



9 December 2024

Andrew Nicholls PSM
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
via email: [REDACTED]

Sydney Water's Response to IPART's review of prices for Sydney Water and WaterNSW Greater Sydney

Dear Mr Nicholls,

We are pleased to submit Sydney Water's response to IPART's 1 November 2024 issues paper "*IPART is reviewing prices for Sydney Water and WaterNSW Greater Sydney*" (the Issues paper). IPART's issues paper is the first stage of IPART's review of Sydney Water's prices that will shape our customers' bills for the next five years starting 1 July 2025. We appreciate the extensive work IPART has undertaken to summarise our proposal and to provide its preliminary views on issues. This has enabled us to understand IPART's concerns and to provide an informed and targeted response.

As a high-level summary, we would like to confirm that:

- Customers have influenced Sydney Water's expenditure decisions and the subsequent bill increase.
- There is a robust case for investing in water security and resilience.
- Changes to the stormwater pricing model will produce more equitable bill impacts.
- We support price controls that result in full cost recovery of efficient costs.

You will find attached to this email a PDF copy of Sydney Water's response to your issues paper.

Should you wish to discuss further, please do not hesitate to contact me.

Yours sincerely,



Roch Cheroux
Managing Director

An aerial photograph of a wide river flowing through a lush, green residential area. A multi-lane bridge spans the river in the middle ground. The surrounding landscape is densely packed with trees and houses, with a road visible on the right side. The water is a deep blue, and the overall scene is bathed in the warm, golden light of late afternoon or early morning.

Sydney Water's Price Proposal 2025-30 Response to IPART's Issues paper

Acknowledgement of Country

Sydney Water respectfully acknowledges the Traditional Custodians of the land and waters on which we work, live and learn.

We pay respect to Elders past and present.



IPART is reviewing prices for Sydney Water and WaterNSW Greater Sydney

Sydney Water welcomes the opportunity to respond to IPART's review of prices for Sydney Water and WaterNSW Greater Sydney. We believe we share a common objective with IPART of wanting to ensure customers only pay what is required to efficiently deliver good short, medium, and long-term customer outcomes. We appreciate the extensive work IPART has undertaken to summarise our proposal and to provide its preliminary views on issues. This has enabled us to understand IPART's concerns and to provide an informed and targeted response.

The Issues Paper presents ten questions for public comment relating to Sydney Water's pricing proposal, and a further five in relation to WaterNSW's pricing proposal for Greater Sydney, which inform Sydney Water's bulk water costs.

The questions relating to Sydney Water's proposal can be summarised into the following themes:

- **Customer engagement and interpretation:** IPART has asked customers whether they think our engagement process was effective (question 1), whether customers agree with our outcomes and performance measures (question 2), and whether our proposed services standards are appropriate (question 8),
- **Customer response to potential higher water prices:** Noting a higher proportion of fixed charges compared to the past, IPART posed several questions seeking to understand how customers might respond in practice to higher water prices and the impact of household budgets (questions 3 - 7),
- **Stormwater cost recovery:** IPART is seeking views on our proposed changes to stormwater cost recovery (questions 9 and 10), which was not explicitly covered in the Our Water, Our Voice engagement strategy.

The Issues Paper also:

- documents IPART will carefully consider our proposal to remove the materiality threshold from the demand volatility adjustment mechanism, whereby all variances between actual and forecast water sales can be passed through to customers.
- provides IPART's preliminary gradings for the price proposals.
- asks five questions on WaterNSW's proposal. We have chosen not to respond to these questions.

Our response to IPART's Issues Paper

As a high-level summary, we would like to confirm that:

- Customers have influenced Sydney Water's expenditure decisions and the subsequent bill increase.
- There is a robust case for investing in water security and resilience.
- Changes to the stormwater pricing model will produce more equitable bill impacts.
- We support price controls that result in full cost recovery of efficient costs.

Our response is in four parts.

- Part 1: A high-level response, by theme
- Part 2: A direct response, with evidence, to items raised in the Issues Paper
- Part 3: A more detailed response, per question.
- Part 4: Corrections and updates to bill impacts.



Part 1: High level response by theme

Customer engagement and interpretation:

Our proposal is deeply connected to the priorities and expectations of our customers.

