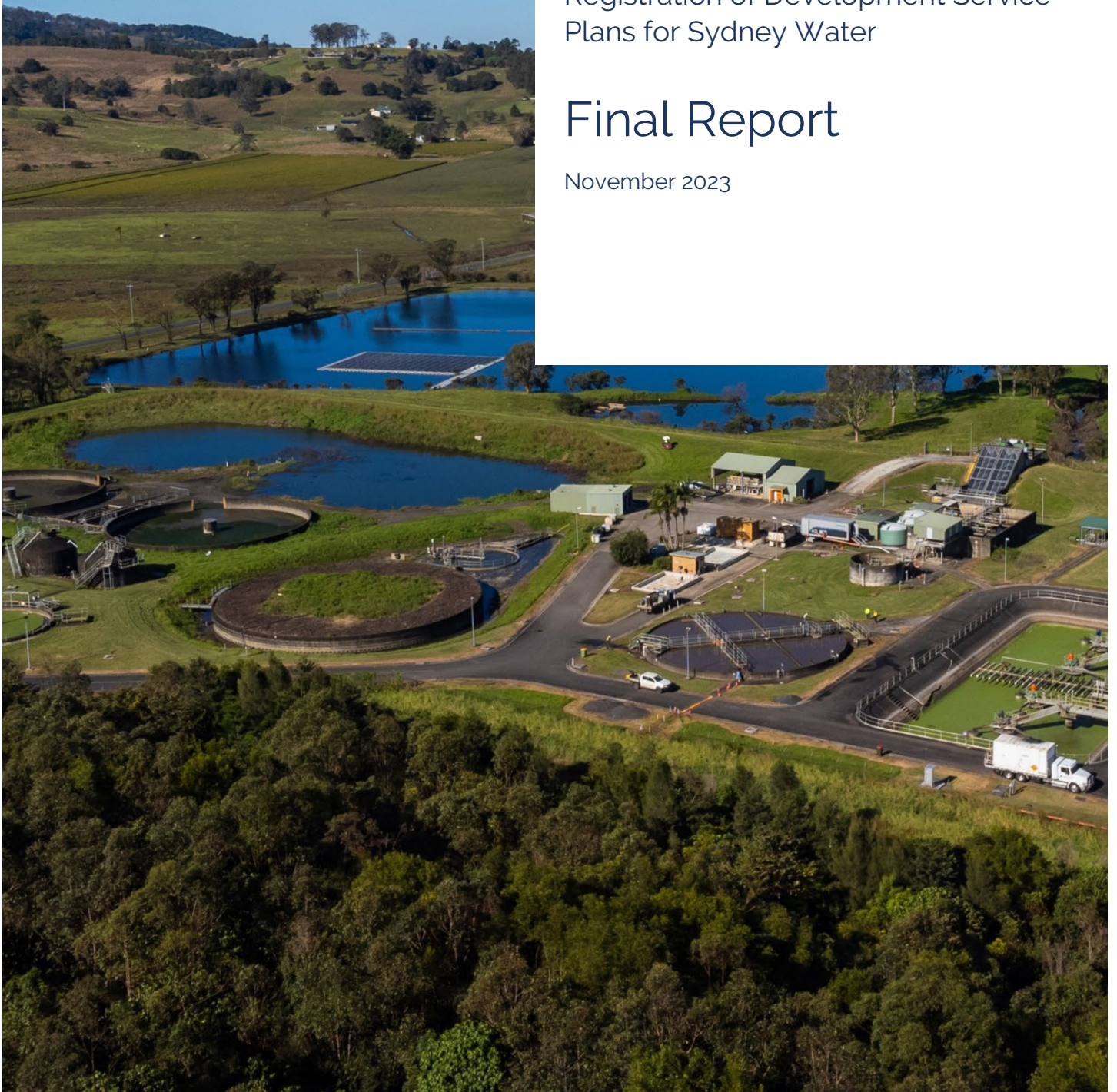




## Registration of Development Service Plans for Sydney Water

# Final Report

November 2023



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## **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.

