Australian Government
Productivity Commission

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National Water Reform 2026: Water services reform directions

Interim update

This is an interim update prepared for further public consultation and input. The PC will finalise its report after these processes have taken place.

June 2026

Acknowledgement of Country

The Productivity Commission acknowledges the Traditional Owners of Country throughout Australia and their continuing connection to land, waters and community. We pay our respects to their Cultures, Country and Elders past and present.

About us

The PC is the Australian Government's independent research and advisory body on a range of economic, social and environmental issues affecting the welfare of Australians. Its role, expressed most simply, is to help governments make better policies, in the long-term interest of the Australian community.

The PC's independence is underpinned by an Act of Parliament. Its processes and outputs are open to public scrutiny and are driven by concern for the wellbeing of the community as a whole.

For more information, visit the PC's website: www.pc.gov.au

Interim update

The PC has released this interim update for further public consultation and input and to assist individuals and organisations to prepare submissions to the inquiry.

Participants should not feel that they are restricted to comment only on matters raised in the interim update. The PC wishes to receive information and comment on issues which participants consider relevant to the inquiry's terms of reference.

The report was prepared using the assistance of AI tools for general research, refining text and consultation note taking. PC staff reviewed all outputs for accuracy and quality.

An appropriate reference for this publication is:
Productivity Commission 2026, *National Water Reform 2026: Water services reform directions*, Interim update, Canberra, June

Contents

Opportunity for comment

The PC thanks all participants for their contribution to the inquiry so far and now seeks additional input for the final report.

You are invited to examine this interim update and comment on it by written submission or brief comment by **10 July 2026**.

Further information on how to provide a submission is included on the inquiry website: www.pc.gov.au/inquiries-and-research/water-reform-2026/

The PC will prepare the final report after further submissions have been received and it will hold further discussions with participants.

Commissioners

For the purposes of this inquiry and interim update, in accordance with section 40 of the *Productivity Commission Act 1998* the powers of the PC have been exercised by:

Joanne Chong	Commissioner
Paul Wyrwoll	Associate Commissioner

Interim update

This update sets out the Productivity Commission's *interim* reform directions for Australia's water services industry. It focuses on policy and regulatory settings that could support secure, resilient and sustainable water services. It considers reform directions for:

- urban centres
- regional and remote areas[1]
- national issues in water service delivery.

This update forms part of the National Water Reform 2026 inquiry (terms of reference at appendix B). The inquiry covers progress under the 2004 National Water Initiative (NWI), and policy and regulatory settings for the water services industry. A separate interim update on progress under the NWI will be published in early July 2026. In preparing the interim updates, the PC has considered information provided in the 71 initial submissions received for the inquiry (appendix C), as well as issues raised by participants in meetings (including the stakeholder working group, established as required under the *Water Act 2007* (Cth)).

We welcome feedback on the issues and questions raised in this paper. You do not need to address every question, and you may raise other issues relevant to this part of the inquiry. We particularly welcome submissions supported by evidence, data, case studies and practical experience.

The PC is required to provide its final report to the Australian Government by 4 September 2026. Submissions on this interim update are requested by **10 July 2026**.

1. Secure, resilient and sustainable water services

This section explains how the paper uses the terms secure, resilient and sustainable water services, why these outcomes matter, and why pricing, efficiency and economic regulation are central to reform.

Water services and the broader water system

The water services industry provides essential water supply, wastewater and stormwater services to households and businesses across urban, regional and remote areas. These services are delivered mainly by government-owned utilities and local governments, which own and operate storage, treatment, delivery and distribution infrastructure and undertake retail functions such as billing, customer service and hardship

[1] The ABS classifies areas as major urban, other urban or rural based on population size and density (ABS 2023b). It also classifies geographic areas using the remoteness structure (major cities, inner regional, outer regional, remote and very remote Australia) based on access to services (ABS 2023a). The Bureau of Meteorology's National Performance Report for urban water utilities categorises all utilities based on the number of connected residential and non-residential properties, and also provides summary analyses for capital cities (BOM 2026). However, the water service issues experienced by a location relate not only to the factors used in these classifications, but also the institutional model for delivery and oversight. Hence in this report, the PC has outlined issues broadly relating to urban centres (which, in addition to major cities, are also relevant to several regional cities and towns), and to regional and remote areas, but these are not mutually exclusive.

support. Some providers are subject to independent economic regulation, while all are typically subject to environmental, health, infrastructure safety and other regulation.[2]

Water services operate within a broader water system where outcomes depend not only on utility networks and operations. For example, water efficiency, greywater and rainwater harvesting standards influence demand for centralised water supply. Catchment and river health and the sustainability of water resources determine water and wastewater treatment requirements. Stormwater infrastructure and land-use evolve together. These interactions shape how service needs are met, how risks are managed and where investment occurs.

Defining secure, resilient and sustainable water services

This paper uses the following working definitions of key concepts.

- **Secure water services** are available when needed, physically accessible and affordable, safe and of appropriate quality, with water-related risks managed to an acceptable level (OECD 2013, p. 12; PC 2024a, p. 96; UN Water 2013, p. 1).
- **Resilient water services** adapt and continue to function when conditions change or adverse events occur (resistance), return to or improve on previous performance levels (recovery), and do not cross minimum performance thresholds (robustness) (Grafton et al. 2019).
- **Sustainable water services** meet current societal needs without creating environmental, social or economic costs that undermine future generations' capacity to meet their needs (DEECA 2025; Marques et al. 2015; WCED 1987, p. 54).

Together, these concepts frame the reform issues discussed in the sections that follow, including pricing, regulation, planning and service delivery.

Why secure, resilient and sustainable water services matter

Secure, resilient and sustainable water services support public health, household wellbeing, environmental outcomes and economic activity.

Secure water services matter because people, households, communities and businesses rely on them every day. When services are unsafe, unreliable, unacceptable or unavailable, the effects are immediate and widespread, including risks to individual and public health and property, disruption to homes and businesses, and costs of coping mechanisms.

Resilience of water services matters because disruptions will occur, including due to climate change.[3] Droughts, floods, bushfires, contamination events, infrastructure failures and cyber incidents can all affect service delivery. Utilities and resource managers need to maintain services through these events and ensure quick recovery.

[2] The water services examined in this inquiry do not include irrigation services and bulk supply water to irrigation, although we recognise that some entities provide bulk supply for irrigation as well as town water services and hence that issues are interrelated. Beyond government and council owned utilities, private providers play key roles in water services delivery, such as infrastructure maintenance in remote communities, water carting, recycled wastewater in urban developments, and installation and maintenance of decentralised water technologies, such as rainwater tanks.

[3] Climate change is increasingly imposing adverse shocks and stresses on the infrastructure networks that deliver water services. The CSIRO has linked climate change to an increase in the frequency and severity of extreme weather events and the variability of water availability across Australia (CSIRO 2024, pp. 2, 8–11). Adverse events that could affect water services include heavy rainfall/flooding, longer and more severe fire weather, prolonged drought and heatwave.

Sustainable water services matter because short-term decisions can create larger costs and inequalities over time. Delaying maintenance, underinvesting in infrastructure renewal, or overlooking environmental impacts may reduce near-term costs, but can lead to higher future bills, poorer service outcomes and reduced welfare for future generations.

The benefits of secure, resilient and sustainable water services accumulate over time. They include maintained or improved public health and wellbeing, economic participation, labour and multi-factor productivity, and equitable access to essential services (OECD 2025; WHO 2023). Importantly, their delivery is central to Australian governments' commitments to achieving universal safe and affordable drinking water and sanitation, good health and wellbeing, sustainable cities and communities, and other Sustainable Development Goals, as well as equitable access to essential services for households in discrete Aboriginal and Torres Strait Islander communities (Closing the Gap Target 9b) (DFAT 2018; PC 2021a, p. 163).

Why economically efficient water services delivery matters

Economically efficient water services delivery helps achieve secure, resilient and sustainable outcomes by making the best use of scarce resources. In this context, efficiency includes but is not just about providers supplying services with the least-cost mix of inputs (productive efficiency). It also includes directing resources to service delivery and outcomes across the water system that create the greatest benefit to society (allocative efficiency), and making decisions that maximise social benefits of water services over time (dynamic efficiency) (PC 2013, pp. 3, 13).

In water services, economic efficiency should apply to decisions about operating and maintaining networks, investing in new infrastructure, using demand-side measures, coordinating with land use and other infrastructure, and choosing how and where water is sourced. Because water systems involve long-lived assets and uncertain future conditions, economically efficient decision-making also requires attention to risk (measurable probability) and uncertainty (unpredictable and unmeasurable). In addition to the short-term disruptions noted above, risk and uncertainty assessment needs to consider long-term trends affecting water systems (for example, water supply, water demand, land-use planning, climate change).

Economic efficiency and affordability are often presented as competing objectives, but they are closely related. Economically efficient water services deliver the greatest value at least cost over time, which is essential to supporting affordability.[4]

The role of water pricing and economic regulation

Water pricing and economic regulation shape incentives for efficiency, investment and service delivery over time. Australia's water reform agenda has long treated pricing and institutional arrangements as central to improving the productivity and efficiency of water use, protecting river and groundwater systems, providing greater investment certainty, and supporting an efficient, sustainable water industry (Doolan 2016, pp. 10–11).

[4] Productive efficiency can lower the costs that utilities need to recover to remain financially sustainable. For example, investment in demand management and catchment health can reduce the need for more costly supply augmentation and water treatment. Allocative efficiency can also support affordability where service delivery generates broader environmental and community benefits, such as through nature-based stormwater and wastewater management, without increasing overall costs. Dynamic efficiency matters because efficient investment in new infrastructure can reduce future direct costs, such as reactive spending on ageing and unreliable assets, and indirect costs, such as the public health and environmental costs of infrastructure failures.

The PC's 2021 and 2024 advice on renewing the NWI also identified nationally consistent best-practice principles for independent economic regulation (box 1).

Box 1 – Principles for best practice independent economic regulation

In 2021 and 2024, the PC advised that in renewing the NWI, all governments commit to following national best-practice principles to improve the quality and consistency of independent economic regulation of water service providers.

- Regulatory decisions are guided by the objective of promoting the long-term interests of customers.
- Utilities have incentives to innovate and improve their efficiency.
- Regulatory decision-making processes include effective customer and community engagement.
- Prices reflect the full efficient cost of service provision.
- Regulatory decisions consider the long-term financial viability of utilities.
- Regulatory processes facilitate effective competition in potentially contestable parts of the industry.
- Regulatory processes are transparent to allow scrutiny.
- Regulatory frameworks are adaptable and flexible.

Source: PC (2024a, p. 45).

Best practice pricing

Best practice pricing has been a central part of Australia's water reform agenda since at least the 1994 COAG Water Reform Framework (1994).[5] These reforms aimed to move away from heavily subsidised pricing towards more transparent, consumption-based and cost-reflective charging, including volumetric pricing and two-part tariffs, while making remaining subsidies explicit through community service obligations (CSOs).

The 2004 NWI expanded and formalised this approach. It linked pricing and institutional arrangements to efficient and sustainable use of water resources and water infrastructure, sufficient revenue for efficient service delivery and the avoidance of perverse pricing outcomes (NWI cl. 64). It also provided that pricing policies should use consumption-based pricing, recover the full cost of water services to support financially viable water businesses, avoid monopoly rents, and, where feasible and practical, recover environmental externalities (NWI cl. 66). In metropolitan areas, it required pricing policies for recycled water and stormwater to align with potable water pricing and encourage efficient water use regardless of source (NWI cl. 66).

The 2010 NWI Pricing Principles consolidated this framework and provided nationally consistent guidance on capital cost recovery (including developer charges), urban water tariffs, recovering the costs of water planning and management activities, and recycled water and stormwater use (NRMMC 2010). While the NWI pricing principles 'do not limit the ability of governments to address equity issues related to the provision of water services' (cl. 8), this is not a requirement to keep average bills low.

