

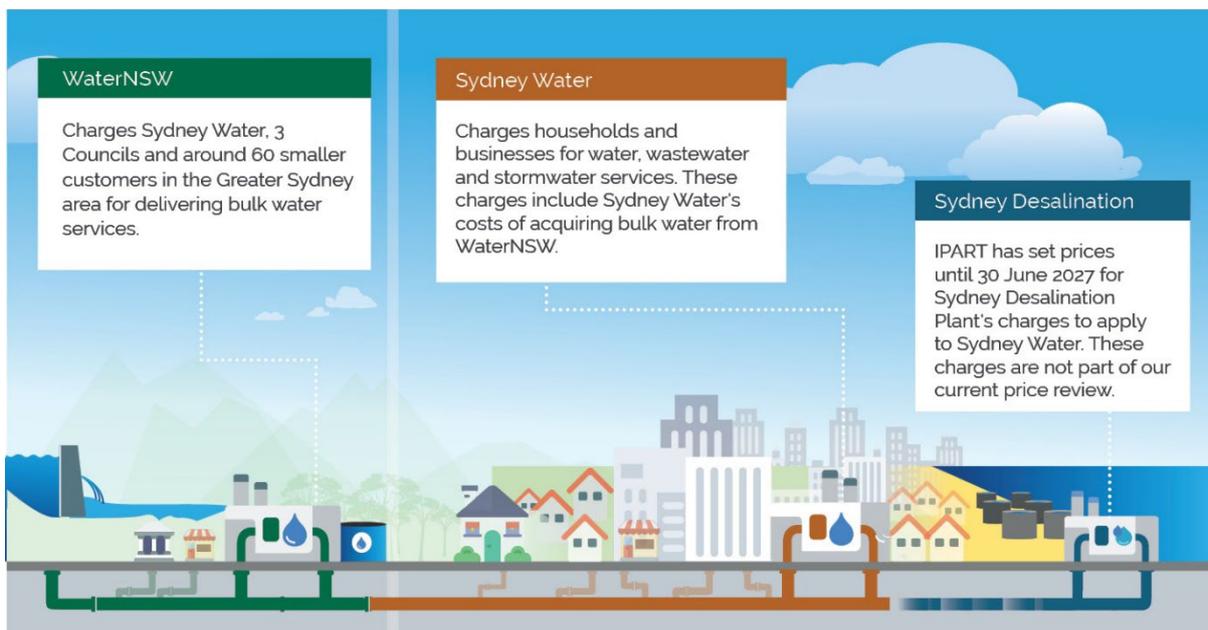
IPART is reviewing prices for Sydney Water and WaterNSW Greater Sydney

1 November 2024

IPART sets the maximum prices that [Sydney Water](#) can charge its customers for water, wastewater and stormwater services. We also set the maximum prices that [WaterNSW](#) can charge for the water services it provides to customers in the Greater Sydney area. 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

Customers should pay only what water businesses require to efficiently deliver the services their customers need. Our aim is to hold water businesses accountable in a way that delivers good short, medium, and long-term customer outcomes.



Through our price review process, we focus on protecting customer affordability and promoting value for money, while also ensuring water businesses remain financially viable and able to efficiently deliver their services.

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.

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.

You can get involved by making a submission, submitting feedback or attending the public hearing.

[Submit feedback for Sydney Water or WaterNSW Greater Sydney reviews»](#)

[Attend the public hearing »](#)

[Subscribe to IPART for the Sydney Water or WaterNSW Greater Sydney reviews»](#)

All stakeholders – including Sydney Water's 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 [Sydney Water](#) 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 21 November 2024. The public hearing will be an opportunity to provide your feedback on these price reviews directly to the Tribunal and IPART Secretariat.
- We will consider all stakeholder and customer feedback, as well as input from our independent experts 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 [Sydney Water](#) or [WaterNSW Greater Sydney](#) reviews.



How we will assess these pricing proposals

We will closely review Sydney Water 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 the impacts of Sydney Water and WaterNSW’s pricing proposals on household budgets, service standards, the environment, and the economy more broadly.

