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WHAT

The *Water Industry Competition Act 2006* (WIC Act) provides for private sector participation and competition in the NSW water and wastewater industry.

To facilitate this, infrastructure services can be 'declared' under the WIC Act, meaning that a third party must be granted access to these services subject to certain criteria and the establishment of an access agreement or determination.

Under the WIC Act, the provider of a declared service must develop a cost allocation manual, which sets out the basis on which the service provider will establish and maintain separate cost accounts for each of its declared services.

We have published a *Cost allocation guide* (the Guide) to assist service providers in preparing cost allocation manuals. We consulted with stakeholders and received submissions on a draft version of the Guide. These submissions are available on our website www.ipart.nsw.gov.au, along with our Guide and an information paper which outlines our responses to stakeholder comments.

We may update the Guide from time to time, in which case we will again consult with stakeholders.

WHY

Our Guide aims to assist providers of declared services in preparing cost allocation manuals that would serve the purposes of:

- ▼ improving transparency and helping overcome information asymmetry between the service provider and potential access seekers, in order to facilitate the commencement of negotiations on access terms
- ▼ supporting access prices that would lead to appropriate incentives for entry in services potentially open to competition, and be in the long-term interest of end users, and
- ▼ assisting an arbitrator (eg, IPART) if requested to arbitrate a dispute over access terms.

WHO

Sydney Water is currently the only provider of declared services. Hunter Water's area of operation is also covered under the WIC Act, but none of Hunter Water's services have been declared so far.

Other key stakeholders include potential access seekers and potential new suppliers of water and wastewater services.