



Independent Pricing and Regulatory Tribunal

Sydney Catchment Authority

Water — Determination
June 2012



Independent Pricing and Regulatory Tribunal

Sydney Catchment Authority

Determination No. 2, 2012

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Preliminary

1 Background

- (a) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) (**IPART Act**) gives the Independent Pricing and Regulatory Tribunal (**IPART**) a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in schedule 1 of the IPART Act.
- (b) Sydney Catchment Authority (**SCA**) is specified as a government agency in schedule 1 of the IPART Act. The services supplied by SCA declared to be government monopoly services under the *Independent Pricing and Regulatory Tribunal (Water Supply Services) Order 2000* (**Order**) are:
 - (1) water supply services; and
 - (2) ancillary and miscellaneous services for which no alternative supply exists and which relate to the supply of those water supply services, (together, the **Monopoly Services**).
- (c) Accordingly, IPART may determine the prices for the Monopoly Services supplied by SCA.
- (d) In investigating and reporting on the pricing of the Monopoly Services, IPART has had regard to a broad range of matters, including the matters in section 15(1) of the IPART Act.
- (e) In accordance with section 13A of the IPART Act, IPART has fixed a maximum price for the Monopoly Services or has set a methodology for fixing the maximum price for the Monopoly Services, as appropriate. As required by section 13A(3) of the IPART Act, where IPART has set such a methodology, its reasons for doing so are set out in schedule 6.
- (f) Under section 18(2) of the IPART Act, SCA may not fix a price below the maximum price determined by IPART, or calculated in accordance with a determination by IPART, without the Treasurer's approval.

2 Application of this determination

- (a) This determination fixes the maximum prices (or sets a methodology for fixing the maximum prices) that SCA may charge for the Monopoly Services.
- (b) This determination commences on the later of 1 July 2012 and the date that it is published in the NSW Government Gazette (**Commencement Date**).

- (c) The maximum prices in this determination apply from the Commencement Date to 30 June 2016. The maximum prices in this determination prevailing at 30 June 2016 continue to apply beyond 30 June 2016 until this determination is replaced.

3 Replacement of Determination No. 3 of 2009

This determination replaces Determination No. 3 of 2009 from the Commencement Date. The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determination No. 3 of 2009 before its replacement.

4 Monitoring

IPART may monitor SCA's performance for the purposes of:

- (a) establishing and reporting on the level of SCA's compliance with this determination; and
- (b) preparing a periodic review of pricing policies in respect of the Monopoly Services supplied by SCA.

5 Schedules

- (a) Schedule 1 and the tables in that schedule set out the methodology for fixing the maximum prices that SCA may charge Large Customers for Water Supply Services.
- (b) Schedule 2 and the tables in that schedule set out the maximum prices that SCA may charge Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council for Water Supply Services.
- (c) Schedule 3 and the table in that schedule set out the maximum prices that SCA may charge Small Customers for Water Supply Services (Bulk Raw Water).
- (d) Schedule 4 and the tables in that schedule set out the maximum prices that SCA may charge Small Customers for Water Supply Services (Unfiltered Water).
- (e) Schedule 5 sets out the definitions and interpretation provisions.
- (f) Schedule 6 sets out the reasons why IPART has chosen to set a methodology for fixing a maximum price.

Schedule 1 Water Supply Services to Large Customers

1 Application

This schedule sets out the methodology for fixing the maximum prices that SCA may charge Large Customers for Water Supply Services.

[**Note:** Large Customers include Sydney Water Corporation and other persons such as holders of Retail Supplier's Licences, certain water agencies, and persons with access to Sydney Water Corporation's infrastructure services.]

2 Categories for pricing purposes

IPART has determined the methodology for fixing the maximum prices for SCA's Water Supply Services to Large Customers for two categories:

- (a) when the SDP Plant is in a Plant Operation Period (clause 3); and
- (b) when the SDP Plant is in a Shutdown Period or Restart Period (clause 4).

