



Office of
Environment
& Heritage

Your reference: 09/32
Our reference: ED11/864
Contact: Peter Marczan, 9995 6059

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

25 JUL 2011

Dear Mr Cox

I am writing to you in relation to your letter dated 4 July 2011 regarding IPART's call for submissions to its determination of prices for the Sydney Desalination Plant Pty Ltd.

There are two matters related to the desalination plant that are relevant to the pricing process discussed below. These are:

- environmental requirements; and
- the use of green power at the plant.

Environmental Regulation

The Office of Environment and Heritage (OEH) is the environmental regulator of the desalination plant which has been issued an environment protection licence under the *Protection of the Environment Operations Act 1997* (POEO). The POEO Act is closely linked to the planning system via the *Environmental Planning and Assessment Act 1979* (EP&A Act), which sets out formal environmental assessment and public consultation requirements for new developments. Licences issued by the Environment Protection Authority (EPA) for activities that have been assessed under the planning system must be consistent with any conditions imposed through that process.

The planning consent for the desalination plant included requirements for the outfall to achieve relevant ANZECC water quality criteria at the edge of the dilution zone, for Sydney Water to verify the design target dilution of 30:1 and for an environmental monitoring program to be designed and implemented. These requirements are reflected in the Environment Protection Licence for the plant. Sydney Water has recently provided OEH with a report on monitoring and testing of the outfall that concludes that the outfall meets the design requirements. The report has not yet been reviewed to confirm these conclusions but OEH will provide IPART with an update should any issues arise that might impact on this determination. The environmental monitoring program for the plant has been agreed by OEH and has commenced. No monitoring results are yet available on impacts of the plant during operation.

No changes to the licence or environmental requirements for the plant are anticipated during the period of this price determination. Should any environmental matters arise that require a response, OEH will consult with the Sydney Desalination Plant to determine the significance of any environmental impact, options to mitigate the impact and the timing of any appropriate response.

Green Power

IPART has sought information on the use of green power at the desalination plant. In its pricing determination, IPART should note that the planning consent for the plant required that as well as using renewable energy, the plant was to be designed and constructed to use energy efficient equipment and energy recovery techniques. This approach allowed the plant to minimise the greenhouse gases generated through operation of the plant prior to purchase of off-sets.

IPART may also wish to note that the NSW Government is currently developing a plan to source 20 per cent of NSW's electricity from renewable energy by 2020. An industry-government taskforce will oversee the development of the Solar and Renewable Energy Action Plan and its implementation. The plan will inform any new market incentives. Also, the recent announcement by the Australian Government on a carbon tax has the potential to change the price difference between conventional energy and renewable energy over time.

If you have any queries regarding this matter, please do not hesitate to contact me or have your officers contact Mr Peter Marczan, Manager Technical Advisory Unit (Water), on 9995 6059.

Yours sincerely

LISA CORBYN
Chief Executive