

SUBMISSION

IPART Draft Report: Prices for WaterNSW regional and rural bulk water from 1 July 2026

May 2026



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1 Executive summary

The New South Wales Irrigators' Council (NSWIC) welcomes the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal (IPART) review of WaterNSW rural valley pricing review for 2026-2029.

Water charges are important to irrigation farmers across NSW – they have direct financial impact on irrigators' business through the cost of producing food and fibre. There is need to recognise what is constraining the industry; water charges are one factor, exacerbated by sustained pressure from rising fuel, fertiliser and supply chain costs.

NSWIC recognises the essential service that WaterNSW provides. The irrigation industry highly values a well-functioning river operator with a strong local footprint and clearly defined levels of service that improve customers' ability to do business easily and efficiently.

The operating environment surrounding water planning and management is more uncertain than ever. Customers observe that WaterNSW is increasingly carrying regulatory and policy burdens without corresponding government funding. Non-commercial functions emerging from policy reforms such as fish passage and environmental flow infrastructure are causing WaterNSW expenditure to balloon. This imbalance should not be passed through to customers; the proposed government service activity should be established to pay the costs of these activities.

IPART desires to allocate water costs in a transparent, equitable, effective and practical manner. We note our frustration that prior to 30 April 2026, river valleys across NSW did not have access to transparent financial reporting that provided a valley-based summary of capital expenditure and operational expenditure. Publication of this data has been a request of our membership for many years and has now clarified cost-driving activities in each valley. This level of transparent and practical reporting should be continued annually by WaterNSW.

We also hold concerns with assumptions/limitations built into the farm business affordability analysis. Of note is the setting of 100% allocation, which disregards climate variability and adaptive management of water management frameworks which see allocations lowered to <50% in dry times. To fulfill requirements to consider the social impact of the determinations and recommendations (IPART Act 15(1)(k)), we welcome IPART working with Ricardo to consider additional allocation and price cap scenarios to assess the merits of a lower price cap on farm profitability, sustainability and therefore the ongoing support of WaterNSW services.



2 NSWIC recommendations

NSWIC submits the following recommendations to IPART:

- IPART to apply a three-year determination period.
- IPART to recommend NSW Government undertake a transparent, inclusive and targeted review of WaterNSW bulk water services.
- IPART to apply a 5% cap inclusive of CPI each year, in all inland valleys and Hunter Valley.
- IPART to apply a CPI only increase each year, in the North Coast and South Coast, and retain the Community Service Obligation.
- IPART not to transition to a trailing average approach for cost of debt.
- IPART not to apply a WACC true-up.
- IPART not to apply a cost pass-throughs or true-ups.
- IPART not to apply the Demand Volatility Adjustment Mechanism, nor introduce a revenue cap.
- IPART to implement the revised cost-sharing framework in the current and future determination periods.
- IPART to review proposed cost-shares ratios with consideration to stakeholder feedback prior to 1 July 2026.
- IPART to facilitate stakeholder workshops on the application of the revised cost-sharing framework to ensure cost-share allocations are fit for purpose. Workshops should be held prior to the commencement of the next determination period.
- IPART to establish the Government Service Activity allocated 100% to the Government.
- IPART to allocate a minimum of 10% of WaterNSW efficient operating expenditure to the Government Service Activity.
- IPART to allocate costs associated with the funding of complementary measures (i.e., fish passage and cold-water pollution) to the Government Service Activity.
- IPART to evaluate the benefits of a 5% cap demonstrated by the updated Ricardo farm profitability analysis prior to 1 July 2026.
- IPART and Ricardo to facilitate an industry workshop or presentation of updated draft farm affordability analysis prior to 1 July 2026.
- IPART to implement the draft recommended performance measures for WaterNSW.
- IPART to include asset condition assessment data reporting as part of performance measure 'open and transparent about customer charges and expenditure'.
- WaterNSW to inform Customer Advisory Groups on the frequency and format of reporting on performance outcomes, particularly annual financial performance data.



3 NSWIC feedback on IPART draft decisions and questions

IPART questions addressed in this section:

1. What are your views on IPART's draft decision for a 3-year determination period?
4. What are your views on IPART's draft decision not to apply a transition to trailing average to the cost of debt in setting the WACC for WaterNSW?
5. What are your views on IPART's draft decision to include a WACC true-up in WaterNSW's notional revenue requirement?
11. Do you support applying a uniform cap on price increases to all valleys? Is there justification to apply a different cap for some valleys, such as the North Coast and South Coast?
12. What effects would our proposed 10% (plus inflation) annual cap on price increases have on you? How would these differ from a 5% (plus inflation) annual cap?
15. Do our draft decisions on cost pass-throughs and true-ups achieve an appropriate allocation of risk between WaterNSW and customers?
16. Do stakeholders consider it appropriate to manage WaterNSW's revenue risk through a demand volatility adjustment mechanism, and does the proposed $\pm 5\%$ threshold achieve an appropriate balance between managing revenue risk and limiting price volatility for customers?

Recommendations:

- IPART to apply a three-year determination period.
- IPART to recommend NSW Government undertake a transparent, inclusive and targeted review of WaterNSW bulk water services.
- IPART to apply a 5% cap inclusive of CPI each year, in all inland valleys and Hunter Valley.
- IPART to apply a CPI only increase each year, in the North Coast and South Coast, and retain the Community Service Obligation.
- IPART not to transition to a trailing average approach for cost of debt.
- IPART not to apply a WACC true-up.
- IPART not to apply a cost pass-throughs or true-ups.
- IPART not to apply the Demand Volatility Adjustment Mechanism, nor introduce a revenue cap.

3.1 Determination period

NSWIC agree with IPART's draft decision for a three-year determination period, only if IPART has sufficient certainty in WaterNSW efficient costs, and certainty that prices are transparent, equitable, effective and practical.

We also support IPART's recommendation for a broader government review of bulk water services. This review should be:

- 1) inclusive – involve all key customer stakeholders, IPART, WaterNSW and relevant Shareholder Ministers,
- 2) transparent – with adequate information to scrutinise cost-drivers and business processes, and
- 3) focussed on long-term efficiency for WaterNSW and affordability for water users.

NSWIC understands the NSW Government is undertaking a similar body of work and call for this to be made transparent, with opportunity for timely stakeholder consultation.



3.2 Water price cap

NSWIC supports IPART's decision to retain valley-based pricing. We also support IPART's efforts to ensure affordability and to assess the significant social impacts that WaterNSW pricing can have on irrigated agriculture and NSW more broadly.

NSWIC recommends that IPART applies an alternative price cap of **5% per year inclusive of inflation** over the next three years in all inland river valleys and the Hunter Valley. On the North and South Coast, we recommend water pricing remain constant with annual increases by inflation only. Based on widespread feedback from our members across our geographic footprint, we believe that nominal capped increases of 5% per annum strike the best balance between WaterNSW's financeability and the adverse social impacts that can be caused by any price increases.

We acknowledge this is less than the 5% plus inflation cap suggested by IPART. However, passing through inflation to customers represents a risk transfer, as farmers are price takers not price makers. WaterNSW's irrigation customers produce tradeable commodities and are unable to pass this through to their customers. This risk transfer is not representative of what would occur if a contestable market existed for bulk water services and is transferring a financial risk to irrigators that they cannot easily absorb.

NSWIC acknowledges that IPART sought feedback on how customers would be affected by a 5% (plus inflation) cap on price increases. While less impactful than higher pricing alternatives, this would still lead to nominal price increases approaching 10% over the short term, and potentially more given the significant uncertainties surrounding current inflation. Passing through inflation would result in material impacts for many irrigators across NSW, particularly given the current dry conditions and low forecast allocations across much of NSW.

NSWIC strongly opposes IPART's proposed cap of 10% per year plus inflation. An increase of this magnitude is unacceptably high at the present time as more work is needed on WaterNSW's efficient expenditure, cost sharing, government service activity and broader sector sustainability given the current geopolitical uncertainty. A cap of 10% plus inflation would have materially greater impacts on irrigators that could not be absorbed. The difference compounds over the determination period and would be felt most acutely by irrigators with high fixed entitlement holdings, lower allocation reliability, tighter margins and leveraged businesses. Higher charges may also reduce the value of water entitlements and land prices, weaken farm balance sheets and make refinancing more difficult. These are crucial considerations for IPART when assessing the social impacts of WaterNSW price levels.

The Ricardo affordability analysis reinforces the need for caution. NSWIC welcomes IPART's decision to commission independent analysis of farm level impacts and recognises this approach is a useful first step. We are also pleased that IPART has committed to reviewing this analysis inclusive of the 5% and 10% options now under consideration, and we thank IPART for the opportunity to provide further information between the draft and final decisions.

The revised Ricardo analysis would be most useful if it addresses the following matters:

- Modelling 5% and 10% price increase scenarios.
- Considering a range of allocations – 0%, 20%, 50% and 100%.



- Undertaking scenario analysis relevant for a farm that is financially leveraged (for example, interest costs approximately 10% of farm turnover).
- Considering how other input cost pressures impact water users, including extreme increases in fuel (Diesel +41% in March, according to the ABS), fertiliser (Urea up from \$800 to \$1,400 since January excluding delivery) and transportation (50% increase in transportation costs to port).

We also recommend IPART avoids generalising farm affordability based on a single “representative farm”. Even when such a representative farm appears viable, many farms may face material stress due to environmental, capital, geographical or water related reasons. It is in relation to these farms that the potential social impacts of WaterNSW price increases are greatest.

NSWIC considers that the significant industry uncertainty described above supports a cautious approach to price setting to avoid major unintended consequences. A 5% annual cap inclusive of inflation would reduce the risk that prices are set above customers’ capacity to pay while important work remains underway on farm business affordability, WaterNSW operations, cost shares and government funding responsibilities.

A 5% cap for inland valleys and the Hunter Valley would better balance cost recovery with affordability, reducing the social impacts of higher price rises.

3.2.1 Community Service Obligations

NSWIC support North and South Coast water charges remaining constant and increasing inflation only throughout the 2026 determination period. This would require the community service obligation (CSO) government subsidy to be maintained. This CSO arrangement has been in place since 2017 and is critical to maintaining equitable access to WaterNSW services, keeping water prices affordable for producers in these valleys.

Historic IPART reviews supported “setting prices for WaterNSW rural bulk water services in [North and South Coast] valleys well below full cost recovery (FCR), rather than continuing to transition towards FCR¹”. To do this an alternative pricing approach (i.e., a government subsidy), was adopted through the CSO arrangement.

