

Water network access undertaking

Introduction

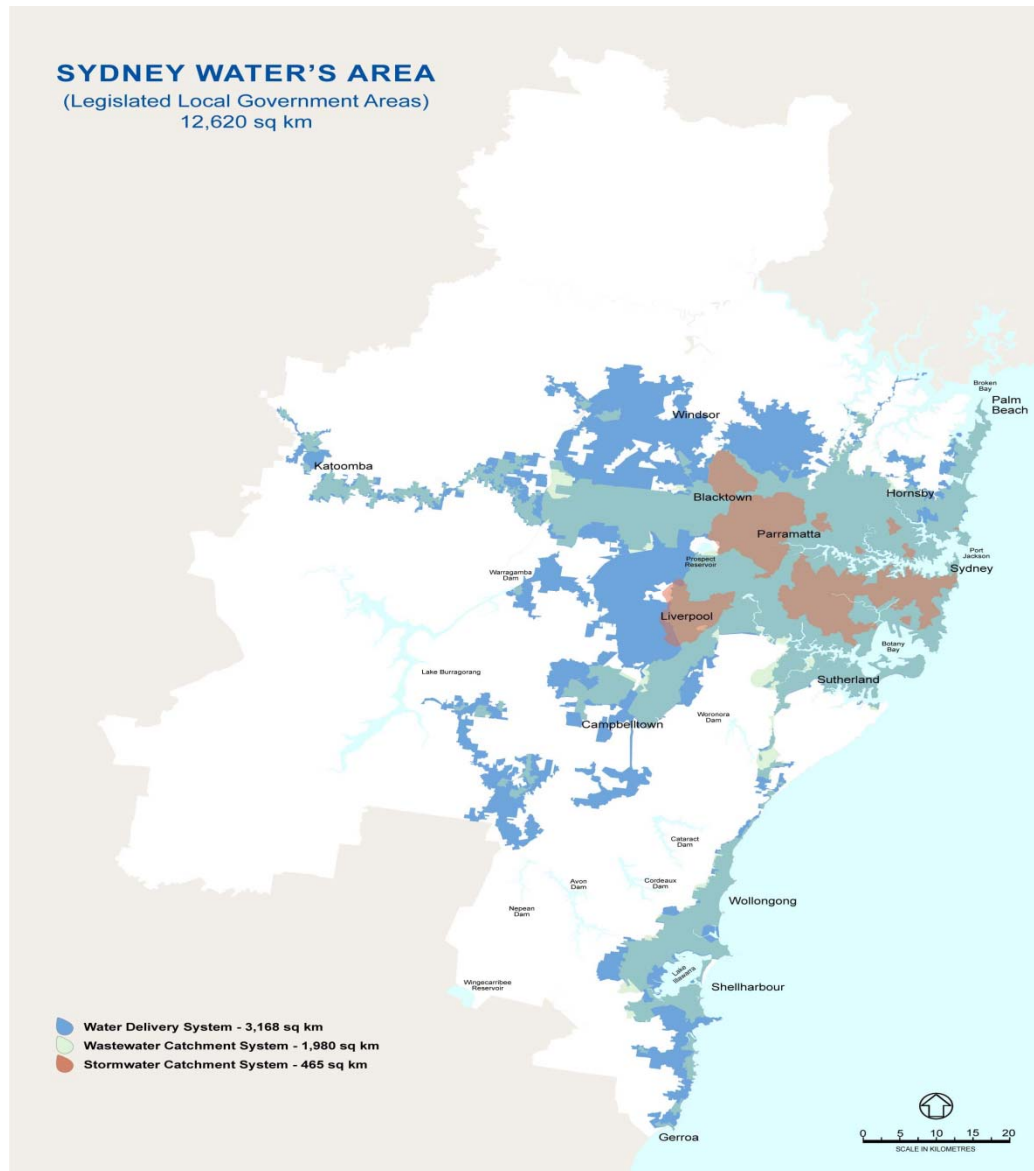
April 2012

A few statistics on Sydney Water

Population served, water use and revenues

- Water services to about 5 million people
- 1.8 million connected properties
- Annual water use: about 490GL/year
- About 21,000kms water mains
- Total water revenues of about \$1.1billion/year

Area of operations



Short history of infrastructure access

Some key events

- Dec 2005: Sydney Water's wastewater networks declared for access under Part IIIA of the *Trade Practices Act 1974*
- Nov 2006: First ever arbitration by the ACCC for declared infrastructure
- Aug 2009: Certification of the *Water Industry Competition Act 2006 (NSW)*
- Jan 2012: Sydney Water lodges the first voluntary water network access undertaking by a water utility in Australia

Water access undertaking

Objective, services and framework

- Facilitate the emergence of effective competition in Sydney's bulk water and retail markets
- Three services: water transport, interconnection and off-take
- Negotiate-arbitrate model
- Detailed terms and conditions for the 'water transport service' for existing interconnection and off-take points

Services covered

Water transport, interconnection and off-take

- Water transport – from existing interconnection points to end users
 - Known transfer capacities, operational rules already in place
- Interconnection
 - Unknown point of interconnection and capacity requirements, operational rules would need to be negotiated
- Off-take
 - Unknown point of off-take and capacity requirements, operational rules would need to be negotiated

Negotiate – arbitrate model

Negotiation process

- Preliminary inquiry
- Access application
- Negotiation
- Access agreement

Arbitration (if required)

- Allows IPART first option to arbitrate, otherwise by private arbitration

Charging method

Key principles

- Encourage ‘effective competition’ or ‘competition on its merits’ in bulk water and retail markets
- All customers contribute to ‘water security projects’ funded through water prices (some recycling projects plus water efficiency programs)
- Customers in low cost areas continue to contribute to the cost of serving customers in high cost areas (no cherry picking)
- Sydney Water bears risk on water sales consistent with the IPART pricing arrangements



Questions?