

# Burden of Proof for Prudent & Efficient Expenditure

A managers guide to strengthening the capital program for a price submission

## Purpose and audience

This guide is for managers involved in water price submissions and capital program development (capital planning, regulation/pricing, finance, risk/assurance, delivery, customer engagement). It explains what “burden of proof” means in practice for prudent and efficient (P&E) expenditure, what independent reviews focus on, and where to focus effort where it matters most.

This paper is not pricing, financial, legal, or regulatory advice, and it does not guarantee any regulatory outcome. It is intended to help teams strengthen decision quality, traceability, and reviewability.

## 1. The core idea: P&E is not presumed

In regulatory reviews, P&E is not presumed. The business is expected to prove (with evidence, not assertion) that:

1. The **need** for expenditure is real and linked to defined objectives/service outcomes
2. The chosen approach is what a **prudent operator** would do (good decisions, right timing, proper risk governance)
3. The **cost is efficient** (reasonable, least-cost over life where relevant, benchmarked/market tested, productivity embedded).

The practical implication is simple: if the corporation cannot meet the evidentiary standard, a reviewer (or regulator) is not obliged to “fill in the gaps”. Lack of evidence becomes a reason to withhold assurance or reduce confidence in the proposal.

## 2. How the burden is applied in practice

A common failure pattern is that a project may be reasonable, but the evidence doesn't allow an independent party to conclude that it is prudent and efficient.

Your own material captures the real world mechanism: reviewers record “insufficient evidence to provide assurance that spending was prudent and efficient” and list missing documents (business case, options analysis / CBA, deployment plan, mitigation strategies).

This matters because it shifts the goal from “we know it's needed” to:

“Can an independent reviewer follow the logic and test it using accessible, consistent information?”

That is why record keeping and information systems show up as a recurring theme: the business must have records/data structures/processes capable of supporting review “so that it can demonstrate” P&E.



### 3. What “proof” looks like: evidence categories that recur across reviews

The most useful way to think about “proof” is not as one big narrative, but as a small number of evidence buckets. Your Burden of Proof material summarises these clearly, including the ESC style “sufficient supporting information” theme and examples of evidence types (governance, procurement/delivery incentives, variances, capitalisation, benchmarking/unit rates, independent forecasts).

#### Typical evidence areas reviewers look for:

1. **Traceability** – can material spend be followed from objective to outcome (Need → Option → Cost → Delivery → Outcome)?
2. **Governance and decision quality** – stage gates, approvals, assurance, delegations, decision records.
3. **Options and staging** – do minimum, staged pathways, and (where relevant) non asset options; explicit why the chosen option is preferred.
4. **Efficiency evidence** – benchmarking/unit rates/ABC, procurement approach supporting efficient outcomes, incentives, productivity assumptions.
5. **Forecast credibility** – clear drivers, step changes, and learning from actuals vs forecasts (variance explanations and improved methods).
6. **Engagement proof** – evidence customers had enough information to respond meaningfully and that the business “had regard to” feedback (what changed and why).
7. **Audit trail** – a document register and systems that make evidence reviewable (versioning, approvals, estimates, procurement docs, delivery reports, benefits tracking).

### 4. The materiality rule: what's “enough” vs “too much”

The most important management concept is **proportionality**: evidence depth should match materiality and risk.

A general principle for Burden of Proof is that:

- If capex is low/not complicated, a simplified trend analysis and governance overview may suffice
- If capex is material/complex, a more detailed review is expected (requiring a deeper business cases, risk allocation, and customer outcome metrics).

A guide to deciding what “enough” looks like:

#### Low materiality / low complexity

- Trend analysis and governance overview
- Basic traceability and drivers
- Light touch efficiency evidence (high level benchmarking)

#### High materiality / high complexity

- Options and staging explicitly recorded
- Business case maturity appropriate to decision
- Clear delivery approach and risk allocation
- Strong efficiency evidence (market testing/procurement logic, benchmarking)
- Engagement influence evidence
- Document register and version control

“Too much” evidence is usually:

- Producing heavy documentation for low materiality items, or
- Writing more narrative instead of creating traceable evidence, or
- Generating unstructured attachments that a reviewer can't navigate.



