



Prices for Sydney Desalination Plant's
Water Supply Services

Draft Determination

April 2023

Water >>

Tribunal Members

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair
Deborah Cope
Sandra Gamble

Further information on IPART can be obtained from [IPART's website](#).

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

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Part 1 Preliminary

1 Application of this determination

This determination sets a methodology for fixing maximum prices for all Water Supply Services supplied by SDP.

2 Commencement and term of this determination

- a) This determination commences on the later of 1 July 2023 and the date that it is published in the NSW Government Gazette.
- b) This determination replaces the 2017 Determination.
- c) Subject to paragraph (d), the maximum prices fixed under this determination apply from the date this determination commences to 30 June 2027.
- d) The maximum prices fixed under this determination prevailing on 30 June 2027 continue to apply beyond 30 June 2027 until this determination is replaced.

3 Legislative background

- a) By order dated 2 May 2011, the Minister declared SDP to be a monopoly supplier under section 51 of the WIC Act.
- b) By a referral of 16 June 2022, the Minister required IPART to determine maximum prices for the Water Supply Services, under section 52(1) of the WIC Act.
- c) IPART makes this determination under section 52 of the WIC Act, in accordance with that referral from the Minister.

Part 2 Maximum prices for Water Supply Services

4 The maximum price for Water Supply Services that SDP may charge a customer on a day

The maximum price SDP may charge a customer for Water Supply Services on a day is the sum of:

- a) the usage charge described in clause 5;
- b) the service charge described in clause 6;
- c) the pipeline charge described in clauses 7; and
- d) if the day is a Sydney-Water-Requested Zero Production Day, the Sydney-Water-requested zero production charge described in clause 8.

5 The usage charge

- a) Subject to paragraph (b), the usage charge is as set out below, multiplied by the number of ML of water SDP supplies to the customer on the day:

- i) for a day in FY23/24: $\$767.54 + \frac{\text{Variable Network Charge} \times 316,273\text{MWh}}{91,250\text{ML}}$;
- ii) for a day in FY24/25: $\$723.26 \times CPI_1 + \frac{\text{Variable Network Charge} \times 316,273\text{MWh}}{91,250\text{ML}}$;
- iii) for a day in FY25/26: $\$812.86 \times CPI_2 + \frac{\text{Variable Network Charge} \times 316,273\text{MWh}}{91,250\text{ML}}$; and
- iv) for a day in FY26/27: $\$735.82 \times CPI_3 + \frac{\text{Variable Network Charge} \times 316,273\text{MWh}}{91,250\text{ML}}$.

[Note: 316,273MWh is the annual average amount of electricity consumption used to allocate variable network charges to SDP's water usage charge. 316,273MWh was determined by taking the annual average electricity consumption over a year (326,785MWh) and subtracting the annual average amount of electricity consumption allocated to the fixed water service charge (10,512MWh). 316,273MWh is divided by the approximate amount of desalinated water the plant would produce if it were to run at full capacity for a year (91,250ML calculated as 250ML per day for 365 days), to provide an approximation of the incremental amount of electricity required to produce each ML of desalinated water.]

- b) Where the customer is Sydney Water, the usage charge is nil for all water supplied in excess of 110% of an Annual Production Request.

6 The service charge

- a) The service charge is:

- i) for a day in FY23/24:

$$(\$421,092 + \text{Fixed Network Charge} + (\text{Variable Network Charge} \times 28.8\text{MWh})) \\ \times \text{Customer's share of the service charge for the day}$$

- ii) for a day in FY24/25:

$(\$423,141 \times CPI_1 + \text{Fixed Network Charge} + (\text{Variable Network Charge} \times 28.8\text{MWh}))$
 $\times \text{Customer's share of the service charge for the day}$

iii) for a day in FY25/26:

$(\$423,133 \times CPI_2 + \text{Fixed Network Charge} + (\text{Variable Network Charge} \times 28.8\text{MWh}))$
 $\times \text{Customer's share of the service charge for the day}$

iv) for a day in FY26/27:

