



Submission
*Prices for wholesale water
and sewerage services*
*Sydney Water Corporation and Hunter
Corporation Water*
Water - Draft Report November 2016

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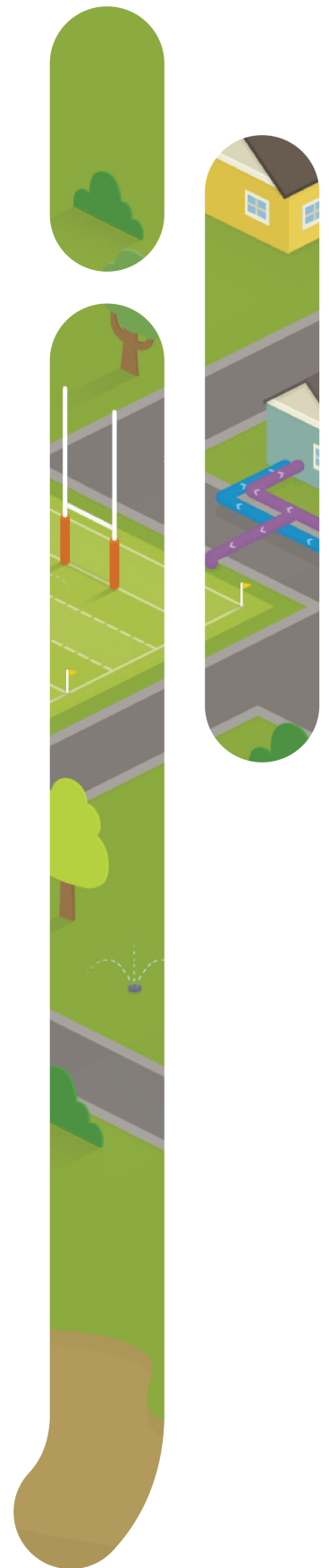


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1 Executive Summary

Flow welcomes the opportunity to comment on the Draft Determination and appreciates IPART's efforts to address industry concerns. However, despite IPART's best efforts, the draft determination as it stands will create an impenetrable barrier to market entry for water innovation schemes that require connectivity to public water infrastructure.

The determination proposes a retail-minus Reasonably Efficient Competitor (**REC**) test method as the only viable method for setting wholesale water and sewerage prices, consistent with government postage stamp pricing policies. Flow rejects the draft retail-minus tariff determination for Integrated Water Cycle Management (IWCM) wholesale participants who provide clear benefits to the NSW economy through value-add and transformative water services.

Flow welcomes IPART's decision to exempt top-up water and waste from recycled water production from retail minus and retain the non-residential tariff. We agree with the reasoning that IWCM wholesalers will simply by-pass Sydney Water (**SWC**) or Hunter Water (**HWC**) infrastructure, going off-grid or duplicating services, if the retail minus costs rise. Flow argues the non-residential tariff must be extended to all water services within an IWCM scheme - including substantially reduced drinking water purchases, water balancing, start-up phases and commissioning.

IPART cannot continue to ignore the public benefits of recycled water. Increased water security, downward pressure on water prices resulting from avoided upstream and downstream infrastructure augmentation, conservation of drinking water supplies, and enhanced liveability, have clear and measurable value to the State, to customers and the broader community.

The positive contributions of IWCM schemes to State water security, resilience, liveability and to infrastructure augmentation cost savings, must be recognised in this determination in a system-wide approach – not scheme by scheme. Flow is proposing a water scarcity offset that will ensure wholesalers making a greater contribution are recognised and that progressive water management is promoted.

The proposed Draft Determination remains inconsistent with Section 15 (**S15**) of the IPART Act and the stated objective in that provision of encouraging competition where efficient. The effect of the determination is to reduce efficiency and increase future prices, contrary to S15(e). The proposed method for setting wholesale prices materially understates the "minus" necessary to meet the REC test.

The Draft Determination encourages more infrastructure and inefficient infrastructure operation, for example treating water that then becomes waste, more kilometres of pipes and duplication of costs. It promotes last century utility infrastructure behaviour – more pipes, more water meters, and outdated pricing formulas that do not reflect the future of utility servicing anchored in IWCM, precinct-based approaches.

The best outcome for customers is to have a competitive market where there are innovative options for water supply, management and reuse. The current retail minus approach rewards business as usual (**BAU**) centralised thinking and outcomes, resulting in upward pressure on pricing.

