

WIC Act licensees and potential competitors relationships report

This report relates to the provision of information and services to licensees under the *Water Industry Competition Act 2006* (the WIC Act) and potential competitors in 2023-24.

Introduction

The 2019-2024 Operating Licence has requirements relating to the provision of information and services to licensees under the WIC Act and potential competitors, as well as a requirement on Sydney Water to negotiate in good faith with these parties.

Under clause 6.1.1 of our current Operating Licence Reporting Manual, each year we must report on the:

- the number of agreements for the provision of services established with WIC Act licensees and potential competitors
- the number of negotiations for the provision of services commenced with WIC Act licensees potential competitors that did not eventuate in an agreement and, where known to Sydney Water, the reasons for this outcome
- the type of information WIC Act licensees and potential competitors requested in addition to information that is publicly available
- the time taken for Sydney Water to respond to requests for provision of information or services and a timeline of each negotiation Sydney Water undertook with WIC Act licensees and potential competitors (both successful and those that did not eventuate in an agreement), including reasons for any significant delays to those negotiations.

If there are no negotiations with, or requests for information from, or agreements reached with, WIC Act licensees or potential competitors in the financial year, the report must state that to be the case. Information about each of these areas is outlined below.

We understand the intention of this report is to capture requests for servicing information that is not publicly available and/or requests for negotiations for the provision of new services.

We communicate on a regular basis with WIC Act licensees that we have existing agreements with for the provision of services. This communication is of a transactional and/or operational nature in relation to the existing agreement. We have not included information about these interactions in this report.

Agreements for the provision of services

No new agreements for the provision of services were established with WIC Act licensees or potential competitors in 2023-24.

Negotiations for the provision of services

In 2023-24, Sydney Water commenced or continued discussions with several different WIC Act licensees, potential competitors and related entities (for example Local Councils and the NSW Government) relating to the terms and conditions of potential future agreements for the provision of services. While the majority of requests relate to provision of new wholesale and sewer mining services, other requests have a broader context to inform future retail price decisions and Government policy. During the reporting period these related to:

- **Rosehill Camellia recycled water scheme** discussions with the Licensees and Conexa regarding options to improve value from the scheme.
 - **Extension of recycled water agreement** – negotiations between July 2023 – Sep 2023- Conexa proposed high-level terms to extend the existing recycled water agreement with the intention of accessing effluent to produce recycled water for supply to the downstream Sydney Olympic Park Authority (SOPA) scheme. Sydney Water's Board determined that to further extend the scope of the contract was untenable due to financial and operational risk.
 - **Long-term secondary effluent supply** – negotiations between Sep 2023- March 2024 - Conexa requested a long term secondary effluent supply agreement for 20 years from 2031. Sydney Water concluded that commitment could only be made on their current recycled water demand however, that planning for both Malabar plant upgrades and a potential purified recycled water scheme limits our ability to make a long-term commitment to meet Conexa's requirements.
 - **Sewer mining agreement - March 2024 (ongoing)** – Sydney Water began discussions with Conexa for a sewer mining agreement (no recourse basis to Sydney Water) to ensure access to wastewater from 2031 to support recycled water investment confidence, while satisfying both Sydney Water's planning and customer requirements.
- **Sydney Olympic Park Authority (SOPA)** discussions about the potential transfer of the Water Reclamation & Management Scheme (WRAMS) to Sydney Water to service existing and potential future recycled water customers.
- **Sydney Water participation in SOPA recycled water expression of interest process (EOI) – Jan 2024** - Sydney Water participated in the EOI and indicated that it could provide potable top-up to SOPA until such time that it may have recycled water being supplied from Camellia WRRF. This position was not acceptable to SOPA and Sydney Water did not move forward in the EOI process.
- **Sydney Desalination Plant Pty Limited (SDP P/L)** ongoing negotiations with regular meetings to amend policy and contractual arrangements (under the Greater Sydney Water Strategy) to facilitate flexible operation as a weather independent supply source and associated contractual amendments relating to the Operating Licence and the Water Supply Agreement.
- **SDP P/L regarding the expansion** negotiations of the Sydney Desalination Plant under the terms of the Security of Water Deed between SDP P/L and (Department of Climate Change, Energy, the Environment and Water) DCCEEW. Sydney Water is supporting the

State's negotiations as well as directly working with SDP P/L regarding amendments to the Water Supply Agreement on ongoing operational impacts of the expansion.

- **Altogether Pty Ltd – Wholesale wastewater services at Glossodia.** Altogether would like to connect to Sydney Water's network to temporarily discharge effluent from their scheme, however the network in this location is at capacity.
- **Conexa – Wholesale water and wastewater services at Appin.** Conexa has requested to negotiate price terms and conditions for a Walkers development at Appin which includes transport, treatment and disposal of excess recycled water.
- **Conexa – request for preliminary information regarding sewer mining or supply of recycled water options at Quaker's Hill**
- **Sutherland Council – Planning Proposal notification for Besmaw in Cronulla.** Council request for Sydney Water comment on a proposal to connect a development to wholesale water services.

