

IPART RELEASES FINAL DETERMINATION OF WATER PRICES FOR SYDNEY CATCHMENT AUTHORITY

Embargoed until 10am, Friday, 5 June 2009

Sydney: 10am 5 June 2009: The Independent Pricing and Regulatory Tribunal (IPART) today released its final determination of the prices that the Sydney Catchment Authority (SCA) charges Sydney Water and its other customers for providing water from Sydney's dams. The determination sets prices that will apply from 1 July 2009 until 30 June 2012.

The final determination increases SCA's prices by approximately 8 per cent in 2009/10 and by a total of about 17 per cent plus inflation over the period to 2011/12.

The final determination will have only a moderate effect on the water and sewerage bills paid by households and businesses. This is because SCA's costs are only one component of the costs of providing water and sewerage services to customers. As a result of this determination, household water bills in Sydney will increase by about \$7 per annum in 2009/10 and a total of \$16 per annum plus inflation by 2011/12. This translates to a total increase in the water and sewerage bill of a typical Sydney household of 1.6 per cent plus inflation by 2011/12.

SCA's prices need to increase to:

- ▼ fund SCA's contribution to the upgrade of sewage treatment plants within Sydney's drinking water catchment, which is required to protect water quality
- ▼ upgrade and refurbish dams to provide for environmental flows and comply with dam safety requirements
- ▼ upgrade and replace other ageing infrastructure, such as electrical wiring, fencing, roads and bridges, to protect SCA's workforce and the general public and to enable SCA to effectively carry out its catchment management and water supply functions, and
- ▼ maintain SCA's financial viability.

IPART released a draft determination in March 2009. In making its final decision on SCA's prices, IPART has sought and considered comments from interested parties on the draft determination. The prices in the final determination are slightly higher than in the draft determination – a further increase of approximately 3 per cent by 2011/12.

IPART Chairman Dr Michael Keating said: "price increases are necessary to allow SCA to carry out its vital role of protecting the quality of water in the catchment and meeting the supply needs of Sydney Water and its other customers."

The SCA's main customer is Sydney Water, which purchases about 99 per cent of SCA's supply. Other customers include Shoalhaven City Council, Wingecarribee Shire Council and small customers. The SCA also plans to provide water to Goulburn Mulwaree Council from mid 2011.

“The SCA needs to upgrade its infrastructure and carry out its catchment management functions so that it can provide adequate quantities of safe drinking water to households and businesses across Sydney, the Shoalhaven and Wingecarribee”, said Dr Keating.

IPART has made its determination on the basis of a proposed capital expenditure program by SCA of about \$129 million over the three years from 2009/10 to 2011/12.

Since the draft determination:

- ▼ SCA has revised down its forecast water sales in light of new information from Sydney Water
- ▼ IPART has decided to set prices to enable SCA to fully recover its efficient costs over the three year determination period, and
- ▼ IPART has reduced its estimate of the cost of capital to take account of later market information.

IPART’s final report notes that it continues to be interested in introducing an innovative form of pricing at the 2012 determination of SCA’s prices. Under this approach, SCA’s prices to Sydney Water would be higher when dam levels are low; and lower when dam levels are high. This means that SCA’s price would reflect the scarcity of water in its dams. In times of drought, Sydney Water would have an incentive to engage in water conservation measures and obtain water from alternative sources of supply, where possible. IPART would like to receive further comments on this new approach from interested stakeholders and members of the public.

IPART’s final report can be viewed on its website www.ipart.nsw.gov.au or obtained by contacting IPART on 9290 8472.

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