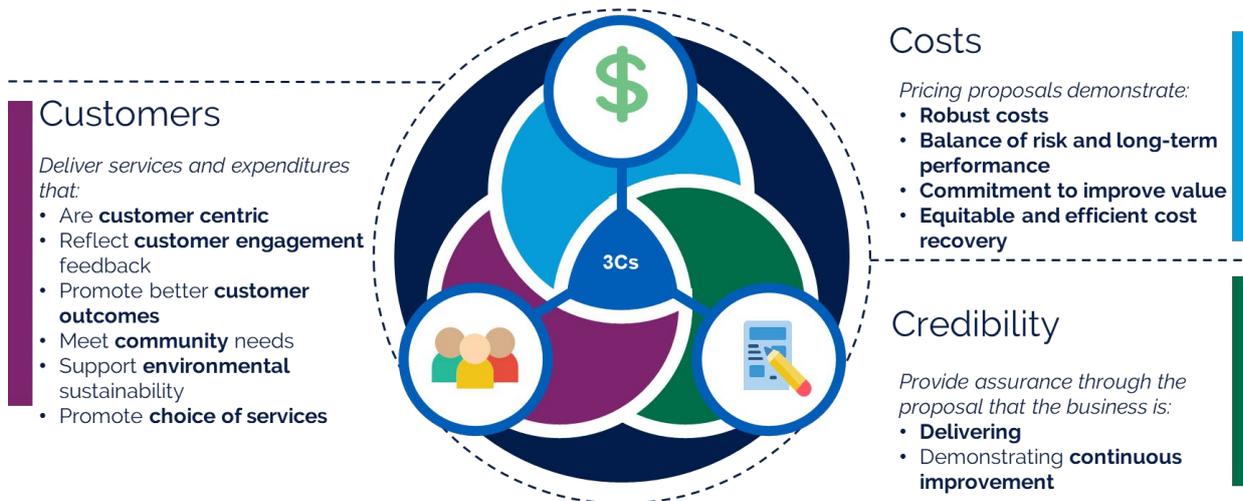
Under the IPART Act, when setting water prices, we are required to consider a range of matters.

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 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 Sydney Water and WaterNSW 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 Sydney Water and WaterNSW are to identify better ways of delivering their services.

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

In addition to our legislative responsibilities and 3Cs framework, the NSW Government requires our review to consider the following factors when setting prices:

- the cost-of-living impacts of Sydney Water's prices.
- the effectiveness of existing rebates to manage the social impacts of Sydney Water's prices
- opportunities to adjust project timelines to minimise price impacts and, if necessary, to reduce the proposed capital programs in line with least cost planning principles.
- deliverability of the proposed capital plans based on capability and market conditions.^a

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.^b

^a NSW Government, [Letter to the Chair – IPART](#), 20 August 2024.

^b 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. Sydney Water and Water NSW's proposals do not directly address the NHMRC's proposed updates, which will be the subject of subsequent decisions by Sydney Water and WaterNSW should the guidelines change.

This Issues Paper sets out the key issues and proposed prices from Sydney Water and WaterNSW's pricing proposals. It also outlines the key topics we are seeking your views on.

Sydney Water is proposing bills increase by 18% next year, and then further increases of 7% a year plus inflation

Sydney Water has proposed to increase bills for a typical household by \$235 (an 18% increase) next year. It proposes to then increase bills by \$123 on average (a 7% increase) each year over the following 4 years. In addition, Sydney Water is proposing bills increase annually for inflation.¹ We want to hear your views on Sydney Water's proposed price increases.

While Sydney Water is proposing that we set its prices for the next 5 years, it has also indicated how bills could change over the next 10 years (see Figure 1). Compared to the bill increases we are reviewing for this 5-year period, it is planning relatively more modest bill increases of 3% a year over the following 5 years (on top of inflation).

Figure 1 Sydney Water's indicative bills over the next 10 years (\$2024-25)



Source: IPART analysis and Sydney Water, Price Proposal 2025-2030, September 2024.

Sydney Water has told us it is committed to delivering key outcomes for its customers

Sydney Water has told us it has consulted with its customers to find out what was most important to them. This process allowed it to develop 3 outcomes to guide its service delivery for the next 5 years. Sydney Water's commitments to its customers are:

- **Customer experience:** deliver a great customer experience, including by aiming to keep bills affordable, support those in need and improve community access to waterways.
- **Water quality and reliability:** deliver safe, clean, reliable drinking water every day.
- **Environmental protection:** ensure Sydney Water protects waterways and the environment now and for the future.²

Sydney Water has developed targets to track its performance against these outcomes (see Table 1). It plans to hold itself accountable for performance for these outcomes via annual reporting to customers.

Table 1 Sydney Water's proposed measures and targets for customer outcomes

	Performance measures	Baseline	Target
Customer experience	Affordability: average residential customer bill as a percentage of average disposable income for the Greater Sydney region	0.86%	≤ 1.28%
	Customer satisfaction: position compared to benchmarked peers in an external survey of overall customer satisfaction	Top quartile	Top quartile
	Water literacy: score (out of 10) from an external survey testing customers' understanding of water, where it comes from, how it is managed, and where it goes.	4.9	≥ 6.5
	Public access and recreation: annual increase in number of sites with improved community access for recreation (e.g. swimming)	1 extra site	≥ 1 extra site
Water quality and reliability	Drinking water quality: percentage of systems where drinking water meets health guidelines	100%	100%
	Available water supply: percentage of drinking water demand that can be met by rainfall-independent supply	17%	≥ 33%
	Drinking water use: residential drinking water use per person per day	183 LPD	< 182 LPD
	System leakage: percentage of drinking water supplied lost as leakage	9%	≤ 7%
	Water continuity: percentage of customers affected by an unplanned water interruption for more than 5 hours	1.7%	< 2%
Environmental protection	Quality of wastewater treatment: percentage of water resource recovery facilities where quality of wastewater discharged complies with annual concentration limits for core pollutants	96.2%	100%
	Pollution: number of pollution incidents that could cause environmental harm	1053	≤ 1053
	Recycled water: volume of Sydney Water's recycled water available for supply (including treated wastewater and harvested stormwater)	39 GL/year	≥ 62 GL/year
	Green infrastructure land: percentage of Sydney Water land area with natural values and green infrastructure that is actively managed	22%	≥ 78%
	Net zero carbon emissions: volume of Scope 1 and 2 carbon emissions	390,000 CO _{2-e} t/year	Net zero emissions
	Climate risk maturity health check: Enterprise-scale level of climate risk management maturity rated through the NSW Climate Risk Maturity Health Check Tool	Fundamental	Advanced

