

IPART is reviewing prices for WAMC and WaterNSW

1 November 2024

IPART sets the maximum prices that the [Water Administration Ministerial Corporation \(WAMC\)](#) and [WaterNSW](#) can charge their customers for water services. The maximum prices we are setting in these reviews apply from 1 July 2025.

We recognise that access to safe, reliable and affordable water at a fair price is critical to our communities, environment, and economy

Water is essential for public health, economic development and environmental outcomes. There are multiple demands for water in rural areas, including from small and large agricultural water users (private or corporations), town water suppliers, industrial water users, cultural water users, and environmental water licence holders. In NSW there is a complex system which delivers water to these diverse users.

- All customers (holding around 40,000 water access licences) pay charges to WAMC to cover costs of water planning, licencing and compliance activities across regulated rivers, unregulated rivers and groundwater systems.
- Around one-third of customers (holding around 13,000 water access licences) also pay charges to WaterNSW to cover costs of storing and delivering water in regulated rivers.
- WAMC's and WaterNSW's prices include components covering NSW's contributions to the Murray-Darling Basin Authority (MDBA) and the Dumaresq-Barwon Border Rivers Commission (BRC).


As many customers pay charges to both WAMC and WaterNSW, IPART has released this Issues Paper covering both the WAMC and WaterNSW pricing proposals and presenting how the proposed price increases would impact customer bills.

We will conduct a detailed, consultative process and we want to hear from you

We will conduct a thorough and transparent process to examine the costs and impacts for customers, which includes consulting customers and stakeholders. Your input is valuable to us as we undertake these price reviews.

We will closely review WAMC's and WaterNSW's pricing proposals to determine whether they promote value for money, are in the interests of customers, and deliver the outcomes customers need and want. We do this by thoroughly examining the costs and carefully considering impacts of the pricing proposals on businesses, service standards, the environment, and the economy more broadly.

You can get involved by making a submission to this Issues Paper on any matters relating to these reviews that you would like to tell us about. You can also register your interest in attending the future Public Hearing to discuss these topics in more detail.

 **Have your say**

Your input is critical to our review process. [Submit feedback »](#)

You can get involved by making a submission, submitting feedback or attending a public hearing. [Attend the public hearing »](#)
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All stakeholders – including customers and the broader community – will have several opportunities to have their say during these price reviews.

- Our public consultation process commences with the release of this Issues Paper, as well as WAMC's and WaterNSW's pricing proposals on 1 November 2024. We are seeking your feedback on these pricing proposals, with submissions to this Issues Paper due by 9 December 2024.
- We will hold an online Public Hearing for this review on 14 November 2024. The Public Hearing will be an opportunity to provide your feedback on these water reviews directly to the Tribunal and IPART Secretariat.
- We will consider all stakeholder and customer feedback, as well as input from our consultants and our own analysis, before publishing a Draft Report with our draft decisions in March 2025. We will seek your feedback on this report before publishing our Final Report with our final decisions in June 2025.
- Customers and stakeholders who would like to be notified when relevant material is released can subscribe to receive updates from IPART about the WAMC or WaterNSW Regional & Rural reviews.



How we will assess these pricing proposals

We will closely review WAMC's and WaterNSW's pricing proposals to determine whether they promote value for money, are in the interests of customers, and deliver the outcomes customers need and want. We do this by thoroughly examining the costs and carefully considering impacts of WAMC's and WaterNSW's pricing proposals on customers, service standards, the environment, and the economy more broadly.

Under the IPART Act, when setting water prices, we are required to consider a range of matters.

Matters for IPART to consider when setting water prices

 <p>What are the costs?</p>	 <p>Are customers protected from abuses of monopoly power?</p>	 <p>Is there an appropriate return on assets for the water business?</p>	 <p>What is the effect on general price inflation?</p>
 <p>Has efficiency improved?</p>	 <p>Do the prices promote environmentally sustainable development?</p>	 <p>What is the impact of the prices on the finances of the water business?</p>	 <p>What is the impact of the prices on contractors etc. of the water business?</p>
 <p>Do the prices promote competition?</p>	 <p>What is the impact of the prices on demand management and least cost planning?</p>	 <p>What are the social impacts of the prices?</p>	 <p>What is the impact of the prices on quality, reliability and safety standards?</p>

We have developed a robust and comprehensive framework to assist us in considering these matters. Our framework focuses on customers, costs, and credibility – which we refer to as the '3Cs'. It is underpinned by 12 guiding principles (see Figure 2) which both IPART and water businesses use to develop and assess pricing proposals. We have published a [Handbook](#) which provides further information on our 3Cs framework.

The 3Cs framework focuses on customer value in the short, medium and long-term



The 3Cs framework is centred around water businesses developing pricing proposals that promote customer value. It strongly encourages water businesses to actively engage with their customers, bringing customers into the decision-making process when they are setting outcomes. Involving customers to set outcomes that matter most to them, and align with their preferences, is essential if WAMC and WaterNSW are to identify better ways of delivering their services.

We recognise this is the first time WAMC and WaterNSW have submitted pricing proposals under the 3Cs framework. We will work together with all stakeholders to continue to improve the framework. This will help achieve our common goal of delivering customer value.

We will also consider the implications of the National Health and Medical Research Council's proposed updates to the health-based drinking water guidelines for per- and polyfluoroalkyl substances (PFAS) when they are settled. The National Health and Medical Research Council released its draft guidelines in October 2024. It will finalise these guidelines in 2025.^a

^a The National Health and Medical Research Council has released updated guidelines values which indicate the amount of PFAS in drinking water that a person can consume on a daily basis over a lifetime without any appreciable risk to health. PFAS refers to a group of manufactured chemicals known as "Per" and "Poly" fluoroalkyl substances. [NHMRC Review of PFAS in Australian drinking water](#), accessed 24 October 2024. WAMC and WaterNSW's proposals do not directly address the NHMRC's proposed updates, which will be the subject of subsequent decisions by WAMC and WaterNSW should the guidelines change.

This Issues Paper is structured as follows

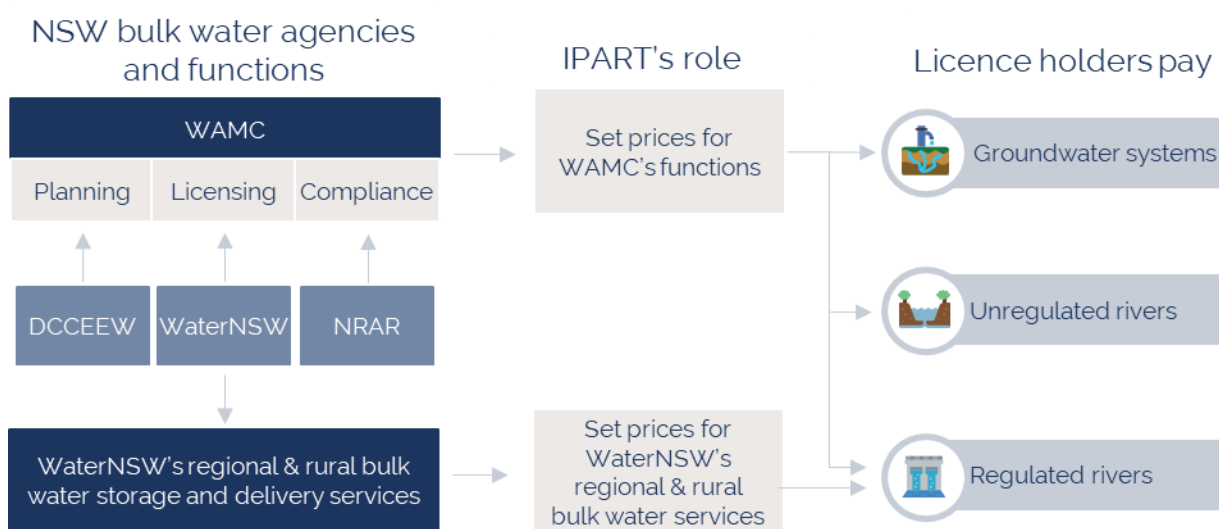
- **Section 1: How water is managed in NSW and how prices work** – context on customers, WAMC/WaterNSW and IPART, including the roles and responsibilities.
- **Section 2: WAMC and WaterNSW are both proposing large price increases** – the cumulative increase over the 5-year period, with the average annual increase in brackets. The detailed tables of prices and bills for each valley and water source are presented in [Information paper: Proposed cost reflective prices and bills](#).
- **Section 3: WAMC proposal and key issues** – summary of the WAMC pricing proposal and questions for your feedback.
- **Section 4: WaterNSW proposal and key issues** – summary of the WaterNSW pricing proposal and questions for your feedback.
- **Section 5: Preliminary gradings** – Our preliminary gradings are of a water business's pricing proposal and its ambition to deliver the outcomes valued by its customers. This is not an assessment of the water business itself or the justification for their proposal.
- **Attachment A: Summary of cost sharing framework**

1 How water is managed in NSW and how prices work

Water management in NSW, and how this feeds into prices, is complex. There are several agencies and functions managing multiple water sources, each with different customers.