Our teams – from field crews to customer service – connect with thousands of customers every day reaching more than 774,000 customer contacts each year. For the last two years, we have built even stronger relationships through Our Water, Our Voice – our biggest-ever customer engagement initiative.

Involving over 13,000 customers, community members, and stakeholders, Our Water, Our Voice is the cornerstone of Sydney Water's engagement strategy. Supported by expert advisors including the independent Customer & Community Reference Group (CCRG), the program featured multiple phases of consultation to ensure that customer feedback was meaningfully integrated into our proposal.

Throughout this process, we prioritised transparency and inclusivity, providing clear, unbiased information to help customers make informed decisions. This material was codesigned and refined by the Customer & Community Reference Group. This feedback directly shaped our service outcomes, demonstrating alignment between customer priorities and our proposed plans. For example,

During Phase 5, a 60-person customer panel spent four days evaluating key trade-offs, such as the balance between service levels, risk, and cost. Customers opted for a low-to-medium risk profile, supporting investments in water quality and reliability while rejecting higher expenditure on water conservation measures.

Our proposal is underpinned by our Long Term Capital and Operational Plan (LTCOP), which outlines the key infrastructure and operational decisions required to meet our customer outcomes through to 2050. This plan integrates customer feedback and strategic priorities to ensure our investments address both current and future needs.

Over the next decade, our proposed capital investments focus on delivering reliable water quality, system resilience, and environmental sustainability – priorities consistently highlighted by our customers during engagement. These investments are supported by a suite of business cases and strategic plans that demonstrate the efficiency, prudence, and long-term value of our approach, ensuring that we deliver outcomes that reflect the needs and aspirations of our customers.

During Phase 5 customers told us they were not willing to accept higher levels of risk when it comes to the safety and reliability of their water supply.

Consistent with this outcome we plan to increase water production capacity by an additional 90GL a year by 2030 and invest \$2.44bn over the next 5 years to continue to deliver safe, clean water (see table 6.3 of our price proposal).

Customers not only guided our investment decisions but also validated our interpretation of their feedback. For example, during workshops and surveys, participants expressed strong support for maintaining water quality and reliability as top priorities. Customers also confirmed their agreement with balancing affordability against the need for sustainable infrastructure investments.

Ongoing customer research confirms that satisfaction with Sydney Water's current services aligns with earlier findings. Customers consider the current service levels appropriate (Phase 2) and value maintaining them (Phase 4, Discrete Choice Experiment).

Our proposed service standards reflect customer input and regulatory requirements, including the Operating Licence 2024–28. During engagement, customers tested and provided feedback on existing standards, expressed satisfaction with current levels of service, and explored their willingness to pay for enhancements.

For example, customers supported our target to reduce drinking water leakage to 7 per cent by 2029–30, emphasising the importance of environmental efficiency alongside reliability.

These proposed standards, integrated into our price submission, ensure that we meet customer expectations while meeting regulatory requirements.

Customer response to potential higher water prices

Our commitment to listening and responding to customer needs is further reflected in our approach to affordability and pricing structures. While Sydney Water has adopted a higher proportion of fixed charges compared to the past, the majority of this is driven by wastewater services which are not metered and volume is not the sole driver of costs. Setting wastewater prices with a high variable component may therefore not send effective price signals. For water services, Sydney Water explored more variable pricing structures such as inclining block tariffs in order to improve affordability for those who use less water and charge higher prices for high water users,

During Phase 6 customers rejected pricing mechanisms such as inclining block tariffs, which would disproportionately affect high-usage households (67% of respondents could live with, liked or loved a tiered price compared to the 98% who preferred the existing structure). Instead, they supported a pricing structure that provided stability and control over their bills.

The proposed flat rate water usage charge has been set with respect to industry best practice and IPART's Water Regulation Handbook. For more information see our response to questions 6 and 7.

To support affordability, we are committing to deliver significant savings – \$593 million in operating costs and \$1.5 billion in capital costs over five years – and expanding payment assistance programs to support vulnerable households.

Initiatives like infrastructure contributions will also reduce bills by \$30 per household annually, further responding to customer concerns about cost.

