



Community Environment Network Inc.

An alliance of community & environment groups.



PO Box 149
Ourimbah 2258

14 April 2022

Carmel Donnelly
Chair
IPART
PO Box K35
Haymarket Post Shop
NSW 1240

Dear Ms Donnelly,

**RE: SUBMISSION IN RESPONSE TO IPART'S CENTRAL COAST COUNCIL WATER PRICING REVIEW
DRAFT REPORT AND DETERMINATION**

Please accept this submission from the Community Environment Network Inc (CEN). We are an independent environmental organisation, with registered charity status, which works to support Ecologically Sustainable Development (ESD) and opposes threats to it.

The Community Environment Network has long held the view that Central Coast Water should become a separate Water Authority, licensed in the same manner as Sydney Water and Hunter Water. We hold this position because we do not believe the current combination of regulation of Central Coast Council's water supply functions under the Water Management Act 2000 combined with regulation of its local government functions under the Local Government Act 1993 provides the Central Coast community with adequate levels of transparency and accountability in relation to management of our drinking water and catchment.

We also hold concerns about the direction Council is taking in its future planning for water security and consider this another reason for requiring the water business to become a licensed water authority.

CEN accepts that, as a water authority, Central Coast Council's water business is substantially smaller than either Hunter Water or Sydney Water. However, it is also clear that the Central Coast Council's water business is substantially larger than any other council-operated water supply in NSW.

CEN believes that key aspects of IPART's draft determination and report support the need for Central Coast Water to become a stand-alone water authority licensed and regulated by IPART.

Please do not misconstrue this as meaning CEN supports the sale of our water assets, or their privatisation, which is not the case. We strongly advocate for the CCC Water business to remain locally owned and managed and we oppose its sale to either Sydney Water or Hunter Water. We do, however, believe that as this region's population grows, the need for water security and high levels of accountability will become increasingly essential. It is our view that the best way to achieve the levels of accountability required to deliver ongoing water security and quality, in an affordable and sustainable manner, is for Central Coast Council Water to become a licensed water authority.

In relation to the specific recommendations in IPART's draft report and determination for the period 2022 to 2026, we wish to make the following observations.



Community Environment Network Inc.

An alliance of community & environment groups.



1. The Community Environment Network supports IPART's intention to recommend the Minister gives it a referral to investigate and report publicly on CCC Water's performance as a Water Supply Authority and progress implementing management and government improvements in two years' time.

However, there is currently no certainty over the timing of the next local government election for the Central Coast Local Government Area even though the findings of the Public Inquiry into Central Coast Council resulted in the removal of the elected Councillors. We are concerned that the Council Under Administration may, during the next two years, take inadequate or inappropriate steps to solve the issues highlighted in this draft determination by "selling off" its water business.

The Central Coast Local Government Area has been earmarked for substantial population growth over the next 20 to 30 years. CEN does not believe that selling the Central Coast Council's water business to one of two obvious potential purchasers – either Sydney Water or Hunter Water – or offloading it to any other entity, would be in the long-term best interests of the Central Coast community.

IPART's approach to asking the community to indicate which measures they wanted CCC Water to report on is honourable but inadequate. We believe a better approach would be to recommend to the Minister that CCC Water should be licensed like other large water authorities so that IPART can exercise the same regulatory scrutiny over CCC Water that it does over other water authorities. Your draft report notes that the two-year review would also "look at the progress CCC Water has made in putting in place the governance, processes and systems needed to promote better services in the long-term." Again, CEN believes moving to a model where CCC Water is run independently and overseen by a board of directors would result in the changes to the governance, business model and structure of CCC Water in a timelier manner and result in higher levels of ongoing accountability than could be achieved by IPART conducting a one-off, two-year review during the imminent five-year pricing period.

2. CEN supports IPART's decision to increase water, wastewater and other services, but not by as much as CCC Water proposed.

We agree that the application by CCC Water for a 35 per cent increase to typical bills from 1 July 2022 was excessive. We agree with IPART's draft decision to phase in the increase to bills to minimise bill impacts in the first year of the determination. We wish to ask IPART to consider the impact of inflation, which is expected to rise in the short- to medium-term on its projections over the four-year pricing period. This needs to be a factor in your consideration of affordability for the 2022-26 pricing period.

3. Moving stormwater and drainage charges to general rates

A CEN representative participated in IPART's recent public consultation via zoom regarding your draft determination. We understand IPART's argument that stormwater and drainage charges do protect the whole community from flooding, with benefits to the natural environment. We therefore understand the argument that the costs of providing these services should be funded through local government rates. However, we do not consider it adequate that IPART simply imparts to the community that Central Coast Council will need to find other income streams to collect this revenue. Clearly that "other income stream" will be higher land rates for local ratepayers. Whilst the charge should be on a par with current stormwater and drainage charges, simply appended to a different



Community Environment Network Inc.