## **Tribunal Members**

The Tribunal members for this review are:

Carmel Donnelly PSM, Chair  
Jonathan Coppel

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## **The Independent Pricing and Regulatory Tribunal**

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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# 1 Executive summary

Water and wastewater developer charges are prices for connecting to, or upgrading a connection to, a water supply, wastewater, or drainage system. They are paid by a property developer to the water utility that provides water and wastewater networks.

IPART's first determination for water and wastewater developer charges was published in 1995. In 2008 the NSW Government set water and wastewater developer charges to zero for Sydney Water and Hunter Water areas of operation. IPART's determination and developer charges for the Central Coast Council (previously Gosford and Wyong Councils) area of operations has remained in place all this time.

IPART published its latest developer charges determination in 2018.<sup>a</sup> That determination allowed 18 months for Sydney Water and Hunter Water to submit new Development Servicing Plans (DSPs) from the time of any future Government decision to reintroduce developer charges.

The NSW Government notified IPART in December 2021 that it had decided to change the Nil Developer Charges Policy effective from 1 January 2022 and was transitioning the reintroduction of cost reflective developer charges for Sydney Water and Hunter Water over a 4 year period as displayed in Table 1.

Table 1 Developer Charges Transition Arrangements

	<b>1 Jan 2022 to 30 June 2023</b>	<b>1 July 2023 to 30 June 2024</b>	<b>1 July 2024 to 30 June 2025</b>	<b>1 July 2025 to 30 June 2026</b>	<b>1 July 2026 onward</b>
% of maximum price for water and wastewater	0%	0%	25%	50%	100%

Sydney Water has now prepared DSPs for their respective networks, and exhibited and consulted on them. Sydney Water has now submitted final versions of those DSPs to IPART for registration.

This report identifies:

- the requirements that DSPs must meet for IPART to register them
- our assessment of whether the DSPs meet these requirements and our decisions on registration.

<sup>a</sup> IPART also determined maximum prices for connecting to a recycled water system in 2019.

We have concluded our assessment and have determined to:

## Decisions



1. Register all of Sydney Water's 4 Water DSPs and its 14 Wastewater DSPs effective from 31 December 2023, or an earlier date as decided by the CEO of IPART

In reaching those decisions, our analysis was limited to assessing whether the DSPs proposed by Sydney Water met the requirements of our 2018 Determination.<sup>b</sup> Those requirements are detailed in section 2 of this report.

Our next review of developer charges will consider whether those requirements, and our overall approach, remain appropriate. We intend to commence that review by 2026-27 at the latest.

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<sup>b</sup> The 2018 determination leaves to Sydney Water and Hunter Water how many DSPs to put in place, and what geographical area they cover. However, it requires each to "be reasonably satisfied that it has in place a sufficient number of DSPs, and DSPs that cover a sufficient aggregate area, to meet present demand ... and expected medium-term growth in demand ..."

## 2 Requirements of registration

The requirements that Sydney Water must comply with for IPART to register a Development Servicing Plan (DSP) are detailed in Schedule 4 of the 2018 Determination.<sup>c</sup>

In summary the requirements for a DSP are that it contains:

- a summary of the contents of the DSP
- information identifying the water or wastewater system(s) it relates to
- a description of size and boundaries of the DSP area
- information on current and projected population and Equivalent Tenements (ETs)
- completed and future capital works
- service standards for that DSP area
- the calculated maximum price in accordance with IPART's methodology
- detailed information on pre-1996 and post-1996 assets and the number of ETs served by the DSPs.

Additionally, Sydney Water needs to comply with the consultation requirements namely that they:

- exhibit the Draft DSP for 30 days
- make all the critical data assessable on the Agencies website for the exhibition period
- advertise the draft DSP
- advise industry bodies and known affected developers 10 days prior to the start of the exhibition period
- consider all submissions made and inform IPART of Sydney Water's response.

