

**Sydney Catchment Authority
Prices of Water Supply
From 1 July 2005**

Determination



IPART

**INDEPENDENT PRICING AND
REGULATORY TRIBUNAL
of New South Wales**

SYDNEY CATCHMENT AUTHORITY

PRICES OF WATER SUPPLY

From 1 July 2005

Determination 4, 2005

June 2005

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Determination No 4, 2005

**Section 11(1)
Independent Pricing and Regulatory Tribunal Act 1992**

Sydney Catchment Authority

**Independent Pricing and Regulatory Tribunal Act
of New South Wales**

Reference No 05/127

1 Definitions and Interpretation

1.1 Definitions

Expressions used in this Determination that are defined in the Appendix, have the meanings set out in the **Appendix**.

1.2 Interpretation

- 1.2.1 If there is any inconsistency between this Determination of the Tribunal and a previous determination of the Tribunal, this Determination will prevail to the extent of the inconsistency.
- 1.2.2 In the interpretation of this Determination a construction that would promote the purpose or object underlying the IPART Act (whether or not that purpose or object is expressly stated in the IPART Act) is to be preferred to a construction that would not promote that purpose or object.
- 1.2.3 In the event of any uncertainty, the notes in this Determination may be used for interpretation purposes.
- 1.2.4 The singular includes the plural and vice versa.

2 Application of this Determination

2.1 The following services supplied by the Authority have been declared government monopoly services under the IPART Act:

- (a) water supply services,
- (b) ancillary and miscellaneous services for which no alternative supply exists and which relate to the supply of those water services.

[Note: The Government monopoly services were declared by the Independent Pricing and Regulatory Tribunal (Water Supply Services) Order 2000, made on 8 February 2000 and published in Gazette No. 22 dated 11 February 2000 at page 816.]

2.2 This Determination is made by the Tribunal under the IPART Act.

2.3 This Determination applies to the services covered by paragraph 2.1.

2.4 The maximum prices listed or calculated in this Determination apply to the Authority from the later of 1 July 2005 and the date that it is published in the NSW Government Gazette to 30 September 2005, unless otherwise indicated. The maximum prices in this determination prevailing at 30 September 2005 continue to apply beyond 30 September 2005 until this determination is replaced.

3 Water supply services to Sydney Water Corporation

The total charge for water supplied by the Authority to the Corporation for the period from 1 July 2005 to 30 September 2005 consists of a Fixed Availability Charge plus a Volumetric Charge as set out in paragraphs 3.1 and 3.2 respectively.

3.1 Fixed Availability Charge

The maximum Fixed Availability Charge that may be levied by the Authority for water supplied by it to the Corporation is set out in Table 1.

**Table 1 Fixed Availability Charges to Sydney Water Corporation -
1 July 2005 to 30 September 2005**

Charge	1 July 2005 to 30 September 2005
Fixed Availability Charge (per calendar month)	\$5.366 million

Note: For example, the Fixed Availability Charge to the Corporation for the month of July 2005 is \$5.366 million.

3.2 Volumetric Charge

The maximum Volumetric Charge (per megalitre) that may be levied by the Authority for water supplied by it to the Corporation is set out in Table 2.

**Table 2 Volumetric Charges to Sydney Water Corporation –
1 July 2005 to 30 September 2005**

Charge	1 July 2005 to 30 September 2005
Volumetric Charge (per megalitre)	\$116.25

Note: For example, the Volumetric Charge to the Corporation for the month July 2005 (on the assumption that the Corporation acquires 40,000 megalitres) is \$4,650,000. That is, $\$116.25 \times 40,000 = \$4,650,000$.

4 Water supply services to Wingecarribee Shire Council

The maximum Volumetric Charge (per megalitre) that may be levied by the Authority for water supplied by it to Wingecarribee Shire Council for the period 1 July 2005 to 30 September 2005 is set out in Table 3.

Table 3 Volumetric charges for Wingecarribee Shire Council – 1 July 2005 to 30 September 2005

Charge	1 July 2005 to 30 September 2005
Volumetric Charge (per megalitre)	\$105.08

5 Water supply services to Shoalhaven City Council

5.1 Supply to Kangaroo Valley

The maximum Volumetric Charge (per megalitre) that may be levied by the Authority for water supplied by it to Shoalhaven City Council for use in Kangaroo Valley for the period 1 July 2005 to 30 September 2005 is set out in Table 4.