Figure 1.1 illustrates the relationships between the agencies and the customers, which are explained in the following sections.

Figure 1.1 WAMC's and WaterNSW's relationship and IPART's role in setting prices



a. DCCEEW is the NSW Department of Climate Change, Energy, the Environment and Water.
 b. NRAR is the NSW Natural Resources Access Regulator.

1.1 WAMC's functions and WaterNSW's services

The bulk water services and functions are managed by WAMC and WaterNSW.

WAMC has 3 functions in NSW water management, and 3 separate bodies deliver these functions:

- The Department of Climate Change, Energy, the Environment and Water (the Department) is the rule-maker for water management. It set the regulatory framework, plans, and rules that everyone else follows.
- WaterNSW is the licensing team that puts these rules into action. As an independent state-owned corporation, it administers licensing and approval applications and renewals, and provides information services to most water users. It makes sure the water gets distributed according to the plans laid out by the Department.
- The Natural Resources Access Regulator (NRAR) is the rule-enforcer. This independent regulator focuses on enforcing compliance, offering education on the rules, and issuing licenses and approvals to certain entities. It keeps the system fair for all.

WaterNSW, in addition to delivering some of WAMC's functions, acts as a custodian of most of NSW's water resources. It captures, stores, and delivers water throughout Greater Sydney and regional NSW. For rural customers, it manages dams, builds and maintains essential infrastructure, services customers with licensing, approvals, trades, and billing, and operates the largest surface and groundwater monitoring network in the southern hemisphere.










1.2 WAMC's and WaterNSW's customers

There are many sizes and types of customers for the 2 organisations.

WAMC manages water licences across NSW (approximately 40,000). WAMC's prices apply to all these customers accessing water from 3 different types of water sources (i.e. regulated rivers, unregulated rivers and groundwater systems).

About one-third of these licences (approx. 13,000) are held by WaterNSW's customers that extract water from regulated rivers managed by WaterNSW. WaterNSW's prices only apply to these customers accessing water from regulated rivers. See Figure 1.2.

Figure 1.2 WAMC and WaterNSW prices apply to customers with entitlements to water from different sources

Water sources	WAMC prices	WaterNSW prices
 Regulated rivers Physically controlled surface water source (e.g. using dams & weirs to control river flows)		
 Unregulated rivers Any surface water source that is not a regulated river (e.g. no dam or weir to control river flows)		
 Groundwater systems Water contained within saturated rocks and sediments below the land		

Note: WaterNSW recovers expenditure for the Murray–Darling Basin Authority and Dumaresq–Barwon Border Rivers Commission from some WaterNSW and WAMC charges.

The customers are diverse and include small and large agricultural water users (private or corporations), town water suppliers, industrial water users, cultural water users, and environmental water licence holders.

The largest license alone accounts for 8% of total entitlements. The top 10 licenses collectively hold 31% of entitlements, while the top 400 licenses, representing about 1% of all licenses, control approximately 65% of entitlements. This indicates that a small number of large licenses dominate the majority of entitlements, highlighting their critical importance within the customer base. See Figure 1.3.

The diversity of the customer base can make it challenging to implement meaningful changes to price structures and settings without causing adverse effects on different groups of customers.

Figure 1.3 The majority of entitlements are held by a small number of licences



Source: WAMC licence data.

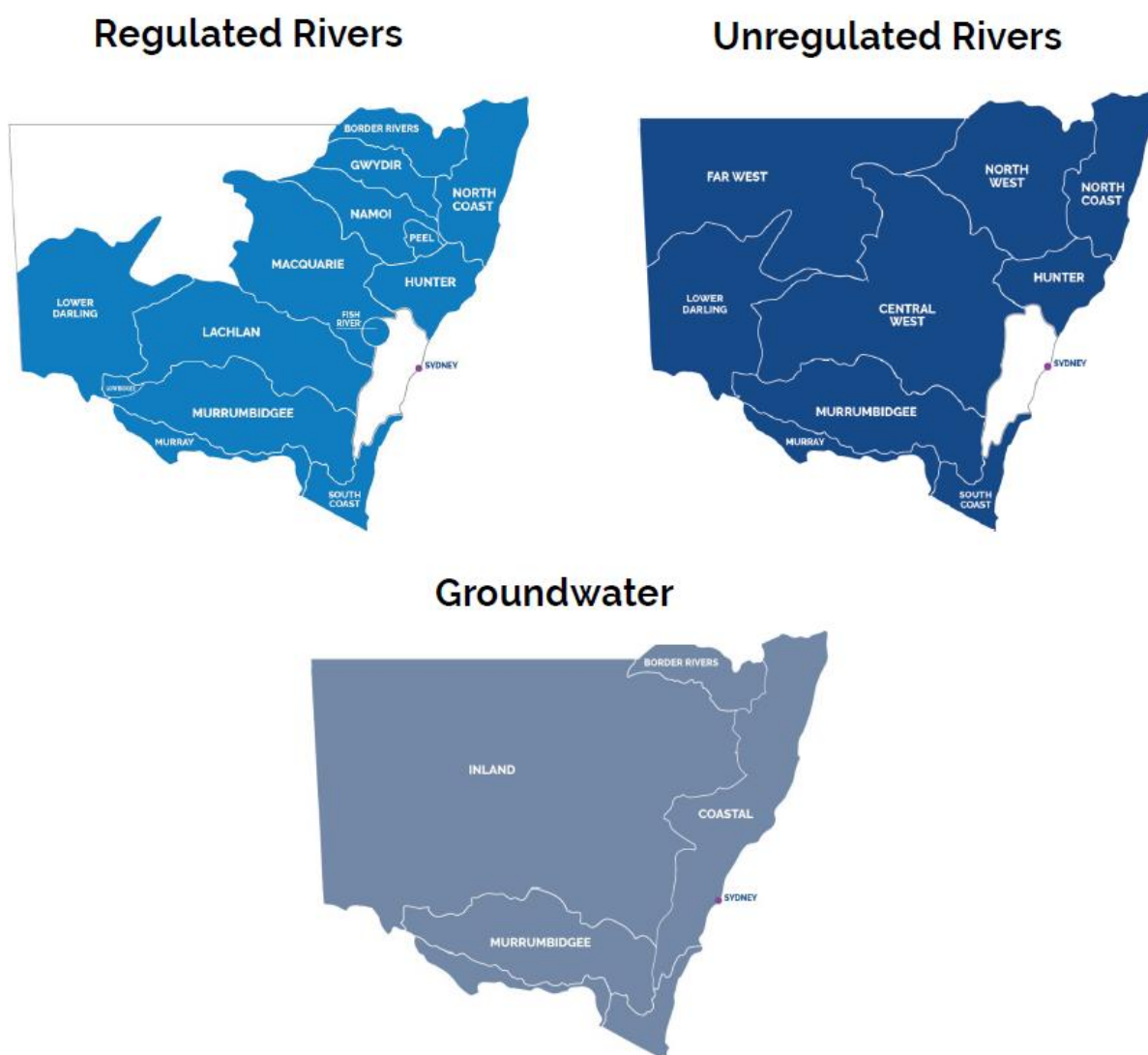
1.3 How prices work

When we set prices for the 3 water sources, we recognise WAMC's and WaterNSW's costs of delivering their services will differ depending on location. We therefore set different prices for different locations, sending a price signal to customers about the cost of delivering WAMC's functions and WaterNSW's services to them (see Figure 1.4).

Customers who have a meter pay both an entitlement charge (fixed) and a water take charge (variable). Customers that do not have a meter are charged an entitlement charge (fixed) which assumes that their water take is equal to their entitlement.

More information about WAMC's and WaterNSW's proposed charges are outlined in sections 3.1 and 4.1 respectively. The complete set of proposed charges are included in [Information paper: Proposed cost reflective prices and bills](#).

Figure 1.4 Prices for regulated rivers, unregulated rivers and groundwater systems vary depending on location



Source: NSW Water Sharing Plans.

