



**The Hon Nathan Rees MP**  
**Minister for Emergency Services**  
**Minister for Water Utilities**

Michael Keating AC  
Chairman  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB POST OFFICE NSW 1230

Dear Dr Keating

The Premier has written to the Independent Pricing and Regulatory Tribunal (the Tribunal) to request it, under section 12 of the *Independent Pricing and Regulatory Tribunal Act 1992* (the IPART Act), to make a new pricing determination for Sydney Water Corporation.

The Government's intention is that the new determination will consider a range of projects that Sydney Water is undertaking to address the ongoing drought conditions and to secure Sydney's long-term water supply.

Sydney Water has already incurred costs to implement water savings measures and to plan for recycled water projects, such as the Replacement Flows Project of the Western Sydney Recycled Water Initiative and the Camellia Recycled Water Project. A list of these projects is at Attachment A. Sydney Water is implementing these projects at the Government's request. I advise the Tribunal that it is the Government's intention for Sydney Water to recover the cost of these projects through its prices.

The cost of the desalination plant at Kurnell Peninsula should also be recovered through Sydney Water's prices. I have directed Sydney Water, under section 20P of the *State Owned Corporations Act 1989*, to construct the desalination plant and associated distribution infrastructure. Pursuant to section 16A of the IPART Act, I direct the Tribunal, when it determines the maximum price for government monopoly services provided by Sydney Water, to include in that price an amount representing the efficient cost of complying with the requirements imposed on Sydney Water to arrange for:

1. The construction of a desalination plant on the Kurnell Peninsula (and associated infrastructure) for the supply of an annual daily average production of up to 250 mega-litres of drinking water per day (scaleable to 500 mega-litres per day), such plant and associated infrastructure to be constructed in accordance with any approval issued by the Minister for Planning under the *Environmental Planning and Assessment Act 1979*; and
2. The construction of distribution pipelines capable of delivering 500 mega-litres per day across Botany Bay for connection with Sydney Water's existing distribution network in accordance with any approval issued by the Minister for Planning under the *Environmental Planning and Assessment Act 1979*.

I also intend to direct Sydney Water to implement the Replacement Flows Project of the Western Sydney Recycled Water Initiative and the Camellia Recycled Water Project. In due course, I will write to direct the Tribunal to include the efficient costs of these projects in Sydney Water's prices.

Yours sincerely

A handwritten signature in black ink, appearing to read "Nathan Rees". The signature is written in a cursive style with a large initial 'N'.

Nathan Rees

## Attachment A

### Water Savings Projects

<b>Project</b>	<b>Description</b>	<b>Estimated cost</b>
<b>Enhanced Water Savings Fund</b>	To assist the implementation of actions identified by high water users (businesses and councils).	\$11.875m
<b>Expansion of existing DoH retrofit program</b>	Retrofit water savings devices to an additional 50,000 Dept of Housing dwellings.	\$7.250m
<b>Water efficient Government buildings</b>	Water efficiency audits to be conducted on high water use government buildings such as hospitals, correctional centres, TAFES.	\$3m (Total project costs \$7.389m. Remainder to be funded through agency application to the Treasury GEEIP Fund).
<b>Washing Machine Rebate (one year)</b>	\$150 rebate for purchase of water efficient front loading washing machines.	\$4.625m
<b>School Leak Detection Trial</b>	Trial of monitoring and alarm systems for schools to provide alerts when water use suddenly rises above pre-set levels.	\$0.320m
<b>EOI and subsequent tender if appropriate for each of three components of the WSRWI</b>	Use of the available effluent from Penrith, St Marys and Quakers Hill STPs (i) to replace flows currently released from Warragamba Dam, (ii) to provide recycled water to new growth in the North West Sector through dual reticulation (iii) to provide for recycled water schemes which are local to the STP's.	No quantum of funds in Minute. Planning costs of \$1.3m for 2005/06 and estimated \$7.9m for 2006/07.
<b>Further investigations into local recycling projects</b>	Local water recycling projects – at Wollongong, Quakers Hill, Penrith, St Mary's and Botanical Gardens.	No quantum of funds in Minute. Planning costs of \$0.5m for 2005/06 and estimated costs of \$1.4m for 2006/07
<b>Registration of interest be released for Camellia (and that SOPA expansion be considered in light of response to Camellia)</b>	Provision of recycled water to large water using industries in the Camellia and Smithfield area	No quantum of funds in Minute. Planning costs of \$0.6m for 2005/06 and estimated costs of \$1.5m for 2006/07.
<b>Kurnell recycling project</b>	Provision of recycled water to two industrial customers in the Kurnell area	\$5m
<b>Extension of washing machine rebate to July 2008</b>	\$150 rebate to cover the difference in cost between water efficient front loading washing machines and equivalent sized older style top loading machines.	\$9.1m
<b>Increase in the rebate for connecting a rainwater tank to internal plumbing</b>	Increasing the rebate from \$150 to \$300 to encourage residents to connect rainwater tanks to internal plumbing for use in toilets or laundries.	\$1.6m