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<sup>c</sup> IPART, Maximum prices for connecting, or upgrading a connection, to a water supply, sewerage, or drainage system. Sydney Water, Hunter Water, and Central Coast Council. Final Determination October 2018

### 3 Final DSPs submitted to IPART by Sydney Water

Sydney Water submitted 4 water DSPs to IPART being:

2. Potts Hill
3. Prospect East
4. Illawarra.

Sydney Water also submitted 14 wastewater DSPs to IPART being:

1. North Head
2. Malabar
3. Bondi
4. Outer Sydney Coastal
5. Southern Illawarra
6. Northern Illawarra
7. Berowra Creek
8. Norwest
9. West Camden
10. Picton
11. Wilton
12. Nepean River
13. Lower South Creek
14. Richmond.

Following the public exhibition period, on 13 October 2023, Sydney Water notified IPART that it was updating the Greater Macarthur wastewater DSP and requested that IPART defer a registration decision on that DSP until the updates had been finalised.

Subsequently, on 17 November 2023, Sydney Water:

- withdrew the Greater Macarthur wastewater DSP
- provided new wastewater DSPs for Picton and Wilton (previously part of the Greater Macarthur wastewater DSP)
- altered the boundary for the Malabar wastewater DSP so that it included some developments that had previously been part of Greater Macarthur because they were connected to the Glenfield wastewater treatment plant in the Malabar DSP
- provided updated price calculations for Richmond, Southern Illawarra and Malabar wastewater DSPs that reflected the correction of prior calculation errors and more accurate inputs.

## 3.1 Our assessment of Sydney Water's DSPs

### 3.1.1 Methodology

We have examined the DSPs and found that all of Sydney Water's water and wastewater DSPs we considered conformed to the IPART methodology for calculating maximum prices.

### 3.1.2 Consultation

We have reviewed the consultation material supplied by Sydney Water and found that it has complied with the notification and exhibition requirements of our Determination.

Sydney Water also provided us with all the written, email and website submissions it received and its responses and any changes it made because of those submissions. Most notable of these was the disaggregation of West Camden wastewater DSP from Greater Macarthur and the disaggregation of Malabar, North Head and Bondi DSPs from the Sydney Coastal DSP.

### 3.1.3 Information Requirements

We found that all of Sydney Water's water and wastewater DSPs that we considered complied with the information requirements of the 2018 Determination.

For the 4 water DSPs, Sydney Water did not provide population projections, however. The reason is that the boundaries of these 4 DSPs do not neatly fit any census districts, meaning that the desired population data is not reasonably available.

The relevant sections of our 2018 determination are 1(d) and 7. Section 1(d) refers to requirements to provide demographic and land use planning information, including population and Equivalent Tenements. Sydney Water did provide the required information on Equivalent Tenements.

Our review of the DSPs did show that sufficient information was provided to determine the Current number of Equivalent Tenements (ETs), End State (2052) ETs and the Growth ETs for all water and wastewater DSPs

It is the ET information (and not population data) that is used in the price calculations. We consider that the information provided for these 4 DSPs on ETs meets the requirements of our 2018 determination.

### 3.1.4 Content Requirements

We consider that the water and wastewater DSPs we considered comply with the content requirements of our 2018 Determination.

There is one content requirement that deserves further articulation. Sydney Water's price calculation for water DSPs did not include costs for the next water supply augmentation. Given the current yield-demand situation in Sydney it is likely that a new supply augmentation will be needed to service demand growth associated with new housing supply.



Sydney Water gives the following reasons for not including major water headworks in its water DSP price calculations:<sup>d</sup>

A final recommendation regarding a preferred portfolio is yet to be considered by the NSW Government. Given uncertainty regarding the nature, timing and magnitude of future investments, we have not included the costs of any water supply augmentation measures when calculating infrastructure contribution prices for this round of DSPs. This can be revisited once a business case has been considered and approved by Government, at which point we can update our drinking water DSP prices to reflect any approved investments with a nexus to development.

