water usage for regulated rivers.

WaterNSW is exploring more sophisticated approaches to forecasting water usage. For instance, it has developed 1-year forecast model and is developing a long-term forecasting model. WaterNSW has indicated that it wants the long-term models to be ready for a future determination period. We encourage WaterNSW to continue developing long-term models that reflect the key drivers of water usage (including the impacts of climate change).

10.2 Forecast entitlements and water usage for the FRWS

The FRWS delivers raw water to three external major customers and 86 individual customers. The major external customers are EnergyAustralia, Oberon Council, and Lithgow Council. WaterNSW is also considered a major customer due to the self-supply of raw water from the FRWS to Greater Sydney.

WaterNSW also uses the FRWS to deliver treated (i.e. filtered) water to Lithgow Council and 238 individual customers.

We accepted WaterNSW's method for forecasting the MAQ in the FRWS and maintain our previous approach to forecasting water usage volumes for the FRWS.

Our decision is:



13. To set forecast Minimum Annual Quantities (MAQ) and water usage volumes for the FRWS as shown in Table 10.2.

Table 10.2 Decision on the FRWS entitlement and water usage forecasts for 2025–26 (ML)

	MAQ	Water usage
Raw water		
Energy Australia	8,184	1,564
WaterNSW (Greater Sydney)	3,650	1,592
Oberon Council	1,064	633
Lithgow Council	100	1
Individual minor customers	17	50
Filtered water		
Lithgow Council	1,678	777
Individual minor customers	46	88

Note: Each individual minor customer has a MAQ of 200 kilolitres.
Source: IPART analysis.

10.2.1 Forecast Minimum Annual Quantities for the FRWS

The licensing arrangements for the FRWS are different to regulated rivers (see Box 10.1). Access to water in the FRWS is regulated through a Minimum Annual Quantity that is set for each major customer and set collectively for minor customers.

We accepted WaterNSW's proposal to maintain the MAQ at its most recent actual level (i.e. 2023–24) for the 2025 determination. Like water entitlements, the MAQ for each customer tends to be stable through time.

We consider that the MAQ for each customer reflects their relative contribution to the capacity requirements of the FRWS.

Box 10.1 Licensing framework for the FRWS

WaterNSW holds a special Water Management Licence that governs the FRWS. The Licence was issued under the Water Act 1912. The Licence entitles WaterNSW to extract water from the Fish River to supply end-users.

The licence is different to licences issued under the Water Management Act 2000. It sets out the minimum amount, known as the Minimum Annual Quantity (MAQ), that WaterNSW must be able to provide each customer (or customer group in the case of minor customers). WaterNSW can provide customers with more water than the MAQ.

The licence includes provisions to reduce the minimum volumes supplied during periods of drought.

10.2.2 Forecast water usage for the FRWS

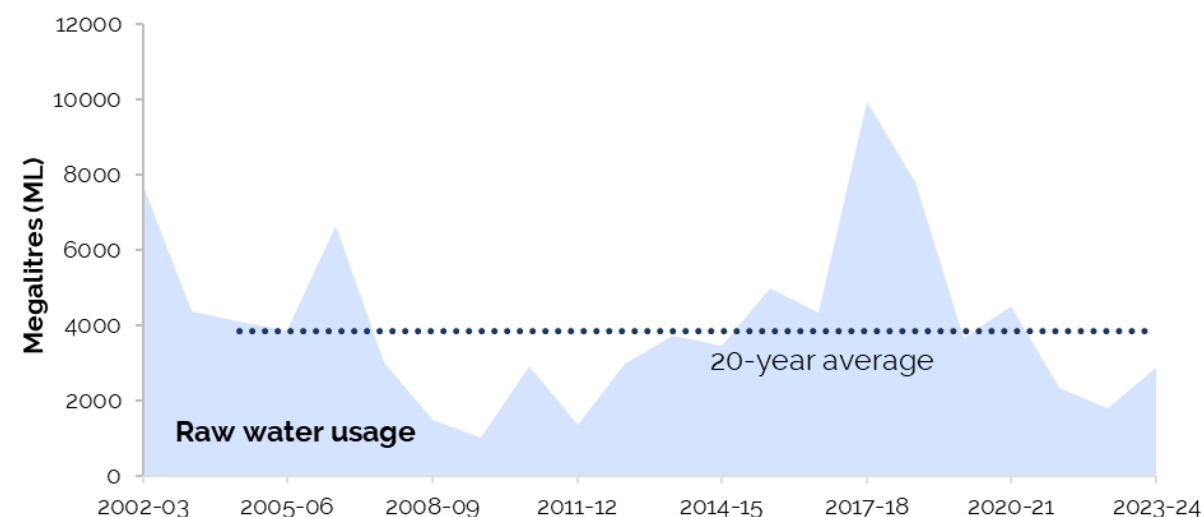
WaterNSW proposed the same approach to forecasting water usage for the FRWS as it proposed for regulated rivers. That is, it proposed to use a 20-year rolling average to forecast the first year of water usage and then transition to annual forecasts of water usage as part of its proposed revenue cap.

Since we did not accept WaterNSW's proposal for a revenue cap, we decided to maintain the use of a 20-year rolling average to forecast water usage for the FRWS in the 2025 determination. We used actual FRWS water usage data for each major customer and for minor customers collectively from 2004–05 to 2023–24 to determine the 20-year average for each customer or customer group. These averages are then used to forecast water usage for the FRWS.

We recognise that there is evidence of changing water usage in the FRWS (see Figure 10.4). Some of these changes are transitory, and other changes suggest a persistent trend. A notable transitory change occurred in 2017–18 when there was a spike in raw water usage with 9916 ML taken compared to a 20-year average of 3840 ML. The high raw water usage continued in 2018–19 (7795 ML) before declining in subsequent years. These two years significantly increase the 20-year average water usage.

A downward trend in raw water usage among major customers could have a significant impact on the economics of the FRWS. There is a large gap between the MAQ and water usage for some major customers. If declining water usage leads to reductions in MAQs it may threaten the viability of the FRWS. WaterNSW may need to revise its strategy for the FRWS to ensure its resilience against potential future reductions in demand from one or more major customers.

Figure 10.4 Historical water usage volumes and the 20-year average from 2004–05 to 2023–24 for the FRWS



Source: IPART analysis.

Chapter 11 >>

Price setting

11

Summary of our approach to price structures and our decisions

The current valley-based, 2-part price structure will be maintained

We maintained valley-based, 2-part price structures and current fixed-to-variable ratios for MDB valleys and Coastal valleys. Prices in the North Coast and South Coast valleys increase by inflation only. Price increases are limited to CPI plus a modest uplift for updated demand forecasts and essential safety expenditure.

11.1 Price structure

WaterNSW currently levies a valley-based, 2-part price for most valleys^a, comprised of:

- fixed (entitlement) charges per megalitre (ML) of entitlement, with different charges for:
 - high security (HS) entitlements
 - general security (GS) entitlements^b
- a variable (usage) charge per ML of usage.

Our decisions are:

14. To maintain the valley-based approach to setting WaterNSW's rural bulk water service charges for the 12 valleys and for the Fish River Water Supply Scheme.
15. To maintain the current 2-part price structure for WaterNSW's rural bulk water service charges for each of the Murray–Darling Basin and Coastal valleys (i.e. excluding Fish River Supply Scheme).
16. To:
 - a. maintain the existing approach to calculating the indicative high security premium
 - b. maintain the current security factors
 - c. use the high security premiums to calculate entitlement charges.
17. To exempt Aboriginal cultural and Aboriginal community development licences from all WaterNSW-Rural Valleys regulated charges.

^a The Lowbidgee valley has only supplementary licences that are charged fixed entitlement charges only.

^b The relationship between HS and GS entitlement charges is driven by the HS premium.



18. To index the Yanco Creek levy to CPI.

11.1.1 For the short 1-year determination (2025-26), our decision is to leave price structures unchanged

Maintain valley-based pricing approach

We maintained valley-based pricing, as we consider this remains the most appropriate approach for setting prices. This signals the costs of the services customers receive, which promotes efficient water consumption decisions, and the efficient use and allocation of resources.

We note that WaterNSW included an alternative scenario in its pricing proposal that would see the pricing of rural bulk water services transition from valley-based to regional-based charging. Under this scenario, each valley would pay a legacy charge for the capital expenditure it has incurred up to 30 June 2025. This legacy charge would continue until the existing assets are fully depreciated. From 1 July 2025, charging for capital expenditure and operating expenditure would shift to a regional basis – that is, valleys would receive regionally-based charges rather than valley-based charges. Two regions were suggested: a Northern region comprising seven valleys (Border, Gwydir, Namoi, Peel, Hunter, Macquarie and North Coast) and a Southern region comprising five valleys (Lachlan, Murray-Lower Darling, Murrumbidgee and South Coast).

WaterNSW stated that it believes regional pricing is consistent with the IPART stated aim to allow the regulated utility to reprioritise expenditure within the allowance. WaterNSW listed a number of benefits it believes this approach would offer compared to valley-based pricing, including minimising price shocks to customers, increasing flexibility to WaterNSW and providing opportunities for improved efficiency.

Our view is that there is insufficient evidence of the benefits of moving to a regional-based approach. A number of stakeholders raised concerns about reduced service levels that may be offered under the regional model, and others were concerned that the regional-based pricing model was only considered within the alternative scenarios in WaterNSW's pricing proposal and queried whether it had received the same consultation and scrutiny as other parts of its proposal.

Maintain the current 2-part price structure and retain the fixed-to-variable ratios from the 2021 Determination for all valleys

WaterNSW proposed to maintain the current 2-part price structure and the existing fixed proportion of prices at current levels for most valleys and customers, with two exceptions. These were for the Lachlan valley, where WaterNSW proposed to move from the current 40% fixed proportion to 80% fixed, and for Licenced Environmental Water (LEW) holders, which it proposed to move to 100% fixed (currently 40% fixed in most rural valleys).¹⁷⁶

While WaterNSW believed these proposed changes would be appealing to some customers, we did not consider the evidence compelling enough to make these changes. Additionally, submissions from stakeholders offered little support. The Commonwealth Environmental Water Holder submitted that they could see the value of moving to 100% fixed prices for their own planning and budgeting purposes,¹⁷⁷ but noted that any proposal that provides a tariff charging structure for large environmental water holders that is not available to all users must be carefully considered.¹⁷⁸ They also encouraged IPART to explore the market implications for the trade of water products between parties that operate under different tariff structures, which may be an issue to investigate further during the next WaterNSW price review commencing immediately. In its response to our Information Paper, WaterNSW noted that it will seek IPART's support in progressing potential changes to pricing structures as part of a three-year determination for Rural Valleys.

The fixed-to-variable ratios for WaterNSW's rural bulk water service charges for each of the MDB and Coastal valleys are set out in Table 12.1 (excluding Fish River).

Our approach to calculating the high-security premium

We maintained our existing approach to setting the high-security premium, including its calculation and the inputs to both the security factor and the reliability ratio. We consider this remains an appropriate approach to calculating the HS premium on the basis that the combination of the 2 factors aims to address both the security and reliability of water supply from holding high-security over general-security entitlements.

Prices in the North Coast and South Coast valleys

We maintained our approach to setting prices for North Coast and South Coast valleys, consistent with what WaterNSW proposed. Prices in the North Coast and South Coast valleys have remained constant in real terms in the current determination period, funded by Community Service Obligation (CSO) subsidy payments from the NSW Government, and WaterNSW proposed to maintain this for the upcoming determination period for these valleys funded by CSO payments.

Fish River

We maintained our approach to setting prices for the Fish River Water Supply Scheme (FRWS). Further details of the prices for the scheme for 2025-26 are in Chapter 12.

Table 11.1 Decision on fixed-to-variable ratios and high security (HS) premiums for the 2025-26 determination period

Water source	Fixed to variable ratios	High security premium
Border	40%	2.73
Gwydir	40%	4.31
Namoi	40%	2.87
Peel	80%	10.55
Lachlan	40%	6.76
Macquarie	40%	5.11
Murray	40%	2.27
Murrumbidgee	40%	2.91

Water source	Fixed to variable ratios	High security premium
Lowbidgee ^a	100%	-
North Coast	90%	1.29
Hunter	60%	1.29
South Coast	80%	1.91

a. Supplementary entitlements in the Lowbidgee valley are treated as general security for pricing purposes.

Aboriginal licences

Under the *Water Management Act 2000* the Minister has the power to issue 3 types of specific purpose access licences to meet the water needs of Indigenous communities, referred to as:

- Aboriginal cultural licences
- Aboriginal community development licences
- Aboriginal commercial licences.

These Indigenous licences are subcategories of other licence types, such as regulated river licences. For example, an Aboriginal cultural subcategory licence would be liable for the same charges as a regulated river licence under the 2021 Determination. The NSW DCCEEW has indicated that community development licences are intended to include everything which would have been covered in commercial licences, therefore there are only likely to be cultural and community development licences going forward.

In September 2021 the NSW Government published the NSW Government Water Strategy. Priority 2 in that strategy is to "Recognise First Nations/Aboriginal People's rights and values and increase access to and ownership of water for cultural and economic purposes", specifically including developing a state-wide Aboriginal water strategy, strengthening their role in water planning and management, and providing ownership and access for cultural and economic purposes.¹⁷⁹ These are consistent with the objectives and commitments under Closing the Gap¹⁸⁰.

We note that the current scope of Aboriginal licence arrangements is inadequate. The NSW Government's State Water Strategy identifies: "while there are some provisions for accessing water for cultural purposes in NSW, these do not currently meet the needs and obligations of Aboriginal people to care for Country or achieve the cultural water flows and water management aspirations".¹⁸¹

The NSW Government (through DCCEEW) has been developing the NSW Aboriginal Water Strategy, with work commencing in 2023. A published draft strategy has been consulted on through the second half of 2024. A report on the consultation was published in December 2024¹⁸², with the final strategy set to be published in 2025. As a result, whilst the WaterNSW pricing proposal had the benefit of some development of the NSW Aboriginal Water Strategy, at the time of submission NSW Government had yet to conclude consultation on its draft.

Key feedback on the NSW Aboriginal Water Strategy was that some stakeholders reported cultural access licences were not effective as they do not allow for ownership of water, which contradicts the aim of the objective of providing Aboriginal ownership and access to water for cultural and economic purposes.¹⁸³ We also note that Outcome 15 of the Closing the Gap national agreement includes Aboriginal and Torres Strait Islander people's owned land and water titles.¹⁸⁴

Stakeholders are likely to be disappointed that these actions in the 2021 NSW Water Strategy are yet to be included in a final NSW Aboriginal Water Strategy by NSW Government, or implemented. We consider these reforms are past due.

NSW Aboriginal Land Council's (NSWALC) and Murray Lower Darling Rivers Indigenous Nations' (MLDRIN) submissions to our Issues Paper supported continuing no fees be charged for cultural licences¹⁸⁵. Both NSWALC and MLDRIN suggest that Aboriginal-owned General Water Access Licences also be fee-free to support the economic development of Aboriginal communities, including commercial licences. NSWALC also advocates for Aboriginal community development licences to be fee-free, as well as associated consent transactions.

In the 2021 WaterNSW-Rural Valleys Determination, IPART exempted Aboriginal cultural licences from all WaterNSW-Rural Valleys regulated charges. In the 2025 WaterNSW-Rural Valleys Determination, we have decided to extend this exemption to include both Aboriginal cultural and Aboriginal community development licences as we consider this to be consistent with Priority 2 of the Draft Aboriginal Water Strategy.¹⁸⁶

We understand that there are currently only 2 active Aboriginal cultural licences (with only one on a regulated river), and no Aboriginal community development licences in NSW but that this may change in the future. In the 2021 Determination, the fee exemption for the existing Aboriginal cultural licences was factored into prices paid by all other regulated river water licences holders (i.e. cross-subsidised by other regulated river water licence holders). We expect any additional foregone revenue associated with this expanded exemption (i.e. any new Aboriginal cultural and Aboriginal community development licences) going forward to be funded through a Community Service Obligation (CSO) payment from the NSW Government.

11.2 Setting prices in this review

As discussed in previous chapters, we have departed from our traditional approach of setting prices based on the NRR and building block analysis in this review. This has caused concern among some stakeholders. For instance, the Water Services Association of Australia's submission stated that the decision to 'roll prices forward' does not constitute setting prudent and efficient prices for WaterNSW-Rural Valleys. It noted that capital expenditure is increasing steeply across the Australian water sector, and it is unaware of any Australian water utility that can reduce its capital expenditure in coming years. It also noted that operating costs are increasing in real terms.¹⁸⁷

We understand these concerns but we are not satisfied that the expenditure the NRR is based on is efficient or prudent, and the resulting price increases are too significant to pass through to customers without being certain that they are necessary. At this stage, we are not convinced that the significant price increases proposed by WaterNSW adequately balance the social impacts of the higher prices; the need for WaterNSW's costs to be efficient; the need for WaterNSW's prices to protect its customers from abuses of monopoly power, and the need for WaterNSW to remain financeable.

This short-term determination is designed to avoid a period of time in which there is no valid price determination and no protection for consumers. We consider the fact that some prices will be unregulated if the 2021 Determination is not replaced is a compelling reason to depart from our usual approach. The short-term determination also allows more time for IPART to work with WaterNSW, the NSW Government and WaterNSW's rural and regional customers to work through these challenges, find the efficient revenue allowance for WaterNSW-Rural Valleys, and determine the appropriate customer share of prices going forward.

For this short-term determination, prices are determined as follows.

11.2.1 Bulk water charges

Bulk water charges = existing charge + CPI + uplift for demand + essential safety expenditure

Bulk water prices (including Fish River) are based on existing prices (from 2024-25), with 3 moderate uplifts:

- 2.4% for CPI
- 3.9% to account for updated demand figures. For WaterNSW-Rural Valleys we use a 20-year rolling average demand model to predict water sales. Under this model, water sales are expected to decline in 2025-26, and so we have uplifted prices to offset this fall and keep WaterNSW's Rural Valleys revenue constant.
- 1.9% for essential safety expenditure. We have maintained our draft decision to include a modest uplift to bulk water prices to provide WaterNSW-Rural Valleys with revenue to undertake key safety upgrades to crane and electrical safety and to pay the new Dams Safety Levy.

11.2.2 MDBA/BRC charges

MDBA/BRC charges = existing charge + CPI + uplift for demand

MDBA/BRC prices are based on existing prices (from 2024-25), with 2 increases:

- 2.4% for CPI
- 0.6% (MDBA) or 1.1% (BRC) to account for updated demand figures.

11.2.3 All other charges

Other charges = existing charge + CPI

All other charges (including bulk water in the North and South Coast Valleys where a CSO is in place) are increased by CPI only.

Chapter 12 »

Prices

12

Summary of our decisions on prices

Bulk water prices will increase between 2.4% and 8.5% on 1 July 2025

Our decision is to increase bulk water charges between 2.4% and 8.5% (after inflation) for high security and general security licence holders.

For North Coast and South Coast licence holders, we have limited bulk water charges to an inflation-only increase of 2.4%, consistent with WaterNSW's proposal.

Irrigation Corporations and districts discounts will increase by CPI only

We have not made any changes to the discounts for Irrigation Corporations and districts for 2025-26. This means that the current discounts will remain at their same levels from 1 July 2025.

Fish River Water Supply Scheme charges will increase on average by 8.6%

Our decisions on Fish River Water Supply Scheme (FRWS) charges would see bulk raw water and filtered water charges increasing, on average, by 8.6% in 2025-26. We have not made any changes to the MAQs for FRWS customers from current levels.

The Yanco Creek levy will increase by inflation only

This reflects an inflation-only increase in 2025-26 relative to the current levy. This brings the Yanco Creek levy to \$0.92 for 2025-26.

WaterNSW's Rural Valleys prices for water services comprise 2 components:

- a fixed service price (usually expressed as \$ per megalitre (ML), based on each licence holder's entitlement) and
- a variable usage price (expressed as \$ per ML of metered water supplied).

As a water access licence holder, the fixed component of your bill is called an entitlement charge where the amount you pay every year is determined by your share or entitlement to water from a particular water source. The variable component is the water take charge, where you only pay for the water you extract. Your bill is also impacted by whether your licence gives you a high security or general security entitlement.

If you are a Fish River Water Supply Scheme (FRWS) customer, your access charge is a fixed component that is based on your minimum annual quantity (MAQ) of water take. Water take charges are then divided into 2 tiers:

- the first tier water take charge, which is the variable usage charge for water take up to and including the MAQ, and
- the second tier water take charge, which is the variable usage for water take above the MAQ.

In setting these maximum prices, we considered how customers can be protected from abuses of monopoly powers in terms of prices, pricing policies and standard of services, as required under section 15(1) of the IPART Act. When setting maximum prices, we also consider the costs for WaterNSW-Rural Valleys of providing its services, and that those services are delivered to an appropriate standard of quality, reliability and safety.

We provide a more detailed explanation in Chapter 11 on how we set the prices outlined in this chapter.

Our decisions are:

19. To set bulk water entitlement charges as shown in Table 12.1.
20. To set bulk water take charges as shown in Table 12.2.
21. To set a special entitlement charge for WaterNSW-Rural Valleys for the North Coast and South Coast Valleys as shown in Table 12.1.
22. To increase Irrigation Corporations and districts discounts by CPI (2.4%), as outlined in Table 2.5 of the determination
23. To set the charges for bulk raw and filtered water for the Fish Water River Scheme as shown in Table 12.3, and maintain the minimum annual quantity (MAQ) of FRWS customers at existing levels, as outlined in Table 3.1 of the determination.
24. To set the Yanco Creek Levy at \$0.92 per ML of entitlement.

12.1 Prices for bulk water supply will increase for all water sources

12.1.1 Entitlement charges will increase by a maximum of 8.5%

Our decisions on WaterNSW's Rural Valleys bulk water prices would see fixed entitlement charges increasing between 2.4% (0% uplift plus CPI) and 8.5% (5.8% uplift plus CPI and rounding) for high security and general security licence holders.

For North Coast and South Coast licence holders, entitlement charges will increase by 2.4% only, reflecting an inflation-only increase relative to current charges.

Table 12.1 below sets out our decisions on entitlement charges for all WaterNSW-Rural Valleys, MDBA and BRC regulated rivers from 1 July 2025. In Chapter 14, we discuss the impact of these price increases on total customer bills.

