

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF PRICES FOR SYDNEY WATER CORPORATION

**Tribunal Members
Dr Peter Boxall AO, Chairman
Ms Catherine Jones and Mr Ed Willett, Members**

Members of the Secretariat

**Mr Hugo Harmstorf, CEO; Mr Matthew Edgerton,
Mr Jean-Marc Kutschukian, Mr Scott Chapman,
Mr Matthew Mansell, Mr Justin Robinson,
and Ms Jessica Boddington**

**SMC Conference and Function Centre,
66 Goulburn Street, Sydney NSW**

Tuesday, 10 November 2015, at 11.30am

1 OPENING REMARKS

2
3 THE CHAIRMAN: Good morning and welcome to this public
4 hearing. I would like to begin by acknowledging that we
5 are meeting on the Gadigal land of the Eora people and wish
6 to pay my respect to the traditional owners both past and
7 present.

8
9 We are conducting a review to determine the maximum
10 prices that Sydney Water can charge its customers for its
11 water, wastewater, stormwater and other services from
12 1 July 2016.

13
14 My name is Peter Boxall and I am the Chair of the
15 Independent Pricing and Regulatory Tribunal, IPART. I am
16 joined today by my fellow tribunal members, Catherine Jones
17 and Ed Willett.

18
19 I would like to thank everyone that has provided a
20 written submission to our issues paper which was released
21 in September.

22
23 Our issues paper set out the key issues that will be
24 considered as part of this review. It summarised Sydney
25 Water's pricing proposal which was submitted to IPART on
26 30 June 2015 and set out our preliminary views on some of
27 the pricing issues.

28
29 Sydney Water's pricing proposal, our issues paper and
30 submissions to our issues paper are available to the public
31 on our website.

32
33 This public hearing is an important part of our
34 consultation process for this review. In addition to the
35 views expressed in written submissions, we will consider
36 the views you provide today in making our decisions on
37 Sydney Water's prices.

38
39 Following this public hearing. We will release a
40 draft determination and report for public comment in March
41 2016. Stakeholders will have about four weeks to make
42 further written submissions before we make our final
43 decisions on Sydney Water's prices. A final report and
44 determination will be released in June 2016, which will set
45 the maximum prices from 1 July 2016.

46
47 Broadly, our price review is seeking to determine:

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1
2 What are Sydney Water's efficient costs of
3 providing its water, wastewater, stormwater and other
4 services; and
5 How should these costs be recovered through prices?

6
7 Today we will hold four sessions. The first session
8 before lunch will focus on Sydney Water's proposed bills
9 and cost drivers. The next session following lunch will
10 focus on Sydney Water's proposed changes to the form of
11 regulation, including its proposals for an efficiency
12 benefit sharing scheme and greater price flexibilities
13 through a weighted average price cap.

14
15 The two remaining sessions will cover issues related
16 to Sydney Water proposed prices for water, wastewater,
17 stormwater and other services including the proposed late
18 payment fee and Rouse Hill land charge.

19
20 As part of this review we will also decide whether we
21 should determine charges for Sydney Water's wholesale water
22 and wastewater services to licensed retail suppliers of
23 water and/or wastewater services under the Water Industry
24 Competition Act 2006.

25
26 With new water and wastewater businesses entering the
27 market, this issue is becoming increasingly important. We
28 will hold a dedicated public hearing on wholesale water and
29 wastewater pricing on Tuesday, 8 December 2015 in Sydney.
30 It will be held in the afternoon from 1.30 to 4.30pm. A
31 copy of the agenda and details of the workshop will be made
32 available closer to the date of the hearing. If you are
33 interested in this issue, I encourage you to attend this
34 public hearing.

35
36 Before we commence proceedings today I would like to
37 say a few words about the process for this hearing. After
38 Sydney Water's introduction, we will launch into the
39 sessions I just outlined. A member of the IPART
40 secretariat will give a brief presentation introducing each
41 topic. As a general rule, I will then invite participants
42 at the table to provide comment on that topic, following
43 discussion by those at the table, I will then invite
44 comments from those in the general audience.

45
46 Today's hearing will be recorded by our transcriber;
47 therefore, to assist the transcriber, I ask that on each

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1 occasion you please identify yourself and, where
2 applicable, your organisation before speaking.
3
4 A copy of the transcript will be made available on our
5 website.
6
7 Assisting the tribunal today with members of IPART's
8 secretariat, Hugo Harmstorf, who is IPART's chief executive
9 officer, Matthew Edgerton and Jean-Marc Kutschukian. They
10 will be joined by Scott Chapman, Matthew Mansell, Justin
11 Robinson and Jessica Boddington to facilitate each of the
12 sessions.
13
14 We commence today with Sydney Water making a short
15 presentation on its pricing proposal. Over to Sydney
16 Water.
17
18 SYDNEY WATER PRESENTATION
19
20 MR YOUNG: Thanks, Mr Chairman. Could I also pass on
21 my respects to the traditional owners of the land, the Gadigal
22 people of the Eora nation, and pay my respects to elders
23 past and present.
24
25 Thank you very much for the invitation for Sydney
26 Water to be here today. I think I have been involved in
27 pricing submissions since IPART first started, so I have
28 been involved in a number of them and --
29
30 THE CHAIRMAN: They get better.
31
32 MR YOUNG: They get better. I was going to say that from
33 the beginning we were very supportive of the process,
34 because it is very transparent and open, stakeholders can
35 raise issues. It means that the water industry has got
36 better over time and I think the regulation has got better
37 over time so it is a process that we really support.
38
39 When I did the media on putting out our price
40 submission, there was some media coverage about this being
41 an outcome. I was very clear to say that what Sydney Water
42 is putting forward is a proposal. It is a proposal that
43 goes through the IPART process and we have transparent
44 discussions and as part of the proposal, we not only cover
45 prices but raise issues about regulations as well.
46
47 I should say that I am very proud of the proposal that

1 we put forward. This is the first time that I have ever
2 been involved in a proposal where we recommend real price
3 reductions for customers. I am not saying that has not
4 occurred before, but it is generally after the price path
5 has been finished with the IPART recommendations. This is
6 the first time as a part of an agency that we are
7 recommending that upfront.
8
9 We want to reduce customers' bills, but in particular
10 we want to maintain high levels of service to the
11 community. So it is not reducing bills at any cost and we
12 see maintained or increased levels of service as important.
13
14 We see our future as really engaging with customers.
15 If we had a crystal ball for the future, we would want to
16 see customers driving Sydney Water in the decisions we make
17 and the services that we provide. We look to work with
18 IPART to look at some elements where we can modernise
19 regulation and we think that is an interesting debate we
20 should have.
21
22 Looking at the last four years, we are transforming
23 Sydney Water into a more customer-centric world-class
24 utility. We want to benchmark and if there is any part of
25 our business where external providers or the private sector
26 can do better, we want to learn from that, and that has
27 been our process in the last four years.
28
29 I always make the point that for every dollar we
30 spend, about 83 cents in every dollar is external to the
31 business. We have seen that change over a longer period
32 towards having more partnerships with the private sector
33 and the externals as well.
34
35 The essence of our price submission is that we are
36 offering around \$100 real reduction over four years and it
37 is driven by two key factors. The first factor, which
38 I have spoken about, is we have really chased efficiency
39 since the last price submission and we have outperformed
40 against the targets set by IPART. That has not been easy.
41 We have made some tough decisions in the business.
42
43 We outsourced our electrical and mechanical. We
44 challenged our internal civil workforce to meet and beat
45 the market and they have done fantastically well with an
46 18 per cent reduction in the costs of performing business
47 to equal to some of the best practice performers in

1 Australia. We have really centralised procurement to drive
2 that harder and to drive the price sector and we have
3 challenged ourselves. Essentially we challenged ourselves
4 because the money that we are spending is customers' money.

5
6 We are also at a time where we are seeing interest
7 rates at an all-time record low. With those two elements
8 of the savings that we have made and our future savings
9 plus interest rates being at all time low, we think it is
10 time to pass those savings on to customers.

11
12 The details are in our submission, but, in essence,
13 for residential customers in the typical household, we are
14 saying they will save in real terms about \$105 or 8.6 per
15 cent on their bills and for customers in residential flats,
16 the savings will be about \$86 or 7.9 per cent.

17
18 It is not just the residential customers who will get
19 a benefit from the proposals. For non-residential
20 customers, we are saying about 43 per cent of
21 non-residential customers will receive a 10 per cent real
22 bill saving; around 50 per cent will receive a 15 to 17 per
23 cent real bill saving; and the remaining 17 per cent of
24 non-residential customers will see a 35 to 39 per cent real
25 bill saving. But all of that will depend on IPART's
26 decision on how we best move forward with water prices.

27
28 We are in a fortunate position but our proposal is not
29 just about lower bills. We want to do more engagement with
30 customers for them to be at the heart of the decisions that
31 we make. We have done more in our price path proposal
32 about engaging with customers and one example would be
33 the price for water. We are seeing from our feedback from
34 customers that customers want more power over their bills
35 and they are supporting a higher usage price rather than a
36 lower usage price. I think that will be a discussion that
37 we can have here today.

38
39 We also think stability is important and that is why
40 we support the higher usage price, particularly at a time
41 period where people talk about us going into the Godzilla
42 El Nino event of drought here in Sydney over the next few
43 years and for that, we think the conservation signals
44 should be kept high.

45
46 We know there is a range of emerging future challenges
47 to the New South Wales urban water market and we welcome

1 that.

2
3 We are looking at some changes in how we modernise
4 regulation and I know that is a separate part of the
5 discussion where we will go in more detail. Essentially,
6 we are looking to share efficiency gains between customers
7 and the business.

8
9 At the moment, if we find a cost saving at the end of
10 the regulatory period, we are incentivised to defer making
11 that decision. We think that utilities should be
12 incentivised to drive hard for the full regulatory period
13 for any savings they can make for customers. We are asking
14 to pass through material changes in costs as they happen
15 rather than including the risk to pricing - we will be
16 having a discussion about that later - and we are looking
17 at broad consultations with our large non-residential
18 customers and a few pilot programs to see if there is any
19 flexible pricing or alternative pricing structures that
20 customers prefer. That could give us a limited ability in
21 the beginning to set our own prices within a set limit
22 approved by IPART to meet customer preferences.

23
24 In summary, we have been able to propose bill
25 reductions while improving on our high levels of customer
26 satisfaction and remaining financially sustainable. We
27 were looking at the stats in the last few months and
28 I think our external surveys of customers indicate all-time
29 highs in terms of customer satisfaction with Sydney Water,
30 our reputation and also value for money. I should say that
31 that all-time high occurred before we announced that we
32 were proposing a reduction in customers' bills.

33
34 We welcome the discussion today, thank you.

35
36 THE CHAIRMAN: Thank you very much, Kevin. That's
37 very good. Now I will just call on Scott Chapman from the
38 secretariat to introduce the first session, bills and cost
39 drivers.

40
41 MR SUMMERHAYES: Chair, is there an opportunity to talk
42 about the introduction?

43
44 THE CHAIRMAN: Yes, but what I was planning to do was
45 have Scott do a short introduction and then open it up to
46 around the table and then the floor.

47

1 MR SUMMERHAYES: Because Mr Young spoke broadly in
2 relation to the proposal and I have some questions that
3 deal broadly with the proposal as well but I am happy to
4 wait until --

5
6 THE CHAIRMAN: You will get plenty of opportunity to make
7 comments and also to put questions directly to Sydney
8 Water.

9
10 MR SUMMERHAYES: Thank you.

11
12 THE CHAIRMAN: First Scott will do a brief introduction
13 and then we will have a chance to have comments and
14 discussions.

15
16 SESSION 1: BILLS AND COST DRIVERS

17
18 MR CHAPMAN: Thank you, Mr Chairman. I am Scott
19 Chapman from IPART's secretariat and I am going to be
20 talking through session 1 of today's presentation and today's
21 workshop. Essentially we have throughout the day four
22 sessions. The first session deals with bills and cost
23 drivers, which is what I will be talking about for the next
24 five or 10 minutes. After lunch, we will then be going
25 into sessions 2, 3 and 4.

26
27 Sydney Water, in their proposal to us for their prices
28 from 2016 to 2020, is proposing a real drop in prices of
29 about \$105 for the typical customer - the typical
30 residential bill - from 2016-17 onwards. That is an
31 8.6 per cent reduction on the typical household bill. For
32 apartments that is about \$86 or 8 per cent lower. For the
33 non-residential customer bills, that depends on a range of
34 factors including meter size and sewer discharge factors.

35
36 Sydney Water's proposal includes a revenue requirement
37 to fall by about \$600 million over the next four years
38 compared with the current 2012-2016 period based
39 essentially on a reduction in the weighted average cost of
40 capital from 5.6 down to 4.6 per cent, realised and
41 forecast savings of about \$450 million in expenditure, and
42 reductions in bulk water purchase costs from WaterNSW.

43
44 Through all of these cost reductions, Sydney Water
45 maintains that it can maintain or improve its levels of
46 service and maintain its financeability.

47

1 On operating expenditure, Sydney Water has
2 significantly outperformed what we allowed for in setting
3 prices in 2012. Essentially their actual operating
4 expenditure has been lower than what we forecast would be
5 the efficient cost of delivering its services over that
6 time. Now, there was a particular step-down in operating
7 costs in 2013-14. From that period onwards those savings
8 have been largely maintained and are forecast to be
9 maintained over the coming four-year period.

10
11 Operating expenditure over the current four years -
12 that is between 2012 and 2016 - is forecast to be about
13 \$235 million below the figures we used to set prices in
14 2012 or what we forecast would be efficient. So Sydney
15 Water has obtained further efficiencies than what we deemed
16 would be reasonable to achieve over that period.

17
18 This is largely based on a significant change in
19 operating expenditure in 2013-14 when Sydney Water
20 undertook a series of reforms. There were big savings in
21 energy procurement and energy costs, labour and improved
22 contracting and purchase of materials and Sydney Water
23 forecasts that these savings will be carried forward
24 through to 2020. However, operating costs are forecast to
25 remain relatively flat over the next four years without any
26 further significant step-down in costs.

27
28 In capital expenditure again Sydney Water has spent
29 less than what we allowed for when setting prices in 2012,
30 particularly in 2012-13 and 2013-14, as the chart shows.
31 Going forward, Sydney Water again has forecast slightly
32 higher capital expenditure than what it spent over the
33 previous four years.

34
35 In terms of total capital expenditure, Sydney Water
36 has spent about \$250 million less than what we forecast
37 over the current four-year period from 2012 to 2016. It
38 forecasts capital costs from 2016 to 2020 to be about
39 \$2.8 billion which is around \$200 million more than what it
40 will have spent between 2012 and 2016.

41
42 Their forecast expenditure includes: 64 per cent of
43 it will be on essentially renewing existing assets; 25 per
44 cent will be on servicing growth areas and servicing
45 growth; \$160 million will be on mandatory standards,
46 including environmental performance, and another
47 \$150 million on other expenditure.

1
2 This program includes \$328 million on a couple of IT
3 projects - the Enterprise Resource Planning suite of IT
4 and also a new billing system.
5
6 Other stakeholder submissions to Sydney Water's
7 proposal discussed ensuring that capital expenditure is
8 sufficient to meet all environmental obligations; that
9 IPART consider allocating capital expenditure across the
10 whole of business rather than by sub-product - water,
11 wastewater or stormwater - which encourage integrated
12 planning; and to ensure that sufficient funding is
13 available to support liveable cities.
14
15 Some of the discussion points that we will step into
16 are:
17
18 Is Sydney Water's proposed expenditure efficient and
19 prudent?
20 Why can't the operating expenditure savings achieved
21 between 2012-2016 be improved upon significantly?
22 Is the proposed level of capital expenditure for
23 environmental obligations appropriate?
24 How does Sydney Water's proposed IT platform drive
25 efficiency and how will customers realise the benefits from
26 those?
27 How does Sydney Water support long-term objectives of
28 liveable cities?
29
30 Thank you, and I'll hand back to the Chairman.
31
32 THE CHAIRMAN: Thank you very much, Scott. We will open
33 up for discussions around the table. Who would like to go
34 first? Stephen.
35
36 MR SUMMERHAYES: Good morning. Stephen Summerhayes
37 is my name. I am from the Cooks River Alliance. We are a
38 regional organisation of councils uniting eight Sydney
39 riverside councils. I appear with Ms Sarah Holland-Clift.
40 She is my equal from the Parramatta River Catchment Group,
41 but we speak together also for the Sydney Coastal Councils
42 Group and the Georges River Combined Councils Committee,
43 and Svetlana Kotevska is here in the audience today.
44
45 Collectively we cover 35 metropolitan local
46 governments and we sought input from them in relation to
47 our submission of 1 October which we speak to.

1
2 My first question for Mr Young is a fundamental and
3 preliminary question really. What is your vision for
4 Sydney's urban water system? How does your proposal
5 contribute to achieving that vision?
6
7 MR YOUNG: Today we are looking at prices set by Sydney
8 Water, and I will move to the question, but we get
9 regulated individually on water, wastewater and stormwater.
10 For us in stormwater our regulatory obligation is to
11 operate and maintain a number of bulk water systems that
12 are part of the Sydney metropolitan area. That is
13 generally the discussion IPART looks at. What we put in is
14 for us to get efficient and prudent costs to operate and
15 maintain those trunk drainage systems and also to make sure
16 that we have enough capital to replace them so that they
17 can provide the service to the community with respect to
18 flooding.
19
20 I just wanted to make clear what our role is, but the
21 broader question which we really support discussion on is a
22 discussion for the community about how do we work together
23 in inland water design and in creating liveable cities?
24
25 I really welcome that and we see that we would love to
26 be a key part of that discussion making, but it will
27 involve IPART in thinking about how we set incentives and
28 prices for that. It will involve councils who are
29 critically involved in this. It will involve, I suspect,
30 the Greater Sydney Commission to decide about what is the
31 city that we are creating in the future. It will involve
32 the EPA. It will involve Maritime. There are a number of
33 people who would be involved. It would involve developers
34 for new areas and I suspect, as a new player, it would
35 involve the federal government now that Jamie Briggs is the
36 federal minister for liveable cities.
37
38 In that context Sydney Water would love to be in the
39 debate about deciding how do we do better on integrated
40 water design. We have some ideas that I want to really
41 bring to the table on that. However, it is a collaboration
42 of a number of people in the community, but we want to be a
43 critical part of it, and we have done some good things, for
44 example, in the Cooks River, I think that is one of the
45 proud works we have done there with the naturalisation of
46 the Cooks River and we have received incredible kudos from
47 that.

1
2 MR SUMMERHAYES: Indeed, and pricing is a wonderful
3 opportunity to deliver liveability outcomes. I was
4 wondering what weight you place on your statutory
5 objectives in the Act and how that guides the development
6 of the pricing proposal in achieving those objectives.
7
8 MR YOUNG: I think it is a key link. At the end of the
9 day we have to decide what is the remit; IPART has to say
10 against our obligations as set by the government and
11 regulation and obligation, what do they think is the
12 prudent and efficient expenditure. I think we need that
13 community debate about what is the role ahead, what is the
14 framework and how do we get behind it? Then IPART can
15 follow on from that and decide because they are making a
16 question about community money and value and that is the
17 debate we should have.
18
19 MR SUMMERHAYES: So liveability as the vision, where
20 does liveability appear within your proposal as a concept?
21
22 MR YOUNG: That is a fair question actually. You will see
23 our proposal is about our regulatory requirement through
24 IPART to look at the prices that are set by IPART for
25 water, wastewater and our regulatory requirement for
26 stormwater. You will see Sydney Water separately being
27 involved in a number of community events and holding a
28 robust discussion on the need for us to work
29 collaboratively about creating liveable cities.
30
31 We are certainly part of the agenda, but our focus
32 today and our submission goes to the heart of IPART's
33 regulatory requirements to set sufficient pricing. I don't
34 see those as in conflict. We are happy to have the
35 discussion about how that could change for the future but
36 we do have statutory obligations to really focus on how
37 IPART sets prices for us in different product streams.
38
39 MR SUMMERHAYES: Is part of your customer engagement
40 focus --
41
42 THE CHAIRMAN: Maybe this will be the final question for
43 this time. There will be plenty of opportunities. The
44 other people around the table need a chance. In general
45 it's five minutes for each intervention.
46
47 MR SUMMERHAYES: No, I can stop there.

1
2 THE CHAIRMAN: You can hold off? Okay, thank you,
3 Stephen. Would anybody else around the table like to
4 comment? Benn?
5
6 MR TREHARNE: Benn Treharne from the Environment
7 Protection Authority, or EPA. Most people might know that
8 we are the environmental regulator responsible for
9 regulating Sydney Water and we do so through the Protection
10 of the Environment Operations Act largely through
11 environment protection licences on 23 of Sydney Water's
12 sewerage treatment systems and three water filtration
13 plants. Those licences impose a range of environmental
14 obligations on Sydney Water.
15
16 I have a question for Mr Young. With your price
17 proposal including the reductions in price, what assurances
18 can you give that those reductions won't impact on your
19 ability to meet your environmental obligations,
20 particularly with the principles of no deterioration,
21 continuous improvement and being able to respond to any
22 emerging environmental issues?
23
24 MR YOUNG: There are two parts to that. I think the first
25 part is that we have made a commitment that we want to meet
26 our operating licence requirements as set by IPART for
27 things like wastewater overflows and treatment plants.
28 That is just a commitment that we made, but we believe that
29 the money we will get as part of this pricing proposal we
30 will use efficiently but not at a cost of lowering
31 standards.
32
33 The second point is that we have put some money in our
34 price proposal based on what we see coming out of our
35 discussions on wet weather overflows in terms of the new
36 regulation and standards and also what we see as upgrades
37 to our Wimmalee plant. We put that in based on our current
38 conversation with the EPA and what we see as priorities in
39 the Hawkesbury-Nepean and the need for no deterioration in
40 that area. We have factored that in and we believe that
41 you support that as being prudent additional expenditure
42 and it is in line with our conversations.
43
44 The question about the wet weather overflows - that
45 has been a major exercise where we have gone out to a
46 number of community forums. I think we have worked in a
47 very collaborative sense with the EPA - as good as I've

1 ever seen it in my career - to say, "How can we get the
2 best outcomes for the community and achieve the best
3 value?" That has led to a commitment or a new regulation
4 which takes into account just not the frequency of
5 overflows but it takes into account aesthetics, health and
6 the environment.