Stormwater cost recovery

Customers recognised the need for effective stormwater management to prevent flooding and pollution of waterways. Sydney Water is proposing two changes to stormwater pricing to make pricing fairer by ensuring that the costs of environmental stewardship are shared by those who receive the broader benefits. We propose:

1. A single "postage stamp" price for all stormwater customers, regardless of which stormwater catchment they are connected to.
2. The costs for improving waterway health will be shared by all wastewater customers, as the benefits extend to everyone, not just those in specific catchments.

For more information see our responses to questions 9 and 10.



Figure 1 [The Cooks River naturalisation project](#) delivering better waterway health outcomes

Demand volatility adjustment mechanism

We believe it is in the long-term interests of customers that regulated businesses are afforded the opportunity (but not the guarantee) to recover IPART's efficient costs and revenue. Our proposal would allow the entire over / under recovery resulting from the difference between actual and forecasted water sales, to be returned to / recovered from customers in the next regulatory period (2030-35). Simply, if water usage is higher or lower than expected, your bill in the next period will be relatively lower or higher.

While IPART has previously rejected similar requests, our proposal addresses recent challenges, such as weather variability and unexpected population changes, that emphasises the need for greater flexibility.

Part 2: A direct response, with evidence, to items raised in the Issues Paper

IPART has made a preliminary decision that Sydney Water's price proposal is of Standard grade

In accordance with IPART's water regulation framework, we welcome the preliminary decision that our price proposal meets 'standard' grading requirements. This aligns with our self-assessment, where we have taken a responsible and realistic approach to investment informed by Our Water, Our Voice – our biggest-ever customer engagement initiative. Our proposal reflects the level of investment required to maintain and upgrade essential infrastructure and services, supporting Sydney's growth while ensuring value for our customers. Our proposal is about making sure we can continue delivering reliable, sustainable services both now and in the future.

Customers have influenced Sydney Water's expenditure decisions and the resulting bill increase.

IPART raise in the Issues Paper that:

"...[I]t 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."

Our price proposal demonstrates a strong link between our proposed expenditure and customer outcomes.

We have detailed the operating and capital expenditures allocated to each outcome (see Figure 2.4, Page 47 of our price proposal) and summarised the key actions and projects planned for the pricing period to achieve these objectives (see Tables 2.1, 2.2, and 2.3).

We have developed our LTCOP, which outlines the major infrastructure and operational plans needed through to 2050 to achieve our customer outcomes. Our key capital investments over the next decade are all required to deliver our customers' priorities, informed by our strategic investment plans as outlined on pages 129-131 of our price proposal.

We have linked our proposed operating expenditure to the three customer outcomes and further proposed some step changes to support expected service levels, in line with customer insights and preferences, as outlined in pages 174-175 of our price proposal. We note that customers were engaged on potential bill increases during Phases 4 and 5 of Our Water, Our Voice and the impact of certain investments on the bill. This engagement was used to shape the price proposal by aligning expectations for performance, risk and cost against investment portfolios for Sydney Water's customer outcomes.

How customers shaped the Water Quality and Reliability customer outcome

During Phase 5 of Our Water, Our Voice, Sydney Water specifically engaged a 60 person customer panel over four full days with the challenge "to shape and guide how Sydney Water provides the services that customers want, and need – while managing costs now, and into the future".

A critical element in this engagement was providing clear, unbiased information so that these customers could make informed choices. Sydney Water worked with its [Customer and Community Reference Group \(CCRG\)](#) to co-design materials and a program to ensure that the information provided was objective, understandable and relatable to customers.

We asked customers how much risk they were willing to accept and the potential bill impact of accepting more or less risk. There were also opportunities to receive higher levels of service, such as higher water conservation expenditure.

Table 1 summarises the four options that customers explored (for more detail on each option refer to the [Chapter 7 of the Phase 5 detailed report](#)). Highlighted in orange is Option C, the consensus reached by the group.