[5] Stormwater and recycled water were not included in the original 1994 COAG Water Reform Framework. Stormwater was added in the 1996 amendments. The NWI later extended the urban water reform agenda by requiring pricing policies for recycled water and stormwater reuse to be consistent with potable water pricing (cl. 66(ii)).

Over time, water utilities, regulators and governments have also explored other pricing approaches not explicitly developed in the original COAG/NWI framework, including dynamic or scarcity pricing and drought pricing mechanisms.

The NWI, NWI Pricing Principles and National Urban Water Planning Principles also embed principles of integrated planning and service delivery (DAWE 2019). The NWI recognises connections across water resources, including surface water and groundwater, and supports planning that considers environmental, social and economic objectives together. The National Urban Water Planning Principles reinforce this through integration with land-use and economic development planning (Principle 2) and whole-of-water-cycle management (Principle 4). The NWI Pricing Principles for recycled water and stormwater reuse are intended to assist states and territories meet their NWI commitments to stimulate efficient water use no matter what the source.

Independent economic regulation

The role of independent economic regulation is to strengthen transparency, accountability and confidence that monopoly water prices reflect efficient costs rather than provider or government discretion.

The COAG Water Reform Framework laid the foundations for this by separating water resource management, regulation and service delivery, and introducing stronger commercial disciplines for government monopoly providers (COAG 1994, att. A, pp. 4–6).[6] The NWI later gave independent bodies a more explicit role in setting or reviewing prices, and pricing outcomes. These reforms have been implemented differently and to different degrees across jurisdictions.

Together, these reforms were intended to promote the economically efficient and sustainable use of water resources and infrastructure, while ensuring sufficient revenue for efficient service delivery (NWI cl. 64). Combined with other water reforms, they responded to problems that had emerged by the 1980s, including government debt, financially unsustainable water authorities, poor drinking water quality and service levels, and environmental degradation from overallocated and poorly managed water resources (Doolan 2016).

The effectiveness of economic regulation in supporting these objectives depends on good design, implementation, and regular review (OECD 2015). Economic regulation can improve outcomes for customers and communities, but it also imposes compliance and administrative costs on water service providers and regulators. As the number of objectives and requirements increase, regulatory frameworks can become more complex and harder to administer. Clear, proportionate, targeted regulation helps maximise benefits while limiting unnecessary costs.

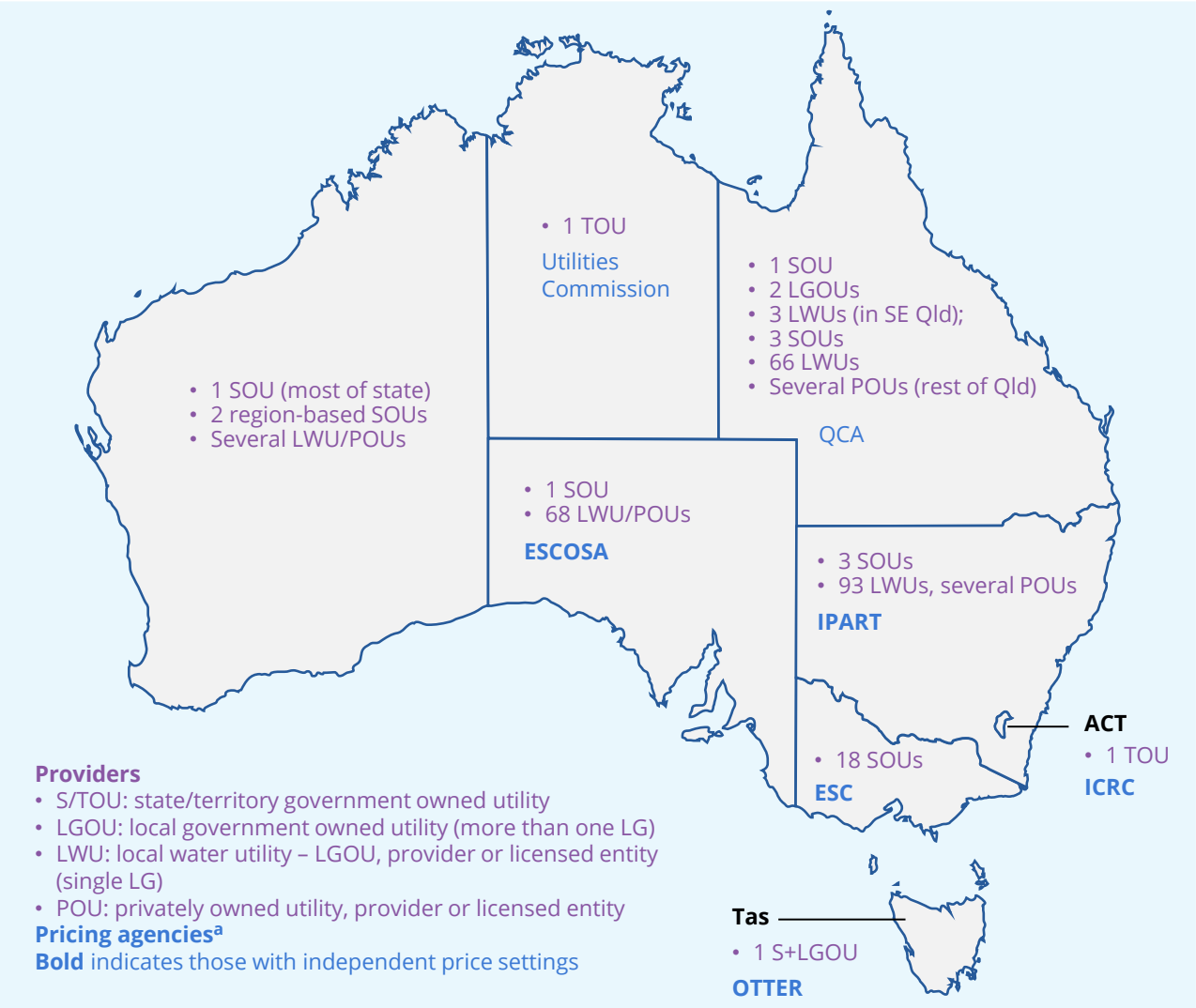
Diversity of approaches to service delivery and economic oversight

Water and wastewater services to urban centres are generally delivered by large state-owned utilities and are more likely to be subject to formal independent economic regulation. Water and wastewater services to regional and remote areas are delivered or managed by state-wide utilities in some jurisdictions, while in others they are delivered by local governments or smaller providers, resulting in more fragmented governance and reduced economic oversight. These institutional differences shape how pricing, investment and accountability operate in practice (figure 1).

[6] The NWI also built on commitments made under the National Competition Policy, which included price oversight of government business enterprises. The 1995 Competition Principles Agreement stated that jurisdictions would consider establishing independent sources of price oversight advice where these did not already exist. Oversight should focus primarily on efficient resource allocation, while taking account any CSOs, and should apply to significant government business enterprises that are monopoly or near-monopoly suppliers (COAG 1995).

Stormwater services in Australia are mostly provided by local governments and funded through council rates, developer contributions and government grants. In most cases, these services are not subject to independent economic regulation, except where a regulated water utility provides them, such as Melbourne Water. Fragmented responsibilities and unclear accountability for stormwater can make it difficult to coordinate investment and recover the costs of stormwater services, relative to water and wastewater services (Stormwater Australia, sub. 13, p. 2).

Figure 1 – Water service providers and agencies with pricing functions



a. Pricing agencies' independence and functions vary across jurisdictions. Functions include price setting, price review, price advice and price monitoring. Appendix A provides further details on each jurisdiction's pricing agency.

Source: BOM (2026); ESC (nd); ESCOSA (nd); ERA (nd); ICRC (nd); IPART (nd); OTTER (nd), QCA (nd); Queensland Government (2020); Utilities Commission (nd).

The draft National Water Agreement

The Australian Government and states and territories have been developing a new National Water Agreement (NWA). The draft agreement includes updated objectives, outcomes and principles intended to build on the National Water Initiative (DCCEEW 2024). Advising on the content of the current draft NWA (which has been signed by the Australian Government) is outside the scope of this inquiry; however, several

elements of the draft NWA would be directly relevant to reform directions for Australia's water services industry. There are at least five key areas of note across the first three objectives:[7]

- defined outcomes regarding water access for drinking and sanitation, with principles regarding drinking water security and quality, risk-based and adaptive planning, and equity (1A)
- water, wastewater and stormwater services to meet defined service level expectations that are determined in collaboration with communities (1B) and delivered through integrated planning, clear assignment of roles and responsibilities (1B), all water supply and demand sources being considered (1C), fit for purpose infrastructure (1D), and appropriate technical capabilities of water service providers (1E)
- pricing and institutional arrangements to promote economically equitable, efficient and sustainable use of water resources, water infrastructure assets and government resources, while ensuring sufficient revenue to support efficient service delivery (1F), environmental externalities are accounted for (1G), service providers are accountable (1H), and water pricing reviews are transparent, meet community needs, and support efficient services provision (1I)
- public confidence in major water infrastructure investment decisions is provided through robust and transparent decision-making (2A), with economic sustainability, long-term reliability and efficiency supported through adequate cost recovery (2B)
- water management should recognise and protect Aboriginal and Torres Strait Islander water interests and values, including recognition as custodians and knowledge holders (3A), respectful government partnerships (3B), meaningful opportunities to practice customary laws and care for water (3C), enduring access to safe water of acceptable quality and quantity that is determined in partnership with communities (3D), access to, management of and/or ownership of inland waters (3E), and participation in decision-making, including through measurement, monitoring, evaluation and reporting (3F).

In addition, there are relevant elements on evidence-based decision-making (objective 4); community trust and monitoring, evaluation and compliance (objective 5); environmentally sustainable and adaptive water planning and management (objective 6), and water management frameworks (objective 7).

2. Water services in urban centres

Context and key issues

Cost-of-living concerns, rising costs, and risks to water security

In urban centres, the cost of providing secure and resilient water services is projected to increase due to climate change, growing demand (for example, from more housing and data centres[8]), more stringent health and environmental requirements, and higher financing costs (IA 2026; IPART, sub. 10, p. 2; WSAP, sub. 8, pp. 2–3).

A core role of independent economic regulation and pricing oversight is to ensure water businesses spend efficiently and prudently, including when costs are rising. At the same time, utilities and regulators are under pressure to limit water bill increases in response to broader cost-of-living concerns. In some jurisdictions,

[7] References in parentheses refers to outcomes of the draft NWA unless stated otherwise.

[8] The growth of data centres is becoming a significant driver of investment in water and wastewater infrastructure (NSW DCCEEW, sub. 20, p. 2).

governments make this pressure explicit through public directions or requests to regulators;[9] in others, it may be less direct or visible.[10]

Although governments and utilities already provide a range of concessions and other support measures that vary across jurisdictions (NSW PEC 2024, pp. 105–114), governments do not always clearly define how affordability concerns should be addressed in pricing processes. In particular, they do not always distinguish between targeted support for households experiencing hardship or vulnerability and broader pressure to limit average bills. As a result, cost-of-living concerns can be interpreted as a general objective to restrain prices in the short term.

This creates a policy and governance challenge. Pressure to limit average bills sits in direct tension with cost recovery, which is a core feature of economically efficient pricing. Participants to this inquiry observed that limiting near-term bill impacts may ease any pressure on households associated with water bills,[11] but it can also delay efficient spending by water utilities, and increase longer-term risks to service quality, resilience and future affordability (AWA, sub. 50, p. 4; NELA, sub. 56, p. 3; WSAA, sub. 53, p. 4). These tensions can be especially pronounced for major renewals or augmentations, where planning horizons and asset lives extend well beyond a single regulatory period.

Where there is no independent economic regulation, there may be less public information about affordability trade-offs in pricing decisions (Frontier Economics and ARUP 2017; TasWater, sub. 32, p. 2). As such, the introduction of economic regulation can play an important role in supporting effective, efficient and transparent asset management.