In 2017, IPART’s Final Report stated “[Full cost recovery] is likely to be unattainable in the North Coast and South Coast valleys over this Determination and going forward.” This finding was supported by evidence demonstrating the “substantially higher” cost of FCR in the North and South Coasts due to having fewer customers, lower volumes of entitlements, low average annual water usage, significant underusage characterised by low level of extractions relative to the volume of entitlements, and relatively small dams with a higher cost per unit of storage capacity.²

2017 IPART modelling of the 10% cap plus inflation showed that it risked breaching customers capacity to pay, leading to declining customer numbers and average water sales. If full cost recovery had been pursued, North and South Coast valleys could have entered a negative

¹ IPART (2017, June) WaterNSW Review of prices for rural bulk water service from 1 July 2017 to 30 June 2021. https://www.ipart.nsw.gov.au/sites/default/files/documents/final-report-waternsw-review-of-prices-for-rural-bulk-water-services-from-1-july-2017-june-2017_0.pdf, pg 152.

² Ibid, pg 150.



feedback spiral of declining customers, declining entitlements and higher costs for remaining customers.

In 2021, IPART maintained its 2017 approach to setting prices, reasoning that “there are too few customers in these valleys to recover WaterNSW costs, without far exceeding their ability to pay.”³ IPART emphasised that, “any attempt to increase prices towards full cost recovery may actually be counterproductive. Increasing prices to recover full costs may exceed some customers’ capacity to pay, which would reduce demand for rural bulk water services, revenue and cost recovery. Both valleys have too few customers, relative to the size of the asset base, to recover costs without exceeding customers’ capacity to pay.”⁴

In 2024, the *NSW farming sector gross margin analysis* by Deloitte Access Economics recommended WaterNSW consider “the financial capacity these customers may have to absorb water price increases”. Data collected from 2015-2016 to 2021-2022 found that coastal profit margins as a share of revenue were -27.4 per cent on average, with a range from -1 per cent to -67 per cent, the lowest out of all NSW regions. Due to the coast’s negative profit margins as a share of revenue, coastal regions face high financial vulnerability to price increases.

Most recently, the 2026 Ricardo report on *Impacts of potential WaterNSW price increases on representative irrigation farms in regional NSW* found that full cost reflective price recovery could result in a ~47 times price increase on the North Coast, and “fully erode the Net Margins of farming enterprises in this region”⁵. The representative small-medium dairy farm modelled would experience severe impact to both the gross operating budget and net margins on the North Coast, while South Coast would experience a 25% reduction in gross margins, and 70% reduction in net margins.⁶

The characteristics of the North and South Coast identified in previous IPART determinations remain true of today’s operating context:

- Dominant industries such as dairy, irrigated crops for dairy feed, and beef farms, run at low margins with limited capacity to absorb rising water charges.
- Both valleys have smaller customer bases, and low volumes of water use.
- Fixed regulatory and infrastructure costs are spread across fewer users and entitlement volumes, which results in a disproportionately high per-user charge. Current circumstances offer no opportunity to increase this cost-base.
- Water use is supplementary and intermittent; dependent on rainfall patterns. Water users will irrigate during dry/drought periods, which makes high fixed charges hard to justify economically.
- Lack of water brokers and very weak trading markets further drive pressure for water users to commit to high fixed charges.

³ IPART (2021, September). Review of WaterNSW’s rural bulk water prices from 1 October 2021 to 30 June 2025. https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Final-Report-Review-of-Water-NSWs-rural-bulk-water-prices-September-2021.PDF, pg 125.

⁴ Ibid, pg 132.

⁵ Ricardo (2026, March 11). IPART: 2025-26 review of WaterNSW prices. Report-by-Ricardo-Impacts-of-potential-WaterNSW-price-increases-on-representative-irrigation-farms-in-regional-NSW-11-March-2026.PDF, pg 40.

⁶ Ibid, pg 40.



- When water prices increase, water users are hesitant to invest in major irrigation infrastructure upgrades because of uncertainty around future viability, low irrigation reliability, infrequent usage, and infrastructure suitability to flood events.

The Addendum to the IPART Draft Report highlights concerns regarding price hikes in aspects of WaterNSW operating expenditure for 2026-2029 in these two valleys. The causes are unclear and NSWIC customers question why the regulator considers that the small user base in these valleys will be able to afford the user cost-shares proposed without Government assistance.

On the North Coast:

- Catchment Planning and Operations to increase from an average of \$0 in the 2021 review, to an average \$134,000 in the 2026 review.
- Direct Insurances to increase from an average \$39,000 in the 2021 review, to an average \$57,000 in the 2026 review.
- Asset Management Planning to increase from an average \$50,000 in the 2021 review, to an average \$466,000 in the 2026 review – a 9x increase.
- Corporate systems to increase from an average \$82,000 in the 2021 review, to an average \$135,000 in the 2026 review.

On the South Coast:

- Catchment Planning and Operations to increase from an average of \$0 in the 2021 review, to an average \$139,000 in the 2026 review.
- Direct Insurances to increase from an average \$14,000 in the 2021 review, to an average \$26,000 in the 2026 review.
- Asset Management Planning to increase from an average \$43,000 in the 2021 review, to an average \$691,000 in the 2026 review – a 16x increase.
- Corporate systems to increase from an average \$23,000 in the 2021 review, to an average \$126,000 in the 2026 review – a 5x increase.

We acknowledge that WaterNSW has lowered operating expenditure across other activities. Yet, the proposed increases in the activities listed above will see the total operating expenditure in these two valleys increase well above the average level throughout the 2021 determination period.

If water prices increase beyond water users' capacity to pay, water users will cease using WaterNSW services, choose to substitute irrigation with rainfall dependent production, or purchase feed. This would limit the economic return available from higher water costs.

Water management systems and water infrastructure deliver ecological outcomes, drought-proofing and resilience, regional economic activity, and community stability. This justifies ongoing government contribution through a CSO rather than requiring full recovery from a small irrigator base.



3.3 Weighted Average Cost of Capital

NSWIC supports IPART's draft decision not to transition to a trailing average approach for cost of debt. The WACC used in a price determination should remain a forward-looking benchmark of the efficient financing costs of a comparable regulated business.

However, NSWIC opposes IPART's draft decision to include a WACC true-up in the revenue requirement and opposes the use of unfair differential WACCs applied by IPART.

The true-up, as proposed, is inconsistent with the notion that the WACC should be a forward-looking benchmark, rather than a mechanism to pass through sunk financing costs. The true-up would increase revenue in the 2026-2029 regulatory period without increases to service levels or customer outcomes. It would also retrospectively compensate WaterNSW for the WACC not being updated for the one-year determination. This is despite the cause for that determination being due to IPART's significant concerns about WaterNSW's costs, operating model, customer engagement and customer impacts.

We consider it inappropriate to recover retrospective financing costs when affordability concerns are so significant, and when future reviews will consider issues including WaterNSW's operating approach. Without any increases in service levels, it is difficult to see how a true-up will provide any real impact apart from either enabling a higher dividend to government or debt reduction (neither of which offer any customer benefit).

Any WACC true-up should be considered by reference to IPART's financeability findings. It is unlikely that WaterNSW would cease to be financeable if the WACC true-up were not applied. We encourage IPART to undertake this analysis.

We also note that the proposed WACC of 3.6% is higher than that of both:

- WaterNSW prices for Sydney, which assumed 3.5%
- Sydney Water, which assumed 3.3%

We are concerned about the regional inequity whereby WaterNSW customers in regional NSW are paying more for debt servicing than Sydney Water customers or WaterNSW customers in Sydney. It is difficult to explain to customers why debt incurred in Sydney is charged a lower interest rate for the same debt incurred by the same government entity in regional NSW. We consider that differential WACCs, as proposed, lead to negative social outcomes and that IPART should carefully assess whether differential WACCs hinder achievement of the Act's regulatory principles.

3.4 Cost pass-through and true-up

NSWIC supports the decision to not accept WaterNSW's proposal to apply pass-throughs for projects undertaken for government, operating licence changes, non-urban metering reform and general pass-through events. We agree with the rationale outlined by IPART in the Draft Report.

However, NSWIC does not support true-ups for changes in operating licence or tax changes.

These proposed true-ups could create an adverse incentive for WaterNSW to recover additional costs if forecasts are insufficient and if WaterNSW fails to keep costs low. They also appear to operate as one-way protection for WaterNSW with limited assurance that customers would receive equivalent benefits if costs fall or obligations decrease.



While NSWIC is opposed to the proposed true-ups, if retained they should be deliberately symmetrical. This means that IPART should actively consider both increases and decreases in costs, including **reductions** in tax costs or operating licence costs. The mechanism should not only respond to claims from WaterNSW for additional revenue but involve IPART genuinely reviewing the net impact of any true-ups.

Any future WaterNSW claim for a true-up needs to be informed by WaterNSW demonstrating it has done everything in its power to reduce the impact of the change in obligation that leads to the necessary true-up. True-ups should be subject to consideration rather than considered automatic.

3.5 Demand Volatility Adjustment Mechanism

NSWIC does not support the introduction of a new demand volatility adjustment mechanism (DVAM). For the avoidance of doubt, NSWIC also remains opposed to the introduction of a revenue cap.

The DVAM has not been subject to adequate customer engagement or customer impact modelling. The proposal raises questions of whether the mechanism would apply:

- By valley, across all valleys, or across the state (noting that the high fixed revenue percentage of WaterNSW's Sydney services would significantly mitigate revenue risk).
- With or without side constraints, noting WaterNSW's had proposed revenue cap side constraints in its 2024 proposal.
- To variable revenue or all revenue.

We seek urgent clarity around its intended application.

The DVAM operates as a revenue cap that is reset every regulatory period rather than every year. NSWIC supports IPART's previous rejection of WaterNSW's proposed revenue cap on the basis it would shift demand risk to customers and create price shocks across low-use periods. These same concerns apply to the DVAM. While the DVAM's application is narrower than a full revenue cap, it would still allow WaterNSW to recover revenue shortfalls from customers after demand is lower than forecast.

This is problematic in rural settings for bulk water. Low water use years coincide with dry conditions, reduced allocations, higher allocation prices, lower yields (or no farm production), and higher levels of farm business indebtedness. In addition, sequences of dry years (or wet years) can be correlated over several years, and a DVAM can exacerbate farm business affordability concerns and transfer risk to small farm businesses that cannot absorb the shock.