Table 12.1 Decision on WaterNSW-Rural Valleys, MDBA and BRC entitlement charges for regulated rivers from 1 July 2025 (\$/ML of entitlement, \$2025-26)

Water source	Current total entitlement charge (\$2024-25) ^a	2025-26 WaterNSW-Rural Valleys entitlement charge	2025-26 MDBA entitlement charge ^b	2025-26 BRC entitlement charge ^c	2025-26 total entitlement charge	Change (%)	Change (\$)
High security							
Border	13.31	8.31		5.84	14.15	6.3%	0.84
Gwydir	20.27	21.96	-		21.96	8.3%	1.69
Namoi	33.70	36.51	-		36.51	8.3%	2.81
Peel	71.48	77.43	-		77.43	8.3%	5.95
Lachlan	29.24	31.67	-		31.67	8.3%	2.43
Macquarie	23.51	25.47	-		25.47	8.3%	1.96
Murray	12.70	2.85	10.31		13.16	3.6%	0.46
Murrumbidgee	7.03	5.26	2.22		7.48	6.4%	0.45
Lowbidgee	-	-	-		-	-	-
North Coast	14.94	15.30	-		15.30	2.4%	0.36
Hunter	23.23	25.16	-		25.16	8.3%	1.93
South Coast	39.10	40.04	-		40.04	2.4%	0.94
General security							
Border	4.87	3.04	-	2.13	5.17	6.2%	0.30
Gwydir	4.71	5.10	-		5.10	8.3%	0.39
Namoi	11.77	12.75	-		12.75	8.3%	0.98
Peel	6.78	7.34	-		7.34	8.3%	0.56
Lachlan	4.32	4.68	-		4.68	8.3%	0.36
Macquarie	4.59	4.97	-		4.97	8.3%	0.38
Murray	5.58	1.25	4.56		5.81	4.1%	0.23
Murrumbidgee	2.42	1.81	0.77		2.58	6.6%	0.16
Lowbidgee	2.00	2.17	-		2.17	8.5%	0.17
North Coast	11.58	11.86	-		11.86	2.4%	0.28
Hunter	18.05	19.55	-		19.55	8.3%	1.50
South Coast	20.50	20.99	-		20.99	2.4%	0.49

a. Current charges shown are in \$2024-25 terms. All other charges are in \$2025-26 terms. Changes between the current charges and the 2025-26 charges under our decisions include inflation for 2025-26.

b. MDBA prices will apply to Murray and Murrumbidgee only.

c. BRC prices will apply to Border only.

d. This only applies to holders of supplementary water access licences in Lowbidgee Valley.

Source: IPART analysis.

12.1.2 Water take charges will increase by a maximum of 8.3%

Our decisions on WaterNSW's Rural Valleys bulk water prices would see water take charges increasing between 2.4% and 8.3%.

For North Coast and South Coast licence holders, entitlement charges will increase by 2.4% only, reflecting an inflation-only increase relative to current charges.

Table 12.2 below sets out our decisions on water take charges for all WaterNSW-Rural Valleys, MDBA and BRC regulated rivers from 1 July 2025. In Chapter 14, we discuss the impact of these price increases on total customer bills.

Table 12.2 Decision on WaterNSW-Rural Valleys, MDBA and BRC water take charges for regulated rivers from 1 July 2025 (\$/ML, \$2025-26)

Water source	Current total water take charge (\$2024-25) ^a	2025-26 WaterNSW-Rural Valleys water take charge	2025-26 MDBA water take charge ^b	2025-26 BRC water take charge ^c	2025-26 total water take charge	Change (%)	Change (\$)
Border	9.19	8.87		1.04	9.91	7.8%	0.72
Gwydir	20.03	21.70	-		21.70	8.3%	1.67
Namoi	35.98	38.98	-		38.98	8.3%	3.00
Peel	28.55	30.93	-		30.93	8.3%	2.38
Lachlan	36.31	39.33	-		39.33	8.3%	3.02
Macquarie	25.21	27.31	-		27.31	8.3%	2.10
Murray	5.57	3.69	2.22		5.91	6.1%	0.34
Murrumbidgee	6.22	6.27	0.44		6.71	7.9%	0.49
Lowbidgee	-	-	-		-	-	-
North Coast	22.11	22.64	-		22.64	2.4%	0.53
Hunter	22.29	24.15	-		24.15	8.3%	1.86
South Coast	21.90	22.43	-		22.43	2.4%	0.53

a. Current charges shown are in \$2024-25 terms. All other charges are in \$2025-26 terms. Changes between the current charges and the 2025-26 charges under our decisions include inflation for 2025-26.

b. MDBA prices will apply to Murray and Murrumbidgee only.

c. BRC prices will apply to Border only.

Note: MDBA prices will only apply to only Murray and Murrumbidgee. MDBA prices do not apply to the remaining regulated water sources because these do not receive services from BRC. The Lowbidgee valley has supplementary licences that are charged fixed entitlement charges only.

Source: IPART analysis.

12.2 Irrigation Corporations and districts discounts will increase by 2.4%

Irrigation Corporations and districts located in the Lachlan, Murray and Murrumbidgee valleys, undertake activities such as billing, metering and monitoring for customers that are serviced within their irrigation distribution network. The activities of these entities means that WaterNSW-Rural Valleys services fewer large customers rather than many smaller customers.

Past determinations included discounts via rebates to Irrigation Corporations and districts to reflect WaterNSW's Rural Valleys 'avoided costs' of not directly servicing a larger number of smaller customers.

We have not made any changes to the discounts for Irrigation Corporations and districts for 2025-26. This means that the current discounts will increase only by CPI from 1 July 2025. The Irrigation Corporations and districts discounts are shown in Table 2.5 of our Determination.

12.3 Fish River Water Supply Scheme charges will increase on average by 8.6%

The Fish River Water Supply Scheme (FRWS) provides water to customers in the Central Tablelands region. We set different prices for FRWS customers because the FRWS diverts water through a series of pipelines long distances, as opposed to other rural valleys where users can directly draw water from a river. We set different prices based on whether a customer receives raw (unfiltered) or filtered water.

Currently, 4 customers receive most of the water supplied from the FRWS:

- EnergyAustralia, for the Mt Piper Power Station
- WaterNSW Greater Sydney for urban supplies in the Blue Mountains
- Lithgow City Council for urban supplies in Lithgow and several outlying villages
- Oberon Council for urban supplies in Oberon and surrounding towns.

The FRWS also supplies around 300 minor customers who draw directly from pipelines that make up the scheme. Minor customers make up around 3% of water usage in the FRWS.

Bulk raw water and filtered raw water charges in the FRWS are comprised of:

- an access charge, which is a fixed component based on each customer's minimum annual quantity (MAQ) of water take
- a water take charge, which is a variable usage charge based on the volume of water taken by each customer. The FRWS water take charges are divided into two tiers:
 - the first tier water take charge, which is the variable usage charge for water take up to and including the MAQ, and
 - the second tier water take charge, which is the variable usage for water take above the MAQ

Our decisions on FRWS charges would see bulk raw water and filtered water charges increase by between 6.7% and 8.8% in 2025-26. We have not made any changes to the MAQs for FRWS customers from current levels.

The applicable MAQs for FRWS customers in 2025-26 are shown in Table 3.1 of the Determination. Table 12.3 below shows the access charges, first tier and second tier water take charges for raw and filtered bulk water.

Table 12.3 Decision on FRWS charges (\$/kL, \$2025-26)

	Current charge (\$2024-25) ^a	2025-26 charge	Change (%)
Bulk raw water			
Access charge			
Major customers (other than Oberon Council)	0.57	0.62	8.8%
Oberon Council	0.49	0.53	8.2%
Minor customers	0.57	0.62	8.8%
First tier water take charge			
Major customers (other than Oberon Council)	0.38	0.41	7.9%
Oberon Council	0.30	0.32	6.7%
Minor customers	0.38	0.41	7.9%
Second tier water take charge^b			
Major customers (other than Oberon Council)	0.95	1.03	8.4%
Oberon Council	0.79	0.85	7.6%
Minor customers	0.95	1.03	8.4%
Bulk filtered water			
Access charge			
Major customers	1.00	1.08	8.0%
Minor customers	1.00	1.08	8.0%
First tier water take charge			
Major customers	0.62	0.67	8.1%
Minor customers	0.62	0.67	8.1%
Second tier water take charge^b			
Major customers	1.62	1.75	8.0%
Minor customers	1.62	1.75	8.0%

a. Current charges shown are in \$2024-25 terms. All other charges are in \$2025-26 terms. Changes between the current charges and the 2025-26 charges under our decisions include inflation for 2025-26.

b. The second tier water take charge is the sum of the applicable access charge and the first tier water take charge.

Source: IPART analysis.

12.4 The Yanco creek levy will increase by 2.4%

The Yanco Creek natural resources management levy (Yanco Creek levy) is a unique charge that applies to water licence holders in the Yanco Columbo system. It is intended to fund system rehabilitation, to improve flows and provide water efficiencies for the system and Murrumbidgee valley.

In our Information Paper we sought views on whether this levy should be indexed to inflation, or remain fixed (as is currently the case). There was wide support for indexing the levy to ensure it keeps up with inflation.

As such, our decision is to increase the Yanco creek levy by 2.4%, reflecting an inflation-only increase in 2025-26 relative to the current levy. This brings the current levy of \$0.90 to \$0.92 from 1 July 2025.

Chapter 13 »

Miscellaneous charges

13

Summary of decisions on miscellaneous charges

Miscellaneous and existing metering charges will increase by inflation for 1 year

This includes existing meter service charges, meter accuracy testing charges, trade processing and Fish River Water Supply Scheme (FRWS) connection and disconnection charges. The refundable deposit charge for meter accuracy testing will however remain fixed at its current level, and will not be increased for inflation.

Non-urban new metering charges will remain at current levels until the WAMC determination applies

From 1 October 2025, metering charges that apply to all regulated, unregulated and groundwater licence holders will be moved to the WAMC determination. This includes regulated river customers who currently pay new metering charges under the WaterNSW-Rural Valleys determination. We have kept non-urban metering charges at their existing levels in the final determination, however, these will be replaced by the WAMC determination from 1 October 2025.

This chapter considers the charges for other monopoly services provided by WaterNSW-Rural Valleys, as required under section 15(1)(c) of the IPART Act.

Miscellaneous charges are fees levied by WaterNSW-Rural Valleys for non-routine services. These charges are not recovered through bulk water charges and are determined and charged separately.





WaterNSW proposed a range of miscellaneous and metering charges. We have assessed these and determined the charges to apply for 2025-26. These charges include:

- meter service charges (for existing meters)
- meter accuracy testing charges
- a trade processing charge
- Fish River Water Supply Scheme (FRWS) connection and disconnection fees.

This chapter also discusses our approach towards determining new metering charges.

13.1 Miscellaneous charges will increase by inflation only

Our decisions are:

-  25. To set existing meter service charges as outlined in Table 4.1 of the Determination.
-  26. To set meter accuracy testing charges as outlined in Table 4.2 of the Determination.
-  27. To set other trade processing and FRWS connection and disconnection charges as outlined in Table 4.3 of the Determination.
-  28. To maintain new metering charges at current levels, as outlined in Part 5 of the Determination, with these charges to be replaced by the WAMC determination from 1 October 2025.

13.1.1 Existing meter service charges will remain steady in real terms

Meter service charges are levied annually and are based on the size of the government-owned meter.

WaterNSW proposed maintaining the meter service charges in real terms (i.e., updated for inflation only) for 2025-26. We consider that WaterNSW's proposal to maintain the current meter service charge in real terms is reasonable. We have accepted this proposal and have increased meter service charges by inflation only. The charges for existing meter services are provided in Table 4.1 of the Determination.

We note that where a government-owned meter is updated or installed to comply with the new metering framework, the meter service charge be replaced with the new metering charges discussed in Section 13.2.

13.1.2 Cost-reflective meter accuracy testing charges will remain steady in real terms

Customers with a WaterNSW-owned meter may request a meter accuracy test if the meter is suspected to be faulty. When a customer requests accuracy testing, WaterNSW levies a refundable deposit. The deposit is returned if the meter is found to be inaccurate and forfeited by the customer if the meter is within accuracy standards. WaterNSW currently levies meter accuracy testing charges via a 2-part price:

- a deposit, which is returned if the meter is found to be inaccurate, and
- a cost-reflective charge if the meter is found to be accurate.

The refundable deposit is not intended to reflect costs. Rather, it aims to balance customer incentives to question the accuracy of their meter. We consider that the current deposit remains appropriate and have maintained the deposit amount at \$1,750.

WaterNSW proposed maintaining the cost-reflective meter accuracy testing charges in real terms for 2025-26. We agree with WaterNSW that this approach is reasonable and as such as have increased the meter accuracy testing charges by inflation only in 2025-26.

The charges for meter accuracy testing are provided in Table 4.2 of the Determination.

13.1.3 Other miscellaneous charges will remain steady in real terms

Aside from meter service and accuracy testing charges, WaterNSW also levies other miscellaneous charges for:

- trade processing, which applies to all trade applications for allocation assignments (including intravalley, intervalley and interstate allocation assignments) and
- connection and disconnection fees in the FRWS, which are charged based on the complexity of each connection.

Our decision is to maintain trade processing and FRWS connection and disconnection charges in real terms in 2025-25. These charges are provided in Table 4.3 of the Determination.

13.2 New metering charges will be moved to the WAMC determination

13.2.1 Metering framework

In 2018, the NSW Government introduced the non-urban metering policy¹⁸⁸ to improve the accuracy, transparency, and accountability of water measurement across the state. The reforms were implemented in response to the Matthews Inquiry into water theft, which highlighted the need for stronger compliance, particularly during drought conditions when public concern over water allocation and management was heightened.¹⁸⁹ The reforms aimed to ensure that the majority of licensed water take is measured using accurate, auditable, and tamper-evident meters, promoting fair and sustainable water management. The effective principle was: "no meter, no pump".¹⁹⁰

13.2.2 New metering charges introduced in the 2021 determination

In the 2021 Determination, IPART approved the charge structure proposed by WaterNSW which included the introduction of five new non-urban metering charges to recover the efficient costs of implementing the NSW Government's non-urban metering reforms.¹⁹¹ The new charges introduced were:

- **Scheme management charge:** An annual fee applied to all licence holders to recover the broader costs associated with implementing and managing the reforms.
- **Telemetry charge:** An annual charge per meter for installations using telemetry, which automatically records and transmits water take data.
- **Non-telemetry charge:** An annual charge per meter for installations using local intelligence devices (LIDs) that require manual data downloads.
- **Meter service charge – operating costs:** An annual fee applied to government-owned meters to recover the ongoing costs of maintenance and compliance.
- **Meter service charge – capital costs:** An annual fee for the capital costs of upgrading government-owned meters, initially set to \$0 due to government funding.

In 2021, we determined that the efficient costs of implementing the reforms ranged between \$39.4 million and \$47.8 million, depending on the extent of voluntary telemetry uptake. The highest costs were projected under WaterNSW's base case (0% voluntary uptake), while full telemetry uptake (100%) yielded the lowest cost estimate.¹⁹² The actual roll-out was in the 0 to 25% range¹⁹³ and in the WAMC pricing proposal for the 2025 determination period it was noted that there were "significant impediments to the rollout of, and compliance with, the metering reforms".¹⁹⁴

13.2.3 Review of the non-urban metering framework in NSW

In 2023, the NSW Government initiated a review of the non-urban metering framework in 2023.¹⁹⁵ The review, conducted by the NSW DCCEEW, identified several key challenges, including high costs relative to the volume of water measured and systemic obstacles to timely compliance. The Recommendations report¹⁹⁶ from the review made several recommendations to simplify requirements, reduce costs, and accelerate compliance.

The recommendations aim to ensure that 95% of licensed water take in NSW will be accurately metered by the end of 2026¹⁹⁷, replacing the previous "no meter, no pump" principle with a "no measurement, no pump" principle.¹⁹⁸ These changes reflect a shift toward more flexible, risk-based requirements while maintaining the overarching goal of accurate and transparent water management. The Water Management (General) Regulation 2018 was amended to give effect to the changes outlined in the Recommendations report.¹⁹⁹

13.2.4 New metering charges will be moved to the WAMC determination from 1 October 2025

Our review of prices for the Water Administration Ministerial Corporation (WAMC) from 1 October 2025 is considering the costs and pricing of non-urban metering reform in detail, including implications of the delayed roll-out of new meters. Our final report and determination on WAMC's costs from 1 October 2025 will detail our decisions on the non-urban metering (i.e., new metering) charges.

We have decided that from 1 October 2025, metering charges that apply to all regulated, unregulated and groundwater licence holders will be moved to the WAMC determination. This means that regulated river customers who currently pay new metering charges set in the WaterNSW-Rural Valleys determination will move to the charges in the WAMC determination, once that is published. Between the time of publishing this report and the application of the WAMC determination, non-urban metering charges for WaterNSW-Rural Valleys customers will be held constant at their current levels, and will not be increased for inflation. Once the WAMC determination is published, it will replace the non-urban metering charges set out in our WaterNSW-Rural Valleys final determination.

The WAMC determination will be available through IPART's website once it has been published.

Chapter 14 »

Impact of decisions

14

Summary of the impact of IPART's decisions

Bills would increase between 2.4% and 8.5% for bulk water customers

Based on a medium sized customer with 500 ML of entitlement, bills would increase between 2.4% and 8.5%, depending on the valley or whether a customer is a high or general security licence holder. In dollar terms, the increases range from \$85 to \$4,165.

Bills would increase between 7.8% and 8.8% for Fish River Water Supply Scheme customers

Bills would increase between 7.8% and 8.8% for both bulk raw water and filtered water customers.

We did not identify a financeability concern for WaterNSW's Rural Valleys operations

We have completed both the benchmark and actual test, where we used 5.5% as the cost of debt when doing the actual financeability test. WaterNSW's Rural Valleys operations is likely to be financeable under our 1-year pricing determination, as long as expenditure does not exceed the allowances included in IPART's indicative NRR. IPART's detailed financeability assessment is available in Appendix B.

Government contribution to its share would be \$44.3 million

Based on the indicative Notional Revenue Requirement, the NSW Government share would be \$42.0 million and an additional \$2.3 million for the NSW Government's share of MDBA and BRC.

14.1 Impact of WaterNSW's proposed cost-reflective prices for Rural Valleys

Many stakeholders across a range of sectors and organisations raised concerns that WaterNSW's proposed cost-reflective price increases for Rural Valleys would be unaffordable. Under WaterNSW's cost reflective base case to 2029-30 bills would increase by a range:

- Between 17% and 36% per year (excluding inflation) for high security customers
- Between 17% and 37% per year (excluding inflation) for general security customers.

This chapter outlines our assessment and consideration of the social impacts of our decisions, as required under section 15(1)(k) of the IPART Act. We have considered the feedback we heard from stakeholders regarding affordability of prices, including an affordability analysis of WaterNSW's proposed cost-reflective prices in Appendix C.

IPART carried out analysis of Australian Bureau of Agricultural and Resource Economics (ABARES) data^a of average entitlement volume, water use volume and gross margins per farm by sector and size. We found that the impact of WaterNSW's Rural Valleys proposed cost-reflective prices would mean that to 2029-30, before inflation:

- The gross margins of cotton and rice farms in the southern Basin would reduce by 6-13% (see Table C.1)
- Smaller farms in the southern Basin (i.e., farms which earn less than \$1 million in revenue) would generally be more impacted, than larger farms with reduction in gross margins of up to 17% (see Table C.2).

IPART also analysed national gross margins data from CottonInfo and found that under WaterNSW's proposal to 2029-30, the gross margins of northern Basin cotton farms could reduce by up to 16% before inflation (see Table C.3).^b

We also compared the bills that NSW high security and general security licence holders would pay under WaterNSW's proposal versus what customers would pay in Queensland and Victoria based on the most up-to-date information from each jurisdiction. We found that for some licence holders, their bills would be significantly higher than what they would pay in other jurisdictions (see Figure C.1). For instance, depending on the valley:

- For a high security WaterNSW-Rural Valleys customer (500 ML entitlement & 100% water take), bills would range from 42% lower to 681% higher.
- For a general security WaterNSW-Rural Valleys customer (500 ML entitlement with 60% water take), bills would range from 89% lower to 200% higher.

More information on IPART's affordability analysis is available in Appendix C.

14.2 WaterNSW's proposed minimum essential revenue requirement

WaterNSW as part of its submission to IPART's Information Paper has proposed a revised proposal called a minimum essential revenue requirement, which included a revised pricing pathway. WaterNSW argued that this revised approach will support the ongoing viability of WaterNSW, including minimising longer term price impacts for customers. Table 14.1 compares the 2 proposals.

Table 14.1 WaterNSW's proposals for Rural Valleys

Proposal 1: Cost Reflective Base Case (September 2024)	Proposal 2: Minimum Essential Revenue Requirement (June 2025)
Over the next 5-years (2025-26 to 2029-30), the proposed increases are: <ul style="list-style-type: none"> • Between 17% and 37% per year (excluding inflation). 	Over the next 3-years (2025-26 to 2027-28), the revised proposed increases are: <ul style="list-style-type: none"> • a 25% per year increase (excluding inflation) over 3-years, or a one-time increase in 2025-26 of 48% (excluding inflation).

Note: CPI only adjustments would apply for North Coast and South Coast valleys under both proposals.
Source: IPART analysis and WaterNSW submission, June 2025, pp28-29.

^a ABARES MDB Irrigation Survey, averages per farm based on data from 2017-18 to 2021-22 (see Appendix C for more details).
^b CottonInfo gross margins 2023-24 (see Appendix C for more details).

From an affordability perspective, IPART believes that the proposed minimum revenue requirement price path would still not alleviate the large impacts of WaterNSW's prices as we found in our impacts analysis of its original proposal (see section 14.1 and Appendix C). Table 14.1 shows that the annual increases before CPI would be similar under both price paths e.g. 17-37% per year versus 25% per year.

IPART notes that this submission puts a spotlight on the tension between setting prices that enable recovery of prudent costs and the potential impacts of such prices. IPART needs time to resolve this tension between affordable prices for customers and appropriate financial performance for WaterNSW. We explain our proposed next steps in Chapter 15.

14.3 Impact on rural bulk water bills for 1 year under IPART's decisions

IPART's decision is to increase most rural bulk water prices by 5.8% plus inflation from 1 July 2025. Our decision is to also increase MDBA charges by 0.6% plus inflation and BRC charges by 1.1% plus inflation from 1 July 2025.

This means that bills, including inflation, would increase between 2.4% and 8.5%. bill increases for Border, Murray and Murrumbidgee licence holders would be slightly lower than other non-coastal valleys in percentage terms (i.e. 4.4-7.4%, including inflation) because these licence holders also pay MDBA and BRC charges. For North Coast and South Coast licence holders, bills would increase by 2.4% for inflation only.

In dollar terms, the impacts would vary ranging from \$85 (Lowbidgee general security) to \$4,165 (high security customer in the Peel valley).

Example bills under our prices for regulated river customers (including MDBA and BRC prices) are presented in Table 14.2 below.

