CRC for
Water Sensitive Cities

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Dear Sir,

Comment on IPART Issues Paper on review of Sydney Water Corporation prices

Thank you for granting us an extension of time to make our submission on the pricing proposal for water services by Sydney Water Corporation for post 1st July 2016.

The CRC for Water Sensitive Cities (CRCWSC) is an Australian Government Initiative established to meet the urban water challenges of three critical drivers affecting the productivity, resilience and liveability of Australian cities and towns: (i) population growth and the subsequent changes in lifestyle and values; (ii) climate change and variability; and (iii) changing economic conditions. In concert, the three drivers lead to reduced water supply security, increased flood vulnerability, and more degraded and stressed natural systems. Established in July 2012, the CRCWSC has over 85 participant organisations including 33 local governments, 19 state government departments or agencies, 9 research organisations, 9 water utilities and 12 private companies (including 6 Small to Medium Enterprises). Our submission is in the context that the CRCWSC sees integrated urban water cycle management as an opportunity to address the urban water challenges associated with the three critical drivers outlined above.

Sydney Water Corporation (SWC) has made its submission to IPART for water pricing effective 1st Juky 2016. In it, SWC proposed a new category, "wholesale pricing" in its pricing proposal which directly affects the WICA retailers. It is acknowledged that the pricing of water services is very complex when considering multilevel pricing structures, developer charges etc. The CRCWSC is not sufficiently knowledgeable to comment on the merit of the proposal but wishes to express its concern that the approval of this part of SWC's proposal may inadvertently undermine the incubation of new enterprises that have emerged to deliver effective decentralised integrated urban water management solutions.

Decentralised Integrated Urban Water Management
Since the National Water Commission's 2011 report on the future direction of urban water in Australia, the sector has intensified its strategising of its changing and future role across various forums. The Commission challenged the sector to "enhance its effective contribution to more liveable, sustainable and economically prosperous cities in circumstances where broader social, public health and environmental benefits and costs are clearly defined and assessed".

We envisage that future investment in infrastructure, especially in infill and brownfield redevelopment projects will be piecewise in response to the spatial pattern of urban renewal. These systems will be a more flexible combination of centralised and decentralised systems from a mix of public and private infrastructure investment. Until recently, water utilities in Australia who have owned and operated centralised systems and facilities have not had the appetite to invest in developing this line of service. In NSW, the introduction of the Water Industry Competition Act (WICA) in 2006 has catalysed the emergence of this new type of water retailer that have found the business case for providing decentralised integrated urban water

management services. Their emergence is in response to growing water infrastructure pressures brought about by increasing investments in infill and brownfield developments. The WICA created the enabling environment for these enterprises to invest, and assume the risk, in adopting recent advances in water recycling, smart technology and real-time control systems to harness the synergies of integrated water cycle management. Urban water infrastructure were constructed that harvest and recycle an integrated mix of water sources (such as stormwater, wastewater, greywater) which relieved the pressure such developments would have otherwise applied on existing (and ageing) water infrastructure.

Emergence of benefits from the WICA

The decentralised integrated urban water servicing system implemented by these new enterprises out of the WICA meant that there could be substantial savings in capital works from the delay or avoidance of system augmentation to increase the capacity of existing (centralised) infrastructure to accommodate localised increases in water demand and volume of sewage discharges. Green infrastructure constructed for stormwater harvesting and flood mitigation also delivered enhance urban liveability. Stormwater treatment and harvesting also had the potential to reduce erosion and the ecological degradation of urban waterways. It is this more complex systems approach that has the potential to enable a more sophisticated suite of social and ecosystem services such as water security, flood management, water quality protection of waterways, urban heat mitigation, enhanced biodiversity, amenity, social cohesion, catchment repair and overall improved system resilience – or coping capacity for future uncertainties.

The emergence of such organisations as FlowSystem have provided industry leadership in reforming the water sector towards a more robust water servicing model that will yield long term multiple benefits to its customers and the community-at-large. The benefits have broader economic implications beyond the financial considerations of urban water services. These organisations have assumed the risk as innovators and early adopters of research outputs that facilitated decentralised integrated urban water management.

The reform brought about by the WICA is game-changing but enterprises that have emerged out of this reform may not yet reached a level of maturity to withstand any significant changes to pricing policies at this stage.

It is noteworthy that the affected customer base for Sydney Water Corporation is less than 1% while the potential setback on a significant market-base reform initiative may be far reaching, throughout Australia.

Conclusion

It is recommended that IPART gives serious consideration to the potential unintended outcome at this formative period of what is a game-changing reform toward a more sustainable and resilient water servicing model, especially for infill and brownfield redevelopment scenarios.

Your sincerely,

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Chief Executive