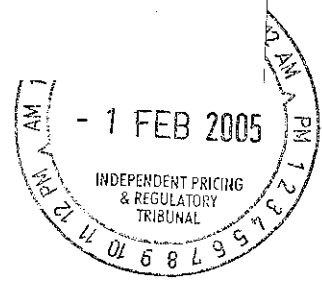


IPART
Doc No. 029756 File No. 04/288-2

Dr Michael Keating
Independent Pricing and Regulatory Tribunal (IPART)
Queen Victoria Building
Sydney NSW 2000



Dear Dr Keating,

By introduction, my name is Rodney Edwards and I am the author of the submission known as S6460 found under the "Review of Metropolitan Water Agency Prices from 1 July 2005 - Issues Paper".

Prior to expressing the reason behind the generation of this letter, I firstly wish to convey my gratitude to the staff and management of the IPART in relation to the processing of my submission.

Notably, the effects attributed to droughts and/or global warming issues, lack of adequate infrastructure and low level of sewage recycling, certainly have the focus of attention clearly upon the IPART and the importance of the decision it now must make.

In this regard it is acknowledged that my presentation is certainly different. We have included strategies and concepts vastly different to what was perhaps anticipated. Our approach being certainly contrary to the IPART's two tiers approach and focus upon a price mechanism designed to curve downwards consumer demand for the freshwater commodity.

Despite this fact, the title of my submission is "State Water Reform Proposed Price Path from July 1 2005, Strategy for consideration". It is hoped that the contents attributed to this submission will be of interest to the Pricing Tribunal and that perhaps the solutions presented will aid in finding a viable solution to the various issues raised by each of the stakeholders.

With this in mind, I invite you to consider reading the footer note found on the front title page attributed to my submission. If what is stated is of meaning to you then please proceed reading the rest of this letter and that of my submission. For purposes that will become apparent a copy of this letter has been supplied to John vander Merwe of Services Sydney for his consideration.

To this end, you will note that on page 10 of my submission, under the heading "The Sewage reduction program" can be found a reference to the organisation known as "Services Sydney". If what is projected within the Services Sydney submission to IPART is even half true, then the importance upon involving such an organisation can certainly not be overlooked. It is for this purpose that I now attempt to put forward a possible strategic compromise for consideration, which might just benefit all concerned.

The strategy is as follows;

1. Firstly restructure the entire wastewater system with the introduction of a major sewage reduction program that actually significantly increases the amount of sewage recycled.
2. Have the water utilities continue their responsibility for the processing of wastewater and maintain their responsibility for the existing infrastructure.
3. Give serious consideration to inviting the private sector to participate in the processing of sewage water.
4. Encourage the private sector to participate by establishing links to existing waste treatment facilities. The concept is for the private sector to act as agents of the water utilities. This could aid with the introduction of new technologies which could see the recycling of waste water being conducted on an unprecedented level. If this was to eventuate, then it is possible that the proposed desalination plant may not need to be as large as first proposed. Such a development could also lesson the need for the massive infrastructure associated with the planed pipeline to transport additional water from the Shoalhaven to Sydney.
5. Have the private sector agencies paid an established fee per "X" litres of sewage processed. Notably the fee amount and the measurement in relation to "X" production would need to be negotiated, which should also involve the IPART.
6. Establish new pipelines built to transfer the recycled water to either environmental flow or windows of opportunity attributed to using the recycled water by industry, Councils or even residents. The concept being that Government funds such pipelines and considers possible lease agreements with the private sector agencies. This could aid in the uptake of recycled water use by the Industry sector, Councils and local residents. Notably, our levy funding proposal would more then adequately meet the financial needs of such a proposal.
7. To offset operational costs and enhance the palatability of the strategy to the private sector, it is proposed that an additional price be established for every "X" litre of recycled water produced. This additional fee could be viewed as the environmental payment made by the Government acting as the end customer, for water destined to be environmental river flow.

The following is presented in an attempt to explain the final point. The main argument that seems to pop up in relation to recycled sewage water is who do you sell the recycled water too?

Although Industry and Councils will no doubt take up the opportunity in the future to use recycled water, unfortunately at present it would seem quite apparent that such interest is somewhat lacking. Therefore what is proposed is that private sector agencies be granted ownership over any recycled water they produce. It is further proposed that the Government establish a price per "x" litres of recycled wastewater that it is prepared to pay for environmental use.

The concept is to firstly give ownership of the recycled water to the private sector agency, and then provide a guaranteed price they will receive for each "x" litre of recycled water produced that ends up as environmental flow. This should then provide encouragement for the private sector organisation to seek the on-sale of recycled wastewater to other customers such as Industry or Councils.

The key points to note here is that the price established for "x" litres attributed to environmental use needs to be at a level palatable to the private sector agency but at a level low enough to encourage the sale to Industry or Councils. This needs to still be at a price significantly lower then the retail price of freshwater, a challenge that the IPART are no doubt accustomed to resolving.

As a guide consider the following;

Price attributed to the payment for environmental flow or agricultural reuse of recycled freshwater \$0.09 to \$0.30 per kilolitre.

Price attributed to the on-sale of recycled freshwater to Industry, Councils or Residents \$0.30 to \$0.60 per kilolitre.

Retail price attributed to the sale of freshwater in the Sydney Basin is presently \$1.01 per kilolitre (as per Sydney Water).

As per my submission the core funding proposal is to supply enough money for what ever infrastructure projects are required to address the water crisis in the shortest timeframe, without getting into too much debt. Although the funding generated could certainly aid in updating the existing infrastructure attributed to sewage processing, if organisations such as Services Sydney and others from the private sector could become involved in some kind of partnership or agency arrangement then the possibilities would be endless.

With this in mind, it maybe of interest to note that I have attempted to canvas support for the above strategy from Ministers Frank Sartor MP and Robert Debus MP. Even David Nemptow Director-General Department of Energy, Utilities and Sustainability had been approached. Hence, I certainly sympathise with the difficult task at hand for the IPART but trust that my suggestions and submission will assist in finding a solution that is not only palatable to all stakeholders but addresses many of the various issues raised.

On a final note, perhaps the final strategy that should be considered if negotiations are to ever commence between Sydney Water, Services Sydney, the various Ministers and the IPART, is the utilisation of a round table.

Hopefully if nothing else the proposals presented have generated some interest. I look forward to the public hearings and the extremely distant remote chance that a major miracle might occur. Now wouldn't that indeed be history making?

Yours sincerely

Rodney Edwards
27th January 2005
C.c. John vander Merwe – Services Sydney

P.S. Please note that one minor error has been detected within our proposal. On page 17 the example attributed to a **\$400 levy** should read (**per mega litre of water** and not per kilo litre). I sincerely apologise for any confusion this may have caused.



NEW SOUTH WALES

OFFICE OF MINISTER FOR ENERGY AND UTILITIES
MINISTER FOR SCIENCE AND MEDICAL RESEARCH
MINISTER ASSISTING THE MINISTER FOR HEALTH (CANCER)
MINISTER ASSISTING THE PREMIER ON THE ARTS

05/160

21 January 2005

Dear Mr Edwards

I refer to your letter of 14 January 2005 concerning a strategic approach to water reform.

The Minister has requested that I inform you the matters raised are under consideration, and a reply will be provided as soon as possible.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Aldo Pennini', written over a horizontal line.

Aldo Pennini
Chief of Staff