NSWIC is also concerned that the DVAM would add another layer of risk mitigation not necessary for the operations of WaterNSW or its financeability. Demand risk is already mitigated by the use of 20-year rolling averages for demand forecasts, ensuring that appropriate revenue is collected in the long run. Any introduction of a DVAM should be associated by a re-evaluation of various WACC parameters, cognisant of greater revenue certainty and improved long-term financeability that may reduce WaterNSW's financial risk profile, fundamentally altering the allocation of revenue risk between WaterNSW and customers.



When allocation levels can jump from 0% to 100% in a year (for example, Macquarie 2009-10 to 2010-11), it is important that valley-level modelling is provided before a significant change like a DVAM is contemplated, as there could be extreme valley-level price changes.

We note that IPART assessed its compliance with section 15(1)(b)⁷ by noting that “maintaining a price cap as the form of control limits risk transfer from WaterNSW to water users.” We contend that the introduction of a DVAM undermines compliance with matters prescribed in the Act, particularly section 15(1)(b).

We recommend that the DVAM not be introduced in 2026. If it is to be proposed in the future, it should be subject to robust customer engagement by WaterNSW in the lead up to a full regulatory Price Proposal rather than a letter in response to an IPART information paper. It should be supported by detailed price modelling and should exclude any revenue shortfalls caused by government policy decisions that reduce consumptive water use.

⁷ This is defined in the Act as “the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services”.



4 Draft cost-sharing arrangements

IPART questions addressed in this section:

6. We have made a draft decision to establish a new cost share activity for WaterNSW providing government services, which would have a 100% government share. What are the benefits and disadvantages of this approach?

7. We have estimated that between 5% to 10% of WaterNSW's operating expenditure for its bulk water services to regional and rural NSW likely relates to providing the government service. Our draft decision is to choose 7.5%, the midpoint of our estimated range. What other evidence should we consider when deciding the basis for allocating costs to the government service activity?

Recommendations:

- IPART to implement the revised cost-sharing framework in the current and future determination periods.
- IPART to review proposed cost-shares ratios with consideration to stakeholder feedback prior to 1 July 2026.
- IPART to facilitate stakeholder workshops on the application of the revised cost-sharing framework to ensure cost-share allocations are fit for purpose. Workshops should be held prior to the next determination period.
- IPART to establish the Government Service Activity allocated 100% to the Government
- IPART to allocate a minimum of 10% of WaterNSW efficient operating expenditure to the Government Service Activity.
- IPART to allocate costs associated with the funding of complementary measures (i.e., fish passage and cold-water pollution) to the Government Service Activity.

4.1 Water use in New South Wales

At a fundamental level, there is a large misalignment between the proposed cost-shares, IPART's previous goal of 82% cost recovery and the actual volume of licenced water diverted across NSW. While less than 28% of water in the Murray-Darling Basin is diverted for use by irrigation, industry and towns,⁸ the cost sharing arrangements proposed by IPART push most costs onto water users.

For example, the Namoi water sharing plan (WSP) states “by limiting long-term average extractions to an estimated 238,000 megalitres per year this Plan ensures that approximately 73% of the long-term average annual flow in these water sources (estimated to be 870,000 megalitres per year) will be preserved and will contribute to the maintenance of basic ecosystem health.”⁹ Many other regulated WSP also contain explicit percentages for permitted long-term annual diversions.

⁸ This figure is based on long-term average Basin inflows of 32,5538GL, with pre-Basin Plan diversions 10890GL. At least 2530GL has since been returned to the environment under the Basin Plan.

⁹ NSW Government (2015). <https://legislation.nsw.gov.au/file/2015-631%2020241115.pdf>.



NSWIC analysed diversions in the WaterNSW database and found that, in regulated rivers within the Basin between 2013-2022, just 32.8% of water was diverted for irrigation, with the rest as outflows, losses or environmental water.¹⁰ This means that irrigators use less than a third of the water in NSW regulated rivers, yet pay at least 80% in most cost-share categories.

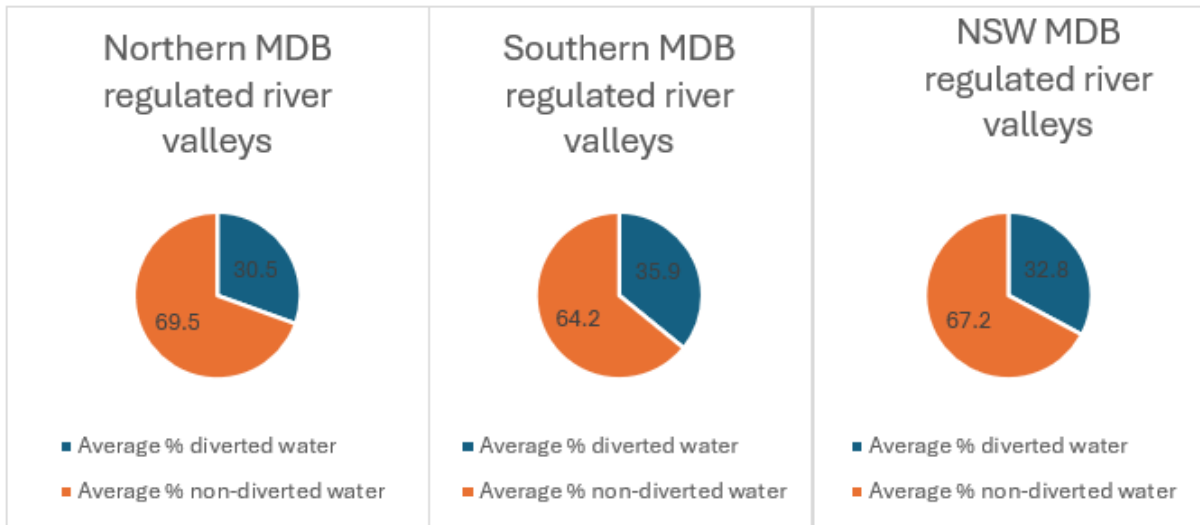


Figure 1. Percentage of water diverted in NSW regulated rivers.

As shown in Figure 1, most of the water in the Lower Namoi is planned environmental water (PEW) that is codified in WSP rules, rather than licenced water that incurs charges. This water still needs to be captured, operationalised and released. Yet, under the current arrangements, it is effectively subsidised by licencing fees paid by irrigators. Figure 2 also demonstrates that, even in years when allocations are close to 0% (2018-2020), water is still being released from dams to ensure baseflows and end of system flow targets are met. This means that WaterNSW is collecting little revenue yet is still expected to run the river in line with WSP rules.

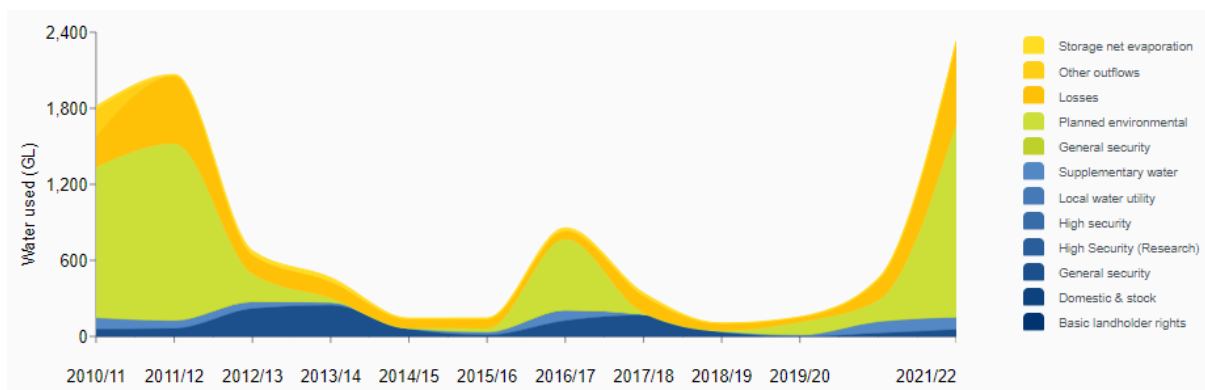


Figure 2. Water usage in the Lower Namoi regulated river (2010-2022)

¹⁰ NSWIC (2023, July). Water balance in the Murray-Darling Basin. <https://www.nswic.org.au/wp-content/uploads/2026/05/2023-06-02-NSWIC-Report-Water-Balance-in-NSW-MDB.pdf>.



As Figure 2 shows, most licence categories provide benefits to the environment or, in the case of domestic and stock and basic landholder rights, to other users. It is NSWIC's view that there is a fundamental misalignment in cost-shares, as a large portion of WaterNSW costs are paid for by licencing fees, even though most of this water does not directly benefit water users.

4.2 Revised cost-sharing framework

NSWIC accept IPART's revised cost-sharing framework and support its recognition that rural valley bulk water users are not the sole impactors, but one of a broader range of beneficiaries for whom the WaterNSW infrastructure was constructed and continues to serve.

This draft decision is a marked shift from the prior counter-factual position IPART held. It is a step of forward progress that improves the State's ability to meet National Water Initiative outcomes for best practice water pricing, including:

- section 64(ii): ensure sufficient revenue streams to allow efficient delivery of the required services, and
- section 64 (iv): give effect to the principles of user-pays and achieve pricing transparency in respect of water storage and delivery in irrigation systems and cost recovery for water planning and management.¹¹

The revised cost-sharing framework proposes to allocate costs based on the stakeholders responsible for driving future expenditure¹² through a two-step methodology; first establishing causal responsibility through a forward-looking avoidable cost test, then allocating the costs by discerning if they are avoidable or common in nature. NSWIC agrees with this approach, as it accounts for uses driven by activities other than irrigation, and allocates costs and cost-share ratios to the beneficiaries of the activities.

When applied, this framework should:

- reduce the disproportionate financial burden on rural valley bulk water users,
- better reflect the shared and public benefits and responsibilities of water infrastructure,
- improve transparency and fairness in pricing decisions,
- reflect a 'true' application of the user pays principles and associated counterfactual applied, and
- encourage sustainable and publicly supported cost recovery and water planning and management.

