



National Water Reform 2026
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

1 May 2026

Submission – Productivity Commission’s National Water Reform 2026 Inquiry

VicWater is the peak industry association for the Victorian water sector and all 18 Victorian water corporations are our members. We support our members to be 'better together' by facilitating industry advocacy, collaboration and innovation to achieve better outcomes for customers and community.

In 2024-25, Victoria’s water corporations were collectively responsible for:

- providing water services to approximately 3.2 million customers
- supplying approximately 4,370 GL of water to urban and rural customers
- directly employing approximately 8,000 staff (7,669 FTE)
- managing an asset base valued at \$62.1 billion
- collecting \$7.3 billion in revenue
- investing \$2.7 billion on capital works.

VicWater welcomes the opportunity to provide a submission to the Productivity Commission’s National Water Reform 2026 Inquiry.

VicWater supports the submission from the Water Services Association of Australia (WSAA) representing the national water industry, noting that not all of the views expressed in the WSAA submission are relevant in the Victorian context.

Our submission focuses on some of the key concerns for VicWater’s member organisations, relevant to Part B of the Call for Submissions.

Theme 1: Pricing and regulation

Need to support capital investment in water infrastructure

Water and wastewater services are essential to support both the Victorian and Commonwealth Governments’ priorities, including housing supply, economic development and new industries (e.g. data centres). Maintaining these services requires ongoing capital investment to meet the challenges of population growth, climate change impacts, increasing construction expenses, and cost of living pressures on customers. Under-investment can increase future costs, reduce system resilience and create a need for costly emergency capital works. Investment decisions should therefore account for the value of avoiding higher future costs through timely and adequate funding.

Pricing for growth needs to strike the right balance between a user-pays principle and sharing costs across the wider customer base, where benefits are broadly distributed over time. While a user-pays mechanism is important, relying too heavily on developer charges may undermine the realisation of the wider benefits. This is particularly true for wholesale water investments that provide long term, system wide benefits, such as improved resilience, increased capacity and service reliability, that extend beyond new developments alone.

Customer price increases alone are unlikely to fund the required step-change in capital expenditure without creating undue intergenerational burden, especially in regional areas where costs must be shared across a smaller customer base. The Commonwealth Government should continue to support national water programs such as the Resilient Rivers Water Infrastructure Program and should also consider providing direct equity injections to the water industry in the same way that it funds the energy industry.

Theme 2: Governance, accountability and coordination

Timing of new development

Under Victoria's economic regulatory framework, the Essential Services Commission determines what prices a water corporation can charge its customers over a five-year period (at a minimum). This pricing determination is based on, among other things, each water corporation's approved capital plan for the coming price determination period.

Meeting housing and development targets requires water corporations to plan, sequence and deliver water and wastewater services in a complex environment of rising demand, tight timeframes and constrained operational resources. This is occurring alongside more variable climate conditions which places additional pressure on system capacity and workforce capability.

Local government development approval processes do not necessarily align with the timing of water price determinations, which can lead to a delay in the provision of services when a development has not been considered by a water corporation in its capital plan. Without careful coordination, development approvals can result in infrastructure being delivered out of sequence, which can lead to inefficiencies, stranded assets and avoidable cost and service risks.

Increasing regulatory compliance burden and cost

The Victorian water sector supports effective regulation that is practical, proportionate and outcomes-based in delivering safe and secure drinking water and wastewater services that protect public health and the environment.

Requirements and expectations across regulators are sometimes misaligned and overlapping and require an increased monitoring and reporting effort without clear additional operational or public benefit. This increase in monitoring and reporting incurs operational costs and adds to the regulatory burden that the water sector currently faces. Victorian water corporations are also expected to play a role in delivering policy outcomes that are not necessarily part of their core business, with additional costs that cannot be recovered from customers. Better collaboration and coordination between central government agencies and regulators would help to align requirements, reduce duplication and improve efficiency.

Regulatory impact analysis that considers cost-benefit analysis and community expectations should be applied consistently to all water sector reforms using a standard methodology that assesses costs, implementation feasibility and the interaction with existing economic regulation. This should include early water sector consultation, transparent assessment of capital, operating and compliance costs, and clear impact statements.

Theme 3: Regional, remote and equity considerations

Equity issues in regional Victoria

Compared with metropolitan Melbourne, water corporations in regional Victoria face amplified water supply security, water quality and funding challenges, with smaller customer bases and constrained capacity to deliver services. Regulatory compliance burden also falls disproportionately on smaller regional water corporations, which are required to meet the same obligations to the same standards as larger water corporations but without the same level of resourcing.

In 2025-26 the average annual household water bill in regional Victoria (\$1,311) is nearly \$300 higher than in metropolitan Melbourne (\$1,085)¹. While this reflects a higher cost to serve, with regional customers in most parts of the state receiving the same level and quality of service as metropolitan customers, it raises broader issues of fairness and equity, particularly given that regional customers are often less able to afford the higher service charges.

We look forward to meeting with Commissioner Joanne Chong and Associate Commissioner Paul Wyrwoll to discuss our submission further. If you have any questions in the meantime, please contact _____, Policy and Regulation Manager, VicWater

Yours sincerely

Chief Executive Officer

¹ Average household water bills in Victoria, published on Essential Services Commission website <https://www.esc.vic.gov.au/water/water-prices-tariffs-and-special-drainage/average-household-water-bills-victoria>