

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 2024-25.

Introduction

Sydney Water's 2024-2028 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 (clause 33).

Under clause 6.1.1 of IPART's Operating Licence 2024-2028 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 and 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.

Our reporting approach

WIC Act licensees and potential competitors may approach Sydney Water for information when they are exploring or evaluating an investment opportunity, or they may approach us to understand whether a service that we can provide would assist them to provide a current or future service (for example, the potential for Sydney Water to accept wastewater treatment residuals from a competitor's process by connection to our network and/or at one of our wastewater treatment facilities).

Sydney Water has heard feedback from industry participants that disclosing too much detail about these requests may undermine their competitive advantage relative to others in the market. We consider that being transparent with all providers is more likely to lead to an enhanced version of competition that ultimately provides greater benefit to more customers. We have a compliance obligation to publicly report on these requests, however we have no desire to unfairly erode the commercial position of industry participants.

In this year's report, we have sought to balance these considerations by providing de-identified data for all information requests from, and negotiations we have had with, competitors and potential competitors during the 2024-25 financial year.

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

One new agreement for the provision of services was established with a WIC Act licensee during 2024-25. This was an interim agreement for Sydney Water to continue to provide wholesale services at an existing scheme following the expiry of the previous agreement. The interim agreement allows services to continue while the parties negotiate the terms of a new agreement that consider the methodology and pricing principles used by IPART in their 2017 wholesale pricing determination¹.

Negotiations for the provision of services

In 2024-25, Sydney Water commenced or continued discussions with several different WIC Act licensees and potential competitors relating to the terms and conditions of potential agreements for the provision of services. In summary, during the reporting period the number of negotiations with WIC Act licensees and potential competitors were:

- Seven new individual negotiations or agreements and four carried over from the previous period
- One negotiation, a Memorandum of Understanding, was agreed during the period and the remaining ten other cases are either still in progress and/or may continue next year. That is, some have already continued, others may continue if the entities wish to pursue the negotiations further.

Type of information requested

Sydney Water continues to fulfil its obligations under clause 34(1) and 34(2) of the 2024-2028 Operating Licence (previously clause 8.2.1 of the 2019-2024 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 one new Development Servicing Plan (DSP) which was registered with IPART in May 2025. This new DSP (for Integrated Stormwater Servicing at Mamre Road) and the existing set of water and wastewater DSPs (registered in 2023)

¹ Relevant details can be found in *Prices for wholesale water and sewerage services, Sydney Water Corporation and Hunter Water Corporation, Final Report, June 2017* and, *Prices for wholesale water and sewerage services, Sydney Water Corporation and Hunter Water Corporation, Final Determination, June 2017*.

set out the information we used to calculate infrastructure contribution prices for new connections in each DSP area. As per the requirements set out in IPART's 2018 infrastructure contribution determination², DSPs include estimates of future demand (expressed as equivalent tenements) and the associated future infrastructure investments (both capital and operating) needed to enable future connections.

In accordance with clause 34(4) of the 2024-2028 Operating Licence, we also consulted with competitors to review the servicing information we publish, to discuss improvements and any other requirements. A report summarising the outcomes of this engagement is available on Sydney Water's website.

During the reporting period, Sydney Water received requests from competitors or potential competitors for:

- information, documentation, or briefings on the servicing information we have published for the purposes of clause 34 or for the DSPs and
- requests related to price and non-price terms and conditions for specific wholesale services and/or sewer-mining/treated effluent supply agreements.

The nature of these requests was as follows:

- Wholesale water services – one negotiation (Entity 2)
- Wholesale wastewater services – three negotiations (Entities 1, 2 and 10)
- Sewer mining/treated effluent supply – two negotiations (Entities 3 and 11)
- System capacity/system configuration requests – five negotiations (Entities 4, 5, 7, 8 and 9)
- Support for potential future schemes – one MOU with a metropolitan council (Entity 6).

The timeline for each of the above negotiations or requests is provided in the following section.

