

24 July 2018

## WHAT

The *Water Industry Competition Act 2006* (WIC Act) provides for private sector participation and competition in the NSW water and wastewater industry.

To facilitate this, infrastructure services can be 'declared' under the WIC Act. This means that a third party must be granted access to these services, subject to certain criteria and the establishment of an access agreement or determination. Such 'third-party access' can allow new entrants to compete with incumbent suppliers in the provision of water and/or wastewater services to end use customers.

Under the WIC Act, the provider of a declared service must develop a cost allocation manual, which sets out the basis on which the service provider will establish and maintain separate cost accounts for each of its declared services.

Sydney Water is a provider of declared services, and has submitted its cost allocation manual to IPART to consider for approval. Before we make our assessment, we are seeking stakeholder comments on Sydney Water's cost allocation manual.

## WHY

The WIC Act does not specify the purposes of a cost allocation manual. We consider the purposes include:

- ▼ improving transparency and helping overcome information asymmetry between the service provider and potential access seekers, in order to facilitate the commencement of negotiations on access terms
- ▼ supporting access prices that would lead to appropriate incentives for entry in services potentially open to

competition, and be in the long-term interest of end users, and

- ▼ assisting an arbitrator (eg, IPART) if requested to arbitrate a dispute over access terms.

## WHO

Key stakeholders in our review of Sydney Water's cost allocation manual include potential access seekers and new suppliers of water and wastewater services.

## HOW

To assist service providers in preparing cost allocation manuals, we published a *Cost allocation guide*. The guide is available on our website [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au).

We are allowing stakeholders four weeks to submit their comments on Sydney Water's cost allocation manual.

We will then consider all stakeholder comments before making our assessment of the cost allocation manual. We may approve the manual as submitted, or we may require Sydney Water to amend the manual and resubmit it to us before we reconsider it for approval.

## WHAT NEXT

We are inviting stakeholder comments on Sydney Water's cost allocation manual by **20 August 2018**. You can find details on how to make a submission overleaf.

Following stakeholder submissions, we will make our assessment of Sydney Water's cost allocation manual, and decide whether amendments are required prior to approval. We will publish our decision by the end of September 2018.

## **Enquiries in relation to Sydney Water's cost allocation manual**

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Enquiries related to IPART's process for assessing Sydney Water's cost allocation manual should be directed to one of the following staff members:

Jean-Marc Kutschukian (02) 9290 8453

Cato Jorgensen (02) 9113 7724

## **Invitation for submissions**

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IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

### **Submissions are due by 20 August 2018**

We would prefer to receive them electronically via our online submission form [www.ipart.nsw.gov.au/Home/Consumer Information/Lodge a submission](http://www.ipart.nsw.gov.au/Home/Consumer%20Information/Lodge%20a%20submission).

You can also send comments by mail to:

#### **WIC Act Cost Allocation Guide**

Independent Pricing and Regulatory Tribunal

PO Box K35

Haymarket Post Shop NSW 1240

or via email to [WICA\\_CostAllocation@ipart.nsw.gov.au](mailto:WICA_CostAllocation@ipart.nsw.gov.au).

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our website [www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the IPART staff members listed above.

We may choose not to publish a submission - for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's submission policy is available on our website.