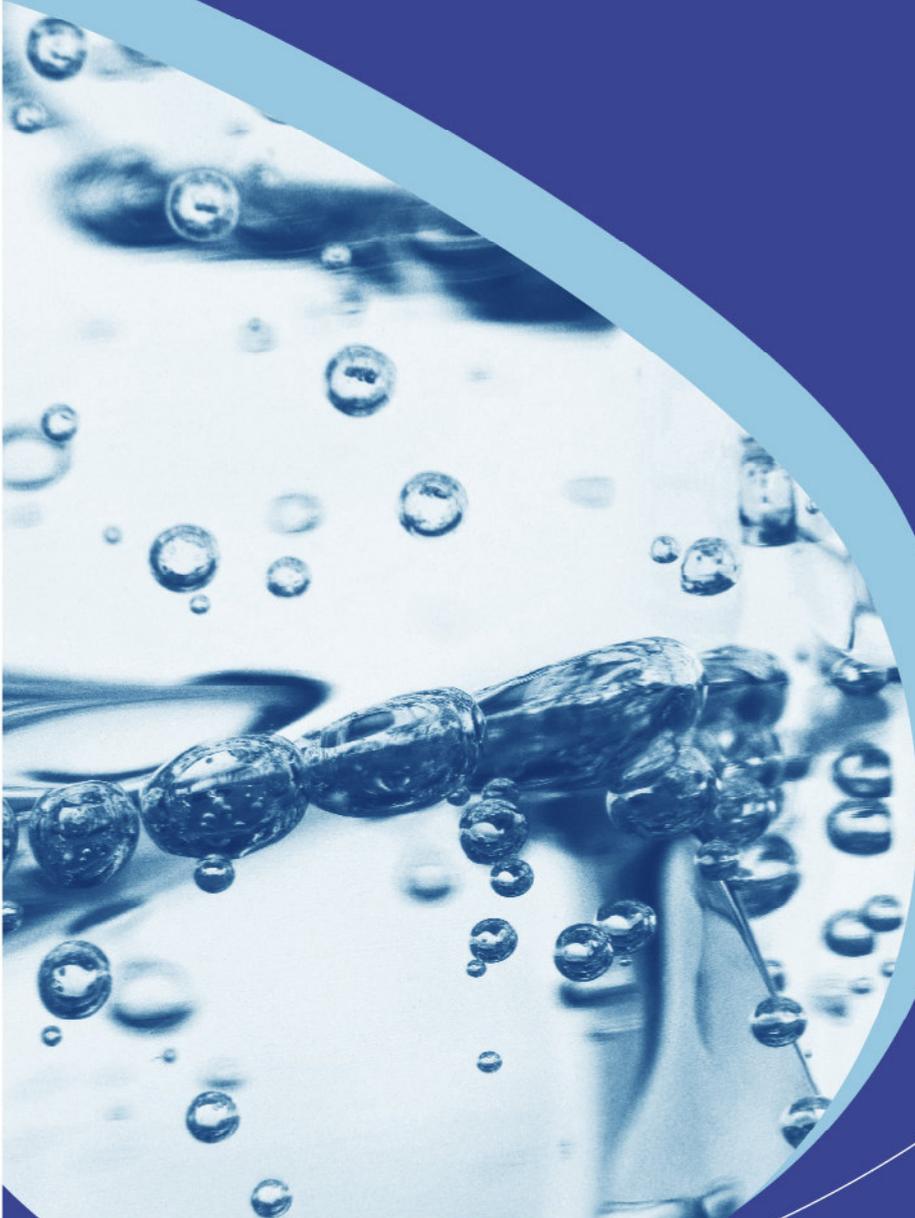


Sydney Desalination Plant Pty Limited

Retail Supply Management Plan

April 2011



1 Introduction

Sydney Desalination Plant Pty Limited (SDP) is a wholly owned subsidiary of Sydney Water. SDP owns and operates the Sydney desalination plant and associated water pumping station to provide drinking water, which is added to Sydney Water's distribution system at Erskineville via an 18km trunk main.

SDP has contracted Veolia Water Australia to operate and maintain the desalination plant and water pumping station. Sydney Water and SDP have entered into an agreement outlining the terms under which Sydney Water purchases drinking water from SDP.

This *Retail Supply Management Plan* outlines some of the potential risks to SDP's ability to supply water and the measures put in place to manage these risks. As required by the *Water Industry Competition Act 2006*, SDP will maintain and regularly review the plan, and ensure that all its activities are carried out in accordance with the plan.

2 Risks to SDP operations

2.1 Events and circumstances that could adversely affect ability to supply water

When developing the plant, SDP considered the range of potential events and circumstances that could adversely affect its retail activities and confidential risk assessments were prepared and included in the SDP licence application. The Minister for Water, based on a recommendation from IPART, granted SDP a Network Operator and Retail Supplier licence in September 2010.

