

# **Price monitoring review 2026-27: Urban Utilities**

**Interim report**

**May 2026**

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# Overview

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Our price monitoring investigation provides information to stakeholders, offering transparency that holds Urban Utilities accountable for its commercial practices and pricing decisions.

The investigation is being undertaken in two phases:<sup>1</sup>

- Phase 1: An interim report – for the period 1 July 2026 to 30 June 2027
- Phase 2: A draft report in December 2026, followed by a final report in April 2027 – for the period 1 July 2027 to 30 June 2030

This interim report sets out our preliminary findings on Urban Utilities' systems, processes and governance frameworks across procurement, asset management, capital investment and operating expenditure forecasting. We have also considered Urban Utilities' productivity measures. Our phase 1 assessment does not evaluate the prudence or efficiency of Urban Utilities' past or present capital and operating expenditure, nor does it form a view on the reasonableness of its submitted revenue and prices for 2026-27.

In contrast, our phase 2 review will include our assessment of the prudence and efficiency of Urban Utilities' forecast expenditure for the period 1 July 2027 to 30 June 2030.

## Preliminary assessment

Urban Utilities has provided transparent revenue forecasts for 2026-27 and has documented its planning and governance arrangements. Relevantly, we note the proactive engagement at the board level on a range of efficiency matters, with a clear focus on customer affordability.<sup>2</sup>

While further assessment will be undertaken in phase 2 of our review, our preliminary findings indicate that the business is well-positioned to demonstrate improvements and respond constructively to our prudence and efficiency review.

## Financial forecasts for 2026-27

For this interim report, we are required to use the information submitted by Urban Utilities to establish a clear baseline of forecast revenue against which actual performance will be compared in our future periodic monitoring report for 2026-27.

Urban Utilities' forecasts for total revenue, prices and bill impacts for 2026-27 in a manner that will support transparency when we come to compare these against actual price outcomes in future monitoring reports (see Appendix A for revenue and pricing details).

Urban Utilities has provided sufficient information to enable us to monitor:

- forecast total revenue, which we will compare against its actual revenue for 2026-27
- forecast price and bill impacts for 2026-27 (excluding bulk water charges)
- service quality and reliability trends.

Our forthcoming phase 2 review will consider the prudence and efficiency of Urban Utilities' proposed forecast expenditure over 2027-28 to 2029-30.

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<sup>1</sup> We are also required to prepare annual reports comparing forecasts with actual outcomes covering both phases.

<sup>2</sup> Urban Utilities, response to RFI 4: Various board materials.

The structured presentation of forecast information enhances stakeholders' ability to understand the drivers of future pricing decisions and demonstrates a transparent approach to price monitoring.

## **Governance arrangements**

Urban Utilities maintains a mature and structured enterprise-level governance framework that integrates strategic planning, capital investment, asset management, risk management and procurement. Based on our interim review, the overarching governance framework is likely to support prudent and efficient outcomes if applied appropriately and consistently.

## **Procurement, asset management and capital investment frameworks**

Our preliminary review indicates that Urban Utilities has mature frameworks for procurement, asset management and capital planning and delivery that are aligned with good industry practice. The frameworks are supported by processes and procedures that demonstrate structured governance and decision-making and in which robust oversight and challenge processes are embedded into them. Where opportunities for improvement have been identified, Urban Utilities appears to be actively responding with appropriate initiatives.

Although prudence and efficiency assessments will subsequently be undertaken in phase 2 of our review, current practices suggest an appropriate level of planning discipline and rigour, and a clear link between expenditure decisions and strategic objectives.

## **Operating expenditure forecasting**

Urban Utilities' forecasting approach is consistent with good industry practice. It is characterised by active board and management oversight, use of external benchmarking, and implementation of productivity targets.

The approach provides a reasonable basis for our ongoing price monitoring activities, especially in phase 2, when we consider prudence and efficiency matters.

## **Productivity initiatives and performance indicators**

Urban Utilities has outlined a range of high-level productivity initiatives aimed at supporting operational efficiency programs. While the interim report does not assess the effectiveness of these initiatives, we note that there is a commitment to continuous improvement in the business.

The performance indicators presented are consistent with good industry practice. They provide a practical framework for monitoring service quality and reliability as well as operational performance. This framework will be important when we assess Urban Utilities' actual performance against its forecasts in future price monitoring reports.

# Introduction

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We have been directed by the Queensland Government to undertake a price monitoring investigation of the water and sewerage services provided by Urban Utilities for the period 1 July 2026 to 30 June 2030 (the price monitoring period).<sup>3</sup>

Urban Utilities is a council-owned distributor-retailer responsible for providing water and sewerage services to customers in five local government areas in south-east Queensland. It supplies around 1.6 million people in Brisbane, Ipswich, Lockyer Valley, Scenic Rim and Somerset.

Its core functions are:

- purchasing bulk water from Seqwater and distributing it to customers through its water network
- collecting, treating, and disposing of sewage and other wastewater
- providing retail services, including customer metering and billing.

Urban Utilities was established on 1 July 2010 as a statutory body under the *South East Queensland Water (Distribution and Retail Restructuring) Act 2009*.

## Background on price monitoring

The water and sewerage services provided by Urban Utilities are monopoly business activities for the purposes of the *Queensland Competition Authority Act 1997* (QCA Act).<sup>4</sup> This means the activities are subject to the prices oversight regime in Part 3 of the QCA Act.

Under Part 3, we may be directed by the government to monitor the pricing practices relating to declared monopoly business activities and to periodically report the results of the investigation.<sup>5</sup>

The purpose of price monitoring is to promote transparency, improve business accountability and incentivise better performance. It does this by providing customers and stakeholders with a better understanding of the efficiency of the businesses' expenditure and pricing decisions. The regime is informative rather than determinative, as the businesses are responsible for setting their own prices.

Our last price monitoring review of Urban Utilities' activities was completed in March 2014 and covered the period 1 July 2013 to 30 June 2015.<sup>6</sup> That review also covered the water and sewerage activities of Unitywater and the three local councils in south-east Queensland that provide water and sewerage services in their respective council areas – Logan, Redland and Gold Coast.

## How are Urban utilities prices set?

Urban Utilities sets its own prices.

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<sup>3</sup> The referral was issued by the Acting Minister for Finance, Trade, Employment and Training on 24 September 2025. The [referral](#) and [cover letter](#) are available on our website.

<sup>4</sup> QCA Act, s 20; QCA Regulation 2018, s 2.

<sup>5</sup> Under section 23A of the QCA Act. We can also be directed to investigate and make recommendations about the pricing practices relating to the activities, which may include recommending prices (s 23 of the QCA Act).

<sup>6</sup> QCA, [SEQ retail water price monitoring 2013–15](#), QCA website, 2026.

While Urban Utilities has some code requirements with respect to small customers (residential and business) for matters like the presentation of billing information,<sup>7</sup> overall it is responsible for setting the prices its customers pay.

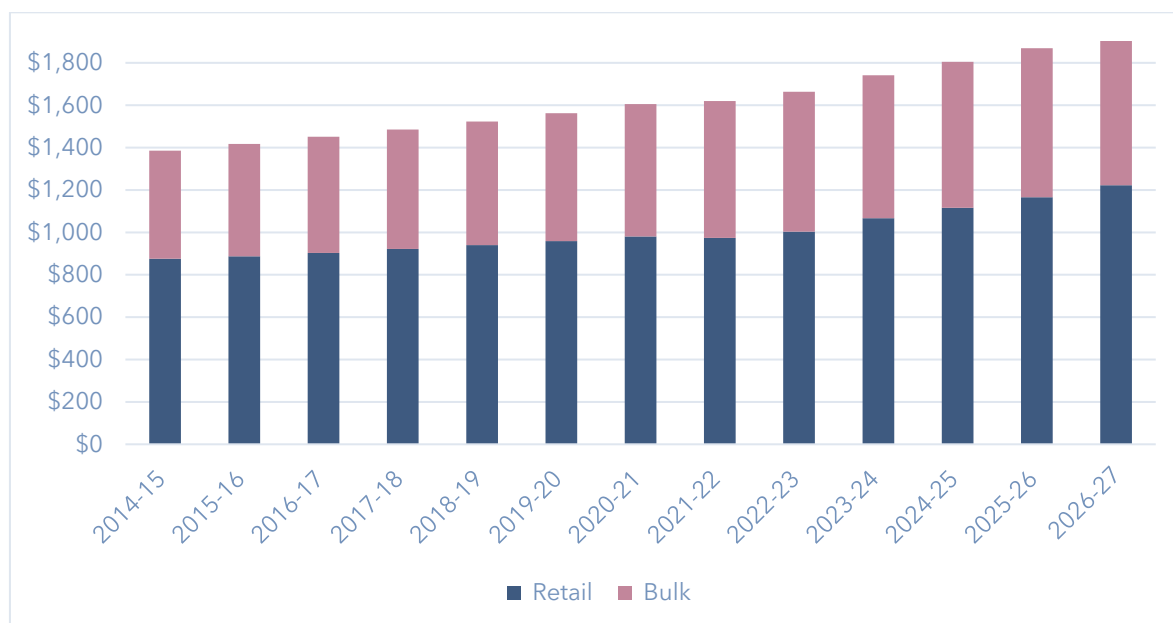
Our role is to enhance transparency and accountability of the businesses' expenditure and price-setting processes when establishing the baseline of forecast expenditure and prices that we can monitor against.

