

A FAIR BALANCE – SYDNEY DESALINATION WATER PRICES FOR 5 YEARS

Embargoed until 1 am Friday 9 December

The Independent Pricing and Regulatory Tribunal (IPART) has released its decision on the prices charged by Sydney Desalination Plant Pty Ltd (SDP) to customers for desalinated water services. At present, Sydney Water is SDP's only customer. The new decision takes effect from 1 July 2012 and will remain in place until 30 June 2017.

Under the new prices, SDP's revenue is expected to be maintained at around current levels, assuming the plant is in full production.

"Our decisions strike a fair balance", said Mr Cox, CEO of IPART. "For the next 5 years, the amount that households pay for desalination services will not increase in real terms above current levels. At the same time, our decisions allow SDP to earn an appropriate commercial return and to fully recover all its efficient costs."

IPART's decisions allow SDP to recover its efficient costs and to earn a real return on its assets of 6.7%. This is lower than the 7.8% proposed by SDP. "Our decisions on the return on capital are reasonable because they are consistent with the best evidence available and our current practice. Whilst taking into account recent and longer term market conditions, we consider that Sydney Desalination Plant faces fewer revenue risks than many other firms in the market," said Mr Cox.

The State Government's Metropolitan Water Plan includes a variable operating regime for the desalination plant's operation. As a result, SDP must operate at maximum capacity when dam storages fall below 70% and continue to do so until storages reach 80%. At other times, the plant may be shutdown as required.

IPART ensured that SDP will fully recover its efficient costs regardless of fluctuations in dam storage levels. IPART has set a volumetric price for water supplied and daily prices that recover the costs of each of the 5 different ways that the plant could be required to operate.

The *Review of water prices for Sydney Desalination Plant Pty Ltd from 1 July 2012* is available on IPART's website <<http://www.ipart.nsw.gov.au>>.

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