The PC has heard that any of several recurring issues may affect whether current arrangements support efficient, sustainable pricing and investment decisions, including:

- limited transparency about whether, how and when governments request utilities or regulators to limit water bill increases, and how that request is interpreted and applied
- unclear roles and responsibilities between policy agencies, regulators and utilities, including who sets objectives, who determines risk settings, and who is accountable for trade-offs
- pricing decisions that do not clearly explain how near-term bill impacts have been weighed against longer-term risks to service quality, water security, environmental performance and future prices
- uncertainty about government expectations regarding environmental and health obligations, including where requirements change during pricing processes, and who should pay for meeting them
- poor sequencing between water servicing decisions and planning for growth, including housing and new water-using industries
- institutional, funding and cost recovery gaps in stormwater management, which may reduce opportunities for integrated and lower-cost solutions
- pricing and regulatory approaches that favour certain options over others, such as capital expenditure over efficient operating solutions
- difficulties assessing large, long-term or multi-stage investments within relatively short pricing cycles.

[9] For example, in 2024 the NSW Premier issued a public letter requiring IPART to consider cost-of-living impacts, and opportunities to adjust timelines or reduce proposed capital programs, in the 2025 Sydney Water and Hunter Water price determinations (NSW Government 2024).

[10] For example, in an independent review of the Victorian economic regulatory framework, some water authorities reported that prior to 2023 Victorian price reviews government had signalled to them that their proposed price increases should not exceed inflation, and that this influenced some initial submissions to the regulator (Farrierswier 2024, p. 31).

[11] Some participants observed that water bills typically account for a small component of household budgets.

These issues point to a broader question about whether current pricing and governance arrangements provide sufficient clarity, transparency and accountability for the judgements they require. A range of inquiry participants observed that there are tensions between constraining prices for affordability reasons, and longer-term investment in sustainable and resilient water services (for example, AWA, sub. 50, p. 4; TasWater, sub. 32, p. 1; WaterNSW, sub. 51, p. 3). The NSW Department of Climate Change, Energy, the Environment and Water (sub. 20, p. 6) observed that 'trade-offs of service level and cost … are often short-term trade-offs that do not consider the long-term implication of underfunding services'. Longer-term implications also include intergenerational equity considerations, as delaying investment in favour of lowering prices for today's customers can lead to poorer service outcomes and possibly higher prices for future customers. Recent pricing reviews provide practical illustrations of the economic, environmental and social implications of these judgements. However, some deferral or adjustment decisions primarily reflect deliverability considerations (box 2).

The following reform direction considers how these arrangements could better support clear roles, transparent trade-offs and efficient long-term decision-making.

Box 2 – Examples of recent economic regulatory pricing decisions

In New South Wales, regulatory decisions about Sydney Water in 2025 involved judgements about whether to defer or allow significant expenditure and the implications including for resilience, growth and environmental outcomes. Sydney Water proposed a capital expenditure (capex) of $16.6 billion over 5 years, including for the Prospect pretreatment plant at a proposed cost of $697m (IPART 2025, p. 71). In its draft decision, the Independent Pricing and Regulatory Tribunal (IPART) proposed $10.7 billion in capex, deferring risk mitigation to the following price period. Following the draft report, IPART heard from stakeholders including NSW Health, local governments and industry organisations that 'they supported increased capital expenditure to address ageing infrastructure, to service population growth, for safe drinking water and improved environmental outcomes' (IPART 2025, p. 59). In its final determination, IPART increased the capex allowance to $13.2 billion over the 5 years to 2029–30 (IPART 2025, p. 59).

In Victoria, Melbourne Water (2026-31) proposed an investment program of around $7.9 billion in capital expenditure. The Essential Services Commission approved around $7.3 billion, reflecting adjustments relating to the deliverability and efficiency of some projects (ESC 2026b, pp. 37, 42).

Reform direction: Improve accountability for pricing trade-offs

In practice, pricing decisions involve judgements about trade-offs between near-term bill impacts and longer-term service outcomes. They also embed judgements about acceptable levels of risk relating to water security, service reliability, environmental performance and future bill impacts. The reform direction therefore focuses on how transparently these judgements are made, including how they reflect public preferences, and who is accountable for them.

Clearer roles and greater transparency for governments and regulators

Clear role separation is central to good pricing governance. Governments should set policy objectives upfront – including what service levels are to be met, and any social equity objectives – so regulators and utilities can focus on the most prudent and efficient way to achieve them. Where this does not occur, it

becomes less clear who is making decisions and who is accountable for trade-offs, and whether they reflect community preferences about risk and resilience.

Some participants argued that blurred governance roles have weakened accountability and decision-making (AWA, sub. 50, p. 15; LGAQ, sub. 55, p. 6; WSAA, sub. 53, p. 20). Concerns raised in this inquiry include uncertainty about who is making affordability judgments, how near-term bill impacts are being weighed against longer-term service outcomes, how customer evidence is used in trade-off decisions, and what risks are being accepted when prices are kept lower (AWA, sub. 50, p. 10; NSW DCCEEW, sub. 20, p. 6; Stormwater Australia, sub. 13, p. 4; WaterNSW, sub. 51, p. 1; WSAP, sub. 8, p. 1). Governments, regulators and utilities may also hold different views about acceptable risks to water security, service reliability, environmental performance and future bill impacts.

Defining affordability as a social equity objective

Affordability is fundamentally a social equity objective, not a general basis for suppressing average water prices. The PC previously advised that affordability concerns are generally better addressed through targeted concessions or CSOs than through lower average prices for all customers (PC 2021a). Several participants supported this approach and noted that some providers already focus affordability measures for customers experiencing hardship and vulnerability (NSW Water Directorate, sub. 69, p. 4; WSAA, sub. 53, p. 12).[12] Without a defined policy direction on social equity, regulators and utilities may be left to interpret cost-of-living concerns as a broad direction to limit average bills in the short term. This ambiguity also obscures accountability for any impacts on investment efficiency, or on longer-term service outcomes and prices.

Improving reporting on financial resilience and investment capacity

Accountability questions have also been raised in relation to utilities' financial resilience, investment capacity and longer-term financial sustainability.[13] Lower prices or revenues in the short term, where they affect financeability, may reduce a utility's capacity to meet financial obligations, service debt and raise capital for efficient investment over time (Frontier Economics 2023). Government dividend expectations can also affect investment capacity and comparability by influencing retained earnings, borrowing needs and shareholder returns. These issues have become more prominent as the cost of borrowing has increased at the same time as many water utilities have been planning major investment in response to population growth, climate pressures and ageing infrastructure (Australian Water Association 2025).

Australian regulators differ in whether and how directly they assess financeability in the price determination process. Some regulators explicitly test utilities' capacity to finance investment using indicators such as funds from operations (FFO), interest cover, FFO over debt and gearing ratios (IPART 2025, p. 204). Others consider financial viability through a broader financial performance framework (ESCOSA 2025; ESC 2021, pp. 71–73, 2026a, pp. 13–14; Frontier Economics 2023; IPART 2018, pp. 35–49). In Victoria, the Essential Services Commission (ESC) noted emerging financial viability concerns linked to debt-funded capital

[12] Following recommendations from the NSW Productivity and Equality Commission, the NSW Government is reviewing water affordability and hardship support for vulnerable customers, with a view to introducing a new state-funded framework from mid-2027 (NSW Government 2025, p. 25). IPART's 2025 price reviews for Sydney and Hunter Water recommended improving the effectiveness of financial rebates to help moderate bill impacts on more adversely affected households, such as those that hold either a health care card or low-income health care card (IPART 2025).

[13] Financial viability refers to a utility's broader capacity to operate sustainably over time. Financeability is the narrower question of whether it has sufficient cash flow and financial headroom to meet obligations and raise funds, often assessed using metrics such as interest cover, funds from operations to debt, and gearing. Financial sustainability is used here in the broader policy sense of supporting ongoing service delivery and long-term investment.

programs, but found that all businesses met its financial viability ratios in the 2023 price review. TasWater (sub. 32, p. 2) described financeability as a structural concern, arguing that allowed revenues do not always ensure an efficient utility can raise capital, deliver approved investment and remain resilient to credible shocks. It also noted that a potential consequence of inadequate borrowing capacity is deferred investment. Queensland Water Directorate (sub. 24, p. 6) also questioned how financial sustainability is defined and measured, and suggested that the ongoing financial sustainability of businesses should be a stronger focus of the Queensland Competition Authority. Frontier Economics (2023) argued that Australian regulators have rarely acted on financeability concerns, even where tests have indicated potential problems, and that in some cases financeability tests are not applied at all.[14]

While utility annual reports, national performance reports and some regulator price determination reports include information on financeability and other financial indicators, overall what is reported does not easily enable comprehensive analysis or comparison across utilities or jurisdictions. This makes it harder to assess how financial resilience has been considered, how financeability concerns have been weighed, and what trade-offs may be implied by lower near-term prices. WSAA (sub. 53, pp. 18, 19) noted that Australia lacks a comprehensive assessment of utilities' financial resilience and suggested a regular national stocktake of financial resilience, pricing and governance arrangements across the sector to improve transparency and accountability.

A related issue is that utility boards, governments as shareholders and regulators may hold different views about what constitutes an acceptable level of financial risk. Where these thresholds are not clearly articulated, it becomes harder to judge whether lower near-term prices are consistent with prudent financial resilience and investment capacity over time.

Enabling timely investment in large, long-term assets

These accountability challenges can be particularly acute for major, long-lived investments, where conventional four- or five-year pricing cycles may be poorly suited to the scale, timing and uncertainty involved. Depending on the weight placed on short-term expenditure and bill outcomes within a single regulatory period, investment may be deferred, staged or reshaped to fit the cycle rather than optimise long-term system performance and resilience (Guthrie 2006; WSAA sub. 53, p. 5).

Some economic regulators signal the importance of long-term planning, including capital planning and asset management. For example, the Independent Pricing and Regulatory Tribunal's (IPART) Water Regulation Handbook requires utilities to take a long-term view (IPART 2023, p. 2) and Sydney Water's 2025–30 proposal states that the 3Cs framework requires both a 10-year outlook and a longer-term capital and operational plan to 2050 (Sydney Water 2024, p. 4). In Victoria, the ESC has also signalled a stronger focus on longer-term planning ahead of the 2028 price review (ESC 2025, 2026a). However, utility and regulator participants in this inquiry indicated that decision-making for large augmentations or renewals, including to build resilience to climate change, remains an issue.

[14] Frontier Economics (2023) noted that in IPART's 2020 determination for Sydney Water 'the FFO/Net Debt ratio fell below of the minimum 7.0% threshold specified in IPART's benchmark test in every year of the regulatory period. This suggested strongly a failure of the benchmark test. IPART should have adjusted Sydney Water's revenue to ensure an efficient, benchmark business could remain financeable'.

Information request 1
Improve accountability for pricing trade-offs

Roles and responsibilities of governments and regulators

- Have unclear or overlapping roles between governments, regulators and utilities affected the transparency of pricing decisions or the security, sustainability or resilience of water services? Please provide specific examples from your jurisdiction.
- How would clearer public statements about the respective roles of governments, regulators and utilities improve pricing and investment decisions? What should role statements cover?
- Are there examples of governments making clear, specific upfront statements of policy or regulatory objectives, which has contributed to transparency or lower time/cost of pricing processes? For which objectives would greater upfront clarity be most valuable?

Affordability as a social equity objective

- Should governments define (or change how they define) affordability as a social equity objective of pricing processes, and if so what definition(s) should they use?
- How should this objective be established – for example, through legislation, policy statements, pricing guidance or shareholder expectations?

Financial sustainability objective

- How would more consistent public reporting about utilities' financial resilience and investment capacity improve transparency about how pricing decisions affect the financial sustainability of businesses?
- What process should be applied to decide what metrics or analysis should be reported?
- Who should report them, and where? If (beyond systematic collation) this involves any new reporting requirements, how should they be introduced to minimise compliance costs?

Enabling timely investment in large, long-term assets

- What nationally consistent principles, or jurisdictional governance reforms, would improve the timeliness, transparency and efficiency of expenditure decisions on large or multi-stage water system augmentations or renewals, and support long-term capital planning? For example, should governments make these decisions separately from 5-year pricing processes (where they exist), and if so, how?