The determination fails to take into account and recognise the services provided by IWCM schemes including the reduction in drinking water and volume of recycled water produced, which means retail minus yields a substantially higher wholesale price.

The determination fails to reflect the substantial market, investment, technology and regulatory risks born by wholesale proponents as they invest in urgently needed next generation water infrastructure and innovation. IPART must recognise this in the minus component of the tariff.

The determination does not calculate the true costs of starting up and running an IWCM project. The premise that a REC of SWC or HWC would have 10,000 customers for example, is incorrect.

IWCM schemes can take years; in some cases more than a decade to reach full capacity. This means some IWCM projects require interaction in the start-up phase with public water infrastructure to develop the scheme. This must be taken into account by IPART. Just as waste from the recycled water plant is exempt from retail minus, so too should interim wastewater discharge which can be essential for the start-up and commissioning phases of IWCM schemes.

IPART's proposed scheme by scheme determination, including facilitation costs, has no real-world application. WIC Act proponents competing with public utilities for water servicing projects in the competitive private and public development market would be significantly disadvantaged if a lengthy scheme review was required to ascertain pricing.

This would create an impossible barrier to competition and attract greater risk for developers choosing innovation water servicing solutions over BAU.

2 A new IWCM market

Flow supports a dynamic New South Wales (NSW) water industry underpinned by the objectives of the *Water Industry Competition Act 2006* (NSW) (WIC Act). WIC Act promotes dynamic efficiencies through innovation and IWCM including water recycling. This market has been founded on innovation and new approaches to water services and infrastructure, which are essential to making the transition to a more competitive water market that will place downward pressure on pricing. This competitive market will also help to deliver more affordable and timely housing stock in State growth areas.

With the right settings, Flow and other IWCM wholesalers can significantly transform the way new communities use water, and hence drive key efficiencies to the water network, meeting NSW key Government objectives for productivity, livability, resilience and sustainability. IWCM has a positive impact on existing communities, eliminating ocean outfall and waterway contamination, generating new sources of more affordable water that can improve amenity all-year-around and contribute to environmental flows, making more livable and resilient neighbourhoods.

IWCM is an approach to managing water which is completely different to centralised solutions. It is essential that IPART does not apply tariff approaches to this new market which promote centralised water infrastructure solutions. This market needs to be fostered and understood within a new paradigm. Applying incentives that promote centralised water infrastructure solutions will prohibit innovation and much needed change.

Flow, along with industry, has been asking IPART through the course of this determination process to place a value on IWCM and to reflect that value in the wholesale pricing determination. This is because the intention of IWCM schemes is never to merely on-sell water, instead it is to take large drinking water communities and transform them into small water users – as evidenced in current licensed IWCM communities including Flow’s Sydney communities at Central Park, Discovery Point and Pitt Town and regional communities of Cooranbong and Huntlee. Other leading IWCM communities include Living Utilities’ Barangaroo and Bingara Gorge. Here communities are saving between 40 and 70 percent of drinking water through recycled water connections to washing machines, toilets, irrigation systems and cooling systems.

These schemes are contributing to large savings of drinking water, preserving State water supplies, creating water sources for communities that are free from water restrictions and reducing upstream and downstream infrastructure augmentation and treatment costs. Wholesalers adding value and transforming water products should not be subject to a retail minus pricing regime that penalises efficient IWCM precincts and, as a result, leads to more costly outcomes for the water network as a whole.

The SWC position made at the 28 November 2016 public hearing that Recycled Water Plant Waste is an on-sale service completely ignores the nature of the retail service provided by the IWCM wholesaler and the SWC costs saved by an IWCM scheme, particularly in light of the IPART administered WICA requirements for recycled water network operators. SWC was also incorrect to assert that treating Recycled Water Plant Waste as a non-residential wholesale service does not recognise the effluent load of that waste. Trade waste charges for effluent waste load are unaffected by that classification and will continue to compensate SWC appropriately. No additional wastewater charges are justifiable.

2.1 Recommendation

- IWCM wholesale customers need to be treated separately to on-selling wholesalers that are not delivering transformative water services.
- All waste from an IWCM precinct should be dealt with on the current non-residential charge basis.
- Sewerage on-sale would be defined as only applicable for wholesale customers not operating an IWCM or sewage treatment facility.