² IPART's requirements are set out in *Maximum prices to connect, extend or upgrade a service for metropolitan water agencies, Sydney Water Corporation, Hunter Water Corporation, Central Coast Council, Water Final Report, October 2018* and *Maximum prices to connect, extend or upgrade a service for metropolitan water agencies, Sydney Water Corporation, Hunter Water Corporation, Central Coast Council, Water Final Determination, October 2018*

Response to requests for information or provision of services

Entity 1 – Temporary wholesale wastewater services – carried over from 2023-24

- **16 April 25** - Face-to-face meeting at Sydney Water offices where Entity 1 provided preliminary details of a proposed temporary connection and agreed to provide additional details to allow Sydney Water to consider capacity and risk.
- **16 April 25** – Follow-up email to Entity 1 setting out a step-by-step process for moving forward including the details Sydney Water required.
- **6 May 25** - Follow-up email from Sydney Water to check on progress and arrange timing for a draft proposal review meeting.
- **27 May 25** – Entity 1 emailed a letter with updated information about the proposal and requested feedback.
- **Late May 25** – Sydney Water emailed to thank Entity 1 for the additional details however noted that the proposal still lacked sufficient design detail including a risk and flow/capacity analysis.
- **13 June 25** – Entity 1 request for a technical discussion to understand Interim Operating Plan (IOP) requirements and seeking in principle agreement to move forward based on additional details.

Negotiations have continued into the next reporting period.

Entity 2 – Wholesale water and wastewater services – carried over from 2023-24

- **24 September 24** – Following engagement earlier in the calendar year (2023-24 financial year), Entity 2 emailed a spreadsheet of projected volumes (supply and demand) and connections for various property types.
- **26 September 24** – Meeting held at Sydney Water's offices. Sydney Water proposed:
 - Wholesale pricing principles
 - WIC Act licensee wholesale servicing plan for the scheme
 - Key assumptions underpinning the proposed retail-minus pricing approach
 - Indicative charges.
- **27 September 24** - The presentation pack (from above meeting) was shared with Entity 2.
- **18 October 24** – Entity 2 provided an addendum outlining further context regarding the impacts of discharging excess recycled water into Sydney Water's wastewater system.
- **27 November 24** – Meeting to provide feedback on Entity 2's addendum. Sydney Water shared its response (presentation pack) on **26 November 24**.
- **4 December 24** – Entity 2 requested Sydney Water to progress an offer for wholesale drinking water services.
- **5 December 24** – Entity 2 clarified via email that, due to lack of alignment on wastewater services, the offer should not yet be formalised.
- **7 February 25** – Sydney Water provided Entity 2 a draft proposal for wholesale drinking water pricing, outlining considerations in the 'Retail-minus' allowance:

- updated Weighted Average Cost of Capital (WACC) compared to IPART's 2017 wholesale pricing decisions
- on-going efficiency factors
- the nature of the scheme in comparison to those analysed in IPART's *Efficient Competitor Cost Report*³
- **12 February 25** – Entity 2 proposed adjustments to the pricing method proposed by Sydney Water to better account for the nature of the development in the longer-term.
- **6 March 25** – Sydney Water provided Entity 2 a draft Utility Services Agreement (USA) with updated price methodology noting that this was yet to be approved but that it reflected current thinking by subject matter experts.
- **6 March 25** – Entity 2 acknowledged receipt, confirmed they would review the USA, and reiterated their position on proposed adjustments.
- **1 April 25** – Sydney Water presented commercial principles, and an indicative approach aligned with IPART's wholesale pricing framework to Entity 2. We noted that we would not be able to finalise a servicing agreement until Entity 2 had begun the application process with IPART for scheme approval under the WIC Act.

Negotiations have continued into the next reporting period.

Entity 3 - Request for information regarding sewer mining or supply of recycled effluent – carried over from 2023-24

- **July 24 – November 24** - Negotiation regarding principles for volume allocation. No agreement was reached due to the risk and financial exposures such an agreement would represent for one or both parties. Entity 3 indicated it would seek IPART arbitration on the terms of a sewer mining agreement.
- **December 24 - January 2025** - Sydney Water obtained Executive approval to allow disputes on sewer mining to be lodged with IPART for arbitration under s45 of WIC Act. This was communicated to Entity 3 and to IPART.
- **January 25 – July 25** - Entity 3 requested further information from Sydney Water regarding the basis of their commercial position. Sydney Water indicated that this information was being updated and should be complete by October 2025.

