

Precinct Acceleration Protocol Funding

Guidelines for application of commercial
principles

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1 Principles

1.1 Introduction

Sydney Water provides valued water solutions. We must invest in infrastructure to meet the water and wastewater needs of a growing city. We must deliver services to our customers in a timely and cost effective manner. We are committed to funding and delivering growth assets when developers and landowners can demonstrate demand.

The NSW government has a program that sets the timeframe for the release and development of Sydney's growth centres. However, a developer or landowner may apply to the Government to advance the release of precincts within the growth centres ahead of schedule. This developer or landowner is known as the PAP 'proponent'.

The main requirement for this advance in release is that planning and infrastructure must be delivered at 'no cost to government', and must serve the entire precinct. This means that Sydney Water, and other government agencies, must minimise any risk to their return on investment in any 'Precinct Acceleration Protocol (PAP)' development. We do this by placing the risk of development timing and unpredictable demand for connections back onto the developer. This ensures we can control any flow-on costs to our customers.

If a PAP 'proponent' is applying to have a precinct accelerated, they have already decided there is sufficient commercial demand to develop the area ahead of the NSW Government's release program. So, it is appropriate that the proponent accept most of the risk.

1.2 General principles for PAPs

The following principles for funding PAP developments will apply:

- The proponent will fund and construct the infrastructure needed to service the PAP area.
- Sydney Water will pay the proponent progressive payments until 50% of lots are connected to the infrastructure.
- Once development reaches 50%, Sydney Water will pay the proponent a single payment for the rest of the infrastructure costs.

2 Applying the new principles

2.1 Infrastructure costs

The infrastructure that the proponent must construct and/or fund includes all works necessary to service the development. The infrastructure costs may include:

- all water and wastewater infrastructure within the PAP development
- water and wastewater infrastructure to connect the PAP development to major infrastructure (this may include constructing the major infrastructure)
- any 'interim infrastructure' approved by Sydney Water that the proponent constructs
- any costs Sydney Water believes result directly from servicing the PAP development.

The proponent must fund the cost of the minimum distribution system for the PAP development and must give this to Sydney Water free of charge.

2.2 Infrastructure delivery

The proponent must plan and deliver the necessary water and wastewater infrastructure within the PAP area. Sydney Water and the proponent will agree on the how much of the infrastructure planning and delivery the proponent must do outside the immediate PAP development.

The proponent may stage the infrastructure delivery for the PAP development to defer their capital expenditure and better align infrastructure delivery to anticipated growth. Sydney Water must approve any 'infrastructure staging' including:

- the area to be served by each asset or group of assets within each infrastructure stage
- the number of lots to be served by individual assets or groups of assets within each infrastructure stage.

2.3 Interim infrastructure

The proponent may nominate to construct 'interim' or 'temporary infrastructure' to service the PAP development. Sydney Water will only fund interim infrastructure that forms part of the long term servicing solution. Any approved funding of interim infrastructure will follow the repayment principles outlined in Section 3.

2.4 Other infrastructure costs incurred by Sydney Water directly related to servicing the PAP development

Accelerating the PAP development may also bring forward other capital expenditure by Sydney Water that is solely to support the PAP development. If Sydney Water must upgrade or accelerate the delivery of major infrastructure to allow development, we will ask the proponent to fund this early capital expenditure.

3 Infrastructure repayment

3.1 Repayment mechanism

Sydney Water will refund each infrastructure stage's cost as lots are connected to the infrastructure, as defined by Sydney Water's *Customer Contract* ('Connected lots'). Once 50% of the entire infrastructure stage's dwellings are 'connected lots', Sydney Water will pay the proponent the remaining costs. We will only repay costs for infrastructure that we have agreed is required to service the infrastructure stage.

3.2 Repayment terms

- Sydney Water will make payments quarterly for a minimum of 20 lots.
- Sydney Water will not reimburse the proponent for any financing costs.
- Proponents must follow Sydney Water's *Procurement guidelines* to procure assets to ensure that we refund fair and reasonable costs of asset delivery.
- Proponents must transfer ownership of infrastructure to Sydney Water once assets have been commissioned.
- The proponent is responsible for obtaining all regulatory approvals required to deliver the assets.

- If a number of developers want to share infrastructure delivery costs, Sydney Water will not be part of these arrangements, and will only deal with the nominated PAP proponent.
- To ensure there is no impact on Sydney Water's next price path, we will not make any repayments to PAP proponents (and non-PAP proponents – see Section 4 below) before June 2016.

4 Non-PAP proponent(s) within the PAP development

A non-PAP proponent may seek to develop their land within the PAP development earlier than the timing proposed by the proponent.

Sydney Water will apply the same overarching cost and repayment principles to the non-PAP proponent. This means the non-PAP proponent will accept appropriate risk over the connection rate to infrastructure.

Sydney Water will only deal with the PAP proponent in such a case. The PAP proponent and non-PAP proponent will need to make their own commercial arrangements relating to the servicing of the non-PAP proponent's land and the associated infrastructure funding.

5 Definitions

Table 1 Definitions

Term	Definition
Connected lot	<p>A property covered by Sydney Water’s Customer Contract (as defined under Clause 2). A customer owns a ‘connected lot under Clause 2 if ‘they:</p> <ul style="list-style-type: none"> • are the owner of property within our area of operations that is connected to a water main or wastewater system owned by us and that connection has been authorised or approved by Sydney Water • receive water and/or wastewater services from Sydney Water.
Interim infrastructure	<p>Water and wastewater infrastructure that will only be used in the short to medium term, until a developer or Sydney Water constructs permanent infrastructure.</p>
Infrastructure stages/Infrastructure staging	<p>Sydney Water may approve the staged roll out of infrastructure to service a PAP development. Sydney Water will only approve staging if it:</p> <ul style="list-style-type: none"> • defers capital expenditure • is the lowest life cycle cost • forms part of the endorsed servicing strategy. <p>Any staged infrastructure that does not meet these criteria will be considered ‘interim infrastructure’.</p> <p>Sydney Water must approve the area, which will be serviced by each asset, or group of assets, that the proponent is to construct and/or fund. Sydney Water will also determine the number of lots each infrastructure stage is to service.</p>
Major infrastructure	<p>Works associated with constructing permanent storage reservoirs, pumping stations and trunk mains.</p>
Non-PAP proponent	<p>Another developer(s) or landowner(s) whose land is located within the PAP development that is to be serviced by major infrastructure that a PAP proponent has provided.</p>
Precinct Acceleration Protocol (PAP)	<p>The set of regulations that allow proponents to accelerate the release of precincts within nominated growth centres. The key condition for this acceleration is that there will be no cost to the NSW Government.</p>
PAP development	<p>The area of a precinct rezoned by the Minister for Infrastructure and Planning as part of the PAP process in the North West and South West growth centres.</p>
PAP proponent	<p>The developer(s) or landowner(s) who apply under the PAP process to bring forward the release of land. This can include part or all of a precinct within the North West and South West growth centres. The proponent must commit to financing and delivering the infrastructure to service the precinct and any connecting infrastructure required to link the precinct to existing urban areas.</p>
Temporary infrastructure	<p>Water and wastewater infrastructure that will provide services to customers, while a developer or Sydney Water is constructing interim or permanent infrastructure, for example temporary pump outs.</p>