3 Retail minus is inappropriate for IWCM schemes

Flow welcomes IPART's decision not to apply a retail minus approach to recycled water plant waste and top up water use. This demonstrates IPART recognises that an increasing retail minus tariff would simply force IWCM systems to go off-grid, by-passing or duplicating SWC or HWC infrastructure and driving increased prices across the water system.

Flow believes the non-residential tariff must be extended to all water services within an IWCM scheme. That means retail minus should not apply to drinking water purchased and wastewater discharges within IWCM communities. Pricing for these communities should be capped at a non-residential tariff level – with the opportunity to be further reduced.

The main economic contribution from IWCM is recycling sewage and capturing wet weather flows to generate new water supplies. It is not about installing and operating reticulation services.

3.1 Emergency events built into IWCM

SWC have argued that the minus component is too low on the basis that they are not able to avoid costs of downstream infrastructure. This is patently incorrect. As previously submitted by Flow at the November 28, 2016 public hearing, IPART regulation of Flow's projects ensures that redundancy is built into IWCM infrastructure such that 'emergency events' of the type foreshadowed by SWC simply do not require additional infrastructure to be built or maintained downstream of the connection point to SWC's sewerage infrastructure.

3.2 No issues of IWCM reliability

As IPART is aware, the WICA framework and requirements already deals with SWC's concerns for all WICA licenced participants (not just Flow). It is not correct to say, as SWC intimated at IPART's public hearing that there is an issue of transparency regarding the reliability of IWCM provider's infrastructure. IPART actively administers the WICA, including through technical reviews of proposed schemes, requirements of financial wherewithal for IWCM providers and very regular audits of as built infrastructure and operations. SWC is attempting to defend inefficient augmentation and operation of their sewerage infrastructure, which is detrimental to all participants in the water system, whether or not they are retail customers in an IWCM project.

3.3 Cost of contractors

SWC have also argued that because they are able to access services from contractors at certain prices, wholesale customers should also be able to procure those services at equivalent prices. This is an absurd position and at the very least does not take into account the obvious differences in scale between SWC and IWCM providers. At its extremes, such a position appears to be advocating for price regulation of service contractors or worse still, collusive behavior between competitors.

3.4 Sewage in our oceans & waterways

Flow maintains its concern that current centralised gravity rainfall-dependent infrastructure approaches to water management continue to present a material risk to the environment and water scarcity. The ‘flush and forget mentality’- where wastewater is simply pumped over long distances through multiple communities then out to sea with minimal (or in some cases, zero) treatment, is an outdated approach to water management that fails to reflect the aspirations of customers and the community, and fails to incorporate innovations over the past 20 years that allow the reuse of a waste at source.

3.5 Recommendation

Flow recommends that IWCM wholesalers:

- be exempted from the retail minus tariff consideration.
- be charged no more than the non-residential tariff.

4 Water scarcity offset

The Draft Decision concludes it is not practical for IPART to form a system-wide view on positive externalities from IWCM. The positive externalities are significant and should be incorporated in the wholesale pricing methodology, because this is in the long-term benefit of SWC/HWC customers as well as Flow customers. The benefit arises because incremental production from IWCM increases water security and reduces water scarcity.¹

Flow understands IPART’s concern that a system-wide approach to pricing in benefits from incremental water production could be inefficient and have undesirable consequences. It could, for example, advantage IWCM projects with low rates of manufactured water/recycling, or otherwise fail to create efficient incentives to contribute to increasing water security and decreasing water scarcity.

The Draft Decision is proposing positive externalities from IWCM projects could be addressed

¹ In this discussion, “security” relates to the recovery of the standing costs of the Sydney Desalination Plant from the fixed (per customer) component of wholesale charges, while “scarcity” relates to the forward looking or long run marginal cost component of the usage charge for drinking water.

through the facilitation costs mechanism and would represent negative facilitation costs. IPART is proposing that this would be dealt with through a scheme-specific review.

While superficially appealing, in reality a scheme-specific review is likely to be risky and undesirable from an IWCM and overall water system perspective. It would involve significant costs in relation to preparing and lodging a scheme-specific review request with IPART and a lengthy review process of 12 months or longer. Any net benefits from such a process would be highly uncertain.