Table 1 Slide content from the customer panel debrief report - Preferred Water Security Option

	Option A	Option B	Option C	Option D
Water supply Actions	Action 1 – No new Water Supply	Action 1 – No new Water Supply	Action 2 – Build New Water Supply	Action 2 – Build new Water Supply
Water Conservation Actions	Action 3 – Current Water conservation	Action 4 – Extra Water conservation	Action 3 – Current Water conservation	Action 4 – Extra Water conservation
Risk Outcome	High	Medium High	Medium Low	Low
Additional \$ per average quarterly bill	Between \$5 - \$10	Between \$5 - \$10	Between \$15 - \$20	Between \$15 - 20
L Scale Result	64% Loathe 36% Accept (i.e Live with / like / love)	53% Loathe 47% Accept (i.e Live with/like/love)	14% Loathe 86% accept (i.e. Live with/like/Love)	17% loathe 83% accept (i.e. Live with/like/Love)

Table 2 outlines the detail behind option C, the consensus 86% of panel members reached, and how this recommendation from customers shaped the final investment portfolio seen in Sydney Water's price proposal to deliver on customers' Water Quality and Reliability needs.

Table 2 Bill impact of preferred investment option

Objective	What risk customers agreed to	What actions customers agreed to	Bill impact of preferred investment option	Actions Sydney Water will take based on customer preference	Actions Sydney Water will take to improve affordability
Water supply security / water conservation	<p>Low-medium</p> <ul style="list-style-type: none"> Approximately 5.5 years of drinking water supply in a harsh prolonged drought, from building a new water supply The supply and demand gap is fixed but deteriorates over time with population growth meaning as the city grows in the long term we will need to plan and build new water supplies We spend less time in water restrictions than we currently do Reduced risk of higher-level water restrictions than currently Good ability to cope with extreme weather events like heavy rainfall 	<p>Sydney Water builds additional water supply in the next ten years equivalent to 90 billion litres per year.</p> <p>Sydney Water continues to provide water conservation programs to those who ask</p> <p>Sydney Water fix leaks based on repair difficulty and customer disruption</p>	\$15-\$20 per quarter	<p>Increase water supply by 90GL by FY30, including:</p> <ul style="list-style-type: none"> Expand Sydney Desalination Plant - \$3.2B (CAPEX) Upgrade network for expansion of SDP - \$1.1B (CAPEX) <p>Deliver water efficiency programs to save 38GLA by 2030</p> <ul style="list-style-type: none"> \$10M per year for water efficiency programs targeted primarily to existing customers (OPEX) \$6M contribution per year to Climate Change Fund from FY25 to FY29 inclusive (OPEX). No contribution for FY30. Deliver leakage reduction program of \$30M per year to reduce leakage by 2% by 2030 (OPEX) 	The NSW Government is currently reviewing the timing of SDP expansion. It is scheduled currently for delivery in FY30 but this may yet be delayed.

This task was iterated for Sydney Water's Prevent Pollution and Customer Experience Outcome.

For more information on how each phase shaped our price proposal see:

- Sydney Water 2024 "[Price proposal 2024: Securing Sydney's water future: Our customer-centred plan for reliable services and sustainable growth](#)" Chapter 1 and Appendix 1, pp22-36, pp337-343
- Our [Webpage on Our Water, Our Voice](#) which contains overviews of each phase [including our Phase 5 summary](#).
- [Sydney Water](#)'s public customer engagement reading room, which contains summary and detail reports for each phase, including our [detailed phase 5 report](#).

There is a robust case for investing in water security and resilience.

IPART raise in the Issues Paper that:

"...[T]he business case for some of the proposed investment [in water security and resilience] underpinning this plan has not been established through the price proposal"

Sydney Water's investment comprises a suite of business cases and plans underpinned by our LTCOP. This investment aims to deliver reliable access to secure water, wastewater, and stormwater services to over five million people now and into the future. Sydney Water commits to providing detailed information on the underlying programs throughout its efficiency review to ensure that the expenditure required to deliver on this long-term outcome is well documented to IPART.

As elements and some business cases for this program are commercial in confidence, Sydney Water will work directly with IPART's efficiency review team to demonstrate our investments are efficient, prudent and delivers on the long-term interests of customers.

Changes to the stormwater pricing model will produce more equitable bill impacts

IPART raise in the Issues Paper that:

"...[T]he bill impacts of stormwater charging were not apparent in the pricing proposal"

Our proposal describes how our new stormwater services form part of an Integrated Water Cycle Management (IWCM) approach. This means the way we deliver the service provides greater benefit than traditional methods which largely benefit only the local connected customers. Although IWCM servicing is not new, this is the first time least-cost IWCM pricing has been proposed.