Transparent risk profile that reflects public preferences

- What actions are governments or regulators already taking in your jurisdiction to improve transparency about trade-offs between near-term bill impacts and longer-term system resilience?
- What further actions should governments take to improve transparency of decision-making – such as relating to policy objectives, scenario analysis, or supply-demand balance assumptions?
- How could governments better align risk settings with public preferences and willingness to pay for resilient services (including in the event of low probability but high impact disasters)?
- How could any developments to improve the transparency of risk assumptions underlying pricing decisions be designed so that utilities are incentivised to innovate, including to manage risk?
- What examples from other policy and regulatory practices in other infrastructure service sectors may be relevant?

Balancing national consistency versus jurisdictional flexibility

- How would nationally consistent guidance improve pricing and governance arrangements across jurisdictions? If so, what specifically should this cover?
- What role, if any, should the Australian Government play in developing or supporting that guidance?

Reform directions: Support more integrated planning, charging and regulation

The NWI, the NWI Pricing Principles and the National Urban Water Planning Principles set out principles for integrated planning and service delivery. The following reform directions consider what governments could do to overcome barriers to implementing those principles in practice.

Improve integrated planning for growth

Integrated planning of water services is essential to support economically efficient, secure, resilient and sustainable water services. It involves identifying the least-cost mix of options by considering the full range of water supply and demand measures, including stormwater, recycling, water efficiency and nature-based solutions. It also requires coordination between water services, water resource management and other infrastructure systems (such as transport and energy) and better sequencing of water servicing decisions with housing growth, industry development and major new sources of demand such as data centres.

The PC has previously advised on principles for best practice urban water system planning, including in its 2021 and 2024 advice on NWI renewal (box 3). Participants to this inquiry again highlighted that fragmented institutional and planning settings remain barriers to integrated, precinct-scale approaches that use stormwater, recycled water, waterways and nature-based solutions (Stormwater Australia, sub. 13, p. 3; WSCA, sub. 30, pp. 1, 3).

Box 3 – Best practice urban water system planning principles

In 2021 and 2024, the PC proposed updating the National Urban Water Planning Principles and formally embedding them within the NWI to establish a standard for best practice urban water system planning. It noted a renewed NWI should include the following principles:

- Integrated management of water supply, wastewater and stormwater is embedded in urban water planning and management systems.
- Planning decisions align with system objectives for levels of water security, service quality, the environment and urban amenity.
- System objectives are discovered through a transparent and consultative approach and approved by governments in line with customer and community preferences.
- Urban water planning connects water planning across different scales and with land-use planning.
- All supply options are considered and their relative merits subject to a rigorous, consistent and transparent assessment of costs and benefits.
- Roles and responsibilities in the planning and management process are clearly assigned between relevant governments, utilities and other planning entities.
- Governments enable effective coordination between utilities, regulators, developers and land-use planners.

To support efficient service delivery by smaller providers, the PC advised that jurisdictions should consider developing national guidelines for both long-term system planning and contingency planning for regional and remote water systems.

Source: PC (2024a, p. 46).

Some participants argued that current pricing and regulatory arrangements are not consistent with these principles, because they favour utility infrastructure over alternatives such as water efficiency, distributed water sources and other operating solutions. One way this favouring occurs is by creating stronger financial incentives for capital expenditure than for operating expenditure (Peter Coombes, sub. 37, p. 1; Water Efficiency Individuals, sub. 6, p. 3).

The PC has previously found that water services are not always planned alongside growth, land use and other enabling infrastructure, which can lead to missed opportunities to improve service outcomes and support lower-cost, better-sequenced investment (PC 2017, 2020, p. 22).

Several participants in this inquiry raised concerns about misalignments across housing planning and approval processes, regulatory decisions, local government development approval processes for water infrastructure, and delivery timeframes (CEG, sub. 17; TasWater, sub. 32, p. 9; VicWater, sub. 34, p. 2). Where major developments proceed before demand and servicing implications are fully reflected in utilities' capital plans, it increases the cost of infrastructure delivery. Similar concerns have also been raised about other new sources of demand, including data centres, where long-term water servicing and wider water resource and system resilience implications may not always be considered early enough in planning.

Participants identified the need for: bringing water considerations earlier into housing, infill and precinct planning; embedding integrated water management, including stormwater, at the precinct and structure plan stage; and using more structured decision-support approaches, such as multi-criteria decision analysis, robust decision-making and adaptation pathway planning (AWA, sub. 50, pp. 4, 11; Stormwater Australia, sub. 13, p. 1; WSCA, sub. 30, p. 3). Participants also identified a need to address information and capability barriers; improve the transparency and consistency of how modelling and data is used (including relating to climate change); and better link research, planning and day-to-day operations to enhance learning and the system's ability to adapt (Arup Australia, sub. 58; ATSE, sub. 3; Water Research Australia, sub. 29).

Integrated planning also has the potential to improve recognition of Aboriginal and Torres Strait Islander rights, interests and priorities in water services planning and delivery, consistent with self-determination and governments' commitments under the National Agreement on Closing the Gap. There may be scope for economic oversight and pricing arrangements to better facilitate this integration. For example, the ESC (2026a, p. 15) now expects water businesses to conduct targeted engagement with Aboriginal and Torres Strait Islander customers, Aboriginal Community Controlled Organisations and Traditional Owner groups. Traditional Owner rights and priorities are also expected to be reflected in price submissions, including impacts on land and water interests and tangible self-determined outcomes.

Improve charging for growth

Under cost-reflective charging, those who benefit from infrastructure should bear the costs. This supports efficient investment and makes any cross-subsidies more transparent. Under the NWI Pricing Principles, developer charges[15] should be set at, but not exceed, a level that reflects the cost of the new and existing water assets needed to serve a development. Where infrastructure delivers benefits beyond the development boundary, developer charges are not intended to recover the additional costs associated with delivering those broader benefits (NRMMC 2010).

[15] Developer charges are contributions paid by developers towards the cost of infrastructure required to service new developments. They help ensure that the costs associated with growth are recovered from new development rather than existing customers.

Housing supply and affordability have sharpened attention on whether developer charging frameworks support efficient development and equitable cost sharing.[16] The PC has previously advised renewed national principles for developer charges, noting that the existing principles provide limited guidance on their design and application. It has also recommended reviewing whether charging frameworks allow decentralised integrated water cycle management (IWCM) approaches to be considered on an equal footing with other options in planning for urban growth (PC 2021b, p. 34).

Charges above cost-reflective levels (particularly if uncertain) may discourage new housing supply. Charges below those levels, especially (at the extreme) zero charges, may shift growth-related costs to existing customers, distort development and servicing, and increase the overall cost of infrastructure development.

Recent experience in New South Wales and Queensland illustrates these tensions. In 2008, the NSW Government set water developer charges to zero in response to housing affordability concerns. IPART later found that this increased vacant land prices by around the same dollar value as the reduction in water developer charges and did not produce a statistically significant reduction in final housing prices (IPART 2024, pp. 3, 4). Since 2023, the NSW Government has been reintroducing developer charges for water, consistent with the NWI Pricing Principles (IPART 2024). In Queensland, maximum adopted charges have capped charges for trunk infrastructure since 2017, with the lower of the adopted charge or the regulatory cap applying in practice (DILGP 2017). Local governments have argued that the cap has not kept pace with infrastructure costs, creating funding gaps and shifting some growth-related costs onto existing ratepayers (LGAQ 2024; Queensland Government 2025; Queensland Water Directorate, sub. 24, p. 8).

These examples point to broader concerns about how growth-related costs should be shared, and whether current national guidance provides enough direction on developer charging and cost sharing. Where developer charges are set below cost-reflective levels – including at zero – the result can be a non-transparent cross subsidy from existing customers to new development. This weakens economic efficiency, distorts investment and development decisions, and can undermine long-term affordability. However, some argue that existing customers should contribute to these costs, particularly where infrastructure serving existing development was historically taxpayer-funded or where new infrastructure delivers broader community benefits (TasCOSS 2026, p. 10; VicWater, sub. 34, p. 2).

Similar issues arise where new demand is large and concentrated, or where infrastructure delivers a mix of private and broader community benefits. Participants raised concerns about data centres and stormwater, arguing that charging and funding frameworks should better align cost recovery with the parties creating demand or benefiting from the infrastructure (ATSE, sub. 3, p. 3; CWA, sub. 25, p. 22; Stormwater Australia, sub. 13, p. 1).

The PC has previously found that many IWCM funding challenges arise from unclear responsibilities for urban amenity and environmental outcomes, which weakens accountability and makes it harder to determine who should pay and how. Clearer roles and responsibilities could also support regulatory recognition of public good benefits and positive externalities in pricing decisions, making the cost of delivering these benefits more transparent and reducing incentives to shift costs onto others (PC 2020). The PC has also noted jurisdictions should develop improved, practical guidance on funding stormwater management and incorporate stormwater into pricing frameworks (PC 2024a, p. 47).[17]

[16] The PC has recently been asked to inquire into how regulation across all levels of government could be improved to speed up housing delivery and lift construction productivity. That inquiry is also considering development contributions and the extent to which they affect project feasibility and new housing supply (PC 2026).

[17] The PC's Inquiry into housing supply regulation is considering regulations related to housing-enabling infrastructure (PC 2026).

Reduce regulatory burden

Water utilities operate under multiple regulatory regimes, including environmental, public health, drinking water, wastewater, planning and economic regulation. Where policy objectives, roles and funding responsibilities are unclear, these regimes can create duplicated reporting burdens, inconsistent signals, late changes to requirements, and uncertainty about priorities and cost recovery (AWA, sub. 50, p. 10; CEG, sub. 17, p. 5; Water Research Australia, sub. 29, p. 16; WSAA, sub. 53, p. 14; WSCA, sub. 30, p. 3). In this sense, regulatory coordination is often a downstream consequence of upstream policy design, including clearly allocating roles, specifying objectives, and making transparent decisions about timing, sequencing and who should bear the costs of meeting new requirements. Doing so could help utilities plan, and economic regulators assess efficient operational and investment responses, reduce unnecessary regulatory burden, and strengthen accountability for policy choices (discussed earlier).

WaterNSW (sub. 51, p. 2) argued that regulatory reforms are not always developed with sufficient regard to their full end-to-end cost impacts on delivery agencies and, ultimately, water users, including ongoing operating and compliance costs. Poor coordination can increase regulatory burden, delay efficient investment, and weaken accountability for policy choices.

These problems can become more acute when new standards are introduced to pursue broader environmental or public health objectives, such as tighter wastewater requirements or responses to emerging contaminants, and when such standards are introduced out of sync with price reviews. Clearer decisions about obligations, timing and funding responsibility would help utilities plan investment, improve transparency for customers and reduce the risk of poorly sequenced regulatory change. Several participants called for clearer protocols for developing such reforms, including more consistent use of Regulatory Impact Statements for significant new requirements, earlier engagement with affected utilities, and better sequencing of implementation.[18]

Information request 2
Support more integrated planning, charging and regulation

Improve integrated planning for growth

- How can economic oversight and pricing arrangements be improved to:
  - address coordination challenges across water services planning, land-use planning, housing growth, data centre development, stormwater and wastewater planning, and/or broader regional water resource planning?
  - ensure options that incur operating expenditure, such as water efficiency and demand management, are assessed on an equal footing with capital intensive options?
  - improve how water services planning and delivery support self-determination of Aboriginal and Torres Strait Islander people and government commitments under the National Agreement of Closing the Gap?

[18] VicWater (sub. 34, p. 2) noted regulatory impact analysis 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.

Information request 2
Support more integrated planning, charging and regulation

- What national-level actions would best improve coordination? What specific matters should any national guidance or expectations cover?
- The PC previously recommended updating the National Urban Water Planning Principles and embedding them within the NWI to establish a standard for best practice urban water system planning. What, if any, other nationally consistent guidance would improve integrated planning for growth and urban amenity?

Improve charging for growth

- The PC previously recommended that in updating the NWI, jurisdictions should recommit to cost-reflective developer charges, improve guidance on funding stormwater management and incorporate stormwater into pricing frameworks. What, if any, other nationally consistent guidance would improve the clarity, consistency and efficiency of developer charges for water services across jurisdictions?

