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24 April 2026

Joanne Chong
Commissioner
Productivity Commission
Submitted via online portal

Dear Ms Chong,

RESPONSE TO NATIONAL WATER REFORM 2026 CALL FOR SUBMISSIONS

Essential Water welcomes the opportunity to provide comments in response to the Productivity Commission's National Water Reform 2026 Call for Submissions. Essential Water delivers safe, reliable and high-quality water and wastewater treatment services to approximately 18,000 people across Far West NSW, including Broken Hill, Menindee, Silverton, Sunset Strip and nearby rural areas.

Essential Water faces similar challenges to other NSW local water utilities, but separate regulation

Essential Water is unique among NSW water utilities, as an operational unit of Essential Energy – a wholly-NSW Government-owned corporation. Unlike other regional NSW utilities, Essential Water is not classified as a Local Water Utility (LWU), operates under the *Water Management Act 2000 (NSW)*, and is regulated by the NSW Independent Pricing and Regulatory Tribunal (IPART).

Despite falling under a separate regulatory framework, Essential Water has much in common with many of the LWUs in NSW:

- ▶ We are a relatively small business, providing essential water and wastewater services in a remote and challenging physical environment.
- ▶ Much of our water network of approximately 250 km of water pipes is nearing the end of its lifespan, making it more prone to bursts and service disruption.
- ▶ Key wastewater assets, such as the Wills Street Wastewater Treatment Plant, are nearly 100 years old and no longer meet environmental standards. Similar to issues with the water pipes, the sewer mains are also overdue for replacing.
- ▶ Water supply is an ongoing challenge, with most of our customers supplied via a pipeline owned and operated by WaterNSW. The cost of this bulk supply is currently subsidised by the NSW Government – without the subsidy customer prices would have doubled.
- ▶ Despite the need for renewal and replacement of core infrastructure assets, Essential Water has a relatively small customer base from which to fund these essential infrastructure and service upgrades. Additionally, our community in Broken Hill is one of the most socio-economically disadvantaged in NSW and affordability is a key concern for our customer base. This means our customer base simply cannot afford the cost-reflective prices required to fund the necessary



investments in Essential Water's assets. With the population of some communities in decline, this issue is likely to worsen over time.

The National Water Initiative should be made more relevant for regional utilities

The pressures listed above have borne out through Essential Water's 2026-2031 Pricing Proposal¹, which is currently under review by IPART, whose Final Report is due to be completed in May 2026. Noting that this is an ongoing process, our comments in this submission reflect general commentary on the policy and regulatory settings in which this process has occurred, not on IPART or its draft decisions.

Under IPART's Draft Report² price increases for typical use residential customers (consuming 250kL of water a year) have been capped at 4.7% plus inflation each year and price increases for non-residential customers are uncapped with average annual price increases ranging from between 2.8% and 10.9% per year plus inflation. Capped residential prices are below the level that would allow Essential Water to fully recover its share of efficient costs and results in a revenue shortfall of \$12.6 million for the 2026-31 period – IPART has proposed a number of options to fund the gap. This excludes the bulk water costs associated with the WaterNSW pipeline, which IPART recommends again be fully funded by the NSW Government. This highlights the declining relevance of the National Water Initiative (NWI) Pricing Principles, with the recovery of efficient costs increasingly challenging for Essential Water and other utilities facing similar pressures, let alone the affordability issues for our customers.

IPART's draft decision includes total capital expenditure over the five years from 2026 to 2031, which was 31% less than we proposed. IPART's draft decision proposed delays to the replacement of the Wills St wastewater plant and reduced expenditures on water and sewer mains renewals. These delays and reductions increase the likelihood of bursts, leaks and failures in Essential Water's ageing infrastructure.

IPART's draft decision also did not support expenditure for the only service improvement proposed by Essential Water – a smart meter rollout – which could bring operational savings, enhance leak detection and improve outcomes for consumers. We note that IPART approved expenditure for Sydney Water's proposed smart meter program in its final decision on their 2025-2030 Pricing Proposal.³ This is one example of a growing gap between regional and metropolitan customers in terms of service quality, cost, and alignment with best practice.

Regional utilities face a range of additional risks and costs, including heightened exposure to water security and climate change risks, energy price shocks, as well as higher labour and material costs. However, these disparities are often not reflected in regulatory oversight and performance reporting. Essential Water encourages the Productivity Commission to examine how the NWI can be adapted from a one-size-fits-all approach to ensure its principles are relevant, reasonable and proportionate to regional utilities, potentially including an explicit focus on equity for regional and remote customers.

Concessions should be efficient and equitably applied across utilities

Essential Water supports concessions, rebates and bill relief for customers as a way of ensuring all water customers can continue to pay for water and wastewater services, particularly in the face of rising cost of living pressures. However, these forms of hardship relief and welfare are most efficiently and equitably

¹ Essential Water, 2025, [Essential Water 2026-31 Pricing Proposal](#).

² IPART, 2026, [Essential Water prices 2026-2031 Draft Report](#).

³ IPART, 2025, [Sydney Water prices 2025-2031 Final Report](#).



delivered by governments through existing welfare frameworks. The Productivity Commission has made this point generally in the past, and specifically in relation to urban water in its 2020 Report:

Ultimately, assessing affordability is a decision for a government, depending on its budget priorities. Any specific affordability concerns for vulnerable community members should continue to be addressed through separate policy tools, such as the concessional rebates provided by governments for groups such as pensioners.⁴

In NSW, the value of some rebates vary substantially between utilities. This has been highlighted by the NSW Productivity and Equality Commission, which found that the bill for a pensioner connected to a LWU is almost three times higher than a Sydney Water pensioners' bill.⁵ The maximum rebate available to Essential Water pensioners is \$175 per year, a figure which has not increased since 1993. By comparison, Sydney Water pensioners are eligible for a rebate up to four times greater than pensioners connected to Essential Water. Essential Water would support a broad review of concessions and rebates with a view to harmonising the current piecemeal approach and ensuring customers in regional and remote areas are receiving equitable access to the support they need.

Conclusion

Essential Water welcomes this Inquiry and supports the Productivity's focus on Theme 1: Pricing and economic regulation and Theme 3: Regional, remote and equity considerations in the call for submissions. Essential Water welcomes the opportunity to engage directly with the Productivity Commission throughout this Inquiry. If you have any questions in relation to this submission and would like to arrange a discussion, please contact _____, Regulatory Strategy Senior Specialist, at _____

Yours sincerely,

Head of Network Regulation

⁴ Productivity Commission, 2021, [National Water Reform 2020, Supporting paper G: Urban water services: regional and remote communities](#).

⁵ NSW Productivity and Equality Commission, 2024, [Review of funding models for local water utilities](#).