

Sydney Desalination Plant

Indicative bill impact for Sydney Water customers

19 December 2018

With dam levels approaching the 60% trigger point for turning on the desalination plant, it may be called into operation this 2018-19 summer. The resulting increase to annual residential water bills in Sydney would be in the order of \$25 to \$35, which covers most possible outcomes. Customers are unlikely to experience this bill increase until 2019-20, the following financial year, when the desalination plant would reach full production (250 ML per day, on average). The bill increase would be paid through a \$0.12 per kilolitre increase in water usage charges and an adjustment to water service charges.

In practice, the precise bill impact for customers will depend on a number of variables, including the date the plant begins ramping up, the date full operation is reached, how long the plant operates for, and how much water customers use. IPART sets the desalination plant's prices to Sydney Water to reflect the prudent and efficient costs of maintaining and operating the plant, and allows Sydney Water to recover these costs through its prices to water customers.

In 2017, for illustrative purposes, we modelled the cost of the desalination plant for a typical Sydney Water customer based on one year¹ at full production (250 ML per day). Under this simplified scenario, we calculated that a typical Sydney Water residential customer would be paying around \$85 to meet the fixed costs of the plant in shutdown mode, and an additional \$45 to meet one-off start-up costs and ongoing costs of operating the plant if it were called into operation.

Given Sydney Water's current prices, we now estimate the annual increase to residential water bills in Sydney would be in the order of \$25 to \$35 from around mid-2019, if the desalination plant were to commence ramping up this 2018-19 summer.

¹ From 1 July until 30 June of the following year.