8 I have to say I am really proud of that work that we
9 have done. At the moment, it is not finalised because we
10 have put a submission to the EPA, I think in December, and
11 it will be decided next year. In terms of the price
12 submission, we have put in place the state of play as we
13 see it at the present time given all the community
14 consultation and all of our negotiations with the EPA and
15 we think that is the best way to go forward at the moment.

17 We understand there could be some variations of that
18 and that is a bit of a risk that we take in the submission
19 but we believe from an IPART viewpoint that what we are
20 putting forward, given the community engagement and our
21 discussions with the EPA, is prudent and efficient and it
22 is value for the community. So that's what we stand for at
23 the present time.

25 THE CHAIRMAN: Thanks, Kevin. Leigh, would you like to
26 say something?

28 MR MARTIN: Leigh Martin from the Total Environment
29 Centre. Yes, I would like to say something very briefly
30 because probably most of the things I wanted to discuss
31 today are more appropriate for the afternoon sessions, but
32 it is our very strong view that the prices for Sydney
33 Water's water, wastewater and stormwater services should
34 reflect environmental costs of delivering those services.
35 We certainly believe that they need to be sufficient to
36 ensure that Sydney Water continues to meet its
37 environmental obligations.

39 I am also of the view that the suggestion that water,
40 wastewater and stormwater services be considered together
41 is appropriate. I think it must be viewed as an integrated
42 system and considering prices in that light would be,
43 I think, a positive thing.

45 THE CHAIRMAN: Thank you, Leigh. Kristal?

47 MS BURRY: Kristal Burry, from the Public Interest

1 Advocacy Centre. I think at this stage, we have some broad
2 support for lowering the bills. Anything that reduces the
3 cost and reduces pressure on the community is something we
4 support. We did raise some questions in terms of the
5 sustainability of that reduction. Obviously some of the
6 major contributors to that are the low interest rate
7 conditions that are happening at the moment. We just
8 mention that that is something that we would like to see
9 more information about how any change in that may then be
10 reflected back towards the customers.

12 As for those questions, are those questions that you
13 came up with or are they questions that were raised in
14 those submissions and you are reflecting those?

16 MR KUTSCHUKIAN: They were the main themes that were
17 raised in the written submissions.

19 MS BURRY: In terms of efficiency and prudence, that is a
20 very broad concept that not all community members might
21 know. That is a very economic term but community members
22 may have different opinions about what "efficiency" means.
23 Perhaps something that might be reflected in these types of
24 submissions may be better descriptions or definitions and
25 that kind of thing to enable community members to be able
26 to really understand what it is that we are talking about.

28 THE CHAIRMAN: Thank you, Kristal. Cynthia?

30 MS MITCHELL: Cynthia Mitchell from the Institute for
31 Sustainable Futures at UTS. The institute is a
32 self-funding research organisation. We have worked with
33 Sydney Water over a very long period of time and with
34 utilities across Australia and internationally.
35 Personally, I am a member of the Independent Water Advisory
36 Panel that oversees the Hunter and Sydney Water planning
37 processes.

39 Kevin, thank you, and, Peter, thank you for the
40 opportunity to be here. I would like to return to this
41 issue of liveability I know that Sydney Water is committed
42 to the principles of liveability. Sydney Water was
43 significant in the Water Services Association of
44 Australia's work last year to develop liveability
45 guidelines.

47 We have a situation here in Sydney now where the

1 community engagement through the Metropolitan Water
2 Directorate under the metropolitan water planning process
3 demonstrates that the people of Sydney want more
4 liveability as part of the outcomes. We have willingness
5 to pay. There are studies from Marsden Jacob - perhaps the
6 best known economists in the water sector - that
7 demonstrate that the people of Sydney are willing to pay
8 for liveability outcomes. We are in a situation where
9 utilities are facing expanding expectations. Originally it
10 was really a public health focus, then it became an
11 environmental focus and we have now reached a situation
12 where environmental legislation is included in the
13 definition of what is prudent and efficient.
14
15 I guess the question is what will it take for us to
16 get to a position where liveability is included in what we
17 think a utility is being asked to do by the community and
18 therefore should be charged within that concept of prudence
19 and efficiency? They are difficult because they come from
20 really quite different world views.
21
22 We have a lot of evidence that says that that is what
23 the community wants. Yet in the pricing submission - and
24 I understand the constraints that you are operating under -
25 what you are asked to do is to consider three separate
26 streams. I note that recycled water is not amongst those
27 streams, but there are three separate streams. How do we
28 move forward on this question of integration and how does
29 Sydney Water move to a position where pricing for
30 liveability is just part of doing good business?
31
32 THE CHAIRMAN: Kevin?
33
34 MR YOUNG: That's a good question. If I get out my
35 business card - this is on the back of every card - it
36 says, "Sydney Water's focus - enhancing liveable cities."
37 It is a badge that shows we want to be involved in that
38 debate. It is a question about the community engagement
39 and we know it is a question of cost but of value. Warren
40 Buffett always say that price is what you pay and value is
41 what you get, and that is a classical discussion.
42
43 It is a really broader conversation than a utility
44 responsibility. I think it is about the development of new
45 areas and the value capture that occurs from developers
46 that are going from rural to a residential community and
47 how much of the liveable city should be captured by a local

1 user pay theory; how much should be spread across a broader
2 community in what we are doing; how much should be paid
3 for across the entire Sydney customer base? I think that's a
4 broader conversation that we should have.
5
6 Maybe I should not mention this, but where do
7 developers charges come in that? There used to be a signal
8 that was coming in where we could say that for this local
9 area there was more investment in infrastructure and assets
10 and that was a value capture, which we had a mechanism to
11 say. It should not be 100 per cent, but there should be a
12 proportion of the costs paid for by the people who are
13 getting the benefits.
14
15 This is not answering your question but I am raising
16 issues like you are. I think that is the discussion that
17 we should have with people like your organisation, the
18 Cooks River Alliance, with Parramatta, Sydney Water, IPART
19 the developers, the government and the Greater Sydney
20 Commission about how do we deliver this opportunity.
21
22 MS MITCHELL: Perhaps just one quick follow-up question
23 or comment. Thank you for the response and I agree that
24 different mechanisms of value capture will be part of how
25 we have to move forward. There are two comments. One:
26 if not through the pricing submission, then where and how?
27 The second thing would be to say that this is not just
28 about new development areas.
29
30 MR YOUNG: No, I agree.
31
32 MS MITCHELL: New development areas have a particular
33 set of opportunities but work that we have done, and
34 others have done similar work, shows that, for example,
35 in Campbelltown on a hot day there is a 15 degree
36 Centigrade difference - 15, one five - between areas that
37 are treed and areas that are not. We know that in
38 Melbourne during the last period of shocking bushfires,
39 more people died in Melbourne on account of heat stress
40 than were killed in the bushfires. Nearly 300 people died
41 from heat stress in Melbourne. Water in the landscape as a
42 means of cooling our urban areas is one of the responses to
43 that. So there are known risks, as part of which the
44 response would be shifts in our water service practices
45 that seem a bit fundamental that need to have a voice.
46
47 MR YOUNG: It is interesting because when you talk about

1 going back, in the original discussion on utilities they
2 provide a water pipe to a house. They provide a wastewater
3 pipe and they provide some trunk drainage. More and more
4 we see the future as being water as part of a community.
5 It is water as part of parks that kids like to play in. It
6 is water as part of treescapes. It is water as part of
7 lagoons, stormwaters. Cycleways will benefit. They are
8 places of living. So that is that broader conversation for
9 the future.

10
11 THE CHAIRMAN: Thanks, Kevin. Richard?

12
13 MR McMANUS: Richard McManus from StormWater NSW.
14 We represent councils and the stormwater industry within
15 Sydney and across greater New South Walse. I want to echo
16 Cynthia's points as well. I completely understand that
17 this is a forum for discussing prices and it is also a
18 response to the operating licence that Sydney Water
19 actually has, but there is a broader discussion here about
20 how we incorporate liveability. Also Sydney Water being
21 the lifestream of Sydney, how does Sydney Water have its
22 corporate vision of saying, "We are the lifestream of
23 Sydney", but the way it actually separates and potentially
24 the response within the pricing - I'm not saying it is, but
25 potentially the response within the pricing - is to meet
26 just the base level operating licence of how we can actual
27 do that? Yet the vision is that Sydney Water can actually
28 be something fantastic.

29
30 Whether this is something for IPART as well to
31 potentially take on, the decision around pricing and what
32 Sydney Water actually puts forward needs to be considered
33 in a broader context.

34
35 Kevin, you mentioned that there is a whole range of
36 other things like liveable cities and future development
37 within Sydney as well, but how do these organisations
38 actually get together and then how is that reflected within
39 the Sydney Water pricing submission and IPART'S decision
40 on that pricing as well rather than simply saying, "We will
41 actually meet bare minimum operating licences as well"? We
42 think there are broader issues which need to be taken into
43 consideration to meet Sydney Water's vision for the future.

44
45 THE CHAIRMAN: Thank you Richard. DPI Water, Cathy?

46
47 MS COLE: Cathy Cole, DPI Water. I think the conversation

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1 just shows us how broad this issue of liveability is and it
2 does involve many players.

3
4 MR YOUNG: Yes.

5
6 MS COLE: As part of the DPI water's role in developing
7 the Metropolitan Water Plan, in the review of that plan,
8 one of our key objectives is supporting liveable and
9 resilient communities so we have captured that in the
10 objectives of our long-term water planning. As part of
11 that metro plan, we will look at economically efficient
12 approaches or strategies for water recycling and
13 conservation.

14
15 While that is one element of liveability, it is one
16 where we can try and capture that and Sydney Water's
17 operating licence has a requirement to look at the economic
18 benefit of water conservation and that is part of
19 supporting some of those processes that do add to
20 liveability that add to it as part of the big picture.
21 That is probably just an observation on how you can link it
22 back to some of that work that is reflected in the
23 operating licences of Sydney Water and the metro plan.

24
25 THE CHAIRMAN: Sure, thanks. Sarah, would you like to
26 stay something or Stephen?

27
28 MS CLIFT: As Stephen introduced I represent the
29 Parramatta River Catchment Group, which actually represents
30 13 councils that sit within the Parramatta River catchment,
31 but also Sydney Water is a member of that group. We are
32 obviously working actively in partnership with Sydney Water
33 to realise the vision and mission to make the Parramatta
34 River swimmable again. That is really a community-focused
35 vision and it certainly has broad ground community support
36 for us to achieve that.

37
38 I guess part of our interest in today is really
39 resonating with the broader discussion around given the
40 amount of growth that will happen within our catchment in
41 the next 10 or 15 years looking now, making decisions now
42 based on seeing all of this, there is an opportunity in a
43 time where we are not in drought and in a time where there
44 are resources, I guess, actually setting forwards, how do
45 we invest our money towards transitioning towards this
46 liveable water-sensitive city that we are, I think,
47 mutually aspiring to?

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1
2 As a few people have mentioned, how do we value the
3 community benefit that is broader than just what is within
4 their bill and ask those broader questions? How does the
5 bill reflect community's desire, for example, to swim in
6 their local waterways and to have local activated areas
7 this they can enjoy and that reduce health costs and other
8 things? That's just a general comment.
9
10 THE CHAIRMAN: Sure, thanks, Sarah. Stephen?
11
12 MR SUMMERHAYES: We advance the intrinsic value of
13 water for liveability but especially in the context of catchment
14 coastal ecosystems. We champion the full cost pricing, as
15 Leigh mentioned, and the allocation of adequate funds to
16 restore, rehabilitate and maintain coastal catchments
17 impacted by Sydney Water's operations.
18
19 We also recognise the traditional custodians'
20 relationship to land and to water. With the assistance of
21 IPART we have facilitated the presence this afternoon of
22 the Metropolitan Local Aboriginal Land Council to hear
23 their voice as well. My question to Mr Young is why do you
24 think that charging the lowest cost for water provides the
25 best value for your customers?
26
27 MR YOUNG: No, I don't. So we did that community
28 research --
29
30 MR SUMMERHAYES: I'm sorry, I missed that.
31
32 MR YOUNG: I don't. We did that community research
33 looking at what choice customers can make between a higher
34 fixed charge and a smaller variable and a higher variable
35 charge and a smaller fixed. What we proposed is that we
36 keep the usage charge high, because we think that is in
37 line with the conservation signal.
38
39 I know there is a debate in economic terms about long
40 run marginal costs, which can be a discussion later, but
41 our view is that it should be kept high and that we should
42 not lose the signal. Am I answering your question or are
43 you saying that it - what is your question?
44
45 THE CHAIRMAN: Do you have a follow-up question, Stephen,
46 because I am going to ask for questions from the floor?
47

1 MR SUMMERHAYES: Whether or not you think value to
2 customers is more than just price but it includes all the
3 other elements that contribute to liveability, for example.
4 So instead of reducing price as a corollary of that, it may
5 be better to apply those funds to investments in the system
6 that provide compound benefits into the future.
7
8 MR YOUNG: I think what we need to do is have that debate
9 in our community with everyone and have a collaboration and
10 really do the work that you were talking about, Cynthia, on
11 value and get that understanding and put in a very strong
12 submission. It may not be this price path but get ready
13 for the next price path and we want to be a voice on that
14 as part of the community and we want to lead a debate on
15 that with key players.
16
17 THE CHAIRMAN: Stephen, you will get ample opportunity.
18 Let me just open to the floor to see if there are some
19 questions or comments from the floor. Anybody in the
20 audience?
21
22 MS KOTEVSKA: I am Svetlana Kotevska from the Georges
23 River Combined Councils Committee, also represented by
24 Stephen and Sarah.
25
26 There was a comment made by Sydney Water about
27 maintaining your performance against your operating licence
28 and your environmental protection licence. The key word is
29 "maintain", but we thought you guys were trying to improve
30 your performance long term. Can you elaborate on that,
31 please?
32
33 THE CHAIRMAN: Thank you. Kevin?
34
35 MR YOUNG: We definitely said we will maintain, but
36 I think publicly I said "maintain or improve". If we can
37 find better ways of doing things with the money we have, we
38 would love to drive that value proposition forward. So it
39 is maintain or improve but not go backwards. Cheaper bills
40 does not mean we are dropping standards of service, but it
41 is against what our operating licence says is what we have
42 to meet, which is quite specific.
43
44 MR FUNSTON: Kris Funston, Sydney Water. Further to
45 Kevin's point I think he was raising that earlier the
46 performance in terms of service to customer has actually
47 improved. We have still maintained our performance against

1 the operating licence and the EPLs. I think that is the
2 distinction that we are drawing that, yes, we have to meet
3 that minimum standard as set out under the operating
4 licence as provided under the environmental protection
5 licence. It does not mean that we will not improve the
6 value we actually deliver to customers, which is what we
7 have seen from the customer feedback we have been receiving
8 and which we highlighted in our proposal which we lodged
9 in June.

10
11 THE CHAIRMAN: Any other question from the floor or
12 comment?

13
14 MS KOTEVSKA: Can I follow up?

15
16 THE CHAIRMAN: Sure.

17
18 MS KOTEVSKA: I just note that you guys say \$235 million
19 operating costs over the last four-year period. That was a
20 great opportunity to invest in improvements in some of your
21 sewerage treatment plants. While that is one of the issues
22 that the GRCCC represents, as we advocate on that issue, we
23 have an active voice to industry in the Georges River that
24 we are trying to protect. We have had recent incidents of
25 sewage overflows there and that is directly related to the
26 fact that you have outsourced your energy as well - your
27 energy side of things.

28
29 I think there were two sources of power and one of
30 them actually came off. It was an Ausgrid issue. I am
31 thinking that there were opportunities there and if you are
32 looking at saving and making more savings long term,
33 I don't know how that is consistent with improving your
34 work against your environmental protection licence.

35
36 I want to put that point down as well as the fact that
37 I support everyone else's issues on the liveability matter.
38 I know we are working with Sydney Water on that as well
39 with various Georges River water improvement plans as well
40 as Cooks River and Parramatta River. I know there is work
41 on that space and that is really positive, but I think
42 lowering customer bills without considering environmental
43 costs is a real missed opportunity.

44
45 MR YOUNG: You raised a number of questions and one on
46 energy. I think our energy record is excellent. What we
47 have done is produced more cogeneration of our sites, and

1 that is how we got our greatest gain. I think 60 per cent
2 of the energy on the site we source from our own
3 co-generation of methane gas producing electricity, or
4 hydro-generation, so there has been a big push on that
5 which I think is very environmentally sustainable and we
6 have done well.

7
8 The broader question that you ask is an interesting
9 one because we have had a view that for what IPART sets us
10 to do in a capital program and operating, we go as hard as
11 possible to see if we can outperform that. I have to say
12 in my career sometimes that is not successful and we don't
13 meet the targets that have been set. In those years there
14 is no question about the fact that we don't meet them and
15 we wear that as a risk. If we do meet them and we are
16 successful like the last four years, where does that
17 surplus go? I think that's the question that you are
18 fundamentally asking here.

19
20 At the moment, we are pushing that we have met what
21 IPART has set for us with the capital and the operating and
22 if we can do better than that, then we transfer that to
23 customers. There is a different view that that actually
24 provides a pool for us to do things that have not been set
25 by IPART and I think that is the discussion.

26
27 Then we actually would be subject to a prudency review
28 at the next IPART hearing: "What did you spend the money
29 on and how did you decide that you wanted to invest in
30 these projects rather than to reduce customers' bills?"
31 That would be a critical review that IPART would look at us
32 to say, "What are you doing here?"

33
34 Again I think it goes back to IPART. We spend our
35 money under a regulatory framework as regulated by IPART
36 and we are trying to do the best we can to be prudent and
37 efficient.

38
39 THE CHAIRMAN: I have been holding off waiting for it to
40 come back to IPART. That is what has happened.

41
42 MR YOUNG: You will know, Mr Chairman, that I always
43 pass that football that way.

44
45 THE CHAIRMAN: With the question that you have raised,
46 Sydney Water has licence obligations. They have a licence
47 and IPART licenses them. That was subject to a

1 comprehensive and exhaustive consultative process,
2 including a session in this room, and we had lots of
3 submissions, so that goes into the licenses.

4
5 Then there is the EPA and various other environmental
6 issues which are adopted in EPA regulations and Sydney
7 Water, like any other utility, has to price sufficiently to
8 cover their costs and meet their licence obligations and
9 meet their EPA regulatory and any other regulatory
10 obligations.

11
12 Sydney Water has put in a proposal against those
13 benchmarks. What they are saying is that they can meet the
14 EPA. They can meet the Metropolitan Water Plan. They can
15 meet all that and cover their costs and give customers a
16 decrease in price. That is the position they have put in
17 and that is against what they will be evaluated.

18
19 To suggest, which is quite reasonable, like a number
20 of participants have said, "Well, there are bigger issues
21 than this. There are issues to do with the George River.
22 There are issues to do with liveability and things like
23 that", in a sense until those are reflected or through the
24 licence or through an EPA regulation or some other
25 regulation adopted by the government, Sydney Water does
26 not have to price to meet them.

27
28 That does not mean to say that if Sydney Water has
29 some margin for manoeuvre, which they clearly did in the
30 last four years, that they won't use that money on a
31 discretionary basis, subject to their board, of course, and
32 invest in things which go to improving liveability.

33
34 We just need to be careful that we are asking Sydney
35 Water to do something that they, in a sense, cannot do
36 because if they were to put in a pricing proposal which
37 generated a surplus - ie, it was well above meeting their
38 licence, well above meeting their EPA and any other
39 environmental or other requirements set down by government,
40 and well above costs - in a sense, they would be making a
41 surplus which would be difficult to justify because there
42 are lots of people who struggle to pay their water bills
43 and they are already paying water bills which have
44 environmental, liveability and various other things
45 reflected in government statutes and licences within that.

46
47 By arguing that they should meet higher standards -

1 that is a perfectly legitimate argument; we all hear it -
2 for Sydney Water to be obliged to meet it, as opposed to
3 voluntarily contributing to it, it would need to be
4 reflected through these regulations and other requirements.

5
6 This is a great discussion and we encourage it. It is
7 a great discussion, but we need to be a bit careful we are
8 not asking Sydney Water to do something which they can't do
9 which somebody else should do.

10
11 Now, Stephen, I see you chomping at the bit.

12
13 MR SUMMERHAYES: We do recognise the licensing
14 environment in which you operate but we are looking to
15 Sydney Water to exercise leadership and champion this liveability
16 and maximise the outcomes. To build on Mr Young's mention
17 of the community survey, there was a 2002 report issued
18 entitled "Full-Cost Water Pricing Guidebook for Sustainable
19 Community Water Systems." It says:

20
21 Residents, given a choice, typically vote
22 in favour of cheaper utility services.
23 Public utility governing bodies, therefore,
24 face the difficult task of ensuring that
25 their decisions balance their constituents'
26 need for affordable water with the
27 long-term financial health of their
28 community water system

29
30 So looking forward, how has Sydney Water endeavoured to
31 reconcile those two things and how you will do that because
32 I am unable to find that sort of reconciliation within the
33 proposal?

34
35 MR YOUNG: That is fair comment, but we have done a fair
36 bit of work, although it is not in our pricing submission.
37 What we know from our community research is that you have
38 segments in the community. I think around a third of our
39 customers say, "Given the affordability issues, just meet
40 my basic needs and do it as cheaply as you possibly can."
41 Another group says, "Make it easy for us. We want to have
42 water 24/7. Our life is busy enough so meet our basic
43 needs and make it easy for us." But there is sort of a
44 number or a segment in the community that says, "No, lead
45 and educate and drive to a better outcome. So be a voice",
46 and that is what we have picked up. We do want to drive
47 bills lower; we do want to make things easier for them; and

1 we do want to pick up what we are picking up at the moment
2 and we want to be a voice in this community debate.