Note: Baseline is for 2024-25 and target is for 2029-30; LPD = litres per person per day; CO_{2-e} t/year = carbon dioxide equivalent tonnes per year.

Source: Sydney Water, *Price Proposal 2025-2030*, September 2024, p 54.

Seek Comment



1. What do you think about Sydney Water's engagement process? Do you think Sydney Water has engaged effectively with customers and stakeholders?
2. What do you think about the key outcomes and performance measures Sydney Water is aiming to deliver for its customers?

We will look at the balance between prices that recover Sydney Water’s efficient costs and customer affordability

When we set prices for Sydney Water, we aim to set prices to cover the efficient costs of providing services to customers. This means that Sydney Water can continue to provide safe, reliable drinking water into the future. However, affordability is a key issue for customers, and so we will need to set prices that customers can afford to pay.

Sydney Water engaged with its customers on affordability, their willingness to pay for services and the trade-offs they are willing to make to keep bills affordable. For example, it found that customers were willing to pay more on their water bills to reduce the risk of severe water restrictions, through additional investment in increased supply, leak management, and water conservation programs. Customers were also willing to pay more to improve waterway health, increased water recycling and reduce carbon emissions.³

Through our price review process, we will assess the effectiveness of Sydney Water’s customer engagement. We will consider whether customers were given clear, unbiased information about options for prices, investment options and service levels. We will also look at the degree to which the engagement allowed customers to influence the agenda.

We are interested in hearing from you about how we should look at setting prices that are affordable for Sydney Water’s customers, but still ensure it can do the maintenance it needs and allow it to build new infrastructure or replace old assets. In addition to considering the proposed bill increases, we may consider the following factors set out below to better understand affordability:

 <p>Sydney Water’s residential bills are currently among the lowest in Australia. They are in the bottom 10% of water bills.⁴</p>	<p>\$3.60/day</p> <p>What a typical Sydney Water residential customer currently pays for its services</p>	 <p>1% of household income in Sydney is typically spent on water and wastewater bills.⁵</p>
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Source: IPART analysis based on data from Bureau of Meteorology and Australian Bureau of Statistics.

Seek Comment

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3. Setting prices that customers can afford is a key concern for this review. What factors should we take into account when considering customer affordability?
- 4. How would the bill increases proposed by Sydney Water impact your household budget?

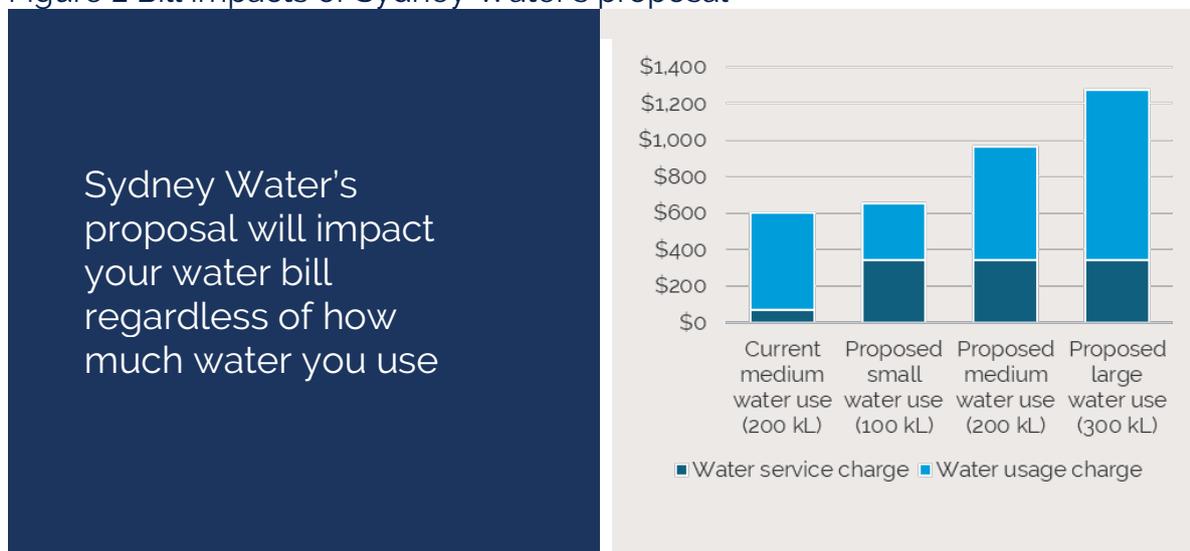
Sydney Water has proposed larger increases to water service charges compared to water usage charges

On your bill, you may notice 2 types of water charges which reflect the prices we set:

- **Usage charge.** This is a variable charge – how much you pay for this charge depends on how much water you use over the billing period.
- **Service charge.** This is a fixed charge – you pay a set amount for the water service you receive over the billing period.

