

26 September 2024

Michael Martinson
Water NSW
Level 14, 169 Macquarie Street
Parramatta NSW 2150

Dear Michael,

Re: Deloitte Quality Assurance of WaterNSW's Bulk Water Pricing Proposal 2025-30 to the Independent Pricing and Regulatory Tribunal (IPART)

1 Our Engagement

We have completed Quality Assurance (**QA**) activities (**the Activities**) to support the board attestation process for of the WaterNSW Bulk Water Pricing Proposal 2025-30 to IPART (**the Purpose**). The Activities are in accordance with our Professional Services Contract (Contract No W0001073) dated 16 June 2023.

You asked us to assess whether the Proposal Suite is consistent with the proposed expenditure detailed in your Models prior to submission of the WaterNSW Bulk Water Pricing Proposal to IPART (**your Objectives**).

2 Our Process

For the purposes of the QA process, WaterNSW provided us with a copy of its Bulk Water Pricing Proposal as well as its Special Information Request (SIR), Pricing Model and Base Trend Step Model. Deloitte then conducted a review of the Bulk Water Pricing Proposal against these models. We worked in collaboration with you and provided regular updates on issues we identified with the Proposal Suite.

All issues have been recorded in the Quality Assurance Register. WaterNSW is responsible for addressing all issues found in the Proposal Suite. Once we were advised that these had been addressed, we undertook a sample test of the Quality Assurance Register against the Proposal Suite. For the full review please refer to **Attachment 1**.

It should be noted that:

- This work is intended for the internal use of Water NSW for the Purpose. This advice should not be released to or relied upon by any other parties without our express prior permission
- This work does not constitute either a reasonable assurance (audit) or limited assurance (review) engagement in accordance with the Auditing and Assurance Standards Board (AUASB) standards, and as such, we do not express any conclusion and provide no assurance on the subject matter. Had we performed additional procedures or had we performed a reasonable or limited assurance engagement in accordance with AUASB standards, other matters might have come to our attention that would have been reported to you

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- The QA review did not include a review the SIR or models themselves, any historical numbers from the previous determination, publically available, or researched numbers presented in the Proposal Suite
- WaterNSW is responsible for any updates to the proposal
- Deloitte has not provided legal advice as part of this review.

2 The Proposal Suite

During the course of the Activities, we were provided with the following documents.

File Name	Date Provided
DRAFT Pricing Proposal V7.0 - 2024-09-10	18 September 2024
Attachment 03 Customer and Community Engagement V.3.docx	17 September 2024
Attachment 04 Customer Outcomes and Performance Measures.docx	18 September 2024
Attachment 05 Tariff structures for proposed prices V1.docx	18 September 2024
Attachment 06 Capital expenditure.docx	18 September 2024
Attachment 07 Project Summaries for top 10 Major Projects V1.docx	17 September 2024
Attachment 08 Base-Trend-Step operating expenditure V3.docx	17 September 2024
Attachment 09 Efficiency program V1.docx	17 September 2024
Attachment 10 Revenue requirement V1.docx	17 September 2024
Attachment 11 Digital expenditure V2 20240814.docx	18 September 2024
Attachment 12 BRC Pass Through Charges.docx	18 September 2024
Attachment 13 Form of control (revenue cap or price cap) .docx	18 September 2024
Attachment 14 Disclosure Statement.docx	18 September 2024
Attachment 15 Climate Change risk statement V1.docx	17 September 2024
Attachment 16 MDBA Pass Through Charges.docx	18 September 2024
Attachment 17 Cost allocation methodology V1.docx	13 September 2024
Attachment 18 Capital expenditure Infrastructure Assets V1.docx	18 September 2024
Attachment 19 RAB asset lives, depreciation, and WACC.docx	17 September 2024
Attachment 20 Working capital and corporate tax V1.docx	13 September 2024
Attachment 21 Forecast customer numbers and demand V1.docx	18 September 2024
Attachment 22 Compliance and regulatory drivers of expenditure.docx	18 September 2024
Attachment 23 Our corporate strategy V1.docx	18 September 2024
Attachment 24 Waters Greater Sydney LTCOP V1.1 - September 2024.docx	16 September 2024
Attachment 25 Proposed user and government cost shares.docx	12 September 2024
Attachment 26 Proposed rural valley bulk charges and bill impact V1.docx	16 September 2024
Attachment 27 Proposed cost pass-throughs V1.docx	17 September 2024
Attachment 28 Glossary V1.docx	17 September 2024
Attachment 29 MDBA BRC Letter to waters July 2024.PDF	16 September 2024

3 Evidentiary Basis

The evidentiary basis upon which this QA was conducted was the SIR and models provided by WaterNSW. The final versions provided are identified below.

The Proposal Suite and the evidentiary basis were amended by WaterNSW during the course of our QA. Any amendments made to the evidentiary basis post 23 September 2024, were not considered as part of this review.

File Name	Date
WaterNSW (Greater Sydney) Annual Return (AIR SIR) 2024 PROTECTED.xlsx	10 September 2024
WaterNSW (Rural) Annual Return (AIR SIR) 2024 UNPROTECTED.xlsx	10 September 2024
WaterNSW (WAMC) Annual Return (AIR SIR) 2024 UNPROTECTED.xlsx	10 September 2024
Opex by Portfolio.xlsx	19 September 2024
WaterNSW (Greater Sydney) Annual Return (AIR SIR) 2024 PROTECTED.xlsx (BTS)	19 September 2024
WaterNSW (Rural) Annual Return (AIR SIR) 2024 UNPROTECTED.xlsx (BTS)	23 September 2024
WaterNSW (WAMC) Annual Return (AIR SIR) 2024 UNPROTECTED.xlsx (BTS)	19 September 2024

4 Our Findings

In undertaking the Activities, minor issues were noted throughout the Proposal Suite, including, rounding issues, inconsistent representation of figures and formatting issues. No material issues were found. In our sample check of the Proposal Suite to the Quality Assurance Register, WaterNSW appears to have addressed the issues raised.

5 Limitations

We presented a number of findings to you during the course of the Activities in a Quality Assurance Register. It was the responsibility of WaterNSW to make any necessary changes. We have relied on the responses you provided. The Activities are provided expressly on the condition that you acknowledge that we are entitled to rely on your representations.

In completing this engagement, we relied on information and material supplied by you. Our work was undertaken on the understanding that you draw our attention to all matters of which you are aware concerning the Proposal Suite or other matters which may have an impact on our work up to the date of completing the Activities.

We will not be responsible for any error in our work caused by, or arising out of, or in any way connected with any omission of information or any misrepresentation, misleading or deceptive information or materials supplied by you.

6 Restrictions on Distribution and Use of This Work

This work is intended solely for the use of WaterNSW for the Purpose. As the intended user, it is for you to assess both the procedures and our findings to determine whether they provide, in combination with any

other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. Distribution of this work is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than WaterNSW for any consequences of reliance on this work for any purpose.

We have no responsibility to update this work for events and circumstances occurring after the date of this letter. We have no responsibility for changes made to the Proposal Suite after our Activities.

Should you have any questions regarding this review, please feel free to contact me on [REDACTED].

Yours sincerely,

[REDACTED]

Sandra James

National Lead Partner | Power, Utilities, & Renewables
Deloitte Touche Tohmatsu