2 WAMC and WaterNSW are both proposing large price increases

When we combine the prices proposed by WAMC and WaterNSW, our analysis indicates proposed prices would increase over the next 5 years by:

- 3% to 35% a year on average for regulated rivers.
- 9% to 23% a year on average for unregulated rivers.
- 15% a year on average for groundwater systems.

These proposed price increases would be on top of inflation.

Water access licences are diverse, so how much an individual customer's bill is proposed to increase over the 2025 determination period varies. To illustrate differences between valleys and water sources, we show how the proposed bills would change over the determination period (see Table 2.1). The table shows the proposed cumulative increase in bills over the 5-year period, with the proposed average annual increase in bills in brackets. More information is contained in our [Information paper: Proposed cost reflective prices and bills](#). It contains detailed tables of proposed prices and bills for each regulated river, unregulated river and groundwater source, noting that these are increases on top of inflation.

Table 2.1 Proposed price increases by 2030 (annualised increases in brackets)

	Regulated rivers				Unregulated rivers		Groundwater	
	High security		General security					
Border Rivers	245%	(28%)	207%	(25%)	179%	(23%)	98%	(15%) ^b
Gwydir	167%	(22%)	170%	(22%)	95%	(14%)	98%	(15%)
Namoi	146%	(20%)	152%	(20%)	95%	(14%)	98%	(15%)
Peel	341%	(35%)	312%	(33%)	95%	(14%)	98%	(15%)
Lachlan	271%	(30%)	150%	(20%)	99%	(15%)	98%	(15%)
Macquarie	173%	(22%)	179%	(23%)	99%	(15%)	98%	(15%)
Far West	-	-	-	-	54%	(9%)	98%	(15%)
Murray	192%	(24%)	184%	(23%)	96%	(14%)	98%	(15%)
Murrumbidgee	142%	(19%)	130%	(18%)	99%	(15%)	97%	(15%)
Lowbidgee	-	-	111%	(16%)	-	-	-	-
North Coast	26%	(5%) ^a	29%	(5%)	101%	(15%)	101%	(15%)
Hunter	120%	(17%)	118%	(17%)	101%	(15%)	101%	(15%)
South Coast	16%	(3%) ^a	21%	(4%)	89%	(14%)	101%	(15%)
Fish River Water Scheme	55%	(9%)	-	-	-	-	-	-

a. For North Coast and South Coast, WaterNSW proposed to keep prices constant (before inflation), and that NSW Government fund the difference between full cost recovery prices and actual prices.

b. Groundwater bills exclude BRC prices, because these are paid by a small number of customers in the Border valley. Appendix A includes bills for these customers.

Note: The increases are based on bills for metered general security entitlement holders with 60% usage, excluding very small entitlement holders who pay WAMC's minimum annual charge. For the Fish River Water Scheme, the increase is the weighted average for all customers. Increases include the proposed changes to Murray-Darling Basin Authority and Dumaresq-Barwon Border Rivers Commission prices.

Source: WAMC proposal, WaterNSW proposal, IPART analysis.

3 WAMC's proposal and key issues

The prices WAMC charges water users aim to recover the customer share of the costs incurred in providing its water management functions and monopoly services. The remaining share of these costs is funded by the NSW Government on behalf of the community. WAMC's charges include:

- Water management charges, which aim to recover water users' share of the costs of WAMC's water planning, regulation, licensing, compliance, enforcement, customer service and other activities.
- Recovery of users' share of the funds NSW contributes to the cross-jurisdictional water management agencies, the MDBA and the BRC.
- Fee-for-service metering charges, including metering service charges, water take assessment charges, and meter testing and verification charges.
- Fee-for-service consent transaction charges, to recover the administrative costs of issuing or amending water access licences, water allocation assignments and works approvals.
- Recovery of the efficient costs of managing floodplain harvesting.

3.1 WAMC is proposing bills increase by between 2.5% and 28% a year

WAMC has proposed to cap increases in water management charges at 2.5% for customers paying the Minimum Annual Charge (MAC) to 15% for customers not paying the MAC. It also proposed that MDBA and BRC prices increase, reflecting full cost recovery. These proposed increases would be on top of inflation.

The combined impact of these proposed charges means that overall WAMC bill impacts for some customers will be higher than the cap under the proposal:

- Border unregulated river bills are proposed to increase by 6% on average for very small customers (on the MAC), and 28% for other customers annually.¹
- Inland groundwater bills are proposed to increase on average by 7% for very small customers (on the MAC), and 27% for other customers annually.²

For other water sources, the proposed price impacts are close to or at the price caps. A full list of proposed bill impacts for various customers are in [Information paper: Proposed cost reflective prices and bills](#).

Customers not subject to MDBA and BRC costs are proposed to be capped, before inflation, at:

- 2.5% per year for small customers receiving the minimum annual charge (MAC) of around \$300 per year.^b
- 15% per year for all other customers.

^b A MAC applies to water users (i.e. customers) where their 2-part price (the water management charge, comprising an entitlement charge and water take charge) would otherwise be below the MAC. The MAC is intended to recover most of the cost associated with account management services for small water users. The MAC is currently \$278.

In its customer engagement, WAMC tested the level of support for varying levels of annual price increases up to a 10% cap.³ WAMC noted its analysis suggests larger customers can afford to move towards fully cost reflective prices faster than very small customers.⁴

WAMC has proposed additional charges (above the 2021 Determination) for customers with floodplain harvesting (FPH) licences to recover the proposed costs of providing that service.⁵ Average bill impacts for customers on 2-part prices are proposed to increase between 48% and 99% per year over the period.⁶

We want to know whether you think these proposed increases are affordable.

Seek Comment



1. How will WAMC's proposed prices impact customers?
2. What factors should we consider so that prices we set for WAMC are appropriate for different customer types? How well has WAMC considered these factors in the development of its proposal?

3.1.1 WAMC has proposed the NSW Government pay a larger subsidy to avoid price shocks

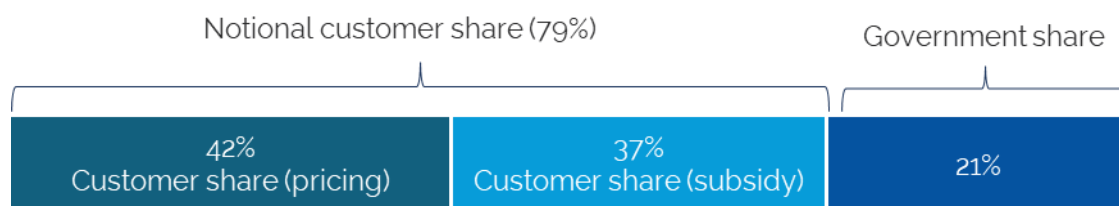
Costs for WAMC are allocated between water customers and the NSW Government on behalf of other uses, such as recreational users and the broader community on the basis of whichever party created the need for the activity and its associated costs.⁷ Under this, WAMC's pricing proposal includes a notional customer share of forecast efficient costs for the 2025 determination period of 79%.⁸

NSW taxpayers currently subsidise WAMC's prices, which increases the NSW Government contribution. When we set prices in 2021, the NSW Government provided a subsidy so WAMC's water management charges would not increase by more than 2.5% a year (before inflation). Under WAMC's pricing proposal, notional revenue requirement is 78% higher than that established for 2024-25 in the 2021 determination, and price rises are capped at 2.5%-15%, continuing that practice of including a subsidy.

WAMC forecasts these proposed prices will see 42% of the notional revenue requirement paid by customers in the 2025 determination period, which falls short of the 79% share that would be paid by customers if full cost recovery was achieved under the proposed cost shares. The result of this would be an expanded NSW Government funded subsidy of around \$65 million per year over the next 5 years.^{c 9} This is over 3 times as much as the subsidy included as part of the 2021 determination.¹⁰

^c The difference between the proposed NSW Government share of prices (with capped prices) and the notional share of government prices (impactor pays), averaged over 5 years.

Figure 3.1 Proposed customer and NSW Government shares with and without subsidy



Typically, IPART sets prices to recover efficient costs. However, with the proposed prices by WAMC, all water sources would remain below cost-recovery through 2030, and if continuing through the subsequent period only 7 of 26 water sources^d would reach cost reflective levels by 2035.¹¹ Table 3.1 below presents the impact of proposed prices on cost recovery levels for each water source through to 2029-30. For example, a 100% level of cost recovery in the table would equate to the full 79% of notional customer share presented in Figure 3.1.

