

8<sup>th</sup> March 2024

Carmel Donnelly PSM  
Chair  
IPART  
Level 16,  
2-24 Rawson Place  
SYDNEY NSW 2000

Submitted via "[Have Your Say](#)" on IPART website

Dear Carmel,

**Re: coNEXA's submission to IPART's end-of-term review of Sydney Water's Operating Licence**

Thank you for the opportunity to speak at IPART's recent public hearing for its end-of-term review of Sydney Water's Operating Licence and for the opportunity to make a written submission to this review, which provides more detail and information on our concerns and positions.

Please find attached:

- our submission to IPART's end-of-term review of Sydney Water's Operating Licence; and
- a confidential attachment to this submission.

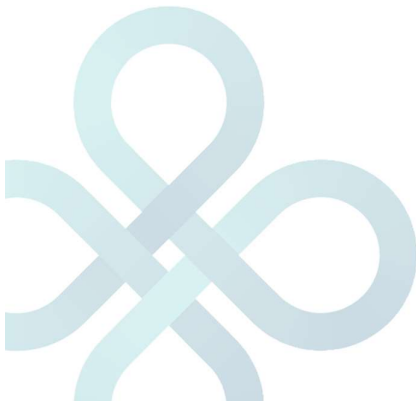
We ask that IPART considers our submission in making its recommendations to the Minister on Sydney Water's Operating Licence, and that it also considers elements of our submission that relate more broadly to IPART's regulatory roles and functions.

We would welcome the opportunity to discuss our submission further or clarify elements of our submission as necessary.

Yours sincerely,

[Redacted signature block]

[Redacted contact information]



## coNEXA Submission to the end of term review of the Sydney Water Operating Licence (PUBLIC)

In this submission, we:

- provide key contextual information for IPART's consideration, including the clear need for more to be done to ensure Sydney Water promotes or facilitates water recycling, consistent with the findings of the NSW Audit Office and the objectives of the NSW Government's Greater Sydney Water Strategy;
- identify our concerns or issues with Sydney Water's current Operating Licence; and
- provide recommendations to enhance the Operating Licence and broader regulatory framework to promote the long-term interests of end-use customers, based on our practical experiences to date as both a customer of and a potential competitor to Sydney Water.

### Context

**Sydney Water's Operating Licence is critical for achieving efficient outcomes in the water market, including promoting competition and efficient levels of water conservation and recycling**

Water utilities are generally considered natural monopolies, and Sydney Water is the largest utility in Australia. In the absence of genuine competition and consumer choice, Sydney Water's Operating Licence plays an important role in ensuring that it provides appropriate levels of service to its customers, including potential competitors licensed under the NSW Water Industry Competition Act (WIC Act licensees).

In the absence of adequate Operating Licence provisions, there is a risk that Sydney Water is not sufficiently responsive to the needs of its customers and (whether intentional or not) hinders the scope for competition in the water and wastewater market – given its dominant position as a government owned monopoly supplier of essential water and sewerage services.

With the current cost-of-living pressures, the need to protect Sydney's environment and waterways, increasing climate variability, a growing population and the need to ensure this population has access to reliable and resilient water and wastewater services, it has never been more important that Sydney Water's Operating Licence promotes:

- efficient levels of water conservation and recycling, including through the provision of these activities and services by parties other than Sydney Water; and
- competition in the provision of water and wastewater services, in particular in new service areas and / or areas in which capacity of existing infrastructure is or will be constrained.

**The NSW Audit Office and NSW Government's Greater Sydney Water Strategy recognise more water conservation and recycling needs to occur**

This end-of-term review of Sydney Water's Operating Licence comes at a critical time. It follows the:

- NSW Audit Office's 2020 report on water conservation, which found that Sydney Water was not doing enough to promote water conservation, including recycling (see Box 1 below); and

- NSW Government's *Greater Sydney Water Strategy*, which found that *more* water recycling is required to ensure Greater Sydney's water supply system is resilient and our city is cool, green and liveable in the face of climate variability (see Box 1 below).

The findings of these reports suggest that material changes need to be made to Sydney Water's Operating Licence to promote greater levels of water conservation and recycling. Consistent with this, we consider the Operating Licence should ensure that Sydney Water provides certainty of network access to WIC Act licensees for recycling on reasonable terms. Our position on this, along with our other recommendations, is outlined further below.

