



Independent Pricing and Regulatory Tribunal

Sydney Catchment Authority

Water — Draft Determination
? SdZ 201\$



Independent Pricing and Regulatory Tribunal

Sydney Catchment Authority

Draft Determination No. 2, 2012

Contents

Preliminary	1
1 Background	1
2 Application of this determination	1
3 Replacement of Determination No. 3 of 2009	2
4 Monitoring	2
5 Schedules	2
Schedule 1 Water Supply Services to Sydney Water Corporation	3
1 Application	3
2 Categories for pricing purposes	3
3 Maximum price – Plant Operation Period	3
4 Maximum price – Shutdown Period or Restart Period	3
Tables 1, 2 and 3	4
Schedule 2 Water Supply Services to certain councils	5
1 Application	5
2 Maximum price for Water Supply Services to Wingecarribee Shire Council	5
3 Maximum price for Water Supply Services to Shoalhaven City Council	5
4 Maximum price for Water Supply Services to Goulburn Mulwaree Council	5
Tables 4, 5, 6 and 7	6
Schedule 3 Supply of Bulk Raw Water	7
1 Application	7
2 Maximum price for Bulk Raw Water	7
Table 8	8
Schedule 4 Supply of Unfiltered Water	9
1 Application	9
2 Maximum price for Unfiltered Water	9
Tables 9 and 10	10
Schedule 5 Definitions and interpretation	11
1 Definitions	11
2 Interpretation	14
Schedule 6 Statement of reasons why IPART has chosen to set a methodology for fixing a maximum price	16

Preliminary

1 Background

- (a) Section 11 of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) (**IPART Act**) gives the Independent Pricing and Regulatory Tribunal (**IPART**) a standing reference to conduct investigations and make reports to the Minister on the determination of the pricing for a government monopoly service supplied by a government agency specified in schedule 1 of the IPART Act.
- (b) Sydney Catchment Authority (**SCA**) is specified as a government agency in schedule 1 of the IPART Act. The services supplied by SCA declared to be a government monopoly service under the *Independent Pricing and Regulatory Tribunal (Water Supply Services) Order 2000* (**Order**) are:
 - (1) water supply services; and
 - (2) ancillary and miscellaneous services for which no alternative supply exists and which relate to the supply of those water services, (together, the **Monopoly Services**).
- (c) Accordingly, IPART may determine the prices for the Monopoly Services supplied by SCA.
- (d) In investigating and reporting on the pricing of the Monopoly Services, IPART has had regard to a broad range of matters, including the criteria in section 15(1) of the IPART Act.
- (e) In accordance with section 13A of the IPART Act, IPART has fixed a maximum price for the Monopoly Services or has established a methodology for fixing the maximum price. Reasons for IPART's use of a methodology, as required by section 13A(3) of the IPART Act, are set out in schedule 6.
- (f) Under section 18(2) of the IPART Act, SCA may not fix a price below that determined by IPART without the Treasurer's approval.

2 Application of this determination

- (a) This determination fixes the maximum prices (or sets a methodology for fixing the maximum prices) that SCA may charge for the Monopoly Services.
- (b) This determination commences on the later of 1 July 2012 and the date that it is published in the NSW Government Gazette (**Commencement Date**).

- (c) The maximum prices in this determination apply from the Commencement Date to 30 June 2016. The maximum prices in this determination prevailing at 30 June 2016 continue to apply beyond 30 June 2016 until this determination is replaced.

3 Replacement of Determination No. 3 of 2009

This determination replaces Determination No. 3 of 2009 from the Commencement Date. The replacement does not affect anything done or omitted to be done, or rights or obligations accrued, under Determination No. 3 of 2009 before its replacement.

4 Monitoring

IPART may monitor SCA's performance for the purposes of:

- (a) establishing and reporting on the level of SCA's compliance with this determination; and
- (b) preparing a periodic review of pricing policies in respect of the Monopoly Services supplied by SCA.