## 5. Programme level vs project level: why programmes need different proof

A major hidden failure mode is project by project documentation that doesn't add up to a coherent program.

Reviewers and internal executives don't just ask "is Project a justified?" They also ask:

- Why is this in the program instead of other competing needs?
- Why now, and why at this scale?
- What is staged, deferred, or contingent, and what triggers those decisions?

This is why a program approach (Top 10) is often the highest leverage:

- It forces prioritisation and staging decisions into the open
- It makes the "why in/why out" logic defensible and communicable
- It helps ensure engagement focuses on real trade offs rather than preferences in isolation

Aligning prioritisation methodology to known standards such as DTF's Investment Management Standards across the program, plus incorporating a funding lens and engagement narrative, supports a robust decision making framework.

## 6. Common failures (what to look for early)

Below are the patterns that create independent review pain later. There are often not technical issues, but more 'reviewability' mistakes.

### 6.1 Evidence exists but is not reviewable

- Information is scattered in emails, SharePoint folders, or "known by the team"
- No single evidence index or register exists that links claims to information
- Versioning and approvals are unclear

This is why record keeping and data structures show up as a core capability requirement in your material.

### 6.2 Options and staging are implicit

- Teams jump from need to solution without documenting do minimum, staging, or alternative pathways
- Deferrals are political ("we ran out of money") rather than defensible ("contingent on trigger X, risk accepted Y")

### 6.3 Efficiency is asserted rather than demonstrated

- "Engineering judgment" is relied on without supporting benchmarking, market testing, procurement approach, or productivity assumptions
- Escalation, demand, and step changes are not linked to independent sources or clear methods

### 6.4 Forecast credibility is weak

- Step changes appear unexplained
- "Actual vs forecast" learnings aren't captured in a way that improves the next period methods

### 6.5 Engagement evidence doesn't demonstrate influence

- Engagement is described as activity ("we consulted") rather than showing what information was provided and what changed
- There's no traceable log of "had regard to" decision impacts

### 6.6 The program story is not coherent

- Individual business cases are fine, but the programme doesn't show prioritisation logic and sequencing constraints
- Staging/contingency decisions aren't cleanly expressed (must/stage/defer/contingent)



## 7. What “good” looks like (without over doing it)

A useful managerial test is: “If an independent reviewer asked for the proof tomorrow, could we hand it to them?”

For managers, the key is not the paper volume, it's the navigability and traceability:

- A mapping table that shows how the capex portfolio links to objectives/outcomes
- Evidence index/register that points to the right artefacts
- Staging decisions and triggers
- Engagement proof that shows influence
- Consistency across assumptions (methods, drivers, definitions)

## 8. A practical way to focus effort early (so you don't discover gaps late)

A pragmatic way to operationalise this is:

### Step 1: Define materiality

Agree what counts as “material” for evidence depth purposes (Top-10/ Top-20 or a dollar threshold, plus any “high risk” compliance items).

### Step 2: Establish the “line of sight”

Create a simple evidence index conceptually structured around Need → Option → Cost → Delivery → Outcome, with owners and references.

### Step 3: Make staging decisions explicit

For each material item, express the program decision clearly:

- Must do / Stage / Defer / Contingent (+ trigger)

### Step 4: Align engagement to real trade offs

Use the program decisions to ask customers questions they can meaningfully answer (timing vs affordability vs risk vs outcomes), and document how feedback changed decisions.

### Step 5: Strengthen efficiency evidence where it moves the dial

Prioritise efficiency evidence for:

- The largest cost drivers,
- Items with the most uncertainty,
- Items where market capacity/procurement approach materially affects outcomes.

### Step 6: Build reviewability into business as usual

Treat “burden of proof” as a capability, not a price submission scramble:

- Document register discipline, templates, frameworks etc
- Review the process, including lessons learnt from the last review
- Apply consistent methods going forward

## 9. Roles: who needs to be involved (and why)

This work fails when it's left to one team.

