

8 May 2017

Dr Peter Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal of NSW
Level 15
2-24 Rawson Place
Sydney NSW 2000

By Email: [REDACTED]

Re: Prices for wholesale water and sewerage services Sydney Water Corporation and Hunter Water Corporation – Draft Determination March 2017

Dear Peter,

The Urban Development Institute of Australia (UDIA) NSW is the leading property industry group promoting the responsible growth of this State. We have around 500 company members and more than 3,000 of their employees attend our events, sit on our committees, undertake training or are involved in the activities of the organisation on an annual basis. Our organisation is the oldest property development advocacy group in the country, having been established in 1962.

UDIA NSW is governed by a 13-person Council that is elected annually by the membership. We have 8 policy committees that meet monthly and they actively advise the council on policy positions. UDIA NSW aims to secure the viability and sustainability of urban development for our members and therefore the communities that they create. Our policy agenda seeks to establish a roadmap for more liveable, affordable and connected cities to be built in NSW.

Background

UDIA NSW has made three previous submissions in regards to IPART's prices for wholesale water and sewerage services. These submissions, dated 12 October 2015, 3 June 2016 and 12 December 2016 are attached.

2017 Metropolitan Water Plan

The 2017 Metropolitan Water Plan (the Plan) establishes a long-term framework for securing the future water supply for Sydney and the Hunter at the least cost, which includes growing water recycling to diversify the water supply in the coming decades. The Plan notes current pricing and regulatory settings can bias investment towards traditional service models even where alternatives including water recycling are cheaper. Investment in water recycling schemes is extremely high-risk.

Removal of Barriers

The removal of barriers to cost-effective water recycling can:

- Improve housing affordability by accelerating the delivery of new housing supply by up to five years and lowering both water and energy bills for home owners
- Reduce network water prices by deferring or avoiding major new water and wastewater infrastructure, including a second desalination plant in the event of a future drought
- Reduce demand on drinking water supplies, diversify water supply and

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enhance liveability and community health through drought-resilient greening and urban cooling

- Enable growth in Western Sydney through reduced wastewater discharges to the Hawkesbury-Nepean River.

Draft Determination vs WICA

One of the Plan's primary recommendations is to establish an independent inquiry into barriers and enablers to the uptake of cost-effective water recycling, including consideration of potential regulatory and pricing reforms.

IPART's Draft Determination has come through a narrowly focused review of wholesale prices. The proposed whole price determination (a retail price minus tariff) places the future of the water recycling market in jeopardy through a substantial increase in costs for water recycling schemes. The Draft Determination directly opposes the primary objective of the *Water Industry Competition Act 2006* (WICA) and its accompanying regulations is to encourage competition in the water industry and foster innovative recycling projects and dynamic efficiency in the provision of water and wastewater services.

Impact of Draft Determination

The Draft Determination will negatively impact on the ability of new entrants into the market. Cost savings for end users and increased efficiencies that inevitably come from more competition will no longer exist.

Water recycling schemes for new housing developments face a dire risk for proceeding. The agreement for water recycling schemes in the Green Square urban renewal area (to be home to more than 60,000 new residents) will unlikely proceed. Existing world leading innovative recycling schemes at Central Park, Barangaroo and Huntlee will potentially be turned off due to being commercially unviable.

Recommendations

1. IPART to pause its current review of wholesale water and wastewater prices until an industry review is completed.
2. An independent taskforce be established to conduct a review of the water recycling market to develop a holistic strategy to unlock public and private investment. Wholesale pricing to be reviewed in conjunction with other policy, pricing and regulatory issues.
3. Sydney Water and Hunter Water refrain from applying a retail minus tariff to WICA licensees.

Should you wish to further discuss any of the above please contact Justin Drew, General Manager, Policy & Strategy on [REDACTED] or at [REDACTED]

Yours sincerely



Steve Mann
Chief Executive