A better solution would be for IPART to consider a mechanism which both recognises and rewards IWCM operators for avoided water scarcity costs. SWC is allowed to recover the standing costs of the Sydney Desalination Plant (SDP) via a water security component incorporated into fixed charges per consumer. This suggests SWC should also be able to recover costs for IWCM output that not only increases water security but actually avoids water scarcity costs incorporated into usage charges. Similarly, in HWC's case, the usage charge incorporates a scarcity premium. Hence there is an avoided water scarcity cost where IWCM offsets total demand.

4.1 Recognising IWCM

Design of a water scarcity offset would require IPART to consider a reasonable level of compensation payable to IWCM operators by SWC/HWC. This is conceptually similar to a feed-in tariff for distributed generation. The baseline for setting the level of an offset should be the usage price for top up.

From an end user perspective, the impact of offsets would partially include water security and scarcity charges incorporated into both fixed charges (the SDP fixed capacity payment) and usage charges. This highlights the scheme should seek to align incentives between IWCM consumers and non-IWCM consumers, reflecting recognition that purchases of recycled water by IWCM consumers have avoided water scarcity benefits for non-IWCM consumers.

A water scarcity offset would necessarily impose some transaction costs for both SWC/HWC and IWCM operators. For example, IWCM suppliers would need to demonstrate recycled water sales in excess of purchased top up water, such as referring to billed recycled water volumes supported by metering data. However, these transaction costs would be required in any event to implement the draft determination, so there would be no marginal implementation cost and the benefits could offset the inefficiencies otherwise brought into the system by the draft determination pricing.

The water security offset should also incorporate an allowance for the value obtained by installation of sewage treatment facilities (including redundancy) as part of the IWCM. As discussed above, sewage treatment within an IWCM does not need to be duplicated by SWC due to the strict WICA licensing, compliance and audit process administered by IPART. By recognising the system-wide benefit of building sewage treatment within an IWCM, the water security value payment would recognise and incentivise efficient sewage treatment as part of IWCM schemes.

In the current wholesale price determination period, a constraint would be the funding for incentive payments would need to be raised from within existing revenue caps. A possible source

of this funding would be the gap between actual wholesale water costs and allowed wholesale water costs. Based on current storage levels in both Water NSW (Sydney catchment) and HWC, this gap could be significant. Nevertheless, Flow recognises it is possible that some of the revenue from this gap is already committed to offsetting fixed SWC/HWC costs. Furthermore, given the size of the IWCM industry, and the likely size of that industry within the pricing period, the overall impact on SWC or HWC over that period will likely not be significant.

4.2 Recommendation

In considering the appropriate rate for an offset (water scarcity offset rate), the following considerations should be taken into account:

- The objective of the Scheme would be to increase water security and reduce water scarcity for all water customers in a given service delivery area (SWC/HWC).
- While the Scheme would reduce scarcity, and hence create benefits on a volumetric basis, its contribution to water supply would be relatively modest and for simplicity it would be assumed the Scheme would not reduce the relevant scarcity price (the relevant usage charge). In other words, the Scheme would not need to consider price elasticity effects of expanded supply.
- The relevant volume used for setting the offset payment would represent the difference between total water demand volume supplied (and billed) and the total top up water volume purchased from SWC/HWC.
- The benefit of net water production from IWCM (the water scarcity reduction benefit) is related to the prevailing usage charge for SWC/HWC, as the case may be (a large component of which is a scarcity charge). This would form the ceiling for the offset payment rate.
- SWC/HWC publish recycled retail water prices. These could be useful reference points for determining the customer contribution to the cost of the IWCM service. The reference recycled water price is relevant to ensure that IWCM suppliers are not over-compensated for water production from a scarcity offset scheme. The gap between the recycled water price (the “cost”) and the avoided water usage price (the “benefit”) would represent the floor for setting the offset payment.
- Consideration should be given to the appropriate benefit sharing between IWCM customers and SWC/HWC customers. That is to say, consideration could be given to making the offset scheme payment rate greater than the gap between recycled water charges and potable water usage charges. The aim would be to avoid over-compensating IWCM operators but at the same time give operators incentives to increase IWCM production (to the benefit of all consumers) by for example finding new customers and applications for IWCM production. This may require additional investment for example to extend IWCM reticulation to neighbouring buildings or residences. Offset payments could underwrite expansion of IWCM production to the benefit of all water customers.
- The offset scheme would be reviewed before the expiry of the current retail price determinations for SWC/HWC and the proposed expiry of the proposed wholesale determination. Design and operational improvements could be made to reflect experience gained and new information on the overall water security/scarcity outlook at the time.

