

Funding infrastructure to service growth

1. Overview

1.1. At a glance

What

Each year, Sydney Water takes over the ownership of infrastructure worth about \$100 million that has been built by developers. Generally, developers hand over smaller reticulation assets to Sydney Water 'free of charge', but we pay for larger trunk assets.

Sydney Water's Growth Servicing Plan (GSP) and this policy define exactly what Sydney Water pay for.

1.2. Scope

Who

This policy applies to all water, wastewater, stormwater and recycled water infrastructure needed to service urban growth. It applies equally to greenfield and brownfield areas.

This policy does not apply to:

- developments under the *Water Industry Competition Act 2006* where Sydney Water is not the service provider
- minor service extension applicants, because the funding structure for these applicants is set by the Independent Pricing and Review Tribunal (IPART)
- infrastructure constructed under Sydney Water's Priority Sewerage Program.

1.3. Objective

Why

Developers will understand who pays to construct the water, wastewater, recycled water and stormwater infrastructure needed to service urban growth.

2. Policy in detail

The funding of infrastructure depends on whether the works will be constructed under a commercial agreement.

2.1. Funding of infrastructure not covered by a commercial agreement

Developers will fund the design, construction and commissioning stages of infrastructure.

When the developer transfers ownership of this infrastructure to Sydney Water, we will pay the developer for infrastructure funded under this policy.

This includes reasonable overheads but excludes the cost of the developer's share of minimum reticulation as outlined on the following page.

Our principles for funding

Our two principles for funding are:

1. Developers **are** required to pay for minimum reticulation servicing their land.
2. Developers **are not** required to pay for infrastructure that:
 - provides capacity for other developers
 - provides frontage or a point of connection to either another developer's land or a potential developer's land.

The minimum amount Sydney Water will pay

The minimum total amount that we will pay for professional services and construction costs is \$5,000.

This ensures the cost of procuring works in line with Sydney Water's procurement guidelines does not exceed the value of the reimbursement.

The allocation of Professional Services Charges

The allocation of professional services charges must be set out in the Project Brief Package referred to in our procurement guidelines. This will be determined in the same way as the allocation of design fees unless we determine otherwise.

Our criteria for funding

- a) The developer will fund 100% of any minimum reticulation that serves the developer's land exclusively, and hand it over to Sydney Water free of charge.
- b) The developer and Sydney Water will each fund 50% of any minimum reticulation that serves other land, as well as the developer's land. For example, this may include a water main that serves land on the opposite side of a road to the development, or a wastewater main along the development boundary that also drains an adjoining lot.
- c) Sydney Water will fund 100% of lead-in and lead-out mains that serve other developers' land.
- d) Sydney Water will fund 100% of costs to upsize reticulation mains above minimum reticulation.

- e) Sydney Water will treat lead-in and lead-out mains, within the Developers development site/owned land, that does not serve another developers site, as minimum reticulation and determine funding using criteria 'a' and 'b'. Any upsizing of these mains will be funded using criteria 'd'.
- f) Sydney Water will fund 100% of major infrastructure, such as pumping stations, storage reservoirs or treatment plants.
- g) Sydney Water will not fund the cost of amplification or adjustment of stormwater assets.
- h) We will consider funding interim infrastructure on a case-by-case basis, (except where excluded by a Memorandum of Understanding (MOU) or Agreement with the applicant, for example, RMS, RailCorp or Local Government Association).
- i) The applicant will fund all adjustments and deviations to existing Sydney Water mains, except where the funding is covered by a MOU or Agreement with that applicant.

A developer or applicant may be required to upsize an existing main as a part of an adjustment or deviation. Sydney Water will fund the difference in cost between the existing pipe size and the larger pipe size for water, recycled water and wastewater assets only, except where funding is covered by an MOU or Agreement.

- j) Sydney Water will determine the funding of infrastructure amplification using criteria 'a' to 'd' above.
- k) Where Sydney Water agrees to fund infrastructure, the developer must use the Sydney Water procurement guidelines. A choice of one of two pathways, tendering or Schedule of Rates may be used.

2.2. Funding of infrastructure covered by a commercial agreement

If a developer wants to service land ahead of our Growth Servicing Plan (GSP), they can negotiate a commercial agreement with us. Under this agreement, the developer will be responsible for constructing the trunk infrastructure to our requirements.

Appendix 1 of the GSP outlines the circumstances where we will refund 'reasonable and efficient' costs of this infrastructure. These principles allocate risk to the developers when they develop land 'out of sequence'. (Note: This can include a recycled water scheme where the scheme is regulated by IPART.)

Developers must follow the process outlined in Appendix 2 of the GSP to accelerate the servicing of their land 'out of sequence'. The decision to enter into a commercial agreement will always be at Sydney Water's discretion.