$(\$419,196 \times CPI_3 + \text{Fixed Network Charge} + (\text{Variable Network Charge} \times 28.8\text{MWh}))$
 $\times \text{Customer's share of the service charge for the day}$

[Note: 28.8 MWh per day is the fixed portion of electricity consumption allocated to SDP's service charge. This value is calculated by dividing the annual fixed electricity consumption of 10,512MWh by 365 days.]

b) For the purposes of paragraph (a), the customer's share of the service charge for the day is:

i) if the customer is Sydney Water:

$$\frac{\text{Maximum Production} - \text{Total Third Party Supply}}{\text{Maximum Production}}$$

ii) if the customer is not Sydney Water:

$$\frac{\text{The volume of water, in ML, supplied by SDP to that customer on the day}}{\text{Maximum Production}}$$

7 The pipeline charge

a) Subject to paragraph (b), the pipeline charge is:

i) for a day in FY23/24: $\$97,295 \times \text{customer's share of the pipeline charge for the day}$;

ii) for a day in FY24/25: $\$97,405 \times \text{customer's share of the pipeline charge for the day} \times CPI_i$;

iii) for a day in FY25/26: $\$97,362 \times \text{customer's share of the pipeline charge for the day} \times CPI_2$; and

iv) for a day in FY26/27: $\$97,254 \times \text{customer's share of the pipeline charge for the day} \times CPI_3$;

b) Despite paragraph (a), if the customer is not Sydney Water, to the extent SDP supplies the customer with water otherwise than via the Pipeline on the day, the pipeline charge is nil.

c) For the purposes of paragraph (a), a customer's share of the pipeline charge for a day is:

i) if the customer is Sydney Water:

$$\frac{\text{Maximum Production} - \text{Total Third Party Pipeline Supply}}{\text{Maximum Production}}$$

ii) if the customer is not Sydney Water:

$$\frac{\text{The volume of water, in ML, supplied by SDP to that customer on the day, via the Pipeline}}{\text{Maximum Production.}}$$

8 The Sydney-Water-requested zero production charge

The Sydney-Water-requested zero production charge is:

- a) if the customer is Sydney Water:
 - i) for a Sydney-Water-Requested Zero Production Day in FY23/24: \$1,736;
 - ii) for a Sydney-Water-Requested Zero Production Day in FY24/25: $\$1,764 \times \text{CPI}_1$;
 - iii) for a Sydney-Water-Requested Zero Production Day in FY25/26: $\$1,725 \times \text{CPI}_2$; and
 - iv) for a Sydney-Water-Requested Zero Production Day in FY26/27: $\$1,759 \times \text{CPI}_3$; and
- b) if the customer is not Sydney Water: nil.

Part 3 Statement of reasons for why IPART has used a methodology

9 Legislative framework

- a) Under section 13A of the IPART Act, IPART may not choose to make a determination that involves setting the methodology for fixing a maximum price, unless IPART is of the opinion that it is impractical to make a determination directly fixing the maximum price.
- b) If IPART makes a determination that involves setting the methodology for fixing a maximum price, then it must include a statement of reasons as to why it chose to set a methodology.
- c) Section 13A of the IPART Act applies to this determination under section 52(2) of the WIC Act.

10 Statement of reasons

The table below sets out the elements of this determination by which IPART has set a methodology for fixing maximum prices for the Water Supply Services, and IPART's reasons for doing so.

Element of this determination	Reasons for setting a methodology rather than directly fixing a price
The service and usage charges under this determination pass through Fixed Network Charges and Variable Network Charges using a methodology.	The Fixed Network Charges and Variable Network Charges SDP will be required to pay during the term of this determination are unknown at this time. Further, IPART considers that it is impractical to forecast now what these charges will be in the future. For that reason, IPART has decided to directly pass through these charges by applying a methodology.
This determination includes a methodology for splitting the service and pipeline charges between SDP's customers.	At the time of making this determination, Sydney Water is the only customer of SDP. It is impossible to know if that will remain the case and, if it does not, what share of the Water Supply Services will be supplied to other customers. For that reason, IPART considers it impractical to directly fix prices for a scenario where there are multiple customers. IPART has instead decided to deploy a methodology which will yield a fair sharing of charges between customers depending on what proportion of the Water Supply Services each customer receives.

