IPART Independent Pricing and Regulatory Tribunal | NSW

WAMC and WaterNSW 2025 water pricing review

Public Hearing Transcript

November 2024

Water

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

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

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The Independent Pricing and Regulatory Tribunal

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

Contents

1.1 WaterNSW presentation

Andrew Nicholls (IPART): I'm not sure if everyone's back yet I might just wait a few seconds.

Alright. Well, we might get underway just while people are coming, because we've got a little bit of content to get through this afternoon. Before I hand over to Andrew George from WaterNSW, to present. I'd just like to remind everyone about the process for questions. Again, if you have any questions just as the presentations are unfolding, just drop those in the chat box, and we'll certainly aim to come to those as quickly as we can. After Andrew's presentation, we will go to a short Q&A session, just like we did in the earlier session, followed by an IPART presentation, and then we will go to the full open session.

If anyone's joining us and wasn't here this morning, if I can also just let you know that this is a public hearing, and everyone, including the media, is free to report what is said here today. And this presentation is being recorded for anyone who is joining us for this session, and we really encourage everyone to share their thoughts and participate in the discussion. But if I can just remind everyone to keep your presentations as short as possible, so that everyone can get an opportunity, and we recognise that there are a range of views, and we very much encourage a respectful environment where everyone has a chance to have their say.

With those housekeeping items out of the way. I'll now hand over to Andrew George, who will present today on behalf of WaterNSW.

Andrew George (WaterNSW): Thank you very much, Andrew.

Good afternoon, everybody. Look before I start. I would like to acknowledge as well the Traditional Custodians of the Land and Waterways upon which we're all meeting from today. Today. We're here on Burramattagal Land, the clan of the Darug people and I pay my respects to their elders, past and present.

And look, I'd also like to extend my gratitude to the Aboriginal communities and their elders, who are so generous with their time as we were out around the state engaging on this proposal as part of our roadshows, and we do know that there is still so much more for water and catchment managers to be doing to improving Aboriginal people's access to water for both cultural and economic benefits. And we're certainly committed to walking on that journey with those communities, our partner agencies and our customers.

Thank you and go to the next slide. The presentation this morning to set the scene is really just broken up into 5 categories. We'll focus at the proposal at a glance. We'll touch on our 3C's approach, the expenditure summary, and in particular, what's driving our costs and the revenue requirements, and then looking at some of the options that we've explored to minimize those costs for customers. Thank you. Next slide.

So just a quick recap. I'm sure everyone on the call knows who WaterNSW is, but we do appreciate it is a complex water sector. We are, as we say, at the source, not necessarily at the taps. We are obviously managers of the bulk water infrastructure around most of the state, and in particular in the Murray-Darling Basin in NSW.

We are proud custodians of that resource. We do see ourselves as the expert operators as opposed to the rule makers or regulators. And we're certainly increasingly wanting to see ourselves as local partners. Thank you, Andrew next slide.

In our role in the water sector, we've just obviously had the WAMC session, which is made up of these 3 agencies. This session this afternoon is about WaterNSW bulk water infrastructure activities where we capture store and supply water for our irrigation customers, our council customers, industry, mining and increasingly the environmental water holders of both the State and the Commonwealth. Thank you. next slide.

Setting the scene and our proposal that was submitted to IPART really seeks to a revenue allowance to ensure that we can balance 3 competing challenges. One, we need to remain financially sustainable. We need to meet our customers' needs, and that is providing water reliably through infrastructure that is reliable and resilient, but as well as complying with a raft of regulatory obligations. And we also need to be doing that in a way that we're meeting our obligations to our shareholders, particularly around our credit metrics and debt parameters.

In our proposal, and as we've been discussing with our customers and communities now for well, over 18 months, the business is facing significant cost increases, in particular inflation and interest rates are a big driver of what's pushing up our costs. and that is, despite having a relatively small capital program. a small and, in fact, declining customer base spread across 13 valleys. Most rural valleys, as we've discussed with our customers, have operated at a loss for a majority of the time over the current determination period. And we have been pushing very hard with a cost transformation program which has sought to strip out about 10 % of our base operating costs, which we've achieved a large part of that. And certainly, we're backing ourselves in this submission to remove or avoid another $133 million dollars in operating costs over the next period.

Despite all of that, we do recognize that if those costs which we could test are fully cost-reflective, prudent, and efficient, are run through the regulatory model that does result in price rises that we acknowledge are unaffordable for customers, and so customer affordability has been, and continues to be, top of mind for WaterNSW.

Investments are driven by customers' outcomes that they're seeking, as well as a range of other matters, and particularly the regulatory drivers which we'll come to later on in the discussion.

There has been customer input into the level of investment for projects. And in certainly we do reflect in our submission the overwhelming feedback we had from the engagement activities that customers do want to see government picking up a greater share of costs, particularly for services that are more broadly in the public interest.

And we recognise this does put pressure on IPART to set prices below what's needed at a cost reflective level. And we'll get to the alternative proposals. But we see that we need to provide options to help our customers, and IPART navigate this challenge. Thank you. Next slide.

A little bit more detail and setting the scene. Economic conditions and the regulation that's coming onto WaterNSW over the past couple of years is absolutely driving up our costs, 64% of our increases are outside of our control as a result of those macroeconomic conditions and regulatory drivers. In that respect we are only seeking the lowest sustainable cost to deliver on those obligations no more and no less, and that is to ensure that we keep meeting our obligations and keep the system running.

We have, as I've said already stripped out 10 % of our base operational costs through efficiency programs that will result in over $130 million dollars being removed from the forward period which is reflected already in our proposal. We've also deferred $860 million dollars in capital works into future periods, and we've done that in consultation with our customers. That does mean we are taking on a little bit more risk. We've done that openly and transparently, but it's also helping to put downward pressure on bills.

The challenge for us is that, as we've said throughout our engagement, we are largely a fixed cost business, but our revenue varies significantly based on the volume of water that is delivered or sold. We have more than 25 new regulatory obligations on the business. These represent 40 % of our increase in opex costs.

And, as I said, our costs do not vary materially whether it's flooding, or whether we're in drought because we are a fixed cost business. So that is the challenge and so managing that financial and operational risk, particularly around the variable climate, these new regulatory obligations, and the volume variations has been something we've been very attuned to in developing our proposal, and in what we've discussed with our customers.

The proposed solutions, we've been investing in outcomes for that our customers want, and it has been the largest consultation we've ever undertaken as a business and is, it has been incredibly valuable. The alternative scenarios that we've put forward. I've been put forward to try and offset those cost increases and put downward pressure on customer bills, recognising there are incredible challenges in in putting forward those alternative scenarios as well.

We are still investing in our assets, though we are not proposing to go forward in a way that would see us underinvest now to create problems for future generations. We want to get back to a more sustainable level of capital investment that avoids future price shocks. And obviously the long-term plan for a more sustainable business.

We could go forward. one more slide. Thank you. In meeting. IPART's 3C's framework, we have proposed a standard grading, partly reflecting the complexity of our business and the complexity of the engagement that's required to put forward a standard proposal.

We do think our proposal is customer centric in that it does reflect the feedback we had from customers around what they value, where they do want to see us invest and where they don't want to see us invest, and I don't want to suggest that the price outcomes that come through the regulatory model reflect a customer supported proposal. That is not what we mean when we say customer centric, because we acknowledge that those pricing outcomes or bill increases are challenging and unaffordable.

But customers have influenced our business outcomes, and those conversations were led by my executive team, we're very proud of that. Our customers had direct connection with the decisionmakers in WaterNSW over a protracted period of time, and so that feedback has been brought back into the business and reflected in our business plans, and ultimately our pricing proposal.

And we have explored alternative scenarios. We have left no stone unturned to try and find what levers we have available to reduce prices for customers. And as I said at the beginning, customers are certainly seeing and wanting to see, a greater share of those costs from government.

In terms of how customers have influenced those business outcomes 2 really big points to note which is the ultimate decision to defer $860 million worth of capital projects, and us committing to avoiding $130 million dollars plus of operational expenditure in the forward period by removing that from our cost base in the current year, and that includes a 1% efficiency target on top. So, credibility, the assessment of our ability to deliver our capital program was something we considered very deeply. Certainly, if we'll get to this, if we remove the very large but small number of regulatory and policy driven projects. Our capital program is relatively the same, if not dropping about 4% so it's a little bit smaller than what we've done before. And we've been very successful in delivering the capital program in this current period. We are committed to being very transparent about our performance, and we want our customers to hold us to account and our cost transformation journey doesn't end in this year. We will continue to stretch ourselves as we go forward in the next 5 years to outperform the targets that we've put in our pricing proposal. Thank you. Next slide.

Our proposal at a glance, I've touched on the fact that it has been our biggest engagement program that we've ever undertaken. We've looked at 22 different investment proposals, we engaged with over 2,500 people and we reached out to 41,000 customers.

We spent over 2,000 hours in discussion through both our customer advisory groups (CAGs); very sophisticated customers who have a very in-depth understanding of our business and the water market, as well as the water working groups (WWGs) who included a broader cross section of customers, community members and stakeholders who had broader interests in water management, and that was done over 20 months.

What we heard consistently from all of those forums and engagement channels was that customers want us to continue to maintain downward pressure on costs, provide secure reliable water delivery, being open and transparent about the charges and expenditure, driving sustainable water and land management; land management in particular was a hot topic, providing easy access to data and information and providing good customer experience. How we will deliver that essentially is that we'll continue to invest in renewing and replacing that aging infrastructure so we can rely on the infrastructure that is, providing the water for our customers and their businesses, and we also want to become a much more digitally enhanced business to better support our customers in the way they operate their businesses. So that means we'll be spending close to a billion dollars over 5 years. Roughly, half of that on the capital program and the other half on the operating program, and also committing to that 1% efficiency target as well.