Table 14.2 Bills for medium users based on 500 ML entitlement

Water source	Current (\$2024-25)	IPART final decision (\$2025-26)	\$ change to 2025-26	% change to 2025-26
High Security (100% allocation)				
Border	11,250	12,030	780	6.9%
Gwydir	20,150	21,830	1,680	8.3%
Namoi	34,840	37,745	2,905	8.3%
Peel	50,015	54,180	4,165	8.3%
Lachlan	32,775	35,500	2,725	8.3%
Macquarie	24,360	26,390	2,030	8.3%
Murray	9,135	9,535	400	4.4%
Murrumbidgee	6,625	7,095	470	7.1%
North Coast	18,525	18,970	445	2.4%
Hunter	22,760	24,655	1,895	8.3%
South Coast	30,500	31,235	735	2.4%
General Security (60% allocation)				
Border	5,192	5,558	366	7.0%
Gwydir	8,364	9,060	696	8.3%
Namoi	16,679	18,069	1,390	8.3%
Peel	11,955	12,949	994	8.3%
Lachlan	13,053	14,139	1,086	8.3%
Macquarie	9,858	10,678	820	8.3%
Murray	4,461	4,678	217	4.9%
Murrumbidgee	3,076	3,303	227	7.4%
Lowbidgee	1,000	1,085	85	8.5%
North Coast	12,423	12,722	299	2.4%
Hunter	15,712	17,020	1,308	8.3%
South Coast	16,820	17,224	404	2.4%

Bills include MDBA and BRC charges and exclude WAMC charges. There are no high security entitlement holders in Lowbidgee.

Source: IPART analysis.

IPART is also currently reviewing the maximum prices that WAMC can charge customers to provide water planning, management and regulation services.

14.4 Bills will increase between 7.8% and 8.8% for customers in the Fish River Water Supply (FRWS) Scheme

IPART's decision is to increase the bulk raw water and filtered water charges by 5.8% plus inflation from 1 July 2025. This means that including inflation, FRWS customers' bills would increase between 7.8% and 8.8%. The bill impacts for FRWS customers are shown in Table 14.3.

Table 14.3 Bill impacts for the Fish River Water Scheme (\$'000)

	Current (\$2024-25)	IPART final decision (\$2025-26)	\$ change to 2025-26	% change to 2025-26
Bulk raw water				
Energy Australia	5,259	5,715	456	8.7%
Sydney Catchment Authority	2,685	2,916	230	8.6%
Oberon Council	711	767	55	7.8%
Lithgow Council	57	62	5	8.8%
Individual Minor Customers	0.56	0.61	0.05	8.4%
Bulk filtered water				
Lithgow Council	2,160	2,333	173	8.0%
Individual minor customers	0.62	0.67	0.05	8.0%

Note: The analysis is based on the updated 20-year rolling averages for volumes. Bills for individual minor customers are the average per customer.

Source: IPART analysis and WaterNSW proposal.

14.5 WaterNSW-Rural Valleys would likely be financeable in the short-term

Our financeability assessment considers the impact of our pricing decisions on WaterNSW's borrowing, capital and dividend requirements, as required under section 15(1)(g) of the IPART Act.

Our decision is



29. That we estimate that WaterNSW's Rural Valleys operations is likely to be financeable under our 1-year pricing determination as long as expenditure does not exceed allowances included in IPART's indicative NRR.

When setting prices, we consider the financial sustainability of the business resulting from our pricing decisions. To do this, we undertake a financeability test to assess how our pricing decisions are likely to affect the business's financial sustainability. We have completed both the benchmark and actual test, where we used 5.5% as the cost of debt when doing the actual financeability test.

In summary, under a 1-year determination, WaterNSW's Rural Valleys operations is likely to be financeable under our final decisions as long as its expenditure does not exceed the allowances included in IPART's indicative NRR. This is because we calculated that under the benchmark test, WaterNSW-Rural Valleys would have enough free cash flow to pay its real interest more than 3 times over. Under the actual test, with 5.5% as the cost of debt, Rural Valleys combined with Greater Sydney would have enough free cash flow to pay its real interest 1.9 times over. For the actual test, we have considered WaterNSW as a single entity, as we recognise that debt is ultimately raised at the combined business level.

In Appendix B, we provide our detailed analysis of WaterNSW financeability, including performing the actual test on Rural Valleys only.

14.6 The Government contribution to the government share is \$44.3 million

Under IPART's final pricing decisions, the Government contribution to its share to WaterNSW's Rural Valleys indicative NRR would be \$44.3 million as shown in Table 14.4.

Table 14.4 Government share (\$ millions, \$2024–25)

	2025-26
Government share of indicative NRR (excluding MDBA & BRC)	42.0
Government share of MDBA and BRC NRR	2.3
Total government share	44.3

Note: Totals may not sum due to rounding.
Source: IPART analysis.

In addition to the \$44.3 million government share, there are other costs that the NSW Government may need to bear, which would impact the Consolidated Fund. As shown in Table 14.5, these are:

- \$2.2 million to cover the under-recovery in North Coast and South Coast valleys, as prices would not fully cover the user share.
- \$3.4 million to cover the portion of BRC and MDBA costs that would exceed the revenue likely to be generated by MDBA/BRC charges that customers would pay.

Table 14.5 Government subsidy (\$ millions, \$2024–25)

	2025-26
CSO subsidy for North and South Coast valleys	2.2
Indicative NRR subsidy for MDBA and BRC	3.4
Total	5.7

Note: Totals may not sum due to rounding.
Source: IPART analysis.

14.7 WaterNSW's ability to meet its environmental obligations

Under section 15 of the IPART Act, we must have regard to the need to maintain ecologically sustainable development by taking account of all feasible options to protect the environment.

Based on IPART's maximum prices in this 1-year determination WaterNSW would be able to recover existing environmental costs in the short-term for the Rural Valleys operations.

IPART will continue to assess what 'efficient' expenditure looks like as we continue this review process after 1 July 2025.

Chapter 15 »

The way forward



15

Summary of the way forward

The 2025 Determination provides WaterNSW with an interim solution to continue its rural and regional activities

Our decision to make a 1-year determination for Rural Valleys will provide an interim solution for that segment of WaterNSW's business. The prices we set are not expected to recover the indicative NRR. This is because we are not satisfied that the indicative NRR represents WaterNSW's Rural Valleys prudent and efficient costs or convinced that customer shares are appropriate and price relativities are cost-reflective. The gap between the indicative NRR and expected revenue is \$19.5 million.

We consider that WaterNSW will not be put in an unmanageable financial position due to our pricing decision. The rural valley segment accounted for less than a third of WaterNSW's revenue in 2023–24.²⁰⁰ Over the last three years, water usage has been higher than the 20-year historical average, so revenue from rural valleys has been higher than expected. Our financeability tests demonstrate that WaterNSW is likely able to finance its operations in the short-term based on its actual cost of debt, as long as expenditure does not exceed the allowances included in IPART's indicative NRR. In addition, WaterNSW has several options to manage its operations and continue to deliver its services.

A wide-ranging review of WaterNSW is required to achieve a better balance between the affordable supply of water to customers and the financial sustainability of WaterNSW's Rural Valleys operations

Our pricing decisions provide time for WaterNSW, the NSW Government and IPART to address several broader challenges relating to rural bulk water services including:

- the tension between affordability and cost recovery in WaterNSW's Rural Valleys current pricing structures
- the risks and costs of adapting to climate change and increasing climate variability
- the lack of distinction between WaterNSW's commercial and non-commercial activities.

The NSW Government has indicated it is committed to undertaking a review of WaterNSW. We stand ready to assist the NSW Government.

It is imperative to address these broader challenges so that WaterNSW can increase the value it delivers customers in a targeted, sustainable and financially responsible manner.

New rural valleys pricing review to commence immediately

The short duration of the 2025 Determination means we will commence a new price review of WaterNSW-Rural Valleys immediately. The review will be consistent with our standard regulatory processes for price reviews. We do not expect WaterNSW to develop a new pricing proposal for the next review. However, it may wish to update and amend its existing proposal.

We intend to review the cost shares framework for WaterNSW-Rural Valleys and the Water Administration Ministerial Corporation (WAMC) in 2025–26. The output from the review of the cost shares framework may be used in the new price review for rural valleys.

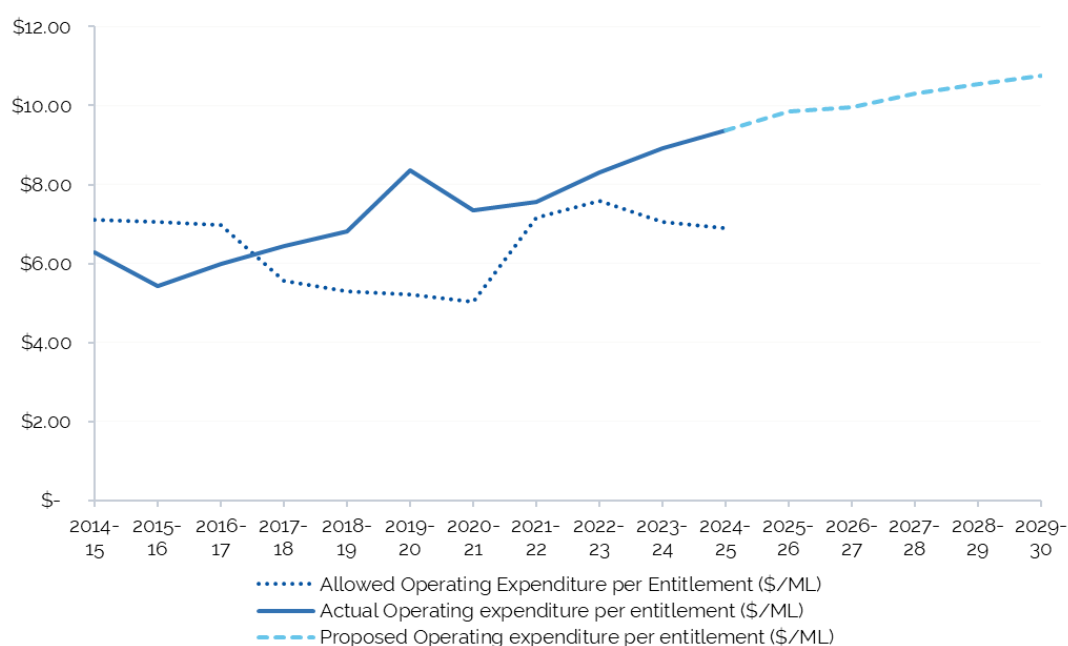
We have made a decision that provides WaterNSW and its customers with an interim solution for rural bulk water pricing. This is because we are not convinced that all the increased costs proposed by WaterNSW are sufficiently justified as prudent and efficient. Our review has also revealed a broader set of challenges facing WaterNSW-Rural Valleys.^a It is important to address these challenges so that the cost of supplying rural bulk water does not become unmanageable for customers and/or taxpayers.

This chapter discusses the revenue from our pricing decisions, outlines options for WaterNSW to address any revenue shortfall, explains why a wide-ranging review of WaterNSW's regulatory obligations and operating model is required and indicates when our next reviews for rural bulk water services will commence.

15.1 Operating expenditure and the RAB per entitlement are growing fast for WaterNSW

The cost situation faced by WaterNSW is different to some of the other water businesses we regulate. For instance, we analysed the value of WaterNSW's Rural Valleys RAB and operating expenditure over the last decade and compared the trend to the number of water entitlements it services (as a proxy for the number of customers it serves). Figure 15.1 below shows how operating expenditure has been increasing on a per entitlement basis. Actual operating expenditure increased by 49% in real terms between 2014-15 and 2024-25, and under WaterNSW's proposal operating expenditure would increase a further 15% by 2029-30.

Figure 15.1 WaterNSW-Rural Valleys change in operating expenditure per entitlement over time (\$2024-25)



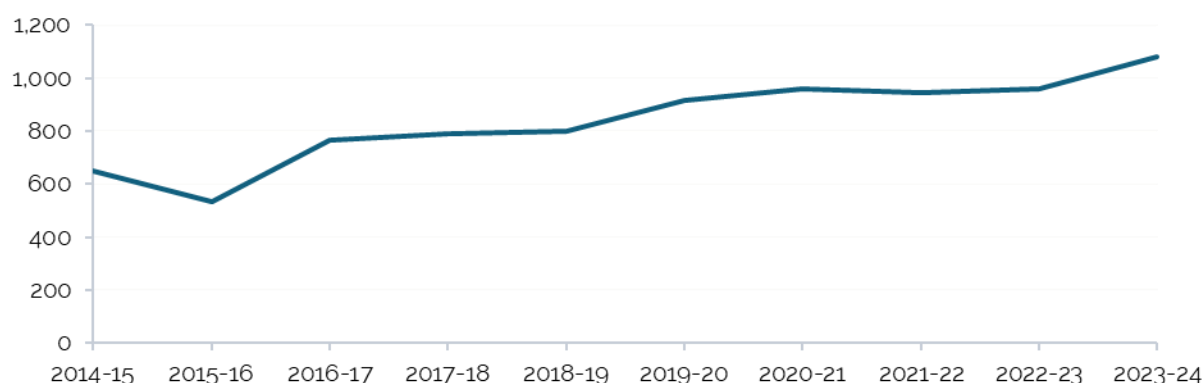
Source: IPART's 2017 and 2021 Determinations, WaterNSW's AIR.

^a See Chapter 5 of our Information Paper.

The trend is different from Hunter Water where operating expenditure per customer has been largely flat between 2014-15 and 2024-25 (and under its proposal will fall by 7% by 2029-30). Sydney Water's operating expenditure per customer has not been increasing (falling by 12% between 2014-15 and 2024-25, then rising by 10% by 2029-30 under its proposal).^b

We are also aware that there has been an increase in WaterNSW's total number of employees (Figure 15.2). This may be contributing to the increase in operating expenditure. WaterNSW's total employees have risen from 532 in 2015-16 to 1078 in 2023-24.^{c201} The changing scope of WaterNSW's activities may have contributed to the increase in the number of employees. For instance, WaterNSW previously absorbed some of the Water Administration Ministerial Corporation's (WAMC) functions over this period. It also may be the case that WaterNSW has brought more of its functions in-house and reduced its reliance on contractors and consultants. We will investigate the drivers of this growth in the next price review and consider how employee-related costs are allocated across WaterNSW's different business segments.

Figure 15.2 WaterNSW's total employees



Note: Includes employees across all of WaterNSW's business segments.

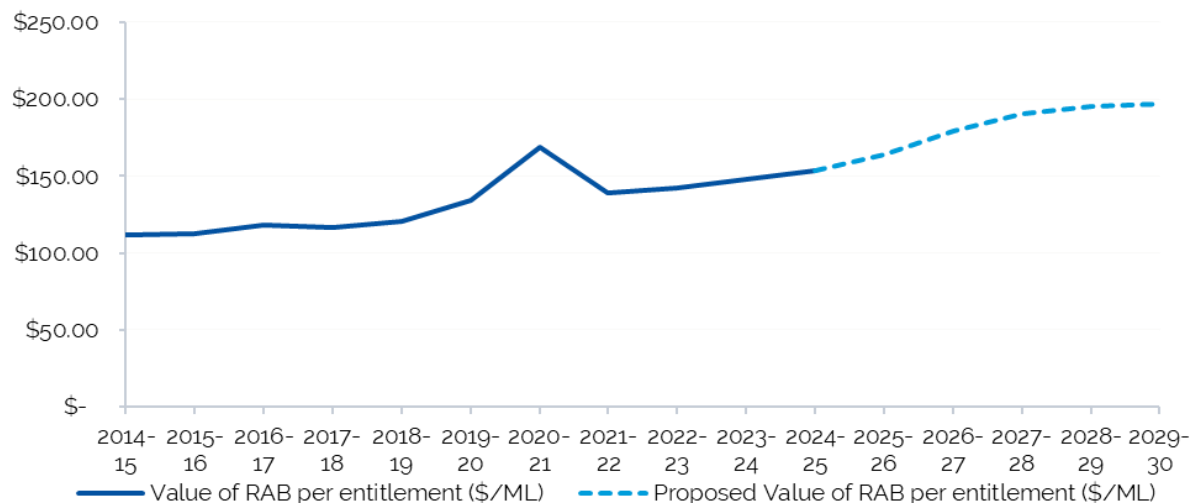
Source: IPART analysis based on WaterNSW's annual reports from 2014-15 to 2023-24.

We also looked at the value of WaterNSW's Rural Valleys RAB per entitlement (as a proxy for capex per customer spend), which has also seen a large increase over time (38% in real terms between 2014-15 and 2024-25, and under the proposal would increase by a further 28% by 2029-30 (Figure 15.2).

^b We note that in our draft decisions we have not accepted Sydney Water's full proposal, so the 10% increase is likely overstated.

^c Includes employees across all of WaterNSW's business segments.

Figure 15.3 WaterNSW-Rural Valleys change in RAB value per entitlement over time (\$2024-25)



Source: IPART's 2017 and 2021 Determinations, WaterNSW's AIR.

We expect RAB per customer to grow until it reaches a steady state, so this increase alone is not cause for concern. However, when compared with Hunter Water and Sydney Water's RAB value per customer, a similar story emerges. While WaterNSW's Rural Valleys RAB per entitlement increased 37% between 2015-16 and 2024-25,^d Hunter Water's increased just 16%, and Sydney Water's 29%.

Over this period of increasing expenditure, WaterNSW's rural prices have not always increased proportionately. This is because the large cost increases have been offset by historically low interest rates.

As a result of this trend, increasing the WACC (due to updates in underlying inputs) causes price increases that could be unaffordable for some WaterNSW customers (even before any increases in proposed operating and capital expenses are considered). WaterNSW's proposal acknowledged that customers were unlikely to be able to afford to pay for WaterNSW's proposed costs. Resolving this shortfall should be a key consideration in a future review of WaterNSW's operating model and regulatory environment.

^d We measured from 2015-16 to align with available data from Hunter Water and Sydney Water.

15.2 Our pricing decision provides an interim solution for WaterNSW-Rural Valleys and its customers

The 2025 Determination has a 1-year duration. If we do not issue a determination to take effect from 1 July 2025 then prices will be unregulated. In deciding to make a 1-year determination we have sought to balance the regulatory burden between WaterNSW and its customers. Our pricing decisions permit WaterNSW to continue its operations using a similar cost structure to the one we determined at the 2021 price review after adjusting for inflation and safety related costs. As we have not used costs to directly set prices, we expect a shortfall between the notional revenue requirement identified in Chapter 7 and the revenue WaterNSW-Rural Valleys will collect from the prices set out in Chapter 11. The shortfall is \$19.5 million in 2025–26.^e The shortfall occurs because we are not yet satisfied that the indicative notional revenue requirement represents WaterNSW's Rural Valleys prudent and efficient costs.

There are several external factors that influence the size of the shortfall. Notably, the quantity of water available for WaterNSW-Rural Valleys to store and deliver. We illustrated the deviations in the water usage in Chapter 10. If water usage is higher than the 20-year average, the revenue shortfall will be smaller and could disappear entirely. If water usage is below the 20-year average, the revenue shortfall will be larger.

Our Determination is intended as an interim solution. In their response to our Information paper WaterNSW submitted that without significant price increases over the medium term it may not be able to fulfil its regulatory and statutory obligations. However, WaterNSW has not been able to establish that its forecast costs are prudent and efficient. Therefore, we have not found sufficient justification for the price increases proposed by WaterNSW in its Cost Reflective Base Case or its alternative scenarios.²⁰² The situation is not sustainable. It is important for regulated businesses to recover their prudent and efficient costs, and our regulatory framework usually delivers this outcome. However, regulated entities are typically able to demonstrate the forecast costs are prudent and efficient. This has not been the case in this price review due to the limited information provided by WaterNSW.

It will be open to the Tribunal to reconsider the prudent and efficient costs of 2025–26 in the next price review, which is due to commence immediately (see Section 15.4). A change to historical prudent and efficient costs could affect the prices set in the next determination.

15.3 WaterNSW has options to address a short-term revenue shortfall

WaterNSW will not be put in an unmanageable financial position as result of our 1-year pricing determination. Our financeability tests demonstrate that WaterNSW is likely to be able to finance its rural valley operations in the short-term based on its actual cost of debt (and the situation improves when considering the financeability of the combined Greater Sydney and rural valley segments).^f WaterNSW has several options to consider if it is concerned by the shortfall between the indicative notional revenue requirement and the revenue it will receive from the 2025 Determination prices.

^e This figure is based on the inputs and assumptions IPART has used in its modelling.

^f Provided expenditure does not exceed the allowances included in the indicative NRR.

Noting that it's a 1-year determination, WaterNSW's options, which are not mutually exclusive, include:

- identify and implement cost savings
- reprioritise or defer capital expenditure where this is efficient
- reduce its proposed dividend to shareholders
- consider if there are more efficient ways to meet existing statutory or regulatory obligations
- request the NSW Government provide an additional subsidy
- request an equity injection from its owners, the NSW Government.

The option or set of options that WaterNSW pursues is a matter for the business. WaterNSW is best placed to undertake a strategic assessment of its options to determine which will deliver the most value for its shareholders and its customers.

15.4 A wide-ranging review of WaterNSW and its operating environment is required

We identified several broader challenges confronting WaterNSW in our [Information Paper](#). The issues were beyond the scope of this price review, but we recognised that they are likely to affect WaterNSW's ability to operate in a financially sustainable manner over the medium term. The challenges we identified were:

- the tension between cost recovery and affordability
- the risks and costs of adapting to climate change and increasing climate variability
- the lack of a clear distinction between WaterNSW's commercial and non-commercial activities.

Cost recovery is an important part of the regulatory framework. We consider prices should be set so that forecast revenue is likely to meet the prudent and efficient costs of WaterNSW. WaterNSW's proposal puts a spotlight on the tension between setting prices that enable recovery of prudent costs and the potential impacts of such prices. If prices were to be set based on the costs in WaterNSW's proposal, they would likely have a large and adverse impact on WaterNSW's customers and the NSW economy. We are not yet convinced that the increased costs proposed by WaterNSW have been sufficiently justified as necessary and efficient, or otherwise satisfy the other statutory matters we must take into account.

Water supply volatility is a critical issue in water management. New South Wales is prone to droughts, floods and bushfires. The latter can impact dam water quality and result in greater reliance on desalinated water. Even without these extreme events, there is significant variability in the amount of water available each year. A critical issue for WaterNSW and its customers is who is best placed to manage the risk of water supply volatility. This approach may not be sustainable if WaterNSW is contemplating significant cost increases. WaterNSW may need to consider commercial models with greater forecast revenue variation and less stable annual returns.