In our proposal we provided an estimate of the total impact of sharing the residual cost of **all** services which are delivered under an IWCM approach, including stormwater and recycled water. It included both the cost of the services we already provide and the cost of the new services we need to provide in the future.

However, more importantly, the evidence we provided demonstrates that without these services, Sydney Water would be limited to offering basic, traditional servicing. This would not only lead to hundreds of millions of dollars in lost economic value but also result in severe degradation of the waterways that our customers enjoy and rely on.

Our price proposal estimates that after accounting for infrastructure contributions and connected customer payments, the total residual shared bill impact would translate to an approximate 2% increase in the average customer bill. IPART has requested additional details on these pricing options, which we will provide.

We support price controls that result in full cost recovery of efficient costs

IPART raise in the Issues Paper that:

"Sydney Water is proposing to reduce its forecasting risk"

Sydney Water and WaterNSW proposed price controls aim to ensure full cost recovery to support service delivery, albeit using different methods. Sydney Water proposes to do this by reducing the materiality threshold that needs to be achieved before costs are passed to customers, and only applying this as a price adjustment in the 2030 determination. WaterNSW aims to do this by making more frequent adjustments to their charges in the short term.

This issues paper suggests adjustments to the existing price control may reduce our incentives to accurately forecast future demand. However, for the reasons discussed in Chapters 10 and 12 of our price proposal, we would not modify our approach to demand forecasting as a result to this change. We note that past differences between forecast and actual water sales were not caused by errors in the forecasting process but by outside factors like weather, Covid-19 and variations in population growth.

Sydney Water would also like to clarify whether a cost pass-through mechanism is appropriate as a result of WaterNSW's revenue cap to ensure cost reflective prices. We would expect this to operate similar to the existing Shoalhaven transfer mechanism, which allows the efficient costs incurred during water transfers to be passed through to customers.



Figure 2 Many of Sydney Water's sites, such as Prospect Reservoir (above), are highly fixed cost but are mostly funded by variable water sales.

Part 3: Detailed response per question

Questions 1-10: Sydney Water's Price Proposal

Q1: What do you think about Sydney Water's engagement process? Do you think Sydney Water has engaged effectively with customers and stakeholders?

Our teams – from field crews to customer service – connect with thousands of customers every day and more than 774,000 customer contacts via phone, email, fax, mail and online channels, excluding self-service contact each year. In addition to this, for the last two years, we are proud to have built even stronger relationships through Our Water, Our Voice – our biggest-ever customer engagement initiative. This iterative engagement strategy was critical in shaping our price proposal and included engagement with over 13,000 customers, members of the community and our stakeholders spanning almost 3500 hours of direct engagement over 21 months.

Expert advice from our delivery partners, the independent Customer & Community Reference Group, IPART and a quality assurance consultant helped shape the engagement program.

Our Water, Our Voice was run in addition to our ongoing community engagement on infrastructure projects, education programs, and long-term research, supported by a dedicated stakeholder program involving social advocacy groups, government, and councils.

Q2: What do you think about the key outcomes and performance measures Sydney Water is aiming to deliver for its customers?

Sydney Water has developed this proposal by actively listening to our customers and incorporating the outcomes and priorities they shared during consultations, including through the Our Water, Our Voice initiative and discussions with our Customer and Community Reference Group. We welcome ongoing community input on these outcomes and performance measures.

We are committed to transparency and accountability, ensuring these measures reflect the voices of our customers and stakeholders. We will continue to monitor and adapt them as needed to remain aligned with the guidance we have received.

Q3: Setting prices that customers can afford is a key concern for this review. What factors should we take into account when considering customer affordability?

We do not take price rises lightly at Sydney Water. We understand that price increases can place a strain on our customers, particularly during challenging economic times. Affordability remains one of our highest priorities, and we are committed to balancing this with the need to deliver essential water services that are reliable, high-quality, and environmentally sustainable.

Our customers have told us affordability is a clear priority for them – but they've also told us we must deliver water quality and reliability, as well as environmental protection. Part of our engagement process involved customers balancing customer affordability with our ability to deliver high quality services in the face of multiple challenges and long-term financial viability. Our proposal reflects these preferences.

