

17th December 2004

Mr JP Cox
Acting Chairman

Review of Bulk Water Prices from 2005/2006

Independent Pricing and Regulatory Tribunal
Level 2 44 Margret Street
Sydney NSW 2000

Email: ipart@ipart.nsw.gov.au

Dear Acting Chairman

**Re: Review of Bulk Water Prices from 2005/2006
Orica's comment to Hunter Water Corporation Pricing Submission for 2005/06
to 2008/09**

Orica as one of Hunter water's largest industrial water customer is pleased to provide its views and comments to IPART on the Hunter Water Corporation - Pricing Submission for 2005/06 to 2008/09 dated September 2004.

Orica's Kooragang Island manufacturing plant is a significant user of Potable Water supplied by the Hunter Water Corporation. The Orica Kooragang Island site does not use the Sewerage and Drainage services provided by the Hunter Water Corporation. Orica comments regarding Hunter Water's Pricing Submission will only be directed toward Water Pricing.

Length of the Price Path

Orica fully support Hunter Water Corporation proposal for a four (4) year price path to replace the current two (2) year price path.

Orica believes a four (4) year price path with no mid term review would provide a "win - win" position for customers, owners, and managers of Hunter Water,

The advantages for a four (4) year price path with no mid-term review are detailed below:

- Provide a greater degree of certainty regarding water charges for all customers.
- In Orica's instance, this will assist with budgets, forecasting and business plans.
- Allow Hunter Water Corporation increase certainty in revenues for future planning.
- Removes the administrative costs associated with two (2) year price paths, these costs are eventually paid by all customers.
- The Hunter valley's water supply must be managed as a long-term asset; IPART could demonstrate the long-term importance of water to all customers and Hunter Water by increasing the length of the price path.

Hunter Water proposed Pricing Model

Orica generally supports the Water Usage Charges and Location-Based Charges Models detailed in Section 4.3.2 and 4.3.3 of the Hunter Water Corporation – Pricing Submission. In clarification Orica supports the following aspect of the model.

- Orica supports the continuation of the Tier 1 pricing to all consumption of 1,000 kilolitres per year or less.
- Orica supports the Phase out the existing declining block Tier 2 price over the period of the price path so that, by 2008/09, there is a single flat tariff applying to all consumption other than consumption eligible for location-based usage prices.
- Orica supports the continuation of the current "Location-Based Charges" where the geographical location of the customer enables Hunter Water's pricing to reflect the economies that are achieved when supply large volumes of water to individual customers close to water treatment facilities.

Pricing Principle for Recycled Water

Orica on several occasions have investigated the possibility of using Recycled Water from the Hunter Water Shortland treatment works. On each occasion the project was determined to not be economically feasible due to the cost to transport the recycled water from Shortland Treatment Works to Orica's Kooragang Island site.

Orica shall continue to investigate the feasibility of using Recycled Water in the future for economic and environment reasons.

Any increase use of Recycle Water has a benefit for the whole community because it would in the majority of situations proportionally reduce the demand for potable water supplies. Orica also notes that spreading some of the costs of water recycling

across the broader customer base maybe warranted to address future potable water supply issues and environmental issues associated with the disposal of treated waster water in rivers

Orica believes long term objectives for the use of Recycle Water need to be established to enable long term pricing principle to be established for Recycle Water. These principles are required to allow industry the main potential customers for Recycle Water to plan their future strategies.

Should you require any clarification regarding this submission please contact me on 02 49395167.

Yours sincerely

A handwritten signature in black ink that reads "George Leong". The signature is written in a cursive, flowing style.

George Leong

Contracts Manger
Orica Mining Services