Type of information requested

Sydney Water continues to fulfil its obligations under our clause 8.2.1 of the 2019-2024 Operating Licence to publish 10 years of servicing information for each of our major water and wastewater systems. This information is available on Sydney Water's website.

In the past 12 months, Sydney Water has also published a set of Development Servicing Plans (DSPs) which were registered with IPART in December 2023. The DSPs set out the information we have used to calculate infrastructure contribution prices for new connections in each DSP area, including estimates of future demand (expressed as equivalent tenements) and the infrastructure investments over a 10-year period (to 2031) needed to enable future connections.

On 11 December 2023, Conexa sent an email requesting copies of the draft DSPs that had been published for public comment between April and July 2023. Sydney Water provided the requested information by return email on 12 December 2023. Apart from this, Sydney Water has not received any requests from competitors or potential competitors for information, documentation, or briefings on any of the servicing information we have published for the purposes of clause 8.2.1 or for the DSPs.

Rather, and as noted above, the type of information requested by actual or potential competitors during 2023-24 has related to price and non-price terms and conditions for specific wholesale services and sewer-mining agreements.

Response to requests for information or provision of services

Below we outline the timeline for all information requests and negotiations we have conducted with competitors and potential competitors during the 2023-24 financial year.

- On 11 December 2023, **Conexa** sent an email requesting copies of the draft DSPs that had been published for public comment between April and July 2023. Sydney Water provided the requested information by return email on 12 December 2023.
- Timeline for negotiations with the Licensees of the **Rosehill Camelia recycled water scheme and Conexa**

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- **Extension of recycled water agreement - July 2023 – Nov 2023**
 - July 2023 (various) – preliminary discussions held on high-level principles for extension.
 - 11 September 2023 – Conexa shared and discussed key principles in a document with Sydney Water.
 - 26 September 2023 – Sydney Water provided Conexa with feedback that it does not support an extension of the recycled water agreement but remains open to potential secondary effluent supply and sewer mining agreements.
- **Long-term secondary effluent supply - Nov 2023 - March 2024**
 - 26 September 2023 – Conexa proposed principles of a future secondary effluent supply agreement with Sydney Water.
 - 19 December 2023 – Sydney Water provided Conexa with feedback on the terms of the proposed agreement.
 - 15 January 2024 – Conexa provided feedback to Sydney Water on proposed terms.
 - 20 February 2024 – Sydney Water provided revised view of secondary effluent supply terms.
 - 1 March 2024 – Conexa indicated to Sydney Water they would seek IPART to arbitrate on the matter.
 - 19 March 2024 – Conexa and Sydney Water agreed to move forward with negotiating a sewer mining agreement.
- **Sewer mining agreement - March 2024 (ongoing)**
 - 27 March 2024 – Sydney Water provided sewer mining agreement template to Conexa for comment.
 - 21 June 2024 – Conexa provided comments to Sydney Water on sewer mining template.
- Timeline for negotiations with **Sydney Olympic Park Authority (SOPA)** about the potential transfer of ownership of the Water Reclamation & Management Scheme (WRAMS)
 - **Transfer of WRAMS assets to Sydney Water – July 2023 to Nov 2023 –**
 - 11 Oct 2023 – Sydney Water informed SOPA we would agree to the proposed transfer of WRAMS assets.
 - SOPA indicated that EOI would go to market during Nov 2023 for recycled water services.
 - **Sydney Water participation in SOPA recycled water expression of interest process (EOI) –**
 - 2 Feb 2024 – Sydney Water formally submitted their EOI response.
 - 23 April 2024 – SOPA formally replied to Sydney Water on not moving forward with Sydney Water on the EOI process.
 - **Provision of Services Agreement –** Sydney Water continues to respond to requests in relation to negotiating a new agreement, network information and potable water usage data.

