

Prices for wholesale water and sewage services
Independent Pricing and Regulation Tribunal
PO BOX K35
Haymarket Post Shop
NSW 1240

Submitted via IPART submissions portal

5 May 2017

Dear Madam/Sir

Re: Prices for wholesale water and sewerage services: Supplementary Draft Report

The Supplementary Draft Report on prices for wholesale water and sewerage services demonstrates both how critical it is that we have a comprehensive review of the water sector, and how counterproductive an isolated regulatory review can be in reducing competition, innovation and consumer benefit.

Further to our previous submissions, the GBCA has serious concerns that applying the draft 'retail-minus tariff' determination will discourage private investment in innovative water solutions, and put some of the state's most innovative water operations out of business.

The Supplementary Draft Report observes clearly how restricted IPART is in this review, and fully demonstrates that IPART is not unwilling, but unable to consider those broader issues critical to delivering its objectives to support competition and consumer benefit.

The Supplementary Draft Report, observes that stakeholders (including the GBCA) argued that in its pricing decisions IPART should better recognise community demand for more innovative solutions, but notes these considerations fall out outside the scope of this review as they are not reflected in current legislation and regulatory requirements particularly as they relate to the pricing of recycled water and IWCM.

The supplementary draft report also observes, in the context of the narrow focus exercised through this review, that a number of stakeholders (including the GBCA) have called for a broader review of the water sector, with a view to removing impediments to competition: *'we agree that it is important that all unnecessary impediments to competition in the water industry are removed and that, where necessary, policy and regulatory settings should be adjusted. We also agree that competition in the water industry extends beyond wholesale pricing.'*

Unfortunately, and with potentially catastrophic effect, the conclusion is then drawn, without appropriate exploration or justification, and in conflict with the feedback received, that: *'we do not consider that our current review of wholesale pricing should be put on hold or delayed until a broader review of the water industry occurs. Our current review of wholesale prices and a broader industry review are not mutually exclusive.'*

This conclusion fatally ignores the broader, long-term negative impacts on competition of the conclusions IPART has reached, in isolation, on pricing through this review. As observed in our earlier submissions, the proposed wholesale price determination puts the future of the water recycling market at risk by dramatically increasing costs for water recycling schemes.

It is not within the remit of this review to pick-up these considerations, so the full extent of the damage that will be caused is naturally not reflected in the draft Report.

For these reasons, it is imperative that any determinations agreed through this review are put on hold pending a more comprehensive review of the water sector that is able to deliver both IPART's and the Government's objectives to deliver greater competition, innovation and consumer benefit.

Yours sincerely



Jonathan Cartledge
Head of Public Affairs