Reduce regulatory burden

- What arrangements would ensure that impact analysis is undertaken consistently, early enough, and with sufficient transparency, to inform decisions about new or changed regulatory requirements affecting water utilities?

3. Water services in regional and remote areas

Context and key issues

Poorer service outcomes in regional and remote areas

Water services in regional and remote communities are typically more expensive, have poorer outcomes and are less reliable than those in major cities (NSW PEC 2024, pp. 17, 19). Previous PC reports have outlined the health, wellbeing and economic implications for households living in regional and remote areas (PC 2021b, p. 7, 2024a, pp. 243–245). This includes secondary impacts where water may be technically safe but undrinkable or otherwise unsuitable for household use, resulting in costs such as purchasing bottled water and filters, substituting with soft drinks for hydration, and repairing damage to fixtures and fittings (PC 2021b, pp. 7, 42). Participants in this inquiry have noted ongoing concerns around the quality-of-service outcomes in regional and remote communities.[19] The high priority of addressing these concerns aligns with Outcome 1A of Objective 1 of the draft NWA:

> Water services provide Australians, including regional and remote communities, with reliable access to clean, safe, accessible and affordable water for drinking and sanitation (DCCEEW 2024, p. 3).

The impacts of climate change on the security, resilience and sustainability of water services, as outlined in section 1, are particularly acute in many regional and remote communities. These are amplified by limitations on the capacity of smaller providers in regional and remote areas to achieve climate resilience and absorb increased cost and infrastructure shocks (IA 2026, p. 71). The NSW Water Directorate (sub. 69, p. 1) highlights

[19] ATSE, sub. 3, p. 2; CEG, sub. 17, pp. 8–9; CLC, sub. 54, p. 17; DEG, sub. 21, p. 1; NFF, sub. 31, p. 5; WSAA, sub. 53, p. 22.

that, in 2019, 'the worst drought in 130 years of records saw 50 regional community water supplies at high risk of failure'. The Central Land Council (sub. 54, p. 12) highlighted 'extreme flooding over the summer/wet season of 2025–2026 [that] caused devastation and supply interruptions' in the Northern Territory.

Structural barriers to secure, resilient and sustainable service delivery

Water service providers in regional and remote areas face additional pressures to those in major urban centres. For local water utilities, private service providers and self-supplied communities, the challenges of climate change and ageing assets are compounded by limited resources and additional structural, policy and institutional constraints (CNSWJO, sub. 18, p. 4; LGAQ, sub. 55, pp. 5–6; NSW Water Directorate, sub. 69, att. 1, p. 2). Small, dispersed customer bases and remoteness all increase service delivery costs and full cost recovery may not be feasible. While source water quantity and quality are exposed to risks from water resources and catchment management decisions often outside service providers' control (NSW Water Directorate, sub. 69, pp. 6–7). Fragmented regulatory governance arrangements and uncertain, insufficient government subsidy arrangements undermine scope for long-term decision-making (SACOSS, sub. 19, pp. 11, 12). Stormwater networks are critically important, particularly in riparian and coastal catchments, yet these networks are typically not considered core water infrastructure within existing economic, regulatory or funding frameworks (Stormwater Australia, sub. 13, p. 2).

Many regional towns and remote communities face ongoing difficulty accessing technical expertise and other resources needed to operate and maintain resilient water supply, wastewater and stormwater systems. In some jurisdictions, large, state-owned providers with a role in regional and remote service delivery (for example, in Western Australia, South Australia and the Northern Territory) can draw on management systems and specialist skills across the organisation's resource base. Small providers, on the other hand, face challenges attracting and retaining skilled staff. This creates risks to service quality, asset condition and investment decisions (Veolia, sub. 43, p. 3). Participants have noted that there is an Australia-wide shortage of trained water treatment operators, particularly outside major cities.[20]

Self-determined water service improvements by Aboriginal and Torres Strait Islander communities

Many discrete Aboriginal and Torres Strait Islander communities face persistent barriers to accessing secure, resilient and sustainable water services. This has previously been established by the PC (2021b, p. 41, 2024a, p. 244) and participants in this inquiry indicate that this remains the case.[21]

The draft NWA includes a range of outcomes and principles to address these barriers under the objective that water management 'recognises and protects Aboriginal and Torres Strait Islander water interests and values' (DCCEEW 2024, p. 10). The National Agreement on Closing the Gap also includes commitments by governments that, if met, would improve water services for Aboriginal and Torres Strait Islander people and the realisation of water rights and values.

Aboriginal and Torres Strait Islander community-controlled organisations, community leaders and peak bodies have previously identified and supported a range of priorities for self-determined improvements to water services, including participants at the *Boola Kep, Boola Koort Water Roundtable* (West et al. 2025, p. 31) and the *Working together for better drinking water in the bush forum* (Cromar and Ross 2023, p. 52). Proposed actions relevant to government policy reforms include changes to standards and reporting, recognising and

[20] AWA, sub. 50, p. 18; LGAQ, sub. 55, p. 3; qldwater, sub. 24, p. 13; WIOA, sub. 26, p. 2.

[21] Aquanex, sub. 39, pp. 6–7; AWA, sub. 50, p. 9; CLC, sub. 54, p. 15; DEG, sub. 21, p. 1; qldwater sub. 24, p. 5; WSAA, sub. 53, p. 24.

building community capability and partnerships, integrating services planning and delivery (for example, water, energy, housing, health), delivering appropriate infrastructure, reforming governance structures and implementing data sovereignty (figure 2). Many of these priorities are aligned with Closing the Gap Priority Reforms and various targets, including Target 9b in relation to equitable access to essential services.

Participants in this inquiry and previous PC inquiries have highlighted the need for:

- legislative recognition of water safety and security in remote Aboriginal communities, and that water supply improvements are priorities for funding (NLC 2024, p. 5)
- economic regulation to ensure a basic and adequate level of service determined through consultations with remote communities and Aboriginal community-controlled organisations, as well as broader reforms to improve transparency and accountability of service providers (CLC, sub. 54, p. 21)
- federal and state governments to work in partnership to develop legal frameworks, policies and processes to ensure the principles of free, prior and informed consent are upheld and respected (NSW ALC 2024a, p. 5)
- building Aboriginal and Torres Strait Islander community capacity and capability within the Australian water sector (FNWWG 2024, p. 8)
- support for skills training and engineering expertise in water services delivery, greater community control and shared decision-making, protection of Indigenous data sovereignty, and a universal service obligation to ensure all Australian citizens have access to good quality drinking water (DEG 2024, pp. 7–8; FNWWG 2024, p. 8).

Figure 2 – Identified priorities on self-determined improvements to water services

Standards and reporting	Community capability and partnerships	Infrastructure, governance and data
• **National/jurisdictional standards** for all water services (safety, acceptability, affordability) with locally determined goals and outcomes • **Transparent and culturally appropriate reporting** of water quality and service outcomes (Priority Reform 4; Closing the Gap Target 9b)	• **Recognition of local skills and knowledge** through employment, community-led decisions, and locally delivered training • **Improved partnership** by providers and governments with communities, with integrated planning across services (water, energy, health, housing)	• **Sustainable infrastructure and technology solutions** that are fit-for-place and maintainable locally • **Governance reforms**, such as new local arrangements (e.g. Indigenous water authorities; water rangers) • **Indigenous water data sovereignty** and, with free, prior and informed consent, Indigenous knowledges informing decisions and outcomes

Note that these priorities are not specific to discrete Aboriginal and Torres Strait Islander communities and particular approaches that are developed in these contexts, particularly around community-led decision-making, may be applicable to regional and remote areas more generally.

Source: CLC, sub. 54; Cromar and Ross (2023); DEG (2023); Hall et al. (2022); Jackson et al. (2019); NLC (2024); NSW ALC (2024b); West et al. (2025).

The PC is seeking feedback on these proposals and whether the priorities summarised in this section appropriately reflect the views of community-controlled organisations, peak bodies, and other Aboriginal and Torres Strait Islander organisations and groups, including water service providers.

Information request 3
Priorities for self-determined improvements to water services in Aboriginal and Torres Strait Islander communities

- Are there additional priorities to those summarised in figure 2 that would support self-determined improvements to the security, resilience and sustainability of water services in discrete Aboriginal and Torres Strait Islander communities?
- What are the key policy reforms that Australian governments could undertake to support those additional priorities?

Reform directions

Service delivery models

Under some circumstances, increasing scale of service providers can improve collective capacity to access to specialist expertise, strengthen governance and spread fixed capability costs across a larger customer base. In Victoria and Tasmania, past reforms have amalgamated water service providers. Western Australia, Northern Territory and South Australia each have one large government-owned water utility that is involved in providing water services to most areas of the jurisdiction. These approaches have enabled improved outcomes from regional water service provision for those located within service areas (IA 2017, p. 46).

In New South Wales and Queensland, water service provision in regional and remote areas primarily remains the responsibility of local governments. Other states and territories, while primarily served by large utilities, also have small service providers operating in particular areas or contexts, including councils and privately owned service providers. A range of collaborative models have been developed to address scale challenges without amalgamation or ownership changes. In New South Wales, these include regional alliances, county councils and joint organisations that support cooperation on planning, technical services, procurement and workforce development (LGNSW 2024, p. 14). The Queensland Water Regional Alliance Program (2026) supports regional groupings of councils across Queensland to share data, tools, expertise, procurement and capability improvement activities.

Government policy reforms could help further realise the benefits of collaboration, shared service delivery, or both. For example, the NSW Productivity and Equality Commission (2024b, p. 96) recommended reforms to water and wastewater service delivery in western New South Wales. The report identified options spanning a formal alliance with shared executive and strategic support to a state-owned corporation, such as Essential Energy or WaterNSW, providing ongoing services or assuming ownership of key assets such as pipelines and weirs. The Silver Review proposed, in addition to consolidating the number of water corporations, a partnership model between regional and metro corporations in Victoria. Under the proposed model, regional Victorian water corporations would each be responsible for direct service delivery, infrastructure maintenance and emergency response in their service areas. The metro partner of each regional corporation would lead management, planning, procurement and corporate functions on their behalf (Silver 2025, p. 81). The Victorian Government rejected compulsory mergers, but encouraged voluntary shared service arrangements (Victorian Government 2025, p. 13).

Delivery of water services to Aboriginal and Torres Strait Islander communities varies from state to state and can involve complex governance arrangements (Vanweydeveld 2022). Participants in this inquiry have noted ongoing concerns with delivery models that undermine self-determination (Aquanex, sub. 39, p. 7). These

include contexts where households are tenants of government housing and are not afforded consumer protections in the service delivery relationship (CLC, sub. 54, p. 16; SACOSS, sub. 19, p. 7). The South Australian Council of Social Service (sub. 19, p. 6) described contexts where water services were delivered to the community gate, leaving management and maintenance of infrastructure from the gate to houses the responsibility of the community. The Central Land Council (sub. 54, pp. 18–19) highlighted how ongoing leaks in government owned houses in Wilora led to reduced water pressure, lack of water access and overflowing wastewater across the community.

In some jurisdictions, Aboriginal and Torres Strait Islander community-controlled organisations are lead organisations, partners, or both in water services delivery. For example, this includes the 15 Aboriginal councils and 2 Torres Strait Islander councils registered as water providers in Queensland, and local Aboriginal land councils that are responsible for water and sewage systems across 63 communities in New South Wales. In both jurisdictions, community-controlled organisations have partnered with other service providers, such as local council water utilities and government agencies, to improve water and sewage services (NSW DCCEEW 2025). Other models of shared responsibilities for water services exist. In 2023, the WA Government-owned Water Corporation assumed responsibility for management of water services in 141 Aboriginal communities from a government agency. It has a 10-year program of planning, infrastructure upgrades and reform to improve service outcomes that are delivered by three regional service providers (WA Water Corporation nd).

