

### Developer charges and backlog sewerage charges for metropolitan water agencies 2017

WaterNSW provides this submission in relation to IPART's "Review of developer charges and backlog sewerage charges for metropolitan water agencies, Sydney Water Corporation, Hunter Water Corporation, Central Coast Council – Issues Paper – Water – October 2017" (**the Issues Paper**).

WaterNSW notes the Sydney Water response to the Issues Paper, particularly in relation to question 6 of the Issues paper (at pages 22 and 23 of the Sydney Water response). Our submission is provided in the context of the current structural and regulatory arrangements for water utilities in NSW. It is our submission that:

1. For developments requiring a sole or unique augmentation of the bulk water supply system which involve a direct commercial relationship between WaterNSW and the developer, for example under the WIC Act, then developer charges would not be required/applicable.

Where a commercial relationship is not in place for a single / identifiable development requiring a sole, unique augmentation of the bulk water supply system, WaterNSW would seek to add that customer to its schedule of customers under its regulated service offering and recover efficient costs, including a return on capital, for the costs of the augmentation.

2. Where an augmentation of the water supply system is non-exclusive and serves a wider population (e.g. an augmentation of the Greater Sydney supply system for ordinary population growth) then it is appropriate that the efficient costs of the augmentation enter the Regulated Asset Base and are recovered from our customers, such as Sydney Water, as is the case currently. This is in accordance with the beneficiary pays principle.

Maintaining this approach is supported because the capacity of the bulk water supply system is based on a long-term construct called "Yield", which is the maximum amount of water that can be supplied annually on a sustainable long-term basis. This means that WaterNSW's bulk water supply augmentation decisions are inherently not sensitive to the location or size of individual developments.

For the avoidance of doubt, we do not consider that WaterNSW's charges are appropriate for inclusion within Sydney Water's developer charges. They are appropriately recovered from Sydney Water as an operating expenditure component in Sydney Water's cost base.