Further work is required to equitably and practically implement IPART's revised cost-share framework. As noted during WaterNSW Water Working Groups, "There is a desire for a pricing

¹¹ DCCEEW (2004). Intergovernmental Agreement on a National Water Initiative. <https://www.dcceew.gov.au/sites/default/files/sitecollectiondocuments/water/Intergovernmental-Agreement-on-a-national-water-initiative.pdf> pg 13.

¹² IPART (2026, March). Draft Report Prices for WaterNSW regional and rural bulk water from 1 July 2026. <https://www.ipart.nsw.gov.au/documents/draft-report/draft-report-prices-waternsw-regional-and-rural-bulk-water-1-july-2026>, pg 14.



model that more fairly allocates cost among all users, including the wider NSW population, government contributions, and specific industry sectors.”¹³

We recommend IPART facilitate stakeholder workshops to allow all interested stakeholders to consider WaterNSW project-level data and apply Shapley values mechanism to allocate costs. In this way, different perspectives can develop IPART’s implementation of the framework. Workshops should be held prior to the next IPART determination period.

4.3 Proposed cost-share percentages

The proposed application of the revised cost-share framework does not allocate costs or determine cost-share ratios in an equitable or practical manner. NSWIC recommends the customer cost-shares be reviewed prior to 1 July 2026, with consideration of the following amendments:

Table 1. Customer cost share proposal

| WaterNSW Activity | Current customer cost share | IPART draft customer cost share | NSWIC draft customer cost share | NSWIC justification |
|-------------------------------------|-----------------------------|---------------------------------|---------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer support | 100% | 100%* | 100% | |
| Customer billing | 100% | 100%* | 100% | |
| Metering and compliance | 100% | 100%* | 100% | |
| Water delivery and other operations | 95% | 100% | 85% | This activity also incorporates replenishment flows for Basic Landholder Rights (a property right given by the Government), maintenance of minimum river flows and end-of-system flows under WSP rules and Murray Darling Basin Plan obligations. Consumptive water users are not the primary beneficiaries of these activities. |
| Flood operations | 80% | 80% | 50% | Downstream communities are a driver for this activity and benefit from the availability and continuity of dam infrastructure. Water users pay for infrastructure in other activities, such as corrective and routine maintenance. |
| Hydrometric monitoring | 90% | 90% | 90% | |
| Water quality monitoring | 80% | 80% | 50% | Community expectations are a driver for this activity. Data is beneficial for a range of purposes including research and development, community health, environmental planning by different levels of government. |
| Direct insurances | 100% | 100% | 85% | Downstream communities also drive need for this activity and benefit from availability and continuity of infrastructure. |
| Corrective maintenance | 95% | 95% | 85% | Downstream communities also drive need for this activity and benefit from availability and continuity of infrastructure. |
| Routine maintenance | 95% | 95% | 85% | Downstream communities also drive need for this activity and benefit from availability and continuity of infrastructure. |
| Renewals and replacements | 95% | 95% | 85% | Downstream communities also drive need for this activity and benefit from availability and continuity of infrastructure. |
| Asset management planning | 95% | 95% | 85% | Downstream communities also drive need for this activity and benefit from availability and continuity of infrastructure. |
| Dam safety compliance | 80% | 50% | 50% | We agree with this reduction. |

¹³ SECNewgate (2024, June). Water Working Groups 2025-2030, Final Report of the Process. https://www.watarnsw.com.au/_data/assets/pdf_file/0005/263633/WaterNSW_Water_Working_Groups_2025-2030_-_Final_Report_of_the_Process.pdf, p88.



| | | | | |
|-------------------------------------|------|-------|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Dam safety compliance (pre-97) | 0% | 0% | 0% | NA |
| Environmental planning & protection | 80% | 50% | 40% | Community expectations and government regulation drive need for this activity, and benefit from the outcomes of these activities. Consumptive water users are not the primary beneficiaries of these activities. Consideration should be given to allocating costs associated with fishways and cold water pollution 100% to the government service activity. |
| Corporate systems | 80% | 80% | 80% | |
| ICD rebates | 100% | 100%* | 100% | |
| Risk transfer project | 100% | 100%* | 100% | |

*Is considered to be an avoided costs and therefore allocated 100% to customers.

4.3.1 Cost-shares for aging infrastructure

Infrastructure constructed and used by WaterNSW plays a role in town water security, flood mitigation, emergency drought response, recreation and tourism, irrigated agriculture and regional development. It is evident that infrastructure has been built for multiple purposes and continues to benefit a variety of stakeholders today.

The Murray-Darling Basin Authority (MDBA) has stated that a significant amount of river infrastructure is ‘near or passed its engineered life span and increasingly vulnerable to failure’, emphasising there is “urgent need for a significant uplift in investment to reduce the risk of asset failure and safety risks.”¹⁴

Given the strategic importance of water infrastructure to NSW’s economy, environment, and communities, the current trajectory of funding risks undermining this critical asset base. For NSW to continue in this way jeopardises the Government’s ability to deliver infrastructure required for reforms such as the Murray Darling Basin Plan and implement statutory WSPs.

While the Government recognises legacy dams and associated infrastructure as foundational to the state’s wellbeing, these assets are treated as privately financed inputs rather than critical public goods. It is not appropriate for the costs associated with infrastructure to be recovered by licence holders alone, rather the broader public benefits should be embedded in a cost-sharing framework that explicitly allocates costs to all beneficiaries.

According to the IPART Draft Report, only in March 2026 did WaterNSW begin to record asset condition assessment data. 80% of WaterNSW assets do not have assessment data within the last 5 years.¹⁵ Cost and condition information on dams and associated infrastructure has been poorly monitored, lacked transparency and is inaccessible to impacted stakeholders. The lack of information is frustrating for water users who seek to understand the true cost of asset upkeep, and who are dependent on the efficient operation of local infrastructure.

¹⁴ MDBA (2026). 2026 Murray–Darling Basin Plan Review Discussion Paper.

<https://www.mdba.gov.au/sites/default/files/publications/2026-murray-darling-basin-plan-review-discussion-paper.pdf>, pg 69.

¹⁵ IPART (2026, March). Draft Report Prices for WaterNSW regional and rural bulk water from 1 July 2026.

<https://www.ipart.nsw.gov.au/documents/draft-report/draft-report-prices-watnsw-regional-and-rural-bulk-water-1-july-2026>, pg 70.



Management of aging infrastructure also raises the question of inter-generational inequity, as current users bear the cost of long-life assets. Some assets were built due to political will (without full support of customers), and are now aging and/or stranded assets, yet they continue to be privately funded by a declining base of water users. This challenges IPART's intention to ensure costs are equitable.

4.4 Government service activity

NSWIC is supportive of IPART's draft decision to establish a government service activity and exclude expenditure related to it from the customer share. We consider that a minimum of 10% of WaterNSW efficient operating expenditure should be allocated to this activity, with 100% cost share. This increased percentage is appropriate given:

- Consumptive water users have carried the cost burden of rapid government water reform for several determination periods. The majority of reforms have required extended timeframes and therefore additional funding to be completed. Despite additional funding some remain incomplete (e.g., fish passage and cold-water pollution projects).
- Irrigators do not experience water reform in isolation. Changing policy settings in parallel government policies have compounding socio-economic consequences to irrigation-dependent communities. This is another factor that impacts on farm viability and the capacity and willingness of farmers to continue to pay for WaterNSW services.
- WaterNSW water planning and management has expanded beyond what is required for water storage and delivery systems, to include climate change adaptation, fish passageways, environmental flow management, recreation and other public good services. These additional costs should be borne by the users, or beneficiaries, of those additional services, not rural water customers.
- New activities and obligations are constantly added to the WaterNSW operating licence, adding to costs. There has been little to no reprieve from rising costs for WaterNSW or water users who costs have been passed on to. For example, the 2024 WaterNSW operating licence review added an extra \$15.6 million a year in costs to deliver new operating requirements.

NSWIC has long been critical of the long and cumulative list of policy reforms affecting the NSW water sector. The pace of reform has been relentless, worsened by reforms facing notable delivery constraints; project timeframes have unexpectedly blown out due to policy failure and redevelopment, practical implementation barriers, and a lack of prioritisation of key projects by water agencies. Water users are not responsible for the costs of these projects ballooning beyond their initial funding determination periods.

4.4.1 Responsibilities within the NSW water sector

When discussing the breakdown of roles within the water sector, WaterNSW is clear to identify to customers that the Department makes the rules, WaterNSW implement the rules, and NRAR enforce the rules. Figure 3 shows that WaterNSW “follows the government rules and regulatory frameworks, implementing the rules to deliver water when and where it is needed”.



Consequently, a significant portion of WaterNSW's workload is determined by the projects undertaken by NSW-DCCEEW.

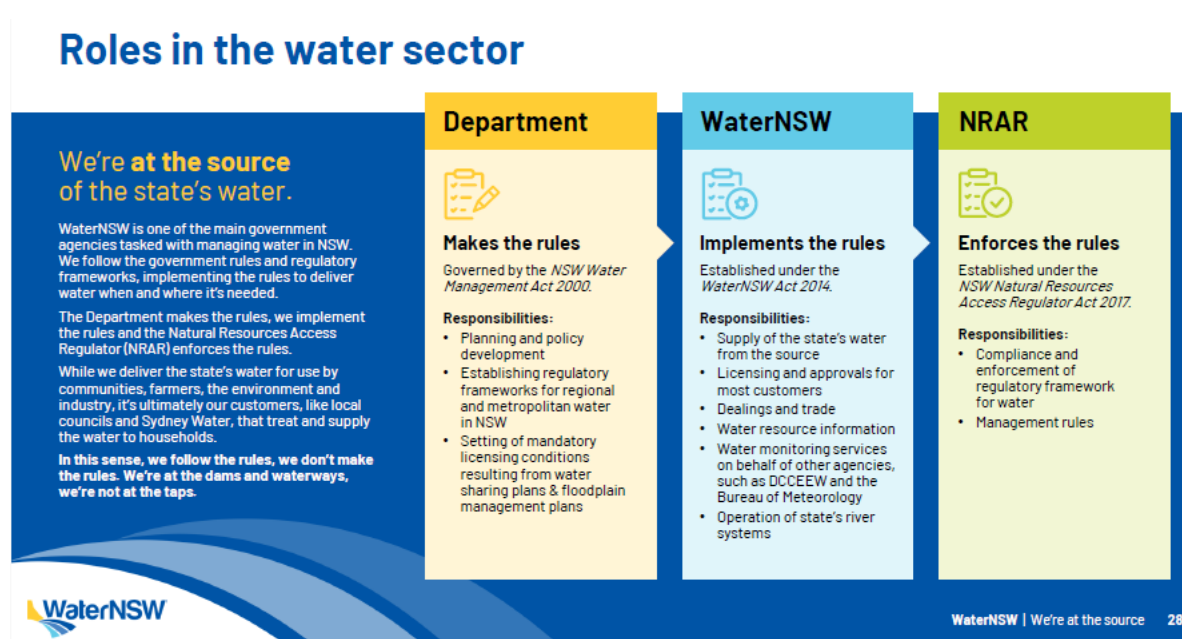


Figure 3. Roles in the water sector slide presented by WaterNSW representative during Hunter-Coastal Customer Advisory Group on 22 April 2026.

