

Appendix 3

Discussions between Sydney Water and Services Sydney

1. Extensive discussions have been held between Sydney Water and Services Sydney about a range of proposals for waste water treatment by Services Sydney.
2. Since Services Sydney first approached Sydney Water, there have been at least 16 meetings and 4 workshops on various proposals including but not limited to Services Sydney's *Sustaining the City* proposal.
3. Up until 1 March 2004, at least 1300 hours were spent by Sydney Water staff (mostly senior staff) in meetings with Services Sydney and in reviewing Services Sydney's proposals and correspondence.
4. The NSW Premier's Department Infrastructure Co-ordination Unit ("ICU") also assessed, in great detail, Services Sydney's proposals against the *Working with Government* Guidelines.
5. The history of dealings between Services Sydney and Sydney Water reveals that Sydney Water (and the ICU) assessed in good faith and, at significant expense, the various Services Sydney proposals. None of these discussions related specifically to the terms and conditions of access to interconnection and transmission services.
6. Sydney Water found that much of the information provided by Services Sydney was technically and financially underdeveloped. When Sydney Water queried the information on these grounds, Services Sydney refused to revisit these issues. Under these circumstances, Sydney Water found it difficult to negotiate with Services Sydney on its proposals and no specific discussions were had on access to interconnection and transmission services.

First proposal

7. Services Sydney put forward an initial concept for waste water and recycled water different from the sustaining the City proposal ("**Initial Proposal**").
8. Following discussions between Services Sydney and Sydney Water, a Heads of Agreement was entered into which required a pre-feasibility study to be undertaken.
9. The pre-feasibility study was undertaken by Connell Wagner Pty Ltd and completed in **January 2000**. The study was co-funded by Sydney Water to \$150,000, but the study was prepared for Services Sydney.
10. In March 2000 a working paper was prepared.
11. On **15 March 2000**, Services Sydney wrote to Sydney Water outlining the conclusions of the working paper and provided a copy of it to Sydney Water.
12. Sydney Water had significant concerns regarding the analysis undertaken in both the pre-feasibility study and the working paper. A meeting was held in **November 2000**, attended by Services Sydney and the Managing Director of Sydney Water, at which Sydney Water outlined its key concerns with the proposal and analysis.
13. On **17 January 2001**, Services Sydney wrote to Sydney Water to outline its view of the benefits of its proposal, together with its economic analysis of the proposal.

14. There was additional analysis of the Services Sydney proposal undertaken by Sydney Water in **January 2001**. Telephone discussions took place between Services Sydney and Sydney Water's Waste Water Planning Manager and Sydney Water provided faxed comments to Services Sydney on its economic analysis.
15. On **20 February 2001**, Services Sydney sought additional cost clarifications from Sydney Water and acknowledged various clarifications made by Sydney Water.
16. On **27 February 2001**, Sydney Water met with Services Sydney to discuss Sydney Water's preliminary findings about Services Sydney's economic analysis.
17. On **1 March 2001**, Services Sydney acknowledged, by letter, the time made available by Sydney Water for consideration and discussion of its proposal.
18. On **27 March 2001**, Sydney Water received a follow up request from Services Sydney for information sought at the 27 February 2001 meeting.
19. On **19 April 2001**, Sydney Water provided a formal response to Services Sydney's economic evaluation of 17 January 2001. Sydney Water decided to not invest additional resources in the development and investigation of the proposal.
20. On **14 May 2001**, Services Sydney disputed Sydney Water's conclusions regarding costs and other benefits articulated in Sydney Water's letter of 19 April 2001.
21. On **25 June 2001**, the Managing Director of Sydney Water wrote to Services Sydney stating that the Services Sydney proposal cannot be sustained on financial or engineering grounds.
22. On **27 June 2001**, Services Sydney requested detailed financial spreadsheets and additional economic information to inform its response to Sydney Water's letter of 25 June.
23. On **3 July 2001**, Senior officers of the ICU discussed Services Sydney's proposal and Sydney Water's needs.
24. On **18 July 2001**, the Managing Director of Sydney Water wrote to Services Sydney recommending that the matter be concluded.
25. On **2 August 2001**, Sydney Water supplied additional information to Services Sydney regarding its Initial Proposal.
26. On **8 August 2001** and **28 August 2001**, Services Sydney requested further information in relation to Sydney Water's financial analysis.
27. On **11 September 2001**, the Managing Director of Sydney Water wrote to Services Sydney, reaffirming Sydney Water's desire to conclude discussions regarding Services Sydney's proposal.
28. On **11 September 2001**, Services Sydney wrote to the Managing Director of Sydney Water, inviting Sydney Water to participate in the next stage of certain investigations it proposed to carry out on its Initial Proposal.
29. On **19 September 2001**, Services Sydney wrote to Minister Yeadon regarding its previous correspondence with Sydney Water.
30. On **21 September 2001**, Services Sydney wrote to Minister Yeadon regarding the reconciliation of cost figures.
31. On **15 October 2001**, a stakeholder meeting at ICU was organised by Services Sydney regarding their concepts for water and other infrastructure.

