

## **SUBMISSION TO Supplementary Draft Report and Determinations for the wholesale price review for Sydney Water and Hunter Water**

8 May 2017

Thank you for the opportunity to review the retail minus tariff. The TEC is strongly opposed to implementation of the tariff due to the fact that it would seriously inhibit competition and repress innovation. In the long term, we believe this would have a highly negative impact to both the ratepayers and the environment. Retail minus pricing has been exposed as a strategy to protect incumbents. We also believe it is in direct conflict to the policies established in the IPART Act. Following are our detailed comments:

1. The retail minus tariff will ensure the continuation of past practices of large centralized water facilities and minimal reuse of our water supply. NSW has many opportunities to implement innovative water schemes that embrace the concepts of decentralized water supply and treatment as well as increasing water reuse and recycling. Water reuse and recycling have a significant benefit to NSW by decreasing the need for source water, reducing source water infrastructure costs, increasing the availability of water for environmental needs, reducing waste discharge, and improving water reliability and security. These opportunities will be lost with the implementation of the retail minus tariff.
2. TEC supported the introduction of the Water Industry Competition Act (WICA) as a necessary response to the abject failure of the corporations to develop recycling and other alternative supply sources. Introduction of retail minus pricing will erect a barrier to the development of recycling, effectively returning NSW to a pre-WICA situation. As Sydney Water and Hunter Water have an interest in maintaining their established business model it is difficult to see them investing in recycling or doing anything to facilitate other operators developing recycling systems.
3. Retail minus pricing is contrary to the principle previously adopted by IPART that developing alternatives to potable water provides benefits to all customers, not just those directly supplied. As benefits accrue to all customers some of the costs should be shared across the entire customer base. Benefits include augmentation of potable supply avoided or deferred and reduced discharge of sewage effluent and/or stormwater to receiving environments. In accordance with this principle IPART has previously set the cost access prices (e.g. for sewer mining) at the cost to the utility of providing that access. The cost to customers of recycled water has been set at below that of potable water to encourage uptake.

4. This appears to be continuation of the process of preparing Sydney Water and Hunter Water for eventual privatization (which we have previously argued is not in the best interest of NSW) by creating barriers to the development of alternative supplies and by entrenching higher demand for potable water (coupled with the earlier abolition of the 329 litres per capita per day demand target). Higher water sales and reduced make the corporations more attractive to potential purchasers and thus inflate their value.

The TEC urges that the current pricing determination be paused until the completion of the Metropolitan Water Plan which we believe will show the fallacy of implementing the tariff. Additionally IPART should abandon its narrow interpretation of its responsibilities.

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Executive Director