



Review of non-IPART fee structure for Irrigation Corporations



A Final Report for the NSW Department of Climate Change, Energy, Environment and Water (DCCEEW) – 27 March 2026

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Executive Summary

Background and scope

The Department of Climate Change, Energy, the Environment and Water (the Department) is establishing licence fees for its management and oversight of the NSW Irrigation Corporations (ICs). Frontier Economics was engaged to undertake a review of the Department's proposed fees to ensure they are efficient, prudent and consistent with best practice pricing principles, including the National Water Initiative's (NWI) Pricing Principles.

This Final Report provides a summary of our key findings and recommendations. It should be read in conjunction with the QA log capturing all issues identified in the review of the Excel fee model and contained in the file *26-03-27 DCCEEW IC fees Final QA log – STC* (the "QA log").

Our approach

Our approach to undertaking the review has involved 5 key steps:

1. Obtaining and reviewing a range of relevant information from the Department, including documentation on:
 - the services and activities to which the proposed fees relate
 - the costs incurred in providing these services, including what determines them, how they may change over time or between ICs and how the Department has attributed or allocated costs to these services
 - the Department's rationale, assumptions and methodologies for determining the proposed fees (levels and structures), including its cost and fee models.
2. Reviewing the Department's proposed fees against best practice cost recovery and pricing principles.
3. Undertaking a quality assurance (QA) review of the Excel model used to calculate the proposed fees. While the model contains several toggles for varying input assumptions, we have only reviewed the model for the selected set of input assumptions used to calculate the Department's proposed fees.
4. Reporting on the draft findings and recommendations of our review, via a Draft Report.
5. Considering the Department's responses to our Draft Report and reporting on the final findings and recommendations, via this Final Report.

We gathered information through several workshops with the Department and written responses to a range of questions on the Excel model used to calculate fees. We also reviewed four versions of the Excel model. This report and our associated QA log reflect our review of all this information.

Key findings and recommendations

Overall, we found that the Department's proposed IC fees are broadly consistent with best practice pricing principles and reflect reasonable estimates of the efficient costs of providing services. We have also made several recommendations to improve future versions of the model so that it better aligns with best practice modelling.

We found that the Department's estimates of average time required provide a reasonable basis to set fees for the next two years (FY2026-27 and FY2027-28). However, to provide greater certainty around future fees, we recommend that the Department track the time required to undertake all activities and use this information to inform a review of its fees within two years, to determine fees that would apply no later than FY2028-29. Over time, once there is more certainty about the time required to undertake necessary licensing activities and the efficient costs of these activities, fees could be set for a longer period (or "price path") to provide greater charge certainty for the ICs and to minimise administrative costs for the Department.

We also recommend that the Department develop and publish a process for determining how much it will charge an IC after receiving any objections to ICs' applications for inclusions/exclusions of land (based on estimates of the time it is likely to incur in efficiently reviewing and processing the number of objections), and when it would inform an IC of this charge. This is because the Department is proposing a daily fee to recover its costs of assessing objections to inclusions and exclusions of land, but it is not yet clear how the Department would apply this in practice in a way that provides necessary transparency and certainty to ICs about the charges they will face.

Structure of this report

The remainder of this report is structured as follows:

- Chapter 1 provides further detail on the background and scope of the review.
- Chapter 2 summarises the approach we used to undertake the review.
- Chapter 3 sets out our key findings and recommendations.

1 Background and scope

This section provides the background and purpose of this report.

1.1 Background

The Department is establishing licence fees for its management and oversight of the NSW ICs. Chapter 4, Part 1 of the *Water Management Act 2000* (the WMA) establishes the administrative framework for ICs, including their status as Irrigation Corporations and a licensing framework for the exercise of their functions as Irrigation Corporations. Under the WMA, the Governor is the determining authority for operating licences (section 123) and the Minister may impose fees (section 114).

The Department has committed to follow a consistent, transparent, evidence-based process to establish fees, aligned to the principles summarised in Table 1 below.

Table 1: The Department's fee principles

Principle	Description
IMPACTOR PAYS	Fees are charged to those who create the need to incur the costs (i.e., those who create the need for the service)
FULL COST RECOVERY	Fees recover the cost of service delivery
TRANSPARENCY	Fee structures and cost components are clearly documented
ACCOUNTABILITY	Maintain records and justify fees with evidence-based costing
EFFICIENCY	Services are delivered cost-effectively – i.e., at least cost to deliver required services and service levels (or outcomes)
LEGALITY	Fees are authorised under relevant legislation

1.2 Objective and scope

The key objective of our review was to ensure that the new set of IC fees developed by the Department reflect efficient costs and are consistent with best practice pricing principles, including the National Water Initiative's Pricing Principles (see box below). These fees will apply to the Department's performance of its statutory functions associated with the oversight and management of IC Operating Licences.