Water working groups convened by WaterNSW in 2023-2024 and representing industry, water licence holders, environment, community/resident interests across regional NSW, expressed overwhelming support for increased government cost shares to achieve greater equitable cost distribution. Notably, the majority of participants in each working group represented environmental and community/resident interests, but sided with industry and water licence holders on the issue of Government covering an increased share of costs, particularly for environmental planning and protection activities:

“Most participants raised issues of equity and fairness in funding the system, requesting increased government funding and responsibility for water management and water infrastructure. They are mindful of the significant public benefit of some of the investment proposals and consider government should be responsible for a larger portion of these costs, and that this would result in a more equitable spread of costs.

“Participants expressed concern regarding the increasing number of regulatory requirements that resulted in new costs and subsequent costs to customers and the community (as part of the Government's share). Participants suggested that Government should provide a much greater investment in water infrastructure to support both customer and community needs and both ongoing and new environmental initiatives.”¹⁶

¹⁶ SECNewgate (2024, June). Water Working Groups 2025-2030, Final Report of the Process. https://www.waternsw.com.au/_data/assets/pdf_file/0005/263633/WaterNSW_Water_Working_Groups_2025-2030_-_Final_Report_of_the_Process.pdf, p 13.



4.4.2 Government regulatory pressures on WaterNSW are increasing

NSWIC appreciates IPART's recognition of the increase in "number and scope of the regulatory, policy and other instruments that guide WaterNSW's operations and compliance priorities outside the Water NSW Act 2014¹⁷." We support WaterNSW better quantifying the costs rising from its interactions with Government.

The operating environment surrounding water planning and management is more uncertain than ever. Cumulative policy reforms, unclear timeframes, and modelled impacts to water reliability, impacting water users' ability to irrigate and run profitable businesses. Policy decision making is impacting on water planning and management in significant ways; this uncertainty in business can lead to a death spiral for both water users and WaterNSW alike.

From a water user perspective, NSWIC submits that the WaterNSW policy implementation projects impact water users, and will require provision of a government service by WaterNSW to implement practically:

Table 2. Description of reforms affecting NSW water users from 2026-2029

| Reform Name and Description | Current & potential impact on NSW water users | Current & potential impact on WaterNSW |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Floodplain Management Plans (FMP)</p> <p>This NSW-DCCEEW program coordinates the development of flood works on a whole-of-valley basis.</p> | <p>For some water users, the cost of compliance may outweigh the cost to continue irrigating. Paying for flood work studies can cost tens of thousands of dollars (often on works that have existed for decades) however this is a requirement of compliance.</p> <p>Siloed agencies often not working in harmony has increased the costs for government and water users. NSWIC has noted significant issues with FMP rollout, with agencies often not in lock step throughout implementation.</p> | <p>WaterNSW is responsible for licencing floodplain management plans. They assess applications of thousands of landholders to ensure that all structures are compliant with DCCEEW's policy.</p> <p>This incurs licencing costs in response to DCCEEW's policy. WaterNSW has to process thousands of landholder applications. Some of these applications also end up in the Land and Environment Court, with considerable legal fees.</p> <p>WaterNSW is also outsourcing the assessment of flood work approvals, which exacerbates the increasing cost of compliance for the end-use customer who must pay all costs.</p> |
| <p>Non-urban metering framework</p> <p>This NSW-DCCEEW program has been implemented since 2018. Revised measurement requirements have</p> | <p>Water users have/are greatly impacted by this reform.</p> <p>Water users must ensure their licence and approval details are current. If not, they must pay to make these changes.</p> | <p>WaterNSW bears a high cost of compliance.</p> <p>WaterNSW is responsible for managing works approvals, water licences and customer detail databases, so resourcing must be spent to keep these operating.</p> |

¹⁷ IPART (2026, March). Draft Report Prices for WaterNSW regional and rural bulk water from 1 July 2026. <https://www.ipart.nsw.gov.au/documents/draft-report/draft-report-prices-waternsw-regional-and-rural-bulk-water-1-july-2026>, pg 37.



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| <p>been put into place dependent on a water users total entitlement volume and size/number of works.</p> | <p>Water users must pay for Duly Qualified Person (DQP) services for planning, installation and validation. They must pay for equipment including meter, local intelligence device, and telemetry (if required). Water users bear the cost of ongoing maintenance and DQP services.</p> <p>Water users must also take on the administrative burden of learning how to navigate and report within online portals run by WaterNSW.</p> | <p>WaterNSW is responsible for the running of several online portals – the DAS, iWAS, Customer Portal, DQP concierge service. As these services have not always been fit for purpose, significant investment has been made to improve them.</p> <p>WaterNSW must invest resources in training their front-line staff on how to guide and advise water users on how to comply with the new metering and measurement requirements.</p> |
| <p>Fishways (fish passage)</p> <p>The NSW-DCCEEWs Fish Passage: Reconnecting the Northern Basin project seeks to reinstate waterways to allow native fish to easily have passage.</p> | <p>Water users have paid for valley-specific projects for at least four determination periods. Each determination has allocated an increasing customer share for the construction of this infrastructure. So far, each determination has passed without any action.</p> <p>Further information in section 4.4.3.</p> | <p>For this work to be completed, WaterNSW would need to play a role in implementing the designs for fish ladders put forward by NSW-DCCEEW and NSW-DPIRD Fisheries, including the removal barriers in waterways, the construction of fishways, and ongoing management of this infrastructure as part of the running of the water sources.</p> <p>Further information in section 4.4.3.</p> |
| <p>Snowy Water Inquiry Outcomes Implementation Deed</p> <p>This NSW-DCCEEW project may result in more water diverted through the Upper Murrumbidgee River.</p> | <p>With more water sent down the Upper Murrumbidgee, there may be additional transmission losses. Ultimately, less water will arrive in Burrinjuck Dam for re-regulation and use by irrigators. This may have a negative impact on the reliability of general security water, meaning less water use.¹⁸</p> | <p>This may reduce the amount of water for consumptive use, resulting in less revenue and more volatility in WaterNSW funding.</p> <p>WaterNSW may also need to allocate more staff resources to operationalise these changes.</p> |
| <p>Water Sharing Plans</p> <p>NSW-DCCEEW and the Natural Resources Commission undertake periodic reviews/audits of</p> | <p>NSW-DCCEEW regularly alter rules within Water Sharing Plans (WSP) that reduce licenced water use.</p> <p>Recent changes include:</p> <ul style="list-style-type: none"> • Murrumbidgee¹⁹ and Murray²⁰ WSPs, where the NRC recommended five and seven changes respectively that would | <p>WaterNSW experience operational impacts when implementing rule changes, requiring staff resources.</p> <p>Water use may also be reduced due to the cumulative nature of changes over time, ultimately reducing customer bases and licencing fees.</p> |

¹⁸ NSWIC (2025, February). Submission Review of the Snowy Water Inquiry Outcomes Implementation Deed

<https://consult.dcceew.gov.au/swioid-independent-review/new-survey/view/107>.

¹⁹ NRC (2024, September). Final report Review of the Water Sharing Plan for the Murrumbidgee Regulated River Water Source 2016.

<https://www.nrc.nsw.gov.au/Murrumbidgee%20Regulated%20-%20Final%20report%20-%20September%202024.pdf>.

²⁰ NRC (2024, November). Final report Review of the Water Sharing Plan for the Murray and Lower Darling Regulated River Water Source 2016.

<https://www.nrc.nsw.gov.au/NSW%20Murray%20and%20Lower%20Darling%20Regulated%20-%20Final%20report%20-%20November%202024.pdf>.



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| <p>WSPs, and propose rules changes.</p> | <p>reduce water access for irrigators.</p> <ul style="list-style-type: none"> • Changes to inland unregulated water sharing plan rules. • Changes to coastal tidal opening allocations and cease to pump triggers. • Changes to the Floodplain Harvesting trigger at Menindee. • Changes to coastal harvestable rights percentages. • Creation of Special Purpose Access Licences for cultural water. • Raising A-class licence access threshold in the Barwon-Darling River, establishing individual daily extraction components (IDECs), and Resumption of Flows rule on the Barwon-Darling. <p>These programs contribute to a complex and restrictive policy landscape. When cumulative impacts are considered, these changes effectively reduce water access for irrigation.</p> <p>As noted, any water codified in a WSP is PEW, which does not pay fees.</p> | |
| <p>Sustainable Extraction Project</p> <p>Originally proposed for the coast, this NSW-DCCEEW project will now build a framework to inform sustainable management of extraction in NSW unregulated and alluvial and regulated WSPs.</p> | <p>The NSW-DCCEEW review preceding the announcement of this project resulted in the coastal-draining catchment harvestable right being reduced from 30% to 10% in May 2022.</p> <p>The project may introduce additional limits to the extractions, further reducing consumptive use of water. Water on the market may become more expensive for water users.</p> | <p>WaterNSW has updated the Maximum Harvestable Rights Calculator on their website to account for the rule change by NSW-DCCEEW.</p> <p>Rule changes may drive down water sales and consequently reduce revenue to WaterNSW. This may drive an average decline in water sales annually to any lower priority user (primarily general security).</p> |
| <p>Northern Basin Connectivity Program</p> | <p>This program would ultimately mean less water is allocated to water users</p> | <p>Rules changes may drive down water sales, reducing revenue to WaterNSW.</p> |