Entity 3 proposed a mediation, with a draft terms-of-engagement, as a means of resolving the sewer mining dispute as an alternative to starting IPART arbitration. Sydney Water agreed in principle to participate in a future mediation process if necessary.

Negotiations have continued into the next reporting period.

Entity 4 - System capacity and configuration for an existing recycled water treatment plant

- **September 24 – February 25** - Entity 4 requested system information to help them investigate a new pipeline for effluent supply to support an existing recycled water treatment plant. Sydney Water provided as much information as we were able, given the commercial and operational

³ Oakley Greenwood 2017 - *Revised Calculation of Reasonably Efficient Competitor Costs Report – for IPART*

sensitivity of the request. Various commercial alternatives were considered by the parties on the new pipeline, but none were deemed feasible.

- **May 25 – current** - Sydney Water informed Entity 4 that there would be changes to their existing extraction point for effluent, which requires Entity 4's consent for the necessary works to be done by Sydney Water. Consent has yet to be provided by Entity 4

Entity 5 - Request to de-commission assets at an existing scheme

- **June 25 – ongoing** - Entity 5 requested Sydney Water consent to decommission assets which were commissioned as part of an existing scheme agreement. Sydney Water is investigating both legal and technical feasibility of this request.

Entity 6 – Support potential future wholesale services (A metropolitan council)

Sydney Water entered into a new MOU agreement with Entity 6. The MOU aims to increase the promotion and adoption of recycled water in the relevant Local Government Area by:

- Continuing to explore opportunities for joint projects to expand water recycling infrastructure, including stormwater harvesting and wastewater reuse systems.
- Coordinating efforts to raise awareness of the benefits of water recycling and facilitate community engagement in relevant initiatives.
- Coordination and collaboration with relevant stakeholders such as the Green Building Council of Australia to support recycled water initiatives.

Entity 7 – System capacity request

- **26 August 24** – A Water Servicing Co-ordinator (WSC) lodged a feasibility application on behalf of a potential competitor.
- **28 August 24** – Sydney Water returned the application for re-submission because it did not contain the required details.
- **23 October 24** – Feasibility application resubmitted.
- **24 October 24** – Sydney Water accepted the application.
- **28 January 25** – Sydney Water issued a Notice of Requirements to the applicant.

Entity 8 – Adjustment and Deviation application

- **12 August 24** - A WSC submitted an Adjustment and Deviation request to Sydney Water on behalf of a potential competitor.
- **14 August 24** - Sydney Water returned the application for re-submission because it did not contain the required details.
- **11 October 24** – the request was re-lodged by the WSC.
- **15 October 24** - Sydney Water returned the amended application for re-submission because it still did not contain the required details.

This request has not been re-submitted since that time.

Entity 9 - Request for information on drinking water demand in specific suburbs

- **2 October 24** - Email request for data on the drinking water demand from two specific suburbs following an initial phone conversation.
- **3 October 24** – Sydney Water advised via email that we have started looking into the request.
- **11 October 24** – Entity 9 emailed to check if anything else was required from them.
- **11 October 24** – email to entity advising that we were still engaging with our privacy team to review the appropriate approach to sharing our customer's data.
- **4 December 24** – Sydney Water emailed the entity to apologise for the delay and provide an update to state that we were still working on the request.
- **13 January 25** – Sydney Water provided the requested information to the entity.
- **13, 14, 17 January 25** - Subsequent emails to request confirmation of which areas were included in the data and a follow up request for more specific data.
- **17 January 25** – Sydney Water provided the additional information that was requested in emails on 14 January 25.
- **17 January 25** – Request from entity to continue to discuss the request and explore options.