An alliance of community & environment groups.



invoice, there is a chance that Central Coast Council could see the switch as an opportunity to raise additional revenue and we trust that IPART will monitor this transition period closely to ensure it is conducted in a manner that is sustainable and affordable.

The reference to the prospect of Central Coast Council needing to apply for a further special rate variation to cover this transition is evidence that IPART is well aware of the consequences of this change for the ratepayers of the Central Coast LGA.

4. Discrepancies between IPART's draft report and determination and Central Coast Council's longer-term water security plans

CEN has commented on Central Coast Council's longer-term water security plans, particularly proposals to bring forward substantial capital expenditure on a major desalination project without a properly developed business case for that project. We accept the basis for your draft determination that CCC Water's yearly operating costs need to be 24% higher than what was allowed in the 2019 determination period and its yearly capital costs need to be 6% higher. This determination would suggest that IPART's views on the capital expenditure program for CC Water differ from those of CC Council.

5. High water service charge not favoured by CEN

CEN does not favour IPART's draft determination to double the water service charge from 1 July 2022. This is akin to a flat GST as it penalises those who conserve water. As stated in IPART's draft report and determination, "If you use a relatively small amount of water, the fixed water service charge would make up a relatively large proportion of your bill." A more progressive way to charge would be a higher charge per litre used and a lower water service charge. This would penalise those who were larger users of water and reward those who conserve water, hence this billing model would be more closely aligned to the principle of ecological sustainability.

We do not believe that "higher fixed charges" are necessary because "most of the higher costs CCC Water expects to incur are fixed and do not vary with the amount of water its customers use". We respectfully call upon IPART to reconsider the doubling for the water service charge. It is possible to come up with a pricing structure that covers CCC Water's fixed costs without imposing a higher water service charge on those on relatively low incomes who use less water.

We also learn that within the five-year pricing period the water service charge will be adjusted by inflation. This doubly penalises those with low disposable incomes who determine to use less water as a financial budgeting measure. If IPART applies the high water service charge adjusted for inflation in its final determination this will impact on those who can least afford it and reward those who do not take measures to minimise water use.

6. Corporate overheads as a high percentage of costs

CEN finds it concerning that CCC Water's corporate overheads represent 25 per cent of its total expenditure whereas it spends only six per cent on capital costs.

We are aware that CCC Water is the subject of a review by Council's CEO (under delegated authority from the Administrator) to examine its operating structure, including ownership. We also believe it is a step in the right direction for IPART to seek Ministerial permission to examine CCC Water's activities in two years' time. However, it is obvious that productivity gains are required and corporate cost cuts necessary to re-channel CCC Water's focus to its areas of performance weakness against output measures. In particular: its water quality complaints/1000 properties were higher



Community Environment Network Inc.

An alliance of community & environment groups.



than the target for all three years; the frequency of unplanned interruptions was higher than expected per 1000 households in 2019/20; it failed to meet 100 per cent compliance with Australian drinking water guidelines for chemical values in 2020-21; another area of considerable weakness was targets for wastewater overflows reported to the environmental regulator, per 100km of main with failures recorded across three years.

In addition, wastewater odour complaint targets were not met in 2019-20 and 2021-22 and compliance with EPL concentration load limits targets were not met in 2019-20, 2020-21 and are not yet known for 2021-22.

7. Poor management of assets

We learn in stormwater that significant quantities of channels have no financial values assigned, suggesting significant quantities of non-depreciable assets may be miscategorised. The average age of these assets is 33 years, with the oldest asset being 60 years old, which is within the theoretical expected life of 100 years. e. No condition driven remaining life were observed for all 599 assets. Wastewater south - There were no signs of asset condition information being used in the evaluation of remaining life. The nominated useful life was not consistently applied to individual assets in the RAB. Take Sewer Gravity Mains for example, some of the adopted lives are as high as 238 years, which is significantly higher than the nominated life of 100 years. Approximately \$8.3m of PV Mains assets have adopted useful lives more than 200 years. We learn that "this can lead to over optimistic results". For example, a \$7.2m (GRC) sewer gravity mains built in 1986 was observed to still have 96% of useful life remaining. Inconsistencies observed in the Wastewater South database were also evident in the Wastewater North data, however the level of discrepancy is less in comparison. For example, the highest adopted useful life for sewer gravity mains is 150 years, which is still higher than nominated but not as impactful as 238 years as seen in the Wastewater South dataset. Approximately \$122M GRC worth of Water Mains assets have adopted useful life more than 200 years. Significant number of asset entries under Water Mains were discovered to have \$0 GRC. Approximately \$20M GRC of Water Mains assets have exceeded their theoretical useful life. Given the above summary of some of the findings in the consultant's report to IPART, CEN finds it inconsistent for the consultant to then conclude that "based on the observations above, we believe CCC is progressing adequately in achieving the "core" level of asset management maturity under the IIMM and ISO 55000 framework and are confident that if applied as planned will achieve substantial improvements in data integrity for the next pricing submission".

