

TOTAL ENVIRONMENT CENTRE INC.

SUITE 2, 89 JONES STREET, ULTIMO. 2007

Ph: 02 9211 5022 Fax: 02 9211 5033

www.tec.org.au



Submission to:

Review of Prices for Sydney Desalination Plant Pty Ltd's water supply services
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Thank you for providing Total Environment Centre (TEC) with an opportunity to comment on the review of prices for Sydney Desalination Plant Pty Ltd's water supply services.

TEC believes that the key issue in any consideration of pricing arrangements is the operating rules for the Kurnell desalination plant.

TEC recommends the Tribunal must adopt the principal of allowing the desalination plant to be operated as a drought relief measure only. As the most expensive and environmentally damaging supply option available it is simply unjustified to allow the plant to be operated as a constant source of supply. Operating rules that require the plant to commence operation when storage levels fall below 70% and continue operation until levels exceed 80% (70/80 rule) are inappropriate. TEC strongly recommends that the plant should only commence operation when storage levels fall below 30% (the originally proposed 'trigger' for constructing the plant) and that operation should cease when storage levels recover to above 40% (30/40 rule).

The overriding principle that should apply in relation to funding the efficient costs of desalination is that the plant should operate for the minimum amount of time possible during periods of critical supply shortage. Customers should not be required to meet the costs of operating the plant when other less expensive and less environmentally damaging supplies are available. TEC recommends that pricing arrangements provide for recovery of the costs of maintaining the plant when it is non-operational and the costs of operating the plant and producing water when supply levels are have fallen below 30% and are yet to recover to 40%.

A possible mechanism for achieving this would be application of scarcity pricing during periods of low supply when the plant is operated for drought relief. In this way the greater cost of water supplied by desalination would be reflected by an increase in water prices during the operation of the plant. Costs associated with maintaining the plant during non-operational periods would be recovered from the general price of water. Such an arrangement would protect customers from funding unnecessary operation of the plant and give a clear indication of the additional cost of water provided from desalination.

It is also crucial the 70/80 rule not be enshrined in contractual arrangements with compensation payable if the rule is varied; or if water conservation measures are put in place that may reduce demand for desal water. This will lock in unsustainable and inefficient operating arrangements.

Leigh Martin
Water Campaigner
11 August 2011