## Bill impacts since our last review – typical residential customer

Urban Utilities charges its customers based on distribution-retailer and bulk water components. To provide a representative view of bill impacts on a typical residential customer since our previous price monitoring review in 2014-15, we have constructed an indicative total weighted bill<sup>8</sup> for water and wastewater services based on annual consumption of 200 kL.<sup>9</sup> Ultimately, the mix of fixed and usage charges, the level of water consumption, and the customer's location within the service area will affect the typical residential bill.

Distinguishing between Urban Utilities' distribution-retailer charges and bulk water charges provides a transparent comparison of the relative bill impact contribution of each component. These charges are shown in Figure 1 and Table 1 for the period since our last price monitoring review.

**Figure 1: Typical residential bills since 2014-15, bulk and retail components (annual 200 kL)**



Source: QCA analysis; Urban Utilities, response to request for information (RFI), April 2026.

<sup>7</sup> For example, Seqwater bulk water charges must be separately itemised (Department of Energy and Water Supply, [South East Queensland Customer Water and Wastewater Code](#), version 1.0, Queensland Government, April 2017).

<sup>8</sup> Weighted to reflect regional pricing differences, relative to the number of connections within pricing regions, across Urban Utilities' retail customer base.

<sup>9</sup> To derive a typical residential customer bill, we have adopted a standard consumption level of 200 kL (calculated as the sum of the annual bill for water services and wastewater services). This is consistent with the Bureau of Meteorology's National Performance Report, which uses 200 kL consumption to support comparability across service providers. See Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers. Part A](#), Australian Government, March 2026.

**Table 1: Bill impacts for a typical residential customer since 2014-15**

Year	Retail component		Bulk water component	
	Typical bill	Change	Typical bill	Change
2014-15	\$875.66	n/a	\$510.23	n/a
2015-16	\$887.41	\$11.74	\$530.10	\$19.86
2016-17	\$903.01	\$15.60	\$548.47	\$18.37
2017-18	\$921.96	\$18.95	\$563.40	\$14.93
2018-19	\$939.99	\$18.04	\$583.00	\$19.60
2019-20	\$959.04	\$19.05	\$603.40	\$20.40
2020-21	\$980.84	\$21.79	\$624.40	\$21.00
2021-22	\$973.86	(\$6.98)	\$646.20	\$21.80
2022-23	\$1,003.17	\$29.31	\$660.20	\$14.00
2023-24	\$1,067.20	\$64.03	\$674.20	\$14.00
2024-25	\$1,115.89	\$48.69	\$688.8	\$14.60
2025-26	\$1,165.65	\$49.76	\$703.4	\$14.60
<b>Summary</b>				
	<b>Retail component</b>		<b>Bulk water component</b>	
<b>Total increase</b>	\$289.99		\$193.17	
<b>Average annual increase</b>	\$26.36		\$17.56	
<b>Compound annual increase</b>	2.6%		3.0%	

Note: Amounts may not add due to rounding.

Source: QCA analysis; Urban Utilities, response to RFI 4.

Since our previous price monitoring investigation, the retail component has increased on average by \$26, or 2.6%, per annum, for a typical customer bill.

## Bill impacts for 2026-27 – typical residential customer

We are unable to provide typical residential customer impacts for the bulk water component as at the time of preparing this interim report, we did not have access to Seqwater’s bulk water price for 2026-27.

Nonetheless, we have been able to show the indicative bill impacts for the retail component of a typical residential bill (Table 2), based on the forecast prices submitted by Urban Utilities (Appendix A).<sup>10</sup>

<sup>10</sup> Urban Utilities advised that its forecast prices may be revised to update certain inputs (e.g. inflation, the rate of return and consumption), with final board approval of prices in June 2026. See Urban Utilities, [Price monitoring investigation FY27, Part 1](#), submission to the Queensland Competition Authority, December 2025, pp 8, 66, 70. ('Urban Utilities submission')

**Table 2: Urban Utilities forecast typical residential customer bill – retail component only**

Bill component	2025-26	2026-27	Price change (%)
Water usage charges	\$196.17	\$221.93	13.1
Water service charge	\$253.46	\$240.02	(5.3)
Sewerage service charge	\$716.03	\$760.66	6.2
<b>Total retail component</b>	<b>\$1,165.65</b>	<b>\$1,222.61</b>	<b>4.9</b>
Bulk water component	\$703.40	TBA	n/a
<b>Total</b>	<b>\$1,869.05</b>	<b>TBA</b>	<b>TBA</b>

Note: Amounts may not add due to rounding.

Source: QCA analysis; Urban Utilities, response to RFI 4.

These impacts will be considered in our periodic monitoring report when we compare Urban Utilities' submitted forecasts with actuals.

## Consultation process and key dates

The timeframe for finalising this interim report was compressed and stakeholder consultation will be undertaken within phase 2 of our investigation.

We invite stakeholders, including members of the community, to participate in phase 2 of the review (see Figure 2 for an indicative timetable). Submissions on the businesses' proposal and any other issues considered relevant to our review are invited by 5 October 2026. There will be a further opportunity to provide submissions after we publish the draft report.

**Figure 2: Indicative timetable for phase 2 of the review**



## Keeping updated during the review

To obtain updates about our review, stakeholders should regularly check our [website](#) or [subscribe](#) to receive email alerts. Further information can be requested by using the [contact form](#) on our website or calling us on 07 3222 0555.

# 1 Governance, policies and procedures

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The referral asks us to consider Urban Utilities' procurement practices 'by assessing the existence of robust policies and procedures having regard to good industry practice as well as compliance, assessing the robustness of the capital expenditure program planning and delivery processes and procedures in an overall sense and identify any areas for improvement'.<sup>11</sup>

Large, well-run businesses typically maintain a substantial suite of strategies, plans, policies and procedures. These document and define the objectives, rules, standards, and operational guidelines to support the business in undertaking its functions in a standardised and repeatable manner, while achieving its organisational and strategic objectives. For simplicity, we refer to these collectively as 'frameworks'.

In the context of a capital-intensive business such as Urban Utilities, the key frameworks relevant to our review include the business' approaches to procurement, capital planning and delivery, asset management, risk management and the governance arrangements underpinning these functions.

We undertook a high-level preliminary review of Urban Utilities' frameworks. Overall, our interim view is that Urban Utilities appears to maintain robust and mature frameworks that reflect good industry practice. Where opportunities for improvement have been identified, Urban Utilities appears to be responding with appropriate improvement initiatives.

Our findings are preliminary and will be refined through further review of how the frameworks, policies and procedures operate in practice. Their effectiveness depends on consistent and appropriate application, which will be considered in our draft report through a review of selected case studies of capital projects and programs.

## Why are good practice frameworks important?

From a price monitoring perspective, the strength of an organisation's frameworks is an important factor in evaluating the reasonableness and credibility of forecast expenditures. Broadly speaking, evidence of robust, good industry practice frameworks indicate that a business applies systematic and structured approaches to project evaluation, decision-making and risk management. When appropriately and consistently applied, these frameworks offer some confidence in the likely prudence and efficiency of investment and expenditure decisions and outcomes.

For instance, effective and robust procurement policies support transparency and accountability, appropriate management of risk, more favourable pricing outcomes for project delivery, and overall value for money. Similarly, rigorous frameworks for capital planning and delivery foster prudent and timely investment decisions, consideration of trade-offs and competing priorities, cost oversight and control, and alignment with broader strategic objectives. Robust asset management strategies can optimise asset performance and resilience, minimise maintenance costs, and realise optimal value from assets across their asset life cycle.

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<sup>11</sup> Referral, section D(1.2).

## QCA approach

We reviewed Urban Utilities' key frameworks relating to its capital planning and delivery, asset management, risk management, procurement, and supporting governance arrangements. This review was informed by Urban Utilities' submission, Urban Utilities' responses to requests for information (RFIs), interviews with key personnel, and the findings of our independent technical consultant, Utilities Regulation Australia (URA).

### Key evaluation principles

For this high-level review, we looked for evidence that Urban Utilities' frameworks and processes are robust and reflect good industry practice. We considered whether the frameworks provide for appropriate oversight, challenge and control of expenditures throughout the planning and delivery process; and are likely to support efficient expenditure and investment decisions if applied appropriately and consistently.

In our assessment, we have had regard to several general characteristics that may indicate good industry practice, developed in consultation with URA. At a high level, markers of good practice can include:

- **Alignment** with relevant recognised industry standards, for example ISO 550001<sup>12</sup> standard for asset management, and internal alignment of policies and procedures with higher-level strategic and corporate objectives.
- **Decision-making systems and integration** – effectiveness of systems and processes for managing expenditure and investment decisions, including integration across the asset lifecycle. Clearly defined investment planning and decision-making frameworks that include gateway reviews, clear policies, and procedural guidance to ensure consistency across projects.
- **Criteria for investment decision-making** – decision frameworks should include explicit criteria addressing drivers, investment need, prudence, efficiency, customer value and expected benefits. We would expect to see robust and structured processes for challenge and oversight throughout the planning and delivery process.
- **Application of decision-making framework and prioritisation** – how systems and processes are applied in practice to support, modify, or halt investment decisions. Demonstrated examples of frameworks being actively used to assess investments, including documentation showing when projects have been progressed, deferred, or cancelled following gateway reviews.
- **Implementation and effectiveness**<sup>13</sup> – evidence from case studies or internal reviews showing that governance and decision-making processes are actively and consistently used. Evidence should demonstrate application across the relevant process stages including concept, evaluation, planning and delivery.
- **Maturity and evolution of frameworks** – evidence of proactive review, including benchmarking against peers and recognised best practice, adaptability to changing business environments, and demonstrated responsiveness to opportunities for improvement. We

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<sup>12</sup> International Organization for Standardization, *ISO 550001:2024, Asset Management-Asset management system – Requirements, 2024*.

