

Stakeholder update: IPART's approach to recycled water

31 October 2019

Water utilities should always consider recycling when assessing options to deliver water and wastewater services to their customers. They should invest in recycling when it is the best way of delivering the services and environmental outcomes that their customers want.

IPART has established pricing frameworks for private and public water utilities that recognise the benefits of recycling.

Our framework for private water businesses

In NSW, private water businesses are able to enter the market under the Water Industry Competition Act to provide and sell recycled water services and on-sell 'wholesale' water and wastewater services they purchase from public water utilities such as Sydney Water or Hunter Water.

IPART does not currently regulate the price of private recycled water services. Nor has it set a price or any tariff for the 'wholesale' water and sewerage services Sydney Water or Hunter Water provides to privately owned on-sellers who operate recycled water plants. Sydney Water or Hunter Water and the private water businesses can negotiate prices that best reflect the costs and benefits of each scheme. IPART will only set a price if the parties can't reach agreement and one of them asks us to determine prices. We are yet to be asked to set any such price for Sydney Water or Hunter Water.

If we were asked to set Sydney Water's wholesale prices to an on-seller with a recycled water plant, we would discount prices to reflect the benefits that the recycling scheme provides to Sydney Water's broader customer base (for example, if it reduced the need for Sydney Water to invest in sewage treatment). We would also ensure the wholesale services provided to the on-seller are priced in a way that does not unreasonably add to the prices paid by Sydney Water's other customers.

Private water businesses rely heavily on the public water utility's network, and hence they impose costs on this network. For example, in addition to recycling, a private water business might purchase potable water from Sydney Water and sell it to its own retail customers, and also dispose of wastewater to Sydney Water's network to allow it to retail (or on-sell) sewerage services to its end use customers. It should pay a reasonable price to Sydney Water for these services.

Our framework for public utilities

We allow the costs of a public utility's recycled water scheme to be recovered from general water and/or sewerage prices to its broader customer base when:

- ▼ it is the least cost way of delivering water and/or wastewater services, while complying with environmental and other regulatory requirements
- ▼ it avoids or reduces costs the broader customer base would normally pay (for example, expanding sewage treatment plants), or

- ▼ the utility's broader customer base is willing to pay for the external benefits the scheme generates.

Any residual costs of the recycled water scheme are then recovered from recycled water customers up to their willingness to pay and/or from developers via recycled water developer charges.

Our framework recognises the system-wide benefits of recycled water, and ensures that recycling will be viable where the benefits it creates for customers exceeds its costs. This provides incentives to get the right solutions in place to meet the demands of customers and the broader community.

There are other broader policy considerations that can impact on the viability and hence uptake of recycling water. This includes government policy that restricts the use of recycled water. This means that costs are often incurred to build and maintain an additional pipe network that keeps recycled water separate from the potable water network.

Further information on our framework for recycled water pricing is available at: www.ipart.nsw.gov.au.