

18 December 2017

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 how the service provider will establish and maintain separate cost accounts for each of its declared services.

We have released a Draft Cost Allocation Guide¹ to assist service providers in developing their cost allocation manuals. We are seeking input from stakeholders on all aspects of our Draft Cost Allocation Guide.

WHY

Our Draft Cost Allocation Guide aims to assist providers of declared services in developing cost allocation manuals that best serves 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

¹ This supersedes the draft cost allocation guide we published in 2008.

- ▼ assisting an arbitrator (eg, IPART) if requested to arbitrate a dispute over access terms, and
- ▼ helping ensure that costs allocated to declared services reflect efficient, attributable costs, to allow for efficient new entry and competition in the supply of upstream and downstream services (eg, retail and treatment services).

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.

WHAT NEXT

Submissions from stakeholders are sought by Monday, 29 January 2018. Submissions can be made electronically or by mail. See our website www.ipart.nsw.gov.au or page iii of the draft cost allocation guide for more information on how to make a submission.

We intend to publish the final version of our cost allocation guide by mid-March 2018.