Hall et al. (2022) and Jackson et al. (2019) identified enabling factors to improve water services delivery in remote Aboriginal and Torres Strait Islander communities, including:

- technology for water and sanitation that is fit for purpose, people and place
- capacity-building, training and ongoing support for local Indigenous service operators
- requiring all personnel involved in delivery to have cultural competency in the local and Indigenous context
- cross-agency collaboration in agencies responsible for regulation, funding, and monitoring services
- broadened funding criteria and timeframes.

Although these enabling factors were developed with a specific context in mind, many aspects are applicable across regional and remote water services delivery.

Information request 4
Service delivery in regional and remote areas

- Please provide information about specific cases of existing or prospective collaborative models that support secure, resilient and sustainable water service provision in regional or remote areas, including any approaches by governments/government-owned service providers to:
  - coordinate between government agencies
  - enable water service providers and/or their customers and consumers to navigate government approval, grant-making and regulatory processes
  - ensure self-determination by Aboriginal and Torres Strait Islander customers and consumers
  - design funding criteria, guidelines, staging and timelines to incentivise innovation, efficiency and customer/consumer-led planning
  - select technology and infrastructure options that are fit for purpose, place and people, including to ensure financial sustainability and resilience to adverse events
  - build the capacity of regional and remote service providers, and the local community more generally, in water services planning and delivery, including local employment and skills
  - or other changes that were or could be fundamental to successful outcomes.

Information request 4
Service delivery in regional and remote areas

- What state and territory government policy reforms and actions would expand the adoption of collaborative, efficient service delivery models across regional and remote areas? Such as related to:
  - facilitating adoption and upscaling of learning from successful cases
  - state budget proposal design
  - grant administration and evaluation.
- How could the Australian Government support jurisdictions to facilitate adoption of improved service delivery models?

Sustainable funding for service improvements in small towns and communities

Funding from state and territory governments to smaller regional and remote water service providers to address the challenges with achieving full cost recovery is typically delivered via grants. These existing funding arrangements lack predictability and often do not cover operation and maintenance costs which can increase, for example, during droughts. It can also lead to a cycle of grant dependency, which makes economically efficient, long-term decision-making challenging.

The PC and others have previously made recommendations to establish a basic level of service (BLOS) and improve funding arrangements (NSW PEC 2024; PC 2021b, p. 28). A key question for this inquiry is what practical steps would help put predictable, transparent and fit-for-purpose funding arrangements in place for delivery of services to small towns and communities.

Basic level of service

Clear and transparent funding arrangements require clear service expectations. Defining a BLOS establishes what outcomes providers should deliver and where government support is justified. BLOS should be developed in the context of, and with input from, local communities. But they need to be consistent within a jurisdiction to inform state and territory government funding and other support. A degree of national consistency could further aid prioritisation of Commonwealth funding, such as through the National Water Grid Fund. Potential parameters may include water quality, reliability, risk assessment processes, and other final or intermediate outcomes that may already feature in service provider standards. At a minimum, the PC has previously indicated that a BLOS should include measures for safe and reliable drinking water (PC 2021b, p. 24).

Several participants support clearer minimum service expectations.[22] The Australian Water Association (sub. 50, p. 5) called for guaranteed drinking water and wastewater service outcomes nationally, consistent with the Australian Drinking Water Guidelines. The Central Land Council (sub. 54, p. 21) recommended ‘a basic and adequate level of service that is determined through consultations with remote communities, Aboriginal community-controlled organisations and service providers’. Aquanex (sub. 39, p. 5) noted the importance of a public-health-grounded service adequacy benchmark. The NSW Aboriginal Land Council also called for basic minimum standards for local water utilities in a submission to the NSW Productivity and Equality Commission (NSW ALC 2024b, p. 4).

[22] Aquanex, sub. 39, p. 5; AWA, sub. 50, p. 5; CLC, sub. 54, p. 21; CNSWJO, sub. 18, p. 6; NSW Water Directorate, sub. 69, p. 3.

In December 2025, the Australian Government indicated that one of the next 6 steps for national water reform is:

> to define a basic level of water service provision that applies nationally, with some flexibility for local circumstances, to drive improved water and wastewater service provision and associated health outcomes (DCCEEW 2025, p. 10).

Community service obligation payments

Infrastructure grant funding is the primary means to support regional and remote water services by local water utilities in New South Wales and Queensland. This approach results in government support that is often uncertain, fragmented and poorly suited to ongoing maintenance, asset renewal and day-to-day operations. For local water utilities, an emphasis on infrastructure grants makes long-term planning harder and can increase service risks.

Currently, community service obligation (CSO) payments are used to some extent across all states and territories (NSW PEC 2024, p. 109). These payments are subsidies for the service provider to undertake activities they would not perform on a commercial basis (BOM 2026, p. 66). Government payments are mostly targeted to specific customers, such as pensioners or those experiencing financial hardship. The treatment of customers varies between states, and between regions within states (NSW PEC 2024, pp 109–110). In South Australia, Western Australia and the Northern Territory, governments also provide subsidies to cover the difference between revenue and costs for provision of services, mostly in regional areas (IES 2025, p. 55; SA Water nd; WA Water Corporation 2025, p. 90).

Transparent CSO payments for ongoing capital and operations expenditure are widely recognised by participants as a better alternative to infrastructure grant funding and this approach is reflected in the NWI.[23] Where full cost recovery is not feasible due to affordability concerns, well-designed CSOs can:

- make financial support more predictable
- clarify who is paying for what
- provide incentives for increased cost-recovery
- better align funding with the efficient cost of delivering an agreed level of service.

This approach could also be applicable to improved service provision beyond NSW and Queensland local water utilities, such as NT homelands and small-scale retailers in South Australia.

In their submission to the 2021 PC inquiry, the Queensland Water Directorate (2021, p. 13) noted that there was a lack of guidance on how to manage a transition from capital grants to CSOs. NSW Government is currently considering a shift from project-based capital grant funding to a CSO funding model as the main funding mechanism (NSW DPIE 2026). The PC (2021a, pp. 173–174) has previously set out key principles that should underpin CSOs. These include that CSO payments should be designed to ensure access to a BLOS, of an amount adequate to ensure the service is affordable, based on a credible estimate of efficient service costs, and calculated in a predictable fashion. Estimating the efficient cost of service delivery is challenging in the absence of economic regulation, yet important to ensure subsidies are set at a prudent level. Service providers receiving subsidies should therefore be subject to a degree of economic oversight (PC 2021b, p. 33). Economic regulation would need to be commensurate with risk profiles.

[23] AWA (sub. 50, p. 20); CNSWJO (sub. 18, pp. 5, 7); NSW PEC (2024a, p. 45); NSW Water Directorate (sub. 69, p. 4); qldwater (sub. 24, p. 2); SACOSS (sub. 19, p. 9).

Affordability is a key parameter determining the feasible level of cost recovery and therefore, where necessary, the CSO payments required to meet a BLOS. A consistent approach to defining affordability across diverse locations would therefore be required to implement transparent CSO payments. Currently there is not an agreed definition of water services affordability in Australia. A range of indicators of capacity to pay (for example, household disposable income) and corresponding thresholds are used in other countries and have been proposed in academic research (Fagundes et al. 2023).

In addition to determining affordability across their jurisdiction, a state or territory government would require defined approaches to prioritise CSO payments across service providers. Budget constraints and the sustained investment required to achieve a BLOS for some service providers and locations will make prioritisation across providers within a CSO budget cycle a non-trivial task. Further, adverse weather events and input cost shocks will place concurrent pressures as multiple affected providers apply for CSO payments to maintain basic levels of service. These challenges are an example of the broader transaction costs that both government agencies and service providers would need to navigate efficiently in transitioning from infrastructure grant funding to CSO payments.

Information request 5
Sustainable funding for service improvements in small towns and communities

Basic level of services (BLOS)

- How should governments address key barriers to establishing a BLOS, including (but not limited to) any related to:
  - coordination or consistency of objectives between health, water, infrastructure, housing, energy and/or central agencies?
  - collection, collation and transparent reporting of accurate data on service outcomes?
  - establishing the variable and incremental costs of efficiently meeting a BLOS?
  - establishing the long-term multi-sector benefits of a BLOS, including to inform state and territory budgetary decisions?
  - potential risks or unintended outcomes of establishing a BLOS and how could they be avoided?
- What service outcomes should be included in the definition of a national or jurisdictional BLOS?
  - Which existing indicators and data sources could be used to measure those service outcomes (for example, from the urban National Performance Report)?
- How should local considerations or flexibility, such as standards related to reliability, be determined, assessed and publicly reported so that they:
  - accurately reflect customer and consumer expectations?
  - provide a basis for providers and governments to be accountable for service outcomes?

Community service obligation (CSO) payments

- In addition to establishing a BLOS, how should governments address key barriers to implementing transparent, predictable CSO payments, including (but not limited to) any related to:
  - decision-making about changes to cross-subsidies?
  - transaction costs of implementation for both government agencies and service providers?

Information request 5
Sustainable funding for service improvements in small towns and communities

- How should CSO payments be designed to:
  - cost-effectively increase resilience of service outcomes to climate variability and extreme weather, input cost shocks and other sources of risk and uncertainty?
  - incentivise collaboration between providers?
  - incentivise and enable innovation and efficiency, including if and as far as possible, to recover costs?
- What principles and accountability mechanisms should be implemented to support the transparency of CSO payments within a governments' budget cycle?
  - Should affordability be defined to support calculation of CSO payments by state and territory governments and if so, how? Would a nationally consistent definition support transparency?
  - What other criteria should be developed and how?
  - What governance arrangements, economic oversight, evaluation, public reporting (such as by departments and/or Ministers), or other arrangements would support transparency of CSO payment allocations and outcomes?

Standardised tools for consumer-led planning, monitoring and evaluation

Efforts to improve service delivery and funding arrangements (including establishing a BLOS) need to be grounded in an understanding of the needs and desires of customers, consumers and communities. This includes understanding the willingness to pay for services from a utility, council or other provider. For example, households in regional and remote areas may rely on self-supplied water sources (for example, rainwater tanks, bottled water), reflecting their personal preferences as well as the quality of tap water.

Customer or consumer-led improvements are an important element of service delivery regardless of scale or geography. Regulatory models used by ESC and IPART place a strong emphasis on customer engagement and participation. In New South Wales, the Regulatory and Assurance Framework for local water utilities requires development of local water utility strategic plans which include an understanding of customer needs, values and preferences (NSW DPE 2022, p. 21). However, the Central NSW Joint Organisation (sub. 18, p. 5) argued that the framework has not achieved its intended outcomes.

Participants in this inquiry noted the importance of community partnership and leadership. Water Stewardship Asia Pacific (sub. 8, p. 3) stated 'outcomes improve when communities – including [Aboriginal and Torres Strait Islander] communities – are involved in ongoing governance, monitoring and accountability, not only consultation'. Other participants highlighted the demand for a greater role of customers and consumers in decision-making (CLC, sub. 54, p. 21; Aquanex, sub. 39, p. 4).

Where done, water service providers take different approaches to incorporating the views of the community in their planning and service delivery. Small service providers frequently lack the financial resources and capability to effectively manage customer-led planning and engagement activities. And in Aboriginal and Torres Strait Islander communities, engagement may not occur or may not be culturally appropriate (Jackson et al. 2019). The South Australian Council of Social Service (sub. 19, p. 9) highlighted that it is not known what the preferred future management arrangements are of Aboriginal communities currently outside regulatory frameworks.

There are examples of tools developed to aid understanding people's experience with water security and quality, both within Australia and globally. These tools help understand experiences, track them over time and better target service improvements. For example, the Water Insecurity Experiences (WISE) Scales is a tool used internationally to understand household and individual water insecurity experiences (Young et al. 2021). WISE Scales have been applied in many countries, including in a community-led research project in Walgett, New South Wales (Weatherall et al. 2025; Young et al. 2021). Currently under development, the iKnow, weKnow project is creating a 'set of evaluated tools for engaging both community and service providers' (Jackson and Beal nd, p. 2). The PC is also aware of research projects that develop approaches to community-led water quality monitoring (DCCEEW 2026; University of Western Australia nd).