5 Schedules¹

- (a) Schedule 1 and the tables in that schedule set out the methodology for fixing the maximum prices that SCA may charge Sydney Water Corporation for Water Supply Services.
- (b) Schedule 2 and the tables in that schedule set out the maximum prices that SCA may charge Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council for Water Supply Services.
- (c) Schedule 3 and the table in that schedule set out the maximum prices that SCA may charge a Customer for supplying Bulk Raw Water.
- (d) Schedule 4 and the tables in that schedule set out the maximum prices (and the methodology for fixing the maximum prices) that SCA may charge a Customer for supplying Unfiltered Water.
- (e) Schedule 5 sets out the definitions and interpretation provisions.
- (f) Schedule 6 sets out the reasons why IPART has chosen to set a methodology for fixing a maximum price.

¹ The prices in this draft determination are expressed in \$2012/13. To obtain these prices, IPART has escalated the \$2011/12 prices in the accompanying draft report by the CPI for the March quarter for 2011 to the March quarter for 2012 (**March 2011/12**). As the actual CPI for March 2011/12 is not yet available, IPART has used a forecast CPI of 2.5% for March 2011/12. The prices in the final determination will reflect the actual CPI for March 2011/12.

Schedule 1 Water Supply Services to Sydney Water Corporation

1 Application

This schedule sets out the methodology for fixing the maximum prices that SCA may charge Sydney Water Corporation for Water Supply Services.

2 Categories for pricing purposes

IPART has determined the methodology for fixing the maximum prices for SCA's Water Supply Services to Sydney Water Corporation for two categories:

- (a) when the SDP Plant is in a Plant Operation Period (clause 3); and
- (b) when the SDP Plant is in a Shutdown Period or Restart Period (clause 4).

3 Maximum price – Plant Operation Period

- (a) The maximum price that SCA may charge Sydney Water Corporation for Water Supply Services when the SDP Plant is in a Plant Operation Period is the sum of:
 - (1) the Fixed Availability Charge in Table 1; and
 - (2) the Volumetric Charge in Table 2,for the applicable Period in the relevant table.
- (b) This clause 3 does not apply when the SDP Plant is in a Shutdown Period or Restart Period.

4 Maximum price – Shutdown Period or Restart Period

- (a) The maximum price that SCA may charge Sydney Water Corporation for Water Supply Services when the SDP Plant is in a Shutdown Period or Restart Period is the sum of:
 - (1) the Fixed Availability Charge in Table 1; and
 - (2) the Volumetric Charge in Table 3,for the applicable Period in the relevant table.
- (b) This clause 4 does not apply when the SDP Plant is in a Plant Operation Period.

Tables 1, 2 and 3

Table 1 Fixed Availability Charge to Sydney Water Corporation

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	13,197,344
1 July 2013 to 30 June 2014	13,182,068 x (1 + Δ CPI ₁)
1 July 2014 to 30 June 2015	13,225,321 x (1 + Δ CPI ₂)
1 July 2015 to 30 June 2016	13,229,360 x (1 + Δ CPI ₃)

Table 2 Volumetric Charge to Sydney Water Corporation – When SDP Plant is in Plant Operation Period

Period	Volumetric Charge (\$2012/13, \$ per ML)
Commencement Date to 30 June 2013	99.60
1 July 2013 to 30 June 2014	98.95 x (1 + Δ CPI ₁)
1 July 2014 to 30 June 2015	98.74 x (1 + Δ CPI ₂)
1 July 2015 to 30 June 2016	97.90 x (1 + Δ CPI ₃)

Table 3 Volumetric Charge to Sydney Water Corporation – When SDP Plant is in Shutdown Period or Restart Period

Period	Volumetric Charge (\$2012/13, \$ per ML)
Commencement Date to 30 June 2013	81.21
1 July 2013 to 30 June 2014	80.76 x (1 + Δ CPI ₁)
1 July 2014 to 30 June 2015	80.67 x (1 + Δ CPI ₂)
1 July 2015 to 30 June 2016	80.11 x (1 + Δ CPI ₃)

Schedule 2 Water Supply Services to certain councils

1 Application

This schedule sets out the maximum prices that SCA may charge Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council for Water Supply Services.