3
4 MR SUMMERHAYES: If the reductions are based on 70 per
5 cent, which is outside your control and therefore
6 unreliable, if the prices are reduced, did you survey the
7 community's receptability to increasing the prices perhaps
8 back to the pre-reduction levels or even greater into the
9 future? I would have thought that would have been quite a
10 difficult change to implement.

11
12 MR FUNSTON: No, we did not look at that. What we looked
13 at was the price associated with cost recovery associated
14 with our efficient costs and what was the preferred tariff
15 structure of customers and various segments of customers.

16
17 MR SUMMERHAYES: Chair, will IPART consider if the
18 environmental conditions upon which the reduction is
19 predicated change or do not arise such that prices will
20 need to increase, whether that will create more community
21 dissension than maintaining prices in their current form? .

22
23 THE CHAIRMAN: In a word, Stephen, IPART considers
24 everything that is said in this room and all written
25 submissions. What we do is we set a price for four years,
26 so we have to make a judgment for four years, or whatever
27 the length of the term is, but let's say, for argument's
28 sake, it is four years. We set that price for four years.

29
30 That determination is only reopened in quite
31 extraordinary circumstances. It could be reopened at the
32 request of Sydney Water. It could be reopened at the
33 request of the government, but in general it is not
34 reopened. The only one that I can think of would have been
35 when the government decided not to go ahead with Tillegra
36 Dam and they reopened the Hunter Water determination.

37
38 If there were a major environmental event partway
39 through the determination and Sydney Water or the
40 government or some other group were to request a reopening,
41 we would consider that. However just so you know,
42 reopening a determination is (a) quite unusual and
43 (b) quite a costly process because, under our Act, you
44 cannot reopen a termination and tweak something. You
45 actually have to go through the whole process again.
46 I hope that answers your question.

47

1 MR SUMMERHAYES: I think my point was if you reduce
2 prices it will be a lot harder to claw back a price increase in
3 the future.

4
5 THE CHAIRMAN: No, the question is at that next
6 determination, which will be in, say, four years time,
7 IPART will look at the costs including if interest rates go
8 up, for example, the WACC goes up, we will look at that.
9 We will also look if there has been a change in the
10 environmental regulations or if there has been a change in
11 other government requirements which Sydney Water is obliged
12 to service, we will look at that and take it into account.
13 If we determine that the price to cover costs and all the
14 other regulatory responsibilities including liveability of
15 cities means an increase in price, IPART will do that.
16 They will do that. This is not a matter of, "let's not
17 reduce it now because in the future we might not be able to
18 put it up". We will put it up - we will put it up.

19
20 MR SUMMERHAYES: But if you are considering the
21 community and that was really the focus --

22
23 THE CHAIRMAN: But we are considering the community.
24 The way we consider the community is the way the community's
25 desires are expressed through regulation and in
26 legislation, through government. If government decides to
27 amend part of the environmental Act and create new
28 regulations, then Sydney Water will need to conform to that
29 and that will be reflected in price.

30
31 MR SUMMERHAYES: Thank you. A reduction in --

32
33 MR YOUNG: Could I come in on that too? I am opposed to
34 the idea that if our proposal is the prices drop, therefore
35 it creates a pool that you can hypothecate against certain
36 proposals, because it means that it is separate from a
37 value proposition and the engagement that you have with the
38 community. It also means that if that is the way you work
39 it, the next time prices go up you say, "Well, there is no
40 pool available."

41
42 What we need is a really robust discussion with a
43 number of key players coming together to put the value
44 proposition forward that there is strong community support
45 for this, that it is welcomed by the community and these
46 are really good investments. As Peter says, even if prices
47 were going up plus interest rates were up, if you make that

1 strong case, then money will be found available for it. It
2 has to be a value proposition like everything else.
3
4 MR SUMMERHAYES: Sydney Water has a lot of unfunded
5 goals that money should first be applied to before we start
6 reducing prices, in my submission. For example, the raw
7 sewage discharge at Diamond Bay would provide substantial
8 community benefit long term.
9
10 The reduction in the price of water services can have
11 a lot of custodial consequential impacts. For example, for
12 local government they have incentive schemes for rainwater
13 tanks. If water is cheaper, then there may be less of an
14 incentive to put in a rainwater tank, which then creates
15 downstream impacts - pardon the pun - such as greater
16 run-off or things like that. There are also different
17 price signals given to the community in terms of the value
18 of water and the value of services. How are those elements
19 considered in the proposal?
20
21 MR YOUNG: There seems to be some confusion that Sydney
22 Water is proposing that the water usage price be a lot
23 lower - we are not; our submission is that the water usage
24 price should be kept high. That is in line with our
25 community survey and our engagement, therefore, we think
26 keeping the water usage price high does encourage water
27 conservation and efficiency.
28
29 MR SUMMERHAYES: You have determined the allocation of
30 the reduction. You have could have indeed increased the
31 water usage and reduced much more the service charge.
32
33 MR YOUNG: Absolutely, at the end of the day that is an
34 IPART ruling about how much of it should be fixed and how
35 much should be variable. That is why on days like today
36 different points of view on what it could be are all things
37 that IPART will take into account in the final decision.
38
39 Ours is just a proposal that we have put forward based
40 on our community research. I have always said it is a
41 proposal not an outcome and it will depend on IPART
42 weighing up what they see is the right way forward.
43
44 THE CHAIRMAN: Are there any other questions or comments?
45 Yes, Kristal?
46
47 MS BURRY: In terms of liveability, we support any broader

1 discussions around that topic. I also want to point out
2 that part of liveability is affordability.
3
4 MR YOUNG: That is true.
5
6 MS BURRY: Obviously it is a balance between short term
7 pricing and longer term goals that are harder to value, and
8 things like that, but we just want it to be kept in mind
9 that there are segments of the community that do struggle
10 with their bills that might not be able to have the
11 willingness to pay that others have. We want to make sure
12 that they are not left out of the conversation. The
13 liveability question is not just about making the city more
14 liveable, but liveable for who? It should be for everyone
15 who lives in Sydney.
16
17 Yes, we recognise there are environmental concerns and
18 there are things that we have been spending money on to
19 make improvements there but we, as a group that advocates
20 on behalf of consumers, want it remembered that
21 affordability is a key component of that liveability
22 question.
23
24 MR SUMMERHAYES: The disadvantage can be addressed in
25 other mechanisms within the pricing scheme.
26
27 MS BURRY: Yes, and there are aspects of that.
28
29 THE CHAIRMAN: I think we can discuss this, and we will
30 discuss this right through the day.
31
32 Indeed, in our last session we have the issue of the
33 Rouse Hill land plan. Here is a very practical issue about
34 who should pay for some past environmental development.
35 There are issues about whether the residents should pay
36 100 per cent or just a proportion of it because some of the
37 benefits are for the community, broadly speaking.
38
39 Even if there is a change - for example, if there's a
40 change to the environmental regulations or there is a need
41 for Sydney Water to undertake investment in a particular
42 community to address certain issues, including liveability
43 issues - there then is an issue about who should pay for
44 that? Should it just be the people who live in that
45 community or should it be the Sydney Water consumers as a
46 whole including some consumers who might be struggling
47 with affordability and live nowhere near the area?

1
2 These are important issues and there will be ample
3 opportunity for them to come up. I am not trying to cut
4 you guys off. I am just saying hang around because there
5 will be plenty more chance to discuss it.
6
7 That is a particular issue that Sydney Water and the
8 tribunal have wrestled with. At the last determination, we
9 made a determination to, in a sense, bill the local
10 residents something like 70 or 80 per cent, I think, and
11 then the rest of the water consumers would pay the
12 remaining 25 per cent. Not surprisingly that was not well
13 received by the local residents, and that issue is up for
14 discussion again.
15
16 These are very practical outcomes, so even if you
17 identify an area like Georges River or Cooks River, or
18 something like that, and you point to issues which you
19 think need to be addressed and everybody agrees they need
20 to be addressed and Sydney Water goes ahead and addresses
21 them, the next issue is who should pay for it? Should it
22 be the taxpayer as a whole - that is the subsidy from
23 government - all Sydney Water consumers, which means
24 people who never use or benefit will pay; or just the local
25 residents; or a mixture of the three? It is a very
26 important issue and we will be able to discuss it further
27 with the concrete case of Rouse Hill.
28
29 MR EDGERTON: Just to change tack a little bit, in Scott's
30 presentation when he showed Sydney Water's actual operating
31 expenditure over the last four years, it highlighted that
32 Sydney Water actually achieved quite significant operating
33 expenditure savings, particularly around 2013-14 there was
34 a real dip. Then for the rest of the price path, it
35 remained relatively flat and going forward, you are
36 projecting some decrease in operating expenditure, but
37 again it is remaining relatively flat.
38
39 What that highlights is that in terms of ongoing
40 efficiency gains relative to the last determination period,
41 you are actually forecasting a decline in ongoing
42 efficiency gains. Can you respond, I guess, to the
43 question, which is really the second question we had on
44 that slide - why can't 2012-16 savings in operating costs
45 be continued and improve upon?
46
47 MR YOUNG: In previous price submissions when we have

1 achieved great savings, there has been an IPART discussion
2 which said, "Can you continue this for the next 15 years?"
3 When I extrapolated that, it came down to a dollar and
4 I said, "Look, the line has got to flatten off eventually.
5 You cannot run the business for a dollar."
6
7 The discussion there was we looked at what we can do
8 with the business and we decided that we would restructure
9 the entire organisation's executive team. In that first
10 year, we restructured the entire business. I think I had
11 13 direct reports and we cut it back to eight. Of that two
12 were new people and we elevated the CIO to CIT as our
13 future with the change.
14
15 We pulled a huge lever, which is that we did
16 benchmarking and outsourced all of our electrical and
17 mechanical people to the market. As I said, with the
18 civil, we had a conversation and said, "You've got three
19 years to achieve best practice benchmarks in Australia or
20 we'll outsource you." We centralised all procurement to
21 drive major change. We picked up from the previous
22 consultant on conditional assessments and asset management
23 driving forward. Putting all that there, we pulled all
24 these massive levers.
25
26 Looking over the next four years, of these big streams
27 that we pulled and driving the market, there are not the
28 big levers. We have pulled a number of those major levers.
29 Even though you say productivity is dropping off, we see
30 massive growth in Sydney and we are holding our costs
31 independent of this incredible growth we see in Sydney. We
32 are wearing all of those costs that we see in this market
33 at the present time. So inherently the price per property
34 is still dropping over that period.
35
36 THE CHAIRMAN: One last question or comment before we
37 break for lunch?
38
39 MR DAHL: Kurt Dahl from Permeate Partners. I noticed one
40 of the line items up there on expenditure on capex was
41 around about \$600 million to service growth and I noted the
42 Chair's comments there before around who pays - should it
43 be the beneficiaries of those new assets? Should it be the
44 broader customer base? There is a mantra at the moment
45 about new areas at no cost to government.
46
47 Given that growth is on the urban fringe and those

1 areas are increasingly more expensive to service, I wonder
2 if you could comment on Sydney Water's view on why the
3 broader customer base should pay for those growth assets.
4
5 MR YOUNG: That is another great topic.
6
7 MS GAMBLE: Sandra Gamble from Sydney Water. We have a
8 system throughout Sydney Water where we connect all the
9 customers - all new customers and all existing customers -
10 and we postage stamp price. We find that is the most
11 efficient way to service each one of those customers.
12
13 It is true that in some of the western areas the cost
14 of providing additional connections is significantly higher
15 than the cost of providing new connections in the built-up
16 areas. That is mainly because of the additional cost of
17 treating wastewater that we then dispose of in the
18 Hawkesbury-Nepean system where we have to tertiary treat
19 that; whereas for all the community up to about St Mary's
20 it flows back in towards the ocean and is treated by our
21 coastal plants where it is primary treated and put out into
22 the ocean outfalls, which turned 25 last Friday.
23
24 What we are finding, though, is that not all the
25 growth is in the west; a lot of the growth is in the infill
26 areas as well. A very large number of new connections are
27 in the infill areas and some are in the west.
28
29 What we would like, though, in the longer term is a
30 situation where there are better pricing signals for new
31 development so that when developers, or in fact when new
32 people are entering the city and they make a judgment about
33 where they live, can get some sort of pricing signal about
34 where the most efficient provision of infrastructure will
35 be.
36
37 Sometimes it will be determined by water, sometimes it
38 will be determined by roads and rails or schools and
39 hospitals and other things, but at least the contribution
40 of cost from building new water assets probably should come
41 through some sort of developer charge, and we have raised
42 that a few times.
43
44 We would be very keen to contribute to a conversation
45 with IPART, and with stakeholders, about how we can
46 potentially introduce a developer charge that is simple and
47 provides that meaningful pricing signal and potentially

1 also - and this is the good part - can also reflect some
2 greater value that some members of the community may see in
3 liveability and potentially the standard of living they
4 would like to have from water as well. I think we're
5 dealing with that situation at the moment.
6
7 THE CHAIRMAN: That is a very good question. Basically we
8 have a situation where we have postage stamp pricing, which
9 means that Sydney Water cannot differentiate in terms of
10 pricing. The other thing is that the government in 2008
11 set developer charges equal to zero in both Sydney and the
12 Hunter area. With both of those two policy constraints, it
13 is not possible to differentiate along the lines suggested
14 in your question.
15
16 That is a great note to break on for lunch and I look
17 forward to seeing you all at 1.20, thank you.
18
19 LUNCHEON ADJOURNMENT
20
21 UPON RESUMPTION
22
23 THE CHAIRMAN: Welcome back. This is the second session
24 which is "Form of regulation". We are going to have
25 Matt Mansell from IPART open with a short presentation;
26 then Jeff Balchin, who is a consultant with Sydney Water
27 will make a presentation; Matt will just get up to put up
28 the final slide of questions; and then we will move into
29 discussion. Thank you, Matt.
30
31 SESSION 2: FORM OF REGULATION
32
33 MR MANSELL: Good afternoon. My name is Matthew Mansell
34 and I am a member of the IPART secretariat. I will now
35 introduce the session on form of regulation. Form of
36 regulation refers to the regulatory framework and methods
37 used to control prices for regulated services.
38
39 Sydney Water has proposed three changes to the form of
40 regulation:
41
42 1. An efficiency benefit sharing scheme for
43 controllable operating expenditure and a portion of capital
44 expenditure. This would allow Sydney Water to hold
45 efficiency savings for five years before sharing the
46 benefits with customers through lower prices. It would
47 also allow Sydney Water to hold efficiency losses for five

1 years before sharing the losses with customers through
2 higher prices.

3 2. A cost recovery framework that would allow Sydney
4 Water to pass through costs to customers that result from
5 either unexpected events or from projects that are not
6 fully defined at the time of the price review.

7 3. A weighted average price cap that would allow
8 Sydney Water to vary prices between customers as long as,
9 on average, prices do not increase above the cap. This
10 pricing flexibility would be based on pricing principles,
11 for example, that prices should be cost reflective, and it
12 would be limited by side constraints, for example, limits
13 on how much prices for individual customers are allowed to
14 change each year.

15

16 In our issues paper, we said that we are open to
17 considering a modified efficiency benefit sharing scheme
18 for operating expenditure. Our modified approach would
19 strengthen the incentive to improve efficiency whilst not
20 weakening the existing incentives to control costs. We
21 said that we are unlikely to adopt an incentive scheme for
22 capital expenditure because of concerns that this could
23 increase for over-forecast and defer capital expenditure.
24 We said that we are inclined to maintain the current
25 framework that limits cost pass-throughs to apply only in
26 exceptional circumstances - that is:

27

28 Where the event that triggers the cost can be
29 identified;

30 Where the efficiency cost can be assessed; and

31 Where the regulated business cannot influence the
32 likelihood of the trigger event or the resulting cost.

33

34 An example of costs that meet these criteria are
35 desalination plant costs. Sydney Water currently has a
36 cost pass-through mechanism to pass these costs through to
37 customers as they are incurred.

38

39 We said that we are open to considering a weighted
40 average price cap for large non-residential customers. We
41 raised the idea that in place of side constraints around
42 the weighted average price cap, an alternative approach
43 would allow large non-residential customers a choice
44 between regulated prices set by IPART and alternative
45 prices offered by Sydney Water. This would give Sydney
46 Water the opportunity to innovate by offering customers
47 alternative choices without weakening the existing customer

1 protections provided by regulated prices.

2

3 In response to our issues paper, Sydney Water
4 maintained its proposals for efficiency benefit sharing
5 schemes covering both opex and capex. Sydney Water does
6 not support IPART's modified approach to the EBSS on the
7 grounds that it would place too much risk on Sydney Water.
8 Sydney Water maintained its proposal for a broader
9 application of cost pass-throughs. Sydney Water supports a
10 weighted average price cap for large non-residential
11 customers noting that it will propose to expand coverage of
12 the weighted average price cap at the next price review.
13 Sydney Water does not support IPART's option to allow
14 customers a choice between regulated prices and alternative
15 prices offered by Sydney Water.

16

17 For other stakeholders, there was some support for
18 efficiency incentive schemes on the condition that they are
19 developed through consultation and ultimately benefit
20 customers. There was some support for pricing flexibility
21 on the condition it is developed through consultation and
22 results in greater customer choice. Some do not support a
23 weighted average price cap noting that it would increase
24 administrative costs while offering little potential
25 benefit to customers.

26

27 Before we move to the discussion, Sydney Water has
28 requested an opportunity to present on its proposed
29 efficiency benefit sharing scheme so I now invite Sydney
30 Water to the front.

31

32 SYDNEY WATER PRESENTATION

33

34 MS GAMBLE: I am Sandra Gamble from Sydney Water.
35 Thanks to the tribunal for the opportunity to speak today. In
36 terms of the form of regulation, our proposal is about
37 introducing three new features into our form of regulation.
38 They are designed specifically to better align Sydney
39 Water's commercial interest with the long-term interests of
40 customers; to improve the effectiveness of economic
41 regulation by using incentives to do a lot of the heavy
42 lifting; and to allocate risks in the right places to
43 improve certainty and to drive greater efficiency gains.

44

45 As mentioned there are three elements to that. The
46 first is a cost recovery for extraordinary circumstances,
47 and we do apologise that our submission may not have been

1 clear about that. We certainly do agree that this cost
2 recovery regime should be only for extraordinary
3 circumstances. The second element is a greater flexibility
4 in pricing structures and, thirdly, an efficiency benefit
5 sharing scheme.
6
7 Like any regulator, I am sure that IPART would be
8 concerned about the possibility of gaming some of these
9 schemes, so what we would like to do is talk to you about
10 the checks and balances that should be in place and, most
11 importantly, the transparency with which they be practised,
12 and we are very aware of IPART's discretion to take
13 recourse if indeed something untoward were to happen.
14
15 I will speak briefly about the pricing flexibility
16 I think I have clarified in relation to the cost
17 pass-through that we agree that should be only in relation
18 to extraordinary circumstances. In pricing flexibility we
19 are proposing the introduction of a flexibility mechanism
20 within which we may be able to set prices during the
21 regulatory period within the revenue determination set by
22 IPART.
23
24 So it is about re-balancing prices within side
25 constraints that IPART would set. This would enable us to
26 vary prices and service offerings to customers to reflect
27 their preferences and encourages us to be more
28 cost-reflective. This enables IPART to step away from
29 setting over 100 prices and structures and levels in each
30 determination.
31
32 In its issues paper, IPART said it was open for
33 flexibility for non-residential customers, in particular
34 large ones, and we agree that this is a pragmatic approach
35 and a good first step.
36
37 Our engagement with customers shows that they have a
38 range of preferences around pricing structures and they
39 value different things. We are confident that we can
40 demonstrate through a pilot of some description that we can
41 undertake pricing flexibility responsibly and improve the
42 allocative efficiency of our pricing policy.
43
44 We would like to run some pilot programs with specific
45 large non-residential customers with the initial objective
46 of discovering more about what they value. We are
47 currently considering which customers would be suitable -

1 perhaps 200 to 300 customers with revenue over \$30 million
2 to \$50 million a year.
3
4 These customers would have Sydney Water business
5 customer representatives assigned to them to assist with
6 communication and consultation. We will provide a draft
7 submission to IPART at the end of the year within which we
8 will propose some pricing principles for that pilot along
9 with the proposed framework for implementing that pricing
10 flexibility.
11
12 Just quickly in relation to the next item, which is
13 around the efficiency benefit sharing scheme, we do note
14 that IPART has entered the debate and made some
15 constructive comments about the scheme that we have
16 proposed. We have engaged an independent expert in the
17 area, Mr Jeff Balchin, who is here with us today, to give
18 his comments on both the proposal that we put forward and
19 the alternative that IPART has proposed. I would now like
20 to welcome Jeff.
21
22 THE CHAIRMAN: Thank you, Sandra.
23
24 MR BALCHIN: Thank you. As Sandra said, the broader
25 context of this is more or less a philosophy that
26 regulators and regulation is imperfect. They are doing
27 many things, but one of them is discovering or deciding
28 whether things are efficient and what costs are efficient.
29
30 The idea of incentive regulation is that, rather than
31 relying on regulators to do the heavy lifting, there are
32 benefits from having well-designed incentives so that firms
33 when responding to their own private financial incentives
34 naturally would see the public interest.
35
36 Against this background what Sydney Water proposed in
37 relation to operating expenditure is called a carry-over
38 where part of the benefit or cost that is earned by
39 spending more or less than forecast during the period is
40 extended into the next period. That is designed to address
41 some well-known problems where you come to reset prices
42 periodically at cost. If you just do that without the
43 carry-over, the incentive to make efficiency gains declines
44 over the period. It also means you can create diverse
45 incentives for businesses to actually spend more at the end
46 the period in the hope they can jack up the allowance next
47 time. The idea, though, is if you get these things right,

1 you actually buy information from the firm that you can use
2 to assist in setting the forecast next time and therefore
3 pass on these benefits to customers.