Entity 10 – Wholesale wastewater services for an existing scheme

- **12 March 25** – Entity 10's existing wholesale servicing agreement (also known as a Utility Servicing Agreement or USA) was soon to expire but they had not notified Sydney Water of their intention to renew it. Sydney Water prompted the entity by providing notification that:
 - Sydney Water's starting position for the new USA from July 2025 will be retail minus reasonably efficient competitor costs, as per IPART's wholesale price determination, and consistent with our commercial position during establishment of the original agreement.
 - Sydney Water was open to negotiate adjustments to retail minus wholesale prices to consider additional costs and benefits arising from the operation of Entity 10's recycled water plant.
- **19 March 25** – Sydney Water emailed additional context including links to IPART's website.
- **27 March 25** – Sydney Water requested Entity 10 to provide a range of dates and times they would be available to meet.
- **1 April 25** – Sydney Water again requested Entity 10 to provide dates and times for a meeting.
- **1 April 25** – Entity 10 responded with suggested times and Sydney Water was able to arrange for the meeting to occur just before key Sydney Water staff went on extended leave.
- **8 April 25** - Face to face meeting at Entity 10's offices where Sydney Water:
 - explained what retail minus pricing is and how Sydney Water proposed to apply IPART's pricing principles
 - requested Entity 10 to confirm if they wished to proceed with Sydney Water's proposed price methodology

- requested Entity 10 to provide current and forecast length of pipe and connected customers (number and property type) so Sydney Water could provide an indicative forecast of proposed prices
 - committed to calculate proposed prices based on the current and forecast inputs once these were provided by the entity to Sydney Water
 - committed to provide a template for a long-term wholesale supply agreement (Utility Servicing Agreement).
- **8 April 25** (continued) – Entity 10 provided feedback in the meeting on proposed pricing and notes a scheme specific review may be required.
- **1 May 25** – Sydney Water emailed Entity 10 with:
 - A summary of meeting outcomes including the slides presented on 8 April that contained the above requests and commitments.
 - The template for long-term wholesale supply agreement (Utility Servicing Agreement).
 - A request for confirmed written notification for intent to renew in line with the relevant clause in the existing agreement.
- **5 May 25** - Entity 10 emailed to confirm their intent to renew their wholesale servicing agreement (USA) subject to agreeing final terms and conditions. They also informed Sydney Water they anticipate additional information from Sydney Water and will review internally once received.
- **23 May 25** – Sydney Water emails Entity 10 to:
 - provide two spreadsheets to demonstrate the proposed pricing methodology and indicative charges. The spreadsheets could not demonstrate actual proposed charges because Entity 10 had not yet provided their current and forecast length of pipe and details about their connected customers (number and property type). However, the price forecasting spreadsheet was set up to allow Entity 10 to enter these inputs.
 - propose pricing during an extension of the wholesale servicing agreement to allow the parties to negotiate.
 - commit to prepare a Deed of Variation to extend services (for the negotiation period).
- **30 May 25** – Entity 10 acknowledges receipt and commits to review the documentation provided. Entity 10 requests to host a meeting in mid-July (after the existing agreement would have ended) as their earliest availability, due to their staff being on leave.
- **6 June 25** – Sydney Water issued to Entity 10, Deed of Variation # 1 for 1 month extension on current agreement terms, to allow the July meeting to take place.
- **12 June 25** – Entity 10 signed Deed of Variation # 1 received by Sydney Water.
- **13 June 25** – Sydney Water confirms receipt of Deed of Variation # 1 and arranges for Executive sign off. Sydney Water advises Entity 10 that Deed of Variation # 2 will be prepared and issued with a further extension date until November 2025. Sydney Water reminded Entity 10 to review the indicative wholesale pricing spreadsheets provided and to send back any comments or counter-proposals.
- **24 June 25** – Sydney Water returns executed Deed of Variation #1 to Entity 10 with an end date of 25 July 2025.

- **30 June 25** – Entity #10 requested for Deed of Variation # 2 to include previous USA agreement pricing and only once terms are agreed that the revised pricing would be applied and backdated to 27 June 2025.

Negotiations have continued into next period.

Entity 11 – Sewer mining request and/or recycled water supply – carried over from 2023-24

- **3 September 24** – Continuing from discussions earlier in the year, Entity 11 emailed to clarify details of their request.
- **3 September 24** – Sydney Water informed Entity 11 we are conducting the next phase of system planning in relation to the details provided (that is, that outcomes could not be confirmed until such planning was complete).
- **18 February 24** – Entity 11 requested further discussion of their request/proposal.
- **19 February 24** – Sydney Water responded that given the status of planning, it would be preferable for Entity 11 to appoint a WSC and lodge a feasibility application via e-developer so that all relevant details could be considered.