

# Response to Supplementary Questions

6 February 2025

This document provides a response to the Select Committee's Supplementary Questions for IPART, following the appearance of Andrew Nicholls (CEO) and Christine Allen (Director, Regulation and Compliance) before the Committee on Wednesday 5 February 2024 for the inquiry into PFAS contamination in waterways and drinking water supplied through New South Wales.

## Water Pricing and Cost of PFAS Remediation

Question 1: Has IPART conducted an assessment of the financial impact of PFAS remediation on NSW water utilities?

IPART stands ready to thoroughly and carefully scrutinise the impact of PFAS in pricing proposals brought forward for IPART's review.

IPART has the function of periodically determining maximum prices for Sydney Water, Hunter Water, Water NSW, the Water Administration Ministerial Corporation, Central Coast Council, Essential Water and the Sydney Desalination Plant.

IPART does not regulate local water utilities in NSW (except for Central Coast Council in regard to prices).

IPART has developed a framework for performing our water pricing functions that focuses on customers, costs and credibility—the 3Cs framework. This framework uses a propose-respond model whereby the water utilities propose prices based on their forecast expenditure and IPART assesses the credibility of these proposals.

Question 2: Should NSW households and businesses bear the cost of PFAS filtration upgrades through increased water prices, or should the government cover these costs?

In considering any proposals for price increases as a result of PFAS compliance, IPART will need to determine what proportion of efficient costs of addressing PFAS should be borne by customers.

In performing its price review function as outlined in question 1, IPART must consider, among other things, the cost of providing the services concerned, the social impact of the determination, the need to maintain ecologically sustainable development and the standards of quality, reliability and safety.

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present. We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Rising costs of PFAS management have not, to date, been a material driver of proposed prices but this may change if the costs of complying with the Australian Drinking Water Guidelines materially increase or there are other relevant regulatory changes.

Question 3: What would be the estimated cost of upgrading all water treatment plants in NSW to meet stricter PFAS removal standards?

The cost of complying with stricter PFAS removal standards will depend on the strictness of any new standards. It is likely that the cost impact will vary by water utility.

It will be a matter for each water utility to estimate the additional efficient costs of compliance (if any), and where applicable propose prices to IPART. IPART will consider the efficient cost of delivery, and whether there needs to be any increase in the maximum price set.

IPART does not regulate local water utilities in NSW (except for Central Coast Council in regard to prices).

Question 4: Should industries responsible for PFAS contamination be financially liable for remediation costs, rather than passing costs to consumers?

This is a matter for the NSW Government and IPART has not been tasked with providing advice on who should bear the costs.

To the extent PFAS contamination is relevant to IPART's water pricing functions, IPART will consider any remediation costs included in a water utility's proposal, including who should fund those costs.

## Regulatory Role and Oversight of Water Utilities

Question 5: Does IPART believe that current water regulations provide sufficient protection against PFAS contamination?

IPART administers licences that apply to Sydney Water, Hunter Water and WaterNSW, as well as relevant private water utilities licenced under the *Water Industry Competition Act 2006*.

The private water utilities, except for the Sydney Desalination Plant, do not produce drinking water.

Under their licence conditions, where applicable, water utilities must have and comply with a water quality system that is consistent with any health-based requirements for drinking water specified by NSW Health and the *Australian Drinking Water Guidelines*. The drinking water quality systems, as required in the licences, have the capacity to adapt to changing standards in the *Australian Drinking Water Guidelines* without the need to reissue the licences.

IPART conducts audits of licensed water utilities to assess their compliance with licence conditions. If any non-compliance is identified, IPART may take action to address the non-compliance.

The current licensing and pricing systems are sufficiently flexible to accommodate changes in PFAS standards in relation to the entities regulated by IPART. The Department of Climate Change, Energy, the Environment and Water oversees the delivery of water and sewage services by local water utilities.

IPART has no view on the broader water regulatory framework, which is a matter for the NSW Government.

Question 6: Should NSW introduce mandatory PFAS filtration standards for all water utilities?

This is a matter for the NSW Government on the advice of NSW Health and the EPA.

The *Australian Drinking Water Guidelines* published by the National Health and Medical Research Council is the standard that applies to NSW public and private water utilities. The licensed water utilities regulated by IPART have licence conditions that can adapt to changing standards in the *Australian Drinking Water Guidelines*.

Question 7: How does IPART ensure that regional and rural councils have the financial capacity to manage PFAS risks?

IPART does not determine the maximum prices for local water utilities (except for Central Coast Council).

IPART does not have the function of ensuring that regional and rural councils have the financial capacity to manage PFAS risks.

