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Department of Climate Change, Energy, the Environment and Water



# LWU Water Reform update and Water Supply Security Stocktake Project

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# What we will cover today

- LWU Reform Program update
  - Funding model options
  - Minimum Regulatory Standards/Basic Levels of Service Project
  - Water Supply Security Stocktake- Overview
  - Western NSW LWU reform
  - Broader LWU stocktake
- Water Supply Security Stocktake-Detail
- Q&A

# LWU Reform Program update

# NSW Government response to the PEC review



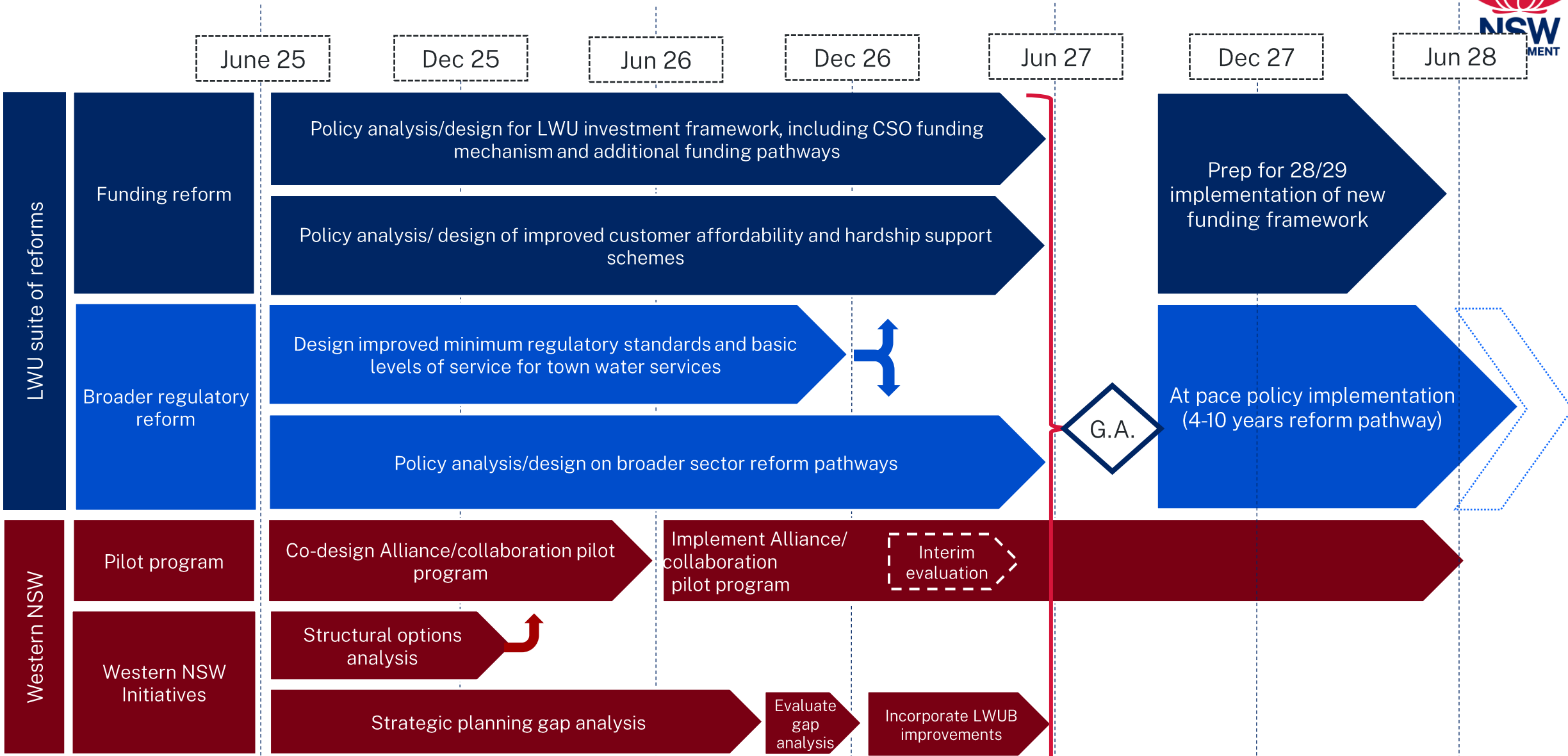
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The PEC review, released in July 2024, recommended significant changes to how LWUs are funded and associated improvements to regulation and strategic planning.