Sydney Water has proposed much larger increases to water service charges than water usage charges. This would affect your bill regardless of whether you use a relatively small amount of water or a large amount of water.

Figure 2 Bill impacts of Sydney Water’s proposal



Note: The water component of bills is presented using the proposed prices for 2029-30. For clarity, the wastewater and stormwater components are not shown.

To offset the increase in Sydney Water’s proposed service charge, you would need to reduce the annual amount of water you use by 87kL. For a typical household using 200kL each year, this would mean almost halving your annual water usage by 2029-30 (i.e. reducing it by 43%).

Seek Comment



5. What do you think about Sydney Water proposing to recover most of its additional costs to service customers through the water service charge (a fixed charge that does not vary by water usage)?
6. Would you reduce the amount of water you use to lower your water bill in response to Sydney Water’s proposed price increases? If so, by how much?
7. What adjustments would you make to your home to reduce your water consumption? For example, would you install water saving devices or switch to lower water use appliances?

Sydney Water proposes to spend more money to address customer growth and renew its assets

To provide reliable water and wastewater services, Sydney Water proposes to spend money delivering new infrastructure (such as pipes and treatment plants) to growth areas. It also proposes to maintain and replace its existing infrastructure, purchase water to supply to customers and pay its employees.

 Sydney Water has indicated **\$32 billion** of investment is needed in the next 10 years⁶

- This is a significant step-up in investment, almost 2.5 times greater than its average infrastructure spend over the past 10 years.
- It comprises \$16.5 billion in investment over the next 5 years, and then a further \$15.5 billion over the following 5 years.

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

Sydney Water's costs include:

 <p>Bulk water costs Paying WaterNSW for bulk water from its catchments</p>	 <p>Operating costs Costs of running a business such as labour, energy and insurance costs</p>	 <p>Capital costs Costs of building, maintaining or upgrading infrastructure</p>	 <p>Other costs Other costs such as tax and working capital</p>
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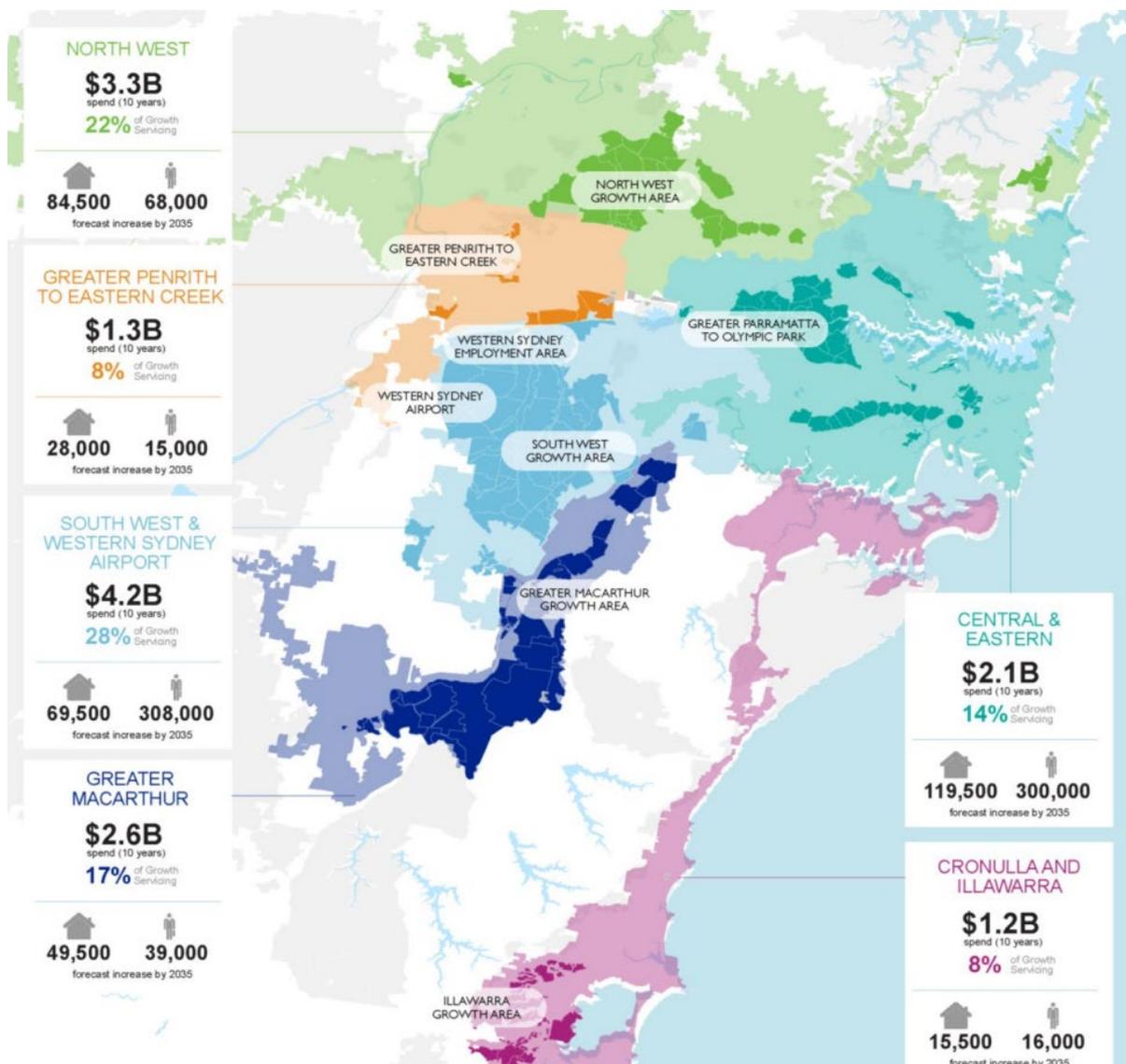
This Issues Paper focuses on the key costs from Sydney Water's pricing proposal that we are seeking your views on.

