

9 September 2026

Mr Philip Narezzi
Chief Executive Officer
Sydney Desalination Plant
Suite 19, level 17, Australia Square
264 George Street
Sydney NSW 2000

Dear Phil

Following completion of the Customer Advisory Panel's (CAP) role in the preparation of Sydney Desalination Plant's (SDP) upcoming pricing proposal, I am pleased to provide this letter of attestation.

Role and Panel Members

SDP established the CAP in September 2025 as part of the customer engagement shaping its regulatory proposal to IPART for 2027-2032. The CAP was designed to provide independent feedback and advice to ensure SDP developed a customer centric regulatory proposal, reflecting the views of end-customers so that the drinking water services valued by the people of Sydney could be delivered to them.

The CAP's role is set out in its Terms of Reference at Attachment A.

Overseen by an Independent Chair, the CAP comprises independent members representing a range of customer groups and bringing a variety of skills and perspectives. The CAP consists of:

- myself as Independent Chair,
- Douglas McCloskey (Justice and Equity Centre),
- Leah Tucker (Business Sydney/Business NSW),
- Jordan Widenstrom (Sutherland Shire Council/Local Government),
- Jun Mo (University of Sydney student/younger water users), and
- Graham Turner (Council of the Ageing.)

Process and Recommendations

Following an induction meeting with SDP, the CAP attended eight workshops between September 2025 and June 2026 with SDP and representatives from Sydney Water and NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW.)

Senior management from SDP were in attendance at all workshops, and at least one SDP Board Member observed each workshop, suggesting strong commitment to customer engagement from the Board and management.

The workshops were used first to design the engagement agenda based on end-user values derived from relevant raw engagement data shared by Sydney Water, covering key themes that could be influenced by consumer engagement, and addressing attendee preferences.

Subsequently, attendees considered the key operational and investment themes that had been identified - namely service levels, energy provision, expenditures, and 'other topics' (incentive schemes, performance measures and preparation for plant expansion.)

Following an induction session, the first workshop included a site visit to the plant at Kurnell. Workshops were preceded by a webinar providing detailed background information on the upcoming workshop topic and giving workshop participants the opportunity to ask questions.

The CAP and other workshop participants had the opportunity to set the engagement agenda and deliberate on the topics that mattered most. The workshop materials were accessible and all topics that were deliberated by the CAP were presented alongside bill and revenue impact analysis, so we understood the magnitude of our recommendations.

The last workshop considered the values-based recommendations that had been drafted by the CAP following each workshop, and the CAP, independently from SDP, Sydney Water and DCCEEW, finalised its recommendations.

The CAP also met *in camera* twice, to discuss its recommendations.

The final list of the CAP's recommendations, along with some supporting notes, is at Attachment B.

SDP committed at the start of the customer engagement process, and reiterated this commitment at each workshop, to incorporating the CAP's recommendations to the maximum extent possible and to provide reasons where it was unable to do so.

The engagement process concluded in August 2026 with SDP sharing the way in which the CAP's recommendations had been incorporated into its draft proposal to IPART. On the basis of the information provided, it is the view of all Panel members that all of its recommendations will be incorporated into the proposal.

Attestation

On behalf of the CAP, I can attest that:

- relevant end-customer feedback from Sydney Water's engagement program was validly integrated into the engagement process,
- CAP members agree that the insights and feedback they provided was heard by SDP and incorporated into the pricing proposal,

- transparency and rigour have been demonstrated by SDP through the CAP's participation in selecting key investment themes, providing comprehensive information for those themes, and explaining the extent to which the CAP's recommendations have been incorporated into the pricing proposal, and
- SDP's engagement has been authentic, meaningful and influential.

This letter serves to provide assurance to the community, stakeholders, and IPART that SDP's engagement was genuine. It was proportionate to SDP's role in the provision of drinking water to the people of Sydney, was timed correctly and allowed community priorities to be meaningfully incorporated into SDP's IPART proposal.

Yours sincerely



Ruth Lavery
Independent Chair, Customer Advisory Panel

Sydney Desalination Plant's Customer Advisory Panel

Terms of Reference 2025-2026

1. Background

Sydney Desalination Plant (SDP) is an integral part of Sydney's long term water security as the city's only major rainfall independent source of drinking water. SDP's vision is to be a great water company that provides long-term value to the people of Sydney.

SDP's next regulatory proposal is due to be submitted to the Independent Pricing and Regulatory Tribunal (IPART) in September 2026 for prices that will apply from 2027 to 2032. As part of the process of developing the next regulatory proposal, SDP is establishing a Customer Advisory Panel (CAP) to provide independent advice from advocates representing the water users of Sydney.