3 Maximum price – Plant Operation Period

- (a) This clause 3 only applies when the SDP Plant is in a Plant Operation Period. It does not apply when the SDP Plant is in a Shutdown Period or Restart Period.
- (b) The maximum price that SCA may charge a Large Customer for Water Supply Services for a day when the SDP Plant is in a Plant Operation Period for the applicable Period is calculated as follows:

$$\left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

where:

- (1) *FAC* = the Fixed Availability Charge for the Period in which the day occurs, as set out in Table 1;
- (2) *CustomerSupply* = the number of ML of water supplied by SCA to that Large Customer for the day;
- (3) *TotalSupply* = the number of ML of water supplied by SCA to all Large Customers for the day; and
- (4) *VC* = the Volumetric Charge for the Period in which the day occurs, as set out in Table 2.

4 Maximum price – Shutdown Period or Restart Period

- (a) This clause 4 only applies when the SDP Plant is in a Shutdown Period or Restart Period. It does not apply when the SDP Plant is in a Plant Operation Period.
- (b) The maximum price that SCA may charge a Large Customer for Water Supply Services for a day when the SDP Plant is in a Shutdown Period or Restart Period for the applicable Period is calculated as follows:

$$\left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

where:

- (1) *FAC* = the Fixed Availability Charge for the Period in which the day occurs, as set out in Table 1;
- (2) *CustomerSupply* = the number of ML of water supplied by SCA to that Large Customer for the day;
- (3) *TotalSupply* = the number of ML of water supplied by SCA to all Large Customers for the day; and
- (4) *VC* = the Volumetric Charge for the Period in which the day occurs, as set out in Table 3.

5 Worked examples

5.1 Worked example 1

For the purposes of this worked example only, assume that:

- (a) The SDP Plant is in a Plant Operation Period from 1 July 2012 to 31 October 2012 and in a Shutdown Period from 1 November 2012 to 31 December 2012.
- (b) SCA supplies 100ML of water each day to Sydney Water Corporation when the SDP Plant is in the Plant Operation Period, and 200ML of water each day when the SDP Plant is in the Shutdown Period.
- (c) SCA does not supply water to any other Large Customers during this period.

The maximum price that SCA may charge **Sydney Water Corporation** over this period is \$80,644,283.00, which is calculated as follows:

- (A) For July – October 2012 (when the SDP Plant is in the Plant Operation Period):

Maximum price per day:

$$= \left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

Where:

$$FAC = \$426,448.00 / day$$

$$CustomerSupply = 100ML$$

$$TotalSupply = 100ML$$

$$VC = \$97.89 / ML$$

$$= \$436,237.00$$

Maximum price for July - October 2012 (123 days):

$$= \$436,237.00 \times 123$$

$$= \$53,657,151.00$$

- (B) For November - December 2012 (when the SDP Plant is in the Shutdown Period):

Maximum price per day:

$$= \left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

Where:

$$FAC = \$426,448.00 / day$$

$$CustomerSupply = 200ML$$

$$TotalSupply = 200ML$$

$$VC = \$79.82 / ML$$

$$= \$442,412.00$$

Maximum price for November - December 2012 (61 days):

$$= \$442,412.00 \times 61$$

$$= \$26,987,132.00$$

$$\text{Total of (A) and (B)} = \$53,657,151.00 + \$26,987,132.00 = \$80,644,283.00$$

5.2 Worked example 2

For the purposes of this worked example only, assume that:

- The SDP Plant is in a Plant Operation Period from 1 July 2012 to 31 October 2012 and in a Shutdown Period from 1 November 2012 to 31 December 2012.
- Over this period, SCA supplies water to Sydney Water Corporation and Customer B. Customer B holds a Retail Supplier's Licence. Therefore both Sydney Water Corporation and Customer B are Large Customers.