The Australian Government has previously supported development of a standardised tool for managers of small and remote community water suppliers to manage water quality risks – the Community Water Planner (which is no longer in use) (NHMRC nd). Along similar lines, a standardised tool or tools for use by customers and consumers independently or with their water service providers and government agencies, may help establish or improve customer-led planning. Beyond the development of these tools, government agencies may have an important role to play in supporting their deployment, such as making them a condition for receiving funding. However, standardised tools may not reflect place-based decision-making processes and require local adaptation. Further, the planning, monitoring and evaluation of water services generates additional costs for all participants.

Information request 6
Standardised tools for consumer-led planning, monitoring and evaluation

- How could adoption of standardised tools and processes support improved consumer-led planning and overall water service outcomes?
- How could such tools be applied to ensure accountability of service providers and government agencies for service outcomes?
- Are there any potential risks or unintended outcomes of using standardised tools and processes, and how could they be avoided?
- What lessons are there from other consumer- or community-focused tools and processes in related areas (for example, water management, health) that could inform the development of equivalent tools for water service provision in regional and/or remote areas?
- To realise the value of standardised tools and processes for consumer-led planning, monitoring and evaluation:
  - how could they be adapted to local needs and contexts including, but not limited to, culturally appropriate methods for Aboriginal and Torres Strait Islander communities?
  - how should the costs of adapting and implementing such tools on an ongoing basis be managed?
  - how could the outputs from locally implemented community tools for planning, monitoring and evaluation inform government processes at a jurisdiction or national level?
  - who should have what roles in developing and using such tools? What, if any, should be the roles of governments?

4. National issues in water service delivery

Water service delivery arrangements across Australia are diverse, and the conditions facing service providers around the country often call for place-based policy settings. However, there are several areas where national consistency and policy coordination could lead to efficiency gains, improved government decision-making and greater community confidence. In this inquiry, the PC will be providing an additional interim update focused on an assessment of jurisdictions' progress towards achieving the objectives and outcomes of the NWI. Consideration of additional national issues related to water services, including those raised by initial submissions, may be included in that update and the final report.

Nationally consistent reporting on drinking water quality

The Australian Drinking Water Guidelines (ADWG) are a comprehensive manual for suppliers and regulators to manage and monitor drinking water quality (NHMRC 2011). A longstanding component of the ADWG are health-based and aesthetic guideline values covering microbial, chemical, physical and radiological water qualities (NHMRC 2011, pp. 210–226). In 2022, the ADWG was updated to include guidance on using health-based targets to manage health risks from microorganisms found in drinking water. The ADWG states that an annual report should be published to ensure open and transparent drinking water quality management, including performance against numerical guideline values, with overall reporting requirements developed in consultation with consumers and regulatory authorities.[24]

In practice, there is a high volume of detailed drinking water quality monitoring and reporting occurring in all jurisdictions, but inconsistency in reporting standards and public access (PC 2024a, p. 25). For example:

- the Northern Territory's Power and Water Corporation (2026) provides highly detailed annual reports featuring maps, community profiles and summary results against specific parameters, and these reports continue to set the benchmark for good practice
- Victoria's state-owned water utilities are required under the *Safe Drinking Water Act 2003* to provide annual public reports (for example, Barwon Water (2025)) and the regulator collates a state-wide summary of performance (Vic Department of Health 2026)
- other major state-owned utilities make data available in annual reports (for example, TasWater (2025), WA Water Corporation (2024)); self-generated reports summarising recent testing results by location (for example, Sydney Water (2026), TasWater (2026)); and government open data (for example, SA Water (2026))
- many local water utilities in New South Wales and Queensland voluntarily report drinking water quality data to their customers but with different formats and frequencies (for example, Walgett Shire Council (2026), Yass Valley Council (2026)).

Across the above examples, the statistical reporting conventions are not consistent and, in some cases, (for example, SA Water) reported across water supply systems rather than the specific suburbs or towns where water quality tests are conducted. Public availability of water quality data collated by governments may not be consistent in the same jurisdiction. For example, the NSW Health (2026a, 2026b) website lists the location, status and duration of water quality incidents but the NSW Drinking Water Database collating reporting against ADWG parameters is not publicly accessible. And there are contexts where there is no

[24] The ADWG specifies that this annual report should also include summarising performance against regulatory requirements and agreed levels of service; identifying trends and problems; summarising system failures and actions taken; specify to whom the drinking water supplier is accountable, statutory or legislative requirements, and minimum reporting requirements; and indicate whether monitoring was carried out in accordance with the principles of risk management set out in the Australian Drinking Water Guidelines, standards set by the regulator and any requirements contained in agreed levels of service (NHMRC 2011, p. 60).

water quality reporting, and possibly no monitoring, at all. For example, there is currently no reporting in NT homelands communities, despite many experiencing water quality concerns (CLC, sub. 54, p. 19).

There is also no centralised government collation of the detailed drinking water quality data collected by state and local utilities across Australia. Non-government organisations are beginning to fill this gap. The Water Justice Hub (2026) has developed the *Australian Drinking Water Record*, which to date brings together public drinking water quality data published by service providers in the Northern Territory, South Australia, Western Australia and Victoria. Although the urban National Performance Report provides a national dataset, drinking water quality indicators are aggregated and do not provide information on specific parameters beyond E. coli detection by service providers with more than 10,000 connections (BOM 2023, p. 57).

A broad range of inquiry participants have indicated their support for improved drinking water quality reporting. Participants observed that inconsistency in the availability of drinking water quality data limits public accountability, as communities cannot compare service outcomes or understand their exposure to water risks (qldwater, sub. 24, p. 5; RDA Mid North Coast, sub. 63, p. 5). Data availability is particularly limited in regional and remote areas and for small service providers, undermining trust in water services in these communities (Aquanex, sub. 39, pp. 1–2; DEG, sub. 21, p. 3; WSAA, sub. 53, p. 22). Nationally consistent data would also enable better decisions on water infrastructure investment, supporting decision makers to direct funding towards the greatest risks (qldwater, sub. 24, p. 5; RDA Mid North Coast, sub. 63, p. 5) and challenges that have received insufficient policy attention, such as the negative public health outcomes from aesthetic concerns (AWA, sub. 50, pp. 19–20; WSAA, sub. 53, p. 24).

Better collation of drinking water quality data would support Australia's ability to meet domestic and international reporting obligations, such as for Closing the Gap target 9b on access to essential services and the UN's Sustainable Development Goal 6 on clean water and sanitation (Aquanex, sub. 39, p. 2; WSAA, sub. 53, p. 25). It could also enable Australian governments to support Indigenous data sovereignty and Indigenous data governance by improving Aboriginal and Torres Strait Islander people's access to their data, consistent with Priority Reform 4 under the National Agreement on Closing the Gap (PC 2024b, p. 5).

The PC's (2024a, p. 25) assessment found that 'further development is required to centralise the reporting of drinking water quality indicators', and a range of participants to this inquiry supported the need for greater transparency, consistency and/or centralisation of water quality and service outcome data (Aquanex, sub. 39, p. 6; NSW Water Directorate, sub. 69, p. 7; Veolia, sub. 43, p. 5; WSAA, sub. 53, p. 22). To promote data consistency, reporting standards could be included in national legislation rather than issued as guidelines under the ADWG, with Division 4 of Part 7 of the *Water Act 2007* (Cth) already allowing for National Water Information Standards to be issued by legislative instrument. Standards could include defined statistical conventions for each parameter (for example, annual reporting of minimum, maximum, average and 95th percentile values) and reporting samples (for example, number of samples and percentage of exceedances). Aquanex (sub. 39, p. 6) recommended a national water quality transparency framework that includes drinking water quality compliance, boil water alerts and do-not-drink notices. A national collation of existing data on drinking water quality could also assist in identifying inconsistencies and gaps in both reporting and capability.

The PC acknowledges that legislating reporting standards and/or addressing gaps in currently reported data may require additional resources, and some participants are concerned about the increased regulatory burden and costs associated with monitoring and reporting requirements (VicWater, sub. 34, p. 2). The benefits, costs and implementation issues arising from any changes to reporting requirements would therefore need to be carefully assessed. When implemented effectively, more coordinated information management provides an opportunity to reduce regulatory burden by streamlining requirements, reducing duplication and improving efficiency, such as for Queensland's Statewide Water Information Management system (LGAQ, sub. 55, p. 5). This system was implemented in stages to give providers time to adjust to changes, and has simplified reporting from over 900 indicators to only 200 (qldwater 2026). In New South

Wales, water quality testing laboratories input results directly into a centralised database managed by NSW Health (2026b), with the data accessible to local water utilities and various regulatory authorities.

Information request 7
Nationally consistent reporting on drinking water quality

- Is legislative change to enact reporting standards the most appropriate way to facilitate greater national consistency in drinking water quality data? If not, what alternative approach could improve consistency, noting the current Australian Drinking Water Guidelines (ADWG) have been inconsistently adopted and applied?
- What national reporting standards would be most useful (for example, minimum, maximum, average values for water quality compliance outcomes; boil water alerts; do-not-drink notices)? What elements of the ADWG could be drawn on for national reporting standards?
- Which Commonwealth agency(s) are best placed to be involved in the process of data collection, analysis, custodianship and coordination to improve national consistency in data and reporting?
- How could the process to develop consistent reporting standards be designed to benefit and account for the end uses of a range of stakeholders – including customers and consumers, regulators and government agencies, and community-controlled organisations?
- How could national reporting requirements be implemented and enforced to minimise costs and regulatory burdens for service providers? For example, by using technology to streamline reporting and reduce duplication (such as the central repository managed by NSW Health), or by staging implementation to support providers to adjust to changes (as in the rollout of Queensland's Statewide Water Information Management system).
- In addition to drinking water quality reporting, are there other service outcomes (for example, reliability and affordability) where greater national consistency in definitions and reporting would support more secure, resilient and sustainable water services delivery?
- What approaches to nationally consistent reporting on drinking water quality would support Indigenous data sovereignty and Indigenous data governance?

Role of Australian Government investment and funding programs

The PC (2021a, p. 202) has previously observed that different levels of government have different responsibilities for water infrastructure investment and funding decisions:

- State and territory governments should have primary responsibility for investment in major water infrastructure in their jurisdictions, corresponding with their responsibilities for water resource management and infrastructure development more broadly.
- The Australian Government should only fund the provision of water infrastructure where the investment aligns with national priorities, or where the benefits of infrastructure investment accrue across multiple jurisdictions. In such cases, Australian Government funding should not exceed the contribution of relevant state and territory governments.

The Australian Government's primary program dedicated to water infrastructure investment is the National Water Grid (NWG) Fund, a rolling ten-year funding program focused on improving water access and security. The PC's (2024a, p. 180) assessment found that the Australian Government's NWG Investment Framework provides clear principles to support good practice Commonwealth investment decisions (for example, 'alignment with cost recovery pricing, demonstrable public benefit, benefit-cost analyses and engagement

with First Nations communities'). However, the extent to which these principles have been applied in practice is mixed; for example, since 2021 governments have allocated funds to water infrastructure investments that have not been subject to benefit-cost analyses, have had unpublished benefit-cost analyses, or for which the costs exceeded the benefits (PC 2024a, pp. 175–177, 179–180). The framework could also be improved by more transparently explaining how different selection criteria are weighted in arriving at investment decisions. And while the framework includes a principle that states and territories must commit to meeting all operation and maintenance costs, all Commonwealth funds are released to states and territories when the construction phase is completed. Inquiry participants suggested that allocating funds upfront to these operational expenses can be more cost effective than new capital investments (qldwater, sub. 24, p. 13; RDA Mid North Coast, sub. 63, p. 14; Veolia, sub. 43, pp. 3–4).