2. Purpose

The CAP will provide independent feedback and advice to ensure SDP develops a customer centric regulatory proposal that reflects and balances the views and feedback of both Sydney Water and its end customers. The CAP's feedback will help ensure SDP's regulatory proposal reflects the long-run interests of Sydney's water users.

3. Role

The role of the CAP is to:

- Validate the integration of relevant end-customer feedback from Sydney Water's engagement program into the proposal
- Provide insights and feedback to ensure the regulatory proposal accurately reflects customer preferences
- Strengthen the regulatory proposal by constructively challenging SDP to ensure transparency and rigour, and
- Provide assurance to the community, stakeholders, and IPART that SDP's engagement has been authentic, meaningful and influential.

The CAP will have a material influence on the engagement agenda and how SDP engages to ensure SDP's engagement principles are evident in the design.

4. Membership

The CAP will comprise an Independent Chair and up to eight (8) sophisticated customer advocates who will broadly represent Sydney's water users. The group will be independent members who bring a variety of skills and perspectives, representing different groups or elements of the community. Membership will comprise a diverse cohort that can provide feedback consistent with the purpose and role of the CAP.

5. Duties and responsibilities of the CAP

Members will have the capacity to articulate community rather than personal priorities. Members have been invited based on their:

- Commitment to contribute constructively to the purpose and objectives of the CAP
- Capacity to work collaboratively and cooperatively with others
- Ability to contribute specialist knowledge and expertise by providing customer and community perspectives
- Willingness to explore concepts and ideas and consider a range of perspectives
- Ability to meet in-person or online, eight to ten (8-10) times (approximately once a month) from September 2025 to August 2026
- Ability to meet as required from September 2026 to July 2027 with the duration and frequency to be confirmed – see 5.1 Meetings and 5.2 Terms of appointment for additional information.

5.1 Meetings

CAP members will attend approximately one workshop per month for the 12 months leading up to the regulatory proposal being submitted in September 2026.

After the regulatory proposal is submitted by SDP in September 2026, SDP intends to engage with the CAP on key components of the review process as required.

5.2 Term of appointment

Members are appointed for a term of approximately two (2) years, commencing in August 2025 and concluding in July 2027 when IPART's Final Determination will be implemented.

At the end of the Term, a review of the CAP's role and scope will be undertaken, including feedback from CAP members.

5.3 Vacancies

If a member's position on the CAP becomes vacant at any time, SDP may appoint a replacement at its discretion. Positions will become vacant if a member:

- Resigns in writing to the CAP Independent Chair or SDP
- Misses three or more consecutive workshops and/or meetings without an apology or agreed leave of absence
- Behaves in a manner that SDP determines is not keeping with the values of the organisation
- Discloses confidential information
- Has a conflict of interest that cannot be resolved or managed to the satisfaction of SDP.
- Becomes a Director or employee of SDP.

SDP can terminate membership of the CAP at any time and for any reason without recourse. Notification of the termination of a member will be made in writing.

5.4 Chairperson

SDP will appoint an Independent Chair from the CAP membership. The Independent Chair will not be a current employee of SDP.

In addition to the responsibilities of members, the Independent Chair will:

- Support SDP in ensuring that the CAP performs its functions and acts in accordance with these Terms of Reference
- Liaise with SDP in the development of the workshop and meeting agendas
- Facilitate the conduct of meetings to allow frank and open discussion
- Ensure individual members make an effective contribution.
- Sign meeting minutes that may include a summary of recommendations made from the CAP to SDP.

If the Independent Chair is absent from a meeting, a member of the CAP may be nominated to chair the meeting.

5.5 Quorum

A quorum shall consist of 50 per cent of CAP members, including the Independent Chair.

5.6 Conflict of interest

If any CAP member believes they may have a conflict of interest in relation to a particular topic or issue, whether perceived, pecuniary, or otherwise, that member must notify SDP prior to commencement of the engagement and/ or at the time that they become aware of the conflict of interest. This may preclude the member from joining in the engagement on the subject.

6. Operating procedures

6.1 Member responsibilities

In addition to the duties and responsibilities of the CAP as outlined in section 5, CAP members are asked to:

- Actively and respectfully participate in CAP discussions
- Act with integrity and due regard for the opinions, rights, and responsibilities of others
- Support the role of the Independent Chair to ensure that the CAP functions properly, that there is full participation during workshops and meetings and that all relevant matters are discussed
- Attend each workshop and meeting, where practical, and if unable to do so, let the Independent Chair know as soon as possible
- Declare any pecuniary or conflict of interest and disclosure of confidential information
- Adhere to relevant SDP policies including agreeing to enter a deed of confidentiality
- Advocate in a professional manner on behalf of customer and/or community
- Agree to their membership of the CAP being on a public website as per section 9 Disclosure.