<sup>13</sup> This is primarily a matter for the subsequent stages of our investigation and will be considered in phase 2. However, a sample of case studies was provided, which have been considered at a high level in developing our interim findings.

should expect to see acknowledgement of any gaps or deficiencies and a clearly articulated 'desired future state' and plans to achieve it.

- **Monitoring and progress reporting** – regular, transparent reporting on progress against improvement plans and strategies, including milestones, performance indicators and actions to address deficiencies or challenges.
- **Evidence of consultation** with relevant stakeholders to demonstrate alignment between strategies and process improvements, and service or value outcomes.

## Analysis and interim findings

Our desktop review, supported by URA's expert assessment, did not identify any material or obvious deficiencies in Urban Utilities' frameworks, or departures from good industry practice. Where opportunities for improvement have been identified, Urban Utilities appears to be responding to these with appropriate improvement initiatives.

This is our preliminary view based on the information considered to date, which is commensurate with the general scope of this interim report. Our interim observations will be subject to further testing and refinement for our draft and final reports.

URA's assessment noted some areas for potential further review, particularly regarding the application of the frameworks in practice and evidence of the outcomes they are delivering.<sup>14</sup> This largely reflects the preliminary scope of this interim review and does not necessarily infer deficiencies in processes or compliance, or departures from good industry practice. These matters may be explored further in our draft and final reports where relevant, when we consider additional information and capital project case studies. Case study reviews will provide a more complete picture of how the frameworks are applied in practice, and whether they are leading to sound investment decisions and prudent and efficient outcomes.

Our initial observations on each key element of Urban Utilities frameworks are set out in the following sections.

### Governance framework

Good practice enterprise-level governance is characterised by clear frameworks that provide structure, consistency and accountability to how an organisation makes decisions and performs its functions. This includes how ideas are developed, reviewed, challenged, approved and implemented across the organisation. Good governance frameworks typically comprise structured governance bodies, defined responsibilities and delegations, clear decision-making criteria, process frameworks, and formal management and oversight arrangements.

Urban Utilities maintains a structured enterprise-level governance framework that integrates strategic planning, capital investment, asset management, enterprise risk management and procurement. This framework is embedded through documented policies, decision making frameworks, structured oversight processes, delegated authorities and escalation pathways. Governance forums and functions are clearly defined, with reporting channels linking project, program and portfolio oversight.

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<sup>14</sup> URA, *Urban Utilities Price Monitoring 2026-30, Consultants Expenditure Review – Phase 1*, April 2026, pp 22-36. ('URA Phase 1 report')

Based on our interim review, the overarching governance framework is likely to support prudent and efficient investment outcomes if applied appropriately and consistently.

## Capital planning, delivery and asset management

Capital planning and delivery frameworks define how investment needs are identified, scoped and developed, prioritised, challenged, approved and delivered. A robust, good practice framework should require that expenditure is evidence-based, aligned with broader strategic objectives and justified by service needs. It should also support accountability by clearly specifying decision-making roles and responsibilities, pathways for approval, challenge processes and ongoing oversight.

Asset management frameworks articulate the principles and processes for the operation and management of assets. This can include for example, principles for how and when assets should be operated, inspected and maintained, replaced, refurbished or retired. At a high level, the objectives of a robust asset management framework are to optimise asset performance and reliability and maximise realised value over the lifecycle of the asset – having regard to cost, risk and compliance.

We found that Urban Utilities' capital planning, delivery and asset management systems are structured, mature and reflect good industry practice. Urban Utilities has an established and integrated framework for capital planning and asset management that operates across the enterprise, portfolio and project levels. Our key observations include:

- Capital planning is linked to asset condition and performance, service needs and enterprise risk – which is considered good industry practice.
- Investment decision-making is structured through a robust gateway process, with documented approval thresholds and pathways based on project complexity. Early decision gates assess the justification for proposed projects prior to progressing through subsequent development and delivery phases.<sup>15</sup> The framework is supported by comprehensive guidance documents and templates for end users.<sup>16</sup>
- Business case templates sighted incorporate robust criteria and require articulation of project need, investment drivers, risk considerations and options analysis. There is alignment to strategic and asset planning objectives and expected benefits, as part of the evaluation and approval process.<sup>17</sup>
- Governance and oversight processes are clearly defined and integrated in capital planning and asset management frameworks. The planning and approval process embeds structured reviews and challenge processes at committee and Board levels at appropriate junctures, with oversight throughout the planning and delivery cycle.<sup>18</sup> Monitoring and reporting are embedded within governance processes and provide oversight across project delivery.
- Affordability considerations and broader funding constraints are explicitly considered within investment decision-making and review processes.<sup>19</sup> Stakeholder consultation and accountability are embedded within enterprise-level governance and planning frameworks.
- The asset management framework (AMF) is robust and aligned with ISO 55001 standards and considers Institute of Asset Management principles, with clear governance arrangements and

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<sup>15</sup> See, Urban Utilities, *Gateway decision process – Infrastructure capital works, Procedure*, July 2025.

<sup>16</sup> For example, see, Urban Utilities, *Program Management Approach-Program Delivery Handbook*, July 2025.

<sup>17</sup> Urban Utilities, *Business case template*.

<sup>18</sup> See, Urban Utilities, *Capital project challenge process*, April 2025.

<sup>19</sup> Urban Utilities, *Capital project challenge process*, April 2025, p 24.

continuous improvement mechanisms.<sup>20</sup> The AMF was substantially revised and improved in 2025 in response to audits, external insights and internal review.<sup>21</sup> The desired state and further continuous improvement actions to achieve it are clearly articulated.

- External benchmarking of processes and systems against peers and recognised global best practice is undertaken. Third-party internal audits and maturity assessments are used to review and refine elements of the capital frameworks. A recent audit of capital delivery governance made positive findings and identified limited specific opportunities for improvement, which Urban Utilities is addressing through its 'Next Generation for Delivery' strategy.<sup>22</sup>
- Examples Urban Utilities discussed during interviews indicate that decision-making and governance processes are applied in practice, and governance forums are active across all stages of the planning and delivery lifecycle.

## Procurement processes

A good practice procurement framework should establish processes for sourcing and contracting that are compliant, probity-based and capable of demonstrating value for money. It should include clear and systematic processes that define procurement thresholds, probity controls, delegations, contract management, assurance and close-out requirements. These processes should be applied consistently across the whole organisation with appropriate monitoring and assurance in place to ensure that the processes are being implemented appropriately.<sup>23</sup>

Based on our review, Urban Utilities' procurement framework appears mature, comprehensive, well-documented, and complemented by an active governance and assurance program. We note the procurement framework is currently subject to an update and improvement program. Our key observations include:

- The procurement framework is guided by the principles of value-for-money, transparency, accountability, efficiency and effective management of risk. These principles are explicitly referenced within the overarching procurement policy statement and reflected in operational procedures.<sup>24</sup>
- Urban Utilities' procurement management approach is articulated in several documents, including the procurement policy, purchasing procedures and contract management procedure. These procedures set clear guidance based on financial thresholds, along with corresponding process requirements (for example, number of quotes, tender evaluation and approval criteria) based on the assessed risk and procurement value. The procedures clearly define delegations and associated requirements for record-keeping, probity controls and declaration of conflicts. The contract management procedure sets out a clear and standardised approach to managing and administering contracts.<sup>25</sup>

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<sup>20</sup> The International Organization for Standardization (ISO) is an independent, non-governmental entity that develops voluntary, consensus-based international standards for industries. ISO standards are developed by international panels of experts and are globally recognised as benchmarks for best practice in various fields. The Institute of Asset Management is the international professional body for management of physical assets. The IAM develops asset management knowledge and best practice.

<sup>21</sup> Urban Utilities, *Urban Utilities Asset Management framework*, presentation, February 2026, p. 16.

<sup>22</sup> Urban Utilities, *Capital delivery - Audit summary RFI*, 6 March 2026.

<sup>23</sup> URA, Phase 1 report, p. 16.

<sup>24</sup> See, Urban Utilities, *Procurement policy*, p. 1; For example, Urban Utilities, *PRO637 Procurement procedure - Indirects*, February 2022, p. 6

<sup>25</sup> Urban Utilities, *PRO640 Contract management procedure*, June 2025.