2 Maximum price for Water Supply Services to Wingecarribee Shire Council

The maximum price that SCA may charge Wingecarribee Shire Council for Water Supply Services is the sum of:

- (a) the Fixed Availability Charge in Table 4; and
- (b) the Volumetric Charge in Table 7,

for the applicable Period in the relevant table.

3 Maximum price for Water Supply Services to Shoalhaven City Council

The maximum price that SCA may charge Shoalhaven City Council for Water Supply Services is the sum of:

- (a) the Fixed Availability Charge in Table 5; and
- (b) the Volumetric Charge in Table 7,

for the applicable Period in the relevant table.

4 Maximum price for Water Supply Services to Goulburn Mulwaree Council

The maximum price that SCA may charge Goulburn Mulwaree Council for Water Supply Services is the sum of:

- (a) the Fixed Availability Charge in Table 6; and
- (b) the Volumetric Charge in Table 7,

for the applicable Period in the relevant table.

Tables 4, 5, 6 and 7

Table 4 Fixed Availability Charge to Wingecarribee Shire Council

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	23,010.01
1 July 2013 to 30 June 2014	$23,010.01 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$23,010.01 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$23,010.01 \times (1 + \Delta CPI_3)$

Table 5 Fixed Availability Charge to Shoalhaven City Council

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	561.22
1 July 2013 to 30 June 2014	$561.22 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$561.22 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$561.22 \times (1 + \Delta CPI_3)$

Table 6 Fixed Availability Charge to Goulburn Mulwaree Council

Period	Fixed Availability Charge (\$2012/13, \$ per month)
Commencement Date to 30 June 2013	2,806.10
1 July 2013 to 30 June 2014	$2,806.10 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$2,806.10 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$2,806.10 \times (1 + \Delta CPI_3)$

Table 7 Volumetric Charge to Wingecarribee Shire Council, Shoalhaven City Council, and Goulburn Mulwaree Council

Period	Volumetric Charge (\$2012/13, \$ per ML)
Commencement Date to 30 June 2013	202.04
1 July 2013 to 30 June 2014	$202.04 \times (1 + \Delta CPI_1)$
1 July 2014 to 30 June 2015	$202.04 \times (1 + \Delta CPI_2)$
1 July 2015 to 30 June 2016	$202.04 \times (1 + \Delta CPI_3)$

Schedule 3 Supply of Bulk Raw Water

1 Application

This schedule sets out the maximum prices that SCA may charge a Customer for supplying Bulk Raw Water.

2 Maximum price for Bulk Raw Water

The maximum price that SCA may charge a Customer for supplying Bulk Raw Water is the Volumetric Charge in Table 8 for the applicable Period in that table.

Table 8

Table 8 Volumetric Charge for Bulk Raw Water

Period	Volumetric Charge (\$2012/13, \$ per kL)
Commencement Date to 30 June 2013	0.65
1 July 2013 to 30 June 2014	$0.65 \times (1 + \Delta\text{CPI}_1)$
1 July 2014 to 30 June 2015	$0.65 \times (1 + \Delta\text{CPI}_2)$
1 July 2015 to 30 June 2016	$0.65 \times (1 + \Delta\text{CPI}_3)$

Schedule 4 Supply of Unfiltered Water

1 Application

This schedule sets out the maximum prices that SCA may charge a Customer for supplying Unfiltered Water.

2 Maximum price for Unfiltered Water

The maximum price that SCA may charge a Customer for supplying Unfiltered Water is the sum of the Fixed Availability Charge in Table 9 for the service connection size and the Volumetric Charge in Table 10, each for the applicable Period in the relevant table.