Supplying water and wastewater services to growth areas

Almost 60% of Sydney Water's proposed capital investment over the next 5 years is to deliver new services to growth areas across Greater Sydney (see Figure 3). It plans to spend around \$9.5 billion over this period, or \$4,200 per customer, on growth projects.⁷ They include:

- Building new water assets:** To meet future customer demand for drinking water across the growth regions, including infill areas such as the North West, Central City and Eastern City. Currently, Warragamba Dam and the Prospect Water Filtration Plant service 80% of Sydney Water’s customers. Over time, Sydney Water intends to focus on developing more rainfall-independent supply to meet growth requirements, such as desalination and purified recycled water.⁸
- Constructing new wastewater treatment facilities:** To service the Western Sydney International Airport, the surrounding Western Sydney Employment and South West growth areas, as well as the Greater Macarthur and Greater Parramatta to Olympic Park growth areas. The current coastal wastewater systems at North Head, Malabar and Bondi service 60% of Sydney Water’s customers. Sydney Water has indicated these systems are reaching capacity, and new wastewater treatment facilities and networks are needed to service the growth regions.⁹

Figure 3 Sydney Water’s proposed capital expenditure to service growth regions over the next 10 years



Note: Shows the forecast increase in dwellings and jobs in each growth region. Figures shown in \$2024-25.

Source: Sydney Water, *Price Proposal 2025-2030*, September 2024, p 134.

Developers will contribute to Sydney Water's proposed costs of this growth investment through paying 'developer contributions'^c. Sydney Water estimates developers will contribute \$3.9 billion to funding growth capital expenditure by 2030.¹⁰

Repair and replacement of pipes and treatment plants

Over the next 5 years, Sydney Water plans to spend around \$6.3 billion to renew existing infrastructure.¹¹ This represents around \$2,800 per customer on upgrades and improvements. For example, Sydney Water has indicated that its water and wastewater treatment plants need to be repaired. Money that Sydney Water spends on repairs and replacements will be recovered over time through water and wastewater prices paid by customers.

The 2 largest renewals programs Sydney Water plans to do are:

- **Water filtration plant pretreatment and renewals** (\$1.3 billion): Sydney Water has identified its water filtration systems are under increasing risk of non-compliance with quality standards. This is due to the increased occurrence of poor raw source water quality, partly caused by episodes of heavy rainfall. By improving pretreatment at several plants – including Prospect, Orchard Hills and Nepean – Sydney Water is aiming to support the reliable supply of safe and clean drinking water. It is also planning to replace ageing water filtration assets.¹²
- **Wastewater network renewals** (\$1.6 billion): Sydney Water plans to renew or refurbish major wastewater system mains, including the Northern Suburbs Ocean Outfall Sewer, the Southern and Western Suburbs Ocean Outfall Sewer and the Bondi Ocean Outfall System. Sydney Water has stated these mains need major investment, such as to remove decades of silt build-up as well as structural repairs and new internal lining. It considers this investment will progress it towards meeting compliance outcomes around dry and wet weather overflows, as well as supporting its customers' objectives to protect the environment and improve the condition of Sydney's waterways.¹³

To help us understand whether these projects are important to you we want to know what you think about the quality of Sydney Water's water and wastewater services. For example, service quality can include the number of water main breaks, bursts and leaks, and sewer breaks and chokes that occur in the community. We will consider your views on quality in deciding how much money Sydney Water needs to spend to meet your service expectations.