- The procurement and supply chain team maintain an active governance and assurance program to ensure that staff are complying with the procurement management approach.<sup>26</sup> This includes annual external audits to ensure compliance with procedures. We note that Urban Utilities is delivering additional procurement compliance programs across the organisation to identify and address any gaps in application of procedures.
- A preliminary review of case studies<sup>27</sup> suggests that the overarching procurement management framework is applied as stated; however, further examples would need to be examined to make a more definitive finding, particularly regarding the application of specific processes within the broader framework.
- Urban Utilities supports continuous improvement in procurement including through benchmarking against standards to assess maturity, most recently in 2024. That review informed the development of a procurement and supply chain strategy to deliver a range of improvements. In 2025, Urban Utilities commissioned a detailed audit of its procurement process. The findings and recommendations of the audit supported those previously made by Urban Utilities internally during the development of its procurement and supply chain strategy. This strategy includes initiatives to resolve all issues identified through these reviews.<sup>28</sup> URA recommended that Urban Utilities should continue to monitor and report on progress towards achieving the desired state for its procurement framework.<sup>29</sup>

## Risk management

Urban Utilities demonstrates a mature enterprise-wide risk management system aligned with AS ISO 31000 standards,<sup>30</sup> reflecting good industry practice. Our initial review identified no clear deficiencies in Urban Utilities' risk frameworks, processes, or procedures. Our key observations include:

- The organisation has established processes to manage strategic, operational, and financial risks. These processes are embodied within a comprehensive risk management framework and policy. The risk management framework document articulates the approach to identifying, assessing, mitigating and monitoring risks across strategic, operational and financial functions.<sup>31</sup> The system is embedded across governance structures, policies and procedures, and a board-approved risk appetite statement that articulates the amount of risk Urban Utilities is prepared to accept or avoid in pursuit of its strategic priorities.<sup>32</sup>
- Risks appear to be assessed consistently across the organisation, using a common methodology based on likelihood and consequence. Guidance for these assessments is documented within the risk management procedure,<sup>33</sup> and consistent application is evidenced in examples of planning documents sighted.<sup>34</sup> This indicates that planning activities are in accordance with the risk management procedure guidelines, including the calculation of likelihood and consequence, and are aligned with the stated risk appetite.
- Urban Utilities has established mechanisms to ensure staff compliance and consistent application of the risk management framework across the organisation. This includes

<sup>26</sup> See, Urban Utilities, *RFI Question No. 34 - Procurement response*, March 2026

<sup>27</sup> For example, the water meter replacement program and field mobility replacements project.

<sup>28</sup> Urban Utilities, *RFI Question No. 33 – Procurement response*, March 2026.

<sup>29</sup> URA, Phase 1 report, p 33.

<sup>30</sup> See, International Organization for Standardisation, *AS ISO 31000:2018 Risk Management – Guidelines*.

<sup>31</sup> Urban Utilities, *Urban Utilities' risk management framework – MP296*, 2023.

<sup>32</sup> Urban Utilities, *Risk appetite statement – PRO655/DOC-0002458*, 2025.

<sup>33</sup> Urban Utilities, *Urban Utilities risk management procedure – PRO84*.

<sup>34</sup> For example, Urban Utilities, *Strategic asset class plan – Water pressure mains*, February 2026.

embedded practices, internal controls, and oversight by the risk services team through internal audits, complemented by independent external audits and assurance activities.

- We saw evidence that Urban Utilities actively monitors and seeks to improve its risk management maturity, including by benchmarking against peer water and utility providers. An independent review of the risk management framework was initiated in late 2024, with documented recommendations and an action plan that Urban Utilities is currently implementing. These updates and improvements will deliver better alignment between risk appetite, assessment processes, controls, systems and reporting. This program will include revising the overall risk appetite statement and consequence and likelihood ratings.<sup>35</sup>
- While Urban Utilities acknowledges that some improvement opportunities remain, there is evidence of a desired future state and structured improvement pathway.

URA noted that while Urban Utilities undertakes scenario analysis to test risk trade-offs across the portfolio, it is unclear how this is applied in practice – particularly where multiple, extreme to high-risk projects are competing for funding. URA recommended that as part of the update to the risk management framework, Urban Utilities should ensure there is a consistent application of the risk management procedure across all documentation.<sup>36</sup> These matters may be further explored in the subsequent stages of our investigation.

## Next steps

The findings of this interim review of Urban Utilities' frameworks suggest overall robust and good practice systems are in place, and processes for continuous improvement are embedded. Where opportunities for improvement have been identified, Urban Utilities appears to be responding with appropriate improvement initiatives.

Not all elements of these frameworks could be fully examined for this interim review stage, particularly evidence of how frameworks are applied in practice and the outcomes they are delivering. We may continue our review of these matters in our phase 2 review where relevant. This may include requesting additional supporting information from Urban Utilities.

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<sup>35</sup> Urban Utilities, *Risk Management Framework – 2024 External Review Summary*. March 2026.

<sup>36</sup> URA, Phase 1 report, pp 30-31.

## 2 Operating expenditure

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Our interim review considers the forecasting methods that underpin Urban Utilities' operating expenditure (opex), as these indicate whether the forecasts are credible, transparent and suitable for our price monitoring responsibilities.<sup>37</sup>

We have considered how Urban Utilities forecasts its opex and considered whether the arrangements for developing, challenging and approving opex forecasts are robust and consistent with good industry practice.

However, we have not determined if forecast opex is prudent and efficient, as this will be assessed in phase 2 of our review.

### Why is good practice opex forecasting important?

From a price monitoring perspective, opex forecasting demonstrates how well a business understands its cost drivers, applies reliable and realistic assumptions, and links its service outcomes and obligations to its anticipated costs. Collectively, these elements provide an indication of how well a business aligns with good industry practice. Greater alignment with good industry practice increases the likelihood that costs are prudent and efficient.

A clear and robust forecasting methodology will be important to demonstrate that Urban Utilities' proposed opex is prudent and efficient in phase 2 of our review.

### QCA approach

We considered the following aspects of Urban Utilities' opex forecasting:

- the method used to forecast opex
- the governance and assurance arrangements supporting forecast development
- whether Urban Utilities' approach is consistent with good industry practice.

This review was informed by Urban Utilities' submission, Urban Utilities responses to RFIs, interviews with key personnel, and the findings of our independent technical consultant, URA.

### Key evaluation considerations

In our assessment, we considered the following:

- **Forecasting framework** – whether there is a clearly defined and consistently applied methodology, supported by documented assumptions, escalation factors and modelling approaches.
- **Cost drivers and assumptions** – if there are clear links between cost drivers and forecast opex, with key assumptions well justified, tested through sensitivity analysis and supported by robust data and audit trails.
- **Integration** – whether there is alignment of forecasting with broader business planning processes (including corporate planning, asset management and risk management), with risks explicitly considered.

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<sup>37</sup> Our high-level assessment of Urban Utilities' procurement process, which is related to opex, is in chapter 1.

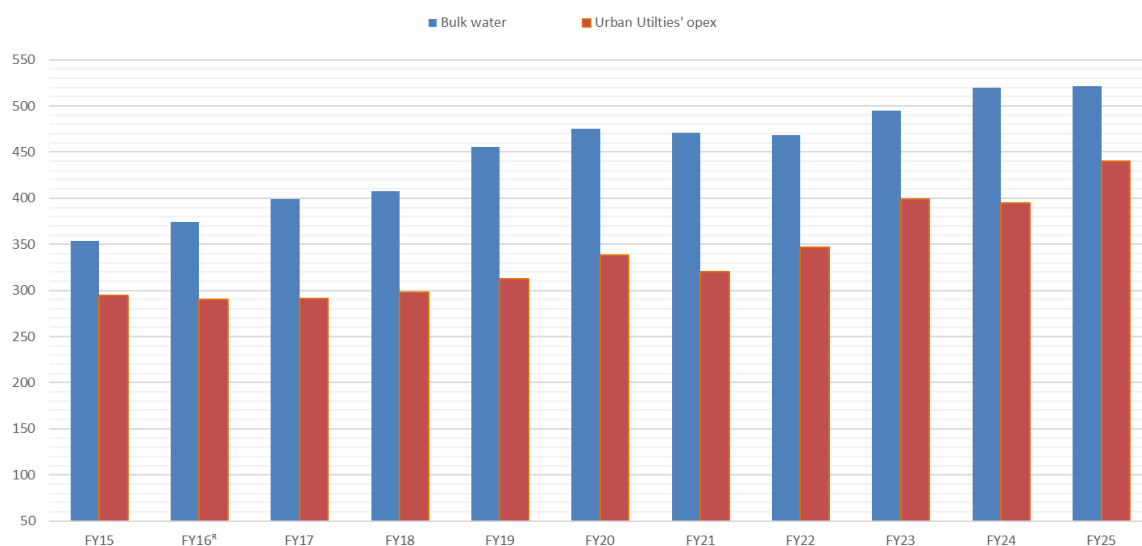
- **Performance and benchmarking** – whether there is a transparent reconciliation of historical and forecast opex, with variances explained, lessons incorporated and appropriate benchmarking applied.
- **Governance and continuous improvement** – whether there is a strong governance and accountability framework, supported by regular reviews of forecast accuracy, ongoing improvement processes and evidence of internal challenge and independent review.

## Historical opex outcomes

Our interim report focuses on Urban Utilities’ forecasting methodology. In terms of historical performance since our previous price monitoring review, we have separated Urban Utilities’ opex from its bulk water costs (Figure 3):

- Bulk water costs are the costs that Seqwater charges for the supply of bulk water services, which is passed onto customers by Urban Utilities.<sup>38</sup>
- Urban Utilities’ opex reflects the items it is responsible for forecasting to maintain and manage its water and sewerage operations.

**Figure 3: Urban Utilities’ bulk water and opex costs (\$ million) – since 2014-15**



Sources: Urban Utilities Annual Reports: Financial Statements.