| | | |
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| <p>This NSW-DCCEEW program has modelled various changes to WSP that would effectively take extractive water and turn it into planned environmental water.</p> <p>See NSWIC's submission to Northern Basin Connectivity (submitted separately as an addendum to this submission).</p> | <p>as reliability of all licence types would be reduced.</p> <p>This program modelled several different scenarios. It is unclear what the final impact will be, however, a top end reduction is 28.2% impact to general security in the Border Rivers (Connectivity EWA, dam inflow trigger), a 17.5% reduction in supplementary in the Gwydir (combination), and an 8.9% reduction in floodplain harvesting in the Namoi (combination).²¹</p> | <p>This may drive an average decline in water sales annually.</p> <p>WaterNSW may need to release and deliver planned environmental water as part of the WSP – but without water user charges associated (as this water is no longer “licenced”).</p> <p>Regulatory burden may be added, with operational changes required to pass water through the river system. More staff time may be required to operate the rivers, including integration with supplementary flows. This may require staff to implement rules operationally.</p> <p>Further strain may be placed on aging delivery infrastructure to deliver water. Practical delivery constraints may need resourcing, such as the increasing frequency of weirs manual operation.</p> |
| <p>Minimum Inflows Project</p> <p>This NSW-DCCEEW program will review the minimum inflow assumptions that go into annual water determinations. The program seeks to adjust the storage reserve to ensure high priority requirements can be met under future climate scenarios.</p> | <p>If the minimum inflows assumptions are changed, more water may be held in dams (under a more conservative allocation process). This may decrease use of general security water, driving up the costs of water on the market,</p> <p>NSW-DCCEEW has not released data publicly. Outcomes vary depending on the climate and valley.</p> <p>When minimum inflows were modelled as the Millennium Drought, impacts were shown to be up to 20% (in dry years).²² Discussions with NSW-DCCEEW have noted impacts for the Lachlan within the range of 5-25%.</p> | <p>Rule changes may prevent WaterNSW from charging fees on water held in dams. It may drive down water sales and consequently reduce revenue to WaterNSW. This may drive an average decline in water sales annually to any lower priority user (primarily general security).</p> <p>This may increase the risk of flood operations and associated WaterNSW staffing costs, as more water must be kept in reserves to comply with rules.</p> |

²¹ NSW DCCEEW (2026, February). Analysis of the Connectivity Expert Panel recommendations. <https://www.water.nsw.gov.au/sites/default/files/2025-10/nbc-analysis-of-the-connectivity-expert-panel-recommendation-information-paper.pdf>.

²² Parliament of NSW (2014, August 12). Water Management Amendment Bill 2014. <https://www.parliament.nsw.gov.au/Hansard/Pages/HansardFull.aspx#/DateDisplay/HANSARD-1323879322-57541/HANSARD-1323879322-57540>.



Currently, cumulative and ongoing policy change from Federal and State Governments (e.g. NSW-DCCEE) are not subject to cost benefit analysis – with associated risks of cost shifting between Federal and State Governments and between State agencies onto customers.

4.4.3 Funding arrangements for complementary measures

The 2026 pricing determination is occurring simultaneously with the Murray-Darling Basin Authority's review of the Murray Darling Basin Plan. In reviewing the plan, it is clear the policy challenge for the next phase of the Basin Plan has shifted. The Basin Plan must focus on maximising the effectiveness of water already recovered, which can be achieved through complementary measures, such as improving water quality and fish health to lift environmental water use efficiency. Focus must be given to strategic measures including infrastructure upgrades and complementary measures.

IPART has proposed allocating \$322.4 million of capital expenditure in WaterNSW notional revenue requirement for the 2026 determination. As justification, IPART states, "We consider this draft decision will enable WaterNSW to deliver fishway and cold water pollution projects that WaterNSW had planned to complete in the 2021 determination period but were not delivered."²³

NSWIC maintains our position from 2024:

"if [fishways and cold-water pollution] and other public good initiatives are to be delivered in a timely and cost-effective fashion, the NSW Government must remove them from the impactor-pays cost-sharing framework applied by IPART and find alternative funding sources."

We consider the government service activity is an appropriate alternative funding source for fishways and cold water pollution projects under the Environmental Planning and Protection Activity WaterNSW is implementing these responsibilities on behalf of other government entities and in response to community pressure. The completion of projects will provide a service to the government, in addition to achieving environmental outcomes firmly supported by communities in NSW and across Australia. The work required has a significant impact on WaterNSW capital expenditure to build and maintain the infrastructure, as well as operational expenditure, with staff and systems needed to plan and manage the operation of infrastructure once constructed. The costs of complementary measures should be incorporated into the government service activity cost share – paid 100% by government.

Fishways are a regulatory requirement under section 218 of the *Fisheries Management Act 1994* (NSW). NSW Fisheries may direct WaterNSW to construct a fishway when modifying or constructing a dam, weir or regulator. WaterNSW notes that during the 2017 Determination period, they initiated a fishway optimisation project to plan and develop alternative funding arrangements to address funding concerns raised by customers.²⁴ Despite the work undertaken by WaterNSW, funding arrangements concerns remain relevant today.

²³ IPART (2026, March). Draft Report Prices for WaterNSW regional and rural bulk water from 1 July 2026. <https://www.ipart.nsw.gov.au/documents/draft-report/draft-report-prices-waternsw-regional-and-rural-bulk-water-1-july-2026>, pg 66.

²⁴ WaterNSW (2021). WaterNSW Pricing Proposal to the Independent Pricing and Regulatory Tribunal. <https://www.ipart.nsw.gov.au/sites/default/files/documents/pricing-application-by-waternsw-june-2020.pdf>, pg 67.

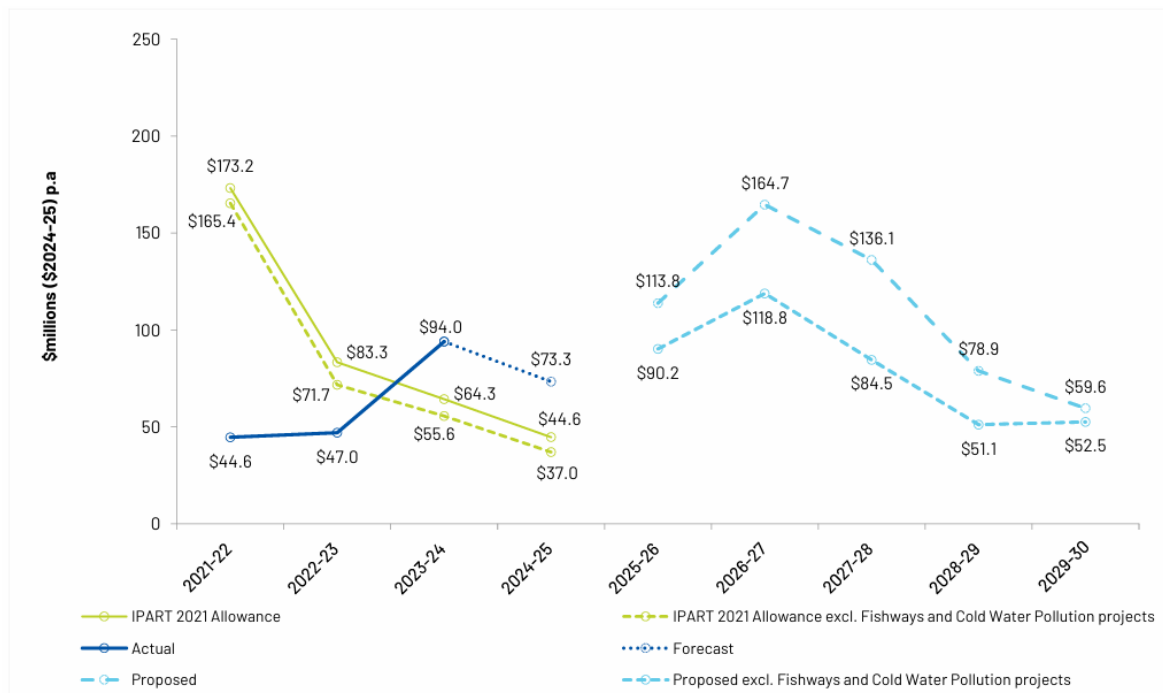


It is challenging to calculate the total capital expenditure allocated to complementary measures; specifically, the construction of fish passages at eleven weirs in NSW. Over the last 10 years, regulated customers have paid for a significant portion of these projects; assets that due to delivery constraints beyond customer control have been consistently delayed. NSWIC calculates the following expenditure for only three weirs,²⁵ which were due to be completed by FY25 but remain unfinished:

- \$3.4 million spent in 2017-2021²⁶
- \$3.4 million spent in 2021-2022²⁷ and
- \$7.3 million spent in 2022-2025²⁸

These projects now continue into the 2026 determination period, at increasing customer share cost. This is an unfair and inequitable outcome for customers.

WaterNSW included Figure 4 in their 2024 Pricing Proposal to demonstrate the high cost of complementary measures on capital expenditure. WaterNSW note, “Illustrated below is the impact of the Fishways and Cold Water Pollution projects, as these are significant in the context of the proposed capital expenditures for the Rural Valleys. These are large one-off policy or regulatory driven projects which otherwise mask the underlying investment proposed to maintain our critical infrastructure.”²⁹



²⁵ Gunidgera, Marebone Break Weir and Lake Cargelligo Outlet Regulator fish passage offset schemes.

²⁶ Ibid

²⁷ Ibid

²⁸ WaterNSW (2024, September 30). Attachment 18 Capital expenditure for infrastructure.

https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/2024-Pricing-Proposal-WaterNSW-Attachment-18-Capital-expenditure-for-infrastructure.PDF, pg 50.

²⁹ WaterNSW (2024, September 30). Pricing Proposal. https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/2024-Pricing-Proposal-WaterNSW.PDF, pg 40.



Figure 4 Allowed, actual and proposed capital expenditure (\$m, \$2024-25) – Rural Valleys³⁰

Capital expenditure for Environmental Planning and Protection activities covers strategic and specific planning and assessment, fish passages, carbon neutrality and cold-water pollution. In data published on 30 April 2026,³¹ the average annual capital expenditure allowance for this activity from 2022-2025 was \$7.379 million. Under IPART’s current draft decision (i.e., without government assistance) this will increase to \$16.4 million, \$22.3 million and \$12 million in 2026-27, 2027-28 and 2028-29, respectively. This represents an average increase of 46% in capital expenditure for the 2026 determination.