Box 1: NWI Pricing Principles for recovering the costs of water planning and management activities

This part of the NWI Pricing Principles includes the following principles:

Principle 1: Water planning and management activities: This notes that water planning and management activities, as they relate to the cost recovery and charging framework, are listed as an appendix ("Appendix B") to the NWI Pricing Principles.

Principle 2: Government activities: This states that water planning and management charges levied on water users should exclude the cost of activities undertaken for government such as policy development and Ministerial or Parliamentary services (with these activities/services described in the document).

Principle 3: Cost-effectiveness test: This notes that the costs of water planning and management activities to be recovered from water users should be 'tested' for cost-effectiveness by an independent party and the findings of the cost-effectiveness review are to be made public.

Principle 4: Cost allocation: This states that costs are to be allocated between water users and governments using an "impactor pays" approach.

Principle 5: Differentiation of costs: This states that water planning and management costs and charges should be differentiated by catchment or valley or region and by water source where practicable.

Principle 6: Community Service Obligations: This states that, where practical, jurisdictions should aim to reduce or eliminate subsidies or Community Service Obligations. Any shortfall between the revenue required to achieve cost recovery from water users and the total costs recovered through water charges should be transparently reported.

Source: National Water Initiative Pricing Principles, Section 3: Principles for recovering the costs of water planning and management activities

The Department proposes charging IC fees for the following services:

- **Inclusion/exclusion of land applications – on application.** The Department proposes one fee for the first property and an additional fee for each property forming part of the same application. Further, the Department proposes:
 - An additional fee for advertising, where required.
 - A daily fee (based on time required) for collating, assessing and responding to objections, where the Department receives objections to the application.
- **Compliance reviews of IC's Operating Licences, including Annual Compliance Reports – annually.** The Department proposes one fee per annum is charged to each IC. It proposes distinguishing between the following:
 - An annual fee for reviews undertaken in 2026-27, to assess compliance with current licence conditions.
 - An annual fee for reviews undertaken in 2027-28, to assess compliance with current licence conditions and proposed changes to IC's operating licences being developed as part of the Department's Irrigation Corporation Regulatory Improvement Program.

- **Amendment of operating licences as required.** The Department proposes a fee per amendment, per receipt of application.¹
- **Renewal of operating licences – periodic.** The Department proposes charging a fee for each review and renewal of an operating licence, which is linked to the terms of licences (currently 10 years for each IC).

Where any of the above requires specialist technical/scientific assessment, the Department proposes additional fees per assessment for:

- Technical Assessment Costs – Ground Water Management (Hydro)
- Technical Assessment Costs – Basin Salinity
- Technical Assessment - Water (General).

The proposed fees that we assessed as part of this Final Report are summarised in Table 2. These are based on Version 4 of the Excel model provided by the Department on 27 March 2026 and named *Copy of IC price model - V04 .20260326 - TC updated version.xlsx*. This version of the model incorporated a range of changes identified in our Draft Report and Draft QA log.

We understand that the Department proposes to set fees for 2027-28 by adjusting the fees in Table 2 by the change in the Consumer Price Index (CPI) and/or adjusting labour rates.²

The scope of our review was to:

1. Provide independent economic review and advice on the Department's measures, assumptions and methodology used to underpin the development of new IC fees. The review should consider/include:
 - pricing principles and procedures developed
 - design of the cost models that support the proposed fees
 - review of the cost build-up spreadsheet for the time and effort used for the development of the fixed and variable fee options for all identified service scenarios (including incorporating any ad hoc requests for advice from the ICs).
2. Review and provide advice to ensure the NSW Government's commitment to the National Water Initiative's (NWI's) Pricing Principles, cost recovery and user-pays for water planning and management are satisfied.
3. Review and provide advice to ensure Principle 3 of NWI ("cost-effectiveness test") is satisfied.
4. Undertake a Quality Assurance (QA) analysis of the proposed fee structure.
5. Review and provide advice to ensure the Department's proposed fee structure is efficient, effective and prudent, in line with the NWI Pricing Principles (See box above).

¹ We understand that one application may involve amendments to multiple parts of the operating licence.

² For example, as set in IPART's Final Determination for the Water Administration Ministerial Corporation (WAMC) IPART, *Water Administration Ministerial Corporation Maximum prices for water management services from 1 October 2025 Final Determination*, September 2025.