### **Box 1: The need for greater levels of water conservation and recycling**

#### **The Audit Office's 2020 Performance Audit on Water Conservation in Greater Sydney concluded:**

*"The Department and Sydney Water have not effectively investigated, implemented or supported water conservation initiatives in Greater Sydney.*

*"The agencies have not met key requirements of the Metropolitan Water Plan and Sydney Water has not met all its Operating Licence requirements for water conservation. There has been little policy or regulatory reform, little focus on identifying new options and investments, and limited planning and implementation of water conservation initiatives.*

*"As a result, Greater Sydney's water supply may be less resilient to population growth and climate variability, including drought."*

#### **The NSW Government's 2022 Greater Sydney Water Strategy stated:**

*"Compared to other Australian cities, Sydney has a low level of rainfall-independent water supply."*

*"We will need to do more recycling of highly treated wastewater and stormwater to support the growing need for amenity, cooling and greening across Greater Sydney".*

*"We face a supply gap that we will need to address by making more efficient use of our existing water resources and investing in additional rainfall-independent supply sources. We also need to upgrade or renew ageing wastewater assets and to recycle more wastewater and harvest more stormwater."*

*"There is a need to invest in new assets and renew old ones, and an opportunity to intercept and recycle more of Sydney's wastewater. Approximately 90% of Sydney's wastewater is used once, treated and discharged to the ocean. There are opportunities to use water more than once on a broader scale and continue to protect our precious waterways and beaches for the future."*

## coNEXA's operations enhance resilience of the water supply system and are consistent with the objectives of the Greater Sydney Water Strategy and the WIC Act

coNEXA is an infrastructure investor, with a particular focus on the circular economy and improving outcomes for our customers and the broader community. AquaNet, one of our key businesses, is licensed under the *Water Industry Competition Act* (the WIC Act).

Developed following the Millennium Drought, AquaNet supplies high quality recycled water from its Fairfield plant to commercial and industrial customers in Western Sydney (currently in the local government areas of Fairfield, Cumberland and Parramatta), one of the fastest growing populations in Australia.

AquaNet's plant has the capacity to produce up to 7,300ML per annum of recycled water, making it ideally suited to support growth in Western Sydney. AquaNet's operations:

- enhance the resilience of water supply, particularly as the climate becomes increasingly variable and uncertain – which is one of the key objectives of the NSW Government's *Greater Sydney Water Strategy*;
- reduce load on Sydney Water's constrained wastewater network, thus deferring or avoiding wastewater costs to Sydney Water; and
- are consistent with the objective of the WIC Act to encourage private sector investment, competition and innovation in water and wastewater service provision – particularly in relation to recycled water.

Importantly, AquaNet relies on access to treated effluent from Sydney Water's Liverpool to Ashfield pipeline, which it then treats and supplies as high-quality recycled water to end use customers. Like all sewer mining operations and infrastructure investors, AquaNet requires certainty that it will be able to continue to access effluent from Sydney Water's network on reasonable terms.

## Concerns with Sydney Water's current Operating Licence

### The need for Sydney Water to consider other potential suppliers in achieving the economic level of water conservation

Sydney Water's current Operating Licence includes a requirement for it to maintain a water conservation program consistent with the Current Economic Method. IPART is also proposing several additions to the water conservation provisions of Sydney Water's Operating Licence, including requirements to maintain and implement a water conservation plan, review and update this plan annually and engage in water strategy planning consistent with the *Greater Sydney Water Strategy*.

Given its market power, we recommend that the Operating Licence ensures that Sydney Water adequately engages with other parties to achieve economically efficient levels of water conservation. It would be counter to the objectives of the Operating Licence if Sydney Water was to only pursue and support conservation measures that it implements, at the expense of other measures that may generate a net benefit to the community. It would even more counter to the objectives of the Operating Licence if Sydney Water did not facilitate or impeded the water conservation or recycling activities of other parties.

Therefore, we recommend that there are provisions added to Sydney Water's Operating Licence that require it to:

- explain how it has considered all viable water conservation measures, including seeking water conservation programs/outcomes from "the market" (e.g., this could involve competitively procuring water conservation outcomes from the market, or at least market testing the efficiency of its own measures against those that could be provided by other suppliers); and
- ensure that it is not impeding sewer mining and that it is actively facilitating it on reasonable terms, as allowing other parties to access networks to recycle water is an important way for Sydney Water to enhance the resilience of the water supply system, promote efficient levels of water conservation, and minimise costs of wastewater management over the long-term.