The NSW Government response, released on August 2025 following LWU sector consultation:

- supports in principle adopting the PEC's recommended funding principles and the establishment of an LWU investment framework applying these principles (e.g. targeting to need, predictability and stability).
- notes and will consider further a shift from project-based capital grant funding to a CSO funding model as the main funding mechanism-subject to financial decision making, further analysis and parallel reforms.
- supports in principle improvements to LWU regulation on service delivery, effectiveness of strategic planning, and reasonableness of own source revenue raising.
- supports in principle review of customer affordability support schemes (across NSW).
- supports work with Western NSW LWUs on improved and more efficient service delivery models.

# Implementation - Timeline



G.A. = Checkpoint for NSW Government approval

# LWU Reform Program

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## LWU Investment Framework – Project on CSO-type funding model options

- The NSW Government response noted needs to further analyse the PEC's proposed model and other CSO-type funding mechanisms that:
  - could apply the proposed funding principles.
  - may be administratively simpler.
  - are better aligned with LWU sector capabilities and NSW budget needs.

### Objective:

- Identify and evaluate possible CSO-type funding models, includes:
  - evaluating possible models against PEC's funding principles and other government objectives.
  - considering models that rely on direct assessment of expenditure needs and revenue raising capacity.
  - considering models that use proxies/benchmarks to determine funding gap.

# LWU Reform Program

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## LWU Investment Framework – Project on CSO-type funding model options

### Status

- Developing evaluation approach, including review by subject matter experts, assessing:
  - accuracy in targeting to LWUs in need.
  - capacity to drive performance improvements towards achievement of basic levels of service.
  - administrative complexity for LWUs and NSW Government.
  - feasibility of implementation in current LWU sector and NSW Government context.

# LWU Reform Program

## LWU Investment Framework – Review of (direct) customer affordability support schemes

### Objective

- Design efficient and transparent support schemes that better target those customers most in need and achieve fairness and equity for both customers and utilities.

### Status

- Support schemes are being examined, with any future changes subject to consideration by NSW Government.



# LWU Reform Program



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## LWU Investment Framework – Minimum Regulatory Standards and Basic Levels of Service Project

- The NSW Government response:
  - notes and will consider further a shift from project-based capital funding to a CSO-type funding mechanism to support delivery of basic levels of service for LWUs
  - supports in principle improving the setting and applying of efficient minimum regulatory standards to enable the setting of basic levels of service.

### Objective

- Improve and/or design policies/frameworks to enable:
  - setting and application of efficient minimum regulatory standards for the key town water services: drinking water supply quality, water supply security, environmental impact from wastewater and service reliability
  - setting of basic levels of service for CSO funding purposes based on minimum regulatory standards.

# LWU Reform Program

LWU Investment Framework – Minimum regulatory standards and basic levels of service for town water services

## Status

- commenced review of current regulatory standards and their application and efficiency.
- LWU Regulator Focus Group has been established to progress review and advance policy design.
- planning to engage with the sector more broadly following initial policy review phase.



# LWU Reform Program

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## LWU Investment Framework – Water Supply Security Stocktake – Overview

### Objectives

- better understand how LWUs define water supply security service levels and what data, methods and assumptions they use to set specific service levels.
- contributes to the Minimum Regulatory Standards/Basic Levels of Service Project.
- better understand risk to water supply security for customers across water supply systems in regional NSW.
- part of LWU sector stocktake contributing to investment framework design and future sector priorities planning.

### Status

- stocktake completed with initial cohort of 8 LWUs.
- stocktake of remaining LWUs to be undertaken in May 2026.

# LWU Reform Program

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## Western NSW Reform - LWU Strategic Planning Gap Analysis

### Objectives

- assess maturity of Western NSW LWUs' strategic planning against the strategic planning effectiveness expectations set out in section 3 of the Regulatory and Assurance Framework for LWUs, and
- understand related capability and support needs
- part of LWU sector stocktake on strategic planning effectiveness contributing to investment framework design, future sector priorities planning, and regulatory improvements
- note that findings from the gap analysis will help inform and shape the alliance/collaboration pilot.

### Status

- underway with Atom Consulting/Stantec – 14 of 20 LWUs have opted-in between March and May
- final reports in July/August.

# LWU Reform Program

## Western NSW – LWU alliance/collaborative model pilot

### Objective

- Evaluate how the alliance model and other forms of collaboration – as the structural improvements preferred by LWUs – can improve effectiveness and efficiency of service delivery (and strategic planning for service delivery).

### Status

- In establishment stage, ongoing discussions via Council Reference Group on how we can test the alliance model and other collaborative models in terms of driving service improvements.



Image of Bourke. Credit: Destination NSW.

