

Our Ref: ECM No. 9502544

23 June 2025

Ms Carmel Donnelly PSM  
Chair, Sydney Water Prices 2025-2030  
Independent Pricing and Regulatory Tribunal

Via Submission Portal

Dear Ms Donnelly,

### **Hawkesbury City Council – Submission – Draft Report, Sydney Water Prices 2025-2030**

I wish to extend my thanks, on behalf of Council and our Community, for the opportunity to provide this submission on the Draft Report, Sydney Water Prices 2025-2030 (**Draft Report**).

Our submission focuses on item five of the eight items the report calls for express feedback on: the expansion of Sydney Water's operations into the Hawkesbury City Council's current area of operations (the Windsor Sewerage Scheme, **the Scheme**), following the divestment of the Scheme's assets and customers to Sydney Water (**the divestment**).

#### **Background**

Hawkesbury City Council (Council) is the only local government authority within Sydney to provide sewer services to its community. The reasons for this have varied throughout the years as various requests, offers and discussions were had with Sydney Water, but the inescapable reality is that we presently have 8,500 customers (approximately 7,500 residential customers and 1,000 liquid trade waste customers) who are serviced by a ring-fenced scheme.

The ring-fencing and immaterial customer growth prospects mean that every dollar of cost must be borne by a very small customer base, while residents of the Hawkesbury who live within Sydney Water's area of operations, enjoy being part of a customer base of several million. At the same time, we are seeing significant cost drivers amplifying, being:

- Regulatory change, most notably being the Hawkesbury-Nepean Nutrient Offset Framework, which will have the effect of demanding a significant capital investment in the immediate and medium term;
- Increased impacts of natural disasters (and as a water utility, damage to the Scheme's assets are ineligible for Disaster Recovery Funding); and
- Increased compliance and regulatory costs related to liquid trade waste

Recognising this, in 2022, Council reviewed the Scheme's viability of its current operating model, adopting customer value as the first priority.

This review concluded that divesting the Scheme to Sydney Water was the most viable option to achieve the greatest customer value proposition, while minimising strategic risks to Council's core services it must provide to its wider resident base of 70,000. At that time, the typical residential bill for sewer services charged by Council was approximately double Sydney Water's. That is, a household in Windsor, for instance, was paying twice as much as a household in the adjoining suburb of Richmond, for a near identical service.

At its ordinary meeting of 11 June 2024, Council adopted, for the purpose of undertaking further due diligence, the option of divestment as the way forward for the Scheme.





While a determination by IPART to have the costs shared across all Sydney Water's customers is not a guarantee that the divestment will occur, Sydney Water have made it clear to Council that a determination that the Scheme should remain ring-fenced will ensure that the divestment will not occur.

**Question 1: If Sydney Water extends its wastewater services to the Hawkesbury City Council area in future, should those customers pay a separate wastewater price, or should additional costs be shared across all customers?**

The due diligence Council and Sydney Water have undertaken, has modelled the likely customer cost profile over the ten-year period to 2036-37. It must be acknowledged that this modelling has been limited in that it has been based on the current capital investment profile, which has not been subject to a material review following the run of natural disasters the Hawkesbury has been subjected to (2020-2025), nor has it been able to consider the impacts of Stage 2 of the Hawkesbury-Nepean Nutrient Offset Framework or the hyper-inflation of 2022-2024.

Notwithstanding, this modelling has demonstrated that, should the ring-fencing of the Scheme prevail, the typical residential bill will remain at or surpass double that of Sydney Water's. This amounts to approximately \$41 million over the ten years.

Once the second stage of the Hawkesbury-Nepean Nutrient Offset Framework is considered and allowances are made for the increased risk of asset failure due to flooding, the business-as-usual approach of ring-fencing would, in all probability, see the typical residential bill for the Scheme be between three and four times Sydney Water's.

This is not a position that Council can support; the current arrangement is unsustainable, it is unviable and it places an extreme financial risk on one of the most socio-economically disadvantaged parts of our Community.

This would continue to be the case if the Scheme were to be divested to Sydney Water, but the ring-fencing remained.

If, on the other hand, the divestment were to occur and the costs were to be shared across all of Sydney Water's customers, we note in the Draft Report that "Sydney Water's existing customers [could] face slightly higher future wastewater bills" and we understand "slightly higher" to be in the range of \$2-\$6 per annum.