### The need for certainty of network access to WIC Act licensees on reasonable terms, for recycled water production

Sydney Water's current Operating Licence and IPART's proposed new Operating Licence include requirements for Sydney Water to make available water and wastewater services to WIC Act licensees on request, subject to ensuring the safe, reliable and commercially viable supply of water and disposal of wastewater. This recognises:

- Sydney Water's substantial market power in the supply of these services;
- that WIC Act licensees require these water and/or wastewater services to operate in the market and supply services to their own end-use (retail) customers; and
- the potential benefits of competition in the supply of services (arising from the presence of WIC Act licensees in the market).

However, there is a lack of clarity as to whether these services include the supply of effluent or sewage via sewer mining schemes. WIC Act licensees require certainty of such supply to enable them to invest in the assets required to supply recycled water services to their end-use customers. Therefore, such certainty is critical to facilitating competition and innovation in the water market and to promoting the supply of recycled water, which is in the long-term interests of all water and wastewater customers. Given this, and Sydney Water's market power in the supply of effluent or sewage to potential competitors in 'downstream' markets, the Operating Licence should include a positive requirement for Sydney Water to provide WIC Act licensees with certainty of network access for their recycled water schemes.

The current (and proposed) Operating Licence also requires Sydney Water to negotiate the provision of 'Services' to WIC Act licensees in Good Faith. As per above, there is a need to confirm these 'Services' include the network access, so that Sydney Water has a duty to negotiate access for WIC Act licensees consistent with the objectives of the Operating Licence, including the objective of providing services in a way that does not prevent or hinder competition.

Further, the requirement for Sydney Water to negotiate is not sufficient to ensure that WIC Act licensees can gain certain access to Sydney Water's effluent on reasonable terms, given how critical network access is to the operation of WIC Act licensees engaged in recycling. Stronger licence obligations are required beyond a requirement to negotiate – i.e., there should be a licence requirement for Sydney Water to provide access on fair and reasonable terms (including terms which recognise the cost savings to Sydney Water's network), and not to engage in margin squeeze. There should also be provision for IPART to be available to arbitrate any disputes on the terms and conditions of the supply of effluent, including price.

The WIC Act (sections 45 and 46) includes provisions for IPART to arbitrate sewer mining disputes, but only if Sydney Water first opts into a sewer mining agreement and then opts-in to that agreement being arbitrated by IPART. These provisions are firmly in favour of Sydney Water, which does not recognise the market power of Sydney Water in sewer mining arrangements or the critical role that sewer mining plays in the operations of other service providers (and potential competitors to Sydney Water). This does not provide the necessary certainty or protection for sewer miners, such as AquaNet.

Sydney Water's current sewer mining agreement<sup>1</sup> is heavily aligned to the interests of Sydney Water and largely assigns all technical and commercial risks to the Sewer Miner. In summary:

- Sydney Water makes no commitments to quality of sewage or treated effluent (see bold in Box 2);
- Sydney Water makes no commitments to quantity available for extraction (see bold in Box 2); and
- Sydney Water seeks to limit access to the duration of its current operating licence (see bold in Box 2).

We believe the current sewer mining agreement needs an independent review in order to:

- Encourage and enable investment in sewer mining / recycled water schemes by parties other than Sydney Water.
- Provide a balance of risks between Sydney Water and Sewer Miner.
- Provide firmer commitments around quantity and quality.
- Provide a term for the sewer mining agreement which is analogous to the design life of the sewer mining infrastructure (ie. ~20 years), noting that it could include 5 yearly reviews to align with updates of Sydney Water's Operating Licence.
- Provide a transparent mechanism to establish the cost savings to Sydney Water's wastewater network from the effluent extraction and consideration of this in any support of the Sewer Mining; including any agreements required to enable Sydney Water to ensure the reliability of the extraction of flow.