Table 3.1 Level of cost recovery in each water source in year 1 and year 5 of WAMC pricing proposal for water management charges

	Regulated rivers		Unregulated rivers		Groundwater	
	2025-26	2029-30	2025-26	2029-30	2025-26	2029-30
Border	53%	79%	30%	44%	51%	85%
Gwydir	51%	75%	30%	44%	51%	85%
Namoi	44%	66%	30%	44%	51%	85%
Peel	36%	59%	30%	44%	51%	85%
Lachlan	38%	57%	36%	56%	51%	85%
Macquarie	44%	66%	36%	56%	51%	85%
Far West			41%	62%	51%	85%
Murray	45%	66%	22%	35%	51%	85%
Murrumbidgee	51%	75%	30%	48%	43%	72%
North Coast	13%	22%	35%	57%	30%	47%
Hunter	40%	65%	32%	50%	30%	47%
South Coast	19%	31%	64%	98%	30%	47%

Source: WAMC proposal, IPART analysis.

There is a great degree of variation between customers, and this may extend to their ability to pay higher prices. Around 1% of customers account for almost 70% of water entitlements and tend to represent large commercial operations. Further, two-thirds of customers hold very small water entitlements and pay the MAC.¹² Rather than providing subsidies for all customers, it may be more appropriate to target assistance to smaller customers.

^d Note Table 3.1 shows greater than 26 water sources. Border, Gwydir, Namoi, Peel, Lachlan, Macquarie, Far West and Murray are GW Inland. Murrumbidgee is a subset of GW Inland with a different pricing arrangement. North Coast Hunter and South Coast are GW Coastal

Seek Comment



3. Do the proposed 2.5% and 15% caps on prices strike the right balance between cost recovery and impacts on customers?

3.2 WAMC's customer engagement

WAMC said the purpose of its engagement was to 'inform' and 'consult' because many of its functions are 'non-negotiables' that are governed by legislation.¹³ WAMC consulted on different annual price caps for its entitlement and access charges, up to 10% per year.¹⁴ However, WAMC proposed higher prices for larger users than what was tested during engagement.¹⁵ WAMC also noted that specific customer consultation was not undertaken on proposed metering, floodplain harvesting and consent transaction charges, but said engagement on these would be done in October 2024.¹⁶

WAMC gauged the level of investment that customers preferred for 9 activities.¹⁷ WAMC said it proposed a higher level of investment than what stakeholders preferred for 2 activities (online customer experience and data management).¹⁸ WAMC's explanation for this included that some stakeholders preferred a 'do a lot approach' and that a higher level of investment was needed to provide a fit-for-service activity.¹⁹

WAMC's proposal notes that it included "targeted engagement on First Nations priorities through the First Nations community roadshow" and references the importance of the NSW Aboriginal Water Strategy.²⁰

WAMC developed 4 customer outcomes based on its stakeholder engagement, which are enhanced customer experience, sustainable and effective water resource management, confidence in water resource management and value for money.²¹ WAMC has developed quantitative targets to track its performance against these outcomes and has committed to annual public reporting on its progress.²²

Seek Comment



4. What do you think about WAMC's engagement process? Do you think WAMC has engaged effectively with customers and stakeholders?
5. Did WAMC's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?
6. Did WAMC consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?
7. Are WAMC's customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?

3.3 WAMC's proposed bill increases are driven by additional water planning and changes to funding arrangements

WAMC proposes an increase of 125% for capital expenditure, which accounts for 14% of total expenditure, as the majority of costs are operating expenditure.

The proposal nominates a decrease of 17% in operating expenditure from the expenditure in the current period. However, the actual operating expenditure was much greater than IPART allowed in the 2021 determination, so the proposed operating expenditure for the 2025 determination is an effective increase of 98% from the previously allowed operating expenditure. The operating expenditure for WAMC has 3 separate components, detailed in Table 3.2.

Table 3.2 WAMC's operating expenditure covers 3 operational areas and has changed significantly in the current period (\$2024-25)

	Current Period		2025 Determination Period						% increase from 2021	
	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29		2029-30
Water Management										
Allowed	66.03	65.94	63.19	62.56						
Actual	113.36	133.87	163.81	174.64						127%
Forecast					142.67	143.35	133.31	135.22	127.98	112%
MDBA										
Allowed	10.47	10.47	10.28	10.10						
Actual	10.54	9.85	10.79	11.41						3%
Forecast					13.97	11.90	12.40	12.59	12.39	23%
BRC										
Allowed	1.20	1.13	1.36	1.07						
Actual	0.45	0.52	0.79	0.79						-46%
Forecast					0.78	0.80	0.83	0.81	0.84	-32%
Total Opex										
Allowed	77.71	77.54	74.83	73.73						
Actual	124.35	144.24	175.39	186.84						108%
Forecast					157.42	156.05	146.54	148.62	141.22	98%

Source: WAMC proposal, IPART analysis.

WAMC states that increased expenditure is mainly due to higher workload around water planning and changes to funding arrangements for water management activities as well as increased compliance and enforcement activity.

WAMC states the key factors driving the proposed cost increases are:

- Increased level of water management activities required:
 - A significant increase in the number of statutory water plans that need to be replaced, amended, extended or reviewed. For example, over the 2025 determination period, WAMC will be required to replace 40 plans, amend 39 plans, extend 21 plans, review 37 plans and audit 18 plans. This is more than 5 times the number of planning activities in the current period.
 - Incorporating the climate risk and climate change data into the water sharing plans, along with floodplain management improvements, and implementing the now revised non-urban metering policy to give effect to a suite of long-term water strategies, including the NSW Water Strategy, NSW Groundwater Strategy, regional strategies, the NSW Aboriginal Water Strategy, and the Joint Technology Roadmap.
 - A material increase in the extent of compliance and enforcement activity required to meet the principal statutory objectives under the NRAR Act. WAMC suggests this proposal is a response to feedback from the community seeking higher levels of compliance activity. WAMC expenditure on compliance and enforcement has been significantly higher than the levels forecast in IPART's 2021 determination, which were based on cost benchmarking with Victoria. WAMC claims these benchmarks are not reflective of compliance and enforcement needs in NSW. WAMC is proposing compliance costs for the 2025 determination period include an allowance for a material increase in compliance expenditure, including legal costs previously funded by the Crown Solicitor's Office.
- Investment in digital business improvement strategies: \$68.2 million capital expenditure over 5 years in digital improvements to achieve legislated requirements, efficiencies and improved customer service. This will make it easier for customers to access account information and conduct transactions related to licensing and metering.
- Addressing previous under-recovery of costs: Many of WAMC's activities and costs were not fully reflected in IPART's 2021 determination of expenditure allowances. These activities were funded outside of the previous price determination, and WAMC proposes that the activities should be included in the operating expenditure for the 2025 determination.
- Increased NSW Government share of costs: The proposal increases the Government's share of costs for some activities, like regional planning and management strategies related to climate change impacts.

WAMC's proposal notes that despite these cost pressures, it has implemented efficiency measures and ambitious targets to contain costs, as reflected in its expenditure forecasts and Efficiency Strategy. However, the increased requirements and activities are still driving an overall increase in efficient costs that need to be recovered.

Seek Comment



8. Does WAMC's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?

3.4 Other WAMC issues

3.4.1 WAMC has proposed changes to non-urban metering charges

A new non-urban metering framework was introduced by the then NSW Government in 2018 with a view to ensuring the majority of licenced water take is measured with accurate, auditable and tamper-evident meters.²³ A review of the framework was completed in August 2024 in response to low compliance levels and implementation challenges.²⁴ The review recommended a series of changes, including better targeting of metering policy to larger and higher-risk users with a view to measuring, recording and reporting 95% of licenced water take in NSW by December 2026.

WAMC is implementing these reforms.²⁵ It reports that, as of 20 August 2024 there were 4,564 compliant meters, with a further 1,620 certifications lodged. These meters comprise approximately half of the 11,963 meters that WAMC indicates will need to be compliant by December 2026 under the amended metering regulations.²⁶

WAMC applies specific charges to recover the WaterNSW component of the costs of carrying out this work.²⁷ It has proposed a new alternative assessment charge for the small and low-risk users, and a new annual charge to apply if reporting requirements for customers to attest to volume of take are implemented within the 2025 determination period. It has also proposed increases in existing metering charges, which it argues are necessary to recover the costs of additional activities required to implement the recommendations of the framework review.²⁸

Table 3.3 WAMC's proposed non-urban metering charges (\$2024-25)

Charge	Current (2024-25)	Proposed (2025 determination period)	Change (%)
Scheme management charge (\$/licence)	85.35	114.93	34.7
Telemetry charge (\$/meter)	263.86	270.36	2.5
LID download/validation charge (replaces former non-telemetry charge) (\$/meter)	263.86	524.24	98.7
Meter service charge - operating costs, government owned meters (\$/meter)	1,047.16	991.76	-5.3
Alternative assessment charge, as needed (\$/transaction)	-	665.19	-
Attestation charge (\$/licence) (from 2026-27 if required)	-	81.64	-

Source: WAMC pricing proposal to IPART, September 2024, p 192

IPART aims to ensure that metering charges reflect only those activities that are necessary and customers pay only for the efficient costs of implementing the reforms.