4
5 I was asked by Sydney Water to review their scheme and
6 my general finding was that their proposed scheme was very
7 similar to what we have used in the energy sector in
8 Australia now for a number of years. However, in some
9 words of irony, this is not actually imposing energy sector
10 regulation on the water sector because what we applied in
11 the energy sector in Australia was borrowed from the UK
12 water regulations from back as far as 1994. So this is
13 really carry-overs returning to the industry from whence
14 they were first derived.

15
16 IPART made a number of critical comments about the
17 incentive properties of the Sydney Water scheme and
18 I agreed with them that there was a defect in the scheme as
19 proposed. There is quite a technical adjustment that needs
20 to be made where the second to last year - the penultimate
21 year - of a regulatory period is used to forecast costs
22 next time, and I found that once that adjustment has been
23 made, the incentive issues that were identified in the
24 issues paper will disappear and the scheme will work as
25 intended.

26
27 In contrast, I looked at some of the incentive
28 properties of the alternative model and I found that the
29 alternative model, which is one that applies differently
30 depending on whether you are spending more or less than the
31 allowance at any point in time, has a number of inherent
32 deficiencies where you flick between spending more or less
33 than the allowance.

34
35 One other concern that was raised in the issues paper
36 was whether an inherent feature of the efficiency
37 carry-over type scheme is that you have to use the actual
38 expenditure at the end of the period to forecast next time
39 and that includes some form of efficiency adjustment.

40
41 What I would like to make clear is that it does not
42 actually preclude that. They can operate side by side.
43 There are some issues that one needs to be made aware of to
44 make that consistent. I have noted a couple here, but
45 there are situations where if a firm is found to be
46 inefficient, they can end up bearing 100 per cent of the
47 inefficiency if you just apply the carry-over according to

1 its mathematical formulas. So judgment and the ability to
2 exercise discretion is required in the application of the
3 carry-over if you choose to have discretion to test the
4 efficiency of expenditure and potentially complete the
5 expenditure.

6
7 In terms of the capital expenditure, the broad
8 objective of having a carry-over is fairly similar. You
9 get unclear or declining incentives for efficiency at the
10 end of a regulatory period if you don't have a carry-over
11 for capex, and that is a real problem. It means that a
12 firm would have less of a financial incentive to be
13 efficient. You might end up having inefficient capital
14 expenditure having been incurred and finding its way into
15 the regulatory asset base and thereby into prices if the
16 regulator is not good enough to detect it, and remember the
17 philosophy is that regulation is not perfect.

18
19 I agree, though, with IPART that in terms of capex
20 these are schemes that are more difficult to get right than
21 opex. There are some difficulties. One is that the scheme
22 itself, unlike opex, does not actually help you forecast.
23 It helps you get confidence that actual capital expenditure
24 is efficient and thereby it is something that should be
25 recovered through pricing, but it does not actually help
26 you set the allowance next time.

27
28 Also where projects are either deferred from one
29 period to the next or advanced, you need to keep track of
30 those and make an adjustment because the scheme naturally
31 assumes any change in expenditure is a permanent change.
32 So if it is a temporary change - either deferral or
33 advancement - you need to be make an adjustment and that is
34 not necessarily easy to do.

35
36 In my view, though, what Sydney Water proposed was
37 reasonably prudent. They proposed applying the capex
38 scheme only to those areas that were a subset of their
39 capex where they thought there were quite material benefits
40 and where some of these difficulties could easily
41 ameliorated. To my mind, that is a walk before you run
42 type of approach.

43
44 The last thing I wish make a couple of comments about
45 is the incentive rates for efficiency schemes. The issues
46 paper is quite right - this is an area where judgment needs
47 to be exercised. In theory, there is an incentive rate

1 that maximises benefits to customers. In practice, though,
2 we can never guesstimate the inputs required to solve that
3 or to get an incentive rate.

4
5 There are also a number of other principles that are
6 quite relevant when deciding an incentive rate. You don't
7 want to have very high incentives for cost minimisation if
8 you don't have a good handle on service performance -
9 confidence in forecast matters, as I said before.

10
11 There is also some measure of convenience in aligning
12 holding periods to the term of the regulatory period. What
13 I would say, though, is that the incentive rate that was
14 proposed was reasonably modest compared with other
15 incentives that are out there. It is a lower powered
16 scheme than applies in energy in Australia and a much lower
17 powered scheme than has applied recently in the UK
18 regulatory determinations.

19
20 As I said, and I sort of come back to the start, this
21 is something where it would have to be acknowledged that
22 this is an area where judgment is exercised. Just to round
23 out, this decision is one that is independent of the form
24 of the incentive scheme. You can apply your determined or
25 incentive rate that you think is correct irrespective of
26 the actual form of the incentive scheme being derived.

27
28 I think my five minutes are up. Thank you.

29
30 THE CHAIRMAN: Thank you very much, Jeff. Matt will just
31 put up the discussion points for this session.

32
33 MR MANSELL: Just to facilitate the discussion, we have
34 put up a few suggested questions on the screen. These
35 question include:

36
37 Should the EBSS be limited to sharing efficiency
38 benefits with customers or should it share both efficiency
39 benefits and losses with customers?

40 In what circumstances should the risks of unexpected
41 events and undefined projects be passed through to
42 customers during the regulatory period?

43 Would customers prefer Sydney Water have discretion to
44 change prices or would they prefer a choice between
45 regulated prices set by IPART and alternative prices
46 offered by Sydney Water?

47

1 THE CHAIRMAN: Thank you, Matt. Questions or comments
2 from around the table. Would anybody like to start?
3 Leigh?

4
5 MR MARTIN: Thank you, Peter. I want to focus
6 specifically on the issue of cost pass-through and the
7 weighted average price cap. I am somewhat agnostic on the
8 efficiency benefit sharing scheme. In terms of cost
9 pass-through, I think it is appropriate that there is a
10 cost pass-through mechanism for unexpected events, and that
11 might include dealing with environmental emergencies.

12
13 Stop me if it is more appropriate to consider this in
14 the next session, but I noted from Sydney Water's
15 submission that they were proposing a cost pass-through
16 mechanism for operation of the desalination plant and also
17 of Shoalhaven pumping. We would be strongly supportive of
18 that, recognising that there are significant financial
19 costs and also very significant environmental costs
20 associated with both Shoalhaven pumping and the operation
21 of the desalination plant.

22
23 We think it would be appropriate that customers get a
24 signal when those higher costs are being incurred, both
25 environmentally and financially, but also it should not be
26 divorced from the issue of the desalination plant operating
27 rules. It has long been our view that the current
28 operating rules are inappropriate because the desalination
29 plant, as the most expensive and environmentally damaging
30 source of water, should be used as little as possible. If
31 we did have a cost pass-through mechanism, that might be
32 appropriate for the public debate on when it is appropriate
33 for the plant to operate and when it is not, and the same
34 would apply to the Shoalhaven pumping.

35
36 In terms of the weighted average price cap, I do have
37 a significant concern, particularly if applied to large
38 non-residential customers and Sydney Water was then able to
39 negotiate arrangements with those customers. I see echoes
40 here of Hunter Water's location-based pricing, whereby they
41 were able to provide discounts to some of their large
42 industrial customers which acts as a disincentive for many
43 of those customers to switch to alternative sources of
44 supply, like recycling, and that's a discussion we had last
45 Monday at the Hunter.

46
47 I would be concerned about the possibility of a

1 similar arrangement occurring where Sydney Water could
2 essentially negotiate with the very sort of customers we
3 would like to see moving to recycling in a way that might
4 undercut the possibility of alternative schemes being
5 developed.
6
7 THE CHAIRMAN: Thank you very much, Leigh. Who would
8 like to go next? Cynthia, do you have any comments to make?
9
10 MS MITCHELL: No, I don't have any comments.
11
12 THE CHAIRMAN: That's fine. Stephen?
13
14 MR SUMMERHAYES: The cost recovery framework talks of
15 unexpected events. Does it also factor in expected events
16 such as climate change but potential outcomes?
17
18 THE CHAIRMAN: If an event is expected, it is meant to
19 have been taken into account when the determination was
20 made.
21
22 MR SUMMERHAYES: Does Sydney Water consider climate
23 change as an expected event and, therefore, the costs associated
24 with resilience activities, how are they factored into the
25 pricing structure?
26
27 MR YOUNG: What we have done with the Water Services
28 Association of Australia, we have developed a tool called
29 AdaptWater.
30
31 MR SUMMERHAYES: I'm aware of that.
32
33 MR YOUNG: We use that to look at the best way to mitigate
34 the impacts of climate change over the long term. Rather
35 than a huge investment upfront, it is to look at options -
36 the best cost options - in the longer term so we would
37 look, for example, at increasing bushfire risks and sea
38 level change. So that is our future approach - rather than
39 seeing climate change appearing immediately with major cost
40 expenses, it is over the longer term that climate change we
41 believe will occur and we are factoring into our capital
42 program mitigations against that in the work we do,
43 particularly in renewables. For example, how can we
44 bolster this station by putting buffers around it to allow
45 for increasing sea level? It is more than just a
46 mitigation part of the work we are doing now; it is a
47 growing science within the business and we are taking a

1 leadership role in the water industry on that
2
3 MR SUMMERHAYES: When you say "mitigation", are you
4 incorporating within that umbrella adaptation and --
5
6 MR YOUNG: Yes, exactly, exactly.
7
8 THE CHAIRMAN: Thanks, Stephen. Richard?
9
10 MR McMANUS: No comments, thank you.
11
12 THE CHAIRMAN: Benn?
13
14 MR TREHARNE: No, thanks.
15
16 THE CHAIRMAN: Cathy?
17
18 MS COLE: No, only what we talked about earlier this
19 morning about having cost pass-through for drought response
20 measures under the metro plan, whether that be for Sydney
21 desal or Shoalhaven transfer.
22
23 THE CHAIRMAN; Thanks, Cathy. Kristal?
24
25 MS BURRY: We support cost pass-through mechanisms for
26 very specific and defined events such as the desalination
27 plant.
28
29 We have some broader general concerns about some of
30 the regulatory changes. It always worries me when you
31 mention energy as a potential model that is to be used.
32 I don't know how many of you know, but we are currently
33 involved in the regulatory process with that. I am
34 concerned that any idea of potential factors being
35 incorporated into the RAB would then allow Sydney Water to
36 be getting a larger asset base to be able to say, "We need
37 more money." I know potentially that is not what you would
38 be doing, but I would want to see more information
39 available for us to be able to make a proper comment on it.
40 At the moment, what I have seen does not have as much
41 substance as I would like to see to really be able to
42 effectively comment on it because we do have some concerns
43 as to how that may turn out in the future.
44
45 THE CHAIRMAN: Just to keep in mind with the RAB, the
46 AER - the energy regulator - does not review capital
47 expenditure after the event. In other words, if an

1 operator makes a capital expense, it goes into the RAB;
2 whereas under IPART's Act, we are able to review it. We
3 review past capital expenditure, so if an organisation such
4 as Sydney Water or Hunter Water, or anybody like that,
5 undertook capital expenditure which we deemed was not
6 prudent and efficient, we would take it out of the RAB.
7 That's just a second order point for you.
8
9 MR BALCHIN: Could I make a quick point of clarification?
10 In terms of the efficiency scheme, the capital expenditure
11 efficiency schemes have only just been introduced into
12 energy. In the electricity sector, it was actually quite
13 inefficient; there was no ability for the AER to test the
14 prudence of expenditure. There were also no capex
15 efficiency schemes. Both of those things have been changed
16 as a result of the 2012 rule change. So the operating
17 expenditure schemes are the ones that have been quite
18 long-standing.
19
20 THE CHAIRMAN: Thank you, Jeff. Kevin, did you want to
21 make a comment?
22
23 MR YOUNG: Leigh raised a few good points about SDP and
24 the Shoalhaven and the pass-through, I think we are on a
25 unity ticket there. Is that right, Leigh?
26
27 MR MARTIN: There's time for everything.
28
29 MR YOUNG: There's time for everything, the first time for
30 everything to occur, so I obviously do agree with that.
31
32 With regard to the question about the location-based
33 pricing for certain customers, and I was involved in the
34 Hunter before on that, we definitely were not on the unity
35 ticket for that when that came in. The question there was
36 the competition for bigger customers seeing that we moved
37 to location-based prices. However, I think the discussion
38 in the Hunter was that the discounts were given to major
39 customers and that there was an increase across the rest
40 of the customer base.
41
42 What we would be proposing here would not be that we
43 would arbitrarily give major discounts to major customers
44 because in the price path there is no way to compensate for
45 that loss. We are looking for other ways to look at
46 pricing with major customers that would allow us some
47 flexibility and who knows where that could take us? It

1 could take us to some major customers who could say, "We
2 don't want to use water on the hottest day so we don't want
3 to have an impact on your capital system." That is a way
4 where there is some benefit. That could be a broader
5 incentive to drive capital efficiency. Those are the sorts
6 of innovative things that we think we could discuss.
7

8 MR MARTIN: Could I respond to that?

9
10 THE CHAIRMAN: Yes, sure

11
12 MR MARTIN: I could see there may be some benefits in
13 terms of you may negotiate interruptability clauses with
14 customers.
15

16 MR YOUNG: Something like that, yes.
17

18 MR MARTIN: I can see some benefits there. My concern
19 would be a situation where there are disincentives supplied
20 for large customers to switch to alternative supplies.
21

22 THE CHAIRMAN: Stephen?

23
24 MR SUMMERHAYES: As a collective I mentioned before we
25 cover 35 local government areas although we are not the
26 voice of them individually but for our organisations. We
27 deal with the local government practitioners, those who are
28 on the field actually implementing urban water management.
29 In response to all of them broadly, we support the changes
30 where Sydney Water is able to demonstrate that the change
31 does further the corporation's statutory objectives
32 particularly in relation to environmental outcomes and
33 reducing the impacts of its discharges.
34

35 THE CHAIRMAN: Good, thank you. Anybody else?

36
37 MR YOUNG: Peter, there is another point on that, if
38 I could.
39

40 THE CHAIRMAN: Yes, go ahead.
41

42 MR YOUNG: With the efficiency benefit sharing scheme -
43 I appreciate the point made by PIAC that there has to be a
44 trust in this - fundamental to that is that we want to
45 introduce that scheme because we want to really drive
46 customer bills lower in the longer term, and that is the
47 fundamental part of that. Whether it is the beginning of

1 the price path or the end of the price path, we want to
2 invest major money if we think it will drive a better
3 outcome for customers.

4
5 At the moment if it is right near the price path, as
6 an example, take a \$10 million investment that will give a
7 \$2 million reduction if we are in the last year and we
8 invest \$10 million and get a \$2 million saving, it is up in
9 the price path in the next one. There is a disincentive
10 there; you are better to wait until the beginning of the
11 next price path to get the full period of it. We would
12 like to just go hard for it over time. Our modelling shows
13 over the longer term that that would create lower billing
14 for customers over time.

15
16 MS JONES: If you leave something right to the end of a
17 price path for various reasons, doesn't that introduce more
18 risk into your business, which is not how you would run
19 your business from a risk management point of view? Why
20 would you not run your business like that all the time
21 where you spread out the risk?

22
23 MR YOUNG: So are you saying would it be better for us to
24 do all these major investments in the price path? It is
25 probably true that it is better for us, in the current
26 regulatory regime, to wait for the next price path, put it
27 up and then we would get the four full years of
28 efficiencies. However, I don't think that is a good
29 outcome for customers because you have lost a number of
30 years where you could have had those efficiencies.

31
32 MR WILLET: I have a follow-up question on the EBSS too,
33 and it really is a devil's advocate question to Jeff. It
34 picks up on this point that I think Jeff was very careful
35 to recognise, namely, that there are several distortions in
36 the investment incentives, and I appreciate that. Briefly
37 they are differential incentives for different year spends
38 or different year savings, particularly in terms of capex
39 programs, and the sort of penultimate year problem where
40 you make forward projections to the next period's capital
41 spend, and then there is the deferral savings problem in
42 that distortion.

43
44 I think we all recognise that this sort of regulation
45 is an imperfect process. I just worry that the more
46 complex we make these arrangements, the more difficult it
47 is to understand what those imperfections are and what they

1 are likely to do. What guarantees or what satisfaction can
2 we take that moving into this more complex incentive world
3 will actually improve understanding of the regulatory
4 process rather than undermine it?

5
6 MR BALCHIN: I think, for a start, to make incentive
7 regulation work, there is an investment and a measure of
8 flexibility that you need to introduce. You either have a
9 very simple approach to regulation incentives or you can
10 invest in a measure of complexity and you can have
11 incentives much better aligned with the social good. I've
12 heard that described once as the idea of the duck swimming
13 on the water. What you don't see from the top are the legs
14 flapping below - and that represents all the complexity of
15 the regulatory arrangements to create incentives - but once
16 you get that right, the regulation actually becomes simpler
17 if you get the financial incentive right.

18
19 The actual design of the regulatory scheme is complex,
20 but the process of regulation itself becomes a simpler
21 task, so you actually switch the complexity from one bucket
22 to the other bucket and invest in a more complex scheme
23 upfront to make it a simpler process in the actual
24 application agreement. You don't have to work as hard as
25 to whether capex is actually efficient before you roll it
26 into the RAB. You know the incentives are there, you have
27 done some investment. You have worked out the incentive
28 characteristics of the scheme and you know where the
29 problems are so that's what you focus on, but by and large
30 the thing works. For opex we have a lot of understanding
31 about how that scheme works and where the problems are. So
32 it makes the actual process of regulation much simpler.

33
34 I don't think we are actually talking about a net
35 change in complexity but just talking about switching the
36 change. The question is what actually works better?
37 Having a complex regulatory approach where the regulator is
38 given this almost impossible task of working out what a
39 business needs to do, is that a better way of regulating,
40 or is it better to provide financial incentives and leave
41 it up to the business to work out what is the cheapest way
42 of doing things and to harness all of their own internal
43 expertise and have everyone pointing in the right
44 direction?

45
46 I do not think there is proof of that statement, there
47 is a leap of faith, but I am certainly of the belief it

1 works. I have seen some fairly good proof from, dare I say
2 it, the energy sector in terms of opex at least.
3
4 Capex has had a bit of a chequered past because we
5 have not had a very good scheme for capex in energy. To be
6 perfectly frank, there was a fairly large overreaction to
7 perceived investment problems in the mid-2000s that
8 generated some fairly poor public policy decisions and
9 those things have taken some period of time. I don't think
10 we want to be talking about repeating that. One of the
11 reactions to that now is to put in place proper incentives
12 in capex so the pendulum will swing back more towards
13 equilibrium.

14
15 In terms of opex in the energy sector, we have seen
16 very good evidence that these schemes actually work.

17
18 THE CHAIRMAN: In the case of opex, are the examples
19 mainly with private sector firms that are regulated or
20 public sector firms?

21
22 MR BALCHIN: To a large extent the clearest examples are
23 the private sector ones. My observations of the public
24 sector is that a lot of them are case specific. Some of
25 them react very well to financial incentives. Some of them
26 have other pressures on them that don't allow them to
27 react. The pressure most of them have is to do the exact
28 opposite. It does depend on the actual entity and how
29 committed the government of the day is to having the entity
30 running a commercial business and actually responding to
31 financial incentives.

32
33 THE CHAIRMAN: Thanks, Jeff. Questions or comments
34 from the floor? Yes?

35
36 MS JAMES: Emma James from E2DesignLab. I am just
37 wondering whether there is any chance that the cost
38 recovery framework could be linked to the discussions from
39 the first session relating to liveability? Is there any
40 way that a federal and state supported initiative on cities
41 could be defined as an undefined project and then the cost
42 fee passed through in the coming determination?

43
44 I appreciate Sydney Water's position in supporting
45 liveability, but I am frustrated by the thought that we
46 have to wait until the next determination period to do
47 anything about it, given that the next decade of urban

1 growth is being planned now for Western Sydney. If we
2 don't do something different, then the Western Sydney
3 growth corridor will be delivered with 15 degree
4 temperature differentials, when they could have water in
5 the landscape and better outcomes with known technologies.

6
7 MS GAMBLE: The first thing I would say is that we are
8 actively involved in the growth centres in the conversation
9 about how water is delivered and serviced in those areas.
10 We are certainly participating in a debate about what can
11 actually be done. We are certainly not standing still and
12 we are also not providing the conventional solution and
13 that's it. We are thinking about a whole range of
14 different innovative solutions. I can assure you about
15 that, from that perspective.

16
17 From the point of view of continued projects or cost
18 recovery, I guess theoretically it is possible. If we did
19 have a new obligation to provide that expenditure or to do
20 a certain thing, yes, technically, it could work. I am not
21 sure if that is what it is really designed to do, though,
22 I think there are probably better ways to tune the
23 regulatory framework to encourage that type of activity.

24
25 MR YOUNG: I think it goes to the heart of what we were
26 talking about with the Sydney desalination plant starting
27 and the costs of that have been reviewed by IPART. They
28 have determined what is prudent and efficient. We know
29 what the costs are. It has been regulated. If it occurs,
30 then we are absolutely crystal clear and therefore it could
31 be a cost pass-through because it does not require IPART to
32 do a major exercise with the community on the cost. It is
33 there.

34
35 I am trying to think of another example. It could be
36 that there's a tax that comes on for utilities which is
37 \$100 a household, just a utility tax. Don't start any
38 media on this because there is no proposal on that, but if
39 that were to occur, is it reasonable that it be a
40 pass-through to every householder or should it be borne by
41 the utility itself when that was never envisaged? But it
42 is crystal clear and it is simple.