#### Box 2: Extract from Sydney Water's standard sewer mining agreement

##### 4.2 Availability

- (a) *Sewer Miner must not take more Sewage through the Extraction Point than the "maximum daily instantaneous flow rate" and "maximum daily extraction volume" specified in item 5 of Schedule 1.*
- (b) *Sewer Miner acknowledges that:*
  - (i) **Sydney Water has no control over the quantity of Sewage entering the Sewerage System;**
  - (ii) *Sydney Water has operational flow requirements for the Sewerage System;*
  - (iii) *without limiting clause 4.4(d)(ii), Sydney Water provides no guarantee to Sewer Miner regarding the volume of Sewage available for taking by Sewer Miner.*
  - (iv) **Sydney Water operates in a 5 year regulatory timeframe where its ability to provide access to its system is as a result of its operating licence.**

<sup>1</sup> See <https://www.sydneywater.com.au/content/dam/sydneywater/documents/sewer-mining-agreement-contract-shell.pdf>

- (c) *Without limiting clause 4.5, Sydney Water will not during the Availability Period take action which is intended to permanently reduce the Sewage available for extraction by Sewer Miner below the minimum available flow specified in Schedule 1.*

IPART has established a price determination framework to protect against Sydney Water's potential use of market power in the prices it charges WIC Act licensees for water and sewerage services. Under this framework, IPART is available to conduct 'scheme-specific' determinations of Sydney Water's prices for its 'wholesale' water and wastewater services to WIC Act licensees, if the parties cannot reach agreement and one party seeks such a determination from IPART.<sup>2</sup>

A key element of this 'scheme-specific' determination framework is that IPART has stated that it would conduct streamlined price reviews (over 4 months), recognising the importance of certainty to WIC Act licensees and of minimising regulatory costs.<sup>3</sup> It has also made available scheme-specific determination request forms, to support the process.<sup>4</sup> Similar 'back stop' price regulation arrangements are in place for Sydney Water's recycled water services.<sup>5</sup>

Such 'backstop' price protection arrangements need to be in place for sewer mining, given Sydney Water's significant market power in sewer mining arrangements.

There is also a need to enhance the definition of 'Good Faith' in the Operating Licence. Currently, the definition in the draft Operating Licence reads:

*Good Faith means acting:*

- (a) honestly (including not providing false information or concealing material facts),*
- (b) fairly and reasonably, having regard to the interests of the other party (but not to the extent of Sydney Water subordinating its own interests), and*
- (c) consistently with the objectives of this Licence, including the objective of providing Services in a way that does not prevent or hinder competition.*

Based on our experience, a very broad view of (b), *not subordinating Sydney Water's own interests*, could conflict with (c), *not preventing or hindering competition*. For example, Sydney Water could elect to not supply a sewer miner on the basis that it would lose market share to that sewer miner by virtue of its supply of recycled water to end-use customers, or it could elect to maintain the option of potentially using the effluent for another purpose (in the name of not subordinating its own interests) – regardless of what is in the long-term interests of end-use water customers.

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<sup>2</sup> For example, see: IPART, Prices for wholesale water and sewerage services, Sydney Water Corporation and Hunter Water Corporation, Final Report, 2017.

<sup>3</sup> See: IPART, Prices for wholesale water and sewerage services, Sydney Water Corporation and Hunter Water Corporation, Final Report, June 2017, p 72-79.

<sup>4</sup> See: <https://www.ipart.nsw.gov.au/Home/Industries/Water/Setting-water-prices>.

<sup>5</sup> See IPART, Review of pricing arrangements for recycled water and related services, Sydney Water, Hunter Water, Central Coast Council, Essential Energy, Final Report, July 2019.

## The need for consistent and reliable servicing information to the market

Under section 8.2 of its current Operating Licence, Sydney Water is required to publish servicing information for each of its major water and wastewater systems, including current and projected demand, current and projected capacity constraints, the indicative costs of alleviating or deferring capacity constraints, locations where further investigation is needed, and key sources of information used to develop the servicing information where those sources are publicly available.

This requirement reflected a recommendation of the 2018 independent review of “*Economic regulatory barriers to cost-effective water recycling*” for the NSW Government, which identified there was a lack of information available to market participants about public water utilities’ systems. It is intended to provide information to the market on Sydney Water’s costs of supplying services, including where there are system constraints (and hence potentially high avoided water and wastewater system costs from recycling), to promote efficient investment and new entry to the water market in the long-term interests of customers.

Currently the information published by Sydney Water is insufficient to inform and assess potential investment by competitors to Sydney Water. Using the Malabar Wastewater Network Capacity Report<sup>6</sup> as an example:

- System Capacity is expressed as “Projected only” – it does not detail current load or current capacity of the system;
- System Capacity is detailed only for the catchment as a whole. Information on sub-catchments is only provided via a colour coded map (light green – Capacity Not Exceeded / green – No Available Capacity / blue – Wet Weather Performance Issues); and
- The cost of infrastructure upgrades is detailed, however, it does not provide the location of this investment, nor does it detailed what increase in capacity is linked to the expenditure.

