

30 October 2020

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File No: X009227

Mr Anthony Rush
Independent Pricing and Regulatory Tribunal
Level 15, 2-24 Rawson Place
SYDNEY NSW 2000

By email: Anthony_Rush@ipart.nsw.gov.au

Dear Mr Rush,

Submission to IPART's 'Regulating Water Businesses' position paper

The City of Sydney (the City) is pleased to make this submission to the review IPART is undertaking into how IPART regulates monopoly water businesses.

Water is essential for healthy, sustainable and liveable communities. Our [Environmental Action 2016-2021 Strategy and Action Plan](#)¹ 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 changing climatic conditions including warmer temperatures and changing rainfall patterns.

We note this review is not directly focussed on the *Water Industry Competition Act* (WICA) framework; however the City is still of the strong belief that the current market settings for recycled water are creating significant barriers to investment. The current retail-minus framework is increasing the cost of recycled water operations for potential competition to the regulated monopolies reducing Sydney's ability to become more resilient.

The City agrees with the four overarching outcomes IPART has identified for the review and in particular would like to highlight the criticality of systems that are resilient and adaptable to climate change.

The City has the following comments to make about the three focus areas identified.

¹ https://www.cityofsydney.nsw.gov.au/__data/assets/pdf_file/0007/284749/Environmental-Action-strategy-and-action-plan.pdf

1. Lifting the performance of the water sector

The City agrees that strengthened co-ordination between IPART and other stakeholders before and during a pricing review is key to ensuring alignment of objectives and we note that the NSW Productivity Commission has identified a recommendation in its Green Paper for the Minister of Water to “Issue Statements of Expectations to state-owned water corporations to provide clear guidance on the Government’s plans and direction” which may assist in this alignment.

2. Encouraging innovation to deliver greater value to customers, today and into the future

The City agrees that businesses operating in well-functioning competitive marketplaces seek to cater for population growth and to meet the changing needs of their customers, and often do both by innovating.

We believe there is an opportunity for IPART to benchmark NSW water monopolies against other water utilities including those outside of NSW to help encourage innovation. We believe benchmarking should be focussed on customer outcomes including securing water supply during times of scarce rainfall by development of rainfall independent sources, in particular water recycling. We believe this friendly competition could drive innovation across the entire value chain.

3. Promoting a customer focus in the businesses

The City agrees there is an opportunity for expert customer representatives and can advise the City recently used a deliberative democracy panel of over 50 representatives across metro Sydney which recommended that becoming a water sensitive city was a key outcome.

We also believe there are opportunities for water utilities to identify and work with customer proxies in the delivery of items of mutual benefit of which a good example is storm water and the local councils.

The City looks forward to the engaging with IPART over the course of the inquiry, and in particular, helping ensure Sydney’s water supply is increasingly resilient and adaptable to climate change.

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