43
44 However the question you raised is very good one and
45 it comes to that debate of how much money should we spend?
46 If it is a cost pass-through how does IPART determine the
47 value? If we go back to the discussion we had this morning

1 on the value proposition, IPART has the view, as I think
2 Peter said, that affordability is part of a liveable city.
3 So how does IPART weigh up the issues of the community
4 debate on those trade-offs on the affordability?
5
6 That is more, I suspect, than what a cost pass-through
7 mechanism is, which is more something that happens that you
8 cannot ensure for, but it is something that is something
9 that is a lot clearer cut in the dollars. Does that answer
10 your question? It is a reasonable question for you to ask.
11
12 MS JAMES: It does make me think is there then value in
13 the weighted average price cap for residential customers?
14 At least that would give that proportion of customers who
15 are showing willingness to pay for something different an
16 opportunity to do so. I also appreciate the position of
17 the tribunal wanting to just have regulation and say, "Yes,
18 regulation says do this. Yes, it is all efficient", but it
19 is delivering the wrong outcome, so it is not what the
20 customers want in the end.
21
22 THE CHAIRMAN: That is a pretty interesting suggestion to
23 have a weighted average price cap for residential
24 customers. It means that, if that there were the case,
25 Sydney Water would no longer have to use postage stamp
26 pricing and they could differentiate pricing for different
27 customers according to costs, according to environmental
28 outcomes or anything else as long as it was within the
29 percentage increase put forward. That is a pretty
30 interesting proposition.
31
32 As we discussed just before the break, two issues that
33 Sydney Water and IPART labour under are postage stamp
34 pricing and developer charges sets to zero, so, yes,
35 let's take that one on board.
36
37 On the issue about getting the wrong outcome, we are
38 in a functioning democracy. State parliament sets laws.
39 It makes regulations, including environmental regulations.
40 Sydney Water, like anybody else, has to conform to these
41 regulations. They have to invest sufficient so that they
42 can operate clear of these regulations.
43
44 When we do the pricing, we take into account the costs
45 of Sydney Water in abiding by various regulations and also
46 covering their costs and that is how we set the price. For
47 this to really change, one way this could change is that

1 the government could adopt some regulations pertaining to
2 liveable cities and other issues that have been raised.
3 They could demand that Sydney Water and all other water
4 companies abide by that. If that were the case, that would
5 be factored into the cost base and the price would be set
6 to cover it.
7
8 Then there is the other issue which we touched on this
9 morning about who should pay it. In a sense, you got to
10 that with your suggestion on weighted average price cap for
11 residents. The issue is whether the people in the area
12 which is benefiting from the environmental investment pay
13 all of it or some of it and who pays the rest? These
14 issues can be progressed but it requires decisions by
15 government to change the regulations under which Sydney
16 Water and other water companies operate and then we will
17 take that into account in pricing.
18
19 Obviously IPART can't just freelance it and
20 say, "Well, we're taking into account liveable cities."
21 Somebody else could come up and say, "Why don't you take
22 into account native fauna and feral animals and non-feral
23 animals." That is not IPART's job. We are not the elected
24 representatives. It is the government's job to make
25 decisions about what are the regulations under which Sydney
26 Water operates and then we set the price where Sydney Water
27 can fulfil its obligations.
28
29 These are very interesting issues. They are long-term
30 issues because, at the moment, we have a policy framework
31 within which we operate, but that does not mean to say that
32 people should not raise those issues. Stephen?
33
34 MR SUMMERHAYES: The concept of liveability may be
35 somewhat superfluous if the pricing is a full cost
36 accounting pricing, so it does incorporate all those
37 externalities like social cost. Is a weighted average
38 price cap then a better mechanism to enable Sydney Water to
39 include all those externalities in its pricing?
40
41 THE CHAIRMAN: As to what would happen with a weighted
42 average price cap, we used to do this for electricity. We
43 would come up with a result which said that prices can go
44 up on average 3 per cent, let's say. That would then mean
45 the electricity retailer can set individual prices, but
46 they have to be set - we used to check them when they set
47 them - so that the weighted average of the individual

1 prices is not more than 3 per cent. What that allows the
2 retailer to do and what it would allow Sydney Water to do,
3 if it was in the determination, is differentiate between
4 different customers.
5
6 Now, you could differentiate between different
7 customers but the other point that you, Stephen, and others
8 are raising is actually what goes into the cost base,
9 right? So 3 per cent can be on a cost base with a lot of
10 expenses in there for liveable cities or other
11 environmentally worthwhile things or it can be a cost base
12 which is based just on Sydney Water covering its costs.
13
14 MR SUMMERHAYES: Where does it say in that cost base
15 that it is not to include those externalities like environmental
16 costs, social costs such as scarcity?
17
18 THE CHAIRMAN: It does not say that. What it says relates
19 to the cost of Sydney Water conforming to regulations.
20 Just in shorthand, take an environmental regulation or
21 something about issues about flood management in the
22 Hawkesbury, or something like that, what it says is that
23 Sydney Water needs to recoup enough revenue to recover
24 those costs.
25
26 Sometimes the government can give us a direction and
27 say that they want a particular project done and that IPART
28 is to flow these costs through into Sydney Water's prices.
29 They could do that.
30
31 MR WILLETT: Just to add that, externalities are called
32 externalities because the costs are external to the firm.
33 They are not actually costs that are incurred by the firm,
34 and we are looking at the costs that are faced by the firm.
35 Going back to what Peter said, to capture those
36 externalities actually needs policy change to recognise
37 those externalities and say, "Sydney Water you are imposing
38 those costs and they will be included in what you do."
39
40 MR SUMMERHAYES: I would submit that they are internal
41 to the corporation's objectives, so captured under those,
42 although, I have described them as "externalities", but
43 they still fit broadly within that sort of framework.
44
45 MR WILLETT: It goes back to Peter's point about what are
46 the costs of doing business for Sydney Water under the
47 current legislation.

1
2 MS MITCHELL: Perhaps I could ask a related but slightly
3 different question.
4
5 THE CHAIRMAN: Sure.
6
7 MS MITCHELL: I'll just say that this is the first time
8 I have been involved in a tribunal of this nature, so I am
9 learning.
10
11 THE CHAIRMAN: And you are welcome.
12
13 MS MITCHELL: I must say I am fascinated by the discussion
14 and by the idea that what limits what we are talking about
15 here is Sydney Water's obligation under the operating
16 licence. There seems to me to be - and I think this is
17 what we are talking about here - a gap between what is
18 specified in Sydney Water's operating licence and what
19 Sydney Water has as its objectives. I am not sure if it --
20
21 THE CHAIRMAN: Sorry, Cynthia, it's not just the operating
22 licence, it is also --
23
24 MS MITCHELL: And the regulatory requirements.
25
26 THE CHAIRMAN: Yes.
27
28 MS MITCHELL: Sorry, my apologies. So it is the
29 combination of the operating licence and meeting the
30 regulatory requirements, of course. Then there is what
31 else Sydney Water says it would like to do. How does
32 Sydney Water fund those other objectives? Liveability is
33 the one we have been talking about. I am not familiar
34 with --
35
36 THE CHAIRMAN: In the event that Sydney Water has
37 objectives over and above its operating licence and the
38 regulatory regime - let's just combine those --
39
40 MS MITCHELL: Yes.
41
42 THE CHAIRMAN: -- and paying its bills, to deliver the
43 water, they can fund that out of their surplus if they want
44 to and then they can have a discussion with the New South
45 Wales treasury about how much dividend they pay and how
46 much tax they pay. However, the point here is we are asked
47 to determine the price. This is not like taxis and public

1 transport where we advise a maximum price. We actually
2 determine the price and we determine that price to cover
3 Sydney Water's costs of doing business and the cost of
4 abiding by government regulations and the like, so that is
5 what we are on about.

6
7 Obviously they will make a surplus of which they pay
8 about 70 per cent in dividends to the treasury. If the
9 government wants to say, "Well, okay, Sydney Water, just
10 pay 50 per cent dividends. Spend the other 20 per cent on
11 liveable cities", that is up to the government. It is not
12 up to IPART.

13
14 There is a reason for this, because as Chairman, I'm
15 pretty keen on animals, I could just slip in that Sydney
16 Water should jack the price up in order to protect
17 wildlife. But other people in Sydney might not think that
18 is such a great idea, especially people who are struggling
19 to pay their bill, and that is why we have a democratic
20 process. So it is up to me to get the environmental
21 regulations changed.

22
23 MR WILLET: That's you personally, Peter, not as Chairman
24 of the tribunal.

25
26 THE CHAIRMAN: Yes, that's me personally, thank you, and
27 I hope that has been recorded. Thanks, Cynthia. Stephen?

28
29 MR SUMMERHAYES: Why doesn't the cost of business
30 include achieving its objectives under the Act?

31
32 THE CHAIRMAN: It does.

33
34 MR SUMMERHAYES: Exhibiting a sense of social
35 responsibility, protecting the environment and all those
36 things can fit broadly within these elements. So the full
37 cost pricing - what I erroneously called externalities -
38 can definitely be captured within that.

39
40 THE CHAIRMAN: And the cost of Sydney Water being able
41 to abide by the various environmental regulations is in there.

42
43 MR SUMMERHAYES: There is a specific obligation or an aim
44 under section 27(1) which says that the corporation is to
45 adopt as an ultimate aim the prevention of all dry weather
46 discharge of sewage to waters including from ocean
47 outflows. How is that being addressed?

1
2 MR YOUNG: There are a few broad questions there. We
3 consider that we do protect the environment. That is our
4 main aim in life. If you look at liveability or the
5 cleanliness of our beaches and harbours, the improvements
6 that we have made have been spectacular over the recent
7 decade. Last year, as Sandra said, was the 25th year of
8 the ocean outfalls and what we have done. The organisation
9 is incredibly proud. We see ourselves as protectors of the
10 environment.

11
12 I have not mentioned this before but in our price
13 submission, there is \$750 million capital for environment
14 projects that we are pushing forward on. Some of that is
15 on brand new work that we are doing at Winmalee to minimise
16 nutrients going into the Hawkesbury-Nepean because we
17 want to do more work there. The others are just complete
18 maintenance and upgrade of our plants.

19
20 There is an incredible amount of money on the table
21 for that. We do see that our future is all the work we are
22 doing with customers and our social responsibility. We are
23 out there. You can see that with sponsorships and we were
24 dealing with the community and talking about issues. So
25 we are there.

26
27 The question about seeing ourselves as having a higher
28 purpose, which we do, is because we want to start the
29 debate. We want to be leaders in that and have this, as
30 I said before, collaboration into really getting the
31 community and the government behind that issue about
32 liveability and drive a compelling case. That is what we
33 see and if we make that compelling case in conjunction with
34 others, we will take something to government and we will
35 take something to IPART, so we are 100 per cent behind it.

36
37 MR SUMMERHAYES: Great. I am just looking at ways we can
38 justify maximising those environmental outcomes. You do
39 some great things in the Cooks River and all the
40 catchments. You have investment plans for future
41 naturalisation projects which are outstanding to maximise
42 the environmental outcomes for the community, for their
43 children and also for your business. So we are supporting
44 the very business model which you promoting.

45
46 THE CHAIRMAN: Thanks, Stephen. One advantage of this
47 session is that one can talk about this in the next

1 session, so what we can do now is move on.
2
3 MR YOUNG: We talk about it in every session.
4
5 THE CHAIRMAN: We can move on to the next session and
6 then resume discussions. This is session 3, which is water and
7 waste water charges and Justin Robinson from the
8 secretariat will introduce it.
9
10 SESSION 3: WATER AND WASTEWATER CHARGES
11
12 MR ROBINSON: Thank you, Mr Chairman. This session covers
13 the water usage charge, the treatment and charges for waste
14 water discharge and rebasing water and wastewater service
15 charges.
16
17 The first topic of discussion is the water usage
18 charge. The current water usage charge is set at \$2.29 per
19 kilolitre. With customer's bills falling, Sydney Water has
20 proposed reducing this to \$1.97 per kilolitre, also having
21 regard to their research on customer preferences, which was
22 is shown on the slide in the top left-hand corner.
23
24 Sydney Water's proposed water usage charge is in line
25 with our estimate of the long run marginal cost. In our
26 issues paper we estimated about \$1.20 per kilolitre.
27 Generally, we consider the long run marginal cost when
28 setting the usage price as it signals to customers how much
29 in water consumed will cost in the long run.
30 However, most stakeholders argued to maintain a higher
31 usage price to increase control of bills and to encourage
32 customers to conserve water. We were open to this option
33 but we note that a water usage charge higher than long run
34 marginal cost can mean that customers pay too much for
35 water use and encourage customers to over-invest in water
36 conservation measures.
37
38 Sydney Water also proposed a water usage charge
39 pass-through, which Leigh has brought up already today, for
40 its desalination costs. This means that if SDP is
41 activated, according to our estimate, usage prices would
42 increase by about 13 cents per kilolitre rather than
43 passing through all the additional desalination costs to
44 the service charge as Sydney Water is currently allowed to
45 do. The usage cost pass-through was supported by us in the
46 issues paper and by most stakeholders.
47

1 Our next topic is the wastewater usage charge. At the
2 moment around 2 per cent of Sydney Water's customers or
3 40,000 non-residential customers that discharge more than
4 300 kilolitres of wastewater per year pay \$1.10 for every
5 kilolitre of wastewater beyond the discharge allowance that
6 can discharge into Sydney Water's wastewater network.
7
8 In our issues paper, we proposed that the discharge
9 allowance should be reduced to 150 kilolitres per year to
10 remove potential cost subsidies. If this proposal is
11 implemented, about 10,000 more non-residential customers
12 would pay a wastewater usage charge.
13
14 As an alternative, we also asked whether a wastewater
15 usage charge should apply to all residential and
16 non-residential customers. Most stakeholders, including
17 most individuals that made submissions, supported applying
18 a wastewater usage charge to all customers.
19
20 On this slide you can see a graph. We have tried to
21 graph an estimated distribution of residential discharge to
22 demonstrate the potential impact of a wastewater usage
23 charge on residential customers.
24
25 While introducing a wastewater usage charge can
26 increase control of bills for residential customers, it
27 does not necessarily mean that these customers would face
28 lower bills. Most residential customers would see their
29 wastewater bill fall; however, those discharging above the
30 average, which is a significant number, would see an
31 overall increase in their wastewater bill.
32
33 Sydney Water supported our proposal to reduce the
34 discharge allowance to 150 kilolitres a year. However,
35 Sydney Water does not support applying a wastewater usage
36 charge to residential customers. That has not been broadly
37 consulted on and as discharges are omitted, there may be
38 difficulties estimating wastewater discharges from
39 residential customers.
40
41 While most stakeholders have a preference for charging
42 all customers a wastewater discharge charge, it was
43 generally supported that our proposed 150 kilolitre
44 discharge allowance is more appropriate than the existing
45 300 kilolitre allowance, highlighting that average
46 residential discharge is about 150 kilolitres.
47

1 The next topic of discussion is Sydney Water's
2 proposal to rebase water and wastewater service charges.
3 Sydney Water has proposed the change to its price structure
4 to simplify bills and to correct a pricing anomaly between
5 20mm non-residential customers.
6
7 As you can see on the slide, currently non-residential
8 customers with a 20mm stand-alone connection are charged
9 the same as a residential charge. However an otherwise
10 identical customer with a shared or multiple 20mm
11 connection is charged on a different basis - that is, not
12 the same as residential customers but on the same basis as
13 non-residential customers.
14
15 As we can see, customers with identical connections
16 can face very different charges. This is because
17 residential and non-residential bills are set on different
18 bases at the moment. Sydney Water has proposed that all
19 service charges should be set on the same basis to correct
20 this anomaly - that is, on a consistent 20mm meter. To
21 ensure that all houses and apartments are still charged the
22 same service charge, their charge would be based on a 20mm
23 meter also.
24
25 While water and wastewater bills are proposed to fall
26 for all of Sydney Water's customers these proposed change
27 price structures would mean that residential customers face
28 a smaller decrease to their bill than most non-residential
29 customers. In our issues paper we supported this change as
30 did most stakeholders. However, some stakeholders noted
31 that they did not support changes that disadvantaged
32 residential customers.
33
34 In the following discussion, we would like to hear
35 from Sydney Water and from stakeholders on five key points:
36
37 Is Sydney Water's proposed \$1.97 per kilolitre usage
38 charge appropriate or should greater weight be given to
39 long run marginal cost, or should we hold the usage charge
40 constant at \$2.29 for the price path?
41 Should the water charge vary if the Sydney
42 desalination plant is activated?
43 Should the non-residential discharge allowance be
44 reduced to 150 kilolitres or should all customers pay a
45 wastewater usage charge?
46 Should service charges for non-residential customer be
47 rebased to a 20mm meter equivalent?

1
2 I will now hand back to the Chairman.
3
4 THE CHAIRMAN: Thank you, Justin. Are there any comments
5 or questions from around the table on water and wastewater
6 charges?
7
8 MR YOUNG: I might make a few comments. I mentioned
9 before on water that from our customer research, customers
10 have said they would like us to keep the usage price high
11 and that is what we support. From that research it came
12 out roughly around \$1.97 to \$2. I think \$2.29 is the
13 current price, but we understand the economics that have
14 been put by IPART on long run marginal cost.
15
16 I am an engineer, not an economist, therefore, my
17 issue, as I mentioned before, is that I am worried about
18 going into what is predicted to be an incredibly bad period
19 of drought along with the diabolical timing to sort of half
20 the price of water. That could lead to a change in
21 community behaviours and we would lose the fantastic gains
22 we have had in the community. I would not want to be going
23 into a price path after this one saying "Water demand has
24 gone up so much in response that we now need to invest in
25 an augmentation." I am not sure that would be in the long
26 run interests of customers.
27
28 That is just a position that we hold and we welcome
29 comments from others on wastewater. Kris is there anything
30 you wish to say? We generally agree on a number of issues.
31
32 MR FUNSTON: We obviously support the changes to the
33 non-residential discharge allowance to the 150 kilolitres.
34 We didn't have that number, but we reconsidered the issue
35 based on the issues that IPART raised in the issues paper.
36 We agreed that what was proposed made more sense than
37 what we had actually put forward.
38
39 We looked at obviously the service charges and we
40 agreed that there was an anomaly there in terms of the way
41 that was operating, so we looked to correct that and that
42 was the basis for our proposal.
43
44 In relation to the wastewater usage charges, we have
45 said we are open to considering the issue but we don't
46 think it is for this particular pricing determination. For
47 residential customers we are happy to do the sort of

1 customer engagement work that we did on water usage prices
2 to see if there is an appetite there from customers.
3 I think we are concerned, and Kevin might reflect on this,
4 about some potential adverse outcomes that have been
5 raised. We would really prefer that people have wastewater
6 meters if we were to go down this path.

7
8 MR YOUNG: Sydney, from memory, did not have a
9 wastewater/sewerage charge. The Hunter did for a good
10 time. I think at the price submission with IPART, before
11 I came down, it was decided not to have it. There was
12 just, I think, the huge confusion in the community and the
13 administration and people ringing up saying, "Look, I've
14 got a nice garden. Do you understand that I've used this
15 water but it didn't go down the sewer? How come you are
16 charging me 50 per cent of what went down on my water metre
17 as going down the sewer?", or, "I have just put a pool in.
18 It's 50,000 litres but it is once-off but I got this bill
19 where my sewer charge has massively increased. Can I sign
20 a stat dec that says it didn't go down the sewer?" The
21 answer is, "Sorry, no, you can't. You have to pay sewer
22 charges even though clearly you used it for water."
23

24 As Kris says, in the longer term, if we had sewer
25 meters I think it would be fantastic. There are issues
26 about investing in massive storage onsite, which is
27 fantastic because you can cut your water bill down, but it
28 doesn't make any difference to what goes down the sewer.
29 That would still be exactly the same, although perversely
30 you would get a major discount on your sewer, even though
31 there is no difference to what we receive. So just sending
32 the right pricing to the community and making it simpler is
33 the issue that we face. There are different views on that
34 I am sure.

35
36 MR FUNSTON: I sorry, it was remiss of me not to raise one
37 issue. While we did support the discharge allowance, it is
38 just the ability for to us to manage these issues
39 effectively over time because we will have a number of
40 customers who will get a new charge that they are not used
41 to. So it is just making sure that we are ready for that
42 and we were wondering whether the transition down from
43 the 300 to the 150 could be considered.

44
45 THE CHAIRMAN: Thank you, Kris. Thank you Kevin.
46 Anybody else? Stephen?
47

1 MR SUMMERHAYES: With those sorts of initiatives, we are
2 happy to promote the community environment outcomes that
3 those things may bring, so please draw upon us as an
4 organisation of councils to promote those things.
5

6 We put together a position summary which synthesised
7 our broader submission and I have handed out copies. The
8 thrust of that, in this context, is that we advance a
9 holistic sustainable urban water management approach. In
10 that regard in relation to the reduction of price - that is
11 what I mentioned firstly - we are concerned that it can
12 result in unintended consequences in relation to councils'
13 initiatives in relation to the value of water, which is the
14 very resource that we are looking at keeping and
15 sustaining.
16

17 THE CHAIRMAN: Thanks, Stephen. Any other people
18 around the table? Cynthia?
19

20 MS MITCHELL: The Institute for Sustainable Futures has a
21 long history of promoting the wise use of water around
22 demand management, water conservation and so forth. From
23 that perspective we would support a water usage charge that
24 helps customers to retain a focus on using water wisely,
25 however that makes sense for them, and however that makes
26 sense for them speaks to that question as to what's
27 appropriate as a wastewater usage charge. It is as yet
28 technologically difficult on a large scale to determine
29 what goes down the sewer. At this point I don't think we
30 are ready for a wastewater usage charge on residential
31 customers because of the sorts of issues that Kevin raised.
32 There are many ways that people can choose to use of water
33 within the bounds of their properties but we are not quite
34 ready do that in away that looks after all the issues, I
35 think.