WaterNSW's operating context may be impacting its ability to sustain an appropriate rate of return. As both a Public Non-Financial Corporation and a State Owned Corporation, WaterNSW is expected to operate as a commercial business and earn a rate of return that is sufficient to generate dividends or holding gains for government. In addition, WaterNSW's principal objectives require it to operate in a financially responsible manner. Through our investigations of WaterNSW's expenditure, we have identified several non-commercial activities that may be contributing to an escalation in WaterNSW's costs. If funding arrangements for non-commercial activities are not addressed then, over time, the cost of undertaking these activities may impact WaterNSW's ability to deliver a commercial rate of return or lead to large price increases for customers.

In this price review, we identified challenges for the long term affordability on bulk water in some rural valleys and risks that could materialise to make other rural valleys unaffordable over time (e.g. the FRWS is highly dependent on a single customer). WaterNSW-Rural Valleys is highly dependent on a small customer base with the volatility in water supply often being outside the control of both WaterNSW and its customers. These issues will continue to present financial sustainability challenges for WaterNSW going forward.

Stakeholders recognised the importance of addressing the broader issues facing WaterNSW, particularly those with an impact on the rural and regional valleys.

The NSW Government stated:

The Government understands the significant challenges facing WaterNSW over the medium term and agrees that this work will take time to complete. We are committed to undertaking a review and appreciate IPART's commitment to working with the Government through this process.²⁰³

We welcome the NSW Government's commitment to undertake a review. This is an important step toward addressing some of the broader challenges facing WaterNSW. IPART is ready to continue working with WaterNSW, the NSW Government and customers to broadly consider WaterNSW's regulatory obligations and operating model, and to ensure these are fit for purpose.

There was wide-ranging support from other stakeholders for a broad review of WaterNSW's obligations and operating model. For example, Murrumbidgee Irrigation stated that "a focus for WaterNSW and the NSW Government over the next 3-years must be finding a way forward for a new fit-for-purpose and financially viable model".²⁰⁴ The NSW Irrigators' Council suggested that "a thorough stocktake of programs and services needs to be conducted, with a focus on ensuring that WaterNSW customers have access to quality services at an affordable rate".²⁰⁵ The tension between cost recovery and affordability was a key theme through many submissions and must form a key focus in any future review.

15.5 New reviews of bulk water prices and cost shares framework to commence in 2025–26

The short duration of the 2025 Determination means we will commence a new price review of WaterNSW-Rural Valleys immediately. The review will be consistent with our standard regulatory processes for price reviews. We will hold a public hearing, and issue draft and final reports. We expect the review to take 12 months.

We do not expect WaterNSW to develop a new pricing proposal for a review of bulk water prices that commences in 2025–26. However, it may wish to update and amend its existing proposal. We are likely to seek more detail on WaterNSW's business plans, costs and expected demand as part of a new review. We intend to undertake a more fundamental review of WaterNSW's Rural Valleys costs which could include modelling the benchmark efficient costs of a hypothetical new entrant supplying the regulated services. We remain committed to ensuring that only prudent and efficient costs are passed on to consumers. The other priority areas for our review are:

- Information on specific cost drivers that enables progress from the indicative NRR to decisions based on the prudent and efficient NRR
- Obtaining robust cost data that enables cost-reflective prices to be set
- Examination of the potential for CSOs and socially optimal pricing to refine our assessment of the government cost share
- Further assessment of the alternative price cap, subsidy and tariff reform scenarios proposed by WaterNSW.

There was support from stakeholders for IPART to review the cost shares framework.²⁰⁶ The framework is critical to determining the balance between whether WaterNSW's Rural Valleys activities are funded by licence holders or by the NSW Government (on behalf of the community). Lachlan Valley Water stated: "We support a close examination of longer-term issues to improve rural bulk water cost shares and better recognised community service obligations".²⁰⁷

We intend to commence a review of the cost shares framework in 2025–26. This will cover the cost share arrangements for WaterNSW-Rural Valleys and the Water Administration Ministerial Corporation (WAMC). The output from the review of the cost shares framework may be used as an input to the new price review for rural valleys. We will publish a work plan in the next few months to inform stakeholders of the timetable and consultation steps.

Appendices

Appendix A

Matters considered by IPART



This appendix explains how we considered certain matters we are required to consider under the *Independent Pricing and Regulatory Tribunal Act 1992* (the IPART Act).

A.1 Matters under section 14A(2) of the IPART Act

Where the Tribunal uses a methodology to fix prices, section 14A(3) of the IPART Act requires us to report on what regard we have had to the matters listed in section 14A(2). These matters are:

- a. the government agency's economic cost of production,
- b. past, current or future expenditures in relation to the government monopoly service,
- c. charges for other monopoly services provided by the government agency,
- d. economic parameters, such as—
 - discount rates, or
 - movements in a general price index (such as the Consumer Price Index), whether past or forecast,
- e. a rate of return on the assets of the government agency,
- f. a valuation of the assets of the government agency,
- g. the need to maintain ecologically sustainable development (within the meaning of section 6 of the *Protection of the Environment Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment,
- h. the need to promote competition in the supply of the service concerned,
- i. considerations of demand management (including levels of demand) and least cost planning.

Table A.1 outlines the sections of the report that address each matter.

Table A.1 Consideration of section 14A(2) matters by IPART

Section 14A(2)	Report reference
a. the government agency's economic cost of production,	Chapters 4, 5, and 7 sets out our assessment of WaterNSW's Rural Valleys costs to deliver its monopoly services over the determination period. Chapter 6 sets out our assessment of MDBA and BRC's costs allocated to WaterNSW and its water users. We assess proposed economic costs with reference to current and past levels of expenditure, and with careful consideration of the likely customer outcomes and service standards that would be delivered. We have not been able to set prices using the building block model because we are not confident that the cost inputs proposed by WaterNSW are efficient or prudent. Price increases are limited to CPI plus a modest uplift for updated demand forecasts and essential safety expenditure. Because of the lack of robust justification for the proposed operating and capital expenditure increases, we are not convinced that WaterNSW's proposed expenditure is efficient or otherwise justified, and so we are not using it as the basis for prices in the short term.
b. past, current or future expenditures in relation to the government monopoly service,	Chapters 4, 5, and 7 sets out our assessment of WaterNSW's Rural Valleys costs to deliver its monopoly services over the determination period. Chapter 6 sets out our assessment of MDBA and BRC's costs allocated to WaterNSW-Rural Valleys and its water users. We assess proposed economic costs with reference to current and past levels of expenditure, and with careful consideration of the likely customer outcomes and service standards that would be delivered

Section 14A(2)	Report reference
c. charges for other monopoly services provided by the government agency,	In Chapter 13 we set out our decisions on WaterNSW's Rural Valleys prices for other monopoly services, including for consent transactions and non-urban metering charges.
d. economic parameters, such as— <ul style="list-style-type: none"> discount rates, or movements in a general price index (such as the Consumer Price Index), whether past or forecast, 	Chapters 11 and 12 set out how we set prices to raise revenue and its relationship with inflation and our assessment of costs over the determination period in net present value terms.
e. a rate of return on the assets of the government agency,	In Chapter 7 we explain our approach to setting the weighted average cost of capital (WACC) which is the benchmark rate of return for the indicative notional revenue requirement. We estimate a rate of return that would be earned by a firm operating in a competitive market and facing similar risks to the regulated business. We calculate a benchmark cost of debt and cost of equity for the indicative notional revenue requirement. The full calculation of the WACC is provided in Appendix D.
f. a valuation of the assets of the government agency,	In Chapter 7 we discuss our approach towards calculating WaterNSW's Rural Valleys preliminary regulatory asset base (RAB). Our approach considers the need to earn an efficient return on a RAB (through the WACC) and the annual regulatory depreciation value of that asset base. However, we did not use this RAB for the 1-year determination because we did not use our usual building block method for that determination.
g. the need to maintain ecologically sustainable development (within the meaning of section 6 of the <i>Protection of the Environment Administration Act 1991</i>) by appropriate pricing policies that take account of all the feasible options available to protect the environment,	In Chapters 4 and 5 we set out WaterNSW's Rural Valleys expenditure for the indicative notional revenue requirement that would allow it to meet its known regulatory requirements and environmental obligations. We consider that our decisions will allow WaterNSW to recover existing costs in the short term, incurred in meeting its environmental obligations through prices and government contributions
h. the need to promote competition in the supply of the service concerned,	In Chapter 12 we set out our prices which reflect the maximum that WaterNSW-Rural Valleys would need to charge if it were operating in a competitive environment. We consider that our decisions, and the maximum prices, would result in customers only paying what WaterNSW-Rural Valleys requires to deliver quality water services. In Chapter 7, we discuss our approach to estimating the indicative notional revenue requirement for tax, regulatory depreciation, return on assets, and other price elements. Our decisions consider what costs a benchmark firm operating in a competitive market environment would incur in providing its services.
i. considerations of demand management (including levels of demand) and least cost planning.	In Chapter 10 we explain our assessment of, and decisions on, forecast water demand, including both entitlements and water usage. Our decisions on water demand and forecast sales volumes are used in determining WaterNSW's Rural Valleys charges over the 2025 determination period.

A.2 Matters under section 15(1) of the IPART Act

IPART is required under section 15(1) of the IPART Act to have regard to the following matters in making determinations and recommendations:

- the cost of providing the services concerned
- the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services

- c. the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales
- d. the effect on general price inflation over the medium term
- e. the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers
- f. the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the *Environmental Administration Act 1991*) by appropriate pricing policies that take account of all the feasible options available to protect the environment
- g. the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets
- h. the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body
- i. the need to promote competition in the supply of services concerned
- j. considerations of demand management (including levels of demand) and least cost planning
- k. the social impact of the determinations and recommendations
- l. standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).

Table A.2 outlines the sections of the report that address each matter.

Table A.2 Consideration of section 15(1) matters by IPART

Section 15(1)	Report reference
a. Cost of providing the services	Chapters 4, 5, and 7 set out our assessment of WaterNSW's Rural Valleys costs to deliver its monopoly services over the determination period. Chapter 6 sets out our assessment of MDBA and BRC's costs allocated to WaterNSW-Rural Valleys and its water users. Because of the lack of robust justification for the proposed operating and capital expenditure increases, we are not convinced that WaterNSW's proposed expenditure is efficient or otherwise justified, and so we are not using it as the basis for prices in the short term.
b. Protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services	We consider our decisions would protect consumers from abuses of monopoly power, as they do not allow for recovery greater than efficient costs WaterNSW requires to deliver its regulated services. This is addressed throughout the report, particularly in Chapters 11 to 14 (where we set out our pricing decisions and impacts).
c. Appropriate rate of return and dividends on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales	Chapter 7 outlines our approach for a market-based rate of return on debt and equity for the indicative notional revenue requirement that would enable a benchmark business to return an efficient level of dividends. We considered very carefully the public interest in WaterNSW returning a dividend to Government for the benefit of the people of NSW. However, for this 1-year determination, we gave greater weight to the need to gather further information about WaterNSW's Rural Valleys costs, in order to protect consumers.
d. Effect on general price inflation over the medium term	Chapter 14 considers the potential impact of our pricing decisions on WaterNSW, its customers and the NSW Government (on behalf of the broader community). While prices and bills for most water users are increasing, the impact on general price inflation is likely minimal. This is because the increase in bills for WaterNSW customers outlined in Chapter 12 is relatively small when assessed against

Section 15(1)	Report reference
	farming businesses and the value of water entitlements and allocations (as determined through the water trading market).
e. Need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers	Chapters 4 and 5 set out our assessment of WaterNSW's historical and forecast expenditure. These decisions would promote greater efficiency in the supply of WaterNSW's regulated services.
f. The need to maintain ecologically sustainable development (within the meaning of section 6 of the <i>Protection of the Environment Administration Act 1991</i>) by appropriate pricing policies that take account of all the feasible options available to protect the environment	Chapters 4 and 5 set out WaterNSW's preliminary historical and forecast expenditure that allows it to meet all of its regulatory requirements, including its environmental obligations. We consider that our decisions will allow WaterNSW to recover existing costs incurred in meeting its environmental obligations in the short term through prices and government contributions.
g. The impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets	Chapters 7 and 14 explain our approach to estimating WaterNSW-Rural Valleys a return on and of capital for the indicative notional revenue requirement and our assessment of its financial sustainability. See Appendix B for a detailed financeability assessment.
h. The impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body	Chapters 4 and 5 our assessment of cost of WaterNSW-Rural Valleys costs for this one year determination. Chapter 6 sets out our assessment of MDBA and BRC's costs allocated to WaterNSW-Rural Valleys and its water users.
i. The need to promote competition in the supply of the services concerned	In Chapter 12 we set out our prices which reflect the maximum that WaterNSW-Rural Valleys would need to charge if it were operating in a competitive environment. We consider that our decisions, and the maximum prices, would result in customers only paying what WaterNSW-Rural Valleys requires to deliver quality water services. In Chapter 7, we discuss our approach to estimating tax, regulatory depreciation, return on assets, and other price elements for the indicative notional revenue requirement. Our decisions consider what costs a benchmark firm operating in a competitive market environment would incur in providing its services.
j. Considerations of demand management (including levels of demand) and least cost planning	In Chapter 10 we explain our assessment of, and decisions on, forecast water demand, including both entitlements and water usage. Our decisions on water demand and forecast sales volumes are used in determining WaterNSW's Rural Valleys charges over the 2025 determination period.
k. The social impact of the determinations and recommendations	Chapter 14 considers the potential impact of our pricing decisions on WaterNSW, its customers and the NSW Government (on behalf of the broader community). Chapter 3 outlines what we heard from stakeholders, which was then considered throughout the Final Report.
l. Standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise)	Chapters 4 to 6 detail our consideration of WaterNSW's Rural Valleys preliminary historical and forecast expenditure so it can meet the required standards of quality, reliability and safety in delivering its services. Our pricing decisions include uplifts for essential safety expenditure in Chapter 12.

Other matters considered under section 15(1) of the IPART Act

Section 15(1) of the IPART Act provides for the Tribunal to consider any other matters the Tribunal considers relevant. For the purposes of this Final Report, the Tribunal has considered the approach to approving infrastructure charges provided for under rule 29(2)(b) of the *Water Charge Rules 2010* (Cth).

Rule 29(2)(b) seeks satisfaction that the forecast revenue from the charges is reasonably likely to meet, but not materially exceed, the prudent and efficient costs of providing the infrastructure services, less:

- a. any government contributions related to the provision of those infrastructure services; and
- b. any amount reflecting a direction by a government forgoing a return on its share of capital in an infrastructure operator; and
- c. any revenue (other than from infrastructure charges) derived from the water service infrastructure used to provide infrastructure services.

Correspondence from the then Minister Dominello in 2020 is included below:



The Honourable Victor Dominello MP
Minister for Customer Service

Dr Paul Paterson
Chair, IPART
PO Box K35
Haymarket Post Shop,
Sydney, NSW 1240

Dear Dr Paterson

Paul

Standing reference for the pricing of Water NSW's Murray-Darling Basin Services

Under section 12(1) of the IPART Act, I hereby refer to IPART, for investigation and report, the determination of the pricing for the Murray-Darling Basin Services.¹ This is a standing reference for IPART to determine the pricing for the Murray-Darling Basin Services from time to time. The reference is to remain in effect until it is withdrawn or replaced.

IPART must consider the approach under rule 29(2)(b) of the *Water Charge (Infrastructure) Rules 2010* (Cth)

Under section 13(1)(c) of the IPART Act, I require IPART, whenever it conducts an investigation pursuant to this reference, to consider the following matter: the approach to approving infrastructure charges provided for under rule 29(2)(b) of the *Water Charge (Infrastructure) Rules 2010* (Cth), as they will be upon the commencement of the *Water Charge Amendment Rules 2019* (Cth).

Background

Water NSW provides bulk water services to irrigators and other entitlement holders throughout the part of the Murray-Darling Basin that is within NSW. Those services primarily relate to storing bulk water for, and delivering bulk water to, entitlement holders, using Water NSW's dams, weirs and pipelines. These bulk water services are declared to be government monopoly services within the scope of the *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004*.

Yours sincerely

Victor Dominello MP
Minister for Customer Service

Date: *29.5.20*

¹ Attachment A to this letter explains defined terms used in these terms of reference.

A.3 Considerations under section 16 of the IPART Act

Section 16 of the IPART Act provides:

If the Tribunal determines to increase the maximum price for a government monopoly service or determines a methodology that would or might increase the maximum price for a government monopoly service, the Tribunal is required to assess and report on the likely annual cost to the Consolidated Fund if the price were not increased to the maximum permitted and the government agency concerned were to be compensated for the revenue foregone by an appropriation from the Consolidated Fund.

Under section 16 of the IPART Act, we must report on the likely impact on the Consolidated Fund if prices are not increased to the maximum levels permitted. If this is the case, then the level of tax equivalent and dividends paid to the Consolidated Fund would fall. The extent of this fall would depend on Treasury's application of its financial distribution policy and how the change affects after-tax profit.

Our financial modelling is based on a tax rate of 30% for pre-tax profit and dividend payments at 70% of after-tax profit. A \$1 decrease in pre-tax profit would result in a loss of revenue to the Consolidated Fund of 49 cents in total, which is 70% of the decrease in after-tax profit of 70 cents.

We include further discussion on Consolidated Fund impacts in terms of government shares of costs in Chapter 14.

Appendix B >>

Financeability assessment

B

Summary of IPART's assessment of WaterNSW's Rural Valleys financeability

WaterNSW-Rural Valleys would likely be financeable under our final decisions in the short-term

We consider WaterNSW's Rural Valleys operations would likely be financeable in the short-term under IPART's decision to cap prices at CPI + 5.8% in 2025-26 as long as expenditure does not exceed the allowances included in IPART's indicative NRR. IPART has reached this view after conducting benchmark and actual financeability tests for the Rural Valleys segment. IPART also considered the financeability of the Rural Valley segment combined with Greater Sydney.

When setting prices, we consider the financial sustainability of the business resulting from our pricing decisions. To do this, we undertake a financeability test to assess how our pricing decisions are likely to affect the business's financial sustainability, and ability to raise funds to manage its activities, over the upcoming regulatory period. The financeability test is based on the approach outlined in IPART's *2018 Review of our financeability test (2018 Financeability Review)*.²⁰⁸

B.1 IPART's approach to conduct the financeability assessments

IPART has conducted both the benchmark and actual tests on the financeability of WaterNSW's Rural Valleys operations. IPART has also performed actual tests on the financeability of Rural Valleys and Greater Sydney combined. The difference between the two tests is that to conduct the:²⁰⁹

- Benchmark test: we set the inputs consistent with the indicative parameters in the building block approach such as using the real cost of debt and level of gearing in the WACC.
- Actual test: we use actuals provided by the business which may mean the inputs used to calculate the WACC may be different, such as using the forecast actual cost of debt and gearing.
 - For the actual test we used 5.5% as the cost of debt which WaterNSW described as its current interest rate in its submission.²¹⁰ We used a gearing ratio of 51% in 2024-25 based on WaterNSW's 2023-24 financial statements.²¹¹

The purpose of these 2 approaches is that:

- conducting the test on the benchmark business would identify any estimation and cash flow impacts arising from our building block approach, and
- conducting the test on the actual business would generate a warning that the actual business segment might face a financeability concern in 2025-26.

Our cost of debt inputs for the benchmark and actual tests are outlined in Table B.1.

Table B.1 Cost of debt inputs

	Benchmark	Actual
MDV Valleys	WACC of 3.6% with a real cost of debt of 2.4%	Nominal cost of debt of 5.5%
Coastal Valleys	WACC of 3.1% with a real cost of debt of 2.1%	Nominal cost of debt of 5.5%
Combined (weighted average)	WACC of 3.6% with a real cost of debt of 2.4%	Nominal cost of debt of 5.5%

Then for each of the benchmark and actual financeability tests, IPART calculates 3 ratios as described in Box B.1.

Box B.1 Explanation of IPART's financeability ratios

For the benchmark test, we calculate the financial ratios assuming the real interest rate (i.e., excluding inflation) and gearing set in the WACC. For the actual test, we calculate the financial ratios using the business's actual interest rate and gearing level.

Real Interest Coverage Ratio (RICR)

The RICR is a measure of the business's ability to service interest payments on debt. Our targets are:

- >2.2x for the benchmark test
- >1.8x for the actual test.

The 1.8x target for the actual test was set considering the ICR values used by Moody's, S&P Global and Fitch Ratings, including nominal metrics used for water and energy businesses. IPART includes a small uplift for the benchmark target (2.2x) because the standard financial ratios are not intended to be applied to a real interest rate situation.

Real Funds from Operation (FFO) over Debt

FFO over Debt measures how much free cash a business generates (i.e. after covering its operating costs, interest expense and tax) relative to the size of its total borrowings. Therefore, it is a measurement of a business's ability to generate cash flows to repay the principal of the debt. Our targets are:

- >7.0% for the benchmark test
- >6.0% for the actual test.

The 6.0% target for the actual test was set considering the FFO over Debt values used by Moody's, S&P Global and Fitch Ratings, including nominal metrics used for water and energy businesses. IPART includes a small uplift for the benchmark target (7.0%) because the inflation component of the interest rate is capitalised.

Box B.1 Explanation of IPART's financeability ratios

Net Debt/RAB Gearing ratio

Gearing is a measurement of the entity's financial leverage, which demonstrates the degree to which it is funded by creditors. A higher gearing ratio means a higher-risk capital structure – that is, a higher proportion of assets are funded by debt which, unlike equity, requires fixed interest payments that the business must continue to maintain over time. A gearing ratio above 70% would indicate a relatively high-risk capital structure. Our target is <70% for both the benchmark and actual tests.

Then to calculate each of the 3 financeability ratios under the benchmark and actual tests, IPART has used expenditure and revenue inputs as described in Box B.2 below.

Box B.2 IPART's expenditure and revenue inputs for the financeability test

The financeability test is based on the estimates of operating costs and capital expenditure discussed in Chapter 4 and 5.

Expenditure

- The operating costs are based on Atkin's recommended lower bound costs, plus additional costs for dam and crane safety.
- Capital expenditure is based on Atkin's recommended lower bound costs.

Note: Our financeability analysis is based on building block inputs, any variation from the indicative expenditure would impact the result of the 3 financeability ratios.