Our analysis of Urban Utilities’ annual financial statements since 2014-15<sup>39</sup> shows that annual bulk water costs and Urban Utilities’ opex have increased annually at a similar rate of 4%.<sup>40</sup>

## Analysis and interim findings

Our preliminary review, supported by URA’s assessment, did not identify any material or fundamental deficiencies in Urban Utilities’ opex forecasting framework, nor departures from good

<sup>38</sup> Urban Utilities submission, p 5; Department of Energy and Water Supply, *South East Queensland Customer Water and Wastewater Code*, version 1.0, April 2017, pp 14-15.

<sup>39</sup> Urban Utilities, [Performance reports](#), Urban Utilities website, 2025, accessed 8 May 2026.

<sup>40</sup> Compound annual growth rate.

industry practice. Urban Utilities has noted it is continuing to refine its approach and improvements are already under consideration.<sup>41</sup>

This preliminary view is based on the information considered to date, which is commensurate with the general scope of this interim report. Our interim observations will be subject to further testing and refinement in phase 2 of our review.

## Forecasting methodology

Urban Utilities has a structured, organisation-wide approach to developing, reviewing and approving opex forecasts. Urban Utilities uses a top-down expenditure constraint methodology that seeks to minimise the opex it recovers from customers to put downward pressure on customer bills.<sup>42</sup> Urban Utilities is also transitioning<sup>43</sup> from an annual budgeting process (that employs a zero-based budget approach) to a multi-year base-step-trend (BST) forecasting framework,<sup>44</sup> such that its opex forecasts are developed via BST combined with cost-driver analysis.<sup>45</sup> The key components of the approach are:

- establishing a base year that reflects efficient costs and incorporates productivity initiatives
- applying escalation factors for labour, materials and other inputs based on forecast inflation and productivity adjustments
- quantifying step changes for new regulatory obligations, emerging service requirements or operating environment changes
- embedding efficiency targets identified through productivity initiatives.<sup>46</sup>

This approach provides a transparent basis for Urban Utilities to develop its forecasts. It supports the credibility of those forecasts by:

- establishing links between its cost drivers, assumptions and expenditure forecasts
- participating in performance monitoring, benchmarking and validation of past performance
- integrating capital investment and corporate planning, and integrating financial sustainability processes with governance and assurance arrangements.

Urban Utilities' approach to forecasting opex, for the purposes of this interim report, reflects a well-integrated framework that is consistently applied across the business.<sup>47</sup> The inclusion of benchmarking and structured challenge and assurance processes further supports the credibility and transparency of its forecasting approach.

## Governance and assurance arrangements

Urban Utilities' governance framework for opex forecasting is mature and well-developed. The framework includes:

- clear roles and responsibilities
- an enterprise risk framework aligned with international standards and organised around a three-lines-of-defence model
- clear integration between strategic, asset and financial planning

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<sup>41</sup> For example, its approach to multi-year forecasting. See URA, Phase 1 report, pp 45-46.

<sup>42</sup> Urban Utilities applied a base-step-trend approach since 2023-24 (Urban Utilities submission, pp 61, 115).

<sup>43</sup> Urban Utilities submission, pp 115, 138.

<sup>44</sup> URA Phase 1 report, p 45.

<sup>45</sup> Urban Utilities submission, pp 115, 138.

<sup>46</sup> Urban Utilities submission, p 138.

<sup>47</sup> While a zero-based budgeting is a robust forecasting approach, a base step trend approach is a less intrusive framework for price monitoring with multi-year forecasts.

- regular reporting against embedded performance metrics.

URA's review found Urban Utilities' opex forecasting governance arrangements are consistent with good industry practice, and no material gaps were identified.<sup>48</sup>

**Table 3: Preliminary observations of Urban Utilities' governance arrangements**

Governance element	Preliminary observations
Board and executive roles – board-level opex scrutiny	<p>Roles and responsibilities are clearly defined. The board approves opex forecast, within its annual budget and its annual operational plan.<sup>49</sup> Moreover, its board is actively engaged in reviewing and challenging opex forecasts.</p> <p>The forecast challenge process is layered: Executive leadership team reviews forecasts; the investment committee scrutinises major expenditure proposals; and the strategic asset management committee has oversight of all asset-driven cost drivers. This is before the annual budget and the annual operational plan is considered by the board.<sup>50</sup></p> <p>The framework provides a mechanism by which proposed cost increases are tested against the businesses top-down efficiency constraint.<sup>51</sup></p>
Forecasting framework	<p>The framework is articulated in Urban Utilities' planning documentation. Urban Utilities applies an annual top-down expenditure constraint to establish the revenue requirement. Urban Utilities is transitioning to a multi-year BST framework combined with cost-driver analysis, supported by a building-block methodology.<sup>52</sup></p> <p>Mechanically, the BST is to be applied at a cost-category level across various discrete opex categories. The baseline uses a composite growth factor (weighted average of customer connections and water demand), CPI as the input price escalator, and a proposed ongoing productivity glide path.<sup>53</sup></p> <p>Escalation factors and forecast assumptions are subject to executive leadership team and board challenge through the annual budget cycle, with accountability for forecasts resting with operational management under executive oversight.<sup>54</sup></p>
Efficiency targets	<p>Top-down efficiency targets are to be applied to opex each year from 2024-25.<sup>55</sup></p> <p>The operational efficiency program (OEP) is supported by value-stream mapping and a zero-based budgeting exercise.<sup>56, 57</sup></p> <p>Targets are tested against the price-path outcome via the iterative interaction between the BST forecast and the OEP. URA observed that the OEP envelope is currently set against the BST efficiency factor (anchored to sector-wide</p>

<sup>48</sup> URA, Phase 1 report, pp 45-48.

<sup>49</sup> Urban Utilities submission, p 13 and p. 117.

<sup>50</sup> Urban Utilities submission, pp 13,117.

<sup>51</sup> Urban Utilities submission, pp 5, 60-62, 110.

<sup>52</sup> Urban Utilities submission, pp 61, 138; URA, Phase 1 report, p 45, section 3.4.1.

<sup>53</sup> URA, Phase 1 report, pp. 45-46, section 3.4.1.

<sup>54</sup> Urban Utilities submission, pp 13,117.

<sup>55</sup> Urban Utilities submission, pp 5, 60, 62, 110.

<sup>56</sup> Urban Utilities submission, p. 116; URA, Phase 1 report, p. 58, section 4.4.1.

<sup>57</sup> Urban Utilities submission, pp 40, 55, Figure 2.17.

Governance element	Preliminary observations
	<p>benchmarking) rather than Urban Utilities’ own bottom-up assessment of achievable efficiencies.<sup>58</sup></p> <p>Efficiency targets are a direct downward adjustment to opex forecasts.</p>
<p>Currency of external benchmarking</p>	<p>External benchmarking is the principal independent test of whether Urban Utilities’ opex base is consistent and comparable.</p> <p>Urban Utilities also uses Water Services Association of Australia (WSAA) benchmarking and the National Performance Report (NPR) data published by the Bureau of Meteorology.</p> <p>Urban Utilities itself flags concerns about the consistency of its internal per-connection metrics against publicly available NPR data and intends to undertake further analysis. URA noted that phase 2 of the review could provide Urban Utilities with the opportunity to complete a reconciliation between Urban Utilities’ internal metrics and external NPR/WSAA benchmark data.<sup>59, 60</sup></p>
<p>Risk appetite framework underpinning opex forecasts</p>	<p>Urban Utilities’ enterprise risk management framework is aligned with AS ISO 31000 and structured around a three-lines-of-defence governance model. The board-approved Risk Appetite Statement and an Opportunity Appetite Statement (realigned to the core business in 2025) together inform expenditure and planning decisions.<sup>61</sup></p> <p>Risk-driven cost pressures – including uninsured recovery costs from the 2022 flood event and ex-tropical cyclone Alfred (March 2025), as well as confined-space, traffic control, biosolids and environmental compliance pressures – are reflected in its opex forecast with executive oversight of allocation and reprioritisation.<sup>62</sup></p> <p>The risk appetite framework determines how unbudgeted cost pressures are absorbed (within the forecast) versus passed through (additional to the forecast). The approach taken will have direct implications for both the magnitude and the certainty of forecast opex.<sup>63</sup></p>
<p>Integration of opex forecasting with service and capital planning</p>	<p>Opex is largely a function of service-delivery and asset-renewal decisions. Where capital investment is deferred, maintenance opex rises; where capital is brought forward, ongoing depreciation and financing costs increase. Integrated planning is therefore essential for the credibility of opex forecasting.</p> <p>Forecasting is aligned with service-delivery expectations through the statement of strategic intent (SOSI), which embeds five critical outcomes – safety, public health, environment, experience and value – each with annual and end-of-cycle targets that cascade into operational KPIs. The ‘value’ outcome explicitly</p>

<sup>58</sup> URA, Phase 1 report, pp 8, 62.

<sup>59</sup> Urban Utilities submission, p 55.

<sup>60</sup> URA, Phase 1 report, p 49.

<sup>61</sup> Urban Utilities submission, pp 73, 75.

<sup>62</sup> Urban Utilities submission, pp 57, 61.

<sup>63</sup> URA, Phase 1 report, pp 50-51.