We note the average Sydney Water bill is already in the lowest 10 per cent of all utility bills and is less than 1 per cent of average disposable income in the Greater Sydney Region. However, we also acknowledge the strain of rising living costs on our customers and aim to keep these costs to a minimum by achieving \$593 million of operating cost savings and avoiding \$1.5 billion of capital costs over the next five years.

For a water and wastewater customer consuming 200 kL per year, we are proposing an increase of 18 per cent in 2025–26, followed by smaller annual increases and will expand our support services with the assistance of the NSW Government. In 2025–30, we forecast we will enable up to \$1 billion through payment assistance programs to support those in need. We aim to track our performance against affordability as a customer-facing metric and respond to the needs of customers.

Q4: How would the bill increases proposed by Sydney Water impact your household budget?

Sydney Water remains committed to supporting our customers through targeted payment support programs and rebates, ensuring help is available for those who need it most. Findings from the Our Water, Our Voice initiative show that while customers understand the reasons for water bill increases, they expect these increases to be moderated to protect financially vulnerable groups.

We recognise the impact of rising water bills on both residential and non-residential customers. To help mitigate this, Sydney Water actively supports customers in managing their water usage and, in turn, their bills through education, advertising campaigns, and water efficiency programs.

Additionally, the reintroduction of infrastructure contributions by the government will help reduce household bills by \$30 per year, demonstrating our commitment to easing the financial burden wherever possible.

Q5: 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)?

Sydney Water's water tariff structure has been informed by customer engagement and a range of [Long-Run Marginal Cost \(LRMC\) estimates](#). In Phase 6 of Our Water, Our Voice, forum participants told us they wanted control over their bill but didn't favour usage prices that disproportionately impacted large households such as inclining block tariffs to achieve this objective. This objective – bill control – was facilitated by Sydney Water adopting an estimate at the higher end of efficient distribution of results for its water usage charge, allows those who save water to see lower bills.

Our water pricing methodology aligns with principles 3 and 4 of the [National Water Initiative's pricing principles](#) and section 4.7.4 of [IPART's Water Regulation Handbook](#). This requires the water usage charge to be set with reference to the LRMC and the residual of our revenue requirement to be recovered through the service charges.

This approach reflects Sydney Water adopting best practice in water pricing. For more information on water charges see Chapter 11 of our price proposal and [our LRMC attachment](#).

Q6: 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?

Sydney Water is actively helping customers reduce usage without sacrificing quality of life, offering assistance programs to ensure that customers can still afford essential water services. We support households and businesses to use less water through a range of initiatives. Resources can be found on [Sydney Water](#) and [DCCEW's website](#). Further saving tips and rebates can be found on the NSW government's [Cost of Living hub | NSW Government](#)

Sydney Water anticipates customers will use less water because of the 12.7% higher water usage charge. The pricing signal alone is forecast to reduce annual water demand by 11 gegalitres per annum by 2029-30. This is equivalent of 4,400 Olympic swimming pools each year.

Q7: 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?

We recognise that we play an essential role in helping customers take greater control of their water use, lowering their bills, through education and water efficiency programs.

We will continue to support our customers through water efficiency programs (for example, WaterFix® Residential, WaterFix® Strata, WaterFix® Commercial and WaterFix® Schools) and monitoring programs (for example, to locate water leaks).

Sydney Water is always interested in understanding ways in which consumers can and do save water. Part of our Water Conservation Program is to help increase the adoption of water efficient practices and technologies in the community by working with government, industry and other stakeholders.



Q8: Tell us what you think about Sydney Water's service standards for water and wastewater. What does good quality service mean to you?

Our customer outcome targets outlined in our price proposal set the service levels we aim to achieve and the great customer experience we plan to deliver. These are guided by the minimum service standards in our Operating Licence (OL) 2024-2028, Customer Contract and our Environmental Protection Licences. Phase 4 of Sydney Waters customer engagement tested satisfaction with existing standards and performance, and willingness to pay for higher standards.

Expenditure to reach these standards are reflected within Sydney Waters price proposal and were explored in [Sydney Waters OL submission to IPART](#).

Q9: What are your views on who should pay for stormwater services? Customers who are connected to the stormwater services, or all Sydney Water customers?