Revenue

Revenue is based on:

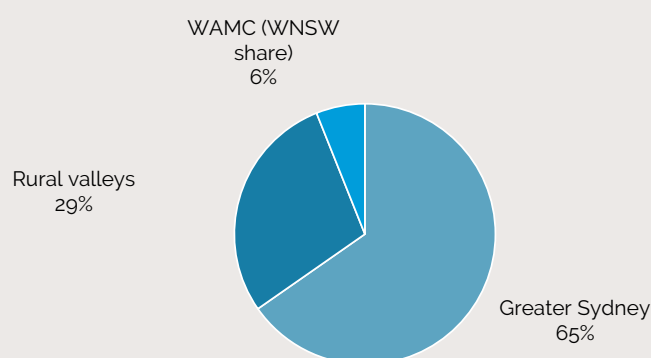
- Final prices and forecast entitlement and usage volumes, where usage volumes are the 20-year rolling average.
- Government's share of NRR plus the CSO for North and South Coast.

Note: If WaterNSW-Rural Valleys has more (or less) water sales that materially diverges from the 20-year rolling average, this would impact the result of the 3 financeability ratios.

Box B.2 IPART's expenditure and revenue inputs for the financeability test

For context, around one-third of WaterNSW's revenue is attributable to WaterNSW-Rural Valleys (see Figure B.1).

Figure B.1 WaterNSW revenue by segment



Note: We have excluded the Wentworth to Broken Hill Pipeline (Pipeline) from our analysis of WaterNSW's revenue sources because it is a separate legal entity. Pipeline accounts for around 7% of WaterNSW's total revenue.
Source: IPART analysis.

B.1.1 IPART's treatment of MDBA/BRC costs for financeability

IPART's financeability assessment was performed based on the scenario that MDBA/BRC costs are equal to MDBA/BRC revenue. This means that the NSW Government only passes on MDBA/BRC costs to WaterNSW that can be recovered through MDBA/BRC charges, where MDBA charges increase by CPI+0.6% and BRC charges would increase by CPI+1.1%.

B.1.2 IPART's treatment of funding shortfall

Our financeability analysis is also based on the following key assumption:

The shortfall between WaterNSW's Rural Valleys costs (i.e. indicative building blocks NRR) and WaterNSW's Rural Valleys expected revenue (i.e. based on prices held in line with CPI+5.8%) is absorbed by WaterNSW-Rural Valleys.

We assess this shortfall to be around \$19.5 million (see Chapter 15 for more information). While a government subsidy may be a possible solution, we wanted to test the impact on WaterNSW's Rural Valleys financeability if its actual expenditure was in line with the IPART indicative building block 1 year NRR and if the Government did not provide a subsidy to fund any of the shortfall between the IPART indicative building block NRR and the expected revenue under prices held at CPI+5.8%.

B.2 IPART's financeability assessment

Table B.1 shows the benchmark and actual financeability test results for WaterNSW-Rural Valleys, and the actual results of the combined entity of Rural Valleys and Greater Sydney. Our financeability tests were completed based on a 1-year determination for Rural Valleys and we have based Greater Sydney's revenue as outlined in our [draft decision](#) to set prices for a three-year determination.

Table B.1 Financeability test results based on our final decision

	Target ratio	2025-26
Benchmark test for Rural Valleys		
Real Interest Coverage Ratio	Higher is better >2.2x	3.1x
Real FFO/Net Debt	Higher is better >7.0%	5.1%
Net Debt/RAB	Lower is better <70%	60%
Actual test for Rural Valleys		
Real Interest Coverage Ratio	Higher is better >1.8x	1.8x
Real FFO/Net Debt	Higher is better >6.0%	4.2%
Net Debt/RAB	Lower is better <70%	51%
Actual test for Rural Valleys & Greater Sydney		
Real Interest Coverage Ratio	Higher is better >1.8x	1.9x
Real FFO/Net Debt	Higher is better >6.0%	4.9%
Net Debt/RAB	Lower is better <70%	51%

Source: IPART analysis.

B.2.1 Real Interest Coverage Ratio (RICR)

The benchmark RICR results for Rural Valleys is 3.1x. This means WaterNSW-Rural Valleys is expected to receive enough free cash flow to pay its real interest more than three times over. However, this is a decline from the 2021 price review (where the ratio was 8-9 times),^{a,212}

When IPART used the current interest rate of 5.5% to calculate Rural Valleys' actual RICR, we calculated a lower a RICR of 1.8x. This is at the lower bound of the target of >1.8x. This may signal that Rural Valleys may have short-term pressures in meeting its actual interest obligations.

^a This was because the cost of debt under the ACCC WACC rules was 0.65%. This would have been around 3 times based on the IPART cost of debt of 1.86%, assuming no change in prices or revenue.

However, when Rural Valleys is combined with Greater Sydney the actual RICR improves to 1.9x using 5.5% as the cost of debt. As debt is raised at the combined business level, the more relevant RICR is for WaterNSW as a whole business.

The RICR results indicates that WaterNSW-Rural Valleys would likely be financeable in the short-term under IPART's 1-year pricing decision assuming expenditure does not exceed the allowances included in IPART's indicative NRR.

B.2.2 Real Funds from Operation (FFO) over Debt

The Real FFO over Debt results are below target for all 3 scenarios (i.e. Rural Valleys benchmark, Rural Valleys actual and Rural Valleys + Greater Sydney actual). Under the benchmark test for Rural Valleys this result is 5.1%. Under the actual test, the FFO over Debt drops to 4.2%, however, when combined with Greater Sydney the actual results are 4.9%. As stated previously, the actual results of the combined entity reflect how debt is raised.

WaterNSW's relatively low FFO over debt ratio reflects that WaterNSW has an asset base of relatively long-lived assets, which means the initial investment in assets is recovered over a relatively long period of time through the depreciation allowance.

The methodology used in the FFO over Debt ratio test is based on a hypothetical 'typical' utility, which would have mix of assets with longer and shorter asset lives (and on average shorter average asset life). If WaterNSW had shorter lived assets, its depreciation allowance would be higher and the FFO over Debt ratio would be higher (i.e., closer to the target).

We also found it to be the case that this ratio was also below target when conducting our benchmark financeability tests to set prices for water transport services supplied by WaterNSW via the Murray River to Broken Hill Pipeline (the Pipeline).²¹³ The relatively lower FFO over Debt results for the Pipeline review was also due to longer-lived assets.

A future review of the financeability test could consider whether to vary the target FFO over Debt ratio to better account for differences in each business' average asset life.

The FFO over Debt results as shown in Table B.1 do not indicate acute financeability issues.

B.2.3 Net Debt/RAB Gearing Ratio

The Net Debt over RAB Gearing ratio meets the upper target limit of 70% under all 3 scenarios. The benchmark results will always reflect our decision to maintain the gearing ratio at 60%, which is based on our review of market evidence.

The actual results for Rural Valleys and Rural Valleys combined with Greater Sydney is both around 51% which meets the target for the Net Debt over RAB Gearing ratio (see Table B.1 for more information).

Appendix C

Impacts analysis



As noted in Chapter 3, many stakeholders that pay WaterNSW rural bulk water charges have expressed concern that the prices put forward by WaterNSW for its Rural Valleys operations are unaffordable. We have analysed the impact of these prices to 2029-30 for the NSW agricultural sector. The analysis in section C.1 does not include the impact of WAMC's proposed increases and is isolated to WaterNSW's proposed rural bulk water cost reflective base case.

C.1 Farming businesses

WaterNSW commissioned Deloitte Access Economics to consider the impact of bulk water price increases on the NSW agricultural sector. The report found that while irrigated broadacre farms (e.g. cotton and rice) would be more exposed to rising water costs they have capacity to pay, and dairy and livestock sectors would be more vulnerable to bulk water price increases.²¹⁴

Stakeholders²¹⁵ raised that this affordability analysis should have also considered how water prices impact farms differently based on size and based on variations within industries. It was also noted that dry seasons should have been better factored in and that the analysis should have separated out dryland and irrigated farms.

Recent financial performance and water use data for irrigated NSW agriculture has been limited.^a In this context, we acknowledge the affordability analysis provided by WaterNSW.

To better understand the perspectives put forward by stakeholders, we obtained from ABARES, 5-year averages (2017-18 to 2021-22)^b of gross margins and water use data by industry and size. We analysed the impact on broadacre (including cotton and rice) and horticulture (including grapes) and dairy in the southern Basin (Murray NSW and Murrumbidgee).^c This data is from the ABARES Murray-Darling Basin [Irrigated Survey](#).

For cotton, we used [CottonInfo](#)'s national gross margins data to contextualise the impact of WaterNSW's proposed prices for valleys outside the southern Basin (Border, Gwydir, Macquarie, Namoi and Lachlan).

^a ABS Water Use on Australian Farms and the Rural Environment and Agriculture Commodities Survey (REACS) has ceased. ABS and ABARES are currently undertaking work to modernise agricultural statistics (see [here](#)).

^b Except for Murray cotton and rice farms, where there was no data for 2018-19 and 2019-20. This was because few farms grew cotton or rice due to the drought (low water allocations).

^c While we acknowledge that this data does not include the northern Basin - for rice, grapes, citrus, pome/stone fruits and irrigated dairy, the production tends to be concentrated in the southern Basin. Refer to ABARES' [Irrigated farm in the Murray-Darling Basin](#) webpage.

C.1.1 Southern Basin

For the southern Basin, we found the following broad trends in relation to the impact of WaterNSW's proposed cost reflective prices over the next 5 years (2025-26 to 2029-30), before inflation:

- Generally, the gross margins of cotton and rice farms would be the most impacted (Murray -13.3% and Murrumbidgee -6.1%), followed by broadacre farms that do not grow cotton and rice (Murray -9.3% and Murrumbidgee -2.6%), then dairy (Murray -5.3%). The impact on horticultural farms (including grapes) is more variable (i.e. -1.5% to -5.2%). Please refer to Table C.1 for more information.
- The gross margins of smaller broadacre farms (<\$1 million revenue) would generally be more affected (i.e. -16.6% Murray and -12.3% Murrumbidgee) than broadacre farms with >\$1 million revenue (i.e. -9.8% Murray and -4.8% Murrumbidgee). Similarly, the gross margins of larger Murray horticultural farms would be less affected by rising bulk water costs compared to smaller Murray horticultural farms (-3.7% vs. -7.7%). However, for Murrumbidgee horticulture, the gross margins of larger farming businesses would be slightly more affected than smaller Murrumbidgee horticultural farms (-2.7% vs. -1.9%). Please refer to Table C.2 for more information.

The analysis provided above should be treated as indicative and contextual only. This is because the gross margins and water volumes data is based on surveying a subset of farms and are thus estimates. This means that the data is likely to be different from that which would have been obtained if information had been collected from a census of all farms. The gross margins analysis also assumes that all other cost inputs and output prices are held constant. We also acknowledge that this analysis does not account for how seasonal conditions (e.g. higher water/allocations availability) would influence water use and thus impact agricultural production.

Table C.1 Impact of WaterNSW's cost-reflective proposal for Rural Valleys on selected agricultural industries (\$2024-25, 2017-18 to 2021-22 averages per farm)

	ABARES Data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
	Gross margin per farm (\$)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) water bill (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Cotton and rice							
Murray ^a	441,100	2,512	2,400	35,904	58,579	163%	-13.3%
Murrumbidgee	522,700	3,242	2,031	29,308	31,990	109%	-6.1%
Other broadacre (excl cotton and rice)							
Murray	243,500	1,439	336	13,414	22,592	168%	-9.3%
Murrumbidgee	466,200	2,017	397	11,785	12,101	103%	-2.6%
Grapes							
Murray	696,400	1,216	1,036	16,517	27,035	164%	-3.9%
Murrumbidgee	438,400	1,481	1,120	14,822	16,347	110%	-3.7%
Horticulture (excl grapes)							
Murray	328,300	712	738	10,575	17,214	163%	-5.2%
Murrumbidgee	153,800	233	149	2,129	2,327	109%	-1.5%
Dairy							
Murray	489,700	1,166	979	15,739	25,771	164%	-5.3%

a. Data is based on 3-years of data i.e. 2017-18, 2020-21 and 2021-22.

b. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the [ABARES MDB Irrigation Survey](#).

c. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Thus, insights from this table should be treated as indicative only.

d. Gross margin = farm cash income - total cash receipts - total cash costs.

e. The cotton and rice data should be interpreted as averages of farms that grow cotton and/or rice, noting that many of the farms surveyed in the southern Murray-Darling Basin tend to grow both cotton and rice. This is different to northern Basin cotton farms which are usually large specialist cotton growers or mixed farms with grains and/or livestock.

f. IPART calculated the estimated current water bill by using 2024-25 WaterNSW-Rural Valleys and WAMC charges, including MDBA and BRC charges. The impact of WaterNSW's proposal to 2029-30 is based on the cost-reflective prices that was proposed by WaterNSW (incl MDBA and BRC charges).

g. The bill estimates were calculated assuming all entitlements and water use is based on regulated general security for simplicity.

Source: [ABARES MDB Irrigation Survey](#) and IPART analysis.

Table C.2 Impact of WaterNSW's cost-reflective proposal for Rural Valleys on selected agricultural industries by size (\$2024-25, 2017-18 to 2021-22 average per farm)

	ABARES Data: 5-year average data per farm (2017-18 to 2021-22)			IPART analysis using ABARES data as inputs			
	Gross margin per farm (\$)	Total entitlements (ML) per farm	Total volume of water used for irrigation (ML) per farm	Estimated current (2024-25) water bill (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Revenue \$1m and more							
Murray Broadacre	515,000	2,613	1,483	30,365	50,232	165%	-9.8%
Murrumbidgee Broadacre	813,900	4,132	2,364	35,685	38,752	109%	-4.8%
Murray Horticulture	888,700	1,267	1,501	20,111	32,615	162%	-3.7%
Murrumbidgee Horticulture	802,400	1,765	1,602	19,651	21,885	111%	-2.7%
Revenue less than \$1m							
Murray Broadacre	115,500	1,197	313	11,384	19,138	168%	-16.6%
Murrumbidgee Broadacre	93,700	1,600	528	10,937	11,521	105%	-12.3%
Murray Horticulture	137,300	554	312	6,419	10,621	165%	-7.7%
Murrumbidgee Horticulture	121,600	267	136	2,185	2,357	108%	-1.9%

a. The fields gross margin per farm, total entitlements per farm (ML) and total volume of water used for irrigation per farm (ML) are data from the [ABARES MDB Irrigation Survey](#).

b. ABARES only surveys a subset of farms in a particular industry and derives an estimate from that. Estimates derived from these farms are likely to be different from those which would have been obtained if information had been collected from a census of all farms. Thus, insights from this table should be treated as indicative only.

c. Gross margin = cash income - total cash receipts - total cash costs.

d. IPART calculated the estimated current water bill by using 2024-25 WaterNSW-Rural Valleys and WAMC charges, including MDBA and BRC charges. The impact of WaterNSW's proposal to 2029-30 is based on the cost-reflective prices that was proposed by WaterNSW (incl MDBA and BRC charges).

e. The bill estimates were calculated assuming all entitlements and water use is based on regulated general security for simplicity.

Source: [ABARES MDB Irrigation Survey](#) and IPART analysis.

C.1.2 Northern Basin (Cotton)

We used CottonInfo's national gross margins data to estimate the impact of WaterNSW's cost-reflective proposed prices for cotton growers in Border, Namoi, Macquarie, Gwydir and Lachlan. As shown in Table C.3, we found WaterNSW's proposed cost reflective prices (2025-26 to 2029-30) would decrease gross margins by around 10% or more, with large impacts for Namoi (16.1% decrease).

The analysis provided above should be treated as indicative and contextual only noting that the gross margins and irrigated water use information is based on national data rather than being specific to each valley. We also acknowledge the diversity of cotton growers in the northern Basin based on size and enterprise mix e.g. large specialist cotton growers versus mixed cotton farms with grains and/or livestock.

Table C.3 Estimated impact of WaterNSW's cost-reflective proposal on cotton farms (\$2024-25, per hectare)

	Estimated gross margin (\$ per ha)	Estimated current (2024-25) water bill (\$ per ha)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (\$)	Increase under WaterNSW's proposal 2025-26 to 2029-30 (%)	Impact on gross margins (%)
Border	4,269	236	468	198%	-11.0%
Gwydir	4,237	267	418	156%	-9.9%
Macquarie	4,239	266	441	166%	-10.4%
Namoi	4,049	456	650	142%	-16.1%
Lachlan	4,165	340	496	146%	-11.9%

- a. IPART used data from CottonInfo which noted that the volume of water use for furrow irrigated cotton was 6.8ML per hectare. The entitlement volume per hectare was then estimated by applying the average water availability for regulated general security allocations from 2010-11 to 2023-24 to the 6.8 ML water take figure, for each valley.
- b. IPART calculated the estimated current water bill by using 2024-25 WaterNSW-Rural Valleys and WAMC charges, including MDBA and BRC charges. The impact to 2029-30 is based on the cost-reflective prices that was proposed by WaterNSW (incl MDBA and BRC charges).
- c. Water bills were calculated assuming general security entitlements. The analysis also assumes all other cost inputs are kept constant.

Source: CottonInfo 2023-24 Furrow Irrigated Gross Margins, DCCEEW Allocations Dashboard, ABARES Cotton farms in the MDB and IPART analysis.

C.2 Interjurisdictional comparisons

We also compared what a WaterNSW licence holder's bill at 2029-30 using its proposed cost reflective pricing would be compared to Queensland and Goulburn-Murray Water (Victoria). In Figure C.1, we also included the Water Administration Ministerial Corporation's (WAMC) proposed charges to make like-for-like comparisons with the other jurisdictions. IPART is also currently reviewing the maximum prices that WAMC can charge customers to provide water planning, management and regulation services.

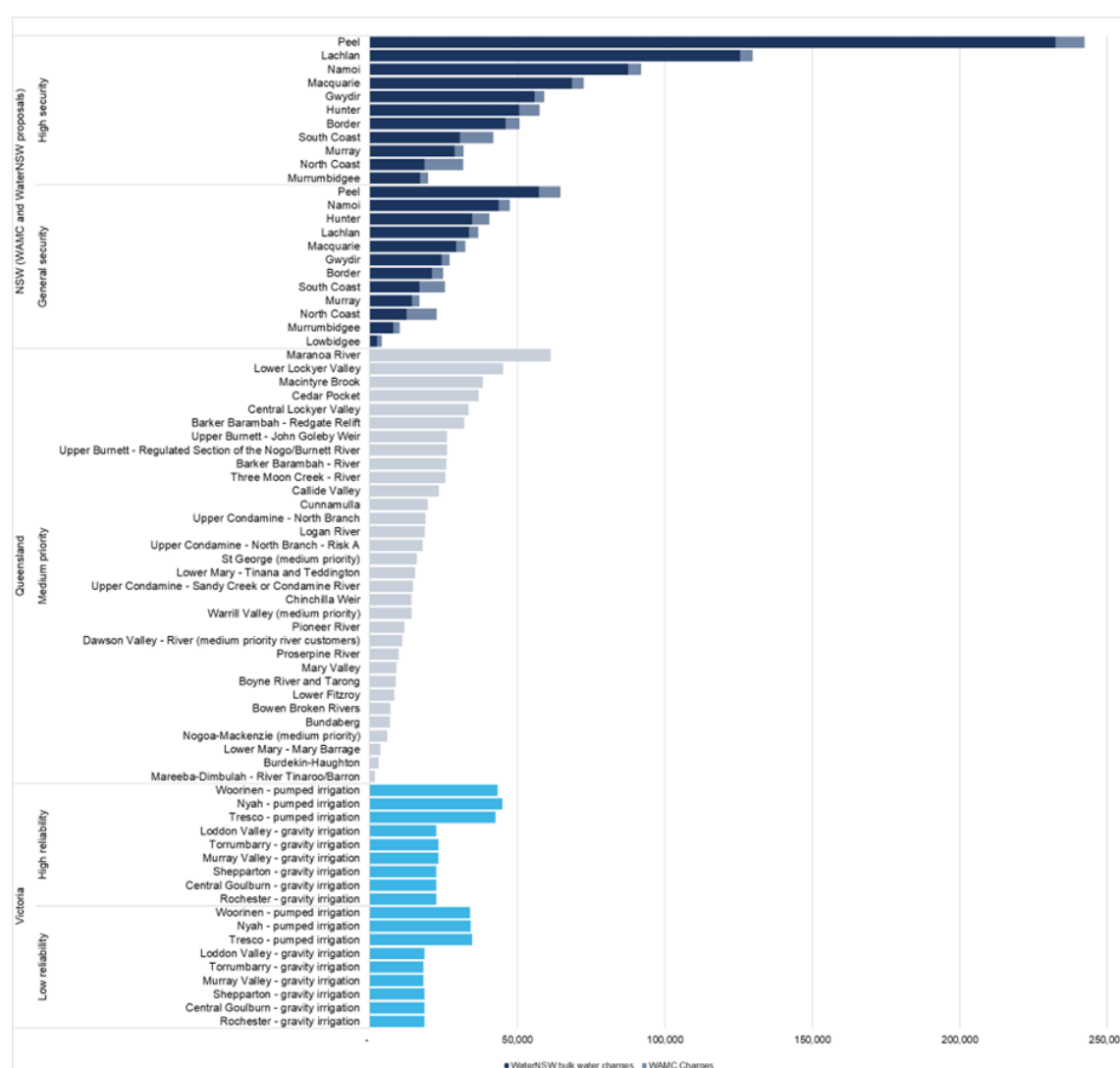
Figure C.1 shows that when considering the WaterNSW portion only to 2029-30 under its cost-reflective base case:

- For a high security WaterNSW customer (500 ML entitlement & 100% water take), bills would range from 42% lower to 681% higher, depending on the valley, than the average amount a high reliability Goulburn-Murray Water (GMW) customer would pay for the same entitlement and allocation.
- For a general security WaterNSW customer (500 ML entitlement with 60% water take), bills would range from 87% lower to 200% higher, depending on the valley, than the average amount a medium priority customer in Queensland would pay with the same entitlement and allocation.

- Compared to the average amount a low reliability gravity and pumped irrigation GMW customer would pay, a general security WaterNSW customer's bill with 500ML entitlement and 60% water take would range from 89% lower to 142% higher, depending on the valley.

We have used the most up-to-date information available from each jurisdiction. GMW's current decision extends up to 2027-28 and Queensland's (Seqwater and Sunwater) pricing recommendations extend up to 2028-29. We have calculated the estimated 2029-30 bills using prices that would apply in the last year of each jurisdiction's current water decision or recommendation.

Figure C.1 Estimated interjurisdictional comparisons of bills at 2029-30 (\$2024-25)



a. For Goulburn Murray Water (GMW), we assumed a delivery share of 5 ML/day, based on GMW's guide to divide water shares by 100 and excluded service point and subsurface drainage fees for comparability with NSW bills. We have assumed that both gravity irrigation and pumped irrigation bills would remain steady (before inflation) from 2024-25 to 2027-28. We also note that real increases for pumped irrigation bills would primarily be attributable to the service point and subsurface drainage fees.

b. We only presented medium priority entitlements, as in general, irrigators in Queensland hold medium priority entitlements. While the Queensland Government will consider QCA's recommendations, when it determines irrigation prices, it is not bound to accept the QCA's recommendations.

