

Media release

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SYDNEY DESALINATION PLANT DRAFT PRICE DECISION

The Independent Pricing and Regulatory Tribunal (IPART) is seeking feedback on its Draft Determination of prices that Sydney Water's customers would pay for the Sydney Desalination Plant (SDP) over the next five years.

IPART sets the maximum prices that SDP can charge when the desalination plant is in shutdown and operation modes, which are passed through to end use customers by Sydney Water.

The Draft Determination would reduce SDP's costs in a typical Sydney Water customer's bill by 10% in shutdown, and by 7% should the plant operate. With inflation, the savings represent close to \$10 annually per customer.

IPART Chair Dr Peter Boxall said the savings result from a combination of a lower return on capital and reductions to operating costs.

"The Sydney Desalination Plant exists to provide a secure water supply to Sydney if dam levels drop during drought, and our objective has been to ensure that it can fulfil this purpose at the lowest cost to consumers," Dr Boxall said.

"Accordingly, when the plant is shutdown, we have limited expenditure to essential maintenance activities only. We have also included only the efficient costs necessary to ensure that the plant can respond effectively to drought, if required to do so over the next five years."

Dr Boxall said the Draft Determination reflects the desalination plant's primary drought response role.

"We have strengthened the financial incentives for SDP to be ready to meet Sydney's water demands in the event of a drought. Our Draft Determination ensures the service charge payable by SDP's customers would be reduced to the extent SDP is unable to supply water to its maximum level when called upon," Dr Boxall said.

"This would apply from 1 July 2018, when the plant is expected to be reinstated and operable following the December 2015 storm event."

IPART is seeking comments on its Draft Report, Draft Determination and Draft Methodology Paper for the energy adjustment and efficiency carryover mechanisms that apply to SDP. Submissions are due by 18 April 2017 and will be considered before IPART's Final Determination is released in June for new prices to apply from 1 July 2017.