It is important to note that capital expenditure for Environmental Planning and Protection will continue into future IPART determinations. While some efficiencies may emerge, delivery of a further six fishways on regulating structures will keep capital expenditure high. Figure 5 provides an indication of project timing and delivery:

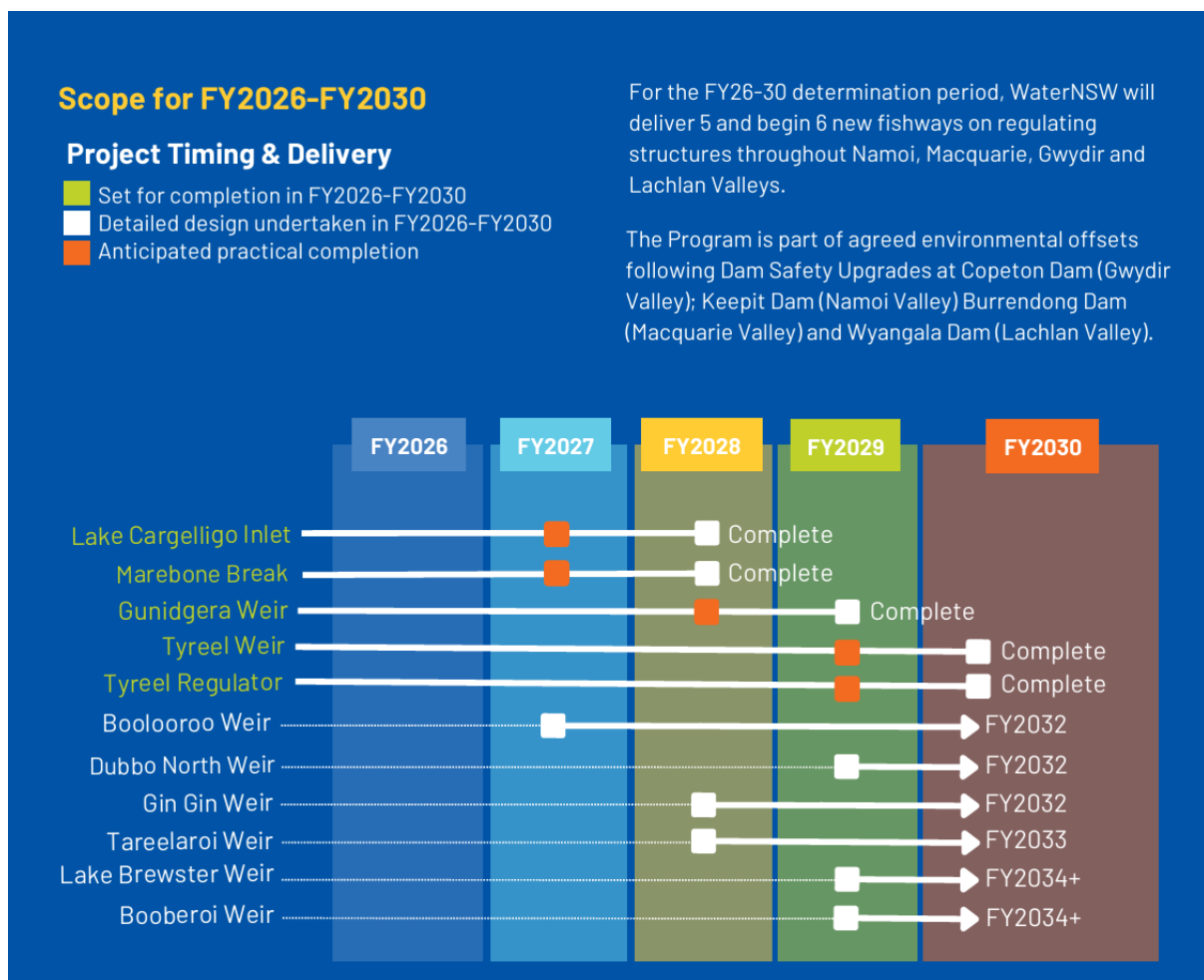


Figure 5 Project timing and delivery for Dam Safety Upgrade Offset Fishway Program³²

³⁰ WaterNSW (2024, September 30). Pricing Proposal. https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/2024-Pricing-Proposal-WaterNSW.PDF, pg 40.

³¹ IPART (2026, April). Addendum – WNSW Rural Valleys Bulk Water 2026 Draft Report. https://www.ipart.nsw.gov.au/documents/spreadsheet-model/addendum-wnsw-rural-valleys-bulk-water-2026-draft-report-april-2026?timeline_id=20130&utm_medium=email&utm_source=govdelivery.

³² WaterNSW (2024, September 30). Attachment 7 Project summaries for top 10 major projects. https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/2024-Pricing-Proposal-WaterNSW-Attachment-07-Project-summaries-for-top-10-major-projects.PDF, pg 13.



Environmental Planning and Protection costs are heavily recovered from rural water customers for public interest items. This puts a high-cost burden on water users but has also resulted in important public interest complementary measures progressing slowly due to prohibitively expensive cost recovery from water users.

NSWIC recommends IPART allocate the costs of these activities to the beneficiaries – i.e., the NSW Government, not rural water customers.



5 Affordability

IPART questions addressed in this section:

- 17.** What are your views on our approach for assessing how potential price increases could affect irrigated farms and local water utility customers?
- 18.** Do you support the methodology and underlying assumptions used for the agricultural impacts analysis?

Recommendations:

- IPART to evaluate the benefits of a 5% cap demonstrated by the updated Ricardo farm profitability analysis prior to 1 July 2026.
- IPART and Ricardo to facilitate an industry workshop or presentation of updated draft farm affordability analysis prior to 1 July 2026.

5.1 Context surrounding irrigation farmers in NSW

NSWIC encourages IPART to consider the valley-specific submissions from our membership on how potential price increases could affect real irrigated farmers across the state.

The current irrigated agriculture context must be recognised when considering the impact of pricing increases:

1. Farmers are facing externally driven factors beyond their control that constrain their capacity to pay, thereby limiting cost recovery from farmers. The rising input costs (e.g. water, electricity, interest rates, fuel, wages, and insurances) is impacting water users' capacity to absorb further prices. IPART has recognised this, noting that the "current environment of economic uncertainty and elevated input costs across the regional and rural community. We recognise there is limited capacity for many customers to absorb ongoing real increases in water charges."³³
2. Irrigated agricultural businesses are price takers, not price makers, in the food and fibre markets they supply. This means farmers already have a very limited/non-existent capacity to pass on increased costs to consumers. Considering both of these realities, irrigated agriculture business has a very limited capacity to take on increased costs and continue remaining commercially viable.
3. Farmers irrigate within a cyclical nature of wet and dry periods, and the highly concentrated, and often enduring periods in which negative conditions result in financial pressures on irrigated agricultural business. The NSW State Seasonal Update reports that 45% of NSW is in the 'Drought Affected' category, and the most likely outcome is for drought conditions to persist across much of NSW, with much of the state to be in the Drought Affected category by 30 June 2026.³⁴

³³ IPART (2026, March). Draft Report Prices for WaterNSW regional and rural bulk water from 1 July 2026. <https://www.ipart.nsw.gov.au/documents/draft-report/draft-report-prices-waternsw-regional-and-rural-bulk-water-1-july-2026>, pg 14.

³⁴ DPIRD (2026, April). NSW State Seasonal Update March 2026. https://mcusercontent.com/ad6bc02240258c96a785ea173/files/407c3220-1ebe-257b-7fc8-c2ec912fcd00/202603_NSW_State_Seasonal_Update_March_2026_Final_Subscriber_Release.pdf.

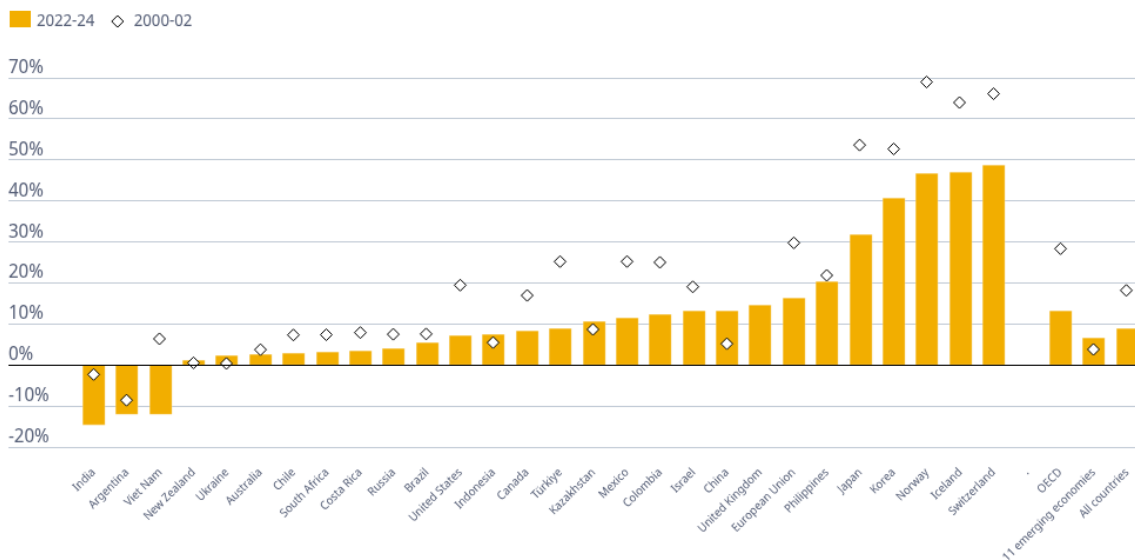


4. Inflationary pressures continue to present risk to the agriculture sector. ABARES Agricultural Commodities Report for March quarter 2026 states “In Australia, inflation remains above the target range... Inflation is expected to peak in mid-2026 and then moderate by mid-2028. The Reserve Bank of Australia (RBA) increased the cash rate from 3.6% to 3.85% in February 2026, after holding it steady for several months.”³⁵ As of May 2026, the official cash rate is now 4.35%.

5. The Organisation for Economic Co-operation and Development (OECD) annual review of national agricultural policies demonstrate that government support measures in Australian agriculture are the second lowest for any developed nation on earth, or sixth lowest in the world. In 2000-2002, this was 3.7% and has now declined to 2.7% of gross farm receipts (see Figure 6).