6.2 SDP responsibilities

SDP agrees to:

- Incorporate CAP preferences for engagement
- Be clear about the level of participation being offered to the CAP
- Ensure the CAP's advice and recommendations are considered by relevant SDP staff
- Provide the CAP members with feedback on how their advice and recommendations have been considered
- Provide appropriate support for effective administration of the CAP including administrative support, venues for workshops, and communications
- Provide the agenda, papers, and any other relevant documentation in advance of each CAP workshop and meeting
- Actively monitor communication channels and respond to questions or comments from CAP members out of session
- Seek and respond to CAP advice on how the operation of the CAP could be improved
- Provide appropriate induction for new CAP members.

7. Authority

The CAP is an advisory group and does not have any formal decision-making role or any responsibility for the management of SDP.

8. Privacy

The personal information of all CAP members and applicants will be managed in accordance with SDP's privacy standards. The names of the CAP members will be published on SDP's website upon their appointment.

9. Disclosure

The following information will be published on SDPs public website:

- Names, short bio and image of the CAP members
- The CAP Terms of Reference
- Agendas of each workshop and meeting.

10. Review

On an annual basis, SDP will review the efficacy of the CAP and its Terms of Reference. The Terms of Reference can be updated annually by the CAP for approval by SDP.

11. Funding and resourcing

The CAP will be resourced by SDP, which will include administrative support, meeting venue, and out-of-session communications. SDP will also provide any other reasonable support to maximise the contribution of CAP members.

If CAP membership is outside the core remit of members' jobs in their organisations, then SDP can consider a small fee for each workshop attended. Members may also be reimbursed for out-of-pocket expenses as agreed in advance with SDP.

ATTACHMENT B: RECOMMENDATIONS

The CAP recommends:

Service Levels

1. SDP continues to provide services that:
 - a) are consistent with the requirements of its operating licence,
 - b) are consistent with the values and relevant preferences of Sydney Water and end customers, and
 - c) most efficiently contribute to providing the people of Sydney with secure, reliable and affordable water services.
2. In developing its proposal, SDP should:
 - a) recognise that end-customers value *fair and affordable bills*, and
 - b) identify opportunities to defer or delay non-essential expenditure that does not contribute to optimising its efficient operation within the regulatory period, consistent with its operating licence.
3. Any expenditure or project that enhances or improves SDP's services, including its ability to respond to other production requests, needs to be well justified according to the values and preference of Sydney Water and end customers – with benefits to the people of Sydney clearly outweighing costs.

Energy

4. In developing its proposal, SDP should:
 - a) look to minimise guaranteed cost to customers when procuring energy from 2030 onwards, through prudent contracting occurring closer to 2030.
 - b) when contracting, consider the following factors when deciding how much energy to lock in:
 - i. lock in only the energy necessary to deliver required minimum annual production,
 - ii. otherwise minimise the locked-in cost to customers,
 - iii. retain flexibility to respond to Sydney Water's other production requests and broader system needs, and
 - iv. use an approach that aligns contracted demand with production requirements, in the interests of balancing flexibility, certainty and cost.
 - c) most efficiently procure genuinely renewable energy as outlined in its licence, whatever its source or procurement structure.
5. Investment in on-site solar and batteries be considered only as part of SDP's portfolio of potential efficient investments rather than explicitly prioritised.
6. SDP consider opportunities to lower energy costs and pursue additional income streams (i.e. demand response) if benefits are shared with end customers.

In making these recommendations, CAP members noted the desirability of SDP clearly signalling its cost of production to Sydney Water and being incentivised to achieve the minimum cost of production on its energy needs, in the interests of lowering the cost borne by end-customers. The current regulatory framework does not support this signalling and incentivisation, resulting in a risk allocation imbalance. Recognising that this is an issue that cannot be addressed in SDP's 2027-2032 Pricing Proposal, the CAP suggests IPART might consider it when setting Sydney Water's 2030-2035 prices

The CAP also suggests that:

- investment in on-site solar energy should preferably be made only as part of SDP's portfolio of potential investments including consideration of energy efficiency investments, and meet SDP's hurdles for efficient and prudent expenditures, and
- energy should be sourced from legitimate renewable sources, and that otherwise knowing where SDP's renewable energy comes from is not as important as entering an efficient procurement option.
- energy use flexibility, enabling lower energy costs/additional income streams should be enabled where it can be pursued without compromising the safe and efficient operation of the plant, SDP's capacity to deliver on Sydney Water requests, and the longevity of plant assets.

