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IPART  
Review of Sydney Water's Operating Licence  
Independent Pricing and Regulatory Tribunal

By email: Anthony\_Rush@ipart.nsw.gov.au

Dear Mr Rush,

**Submission to the Independent Pricing and Regulatory Tribunal's Review of  
Prices for Sydney Water from 1 July 2020 and Support for the Open Cities  
Submission**

The City of Sydney (the City) is pleased to make this submission to the Independent Pricing and Regulatory Tribunal's (IPART) Draft Report on Sydney Water's Review of Prices for Sydney Water from 1 July 2020 and supports the submission made by Open Cities, of which the City is a member.

Water is essential for healthy, sustainable and liveable communities. Our Environmental Action 2016-2021 Strategy and Action Plan describes our vision for a water sensitive city that achieves the following outcomes for our community:

- efficient use of potable water and reduced demands on the water and sewerage networks through water efficiency and water recycling;
- increased amenity and urban cooling through improved green space maintained by independent, climate resilient water supplies;
- improved quality of local waterways through reduced pollution discharged via wastewater and stormwater outlets.

These outcomes are increasingly important as we respond to the demands of unprecedented population and economic growth and changing climatic conditions including warmer temperatures and changing rainfall patterns.

This submission relates to some of the issues raised in the Review of Prices Draft Report (the "Report") released by IPART as well as what we believe to be some of the systemic barriers and critical action to water reform in NSW that are required to ensure a sustainable, resilient and liveable Greater Sydney. The Open Cities submission letter also reflects the Cities views regarding recycled water innovation, as well as the key points listed below.

The City supports IPART's suggested pricing approach of decreasing fixed charges and increased variable component. In general, this allows consumers to be rewarded for using less water. The city also supports the approach of variable usage charges matched to dam storage levels, as it provides a signal to consumers regarding the scarcity of water.

The City is concerned that IPART's suggested reduced prices would not allow Sydney Water to deliver water sensitive city outcomes as outlined above. Sydney Water define

*city of villages*



their value to the community as “far beyond water supply, pipes and wastewater services, because water is not just a commodity – water gives life to nature, and is the defining force of Greater Sydney.”<sup>1</sup> It was disappointing, that the Report is recommending a \$173 million reduction in the Sydney Water proposed funding capital program that would help improve the environmental performance of our wastewater network. Sydney Water are a vital stakeholder in the Greater Sydney Harbour Coastal Management Program (regulated under the NSW Government Coastal Management State Environmental Planning Policy), and the delivery of capital works to improve water quality is considered essential by the City.

Over recent years the rate of dam water storage decline has become much faster compared to historical averages. There are many reasons for this, such an increased population base and climate related factors of increased temperature, longer dry periods, more extreme evaporation rates etc.

The previous dam levels that were used as trigger points did not account for this accelerated decline in dam levels and hence infrastructure investment needed to be fast tracked at great expense. Sydney was fortunate to receive unusually significant drought breaking rains, which resulted in these works being halted.

The City is concerned that Sydney Water’s planning and investment practices and IPART’s pricing methodologies have not been updated to address this issue. The City suggested that a climate resilience assessment be undertaken that appropriately acknowledges the required lead times for capital investment to prevent excessive drought response spending in the future. This investment would also provide the water industry with an opportunity to recover and transform after the impacts of COVID19.

While a price signal for water scarcity is supported, contracts for infrastructure built in response to emergency policies tend to be much more expensive. Also, as we’ve seen from the recent drought, emergencies tend to favour a particular type of infrastructure response from Governments (for example, desalination over small or medium scale water recycling facilities). Pricing that supports steady investment and a long term capital works program for water infrastructure that builds a water sensitive city should be the focus.

The City supports IPART’s encouragement of Sydney Water to publish better information to facilitate planning, such as the publishing of estimates of wastewater costs by area, comprehensive water conservation reporting, and willingness to pay for improved environmental outcomes. However, the City would like to see these mandated by IPART rather than “encouraged”.

It is also important to note that “willingness to pay” studies are only one methodology to understand customer and community expectations, and it would be valuable to look beyond such quantitative studies towards qualitative studies to better understand community expectations regarding the water industry’s investment in environmental and sustainable outcomes.

The City also welcomes the development of Greater Sydney Water Strategy (the ‘Strategy’) by the Department of Industry and Environment. IPART should be an active stakeholder in the development in the Strategy’s development. Once approved, IPART should review and update its pricing methodologies to most effectively and efficiently deliver on the stated outcomes. IPART should make the review and suggested update actions available via a public report. The opportunity for stakeholders to comment on this

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<sup>1</sup> Source: <http://www.sydneywater.com.au/SW/about-us/our-organisation/what-we-do/index.htm>, accessed on 28 April 2020

will be vital for building the 'social licence' to deliver on the community expectation of a water sensitive city.

During recent consultation to develop Sustainable Sydney 2050, stakeholders and the community highlighted the importance water in creating a green, cool, liveable city. A deliberative democracy panel of over 50 representatives across metro Sydney recommended that becoming a water sensitive city was a key outcome. The city is concerned that IPART's recommendation to reduce water pricing will prevent the investment necessary to delivery on these important community expectations.

Should you wish to speak with a Council officer about this submission please contact Chris Derksema, Sustainability Director by telephone on [REDACTED].

Yours sincerely

[REDACTED]

**Monica Barone**  
Chief Executive Officer