

## IPART RELEASES DRAFT DETERMINATION OF WATER PRICES FOR SYDNEY CATCHMENT AUTHORITY

**Embargoed until 1.00 am 16 March 2012**

**Sydney: 1.00 am 16 March 2012:** The Independent Pricing and Regulatory Tribunal (IPART) today released a draft determination of the maximum prices that the Sydney Catchment Authority (SCA) will charge Sydney Water and its other customers from 1 July 2012 until 30 June 2016.

The revenue that SCA requires to meet its efficient costs will decrease by 8.1% in real terms in 2012/13, and will then move in line with inflation over the remainder of the 2012 determination period. Prices move in line with inflation because of SCA's restraint in operating and capital expenditure, and our draft decisions.

IPART Chairman Peter Boxall said: "the prices that we have set will allow SCA to continue to carry out its important role of meeting the supply needs of Sydney Water and its other customers and protecting the quality of water in the catchment."

The small decrease in SCA's prices will have virtually no impact on Sydney Water's customers because the payments to SCA are a relatively small component of Sydney Water's costs.

IPART proposes to apply different volumetric charges to Sydney Water when the Sydney Desalination Plant (SDP) is operating and when it is not. When SDP is operating SCA's sales to Sydney Water will be lower. A higher volumetric charge allows SCA to recover the decrease in revenue and meet its costs. When SDP is not operating, the volumetric price will be lower.

Dr Boxall said: "we have set different volumetric charges to manage the risk to SCA from the uncertainty in SDP's operation and to ensure that customers pay no more than necessary".

Prices to Sydney Water will have a larger fixed cost component than in the past. 80% of SCA's revenue will be recovered through a fixed charge, rising from 40% in previous determinations. This better reflects SCA's large fixed costs of doing business.

SCA's average prices to its 3 local council customers Shoalhaven City Council, Wingecarribee Shire Council, and from 2012, Goulburn Mulwaree Council, will also decrease. Prices will decrease by 2.3% in real terms in 2012/13 and will then move in line with inflation to 2015/16. Real prices for SCA's other small customers will be unchanged.

SCA's prices include the expected costs of the Australian Government's carbon price scheme which will commence on 1 July 2012. Carbon price costs represent about 2.1% of SCA's operating costs or about 1% of SCA's required revenue.

IPART's draft report can be viewed on its website <<http://www.ipart.nsw.gov.au>> or obtained by contacting IPART on 9290 8472. IPART will release its final report in June 2012.

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