Governance element	Preliminary observations
	<p>addresses customer affordability and the prudence and efficiency of expenditure.<sup>64</sup></p> <p>Opex forecasts are informed by demand modelling, the capital investment plan and renewals planning.</p> <p>Asset-driven cost drivers are observable increases in work orders. Unplanned-to-planned maintenance ratios inform forecasting.<sup>65</sup></p> <p>Urban Utilities commits to accounting for opex/capex trade-offs in its phase 2 forecasts, including where maintenance opex defers capital investment and vice versa.<sup>66, 67</sup></p>
<p>Continuous improvement and validation</p>	<p>SOSI critical outcomes performance is monitored annually with end-of-cycle targets for FY29.<sup>68</sup></p> <p>Reconciliation between forecast and actual opex is conducted annually through the annual operational plan, supported by monitoring and external performance reporting (WSAA benchmarking and NPR).<sup>69</sup></p> <p>URA noted that multi-year forecast-to-actual analysis covering forecasts would need to be tested.<sup>70</sup></p>

Source: QCA analysis.

While our forthcoming Phase 2 review will assess the application of Urban Utilities’ policies, procedures and systems in terms of prudent and efficient opex outcomes, we note that sound governance arrangements exist within Urban Utilities. Moreover, these provide multiple opportunities for updated information to be incorporated and reviewed within its opex forecasts.

## Consistency with good industry practice

Overall, Urban Utilities’ opex forecasting approach is consistent with good industry practice. It is characterised by active board and management oversight, use of external benchmarking, and implementation of productivity targets.

## Next steps

The findings of this interim review indicate that there are systems and governance arrangements in place that suggest good industry practice. We will continue to review these matters in phase 2 of our review.

<sup>64</sup> Urban Utilities submission, pp 62-63, 111.

<sup>65</sup> Urban Utilities submission, pp 57, 116.

<sup>66</sup> Urban Utilities submission, p 138.

<sup>67</sup> Urban Utilities submission, pp 116-117.

<sup>68</sup> Urban Utilities submission, pp 3, 111.

<sup>69</sup> Urban Utilities submission, p 117.

<sup>70</sup> URA, Phase 1 report, pp 49-50.

# 3 Productivity and performance indicators

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Our interim review considers Urban Utilities' productivity initiatives and performance indicators, as they inform whether the business has effective arrangements in place to identify, implement and monitor efficiency improvements over time.

Urban Utilities' productivity governance and measurement arrangements are consistent with good industry practice and appear capable of supporting sustained productivity improvements if applied effectively. Moreover, Urban Utilities has produced a credible portfolio of operating and capital productivity initiatives.

We will be considering Urban Utilities' ongoing plans to improve productivity in phase 2 of our review.

## Why are productivity and performance indicators important?

Improvements in labour, capital, energy, maintenance and network operating efficiency can reduce the expenditure required to deliver a given level of service quality, placing downward pressure on prices.

Service quality indicators allow for the differentiation between cost reductions from genuine efficiency gains and those from service quality reductions or inappropriately deferred costs or transferred risks.

Effective governance arrangements support the prioritisation, challenging, implementation, and monitoring of productivity initiatives and projects. Robust performance indicators assess how well an organisation is delivering productivity and performance outcomes.

## QCA approach

We considered the following aspects of Urban Utilities' productivity activities:

- the governance arrangements that underpin productivity activities
- the productivity initiatives identified and progressed by Urban Utilities
- the performance indicators and measurement frameworks used to monitor productivity outcomes

This review was informed by Urban Utilities' submission, its responses to RFIs, interviews with key personnel, and the findings of URA.

## Key evaluation considerations

In forming our interim view, we considered the following matters:

- **Productivity governance and accountability** – whether there is a clear and structured framework for identifying, assessing, approving and overseeing productivity initiatives, with defined roles and responsibilities.
- **Integration with business planning** – whether productivity considerations are embedded within broader corporate, financial, asset management and service planning processes, rather than treated as standalone activities.
- **Scope of productivity initiatives** – whether identified initiatives are targeted at material cost drivers and operational risks, or are consistent with generally recognised efficiency opportunities in the urban water sector.
- **Performance measurement and benchmarking** – whether Urban Utilities uses appropriate indicators to track productivity outcomes over time, including cost and service quality indicators and external benchmarking.
- **Monitoring, review and learning** – whether there are mechanisms to review performance, examine whether expected benefits are being realised, and incorporate lessons into future planning.

## Analysis and interim findings

Our interim review, supported by URA’s expert assessment, did not identify any material or obvious deficiencies in Urban Utilities’ productivity governance, nor departures from good industry practice.<sup>71</sup> We are encouraged by the extent to which productivity considerations are embedded in existing governance and planning frameworks.

We note the following service outcomes of Urban Utilities since our previous price monitoring report: sewer main breaks, chokes and leaks per 100 km fell from a high of 30.1 in 2014–15 to 15.6 by 2024–25, and water main breaks per 100 km fell from 28.0 in 2014–15 to 18.1 by 2024–25 (Appendix C).<sup>72</sup> During the same period, the retail component of the typical customer bill has increased at an annual rate of 2.6% (Table 1).

For our interim review, we have focused on whether Urban Utilities has productivity frameworks that are likely to result in initiatives that will help the organisation address its strategic challenges, such as rapid population growth, increasing capital delivery requirements and cost escalation.

The performance indicators outlined in this interim report are consistent with good industry practice and provide a practical framework for monitoring service quality and reliability as well as operational performance.

Our initial observations are set out in the following sections.

### Productivity governance

A structured productivity framework that provides clear arrangements for identifying, assessing, approving, implementing, monitoring and reviewing productivity initiatives helps ensure that productivity opportunities are generated through the normal systems of business planning, financial management, asset management, procurement and service delivery.

<sup>71</sup> URA, Phase 1 report, p 8.

<sup>72</sup> Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.

Urban Utilities has a range of governance arrangements that support the identification and assessment of productivity opportunities. These include benchmarking, value-stream mapping, business cases, effort-benefit analysis, decision gates, financial reporting, executive and board oversight, and performance monitoring. These processes provide a structured way to identify opportunities, test whether they are likely to deliver benefits, assign responsibility for delivery, and monitor whether expected outcomes are being achieved.

Productivity considerations appear integrated with Urban Utilities' broader business planning processes, which helps link productivity initiatives to opex forecasts, capital delivery, procurement, asset management, risk management, maintenance planning, digital capability and customer affordability. This is appropriate as it allows productivity initiatives to be assessed with consideration of trade-offs across key business drivers.

Urban Utilities' operational efficiencies program (OEP) is its key productivity mechanism. It includes top-down efficiency targets and bottom-up identification of savings opportunities. The OEP seeks to test whether expenditure remains necessary, whether processes involve duplication or avoidable effort, and whether lower-priority costs can be reduced without compromising service outcomes.

For capital expenditure, Urban Utilities has various embedded arrangements, which indicate that productivity is considered through capital planning, asset management and delivery governance, not only through annual opex reductions. These include its investment assurance group, investment committee, and strategic asset management committee. The Urban Utilities board is proactive in consideration of capital related productivity initiatives.<sup>73</sup>

We consider that Urban Utilities' governance arrangements support the identification, assessment, and implementation of reasonable productivity initiatives. We note these arrangements are themselves also subject to continual review and audit.

## Productivity initiatives

A productivity initiative refers to an ongoing strategy of identifying opportunities for improvement, typically focused on a business function or key input. These opportunities are analysed and approved through the governance arrangements and implemented as targeted projects.

Urban Utilities has identified and progressed a range of initiatives across its business. These are directed at material cost drivers and operational risks, including operating cost pressure, growth-related expenditure, ageing assets, wet-weather impacts, environmental obligations, maintenance requirements, procurement costs, capital delivery pressures and digital capability.

The OEP is directed at operating cost discipline and business process efficiency.<sup>74</sup> Its use of top-down efficiency targets and bottom-up savings identification are both relevant where a business may be able to reduce avoidable expenditure or reprioritise activities. This is a reasonable area of focus given Urban Utilities' stated objective of managing operating cost pressure while maintaining service quality and reliability.

Urban Utilities' capital and asset-related initiatives are also directed at material expenditure drivers. The program management approach, the Next Generation for Delivery strategy, capital governance, asset management planning and maintenance optimisation target the way capital and maintenance expenditure is planned, procured, delivered and reviewed. These are important areas for a capital-intensive network business, where productivity gains may arise from better project scoping,

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<sup>73</sup> URA, Phase 1 report, p. 24.

<sup>74</sup> Urban Utilities submission, pp. 60-62, 116; URA, Phase 1 report, p 58.

improved delivery incentives, standardisation, better timing of renewals, reduced reactive maintenance and lower whole-of-life asset costs.

At this stage, our review does not test the sustainability, completeness or ongoing deliverability of these initiatives, nor does it validate claimed savings. Nonetheless, Urban Utilities' initiatives appear targeted at material areas of expenditure and operational risk and appear integrated with established governance, planning, procurement, asset management and financial management processes. Based on our findings on the productivity governance arrangements, we consider that Urban Utilities has an appropriate framework for identifying and progressing productivity opportunities over time.

We also consider that Urban Utilities' productivity initiatives appear reasonable in light of its operating environment.<sup>75</sup> This view is supported by our preliminary findings regarding its productivity frameworks, which are responsible for identifying productivity challenges and developing associated initiatives. In phase 2 of our review, we expect further detail from Urban Utilities on how these opportunities are reflected in efficient expenditure forecasts.