Seek Comment



8. Tell us what you think about Sydney Water's service standards for water and wastewater. What does good quality service mean to you?

^c Developer contributions are up-front charges levied upon developers to cover the costs of providing infrastructure to new developments.

Sydney Water has proposed that its operating costs may increase

Sydney Water expects that its operating costs will increase by 16% to around \$10 billion over the next 5 years.¹⁴ Around 17% of Sydney Water's proposed operating costs relate to buying bulk water from WaterNSW.¹⁵ The remainder of Sydney Water's operating costs relate to its direct costs such as paying employees, energy bills and other costs (such as vehicle costs).

We will examine the operating costs proposed by Sydney Water to ensure they are reasonable and no higher than they need be.

Sydney Water is proposing to change how it charges customers for its stormwater services

Sydney Water operates large stormwater drains in parts of Sydney, including the Inner West, Inner South, Parramatta and Eastern Suburbs.¹⁶ Customers in these areas pay an additional charge on their bills, covering Sydney Water's costs of providing stormwater services. Sydney Water's customers in other areas do not pay this stormwater charge.

Sydney Water will be providing stormwater services in new growth areas in Western Sydney, including the areas being developed around the Mamre Road and Aerotropolis precincts, as well as at Rouse Hill and Wilton.¹⁷ It considers several of these stormwater systems deliver healthy waterways. After taking account of any developer contributions it receives, Sydney Water has proposed to distribute the remaining costs of building and maintaining these stormwater systems across its entire customer base, rather than recover them from customers in areas where those systems are located.¹⁸

Sydney Water's pricing proposal does not identify the impact on customer bills associated with proposed changes to who pays for these stormwater-related costs. IPART will assess this as part of our review.

Sydney Water indicated customer views on this issue were mixed at its recent customer engagement forums. Some customers supported this new approach to stormwater charging, while others preferred to maintain the current arrangement. However, Sydney Water found there was generally strong support from customers for maintaining clean and safe waterways. It considers its management of stormwater services in some areas protects waterway health, and therefore there is customer support for its new stormwater pricing.¹⁹

Seek Comment



9. What are your views on who should pay for stormwater services? Customers who are connected to the stormwater services, or all Sydney Water customers?
10. Does your response change if the stormwater services protect or improve waterway health?

Sydney Water is proposing to reduce its forecasting risk

We will set Sydney Water's prices based on forecasts of water sales. It is important that these forecasts are reasonable, otherwise Sydney Water could over or under-recover the money it needs to deliver services.

Forecasting is not an exact science. Actual water sales may vary from forecasts due to unexpected changes in weather patterns or population growth. We manage this risk by using an adjustment mechanism. This helps to protect both customers and Sydney Water.



Currently, the risk adjustment mechanism only applies if there is a material difference between actual and forecast water sales.

Sydney Water wants to reduce its forecasting risk. It has proposed removing this materiality threshold.²⁰ This means we would adjust Sydney Water's prices in the next review for any under-recovery (or over-recovery) of money if actual and forecast water sales are different.

This change to the adjustment mechanism is similar to measures other water businesses have requested in recent pricing reviews, which we did not allow. We were concerned that removing the materiality threshold could reduce a water business's incentive to accurately forecast water sales and increase customers' exposure to forecasting risk.

We will carefully consider this issue and look at whether Sydney Water has provided us with new information which would change our previous view on forecasting risk.

WaterNSW is proposing average bill increases of 14% a year for Sydney Water

As well as prices Sydney Water charges its customers, we also set the maximum price WaterNSW can charge Sydney Water for the bulk water it takes from Warragamba Dam and its other smaller dams around Sydney. WaterNSW also supplies bulk water to three council customers (Wingecarribee Shire, Shoalhaven City and Goulburn Mulwaree) and around 60 end-use customers in Greater Sydney. Its largest customer is Sydney Water, which accounts for about 99% of Water NSW's bulk water sales.

WaterNSW is proposing a revenue requirement of \$1.7 billion over the 5-year determination period. This represents an annual average of \$340.2 million which represents a 37.5% increase when compared to the annual average revenue requirement in the current determination period.²¹

The higher proposed revenue requirement, coupled with lower forecast water volumes, is expected to result in an increase in the annual water bill for Sydney Water of 14%. WaterNSW estimates that this will increase a typical Sydney Water residential customers' bill by \$42 on average per year.²²

WaterNSW is proposing an increase to its capital and operating expenditure

WaterNSW has proposed a capital expenditure program of \$1.5 billion over the determination period. This represents an annual average of \$297.2 million, which is 155% above the annual average of \$116.4M in the 2020 Determination period.²³ The 2 major projects in the capital program include:

