

28 February 2014

Mr Gary Drysdale  
Program Manager, Compliance  
Independent Pricing and Regulatory Tribunal  
PO Box Q290  
QVB Post Office NSW 1230

Dear Gary,

**Re: Application under the *Water Industry Competition Act 2006* for a Network Operator and Retail Supplier licence for Barangaroo South**

Thank you for the opportunity to review the application by Lend Lease Recycled Water (Barangaroo South) Pty Ltd (**LLRWBS**) for a Network Operator and Retail Supplier licence under the *Water Industry Competition Act 2006* (**WICA**).

Sydney Water has been working with Lend Lease, Barangaroo Development Authority and associated parties for some time regarding the commercial and operational arrangements of the scheme. Some comments on the licence application are provided below.

**3.5 Other regulatory approvals**

The application makes repeated reference to the Site Servicing Strategy, stating in 3.5 that Sydney Water has formally approved the Strategy for the Barangaroo Development. It should be noted that Sydney Water worked closely with Lend Lease and associated companies in their preparation of a Strategy, and endorsed it as part of Sydney Water's Local Area Servicing Plan (**LASP**) in early 2013. The **LASP** is an internal document used to guide Sydney Water in assessing applications for Section 73 Compliance Certificates.

Elements of the LLRWBS licence application are not consistent with that Strategy. For example, the **LASP** identifies Sydney Water as the potable water provider to properties in Barangaroo South, and LLRWBS to be a provider of wastewater and recycled water services only. However the licence application refers to the negotiation of an agreement for Sydney Water to supply potable water to LLRWBS, and LLRWBS' intention to supply potable water to individual customers. Given this, it appears that the Strategy should not be regarded as an up to date reflection of LLRWBS's current intentions for the scheme.

In addition, the application states that a trade waste and sewer mining agreement with Sydney Water will be 'finalised by early 2013'. As at the time of writing, these agreements have not been formally entered into yet.

### **3.6 Monopoly supply**

The application states that Sydney Water will be capable of offering services as an alternative provider to LLRWBS. However, due to the development being served by private sewer and recycled water (and potentially drinking water) networks/assets, Sydney Water may not be able to provide alternative services to property owners within the development as standard offerings.

### **4.2 Water infrastructure – non-potable water:**

The application indicates responsibilities around upstream and downstream operation and maintenance of points of recycled water (4.2.4) and sewer (4.3.4) asset interconnection. The application includes drawings to indicate interconnections for the infrastructure. These drawings should clearly identify the proposed asset ownership arrangements around the points of interconnection.

#### **4.3.11 Sewerage infrastructure**

The application indicates that continuity of wastewater services will be maintained through a bypass to Sydney Water's system for excess wastewater discharge. All discharges of wastewater to Sydney Water will need to be measured for charging purposes and operational reasons. The rate of discharge of pumped discharges will need to be agreed and detailed in the commercial agreement between Sydney Water and LLRWBS.

#### **5.1.1 Retail Supplier**

The description of the asset arrangement for drinking water delivery to residential property owners appears to indicate that Sydney Water will provide water to body corporate infrastructure, rather than directly to LLRWBS infrastructure. This may result in the body corporate becoming a customer of Sydney Water. The potential regulatory arrangements for this may require clarification.

In addition, the application states: "Sydney Water infrastructure to provide bulk potable water supply to the property boundary of each building." The term "bulk potable water supply" has a particular connotation around water pricing. For clarity, Sydney Water will supply water at the standard IPART regulated price, not at a bulk supply rate.

#### **5.1.3**

The application states that potable water will be supplied to 'residential customers only'. Some primarily residential buildings (R8 and R9) may include some retail properties. For accuracy, Sydney Water's understanding is that LLRWBS intends:

- to be the retail supplier of potable water to all properties (including commercial) in primarily residential buildings within the precinct
- not to be the retail supplier of potable water to any properties in commercial buildings within the precinct.

#### **5.1.6**

The application states that the applicant will ensure continuity of potable water service provision by "Engaging with a major public water utility to provide the potable water supply." Sydney Water has not yet entered into a formal agreement to provide drinking water to LLRWBS at Barangaroo.



#### **4.2.3 Water infrastructure, non-potable water**

The application refers to the intention to export recycled water from the site. Sydney Water will only provide potable top-up supply to LLRWBS for recycled water uses at Barangaroo South and Central. Sydney Water has not agreed to provide potable top-up supply for offsite export. If potable water top-up is exported to offsite customers, a situation may arise in the future where increasing demand for recycled water could create a need for capacity increases within Sydney Water's supply system. This would be dealt with under Sydney Water's funding policies and the commercial agreement to be established between Sydney Water and LLRWBS.

#### **4.2.1 Water infrastructure, non-potable water**

The application identifies odour scrubbing as one element of the non-potable water infrastructure, to treat foul air from the inlet screens, balance tank and trade waste tank. It may be worthwhile that the odour scrubbing cover the process tank as well, as in Sydney Water's experience it can be a key source of odours.

Other operational interconnections will be considered in the development of a commercial agreement for the scheme.

#### **Stormwater**

The Barangaroo precinct falls partially within a Sydney Water declared drainage catchment. Some properties located within the Barangaroo development are likely to be liable for Sydney Water stormwater charges.

If you would like to discuss any of these matters further, please contact Danielle Francis, Sydney Water's Competition and Licensing Manager, on (02) 8849 4820 or [danielle.francis@sydneywater.com.au](mailto:danielle.francis@sydneywater.com.au).

Yours sincerely



Tony Abraham  
A/General Manager, Business Strategy and Resilience