36
37 THE CHAIRMAN: Thanks, Cynthia. Leigh, and then Kristal.
38

39 MR MARTIN: Twice in one day I find myself on a unity
40 ticket with Kevin - make that one for the books - but I am
41 going to disagree with some of Kevin's remarks, so balance
42 will be resumed.
43

44 MR WILLETT: Normal service
45

46 MR MARTIN: Normal service will be resumed, indeed.
47

1 In terms of price structures and billing, for us the
2 most pressing issue is that current arrangements mean that
3 customers do not have a great degree of control over the
4 size of their bills and that diminishes the resource
5 conservation signal.
6
7 Ultimately we are talking about water prices,
8 wastewater prices and stormwater prices, but customers
9 receive one bill with one number on it that they have to
10 pay. At present, their ability to modify the size of that
11 bill by changing their behaviour and investing in things
12 that make their homes more efficient is limited. I would
13 like to see a much greater reliance on volumetric pricing
14 and concomitant reduction in fixed charges.
15
16 I would be very concerned if we moved to a long run
17 marginal cost of \$1.12 to \$1.24 per kilolitres because
18 there is a very strong possibility that that would see
19 customers increasing their water use particularly as we are
20 leading into a situation where we may have a shortage of
21 water over the next few years, so we believe that that
22 would be an undesirable situation.
23
24 The issue then is also the current levels of fixed
25 charges in terms of stormwater and sewerage prices. We
26 have supported volumetric pricing for wastewater services
27 in the Hunter in the past and it is our argument that it
28 would be a better arrangement to have that for Sydney as
29 well. Except that there are difficulties with that and it
30 is not a perfect arrangement.
31
32 Having a discharge factor such as Hunter Water used to
33 have sitting at 50 per cent or some other level, I accept
34 is not a perfect system, but I do believe it is better than
35 what we currently have which is a system where customers do
36 not have an adequate degree of control over their bill for
37 or for saving water.
38
39 Also it is not just about saving water. There are
40 costs associated to the environment and financial costs
41 with dealing with wastewater that are directly
42 proportionate to the amount of water that has to be
43 treated. So having a volumetric price for sewerage
44 services would be reflective of that as well.
45
46 THE CHAIRMAN: Thank you very much, Leigh. Kristal?
47

1 MS BURRY: We support the usage charges set on \$1.95 or
2 around that given that that is what customers are
3 preferring and it does give them greater control over their
4 bills. Despite the fact that we are all pro saving for
5 consumers, we obviously respect that that is the choice
6 they want to make and we agree it sends appropriate
7 messages to them. We would like to be involved in any
8 discussions about how wastewater service charges may change
9 and allow for greater flexibility. That's all I wished to
10 say.
11
12 THE CHAIRMAN: Thank you very much, Kristal. Richard
13 and then Benn.
14
15 MR McMANUS: My one comment would be if Sydney Water
16 did keep the water usage charges at \$2.29, then they would be
17 collecting a lot more revenue.
18
19 MR YOUNG: No, it would be that we would get a smaller
20 fixed charge.
21
22 MR McMANUS: A smaller fixed charge, but if there was any
23 extra revenue that was actually raised from the service
24 charges themselves, it is a question of just where that
25 money would actually be spent and making sure that there is
26 again clear transparency about where that money is actually
27 being spent. I think potentially having a higher usage
28 charge would give a signal to people about how they spend
29 their money and how they use their water as well. Again
30 going into drought in the future some people might
31 say, "I can actually use my water in freer ways",
32 therefore, they totally use their water or have a higher
33 water consumption.
34
35 THE CHAIRMAN: Thank you, Richard. Benn?
36
37 MR TREHARNE: My question is around recycling of
38 wastewater. I think most people in the room would know
39 there are benefits to recycling wastewater in the savings
40 to total water but also the discharges from treatment
41 plants to waterways. My question is to Sydney Water,
42 I guess: What incentive is there in the price proposal for
43 greater recycling of wastewater, if any?
44
45 MR YOUNG: That goes to the heart of the matter. I think
46 developer charges are set at zero, Mr Chairman, but not for
47 recycled water. There are still developer charges for

1 recycled water. The way it works at the moment is when we
2 look in a holistic sense over a scheme for an area, if, by
3 putting a recycled water scheme in, it means that we do not
4 have to invest in higher levels of wastewater treatment set
5 by the EPA or it does provide major savings, then the
6 present arrangement that IPART has in place is that we can
7 factor in those offsets into the recycled water schemes,
8 and that has happened in the past.

9
10 I know of a good number of examples where we might
11 have discussions with the EPA and they will say, "If you
12 discharge it into the river, you need these incredibly high
13 levels of treatment. However if you were to recycle on
14 land and use the nutrients on golf courses and the like,
15 then we can accept lower levels of treatment." There is a
16 mechanism to allow offsets for savings in the water and the
17 wastewater and for part of the recycled water costs to go
18 to those customers. However this requires IPART and the
19 community to have a really prudent review of those costs to
20 make sure that we are getting the right split and balance
21 of costs. That is generally how it works at the moment.

22
23 MR FUNSTON: I am sure IPART will reflect on this, but
24 recycled water is actually covered by a separate
25 determination that was made in 2006. It is not actually
26 covered by this particular determination unless there were
27 costs being allocated to the wastewater or potential
28 stormwater or water.

29
30 THE CHAIRMAN: Matt will just say a few words.

31
32 MR EDGERTON: This is just to elaborate on what Kevin and
33 Kris said. As Kris mentioned, we do have a separate
34 determination process for recycled water. However the link
35 is what Kevin mentioned. If there are avoided water and
36 wastewater costs associated with a recycled water scheme
37 and IPART reviews and approves those avoided costs, then
38 those avoided costs can essentially be added to the water
39 and/or wastewater cost base and be recovered through water
40 and/or wastewater charges depending on whether they avoid
41 water costs or wastewater costs.

42
43 MR TREHARNE: And those separate costs for recycled water
44 are they lower than for water? Is there an incentive
45 there?

46
47 MR EDGERTON: As in terms of the recycled water prices?.

1
2 MR TREHARNE: Yes. So why would an industry or a golf
3 course use recycled water over potable water?

4
5 MR EDGERTON: We distinguish between mandated recycled
6 water schemes and voluntary schemes. Voluntary schemes we
7 regulate in quite a light-handed way because they are
8 essentially an agreement between two parties though we do
9 have pricing principles. In the mandated schemes, my
10 understanding is the water usage price is generally lower
11 than the potable water price.

12
13 MR McMANUS: It is 80 per cent of the water price; is that
14 correct? Would that send a signal to recycled water
15 schemes that they would be collecting less water and,
16 therefore, they may not be as viable if they have a lower
17 water price?

18
19 MR EDGERTON: It is also, I guess, an incentive to users
20 of the scheme to use recycled water.

21
22 MR ROBINSON: There is allowance for a fixed charge to
23 recover costs as well. So if the usage was not enough to
24 cover the costs of Sydney Water - you do not have to do
25 so, but Hunter Water does - a fixed charge can be charged
26 as well.

27
28 MR FUNSTON: There is actually a developer charge. That
29 is actually the basis for the cost recovery with the usage
30 charge. I would state that we do have some concerns around
31 the existing recycled water determination because we think
32 it is slightly outdated. It was probably fit for purpose
33 at the time, but I think things have moved since that time.
34 Obviously that's a discussion for another day.

35
36 MR YOUNG: There is a broader issue here about the
37 question of recycled water having to be less than the cost
38 of potable water. What is true for a lot of industries
39 that use recycled water - boiler feed, for example - is
40 that they do not use recycled water. They use drinking
41 water and then they generally pay for demineralisation and
42 reverse osmosis at an incredible cost to get it to a level
43 that they need for industry. Recycled water can be
44 tailor-made to produce that higher quality product and
45 better than drinking water that meets their needs, so those
46 are substantial savings.

1 If you look at some of the examples across America
2 recycled water for boiler feed is sold at twice the price
3 of drinking water because it is a much more superior
4 product that suits the industry and they make substantial
5 savings. We have to get the commercials right here as
6 well.
7
8 MS MITCHELL: This discussion does speak to that issue of
9 integration across all of the different kinds of products.
10 I understand that we are limited today and we are talking
11 about three particular product streams, but recycled water
12 in all its variations, and where it makes sense to invest
13 in recycled water infrastructure, and who should invest in
14 that and how that should be --
15
16 MR YOUNG: Integrated, exactly.
17
18 MS MITCHELL: To be forced to consider these in separate
19 ways seems to run the significant risk of making actually
20 inefficient investments down the track.
21
22 THE CHAIRMAN: Thanks, Cynthia. Cathy?
23
24 MS COLE: I will speak only on the water usage side.
25 I think many of us around the table are of the same view
26 that, yes, the water usage price is really important in
27 return for retaining the water conservation signal. While
28 the long run marginal cost is a useful indicator and it
29 provides a signal in terms of future investment for water
30 security, it is certainly not the only consideration. Some
31 of those other things like customer control over bills and
32 avoiding price volatility are certainly really important .
33
34 Your second question was about:
35
36 Should the water usage charge vary if the
37 Sydney Desalination Plant is activated?
38
39 I think again that price signal in water scarcity, in times
40 of drought, as a pass-through mechanism reflected in the
41 usage price is good in support of that water conservation
42 signal as well. So we would support that second question.
43
44 THE CHAIRMAN: Thanks , Cathy. Sarah, do you want to
45 say something?
46
47 MS CLIFT: As a broader concept, Kevin mentioned before

1 the beaches and I was just thinking about what has been
2 achieved in the 1980s and 1990s around the beaches in terms
3 of establishing that Northside Storage Tunnel and putting
4 in a lot of infrastructure to improve the quality of the
5 water there. Obviously in terms of, I guess, the catchment
6 groups we are trying to pull that quality further west
7 along through the catchments where there is a major
8 population boom, major growth happening and major
9 development. Certainly the idea of that volumetric charge
10 needs to reflect that.
11
12 One of the core issues to making a river swimmable is
13 when it comes to managing overflows and leakages. I am
14 aware that one of those issues is obviously a volume issue,
15 if volume goes down in terms of wet weather overflows and
16 things like that. That was just a general perspective.
17
18 THE CHAIRMAN: Thanks, Sarah.
19
20 MR SUMMERHAYES: Might I say one more thing?
21
22 THE CHAIRMAN: Sure, Stephen.
23
24 MR SUMMERHAYES: A lot of conclusions made and the
25 outcomes depend on the informed community engagement.
26 I would like to quote a sentence from the report that
27 I quoted from earlier:
28
29 So when customers understand where their
30 water is coming from, the full range of
31 assets that need to be managed to make the
32 tap turn on, they will understand the
33 financial need [for a rate increase in this
34 case] and more support will be generated
35 for community water systems
36
37 So customer feedback always will depend fundamentally on
38 the information provided to them to make an informed
39 decision as to where they think the pricing should best
40 lie.
41
42 THE CHAIRMAN: Thanks. Are there any questions or
43 comments from the floor on this one? Matt?
44
45 MR EDGERTON: I have a question for Sydney Water. When
46 Justin was doing his presentation, he had up on the screen,
47 essentially a snapshot from your submission where you

1 showed that at about \$1.97 there was a big increase in the
2 bar graph in terms of community acceptance. There was also
3 a big peak at \$2.60 - in fact, I think it might have even
4 been a bit higher than \$1.97.

5
6 MR YOUNG: Also there was a bit of a peak lower.

7
8 MR EDGERTON: True, yes, at \$1.20.

9
10 MS GAMBLE: There are three types of people.

11
12 MR YOUNG: Yes, you have three types of people there.

13
14 MR EDGERTON: I guess given the peak at \$2.60, did you
15 think about proposing to maintain the usage price at
16 current levels of around the \$2.29 mark?

17
18 MR FUNSTON: I think that has been acknowledged. What we
19 were trying to do was obviously look at how we balanced the
20 usage charge with the service charge. One of the concerns
21 here was that if we actually left the usage price really
22 high, the service charge would go down. Then the issue
23 was, in the future, if the price was based on the long run
24 marginal cost with the usage charge, we would end up with
25 the potential situation where the service charge would have
26 to go up a large amount.

27
28 One of the concerns we do have around the \$1.25 that
29 is being proposed is that that would lead to a tripling of
30 the service charge - not quite but almost a tripling of the
31 service charge. What we were trying to do was balance a
32 number of things. We were trying to balance how do we
33 actually give the bill reduction to customers, because we
34 could see our costs were coming down. We looked at where
35 our long run marginal costs estimates were coming. We had
36 a different model which was yielding a bigger range in
37 terms of the estimates. I think it was between around the
38 90 cent mark to the \$3.10 mark.

39
40 Then we also overlaid that with what was happening in
41 terms of the service charge reduction for wastewater
42 customers and then also looked at what the customer
43 preference was. It was a fairly nuanced approach that we
44 took, but what we tried to take into account was the
45 concerns that IPART raised around the long run marginal
46 cost and wanting something that provides that appropriate
47 signal.

1
2 We also looked, in conjunction with that, at the
3 notion that customers like bill stability because in order
4 to make long term investment decisions they need some level
5 of fee stability. Then on top of that it was around what
6 did our customer feedback actually tell us, so we balanced
7 both things together to form the basis of our pricing
8 proposal. But I accept that one of the outcomes could have
9 been if you looked at where the largest customer tranche
10 was, it was at that \$2.60, I think, but what we saw was
11 there was a quite a large customer grouping between that
12 \$1.75 mark to around about the \$2 mark.

13
14 THE CHAIRMAN: Thanks very much, Kris. Yes, Kurt?

15
16 MR DAHL: I wanted to address the bullet point there about
17 the desalination plant and should costs change if that is
18 activated. I guess I put that in the same bucket as
19 recycled water in that it is a non-traditional source of
20 water. With the desal price, it is wrapped up into the
21 postage stamp price, but recycled water has to stand by
22 itself. Both of them for me reduce the use of those
23 traditional sources of water.

24
25 Maybe it is not for this forum but when you are
26 starting to say, "Look, desal is wrapped up in a discussion
27 around the potable price but recycled water is separate?" -
28 I refer to Cynthia's point before - both of them are
29 non-traditional sources of water and I don't think they are
30 treated fairly at the moment in terms of their cost and
31 cost impacts.

32
33 THE CHAIRMAN: Thank you, Kurt. Would anybody else wish
34 to make a further comments or ask questions on water and
35 wastewater charges? Kristal?

36
37 MS BURRY: Just speaking to that, is there any potential
38 that recycled water could be brought under the same price
39 determination? What was the general theory behind keeping
40 them separate?

41
42 MR EDGERTON: To respond to that but also partly to Kurt's
43 question, recycled water avoided costs are recognised in
44 the current framework. They are recognised in this price
45 review to the extent that any avoided costs associated with
46 a recycled water scheme that Sydney Water proposes and
47 IPART ticks off will be basically added to the water cost

1 base or the wastewater cost base and recovered through
2 those prices, so there is some connection there.

3
4 MS MURAS: Heidi Muras from Sydney Water. I am not sure
5 that people understand that regulated water prices are not
6 regulated in the same way. Perhaps you could explain that,
7 Matt.

8
9 MR EDGERTON: As I mentioned before, we distinguish
10 between mandated schemes and voluntary schemes. A
11 voluntary scheme could be between Sydney Water and, for
12 example, a large industrial customer. It might be that
13 case where the industrial customer, for example, required
14 actually that higher quality water that Kevin alluded to.
15 We have a relatively hands-off role there. We do not
16 regulate the price or we specify pricing principles but we
17 do not get too involved.

18
19 Then there are the mandated schemes where we have
20 taken a relatively light-handed approach relative to what
21 we do with water and wastewater prices. The recycled water
22 price is about 75 to 80 per cent of the potable water
23 price. As we mentioned before, while water and wastewater
24 developer charges are set to zero, there are currently
25 recycled water developer charges in place that can be
26 levied according to the methodology that we determine.

27
28 MS MITCHELL: I appreciate that there is a mechanism in
29 place for avoided cost recovery when it comes to recycled
30 water plants. My understanding is that that mechanism is
31 hard to activate in practice. We actually have a quote in
32 our submission that relates to Sydney Water's experience at
33 Rouse Hill. It comes from a Sydney Water document and it
34 was about IPART rejecting estimates for a water cost that
35 came from Sydney Water. Sydney Water said:

36
37 We have no confidence in IPART's regulatory
38 framework for recycled water avoided costs.

39
40 I also note that the way that avoided costs are typically
41 assessed is in relation to the very large expenditure.
42 What we are talking about is unit investments on the scale
43 of the desal plant. When we are talking about recycled
44 water investments, they are likely to be of a much smaller
45 scale. So taken on an individual basis, they are easily
46 lost in the margins. It is only when we look at recycled
47 water schemes on an aggregate basis, at a larger number of

1 the smaller volume schemes, if you like, that the avoided
2 costs start to actually have significance.

3
4 We have proven with our work in Melbourne for all four
5 of the metro utilities there that actually there are
6 significant avoided costs, but there is no mechanism, as
7 I understand it here, for that to come through in the
8 Sydney situation. So, yes, there is technically a
9 mechanism, but I think there is a question as to whether it
10 is delivering the outcomes that we all say we would like to
11 see.

12
13 MR EDGERTON: With avoided costs, like any expenditure
14 Sydney Water has proposed, we obviously have to go through
15 the process of scrutinising it. We want to make sure that
16 where it is prudent and efficient avoided costs are
17 recognised and that prudent and efficient recycled water
18 schemes do get off the ground or are not penalised. At the
19 same time we also do not want to encourage any inefficient
20 investment or over-investment in schemes that all customers
21 would then have to pay for.

22
23 On the other side of the equation, today there has
24 been a lot of discussion about liveable cities and the
25 community's acceptance of liveable cities. There is
26 obviously an ability for that to be reflected through
27 customers' willingness to pay for recycled water schemes.
28 We essentially allow the avoided costs of recycled water
29 schemes to be recovered from all other water and wastewater
30 customers. Any residual revenue requirement would
31 basically be reflected through customers' willingness to
32 pay for those schemes.

33
34 MS MITCHELL: As I said, I believe there is a mechanism in
35 place. I believe there are questions, and I am quoting
36 from a Sydney Water document, which question that
37 mechanism and its ability to deliver. I note again there is a
38 current Marsden Jacobs study which looks at customers'
39 willingness to pay for recycled water provision across
40 Sydney.

41
42 Some people may know I am not often a fan of
43 willingness to pay studies because I think it is easy to
44 skew such studies. I think this study is actually a very
45 defensible study. The numbers of people involved in the
46 study were significant, so I think the numbers are
47 credible. It says it is somewhere between \$2 and \$40 per

1 annum, and that is for recycled water to be provided to
2 others - not to themselves but for the benefit of others.
3 So there is current local evidence of willingness to pay
4 for recycled water schemes and I think there are questions
5 about the validity of the current mechanisms for recovering
6 the water costs.

7
8 MR FUNSTON: Can I say that I am not quite sure where that
9 quote comes from. Obviously we take responsibility for
10 what is in there, and I am not sure that I would have
11 written that --

12
13 MR YOUNG: I expect it may be well before our time.

14
15 MS MITCHELL: 2012.

16
17 MR FUNSTON: That is before my time, and that is all
18 right. I think there are some issues with the recycled
19 water development charge determination as it stands in
20 2006. I think in relation to the issue of avoided costs
21 there are ways that Sydney Water can de-risk that process.
22 I am not sure that we necessarily in the past always
23 explored those in terms of the information we provided to
24 IPART. I think it comes back to our responsibility to
25 actually highlight that this is, as IPART has highlighted,
26 the lowest cost solution for society because ultimately
27 that is what the determination should be driving. To the
28 extent that is the most efficient way to actually deliver
29 the service, we should be incentivised to do that. I think
30 we take on board the comment. We are not sort of shying
31 away from the fact we might have said that in the past.
32 I think there is a little bit of self-help that we need to
33 do in order to ensure that these avoided costs do get
34 recovered and I am not sure that we necessarily have done
35 that work in the past as well as we could have.

36
37 MR YOUNG: My comment on that is that previously in
38 Hunter Water, we did put a lot of recycled schemes and we did
39 present a case to IPART on the avoided costs for the water
40 and the wastewater. We presented a strong case and it was
41 accepted. I know Sydney Water has not been as successful
42 and I do not know the background for why that is so, but
43 certainly I think if you do present a cogent argument and
44 discuss with regulators and present the alternatives, you
45 can make a strong case. I think there is potential there,
46 in my experience.

1 THE CHAIRMAN: Thank you. Let us move on to the next item
2 on the agenda, which is session four - stormwater and other
3 charges. I am going to ask Jessica Boddington from the
4 secretariat to introduce the session. Following Jessica's
5 presentation, I will ask Michael Mobbs, who is in the
6 audience, to make a short comment or statement and then we
7 will move to general discussion. Thank you, Jessica.

8
9 SESSION 4: STORMWATER AND OTHER CHARGES

10
11 MS BODDINGTON: Good afternoon. This session will cover
12 stormwater charges, the Rouse Hill land charge and
13 miscellaneous charges. Sydney Water has proposed reducing
14 stormwater charges by 2.9 per cent per year in each year of
15 the upcoming period with no change to the existing price
16 structure. This would lead to an over-recovery of its
17 expenses over the next four years. Sydney Water has
18 proposed this over-recovery in order to lessen further bill
19 shocks, given that it anticipates stormwater costs will
20 increase significantly from 2020.

21
22 With regard to Rouse Hill, Sydney Water has proposed
23 to maintain the land charge at approximately \$250 per year
24 in real terms over the upcoming period. This charge was
25 set to recover the costs of purchasing 11 hectares of land.
26 Given that Sydney Water now estimates 19 hectares are
27 required, it has proposed to allocate a remaining
28 \$17.1 million in costs to the wastewater RAB. This means
29 that the costs will be recovered by all wastewater
30 customers.

31
32 Sydney Water levies miscellaneous and ancillary
33 service charges for a number of non-contestable once-off
34 services. There are currently 45 of these services, 28 of
35 which attract a charge. Sydney Water has proposed most
36 charges be maintained in real terms over the upcoming
37 period.