That does mean in a cost reflective sense. our revenue requirement is going up, 53% increase to that revenue requirement. 64% of which is driven by a lot of those factors that are outside of our control being the macroeconomic and the regulatory drivers.

We have reduced costs within our control. A significant amount of cost is being removed from the business already, and we have identified further additional alternative scenarios to try and minimise pricing impacts on customers.

We have proposed a revenue cap. We'll come to this in a bit more detail later, as well as keeping the current fixed charges at the current proportion for most valleys. And a reminder as well, we do have hardship programs in place to help customers in need, and we will be continuing those into the forward period. Thank you. Next slide, Just to touch on the drivers of our expenditure proposal, and this will not be new information for our customers, as we've presented this before. Our proposed capital program over 5 years is just over half a billion dollars. That is a 21% increase from the current determination. When excluding those large, regulatory, driven projects, the investment is actually broadly in line with our current investment plan under this current pricing period noting we've deferred $860 million dollars in capital works to future periods to try and keep prices down. On average, that means our proposed capital program is about 4% lower than the annual average in this current period. Thank you. Next slide.

One of the points we want to stress here is that our investment in maintaining or upgrading our aging assets actually only accounts for about 13% of the top 6 projects in our rural valleys program.

So, 87% of those investments are really driven around the regulatory expectations that have either existed or coming onto the business in the next 5 years. Across our entire rural bulk water capital program, investment in maintaining or upgrading our aging assets represents about 42% in total of the total program and 40%, roughly, is attached to those regulatory drivers. Thank you. Next slide.

What that looks like by valley tells an interesting story. For the most part our capital investment at a valley level is modest. It is small, and we've tried very hard to find the really prudent and efficient level of investment to keep prices down. The dark blue shading here illustrates the regulatory drivers behind capital projects, whether they be fishways, cold water pollution, upgrades required to meet new electrical safety standards or the crane standards or dam safety regulations, for example, and overwhelmingly, a lot of that increases in the northern basin. Thank you. Next slide.

Our operating expenditure is over $430 million dollars over the next 5 years, if that's set at a full cost, reflective level. That is 10% higher on average than our current period. And a lot of that does reflect those 25-plus new regulatory obligations on the business which are account for about 40% of that increase in opex. So that does reflect a real increase in prices and output, just like our customers. Our supply chain costs are going up, including our insurances, land tax, fuel, for example. There are step changes. Those step changes are related to those regulatory obligations, those non-controllable costs, particularly the macroeconomic costs, and that is offset, though, by those large efficiency savings that I highlighted at the beginning. Thank you. Next slide.

In a little bit more detail now, that proposed revenue requirement over the 5 years, it is 53% higher than the current determination. Key drivers that return on capital accounts for about 51% of the increase at $35 million dollars. And that's really driven by a big step change in the WACC. 250 basis point change in what we've assumed as the placeholder WACC, based on the IPART methodology for calculating the WACC.

So, to the last point there, we note, our interest rate has gone up since the last period when interest rates were at a historic low. So, our weighted average interest in the current period was 2.2% in 2020. That's now rising to 5.5 % today. So just like anyone who has a mortgage or a loan with their bank, they're probably paying twice as much in interest today as what they were if they took out that mortgage during the low interest environment during the pandemic. That is a big driver of our costs.

The opex costs which are going up $26 million. Oh, sorry. I'm not ready to move on yet. Thank you. Thank you. 38%, $10 million dollars of that, or about 40% driven by those regulatory changes and the return of capital which has an increased impact this period largely because we're investing more in technology which has a shorter asset life. So, it's depreciated quicker than, say, the big investments in dams or heavy infrastructure. Thank you. Next slide.

Just touching quickly on the form of control and pricing structures. As I said at the beginning. Our challenge is that our costs are largely fixed. but most of our valleys pay 40% fixed charges which creates volume risk for our business, and it actually creates pricing volatility for our customers as well year on year, and particularly between regulatory periods. So, it's not good for either our customers nor WaterNSW. The solution we've been discussing with our customers now for 12 or so months has been the merits of moving to a revenue cap. applying a side constraint. And more recently, the discussion to move environmental water holders to fully fixed charges. \We know the Lachlan Valley has sought to increase their fixed charges to 80% which we've reflected in our proposal as well.

The 2 broad options are to maintain the current form of control, which is a price cap. but that would need higher fixed charges to remove that volatility and volume risk for WaterNSW, the alternative being what I just spoke to the revenue cap approach. And there was broad support. from the engagement we undertook over many months to move to that to that new approach.

As part of the alternative scenarios, we also did put forward the concept of moving to a regional approach to pricing which we acknowledge was late in the engagement piece we would dearly have loved to have had more time to speak to what is a very complex concept, and idea with customers. We are interested, though, in in hearing what IPARTs views are on such a change to the way we're regulated. Thank you. Next slide.

So the options to minimize customer bills, we are really seeking to balance 3 things here, which is the significant increases in costs for WaterNSW, and the need for us to be financially sustainable, balancing that with affordability concerns for our customers, which are very real, and which we heard time and time again during our engagement, in which we will hear from today, I'm sure, but also the balancing act there for us, maintaining our credit metrics and parameters with our shareholders, and then obviously, for IPART, to balance those 3 competing or the tension between those 3 issues, and ultimately the tension to set prices below what's needed. To support that we have provided or proposed alternative scenarios that includes deferring large capital projects that are driven by policy or regulatory drivers. and addressing those competing priorities for WaterNSW, particularly around the regulatory obligations that are putting significant pressure on our operational costs, reducing cost pressure and assisting customer affordability in other ways. So, we did leave no stone unturned to look at how we can do that. Those alternative scenarios do propose, for example, setting prices to be capped at 15% per year, excluding inflation, which is below the cost-reflective price, which on average is about 22% per year excluding inflation. And we did note, and we discussed with our customers the challenge we have that if we went lower to what has been historically set by pricing regulators at around 10%, we would actually breach our credit metrics, and our rating would go sub-investment grade at about that level which causes broader issues for the state government.

Reducing expenditure below required levels is not necessarily in the customer's long-term interests. The question then becomes, how do we fund the revenue gap that arises between what is affordable for customers and what is needed for us to meet our regulatory obligations and the services that our customers have sought. Next slide, please.

In conclusion, we acknowledge costs have increased as they have for everybody, and we do acknowledge this is leading to customer affordability concerns, irrespective of whether it's cost-reflective prices, or even in the alternative scenarios that we've put forward. We have left no stone unturned to try and look at what levers we have available to reduce costs, and we have put forward those alternative scenarios for consideration. Look, we have been balancing things outside of our control with those things that would genuinely add value to customers.

And I do know, generally speaking, those things that do add the most value to customers are actually coming at minimal cost. And so that's why we have put them in our proposal. We have been and will continue to engage with government on our prudent and efficient costs and opportunities for greater government share, as IPART will, and I know the government is looking for IPART to undertake its review and do its determination first. And we obviously have put forward those 3 proposals for consideration as well.

And I do make the final point that if, all things being equalled we were asked to offset those increased costs to come back to the current level of revenue that we collect from customers there just simply isn't enough scope within the business to remove that cost. It would effectively mean we'd have to halve the business in order to achieve that outcome which in the long term is in nobody's interest.

But thank you for the opportunity to present this morning, and really looking forward to the discussion this afternoon. Thank you, Andrew.

Andrew Nicholls (IPART): Right. Thank you, Andrew. So just before we come to the presentation from IPART. there's an opportunity in the next 5 or 10 min. If there's any points of clarification or queries on the presentation that was just heard, so open it to the floor or any comments online. I know there's a few comments coming through online, some of those we might pick up in the general discussion. I suspect Jennifer.

Jennifer McLeod (CICL): Thank you. And thanks, Andrew. Would it be possible for you to quickly elaborate on those 25-plus new regulatory requirements that are major drivers of the costs increases.

Andrew George (WaterNSW): Sure, and there is an attachment as part of our submission which goes to this specifically and outlines the changes. So obviously the most recent and obvious ones that customers would be familiar with are the changes to our operating license. Obviously, dam safety regulatory changes, driving investment in dam safety upgrades both in Greater Sydney and rural valleys. I referred to changes to electrical and crane safety standards, for example. There are changes that, as noted in the earlier session, as well coming from the Commonwealth, whether that's security of critical infrastructure or SOCI legislation which goes to assets that are from a cyber or a Commonwealth security, perspective of interest. We have obligations under that legislation, as well as the range of changes that are happening in state legislation, water sharing plans, Water Management Act. All of these things have an impact on WaterNSW and their obligations. But happy to refer you, and perhaps I'll get a note from the team. I can put it in the chat which attachment that refers to Jennifer.

Jennifer McLeod (CICL): Thanks, Andrew, and I've actually have read the attachment. I suppose a question I would have is to what extent should the user share of some of those new regulatory requirements be imposed on (be high) for water users? That's a comment, probably more than a question.

Andrew George (WaterNSW): I might take the opportunity, though with that question, Jenny, to make a general comment and then, perhaps for IPART that our intention through presenting our proposal, and the cost-reflective base case is to put all of the costs on the table that are required of WaterNSW, so that IPART in doing its job, can see the full cost of meeting all of those obligations and form a view on that very question. You've asked Jenny.

Jennifer McLeod (CICL): Thank you.

Andrew Nicholls (IPART): Thanks for that, Jenny and that response, Andrew. Certainly, all of those aspects are a big part of the thorough review process that IPART now undertakes. In looking at the proposal, Jared.