5 Margin Squeeze

Flow maintains that despite the REC benchmark, there is still a margin squeeze for IWCM wholesalers.

For existing and planned projects, IWCM investment is predicated on the current non-residential wholesale prices, which for on-selling services are typically lower than the wholesale prices for on-selling services. It is therefore useful to consider the impact of the proposed wholesale price increases on a typical existing IWCM project to illustrate the shortfall in “headroom” created by the proposed increase in wholesale prices for on-selling services. In this consideration, it is important to recognise that Flow and other IWCM participants are not able to pass through wholesale water cost increases to end customers.

The overall impact of Draft Determination on IWCM providers is a margin squeeze depending on the density of the IWCM scheme.

For example, in high density schemes, where reticulation length is (by definition) short and customer numbers are high, margin reductions can approach \$20 per customer in drinking water. During a high-density project’s start-up phase, sewerage charges per customer could increase by around \$500, but would quickly reduce as the benefits of IWCM come on line. The entry hurdles to IWCM projects and the benefits they bring the overall water system are extreme.

This translates to a cost increase of up to 400 and 500 per cent for new entrants into the market.

Flow understands that current arrangements are grandfathered under the Draft Determination. For existing projects, as existing arrangements expire, wholesale prices would revert to the system-wide wholesale prices as set under the determination. Furthermore, a number of arrangements simply track the regulated prices, so do not protect Flow or other IWCM participants from changes in the pricing regime. In both cases, IWCM providers would suffer higher total supply costs. Flow will be unable to pass this increase on via higher usage and service charges. The result is a margin squeeze unrelated to efficient IWCM operation.

Similarly, for some new projects currently under consideration, the increase in wholesale prices may mean projects are no longer feasible. This does not mean Flow’s costs are not competitive, its prices too low or value of service insufficient, rather it is evidence that the proposed method for setting the wholesale price requires modification.

For schemes under consideration, the IPART methodology generates higher wholesale on-selling prices and lower margins for more dense projects and lower wholesale on-selling prices for less dense projects. This is because less dense IWCM projects require a greater investment in reticulation per customer compared with denser IWCM projects.

This suggests that IPART’s proposed retail minus methodology, as it stands, will lead to inefficient outcomes. It will promote higher levels of investment in low density IWCM projects and lower levels of investment in high density IWCM projects. It would incentivise over-investment in reticulation infrastructure and would prefer inefficient operating configurations. Such outcomes

are not efficient. IWCM benefits and investment viability should not be particularly sensitive to development density.

The main economic contribution from IWCM is not about installing and operating reticulation services. The contribution is instead recycling sewage and capturing wet weather flows to deliver substantially higher volumes of water than the volume purchased from SWC/HWC.

IPART's proposed calculation of the minus to avoid wholesale prices that result in a margin squeeze and inefficient future investment outcomes, or worse still, no investment in IWCM.

If IPART were to apply a retail minus for any wholesale customers the following changes are essential. Applying the REC test properly requires the following changes to the calculation of the retail minus price:

1. an increase in the weighted average capital cost (WACC)
2. an additional margin representing a 'catch up' for a shortfall in depreciation and capital charges during the transition period between the time capital expenditure is incurred and an IWCM project is fully functioning

1. Weighted average cost of capital

In deriving the capital charge for the minus applied to on-selling services, IPART applies the WACC for the relevant wholesale supplier (5.85 per cent), not the wholesale customer. This overlooks the fact that wholesale suppliers are government-owned monopoly incumbents using established technology. In contrast, wholesale customers are subject to substantial market, investment, technology and regulatory risks.

Wholesale suppliers have a far lower cost of capital than do wholesale customers. For this reason alone, the minus component is insufficient. The cost of capital used for the minus needs to be significantly higher than proposed in the Draft Decision. This is shown in Table 1 below for the combined water and sewerage on-selling wholesale price.