- (c) The amounts of water supplied by SCA to Sydney Water Corporation and Customer B over this period are as follows:

SDP Plant status	Month	Daily amount of water supplied to Sydney Water Corporation	Daily amount of water supplied to Customer B	Total daily amount of water supplied
Plant Operation Period	July 2012	80ML	20ML	100ML
	August 2012	80ML	20ML	100ML
	September 2012	80ML	20ML	100ML
	October 2012	80ML	20ML	100ML
Shutdown Period	November 2012	150ML	50ML	200ML
	December 2012	150ML	50ML	200ML

The maximum price that SCA can charge **Sydney Water Corporation** over this period is \$63,166,069.80, which is calculated as follows:

- (A) For July - October 2012 (when the SDP Plant is in the Plant Operation Period):

Maximum price per day:

$$= \left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

Where:

$$FAC = \$426,448.00 / day$$

$$CustomerSupply = 80ML$$

$$TotalSupply = 100ML$$

$$VC = \$97.89 / ML$$

$$= \$348,989.60$$

Maximum price for July - October 2012 (123 days):

$$= \$348,989.60 \times 123$$

$$= \$42,925,720.80$$

- (B) For November - December 2012 (when the SDP Plant is in the Shutdown Period):

Maximum price per day:

$$= \left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

Where:

$$FAC = \$426,448.00 / day$$

$$CustomerSupply = 150ML$$

$$TotalSupply = 200ML$$

$$VC = \$79.82 / ML$$

$$= \$331,809.00$$

Maximum price for November – December 2012 (61 days):

$$= \$331,809.00 \times 61$$

$$= \$20,240,349.00$$

$$\text{Total of (A) and (B)} = \$42,925,720.80 + \$20,240,349.00 = \$63,166,069.80$$

The maximum price that SCA can charge **Customer B** over this period is \$17,478,213.20, which is calculated as follows:

(C) For July - October 2012 (when the SDP Plant is in the Plant Operation Period):

Maximum price per day:

$$= \left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

Where:

$$FAC = \$426,448.00 / day$$

$$CustomerSupply = 20ML$$

$$TotalSupply = 100ML$$

$$VC = \$97.89 / ML$$

$$= \$87,247.40$$

Maximum price for July – October 2012 (123 days):

$$= \$87,247.40 \times 123$$

$$= \$10,731,430.20$$

(D) For November - December 2012 (when the SDP Plant is in the Shutdown Period):

Maximum price per day:

$$= \left(FAC \times \frac{CustomerSupply}{TotalSupply} \right) + (VC \times CustomerSupply)$$

Where:

$$FAC = \$426,448.00 / day$$

$$CustomerSupply = 50ML$$

$$TotalSupply = 200ML$$

$$VC = \$79.82 / ML$$

$$= \$110,603.00$$

Maximum price for November – December 2012 (61 days):

$$= \$110,603.00 \times 61$$

$$= \$6,746,783.00$$

$$\text{Total of (C) and (D)} = \$10,731,430.20 + \$6,746,783.00 = \$17,478,213.20$$

Tables 1, 2 and 3

Table 1 Fixed Availability Charge

Period	Fixed Availability Charge (\$2012/13, \$ per day)
Commencement Date to 30 June 2013	426,448
1 July 2013 to 30 June 2014	$431,302 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$433,725 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$434,620 \times (1 + \Delta CPI_3)$

Table 2 Volumetric Charge – When SDP Plant is in a Plant Operation Period

Period	Volumetric Charge (\$2012/13, \$ per ML)
Commencement Date to 30 June 2013	97.89
1 July 2013 to 30 June 2014	$98.48 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$98.50 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$98.10 \times (1 + \Delta CPI_3)$

Table 3 Volumetric Charge – When SDP Plant is in a Shutdown Period or Restart Period

Period	Volumetric Charge (\$2012/13, \$ per ML)
Commencement Date to 30 June 2013	79.82
1 July 2013 to 30 June 2014	$80.38 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$80.47 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$80.27 \times (1 + \Delta CPI_3)$

Schedule 2 Water Supply Services to certain councils

1 Application

This schedule sets out the maximum prices that SCA may charge Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council for Water Supply Services.