- Warragamba Dam Resilience (\$609.1 million over 5 years) to meet dam safety standards. WaterNSW submits that a detailed risk assessment justifies strengthening aspects of the dam to ensure compliance with regulation and the ongoing ability to handle extreme rainfall events. The infrastructure solutions under consideration include the construction of a concrete buttress on the downstream face and/or installation of post-tensioned anchors across the top of the dam. The chosen solution will be subject to the development of a Final Business Case.²⁴
- Warragamba E-flows (\$301.8 million over 5 years) to modify Warragamba Dam to enable the release of variable environmental flows. WaterNSW states that this will improve health and recreational opportunities in the Hawkesbury-Nepean River. The proposed project includes a multi-level offtake tower on the upstream face of the dam, modifying the existing large diameter penstock, and modifications to the existing hydro-electric power station.²⁵

WaterNSW is also seeking \$661.3 million in operating expenditure for the 2024 Determination period. This equates to an annual average of \$132.3 million, which is 15.7% higher than the annual average of \$114.4 million in the current determination period.²⁶ WaterNSW states that the key factors driving the proposed cost increases are:

- Costs associated with the implementation of a new operating model. The change resulted in an overall increase in employee numbers and salary and wage expenditure. WaterNSW submits that the overall impact of the change will lead to lower costs below the level it would have been under its original model.²⁷
- Digital related costs including costs associated with software licencing and support maintenance, investments in telecommunications and networks due to higher risk, uncertainty and change, and cloud hosting costs. WaterNSW also expects digital costs to increase at a rate above inflation (approximately 16% annually) with additional data, new functions, improved security and vendor price rises.²⁸
- Increased employee and contract labour costs to reflect the updated WaterNSW 2023 Enterprise Agreement and increases in the Superannuation guaranteed levy in line with changes to the superannuation legislation. WaterNSW also expects wage cost increases to be above inflation over the determination period, with a forecast real change of 1.0% per annum.²⁹
- Increases in WaterNSW's land tax obligations. Additionally, WaterNSW has significant holdings of land that were not historically valued by the Valuer General but which Revenue NSW has advised it will request the Valuer General to value as part of WaterNSW's land tax assessment process. On top of this, WaterNSW expects land valuations to increase by 8.4% per annum over the 2025 Determination period.³⁰
- Step increases in water licencing fees arising from higher overall costs of Water Management and Planning Functions (as per its WAMC pricing proposal) and higher overall costs of Fish River Transfers for the Greater Sydney Region.³¹

- Step increases in costs associated with compliance uplift with existing regulatory requirements, where there is currently non-compliance, including its Land Management Program, Crane Safety Improvement, and Electrical Safety Program.³²

WaterNSW is proposing a revenue cap

WaterNSW has also proposed changing its price structure for Sydney Water from the current price cap to a revenue cap. Under this revenue cap, WaterNSW will adjust the variable usage charge each year to recover (or return) revenue foregone (or received) that is below (or above) the allowed revenue. WaterNSW indicates that it would apply a 2% constraint to the adjustment to variable usage charges and that any carryover balance (i.e., under-recoveries and over-recoveries in previous years) will carry over to the following years.³³

WaterNSW is proposing a revenue cap for Greater Sydney to align with its proposal for the rural valleys water price review.³⁴

Seek Comment



11. What do you think about WaterNSW engagement process for its Greater Sydney bulk water services? Do you think WaterNSW has engaged effectively with customers and stakeholders?
12. What do you think of WaterNSW's proposed capital expenditure program, including the Warragamba Dam Resilience and Warragamba E-Flows projects?
13. What are your views on WaterNSW's proposed Long-Term Capital and Operational Plan for Greater Sydney?
14. What do you think about WaterNSW's proposed operating expenditure?
15. What impact would WaterNSW's proposed revenue cap have on customers in Greater Sydney?
 - Do you think it increases customer value?
 - Can you identify any unintended consequences?

We have made preliminary gradings for several water businesses' pricing proposals, including Sydney Water and 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 proposals have 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 its 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 interest of customers at a 'Standard', 'Advanced', or 'Leading' level. We also have the option to grade a pricing proposal as 'Sub-Standard'.

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 of the water business's pricing proposal 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.

Our preliminary decision is to grade Sydney Water's pricing proposal as Standard

Our preliminary decision is to grade Sydney Water's pricing proposal as Standard. This is the same as Sydney Water's self-assessment of its pricing proposal.³⁵

Key factors supporting our preliminary grading include:

- Sydney Water has undertaken customer engagement and developed 3 well-explained customer outcomes based on this engagement. However, at this stage it is unclear the degree to which the engagement allowed customers to influence Sydney Water's expenditure decisions, or the final bill increases it has proposed. Further, the 3 customer outcomes involve trade-offs. For example, keeping bills affordable (customer experience outcome) compared with higher spending to protect waterways (environmental outcome). We will be looking closely at how Sydney Water has balanced these trade-offs.
- Sydney Water has developed a long-term plan to support its investment decision making, which we understand is intended to align with NSW Government planning for water security and resilience. That said, our preliminary view is the business case for some of the proposed investment underpinning this plan has not been established through the pricing proposal. This is particularly relevant given Sydney Water is proposing a substantial step change in expenditure, with associated bill impacts and deliverability risks.
- Sydney Water has proposed a different way of charging for stormwater services, which it has indicated aligns with customer feedback. However, the bill impacts of this change to stormwater charging were not apparent in the pricing proposal.