Jarrah O'Shea (RMCG - for MIL): Yeah, thank you. My question, Andrew is on slide 12. You had a graph of all the rural valleys capital expenditure. Is that direct capital expenditure within the valley, or is there a share of overheads or corporate expenditure included within those figures?

Andrew George (WaterNSW): I might defer to Michael Martinson, my manager of economic regulation, who put the slide together to answer that question. Thank you, Jarrah.

Michael Martinson (WaterNSW): Hi Jarrah. What you're seeing here really is a combination of direct expenditure. But there's also an allocation of expenditure that's really corporate related. There's a component of some infrastructure and digital costs as an example that are that are in those allocated across each of the valleys.

Jarrah O'Shea (RMCG - for MIL): Yeah, no look that that absolutely makes sense. And there's always a share of corporate capex, that's included. My query would be unless I overlooked it in your in your submission. Is that breakdown available as to how much is and look particularly with Murray Irrigation, who we're working for. But you know, is the breakdown of what is corporate overheads versus what is direct in valley expenditure. I don't think it's available in your submission. It could well be, and if so, it'd be great to know where.

Michael Martinson (WaterNSW): Yeah, so it's in the information, the Annual Information Return (AIR) and the Special Information Return (SIR) that we provided to IPART contains that information. We're happy to have a discussion with IPART around what information is available. But certainly we've provided IPART that that information.

Jarrah O'Shea (RMCG - for MIL): Yeah, I think it's just hard for the individual water users and for people within the valleys to comment. If that information's sitting with IPART that's not publicly available.

Michael Martinson (WaterNSW): Yeah. No. Understand.

Andrew Nicholls (IPART): Okay, we will. Sorry. Didn't mean to cut you off. Was that Jarrah? Yeah. Sorry. Did you want to do a supplementary?

Jarrah O'Shea (RMCG - for MIL): Yeah, on the topic of financing of capital costs. I note that WaterNSW's WACC is higher for regional areas than for Sydney, and as an economist. to me. that would, what that would mean is for a one million dollar investment within Sydney versus a one million dollar investment in the region, that the regions would be paying a higher rate of return and a higher cost than Sydney customers would. Is there any reason, or did WaterNSW consider going for a standardised WACC which would have the effect of having lower prices in the regions?

Michael Martinson (WaterNSW): Yeah. It's a another very good question. Look effectively, the difference between the 2 WACCs we've applied. We've basically applied IPART standard methodology for calculating the WACC Really across all of the different determinations for Greater Sydney, for WAMC. for the coastal valleys within the rural valley network, and also the MDB Valleys, where the not so much the issue comes down, but where it becomes a little bit problematic is because for the MDB valleys it's moving from a different on the day approach, where it was a very low 1.8% WACC the last time moving to IPART's standard framework and the challenge. And we had provided our views to IPART on this and received some early guidance, and I note that IPART flagged in their issues paper. They might revisit this issue, but the problem for us becomes the ability to effectively hedge the debt that is put in place in the regulatory framework, and because we're going from a point in time where it was. all debt was issued on the day, and I think Andrew's previous slide talking about, you know, 2.2% debt costs versus 5 and a half percent now. In order for us to be able to hedge that moving forward the costs are different because we're moving to transition both the short and the long-term costs of debt in the MDB Valleys versus Greater Sydney, where that's already happened. A bit of a technical question. It's a really good question. And I know, you know. Yeah. It's certainly something that IPART is aware of. And we'll continue to have discussions on that.

Andrew Nicholls (IPART): Right. Thanks. Jarrah.

Joseph Pizzinga (WaterNSW): Sorry, Mike. It's probably also worthwhile noting that historically, the rural valleys capital program under the ACCC. approach. the cost of debt, if you like was an average of 1.8%, whereas Greater Sydney was at 3.6%. So, there's an issue of timing and transitioning to a new approach. It is a little bit technical, but you know, historically, rural valleys had the benefit of a very low, weighted average cost of capital and that's coming to play now with the transition to a new approach and an increase in the cost of debt.

Andrew Nicholls (IPART): Right. Thanks for that clarification, Joseph. We've got somebody joining on a phone. TG is initials. I think. there, did you want to comment or ask a question.

Tom Green (LVW): Yeah. Sorry. It's Tom Green Lachlan Valley.

Andrew Nicholls (IPART): Hello.

Tom Green (LVW): Sorry I'll change my name back.

Andrew Nicholls (IPART): Indeed, thank you.

Tom Green (LVW): Question for WaterNSW. The Lachlan one there is quite high. Have WaterNSW included cost recovery of its water like the Lake Angelico project in this submission?

Andrew Nicholls (IPART): Is that a question that WaterNSW can answer here or do you want to take that on notice?

Ronan Magaharan (WaterNSW): Yeah, I can answer that. Thanks, Tom. Great question. Any forward planned expenditure on completing the Lake Gagellico project has been included in the submission.

Andrew Nicholls (IPART): Right. Thank you. Tanya.

Tanya Thompson: Thank you. I've just put in the chat there. Will rule changes impact the income of WaterNSW? So currently, we're looking at the operating costs of WaterNSW. But in looking at that, there's also imminent rule changes that will reduce the reliability of general security water into the future, and I was wondering whether there's been any thought processes, or if you could make any comment on how WaterNSW proposes to absorb those or offset them.

Andrew George (WaterNSW): Hi Tanya I might start. I might throw to Michael Martinson. If we need to get into more detail. I think you'll notice in in our submission, what we have observed in the forward period, entitlements for standard water users have actually gone down. And so that's a reflection. I think of the issue that you're raising.

What that means, though, is the revenue still needs to be recovered. And so it's of the contributors to prices going up.

Tanya Thompson: But that's exactly my point. Yes. Are you able to say how much impact that has on the actual charges?

Andrew George (WaterNSW): Might have to take the one on notice.

Tanya Thompson: Is it incremental or significant?

Andrew George (WaterNSW): It varies by valley, because in some valleys that difference is quite large compared to other valleys, where, in fact, entitlements might actually be going up a small amount. It's a valley-by-valley answer, as is most things for us Tanya, but happy to take that on notice and provide that information.

Tanya Thompson: Very interesting. Thank you, Andrew.

1.2 IPART Presentation

Andrew Nicholls (IPART): Right. Thanks, Tanya. What I might do now is just jump to the IPART presentation, and then that way we can open it to full discussion, including a number of the items that are coming through in the chat. I will throw to Matt again, who will be providing an update from IPARTs perspective, and then we'll go to Q&A.

Matthew Mansell (IPART): Great. Thank you, Andrew, and good afternoon, everyone. The purpose of this presentation is to highlight and seek your feedback on what we consider to be some of the key issues relating to WaterNSW proposed expenditure and prices over the next 5 years.

Mattew Mansell (IPART): This chart shows WaterNSW's allowed operating expenditure over the current determination period shown by the light blue bars. WaterNSW reported actual operating expenditure over the current determination period shown by the black line, and WaterNSW's proposed operating expenditure over the upcoming 2025 determination period shown by the teal bars. WaterNSW reports that it overspent its operating expenditure allowance by 15% during the current determination period compared to what was allowed over the current determination. WaterNSW proposes to increase its operating expenditure by 43% from $61 million to $87 million per year on average, over the upcoming determination period.

These increases in operating costs are a major driver for the increases in cost-reflective prices presented in WaterNSW pricing proposal. WaterNSW's proposal identifies 3 key factors driving this increase in operating costs.

Firstly, it's new operating model, which it began to implement in 2022-23 to improve the efficiency of its systems, processes, and organisational structure. WaterNSW claims that continuing business, as usual, approach would over time put pressure on services, customer outcomes and affordability

According to WaterNSW's proposal, this new operating model would increase WaterNSW operating expenditure by $33 million over the 5 years, primarily through additional labour costs and expenditure on existing systems.

The second driver is higher cost to ensure WaterNSW's compliance with both existing and new regulatory requirements. WaterNSW proposes to spend approximately $33 million over 5 years to meet compliance with existing requirements where there is currently noncompliance. In addition, it also proposes expenditure of $20 million over 5 years to ensure ongoing compliance with its new operating license.

The third. driver is broader inflationary pressures which have led to rising costs for energy chemicals. fuel, labour, insurance and land tax. We're investigating WaterNSW proposed costs and cost drivers, and we'll seek to determine the efficient level of operating expenditure for WaterNSW over the 2025 determination period.

This chart shows WaterNSW's capital expenditure. The light blue bars show WaterNSW's allowed capital expenditure over the current period. The black line shows WaterNSW reported actual capital expenditure over the current period, and the teal bars show WaterNSW proposed capital expenditure over there 2025 determination period.

WaterNSW reports that it underspent its capital expenditure allowance in the initial years of the 2021 determination period. In its proposal WaterNSW explained that 3 large infrastructure projects, Mole River Dam, Wyangula Dam wall raising, and Dungowan Dam were transferred to Water Infrastructure. NSW, now the Department of Climate Change, Energy, Environment, and Water (DCCEEW), and was subsequently cancelled. WaterNSW also noted the impact of Covid, and other natural disasters that delayed or prevented capital expenditure which was planned to be undertaken during the 2021 determination period.

Compared to what was allowed over the current period. WaterNSW is proposing to increase capital expenditure by 21% from $91 million to $111 million per year on average, over the 2025 determination period. WaterNSW's proposal identifies several key projects that are driving the increase in proposed capital expenditure, including $156 million for major projects, including fish passages and cold-water pollution. a $26 million increase in asset renewals and replacements, $21 million for environmental planning and protection and $4 million for digital systems and fleet facilities. We are reviewing WaterNSW's proposed capital investments and will seek to determine an efficient capital expenditure, allowance for WaterNSW over the upcoming period. WaterNSW's proposal presents prices that it would need to charge customers in order to recover its proposed costs. The resulting bill impacts over 5 years with annualized increases shown in brackets are presented in this table. Changes in bills vary by valley and type of water license. Billing impacts range from an increase of 379% over 5 years, or 37% per year for general security customers in the Peel Valley to no change in bills for customers in North and South Coast valleys.