Source: Goulburn-Murray Water Pricing Simulators, Irrigation price investigation 2025-29, Goulburn-Murray Water final decision and IPART analysis.

Appendix D

Weighted Average Cost of Capital
(WACC) for WaterNSW-Rural Valleys



Under the building block methodology, to calculate an allowance for the return on assets in the revenue requirement for WaterNSW's rural MDB valleys, we multiply the value of the regulatory asset base (RAB) in 2025-26 by an appropriate rate of return. To do this, we estimate the rate of return using a weighted average cost of capital (WACC).

This WACC calculation for the indicative notional revenue requirement (NRR) has the following special features:

- The regulatory period is 1 year
- All of the current debt will be refinanced in March 2025
- During this year we will commence a 10-year transition to trailing average for long-term debt
- This 10-year transition will begin with the refinancing of all long-term debt in March 2025
- Because of these decisions, the WaterNSW MDB valley WACC will be different to the WACC that applies to WaterNSW Greater Sydney and WaterNSW's Rural Valleys non-MDB rural valleys.

This appendix shows the parameters we used to calculate the WACC for the indicative NRR.

D.1 We use our standard approach to calculate the WACC

We used our standard 2018 WACC methodology to calculate the WACC. Under this approach we estimate one WACC based on current market data and one based on long-term average data. When our uncertainty index, which indicates the level of volatility in capital markets, is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values. The uncertainty index was within this range at the time we calculated the WACC.

Table D.1 sets out the parameters we used to derive the WaterNSW-Rural Valleys MDB valley 3.6% post tax real WACC. Note that 3.6% is the average of the current real post tax WACC of 3.7% and the long-term real post tax WACC of 3.6%. The cost of debt is the same for current and long-term debt, given the 1-year regulatory period and assumptions about the transitions to trailing average. However, the current WACC is slightly higher because the current MRP is higher than the long-term MRP.

Table D.1 WACC calculation using IPART's standard approach for indicative NRR

	Current market data	Long term averages
Nominal risk-free rate	4.5%	4.5%
Inflation	3.2%	3.2%
Implied debt margin	1.2%	1.2%
Market risk premium	6.3%	6.0%
Debt funding	60%	60%
Equity funding	40%	40%
Total funding (debt + equity)	100%	100%
Gamma	0.25	0.25
Corporate tax rate	30%	30%
Effective tax rate for equity	30%	30%
Effective tax rate for debt	30%	30%
Equity beta	0.70	0.70
Cost of equity (nominal post-tax)	8.9%	8.7%
Cost of equity (real-post tax)	5.5%	5.3%
Cost of debt (nominal pre-tax)	5.7%	5.7%
Cost of debt (real pre-tax)	2.4%	2.4%
Nominal vanilla (post-tax nominal) WACC	7.0%	6.9%
Post-tax real WACC	3.7%	3.6%
Pre-tax nominal WACC	8.0%	7.9%
Pre-tax real WACC point estimate	4.7%	4.6%

D.2 Our methodology to calculate WACC parameters

This section sets out some of the key methodologies we use to derive the component parameters used to calculate the WACC under our standard approach for the indicative NRR.

D.2.1 Gearing and beta

In selecting proxy industries, we consider the type of business the firm is in. If we can't directly identify proxy firms that are in the same business, then we would consider which other industries exhibit returns that are comparably sensitive to market returns.

We adopted the standard values of 60% gearing and an equity beta of 0.7. We undertook preliminary proxy company analysis on several different types of industries with risk profiles that appear similar to water businesses. Our analysis supported continuing to use an equity beta of 0.7 when 60% gearing is used.

D.2.2 Sampling dates for market observations

For the Final Report we applied a sampling period up to the end of March 2025 for the market observations.

D.2.3 Tax rate

We assumed the Benchmark Equivalent Entity is a large public water utility. The scale economies that are important to firms of this type suggest that the Benchmark Equivalent Entity would be likely to be well above the turnover threshold at which a firm becomes ineligible for a reduced corporate income tax rate. Therefore, we used a tax rate of 30%.

D.2.4 Regulatory period

We have employed a 1-year regulatory period.

D.2.5 Application of trailing average method

Our 2018 review of the WACC method introduced a decision to estimate both the long-term and current cost of debt using a trailing average approach, which updates the cost of debt annually over the regulatory period.

We have applied a transition to the trailing average in our WACC calculation for the indicative NRR, as follows:

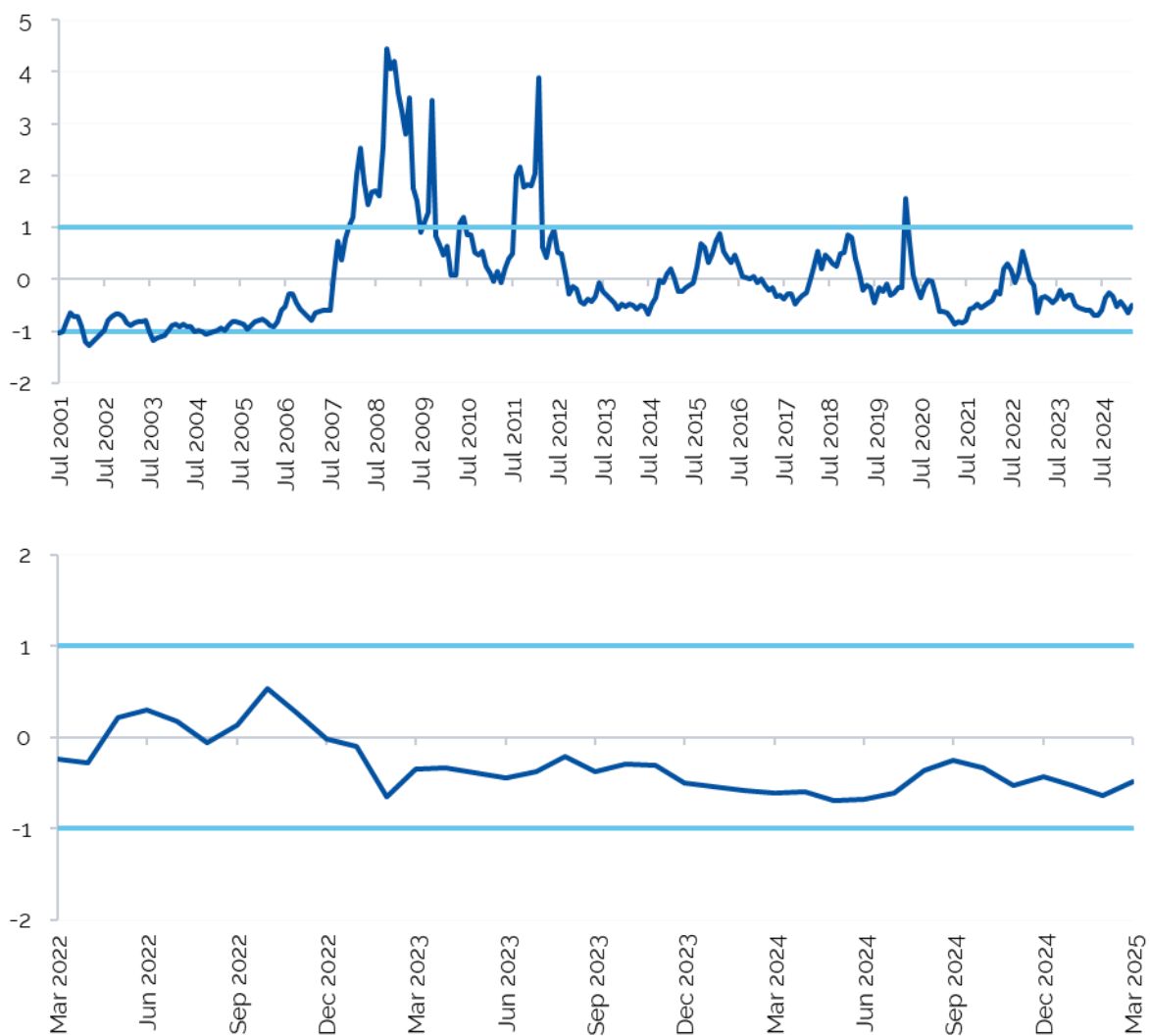
- The transition to trailing average is considered complete for WaterNSW Greater Sydney and WaterNSW-Rural Valleys non-MDB rural valleys.
- The transition to trailing average had not previously begun for WaterNSW-Rural Valleys MDB valleys because they were subject to the Commonwealth Water Charge Infrastructure Rules (WCIR) until this review.
- For current debt, the transition to trailing average is intended to occur over one regulatory period. Since the regulatory period for WaterNSW-Rural Valleys MDB valleys is 1-year, the entire current debt will be assumed to be refinanced in March 2025.
- For long-term debt, the 10-year transition to trailing average is assumed to begin with the refinancing of all long-term debt in March 2025. In each subsequent year, a tranche of 10% of the long-term debt would be assumed to be refinanced until, in 10 years' time, the entire long-term debt portfolio would have the desired pattern of staggered maturities.
- In practical terms, this means that for this year's determination, the long-term debt will have the same interest rate as the current debt.
- In subsequent years, that will no longer be the case, but the details must await future decisions on matters including the length of the next regulatory period.

D.2.6 Uncertainty index

Under current IPART's WACC method, we estimate one WACC using current market data and one using long-term average data. When our uncertainty index — which indicates the level of volatility in capital markets — is within one standard deviation of its mean value, we select the mid-point of the current and long-term WACC values.

As Figure D.1 shows, the uncertainty index for market observations to the end of March 2025 is within one standard deviation of its mean value. Therefore, we have calculated the WACC for the indicative NRR based on the mid-point of the current and long-term WACC values.

Figure D.1 IPART's uncertainty index



Source: IPART analysis.

Appendix E >>

Glossary



E

Term	Definition
3Cs	The 3 pillars of our framework: Customer, Cost, and Credibility. The 12 principles we use to grade businesses' proposals are grouped under these pillars.
Assessment tool	Guidance material to assist businesses preparing pricing proposals. It sets out, for each of the 12 principles in the framework, the key considerations IPART is going to make when assigning a grade to a proposal.
Base-Trend-Step approach (BTS)	The approach IPART will use when setting operating expenditure allowances. 'Base' refers to the efficient recurring expenditure required each year, calculated from recent past data. 'Trend' refers to predictable changes in expenditure over time due to known factors such as demand growth or inflation. 'Step' refers to changes in expenditure caused by new requirements or new processes.
Building block model	IPART's standard method for calculating a business's required revenue. Costs are broken down into 5 components to establish the amount of revenue needed to recover them.
Cap-and-collar	Cap on the maximum amount of benefits to be paid out through financial incentive schemes.
Capital Efficiency Sharing Scheme (CESS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with capex during a determination period.
Carve-out	Mechanism to allow businesses to exclude some uncontrollable costs from the calculation of capital expenditure incentive schemes.
Cost pass-through	Tool to allow businesses to pass some costs directly to customers within the determination period, under limited circumstances.
Customer	In the context of this report, 'customer' refers to direct bill payers as well as end users who might not be in a direct paying relationship with a water business (for example, an occupant or tenant of a serviced property).
Determination period	The period of time over which a determination of maximum prices applies.
Discount factor	The factor used to modify an annual amount to convert it to net present value terms.
DPE	Department of Planning and Environment in New South Wales.
Early engagement	Opportunity for businesses to engage with IPART 1 to 2 years before submitting their proposals.
Efficiency Benefit Sharing Scheme (EBSS)	An incentive scheme to provide water businesses with a fixed share of any efficiency gains (or losses) associated with opex during a determination period.
Efficiency factor	Factor applied to a business's forecast expenditure, when appropriate, to adjust it for ongoing productivity improvements.
EPA	Environment Protection Authority, the primary environmental regulator for New South Wales.
ESC	Essential Services Commission, the independent regulator of essential services in Victoria.
Expenditure review	IPART's method for reviewing a business's expenditure to ensure customers are only paying efficient costs.
Financial incentives	Mechanisms to adjust a business's revenue requirement based on its performance, for examples by rewarding the quality of a proposal (ex-ante incentives) or realised improvements in efficiency (ex-post incentives).
Incentive payments	The amount calculated through the application of an incentive scheme that is used to modify the revenue requirement in a subsequent determination period.
IPART Act	The <i>Independent Pricing and Regulatory Tribunal Act 1992</i> , which establishes IPART's regulatory role and functions in New South Wales.
LIS	Line in the sand. The LIS value is equal to the present value of future free cashflow and is used to establish the value of a business's initial Regulatory Asset Base.
Net Present Value (NPV)	The discounted value of a stream of benefits (or costs) taking into account the time value of money.
NRR	Notional Revenue Requirement, the revenue needed by a business to recover the cost of providing their services.

Term	Definition
Operating licence	A regulatory instrument that authorises a water business to undertake its functions. Issued under the requirements of an Act by a Minister or the Governor, it contains terms and conditions governing a water business' operations. Not all water businesses are subject to a licence.
Outcome Delivery Incentive (ODI)	An incentive scheme to provide financial benefits (penalties) for achieving (not achieving) customer agreed outcomes.
Price controls	Methodologies used by water businesses and the regulator to set prices charged to customers. Main examples are price caps, and revenue caps.
RAP	Regulators Advisory Panel
Regulatory Asset Base (RAB)	Calculated as the economic value of all assets the business owns. The RAB is used as basis to calculate the revenue we provide to businesses in our determinations.
Re-opener	Option to reopen a determination and replace it partially or entirely. This is a last resort solution in case unforeseen cost changes materially impact a business's capacity to carry out its services.
Revenue requirement	Amount of revenue a business should recover from customers to cover its costs, as calculated by IPART during a price determination.
Revenue risk	The risk of businesses not collecting enough revenue from customers because of unforeseen increases in expenditure that aren't reflected in the revenue allowance.
Sharing ratio	The fixed ratio of sharing of gains (or losses) between customers and a water business.
Stakeholder submission	Submission prepared by stakeholders in the sector (such as water businesses, advocacy groups, and other regulators) in response to our Draft Report or Discussion Papers
True-up	Mechanism to allow businesses to pass some unexpected costs to consumers in the following determination period. This is reserved for limited circumstances.
Underspend	Actual expenditure savings in any year of a determination period compared to forecast expenditure. A negative underspend is an overspend.
Weighted average cost of capital (WACC)	The post-tax real cost of capital as determined by IPART as part of a regulatory review.

Appendix F

Full decision list



F

Decisions

1.	To set prices for a 1-year determination period commencing 1 July 2025 and ending 30 June 2026, or when replaced.	34
2.	To commence the next review of maximum prices for WaterNSW bulk water services to rural valleys immediately, including publishing a draft report and draft determination and holding a public hearing before issuing a final report and determination.	34
3.	Not to require a new submission from WaterNSW.	34
4.	To note that it will be open to the Tribunal in the next review to assess the efficient and prudent expenditure for the 2025-26 year and potentially make adjustments for foregone revenue.	34
5.	For transparency, we have included an indicative \$62.9 million of operating expenditure for 2025-26 into WaterNSW's Rural Valleys preliminary NRR, as shown in Table 4.2.	62
6.	For transparency, we have included \$312.6 million of capital expenditure over 2020-21 to 2024-25 in WaterNSW's Rural Valleys indicative Regulatory Asset Base, as shown in Table 5.1.	65
7.	For transparency, we have included an indicative \$45.6 million of capital expenditure for 2025-26 into WaterNSW's Rural Valleys preliminary NRR, as shown in Table 5.2.	67
8.	For our indicative NRR analysis, we have maintained the cost share ratios from our 2021 Determination as shown in Table 8.2.	101
9.	To not accept WaterNSW's proposal for a revenue cap for rural and regional bulk water services.	106
10.	To not accept WaterNSW's general pass-through provisions for regulatory change, service standard, tax change, insurance coverage, insurer's credit risk, natural disaster or terrorism events.	107
11.	To not accept WaterNSW's nominated pass-through provisions for operating licence changes, non-urban metering reform and the Chaffey pipeline's drought operations.	107
12.	To set forecast water entitlement and water usage volumes for regulated rivers as shown in Table 10.1.	111
13.	To set forecast Minimum Annual Quantities (MAQ) and water usage volumes for the FRWS as shown in Table 10.2.	114
14.	To maintain the valley-based approach to setting WaterNSW's rural bulk water service charges for the 12 valleys and for the Fish River Water Supply Scheme.	118
15.	To maintain the current 2-part price structure for WaterNSW's rural bulk water service charges for each of the Murray-Darling Basin and Coastal valleys (i.e. excluding Fish River Supply Scheme).	118
16.	To:	118
	a. maintain the existing approach to calculating the indicative high security premium	118
	b. maintain the current security factors	118
	c. use the high security premiums to calculate entitlement charges.	118

17.	To exempt Aboriginal cultural and Aboriginal community development licences from all WaterNSW-Rural Valleys regulated charges.	118
18.	To index the Yanco Creek levy to CPI.	119
19.	To set bulk water entitlement charges as shown in Table 12.1.	126
20.	To set bulk water take charges as shown in Table 12.2.	126
21.	To set a special entitlement charge for WaterNSW-Rural Valleys for the North Coast and South Coast Valleys as shown in Table 12.1.	126
22.	To increase Irrigation Corporations and districts discounts by CPI (2.4%), as outlined in Table 2.5 of the determination	126
23.	To set the charges for bulk raw and filtered water for the Fish Water River Scheme as shown in Table 12.3, and maintain the minimum annual quantity (MAQ) of FRWS customers at existing levels, as outlined in Table 3.1 of the determination.	126
24.	To set the Yanco Creek Levy at \$0.92 per ML of entitlement.	126
25.	To set existing meter service charges as outlined in Table 4.1 of the Determination.	133
26.	To set meter accuracy testing charges as outlined in Table 4.2 of the Determination.	133
27.	To set other trade processing and FRWS connection and disconnection charges as outlined in Table 4.3 of the Determination.	133
28.	To maintain new metering charges at current levels, as outlined in Part 5 of the Determination, with these charges to be replaced by the WAMC determination from 1 October 2025.	133
29.	That we estimate that WaterNSW's Rural Valleys operations is likely to be financeable under our 1-year pricing determination as long as expenditure does not exceed allowances included in IPART's indicative NRR.	142

¹ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p1175

² WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p12.

³ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p193.

⁴ AtkinsRealis, WaterNSW-Rural Valleys Expenditure Review 2025, p12.

⁵ AtkinsRealis, WaterNSW-Rural Valleys Expenditure Review 2025, p12.

⁶ AtkinsRealis, WaterNSW-Rural Valleys Expenditure Review 2025, p105.

⁷ WaterNSW, [2024 Pricing Proposal](#), September 2024, p 172-173.

⁸ WaterNSW, [2024 Pricing Proposal](#), September 2024, p 127.

⁹ WaterNSW, [2024 Pricing Proposal](#), September 2024, p 156.

¹⁰ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p12.

¹¹ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, pp 12

¹² WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p12.

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¹⁴ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p100.

¹⁵ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#) , 30 September 2024, p180.

¹⁶ WaterNSW, [2024 Pricing Proposal](#), September 2024, p 193.

- ¹⁷ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#), 30 September 2024, p175-176.
- ¹⁸ WaterNSW, [2024 Pricing Proposal](#), September 2024, [Attachment 10 Revenue requirement](#) p 32.
- ¹⁹ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#), 30 September 2024, p184.
- ²⁰ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#), 30 September 2024, p187.
- ²¹ WaterNSW, [Pricing Proposal To the NSW Independent Pricing and Regulatory Tribunal](#), 30 September 2024, p49.
- ²² WaterNSW, submission to IPART Information Paper, June 2025, p 2
- ²³ WaterNSW, submission to IPART Information Paper, June 2025, p 2
- ²⁴ WaterNSW, submission to IPART Information Paper, June 2025, p 2
- ²⁵ WaterNSW, submission to IPART Information Paper, June 2025, p 26
- ²⁶ WaterNSW, submission to IPART Information Paper, June 2025, p 35
- ²⁷ WaterNSW, submission to IPART Information Paper, June 2025, p 16
- ²⁸ WaterNSW, submission to IPART Information Paper, Appendix 1, June 2025, p 16.
- ²⁹ WaterNSW, submission to IPART Information Paper, June 2025, p 30.
- ³⁰ Name suppressed (W25/1715), submission to IPART Information Paper, May 2025 and Name suppressed (W25/1743), submission to IPART Information Paper, May 2025.
- ³¹ Name suppressed (W25/1750), submission to IPART Information Paper, May 2025; J. Bisetto, submission to IPART Information Paper, June 2025; K. Maguire, submission to IPART Information Paper, May 2025 and M. Burge, submission to IPART Information Paper, June 2025.
- ³² NSW Irrigators' Council, [Media Release – IPART water pricing reprieve on the cards for farmers](#), May 2025.
- ³³ Murray Regional Strategy Group, submission to IPART Information Paper, May 2025, p 1.
- ³⁴ R. Ham, submission to IPART Information Paper, June 2025.
- ³⁵ Peel Valley Water Users Association, submission to IPART Information Paper, May 2025, p 2.
- ³⁶ The Department of Climate Change, Energy, Environment and Water, submission to IPART Information Paper, June 2025, p 1.
- ³⁷ EnergyAustralia, submission to IPART Information Paper, June 2025, p 1.
- ³⁸ Hunter Valley Water Users Association, submission to IPART Information Paper, June 2025, p 2.
- ³⁹ Hunter Valley Water Users Association, submission to IPART Information Paper, June 2025, p 2.
- ⁴⁰ Jemalong Irrigation Limited, submission to IPART Information Paper, June 2025, p 2.
- ⁴¹ E. Gregory, submission to IPART Information Paper, May 2025.
- ⁴² Dumaresq-Barwon Border Rivers Commission, submission to IPART Information Paper, May 2025, p 1.
- ⁴³ The Department of Climate Change, Energy, Environment and Water, submission to IPART Information Paper, June 2025, p 1.
- ⁴⁴ The Department of Climate Change, Energy, Environment and Water, submission to IPART Information Paper, June 2025, p 2.
- ⁴⁵ Infrastructure Partnerships Australia, submission to IPART Information Paper, June 2025, pp 1 & 4 and Water Services Association of Australia, submission to IPART Information Paper, June 2025, pp 1-3.
- ⁴⁶ Water Services Association of Australia, submission to IPART Information Paper, June 2025, pp 2-3.
- ⁴⁷ NSW Government, submission to IPART Information Paper, June 2025, p 1.
- ⁴⁸ WaterNSW, submission to IPART Information Paper, June 2025, pp 1-2.
- ⁴⁹ Murray Irrigation Limited, submission to IPART Information Paper, June 2025, p 9 and NSW Irrigators' Council, submission to IPART Information Paper, June 2025, p 10.
- ⁵⁰ NSW Irrigators' Council, submission to IPART Information Paper, June 2025, p 10.
- ⁵¹ Water Services Association of Australia, submission to IPART Information Paper, June 2025, pp 3-4; Infrastructure Partnerships Australia, submission to IPART Information Paper, June 2025, p 3; and WaterNSW, submission to IPART Information Paper, June 2025, p 2.
- ⁵² Infrastructure Partnerships Australia, submission to IPART Information Paper, June 2025, pp 1 & 3.
- ⁵³ WaterNSW, submission to IPART Information Paper, June 2025, p 15.
- ⁵⁴ NSW Government, submission to IPART Information Paper, June 2025, p 1.
- ⁵⁵ WaterNSW, submission to IPART Information Paper, June 2025, pp 8 & 26.
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Maximum prices for Water NSW's Rural
Bulk Water Services from 1 July 2025

Final Determination

June 2025

Water >>

Acknowledgment of Country

IPART acknowledges the Traditional Owners of the lands where we live and work. Our office is located on Gadigal land and our work touches on Aboriginal lands and waterways across NSW.