2 Maximum price for Water Supply Services to Wingecarribee Shire Council

The maximum price that SCA may charge Wingecarribee Shire Council for Water Supply Services is the sum of:

- (a) the Fixed Availability Charge in Table 4; and
- (b) the Volumetric Charge in Table 7,

for the applicable Period in the relevant table.

3 Maximum price for Water Supply Services to Shoalhaven City Council

The maximum price that SCA may charge Shoalhaven City Council for Water Supply Services is the sum of:

- (a) the Fixed Availability Charge in Table 5; and
- (b) the Volumetric Charge in Table 7,

for the applicable Period in the relevant table.

4 Maximum price for Water Supply Services to Goulburn Mulwaree Council

The maximum price that SCA may charge Goulburn Mulwaree Council for Water Supply Services is the sum of:

- (a) the Fixed Availability Charge in Table 6; and
- (b) the Volumetric Charge in Table 7,

for the applicable Period in the relevant table.

Tables 4, 5, 6 and 7

Table 4 Fixed Availability Charge to Wingecarribee Shire Council

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	20,783.50
1 July 2013 to 30 June 2014	$21,064.35 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$21,345.21 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$21,626.07 \times (1 + \Delta CPI_3)$

Table 5 Fixed Availability Charge to Shoalhaven City Council

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	561.72
1 July 2013 to 30 June 2014	$561.72 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$561.72 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$561.72 \times (1 + \Delta CPI_3)$

Table 6 Fixed Availability Charge to Goulburn Mulwaree Council

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	561.72
1 July 2013 to 30 June 2014	$561.72 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$1,123.43 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$1,685.15 \times (1 + \Delta CPI_3)$

Table 7 Volumetric Charge to Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council

Period	Volumetric Charge (\$2012/13, \$ per ML)
Commencement Date to 30 June 2013	202.22
1 July 2013 to 30 June 2014	$202.22 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$202.22 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$202.22 \times (1 + \Delta CPI_3)$

Schedule 3 Water Supply Services to Small Customers (Bulk Raw Water)

1 Application

This schedule sets out the maximum prices that SCA may charge Small Customers for Water Supply Services (Bulk Raw Water).

2 Maximum price for Bulk Raw Water

The maximum price that SCA may charge Small Customers for supplying Bulk Raw Water is the Volumetric Charge in Table 8 for the applicable Period in that table.

Table 8

Table 8 Volumetric Charge for Bulk Raw Water

Period	Volumetric Charge (\$2012/13, \$ per kL)
Commencement Date to 30 June 2013	0.64
1 July 2013 to 30 June 2014	$0.64 \times (1 + \Delta\text{CPI}_1)$
1 July 2014 to 30 June 2015	$0.64 \times (1 + \Delta\text{CPI}_2)$
1 July 2015 to 30 June 2016	$0.64 \times (1 + \Delta\text{CPI}_3)$

Schedule 4 Water Supply Services to Small Customers (Unfiltered Water)

1 Application

This schedule sets out the maximum prices that SCA may charge Small Customers for Water Supply Services (Unfiltered Water).

2 Maximum price for Unfiltered Water

The maximum price that SCA may charge Small Customers for supplying Unfiltered Water is the sum of the Fixed Availability Charge in Table 9 for the service connection size and the Volumetric Charge in Table 10, each for the applicable Period in the relevant table.

