

Agreed-upon Procedures on Pricing Submission to IPART for the 2017–22 Reporting Period for Sydney Desalination Plant

Report of Factual Findings

We have performed the procedures agreed with you to report factual findings for the purpose of performing an independent Quality Assurance check of the Pricing Submission for Sydney Desalination Plant Pty Ltd ("SDP" or "you" or "Client").

The procedures performed are detailed in the terms of the engagement of 7 September 2016 and described below with respect to the independent Quality Assurance check.

Management's Responsibility for the Procedures Agreed

Management are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

Assurance Practitioner's Responsibility

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with Standards issued by the Auditing and Assurance Standards Board, we do not express any conclusion and provide no assurance on the Pricing Submission, Special Information Return and Annual Information Return. Had we performed additional procedures or had we performed an audit or a review of the Pricing Submission, Special Information Return and Annual Information Return in accordance with Standards issued by the Auditing and Assurance Standards Board, other matters might have come to our attention that would have been reported to you.

Independence

We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Factual Findings

Our factual findings are based on the procedures we performed on the Pricing Submission finalised on 21 October 2016. The procedures performed and the factual findings obtained are as follows:

IPARTs QA requirements	Procedures performed	Factual findings
<p>1. Information in the submission should be checked to ensure that it is consistent with that in the information return (AIR and SIR), the agency's financial accounts, and reports against output measures, as relevant. Where there are variations in figures, these need to be explained.</p>	<p>We compared the figures in the pricing submission to the figures in the information return (AIR and SIR) and SDP's financial accounts.</p>	<p>We confirmed that the figures in the pricing submission matched the figures in the information return (AIR and SIR) and SDP's financial accounts.</p>
<p>2. Figures in the submission should be checked to ensure that they are accurate and correctly sourced. The figures need to sum correctly and be in the same terms (ie, all figures are in nominal or real dollars of the same year). The use of nominal or real dollars should also be explained in clear and simple terms so that stakeholders can follow the logic of their use.</p>	<p>We checked that the figures in the pricing submission were correctly sourced for financial periods and operational modes from the information return (AIR and SIR) and SDP's financial accounts.</p> <p>We performed recalculations to check that the figures summed correctly and noted the terms of the figures (i.e. all figures are in nominal or real dollars for the same year). SDP has prepared its pricing submission and information return based on 2016/17 nominal dollars.</p>	<p>We verified that the figures in the pricing submission were correctly sourced for financial periods and operational modes in the information return (AIR and SIR) and SDP's financial accounts.</p> <p>Our recalculations confirmed that the figures summed correctly and all figures appeared in the same terms. (ie. all figures are in nominal or real dollars for the same year).</p> <p>We identified that SDP had prepared its pricing submission and information return based on 2016/17 nominal dollars.</p>
<p>3. The QA should check that all information we have requested (such as in the SIP or the Issues Paper, these Guidelines, or in</p>	<p>We checked the pricing submission addressed the information requested by IPART in the</p>	<p>We verified that the information requested by IPART in the Checklist of Submission Contents and Issues Paper was addressed in the pricing</p>

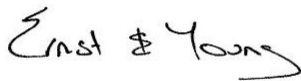
<p>correspondence) is addressed in the submission.</p>	<ul style="list-style-type: none"> • Issues Paper; • Guidelines for Water Agency Pricing Submissions; or • Correspondence. 	<p>submission to the extent that it was applicable to SDP.</p>
<p>4. The QA should check that the submission includes proposed prices for all monopoly services of the water agency.</p>	<p>We checked that the pricing submission included proposed prices for the monopoly services provided by SDP.</p>	<p>We confirmed that the pricing submission included proposed prices for the monopoly services provided by SDP.</p>

Restriction on Use of Report

This report is intended solely for the use of SDP for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*, use of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results).

Our report may be relied upon by Sydney Desalination Plant Pty Ltd for the purpose set out above only pursuant to the terms of our engagement letter dated 7 September 2016.

We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party or the reliance upon our report by the other party.



Ernst & Young
Sydney

24 October 2016