WaterNSW proposal identifies several alternative pricing scenarios, each based on a 15% cap on annual price increases before inflation. For example, in one scenario WaterNSW proposes to reduce the customer shares of environmental protection and planning and dam safety activities from 80% to 50%, and this would still leave a funding shortfall of $80 million.

Under another scenario, WaterNSW proposes to remove fish passages and cold-water pollution projects which would reduce the funding shortfall to $54 million. We know these scenarios are not fully funded. This means WaterNSW would require an alternative funding source to fill the remaining gap between its proposed costs and the revenue it would generate through customer prices that are capped at 15% increases per year before inflation.

In its proposal, WaterNSW recommends that IPART engage jointly with WaterNSW and the NSW Government in an effort to collaboratively work towards finding the right balance when forming its view of rural bulk water charges.

IPART standard approach to setting prices has been to set the maximum prices that apply in each year of the determination period. This approach provides price stability, and certainty for customers over the determination period, which we understand is generally valued by water customers. However, this approach also results in a level of revenue uncertainty for WaterNSW as its revenue rises and falls with changes in water sales over the determination period.

In our 2017 and 2021 reviews, we decided to manage this risk by providing WaterNSW a revenue volatility allowance which added about 1% on average to customer bills and was designed to allow WaterNSW to mitigate this revenue risk. For the 2025 determination period WaterNSW has proposed to move away from this approach and to adopt an alternative approach to setting prices called a revenue cap.

This approach would allow prices to vary within a plus or minus 5% band over the determination period in response to changes in water sales. WaterNSW notes that as a significant portion of its costs are fixed, a revenue cap would allow it to better manage revenue risk over the determination period.

WaterNSW proposal also presents the results of its customer survey, in which 86% of the 29 respondents expressed support for WaterNSW's proposed revenue cap. We will investigate the impacts of WaterNSW's proposed revenue cap and we're keen to hear from WaterNSW's customers about their level of support for this proposal.

That brings me to the end of the IPART presentation. I'll now hand back to Andrew. Thank you.

1.3 Discussion

Andrew Nicholls (IPART): Great. Thank you, Matt, for that presentation, and also thank you to Andrew for his presentation.

This brings us now to open discussion, and if I can just remind that you can drop your questions or comments into the chat and I'll aim to come to as many of those as I can in the time that we have, but also you can pop your hand up, and I'll come to you hopefully in the order that you put your hand up in. I'll just jump to a couple of the comments that are online while you're thinking about some other questions and comments. Ildu, you've raised a question about some inconsistent figures. I don't know if you wanted to speak to that specifically at this juncture, or we can certainly take it on notice as a question that we may need to answer. It's possibly a factor that relates to the merging of the 2 different proposals. But, Ilda, did you want to comment on that?

Ildu Monticone (Peel Valley): I think it actually is involved with the MDBA charges and Border River charges, and maybe also the WAMC charges. But really, if we're looking at the alternative scenarios 1, 2 and 3, we need to know what the total cost of those charges are. Not half charges.

Carmel Donnelly (IPART): Ildu, I recognize what you're saying. I was looking at your comment. Sorry I've lost it now. The information paper that we put out aim to look at the full cost. Reflective base case for WaterNSW had proposed, as well as WAMC and assist customers and stakeholders to say. should you know, should that full cost, reflective, base case for what revenue they are proposing, they need be approved. Here would be the maximum impact I do recognise as WaterNSW have explained. they then have some alternative scenarios, and we have not yet mapped out the price impacts as we understand it, for all of those alternatives. I'll talk to you a little bit more about that. It may be that someone from WaterNSW would like to highlight where, in the various attachments people might go to for that. But. we're going to be obviously stepping through quite a bit of analysis here, and our first priority was to get information out about the full cost, reflective base case and we are testing that. So, what is the full, efficient cost to cover all of the functions and services that WaterNSW are proposing.

That's the starting point. Now. obviously, we would move from that to then, considering things like cost shares, things like capacity to pay. and we would be working through. what the impact might be from that of maximum prices, acknowledging that our job is to set maximum prices, and the water business can go below.

And then we step through to from capacity to pay, it might also reflect is there a need for subsidy. Is there something feasible under these alternate scenarios for other funding sources. But in the few weeks that we've had since we got the proposal and then put the issues paper out, we're just beginning that work. We would have a lot more to say about that and more detail that we'd show in our draft report.

We're starting with the full cost, reflective base case, saying for everything that WaterNSW has told us they need revenue for, do we agree with that. Do we agree that that's an efficient cost for running that business to do those functions. There will be more information as we complete further analysis and come out with a draft report.

Andrew Nicholls (IPART): Alright, thanks, Carmel. Tom. I think it is on the phone.

Tom Green (LVW): Yep, thanks. Sorry. A couple of points, I suppose. One comment for IPART. If this pricing proposal moves forward in its current form, it will be the end of irrigation for small and medium sized farms. And we, personally, I would seriously consider getting out if we cannot sustain that. This model is broken. It is designed by IPART under the impactor-pays principle. IPART needs to address it if it wants to actually have a regional economy or decide that it doesn't.

A further question to our part following that would be in the Lachlan Valley, WaterNSW were given had a project at Lake Jellico in the last determination you approved $11.5 million for that project. What I would like to know is, how is this going to be addressed going forward? They're currently, I think, at $45 million they've spent. It's been poorly managed, blown out. They're talking up to $65 million to complete it. Now we don't know the final numbers yet. I appreciate that. WaterNSW trying to find efficiencies in it. But this is on them. What's the point of IPART dictating its pricing when WaterNSW is going to have to blow it out anyway, if it needs to. And how will that be addressed by IPART.

Carmel Donnelly (IPART): Yeah, look, let me make a few comments on both of those Tom, and I do acknowledge that there is some similar sorts of points in the chat.

The first thing on impactor-pays. What I would say, we respect the past and the previous decisions of the tribunal. But just you know the law is that previous tribunals don't bind a future tribunal. You've got the members of the tribunal now will be doing their due diligence, using their independence and forming their own views and we'll be thinking critically about that. While we respect that there are concepts that have been used before, we never just wave something through and rubber stamp it and say, that's the way IPART done it in the past, because we're the people sitting in these roles on the tribunal now. We will think critically about that. and I know that Claire has asked a question about impactor-pays as well, so that might not cover that off.

We are resolved to be thinking critically about methodologies, and this goes across all the water businesses. Water business has been allowed by IPART in the past a certain kind of maximum price that covers capital projects. and then they either didn't undertake it. or they've undertaken it, and it's the actual costs have been much higher, etc. We do look at that it goes in part to the credibility that we will look at for the proposal. Is it possible for people who are proposed, or the business that's proposing this to actually deliver it with what they're saying, What's their track record?

And certainly, we will look very closely at customers not paying for it twice. If it isn't feasible to be delivered, we don't believe it's feasible, then we will be questioning that. And when we have determined maximum prices if they require a shuffling of priorities to spend more on one capital project versus another, it doesn't give them the permission to increase those prices. They have to live within the means of the maximum prices we've set. It would mean that we'd also be looking at “Well, what did you trade off on?”. “If you spent more on Capital Project A, did that mean that Capital Project B didn't happen?” etc. We will look at that, and we will look at the various scenarios and what is feasible, going forward with their capital program. I hope that gives you a sense of the kinds of things that we will most definitely be considering.

Tom Green (LVW): I think it does, but at the end of the day, if the money spent, we still lose as a customer. We still have to fund it. and that my party is going to recommend that government should cover the shortfalls of WaterNSW projects. We still have to cover it, whether it's borrowed money or interest. I'm wondering what is, again, what is the point? Because we still end up with the can.

Carmel Donnelly (IPART): Well. it's a bit too soon for me to say talking about specifics like Lake Cargelligo, etc. I won't comment on specifics. But there have been times where IPART has said, you know, really, we don't think this project should go ahead. It shouldn't be funded right. So sometimes we will take a quite hard line about proposed capital expenditure. What I certainly can say is that I understand your sentiments, and we'll be thinking about those as we consider this proposal. But there are times where we just say, no, there's no merit in this, or it's not substantiated.

Andrew Nicholls (IPART): Alright, thank you, Tom and Carmel, and there are, just before I come to a couple of the hands up, a few comments coming in and probably along similar lines around capital projects. And whether or not they're expended, Tanya, I think you asked a question about the outcome of the fishways capex, and which was costed but not expended. I don't know if that's something somebody can answer on, or we can take that on notice.

Carmel Donnelly (IPART): I think we take it on notice of something we'll look into, and…

Andrew Nicholls (IPART): think maybe we've got, is it, Ronan?

Ronan Magaharan: Yeah, yeah, thank you, Andrew, I can. I can talk broadly to that. So yes, Tanya, clearly, we had a number of projects or fish passages what we were to deliver during the current pricing period. We convinced those projects. so, there was money spent in the planning phase, and during that process it was clear that the cost of those projects is going to be significantly greater than what we had envisaged at the start of the process, so those projects were paused while we discussed our options. Some of that under expenditure there may, in some cases in some valleys, being directed to some other priorities, but in general they will be genuine capital underspends for that valley.

Tanya Thompson: Yeah. what it appears to us as the people who are paying the bills is that we were charged it in one pricing determination. It rolls up. Nothing was built. It rolls into the next pricing determination, and we're charged it again. I know that that's not exactly what happens, but from a customer perspective, that's what it looks like. I just wanted to flag that. Thank you, Ronan. I've actually got to go to another meeting. I do thank you very much for your time. And, Andrew, George, you're doing a brilliant job. Thank you.