Part 4 Definitions and interpretation

11 Definitions

In this determination:

2017 Determination means IPART's determination titled "Prices for Sydney Desalination Plant Pty Ltd's Water Supply Services 1 July 2017 to 30 June 2022" dated June 2017.

Annual Production Request has the meaning given in SDP's Network Operator's Licence as amended from time to time, including where a term is replaced with a different definition.

Distribution Network Service Provider has the meaning given in the National Electricity Rules as amended from time to time, including where a term is replaced with a different definition.

Fixed Network Charge means, for a day, the fixed charges, fees and tariffs payable by SDP in respect of Use of System Services provided on the relevant day by a Distribution Network Service Provider (including access charges and capacity charges) which are applied to the NMI (or NMIs) at which SDP's electricity usage at the Plant is measured.

IPART means the Independent Pricing and Regulatory Tribunal of NSW.

IPART Act means the *Independent Pricing and Regulatory Tribunal Act 1992*.

Maximum Production means either:

- a) on a day when SDP supplies more than 250ML of water to customers: the volume of water SDP supplies to customers on that day, in ML; or
- b) on any other day: 250ML.

Minister means the Minister administering Part 5 of the WIC Act.

ML means megalitres.

National Electricity Rules means the National Electricity Rules made under the National Electricity Law set out in the Schedule to the *National Electricity (South Australia) Act 1996* (SA).

NMI has the meaning given in the National Electricity Rules as amended from time to time, including where a term is replaced with a different definition, and refers to a National Metering Identifier.

Pipeline means the pipeline system running from Lot 2 in DP 1077972 in the suburb of Kurnell up to, but not including, the connection valve at Shaft 11 C on the City Tunnel at Bridge Street in Lot A in DP 365407 in the suburb of Erskineville and consisting of the following infrastructure:

- a) sections of buried and overland pipeline running from the drinking water pumping station to Silver Beach;
- b) a single marine pipeline running from Silver Beach to a point 800 m offshore from Silver Beach;

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- c) twin trenched marine pipelines running from 800 m offshore off Silver Beach to Cook Park, Kyeemagh; and
 - d) buried, micro tunnelled and overland pipeline running from Cook Park, Kyeemagh up to the connection valve at Shaft 11C on the City Tunnel at Bridge Street, Erskineville.

Plant means the infrastructure authorised under SDP's Network Operator's Licence other than the Pipeline.

SDP means Sydney Desalination Plant Pty Limited (ACN 125 935 177).

SDP's Network Operator's Licence means licence number 10_010 granted to SDP under the WIC Act and includes any instrument or instruments varying or replacing it from time to time.

[Note: At the time this determination was published, the Water Industry Competition Amendment Act 2021 had been made but had not commenced. After it commences, SDP's Network Operator's Licence is likely to be replaced by new instruments issued under the WIC Act as amended by that amending Act.]

Sydney Water means Sydney Water Corporation constituted under the *Sydney Water Act 1994*.

Sydney-Water-Requested Zero Production Day means a day upon which the Plant is shut down for the entire day due to a request from Sydney Water to shut down the Plant on that day which is:

- a) in writing; and
- b) provided to SDP and IPART's Chair before that day.

[Note: For example, if Sydney Water provides SDP and IPART's Chair with a written notice requesting SDP to shut down the Plant at noon on 1 March 2025 and restart it at noon on 3 March 2025, and SDP complies: 2 March 2025 would be a Sydney-Water-Requested Zero Production Day, but neither 1 nor 3 March 2025 would be. That is because the Plant would not be shut down for the entire day on either 1 March or 3 March.]