Tables 9 and 10

Table 9 Fixed Availability Charge for Unfiltered Water

Service connection size	Commencement Date to 30 June 2013	Fixed Availability Charge (\$2012/13, \$ per month)		
		1 July 2013 to 30 June 2014	1 July 2014 to 30 June 2015	1 July 2015 to 30 June 2016
20mm	98.40	$98.40 \times (1 + \Delta\text{CPI}_1)$	$98.40 \times (1 + \Delta\text{CPI}_2)$	$98.40 \times (1 + \Delta\text{CPI}_3)$
25mm	153.75	$153.75 \times (1 + \Delta\text{CPI}_1)$	$153.75 \times (1 + \Delta\text{CPI}_2)$	$153.75 \times (1 + \Delta\text{CPI}_3)$
30mm	221.40	$221.40 \times (1 + \Delta\text{CPI}_1)$	$221.40 \times (1 + \Delta\text{CPI}_2)$	$221.40 \times (1 + \Delta\text{CPI}_3)$
32mm	251.90	$251.90 \times (1 + \Delta\text{CPI}_1)$	$251.90 \times (1 + \Delta\text{CPI}_2)$	$251.90 \times (1 + \Delta\text{CPI}_3)$
40mm	393.60	$393.60 \times (1 + \Delta\text{CPI}_1)$	$393.60 \times (1 + \Delta\text{CPI}_2)$	$393.60 \times (1 + \Delta\text{CPI}_3)$
50mm	615.00	$615.00 \times (1 + \Delta\text{CPI}_1)$	$615.00 \times (1 + \Delta\text{CPI}_2)$	$615.00 \times (1 + \Delta\text{CPI}_3)$
80mm	1,574.40	$1,574.40 \times (1 + \Delta\text{CPI}_1)$	$1,574.40 \times (1 + \Delta\text{CPI}_2)$	$1,574.40 \times (1 + \Delta\text{CPI}_3)$
100mm	2,460.00	$2,460.00 \times (1 + \Delta\text{CPI}_1)$	$2,460.00 \times (1 + \Delta\text{CPI}_2)$	$2,460.00 \times (1 + \Delta\text{CPI}_3)$
150mm	5,535.00	$5,535.00 \times (1 + \Delta\text{CPI}_1)$	$5,535.00 \times (1 + \Delta\text{CPI}_2)$	$5,535.00 \times (1 + \Delta\text{CPI}_3)$
200mm	9,840.00	$9,840.00 \times (1 + \Delta\text{CPI}_1)$	$9,840.00 \times (1 + \Delta\text{CPI}_2)$	$9,840.00 \times (1 + \Delta\text{CPI}_3)$
>200mm	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400	(Meter size) ² x (20mm Fixed Availability Charge) ÷ 400

Table 10 Volumetric Charge for Unfiltered Water

Period	Volumetric Charge (\$2012/13, \$ per kL)
Commencement Date to 30 June 2013	1.11
1 July 2013 to 30 June 2014	$1.11 \times (1 + \Delta\text{CPI}_1)$
1 July 2014 to 30 June 2015	$1.11 \times (1 + \Delta\text{CPI}_2)$
1 July 2015 to 30 June 2016	$1.11 \times (1 + \Delta\text{CPI}_3)$

Schedule 5 Definitions and interpretation

1 Definitions

1.1 General definitions

In this determination:

Bulk Raw Water means water that has not been treated in any way.

Commencement Date has the meaning given to that term in clause 2(b) of the *Preliminary* section of this determination.

Customer means a person to whom SCA supplies water, other than:

- (a) Sydney Water Corporation;
- (b) Goulburn Mulwaree Council;
- (c) Shoalhaven City Council; and
- (d) Wingecarribee Shire Council.