Andrew Nicholls (IPART): Thank you, Tanya. Appreciate your attendance today and appreciate that people have got other things to attend to. Thank you.

Jarrah. I'll go back to you, and just to also circle back before as I do. You asked earlier about some information in appendices. I think the team are having a look at that at the moment, and they may get published in due course, but we might need to work through whether there's some confidential aspects as well. The team are on the case just let you know. But I'll go to you now, Jarrah, for your question or comment.

Jarrah O'Shea (RMCG - for MIL): Yeah, thanks. I know it's attachment 30 which is essentially it's a local report. And I don't know if other listeners on this call have read it. I've just stuck a quote from that in the comments, but just a question, Andrew, for WaterNSW regarding the timing of that report. It's dated the 20th of September, which makes it look very much last minute. Now would I be correct in thinking that that wasn't done to inform the price rises that you were proposing, but rather that report was commissioned after you pretty much already decided what was going in, or potentially, I'm mistaken with regards to that. Maybe this did inform the prices that you're proposing.

Andrew George (WaterNSW): Yeah. Hi, Jarrah, thanks for the question. I wouldn't characterize it that way. We have been having conversations with our customers for well over 12 months about wanting to get an understanding of these very issues. We were relying originally on publicly available information, and we noticed that, as even in the in the WAMC context. there was a gap in publicly available information to inform this discussion. I want to be really clear; we have not proposed prices. What we have put on the table is our prudent and efficient costs to meet our obligations.

What we committed to do for customers in the absence of any other you know, factual or tabled information was to commission a piece of work that drew on that publicly available information, but then tried to plug the gaps. And so, we've provided this information. we've discussed with customers. but importantly, to help IPART understand this this information. So no, it wasn't I'd say commissioned at the last minute. This was something that has been under development with consultants for a number of months.

Jarrah O'Shea (RMCG - for MIL): Yeah, thanks, because I think it goes to the obligation that IPART has under its act in relation to assessing the social impact. And I think it's not quite clear to me how that's been incorporated. I think that one obvious thing is that the Deloitte report misses to a large extent the difference between the temporary water market versus prices paid for bulk water, and clearly, when in good years, when the price of temporary water is low in great climates, obviously farm profitability is going to be higher. But I think also has WaterNSW considered, and has IPART even considered the extent that raising bulk prices from $14 to $40 per megalitre that our rough take on it is that that would actually lead to significant reductions in the prices of water entitlements potentially affecting the asset values of farmers beyond just the in-year profitability as well.

Andrew Nicholls (IPART): I'm just not sure if anyone wants to respond to that question or take it as a as a key point in the consideration of the tribunal, as it considers these matters, and the broader impact.

Carmel Donnelly (IPART): We certainly would consider this and be part of considering the economic impact. We'll consider what the impact of these prices that are proposed by the water businesses will have on inflation where we'll consider on more broadly on the economy as well as social impact.

Andrew Nicholls (IPART): Thank you all right. Got a few hands coming up. Now I think I've got them in the right order. I'll go. Claire, Lawrence, Michael and Jennifer in that order, and then I'll come back to a couple of the comments in the chat box.

Claire Miller: Just thank you to Jarrah for picking up and making those points there about. I have mentioned. I haven't found the analysis in the WAMC one, too. Apparently. We're just going to keep slugging the bigger water holders and get them to pay the difference on the assumption that they can pay more, and they're very, very superficial analysis that WAMC has used very generalized a lot of assumptions in their averages.

It was suggested to us that you know we should sort of do the legwork again, and do the analysis to come up and demonstrate the cost squeeze that these prices were put onto farms again. That is extremely resource, intensive for a small organisation like us, and it seems unreasonable to be asking us to do the kind of granular analysis to really determine the affordability for irrigation businesses, so you can't just smear it into, you know. cropping, which is what WAMC did, or generally cropping is, you know, getting great returns. If you're a big operator. It's a little more nuanced and sophisticated than that. I just would ask again to IPART, can you please do that? Actually, dig down and do some quality granular analysis of actual farm businesses and not expect, and I'm just asking small organizations like us to try to do that work for you or for WaterNSW, or for WAMC, since you know, this stuff's too high level that they have relied on. Just wanted to thank Andrew George, though, for his total honesty in saying that what WaterNSW has put through is unaffordable, and I am going to hammer the point, though it doesn't mean that a 15% increase year on year, provided all those other cost savings can be made, "Oh see we got it down so much lower IPART. We did a great job for you because it's not as bad as it would otherwise have been.". A 15% year on year increase plus CPI is also unaffordable.

And remember, you're talking 15% every year on your large guys who are also being slugged. A third of water users, according to WAMC, with a 15% rise on their charges as well. It's a double whammy for them. Need to do better. Thank you.

Andrew Nicholls (IPART): Thank you, Claire, for those comments. Certainly, IPARTs review, and our legislative requirements require us to look at those broader social and economic impacts. And to your first point, that is something we do take into account when we conduct our review, and happy to take your second part of your comments as a comment. Unless anyone else wanted to comment. If not, I might jump now to Lawrence. Are you there?

Lawrence Irlam (EnergyAustralia): Hi! Can you hear me?

Andrew Nicholls (IPART): Yes.

Lawrence Irlam (EnergyAustralia): Sorry. Thanks, Laurence Irlam from Energy Australia, I guess, just in the context of the proposed price increases which are significant whether there's been like a commensurate amount of data provided to justify that. I've sort of spent it was only really half an hour going through Attachment 18 which looks at the capex proposal, and you know, there's $2 billion worth of spending proposed there, and I was sort of expecting to see like a lot more information in terms of. you know, like asset performance, failure modes. how WaterNSW is translated new regulatory requirements, into sort of spending needs and all that sort of stuff. And, that that attachment. I don't know if there are others there, or whether there's more data provided to IPART But, there's really just not enough information to understand why spending's going up so much. And you know there's sort of general descriptions in there about, “we need to sort of do things”. But I've got a lot of questions about, the extent of deferrals, like maybe there could be even more deferrals in the current period, What was the impact on consumers, of doing that?, what's the sort of proportion of things attributable to sort of labour and materials cost increases versus, real underlying works. All that sort of stuff like it's just not there. So I just wonder, I'm sort of even concerned like IPART doesn't have enough information to do its job.

But you know this is an opportunity for us now as stakeholders to, to sort of get through the proposal and sort of provide our own views. And I just don't think we've got the opportunity to properly do that.

Carmel Donnelly (IPART): Lawrence, I might jump in unless someone wants to speak from WaterNSW. We certainly will do a detailed review of all of the proposed expenditure, capital and opex. and we're not reliant only on the information provided in the proposal. I think Andrew's already said, we may have some additional information that we will think about, we'll consider whether or not more of it can be made public. However, we do have the powers to require other information. We're working quite hard now on where we think we've got enough information, what else we will need. and we'll have experts going through looking at the expenditure and liaising, seeking further information actively from WaterNSW and the other water businesses. We're not limited to what you've got access to presently.

Lawrence Irlam (EnergyAustralia): Yeah, no, I appreciate that. I guess just a follow up question like, Does IPART think it's got enough information in front of it now to sort of recognise this is like a valid proposal?

Carmel Donnelly (IPART): It's too soon for us to say whether we think it's valid or not. We're doing our job of thinking very critically. and I'm I will just say personally as the Chair, I'm expecting to get advice from the team about whether I need to sign off notices requiring more information. I'm not at a point where I'm satisfied yet that we've got everything we need. I'm still waiting for advice from the team.

Andrew Nicholls (IPART): But if I can just provide assurance, we do have power under the legislation to require that information, and it is fairly routine that we do and will, in the course of our examination, seek extra information, and we do have experts engaged who will be going into the business and really pulling apart those proposals. Just to give you an assurance we don't rely simply on what's submitted on day one. We might jump to Michael.

Carmel Donnelly (IPART): George has got his hand up.

Andrew Nicholls (IPART): Oh, I beg your pardon, Andrew, would you like to jump in.

Andrew George (WaterNSW): I thought I might just add a bit of context for Lawrence to help answer that question as well from our perspective. Under IPART's new framework as well, there is an opportunity to rely on a review that is done around the systems and processes, the governance and decision making of the organization. WaterNSW was subject to a system and process review by IPART last year.

And in a perfect world for a really effective organization that has really strong processes and governance around those investment decision making, there's an opportunity for less detail, potentially as part of the submission. But certainly, when the expenditure review starts, which is starting very soon, it's very much an open book approach. IPART has access to absolutely everything and anything it wants.

Whether or not we got that balance right in what we provided in our submission, is something we will get feedback from IPART on as part of this new regulatory framework and model. And we're very open to obviously hearing about that for the next submission.

Andrew Nicholls (IPART): Great thanks, Andrew and thanks, Lawrence, Michael.

Michael Pisasale: Thank you. I understand. A component of the Murray Valley charges is made up of MDBA charges, and I guess I was just curious to know from IPART how well you understand those charges, and how appropriate they are for the Murray Valley.

Andrew Nicholls (IPART): Does one of the team (IPART) want to jump in on that?

Carmel Donnelly (IPART): Maybe someone from the team will jump in. I'll say I'm still holding an open mind. But we'll be looking into that. Matt may be able to talk a little more.