Figure 3.1. Support to producers across countries varied between -15% and 49% of gross farm receipts

Producer Support Estimate (PSE) by country, 2000-02 and 2022-24, percentage of gross farm receipts



Note: Countries are ranked according to the 2022-24 levels. The European Union refers to EU15 for 2000-02, and EU27 for 2022-24. The OECD total does not include the non-OECD EU Member States. Latvia and Lithuania are included only for 2022-24. The 11 emerging economies include Argentina, Brazil, China, India, Indonesia, Kazakhstan, the Philippines, Russia, South Africa, Ukraine and Viet Nam. The All countries total includes all OECD countries, non-OECD EU Member States, and the emerging economies.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

Source...

© OECD

Figure 6. Support to producers across countries

6. OECD also reports that general services support (GSSE) is 2% of agricultural value of production. 1.3% goes towards agricultural knowledge and innovation systems, 0.2% on inspection and control, and 0.5% on infrastructure. OECD notes that “underinvestment in GSSE can put sustainability productivity growth at risk when farmers do not have the knowledge and infrastructure to maximise the value of their operations.”³⁶

³⁵ DAFF (2026, March). Agricultural Commodities Report March quarter 2026.

https://daff.ent.sirsidynix.net.au/client/en_AU/search/asset/1038003/0/00_AgCommodities202603_v1.0.0.pdf, pg 11.

³⁶ OECD (2025, October 30). Agricultural Policy Monitoring and Evaluation 2025. https://www.oecd.org/en/publications/agricultural-policy-monitoring-and-evaluation-2025_a80ac398-en/full-report/developments-in-agricultural-policies-and-support-by-country_411a0245.html.



5.2 Ricardo agricultural impact analysis

The Ricardo final report to IPART on the impacts of potential WaterNSW price increases on representative irrigation farms in regional NSW is a valuable first step to quantitatively and qualitatively discern the impact of different cost recovery models on the gross and net margins of small to medium farms.

Modelling limitations mean that final data is not an accurate reflection of what occurs on a farm, however the report effectively illustrates the difference in generalised impacts of cost-reflective pricing (no price cap) and a 15% price cap. Results show that within the modelled environment a 15% price cap would result in the material reduction of farm profitability for cotton and lucerne farming enterprises, and gross margins remain positive for most farming enterprises, but net margins would be significantly reduced. However, for cost-reflective pricing, impacts are more pronounced, with need for large structural shifts in farm cost composition. Cotton and lucerne enterprises would become unprofitable, as would dairy enterprises on the North Coast. Rice and wine grapes remain comparatively less exposed; however, their margins are still materially reduced.

We recognise the time constraints limiting the scope of work; however, we consider that IPART's brief to Ricardo could have been strengthened by requesting the modelling of:

- A range of allocation percentages. Ricardo used 100%, but this is an uncommon occurrence for water users. We understand that Ricardo will now model 0%, 20%, 50% and 100% allocation, which we consider is a better reflection of reality.
- A range of cost-recovery models. Ricardo worked off a 15% cap and cost-reflective pricing, however IPART's draft determination is considering 5% and 10%. We understand that Ricardo will now model 5% cap, 10% cap, 15% cap and cost-reflective pricing, against the range of percentage allocations.

We anticipate that Ricardo's expanded report will provide IPART with a highly controlled, but more valid reflection of farming in NSW. Previous modelling was particularly unrealistic with its assumption of 100% allocation. This expanded data should demonstrate why a 5% cap is more appropriate for affordability across NSW.

We would welcome any opportunity to review updated Ricardo analysis prior to IPART's final decision. In particular, we would value an industry workshop or presentation of updated draft farm affordability analysis. Ground-truthing assumptions would ensure that final decisions made by the IPART Tribunal are valid and appropriately reflect the affordability impacts faced by irrigators. While IPART may not wish to engage about price increases generally, closing the loop with key stakeholders regarding their previous advice to IPART and Ricardo represents best practice stakeholder engagement.



6 Customer service levels and performance measures

IPART questions addressed in this section:

21. What are your views on the draft performance measures and targets? Could these be improved? If so, please suggest measures and/or targets that would improve the quality of WaterNSW's reporting and transparency.

22. WaterNSW proposed a number of performance measures that we are not including in our draft recommendations. For example, we did not include WaterNSW's proposed measures for the WaterInsights portal or reporting of data breaches. Do you consider any of these important for transparency, accountability or customer outcomes?

Recommendations:

- IPART to implement the draft recommended performance measures for WaterNSW.
- IPART to include asset condition assessment data reporting as part of performance measure 'open and transparent about customer charges and expenditure'.
- WaterNSW to inform Customer Advisory Groups on the frequency and format of reporting on performance outcomes, particularly annual financial performance data.

The WaterNSW business transformation has seen a reduction of ~280 FTE positions. WaterNSW reports that <50% of reductions occurred in metropolitan locations, and senior-middle management have been reduced. While WaterNSW have emphasised that the majority of job losses have impacted corporate functions, NSWIC note that traditional frontline services have been materially affected. Water users report loss of administrative efficiencies due to decline in team sizes and local knowledge, with certain application times tripling in processing time. Others report the loss of institutional knowledge due to the loss of key staff members affecting the efficient and effective operation of rivers.

Customer support, billing services and metering activities are funded 100% by water users. These charges have increased every year, yet water users accessing customer facing services report inconsistencies in performance levels and note that change is occurring in a way that does not support all water users (i.e., services moving online at the cost of in-person staff availability).

The following areas are key areas of concern:

- Availability of local staff in regional communities (in-person meetings on Tuesday only).
- Communication of upcoming infrastructure works and cyclical maintenance programs.
- Customer service and education to support the shift to unfamiliar digital platforms such as water ordering and recording through the water accounting system.
- Data transfer and management for customer licence, approval and contact information.
- Subscription service settings that cancel subscriptions after a certain time has elapsed.
- Water licence trading and system transparency.

Customer-based performance measures and services levels should be defined, achieved and maintained. They should meet and exceed the relevant Operating Licence conditions or legislative requirements and show WaterNSW commitment to the services that matter most to customers and for which customers pay. These measures should guide the prioritisation of resources so sufficient levels of service are provided for core business and commercial services provided to paying customers.



IPART's draft recommended performance measures for WaterNSW provides a valuable accountability framework. The draft performance measures for 'maintaining downward pressure on costs to support customer affordability' and 'open and transparent about customer charges and expenditure' provide the level of transparency that valley-based water users associations have been seeking for many years. WaterNSW should inform Customer Advisory Groups on the frequency and format of reporting on performance outcomes, particularly annual financial performance data.

Within performance outcome "open and transparent about customer charges and expenditure", NSWIC supports financial performance reports being broken-down into valley-based sections to provide clarity on the localised impacts of WaterNSW business on each valley. We recommend asset condition assessment data be included in reporting on asset renewal and replacement.

7 Conclusion

NSWIC appreciates the opportunity to provide feedback on IPART's Draft Determination for WaterNSW regional and rural bulk water prices from 1 July 2026. Water pricing decisions are critically important to irrigation farmers across NSW, with direct impacts on food and fibre production, business viability and long-term investment confidence.

NSWIC supports a pricing framework that is transparent, equitable, effective and practical. While we recognise the essential role WaterNSW plays in operating and maintaining water infrastructure, customers should not bear the growing cost burden of broader government policy and regulatory reform that is not underpinned by clear justification, transparency and appropriate government contribution.

IPART's Draft Determination shows some meaningful progress towards understanding the ability of water users to absorb further costs and the services underpinning those charges. This is reflected in the move toward a revised cost-sharing framework and recognition of government service activities. However, further work is required to ensure that costs are allocated fairly, affordability pressures are recognised, and unintended consequences for irrigated agriculture are avoided. This is especially important given current drought conditions, elevated input costs, inflationary pressures and increasing uncertainty surrounding future water reliability.

NSWIC urges IPART to adopt a cautious and balanced approach to price setting by implementing a three-year determination period, applying a 5% annual cap inclusive of inflation in inland and Hunter valleys, maintaining CPI-only increases and Community Service Obligations in coastal valleys, and avoiding mechanisms that transfer excessive financial risk to water users.

We encourage IPART to continue working closely with stakeholders between draft and final determinations, including further engagement on affordability modelling, cost-share implementation and transparency measures. By doing so, IPART can facilitate a final pricing decision that supports both the viability of irrigation-dependent communities across NSW and the long-term sustainability of WaterNSW.



NSW Irrigators' Council

The NSW Irrigators' Council (NSWIC) is the peak body representing irrigation farmers and the irrigation farming industry in NSW. Our members include valley water user associations, food and fibre groups, irrigation corporations and commodity groups from the rice, cotton and horticultural industries.

Through our members, NSWIC represents over 12,000 water access licence holders in NSW who access regulated, unregulated and groundwater systems. NSWIC engages in advocacy and policy development on behalf of the irrigation farming sector. As an apolitical entity, the Council provides advice to all stakeholders and decision makers.

Irrigation farmers are stewards of tremendous local, operational and practical knowledge in water management. With more than 12,000 irrigation farmers in NSW, a wealth of knowledge is available. Participatory decision making and extensive consultation ensure this knowledge can be incorporated into best-practice, evidence-based policy.

NSWIC and our members are a valuable way for Governments and agencies to access this knowledge. NSWIC offers the expertise from our network of irrigation farmers and organisations to ensure water management is practical, community-minded, sustainable and follows participatory process.

NSWIC sees this consultation as a valuable opportunity to provide expertise from our membership. Each member reserves the right to independent policy on issues that directly relate to their areas of operation, expertise or any other issues that they deem relevant.

NSW irrigation farming

Irrigation farmers in Australia are recognised as world leaders in water efficiency. For example, according to the Australian Government Department of Agriculture, Water and the Environment:

“Australian cotton growers are now recognised as the most water-use efficient in the world and three times more efficient than the global average”³⁷

“The Australian rice industry leads the world in water use efficiency. From paddock to plate, Australian grown rice uses 50% less water than the global average.”³⁸

Our water management legislation prioritises all other users before agriculture (critical human needs, stock and domestic, and the environment), meaning our industry only has water access when all other needs are satisfied. Our industry supports and respects this order of prioritisation. Many common crops we produce are annual/seasonal crops that can be grown in wet years, and not grown in dry periods, in tune with Australia's variable climate.

Irrigation farming in Australia is also subject to strict regulations to ensure sustainable and responsible water use. This includes all extractions being capped at a sustainable level, a hierarchy of water access priorities, and strict measurement requirements.

³⁷ <https://www.agriculture.gov.au/ag-farm-food/crops/cotton>.

³⁸ <https://www.agriculture.gov.au/ag-farm-food/crops/rice>.