- **Timeline for discussions with Sydney Desalination Plant Pty Limited (SDP P/L) for the SDP Expansion**
 - Notice of Intention to Expand (NIE) phase October – December 2023: discussions regarding process controls for the expansion and a high-level risk workshop (6 November).
 - Preliminary Expansion Plan Clarification Phase December 2023 – February 2024: Standing weekly meetings and formal Request for Confirmation (RFC) process to clarify and resolve any outstanding issues regarding SDP P/L's Preliminary Expansion Plan.
 - State Expansion Plan Request (SEPR) phase March 2024 – Present: Standing weekly meetings, Ad Hoc Discussions/workshops and a formal Request for Confirmation (RFC) process to negotiate the SEPR, which outlines the terms and conditions for SDP P/L to develop the Expansion Plan Timeline for discussions with Sydney Desalination Plant Pty Limited (SDP P/L) to amend the Operating Licence and Water Supply Agreement (WSA).
- **Altogether Group – Wholesale wastewater services at Glossodia**
 - 16 October 23 - Altogether group requested to begin discussions around a new development of 580 dwellings in Glossodia with the potential to discharge to Sydney Water's network until the base load on their plant was high enough to operate.
 - 23 October 23 – Sydney Water business customer team called to discuss with Altogether to understand the request.
 - 06 December 23 – Sydney Water emailed a list of questions to help understand their proposal in more detail.
 - 11 December 23 - Altogether emailed responses to the list of questions.
 - 21 March 24 – Sydney Water's planning team's assessment was relayed to Altogether, that is, that their proposal would not be viable due to network constraints in the area (no capacity).
 - 08 April 24 – Sydney Water advised Altogether that they should submit a feasibility assessment through a Water Servicing Coordinator (WSC) to determine if the nuances they propose would make a difference to the original advice there was no capacity.
 - 25 June 24: WSC makes first feasibility application, with no reference to previous discussions with staff in other sections of Sydney Water.
 - 25 June 24: First application returned noting the number of lots did not match subdivision plan, that number of lots and total lot area needed to be referenced in e-Developer and asked if clearer plans were available.
 - 26 June 24: WSC emailed Sydney Water development team to note they considered the subdivision plan and total number of lots were irrelevant because they only wanted a temporary connection so would be re-submitting the application unchanged.

- 26 June 24: WSC makes second feasibility application, again with no change in the submission, no letter of explanation and no additional instruction or context.
- 26 June 24: Second application returned requesting the number of Lots and total area of the Lots be noted in e-Developer so that Infrastructure Contributions could be calculated.
- 19 July 24 – Business customer team received advice from Altogether Group that their application had been rejected by the developer team (developer team advised that their request for further information was not actioned by the WSC).
- 31 July 24: WSC emailed and phoned Sydney Water Development team to say they will resubmit with a letter to help clarify the application.
- 31 July 24: WSC makes third submission with explanatory letter.
- 2 August 24: Feasibility application accepted and actioned by Sydney Water Development team.

- **Conexa – Wholesale wastewater services at Appin**

- Sydney Water entered into a tripartite MOU with Walker Corporation and coNEXA on 28 February 2024. The purpose of this MOU is to set out a mutually confidential mechanism to:
 - discuss options for a local water solution to service the Development that has an integrated water cycle management approach and can interface with Sydney Water's long-term servicing pathways for Water Services in the greater Appin area; and
 - develop a high-level technical and commercial framework under which a local water solution for the Development could be delivered.
- A formal 'Request for Service' letter was received from coNEXA 1 July 2024 proposing non-residential pricing for wholesale wastewater services.
- Sydney Water replied via letter and email to coNEXA 16 July 2024 outlining our understanding of their request, Sydney Water's pricing principles including 'retail-minus' pricing methodology and proposed timeframe of negotiation of 12 weeks to the end of September 2024.
- Initial meeting between Sydney Water, coNEXA and the developer Walker Corporation held on 19 July to discuss the proposed commercial principles and gain further understanding of their servicing requirements.
- Further meetings expected to be held to end September 2024.

- **Conexa – request for preliminary information regarding sewer mining or supply of recycled water options at Quaker's Hill**

- Initial email from Conexa to Sydney Water on 5 June 2024
- Phone conversation to discuss request on 1 July 2024
- General communications on the topic between 9 July and 11 July
- Sydney Water email response regarding options for Conexa to consider on 23 July 2024.

- **Sutherland Council – wholesale services to Besmaw in Cronulla.** Timeline:
 - 14 February 2024: Sutherland Council write to Sydney Water to request review the submitted Planning Proposal documentation and provide feedback.
 - 3 April 2024: Sydney Water responded to Council noting:
 - 31 March 2023: Sydney Water issued the proponent with a Feasibility Letter (under CN203663) advising them that both water and wastewater services could be available, however they would need to carry out a hydraulic modelling assessment to determine system capacity.
 - This feasibility requirement was reiterated in our scoping report response to Council in April 2023.
 - This work is required to be carried out, by the developer, principally to understand the servicing requirements below in line with protecting the environment, the existing assets and customer services.
 - For wastewater – to identify capacity within the Cronulla wastewater system including the sewer treatment plant and to understand wastewater serviceability in the area.
 - For water – to note that the DN300 water main in the vicinity of the development was currently servicing significant areas downstream and that the extent of the proposed development would impact this, the hydraulic modelling assessment of the DN300 main would also be required to understand the water serviceability in the area.
 - Sydney Water has reviewed the documents supplied with the Planning Proposal application and note that neither the *Potable Water, Wastewater and Recycling Water concept* nor the *Utilities Servicing Strategy* reports were previously registered with Sydney Water. Given this, and that the proponent has not carried out the hydraulic modelling study previously requested in our Feasibility Letter, we do not endorse the commentary, information nor assumptions within these reports.