However, under delegation from the Minister for Local Government, IPART has the following roles:

- Determining the annual rate peg, which is the maximum percentage by which a council may increase its general income in any given year. The rate peg does not apply to water and wastewater charges.
- Assessing applications for special variations, which are requests for increases above the rate peg.

To the extent increased costs of PFAS remediation are to be paid from a council's general fund (as opposed to by the local water utility), IPART's rate peg methodology has the flexibility to consider step changes in costs through an adjustment factor. IPART may also consider increased costs to manage PFAS risks if raised as part of a special variation application.

IPART has established a Council Reference Group to identify and address current and emergent issues in the setting of the rate peg.

IPART has previously identified concerns about the financial sustainability of some councils and recommended the NSW Government commission an independent review of the financial model for councils. In response, the Standing Committee on State Development inquired into and reported on the ability of local government to fund infrastructure and services.

Question 8: Has IPART received requests from water utilities for additional funding or price adjustments due to the rising costs of PFAS management?

Rising costs of PFAS management have not, to date, been a material driver of proposed prices currently under review.

## Balancing Affordability with Public Health and Environmental Standards

Question 9: Should NSW implement a dedicated PFAS clean-up fund to ensure that water utilities can upgrade filtration without increasing consumer prices?

This is a matter for the NSW Government.

Question 10: Are there concerns that delayed investment in PFAS removal infrastructure could lead to higher costs for water consumers in the future?

IPART's expectation is that each water business will appropriately accommodate any PFAS removal requirements in their long-term capital program and time any infrastructure investments in the long-term interests of their customers. This will be assessed in the pricing framework outlined in response to questions 1 and 2.

Question 11: Would IPART support a tiered pricing model where high-risk areas receive state funding for PFAS treatment, while lower-risk areas continue under existing frameworks?

Questions about state funding are a matter for the NSW Government. IPART has not been commissioned to provide advice on this matter.

Question 12: Does IPART believe that water affordability policies should be adjusted to account for the increasing costs of ensuring PFAS-free drinking water?

IPART considers customer affordability and the impact on taxpayers when determining maximum prices for the water utilities that we regulate. For the current reviews of Sydney Water and Hunter Water's maximum prices, the Premier has specifically required IPART to consider, among other things:

- the cost-of-living impacts of the price determinations, and
- the effectiveness of existing rebates to manage the social impacts of the price determinations, including if the program will adequately support customers who may be disproportionately impacted by any price increase

IPART will consider and report on these matters as part of these reviews.

Additional water affordability policies are a matter for the NSW Government.

## Long-Term Strategy for PFAS Management in NSW

Question 13: What steps should be taken to ensure that future water infrastructure projects are designed to handle emerging contaminants like PFAS?

This is a matter for the NSW Government as part of its long-term water planning, as well as for each individual utility in developing their long-term capital plan.

IPART will consider the efficiency of those costs when setting maximum prices where applicable.

Question 14: Has IPART modelled the long-term economic risks of inaction on PFAS contamination?

No.

Question 15: Should the NSW Government establish a PFAS contamination levy on industries responsible for pollution, similar to waste levies?

This is a matter for the NSW Government.

Question 16: Is IPART actively working with water utilities, councils, or the EPA to develop a state-wide pricing and funding strategy for PFAS management?

IPART is consulting with the Regulators Advisory Panel (RAP) on common issues including emerging contaminants such as PFAS.

IPART established the RAP in 2023 to promote better collaboration between water regulators in NSW for the benefit of customers and water businesses.

The RAP is comprised of the following members:

- Independent Pricing and Regulatory Tribunal
- NSW Health
- Natural Resources Access Regulator
- NSW Department of Climate Change, Energy, the Environment and Water – Water Group
- NSW Environment Protection Authority.

The RAP provides a forum for which members of the RAP may discuss policy, share information to the extent permitted by law, and identify gaps or conflicts in the regulatory environment. It also seeks to align regulatory expectations to establish a consistent regulatory setting for water businesses and promote transparency in establishing regulatory standards.

The RAP is not a decision-making body and cannot make legally binding determinations about any member or water business.

PFAS management remains an active topic of the RAP.

Question 17: If the NSW Government does not provide financial assistance for PFAS remediation, how will this affect water pricing, infrastructure, and public health in the coming years?

It is a matter for each water utility to determine how to prioritise compliance with all regulatory and licensing requirements within its funding envelope.

IPART's framework for determining maximum prices is summarised in our response to questions 1 and 2 above.

Public health impacts are a matter for NSW Health.