Sydney Water supports IPART's principle that costs should first be paid by those who cause them, then by those who benefit, and lastly by taxpayers if needed. However, as our services become more integrated, distinguishing between impactors and beneficiaries is becoming less clear. Sydney Water is proposing two changes to stormwater pricing:

1. A single "postage stamp" price for all stormwater customers, regardless of which stormwater catchment they are connected to.
2. Costs for improving waterway health will be shared by all wastewater customers, as the benefits extend to everyone, not just those in specific catchments.

In 2015, we began engaging with customers on the waterway health outcome our stormwater systems provide. At that time, we found there was very low knowledge of which entities managed stormwater, who paid for these services, how much was paid and what outcomes stormwater systems provided. In the initial engagement, customers had mixed views about how stormwater services should be paid for, reflecting the confusion about what these systems provide. However, when we went on to conduct in-depth panel sessions, which demonstrated that once customers understood stormwater systems protect waterway health, they were clear that stormwater prices should not change based on location nor which entity provides the service.

This same outcome was evident in the Our Water, Our Voice engagement in that, in the initial engagement on stormwater pricing, there were mixed views on how stormwater services should be paid for, but strong support for the outcome of waterway health.

That is, there was a preference for everyone across Sydney to pay the same amount for stormwater regardless of where they live.

Please note that this response does not comment on IPART's review into the [Mamre Road Stormwater Scheme](#).

Q10: Does your response change if the stormwater services protect or improve waterway health?

Our stormwater services benefit both connected customers and the broader community by reducing flooding and protecting waterways from pollution. These services can protect the environment and improve waterway outcomes when solutions such as [Water Sensitive Urban Design](#) (WSUD) are adopted.

While stormwater infrastructure has traditionally been considered to only deliver benefits to stormwater customers it can deliver waterway benefits to all customers. Sydney Water's regulatory model currently utilises the wastewater building block to provide a simple, efficient and pragmatic instrument to share the cost to protect waterways equitably, as it already does for other growth-related wastewater costs. Reallocating these costs to the wastewater block would reflect the outcome the expenditure achieves rather than the infrastructure by product name.

The customers and community we consulted supported this approach.

Part 4: Corrections and updates to bill impacts

Some of our performance targets are different to those shown in the issues paper

Table 1 on page 7 of IPART's issues paper summarises Sydney Waters performance targets for the 2025-30 regulatory period. In the table below we have identified some corrections (in red):

Table 3 Sydney Water's proposed measures and targets for customer outcomes (2023-24 vs 2029-30)

Performance Measures		Baseline (2023-24 or other)	Target (2029-30)
Customer Experience Committing to exceptional service and support	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	≥5.75
	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 Ensuring the delivery of safe, clean and reliable drinking water every day	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 (Q3 result, observed 12 month rolling average)	<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 Safeguarding our waterways and environment now and for the future.	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% (Q3 result, observed 12 month rolling average)	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 (average 2019-20 to 2023-24)	≥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 (2020–21)	Achieve 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/ repeatable	Advanced

WNSW's reprofiled bill impacts change Sydney Water's proposed bill impacts

When comparing Sydney Water's and WaterNSW's price proposals, we identified a mismatch between documents. This occurred because our documents were produced simultaneously and will be reconciled as part of IPART's price review.

Sydney Water's price proposal assumes WaterNSW's bills are consistent in real terms. As shown in Table WaterNSW has proposed \$13 million less revenue over the 2025-30 period. For illustration, assuming this lower revenue is recovered smoothly over 2025-30, Sydney Water's proposed bills will be approximately \$3 a year lower on average. Sydney Water supports a bill smoothing approach to help manage customer bills and recommends IPART consider the total impact as part of its price review.

Table 4 WaterNSW's annual bill to Sydney Water (\$2024-25, millions)

	2025-26	2026-27	2027-28	2028-29	2029-30	Total
WNSW proposal	\$254	\$292	\$336	\$383	\$440	\$1,705
Sydney Water proposal	\$342	\$343	\$344	\$344	\$345	\$1,718
Difference	-\$88	-\$51	-\$8	+\$39	+\$95	-\$13



Figure 3 The trunk main that connects Prospect Reservoir to Warragamba Dam