32. On **16 October 2001**, Services Sydney provided Sydney Water with copies of overheads from the presentation to ICU the previous day, and its notes from the meeting. Services Sydney also requested further information from Sydney Water .
33. On **22 October 2001**, the Managing Director of Sydney Water wrote to Services Sydney, confirming that Sydney Water was not prepared to invest any further resources in consideration of Services Sydney's proposal.
34. On **23 October 2001**, the Minister wrote to Services Sydney, stating that its proposal is not relevant to Sydney Water.

Submission to ICU

35. In **November 2001**, Services Sydney submitted a proposal to the ICU.
36. On **9 November 2001**, ICU wrote to Services Sydney regarding the requirements for assessment under the NSW Government's *Working with Government* guidelines.
37. On **15 November 2001**, ICU wrote to Sydney Water requesting its involvement in assessing the Initial Proposal by Services Sydney under the *Working with Government* guidelines.
38. On **14 December 2001**, ICU briefed Services Sydney on the outcome of its preliminary assessment, namely that the proposal did not meet the *Working with Government* guidelines.
39. On **19 December 2001**, Services Sydney wrote to Sydney Water regarding its proposals.
40. On **1 February 2002**, Sydney Water wrote to Services Sydney stating that its letter of 19 December 2001 identifies no new issues or critical pieces of information. Therefore, Sydney Water stated that its position is unchanged with respect to further consideration of Services Sydney's proposals.

Sustaining the City Proposal

41. In **April 2002**, Services Sydney briefed the Managing Director Mr Alex Walker, and Board Member Ms Gabrielle Kibble, and requested that Sydney Water enter into commercial negotiations in relation to Services Sydney's *Sustaining the City* proposal.
42. At a meeting with the Premier and Minister Yeadon in **June 2002**, Services Sydney requested that the Premier's Department enter into a Heads of Agreement with Services Sydney. This was intended to cover the submission of another unsolicited proposal to Government. The Premier's Department asked how the new proposal differed from the Initial Proposal.
43. In **November 2002**, Services Sydney submitted a variation of its 2001 proposal called *Sustaining the City* to the ICU.
44. On **26 November 2002**, a key agency meeting was held to discuss the *Sustaining the City* proposal. Services Sydney made a presentation.
45. In **February 2003**, the Director General of the Premier's Department agreed to an independent review of the scope and costs of the *Sustaining the City* proposal. The review was carried out by Mr John Anderson of the Department of Commerce.
46. On **21 and 28 February 2003**, Sydney Water's Wastewater Planning Manager briefed Mr John Anderson regarding Sydney Water's planning for coastal systems and biosolids management.

47. On **4 March 2003**, Services Sydney wrote to Sydney Water in relation to Sydney Water's Bondi STP Reliability Improvement and Modernisation Program and advising of their claimed intellectual property.
48. On **4 and 6 March 2003**, Sydney Water provided additional information to John Anderson.
49. On **11 April 2003** and **27 May 2003**, Sydney Water raised certain concerns with ICU regarding aspects of the John Anderson review.
50. **In June 2003**, Services Sydney submitted the *Sustaining the City* concept as an alternative to the Georges River Program in response to the display of the Georges River Program Stage 2 EIS. Sydney Water responded that Services Sydney's submission could not be considered unless the confidentiality provisions were removed and the submission could be forwarded to the Department of Infrastructure, Planning, and Natural Resources.
51. On **30 June 2003**, Service Sydney wrote to ICU regarding IPART's determination and sustainable water supplies.
52. On **30 July 2003**, Services Sydney wrote to the Chairman of Sydney Water regarding the Georges River Program, and the *Sustaining the City* proposal.
53. On **3 October 2003**, Services Sydney wrote to Managing Director, Mr Greg Robinson, requesting an opportunity to brief the Board of Sydney Water.
54. On **3 November 2003**, Services Sydney reiterated its request to brief the Board.
55. On **5 November 2003** the Chairman of Sydney Water indicated that a briefing is unnecessary in advance of the outcome of the assessment by ICU.
56. On **11 November 2003**, Services Sydney made a further request to brief the Board to the Chairman of Sydney Water and the Minister.
57. On **2 December 2003**, the Premier's Department wrote to Services Sydney confirming that a Value Management Statement will not be carried out on Services Sydney's proposal and set out the strategic context of NSW government water reform.

Application for declaration

58. On **1 March 2004**, Services Sydney submitted its application to the National Competition Council (NCC).
59. On **24 September 2004**, Services Sydney wrote to the Managing Director of Sydney Water requesting a contact person to be nominated for the purpose of initiating commercial negotiations in respect of Sydney Water's sewerage networks. This is the first occasion on which Services Sydney directly requested that Sydney Water commence negotiations for access to Sydney Water's wastewater infrastructure.