

INFORMATION PAPER

Sydney Water – Access Undertaking

Public workshop – 2 April 2012

This paper provides a brief overview of our objectives in this review and explains the criteria we are required to consider in deciding whether to approve the access undertaking.

What is an access undertaking?

An access undertaking is a document prepared by a service provider. It sets out their arrangements for providing access to their infrastructure services to access seekers. Where approved it sets the terms and conditions of access.

This is the first water network access undertaking submitted under the Water Industry Competition Act (WICA) and the first in Australia for a water network.

As this is a voluntary access undertaking, a service provider may withdraw it at any time prior to approval. Once approved, an undertaking:

- ▼ cannot be varied unless we consent to the variation, and
- ▼ has effect for the period specified in the undertaking

The Sydney Water access undertaking is currently drafted to expire on 30 June 2016 with scope for extending the term of any access agreement made consistent with the undertaking.

What are IPART's key considerations?

Our role is to invite submissions and to make a decision on whether or not to approve the undertaking. To make that decision we need to consider section 38(6) of WICA. The key considerations are:

- ▼ Does the access undertaking protect business interests of Sydney Water?
- ▼ Is the access undertaking in the public interest? In particular will it help develop competitive markets?
- ▼ Does the access undertaking sufficiently address the interests of potential access seekers?

- ▼ Are there any other matters that are material to our decision?

In addition, we must consider the pricing principles set out in section 41 of WICA. These include:

- ▼ Does the price of access generate sufficient expected revenue to meet the efficient costs of providing the service, including a return on investment?
- ▼ Does the price of access allow multi-part pricing, such as a fixed and variable charge? Would the access undertaking allow price discrimination when it aids efficiency?
- ▼ Does the price of access allow Sydney Water to set conditions that discriminate in favour of its own retail business?
- ▼ Does the price of access provide incentives to reduce costs or otherwise improve productivity?
- ▼ Are the access charges consistent with any relevant pricing determinations, including the maintenance of postage stamp, or uniform, pricing?

After considering these criteria, Sydney Water's and stakeholder submissions, we will issue a draft report in May.

What services are covered by Sydney Water's access undertaking?

Sydney Water's access undertaking can be found at www.ipart.nsw.gov.au

Sydney Water's access undertaking covers 3 services within the water network:

- ▼ **water transport** – the transport of treated water from existing interconnection points on the water supply transport network and the water filtration plants to customers
- ▼ **interconnection** – the right to connect infrastructure to the water supply transport network downstream of a water filtration plant and to use the interconnection point to inject treated water into the water supply transport network
- ▼ **off-take** – the right to connect infrastructure to a point on the water supply transport network to extract treated water

The access undertaking includes standard terms for water transport and covers interconnection from Sydney Water's filtration plants and the Sydney Desalination Plant. It includes provisions for the negotiation of non-standard terms for other interconnections and off-take. The access agreement attached to Sydney Water's access undertaking sets out the terms of access for Sydney Water's water transport service only.

Sydney Water's access undertaking is for water network services and does not apply to its sewerage network services.¹

What is the role of the workshop?

The workshop is an opportunity for Sydney Water to explain its proposed undertaking and for IPART and stakeholders to ask questions. The workshop will help IPART to form its views. It may also help stakeholders in preparing their submissions.

How can stakeholders contribute to our review?

Stakeholders will have 3 opportunities to contribute to our review of Sydney Water's access undertaking. In this workshop stakeholders will be given a number of opportunities to ask questions of Sydney Water and to comment on the access undertaking.

We invite all stakeholders to send us written submissions on the access undertaking by 30 April 2012. Submissions will be considered before we make our draft decision. We would prefer to receive submissions by email to ipart@ipart.nsw.gov.au.

We will release our draft report on the 1 June 2012. Stakeholders and Sydney Water will have an opportunity to comment on our draft decisions. These comments are due on 29 June 2012, and will be considered before we make our final decisions.

We will release our final report on 3 August 2012.

Should any stakeholders wish to speak to IPART regarding this review they should contact Amanda Chadwick on (02) 9290 8414 or amanda_chadwick@ipart.nsw.gov.au or Justin Robinson on (02) 9290 8427 or justin_robinson@ipart.nsw.gov.au

What is the timetable for the review?

Table 1 Timetable for the review of Sydney Water's water network access undertaking

Event	Date
Public workshop	2 April 2012
Stakeholder submission due	30 April 2012
Draft report release	1 June 2012
Stakeholder comments on draft report due	29 June 2012

¹ 3 of Sydney Water's sewerage networks (Bondi, Malabar and North Head) are already subject to a coverage declaration until 2056 under Part 3 of WICA.