We will review the forecast costs on which the proposed charges are based, including the efficiency of the sequencing of reforms. We will consider whether the activities associated with implementing the new rules are genuinely additional to existing activities whose cost is already being recovered at the current level of prices. We will also consider whether lessons learned from challenges in the 2021 determination period, such as poor data quality, present opportunities to reduce costs in the 2025 determination period.

We will consider the mechanism by which historical and forecast expenditure is recovered by the charges over time. The model proposed by WAMC for calculating its proposed prices differs from the model used to set prices for the 2021 determination period. We will interrogate the model and assess whether it sets prices at a level that reflects efficient costs and avoids price shocks from variability in forecast capital expenditure.

Seek Comment



9. How would the proposed metering charges affect you?

3.4.2 WAMC has proposed new and increased charges for consent transactions

WAMC levies service consent transaction charges at the point of application for issuing or amending water access licences, work approvals and use approvals. WAMC states that the charges administered by the Department (as distinct from WaterNSW) have been set below a cost-reflective level in the 2021 determination period.²⁹ It is proposing increases of between 35% and 522% to these charges to better reflect its understanding of the efficient costs of providing the corresponding services.³⁰

It is also proposing 20 to introduce consent charges that were not included in the 2021 determination. These charges comprise 7 new fees and 13 existing fees that have previously been set by the Minister for construction and other activities affecting the quantity or flow of a watercourse on waterfront land (controlled activity approvals).³¹

We will assess the degree to which the proposed charges reflect efficient costs. This will include reviewing the evidence submitted in relation to historical expenditure and may also include benchmarking the proposed charges against actual costs incurred for similar activities in other jurisdictions.

Seek Comment



10. How would the proposed consent transaction charges affect you?

3.4.3 WAMC has proposed to introduce new prices for floodplain harvesting

WAMC is proposing to introduce new charges for FPH licensees using the Gwydir regulated and unregulated river, Macquarie regulated river, Border regulated river, Far West (Barwon Darling) unregulated river, and Namoi regulated and unregulated river water sources.³² We will need to examine whether these charges reflect forecast costs that are efficient and genuinely additional to those covered by revenue that FPH would generate from other water management prices.

3.4.4 WAMC has proposed changes to prices for Murray–Darling Basin Authority and the Dumaresq–Barwon Border Rivers Commission water management services

WAMC charges separate water management prices to recover customers' share of the funds NSW contributes to the MDBA and the BRC for water management services delivered by these cross-jurisdictional agencies. WAMC has proposed changes to these prices. Proposed changes in MDBA charges vary across valleys and price components from 46% decreases to 124% increases.³³ BRC water management charges would decline by between 43 and 65% for Border regulated river and Far West unregulated river customers and increase more than tenfold for groundwater customers.³⁴

WAMC is proposing a new price for Border unregulated river customers. WAMC indicates that some of the larger changes involve correcting prices that were a long way from cost-reflective levels in the 2021 determination period.³⁵ We will need to assess the efficiency of the cost forecasts underpinning the proposed prices and the appropriateness of the cost allocation methodologies applied by MDBA and BRC.

3.4.5 WAMC has proposed a minor change to cost sharing arrangements

Not all of WAMC's costs are paid by customers. As part of our price setting process, we share the efficient costs for WAMC's services between customers and the NSW Government (on behalf of other groups such as recreational users and the broader community). We examine who is creating the need for an activity, and therefore who should incur its associated costs. This is separate from any Government subsidies which have the effect of lowering prices that licence holders pay below the full cost recovery level.

We comprehensively reviewed the regional and rural water cost sharing framework in 2019³⁶ and made targeted updates to how some costs are shared as part of our reviews of WaterNSW and WAMC's prices in 2021.³⁷

The key principles underpinning IPART's cost sharing framework are outlined in Box 3.1.

Box 3.1 Who pays is based on who creates the need to incur the cost

We use the following funding hierarchy to determine who should pay WAMC's and WaterNSW's 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. We note that often the party creating the need to incur the cost and the party that benefits from the activity are the same.

Box 3.1 Who pays is based on who creates the need to incur the cost

3. When it is not feasible to charge the above parties (e.g. because of social welfare policy, public goods, externalities, or an administrative or legislative impracticality of charging), the NSW Government (taxpayers) should pay.

Source: IPART, Rural Water Cost Shares – Final Report, February 2019, p 23.

WAMC has mostly proposed to maintain the cost shares currently in place, with the exception of one activity. It proposed the customer share of costs associated with regional planning and management strategies should be reduced from 60% to 50%.

Under WAMC's proposal, customers would be paying 79% of the total notional cost (or 42% of the proposal) with the remainder allocated to the NSW Government because the NSW Government has been identified as the impactor. We set out the proposed cost shares in detail in Appendix A.

We will further consider the appropriate sharing of WAMC's efficient costs as we assess what those efficient costs are and the drivers of them. We will also consider WAMC's customer consultation and the feedback received.

Seek Comment



11. What are your views on WAMC's proposal to largely maintain the current cost share ratios? The exception is regional planning and management strategies, where WAMC has proposed reducing the customer share from 60% to 50%.
12. Is there any new information about WAMC's activities we should take into account when setting cost shares? For example, are there changes to:
 - who is causing the need to undertake an activity?
 - who is benefiting from an activity?
 - the scope of an activity?

4 WaterNSW's proposal and key issues

The prices WaterNSW charges water users aim to recover the customer share of the costs of providing rural bulk water services and support sustainable ongoing service delivery. The remaining share of these costs is funded by the NSW Government on behalf of the broader community. The prices include:

- Bulk water charges, which are annual prices to recover customers' share of the efficient costs of delivering Water NSW's rural bulk water services. They are levied as a valley-based 2-part price for most valleys^e, comprising:
 - a fixed entitlement charge – \$ per megalitre (ML) of licensed entitlement, with different charges for high security and general security entitlements
 - a variable usage charge – \$ per ML of water used (extracted from the river).
- MDBA and BRC charges, which are levied on customers in the Murray and Murrumbidgee and Border valleys to recover some of the funds NSW contributes to these cross-jurisdictional bodies. These charges are also levied as a 2-part price, comprising fixed entitlement and variable usage charges.
- Metering reform charges, which are annual charges to recover some of the costs of implementing the NSW Government's non-urban metering reform requirements. These reforms strengthen metering and compliance, and as a result, protect customers' rights.
- Miscellaneous charges, which are fee-for-service charges for a range of other services.

4.1 WaterNSW is proposing bills increase by between 0% and 37% per year

WaterNSW has proposed a set of prices that it considers is a responsible and balanced approach to managing volume volatility while also incorporating customers' preferences.³⁸ However, it notes that this will result in higher costs, that if fully passed through to customers, would lead to price increases beyond what customers told WaterNSW they could afford.³⁹