[Note: Nothing in this determination should be construed as conferring a right on Sydney Water to require SDP to cease producing water.]

Total Third Party Pipeline Supply means the volume of water, in ML, supplied by SDP via the Pipeline to all customers other than Sydney Water on the relevant day.

Total Third Party Supply means the volume of water, in ML, supplied by SDP to all customers other than Sydney Water on the relevant day.

Use of System Services has the meaning given in the National Electricity Rules as amended from time to time, including where a term is replaced with a different definition.

Variable Network Charge means the variable charge, fee or tariff (in dollars per megawatt hour) payable by SDP in respect of Use of System Services provided by a Distribution Network Service Provider in respect of electricity supplied to the NMI (or NMIs) at which SDP's electricity usage at the Plant is measured for the applicable period.

Water Supply Services means the following services referred to IPART by the Minister under section 52 of the WIC Act, on 16 June 2022:

- a) the supply of non-rainfall dependant drinking water to purchasers; and

-
- b) the making available of the desalination plant to supply non-rainfall dependant drinking water.

WIC Act means the *Water Industry Competition Act 2006*.

12 Consumer Price Index

- a) In this determination, CPI means the consumer price All Groups index number for the weighted average of eight capital cities, published by the Australian Bureau of Statistics, or if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by IPART.
- b) In this determination:

$$CPI_1 = \frac{CPI_{March2024}}{CPI_{March2023}}$$

$$CPI_2 = \frac{CPI_{March2025}}{CPI_{March2023}}$$

$$CPI_3 = \frac{CPI_{March2026}}{CPI_{March2023}}$$

where:

$CPI_{March2023}$ means CPI for March 2023.

$CPI_{March2024}$ means CPI for March 2024.

$CPI_{March2025}$ means CPI for March 2025.

$CPI_{March2026}$ means CPI for March 2026.

13 Prices exclusive of GST

- a) Prices or charges specified in this determination do not include GST.
- b) For the avoidance of doubt, where GST is lawfully applied to maximum prices under this determination, the resulting GST inclusive price is consistent with this determination.

14 Rounding

- a) Any charge for a day under this determination is to be rounded to the nearest whole cent.
- b) For the purposes of rounding a charge under paragraph (a), any amount that is a multiple of 0.5 cents (but not a multiple of 1 cent) is to be rounded up to the nearest whole cent.
- c) Any volume of water referred to in this determination is to be rounded to the nearest whole kilolitre.
- d) For the purposes of rounding a volume under paragraph (c), any amount that is a multiple of 0.5 kilolitres (but not a multiple of 1 kilolitre) is to be rounded up to the nearest whole kilolitre.

15 General interpretation provisions

In this determination:

- a) headings are for convenience only and do not affect the interpretation of this determination;
- b) explanatory notes do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes;
- c) a reference to a schedule, clause, paragraph or table is a reference to a schedule to, clause of, paragraph in, or table in, this determination unless otherwise indicated;
- d) a construction that would promote a purpose or object expressly or impliedly underlying the WIC Act is to be preferred to a construction that would not promote that purpose or object;
- e) words or expressions importing the singular include the plural and vice versa;
- f) a reference to a law or statute includes regulations, ordinances, by-laws, rules, codes and other instruments (including licences) under it and consolidations, amendments, re-enactments or replacements of them or of the law or statute itself;
- g) where a word or expression is defined, other grammatical forms of that word or expression have a corresponding meaning;
- h) a reference to a month is to a calendar month;
- i) a reference to a financial year (or "FY") is a reference to a period of 12 months beginning on 1 July and ending on the following 30 June;
- j) a reference to a person includes a reference to the person's executors, administrators, successors, replacements (including, but not limited to, persons taking by novation), agents and assigns; and
- k) a reference to a body, whether statutory or not:
 - i) which ceases to exist; or
 - ii) whose powers or functions are transferred to another body; is a reference to the body which replaces it or which substantially succeeds to its powers or functions.