Tables 9 and 10

Table 9 Fixed Availability Charge for Unfiltered Water

Service connection size	Commencement Date to 30 June 2013	Fixed Availability Charge (\$2012/13, \$ per Period)		
		1 July 2013 to 30 June 2014	1 July 2014 to 30 June 2015	1 July 2015 to 30 June 2016
20mm	97.52	$97.52 \times (1 + \Delta CPI_1)$	$97.52 \times (1 + \Delta CPI_2)$	$97.52 \times (1 + \Delta CPI_3)$
25mm	152.38	$152.38 \times (1 + \Delta CPI_1)$	$152.38 \times (1 + \Delta CPI_2)$	$152.38 \times (1 + \Delta CPI_3)$
30mm	219.42	$219.42 \times (1 + \Delta CPI_1)$	$219.42 \times (1 + \Delta CPI_2)$	$219.42 \times (1 + \Delta CPI_3)$
32mm	249.65	$249.65 \times (1 + \Delta CPI_1)$	$249.65 \times (1 + \Delta CPI_2)$	$249.65 \times (1 + \Delta CPI_3)$
40mm	390.08	$390.08 \times (1 + \Delta CPI_1)$	$390.08 \times (1 + \Delta CPI_2)$	$390.08 \times (1 + \Delta CPI_3)$
50mm	609.51	$609.51 \times (1 + \Delta CPI_1)$	$609.51 \times (1 + \Delta CPI_2)$	$609.51 \times (1 + \Delta CPI_3)$
80mm	1,560.34	$1,560.34 \times (1 + \Delta CPI_1)$	$1,560.34 \times (1 + \Delta CPI_2)$	$1,560.34 \times (1 + \Delta CPI_3)$
100mm	2,438.03	$2,438.03 \times (1 + \Delta CPI_1)$	$2,438.03 \times (1 + \Delta CPI_2)$	$2,438.03 \times (1 + \Delta CPI_3)$
150mm	5,485.57	$5,485.57 \times (1 + \Delta CPI_1)$	$5,485.57 \times (1 + \Delta CPI_2)$	$5,485.57 \times (1 + \Delta CPI_3)$
200mm	9,752.12	$9,752.12 \times (1 + \Delta CPI_1)$	$9,752.12 \times (1 + \Delta CPI_2)$	$9,752.12 \times (1 + \Delta CPI_3)$
>200mm	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400

Table 10 Volumetric Charge for Unfiltered Water

Period	Volumetric Charge (\$2012/13, \$ per kL)
Commencement Date to 30 June 2013	1.10
1 July 2013 to 30 June 2014	$1.10 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$1.10 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$1.10 \times (1 + \Delta CPI_3)$

Schedule 5 Definitions and interpretation

1 Definitions

1.1 General definitions

In this determination:

Bulk Raw Water means water that has not been treated in any way.

Commencement Date has the meaning given to that term in clause 2(b) of the *Preliminary* section of this determination.

Desalinated Water means desalinated water produced at the SDP Plant which is suitable for the purposes specified in SDP's Network Operator's Licence and Retail Supplier's Licence.

Fixed Availability Charge means a fixed charge imposed by SCA for making water available for supply to a person, irrespective of the amount of water consumed by that person.

Goulburn Mulwaree Council means the Goulburn Mulwaree Council as constituted under the *Local Government Act 1993* (NSW).

GST has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

IPART Act has the meaning given to that term in clause 1(a) of the *Preliminary* section of this determination.

IPART has the meaning given to that term in clause 1(a) of the *Preliminary* section of this determination, being the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

kL means kilolitre or one thousand litres.

Large Customer means:

- (a) Sydney Water Corporation; or
- (b) any one of the following persons to whom SCA provides Water Supply Services:
 - (1) the holder of a Retail Supplier's Licence;
 - (2) a water supply authority within the meaning of the *Water Management Act 2000* (NSW);

- (3) a council or county council constituted under the *Local Government Act 1993* (NSW) that exercises water or sewerage functions;
- (4) a person who, pursuant to:
 - (A) a coverage declaration which has been determined under section 26 of WICA and is in force;
 - (B) an access undertaking which has been approved by IPART under section 38 of WICA and is in force;
 - (C) an access agreement (as referred to in section 39 of WICA); or
 - (D) an access determination (as referred to in section 40 of WICA), has access to Sydney Water Corporation's infrastructure services (as defined in WICA) in so far as they relate to the water supplied by SCA; or
- (5) a person not referred to in paragraphs (1)-(4) above who:
 - (A) is able to purchase water from Sydney Water Corporation but instead purchases it directly from SCA (regardless of whether SCA supplies the water to the person by means of Sydney Water Corporation's systems); and
 - (B) in purchasing that water directly from SCA, reduces the amount of such water that Sydney Water Corporation would otherwise need to obtain from SCA to supply this person,but excluding Wingecarribee Shire Council, Shoalhaven City Council and Goulburn Mulwaree Council.