38
39 In addition, Sydney Water wants to introduce a number
40 of new charges from 2016 including:

- 41
42 A late fee set at \$4.10 or interest, whichever is the
43 greater;
44 A credit card fee of 0.4 per cent;
45 A remote meter reading service with related charges
46 for properties with inaccessible meters; and
47 A hot water meter reading service for multilevel

1 individually metered properties.
2
3 Sydney Water prefers that the latter service be
4 unregulated. In addition, it has proposed to change
5 property sewerage diagrams to an unregulated service in
6 2016.
7
8 In our issues paper we said we would consider Sydney
9 Water's stormwater proposals. We also queried whether the
10 transition towards greater area-based charging for
11 stormwater was complete.
12
13 Regarding the Rouse Hill land charge, our preliminary
14 position was that if the costs are not borne fully by new
15 residents to Rouse Hill, Sydney Water should bear those
16 costs. Those costs should not be passed through to all
17 wastewater customers given that customers would already
18 contribute significantly to the stormwater system under
19 Sydney Water's proposal.
20
21 With respect to miscellaneous charges, we said that
22 under its customer contract Sydney Water can charge a late
23 fee that has been specified by IPART. We intend to review
24 the cost reflectivity and terms and conditions around this
25 late payment fee noting that Sydney Water intends to apply
26 the same exclusions as are contained in the National Energy
27 Consumer Framework - the NECF - with additional provisions.
28 We also intend to review Sydney Water's dishonoured or
29 declined payment fee. In addition, we will consider Sydney
30 Water's proposal for the other unregulated services.
31
32 Sydney Water did not support a move towards area-based
33 charges for stormwater. In contrast some other
34 stakeholders did support area-reflective charges.
35 Stakeholders were generally not supportive of the proposal
36 to over-recover stormwater costs preferring that
37 expenditure and stormwater match the revenue collected.
38
39 Stakeholders were supportive of Sydney Water's
40 proposed late payment fee and accompanying exemptions.
41 There was suggestion that the credit card fee should be
42 subject to similar hardship protections as the late fee.
43
44 Sydney Water maintained its position that the
45 \$17.1 million in additional land costs for Rouse Hill
46 should be allocated to the wastewater RAB. Sydney Water
47 premised this on the basis that the land was purchased for

1 both stormwater and wastewater purposes reflecting the
2 integrated nature of the water management system in Rouse
3 Hill.
4
5 Here are five points to facilitate discussion:
6
7 Should Sydney Water over-recover stormwater expenses
8 to reduce bill shock in the next price path?
9 Should stormwater charges transition further towards
10 strict area-based charges or include a low impact charge
11 for residential customers?
12 Who should pay the additional costs of land
13 acquisition for the stormwater drainage system in Rouse
14 Hill?
15 Are Sydney Water's proposed late payment fee and
16 exemptions reasonable?
17 Do stakeholders have any comments on Sydney Water's
18 other miscellaneous and ancillary charges?
19
20 THE CHAIRMAN: Thank you very much, Jessica. Questions,
21 comments from around the table? I am sorry, Michael, you
22 are next.
23 PRESENTATION BY MR MICHAEL MOBBS
24
25 MR MOBBS: Thank you, tribunal members, for letting me
26 speak to you today and I acknowledge everybody in the room
27 and at the table. I have a pricing request. I have a
28 company or a business called Sustainable Projects and
29 I design and build sustainable subdivisions, offices and
30 units. The information I am using to make these
31 submissions today comes from that work.
32
33 I am asking that the tribunal provide a nil stormwater
34 charge for properties that do not discharge any stormwater
35 from their site. The wording in the determination, to
36 bring that to ground, would be that where a property is not
37 connected to Sydney Water, then it is automatically
38 exempted from the stormwater charge.
39
40 It does not require much sophistry to come to an
41 explanation for that. If you are not connected to Sydney
42 Water, you are most likely to be getting the water that
43 falls on your land from the sky, so you would be wanting to
44 store that and keep it.
45
46 I would now like to tell you a couple of stories. In
47 1998 and 1987, a metre of water went through the CBD of

1 Parramatta and Premier Nick Greiner created the Upper
2 Parramatta River Catchment Trust because the four council
3 which shared the catchment in Sydney Water were
4 independently deciding development and shoving the water
5 downstream so that it ended up in Parramatta.
6
7 I was asked to review the performance of the trust for
8 Minister Yeadon and it eventually ceased existence.
9 Premier Greiner put on a five-year sunset clause and it was
10 continually reviewed. However, the lesson does not seem to
11 have been learned from those large floods. That poor
12 management and those poor institutional arrangements
13 continue today, so I am also asking for some comments by
14 the tribunal in its report about the poor institutional
15 arrangements that prevail in the management of water.
16
17 The second story is about a project where somebody
18 will shortly disconnect from water and sewer in the city.
19 At her own initiative, this person putting a stormwater
20 catchment device out the front of her property at the cost
21 of \$2,400 to her and approved by the council as a trial.
22
23 In the development approval, the council hit her up
24 for \$3,000 for development charges for an environmental
25 levy and Sydney Water will also hit her up for a stormwater
26 charge. There is a limit to the sense of humour that
27 prevails out there, I suggest, and it is time that the
28 people who put their hands in their pocket to spend money
29 on their own property and out to the footpath to provide a
30 public benefit beyond their land is recognised by the
31 tribunal.
32
33 The third short story is that in that massive storm
34 that we saw in March in Sydney this year, my house, which
35 is disconnected for water and sewerage, kept all of that
36 water on site - an extraordinary achievement which I was
37 delighted to witness at 1, 2 and 3 in the morning as I was
38 wondering whether it was all going to work on a clay soil.
39 Nonetheless, Sydney Water continues to send me bills for
40 stormwater charges and I refuse to pay because, at no cost
41 to Sydney Water or to the community, I have kept all that
42 water on my site, some 2 million litres, in the last
43 19 years and I am tired of it.
44
45 I would like the tribunal, when it listens to me and
46 thinks about this, to think about the water that runs down
47 the gutters of our cities and is wasted. Someone is

1 responsible for that. I suggest that part of the
2 responsibility lies with the pricing decisions of the
3 tribunal as well as the regulatory arrangements and the
4 duplication in the catchments.
5
6 Other than that, I wish you well. I would like to
7 just pass up a summary to go with the written submission
8 I have made. Again I am delighted to have had the
9 opportunity to whinge to you today about my experiences.
10
11 THE CHAIRMAN: Thank you.
12
13 MR MOBBS: Thank you, tribunal members. I'll go back and
14 get out of these fancy clothes and put on some workboots
15 and try and keep some stormwater.
16
17 Can I just say finally that Sydney is six to eight
18 degrees hotter because of black roads and lack of tree
19 cover. This stormwater system that will go outside this
20 property is intended to increase the canopy and height of a
21 tree and cool the street.
22
23 Elsewhere in the institutional framework, the state
24 government has given a grant to my company to cool this
25 street and trees are one of the most effective ways of
26 cooling streets and, in turn, cities and, in turn, reducing
27 aircon.
28
29 I agree with Cynthia Mitchell that all these things
30 are connected and to isolate them in some theoretical way
31 does not do justice to the difficulties that we face in
32 this city. Thank you.
33
34 THE CHAIRMAN: Thank you very much, Michael. Now, are
35 there questions or comments on this session from around the
36 table? This is stormwater and other charges.
37
38 MR YOUNG: Mr Chairman, could I comment on what
39 Michael said or do you want to go round the table first?
40
41 THE CHAIRMAN: I would be happy for you to comment on
42 that now and then we can go around the table.
43
44 MR YOUNG: I think Michael should be congratulated on the
45 work he does. He is really pushing the envelope in
46 decentralised systems. This is a bit of a discussion in
47 which I am sure we will get into liveability again.

1
2 Can I just start by giving a bit of a context. We
3 have a statutory obligation which is to maintain generally
4 existing major concrete drainage systems within a catchment
5 area. That means that we go through and we take out litter
6 and trash. We maintain the grassed areas on the side. We
7 make sure it is structurally sound and we invest.
8
9 I think the first thing that IPART does is they look
10 at the duties that we have under our obligations to see
11 whether the money that we are spending is prudent and
12 efficient and that equals a certain amount of money.
13 I think that one part of this process is for you to
14 determine that amount of money for our statutory
15 obligations.
16
17 The second part is IPART has to decide if that is the
18 amount of money for the obligations how do we fairly and
19 equitably split that up? I think that is the question that
20 Michael is saying.
21
22 THE CHAIRMAN: It is the question, and I want to bring
23 Richard in.
24
25 MR YOUNG: No problems. I just wanted to give that
26 context of the two elements in there.
27
28 MR McMANUS: I have a couple of comments and probably also
29 a question to Sydney Water as well. Over the past 10 years
30 or so there has been a significant increase in prices for
31 some residential and non-residential customers of Sydney
32 Water on a stormwater service charge to the point that it
33 sort of increased from \$25 for a single residential
34 property in 2006 and now it is around about \$83 or so.
35 Again that will actually decrease, but there has been a
36 significant increase.
37
38 For some non-residential properties, IPART actually,
39 in the last price determination in 2012, increased quite
40 significantly some of the non-residential properties, the
41 very large non-residential properties - some acknowledgment
42 of the impact those properties actually have on the
43 stormwater system itself. The interpretation by Sydney
44 Water was both in terms of it has a stormwater quantity
45 impact - so flooding impact - plus also a stormwater
46 quality impact as well, and the need to look at services to
47 cover some of the costs incurred by Sydney Water in

1 managing their assets.
2
3 There has been a bit of a disparity between the amount
4 of money Sydney Water has collected over that period and
5 the amount of money they have actually spent. With the
6 revenue and the expenditure, I think there has been a bit
7 of a bubble between how much money Sydney Water has
8 collected for stormwater charges and actually spends on
9 stormwater service. I think what is proposed by Sydney
10 Water in the current round goes to some extent towards
11 bridging that gap to bring the expenditure close to the
12 revenue that is actually proposed.
13
14 I also note, and I want to say on a positive note, it
15 is good to see Sydney Water has actually gone beyond in its
16 pricing. In the past it has simply been looking at how
17 Sydney Water looks at just maintaining the assets and
18 renewal of those assets, but the pricing has been broadened
19 out to include not just renewal of all those assets but
20 also looking at waterway health, which we see as a very
21 important initiative. So of that \$18 million, or 13 per
22 cent of the revenue, will be spent on waterway health
23 initiatives. There is also money set aside for flood risk,
24 so there are three components of the expenditure which
25 StormwaterNSW think is very good and we fully support
26 action under that proposal.
27
28 We have indicative support from 15 councils, who are
29 part of our members as well, that have actually supported
30 this charge and have said it is quite good. In further
31 submissions to IPART's determination, we shall be seeking
32 formal support from those organisations to support our
33 submission on the waterway health charges as well as
34 numerous consultants and people within the industry itself.
35
36 The revenue raised - \$4.5 million on waterway health -
37 goes some way to matching what councils themselves are
38 spending. Large councils in Sydney might be raising
39 \$3.5 million. Hornsby Council, Blacktown Council, the City
40 of Sydney have raised between \$2.5 million to \$3 million on
41 waterway health initiatives.
42
43 They also spend other recurrent funds on other
44 activities in the same way that Sydney Water will be
45 spending money on flooding activities. In some ways it is
46 Sydney Water catching up with the councils and some of the
47 other waterway managers within the catchment. As Michael

1 said, there is a large issue about institutional
2 arrangements for stormwater management across Sydney.
3 There is not actually a coordination that goes towards how
4 that money between councils and those activities of
5 councils is actually managed.

6
7 Hopefully, some of the money from Sydney Water can be
8 used to work with councils and go beyond what Sydney Water
9 is actually spending its moneys on to work with council to
10 build the capacity for councils, so again we fully support
11 the revenue raised.

12
13 The one question I suppose we do have is how again
14 there is this gap were Sydney Water will be raising between
15 \$120 to \$130 million over the next four years in terms of
16 stormwater charges, but will only be expending
17 \$103 million. There is still a gap of around about \$20 to
18 \$30 million approximately - again ballpark figures - that
19 is not really accounted for. We would like to see some
20 greater transparency about exactly where that money goes
21 and probably the question to Sydney Water is where that
22 other \$20 million of revenue will go to. If it is not
23 spent on stormwater, then how is it actually spent, if it
24 is raised for stormwater activities?

25
26 THE CHAIRMAN: So do you support raising the expenditure
27 to \$120 or reducing the revenue to \$103?

28
29 MR McMANUS: I would fully support raising the expenditure
30 to match the revenue that is spent if that is spent on the
31 waterway activities - waterway health activities or other
32 amplification - or bringing forward some of the issues that
33 you have identified, namely, that in the future stormwater
34 charges will actually increase significantly.

35
36 MR YOUNG: I'm not sure, Mr Chairman, but it may go to the
37 heart of IPART's approach with the building block. Your
38 building block just does not include the capital and the
39 operating. It actually goes to the RAB and the stormwater
40 and --

41
42 THE CHAIRMAN: It does.

43
44 MR YOUNG: So I'm just trying to pick up the issue there.
45 It could be that --

46
47 THE CHAIRMAN: The issue here is that your pricing

1 proposal over-recovers.

2
3 MR YOUNG: Yes, and I am wondering whether - I would take
4 this on notice and we need to look at it thoroughly because
5 there is no mechanism I think for IPART to say we are
6 looking to over-recover the difference. I know as part of
7 your building block that we get all the operating costs, we
8 get depreciation, we get a rate of return to cover
9 efficiencies of capital and when the building block comes
10 together, that equals cost. I suspect that there may be
11 the discussion of the amount that we are getting in terms
12 of the WACC to answer that.

13
14 MR EDGERTON: My understanding, and Kris might correct
15 me if I'm wrong, is that Sydney Water is proposing to
16 over-recover stormwater costs for this upcoming price
17 period of four years,

18
19 MR FUNSTON: Right.

20
21 MR EDGERTON: Because it sees a large amount of stormwater
22 expenditure over the next eight years, so it is a way of
23 smoothing that expenditure over an eight-year period, and
24 you are proposing to over-recover for the next four years.

25
26 MR FUNSTON: That's right, and what we were actually
27 seeing, when we were doing the analysis based on our
28 projection going forward, was that obviously with the low
29 cost of capital at the moment it did mean that that price
30 would actually go down significantly in terms of service
31 charge. The challenge would be if we had a combination of
32 the two things - let's say, we are working in the low
33 interest rate environment going forward but we also have
34 this major expenditure being approved going forward, then
35 we would be in a situation where there would be a very
36 large increase in the stormwater service charge. It was a
37 way of trying to actually minimise that potential large
38 increase.

39
40 I think the issue has been raised that there have been
41 previously large increases. It was not the idea that we
42 were taking this money and banking it; it was the idea that
43 we were looking at a longer time horizon over which the
44 expected NPV equals to zero over the price path.

45
46 The reason why we have proposed it for stormwater is
47 because the level of expenditure relative to obviously

1 wastewater and water was relatively modest, but we also
2 accept that the tribunal may not be in a position to be
3 able to do this given the way that the building block
4 operates. We have really put forward that proposal taking
5 those factors into account.

6
7 THE CHAIRMAN: Thanks, Kris. Is there anything else,
8 Richard?

9
10 MR McMANUS: Can I acknowledge that, but I suppose it is
11 about just actually making sure because the stormwater
12 submission within the proposed price path was quite short.
13 It was about having the full accountability around that as
14 well.

15
16 Probably on that point, I acknowledge the previous
17 price path collected \$46 million, or, sorry, it actually
18 spent \$46 million in terms of works. They are now
19 proposing to spend \$103 million. So we are going from
20 \$46 million over a four-year price path to now \$103
21 million. If we keep on increasing at that kind of rate,
22 then again we would need probably more colour around
23 exactly how that money is actually spent. Certainly we
24 support the initiatives proposed by Sydney Water in terms
25 of waterway health and addressing some of the liveability
26 questions that have been raised today as well.

27
28 THE CHAIRMAN: Thank you, Richard. Anybody else
29 around the table? Leigh?

30
31 MR MARTIN: Thank you, Peter. I want to start by saying
32 with stormwater there is enormous scope for us to manage
33 stormwater better than we currently do and to view it as a
34 resource that can be utilised. I am sure that our current
35 arrangements do not facilitate that. As far as Sydney
36 Water's proposal to over-recover because of works they say
37 they will have to do in the next price path and avoid bill
38 shock, I guess my view on that would be heavily influenced
39 by what is the nature of those works that Sydney Water is
40 proposing to do. If it is more and bigger concrete
41 channels, I am not sure that we actually gain anything from
42 that. If, however, what Sydney Water is proposing are
43 smarter ways of dealing with stormwater, using it as a
44 resource and improving stormwater quality, then I think the
45 idea certainly has some merit.

46
47 We are very strongly of the view that stormwater

1 pricing should be based on the contribution a property
2 makes to the stormwater system in terms of both quality and
3 quantity of the water from a property. In that respect,
4 area-based charges are appropriate, but particularly
5 area-based charges determined by the impervious surfaces on
6 a property. Where customers do anything to reduce their
7 contribution - I guess this touches on the issue that
8 Michael Mobbs was talking to us about - they should receive
9 some consideration for that. If they have installed
10 rainwater tanks or they do other things to reduce the
11 contribution that their property makes to the stormwater
12 system, then I think they should have a rebate on their
13 bill.

14
15 THE CHAIRMAN: A 100 per cent rebate, which is what
16 Mr Mobbs wants?

17
18 MR MARTIN: Perhaps not 100 per cent because I do
19 recognise that customers even who are not contributing to
20 the stormwater system derive some benefit from a stormwater
21 system being in place. But where customers are reducing
22 their impact, I think they should be recognised in pricing
23 arrangements.

24
25 THE CHAIRMAN: Thanks, very much Leigh. On stormwater,
26 Cynthia, then Kristal.

27
28 MS MITCHELL: I endorse in fact everything that Leigh has
29 just talked about and I endorse also Richard's comments
30 about the necessity for Sydney Water to work cleverly with
31 councils who are also investing significantly in this
32 space. I note that this conversation raises again real
33 questions about how we do the best job we can of working
34 out where it makes sense to invest in the system and how to
35 distribute the costs and benefits accordingly. I think
36 that issue really is what is at the core of the discussions
37 that we have had today around the current regulatory
38 framework that we are operating within and whether it
39 serves us all well in the long term.

40
41 MS BURRY: I agree with both comments. If there is going
42 to be over-recovering, we would like to see detailed
43 information on how that is going to be spent to make sure
44 it is an efficient use of that money. Obviously there are
45 some further issues that will come up and we would like to
46 be involved in those discussions.

47

1 THE CHAIRMAN: Sure. Yes, Stephen?
2
3 MR SUMMERHAYES: This is a common and just a general
4 response to the proposal going to commonsense. Stormwater
5 reduces substantial impacts to waterways, altering flows
6 and introducing pollutants, and councils are dealing with
7 that on a daily basis. In relation to managing stormwater
8 we advance a shift away from the traditional approach of
9 waterways as for the conveyance of water, but for
10 stormwater in particular, to viewing them as systems.
11 Therefore we champion an approach that reduces the impact
12 of stormwater and enhances the system.
13
14 Indeed that is our vision as an organisation and we
15 will work with Sydney Water towards that, if they would
16 like to come and participate with us. Hopefully the
17 mechanisms that you employ will facilitate those types of
18 relationships.
19
20 THE CHAIRMAN: Thank you. Would anybody else like to
21 speak? Benn?
22
23 MR TREHARNE: No.
24
25 MS COLE: No.
26
27 THE CHAIRMAN: Sarah?
28
29 MS CLIFT: Nothing Specific.
30
31 THE CHAIRMAN: Kevin?
32
33 MR YOUNG: That was a great debate. On the question with
34 Michael on 100 per cent versus a discount comes to the
35 question that he took a theoretical view of everyone
36 installing, would there still be work left for Sydney Water
37 to do particularly the work on the stormwater working with
38 councils? I think the answer is, yes, there would be, so
39 I think the question relates to a discount not 100 per
40 cent. There is also the issue of how many houses would be
41 able to put in a system that would retain all stormwater in
42 a storm. That is a challenge.
43
44 I think they are proposing that it be more of a
45 discount rather than 100 per cent. It is a judgmental
46 question about how you set that discount. Luckily that's
47 why we have IPART to deal with intractable problems

1 Would you like to add to that, Kaia?
2
3 MS HODGE: Kaia Hodge from Sydney Water. I guess one
4 treatment of that might be what costs could Sydney Water
5 avoid if you actually have these onsite treatments for
6 stormwater? One of the difficulties in terms of the
7 discount proposal is that a lot of the benefits certainly
8 occur. They contribute to greening. They contribute to
9 amelioration of smaller flooding events, particularly on a
10 local basis, and broader social outcomes for our
11 communities.
12
13 In terms of avoided costs for Sydney Water, we are
14 really looking at things that would reduce the amount of
15 capital investment that we require for our stormwater
16 system either in terms of amplifications and renewals or
17 would reduce primarily sediment and litter of which
18 residential properties are not a significant contributor.
19
20 In terms of the other contributions to our stormwater
21 system, they basically come from shared spaces within
22 catchments, from roadways, from parks. Basically at the
23 moment, the way that stormwater is charged is that for
24 those who live within the catchment, the whole cost to the
25 trunk drainage system is borne by Sydney Water.
26
27 When you untease it in that way, there are
28 insignificant avoided costs that Sydney Water has because
29 the trunk drainage basically is most important in those
30 extreme events when you have had a couple of weeks of
31 rainfall and all your onsite detention is full and your
32 ground is saturated.
33
34 THE CHAIRMAN: That's right. That is what exactly makes
35 it so difficult. No comments on Rouse Hill? I was waiting
36 for some comments on who should pay.
37
38 MR YOUNG: I think they are supporting the Sydney Water
39 view, Mr Chairman. I am taking this as a full vote.
40
41 THE CHAIRMAN: Okay, Matt has a question.
42
43 MR EDGERTON: I was going to ask Sydney Water a question
44 on the Rouse Hill land. Sydney Water is proposing that
45 additional land costs associated with stormwater management
46 in Rouse Hill essentially be added to the wastewater
47 regulatory asset base to be recovered from all wastewater

