

SW Ref: SK7735

Mr James Cox  
Chief Executive Officer  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Mr Cox

A handwritten signature in blue ink that reads "Jim".

Thank you for the opportunity to comment on the application by Central Park Water Factory (CPWF) Pty Ltd for a network operator and retail supplier licence under the *Water Industry Competition (WIC) Act 2006*.

Sydney Water supports private recycled water schemes wherever possible. The nature of the proposed development will require CPWF to enter into sewer mining and trade waste agreements with Sydney Water, and this has been acknowledged in the licence application. If the applicant is to be connected to Sydney Water's wastewater network, the applicability of wastewater charges would also need to be determined by IPART.

CPWF is proposing to be licenced to provide recycled water to customers beyond the boundary of the development, in nearby local government areas. Sydney Water notes that the licence application does not contain details on how this aspect of the proposal would logistically work, particularly with regard to transport of the recycled water. IPART should seek further information from CPWF on this aspect of the application.

It is also CPWF's intention to take drinking water wholesale at the boundary of the development for distribution within its internal reticulation system. It will be a matter for IPART to determine whether this is consistent with the requirements of the *WIC Act*. Under *the Act*, licenced Retail Suppliers are required to obtain "sufficient quantities of water...otherwise than from a public water utility".

Sydney Water is open to discussing arrangements with private sector providers to facilitate effective competition. However, the current industry structure for competition in bulk water and retail markets does not contemplate Sydney Water as a wholesale provider of potable water.

Instead, the current regulatory framework is for private sector providers to purchase bulk water directly from the Sydney Catchment Authority, or another potable water licence network operator, such as Sydney Desalination Plant Pty Limited.

This would be accompanied by a water transport agreement with Sydney Water, to transport water from existing interconnection points, to the designated off-take point. To facilitate this, Sydney Water recently lodged with IPART a voluntary water network access undertaking for approval by the Tribunal.

In assessing the CPWF's overall application, it will be important for IPART to clarify the manner in which private sector participation can occur. This will provide all stakeholders with greater certainty over the intent and operation of the existing regulatory framework.

Sydney Water believes aspects of the application regarding connections to the water and wastewater networks, as well as the relationships between CPWF, Sydney Water and customers, require further work. As a result, Sydney Water would be happy to be involved in further discussions between the parties as well as IPART, to progress CPWF's application further.

If you have any further questions on this matter please contact Stuart Wilson, Manager Regulatory Strategy and Pricing, on (02) 8849 5827.

Yours sincerely



**Kevin Young**  
Managing Director

18/4/12