Table 4 Volumetric charges for Kangaroo Valley – 1 July 2005 to 30 September 2005

Charge	1 July 2005 to 30 September 2005
Volumetric Charge (per megalitre)	\$105.08

5.2 Tallowa Dam releases to Shoalhaven City Council

The maximum Volumetric Charge (per megalitre) that may be levied by the Authority for Tallowa Dam releases to Shoalhaven City Council for the period 1 July 2005 to 30 September 2005 during times of Drought is set out in Table 5.

Table 5 Volumetric Charges for Tallowa Dam releases to Shoalhaven City Council in times of Drought – 1 July 2005 to 30 September 2005

Charge	1 July 2005 to 30 September 2005
Volumetric Charge (per megalitre)	\$105.08

6 Raw water

The total charge for Raw water supplied by the Authority to a Customer for the period from 1 July 2005 to 30 September 2005 consists of a Volumetric Charge as set out in Table 6.

Table 6 Volumetric Charges for Raw Water – 1 July 2005 to 30 September 2005

Charge	1 July 2005 to 30 September 2005
Volumetric Charge (per kilolitre)	\$0.44

7 Unfiltered water

The total charge for Unfiltered water supplied by the Authority to a Customer for the period from 1 July 2005 to 30 September 2005 consists of a Fixed Availability Charge plus a Volumetric Charge as set out in paragraphs 7.1 and 7.2 respectively.

7.1 Fixed Availability Charge for Unfiltered Water

7.1.1 The maximum Fixed Availability Charge for Unfiltered Water that may be levied by the Authority on a Customer is:

- (a) for the period 1 July 2005 to 30 September 2005 – 25 per cent of the Fixed Availability Charge corresponding to the relevant Service Connection in Table 7; and
- (b) if this determination continues beyond 30 September 2005 – 25 per cent of the Fixed Availability Charge corresponding to the relevant Service Connection in Table 7 for each consecutive period of 3 months after 30 September 2005.

**Table 7 Fixed Availability Charges for Unfiltered Water –
1 July 2005 to 30 September 2005**

Service connection (nominal diameter)	Service charge \$
20mm	75.00
25mm	117.20
30mm	168.75
32mm	192.00
40mm	300.00
50mm	468.75
80mm	1200.00
100mm	1875.00
150mm	4218.75
200mm	7500.00
>200mm	(nominal diameter) ² x 75/400

7.2 Volumetric Charge for Unfiltered Water

The maximum Volumetric Charge for Unfiltered Water that may be levied by the Authority on a Customer for the period 1 July 2005 to 30 September 2005 is set out in Table 8.

Table 8 Volumetric Charges for Unfiltered Water – 1 July 2005 to 30 September 2005

Charge	1 July 2005 to 30 September 2005
Unfiltered Water Volumetric Charge (per kilolitre)	\$0.754

Appendix

1 Defined Terms

In this Determination:

Authority means the Sydney Catchment Authority constituted under the *Sydney Water Catchment Management Act, 1998*.

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

Customer means a person to whom the Authority supplies water, other than the Corporation, water supply authorities, prescribed local councils or prescribed county councils as described in section 16 of the *Sydney Water Catchment Management Act, 1998*.

Tallowa Dam releases describes the circumstance where the Shoalhaven City Council requests the Authority to release from Tallowa Dam water in excess of that which would usually be released by the Authority so as to enable the Shoalhaven City Council to provide water to towns within its local government area in times of water shortage.

Fixed Availability Charge means a fixed charge imposed by the Authority for water supplied by the Authority to a person, irrespective of the amount of water consumed by the person.

GST means the Goods and Services Tax as defined in *A New Tax System (Goods and Services Tax) Act, 1999*.

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

Kangaroo Valley means the township of Kangaroo Valley within the local government area of the Shoalhaven City Council.

Raw Water is water that has not been managed in any way.

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

Tribunal means the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

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

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

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

2 Prices exclusive of GST

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

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1 INTRODUCTION

The Independent Pricing and Regulatory Tribunal of NSW (the Tribunal) is responsible for setting the maximum prices that can be charged by Sydney Catchment Authority (SCA) for monopoly water services.