Matt Mansell (IPART): Thanks, Carmel, so you're right Michael. For both the WAMC charges and the WaterNSW charges, the proposals have put forward effectively the customer share of the NSW's component of the MDBA's proposed costs and the BRC's proposed costs, and those are reflected in, I don't want to speak for the businesses. I might be able to add more detail to this, but that's reflected in the costs that they've put forward in their pricing proposals. And absolutely reviewing those costs that are being put forward across WAMC and the WaterNSW proposals, definitely within the scope of our expenditure review that we're that we're currently kicking off.

Andrew Nicholls (IPART): Right. Thanks, Matt, and thanks. Michael. There's no comments from WaterNSW. I'll jump to Jennifer.

Jennifer McLeod (CICL): Thank you. Try. Try and get my video off. It might go off. Can't, turn on my picture. Sorry. I have 3 questions, which go to some detail about transparency and costs. The first relates to the new operating license which my interpretation of some of the new conditions in that license that will impose increased costs.

They relate to demands driven by local government sector in relation to water quality, largely. And I'm interested in how WaterNSW is proposing these costs are recovered, and under what activity will they be passed on to license holders? That's my first question.

Andrew George (WaterNSW): Can we get Michael to speak to that one?

Michael Martinson (WaterNSW): Hi Jennifer. In terms of what we've put in our proposal, we've effectively treated those costs the way we would treat effectively other costs that are recovered across the customer base. But we did highlight in the proposal, and we thought, it's something to bring to IPART's attention, that in the circumstance when the costs are potentially driven by local water utilities, or one particular subset of customers really bringing it to IPART's attention that maybe there's a need to have a look at whether or not the pricing arrangements should tailor for that. it's a very good point. We have included it again in our proposal, the way we've treated other costs. But we have indicated that potentially IPART might want to consider a different regulatory treatment of those particular costs.

Jennifer McLeod (CICL): Good. Thank you. My second question relates to the; I think it's the ICT technology and the implementation of the water market reform. You've got quite a large project which presumably catches not just the water market reforms. I assume you're intending to pass on those costs to water users. If you could clarify that? You say they're not sure to what extent the Commonwealth will fund some of that work. How are you planning to deal with that?

Andrew George (WaterNSW): Yeah, thanks, Jenny. I think this might relate to a question you raised in the WAMC session earlier if I'm correct. My understanding so that that they are WAMC. costs. However, the Department has successfully achieved a funding agreement with the Commonwealth to pay for the large part of that that is picked up under a specific W code in the WAMC submission. But those technology changes that are required to support those reforms are funded by the Commonwealth.

Jennifer McLeod (CICL): There's no overlap with your investment in digital technology?

Andrew George (WaterNSW): There's no overlap. But there is opportunity to leverage the funding that we get from the Commonwealth to take that technology further, for other things that are not funded by the Commonwealth.

Jennifer McLeod (CICL): Okay, thank you. And my last question, if I may. We really welcome the continued inclusion of the ICD rebates, and I'm interested to know if the calculation of these rebates is based on the same methodology used last time, and where we might find the rationale that you use to calculate those rebates.

Andrew George (WaterNSW): Might get Mike to answer that. But that's my understanding, isn't it, Michael?

Michael Martinson (WaterNSW): Yeah, we haven't. We have not changed the methodology for calculating the ICDs, and we can maybe provide in some clarity as to where to find it in the proposal. But the methodology has remained the same from the from the current determination period.

Jennifer McLeod (CICL): Yeah, it'd be good if you could provide that to me. Thank you.

Andrew Nicholls (IPART): Right. Thank you. Thanks, Jennifer. Just before I go to Jarrah, I might just go quickly to a couple of the comments online. Ilda, you've made a couple of comments in relation to the Peel Valley experience. You've raised concerns about some underspends, but also some of the capacity to pay in the valley. I just wondered if you wanted to expand on those, or happy for those to just be taken as comments.

Ildu Monticone (Peel Valley): No, I'm happy for that to be taken as comments, but we obviously don't agree with the comment by Deloitte's.

Andrew Nicholls (IPART): Alright. Thank you for those comments. And George Warne, you've raised questions here also about cancelled capex and some costs being shifted around. Did you want to talk to that point or indeed your second point around recovery of revenue from low sales?

Jarrah O'Shea (RMCG - for MIL): Yeah. My colleague George Warne is also at RMCG with me.

Andrew Nicholls (IPART): Why don't you answer those, and then jump to your question all in one?

Jarrah O'Shea (RMCG - for MIL): Sure, so no look so the question that George has, and that I had as well is in relation to the revenue cap. We know that the 15% per annum is not the headline number proposed by WaterNSW, but it's a scenario. But under that scenario and the introduction of a revenue cap, we have been trying to get our head around this. And for context, I've derived. hybrid revenue cap formulas and processes in previous employment. So, I understand how they work. But yeah, I've been trying to understand whether or not that 15% per annum may actually be 20% in the case of an under recovery. Or if 15% is a cap, then does that mean if you had a good year and there were high water sales that the future year would be 10%. I'm trying to figure out. If it actually is a 2-sided revenue cap where prices could be above or below the 15% limit, or whether or not the 15% limit is the limit, and prices will only be less.

Michael Martinson (WaterNSW): I'll maybe tackle this one. So really, there's a couple of things at play here. First of all, I guess under our core cost-reflective base case where we have the whatever the increase is per valley. We've proposed that there is a 5% side constraint around that so that does apply up or down. When we're looking at the alternative scenarios and the 15% price cap the simple answer is a 15 % price cap operates as a hard cap. So, there is not. and there would not be anything above that if there was, as I think you said in the comment, if there was a low year previously, would price increases increase beyond 15% under that alternative scenario with the 15% price cap. It's a hard cap. And no, there wouldn't be an additional adjustment above that. Hope that answers your question.

Andrew George (WaterNSW): Can I just clarify, perhaps for your benefit, that in that scenario we still need to track the cost-reflective base case revenue requirement on any given year, because then the difference between that and the 15% price cap is the amount of revenue shortfall that we may need to recover from other sources to fund our obligations.

Jarrah O'Shea (RMCG - for MIL): In that case, then, under scenario A, the revenue cap wouldn't apply, because certainly from a Murray perspective you're never actually going to be in a situation where you over recover if you're under recover is that much. Thanks for clarifying it. It wasn't quite clear to me in my reading of it. But yeah no, thank you.

Andrew George (WaterNSW): That's what the forum's for.

Andrew Nicholls (IPART): Great. Thank you, Jarrah. Now, Claire, can I just check if that's a new hand or a hand from a previous question?

Claire Miller: It's a hand from a previous question. I shall take it down.

Andrew Nicholls (IPART): Okay, thank you. Alright. I see that, Lawrence. you've asked a question on the chat in relation to the proposed capex at Attachment 18. And I think you're querying just a difference in numbers there. If someone's able to clarify that on the spot, otherwise we might take it on notice.

Lawrence Irlam (Energy Australia): (Lawrence's question from the Zoom chat: "Quick question on proposed capex - Attachment 18 has a total of $1.939 billion (Table 4), however the main proposal document lists $2.153 billion (Table 9). Can someone explain why these are different?")

Andrew George (WaterNSW): Might need to take that on notice. Andrew apologies.

Andrew Nicholls (IPART): Yeah, that's all right. Perfectly understood. We'll take that one on notice. And just to assure everyone, we do take all of these questions online. And we will publish after this update. Thank you for those questions if we can't get to them today.

Carmel Donnelly (IPART): Some of those answers might need to come from WaterNSW.

Andrew Nicholls (IPART): Indeed, Jennifer?

Jennifer McLeod (CICL): Good. Thank you. I've worked out how to get the camera back on.

Andrew Nicholls (IPART): Brilliant!

Jennifer McLeod (CICL): Now, I'm not sure whether anyone will want to answer this question, but it's certainly a question I am going to get asked by our irrigators. Under this proposal, what is the expected dividend from WaterNSW to the NSW government? And, secondly, if it is available, what would be the breakdown of that contribution from, say, Sydney Catchment Authority component of WaterNSW versus rural valleys, and I assume the coasts will be zero because their prices are set well below actual costs.

Andrew George (WaterNSW): I'm going to ask our CFO Joe Pizzinga to answer that question for you, Jenny.

Joseph Pizzinga (WaterNSW): Yeah, thanks, Andrew. Jen. I'm not sure if you recall, through some of the customer engagement presentations I provided of the financial performance of rural valleys versus Greater Sydney. And it's fair to say that there's no return on investment from the rural valleys/WAMC segment going to the shareholder. Any return on investments is coming from Greater Sydney. So rural valleys is historically, its return on investment is somewhere between zero and one and a half percent depending on the year.

Jennifer McLeod (CICL): And that will continue under the pricing proposal?

Joseph Pizzinga (WaterNSW): Pretty much.

Jennifer McLeod (CICL): Yes. Okay. Thank you.

Andrew Nicholls (IPART): Right. Thanks for that. And that might also go to Gary's question online unless you wanted to elaborate Gary. Does that help answer your question, too, Gary. I'm going to take that as a yes, at the moment. And, Michael, you've also yep. Great good on you. Thanks, Gary. And Michael, you were presetting the ICD calculation methodology for Murray Irrigation. Is that something anyone wanted to comment on? If not, we'll take that as a question on notice.

Carmel Donnelly (IPART): I think Michael might have already spoken to that.

Andrew George (WaterNSW): Yes, Michael's up to that. Thank you.

Michael Martinson (WaterNSW): Yeah, sorry. We said basically the same methodology. But we'll come back with some more detailed calculations about how that's been done and try to get that into the chat hopefully today.

Andrew Nicholls (IPART): Great. That'd be fantastic if you can. All right, Jarrah?