Desalinated Water means desalinated water produced at the SDP Plant which is suitable for the purposes specified in SDP's network operator's licence and retail supplier's licence granted under the *Water Industry Competition Act 2006* (NSW).

Fixed Availability Charge means a fixed charge imposed by SCA for making water available for supply to a person, irrespective of the amount of water consumed by that person.

Goulburn Mulwaree Council means the Goulburn Mulwaree Council as constituted under the *Local Government Act 1993* (NSW).

GST has the meaning given to that term in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

IPART Act has the meaning given to that term in clause 1(a) of the *Preliminary* section of this determination.

IPART has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination, being the Independent Pricing and Regulatory Tribunal of New South Wales established under the IPART Act.

kL means kilolitre or one thousand litres.

ML means megalitre or one million litres.

Monopoly Services has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination.

Order has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination, and published in Gazette No. 22 dated 11 February 2000.

Period means the Commencement Date to 30 June 2013, 1 July 2013 to 30 June 2014, 1 July 2014 to 30 June 2015, or 1 July 2015 to 30 June 2016 (as the case may be).

Plant Operation Period means a period in which the SDP Plant is:

- (a) producing Desalinated Water, and that Desalinated Water is being supplied by SDP to a customer of SDP; or
- (b) Shutdown for less than 2 days.

Restart Period means a period:

- (a) beginning on the day of recommencement of the production of Desalinated Water at the SDP Plant following a Shutdown Period; and
- (b) ending on the day before the first day that Desalinated Water is produced by the SDP Plant and supplied by SDP from the SDP Plant to a customer of SDP after that Shutdown Period.

SCA has the meaning given to that term in clause 1(b) of the *Preliminary* section of this determination, being the Sydney Catchment Authority constituted as a corporation under the *Sydney Water Catchment Management Act 1998* (NSW).

SDP means Sydney Desalination Plant Pty Limited (ACN 125 935 177).

SDP Plant means the water industry infrastructure covered by SDP's network operator's licence granted under the *Water Industry Competition Act 2006* (NSW).

Shoalhaven City Council means the Shoalhaven City Council as constituted under the *Local Government Act 1993* (NSW).

Shutdown means when the SDP Plant:

- (a) is not producing Desalinated Water; or
- (b) is producing minimal quantities of Desalinated Water for the sole purpose of maintaining the SDP Plant (including the SDP Plant's membranes).

Shutdown Period means a period of 2 or more days for which the SDP Plant is Shutdown.

Sydney Water Corporation means the Sydney Water Corporation constituted as a corporation under the *Sydney Water Corporation Act 1994* (NSW).

Unfiltered Water means water that has been treated for quality, whether by chemical treatment or otherwise but not treated at a water filtration plant.

Volumetric Charge means a charge imposed by SCA for water supplied by SCA to a person where the charge is based on the amount of water supplied to that person.

Water Supply Services means the water supply services referred to in paragraph 2(a) of the Order, and includes the supply of Bulk Raw Water and Unfiltered Water.

Wingecarribee Shire Council means the Wingecarribee Shire Council as constituted under the *Local Government Act 1993* (NSW).

1.2 Consumer Price Index

$$(a) \Delta CPI_1 = \left(\frac{AdjustedCPI_{March2013}}{AdjustedCPI_{March2012}} \right) - 1$$

$$\Delta CPI_2 = \left(\frac{AdjustedCPI_{March2014}}{AdjustedCPI_{March2012}} \right) - 1$$

$$\Delta CPI_3 = \left(\frac{AdjustedCPI_{March2015}}{AdjustedCPI_{March2012}} \right) - 1$$

each as calculated and notified by IPART, where:

