

DESALINATION WATER PRICES FOR 5 YEARS

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The Independent Pricing and Regulatory Tribunal (IPART) has released its decisions on the prices that Sydney Desalination Plant Pty Ltd (SDP) can charge customers for desalinated water services. At present, Sydney Water is SDP's only customer.

IPART's decision sets SDP's prices from 1 July 2012 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 decision is good news for Sydney householders and for Sydney Desalination Plant" said Mr Cox, CEO of IPART. "The amount that Sydney Water is expected to pay SDP in 2012/13 will be 2.2% less than the amount it is expected to pay in 2011/12. So these decisions do not create upward pressure on the prices that Sydney Water charges its customers".

IPART's decision also allows Sydney Desalination Plant to recover its efficient costs and to earn a return of 6.7% plus inflation on its investment.

"At present, a typical Sydney household using 200kL of water a year pays about \$112 of a \$1,154 annual water and sewerage bill towards the costs of desalination services. Our decision means that for the next 5 years households will continue to pay no more than that amount for desalinated services in real terms," said Mr Cox.

As competition in the water industry emerges, the desalination plant may have customers other than Sydney Water. IPART's decision includes a mechanism to share SDP's costs between customers so that Sydney Water's customers will only pay their fair share.

"We have struck a fair balance between protecting households and ensuring that SDP earns a commercial return", said Mr Cox.

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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