# LWU Reform Program

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## LWU Sector Stocktake – Commencement of stocktake components

- The NSW Government response supports undertaking a stocktake to:
  - identify barriers to the achievement of effective strategic planning by LWUs.
  - improve coordination of broader strategic planning across local and state levels .
  - support the policy design of the LWU Investment Framework.
  - develop a preliminary Sector Overview outlining future challenges, expenditure needs, and potential funding shortfalls.
  - identify priorities for the first Sector Priorities Plan.

## Objective

- Key aspects of the LWU Reform Program need to be informed by current state of the LWU sector to support appropriate and targeted funding and supporting reforms.

# LWU Reform Program

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## LWU Sector Stocktake – Commencement of stocktake components

### Status

- LWU Sector Stocktake is undertaken in a stepped-approach:
  - Water Supply Security Stocktake provides insights on service risk with respect to water supply security, and the effectiveness of strategic planning around water supply security.
  - Western NSW LWU Strategic Planning Gap Analysis as an initial cohort of the strategic planning stocktake, lessons learned to inform further roll out.
  - Other components to be delivered at a later stage, including components on water quality and environmental impacts, taking into account outcomes from the Minimum Regulatory Standards/Basic Levels of Service Project.

# Water Supply Security Stocktake

# Purpose of water supply security stocktake

- Using a *water supply security survey* to better understand (to inform design of minimum regulatory standards/basic levels of service):
  - how LWUs define and set service levels for water supply security that customers can expect.
  - what data, methods and assumptions they use to set specific service levels.
- Using the *Cwth's Town and City Water Security Framework (TCWSF)* to:
  - gain insights on water supply security vulnerabilities at scheme-level (for stocktake).
  - gain insights on institutional and planning issues at broader water resource management scale to inform policy design.
  - assess how DCCEE Water can improve our regulatory monitoring and assessments by using the TCWSF tools.



# Water supply security definition



- In the *water supply security survey*, when we refer to “water supply security levels of service”, we mean the security of water supply for customers (e.g. framework of water supply restrictions).
- While a LWU’s security of access to existing/potential water sources (“water access security”) may influence the level of service that the LWU sets for its customers, “service levels” for water access security are not the focus of the *water supply security survey*.
  - For example, water access licences and associated annual water allocation, and water supply works approval condition are not the focus of this part of the stocktake.
  - However, the Cwth’s TCWSF tools provide opportunities to comments on this (in the questions on institutional, governance and planning arrangements in the broader sector).
- For the Commonwealth’s TCWSF stocktake, water security will be assessed to:
  - understand institutional, planning and other arrangements that support water security.
  - provide information on water supply security vulnerability for assessed water supply systems, which includes water access considerations.

# Why participate in this stocktake?

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LWUs that participate in this stocktake will be able to inform and influence:

Design of funding models (basic levels of service)

- The Minimum Regulatory Standards/Basic Levels of Service Project will consider how LWUs define and set water supply security service levels to help design basic levels of service for funding purposes.

Broader regulatory reform supporting funding reform

- Stocktake will provide inputs for consideration of improvements of regulatory standards for water supply security, strategic planning effectiveness, and broader regulatory and planning settings.

Establishment of sector priorities planning under a new funding approach

- Stocktake will improve understanding of the vulnerabilities at a water supply scheme level and help inform potential funding prioritisation and/or design of additional funding pathways (e.g. enable capability).

Broader reform and improvements

- LWUs can raise issues around broader institutional, governance and planning arrangements in the sector (including on water access, resource management and information needs).
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# Initial cohort findings – Variety in defining, setting and communicating water supply security