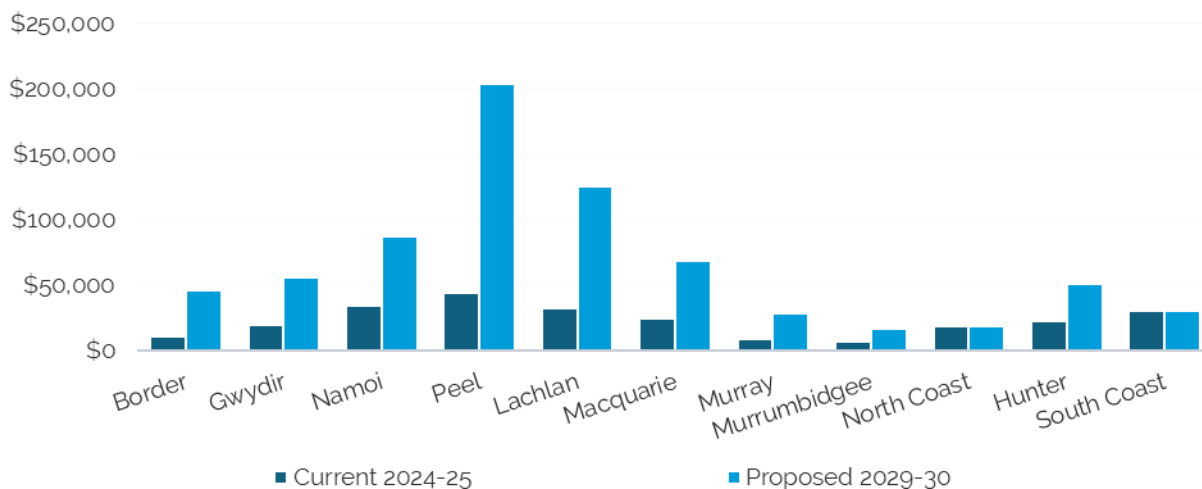
WaterNSW notes that the IPART Act sets out the matters to be considered by the Tribunal in making determinations and recommendations under the Act, including having regard to the social impact of its determinations and recommendations.⁴⁰ As a result, WaterNSW states that IPART will need to consider WaterNSW's funding requirements and at the same time consider customer affordability.⁴¹

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

WaterNSW notes that it is required to propose cost reflective prices to meet its regulatory and legislative obligations, and to reflect customer preferences gained through its engagement process, which it has done by including a cost reflective base case in its proposal.⁴² Additionally, WaterNSW has provided 3 alternative scenarios in its proposal that would see smaller price impacts for customers.⁴³ It is important to note these alternative scenarios involve setting prices below cost reflective levels which would require additional funding to meet WaterNSW's proposed costs. Under the cost reflective base case proposal, bill impacts would vary across rural valleys. WaterNSW notes 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 Government. It proposes to retain the current price levels in real terms for the upcoming determination period for these valleys funded by CSO payments.⁴⁴ In all other rural valleys, WaterNSW proposes that bills increase. For high security customers, proposed bill increases would range between 17% and 36% per year. For general security customers, proposed bill increases would range between 17% and 37% per year.⁴⁵

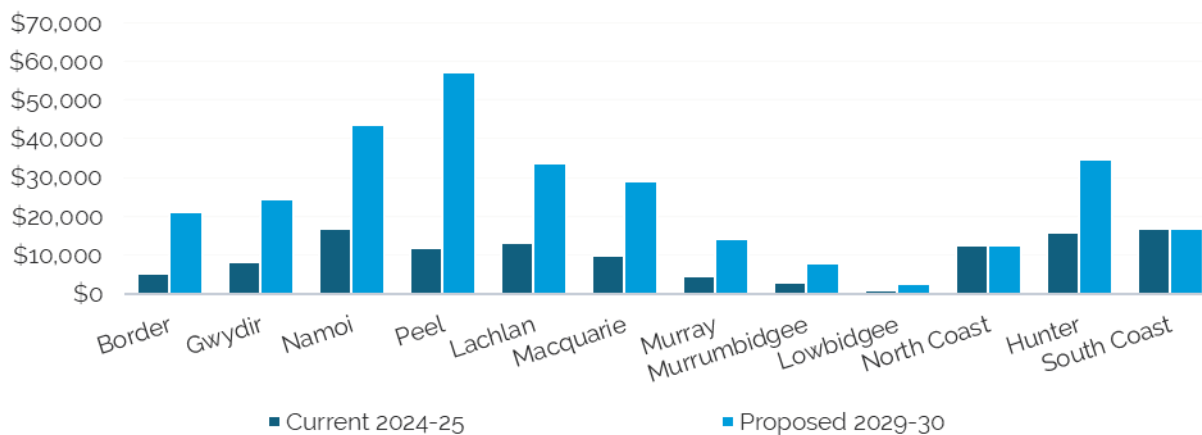
WaterNSW's proposed prices under its cost reflective base case for regulated river customers (including MDBA and BRC prices) are presented in Figure 4.1 (high security customers) 4.2 (general security customers).

Figure 4.1 Proposed bills by WaterNSW for high security, medium users (500ML usage, 100% allocation, \$2024-25)



Note: Bills include MDBA and BRC prices and exclude WAMC prices. There are no high security entitlement holders in Lowbidgee. Source: WaterNSW proposal, IPART analysis.

Figure 4.2 Proposed bills by WaterNSW for general security, medium user (500ML usage, 60% allocation, \$2024-25)



Note: Bills include MDBA and BRC prices and exclude WAMC prices.
 Source: WaterNSW proposal, IPART analysis.

WaterNSW's proposed price increases are a result of the increased costs that it states are required to deliver its services. These costs are set out below in section 4.3.

As noted above, WaterNSW has provided alternative scenarios that it believes have the potential to achieve a more balanced outcome for rural valley customers. The alternative scenarios contain lower price increases compared to WaterNSW's cost reflective base case, achieved by capping bulk water price increases at 15% per year (plus inflation), as well as other cost reallocations.⁴⁶ However, proposed MDBA and BRC charges would be outside the 15% price cap in the proposed alternative scenarios.

WaterNSW believes there is regulatory precedent for a price cap of this nature, and it states that customer engagement supported the alternatives to the cost reflective base case.⁴⁷ WaterNSW's proposal does not specify how the revenue gaps resulting from each alternative scenario should be funded. Rather, it recommends 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."⁴⁸

Under section 13(1)(c) of the IPART Act, when setting prices for WaterNSW's services in Murray-Darling Basin valleys, IPART is required to consider the approach to approving infrastructure charges provided for under rule 29(2)(b) of the *Water Charge (Infrastructure) Rules 2010* (Cth).⁴⁹ In summary, rule 29(2)(b) requires that revenue from prices be reasonably likely to meet, but not materially exceed, the prudent and efficient costs of providing the services, less any government contribution, subsidy or other unregulated revenue derived from the infrastructure.⁵⁰ We will consider whether WaterNSW's pricing proposal is consistent with rule 29(2)(b).

Seek Comment



13. How will WaterNSW's proposed prices impact customers?

14. What factors should we consider so that prices we set for WaterNSW are appropriate for different customer types? How well has WaterNSW considered these factors in the development of its proposal?

4.2 WaterNSW customer engagement

WaterNSW stated it has engaged with different customer groups through its Customer Advisory Groups (CAGs) and Water Working Groups (WWGs) as well as other engagement activities including field days and site tours.⁵¹ WaterNSW stated that it consulted with its customers on proposed price controls, and while there were diverse viewpoints on this, WaterNSW submits that its customers favour a revenue cap with a side constraint (see section 4.4.1).

WaterNSW also gauged the level of investment that customers preferred for the different areas of the business, by providing different levels of costs for the options.⁵² WaterNSW provided some information on final prices in July 2024, and using feedback from customers it developed alternative scenarios in its proposal.⁵³ However, WaterNSW stated that some compliance costs, factored into the final pricing proposal, were not consulted on with customers due to issues with timing.⁵⁴

WaterNSW's proposal states that it consulted Aboriginal peoples and communities through all 3 phases of the engagement process including a listening tour and "12 First Nations meetings with 50 First Nations stakeholders".⁵⁵

In its pricing proposal, WaterNSW has identified the top customer priorities include: water affordability, improved water storage, water quality, appropriate water allocations and access to information and data.⁵⁶

4.2.1 WaterNSW has told us it is committed to delivering key outcomes for its customers

WaterNSW consulted with its customers to develop 6 outcomes to guide its service delivery for the next 5 years.⁵⁷ WaterNSW's commitments to its customers are:

- To maintain a downward pressure on costs to support customer affordability
- Provide secure and reliable water delivery
- Be open and transparent (about customer charges and WaterNSW expenditure)
- Drive sustainable water and land management
- Provide customer and community access to data and information
- Provide good customer experiences (enabling their customers to run their business)

WaterNSW is also proposing to develop a scorecard to measure its progress in delivering these outcomes.⁵⁸

Seek Comment



15. What do you think about WaterNSW's engagement process? Do you think WaterNSW has engaged effectively with customers and stakeholders?
16. Did WaterNSW's consultation process target the right stakeholders, and was an appropriate level of content provided to stakeholders so they could meaningfully engage with it?
17. Did WaterNSW consult sufficiently with Aboriginal peoples and communities? What First Nations priorities should be considered in IPART's determination?
18. Are the WaterNSW customer outcomes and metrics appropriately ambitious yet achievable? Do they incorporate what stakeholders said was important to them?