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

Previously, WaterNSW Greater Sydney and WaterNSW Regional and Rural prices were subject to two separate reviews and determinations. Under the new 3C's framework, WaterNSW has submitted one bulk water pricing proposal that combines its customer consultation, expenditure and prices into one proposal for both Greater Sydney and Regional and Rural bulk water services. WaterNSW submits that this is consistent with the key principles of the 3C's framework, reduces costs of regulation, and more accurately reflects WaterNSW's role as a single organisation providing multiple services.³⁶

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

- The engagement provided opportunities for Sydney Water, as a customer of WaterNSW, to provide input to WaterNSW's pricing proposal and Long-Term Capital and Operational Plan. However, there is limited evidence to show how Sydney Water's feedback influenced WaterNSW's pricing proposal, nor evidence of engagement with other customers, including councils and other smaller customers, on its pricing proposal.
- The proposed capital expenditure is increasing significantly, particularly with the Warragamba Dam Resilience project, but there is limited information available (such as a business case and cost-benefit analysis) on the need, scope of works, deliverability, and costs.
- There is little justification on how WaterNSW's proposed expenditure program is linked to its customer outcomes, particularly affordability.

The details on the key factors relating to WaterNSW's Regional and Rural bulk water services are set out in our Regional and Rural [Issues Paper](#).

We are currently assessing the pricing proposals of 4 water businesses

In addition to our price reviews of Sydney Water and WaterNSW (its Greater Sydney operations), we are also reviewing proposed prices for [Hunter Water](#), [WaterNSW \(its Regional and Rural operations\)](#) and the [Water Administration Ministerial Corporation \(WAMC\)](#).

Of the 4 water businesses, we have made a preliminary grading that Hunter Water's pricing proposal is Advanced, while Sydney Water, WAMC and WaterNSW's pricing proposals are Standard (see Table 2). We may revise these gradings during our review and will include draft gradings in our Draft Reports for these water businesses in March 2025.

Table 2 IPART's preliminary gradings for the 4 water businesses' pricing proposals

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

We have engaged independent experts to review the proposed expenditure

We recognise that both Sydney Water and WaterNSW have proposed large increases in expenditure. We have engaged independent experts to assist us to review Sydney Water'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. It will also assess whether Sydney Water's and WaterNSW's longer-term capital investment strategies are the most efficient and in customers' long-term best interests. We will take the independent experts' findings into account when setting prices.

¹ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 16, 279-280.
² Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 46, 49-52.
³ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 26, 43-44, 224.
⁴ Water businesses with greater than 10,000 connections. Bureau of Meteorology National performance report 2021-22: urban water utilities (Part B), accessed 21 October 2024.
⁵ Australian Bureau of Statistics 2021 census data for Greater Sydney, accessed 21 October 2024.
⁶ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 119, 126-127.
⁷ Sydney Water, *Price Proposal 2025-2030*, September 2024, p 126.
⁸ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 9, 77, 141-142.
⁹ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 9, 136-137.
¹⁰ Sydney Water, *Price Proposal 2025-2030*, September 2024, p 200.
¹¹ Sydney Water, *Price Proposal 2025-2030*, September 2024, p 126.
¹² Sydney Water, *Price Proposal 2025-2030*, September 2024, p 406.
¹³ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 136, 403.
¹⁴ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 164, 173.
¹⁵ Sydney Water, *Price Proposal 2025-2030*, September 2024, p 198.
¹⁶ Sydney Water. [Stormwater catchment map](#), accessed 16 October 2024.
¹⁷ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 45, 224.
¹⁸ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 224, 257.
¹⁹ Sydney Water, *Price Proposal 2025-2030*, September 2024, pp 222-223, 270.
²⁰ Sydney Water, *Price Proposal 2025-2030*, September 2024, p 259.
²¹ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 45; and 169-170.
²² WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 181.
²³ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 37-39; and 152-154.
²⁴ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 154; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 7, 30 September 2024, pp 6-8.
²⁵ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 155; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 7, 30 September 2024, pp 9-10.
²⁶ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 31; and 126.

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- ²⁷ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 114-115 and 119-120; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 8, 30 September 2024, pp 11-14.
- ²⁸ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 115-116 and 121-122; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 8, 30 September 2024, pp 10-11, and 18.
- ²⁹ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 115-116, 118, and 121; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 8, 30 September 2024, pp 10,13, and 17-18.
- ³⁰ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 115-116, 118 and 122; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 8, 30 September 2024, pp 10 and 18-19.
- ³¹ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 122-124; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 8, 30 September 2024, p 28.
- ³² WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, pp 123-124; and WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, Attachment 8, 30 September 2024, pp 23-24.
- ³³ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 43.
- ³⁴ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 82.
- ³⁵ Sydney Water, *Price Proposal 2025-2030*, September 2024, p 321.
- ³⁶ WaterNSW, *Pricing Proposal to the NSW Independent Pricing and Regulatory Tribunal*, 30 September 2024, p 61.