## Performance measurement

Performance measurement helps assess whether productivity initiatives are translating into improved outcomes over time. Productivity improvements should be observable through lower costs for a given level of service or improved service outcomes for a given level of cost. It is important to recognise that deferral of costs and transfer of risks when inappropriate may temporarily improve a specific indicator. However, it would not constitute a productivity improvement. In our view, the performance of Urban Utilities' productivity activities may be measured using a combination of cost, service reliability, asset performance and delivery measures over a sufficiently long period.

URA did not identify material issues with Urban Utilities performance measurement at this stage of our review. However, URA noted that additional information from Urban Utilities in its phase 2 submission on the linkages between realised efficiency outcomes and cost forecasts would assist in verifying performance.<sup>76</sup>

At this interim stage, Urban Utilities' performance measurement arrangements provide a reasonable starting point for monitoring productivity performance. We will continue to assess the implementation, expected benefits and realised outcomes of Urban Utilities' productivity initiatives as further information becomes available through the price monitoring process.

## Benchmarking and performance indicators

Measures such as water and wastewater opex per property or connection, sewer and water main breaks per 100 km, wastewater treatment plant reliability and unit energy consumption can provide evidence of high-level productivity performance. Benchmarking this performance against peers using the BOM's national performance report<sup>77</sup> and WSAA data, may help identify opportunities for productivity targets. However, benchmarking should be treated as a diagnostic tool rather than a

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<sup>75</sup> An operating environment characterised by rapid population growth, increasing capital delivery requirements, cost escalation and strict environmental obligations.

<sup>76</sup> URA (Phase 1 report, p 60) noted areas where further clarification and evidence may assist in demonstrating transparency and deliverability.

<sup>77</sup> Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.

standalone test of efficiency, given differences in vertical integration, exogenous operating factors and performance-based environmental regulatory obligations.

We are encouraged by Urban Utilities' participation in the WSAA benchmarking and look forward to receiving updated benchmarking information when Urban Utilities submits its phase 2 proposals. Transparency of this information will be important in phase 2 of our review.

The quality and reliability of water and sewerage services are key components of the retailers' performance and are linked to cost and pricing outcomes. Reducing costs and prices will not be efficient if it comes at the expense of an appropriate level of service, which generally reflects:

- customer expectations – for example, customers' willingness to pay for fewer interruptions
- the need to meet regulatory or legislative obligations – for example, minimum water quality standards.

We have outlined a range of service quality and reliability indicators in Appendix B and provide an overview of Urban Utilities' historic performance against these in Appendix C. In its submission to the 2026-27 periodic report, Urban Utilities should provide an explanation of its performance against these indicators and interactions between quality and cost and pricing outcomes.

## **Next steps**

Performance targets can assist in guiding the prioritisation of initiatives by providing a clear basis for assessing performance and identifying areas where further efficiencies may be achievable. Having regard to Urban Utilities' track record, we consider it is well placed to identify and implement further initiatives to improve performance. We expect Urban Utilities to continue to develop and deliver additional initiatives over the monitoring period to support efficient and sustained performance improvement.

The findings of this interim review indicate that there are systems and governance arrangements in place that suggest good industry practice with respect to identifying and undertaking productivity initiatives. We will continue our review of these matters in phase 2 of our review.

# Appendix A: Forecast revenue and prices for 2026-27

Urban Utilities advised that its forecasts may be revised to update certain inputs (e.g. inflation, the rate of return and consumption), with final board approval of prices in June 2026.<sup>78</sup>

**Table 4: Forecast revenue for 2026-27 (\$ million)**

Category	Forecast revenue
Water <sup>a</sup>	\$403.0
Sewerage	\$662.0
Other	\$34.8
<b>Total</b>	<b>\$1,099.8</b>

a Excludes bulk water revenue.

Source: Urban Utilities, response to RFI 4.

**Table 5: Water and sewerage charges (residential)**

	2025-26 (actual)	2026-27 (forecast)	Difference
<b>Water charges (excluding bulk water)</b>			
Service charge (\$/day)	\$0.694	\$0.657	-\$0.037 (-5.3%)
Tier 1 usage charge (\$/kL) <sup>a</sup>	\$0.981	\$1.110	\$0.129 (13.1%)
Tier 2 usage charge (\$/kL) <sup>b</sup>	\$2.038	\$2.305	\$0.267 (13.1%)
<b>Sewerage charges</b>			
Service charge (\$/day)	\$1.961	\$2.083	\$0.122 (6.2%)

a Applies to consumption up to 300 kL per year. b Applies to consumption above 300 kL per year.

Source: Urban Utilities submission, pp 64-66; Urban Utilities, [Prices and charges 2025-26](#) [residential], Urban Utilities website, 2025, accessed 8 May 2026.

<sup>78</sup> Urban Utilities submission, pp 8, 66, 70.

**Table 6: Water and sewerage charges (non-residential)**

	2025-26 (actual)	2026-27 (forecast)	Difference
<b>Water charges (excluding bulk water)</b>			
Service charge (\$/day) <sup>a</sup>	\$0.694	\$0.657	-\$0.04 (-5.3%)
Tier 1 usage charge (\$/kL) <sup>b</sup>	\$0.981	\$1.110	\$0.13 (13.1%)
Tier 2 usage charge (\$/kL) <sup>c</sup>	\$2.038	\$2.305	\$0.27 (13.1%)
<b>Sewerage charges</b>			
Service charge (\$/day) <sup>d</sup>	\$2.179	\$2.315	\$0.14 (6.2%)
Disposal charge (\$/kL) <sup>e</sup>	\$2.950	\$3.230	\$0.28 (9.5%)

a Applies to the combined flow capacity factor (i.e. service charge x combined flow capacity factor). b Applies to consumption up to 300 kL per year. c Applies to consumption above 300 kL per year. d Applies to the combined flow capacity factor and the discharge factor (i.e. service charge x combined flow capacity factor x discharge factor). e Applies to the estimated volume of sewage produced (i.e. disposal charge x water usage x discharge factor).  
Source: Urban Utilities submission, pp 64-66; Urban Utilities, [Prices and charges 2025-26](#) [business], Urban Utilities website, 2025, accessed 8 May 2026.

# Appendix B: Service quality and reliability indicators

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The quality and reliability of water and sewerage services are key components of the retailers' performance and are linked to cost and pricing outcomes. Reducing costs and prices will not be efficient if it comes at the expense of an appropriate level of service, which generally reflects:

- customer expectations – for example, customers' willingness to pay for fewer interruptions
- the need to meet regulatory or legislative obligations – for example, minimum water quality standards.

Extensive information on the retailers' performance across a wide range of service quality and reliability indicators is already publicly available. In particular:

- The state government publishes performance data for Queensland water service providers against key performance indicators. The reporting is intended to encourage performance improvement and to provide customers with information that allows them to compare their provider's performance with others.<sup>79</sup>
- The Bureau of Meteorology (BOM) publishes an annual national performance report (NPR) that benchmarks and compares the pricing and service quality of Australian water service providers. These reports are prepared independently by the BOM, with support from state and territory governments, and the Water Services Association of Australia (WSAA), and provided under the National Water Initiative (NWI).<sup>80</sup>

The retailers also publish customer service standards that describe the level of service customers can expect to receive. These standards are set out in the retailers' customer charters.

We will initially monitor service performance against the indicators outlined in Table 7 to gain insight into the retailers' current level of service quality and reliability. These indicators align with the measures that the retailers already report on under the state and federal reporting regimes discussed above. In most cases, they are also established customer service standards, with defined performance targets.

We provide an overview of Urban Utilities' historic performance against these indicators in Appendix C. In its submission to the 2026-27 periodic report, Urban Utilities should provide an explanation of its performance against these indicators and interactions between quality and cost and pricing outcomes.

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<sup>79</sup> Business Queensland, Queensland Government, [Water service provider performance reporting](https://business.qld.gov.au), business.qld.gov.au, 2026, accessed 29 April 2026.

<sup>80</sup> Bureau of Meteorology, Australian Government, [National performance report 2024-25: water and wastewater service providers, Part A](#), March 2026.

