

12 December 2016

Dr Peter Boxall
Chairman
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop NSW 1240

**Re: Infrastructure Partnerships Australia's submission to the Independent Pricing and
Regulatory Tribunal (IPART)**

Dear Dr Boxall,

Infrastructure Partnerships Australia (IPA) welcomes the opportunity to make a submission on IPART's draft determinations regarding the Review of Prices for wholesale water, sewerage and trade waste services for Sydney Water Corporation and Hunter Water Corporation from 1 March 2017.

Consistent with our submission to IPART's Issues Paper of 7 September 2015, we do not support the approach proposed in the draft determinations due to concerns over the possible impacts on competition that may result from the pricing changes.

We understand that the proposed shift to a 'retail minus' pricing approach will represent a marked change to current arrangements for wholesale water and sewerage prices. The draft determinations have been developed with reference to a limited scope which considers wholesale water pricing in isolation to broader market settings and as a result may overlook the overall objectives of the Water Industry Competition Act 2006 (WIC Act).

IPA recognises that a continuation of the status quo on wholesale pricing serves neither the interests of the public utilities, nor the consumer. Efficient water pricing is a key outcome for the state economy, which is why the benefits of competition should also form an essential aspect of IPART's regulatory role in the water industry.

In this context, we are concerned that given the limited focus of the review, which only considered wholesale pricing, the review may not have provided appropriate opportunities to consider the long-run benefits of new entrants and micro-utilities or others – to the detriment of consumers and the wider community.

In this context, we reject the changes proposed by the draft determinations and we urge that a 'holistic' approach, one which considers wholesale pricing alongside, not in isolation to, a review of wider market settings and objectives, is undertaken. This would mean fuller analysis of the potential costs and benefits of the proposed changes to pricing arrangements, with a particular focus on the objectives of competition in the NSW water industry.

We hope that our submission has been of useful and we would be happy to provide further information to you, as you continue your review.

In the meantime, should you require any further information please contact IPA's Chief Economist and Head of Policy, Robert Montgomery on (02) 9152 6021 or robert.montgomery@infrastructure.org.au.

Yours sincerely,


Brendan Lyon
Chief Executive Officer