Focusing on the non-residential customers, the two primary commercial and industrial land precincts within the Hawkesbury LGA – South Windsor and Mulgrave – are both serviced by the Scheme.

Analysis of liquid trade waste pricing between Council's pricing policy and Sydney Water's indicates that there are significant opportunities for reductions in annual liquid trade waste pricing under a divestment scenario where costs of servicing the Scheme are shared across all customers. We see this as a significant opportunity to reduce overheads for these businesses, leading to the potential for substantial productivity gains and economic benefits for our local economy, but with the opportunity for secondary gains throughout wider Sydney given the nature of the economic activity within these two precincts. We have not modelled this given the time and financial constraints.

Accordingly Council strongly supports (and resolved this way at its meeting of 10 June 2025), that the costs of servicing the Scheme should be shared across all customers of Sydney Water, just as our residents and businesses outside of the Scheme contribute to the costs for discrete sewerage networks in Winmalee, Penrith, North Head, Bondi, Malabar, Cronulla and any one of the 24 other resource recovery facilities across Sydney Water's area of operations.

**Question 2: Besides bill impacts, what other factors should we consider?**

The Scheme operates within one of the more sensitive areas of the Sydney Basin, with both sewage treatment plants and the entirety of the network operating within the floodplain of the Hawkesbury River. Treated wastewater is discharged into South Creek just 4km and 7.5km (McGraths Hill STP and South Windsor STP respectively) from its confluence with the Hawkesbury River.



Council places a very high value on the Hawkesbury River; it has significant environmental, cultural and economic value and we see it as a key part of our identity. Its cultural importance spans 40,000 years of human settlement right through to today and it was the lifeblood not only for early settlement in the Hawkesbury, but for the emerging colony given the Hawkesbury's role as the primary source of food in its early years.

Accordingly, Council supports measures, including the Hawkesbury-Nepean Nutrient Offset Framework, to protect and restore the health of the River. We cannot see, however, these measures succeeding while the Scheme remains ring-fenced, for the reasons outlined above relating to viability and our customers' capacity to pay.

We also see the benefits of measures such as the Hawkesbury-Nutrient Offset Framework not being confined to the customers of the Scheme, but being enjoyed by a much larger population including those who travel to recreate on the Hawkesbury within our Local Government Area (LGA) and farther downstream, those communities who reside on the River but outside of the Scheme and those who derive an economic benefit from the River.

We recognise that sharing the costs of the Scheme across all Sydney Water's customers is not the same as sharing the costs across all those who potentially benefit, but as it is with other significant rivers within Sydney – the Parramatta, the Georges and the Cooks – we see that the costs of improving the health of these significant waterways should not be isolated to small pockets of the population adjacent to them.

It is Council's view that these two factors ought to be given significant weight in IPART's consideration of the final Pricing Determination and that IPART should determine that the costs of the Scheme should be shared across all customers of Sydney Water.

### **Conclusion**

While a favourable determination is not a guarantee to the divestment occurring, an unfavourable determination will ensure that it does not proceed; we view this as an enabling decision which keeps alive the prospect of the divestment of the Scheme.

Council has acted with the highest level of responsibility and accountability in reviewing the operational model of the Scheme. We have maintained the customer's value proposition at the centre of this review process and can now quantify the potential benefits that will flow from a future scenario where the Scheme is divested and the costs are shared across all Sydney Water customers. For our customers, this amounts to \$41 million over the ten years.

The benefits are not confined to the first-order bill impacts; the potential for second-order impacts arising from the productivity gains for commercial and industrial customers is a very real prospect and should not be ignored.

Beyond the immediate consideration of the bill impacts, there are important and credible environmental, cultural and social factors which ought to be considered by IPART in determining whether the Scheme should remain ring-fenced or not following a future divestment to Sydney Water.

The Hawkesbury is a historical anomaly and the social inequity that this gives rise to should be extinguished. We implore IPART to make a determination which allows for the future costs of servicing the Scheme to be shared across the entirety of Sydney Water's customers, just as is the case for the 30 treatment plants and associated networks across Sydney.

Should Council be able to assist the Tribunal in way, we would be happy to provide that assistance.

Yours faithfully,

[Redacted signature]

[Redacted name and title]