We pay respect to their Elders both past and present, and recognise Aboriginal people's unique and continuing cultural connections, rights and relationships to land, water and Country.

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Dr Darryl Biggar
Sharon Henrick

Further information on IPART can be obtained from [IPART's website](#).

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Part 1 Preliminary

1 Application

- (1) This determination fixes maximum prices or sets a methodology for fixing maximum prices for the following services provided by Water NSW:
 - (a) Regulated River Bulk Water Services under Part 2,
 - (b) rural bulk water services to customers in the Fish River Water Supply Scheme under Part 3,
 - (c) miscellaneous services under Part 4, and
 - (d) metering services under Part 5.
- (2) For the avoidance of doubt, this determination fixes the maximum prices that Water NSW may levy for Monopoly Services. It does not specify who Water NSW may levy the maximum prices on.

2 Commencement and term

- (1) This determination commences on the later of:
 - (a) 1 July 2025; and
 - (b) the date that this determination is published in the NSW Government Gazette, (**Commencement Date**).
- (2) Subject to clauses 2(3) and 2(4), the maximum prices fixed under this determination apply from the Commencement Date to 30 June 2026.
- (3) The maximum prices for the metering accuracy deposit in Table 4.2 and all services under Part 5 of this determination prevailing at 30 June 2026 continue to apply after 30 June 2026 until the determination of those maximum prices is revoked or replaced.
- (4) The maximum prices for all other services under this determination after 30 June 2026 are the maximum prices prevailing at 30 June 2026 multiplied by CPI_x as applicable to the relevant financial year, and continue to apply until this determination is revoked or replaced.

3 Nil price for Aboriginal Cultural Licences

Despite anything in this determination, the maximum price that Water NSW may charge for the services referred to in this Determination in respect of an Aboriginal Cultural Licence is nil.

4 Replacement of the 2021 Determination

- (1) With effect from the Commencement Date, this determination replaces the 2021 Determination.

- (2) The 2021 Determination ceases to have effect upon its replacement. Replacement of the 2021 Determination does not affect anything done or omitted to be done, or rights or obligations accrued, under the 2021 Determination and before the Commencement Date.

5 Legislative background

- (1) This determination is made under Part 3 of the IPART Act. IPART is required to conduct investigations and make reports to the Minister on the determination of pricing for government monopoly services supplied by a government agency specified in Schedule 1 to the IPART Act.
- (2) Water NSW is listed as a government agency in Schedule 1 to the IPART Act, but excluding any services provided by Water NSW in respect of which fees or charges may be approved or determined in accordance with Parts 6 or 7 of the WCR, or the applied provisions^a under Part 3B of the IPART Act.
- (3) The ACCC has formed the view that Water NSW ceases to be a Part 6 operator under rule 23 of the WCR after 30 June 2025, such that fees and charges for services provided by Water NSW may not be approved or determined in accordance with the WCR and must be set under NSW law.^b
- (4) Section 4(1) of the IPART Act provides that a government monopoly service is a service supplied by a government agency and declared to be a government monopoly service. Section 4(7) of the IPART Act provides that Water NSW is taken to be the supplier of any government monopoly services for which fees and charges are payable under the Water NSW Act.
- (5) The Water Services Order declares certain services provided by the 'State Water Corporation' to be government monopoly services, namely:
 - (a) the making available of water;
 - (b) the making available of the State Water Corporation's water supply facilities; or
 - (c) the supplying of water, whether by means of the State Water Corporation's water supply facilities or otherwise,(together, **Monopoly Services**).
- (6) References to the former State Water Corporation in the Water Services Order are to be read as references to Water NSW, in accordance with clause 24 of Schedule 2 of the Water NSW Act.
- (7) Accordingly, under the IPART Act, IPART is to conduct an investigation and make a report to the Minister that determines maximum prices for Monopoly Services supplied by Water NSW.

^a The 'applied provisions' include, among other things, Divisions 2, 3 and 4 of Part 6 of the WCR, and Schedule 2 of the WCR.

^b 'ACCC Decision - WaterNSW will cease to be a Part 6 operator under the Water Charge Rules 2010', 13 April 2022.

- (8) Under section 13A(2) of the IPART Act, IPART may not choose to make a determination that involves setting the methodology for fixing a maximum price, unless IPART is of the opinion that it is impractical to make a determination directly fixing the maximum price.
- (9) Under section 13A(3) of the IPART Act, if IPART makes a determination that involves setting the methodology for fixing a maximum price, then it must include a statement of reasons as to why it chose to set a methodology.

6 Statement of reasons for setting methodologies for metering services

IPART has set methodologies for fixing the maximum price for metering services. This is because the cost of providing metering services depends on a number of variables such as Water NSW's average capital expenditure and estimates of meter uptake. It is impractical to make a determination directly fixing a maximum price for these services.

Part 2 Regulated River Bulk Water Services

7 Application

- (1) This Part sets out the maximum prices that Water NSW may levy on a Licence Holder for supplying rural bulk water services in relation to a Water Licence that authorises the extraction of water from a Regulated River in an MDB Valley or Coastal Valley (**Regulated River Bulk Water Services**), other than Miscellaneous Charges and New Metering Charges.
- (2) Subject to clause 7(3), the maximum prices that Water NSW may levy for Regulated River Bulk Water Services consist of the following:
 - (a) an entitlement charge calculated in accordance with clause 8;
 - (b) a water take charge calculated in accordance with clause 9, except in relation to the Lowbidgee Valley;
 - (c) for the MDB Valleys of Border, Murray and Murrumbidgee:
 - (i) an MDBA/BRC entitlement charge calculated in accordance with clause 10; and
 - (ii) an MDBA/BRC water take charge calculated in accordance with clause 11;
 - (d) for a Licence Holder in the Yanco Creek System, a Yanco Creek and Tributaries Advisory Council charge calculated in accordance with clause 13;
 - (e) any relevant Miscellaneous Charges calculated in accordance with Part 4; and
 - (f) any relevant New Metering Charges calculated in accordance with Part 5.
- (3) In levying the maximum prices under this Part on a Licence Holder listed in Table 2.5, Water NSW must apply the discount calculated in accordance with clause 12.

8 Entitlement charge

For Regulated River Bulk Water Services, Water NSW may levy an entitlement charge calculated as follows:

Box 2.1 Entitlement charge

$$EC \times E$$

where:

EC is the entitlement charge expressed in dollars per megalitre of Entitlement or in dollars per unit share for the relevant MDB Valley or relevant Coastal Valley, relevant year and relevant licence type in Table 2.1; and

E is a Licence Holder's Entitlement for that year.

[Note: Refer to clause 33 for the calculation of the entitlement charge, and clause 35(3) for the meaning of 'relevant MDB Valley' and 'relevant Coastal Valley'.]

9 Water take charge

For Regulated River Bulk Water Services, Water NSW may levy a water take charge for the relevant MDB Valley (excluding the Lowbidgee Valley) and relevant Coastal Valley calculated as follows:

Box 2.2 Water take charge

$$WTC \times WT$$

where:

- a. **WTC** is the water take charge expressed in dollars per megalitre of water taken for the relevant MDB Valley or relevant Coastal Valley and relevant year in Table 2.2; and
- b. **WT** is a Licence Holder's water take for that year.

Water NSW must not recover more than one water take charge under clause 9 in respect of any water taken.

[Note: Refer to clause 26(5) for the calculation of a Licence Holder's water take, and clause 35(3) for the meaning of 'relevant MDB Valley' and 'relevant Coastal Valley'.]

[Note: For the avoidance of doubt, the charge in clause 9 may be levied on all holders of a supplementary water access licence in a relevant Coastal Valley and relevant MDB Valley, except for those in the Lowbidgee Valley.]

10 MDBA/BRC entitlement charge

For Regulated River Bulk Water Services supplied in the MDB Valleys of Border, Murray and Murrumbidgee, Water NSW may levy an MDBA/BRC entitlement charge calculated as follows:

Box 2.3 MDBA/BRC entitlement charge

$$MDBAEC \times E$$

where:

MDBAEC is the MDBA/BRC entitlement charge expressed in dollars per megalitre of Entitlement or in dollars per unit share for the relevant MDB Valley, relevant year and relevant licence type in Table 2.3; and

E is a Licence Holder's Entitlement for that year.

[Note: For the avoidance of doubt, the charge in clause 10 may be levied in addition to any other charges provided for in this Part. Refer to clause 33 for the calculation of the entitlement charge, and clause 35(3) for the meaning of 'relevant MDB Valley'.]

11 MDBA/BRC water take charge

For Regulated River Bulk Water Services supplied in the MDB Valleys of Border, Murray and Murrumbidgee, Water NSW may levy an MDBA/BRC water take charge for the relevant MDB Valley calculated as follows:

Box 2.4 MDBA/BRC water take charge

$$MDBAWTC \times WT$$

where:

MDBAWTC is the MDBA/BRC water take charge expressed in dollars per megalitre of water taken for the relevant MDB Valley and relevant year in Table 2.4; and

WT is a Licence Holder's water take for that year.

Water NSW must not recover more than one MDBA/BRC water take charge under clause 11 in respect of any water taken.

[Note: For the avoidance of doubt, the charge in clause 11 may be levied in addition to any other charges provided for in this Part. Refer to clause 26(5)(c) for the calculation of a Licence Holder's water take, and clause 35(3) for the meaning of 'relevant MDB Valley'.]

12 Irrigation Corporations and districts discount

For a Licence Holder listed in Table 2.5, Water NSW must apply the discount (listed for that Licence Holder in Table 2.5) on that Licence Holder's total annual bill for entitlement and/or water take charges.

[Note: For the avoidance of doubt, after 30 June 2026, the discounts listed in Table 2.5 must be multiplied by CPIx as applicable to the relevant financial year, and continue to apply until this determination is revoked or replaced.]

13 Yanco Creek and Tributaries Advisory Council charge

For a Licence Holder in the Yanco Creek System, Water NSW may levy an entitlement charge expressed in dollars per megalitre of Entitlement or in dollars per unit share in Table 2.6 for the relevant year.

[Note: For the avoidance of doubt, the Yanco Creek and Tributaries Advisory Council charge may be levied in addition to any other charges provided for in this Part. Refer to clause 33 for the calculation of the entitlement charge.]

Table 2.1 Entitlement charges for MDB Valleys and Coastal Valleys (\$/ML of Entitlement or \$/unit share)^b

MDB Valley	Commencement Date to 30 June 2026
High Security Licence	
Border	8.31
Gwydir	21.96
Namoi	36.51
Peel	77.43
Lachlan	31.67
Macquarie	25.47
Murray	2.85
Murrumbidgee	5.26
North Coast	15.30
Hunter	25.16
South Coast	40.04
General Security Licence	
Border	3.04
Gwydir	5.10
Namoi	12.75
Peel	7.34
Lachlan	4.68
Macquarie	4.97
Murray	1.25
Murrumbidgee	1.81
Lowbidgee ^a	2.17
North Coast	11.86
Hunter	19.55
South Coast	20.99

a. This only applies to holders of supplementary water access licences in Lowbidgee Valley.

b. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 2.2 Water take charges for MDB Valleys and Coastal Valleys (excluding Lowbidgee) (\$/ML)

MDB Valley	Commencement Date to 30 June 2026
Border	8.87
Gwydir	21.70
Namoi	38.98
Peel	30.93
Lachlan	39.33
Macquarie	27.31
Murray	3.69
Murrumbidgee	6.27
North Coast	22.64
Hunter	24.15
South Coast	22.43

Table 2.3 MDBA/BRC entitlement charges ^a (\$/ML of Entitlement or \$/unit share)

	Commencement Date to 30 June 2026
High Security Licence	
Border	5.84
Murray	10.37
Murrumbidgee	2.23
General Security Licence	
Border	2.13
Murray	4.56
Murrumbidgee	0.77

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 2.4 MDBA/BRC water take charges (\$/ML)

	Commencement Date to 30 June 2026
Border	1.04
Murray	2.22
Murrumbidgee	0.44

Table 2.5 Irrigation Corporations and districts discount ^a (\$)

Licence holder	Commencement Date to 30 June 2026
Murray Irrigation Limited	778,174.97
Western Murray Irrigation Limited	19,658.79
West Corugan	38,914.36
Moirra Irrigation Scheme	20,535.61
Eagle Creek Scheme	7,351.02
Murrumbidgee Irrigation Limited	678,714.32
Coleambally Irrigation Limited	290,874.66
Jemalong Irrigation Limited	59,371.23

a. The discounts in this table are annual discounts and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination that is less than a full financial year.

Table 2.6 Yanco Creek System entitlement charge ^a (\$/ML of Entitlement or \$/unit share)

Charge	Commencement Date to 30 June 2026
Yanco Creek System entitlement charge	0.92

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Part 3 Fish River Water Supply Scheme

14 Application

- (1) This Part sets out the maximum prices that Water NSW may levy for supplying rural bulk water services to customers in the Fish River Water Supply Scheme, other than Miscellaneous Charges.
- (2) The maximum prices that Water NSW may levy on customers in the Fish River Water Supply Scheme consist of the following:
 - (a) an access charge and a water take charge for each of bulk raw water and bulk filtered water, calculated in accordance with clause 15; and
 - (b) any relevant Miscellaneous Charges calculated in accordance with Part 4.
- (3) Subject to clause 14(4), the minimum annual quantity (**MAQ**) for a customer is the MAQ for that customer set out in Table 3.1.
- (4) Where the Fish River Licence has been amended after the Commencement Date:
 - (a) to alter the water allocation for a Major Customer (including Oberon Council); or
 - (b) to include a water allocation for a new Major Customer,
 the MAQ for that Major Customer is the yearly supply availability for that Major Customer under the Fish River Licence at "Nil" restriction level.

[Note: For the avoidance of doubt, the New Metering Charges in Part 5 do not apply in any circumstances to customers in the Fish River Water Supply Scheme.]

15 Fish River Water Supply Customers

Water NSW may levy the following maximum prices on customers in the Fish River Water Supply Scheme:

- (1) an access charge, expressed in dollars per kilolitre of MAQ, in:
 - (a) Table 3.2 for bulk raw water; and
 - (b) Table 3.3 for bulk filtered water,
 for the relevant customer and relevant year in that table, multiplied by that customer's MAQ; and
- (2) a water take charge, expressed in dollars per kilolitre of water taken, calculated as follows:
 - (a) for each kilolitre of water taken up to and including the MAQ for the relevant customer – the first tier water take charge in:
 - (i) Table 3.2 for bulk raw water; and
 - (ii) Table 3.3 for bulk filtered water,

for the relevant year in that table, multiplied by that customer's water take, up to and including that customer's MAQ; and

- (b) for each kilolitre of water taken in excess of the MAQ for the relevant customer – the second tier water take charge, which is calculated by adding together the access charge and the first tier water take charge in:

- (i) Table 3.2 for bulk raw water; and
(ii) Table 3.3 for bulk filtered water,

for the relevant year in that table, multiplied by that part of the customer's water take which is in excess of that customer's MAQ.

[Note: The calculation in clause 15(1) requires multiplication by a customer's 'minimum annual quantity' and on that basis is an annual charge. In order to calculate the charge under clause 15(1) for any period under this determination that is less than a full financial year, the charge must be calculated in accordance with clause 15(1), then pro-rated in accordance with clause 31(2).]

Table 3.1 Fish River Water Supply Scheme customers – minimum annual quantity (MAQ)

Customer	Bulk Raw Water	Bulk Filtered Water
Minor Customers (kL/year)	200	200
EnergyAustralia (ML/year)	8,184	0
Oberon Council (ML/year)	1,064	0
Lithgow City Council (ML/year)	100	1,678
Water NSW (Greater Sydney) (ML/year)	3,650	0

Table 3.2 Fish River Water Supply Scheme customers – bulk raw water (\$/kL)

Commencement Date to 30 June 2026	
Access Charge	
Major Customers (except Oberon Council)	0.62
Oberon Council	0.53
Minor Customers	0.62
First tier water take charge	
Major Customers (except Oberon Council)	0.41
Oberon Council	0.32
Minor Customers	0.41

Table 3.3 Fish River Water Supply Scheme customers – bulk filtered water (\$/kL)

Commencement Date to 30 June 2026	
Access Charge	
Major Customers	1.08
Minor Customers	1.08
First tier water take charge	
Major Customers	0.67
Minor Customers	0.67

Part 4 Miscellaneous charges

16 Application

- (1) Subject to paragraph (2), this Part sets out the maximum prices that Water NSW may levy for supplying various miscellaneous rural bulk water services across MDB Valleys and Coastal Valleys, as well as to customers in the Fish River Water Supply Scheme.
- (2) For a Government-Owned Meter to which Part 5 applies, on and from the New Government Meter Charge Trigger Day for that meter, the:
 - (a) meter service charge in clause 17 will cease to apply; and
 - (b) charges in clauses 22 and 23 of Part 5 will instead apply.

17 Meter service charge

- (1) Subject to paragraph (2), Water NSW may levy the relevant meter service charge set out in Table 4.1 on the holder of a Water Supply Work Approval with a Government-Owned Meter installed. This charge is expressed in dollars per Government-Owned Meter per annum, and is determined according to the size of the Government-Owned Meter.
- (2) On and from the New Government Meter Charge Trigger Day for a Government-Owned Meter, the charge in clause 17(1) is replaced by the charges in clauses 22 and 23 of Part 5 for that meter.

18 Meter accuracy testing charge

- (1) Where a Licence Holder requests that Water NSW conduct a Meter Accuracy Test, Water NSW may levy the meter accuracy deposit set out in Table 4.2. Water NSW must return the meter accuracy deposit to the customer if the relevant Government-Owned Meter is not found to be within relevant accuracy standards.
- (2) Where Water NSW conducts a Meter Accuracy Test and the Government-Owned Meter is found to be within the relevant accuracy standards, Water NSW may levy the total meter accuracy testing charge set out in Table 4.2, less the meter accuracy deposit set out in Table 4.2.

19 Other Miscellaneous Charges

Water NSW may levy the other Miscellaneous Charges set out in Table 4.3 on a Licence Holder.

Table 4.1 Meter service charges ^a (\$ per meter)

Size of Government- Owned Meter	Commencement Date to 30 June 2026
50mm	574.00
80mm	576.68
100mm	576.67
150mm	583.44
200mm	586.79
250mm	589.90
300mm	597.91
350mm	633.93
400mm	655.38
450mm	659.51
500mm	677.08
600mm	699.59
700mm	726.33
750mm	763.79
800mm	789.10
900mm	797.12
1,000mm	811.93
Channel	7,522.87

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 4.2 Meter accuracy testing charges (\$ per meter)

Meter accuracy testing charges	Commencement Date to 30 June 2026
Meter accuracy deposit	1,750
Total meter accuracy testing charge (if meter is found to be within accuracy standards)	
Verification and testing in situ	5,579.81
Lab verification and testing	8,349.56

Table 4.3 Other Miscellaneous Charges (\$ per meter)

Charge	Commencement Date to 30 June 2026
Trade processing charge per application	59.56
Fish River connection charge (per connection)	
Low complexity connection ^a	1,105.13
Medium complexity connection ^b	4,190.14
High complexity connection ^c	8,567.03
Fish River disconnection charge (per disconnection)	311.12

a. Where no tapping band or pressure reducing valve is required.

b. Where a tapping band is required.

c. Where a pressure reducing valve is required.

Part 5 New Metering Charges

20 Application

- (1) This Part sets out maximum prices that Water NSW may levy on a:
 - (a) Licence Holder; and
 - (b) holder of a Water Supply Work Approval,
 for supplying various metering services in relation to a Water Licence or Water Supply Work Approval that authorises the taking of water from a Regulated River.
- (2) For a Government-Owned Meter, on and from the New Government Meter Charge Trigger Day for that meter, the charge set out in clause 17(1) of Part 4 will cease to apply and the charges in clauses 22 and 23 will instead apply.
- (3) For a Privately-Owned Meter, on and from the New Private Meter Charge Trigger Day for that meter, the charge in clause 23 will apply.

[Note: For the avoidance of doubt, none of the charges in this Part apply to customers in the Fish River Water Supply Scheme.]

21 Scheme management charge

Water NSW may levy on a person referred to in clause 20(1), the annual scheme management charge set out in Table 5.1 for the relevant year, and relevant Proportion of Voluntary Telemetry Uptake for that year.

[Note: For the avoidance of doubt, the scheme management charge set out in clause 21 applies regardless of whether a relevant person has a meter or not and applies from the Commencement Date. Where a person referred to in clause 20(1) holds more than one Water Licence and/or is the holder of more than one Water Supply Work Approval, then the scheme management charge may be levied in respect of each such Water Licence or Water Supply Work Approval.]

22 Government-Owned Meter service charges

- (1) On and from the New Government Meter Charge Trigger Day for the relevant Government-Owned Meter, Water NSW may levy on a person referred to in clause 20(1) with:
 - (a) a Government-Owned Meter that is not a channel meter:
 - (i) the meter service charge – operating costs; and
 - (ii) the meter service charge – capital costs; and
 - (b) a Government-Owned Meter that is a channel meter: the channel meter service charge – operating costs,

set out in Table 5.2 for the relevant year and expressed in dollars per relevant Government-Owned Meter per annum.

