# Sydney Desalination Plant – Draft Methodology Paper

**IPART**
Independent Pricing and Regulatory Tribunal
New South Wales

## WHAT

IPART's Terms of Reference require us to apply energy adjustment (EAM) and efficiency carryover mechanisms (ECM) when setting SDP's maximum prices.

We have updated the methodology for the EAM and ECM, as detailed in our Draft 2017 Methodology Paper. For the EAM, we propose:

▼ Increasing SDP's share of gains and losses outside the core band on its sale of surplus energy (from 10% to 20%).

▼ Assessing if SDP's approach to managing energy is **prudent**. Previously we assessed if SDP was not '**manifestly imprudent**.'

These changes would apply at future SDP price reviews (ie, from 1 July 2022).

## WHY

The mechanisms influence how **risks** and **rewards** are shared between SDP and its customers. We have updated the EAM to **improve SDP's incentives to prudently manage its surplus energy**. We have clarified how the ECM provides SDP with appropriate incentives to **deliver permanent efficiency savings that benefit customers through lower prices**.

## HOW

Our review of the 2012 Methodology Paper has followed IPART's established price review process.

In developing our Draft 2017 Methodology Paper, we have considered feedback received from stakeholders, including through SDP's pricing proposal, other stakeholder submissions, and views expressed at the Public Hearing in December 2016.

We also engaged consultants to assist in our review of the 2012 EAM and ECM.

## WHEN

The key dates for this review are:

▼ 18 April 2017 - Submissions due on Draft 2017 Methodology Paper.

▼ June 2017 – IPART releases Final 2017 Methodology Paper.

## WHAT NEXT

We are seeking your views on our draft decisions by 18 April 2017. We prefer submissions via our online form. You can also send comments by fax to (02) 9290 2061 or by mail to:

**Review of Methodology Paper for SDP**
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Unless they are identified as confidential, we plan to put all submissions on our website soon after the closing date.