Table 2: Proposed fees

Service	Proposed fee (\$2026-27)
Inclusion of land (first property)	\$2,324.67
- Per additional property included	\$1,390.71
- Advertising (as required)	\$431.60
Exclusion of land (first property)	\$2,324.67
- Per additional property excluded	\$1,390.71
- Advertising (as required)	\$431.60
Full annual fee for review of operating licence from FY2027-28	\$24,710.61
Annual compliance review of operating licence for FY2026-27	\$15,909.85
Renewal fee for operating licence	\$10,600.58
Amend operating licence (on application)	\$9,738.48
Technical charges for operating licence reviews or amendments	
- Technical groundwater management (per assessment)	\$5,362.48
- Technical salinity (per assessment)	\$1,725.37
- Technical water specialist (per assessment)	\$5,347.77
Daily rate for objections to land inclusions/exclusions	\$763.60

2 Approach

Our approach to undertaking the review involved four key steps:

1. Obtaining and reviewing a range of relevant information from the Department, including information on:
 - the activities and services to which the proposed fees relate
 - the costs incurred in providing these services, including what determines them, how they may change over time or between ICs and how the Department has attributed or allocated costs to these services
 - the Department's rationale, assumptions and methodologies for determining the proposed fees (levels and structures), including its cost and fee models.

This information was gathered through several workshops with the Department and written responses from the Department to a range of questions on the Excel model used to calculate fees. We reviewed four versions of the Excel model. References throughout this report and our associated QA log are based on Version 4 of the Excel model provided by the Department on 27 March 2026 and named *Copy of IC price model - V04 .20260326 - TC updated version.xlsx*.

2. Reviewing the Department's proposed fees against best practice cost recovery and pricing principles. In doing so we:
 - Sought to understand the efficient costs of providing each service, including:
 - the key drivers and determinants of these costs by service (e.g., the extent to which costs may vary by licence type, by licensee, by geographic area, by activity, over time, etc)
 - the fixed and variable split of costs, by service
 - the measures the Department has employed to ensure the costs to be recovered via fees are efficient (ie, that they reflect the cost-effective delivery of the activities and services).
 - Reviewed the Department's approach to attributing and allocating costs to services and fees, including its approach to:
 - identifying "impactors" and reflecting this in cost attribution/allocation
 - allocating shared or common costs
 - Assessed how the proposed fees relate to the efficient costs of each service/activity
 - Evaluated how clear or understandable the fees are, how they might change over time and what will be involved in administering and reviewing them over time.
 - Assessed the proposed fees against the NWI Pricing Principles, including the principles for recovering the costs of water planning and management activities
3. Reviewing the Excel model used to calculate the proposed fees, including:
 - a QA check to ensure the model calculated the fees correctly (eg, correctly drawing on data/cells, applying calculations and presenting the fees)

- presenting our findings on the model review in an Excel review log, identifying and describing any issues found by worksheet and cell (a copy of our log is contained in the file accompanying this report named *26-03-27 DCCEEW IC fees Final QA log – STC*)
 - working with the Department to correct/resolve any issues found with the model's calculation of fees.
4. Reporting on the findings of our review, including any findings and recommendations, via a Draft Report and associated Draft QA log.

The QA log detailed each individual issue that we identified, setting out:

- type of issue, including error in model logic, formulas, formatting or other
 - significance of issue or error in terms of how it may impact fees
 - cell reference
 - description of issue
 - recommended action, and
 - whether the issue is still outstanding or has been satisfactorily resolved.
5. Considering the Department's responses to our Draft Report and Draft QA log and reporting on the final findings and recommendations, via this Final Report and the accompanying Final QA log.

3 Key findings and recommendations

Overall, we found that the Department's proposed IC fees are broadly consistent with best practice pricing principles and reflect reasonable estimates of the efficient costs of providing services. Version 4 of the Department's model incorporated all the recommended actions identified in our Draft Report and Draft QA log that were needed to ensure that:

- activities to deliver services are reasonably efficient; and
- model inputs reflect reasonable estimates of the efficient costs of delivering services.

Version 4 of the model also addressed a range of minor errors associated with input assumptions and fee calculations.

The sections below outline our key findings and recommendations in these areas.

3.1 Ensuring that activities to deliver services are efficient

The Department's proposed IC fees fall into one of two categories:

1. Fees for services that the Department is currently providing but is not charging a fee. This covers fees for inclusion/exclusion of land applications and associated activities (e.g. advertising and assessing objections), amendments and periodic renewals of operating licences.
2. Fees for services that the Department is not currently providing but will in the future. This covers fees for annual compliance reviews of ICs' Operating Licences including Annual Compliance Reports.