In 2000, the Tribunal made a medium term determination which expires at 30 June 2005. Consequently, the Tribunal must make a new determination for SCA for the period from 1 July 2005 onwards.

In this determination the Tribunal has decided to maintain the current SCA charges from 1 July 2005 pending the release of a further determination which is expected to apply to prices from 1 October 2005 to 30 June 2009.

A draft SCA determination for prices to apply from 1 October 2005 will be released later in June and the final determination in August/September 2005. This will coincide with the release of draft and final determinations for Sydney Water.

The draft SCA determination will include major changes to the level and structure of prices. The Tribunal believes that stakeholders should be given the opportunity to comment on these proposed changes prior to prices being finalised.

The Tribunal's review to date has included an extensive investigation and public consultation process. The Tribunal released an issues paper in July 2004 and invited submissions. A public hearing was held in Sydney on 10 March 2005 for the five metropolitan water agencies regulated by the Tribunal. Some of the parties who made written submissions were invited to present their views on issues raised in their submissions.

2 THE DETERMINATION

The determination attached to this report details the prices that will apply for the period from 1 July 2005. Prices that apply at 30 June 2005 are to be maintained in nominal terms.

In making this determination the Tribunal had regard to the factors in section 15 of the *Independent Pricing and Regulatory Tribunal Act, 1992*. This section is reproduced in full in Box 1.

Box 1: Section 15 matters

(1) In making determinations and recommendations under this Act, the Tribunal is to have regard to the following matters (in addition to any other matters the Tribunal considers relevant):

- (a) the cost of providing the services concerned,*
- (b) the protection of consumers from abuses of monopoly power in terms of prices, pricing policies and standard of services,*
- (c) the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales,*
- (d) the effect on general price inflation over the medium term,*
- (e) the need for greater efficiency in the supply of services so as to reduce costs for the benefit of consumers and taxpayers,*
- (f) the need to maintain ecologically sustainable development (within the meaning of section 6 of the [Protection of the Environment Administration Act 1991](#)) by appropriate pricing policies that take account of all the feasible options available to protect the environment,*
- (g) the impact on pricing policies of borrowing, capital and dividend requirements of the government agency concerned and, in particular, the impact of any need to renew or increase relevant assets,*
- (h) the impact on pricing policies of any arrangements that the government agency concerned has entered into for the exercise of its functions by some other person or body,*
- (i) the need to promote competition in the supply of the services concerned,*
- (j) considerations of demand management (including levels of demand) and least cost planning,*
- (k) the social impact of the determinations and recommendations,*
- (l) standards of quality, reliability and safety of the services concerned (whether those standards are specified by legislation, agreement or otherwise).*

(2) In any report of a determination or recommendation made by the Tribunal under this Act, the Tribunal must indicate what regard it has had to the matters set out in subsection (1) in reaching that determination or recommendation.

The section 15 matters that particularly informed the Tribunal's decisions are briefly summarised in Table 1.

Table 1 Consideration of Section 15 matters by the Tribunal for the Sydney Catchment Authority determination

Section 15(1)	Report reference
(a) cost of providing the service	SCA's costs are projected to increase significantly from those considered in making the 2000 determination. The Tribunal engaged a consultant to independently review these projections. The consultant's report is available from the Tribunal's website as well as SCA's response.
(b) protection of consumers from abuse of monopoly power	This determination maintains the prices prevailing at 30 June 2005 in nominal terms. As shown by operating licence audits, the SCA has continued to meet its operating licence requirements since the 2000 determination. The results of operating licence audits conducted by the Tribunal are available from the Tribunal's website on www.ipart.nsw.gov.au .
(c) appropriate rate of return and dividends	This determination will maintain current revenue levels, depending on water sales and the effects of water restrictions.
(d) affect on general price inflation	Prices are being maintained in nominal terms and will not impact measures of general price inflation.
(e) the social impact on customers	Prices are being maintained in nominal terms and will have no net social impact on customers.
(f) standards of quality, reliability and safety of the services	The Tribunal's recent operating licence audit indicated that standards of quality, reliability and safety had been maintained. Their maintenance in the medium to longer term will be considered in determining prices to apply from 1 October 2005.