Table 1 – margin squeeze attributable to incorrect WACC

<i>SWC WACC</i>	<i>REC WACC</i>	<i>REC WACC vs SWC WACC</i>	<i>Percentage change in on-selling wholesale price to avoid margin squeeze</i>
5.85%	5.85%	0%	0%
5.85%	6.15%	105%	(0.6)%
5.85%	7.02%	120%	(2.5)%
5.85%	8.78%	150%	(6.2)%
5.85%	10.53%	180%	(9.9)%
5.85%	15%	256%	(19.5)%
5.85%	25%	427%	(40.9)%

If for example, the WACC for a REC is 50 per cent higher than for SWC/HWC, the estimated overall wholesale price for on-selling water and sewerage services is estimated to be 6.2% per cent too high. In other words, there is a margin squeeze of 6.2% of the wholesale price.

To avoid this margin squeeze, the combined wholesale price would need to be reduced by the same amount. In line with the early stage of WICA market development, a more realistic WACC for IWCM entrants during the current pricing period would be closer to 15-25%.

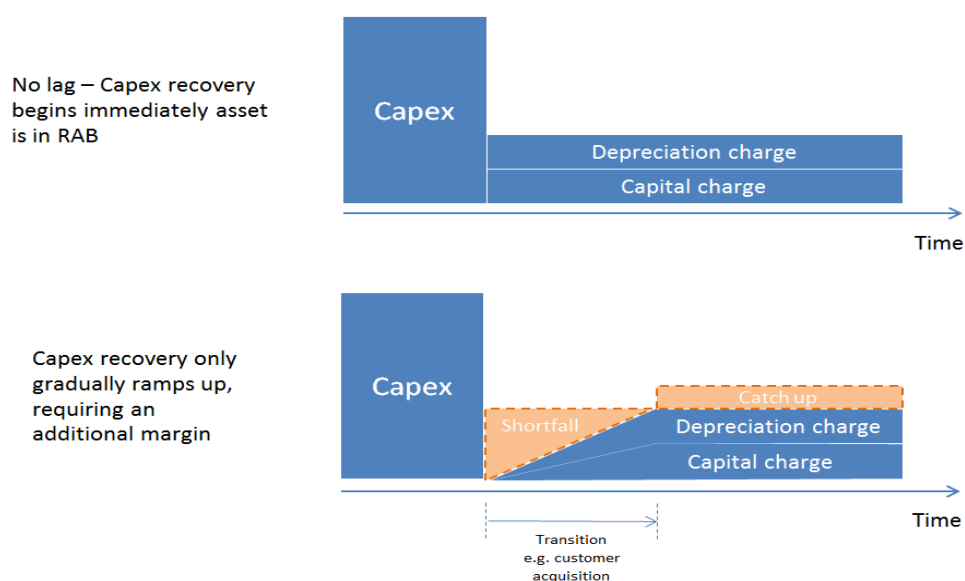
2. Need for a catch-up allowance in the “minus”

In determining the “minus”, IPART is implicitly assuming there is no delay between incurring investment expenditure and generating revenue. This assumption is of course valid for SWC/HWC because they are allowed to generate revenue from price changes once investments are deemed to be in the regulated capital base. Under the version of cost building blocks typically used in Australia, timing mismatches are addressed by deeming both expenditure and revenue changes to occur at the same time, avoiding the need to consider construction work in progress (CWIP), on the expenditure side, or working capital on the revenue side.

By contrast, for unregulated service providers, such as Flow, there can be lengthy delays between capital expenditure being incurred and the start of recovery of those costs. This reflects the fact there may be several years between IWCM project start and full IWCM service delivery, while the development is completed and properties are sold and occupied. This delay reflects a transition period and includes the delay in customer acquisition for an entrant.

Revenues do accrue over this period, but there is a shortfall relative to the required rate of revenue. The impact of the recovery shortfall and requirement for a catch-up component in the minus is illustrated in Figure 1 below.

Figure 1 – illustration of transition period shortfall and catch up



The top example reflects SWC/HWC. In this case, once the capital expenditure is incorporated into the asset base, SWC/HWC is able to recover depreciation and capital charges more or less in full, subject to price smoothing in multi-year regulatory control periods under which there is compensation for any lags.

The bottom example reflects a REC, such as Flow. In this case, there is a period of perhaps five to ten or more years between incurring investment in reticulation and other IWCM infrastructure, on the one hand, and full customer acquisition and target revenue recovery, on the other.

