



Mr James Cox
Chief Executive Officer and Full Time Member
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

Dear Mr Cox

I refer to your letter seeking urgent confirmation of Sydney Water's forecast water sales.

Desalination Production

The forecast potable water production from the Kurnell desalination plant is based upon the most current internal working assessment of the plant's estimated completion, operations and maintenance regimes.

The output of these assessments forms the basis for Sydney Water's draft 2009-10 Statement of Corporate Intent approved in April 2009 by the Board for submission to Sydney Water's Voting Shareholders and Portfolio Minister.

A major determinant in the final operational regime of the plant will be the *'turn on, turn off'* parameters still to be established by the Government as part of the review of the Metropolitan Water Plan.

Notwithstanding the above, Sydney Water's draft Statement of Corporate Intent for 2009-10 assumes that the desalination plant will start delivering water in the summer of 2009-10. The desalination plant will operate at full capacity, or close to full capacity, for the first two years of operation, regardless of dam levels. This proving period is needed to assure of the performance and reliability of the plant.

During this period, the plant may be temporarily shut down for operational reasons. These assumptions are not inconsistent with Sydney Water's 2007 price submission to IPART, which said that the plant would reach practical completion 1 January 2010 and would operate at 100 per cent. The changes in production volume in effect represent a refinement in their estimation; given some 19 months have passed since Sydney Water originally submitted them to IPART.

The following is confirmed, however, given the degree of potential variability in the forecast it is not meaningful to round the forecasts below the nearest thousand of a megalitre.

Table 1 Sydney Water total water demand

	2009-10	2010-11	2011-12
	ML	ML	ML
Total Sydney Water Supply	529 900	531 200	530 200
Desalination Plant	25 000	75 000	85 000
North Richmond	7 200	7 200	7 200

Differences between forecasts

There are two main differences between the earlier and later forecasts:

- the earlier forecast did not include any residual effect from restrictions and the later one does. This has resulted in a decrease in demand.
- the forecast savings from water conservation in the later forecast is lower than those in the earlier forecast. This reflects the latest information from Sydney Water's water conservation program managers.

If you have any further queries, please contact Sydney Water's Stuart Wilson, Manager, Regulatory Strategy and Pricing, on 8849 5827.

Yours sincerely



Kerry Schott
Managing Director

5/5/09