SDP's ability to supply water to customers in its capacity as a Retail Supplier relies on it receiving treated drinking water from the desalination plant. The production of treated drinking water is regulated under the Network Operator licence. Clearly, any risks to the Network Operator's activities pose consequential risks to SDP's ability to supply water in a retail capacity. These risks include:

- water quality;
- operational risks;
- safety and security risks; and
- environmental risks.

These risks, and measures to mitigate them, are dealt with in SDP's operational plans, in line with accepted risk management practice.

There is also the risk of financial failure. Although there is a risk of financial collapse in any business, SDP is a wholly owned subsidiary of Sydney Water and the application process for a Network Operator and Retail Supplier licence required SDP to demonstrate its financial stability.

2.2 Probability of events and circumstances occurring that could adversely affect ability to supply water

The various plans and registers submitted as part of SDP's licence application included an assessment of the probability of any of the identified events or circumstances occurring.

2.3 Measures in response to identified risks

SDP has identified and implemented measures to prevent or minimise the likelihood of any identified risks occurring. These measures included preventive and corrective actions, such as:

- modifications to the plant's design;
- regular sampling and testing of water inside and outside the plant;
- online, real-time analysis of system performance;
- best practice operational and maintenance procedures;
- robust safety, security and emergency response; and
- procedures for keeping customers (ie. Sydney Water) informed of any service interruptions.

2.4 Alternative supply arrangements

The desalination plant is a new source of water for the Sydney region and one that is totally independent of rainfall. Together with water from Sydney's main storage dams, the plant forms part of Sydney Water's broader integrated water supply network providing water to more than 4 million people in Sydney, the Illawarra and the Blue Mountains.

Sydney Water manages the integrated system to ensure continuity of water supply to residents and businesses throughout the Sydney basin. Depending on the circumstances at a particular time, there may be no desalinated water in the system, or it may form part of the supply to up to 1.5 million customers.

At present, there are no end users solely dependent on water from the plant. When the plant is not operating, customers who may sometimes be supplied by the plant will receive water from the dams. Even if one of the identified risk events were to take place, Sydney Water would revert to supplying those customers from the dam network. No further alternative supply arrangements are necessary to ensure customers continue to receive water.

2.5 Compliance with relevant codes

The *Water Industry Competition Act 2006* requires licensees to comply with:

- a code of practice for customer complaints, compliant with *AS/ISO 10002–2006: Customer Satisfaction – Guidelines for complaints handling in organisations*, Standards Australia, April 2006;
- a code of practice for debt recovery;
- the Marketing Code of Conduct, established under the Act; and
- the Transfer Code of Conduct, established under the Act.

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3. Code of practice: customer complaints

Holders of a Retail Supplier licence under the *Water Industry Competition Act 2006* are required to establish and comply with a code of practice for customer complaints. In the case of a water supplier, the code would address complaints regarding the licensee's supply of water, or the operation of the infrastructure that produces the water supplied.

SDP is not licensed to sell to 'small retail customers', such as individual small businesses and households. In effect, SDP's licence only permits it to sell water on a wholesale basis. Currently, Sydney Water is SDP's only customer. Sydney Water buys the desalinated water from SDP, mixes it with drinking water from the dams, and sells this water to residents, businesses and government throughout Sydney, the Illawarra and the Blue Mountains.

Given that SDP cannot sell to any small retail customers, a code of practice for customer complaints is not necessary. SDP and Sydney Water have signed a specific agreement on the terms of purchase of drinking water from the plant, including agreed billing and payment processes and dispute resolution protocols.

Should SDP be licensed to supply water to small retail customers in the future, a formal code of practice on customer complaints would be developed and provided to the Ombudsman. At this time, however, SDP is a wholesale bulk water supplier only, with no direct relationship with retail customers, and therefore does not need to be part of an ombudsman scheme.

Sydney Water sells to small retail customers and has well-established customer complaint procedures, documented in its Customer Contract and relevant policies and procedures.

4. Code of practice: Debt recovery

Holders of a Retail Supplier licence under the *Water Industry Competition Act 2006* are also required to establish and comply with a code of practice for debt recovery. The code must provide for the deferment, in whole or in part, of payments owed by customers suffering financial hardship.

As SDP is not licensed to sell to small retail customers, this code of practice is not required. Currently, SDP's only customer is Sydney Water. SDP and Sydney Water have arrangements in place regarding non-payment, as part of their agreement on the terms of purchase of drinking water from the plant.

Should SDP be licensed to sell to small retail customers in future, a formal code of practice on debt recovery would be developed. Sydney Water sells water sourced from the desalination plant to small retail customers. Sydney Water has well-established procedures for dealing with customers with payment difficulties, which are documented in its Customer Contract and relevant policies and procedures.

5. Codes of conduct: Marketing and Transfer

The Codes of Conduct for Marketing and Transfer are currently being finalised. Once they are in place, SDP will comply with all relevant provisions.