ML means megalitre or one million litres.

Monopoly Services has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination.

Network Operator's Licence has the meaning given in the WIC Act.

Order has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination, and published in Gazette No. 22 dated 11 February 2000.

Period means the Commencement Date to 30 June 2013, 1 July 2013 to 30 June 2014, 1 July 2014 to 30 June 2015, or 1 July 2015 to 30 June 2016 (as the case may be).

Plant Operation Period means a period in which the SDP Plant is:

- (a) producing Desalinated Water, and that Desalinated Water is being supplied by SDP to a customer of SDP; or
- (b) Shutdown for less than 2 days,

and for avoidance of doubt, begins on and includes the first day of a period during which the SDP Plant produces and supplies Desalinated Water to a

customer of SDP, and ends on and includes the day immediately preceding the first day of a Shutdown Period.

Retail Supplier's Licence has the meaning given in the WIC Act.

Restart Period means a period:

- (a) beginning on the day of recommencement of the production of Desalinated Water at the SDP Plant following a Shutdown Period; and
- (b) ending on the day before the first day that Desalinated Water is produced by the SDP Plant and supplied by SDP from the SDP Plant to a customer of SDP after that Shutdown Period.

SCA has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination, being the Sydney Catchment Authority constituted as a corporation under the *Sydney Water Catchment Management Act 1998* (NSW).

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

SDP Plant means the water industry infrastructure covered by SDP's Network Operator's Licence, excluding the pipeline system running from Lot 2 in Deposited Plan 1077972 in the suburb of Kurnell to Lot A in Deposited Plan 365407 in the suburb of Erskineville.

Shoalhaven City Council means the Shoalhaven City Council as constituted under the *Local Government Act 1993* (NSW).

Shutdown means when the SDP Plant:

- (a) is not producing Desalinated Water; or
- (b) is producing minimal quantities of Desalinated Water for the sole purpose of maintaining the SDP Plant (including the SDP Plant's membranes).

Shutdown Period means a period of 2 or more days for which the SDP Plant is Shutdown.

Small Customer means a person to whom SCA provides Water Supply Services (including Bulk Raw Water and Unfiltered Water), other than:

- (a) a Large Customer;
- (b) Goulburn Mulwaree Council;
- (c) Shoalhaven City Council; and
- (d) Wingecarribee Shire Council.

Sydney Water Corporation means the Sydney Water Corporation constituted as a corporation under the *Sydney Water Act 1994* (NSW).

Unfiltered Water means water that has been treated for quality, whether or not by chemical treatment, but not treated at a water filtration plant.

Volumetric Charge means a charge imposed by SCA for water supplied by SCA to a person where the charge is based on the amount of water supplied to that person.

Water Supply Services means the water supply services referred to in paragraph 2(a) of the Order, and includes the supply of Bulk Raw Water and Unfiltered Water.

WIC Act means the *Water Industry Competition Act 2006* (NSW).

Wingecarribee Shire Council means the Wingecarribee Shire Council as constituted under the *Local Government Act 1993* (NSW).