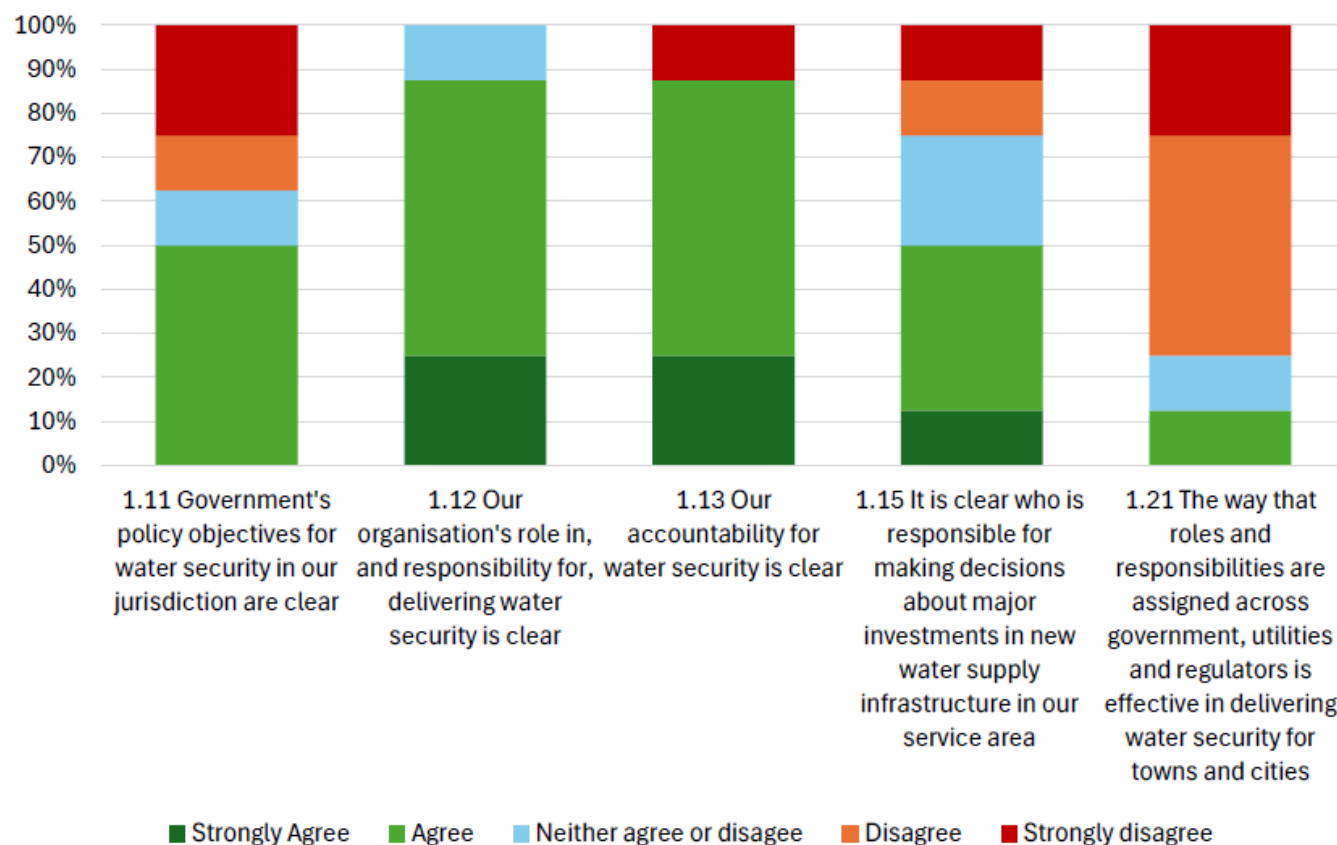
- Water supply security is rarely defined as a clear, standalone service level.
- Current setting of restrictions and design rules often do not clearly define what customers can expect.
- Limited formal articulation on differences between minimum and agreed levels of service.
- Communication with customers on levels of service occurs, but tends to be through design rules and probabilistic approaches which are difficult for customers.

These findings identify and inform target areas the reform will address, such as:

- improve defining and setting of minimum regulatory standards, by considering current sector practices.
- Pathways to address gaps and inconsistency between designed standards and LWU practice.

# Initial cohort findings – Roles/responsibilities across broader sector are not always effective

Responses to key questions about roles and responsibilities in the TCWSF



These findings identify and inform target areas the reform can address, such as:

- clarifying roles and responsibilities across sector stakeholders for water supply security and water access security.
- opportunities to address information and data needs.



# Timing and LWU participation for stocktake



- Workshops on stocktake tools (2 excel files)
  - To register please email [regional.town.water@dpie.nsw.gov.au](mailto:regional.town.water@dpie.nsw.gov.au).
  - Participating LWUs will receive a training on the use of stocktake survey files.
  - Two workshop dates (next week): Tuesday 28 April, 2-3 pm and Friday 1 May, 10-11 am
  - Expected workload of completing: A few days, but depends.
  - LWUs that express interest will be emailed directly.
  - Western NSW LWUs that are currently doing the strategic planning gap analysis can do the stocktake later.

# Timing and LWU participation for stocktake



- LWUs to complete stocktake during May 2026
  - Support available if required on completing the stocktake tools.
- What LWU's will get back
  - High-level What We've Heard report.
  - Trial information products from the Commonwealth's TCWSF for review and feedback.
  - More efficient engagement on future policy design.
- Data will not be made public
  - Utility-specific data will only be used for policy design and funding reform.
  - TCWSF data will be used by Cwth only for the purposes of trialling the TCWSF.

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# Questions?

# Thanks for joining us

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- For more information visit the [Local Water Utility reform webpage](#)
- For LWUs interested in the Water Supply Security Stocktake email [regional.town.water@dpie.nsw.gov.au](mailto:regional.town.water@dpie.nsw.gov.au)
- Tell us how we went. Scan this QR code or [click here](#)



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