The Department used a bottom-up approach to calculate fees for both categories. This involved:

- Identifying activities required to deliver the service for each fee and ensure it meets its legislative and regulatory requirements.
- Estimating the amount of time (e.g. hours) and appropriate level of resourcing (e.g. grade/level of employee) required to efficiently undertake each of the activities.

Where the Department is currently providing services but not charging a fee, its estimates of time have been informed by experience and subject to an internal challenge process. Where the Department is proposing fees for services that it is not currently providing but will in the future, it has undertaken a detailed process to identify and document required activities and has developed reasonable estimates of the time required to undertake these activities.

The Department included a minimum, average and maximum estimate of time, and proposed setting fees using the average estimates of time for each service. Based on our discussions with the Department, the average estimate reflected a typical or average amount of time expected to be required to undertake an activity across all activities and ICs. We consider that applying the typical or average estimate provides a reasonable basis for setting fees that recover the efficient costs of providing services in FY2026-27.

We did consider whether separate fees for each IC should be set for annual licence compliance reviews. This could involve the smaller ICs facing the "minimum" charge, the medium IC facing the "average" charge and the larger ICs facing the "maximum" charge, based on the

Department's minimum, average and maximum estimates of time, respectively. This is on the basis that the size of the ICs is expected to be a key driver of costs for annual licence compliance reviews. However, instead, we consider it is preferable to set all fees based on typical or average estimates of time, at least for 2026-27. This is because:

- there would be wide variations between minimum and maximum charges, which we did not consider could be adequately justified given the current level of certainty around costs estimates, and
- while size is likely to be a key determinant of costs, we understand there can also be other cost drivers – such weather conditions.

We found that the Department's estimates of average time required provide a reasonable basis to set fees for the next two years (FY2026-27 and FY2027-28). However, to provide greater certainty around future fees, we recommend that the Department track the time required to efficiently undertake all activities and use this information to inform a review of its fees within two years, to determine fees that would apply no later than FY2028-29. Over time, once there is more certainty about the time required to undertake necessary licensing activities and the efficient costs of these activities, fees could be set for a longer period (or "price path") to provide greater charge certainty for the ICs and to minimise administrative costs for the Department.

Tracking time will be particularly important for annual licence compliance reviews. We understand that the annual licence compliance reviews to be undertaken in FY2026-27 will be the first of their kind in more than 5 years. In addition, the Department is consulting on changes to the IC's operating licences that are intended to take effect from 1 July 2026. The annual licence compliance reviews in FY2027-28 are therefore expected to be broader in scope, reflecting changes to the operating licences. To address this, the Department proposed an initial fee for FY2026-27 and a higher fee for FY2027-28.

The Department has proposed applying a daily fee rate for objections to inclusions and exclusions of land. We consider that this is a reasonable approach to recovering the costs of these activities, which are not frequently required and inherently uncertain. However, it is not yet clear how this would be applied by the Department in practice. Therefore, the Department should develop and publish a process for determining:

- how much it will charge an IC, after receiving any objections (based on estimates of the time it is likely to incur in efficiently reviewing and processing the number of objections), and
- when it would inform an IC of this charge in a way that provides necessary transparency and certainty to ICs about the charges they will face.

In response to our Draft Report, the Department advised that it has an existing objections procedure, which it will publish on its website.

In summary, we recommend that the Department:

- Tracks the time required to undertake the activities to efficiently deliver the chargeable services and uses this to inform a review of the fees within two years, to determine fees that would apply no later than FY2028-29.
- Develop and publish a process for determining:
 - how much it will charge an IC after receiving any objections (based on estimates of the time it is likely to incur in efficiently reviewing and processing the number of objections), and
 - when it would inform an IC of this charge in a way that provides necessary transparency and certainty to ICs about the charges they will face.

3.2 Updating inputs to reflect the efficient costs of delivering services

The Department has included a range of input assumptions on labour rates, IT costs, the level of employee used to complete tasks and the time required to complete activities. Overall, we found that these input assumptions reflect reasonable estimates of the efficient costs of providing services. In our Draft Report, we recommended several changes that were needed to ensure that fees reflect efficient costs. The Department incorporated these changes into Version 4 of the model and its proposed fees.

3.3 Other minor changes

We also undertook a detailed QA review of the Excel model the Department used to calculate fees to ensure it was calculating the fees correctly (e.g., correctly drawing on data/cells, applying calculations and presenting the fees) and assessed whether it was consistent with best practice design and could be easily updated and used/understood by others over time.

We recommended a range of minor updates to labelling, removing unused calculations, updating inputs and correcting calculations. The Department addressed these changes in Version 4 of the model, which are detailed in our accompanying QA log.

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