Jarrah O'Shea (RMCG - for MIL): Yeah, look, thanks again. My query is in relation to performance outcomes. And I think where you've got a significant proportion of the price increase due to cost increases. For me, it would seem to be an obvious case where you put a bit of skin in the game and apply some of the 3 incentive mechanisms that IPART proposed but also in relation to your customer outcomes that you have. I wonder why or did you consider, instead of having your first outcome reporting costs, did you consider having an outcome that was in relation to actually achieving your costs?

Andrew George (WaterNSW): The comment I'd make there, Jarrah, is that these outcomes were extensively engaged on with customers, and so that the framing the terminology, and how they were derived was not something written by WaterNSW in isolation. Take your comment, I think it's obviously something we would be tracking and reporting on. The fact that that hasn't come up in what's been presented, I think, is just a reflection of the conversations we've had with customers over the past 6 months.

Jarrah O'Shea (RMCG - for MIL): Yeah, okay. I would have thought customers would have been quite interested to know that you're achieving your targets. Not just that you're reporting against your targets.

Andrew George (WaterNSW): I think it's implicit in in being transparent about our performance and for our customers to be able to hold us to account giving them the information so that they can do that.

Andrew Nicholls (IPART): All right. Thank you. Jarrah and Andrew. Are there any other questions or comments? What about the customer engagement? What was the general experience for those who might have been participating hours. It obviously was an important part of this process. Does anyone want to comment on that? No. Are there any other questions or comments that people would like to raise. At this point Jennifer?

Jennifer McLeod (CICL): I'm happy to just make a comment on the customer engagement because it did take hours of my life. I think, like WaterNSW and largely WaterNSW., but WAMC to a certain extent as well, did make a genuine effort to communicate and explain and seek feedback. One of my biggest criticisms would be looking at things in isolation. We are asked to comment on do we do nothing, or a little bit, or a lot, and everything was done in isolation and through the process. We're providing feedback without necessarily saying the cumulative impact, until at the very end, I would say it was also very subjective.

And, thirdly, the Water Working Groups had a lot of people who were quite ill-informed, making comments, and WaterNSW acknowledged this. They were representatives from the community, so they weren't necessarily directly impacted through a higher bill. So then, my comment, you've asked for them. They're my comments.

Andrew Nicholls (IPART): No fantastic. It's really important. It's a key part of the new process, and I know WaterNSW has made a significant exercise there. It's great to get that feedback. Glenn and then Tom.

Glenn Daley (Lachlan Valley Water): I'd just like to echo Jennifer's points. I sat through the water working groups as well. I do believe that WaterNSW did make a genuine effort to engage with us. and some of the latter presentations were some of the better ones.

I think the way that we were asked to decide on different outcomes was misleading and confusing at times, and that's been acknowledged in the report done by the engagement report that was done by the consultants. Having been asked a question 3 times and asking to provide a different response each time potentially, was confusing with everyone, thinking that their final response was going to be the response that was taken, whereas, sorry we thought that we were doing priority 1, 2, and 3., but instead, it was the final response that was capturing the answer. I think there was a fair bit of confusion, and I wouldn't think that it was genuine. (I don't think) the consultants set out to be misleading, but I think the process was flawed, as was having ill-informed community and special interest groups that you know, that don't understand water or pricing and have no impact. You know they don't hold water licenses. They don't pay for water apart from their home utilities, them being asked to engage and consult on pricing that affected the license holders.

Andrew Nicholls (IPART): Great good. Thanks, Glenn, for that feedback, and these processes are always processes of continuous improvement, and I'm sure WaterNSW would appreciate that that feedback, Tom.

Tom Green (LVW): Yeah, look, I'd just like to echo both Jenny and Glen's comments. The way it was designed felt very misleading in the question. The way that the sliders and various things at times we refuse to participate in it. and conversations and topics at CAG meetings. If they weren't listed in in survey things it wasn't seen as a priority. We could spend 2 hours discussing a topic at our CAG that it was high importance to customers yet., it didn't get picked up in, you know, because we didn't tick a box on a slide. And the fact that we had then, as customers WaterNSW., they're paying people to sit on community groups for their opinion. I think a bit of a slap in the face that we had to pay others for their opinion when they're not impacted by water prices. I think it really needs to have a bit of a look at going forward. Thanks.

Andrew Nicholls (IPART): Thank you, Tom, and Ildu.

Ildu Monticone (Peel Valley): Thank you. I agree with all the forgoing comments. but I'd like to add just one thing. and that is this whole process was talking about water pricing, and we didn't find out really what the water prices would be during that process. And I think that is a failing. I mean, we were there deliberately to talk about water pricing. we never did so. I think that was that was one of the big filings of the process. Thank you.

Andrew Nicholls (IPART): Great. Thank you will do Andrew. Did you want to answer that?

Andrew George (WaterNSW): I do want to respond to that Ildu, because it's not correct. I personally presented the bill increases at the beginning of this calendar year, flagging the size of the increase, and it was on that basis that we then discussed the opportunities for alternative funding scenarios, and which informed some of the discussions around some of the trade-offs. We were flagging that as early as this year.

Ildu Monticone (Peel Valley): But with respect scenarios 1, 2 and 3 were not discussed.

Andrew George (WaterNSW): Well, they were absolutely discussed twice during 2 rounds towards the end of the session. Absolutely were.

Andrew Nicholls (IPART): Alright. Well, thank you both for your comments and perspectives. Are there any other comments? Ildu, I'll just check your hand is from before, or a new comment. It's from a previous one. Thank you. All right. Well, are there any other comments? Michael.

Michael Pisasale: Thanks, Andrew. I guess I just want to convey a comment that every year, during security irrigators face a huge amount of uncertainty with water allocation. Hence income from the crops that can grow from the allocation. And it just appears there is just piles upon piles of risk and costs mounting upon them. And I think it's important. We need to ask ourselves, you know, what message do we want to convey to rural Australia? Because in the day our communities rely heavily on the turnover and inputs from our farmers, and certainly the impression you get from today's session doesn't appear to be a good message. This appears to be a lot of concerns about costs being borne and piled upon water users who are just trying to grow food and fibre for Australia.

Andrew Nicholls (IPART): Thank you, Michael. I think we'll take that as a comment, as they say, but certainly reiterating that our remit at IPART is a broad one, and we take into account those social and economic aspects. Glenn.

Glenn Daley (Lachlan Valley Water): Yeah, just going back to what Michael said. I think it's important that we do take a pulse check of rural Australia. I have spoken to my counterparts, executive officers of other water user groups. There is a real depression, a real angst amongst farmers. There's a feeling that there's no good news coming out. It's just more higher prices, more legislation, more regulation. And you know, as Tom said, there's a growing feeling among farmers of just, you know, (are) selling up and just quitting, because there's no end in sight. I mean, if you were to attribute the proposed cost increases for Lachlan Valley to the general consumer in Sydney, you're looking at a bottle of water which would cost $4, costing $10.84. You're looking at a coffee which would cost $6, costing over $16. If you put it in those terms, this is not just a line on a balance sheet. This impacts people's ability to do business (and) stay in business. And as Michael said, we just want to grow food and fibre for Australia.

Andrew Nicholls (IPART): Right. Thank you, Glenn. Claire.

Claire Miller: Reiterate that needing to take a pulse here because we do look at things in isolation all the time. There seems to be each policy area we go into in water, there's an assumption of endless absorption by farmers. We'll look at pricing., and we'll say, “Oh, yeah, no, they can absorb a 15% increase each year. Not a problem. They can do that”. But that doesn't take account of the Federal Governments in their buying back water in a massive way in which I base others have said that's going to drive up the cost of allocation water and drive up the cost of entitlements, but particularly allocation water in a drought, making it even harder to survive then. And then we've got new regulations coming in. We've got land hold negotiation scheme with easements. This, then means farmers and things may lose access to some of their land. It's created a lot of uncertainty about what the implications are. We've then got the prospect of potential rules changes to cut back access arbitrarily up in the Northern Rivers. We've got a water sharing plan. that's just plumped a whole, you know. Hundreds, apparently new wetlands from a desktop study onto people's properties, with no indication of what restrictions might then be put on the use of that land.

It's just one thing after another after another that is adding cost and complexity from government onto farmers. Supermarkets are such a good sort of whipping boy here. We'll blame them for the rising cost of living, and they're screwing farmers down. But what we're not looking at here is all the different ways in which governments at Federal and State level. They're the ones that are actually driving the costs up in multiple different ways for farmers and just making it too hard. And always the assumption is, "Yeah. farmers will be right. They'll somehow absorb all of this. We're still going to have local fruit and vegetables on our supermarket shops."

I think you know from the feedback I'm getting on the ground, we're hitting that tipping point, and once it's gone it's gone. Just a statement.

Andrew Nicholls (IPART): Thank you, Claire. I appreciate your sentiments, and from others as well. Thank you for those comments. And, Gary Wallace, I think you've also made a comment online. I think it's supporting some of the views around the consultation. But if you wanted to speak to that, feel free to jump in, but happy to take it as a comment as well. All right. Are there any other comments or questions at this point? It's obviously a long road ahead of us in terms of the consultation process and more opportunities as well. After today. Jarrah.

Jarrah O'Shea (RMCG - for MIL): Yeah, look, thanks. And I think in relation to the scenarios I mean the tariff reforms being floated. I think, in relation to regional pricing. I think that was one of your scenarios. If I'm not mistaken. Probably, and also the other one that was floated by WaterNSW was increasing fixed charges. Probably as a comment. I would note that the WAMC submission notes the dangers of proceeding with both price increases and tariff reform. And I know that with the array of options that's been put forward, and with some of the positioning by WaterNSW, probably more as a query for IPART, I would accept the WAMC submission that talks about the challenges of having price increases at the same time as tariff reform, and I would apply caution to IPART if it were proposing by one of the scenarios, or by some of the negotiations that may occur with WaterNSW, I think just to apply a high degree of caution in relation to overlaying tariff reform on top of significant price increases.