During this transition period, wholesale customers must absorb a significant share of both the required return on and return of capital. This means that the “minus” must have an additional component to reflect recovery of the previously unrecovered return on and of capital. This should include the time value of money during the delay. This additional component recognises the long run efficiencies and system-wide of the IWCM model discussed above.

5.1 Recommendation

If IPART is still applying retail minus then to avoid a margin squeeze Flow recommends IPART reduce wholesale on-selling prices to reflect key features of the REC benchmark by:

- a) Increase the WACC used to derive wholesale prices for on-selling services to reflect realistic capital costs.
- b) Incorporate a catch-up component in the allowed return on and of capital to compensate for under-recoveries from the transition period between beginning IWCM investment and reaching required revenues.

6 Implementation issues

6.1 Cost

Implementation costs associated with IPART’s retail minus methodology appear significant. In order to calculate monthly retail minus wholesale prices, it is necessary to separate top up and on-supply volumes. Calculation of sewage discharge and recycled water plant waste is not meaningfully measured through top up or non-residential drinking water use, as this methodology takes no account of the value added to the system through the treatment of sewage *within* the IWCM scheme.

In practical terms, this suggests it is necessary to put in place separate metering for water on supply, water top-up and sewage streams. This adds additional cost to the water system that has not been taken into account by IPART when considering system-wide impacts. An allowance for additional metering should be added to the minus element of both drinking water and sewerage on-sale services.

6.2 Delineation between services

Flow notes a section in Schedule 1 to IPART's Draft Determination for SWC/HWC intended to clarify the application of charges for fixed (water service) charges for a property:

Section 3.2 of Schedule 1 to IPART's Draft Determination for SWC/HWC, refers to the Water Service Charge for a property in a period, if SWC/HWC supplied the retail water services:

- *'if either the wholesale customer or other retail supplier supplies the retail services to a property for only part of a period; and*
- *the amount that SWC/HWC would be able to charge for supplying the retail services would be reduced;*
- *then the water service charge for that period in that period is reduced accordingly.'*

Flow understands the intent of this clause is to avoid a situation arising where wholesale customers could be liable for fixed (water service) charges that would not be chargeable if SWC were supplying water services (because that would amount to double recovery of the relevant fixed charges). However, it does not deal well with a situation where a portion of the waste stream is treated by a recycled water plant, with the remainder of that stream serviced by the SWC/HWC sewer at the same time.

While the clause in the Draft Determination is helpful, Flow suggests that the Final Determination could usefully provide further clarification of the delineation between on-selling and non-on-selling services, and in particular, on the avoidance of double recovery of fixed charges where properties switch from SWC/HWC to IWCM suppliers or where a portion of wastewater produced in a precinct is discharged to the SWC/HWC sewer at the same time as the recycled water plant is operating (as may be required for water balance purposes). An appropriate way of dealing with this issue would be to measure the sewerage on-sale service according to the portion of the waste stream that is serviced by SWC/HWC, rather than on the times at which the service is provided.

6.3 Recommendation

While the clause in the Draft Determination is helpful, Flow suggests that the Final Determination could provide further clarification of the delineation between on-selling and non-on-selling services, and in particular on the avoidance of double recovery of fixed charges where properties switch from SWC/HWC to IWCM suppliers or where those customers are simultaneously serviced by a recycled water plant and the SWC/HWC sewer.

7 Conclusion

Flow believes it is essential IPART take time to get the tariff settings right for this emerging innovative IWCM market. The benefits are too critical to customers and the State on many levels. A tariff that makes IWCM no longer viable and blocks new market entrants offering more innovative and competitive solutions will not only undo a decade of leadership around water

management, but will also jeopardise the much-needed transition away from ageing last century water utility approaches.

Given the current unprecedented development across NSW, Flow and other IWCM providers must be given a chance to provide competitive alternatives to BAU, to help build communities of the future with all the benefits innovation and new thinking brings – enhanced liveability, water security, lower prices.

Other States are moving to respond to customer demands for more environmentally-friendly and innovative water management practices and services and are changing their business models to reflect those demands. NSW cannot be left behind in this shift to IWCM.

A pricing methodology that negatively impacts on new entrants in the market and on the businesses of existing leading providers would not be a best practice approach.



Terry Leckie
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