- (1) AdjustedCPI means CPI less Carbon Price Impact;
- (2) CPI means the consumer price index, All Groups index number for the weighted average of eight capital cities as published by the Australian Bureau of Statistics, or if the Australian Bureau of Statistics does not or ceases to publish the index, then CPI will mean an index determined by IPART;
- (3) Carbon Price Impact means:
 - (A) the impact of the Carbon Price on the CPI as estimated and published by the Australian Bureau of Statistics; or
 - (B) if the Australian Bureau of Statistics does not publish an estimate of the impact of the Carbon Price on the CPI, the impact of the Carbon Price on the CPI as estimated and published by the Reserve Bank of Australia; or

- (C) if neither the Australian Bureau of Statistics nor Reserve Bank of Australia has published an estimate of the impact of the Carbon Price on the CPI, the impact of the Carbon Price on the CPI as published by the Commonwealth Treasury in *Strong growth, low pollution: modelling a carbon price - update* (2011), Commonwealth Treasury, or as updated from time to time; and
- (4) Carbon Price means the carbon price scheme implemented under the *Clean Energy Act 2011* (Cth).
- (b) The subtext (for example ^{March2013}) when used in relation to the AdjustedCPI in paragraph (a) above refers to the each of the CPI and Carbon Price Impact for the quarter and year indicated (in the example, the March quarter for 2013).

2 Interpretation

2.1 General provisions

In this determination:

- (a) headings are for convenience only and do not affect the interpretation of this determination;
- (b) a reference to a schedule, annexure, clause or table is a reference to a schedule or annexure to, clause of, or table in, this determination unless otherwise indicated;
- (c) words importing the singular include the plural and vice versa;
- (d) a reference to a law or statute includes regulations, rules, codes and other instruments under it and consolidations, amendments, re-enactments or replacements of them;
- (e) where a word is defined, other grammatical forms of that word have a corresponding meaning;
- (f) a reference to a day is to a calendar day;
- (g) a reference to a person:
 - (1) includes any company, partnership, joint venture, association, corporation, other body corporate or government agency; and
 - (2) includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation), replacements and assigns; and
- (h) a reference to a body, whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

2.2 Explanatory notes and clarification notice

- (a) Explanatory notes do not form part of this determination, but in the case of uncertainty may be relied on for interpretation purposes.
- (b) IPART may publish a clarification notice in the NSW Government Gazette to correct any manifest error in this determination. Such a clarification notice is taken to form part of this determination.

2.3 Prices exclusive of GST

Prices or charges specified in this determination do not include GST.

2.4 SCA's billing cycle

For the avoidance of doubt nothing in this determination affects when SCA may issue a bill to a Customer for prices or charges under this determination.

Schedule 6 Statement of reasons why IPART has chosen to set a methodology for fixing a maximum price

Under section 13A of the IPART Act, IPART may set maximum prices or may determine a methodology for setting maximum prices.

In Schedule 1 of this determination, IPART has employed a methodology for fixing the maximum prices that SCA may charge Sydney Water Corporation for Water Supply Services. The methodology addresses the risk that SCA will under-recover revenue if its sales to Sydney Water Corporation differ significantly from IPART's sales forecasts. SCA's sales to Sydney Water Corporation may be affected by Sydney Water Corporation's arrangements to purchase water from the SDP Plant. When the SDP Plant is operating,² it has the capacity to supply up to 90GL of Sydney Water Corporation's annual water needs. This will reduce SCA's sales to Sydney Water Corporation.

The methodology in Schedule 1 provides for a different price to apply when the SDP Plant is operating, and when it is shutdown or restarted (following a shutdown). The difference in prices compensates SCA for reduced sales to Sydney Water Corporation, when it purchases water from the SDP Plant.

IPART considers that this methodology is appropriate for addressing the revenue risk to SCA and the uncertainty regarding the operation of the SDP Plant. IPART considers that it would be impractical to make a determination that directly fixes the maximum prices as different prices will apply depending on whether the SDP Plant is operating.

² Under the 2010 Metropolitan Water Plan operating rules, the SDP Plant will operate at full capacity when dam levels fall below 70%, and will continue to do so until dam levels reach 80%.