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Dr M Keating  
Chairman  
Independent Pricing and Regulatory Tribunal of NSW  
PO Box Q290  
QVB POST OFFICE NSW 1230

Dear Mr Keating

I am pleased to provide you with the Sydney Catchment Authority's (SCA's) comments on IPART's review of Bulk Water Prices from 2005/06. The SCA's response is limited to charges by the Department of Infrastructure Planning and Natural Resources (DIPNR) to the SCA and to matters raised in DIPNR's submission to IPART to set its bulk water resources management charges from 1 July 2005.

I note that, for its 2004-05 price path, DIPNR is not seeking IPART's determination but is pursuing a price increase through legislative means. I further note that, for 2005-06, DIPNR is seeking IPART to set "interim" bulk water resources management charges until DIPNR updates costings of its water resource management services, with the aim of IPART determining a new price path starting in 2006-07. I agree that recent institutional changes have resulted in major shifts in DIPNR's role and functions, creating a challenging environment for it to undertake the necessary analysis. However, it is important for both the wider community and water extractors that we have an ongoing, independent and transparent process for setting bulk water resource management charges. Such a process is particularly important to the SCA, as we necessarily pass the charges through to Sydney Water's 4.5 million customers.

The SCA is subject to both water management licence and bulk water resource management charges by DIPNR. In the past, it has not been possible to establish with any precision the cost basis for either charge. The SCA suggests that IPART, in its next determination on bulk water resource management charges, undertake detailed analysis of these costs (using similar methods to those for setting prices for metropolitan water utilities) and set future regulated charges based on a detailed and transparent cost-recovery)

Yours sincerely

**GRAEME HEAD**  
**Managing Director**

12 APR 2005