We are also informed that "data-driven evidence to identify risks, support investment needs and develop efficient solutions may not be robust and reliance is placed on expert judgement to fill the gaps".

CEN agrees that CCC's strategic plans should clearly demonstrate how its strategy and long-term objectives meet community objectives and expectations and we agree with IPART's recommendations that CCC report its progress against the Asset Management improvement plans as detailed in the Asset Management Strategy (November 2021)

We agree that CCC Water should develop an endorsed published customer charter with a set of measurable customer outcomes and reporting however, we do not think this is an adequate substitute for requiring CCC Water to become a licensed water authority. Likewise the concepts of incorporating risk metrics into a dashboard and the linking of the prioritising framework to determining the optimal level of capital expenditure to ensure that only the investment linked to the



Community Environment Network Inc.

An alliance of community & environment groups.



regulatory drivers and customer outcomes are funded. We believe these measures would be more likely to occur if CCC Water became a licensed water authority.

8. Reporting lines and restricted funds

IPART has been told that CCC Water's "reporting lines not clearly defined between the different areas within CCC" and that "given the structure we cannot discount cross subsidisation occurring. A clear link between water business revenue and expenditure is not evident...CCC provides an array of services, it's not clear how the council prioritises the capital expenditure between these services if there are competing priorities for limited funds. The lack of an independent Board to oversee the supply of water services or a Customer Challenge Group.

9. Water security

The Community Environment Network supports the Central Coast Council's vision "*to provide a sustainable and resilient water future*" for the region, however, CEN is concerned that commercial imperatives may have been applied to CCC's long-term water security plans instead of the focus being on the needs of the Council's water consumers who have clearly stated their main priorities are water quality and affordability.

The draft Water Security Plan is described as able to "respond adaptively to future uncertainty, potential future droughts and climate change. Purified recycled water and desalination can be delayed or accelerated based on: dam storage, population growth, reduced rainfall, the performance of other supplies including from Hunter Water Corporation, new technologies, the cost and speed of delivery of new supplies and the future risks of restrictions and water security". However, the plan's timeframe for the development of new supplies, particularly early capital outlays on desalination appear to lock the Council into one pathway from the mid-2020s.

CEN has already expressed serious concerns about Council's modelling of the region's water catchment area in relation to water sharing plans. In March we were distressed by the response of Council staff when we pointed out significant errors in information from Council sent to DPIE which included substantial errors. Please see below CEN's questions and concerns with Council staff responses following in red.

1. Council's response re Clause 78 (n) suggesting that under the Plan, changing flow reference points for Wyong River Water Source from 211009 and 211010 stream gauges specifies 7.6% decrease in daily extraction limit...would cause an annual loss of 2000 to 3000 ML yield for the water utility. Can this be fleshed out please. *This analysis was done at a high level just comparing the daily extractable limit based on combined flow at reference gauges (211009 and 211010) with the potential extractable limit with reference to Weir Gauge 211017 (after compensating for pumped flow extracted upstream of weir by the council) and incorporating suggested decrease of 7.6% in daily extraction limit. DPIE indicated not to be in a hurry at this stage to make the reference gauge changes. Detailed analysis will be done using the system simulation model at a later stage.*
2. In the actual Draft Legislation Page 25, Part 24 "Share components of the local water utility access licences".....the list of share components of various sources lists Wyong River Water Source at



Community Environment Network Inc.

An alliance of community & environment groups.



