

Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

Via IPART submissions portal

CC: Jean-Marc Kutschukian, Director, IPART

12 October 2018

Dear Sir/Madam,

**Re: REVIEW OF PRICING ARRANGEMENTS FOR RECYCLED WATER AND RELATED SERVICES FOR
PUBLIC WATER UTILITIES**

The Green Building Council of Australia (GBCA) welcomes the opportunity to provide feedback on the review of pricing arrangements for recycled water and related services for Sydney Water, Hunter Water, the Central Coast Council and Essential Energy.

Our particular interest in this review lies with solutions for greater transparency, market access and contestability, enabling new servicing approaches which can drive sustainable and affordable models for water management. We are concerned that IPART is progressing an overly limited and selective notion of competition and transparency in water markets.

The GBCA represents the interests of more than 600 member organisations across the spectrum of Australia's property and construction sector. We are a proponent of next generation utilities which can have the transformative potential to drive more productive, efficient, resilient infrastructure across Australia. The delivery of these projects supports many public good outcomes sought by IPART in its regulatory capacity. These include consumer choice, energy affordability, resource productivity and efficiency, emissions reduction and market innovation.

The GBCA has a number of principle concerns with this review.

Firstly, we note that the review is being progressed at a time when the NSW Department of Planning and Environment is considering recommendations from Infrastructure NSW's review of barriers to affordable recycled water schemes. We are concerned that this review will pre-empt the findings from the INSW review, which have yet to be presented to industry and is likely to have implications for the IPART review.

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Secondly, noting the comment above, we are keen to ensure that NSW regulatory system can facilitate a competition-driven approach to investing in recycled water schemes. The current retail-minus framework is increasing the cost of recycled water schemes and therefore creating significant barriers to private investment – at a time when more local recycled water schemes should be encouraged through market settings. The GBCA would like to see pricing arrangements for recycled water that encourages the adoption of more innovative water solutions, such as integrated water management (IWM) or precinct based approaches. These models can provide a more efficient, adaptive and sustainable alternative to large centralised water infrastructure systems and their benefits are already being seen in a number of projects including those at Central Park, Barangaroo and Green Square. The lack of genuine attention to these longer term considerations within a number of reviews conducted by the NSW Government in recent months, including this and the recent review of Sydney Water’s Operating Licence, is a missed opportunity. The GBCA urges the NSW Government to show greater leadership in water markets, similar to how AEMO is starting to engage with new regulatory thinking around a two-way energy market that will prepare for a prosumer future.

To help transition towards a more innovative, efficient and integrated water supply, we urge IPART to consider the following recommendations to ensure that NSW can benefit from next generation utilities and services:

- 1) Establish an independent market operator to set frameworks to transition from existing centralised approaches to a new competitive IWM market, including:
 - Defining IWM and how it applies to water management of new precincts
 - Rules of engagement, information and guidance for councils, stakeholders and industry.

The aim of the IMO would be to deliver faster and more affordable connections to new developments, provide reliable supply and provide new rules of engagement between centralised and precinct scale solutions, providing a level playing field and ensuring innovative approaches are implemented if essential. The IMO would also be able to oversee and review inter-utility agreements, and help to plan for new water infrastructure independently and transparently. It can facilitate greater competition by establishing frameworks for the WIC Act to contest for water services in new growth areas.

- 2) Establish a new framework under which wholesale prices are based on the efficient cost of delivering the services actually supplied. Open Cities, a new peak body for providers of next generation utilities asserts that the retail minus approach introduced earlier this year has increased the cost of recycled water scheme operations by up to 1200 per cent in urban developments.
- 3) Consider a pricing framework that incorporates the external benefits delivered by IWM, including increased water security, avoided pollution from sewage discharge, and any avoided augmentation of centralised infrastructure.

- 4) Explore ways to raise the minimum standards for recycled water and remove outdated laws which restrict its use, for example as environmental flows or for water features. Investigate opportunities for using recycled water in new developments.
- 5) Allow for next generation providers to bid for water management and servicing solutions and services in new growth areas in the competitive open market, by changing the premise that Sydney Water and Hunter Water have an exclusive 'obligation to serve', but that customers can be served also by Water Industry Competition Act (WIC Act) licensed operators.
- 6) Commit to and enforce existing targets including Clause 27 of the *Sydney Water Act*, to deliver zero wastewater ocean outfall.
- 7) Enable licensed recycled water businesses to access surplus wastewater to treat and use. The emerging recycled water market can provide affordable alternatives to treating this wastewater for the generation of high quality recycled water, to meet up to 70 per cent of the community's daily needs along with complementary waste to energy from the organic by-products of the wastewater.
- 8) Require Sydney Water to both provide and facilitate through WIC Act, water to enhance liveability and wellbeing including increased greening and canopy cover, to mitigate urban heat island effect, and for environmental flows.
- 9) Remove outdated planning, environmental and building policy, regulatory and legislative barriers restricting the use of recycled water and stormwater by:
 - Defining IWM as low impact, rather than high impact.
 - Recognising that high quality recycled water can and should be allowed to form part of responsible IWM without unnecessary red-tape from out-dated legislation.
 - Enabling recycled water utilities to manage parkland and amenity as part of the water balance.
 - Modernising outdated water definitions, methodologies and assumptions relied on for water and sewer investment decision-making.
 - Explore requirements relating to recycled water connection and supply in all homes and developments built in approved areas of operation.
- 10) Support Sydney Water in establishing a vehicle to represent industry and the community so they are able to respond to reviews of Sydney Water. More meaningful engagement would lead to better outcomes for all.

The GBCA believes that in order to deliver an innovative, efficient and integrated water supply our approach to planning, delivering, managing and pricing water services need to change. IPART has an

opportunity through this review to begin the transition, driving more sustainable and affordable approaches to water management and putting lasting downward pressure on bills.

Should you wish to discuss these recommendations in more detail, please contact Sandra Qian, Senior Advisor – Policy and Government Relations at sandra.qian@gbca.org.au.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Jonathan Cartledge', written in a cursive style.

Jonathan Cartledge
Head of Public Affairs