4.3 WaterNSW's proposed bill increases appear to be driven by changes to its way of operating and infrastructure upgrades

WaterNSW has indicated it needs to spend money to continue implementing changes it has recently made to the way it operates, and to meet existing and new regulatory requirements. It also needs to cover other business expenses such as insurance and energy costs. WaterNSW has also proposed to upgrade its infrastructure to meet environmental regulations and to spend more on digital technology. WaterNSW's costs include:



- WaterNSW has proposed a 43% increase in operating expenditure.⁵⁹ It states this is largely driven by:
 - WaterNSW's new operating model which it started implementing in 2022-23 to ensure its systems, processes and organisational structure would be efficient over the long term. It claims it assessed that continuing a business-as-usual approach would put pressure on service, customer outcomes and affordability over the long-term.⁶⁰ Under the proposal, the new operating model would increase WaterNSW's operating expenditure by \$32.5 million over 5 years,^f primarily through higher labour costs and improvements on existing ICT platforms and systems.⁶¹

^f WaterNSW has proposed a base year adjustment of \$6.5m for 'Operating Model Related Cost Changes'.

- Recurrent operating expenditure to ensure WaterNSW's compliance with both existing and new regulatory requirements. WaterNSW proposes to spend approximately \$33.1 million over 5 years⁹ to ensure it is compliant with existing requirements, where there is currently non-compliance.⁶² In addition, it also proposes expenditure of \$19.8 million over 5 years to ensure ongoing compliance with its new Operating Licence which came into effect on 1 July 2024.⁶³
- Inflationary pressures which have led to rising costs for energy, chemicals, fuel, labour, insurance and land tax.⁶⁴ WaterNSW has proposed a total trend operating expenditure of \$6.9 million over 5 years, largely driven by increases in land tax, labour and insurance costs.⁶⁵
- WaterNSW has proposed to spend 21% more than the current determination on its capital expenditure program.⁶⁶ It has indicated this is mainly driven by additional investment to:
 - upgrade infrastructure assets to meet environmental regulations, including \$100.8 million on its Fishways Program and \$46.8 million on its Cold Water Pollution Program.⁶⁷
 - replace and renew infrastructure assets, including \$29.2 million on its Oberon to Duckmaloi Pipeline Renewals Project.⁶⁸
 - Upgrade its digital technology (\$54.4 million over 5 years) to improve its data and information quality, cyber security and enhance the delivery of its services to customers.⁶⁹
- WaterNSW has proposed a placeholder post-tax real weighted average cost of capital (WACC) of 4.3% for the rural valleys. This is significantly higher than the 2021 determination (1.8%) and is a key driver of higher costs. WaterNSW notes the increase is driven by macroeconomic factors outside of its control.⁷⁰ WaterNSW additionally notes that based on IPART's guidance, its WACC calculations incorporate a transition for MDBA valley prices to the trailing average approach for setting the cost of debt allowances.^h This accounts for the higher WACC WaterNSW has proposed for the rural valleys compared to Greater Sydney (3.6%). We will consider what the appropriate WACC for the rural valleys should be under our 2018 WACC method, including whether it should be the same as the WaterNSW Greater Sydney WACC.

When setting prices that represent good value for customers, we will look at whether WaterNSW's costs are reasonable and no higher than they need to be over the next 5 years.

Seek Comment



19. Does WaterNSW's proposal represent a reasonable and efficient balance of costs and service levels, and does it align with customers' willingness to pay?

⁹ WaterNSW has proposed step change operating expenses for 'Compliance Uplift with Existing Regulatory Requirements' which sum to \$29.1m across the 2025-26 to 2029-30 period, as well as a base year adjustment of \$0.8m for 'Ongoing Compliance Obligation Costs' which it states are for its cold water pollution strategy.

^h MDBA valley prices were previously subject to the ACCC WACC methodology which uses an 'on the day' approach to set the cost of debt.

4.4 Other WaterNSW issues

4.4.1 WaterNSW has proposed to adopt a revenue cap form of price control

Since WaterNSW receives about 50% of its revenue from fixed charges, it states that it is at risk of not receiving sufficient revenue over a determination period (i.e., if water sales are lower than forecast, WaterNSW is concerned that it will under recover its costs). Currently, this risk is managed through a revenue volatility allowance which is an amount added to prices to compensate WaterNSW for managing this revenue risk.

WaterNSW states that it considered ways for it to better manage the impact of water sales or revenue volatility on customer prices and its ability to recover efficient costs.⁷¹ It did this during its consultation process, engaging with customers to assess the performance of the current price cap form of price control. Two broad approaches were presented to customers:

- Maintain the current price cap form of control, with a move to higher fixed prices and lower variable or usage prices.
- Adopt a revenue cap form of price control, where the current fixed and variable price ratios could be either maintained at the current levels or potentially revised with targeted increases to the proportion of fixed prices for certain customers and valleys.⁷²

WaterNSW submits that there is customer support to adopt a revenue cap, and as a result, proposes moving to this form of price control for the upcoming determination.⁷³ WaterNSW notes that as a significant proportion of its costs are fixed, it considers that a revenue cap would provide some certainty to its revenue stream by providing 'bill certainty to customers'.⁷⁴

While WaterNSW stated that 62% of the respondents to its survey were supportive of a revenue cap (with the current fixed charges structure), we note that only 29 participants provided a response to the survey.⁷⁵ As such, we are concerned that the sample size was insufficient to represent customers' support for the revenue cap. Additionally, in the survey, WaterNSW provided 3 new options (as outlined above), however, the price cap arrangement that is currently in place was not an option in the survey.⁷⁶

We will investigate the impacts of the proposed revenue cap, including whether this will shift more risk onto certain customer groups whose water usage may vary. We will also review the engagement approach undertaken, to understand whether a range of options (including the status quo) was considered and presented to a robust sample of customers.

Seek Comment



20. Would you prefer prices to remain stable over the determination period or do you support WNSW's proposal for a revenue cap where prices adjust by up to 5% per year in response to changes in water sales?

4.4.2 WaterNSW has proposed to increase the fixed proportion of some prices

WaterNSW is proposing changes to price structures for certain groups of customers. WaterNSW has proposed to move the Licensed Environmental Water (LEW) holders to a 100% fixed price. It states that this is on the basis that high use customers should contribute to a fair proportion of costs, and that the current system penalises LEW holders for using more water and results in unstable long-term bills. It considers the benefits of moving LEW holders to a fully fixed charge include greater cost reflectivity, more stable and predictable prices, lower long-term bill impacts for the environment, fairer and more equitable water prices across the customer base and sends a clear price signal on the cost of services.

Additionally, while WaterNSW has proposed to largely maintain the existing fixed proportion of prices at current levels for most valleys, it proposes to increase the fixed proportion for Lachlan to 80% (currently 40% fixed), which it states is supported by customers.

We will review the impact of these proposed changes to price structures during the price review.

Seek Comment



21. If you are a Licenced Environmental Water holder or Lachlan Valley customer, how will the proposed changes to price structures affect you?

4.4.3 Cost sharing impacts the final WaterNSW prices

Not all of WaterNSW's costs are paid by customers. As described in section 3.4.5, we share the efficient costs for WaterNSW's services between customers and the NSW Government (on behalf of other groups such as recreational users and the broader community) based on an assessment of which party has created the need for an activity, and therefore should incur its associated costs.

Under its cost reflective base case proposal, WaterNSW has proposed to maintain the cost shares currently in place.⁷⁷ We set these out in detail in Appendix A for each cost category including the reason for it. Overall, these result in 77% of costs being allocated to customers with the remainder allocated to the NSW Government.

Under the alternative scenarios provided in its proposal, WaterNSW has 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.ⁱ

ⁱ WNSW's alternative scenarios proposed increasing the Government's share of dam safety compliance costs and environmental planning and protection costs from 20% to 50%. This is the same as it proposed to IPART in its last pricing submission. For the flood mitigation costs, it made 2 alternatives - to increase the Government's share from 20% to 44% and 31% in the Macquarie and Hunter Valleys respectively, or to 31% across the 7 valleys in the 'northern region'.

Seek Comment



22. What are your views on WaterNSW's proposal to maintain the current cost share ratios? What do you think of the alternative options WaterNSW provided that could increase the Government share for some activities?
23. Is there any new information about WaterNSW's activities we should take into account when setting cost shares? For example, are there changes to:
 - who is causing the need to undertake an activity?
 - who is benefiting from an activity?
 - the scope of an activity?

