

Our reference: D26/8738

24 April 2026

Commissioner
Productivity Commission
By website: pc.gov.au

Dear Commissioner

Submission to the National Water Reform 2026 inquiry

The Independent Pricing and Regulatory Tribunal of New South Wales (IPART) welcomes the opportunity to provide a submission to the Productivity Commission's National Water Reform 2026 inquiry. We support the review of the National Water Initiative (NWI) to ensure it remains relevant and effective in driving and coordinating water reform across the Murray-Darling Basin.

We have recently conducted several price reviews of water businesses in NSW

We are the independent pricing regulator for Sydney Water, Hunter Water, Sydney Desalination Plant (SDP), Essential Water, WaterNSW and the Water Administration Ministerial Corporation (WAMC) and one local water utility, Central Coast Council. Our determinations cover urban water and wastewater services, water management and planning, and bulk water services in regional and rural NSW. In addition, we set maximum prices for developer charges related to water, wastewater and drainage services for metropolitan water utilities. As well as our pricing functions, we also review and administer the Operating Licences for the SDP, 3 government-owned water utilities, and private water utilities under the *Water Industry Competition Act 2006 (NSW)*.

We completed 5 water pricing reviews in 2025 which set the maximum prices for Sydney Water, Hunter Water, WaterNSW's bulk water services to Greater Sydney, WAMC services and a 1-year determination for WaterNSW's bulk water services to regional and rural NSW. Across all 5 reviews, price increases proposed by the regulated entities were material and driven by significant increases in proposed infrastructure investment. In determining maximum prices as required by section 15(1) of the *Independent Pricing and Regulatory Tribunal Act 1992 (NSW)*, we balanced social impacts including affordability, with the need to invest to deliver safe and reliable services and long-term financial and environmental sustainability.

Reports on these reviews are available on IPART's website.

Submissions on Part A (NWI Assessment)

We welcome the review by the Productivity Commission of the NWI's economic and pricing principles to ensure the NWI remains relevant and fit for purpose given current and emerging challenges in the water sector.

We have developed a cost sharing framework to allocate costs between customers and the NSW Government. We are currently consulting on draft revisions to this framework in our draft report for the review of maximum bulk water prices for WaterNSW's rural and regional services. We intend to commence a review of the cost sharing framework for water planning and management activities provided by WAMC in the second half of 2026.

Submissions on Part B (NWI Assessment)

Our approach to water pricing reviews is set out in our [Water Regulation Handbook](#). We last reviewed our approach to regulating water utilities in a thorough consultative process in 2022. IPART plans to again review the effectiveness of our Water Regulation Handbook and regulatory approach in 2027.

We are cognisant of the findings from the recent UK [Independent Water Commission](#) which found that a fundamental 'reset' of the water sector is needed to restore public confidence in the sector and its regulation, to attract the investment needed to clean up the waterways of England and Wales, and to establish a framework that will meet the water demands of the future.

The NSW water sector faces challenges from population growth, ageing infrastructure, climate change, and environmental management. Among other things, we set maximum prices to fund efficient expenditure to deliver reliable and safe water services and to reflect a fair contribution between today's customers and future customers.

The Tribunal is concerned about the long-term sustainability of the rural and regional water sector. The tension between the risk of underinvestment in infrastructure to enable reliable, safe water services and the risk of negative social impacts from price increases is evident in our current review to make the next price determination for WaterNSW rural and regional services.

As part of our current review of WaterNSW, we engaged Ricardo, a consulting firm, to analyse the potential impacts of WaterNSW's price increases on small to medium agricultural producers in NSW. Ricardo's analysis highlighted the potential for WaterNSW's pricing proposal to have material impacts on many small to medium sized farm businesses, reducing their net profit margins to unsustainable levels and resulting in potentially significant disruption in regional and rural communities in NSW. Affordability considerations are particularly acute on the North Coast and South Coast of NSW where bulk water prices have historically been set below full cost recovery levels.

Our recent Draft Report on maximum prices for WaterNSW made a draft recommendation that the NSW Government undertake a review of the longer-term sustainability of the regional and rural water sector in NSW, including whether WaterNSW's operating model, regulatory framework and funding arrangements remain fit for purpose, to ensure the sector is financially sustainable, affordable for customers, and capable of meeting future water security and environmental challenges.

We will publish the Final Report for this Review in June this year.

We would welcome an opportunity to engage with the Productivity Commission on the matters raised in this submission. Our contact officer is Sean Alexander who can be reached on (02) 9019 1902.

Yours sincerely

24/04/2026

X

Acting Chief Executive Officer
Signed by: _____