Expenditure

7. SDP's expenditure decisions align with customer values and preferences and have regard to the following:

- a) clean, safe drinking water is expected,
- b) expenditure must demonstrate material benefits and be undertaken no sooner than prudent,
- c) expenditure that efficiently improves flexibility and emergency response effectiveness is a priority,
- d) SDP decisions should minimise impact on the local environment and support emissions reduction,
- e) innovation should seek to improve the plant's efficiency and reduce costs to end customers over predictable timeframes.

The CAP suggests that SDP should consider innovation and improving the plant's efficiency as BAU, implementing emerging technologies when they demonstrably offer improved efficiencies. This includes assessing opportunities for more flexible energy usage practices, where it meets the conditions outlined above.

8. Maintaining or somewhat increasing local community and environmental initiative expenditure is consistent with the expectations of the people of Sydney, particularly where more tangible impacts can be demonstrated.

The CAP is of the view that SDP's role in protecting the environment is largely captured within expenditures on licence requirements around use of renewable energy and DWEERs.

9. The second drinking water tank be included in the pricing proposal only if SDP can clearly demonstrate its benefits exceed its costs. The CAP considers the tank should not proceed if expansion planning is the main or only material benefit.

The CAP reached this view because of the plant's role as an integral part of Sydney's water system for emergency and maintenance-based water requests as well as its original role in drought response, and after considering information provided by SDP and Sydney Water and aligning those with what is valued by the people of Sydney.

The CAP notes that

- by increasing drinking water storage within Sydney Water's network, the tank will enable improved reliability
- we know end customers do not want necessary investments to be delayed where benefits are demonstrably greater than costs, ie 'kicking the can down the road'
- it will enable efficient operation by SDP in its relatively new requirement for flexible full-time mode rather than drought only mode
- it will enable greater exploration of flexible energy use practices which may provide the opportunity for material cost offsets to plant operation
- it will improve SDP's response times to emergency water requests from Sydney Water, leading to improved water security along with SDP's ability to meet its service level requirements
- it will improve redundancy by reducing the likelihood of SDP failing to respond to production requests by removing possible single tank failure
- as the tank forms part of the full expansion project, building it early will improve water resilience due to a quicker drought response.

The CAP also recognises that it would be a very large expenditure in this pricing proposal, in a time of cost of living pressures and an uncertain economic climate and that the expenditure would be made prior to SDP being requested to build the expansion, and there is uncertainty about when that request would be made

Other topics

10. That it is not essential for SDP to adopt IPART's three inter-related financial incentive schemes – EBSS, CESS and ODIs. The CAP regards efficient operation and delivery of required outcomes as fundamental, regardless of whether the schemes are adopted. If SDP elects to adopt the schemes, the customer share of the benefit/penalty must be passed on to end customers.
11. That SDP aligns with relevant Sydney Water *Performance Measures* and *Customer Outcomes* and develop and adopt its own *Performance Measures*. In the CAP's view:
- a) *Performance Measures* for the customer experience of *Fair and Affordable Bills* should:
 - i. be anchored to aspects that are meaningfully under SDP's control,
 - ii. encourage SDP to optimise operational efficiency, including the cost-efficient use of energy,

- iii. be aligned with but additional to existing licence, regulatory and community expectations to deliver capital projects efficiently.
 - b) *Performance Measures for Environmental Protection* based on SDP's local and environmental initiatives should be quantitative. Reduction of carbon emissions beyond the renewable energy contractual arrangements is desirable and metrics should be developed.
 - c) *Performance Measures for the Customer Outcomes of Water Quality and Reliability* should:
 - i. Include more detailed reporting of compliance with Australian Drinking Water Guidelines (ie, frequency, duration and magnitude of any non-compliance) focussed on the impact and significance of non-compliance.
 - ii. Measure SDP's contribution to the quality of water provided by Sydney Water to the people of Sydney as this is a meaningful reflection of its increasing role in supporting water quality.
 - iii. Measure material fulfilment of Sydney Water production requests (annual production, fixed production day requests and emergency requests).
 - iv. Measure SDP's readiness and ability to respond to planned and unplanned (emergency) requests.
12. Regarding expenditure on expansion of the plant in the upcoming regulatory period, that SDP either undertake:
- a) no additional expenditure on expansion specific works, or
 - b) limited expenditure on prudent preparatory planning works only.

The CAP notes that in the first instance some other planned expenditures provide co-incident benefits to expansion and that SDP would continue to stay up to date with evolving technologies and market trends.

In the second instance, the CAP was advised that expenditure would be constrained to preparatory planning work to progress options in high-risk scope areas or identify early works that could reduce delivery time and disruption, including targeted enhancements to existing projects, investigation of other key interfaces, and improved integration of digital plant data to support efficient design and delivery.

The CAP is of the view that any expenditures other than the two options recommended would have a significant impact on end-customer bills in the upcoming regulatory period, and should only be made following a formal request from NSW government indicating expansion timing.