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Jean-Marc Kutschukian
Director, Water Pricing
Independent Pricing and Regulatory Tribunal

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Dear Jean-Marc,

Submission to IPART's Draft Report: Review of recycled water prices for public water utilities

The City of Sydney (the City) is pleased to make this submission to the Independent Pricing and Regulatory Tribunal's (IPART) Draft Report: Review of recycled water prices for public utilities. The City would like to acknowledge and commend IPART on the positive changes proposed to the recycled water pricing framework to address the challenges posed by ring fencing recycled water infrastructure and to recognise the external benefits of recycled water schemes including enhanced liveability and improved environmental outcomes.

The City values recycled water's contribution to broader community benefits including diversification of our water supply and drought proofing our tree canopy, parks and green open spaces. We have invested in multiple stormwater harvesting schemes in sports fields and parks and most recently in Green Square Town Centre. We have also invested in a recycled water pipeline in the CBD as part of the Sydney Light Rail project to future proof the city with the ability to provide an alternative water supply in the future. The City has also invested in a number of other water efficiency and stormwater quality projects so our community can enjoy a green, cool city with healthy waterways.

However, we recognise that we can't achieve our vision of a water sensitive city alone. We need more investment in recycled water infrastructure from both the private and public sector and to date, investment has been stifled by current pricing and regulatory arrangements. We hope that the draft recycled water pricing arrangements for public utilities will lead to greater uptake of recycled water schemes in both the city and across Greater Sydney.

We provide the following general comments relating to the proposed cost recovery framework:

Where a recycled water scheme is the least cost solution

- The City supports the decision for ring fencing to not apply to these schemes and for these schemes to be funded by the broader customer base through postage stamp pricing.

Where a recycled water scheme is not the least cost solution

- The City supports the decision for ring fencing only the residual costs of these schemes, over and above any cost offsets (avoided or deferred costs, and/or

external benefits) which are to be funded by the broader customer base. We understand that the residual costs are to be recovered through charges to recycled water customers and developers, which should be significantly lower than under the current price arrangements.

- The City supports the decision to recognise external benefits arising from a recycled water scheme and allowing these benefits to be funded by the broader customer base rather than the recycled water customers and developers specific to that scheme.
- We are concerned that private utilities are not currently provided a mechanism to access funding for external benefits. We also note that while the wholesale pricing framework recognises avoided or deferred costs, it is uncertain whether it can be implemented successfully due to its complexity and the lack of information relating to system costs and limitations from the public utility. We note that and support the new requirement for Sydney Water to provide this information as part of its new Operating License.

For sewer mining and stormwater harvesting activities

- The City supports the introduction of a cost recovery framework for calculating cost offsets derived from sewer mining and stormwater harvesting schemes.
- We suggest that external benefits should also be included in the cost recovery framework for sewer mining and stormwater harvesting schemes.
- As for wholesale customers and WICA schemes, successful negotiations around sharing of avoided or deferred costs that result from a sewer mining or stormwater harvesting schemes will be contingent upon the provision of publically available information on system costs and limitations.

The City would like to thank IPART for granting a one week extension in lodging this submission. [REDACTED]

Yours sincerely, [REDACTED]

Monica Barone
Chief Executive Officer