Program level P&E proof sits across:

- **Capital planning / asset strategy:** need definition, program coherence, staging
- **Finance:** affordability constraints, consistency of assumptions and classifications
- **Regulation / submission lead:** evidence story and compliance alignment
- **Risk / assurance:** stage gates, decision records, audit trail



- **Delivery / PMO:** deliverability constraints, sequencing, procurement logic
- **Customer engagement:** trade off questions and evidence of influence

The most practical governance move is to nominate a single “evidence owner” and a small working group, with executive sign off on staging categories and materiality.

## 10. What this paper is (and isn't)

**This paper is:** a guide to the evidence expectations and practical failure modes that drive independent review risk.

**This paper is not:** a substitute for corporate accountability, nor a guarantee of regulatory outcome.

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## Appendix A

### New Customer Contributions (NCC) and “who pays for growth”

This appendix is not a full NCC manual. It summarises why NCC and gifted assets matter to Prudent and Efficient (P&E) narratives and program prioritisation, and what managers should ensure exists before price submissions.

#### A1. Why NCC belongs in a P&E conversation

The ESC's New Customer Contributions Framework is explicitly aimed at strengthening transparency, governance, and implementation of NCCs across the Victorian water sector.

NCC decisions directly influence:

- How growth costs are allocated between new and existing customers,
- Timing of cost recovery, and
- The transparency of those decisions.

That makes NCC relevant to “prudence and efficiency” in two ways:

1. **Efficiency and fairness:** customers should not pay twice for assets funded by developers or governments
2. **Engagement and credibility:** growth cost sharing decisions are politically sensitive and need traceable evidence and engagement.

#### A2. Board/attestation relevance (why managers should care)

The framework states that pricing proposals made under the NCC framework must be supported by the directors' attestation required in water price review guidance papers, meaning attestation scope includes standard NCC proposals and proposed connection policies and negotiating frameworks.



### A3. Minimum disclosure expectations (connection policies)

The framework requires connection policies to address minimum content, including:

- Definitions of connection services and eligibility for standard NCC's
- Processes, timeframes, and documentation required
- Negotiating framework minimum requirements
- Schedule/method of fees and charges and key calculation inputs
- Asset gifting arrangements, rebates, and tax circumstances
- Dispute resolution arrangements.

**Manager checklist:** ask “Do we have a current connection policy that meets minimum content, is publishable, and is consistent with how we actually operate?”

### A4. Gifted assets and the “customers don't pay twice” principle

The framework states: where connection applicants build assets and gift them to the water business, the business does not incur capex to acquire them; therefore gifted assets are not included in the regulated asset base, and the value is excluded for incremental capital costs.

This interacts with the broader P&E narrative: if the capital program assumes developer/gifted assets (or government contributions), your evidence needs to show:

- Where those contributions are expected,
- How staging decisions rely on them, and
- How accounting/treatment remains consistent and reviewable.

### A5. Development Servicing Plans (DSPs) and growth evidence

Where standard NCC's are proposed, the

framework expects Development Servicing Plans to be published and to describe timing and sequencing of development and infrastructure delivery, be updated, and provide sufficient information for negotiations and assessment.

Appendix B sets minimum DSP content, including maps, growth assumptions, sequencing, and clearly labeling developer-funded works/gifting process information.

### A6. Where NCC fits into program prioritisation and engagement

From a program lens, NCC belongs in prioritisation workshops when:

- Growth capex is material, or
- Bill pressure makes cost allocation choices contentious, or
- Staging decisions depend on developer timing and co-funding.

It also creates strong engagement questions (existing vs new customers; affordability vs speed of growth servicing) and supports a more credible overall “who pays and why” narrative.

## Appendix B

### Funding & Contributions - Why this matters for P&E

Funding (grants/government contributions), gifted assets, and developer contributions influence:

- What customers should fund,
- How the program is staged and prioritised,
- And how efficiency and fairness are demonstrated.

A prudent and efficient program shows it has considered cost sharing and potential funding/contribution pathways, and has



translated uncertainty into staged decisions (rather than “hoping funding arrives”).