**Table 7: Initial service performance indicators for retailer assessment**

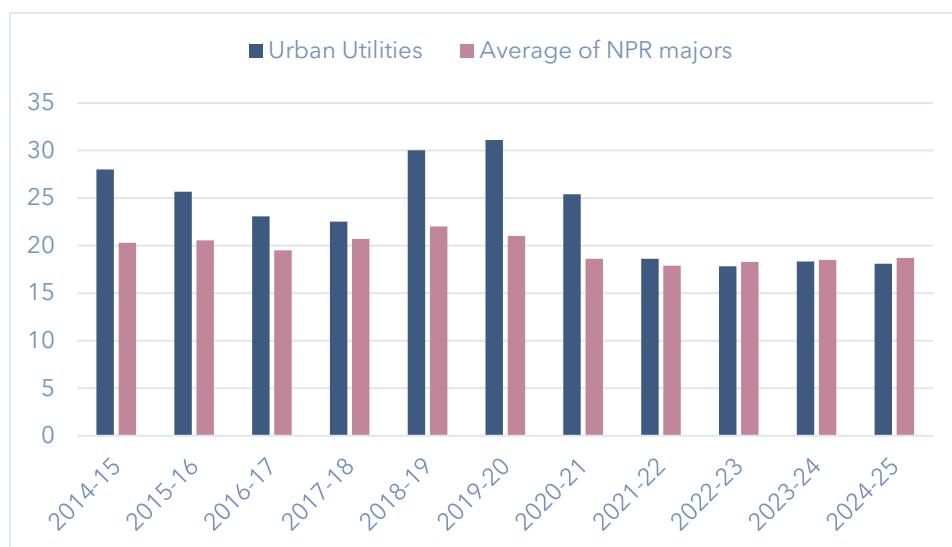
Indicator	Comment
Drinking water quality compliance (% of population per year)	<ul style="list-style-type: none"> <li>• This key indicator of water quality combines two NPR indicators: microbiological compliance and chemical compliance.</li> <li>• Compliance is assessed against the Australian Drinking Water Guidelines (ADWG).</li> <li>• The retailers have a customer service standard to supply safe and clean drinking water that complies with the ADWG.</li> </ul>
Water main breaks (per 100 km of water main per year)	<ul style="list-style-type: none"> <li>• A break, burst or leak in a water main may result in reduced water pressure or loss of supply to customers.</li> <li>• It is an indicator of the resilience and condition of the water network, and service reliability.</li> <li>• The retailers are required to set a customer service standard, including a performance target. Urban Utilities' performance target is 39 breaks per 100 km of water main.</li> </ul>
Unplanned water interruptions (number of incidents per 1,000 properties per year)	<ul style="list-style-type: none"> <li>• This refers to an unplanned interruption resulting in a loss of supply to customers.</li> <li>• It is an indicator of the condition of the water network and service reliability.</li> <li>• The retailers are required to set a customer service standard, including a performance target. Urban Utilities' performance target is no more than 100 incidents per 1,000 properties.</li> </ul>
Average duration of unplanned water interruptions (minutes per year)	<ul style="list-style-type: none"> <li>• This refers to the average length of time customers are without water supply as a result of an unplanned interruption.</li> <li>• It is an indicator of the condition of the water network and service reliability, and the effectiveness of responding to incidents and restoring services.</li> </ul>
Sewerage main breaks and chokes (per 100 km of sewer mains per year)	<ul style="list-style-type: none"> <li>• This occurs when sewage cannot flow freely due to a break or blockage in a sewer main, which may lead to sewage overflows.</li> <li>• This is an indicator of the condition of the network and service reliability.</li> <li>• The retailers are required to set a customer service standard, including a performance target. Urban Utilities' performance target is 30 breaks and chokes per 100 km of sewer main.</li> </ul>

Sources: NHMRC, [National Water Quality Management Strategy, Australian Drinking Water Guidelines Paper 6 \(2011\)](#), version 4.0, updated June 2025, Australian Government; BOM, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026; Business Queensland, Queensland Government, [Water service provider performance reporting](#), business.qld.gov.au, 2026, accessed 29 April 2026; Queensland Government, [South East Queensland Customer Water and Wastewater Code](#), version 1.0, April 2017; Urban Utilities, [Residential Customer Charter and Business Customer Charter](#), n.d.

# Appendix C: Service quality and reliability performance

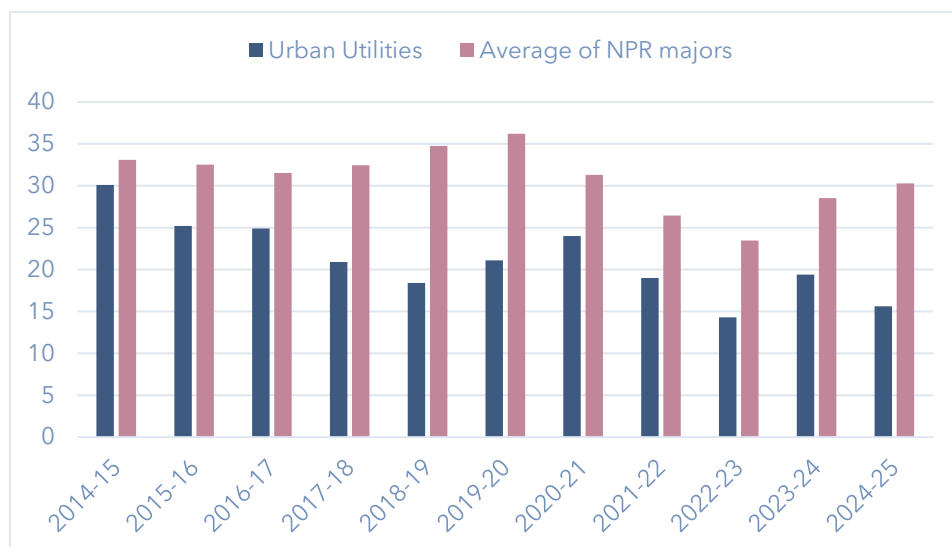
We provide an overview of Urban Utilities' historic performance against the service quality and reliability indicators in Appendix B. We provide a comparison with the average of the NPR major utilities (more than 100,000 connected properties), where their data is available.

**Figure 4: Water main breaks (per 100 km of water main per year)**



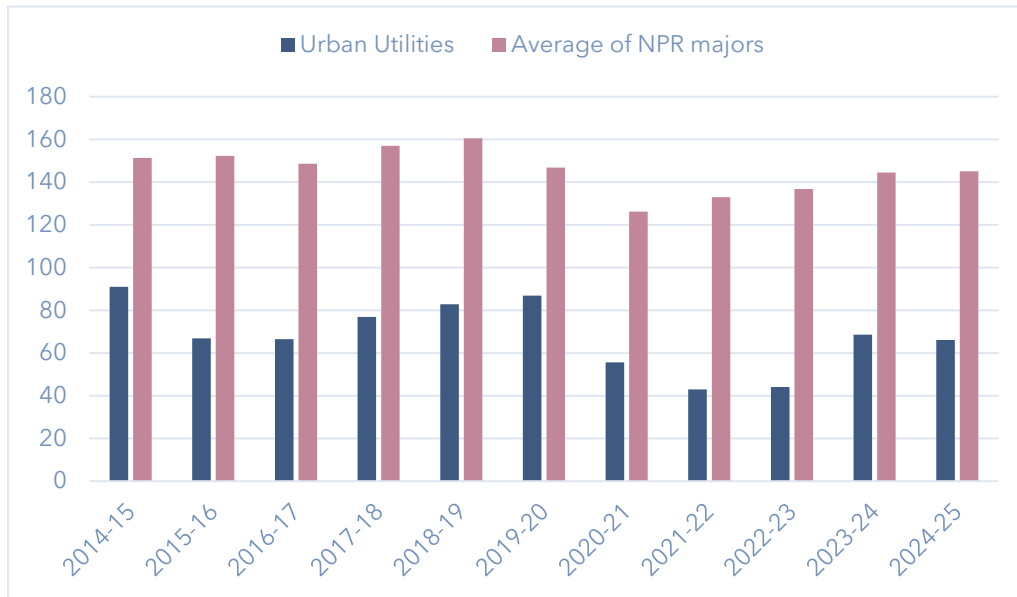
Source: Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.

**Figure 5: Sewerage main breaks and chokes (per 100 km of sewer mains per year)**



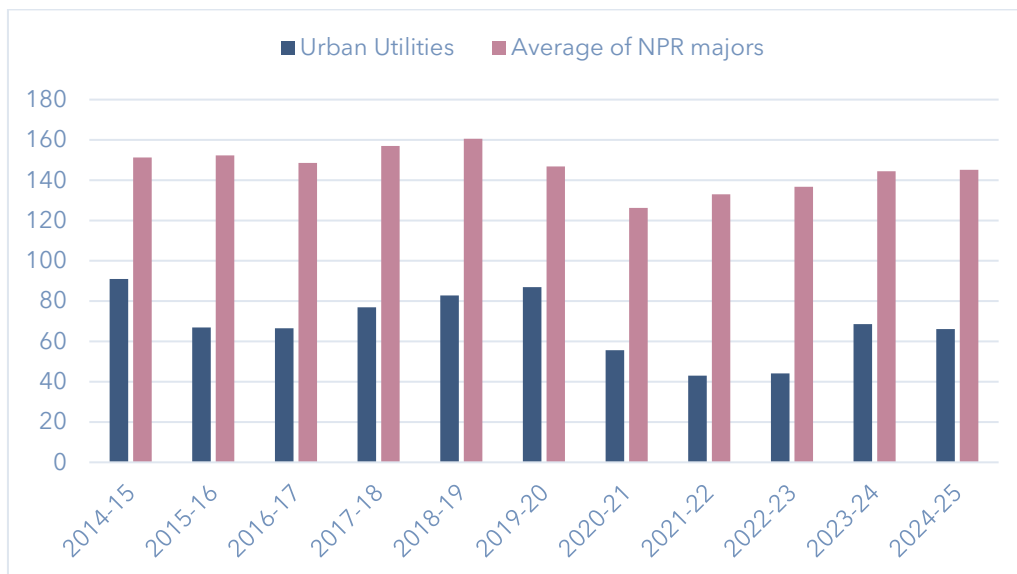
Source: Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.

**Figure 6: Unplanned water interruptions (number of incidents per 1,000 properties per year)**



Source: Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.

**Figure 7: Average duration of unplanned water interruptions (minutes per year)**



Source: Bureau of Meteorology, [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.

# References

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- Bureau of Meteorology (BOM), [National performance report 2024-25: water and wastewater service providers, Part A](#), Australian Government, March 2026.
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- Utilities Regulation Australia (URA), *Urban Utilities Price Monitoring 2026-30 – Consultants Expenditure Review Phase 1*, final report, April 2026.