Other Australian Government investment could have a positive demonstration effect and support the 'crowding in' of additional investment by jurisdictions and water service providers. There may be opportunities through existing programs to increase access to finance and funding for projects that support secure, resilient and sustainable water services. For example:

- the Australian Government's Green Treasury Bonds program raises capital for public projects that support climate change and environmental objectives, with water projects already eligible under the Urban Rivers and Catchment Program and the Sustainable Rural Water Use and Infrastructure Program (AOFM 2026). Opportunities to expand eligibility to other water projects that meet the program's objectives could include finance and funding for wastewater infrastructure investments or climate change mitigation activities to support the water sector's progress towards net zero emissions targets
- the Remote Jobs and Economic Development program provides funding for 6,000 jobs in remote Aboriginal and Torres Strait Islander communities, and has previously supported projects relating to essential services (NIAA 2026). A more targeted and dedicated essential services component to this program could better connect existing local knowledge and capability to long-term employment and training that supports community-led essential services delivery. This could include partnerships with Aboriginal or Torres Strait Islander businesses and/or other service providers.

Information request 8
Role of Australian Government investment and funding programs

- Given there are multiple levels of government involved in funding and delivering water services, are there improvements to governance arrangements that would better facilitate funding provision?
  - For example, are there parts of the National Water Grid Investment Framework or other supporting documentation that could be made more specific or binding as a condition for the Commonwealth to provide funding (for example, requiring cost-benefit analyses be published, or specifying the types of operational expenses that jurisdictions must provide to support projects after the capital investment)?
- What opportunities are there to improve the security, resilience and sustainability of Australia's water services through existing Australian Government programs, and further support the 'crowding in' of investment by jurisdictions and the water services industry?
  - For example, could investment be supported by a component of the Remote Jobs and Economic Development program being targeted towards establishing long-term employment in community-led essential services delivery? Or by expanding eligibility for the Green Treasury Bonds program to include finance for other water projects that meet climate change or environmental objectives?

A. Agencies with pricing functions in each jurisdiction

Pricing agencies' independence and functions vary across jurisdictions. Functions include price setting, price review, price advice and price monitoring.

- NSW: Under the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), the Independent Pricing and Regulatory Tribunal (IPART) administers and periodically reviews operating licences and sets the maximum prices for water and wastewater services provided by Sydney Water, Hunter Water and WaterNSW. It periodically sets maximum prices for the Water Administration Ministerial Corporation and for urban water services in the NSW Central Coast and in Broken Hill.
- Victoria: Under the *Essential Services Commission Act 2001* (Vic), the Essential Services Commission (ESC) regulates Victorian water businesses through price reviews, codes, guidelines, and performance monitoring. It periodically issues price determinations that approve the maximum prices that water businesses may charge.
- Queensland: Under the *Queensland Competition Authority Act 1997* (Qld), the Queensland Competition Authority (QCA) undertakes price monitoring investigations on declared monopoly business activities when referred to by the Minister, and mediates access and supply disputes. It has investigated or monitored the activities of utilities and local councils providing urban bulk water and urban retail water services.
- South Australia: Under the *Essential Services Commission Act 2002* (SA) and the *Water Industry Act 2012* (SA), the Essential Services Commission of South Australia (ESCOSA) regulates water and sewerage services through licensing, consumer protection, and periodic retail pricing. It can make determinations regulating prices, price-related conditions and price-fixing factors for SA Water and small-scale water and sewerage retailers. ESCOSA can be given directions by the SA Treasurer on water pricing orders.
- Tasmania: Under the *Water and Sewerage Industry Act 2008* (Tas), the Office of the Tasmanian Economic Regulator (OTTER) periodically regulates TasWater prices for drinking water, sewerage, and some trade waste services.
- Australian Capital Territory: Under the *Utilities Act 2000* (ACT) and the *Independent Competition and Regulatory Commission Act 1997* (ACT), the Independent Competition and Regulatory Commission (ICRC) regulates water and sewerage services through licensing, compliance monitoring, and periodic price setting. Its investigations determine the maximum prices applicable to water and sewerage services in the ACT.
- Western Australia: Under the *Water Services Act 2012* (WA), the Economic Regulation Authority (ERA) administers licensing for water services. Prices are set by the Minister for Water. The Western Australian Government may also request ERA to undertake price reviews for water corporations.
- Northern Territory: Under the *Water Supply and Sewerage Services Act 2000* (NT) and the *NT Water Act 1992* (NT), the Utilities Commission monitors compliance with the Water and Sewerage Pricing Order for Power and Water Corporation's water and wastewater tariffs and charges. The Pricing Order is issued by the Northern Territory Treasurer as Regulatory Minister.

B. Terms of reference

National water inquiry

I, the Hon Jim Chalmers MP, Treasurer, pursuant to Parts 2 and 3 of the *Productivity Commission Act 1998* and Section 88 of the *Water Act 2007* (the Water Act), request that the Productivity Commission (the Commission) undertake a National Water Inquiry.

In addition to the requirements of Section 88, the Inquiry should also advise on approaches for a more sustainable water service industry, as set out below, to inform further work by all jurisdictions to refresh Australia's water policy.

Background

Water underpins Australia's social and cultural wellbeing, supports the resilience of communities and industries, and sustains the ecosystems and environmental values that make Australia unique. As climate change places increasing pressure on this finite and highly variable resource, we must continue to ensure that water is managed carefully to meet the needs of people, economies and the environment.

The water sector plays a critical role in delivering the services that underpin economic activity in urban and regional communities. Ongoing reform and adaptation of the sector is essential to ensure its continued effectiveness in responding to contemporary challenges, such as climate change, population growth, and competition for water resources from new and expanding industries. The inquiry provides the opportunity to examine approaches needed to manage and support a sustainable and resilient water services industry.

Since the last inquiry, the Australian Government worked in partnership with all jurisdictions to renew the national approach to water reform established under the 2004 National Water Initiative (NWI). This was done through the development of a new intergovernmental agreement – the National Water Agreement (NWA). The Committee on Aboriginal and Torres Strait Islander Water Interests provided guidance on developing the NWA to the National Water Committee and the Water Ministerial Council to elevate Aboriginal and Torres Strait Islander water interests and values.

The NWA retains the strong foundations of the NWI, while introducing new priorities, objectives and outcomes. Jurisdictions are commencing work to refresh Australia's water policy. This will include updating water pricing principles and reviewing independent economic regulation.

Scope of the inquiry

The Commission should apply the requirements of Section 88 of the Water Act noting that:

- the NWI that set shared goals and national priorities for water management – is more than 20 years old
- the Commonwealth, together with the States and Territories, has developed a new NWA which builds on the strengths of the NWI to address current and future water challenges
- the Australian Government has signed the NWA, and it is now with each state and territory government to consider signing
- jurisdictions who are party to the NWA by 28 May 2026, will have entered into the successor framework to the NWI with updated objectives.

The Commission should also examine all jurisdictions' water policy and regulatory settings required to support the long-term sustainability of Australia's water services industry, having regard to water affordability,

productivity and other key priorities (housing supply, net zero transition, National Closing the Gap targets and the sustainable development of new industries, including data centres).

The Commission should provide recommendations on approaches that Australian governments and the water services industry can take to improve the security, resilience and sustainability of water services, and support productivity and affordability, through consideration of:

- pricing:
  - ensuring efficient resource allocation and the long-term financial sustainability of the water services industry
  - approaches to the challenge of balancing affordability with long-term service resilience.
- economic oversight and regulatory design that:
  - balances national consistency with jurisdictional diversity
  - achieves efficient cost recovery while meeting distributional and social policy objectives
  - promotes proactive and sustainable asset management
  - is responsive to emerging challenges such as environmental contaminants
  - supports utilities' long-term planning, including investment in circularity and moving operations towards net zero.
- governance options to improve the overall sustainability of the industry
- regional and equity considerations, including structural challenges faced by regional and remote utilities.

In conducting the inquiry, the Commission should consider:

- where relevant, the NWI and in particular the objectives listed in clause 23
- where relevant, the NWI schedules and associated principles, guidelines and modules and further policy work underway by jurisdictions to refresh Australia's water policy
- any Commonwealth, state or territory reform initiatives relevant to the inquiry scope including the NWA
- the scope of other relevant reviews (such as the reviews of the Water Act or Basin Plan 2012) with a view to avoiding re-examination of matters already under consideration
- the perspectives and socio-cultural rights of Aboriginal and Torres Strait Islander peoples
- the government response to the recommendations of the independent review of the National Agreement on Closing the Gap.

Process

The Commission is to update its findings from the National Water Reform 2024 inquiry report, in line with the requirements of the Water Act.

The Commission is to undertake public consultation including, inviting public submissions where appropriate.

The Commission should establish a stakeholder working group in accordance with Section 89 of the Water Act.

The Commission should consult nationally, including with Commonwealth, state and territory governments, relevant sectors and stakeholders and Aboriginal and Torres Strait Islander peoples.

The final report should be provided no later than 4 September 2026.

The Hon Jim Chalmers MP
Treasurer

[Received 27 March 2026]

C. Submissions received

Organisation	Submission no.
Aboriginal Housing Northern Territory (AHNT)	62
Aquanex	39
Arup Australia	58
Association of Mining and Exploration Companies (AMEC)	40
Australian Academy of Technological Sciences and Engineering (ATSE)	3
Australian Dairy Industry Council (ADIC)	66
Australian Water Association (AWA)	50
Autodesk	42
Balmoral Group Australia	52
Border Rivers Food and Fibre (BRFF)	47
Bucknell, Dugald	60
Central Land Council (CLC)	54
Central NSW Joint Organisation (CNSWJO)	18
Centre for Environmental Governance, University of Canberra (CEG)	17
Clean Ocean Foundation (COF)	11
Cobram Estate Olives	45
Concerned Waterways Alliance (CWA)	25
Coolum and North Shore Coast Care (CaNSCC)	9
Coombes, Dr Peter	37
Cotton Australia	22
Crase, Lin; Cooper, Bethany and Ben van den Akker	5
Dharriwaa Elders Group (DEG)	21
Donaldson, Lee	16
Environmental and Natural Resources Law Research Unit, Adelaide Law School, University of Adelaide (ENREL)	67
Esri Australia	46
Essential Energy	23
eWater Group (eWater)	12
First Nations Research Program, One Basin Cooperative Research Centre	41
Friends of Latrobe Water (FLoW)	44
Independent Pricing and Regulatory Tribunal (IPART)	10
Indigenous Land and Sea Corporation (ILSC)	2
Infrastructure Partnerships Australia	49

Organisation	Submission no.
Kremford	4
Local Government Association of Queensland (LGAQ)	55
McKay, Professor Jennifer	36
Melbourne Centre for Law and the Environment, Melbourne Law School, University of Melbourne (MCLE)	48
Murray–Darling Conservation Alliance	38
Name withheld	7
National Environmental Law Association (NELA)	56
National Farmers' Federation (NFF)	31
National Irrigators' Council (NIC)	65
NSW Department of Climate Change, Energy, the Environment and Water (NSW DCCEEW)	20
NSW Irrigators' Council (NSWIC)	57
NSW Water Directorate	69
One Basin Cooperative Research Centre (One Basin CRC)	28
Procure Now	1
Queensland Farmers' Federation (QFF)	15
Queensland Water Directorate (qldwater)	24
Regional Capitals Australia (RCA)	68
Regional Development Australia (RDA) Mid North Coast	63
Resilient Futures	71
SeaWell	27
South Australian Council of Social Service (SACOSS)	19
Stormwater 2030	59
Stormwater Australia	13
Sustainable Population Australia	64
TasWater	32
Taylor, Dr Nathan and Western, Professor Andrew	35
Territory Rivers Alliance (Territory Rivers)	70
The National Party of Australia and the Liberal Party of Australia (the Coalition)	33
Urban Utilities	61
Veolia Australia and New Zealand (Veolia)	43
VicWater	34
Water Efficiency Individuals	6
Waterfind	14
Water Industry Operations Association of Australia (WIOA)	26

Organisation	Submission no.
Water Research Australia	29
Water Sensitive Cities Australia (WSCA)	30
Water Services Association of Australia (WSAA)	53
Water Stewardship Asia Pacific (WSAP)	8
WaterNSW	51

References

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—— 2023b, *Statistical geography*, https://www.abs.gov.au/statistics/statistical-geography/frequently-asked-questions (accessed 9 June 2026).

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