

Appendix 1: Glossary of key terms and concepts

Table 12: Glossary

Term	Definition
Analysis period	Time period over which a project or initiative is assessed – the period for which costs and benefits are estimated.
Alternative options	Alternative regulatory, project, policy, or program proposal (compared to the base case).
Avoidable costs	The cost a business would avoid over the long run if it no longer provided a defined service.
Base case	The project or initiative to which alternative options are compared. This shows the baseline projections of costs and benefits “without” the alternative options. Depending on the objective of the project, the base case may represent “do nothing” or “do minimal”.
Benefits	Any improvements in economic, social, or environmental outcomes as a result of the alternative options.
Benefit-cost ratio	The ratio of the present value of any incremental economic, social, and environmental costs and the present value of any incremental economic, social, and environmental benefits.
Cost-benefit analysis	Provides a holistic community or societal approach to investment decision-making. It compares a range of benefits and costs that accrue to the NSW community and converts it to a single discounted metric using the social discount. CBA is the preferred approach for all business cases.
Cost-effectiveness analysis	Aims to identify the option that achieve specified outcome(s) at least cost.
Contingent valuation	A survey method to place a value on a non-market good, contingent on it being available. Willingness to pay for, or willingness to accept payment for damage to or reduction of a good or service, is treated as a proxy of the value of the good or service.
Costs	Any deterioration in economic, social, or environmental outcomes as a result of the alternative options.
Distributional analysis	Identifies the way(s) in which costs and benefits are distributed across the community. It can be qualitative or quantitative depending on the detail of the CBA.
Discount rate	The rate used to convert future streams of costs and benefits into today’s dollar value (present value).
Financial appraisal	Appraisal of the cashflows of a project or program.
Liveability	The extent to which a place meets the social, environmental, and economic needs of its inhabitants.

Term	Definition
Long-run marginal cost	The cost of meeting an incremental change in demand assuming all factors of production can be varied.
Net present value	The difference between the present value of any incremental economic, social, and environmental costs and the present value of any incremental economic, social, and environmental benefits.
Non-market benefits	Benefits conferred on parties outside the market, for example, cleaner waterways, healthier communities, reduced ocean outfall discharges, and liveability.
Non-potable water	Untreated water that is safe to drink but may still be used for other purposes.
Postage stamp pricing	A system that charges customers the same price for the service across a defined area regardless of differences in cost of supplying water and/or wastewater services in different locations on the network.
Transfers	Where the benefits to one group are offset by costs to other groups – no change in use of economic resources.
Willingness to pay	The maximum price at or below which a consumer will buy one unit of a product or service.

Table 13: Acronyms

Acronym	Definition	Acronym	Definition
ACCU	Australian carbon credit unit	LRMC	long-run marginal cost
BAU	business as usual	MWh	megawatt-hour
BCR	benefit cost ratio	NPV	net present value
CBA	cost-benefit analysis	NSW	New South Wales
CEA	cost-effectiveness analysis	ROA	real options analysis
CO2	carbon dioxide	SRMC	short-run marginal cost
DALY	disability-adjusted life year	WACC	weighted average cost of capital
ENPV	expected net present value	WSUD	water sensitive urban design
IWCM	integrated water cycle management	WTP	willingness to pay
kL	kilolitre	YLD	years lived with disability
LGA	local government area	YLL	years of life lost