1 customers across this area of operations. What is the
2 rationale behind that as opposed to levying the costs, and
3 essentially the impact as being the local community in
4 Rouse Hill.
5
6 MR FREEMAN: Paul Freeman from Sydney Water. I take
7 you back to when Rouse Hill was determined in the EIS.
8 Recycled water, integrated stormwater management was about
9 the whole wastewater treatment of reducing nutrient
10 discharge to the Hawkesbury-Nepean system. Ultimately
11 there were land purchases and other things, just by the
12 way. The LEPs were then gazetted for Sydney Water to
13 acquire land, and I did check up on that fact to make sure
14 that the horse wasn't before the cart, et cetera. The key
15 thing for us was that it is all part of the integrated
16 package. You can't just deal with the treatment plant
17 alone. You can't just deal with the stormwater system, and
18 the stormwater system is both quantity and quality.
19
20 So the investments go to manage both as a total
21 package and it is interesting that, 20 years later, we are
22 still talking about Rouse Hill and the apportionment of
23 charges and that, which does not serve us well for
24 discussing liveability and integrated water cycle
25 management. We have to try and solve some of these
26 problems.
27
28 Coming forward we essentially arrived at a place when
29 developer charges were set to zero and we still had a
30 statutory obligation to acquire land. You will recall the
31 previous determination where we decided, or the tribunal
32 decided, that we would recover that additional land
33 purchase from the people who resided within the stormwater
34 boundaries of the Rouse Hill catchment.
35
36 THE CHAIRMAN: A percentage of it.
37
38 MR YOUNG: 70 percent.
39
40 MR FREEMAN: Well, it was 70 per cent of that, 30 per cent
41 of the capital goes to the wastewater charge. Then the
42 government intervened and we had a bit of, let's say,
43 argy-bargy that set back the price. So we are not
44 suggesting that we have a perfect situation that exists.
45
46 We are also not suggesting that we go back and revisit
47 what transpired since the 2012 determination, that we would

1 continue to have the residential customers continue to
2 contribute to that. However we have found ourselves still
3 with an obligation to procure land that is acquired to
4 manage its integrated stormwater/wastewater service with
5 around about a \$17 million shortfall.
6
7 From pragmatic terms, we think rather than going back
8 and unpacking it and trying to sort out what is the right
9 proportion and contribution of each of the elements, we
10 should just take that surplus, continue with the
11 contribution customers are making, keep that level with
12 their expected CPI increases and recognise that a large
13 part of this integrated system is still about managing
14 nutrient discharge into the Hawkesbury-Nepean and roll that
15 additional land purchase back into the wastewater RAB.
16
17 MR EDGERTON: Just to clarify, you basically say it is
18 very difficult to distinguish between wastewater management
19 and stormwater management in general particularly in terms
20 of the Hawkesbury-Nepean, so there is an argument for
21 apportioning some of these costs that I guess initially
22 appear to be stormwater to wastewater customers?
23
24 MR FREEMAN: It is always there and you also have to go
25 back to that time. Given the best science and the best
26 technology that was available, the least cost option that
27 was chosen in a fully public environmental impact
28 assessment was that managed mix and an integrated mix of
29 stormwater and wastewater treatment, proper land management
30 to limit at the end point discharge to Second Ponds Creek,
31 through Cattai Creek, through the Hawkesbury-Nepean of that
32 overall discharge of the phosphorous and nitrogen nutrients
33 to prevent eutrophication in the downstream segments such as
34 Sackville, et cetera.
35
36 Overall as a package over 20 years, that has been
37 highly effective when combined with all the other things
38 that Sydney Water has been doing in the system. You cannot
39 say that fundamentally it was wrong. At the time, they
40 would have had to put in probably imperfect technology and
41 at the much higher price around reverse osmosis to get the
42 same level of nutrient amelioration into system.
43
44 What the community has benefited from on the whole,
45 both from the whole wastewater community but also the
46 localised community is that least cost for the available
47 technology at the time. If you came back and wanted to

1 readdress it given the technologies and the price points we
2 have for technologies today, you might make a different
3 least cost choice, but they were the choices that were made
4 then. I think we need to be true to the decisions that are
5 there that still make sense and still are achieving the
6 outcomes that we need to achieve for the community as a
7 whole, and that is the environmental protection of the
8 Hawkesbury-Nepean stretches and the Cattai Creek stretch.

9
10 THE CHAIRMAN: One sort of narrower point is that in the
11 last determination it was determined that 70 per cent
12 should be paid by the Rouse Hill residents and 30 per cent
13 was to be paid by the rest of Sydney Water's consumers. As
14 you quite rightly say, there was some argy-bargy over that
15 and we now have a situation where the Rouse Hill residents
16 are not called upon to pay \$71.1 million, or whatever the
17 difference is, and the suggestion of Sydney Water is that
18 everybody else - all other water users - should pay that.

19
20 The alternative is that Sydney Water just wear it on
21 their bottom line. Sydney Water's position is quite
22 defensible - that is your position. The alternative is
23 Sydney Water should wear it because it is not possible to
24 bill the Rouse Hill residents given what happened in 2012
25 and 2013. So I guess why should the other water users in
26 the Sydney metropolitan area pay \$17.1 million? Why
27 shouldn't Sydney Water wear it?

28
29 MR YOUNG: It goes to the heart of what Paul was saying.

30
31 MR FREEMAN: It goes back to the EIS. We would argue that
32 the 70:30 split in 2012 was not the correct determination.
33 It was the determination, I acknowledge that, but what we
34 are suggesting is that it still fundamentally didn't
35 recognise the true --

36
37 THE CHAIRMAN: Are you saying the 70:30 split was wrong? .

38
39 MR FREEMAN: Yes, basically. It didn't recognise the
40 true contribution of an integrated wastewater management
41 system that needed to manage upstream stormwater and
42 run-off impact to control the nutrient loads in the
43 Hawkesbury-Nepean system.

44
45 THE CHAIRMAN: What's the right split if that is wrong?

46
47 MR FREEMAN: The real question is do we need to go to a

1 right split or do we need to try and achieve what might be
2 pragmatic? I think my advice is that, at the end of this,
3 with the \$17 million across, it will work out at about
4 fifty-fifty between the amount that is paid by wastewater
5 customers and the amount that is paid by the stormwater
6 customers.

7
8 THE CHAIRMAN: I guess some people can consider making
9 everybody else in Sydney pay as pragmatic. Other people
10 think it is pragmatic if Sydney Water takes a hit on the
11 bottom line, so that is the judgment we have to make.

12
13 MR YOUNG: It probably goes to the heart of this whole
14 debate we have had today about liveability and the
15 framework and how do we pay.

16
17 THE CHAIRMAN: It does. Yes, it does.

18
19 MR YOUNG: It is really interesting and you raised this as
20 a --

21
22 THE CHAIRMAN: As I said earlier on, this is a concrete
23 example of having to wrestle with these issues and in the
24 end the tribunal will make a judgment --

25
26 MR YOUNG: Of course.

27
28 THE CHAIRMAN: -- and we will go from there, but this is a
29 very useful discussion. Thanks for your input.

30
31 MR YOUNG: If it is based on Sydney Water bearing the
32 cost, we would not say that is incentive-based regulation.

33
34 THE CHAIRMAN: Yes, Jean-Marc?

35
36 MR KUTSCHUKIAN: Could I clarify the fifty-fifty split.
37 Does that include the increase in the civil capex for Rouse
38 Hill?

39
40 MR FREEMAN: I would have to take that on notice.

41
42 Kris, do you have that off the top of your head at
43 all?

44
45 MS MURAS: What was the question, sorry, Jean-Marc?

46
47 MR KUTSCHUKIAN: With the fifty-fifty split, say if you

1 put the \$17.1 million into the wastewater RAB, you would
2 ultimately have about a fifty-fifty share in place, but
3 I note that the civil capex expenditure has increased
4 significantly over the period to \$24.1 million. Does that
5 include the civil capex or are you just talking about land
6 costs?
7
8 MR FREEMAN: I would have to take that on notice.
9
10 MR KUTSCHUKIAN: Also noting that some of the civil capex
11 is there for flood management not reducing nutrients into
12 the Hawkesbury-Nepean, so why should wastewater
13 customers pay for that capital expenditure?
14
15 MR FREEMAN: They are all good points and we will take
16 them on notice.
17
18 MR FUNSTON: Jean-Marc, just to clarify, we will take that
19 question on notice and come back to you with the figures.
20 I think it is important to remember that the 70:30 was
21 actually based on the acquisition of 50 hectares of land,
22 which was then reduced, so this led to what happened
23 because of the fact we only acquired 11 hectares of land.
24
25 THE CHAIRMAN: Thank you very much for that.
26 We now move into the final session.
27
28 MR YOUNG: Chair, there was no discussion on the late fees
29 or the credit card. Presumably that is all accepted.
30
31 THE CHAIRMAN: Apparently not.
32
33 MS MITCHELL: Peter, could I make a quick comment on
34 Rouse Hill?
35
36 THE CHAIRMAN: Sure, go ahead.
37
38 MS MITCHELL: I have to say I was not familiar with the
39 details of the Rouse Hill example so I appreciate the
40 comments from Sydney Water. In thinking about this from a
41 broader perspective, what happens at the moment is that
42 some of Sydney's wastewater receives an incredibly high
43 level of treatment and rather a lot of Sydney's wastewater
44 receives an incredibly low level of treatment and we are
45 comfortable enough with that to split it across the entire
46 base.
47

1 The Hawkesbury-Nepean is an incredibly sensitive
2 system that does need a high degree of protection when it
3 comes to nutrients and in the Rouse Hill example it is
4 really difficult to disentangle stormwater and wastewater
5 because of the recycled water provision and the nutrients
6 that are associated with that going back on the land. So
7 it would seem to be consistent with the way that we deal
8 with the rest of our wastewater to add that back to the
9 RAB.
10
11 THE CHAIRMAN: Nobody offered to speak on the late
12 payment fee or miscellaneous fees. Kristal?
13
14 MS BURRY: We made comments about the late fee and the
15 credit card fee, particularly that any consumers who are
16 already in the hardship program and who will be identified
17 should also have the same exemptions applied to the credit
18 card fee. I have spoken with Sydney Water about this
19 issue. They seem very proactive about trying to identify
20 customers who are in need and so we do not have any
21 additional comments to make about that.
22
23 THE CHAIRMAN: Thanks, Kristal. So do you take an early
24 show on that, Kevin?
25
26 MR YOUNG: 100 per cent support is what I'm hearing.
27
28 THE CHAIRMAN: We now move to the conclusion. This is a
29 chance for people to raise other issues, but first I would
30 like to invite two representatives of the Metropolitan
31 Local Aboriginal Land Council - Nathan Moran and Lucy
32 Simpson.
33
34 METROPOLITAN LOCAL ABORIGINAL LAND COUNCIL
35
36 MS SIMPSON: Hello, everyone. My name is Lucy Simpson. I
37 am a Yuwaalaraay woman and a local resident in the Gadigal
38 country in the inner west. I was born in Sydney and grew
39 up here, and I also have really strong ties to the
40 freshwater country of north-west New South Wales, where
41 my father's family is from - up around Walgett, Lightning
42 Ridge and Angledool.
43
44 I wanted to share a little bit about who I am today
45 and I guess the significance of the river as an Aboriginal
46 person - beyond a stormwater drain.
47

1 I live down by the Cooks River in Marrickville and
2 I make a point to get down there as often as possible. As
3 a freshwater woman from the town where the two rivers meet
4 and the beautiful big bird breeding ground of Dharriwa out
5 at Narran, the river for me, as it is for many Aboriginal
6 people, is incredibly important. Not only is it a source
7 of food and life, but it also forms a central part of
8 identity, informing the ways we interpret, relate and
9 connect to the land.
10
11 My daughter was also born in Sydney and is growing up
12 here and while we get back to see family and be on
13 Gamilaraay/Yuwaalaraay country as often as we can,
14 I understand also the importance of connecting to this
15 place for her, as it has been for me, for her grounding and
16 sense of belonging.
17
18 I value my connection to the river. I am a very proud
19 freshwater woman. These sentiments I express through my
20 creative work as a designer with my studio Gaawaa Miyay -
21 river daughter designs. I am a designer who works largely
22 with the idea of visual storytelling, expressing aspects of
23 traditional knowledge and also contemporary experience and
24 the mapping of the landscape in graphics and textiles.
25 These stories and their visual representations I feel
26 reinforce the idea of the importance and connection to the
27 river for me, my family and community. Through design
28 I get to share these perspective with others, whether that
29 be stories inspired by the fresh waters of the Barwon,
30 Namoi or Narran rivers and lakes of the north-west or down
31 here in saltwater country by the Cooks River, my work
32 speaks of the relationships I share with those landscapes
33 and indeed the connections between the two and this dual
34 notion of home and connection.
35
36 Growing up we were always taught, obviously, to
37 respect country with the river very much a central part of
38 memories and experience. When I think of my childhood with
39 family, the fondest memories are often of times down on the
40 river fishing, swimming, camping out, telling stories
41 yarnning, something we have done for many years - beyond
42 my own life - teaching, learning and sharing on country
43 important philosophies, knowledge and experience; a way of
44 learning that quite literally has continued to flow on down
45 the river, echoing up the banks for a very long time.
46
47 I often think how beautiful it would be to be able to

1 go down to the river over in Marrickville to swim and fish,
2 teaching and sharing those life lessons with my little
3 girl, building on and extending the recent regeneration and
4 beautiful revitalisation that has seen the pelicans, a
5 local totem, return to the Cooks.
6
7 We are lucky that along this part of the river, we
8 have this little sanctuary within the midst of our urban
9 landscape to escape to for a bit of a retreat - a place to
10 think and reflect for a sense of grounding.
11
12 I am lucky that I have had opportunities to work with
13 the Marrickville Aboriginal Consultative Committee, the
14 Cooks River Alliance and recently with the Cooks River Kids
15 at the May Murray preschool on initiatives that foster this
16 sense of belonging, understanding and connectedness as the
17 caretakers of this country and I feel very privileged to be
18 part of such a proactive and supportive community. But so
19 much more still needs to be done.
20
21 Seemingly the simple things in life we eventually come
22 to discover are actually quite significant and important in
23 the long run, I feel, for the wellbeing and maintenance of
24 our health and that of our environment.
25
26 The river truly does bring beauty and an enrichment of
27 life to our experience but the Cooks will never be what it
28 once was or what it could be if we restrict resources to
29 repair the damage we have created.
30
31 I hope that we will be able to continue working
32 together to rebuild this special place and do our bit to
33 ensure that the river continues to flow along with the many
34 stories and life that will come as a result.
35
36 Thank you for take the time to consider my words
37 today. Ngaibaay.
38
39 THE CHAIRMAN: Thank you, Lucy. Nathan, would you
40 like to say a few words?
41
42 MR MORAN: Yes, and firstly introduce myself. I am Nathan
43 Moran. I am the CEO of the Metropolitan Local Aboriginal
44 Land Council. The Metro Land Council, we represent 17,000
45 Aboriginal people. We cover 26 local government areas,
46 most commonly from the Georges River in the south to the
47 Hawkesbury River in the north out to the Nepean watershed

1 in the west, and beyond actually to the Macdonald River.
2
3 I would probably follow on from my sister's words
4 here. We offer a different perspective here today about
5 water. In particular, I like the last point up there -
6 miscellaneous and other issues related to water.
7
8 Firstly I will start by acknowledging again the
9 importance of water to our people. It is at the heart and
10 centre of our culture, our people and our communities.
11 Without water, we just do not survive in this harsh climate
12 and, unfortunately, we believe there is a greater sphere of
13 understanding to be had on water and I hope to do that now.
14
15 We would like Sydney Water to acknowledge the need to
16 address the health of all our waterways, in particularly
17 the rehabilitation of these vital ecosystems - sorry, I am
18 trying to hold paper and speak; it's a bit hard - advising
19 extensive cultural backgrounds to the use of waterways in
20 the Sydney area and I talk about the covering over of these
21 vital water sources.
22
23 The Sydney Tank Stream was the first asset of the
24 Gadigal people that was removed. It is concreted over
25 today but we would love to see more education,
26 understanding and awareness of that important resource -
27 the first resource that was taken in Sydney.
28
29 Moving on from the city's heart and centre out to the
30 Alexandria canal network that we cover over, which is part
31 of the greater Cooks River system - we heard sis talk about
32 that - we need that rehabilitated. It does no good for
33 anyone, let alone the community as a whole, or our culture
34 to see our waterways in such disgusting standards of health
35 as it stand today, to use polite language.
36
37 We really believe that rehabilitating these vital
38 assets is of benefit not only from a social point of view,
39 a cultural point of view, but an economic point of view
40 because it adds to wellbeing and it adds to the health of
41 all in the community, let alone, as I said upfront, that we
42 would really love the opportunity to share and impart the
43 knowledge, understanding, education on the use of water by
44 First Nations Australians.
45
46 Be it the Eora in the coast here, the Dharug to the
47 west, the Dharawal to the south or the Darkinjung to the

1 north, or whether you are like me - I am a Birpai Dhungutti
2 from the far north of this state - or a Yuwaalaraay woman,
3 Wiradjuri people, all across this state water is the
4 central being for all people. We never live on top of it;
5 we always live with it and have always respected it.
6 I hope we can see Sydney Water take into account a
7 different sphere that it has not considered and that is
8 educating the community on the importance of water -
9 without it, we are all gone. Thank you.
10
11 THE CHAIRMAN: Thank you very much, Nathan. Are there
12 other questions or comments?
13
14 MS BARKER: Thank you very much. I am Stephanie Barker,
15 acting director of urban and regional planning from the
16 Department of Planning and Environment. Thanks for the
17 opportunity today to make a comment to the tribunal.
18
19 Our comments are on the sustainable and resilient
20 growth of Sydney. It has been very interesting today to
21 hear the discussion on liveability and the greater
22 understanding that is needed.
23
24 As Sydney grows in the next 20 years, our waterways
25 will have greater pressure to provide amenity and
26 liveability to our city both in the existing urban areas
27 and in new land release areas. We recognise that healthy
28 waterways are integral to the economy and lifestyle of the
29 people of Sydney. As Sydney's population grows, more
30 people are exposed to flooding in existing urban areas,
31 bringing more pressure to manage exposure to flood risk, so
32 the ability of Sydney Water to work with councils and the
33 private sector to support initiatives around liveability
34 such as healthy waterways and to manage exposure to flood
35 risk is important in delivering environmental, social and
36 economic outcomes for Sydney. Thank you.
37
38 THE CHAIRMAN: Thank you, Stephanie. Stephen?
39
40 MR SUMMERHAYES: We advocate for an outcome of this
41 process that also ameliorates the past, current and future
42 impacts of Sydney Water activities on the environment and
43 water as beautifully articulated by Ms Simpson and
44 Mr Moran.
45
46 THE CHAIRMAN: Thank you. Are there any more
47 questions or comments before we wrap up? Kevin?

1
2 MR YOUNG: Just a comment, thank you. I wanted to thank
3 Lucy and Nathan for what they said about the future, it is
4 appreciated and we can feel the passion.
5
6 Recently we discussed a strategy on what is the future
7 for Sydney Water? We have talked today about aspirations
8 and more than what is said in our regulatory requirements,
9 and that was our vision - "Sydney Water the lifestream of
10 Sydney". That is what you are talking about because I can
11 tell from what you are talking about and from that passion
12 that the river is the lifestream of Sydney.
13
14 We have had a great discussion today about
15 liveability. In fact, Mr Chairman, I started off this
16 morning by saying I have been to so many of these hearings
17 in my entire career, I am running out of them. This is
18 unique in my history because generally Sydney Water comes
19 along and says, "For these reasons we are putting up prices
20 by this amount", and the whole day is a critical review of
21 individual elements of the operating costs and capital
22 costs, and that is the whole focus.
23
24 Today has been a fantastic day because the focus has
25 been about value-adding strategic direction for the city,
26 sustainability of our city, getting more engagement with
27 the community and having a look at a broader conversation
28 that we need to have that you have raised as well. Thank
29 you.
30
31 I just wished to make those comments and I thank
32 everyone for their comments today. It has been a pleasure
33 to be here and to be part of the conversation with the
34 Sydney Water team and to hear what has been said by
35 Stephanie, Lucy and Nathan and everyone on the panel, so it
36 is very much appreciated.
37
38 MR SUMMERHAYES: Sorry, there is just one last thing.
39 I view today's process as an opportunity to present very
40 positive focuses for the community and an opportunity to
41 meet some other stakeholders and hear their position and
42 look at ways in which together we can enjoin to create a
43 more liveable city.
44
45 CLOSING REMARKS
46
47 THE CHAIRMAN: Thank you very much. Indeed I think it has

1 been a fantastic day, a fantastic discussion and a very
2 constructive environment. I would like to thank you all
3 very much for your contribution and your participation. It
4 has been of great benefit to the tribunal to hear your
5 views.
6
7 A transcript of today's proceedings will be available
8 on our website in a few days.
9
10 We will consider all the issues that have been raised
11 and discussed today when making our decisions on Sydney
12 Water's prices to apply from 1 July 2016.
13
14 As previously mentioned we plan to release a draft
15 report for public comment in March 2016. Stakeholders will
16 have about four weeks to make further written submissions
17 before we make our final decisions.
18
19 A final report and determination will be released
20 in June of 2016 and the prices that we set will apply from
21 1 July 2016.
22
23 Finally, I encourage you to check IPART's website for
24 updates and further information on our timetable including
25 the release date for the draft report and the date by which
26 submissions are due in respect to the report.
27
28 Thank you all very much and we have finished five
29 minutes early. Have a good afternoon.
30
31 AT 3.55PM THE TRIBUNAL ADJOURNED ACCORDINGLY
32
33
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