This Capacity Report was published in June 2023 and put forward to reasonably represent the next 10 years of servicing information for this catchment. In December 2023, Sydney Water released the DSP for Malabar which allocated temporary capacity in this network for Menangle Park, Gilead and Appin, despite these not being shown as serviced in the June 2023 information. These material changes in servicing, including the associated developer charges, over a relatively short period of time, does not provide sufficient confidence in the reliability of the published information to inform investment,

IPART is now proposing to amend the Operating Licence so that Sydney Water is not required to separately publish this information if it is included in its Development Servicing Plans (DSPs) for its water, wastewater and stormwater developer charges (or infrastructure contributions).

We accept this proposed change. However, we note the importance of ensuring the information in DSPs is robust and genuinely reflects Sydney Water’s forecast costs of meeting demand in various parts of its system over the medium to long-term. To provide sufficient information to the market to inform investment decisions and promote competition, we also request that the list of information includes:

- a) Current load on the existing infrastructure at a catchment and sub-catchment level;
- b) Current capacity of the existing infrastructure in ETs;
- c) Expected additional load in the catchment over the period of the DSP or Servicing Plan;

<sup>6</sup> See <https://www.sydneywater.com.au/content/dam/sydneywater/documents/malabar-wastewater-network-capacity-report.pdf>



- d) Proposed future expenditure on growth, including expected year of spend, how much additional capacity this will add (expressed in ETs) and sufficiently detailed to enable identification of the value of relieving constraints in particular locations across the DSP.

Consistent with Sydney Water's Long Term Capital and Operating Plan, we believe Sydney Water should be able to publish servicing information with a view to 2050 and not limit this to the proposed five years under each DSP or the ten years noted in clause 8.2.1 of the existing Operating Licence.

If this information was available as suggested above WIC Act licensees and developers could identify areas of the Sydney Water Network where there are constraints and utilise the cost information to estimate the potential the value to Sydney Water of relieving these constraints in the business case for new opportunities. This would allow us to identify efficient investment opportunities such as new production and recycled water network or sources of additional supply for existing networks. As noted above we would then need a mechanism to ensure the value of cost savings (including a consideration of the balance of risk as noted above) is reflected in the price of the Sydney Water supply (including negative pricing if efficient). Without this information we cannot consider savings to Sydney Water in identifying opportunities or in the development of business cases. Therefore, either projects that are in the long-term interests of customers will not occur or projects are prioritised which do not maximise the reduction in costs.

Robust, accurate and consistent information on forecast demand and Sydney Water's system's capacity constraints is important to inform investment decisions for WIC Act licensees and developers. Inaccurate information, inconsistent information and/or information that changes significantly over short periods of time for no clear reason creates significant investment uncertainty, undermining competition and the intent of the licence requirement.

### The need to ensure that Sydney Water's developer charges allow for competition on a level playing field

It is also important that Sydney Water's developer charges, as included in Sydney Water's DSPs, reflect the full efficient cost of servicing the relevant new development area, consistent with IPART's developer charges determination. This is critical for ensuring that:

- Sydney Water's existing customer base is not paying more than it should (noting that if developer charges are not set to recover the full incremental cost of servicing a new development area as required by IPART's developer charges determination, then the broader customer base will pay more than its fair share of Sydney Water's total system costs);
- Developers know the true costs of servicing development areas so they can factor this into their investment decisions, thus promoting efficient development (i.e., in areas where the benefits of development will exceed its costs); and
- Competition for servicing new development areas can occur on a level playing field between Sydney Water and other potential suppliers of water and wastewater services – which can ultimately lower costs to such development. Competition to service new development areas can enhance innovation and efficiency in service provision over time, to the benefit of all customers.

We are concerned about the level and volatility of Sydney Water's developer charges in some areas in recent times, which do not seem to reflect system constraints previously identified by Sydney Water and therefore do not seem to be cost-reflective. This suggests that IPART may need to have stronger oversight of these charges to ensure they are consistent with its developer charges determination. Currently, the DSPs and developer

charges are subject to public exhibition. However, the broader customer base, which is ultimately the party most adversely impacted by any charges that are inconsistent with IPART's developer charges determination, is generally not engaged in this process.

We therefore suggest that IPART has an important role to play in overseeing Sydney Water's developer charges to ensure they are cost-reflective and consistent with IPART's determination, and therefore that they minimise costs to the broader customer base and promote competition for the supply of services to new development areas.