In the circumstances, we consider Sydney Water's reason for non-inclusion of this water headworks cost reasonable, noting that there will be an opportunity to include it at the next review of developer charge levels, when the investment picture will be more certain.



Attachment A tabulates our assessment of each Sydney Water DSP against each of the relevant criteria from our 2018 determination.

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<sup>d</sup> "Infrastructure contributions How we apply IPART's pricing method to calculate prices," Sydney Water, Version 1.2 – September 2023, p 44.

## 4 Our decisions on DSP registration

### Decisions

-  1. We have reviewed Sydney Water's 4 Water DSPs and have concluded that they meet the requirements set out in our 2018 Determination and have therefore decided to register them
-  2. We have reviewed Sydney Water's 14 Wastewater DSPs and have concluded that they meet the requirements set out in our 2018 Determination and have therefore decided to register them

# Appendices

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## A Attachment A Sydney Water compliance with our 2018 determination

### Sydney Water

Minimum content for each DSP								
(a) summary	(b) system	(c) description of area	(d) demographic planning info	(e) timing of works	(f) service standards	(g) max price	(h) asset list	(i) compariso n if DSP remade

### Water DSPs

Prospect East	Yes	Yes	Yes	ET Only	Yes	Yes	Yes	Yes	N/A
Potts Hill	Yes	Yes	Yes	ET Only	Yes	Yes	Yes	Yes	N/A
Greater Sydney	Yes	Yes	Yes	ET Only	Yes	Yes	Yes	Yes	N/A
Illawarra	Yes	Yes	Yes	ET Only	Yes	Yes	Yes	Yes	N/A

### Wastewater DSPs

West Camden	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Nepean River	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Lower South Creek	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Picton	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Wilton	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Southern Illawarra	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Northern Illawarra	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Norwest	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Richmond	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Berowra Creek	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Outer Sydney Coastal	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Malabar	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
Bondi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A
North Head	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A

**Sydney Water**

Consultation and registration requirements for DSPs					
(a)(1) DSP exhibited ?	(a)(2) critical data provided ?	(a)(3) exhibition advertised ?	(b) key stakeholder s informed?	(c) submission s considered in final DSPs?	(d) DSPs forwarded to IPART, with info on submissions?

**Water DSPs**

Prospect East	Yes	Yes	Yes	Yes	Yes	Yes
Potts Hill	Yes	Yes	Yes	Yes	Yes	Yes
Greater Sydney	Yes	Yes	Yes	Yes	Yes	Yes
Illawarra	Yes	Yes	Yes	Yes	Yes	Yes

**Wastewater DSPs**

West Camden	Yes	Yes	Yes	Yes	Yes	Yes
Nepean River	Yes	Yes	Yes	Yes	Yes	Yes
Lower South Creek	Yes	Yes	Yes	Yes	Yes	Yes
Picton	Yes	Yes	Yes	Yes	Yes	Yes
Wilton	Yes	Yes	Yes	Yes	Yes	Yes
Southern Illawarra	Yes	Yes	Yes	Yes	Yes	Yes
Northern Illawarra	Yes	Yes	Yes	Yes	Yes	Yes
Norwest	Yes	Yes	Yes	Yes	Yes	Yes
Richmond	Yes	Yes	Yes	Yes	Yes	Yes
Berowra Creek	Yes	Yes	Yes	Yes	Yes	Yes
Outer Sydney Coastal	Yes	Yes	Yes	Yes	Yes	Yes
Malabar	Yes	Yes	Yes	Yes	Yes	Yes
Bondi	Yes	Yes	Yes	Yes	Yes	Yes
North Head	Yes	Yes	Yes	Yes	Yes	Yes

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