23 Telemetry and non-telemetry service charges

- (1) The charges in clause 23 apply on and from:
 - (a) for a Government-Owned Meter, the New Government Meter Charge Trigger Day; and
 - (b) for a Privately-Owned Meter, the New Private Meter Charge Trigger Day.
- (2) Water NSW may levy on a person referred to in clause 20(1) the telemetry service charge expressed in dollars per meter in Table 5.3 for the relevant year and relevant Proportion of Voluntary Telemetry Uptake for that year, if:
 - (a) the Metering Requirements require the relevant meter to use telemetry; or
 - (b) the Metering Requirements do not require the relevant meter to use telemetry and the Proportion of Voluntary Telemetry Uptake is:
 - (i) less than 25%, regardless of whether or not the relevant meter is read using telemetry; or
 - (ii) equal to or greater than 25% and the relevant meter is read using telemetry.
- (3) Water NSW may levy on a person referred to in clause 20(1) the non-telemetry service charge expressed in dollars per meter in Table 5.4 for the relevant year and relevant Proportion of Voluntary Telemetry Uptake for that year, if:
 - (a) the Proportion of Voluntary Telemetry Uptake is equal to or greater than 25%; and
 - (b) the Metering Requirements do not require the relevant meter to use telemetry; and
 - (c) the relevant meter is not read using telemetry.

[Note: Water NSW may levy either a telemetry service charge or a non-telemetry service charge (not both) on a person to whom clause 23 applies, in accordance with that clause. Where the Proportion of Voluntary Telemetry Uptake is less than 25%, Water NSW may levy the telemetry service charge (not the non-telemetry service charge), even if the relevant meter is not read using telemetry.]

24 Exit fee

Water NSW may levy on a person referred to in clause 20(1) who provides notice that they no longer require services in respect of a Government-Owned Meter, an exit fee calculated as follows:

Box 5.1 Exit fee

$$CX - (DD \times N)$$

where:

1. **CX** is Water NSW's average capital expenditure on each Government-Owned Meter expressed in dollars per meter in Table 5.5 for the relevant year;
2. **DD** is the daily depreciation of that capital expenditure expressed in dollars per meter in Table 5.5 for the relevant year; and
3. **N** is the number of days between, but not including, the dates that:
 - a. the Government-Owned Meter became compliant with the Metering Requirements; and
 - b. the person provides notice to Water NSW that they no longer require services in respect of the Government-Owned Meter.

25 Proportion of Voluntary Telemetry Uptake

- (1) Subject to clause 25(2), the Proportion of Voluntary Telemetry Uptake for each year of this determination is to be calculated as follows:

Box 5.2 Proportion of Voluntary Telemetry Uptake

$$\frac{A}{B}$$

where:

1. **A** is Water NSW's estimate based on the best available information, of the total number of Voluntary Telemetric Meters that will operate by the end of that year, as notified by Water NSW to IPART before the beginning of that year, for publication on IPART's website; and
2. **B** is Water NSW's estimate based on the best available information, of the total number of Potential Voluntary Telemetric Meters that will operate by the end of that year, as notified by Water NSW to IPART before the beginning of the year, for publication on IPART's website.

- (2) If, in respect of a relevant year, the value of 'B' in Box 5.2 is 0, then the Proportion of Voluntary Telemetry Uptake for that year will be taken to be in the '75% or more' Percentage Band.
- (3) If notification is not made by Water NSW in respect of a relevant year in accordance with the value for 'A' and / or 'B' in Box 5.2, then the Proportion of Voluntary Telemetry Uptake for that year will be taken to be:
- (a) if the Proportion of Voluntary Telemetry Uptake for the previous year was less than 75%, in the next Percentage Band up from the previous year; and
 - (b) if the Proportion of Voluntary Telemetry Uptake for the previous year was equal to or greater than 75%, in the '75% or more' Percentage Band.

[Note: For example, if Water NSW fails to notify in accordance with the value for 'A' in Box 5.2 in respect of a relevant year, and the Proportion of Voluntary Telemetry Uptake in the previous year was 35%, then the Proportion of Voluntary Telemetry Uptake in the relevant year will be taken to be in the 50% - <75% Percentage Band.]

Table 5.1 Annual scheme management charge^a (\$)

Proportion of Voluntary Telemetry Uptake	Commencement Date to 30 June 2026
0% - <25%	85.35
25% - <50%	76.90
50% - <75%	68.44
75% or more	59.99

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 5.2 Annual Government-Owned Meter service charges (\$ per Government-Owned Meter)^a

Charge	Commencement Date to 30 June 2026
Meter service charge - operating costs	1,047.16
Channel meter service charge - operating costs	7,346.54
Meter service charge - capital costs	0.00

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 5.3 Annual telemetry service charge^a (\$ per meter)

Proportion of Voluntary Telemetry Uptake	Commencement Date to 30 June 2026
0% - <25%	263.86
25% - <50%	243.18
50% - <75%	222.99
75% or more	212.16

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 5.4 Annual non-telemetry service charge ^a (\$ per meter)

Proportion of Voluntary Telemetry Uptake	Commencement Date to 30 June 2026
25% - <50%	254.63
50% - <75%	254.63
75% or more	254.63

a. The charges in this table are annual charges and must therefore be pro-rated in accordance with clause 31(2) for any period under this determination to which this charge applies, and that is less than a full financial year.

Table 5.5 Exit fee (\$ per meter)

Input	Commencement Date to 30 June 2026
Average capital expenditure	0.00
Daily depreciation	0.00

Part 6 Definitions and interpretation

26 Interpretation

In this determination:

- (1) headings are for convenience only and do not affect the interpretation of this determination;
- (2) a reference to a part, clause, paragraph or table is a reference to a part of, clause of, paragraph in, or table in, this determination unless otherwise indicated;
- (3) a construction that would promote a purpose or object expressly or impliedly underlying the IPART Act is to be preferred to a construction that would not promote that purpose or object;
- (4) a reference to a law or statute includes regulations, ordinances, by-laws, rules, codes and other instruments (including licences) under it and consolidations, amendments, re-enactments or replacements of them or of the law or statute itself;
- (5) a reference to a Licence Holder's water take for the purposes of calculating a water take charge as that term is used in Part 2 (including an MDBA/BRC water take charge as that term is used in Part 2) means:
 - (a) where the Licence Holder has traded or transferred an allocation of water (including by "tagging" the relevant Water Licence) to a person whose extraction of water is measured by a Government-Owned Meter - the metered volume of water extracted by that person;
 - (b) where the Licence Holder has traded or transferred an allocation of water (including by "tagging" the relevant Water Licence) to a person whose extraction of water is not measured by a Government-Owned Meter:
 - (i) if Water NSW has access to relevant and reliable metering information – the metered volume of water extracted by that person; or
 - (ii) if relevant and reliable metering information is not reasonably available to Water NSW – Water NSW's best estimate of the volume of water extracted by that person; or
 - (c) in any other case - the metered volume of water extracted by the Licence Holder;
- (6) a reference to a person includes a reference to the person's executors, administrators, successors, replacements (including, but not limited to, persons taking by novation), agents and assigns;
- (7) a reference to a body, whether statutory or not:
 - (a) which ceases to exist; or
 - (b) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions; and

- (8) a reference to a business name which is replaced by a different business name is taken to be a reference to the replacement business name.

27 Rounding rules

- (1) CPI_x calculated under clause 36 is to be rounded to three decimal places before adjusting a charge or maximum price for inflation.
- (2) For the purposes of rounding CPI_x under paragraph (1), any amount that is a multiple of 0.0005 (but not a multiple of 0.001) is to be rounded up to three decimal places.
- (3) Any charge or maximum price in a table of this determination is to be rounded to the nearest whole cent after adjusting the charge or maximum price for inflation.
- (4) Any other maximum price calculated in accordance with this determination is to be rounded to the nearest whole cent.
- (5) For the purposes of rounding a charge or maximum price under paragraphs (3) and (4), any amount that is a multiple of 0.5 cents (but not a multiple of 1 cent) is to be rounded up to the nearest whole cent.

28 Explanatory notes and alternative text

Explanatory notes and examples and alternative text do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.

29 Prices exclusive of GST

- (1) Maximum prices specified in this determination do not include GST.
- (2) For the avoidance of doubt, where GST is lawfully applied to maximum prices under this determination, the resulting GST inclusive price is consistent with this determination.

30 Billing cycle and meter reading

For the avoidance of doubt, nothing in this determination affects when Water NSW:

- (1) may issue a bill to a customer for prices or charges under this determination, or
- (2) must read a meter.

31 Annual charges and pro-rating

- (1) The annual charges in this determination apply to each financial year (1 July to 30 June inclusive).
- (2) In respect of any period after the Commencement Date that is less than a full financial year, the annual charges and annual discounts in this determination (other than charges calculated by reference to water take) will be pro-rated for that period, based on the

proportion that the number of days in that period bears to the number of days in the financial year.

[Note: For example, if this determination were to commence on 1 August 2025, the annual charges in this determination would be pro-rated based on the number of days in the period from 1 August 2025 to 30 June 2026 as a proportion of the total number of days in the financial year from 1 July 2025 to 30 June 2026.]

- (3) Different annual charges apply to Government-Owned Meters and Privately-Owned Meters. Where a person switches from a Government-Owned Meter to a Privately-Owned Meter (or vice versa), the annual charges will be pro-rated based on the proportion of days in the year that the person had:
 - (a) a Government-Owned Meter installed; and
 - (b) a Privately-Owned Meter installed.
- (4) Different annual charges apply to meters that are read using telemetry and meters that are not read using telemetry. Where a person switches from a meter read using telemetry to one that is not read using telemetry (or vice versa), the annual charges will be pro-rated based on the proportion of days in the year that the person had a meter installed that was:
 - (a) read using telemetry; and
 - (b) not read using telemetry.

[Note: Clause 31 is not intended to prohibit Water NSW from issuing a bill for any period before the Commencement Date.]

32 Billing on behalf of WAMC

Nothing in this determination prevents Water NSW from billing on behalf of WAMC for services provided by WAMC.

33 Entitlement charges

For the purpose of calculating an entitlement charge, as that term is used in Part 2 (including an MDBA/BRC entitlement charge as that term is used in Part 2):

- (1) a reference to an Entitlement is a reference to an Entitlement without regard to any part of the Entitlement that may be carried over from a previous year;
- (2) where the share component of the Water Licence is expressed as a volume, the entitlement charge is expressed in dollars per megalitre of Entitlement; and
- (3) where the share component of the Water Licence is expressed in unit shares or as a proportion of available water, the entitlement charge is expressed in dollars per unit share.

34 Metering of water take charges for Irrigation Corporations

The metering of water take charges for the supply of water to an Irrigation Corporation from a Valley is to be determined at the point or points of off-take from the Regulated River or as set out in that Irrigation Corporation's Water Supply Work Approval.

35 MDB and Coastal Valleys

- (1) In this determination, a reference to an MDB Valley is a reference to the relevant Valley in the MDB more fully described in the following table:

Table 6.1 MDB Valley

Description	
Regulated Rivers	
Border	If a relevant water sharing plan under the Water Management Act is in place for the Border Valley, then the water sources as defined in that plan. In any other case: Border Rivers including the Severn, the Macintyre and Dumaresq rivers down to Mungindi.
Gwydir	If a relevant water sharing plan under the Water Management Act is in place for the Gwydir Valley, then the water sources as defined in that plan. In any other case: Gwydir River and Gwydir Wetlands, Mehi river, Gil Creek and Moomin Creek to the junction with the Barwon River.
Namoi	If a relevant water sharing plan under the Water Management Act is in place for the Namoi Valley, then the water sources as defined in that plan. In any other case: Namoi River to Peel River and Pian Creek to Barwon River.
Peel	If a relevant water sharing plan under the Water Management Act is in place for the Peel Valley, then the water sources as defined in that plan. In any other case: Peel River to junction with Namoi River.
Lachlan	If a relevant water sharing plan under the Water Management Act is in place for the Lachlan Valley and Belubula River, then the water sources as defined in those plans. In any other case: Lachlan and Belubula River to the Murrumbidgee River junction.
Macquarie	If a relevant water sharing plan under the Water Management Act is in place for the Macquarie Valley, then the water sources as defined in that plan. In any other case: Macquarie River, the Cudgegong and Bogen rivers to junction with Darling River.
Murray	If a relevant water sharing plan under the Water Management Act is in place for the Murray Valley, then the water sources as defined in that plan. In any other case: Murray River including the Darling River below Menindee.
Murrumbidgee	If a relevant water sharing plan under the Water Management Act is in place for the Murrumbidgee Valley, then the water sources as defined in that plan (excluding Lowbidgee extractions). In any other case: Murrumbidgee River to junction with Murray River, including Yanco, Columbo and Billabong Creeks and Tumut River.
Lowbidgee	If a relevant water sharing plan under the Water Management Act is in place for the Lowbidgee Valley, then the water sources for the Lowbidgee area as defined in that plan. In any other case: the area of the former Lowbidgee Flood Control and Irrigation District, as constituted under the former Part 7 of the Water Act (NSW), plus a small additional area required to incorporate the whole of the water body Lake Marimley in the water source.

- (2) In this determination, a reference to a Coastal Valley is a reference to the relevant Valley more fully described in the following table:

Table 6.2 Coastal Valley

Regulated Rivers	Description
North Coast	If a water sharing plan under the Water Management Act is in place for the North Coast Valley, then the water sources as defined in that plan. In any other case: Regulated flows for Iron Pot and Eden Creeks.
Hunter	If a water sharing plan under the Water Management Act is in place for the Hunter Valley and Paterson River, then the water sources as defined in those plans. In any other case: Hunter River, including Paterson River and Glennies Creek.
South Coast	If a water sharing plan under the Water Management Act is in place for the South Coast Valley, then the water sources as defined in that plan. In any other case: Brogo and Bega River Catchments.

- (3) A reference in this determination to the 'relevant MDB Valley' or the 'relevant Coastal Valley' (other than in the case of the water take component of a licence) is a reference to the MDB Valley or the Coastal Valley for a Licence Holder as set out in the Licence Register. In the case of the water take component of a licence, the 'relevant MDB Valley' or the 'relevant Coastal Valley' is:
- (a) in the case of a Tagged Water Entitlement: the MDB Valley or Coastal Valley as set out in the Licence Register for the Licence Holder whose nomination of the 'tagged' extraction point has been approved under section 71W of the Water Management Act; and
 - (b) in the case of a licence transfer, or an assignment of rights or water allocations, each under Chapter 3, Part 2 of the Water Management Act: the MDB Valley or Coastal Valley as set out in the Licence Register for the transferor or assignee (as the case may be).

36 Consumer Price Index

- (1) CPI means:
- (a) the consumer price All Groups index number for the weighted average of eight capital cities, published by the Australian Bureau of Statistics, or
 - (b) if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by IPART.
- (2) CPI_x is calculated using the applicable formula in Box 6.1 Calculation of CPI_x :

Box 6.1 Calculation of CPI_x

$$CPI_x = \left(\frac{CPI_{\text{March}_x}}{CPI_{\text{March}_{2025}}} \right)$$

Where:

$CPI_{\text{March}_{2025}}$ means CPI for the March quarter of 2025; and

CPI_{March_x} means CPI for the March quarter immediately preceding the start of the financial year for which maximum prices are determined in accordance with clause 2(4).

37 Definitions

37.1 General definitions

In this determination:

2021 Determination means IPART's determination titled 'WaterNSW Prices for Bulk Water Services from 1 October 2021' published in New South Wales, *Government Gazette*, No. 474 of 24 September 2021, p 304.

Aboriginal Cultural Licence means the category of access licence referred to in Schedule 3 of the Water Management Regulation as a 'regulated river (high security) Aboriginal cultural' licence.

ACCC means the Australian Competition and Consumer Commission.

BRC means the Dumaresq-Barwon Border Rivers Commission constituted under the New South Wales-Queensland Border Rivers Agreement made in 1946 and ratified under section 5 of the *New South Wales—Queensland Border Rivers Act 1947* (NSW).

Coastal Valley has the meaning given in clause 35(2).

Commencement Date has the meaning given to that term in clause 2(1).

CPI_x has the meaning given in clause 36.

Entitlement means the maximum quantity of water that a Licence Holder has a right to take from a Regulated River in a Valley by means of a Water Licence.

[Note: Clause 33 sets out how entitlement charges are calculated.]

Fish River Licence means the water management licence granted in May 2012 under Part 9 of the Water Act (NSW) pertaining to the taking and use of water from the Fish River and the Duckmaloi River, as amended or replaced from time to time (including, where replaced by a licence or approval under the Water Management Act).

Fish River Water Supply Scheme has the meaning given to that term in the Water NSW Act.

General Security Licence means a Water Licence of any of the following types (within the meaning of section 57 of the Water Management Act and the regulations made under that Act):

- (a) supplementary water access licence to the extent that it applies to the Lowbidgee Valley;
- (b) the following access licences:
 - (i) regulated river (conveyance) access licence;
 - (ii) regulated river (general security) access licence;
 - (iii) Murrumbidgee Irrigation (conveyance) access licence;
 - (iv) Coleambally Irrigation (conveyance) access licence; or
- (c) any other access licence that is not a High Security Licence or a supplementary water access licence.

Government-Owned Meter means a meter that is owned by the NSW Government and installed in connection with a Water Supply Work, including any such meter owned by Water NSW, WAMC or any other NSW government agency or state owned corporation.

High Security Licence means a Water Licence of any of the following types (within the meaning of section 57 of the Water Management Act):

- (a) local water utility access licence;
- (b) major utility access licence;
- (c) domestic and stock access licence; or
- (d) regulated river (high security) access licence.

IPART means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW).

Irrigation Corporation has the meaning given to that term under the Water Management Act.

Licence Holder means the holder of a Water Licence.

Licence Register means the Water Access Licence Register kept under the Water Management Act.

Major Customer means a customer in the Fish River Water Supply Scheme specifically identified in the Fish River Licence.

[Note: At the Commencement Date, the Major Customers are EnergyAustralia, Oberon Council, Lithgow City Council and Water NSW (Greater Sydney).]

MAQ refers to minimum annual quantity and has the meaning given in clauses 14(3) or 14(4), as the case may be.

MDB has the meaning given to the term 'Murray-Darling Basin' in section 18A of the Water Act (Cth).

[Note: An indicative map of the MDB is set out in Schedule 1A of the Water Act (Cth).]

MDB Valley has the meaning given in clause 35(1).

MDBA means the Murray-Darling Basin Authority, being the authority established under section 171 of the Water Act (Cth).

Meter Accuracy Test means a test, conducted at a customer's request, of a Government-Owned Meter to determine whether that Government-Owned Meter meets relevant accuracy standards.

Metering Requirements means the metering equipment requirements set out in Schedule 8 of the Water Management Regulation.

Minor Customer means a customer in the Fish River Water Supply Scheme that is not a Major Customer.

Miscellaneous Charge means any charge included in Part 4.

Monopoly Service has the meaning given to that term in clause 5(5).

New Government Meter Charge Trigger Day means, in respect of a Government-Owned Meter, the later of:

- (a) the day the meter becomes compliant with the Metering Requirements; and
- (b) if there is a date specified in the Water Management Regulation from which a temporary exemption from the Metering Requirements would cease to have effect in respect of the meter, that date.

New Metering Charge means any charge included in Part 5.

New Private Meter Charge Trigger Day means, in respect of a Privately-Owned Meter:

- (a) where a person is directed by the Minister under the Water Management Act to have a meter installed, the date by which that person is required to have an operational meter as specified in that direction; and
- (b) in all other circumstances, the date specified in the Water Management Regulation from which a temporary exemption from the Metering Requirements would cease to have effect in respect of the meter or, if no such date exists in respect of the meter, then the Commencement Date.

Percentage Band means, as the case may be:

- (a) 0-<25%;
- (b) 25%-<50%;
- (c) 50%-<75%; or
- (d) '75% or more'.

Potential Voluntary Telemetric Meter means a meter that operates (whether by telemetry or not) in respect of a person to whom Part 5 applies, that is not required under the Metering Requirements to use telemetry but could, in Water NSW's opinion based on the best available information, be practically read using telemetry and includes Voluntary Telemetric Meters.

[Note: For the avoidance of doubt, a meter that is subject to a temporary exemption from the Metering Requirements under the Water Management Regulation is not a Potential Voluntary Telemetric Meter.]

Privately-Owned Meter means a meter that is not a Government-Owned Meter.

Proportion of Voluntary Telemetry Uptake means the proportion of voluntary telemetry uptake calculated in accordance with clause 25.

Regulated River has the meaning given to that term under the Water Management Act.

Regulated River Bulk Water Services has the meaning given in clause 7(1).

Tagged Water Entitlement means a water Entitlement held by a Licence Holder that has been 'tagged' to an extraction point under section 71W of the Water Management Act.

Valley means an MDB Valley or a Coastal Valley, as the case may be.

Voluntary Telemetric Meter means a meter that operates in respect of a person to whom Part 5 applies that uses telemetry and is not required under the Metering Requirements to use telemetry.

[Note: For the avoidance of doubt, a meter that is subject to a temporary exemption from the Metering Requirements under the Water Management Regulation is not a Voluntary Telemetric Meter.]

WAMC means the Water Administration Ministerial Corporation, being the corporation established under section 371 of the Water Management Act, and which is a continuation of, and the same legal entity as, the corporation of that name constituted by the *Water Administration Act 1986* (NSW) (by virtue of clause 17 of Schedule 9 of the Water Management Act).

Water Act (Cth) means the *Water Act 2007* (Cth).

Water Act (NSW) means the *Water Act 1912* (NSW).

Water Licence means an access licence referred to in section 56 of the Water Management Act, of any the following categories (as referred to in section 57 of that Act and the regulations made under that Act):

- (a) regulated river (high security) access licence;
- (b) regulated river (general security) access licence;
- (c) regulated river (conveyance) access licence;
- (d) supplementary water access licence;
- (e) major utility access licence;
- (f) local water utility access licence;
- (g) domestic and stock access licence;
- (h) Murrumbidgee Irrigation (conveyance) access licence;
- (i) Coleambally Irrigation (conveyance) access licence; or

- (j) any other category of access licence that authorises the extraction of water from a Regulated River.

[Note: For the avoidance of doubt, this determination does not apply to floodplain harvesting access licences.]

Water Management Act means the *Water Management Act 2000* (NSW).

Water Management Regulation means the *Water Management (General) Regulation 2018* (NSW).

Water NSW means the statutory corporation constituted under the Water NSW Act.

Water NSW Act means the *Water NSW Act 2014* (NSW).

Water Services Order means the *Independent Pricing and Regulatory Tribunal (Water Services) Order 2004*.

Water Supply Work has the meaning given to that term in the Water Management Act.

Water Supply Work Approval has the meaning given to that term in the Water Management Act.

WCR means the *Water Charge Rules 2010* (Cth).

Yanco Creek System has the meaning given to the term 'Yanco System' in Schedule 4 of the *Water Sharing Plan for the Murrumbidgee Regulated River Water Source 2016*.