We also note that Sydney Water has recently been declared the drainage manager authority for new development areas surrounding the Aerotropolis in Western Sydney. Moving forward, we consider the NSW Government should market test such roles to allow WIC Act licensees to potentially compete to supply stormwater, drainage and related services to required standards in such new development areas. We encourage IPART and the NSW Government to consider ways to enhance competition in the supply of water and wastewater services to new development areas - as this could ultimately lower the costs of servicing such areas.

## Our recommendations

Given the issues outlined above, we recommend that IPART amends Sydney Water's Operating Licence to include provisions to:

- 1) Ensure that Sydney Water adequately engages with other parties to achieve economically efficient levels of water conservation, including facilitating secure and certain supply to sewer miners to allow water recycling by WIC Act licensees – consistent with the objective of promoting an economic level of water conservation.
- 2) Ensure that Sydney Water provides access to its network to enable WIC Act licensees to undertake sewer mining (as per current requirements to provide water and wastewater services to WIC Act licensees) and that such access is provided on fair and reasonable terms (which recognise the cost savings to Sydney Water's network), given the importance of supply to WIC Act licensees and the broader recycled water market.
- 3) Ensure that the requirement for Sydney Water to negotiate the provision of 'Services' to WIC Act licensees in Good Faith includes sewer mining arrangements, so that Sydney Water has a duty to negotiate network access to WIC Act licensees consistent with the objectives of the Operating Licence, including the objective of providing services in a way that does not prevent or hinder competition.
- 4) Alter the definition of negotiating in "Good Faith" with WIC Act licensees in the Operating Licence so that Sydney Water cannot use its "own interests" as the basis for not accepting arrangements that may ultimately be in the long-term interests of end-use customers regardless of who supplies them (e.g., reference to "*but not to the extent of Sydney Water subordinating its own interests*" could potentially be replaced with "*but not to the extent of Sydney Water subordinating the interests of its broader customer base*").
- 5) Ensure the information that Sydney Water provides to the market on 'servicing information' (either in its DSPs or published separately) is for a minimum period of 10 years, is sufficiently robust and consistent, to promote investment certainty, and includes:

- a) Current load on the existing infrastructure at a catchment and sub-catchment level;
- b) Current capacity of the existing infrastructure in ETs;
- c) Expected additional load in the catchment over the period of the DSP or Servicing Plan;
- d) Proposed future expenditure on growth, including expected year of spend, how much additional capacity this will add (expressed in ETs) and sufficiently detailed to enable identification of the value of relieving constraints in locations across the DSP.

We also recommend that IPART:

- 6) For sewer mining:
  - a) Clarifies appropriate pricing approaches/methodologies for sewer mining (taking into account the broader system wide benefits of sewer mining, including the avoided costs it can generate), to promote efficient sewer mining in the long-term interests of water customers;
  - b) Reviews Sydney Water's existing sewer mining policy and agreement to ensure it is appropriately balanced, acknowledging the market power of Sydney Water in these arrangements; and
  - c) Establishes a framework, akin to its approach to regulating prices for Sydney Water's recycled water and wholesale services, where IPART is available to arbitrate sewer mining disputes between Sydney Water and sewer miners on the terms and conditions of sewer mining arrangements, including prices, in response to a request by either party.
- 7) Provide enhanced oversight of Sydney Water's developer charges (DSP charges) to ensure they are consistent with the principles and requirements of IPART's developer charges determination – given the key role that cost-reflective developer charges play in promoting efficient development, achieving an appropriate allocation of costs between new development and existing customers and facilitating competition to service new development areas.
- 8) We request that IPART look at ways to ensure that Sydney Water consider all viable options to deliver servicing solutions that provide required services at lowest costs to customers, consistent with IPART's developer charges determination. Especially where developer charges are not reflective of the full incremental cost of servicing new developments and as such contracting with WIC act licences to deliver services to new developments could result in a lower system cost and so cost borne by the existing customer base.
- 9) Work with relevant government agencies and stakeholders to identify other ways to promote competition in the supply of water and wastewater services to new development, to enhance efficiency and innovation in the supply of such services and to ultimately lower costs to serve new development areas.
- 10) Reviews its approach to netting off foregone revenue when determining the avoided water or sewerage costs to be funded by Sydney Water's broader customer base under its recycled water pricing framework for public water utilities, to ensure that recycled water projects that generate a net benefit to the community are not unduly penalised .

**ENDS**

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