

14 April 2016

Sydney Water Corporation Price Review 2016
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP 1240

Via online submission at <http://www.ipart.nsw.gov.au/>

Dear Sir/Madam,

**RE: WATER – DRAFT REPORT, MARCH 2016
REVIEW OF PRICES FOR SYDNEY WATER CORPORATION**

We refer to your draft report dated March 2016 setting out the maximum prices Sydney Water can charge for water, wastewater and stormwater drainage services. We ask you to reconsider your reduction in the unit cost of water.

By way of background:

1. On 1 October, 2015, we lodged a submission in relation to Sydney Water's pricing proposal and your Issues Paper
2. On 10 November, 2015, we participated at the round table at the public hearing. We also facilitated the giving of evidence in relation to Aboriginal perspectives.

The thrust of our submission was that water is intrinsically valuable and prices must reflect the true value of water. That is, water pricing must include not only production costs (capital, operating and maintenance costs etc), but also the full social costs, namely scarcity costs (those due to resource overuse and depletion) and environmental costs (those that water supply and disposal place on the environment and its ecosystems). We submitted that Sydney Water should reinvest the economic efficiencies it generates back into the urban water cycle to enhance this vital life support system. Further, reducing water prices can result in increased water consumption and reduce the incentives to invest in water efficiency initiatives.

We ask you to reconsider your determination to reduce the unit cost of water by 13.6%.¹ The reduction reflects economic considerations² but does not account for the true cost and intrinsic value of water. At the public hearing, Sydney Water made it clear that it based its pricing proposal on economic considerations and that it was 'a proposal not an outcome'.³ In our view, pricing should achieve social and environmental outcomes, in particular the objectives detailed in Section 21 of the *Sydney Water Act 1994 (NSW)* ('the Act').

¹ Draft report paragraph 8.1.1.

² Ibid.

³ Kevin Young, Sydney Water. Transcript of the IPART Review of Prices for Sydney Water Corporation 10 November 2015 Page 28 Lines 49-41.

The public hearing provided an excellent opportunity to hear and understand the views, values and aspirations of today's society. At the hearing, enhancing liveability in the urban water sector was a clear and strong message from the various stakeholders representing the water industry, researchers, Councils and the community. Liveability and sustainable/integrated water management became the central organising dialogue and a concept supported by members of the round table⁴ as well as stakeholders in the audience.⁵ It also echoes many of the sentiments of Aboriginal participants. You have not addressed this comprehensive, integrated approach to the urban water cycle - the primary community concern - in your determination. We request that your determination explain how you have considered these matters and the ways they have influenced the determination.

We note that under Section 15(1) of the *Independent Pricing and Regulatory Tribunal Act 1992 (NSW)* you are to consider, amongst other things:

- (f) the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the Environment Administration Act 1991) by appropriate pricing policies that take account of all the feasible options available to protect the environment
- (k) the social impact of the determinations and recommendations.

Subsection (2) provides:

In any report of a determination or recommendation made by the Tribunal under this Act, the Tribunal must indicate what regard it has had to the matters set out in subsection (1) in reaching that determination or recommendation.

As mentioned above, we are of the firm opinion that, considered holistically, reducing the price of water can have deleterious environmental and social consequences.

We respectfully request that your draft report detail what regard you have had to the matters set out in subsection (1). You have referred to page numbers but those pages do not provide relevant information.⁶ The submissions made regarding the value of water and liveability inform you in relation to subsection (1) matters and therefore we ask you to articulate how you have considered them.

We applaud the introduction of a low-impact customer category for residential stormwater customers⁷ and the reduction of the non-residential discharge allowance from 300 kL to 150 kL per year.⁸

We ask you to reconsider the implementation of residential wastewater usage charges. We think they should be introduced because they 'more closely reflect the impactor pays principle', despite the fact that they 'would require detailed consideration'.⁹ We also consider it appropriate that the stormwater customer base reflects beneficiary pays pricing.¹⁰

We look forward to receiving your response to the above.

⁴ Transcript of the IPART Review of Prices for Sydney Water Corporation 10 November 2015: Cathy Cole DPI Water Page 19, lines 6-10; Cynthia Mitchell, Institute for Sustainable Futures UTS Page 16 Lines 15-20; Richard McManus, Stormwater NSW Page 18 Lines 13-28.

⁵ Transcript of the IPART Review of Prices for Sydney Water Corporation 10 November 2015: Emma James, E2DesignLab Pages 48-49.

⁶ Annexure "A", page 198.


⁷ Paragraph 8.7.1, page 144.


⁸ Paragraph 8.2.1, page 130.


⁹ Paragraph 8.2.1, page 131.

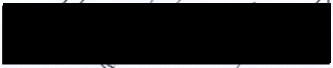
¹⁰ Paragraph 8.7.1, page 147.

Yours sincerely,


Stephen Summerhayes
Project Manager, Cooks River Alliance


Svetlana Kotevska
Manager, Georges River Combined Councils' Committee


Sarah Holland Clift
Parramatta River Catchment Group Coordinator


Geoff Withycombe
Executive Officer, Sydney Coastal Councils Group

CC. Mr K Young, Managing Director, Sydney Water