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IPART Clarification Notice No. 2 of 2021

21 July 2021

1 Preliminary

1. The title of this notice is *IPART Clarification Notice No. 2 of 2021*.
2. This notice commences upon its publication in the *Gazette*.
3. This notice is made under clause 2.2(b) of Schedule 6 to IPART's July 2019 determination titled "Maximum prices for connecting to a recycled water system: Sydney Water, Hunter Water and Central Coast Council" published in New South Wales, *Gazette*, No 73, 12 July 2019, 2780 (the **Determination**).
4. Unless the contrary intention appears, any term which is defined under the Determination bears its defined meaning when used in this notice.
5. This notice is intended to resolve a drafting inconsistency in the Determination.
6. A component of the methodology for calculating the Incremental Developer Charge is the number of Equivalent Tenements for the Capital Charge and Cost Offset (L_i). This number, calculated under clause 3.2(a) of Schedule 4 to the Determination, only includes the present value of Equivalent Tenements in the DSP Area that will utilise the relevant Asset to receive a Recycled Water Service from 1 January 2007. Therefore, the Determination excludes from this calculation Equivalent Tenements that received a Recycled Water Service before 1 January 2007 (**Pre-2007 Equivalent Tenements**).
7. The Determination does not limit other components of the methodology (the Capital Charge and the Cost Offset) in the same way.
8. By this notice, IPART clarifies the Determination as set out in clauses 2 and 3 below.

2 Clarification to the Capital Charge (*K*)

When estimating the Capital Charge (*K*), any portion of an Asset attributable to Pre-2007 Equivalent Tenements is not a 'relevant Asset' for the purposes of clause 2.3(a)(1) of Schedule 4 to the Determination and should be excluded from the Capital Charge (*K*).

3 Clarification to the Cost Offset (*CO*)

1. When estimating the External Benefit (*EB*), Avoided Capital Costs (*ACC*) and Avoided Operating Costs (*AOC*), Cost Offset Variables, any part of these Cost Offset Variables attributable to Pre-2007 Equivalent Tenements should be excluded from the Cost Offset (*CO*).
2. When estimating the Government Directive (*GD*), Cost Offset Variable, any part of the costs attributable to Pre-2007 Equivalent Tenements should be excluded from the Cost Offset (*CO*).

Note: The Subsidy (*Si*) Cost Offset Variable already excludes pre-2007 Equivalent Tenements. A subsidy or other external funding mechanism for Development for which Planning Approval was issued before the Commencement Date (12 July 2019) should not be included in the Subsidy (*Si*) Cost Offset Variable (see definitions of 'Schedule 2 Service' and 'New Development').