1.2 Consumer Price Index

$$(a) \Delta CPI_1 = \left(\frac{AdjustedCPI_{March2013}}{AdjustedCPI_{March2012}} \right) - 1$$

$$\Delta CPI_2 = \left(\frac{AdjustedCPI_{March2014}}{AdjustedCPI_{March2012}} \right) - 1$$

$$\Delta CPI_3 = \left(\frac{AdjustedCPI_{March2015}}{AdjustedCPI_{March2012}} \right) - 1$$

each as calculated and notified by IPART, where:

- (1) AdjustedCPI means CPI less Carbon Price Impact;
- (2) CPI means the consumer price index, All Groups index number for the weighted average of eight capital cities as 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;
- (3) Carbon Price Impact means:
 - (A) the impact of the Carbon Price on the CPI as estimated and published by the Australian Bureau of Statistics; or
 - (B) if the Australian Bureau of Statistics does not publish an estimate of the impact of the Carbon Price on the CPI, the impact of the Carbon Price on the CPI as estimated and published by the Reserve Bank of Australia; or

- (C) if neither the Australian Bureau of Statistics nor the Reserve Bank of Australia publishes an estimate of the impact of the Carbon Price on the CPI, the impact of the Carbon Price on the CPI as published by the Commonwealth Treasury in *Strong growth, low pollution: modelling a carbon price - update* (2011), Commonwealth Treasury, as updated from time to time; and
- (4) Carbon Price means the carbon price scheme implemented under the *Clean Energy Act 2011* (Cth) and associated legislation (including the related amendments to the *Fuel Tax Act 2006* (Cth), *Excise Tariff Act 1921* (Cth) and *Customs Tariff Act 1995* (Cth)).
- (b) The subtext (for example ^{March2013}) when used in relation to the AdjustedCPI in paragraph (a) above refers to the each of the CPI and Carbon Price Impact for the quarter and year indicated (in the example, the March quarter for 2013).

2 Interpretation

2.1 General provisions

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule or annexure to, clause of, or table in, this determination unless otherwise indicated;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;
- (e) where a word is defined, other grammatical forms of that word have a corresponding meaning;
- (f) a reference to a day is to a calendar day;
- (g) a reference to a person:
 - (1) includes any company, partnership, joint venture, association, corporation, other body corporate or government agency; and
 - (2) includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation), replacements and assigns; and
- (h) a reference to a body, whether statutory or not:
 - (1) which ceases to exist; or
 - (2) 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.

2.2 Explanatory notes and clarification notice

- (a) Explanatory notes and worked examples do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.
- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in this determination. Such a clarification notice is taken to form part of this determination.

2.3 Prices exclusive of GST

Prices or charges specified in this determination do not include GST.

2.4 SCA's billing cycle

For the avoidance of doubt nothing in this determination affects when SCA may issue a bill to a customer for prices or charges under this determination.

Schedule 6 Statement of reasons why IPART has chosen to set a methodology for fixing a maximum price

Under section 13A of the IPART Act, IPART may set maximum prices or may determine a methodology for setting maximum prices.

In Schedule 1 of this determination, IPART has set a methodology for fixing the maximum prices that SCA may charge Large Customers for Water Supply Services. The methodology addresses the risk that SCA will under-recover revenue if its sales to Sydney Water Corporation differ significantly from IPART's sales forecasts. SCA's sales to Sydney Water Corporation may be affected by Sydney Water Corporation's arrangements to purchase water from the SDP Plant. When the SDP Plant is operating,¹ it has the capacity to supply up to 90GL of Sydney Water Corporation's annual water needs. This will reduce SCA's sales to Sydney Water Corporation.

The methodology in Schedule 1 provides for a different price to apply when the SDP Plant is operating, and when it is shutdown or restarted (following a shutdown). The difference in prices compensates SCA for reduced sales to Sydney Water Corporation, when it purchases water from the SDP Plant.

IPART considers that this methodology is appropriate for addressing the revenue risk to SCA and the uncertainty regarding the operation of the SDP Plant. IPART considers that it would be impractical to make a determination that directly fixes the maximum prices that SCA may charge Large Customers for Water Supply Services, as different prices will apply depending on whether the SDP Plant is operating.

¹ Under the 2010 Metropolitan Water Plan operating rules, the SDP Plant will operate at full capacity when dam levels fall below 70%, and will continue to do so until dam levels reach 80%.