### What “good” looks like

For material investments, the program can show:

1. **Contribution pathways** considered (grant, NCC, gifted assets)
2. **Contribution readiness** is evidenced (not assumed)
3. **Staging decisions** reflect funding uncertainty (design now / build if funded / defer)
4. **Customer impact** is explicit (“customers don’t pay twice”)
5. **Consistency notes** exist so internal modeling/drafting treat contributions coherently

### Typical outputs (what reviewers can navigate)

- Funding opportunities available - summary (high/med/low plausibility and evidence required)
- Staging trigger statements (what changes if funding lands/doesn’t)
- Governance record of who approved the contribution assumptions and staging triggers

### Common pitfalls

- Treating uncommitted funding as certain
- Treating contributions late, after the portfolio is already locked
- No evidence trail for why “contingent” decisions were made
- Inconsistent treatment of gifted assets / developer contributions creating “double recovery” perceptions

### How this lens supports the submission narrative

- **Prudence:** shows options and staging discipline under uncertainty
- **Efficiency:** demonstrates least cost/ cost sharing pathways were pursued
- **Engagement:** enables genuine trade offs about timing, affordability, and fairness
- **Deliverability:** avoids locking in scope that depends on uncertain contributors

## Appendix C

### Why engagement evidence fails

Engagement often fails review not because it didn’t occur, but because it doesn’t show:

- Customers were given real choices, and
- Their views influenced decisions (“had regard to”).

Program level decisions create the real engagement opportunity: customers can react to trade offs, not isolated projects.

### What “good” looks like

1. Engagement questions are tied to real constraints (affordability, risk, timing, service outcomes)
2. Customers are presented with clear options and consequences
3. The corporation records what changed (or didn’t) and why
4. Evidence is reviewable: packs, summaries, decision records, response logs

### Example question types

- Affordability cap: “If bills can only rise by X, what must be protected vs staged?”
- Timing vs funding: “Deliver sooner with higher bills vs stage while pursuing co-funding?”
- Risk appetite: “Which service risks are acceptable to carry for 3–5 years?”



- Fairness: “Who should pay for growth, new customers vs existing customers?”
- Portfolio trade off: “If A is accelerated, B/C must be deferred! What’s preferred?”

#### Typical outputs

- Engagement trade off records (questions + context + consequences)
- Decision influence log (“what we heard / what we changed / why”)
- Evidence of information provided through the engagement (plain language summaries, option descriptions)
- Governance record that shows engagement results were considered in staging/prioritisation

#### Common pitfalls

- Asking “do you support project X?” without consequences or choices
- No record of how feedback shaped decisions
- Engagement conducted before the program is considered (so questions aren’t real)

## Appendix D

### How ILM fits in Program Level Prioritisation

#### Why Investment Logic Mapping matters for P&E

ILM is valuable here because it forces:

- Clarity on outcomes and benefits,
- Explicit options thinking,
- Structured treatment of uncertainty, and
- Transparent prioritisation criteria.

This is exactly the discipline required to make P&E evidence traceable and reviewable at program level.

#### What “good” looks like

For the Top 10-20 material investments, the program can show:

1. Agreed decision criteria (benefits/

outcomes, risk reduction, compliance, timing, deliverability, disbenefits)

2. Options and staging were explicitly tested (including do minimum)
3. Uncertainty was identified early and carried through into staging and evidence actions
4. Prioritisation decisions were recorded as: Must / Stage / Defer / Contingent with triggers
5. Evidence was attached to each “claim” (line of sight)

#### Typical outputs of an ILM prioritisation process

- Programme prioritisation table (criteria based)
- Staging and trigger statements
- Decision records (what was decided, by whom, based on what evidence)
- Defence for projects deferred
- Actions for top projects to ensure P&E is addressed in individual projects
- Evidence register/index for easy reference for reviewers

#### Common pitfalls

- Treating ILM as “a workshop” rather than a decision system
- Mixing project level detail into programme decisions (too deep, too slow)
- Not recording decisions and triggers (so it can’t be audited)

#### How ILM strengthens the submission and the business as usual planning

- Enables a repeatable prioritisation discipline (not every four years)
- Improves internal alignment (capital/finance/regulation/engagement)
- Creates the backbone for evidence traceability





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