5 We have made preliminary gradings for several water businesses, including WAMC & WaterNSW

A key part of our price review involves grading a water business's pricing proposal and its ambition to deliver the outcomes valued by its customers. This is not an assessment of the water business itself or whether the pricing proposal has been justified. Our assessment process will include us considering how well the water business has:

- Engaged with customers on what is most important to them.
- Integrated customers' needs into their planning and delivery of services.
- Demonstrated they can deliver the outcomes preferred by customers at the lowest sustainable cost.

A water business will self-assess its pricing proposal as either 'Standard', 'Advanced' or 'Leading', reflecting the value being delivered to customers. We will then determine whether the pricing proposal promotes the long-term interests of customers at a 'Standard', 'Advanced', or 'Leading' level.

These are preliminary gradings only and as we undertake our reviews of the pricing proposals in more detail, we may change our gradings. We note that should our preliminary grading agree with that of the business, it does not mean we will necessarily set prices as proposed. We will set them having considered a wide range of factors, including the efficient costs of delivering the services, customer affordability and service levels.

5.1 Our preliminary decision is to grade WAMC's pricing proposal as Standard

Our preliminary decision is to grade WAMC's pricing proposal as Standard. This is the same as WAMC's self-assessment of its pricing proposal.

Key factors supporting our grading include:

- Customer engagement framed operational expenditure as non-negotiable, and did not consider the price caps which are included in WAMC's pricing proposal.
- Customer outcomes which are measurable and to be reported annually.
- New operating expenditure which brings the total significantly higher than allowed in IPART's 2021 determination with limited supporting information justifying its inclusion.
- Pricing proposal which caps most bills to support affordability and avoid bill shock, but which does will not reach full recovery of notional customer share.

5.2 Our preliminary decision is to grade WaterNSW's pricing proposal as Standard

Previously, WaterNSW Regional & Rural and WaterNSW Greater Sydney prices were subject to 2 separate reviews and determinations. Under the new 3Cs framework, WaterNSW has submitted one bulk water pricing proposal that combines its customer consultation, expenditure and prices into one proposal for both Regional and Rural and Greater Sydney bulk water services. WaterNSW submits that this is consistent with the key principles of the 3Cs framework, reduces costs of regulation and more accurately reflects WaterNSW's role as a single operator providing multiple services.⁷⁸

We acknowledge the benefits of a combined pricing proposal for WaterNSW and have set one preliminary grade for WaterNSW's pricing proposal. However, we will retain the right to set 2 separate determinations for WaterNSW's Regional and Rural bulk water services and Greater Sydney bulk water services.

Our preliminary decision is to grade WaterNSW's pricing proposal as Standard. This is the same as WaterNSW's self-assessment of its pricing proposal.

Key factors supporting our preliminary grading specifically relating to WaterNSW's Regional and Rural water services include:

- WaterNSW's engagement with customers and other stakeholders which appears to have provided some opportunities for feedback.
- WaterNSW's proposal includes a cost reflective base case and presents scenarios of different pricing outcomes designed to mitigate customer impacts. We note the latter scenarios are not cost reflective and would involve a funding gap.

The details on the key factors relating to WaterNSW's Greater Sydney bulk water services are set out in our Issues Paper for Sydney Water and WaterNSW Greater Sydney.

5.3 We are assessing the pricing proposals of 4 water businesses

In addition to our price reviews of WAMC and WaterNSW, we are also reviewing proposed prices for [Sydney Water](#) and [Hunter Water](#).

Of the 4 water businesses, we have made a preliminary grading that Hunter Water's pricing proposal is Advanced, and Sydney Water, WaterNSW and WAMC's pricing proposals are Standard (see Table 5.1). We may revise these preliminary gradings during our reviews and will include draft gradings in our Draft Reports for these water businesses in March 2025.

Table 5.1 IPART's preliminary gradings of the water pricing proposals

	Sub-standard	Standard	Advanced	Leading
Hunter Water				
Sydney Water				
WAMC				
WaterNSW				

5.4 We have engaged independent experts to assist us in our review of the proposed expenditure

We recognise that both WAMC and WaterNSW have proposed large increases in expenditure. We have engaged independent experts to assist us in our review of WAMC's and WaterNSW's proposed expenditure.

The expenditure review will assess whether the proposed increase in expenditure of this magnitude is required, sufficiently justified, and supported by customers. The expenditure review will also assess whether WAMC's and WaterNSW's longer-term capital investment strategies are the most efficient and in customer long-term best interests. We will take the expert findings into account when setting prices.

A Cost sharing

Table A.1 WaterNSW and WAMC activities and how costs are currently shared (on a notional basis before any subsidies).

Who creates the need for the activity?	WaterNSW activities	WAMC activities	Explanation
Entirely customers (100% customer share)	<ul style="list-style-type: none"> Customer support Customer billing Metering & compliance Direct insurances Irrigation corporation & district (ICD) rebates Risk transfer product (RTP) 	<ul style="list-style-type: none"> Surface water quantity monitoring Water take data collection, data management & reporting Groundwater activities (i.e. quality & quantity monitoring, data management, modelling) Water resource accounting Systems operation & water availability management Regulation systems management Consents management, licence conversion & water consents transactions Compliance & enforcement management Customer & billing management 	<p>Customers' water use directly creates the need for these activities. Without high consumptive water use, these activities would not be required.</p> <p>For example, groundwater activities are undertaken because customers (i.e. water access licence holders) extract water. If there was no need to manage water extraction and consumption of water resources, these activities would not be required.</p>
Mainly customers (55%-95% customer share)	<ul style="list-style-type: none"> Water delivery & other operations (95%) Flood operations (80%) Hydrometric monitoring (90%) Water quality monitoring (80%) Corrective maintenance (95%) Routine maintenance (95%) Asset management planning (95%) Dam safety compliance (80%) Environmental planning & protection (80%) Corporate systems (80%) Renewals & replacement (95%) 	<ul style="list-style-type: none"> Surface water quality monitoring (60%) Surface water modelling (70%) Environmental water management (80%) Water plan development (70%) Regional planning & management strategies (60%) Development of water planning & regulatory frameworks (80%) Water management works (80%) Business governance & support (80%) 	<p>The primary driver of these activities is consumptive use customers. However, if there wasn't high consumptive use by customers these activities would still be required to some degree for non-consumptive purposes.</p> <p>For example, hydrometric monitoring is primarily driven by water consumption. However, the NSW Government will still require some level of hydrometric monitoring, and therefore should contribute to some of the costs of this activity.</p>
Jointly customers and other groups (50% customer share)		<ul style="list-style-type: none"> Surface water data management & reporting Surface water ecological condition monitoring Water plan performance assessment & evaluation Cross-border & national commitments to water sharing 	<p>Without high consumptive water use, it is likely the NSW Government would undertake these activities to meet broader policy objectives. However, additional activity is required to mitigate the impact of customers or protect customer rights from over-consumption.</p>

Who creates the need for the activity?	WaterNSW activities	WAMC activities	Explanation
Mainly other groups (5% – 45% customer share)		<ul style="list-style-type: none"> • Surface water algal monitoring (40%) • Blue-green algae management (40%) 	<p>The risk of toxic algae blooms is a natural occurrence in all freshwater sources. Therefore, the NSW Government (on behalf of the broader community) is mainly creating the need for this activity.</p> <p>However, high consumptive water use affects water availability and water temperature, which can impact algal growth. Because of this, some of the costs are allocated to customers.</p>
Entirely other groups (0% customer share)	<ul style="list-style-type: none"> • Dam safety compliance, pre-1997 capital projects 	<ul style="list-style-type: none"> • Floodplain management plan development • Drainage management plan development 	<p>The dam safety compliance activity is a legacy cost and therefore the costs are allocated to the NSW Government.</p> <p>The need to undertake the other activities is driven solely by the NSW Government, and there is no direct link between these activities and water consumption.</p> <p>Broad land management planning is likely to occur if there is no high consumptive water use.</p>

Source: IPART Review of WaterNSW rural bulk water charges from 1 October 2021 - Final Report; IPART Review of Water Management prices from 1 October 2021 - Final Report

- 1 WAMC pricing proposal to IPART, September 2024, pp 216, 219.
- 2 WAMC pricing proposal to IPART, September 2024, pp 217, 219.
- 3 WAMC pricing proposal to IPART, September 2024, p 208.
- 4 WAMC pricing proposal to IPART, September 2024, p 208.
- 5 WAMC pricing proposal to IPART, September 2024, p 163.
- 6 WAMC pricing proposal to IPART, September 2024, p 223.
- 7 IPART, Rural Water Cost Shares Final Report, February 2019, p 2.
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