

Your reference : SCA, HWC, Gosford City and Wyong Shire Council Price Determinations
Our reference : DOC08/48420
Contact : Penny Vella, (02) 9995 6048

27 OCT 2008

Mr James Cox
Chief Executive Officer and Full Time Member
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1320

Dear Mr. Cox,

Thank you for your letter dated 18 July 2008, notifying the NSW Department of Environment and Climate Change (DECC) of the reviews underway to determine prices for the monopoly services provided by Hunter Water Corporation, the Sydney Catchment Authority, Gosford City Council, and Wyong Shire Council. DECC has reviewed the Issues Papers prepared by IPART and the pricing proposals made by the water authorities, and notes that in general, provision has been made for key environmental obligations.

To assist IPART in its price determination, additional information on issues relevant to DECC is provided below.

Sydney Catchment Authority (SCA)

The SCA pricing proposal identifies renegotiating the 'Special Areas Strategic Plan of Management' (SASPoM) and the DECC Service Contract as cost saving initiatives that are currently being developed (p32, SCA Pricing Proposal). DECC and SCA are currently discussing the possibility of reviewing the SASPoM and the Service Contract. However, these discussions are in the initial stages and are not yet sufficiently progressed to confirm any cost-savings for the coming price period.

Hunter Water Corporation (HWC)

Funding for the planning and construction of Tillegra Dam is a major cost item in the HWC pricing proposal. You should note that the Director General Requirements for the environmental assessment of this project require an *assessment of connective flow impacts on the Hunter estuary and mitigation measures to be provided*. This refers to assessing the need to modify structures located downstream of the proposed dam site to enable environmental flow releases to reach the Hunter estuary. It appears that funding for these mitigation measures is not mentioned in the HWC pricing proposal. It is suggested that the IPART price determination allows for these structural modifications, subject to the outcome of the development assessment.



Gosford City Council

Gosford City Council's pricing proposal acknowledges its obligations to make annual contributions to the 'Central Coast Climate Change Fund (Water Savings Fund)', indicating it will pass these costs on to customers when incurred. This Fund is administered by DECC for projects that will save or recycle water within the Gosford City Council and Wyong Shire Council areas. Both Gosford and Wyong Councils contribute to this fund through an Annual Contributions Order (issued by the Minister for Climate Change and the Environment, with concurrence from the Minister for Local Government). The scheme is scheduled to continue until June 2012 and these contributions should be included in this price determination.

Load Based Licensing Fees

Both HWC and Gosford Council refer to DECC's current review of load based licensing fees and mention the potential for fees to be raised. IPART should be aware that DECC currently has a proposal out for consultation on LBL fees at present and for HWC and Gosford the proposals are for fee increases in line with the consumer price index.

If you require further information or would like to discuss any of these issues, please contact me or have your staff contact Penny Vella, Senior Policy Advisor, Urban and Coastal Water Policy on 9995 6048.

Yours sincerely



LISA CORBYN
Director General