3. Definitions

| Term | Definition |
|------------------------------------|--|
| Amplification | Where a larger main size is required to serve a development because the existing main size does not meet the minimum required under the Codes |
| Applicant | Anyone who applies for approval to adjust or deviate an existing Sydney Water water, wastewater, recycled water and stormwater asset |
| Brownfield areas | Urban areas where Sydney Water generally already has services |
| Codes | The relevant codes of the Water Services Association of Australia, including Sydney Water editions |
| Commercial agreement | A negotiated agreement that allows a developer to accelerate the delivery of major infrastructure earlier than shown in Sydney Water's Growth Servicing Plan (GSP) |
| Developer | A person or entity who either: <ul style="list-style-type: none"> • has been given approval under Part 6, Division 9 of the Sydney Water Act 1994, and is seeking a Section 73 Compliance Certificate, or • is seeking approval to adjust, deviate, or extend an existing Sydney Water asset |
| Development | Any activity relating to land that needs an approval as specified in Section 69 of the <i>Sydney Water Act 1994</i> |
| Minor service extension applicants | A property owner who is seeking the extension of water related services to an existing property to make a new connection. (IPART determinations refer to this type of extension as a 'minor service extension'). This applicant will not be a Developer nor an owner whose property is already connected. The property is not identified as part of Sydney Water's Priority Sewerage Program. |
| Greenfield areas | Generally areas where Sydney Water has limited or no services available. These areas are usually the subject of an overall servicing strategy for increased land use such as urban subdivision. |
| GSP | Sydney Water's 5 year Growth Servicing Plan (shown on Sydney Water's website) |
| Interim infrastructure | Water and wastewater infrastructure constructed on the basis that it is likely to be made redundant by the delivery of Sydney Water's ultimate servicing strategy before the end of its engineering life |
| Lead-in main | This is the section of water, recycled water or wastewater main from where it connects to the existing mains system to where the minimum reticulation mains for the development starts |
| Lead-out main | This is the section of water, recycled water or wastewater main from where the minimum reticulation mains end, to the end of the main required to cater for future development |
| Major infrastructure | Works associated with the construction of permanent storage reservoirs, treatment plants, pumping stations and trunk mains |
| Minimum reticulation | The minimum size main required under the Codes for the height and zoning of the development only. This applies: <ul style="list-style-type: none"> • for water and recycled water mains - to the section of water main providing frontage for each lot in the development. (Frontage to each lot is generally from boundary to boundary but may include the lead-in or lead-out main where the developer is the only beneficiary). |

| Term | Definition |
|---------------------------|--|
| | <ul style="list-style-type: none">• for wastewater - to the section of wastewater main from one metre inside the first lot in the development to one metre past the last lot in the development, but may include the lead-in or lead-out main where the developer is the only beneficiary. |
| Priority Sewerage Program | Sydney Water's program for improving wastewater services to unsewered urban areas identified as environmentally sensitive |
| Project Brief Package | A package that contains (but is not limited to) the project background, scope of works, program, project cost estimate and risk assessment. |
| Upsizing | The difference between the size of minimum reticulation and the size of the main required by Sydney Water |
| Urban growth | New housing, industrial and commercial development and subdivisions |

4. Context

4.1. Accountabilities

| Position | Accountabilities |
|--|--------------------------------|
| General Manager, Liveable City Solutions | Policy owner and approver |
| Manager, Urban Growth | Policy endorser |
| Customer Insight & Solutions | Policy verification (Customer) |
| Manager, Assurance, Urban Growth | Review and implement policy |

4.2. Training and competencies

| Position | Training or competency |
|-------------------------------|------------------------------------|
| Development Services Officers | Team meetings and email |
| Water Servicing Coordinators | Email with Powerpoint presentation |

4.3. References

| Document type | Title |
|--------------------------------|--|
| Legislation | <i>Sydney Water Act 1994</i> (www.legislation.nsw.gov.au) |
| Policies and procedures | Property Development Connection Requirements Policy Property Development Connection Applications Guidelines Procurement guidelines |
| Other documents | Sydney Water Growth Servicing Plan 2014-2019 Sydney Water Operating Licence (www.sydneywater.com.au) IPART Determination No 8 2006, Recycled Water Developer Charges RMS MOU Railcorp Agreement and Local Government Agreement |

5. Document control

5.1. Document details

| Record | Detail |
|----------------------------|--|
| Policy title | Funding infrastructure to service growth |
| BMIS document no. | ACDP0291 |
| Registered file no. | 2009/06278F |

5.2. Ownership and approval

| Role | Name | Position title | Date |
|-----------------|---------------|--|------------------|
| Author | Ray Thomson | Manager, Land Development, Urban Growth | 23-October-2015 |
| Endorser | Sharon Davies | Manager, Urban Growth | 18-November-2015 |
| Owner | Paul Plowman | GM, Liveable City Solutions | 21-November-2015 |
| Approver | Paul Plowman | General Manager, Liveable City Solutions | 21-November-2015 |

5.3. Review

| Stage | Date |
|------------------------|------------------|
| Original policy | 21-December-2010 |
| This review | 21-November-2015 |
| Next review | 21-November-2016 |