Andrew Nicholls (IPART): Thank you Jarrah. Michael, did you want to respond? You're on mute, I think.

Michael Martinson (WaterNSW): Put some money in the jar for that. But look just responding to just one of the things that Jarrah raised was, I guess, in terms of our discussions around the form of control and tariff structures. While we did canvas, a number of options and alternatives during our 18 month engagement on this, where we landed with our proposal for the revenue cap was effectively to keep the fixed proportion of charges the same for all valleys, except for Lachlan Valley on the basis of we had they had indicated to us that they were keen to move the fixed charge from 40% to 80%.Just flagging that there was, Jarrah mentioned that we were looking at increasing the fixed proportion of pricing and some other forms of control and other structural changes. We have had some discussions with larger customers, and we are proposing to move the environmental water holders to fully fixed charges. Outside of that we are not proposing to increase the fixed proportion of charges for other customers.

Jarrah O'Shea (RMCG - for MIL): Yeah. And look, thanks, Michael. I think we have had a conversation couple of months ago. Reflect that. But I think, given the given the scenarios that you're proposed in your submission. I think we certainly look on behalf of Murray Irrigation, certainly just wanted to express a little bit of concern about overlaying tariff reform on top of price increases, and the quote that I've stuck in the chat from the WAMC submission, I think, is actually a good one that, as much as I noted earlier this morning concerns about cost shares and the like. It's an even worse outcome to have tariff reform on top of price increases because the winners and losers just magnifies, and you end up with some really extreme impacts even beyond the impacts that are quite extreme already.

Andrew Nicholls (IPART): Right. Thank you. And thanks, Michael, also for that response. Are there any other questions or comments? We've got just a couple of minutes left. Jennifer.

Jennifer McLeod (CICL): Just a quick one. The proposal to charge environmental water holders fully fixed fees. Are they supportive of that approach?

Andrew George (WaterNSW): Yeah. Hi, Jenny, in principle. Yes. As we had those conversations with all large customers. Each customer group had different perspectives on that proposal for different reasons. Recognising the 2 environmental water holders are also government entities. There are different dimensions of play there for that consideration. As part of the suite of levers we looked at that that are available to help lower the risk around volatility. That that's where we landed with this proposal, with their full awareness and acknowledgment.

Jennifer McLeod (CICL): Right. Thank you. Because they are a growing proportion of your ownership of entitlements. Over time that shift should contribute significantly to reducing your revenue volatility.

Andrew George (WaterNSW): Theoretically. Yes.

Jennifer McLeod (CICL): I hope it does.

Andrew Nicholls (IPART): All other things being equals, I think economists would say.

Jennifer McLeod (CICL): Thank you.

Andrew Nicholls (IPART): Thank you, Jennifer. Tom. And then Claire.

Tom Green (LVW): Yeah, look from Lachlan Valley Water's perspective. We would just flag some hesitation around the different rates for different customers. We have had some feedback that moving the environment to 100% over time may lead to them, believing they have greater access to their water, which would go against the principles of the Basin plan that everything remains equal between whoever owns it. I think that's important. I am a little bit perplexed by it, though, because we did ask WaterNSW, if we could have an 80/20 fixed (price structure) for general security in the Lachlan, and a 40/60 (fixed price structure) for high security, and they said, "No, we couldn't, because they weren't able to track if there was trades." I understand the environment may not trade too often, but how do they expect to deal with that if there's water trading out? It seems to be one deal for the environment, but we were told that it wouldn't be possible in our situation between general and high security. Happy to put it as a comment and follow it with WaterNSW later, but there would be concern around it. Thanks.

Andrew Nicholls (IPART): Thanks, Tom. We'll take that as a comment, unless anyone from WaterNSW wanted to answer on the spot. Sounds like it's an out of session conversation.

Andrew George (WaterNSW): Yeah. And look, it's certainly it's an issue that got raised when we were engaging on this idea. And I think what we flag is, (that) it's complex. And we would just need more time and particularly investment in systems to be able to do what Tom's just flagged. We're really keen to keep the conversation going over the next few years. (We) welcome that thanks, Tom.

Andrew Nicholls (IPART): Thank you. Tom and Andrew. Claire.

Claire Miller: Thanks. this is obviously a really complex thing, and something perhaps, to consider over time. But your revenue you're possibly going to be creating if these went through, these price rises even at 15% per year, plus CPI, the, so-called cheap option.

Over time, farmers will respond, probably by just using less water or not using any water at all. Maybe they'll sell it to somebody else, and whatever they do. The answer is not then to just sort of say, "well, to address that water volatility. We're then going to just pick up that by chart. You know, we're shifting to 100% fixed charges on everybody", either.

I think that would just see an acceleration then in people just dumping their (farms). I don't know what they would do, but it's not fair to then sort of you just keep (doing) again. It's that thing you keep biting and biting and biting back on the same relatively small group of customers to keep covering your costs and finding new and creative ways to get the water (and) get the money out of them, even if their response to try and cut their bills is to actually reduce their water use and probably their food and fibre production at the same time.

It's this big picture (that) needs to be considered in all of this, and not just silo it into "WAMC and WaterNSW need X amount of water (and) X amount of money to run their operations" and just totally ignore your customer, the dynamics that are occurring in your customer base and this big shift that we're seeing between water into the environment instead. Thank you.

Andrew Nicholls (IPART): Carmel?

Carmel Donnelly (IPART): Oh, yes, Andrew, I thought I would just put my hand up. There's a comment from Jarrah in the chat about asking in terms of our WACC (weighted average cost of capital). If revenue, stability, or other things reduce the (revenue) risk? Would we consider whether there should be a lower WACC, and so I'm just going to say, we would look into that. There have been other pricing reviews where businesses have suggested approaches that would reduce their risk. And we have said, "Look, if you're going to want to propose that kind of strategy it might reduce the level of risk of the business, and that might factor into the WACC". Just speaking, at a high level, we're alive to that, we would certainly take it into consideration.

Andrew Nicholls (IPART): Thanks, Carmel, and thanks, Tom, for your comment online about the downward spiral. I think we'll take that as a comment, Michael.

Michael Martinson (WaterNSW): Yeah, just really, I guess a quick response on the WACC question. It's always an interesting.

Really the WACC and how it's developed, based on diversifiable and non-diversifiable risk. Really, the treatment of having a revenue cap or price cap really doesn't factor into the parameters. the way IPART calculates the WACC calculation. There may be risks left to the business or customers about the form of control. But I guess we wouldn't see it really as a WACC issue, because effectively which parameter would it change? While there are impacts on the business of going one way or the other, we wouldn't see that as something that would be reflected in the WACC.

Carmel Donnelly (IPART): No, but I'm saying that IPART might…

Michael Martinson (WaterNSW): And happy to have the chat with IPART. Happy to provide those views to IPART on that.

Jarrah O'Shea (RMCG - for MIL): Yeah, look absolutely, Michael, I totally understand. And I think that that's why it was posed more as a question rather than a statement. I do know that when I was working for a water corporation in the past, and we had Fitch or S&P's (or) whoever came in and did our credit rating review. The fact that we had a revenue cap was seen as a positive in relation to our overall credit rating, and hence that meant that we got slightly lower borrowing rates from the State which lowered our overall cost. There are some positives there in relation to credit rating, even if it's not directly picked up through the WACC calculation. It might still resolve in lower other costs for you elsewhere.

Andrew Nicholls (IPART): Fantastic, alright. Well, we've just about reached the end of our time here today. Unless there are any, very, very, very last comments or questions.

I might therefore bring proceedings to a close, but I will hand across to Carmel in a moment, just to talk about next steps, but I just do want to thank everyone for the very rearranging nature of the conversation that's happened today, and the great spirit in which everybody has approached it. Thank you very much.

Helps make my job a little bit easier as MC. And on that note to make some closing remarks and to talk about next steps. If there's anything that you've forgotten, or something you'd like to add, there is still time to feed into the process. I will hand over to Carmel.

Carmel Donnelly (IPART): Actually, Andrew, I was going to hand over to Sharon Henrick, my fellow Tribunal Member.

Andrew Nicholls (IPART): You're handing over to Sharon Henrick?

Carmel Donnelly (IPART): Sharon will do this.

Andrew Nicholls (IPART): Great thank you.

1.4 Closing remarks

Sharon Henrick (IPART): Okay, thanks. Thank you. Well, on behalf of IPART. I wanted to thank you all very much for attending today's hearing. It's been very, very helpful to us to hear all of your views and thoughts and the slides. The agenda and the transcript will be available on our website in a few days. and we will also provide a link to the recording of today's hearing.

We will consider everything. that you've said today when we make our decisions. And if you'd like to talk to someone at IPART about our water price reviews, you're welcome to contact one of the team members and their details are on the website and also inside the front cover of the issues paper.

We are also very interested in any feedback you have about how we conduct our online public hearings and whether we might improve them in any way. In terms of next steps, we're accepting submissions on the issues paper until Monday, 9 December and we plan to release draft reports for both WAMC, and WaterNSW, the reviews for public comment in March 2025.

Stakeholders will then have about 4 weeks to make further written submissions for consideration by the Tribunal before we make our final decisions on prices. Our final reports and determinations will be released in June 2025, and the prices that we set will apply from 1 July 2025. On behalf of the Tribunal. I just wanted to thank you very, very much for your participation today. And people who presented or who asked questions, we really very much appreciate it. We hope today has been as helpful for you as it has been to us and thank you very much.

Andrew Nicholls (IPART): Thank you everyone, have a lovely afternoon.

Andrew George (WaterNSW): Thank you from WaterNSW. Thank you.