35,058 ML/year and also lists Jilliby Jilliby Creek Water Source at 0 ML/year. This is confusing and to the average person suggests that JJ Creek contributes nothing to our fresh water supplies which of course is nonsense. What has happened in previous Plans is that JJ Creek was not listed but was assumed to be part of the Wyong River source, which it is. They are an integrated system. To now separate JJ Creek and suggest a ZERO contribution, as an observer would see is confusing. **Yes, it may be confusing to some people, Council unfortunately did not point this out to the Department of Planning Industry and Environment (DPIE), we will endeavour to bring this to DPIE's attention.**

3. In the public documents, the "Report Card" for Jilliby Jilliby Creek says that the receiving water body is Tuggerah lake. We know that JJ Creek flows directly into Wyong River well above the lower pumping station (thereby contributing directly to our town water supply). Can you explain this? **Yes that is true, Council unfortunately did not point this out Department of Planning Industry and Environment (DPIE), we will endeavour to bring this to DPIE's attention.**

4. Likewise with Ourimbah Creek, the "Report Card" says that the receiving water body for Ourimbah Creek is Wyong River. We know that water is pumped from Ourimbah Creek to the Mardi Pumping station but where does the general flow go the Wyong River as suggested. **Agreed, report card for Ourimbah needs to be corrected for this. Council unfortunately did not point this out Department of Planning Industry and Environment (DPIE), we will endeavour to bring this to DPIE's attention.**

Council staff have acknowledged in these responses giving false, and potentially misleading, information to DPIE. It is unclear whether or not the information was subsequently corrected and DPIE given correct information in relation to the important role of Jilliby Jilliby Creek as part of the Central Coast's Water Catchment. CEN questions the reasons why Central Coast Council would give incorrect information to DPIE and then subsequently admit, in writing, that it had done so. CEN urges Central Coast Council to look carefully at its catchment modelling when finalising future water sharing plans and this Water Security Plan.

We are aware that "Council is also drafting a consolidated development control plan to manage development within the catchment". CEN is concerned about any expansion of development within the water catchment area. We urge Council and all authorities involved in the future determination of the Coast's future water supply to make every effort to ensure our catchment remains free of development.

Nine per cent of the Coast's daily water usage of 82ML per day continues to be lost through leaking pipes and maintenance activities in the network. Unfortunately the current approach of placing limits on capital expenditure to conform to the requirements of commercial creditors means it is difficult for Council to justify the expenditure necessary to fast-track the maintenance and system upgrades needed to eliminate this wastage.

While it is unreasonable to expect no leakage or zero infrastructure failure in any system, a 10 per cent leakage rate must be improved. CEN urges the Council to include a benchmark to lower the amount of water being lost through leaking pipes and maintenance activities across the life of this Water Security Plan, to be part of the plan's five-yearly reviews.



Community Environment Network Inc.

An alliance of community & environment groups.



The Draft Water Security Plan informs the reader that Central Coast has over 25,000 domestic water tanks and considers an incentive scheme to have 45,000 more. CEN believes that any plan about future water security must look at increasing the supply and use of water tanks for homes and businesses across the Coast.

Council's Love Water website has useful information about how to install a rainwater tank but offers no incentive to do so.

Several elements of the approach to rainwater tanks in the draft report appear to be questionable. CEN questions the build cost of \$224 million for 45,000 tanks. This is a build cost of \$4977 per tank which appears expensive given a cursory glance at current water tank retail prices and the assumption that Council would implement a rebate scheme which would not cover the whole cost of the tank. It is surprising that the rainwater tank scheme is deemed more expensive than desalination and not much cheaper than dam enlargement. CEN would like to see an explanation of how this scheme was priced when the feedback report it tabled at a Council meeting before finalization of the Water Security Plan.

The Draft Water Security Plan informs us that current water sharing arrangements between the Central Coast and the Hunter Water Corporation currently allows for up to 30ML/day of drinking water to be shared between the two systems. On page 25 the draft plan states: "HWC is preparing its Lower Hunter Water Security Plan that will present new water security options for its water supply system. Water sharing arrangements will be reviewed when new supplies are incorporated within either system in the future."

Consequently it would appear that the community is being asked to give feedback on an incomplete long-term plan. Can the final plan please provide some more detail regarding:

- When water sharing arrangements will be revised;
- What will the revision process be and what engagement will take place around it (presuming the Central Coast Council still owns its water infrastructure by then);
- What exactly does the statement "when new supplies are incorporated within either system in the future" mean? What supplies are being referred to?
- Does this mean that existing water sharing arrangements could potentially remain in place for 10 or even 20 years?

We strongly refute the assertion that desalination's impact on the environment has been rated as having a medium risk or impact. The serious environmental impacts of sea water desalination is extensively documented and it beggars belief that Central Coast Council has not given its desalination option a medium risk/impact ratio for environment. Discharged brine contains dangerous toxins and increase seawater temperature, turbidity and salinity. In a region known for its beaches, boating, fishing and diving – which is working towards global accreditation as an eco-tourism destination – CEN wishes to caution Council about downplaying the environmental significance of its desalination option.

