

3 May 2013



Mr James Cox
Chief Executive Officer
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox,

Re: Application under the *Water Industry Competition Act 2006* for a Network Operator licence for Discovery Point

Thank you for the opportunity to comment on the application by Discovery Point Water Factory Pty Ltd (DPWF) for a Network Operator licence under the *Water Industry Competition Act 2006* (WICA). Some comments are provided below.

Sydney Water has been working with Water Factory Company and its subsidiaries for some time regarding the commercial and operational arrangements of various schemes. For Discovery Point, Sydney Water has requested a full Servicing Strategy from DPWF detailing the intended servicing arrangements, proposed points of interconnection, timing and other matters. Once this strategy is provided, Sydney Water will be able to confirm interconnection points and any associated requirements that may arise.

Sydney Water understands that DPWF will provide recycled water and wastewater services within the Discovery Point precinct. Sydney Water will provide potable water. While the retail supply arrangements are not covered within this application, the Water Factory Company's separate application for a Retail Supplier licence under WICA makes specific reference to Discovery Point. Sydney Water has already provided a submission in response to that application.

The application indicates that DPWF also intends to provide recycled water beyond the boundaries of the precinct, to Marrickville Council. Sydney Water will review this aspect of the proposed scheme further upon receipt of the Servicing Strategy.

Sydney Water has noted one potential area where further clarity may be required. Section 7.3.2 of the application notes that Sydney Water is the owner of a sewer main. If this main falls within the boundaries of the Discovery Point precinct within which DPWF intends to be the network operator, there may need to be consideration of the appropriate regulatory arrangements that would apply to this situation. The Servicing Strategy will assist in these considerations.

Section 3.6.1 indicates that the proposed Discovery Point scheme is not a monopoly because 'The licence area proposed by DPWF is already served by Sydney Water and its drinking water/ sewerage infrastructure. All customer classes have the ability to choose who will provide their drinking water, recycled water and sewerage service.'

Sydney Water agrees that the presence of multiple service providers within its operating area creates a broadly competitive environment. However it appears unlikely that customers within the Discovery Point precinct will, in practical terms, be able to choose their service provider within the precinct, as:

- Sydney Water is the only service provider of drinking water (DPWF's application covers only recycled water and wastewater);
- DPWF is the only service provider proposing to offer recycled water within the precinct;
- For wastewater, DPWF will be the only service provider as Sydney Water does not intend to develop an alternative network of its own to service the area, or directly compete with DPWF/Water Factory Company to provide wastewater services.

Lastly, the application indicates that interconnections, operations and maintenance responsibilities are described within the commercial agreement with Sydney Water. While no agreement has yet been executed, Sydney Water is working closely with Water Factory Company and its subsidiaries to develop agreements for schemes licensed under WICA. If the Minister has not established a water industry code of conduct by the time of finalising the agreements, they will need to cover interconnection matters.

If you would like to discuss any of these matters further, please contact Danielle Francis, Sydney Water's Principal Advisor Competition and Regulation, on (02) 8849 4820 or danielle.francis@sydneywater.com.au.

Yours sincerely



Sandra Gamble
General Manager, Business Strategy and Resilience