IPART's 2012 and 2017 review of Sydney Water's arrangements with Sydney Desalination Plant Pty Ltd (who contract Veolia to run and service the plant) demonstrates why the Central Coast needs to hang on to its own water assets. Desalination plant arrangements of the scale of Sydney and



Community Environment Network Inc.

An alliance of community & environment groups.



Melbourne (250ML/day) one would describe as a “licence to print money”. Both Sydney and Melbourne plants were in mothballs from the time of their construction for about five years. They were initiated on the back of the Millennium Drought which saw water storages diminish to very low levels.

The inclusion in this draft plan of a Desalination Plant at Toukley with inlet and outlet pipes at Norah Head are expensive to build, excessively expensive to run including electricity, and pollute the ocean floor. They will cost the ratepayers dearly and water is paid for whether the plant needs to deliver to the system or not. This is how both Sydney and Melbourne incur great costs year in year out. Is this the reason for Council to ask IPART for a 34% water rates rise... to begin the process of capitalisation of a permanent Desal Plant?

Sydney Water pays a private firm, Sydney Desalination Plant Pty Ltd who set daily and annual prices for which IPART review each five years, to supply up to 250 ML of water a day to Sydney’s natural supply if needed. Running costs are separated for the plant itself and the pipeline which has its own running costs. The firm Veolia actually run and maintain the operation. Investment in the Sydney plant is managed by Morrison and Company who are global investors and manage as well many Australian airports and other major infrastructure.

The late Greens State MP Dr John Kaye, said, in 2015, three years after completion, that the plant had cost consumers \$534.7 million despite it being in hibernation, not having produced a drop of water. Ratepayers pay water rates for that desalination every day, whether water is supplied or not.

Council has not given us detailed figures to work from for the proposed plant here. But the intention is to begin installing the pipeline at least 11 years ahead of schedule (in the next two to five years). We are told it will probably be a 20ML/day or 30ML/day but could be capable of 40ML/day. So it would be prudent to build a 60 to 80ML/day pipeline.

With the State Government driving overdevelopment of the Central Coast the Desal Plant is likely to be bigger rather than smaller. Even if you divide the \$170 million annual requirement to run Sydney by 5 (250ML down to 50ML), that comes to \$34 million a year. The number of households able to pay for this on the Coast is significantly less than the sprawling Sydney basin so the cost per household would be substantial.

CEN believes the rush by our unelected Council to begin the pipeline construction asap means that we are locked in to this process, before an elected Council can really investigate the Desal’s worth. Figure 15 suggests that the Desalination Plant could be constructed quickly compared to all other options. CEN asks why then on page 32 (4.4 Implementing the Plan) in the next two years there is a rush to put approvals and concept designs in place, and then to actually “deliver the intake etc” in two to five years. A Desalination Plant is not required to begin operation until 2043. Most people would think that planning would not need to start until the mid-2030s.

Council also seems quite unenthusiastic in exploring a Temporary Desal of 15/ML, which Hunter Water has pencilled in, of which Hunter Water say would be triggered if storages reach a critical 35



Community Environment Network Inc.

An alliance of community & environment groups.



per cent capacity. They say..."The odds of switching on the plant are very low but we won't take the chance of running out of water because planning approvals are in place".

Hunter Water, with which we share resources, and which Council say they are working closely with, seem to have a different and more measured approach to drought proofing. Hunter Water also describe Temporary Desalination as "considerably less expensive and a faster solution to providing....15 megalitres a day...should there be a severe drought".

A Porters Creek to Wyong River transfer scheme of 2ML/D has been incorporated in projections of infrastructure delivery to cope with worst case scenario drought with water supply from non-climate reliant infrastructure. However, recent discussions with Council staff indicate that a stormwater harvesting scheme for Porters Creek, which CEN understands was a condition of consent for development that is now taking place within the Porters Creek catchment, has been abandoned as non cost-effective.

Council is now pursuing 'nature based' remedies to protect Porters Creek from the consequences of over-development, past, current and ongoing, within its catchment. This vital freshwater wetland is a naturally-occurring, cost-effective backup water supply for the region in times of drought. Whilst the draft plan includes reference to a transfer scheme between Porters Creek and Wyong River, the role of the wetland has been completely overlooked. CEN is concerned for the health of the wetland as a consequence of development plans and the Council's commitment to expanding the Warnervale airport.

Thank you for considering this submission. If I can offer any more information please feel free to contact me.

Yours sincerely,

Samantha Willis
CEO, Community Environment Network