

Submission to IPART on Water Pricing August 2022 – Lynda Newnam



Malabar with WTP in foreground.

Thank you for allowing me to attend IPART forums on water pricing.

I make this submission as an independent member of the public who has engaged in various areas of operations with Sydney Water.

I have made two submissions previously: 14/10/2019 and 19/10/2021

<https://www.ipart.nsw.gov.au/sites/default/files/documents/online-submission-individual-l.-newnam-14-oct-2019-174200000.pdf>

https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Online-Submission-Individual-L.-Newnam-19-Oct-2021-112835099.PDF

The areas where I have engaged with Sydney Water: Streamwatch; Malabar WTP 2016-2022 (I no longer attend because of issues such as meetings being held outside plant in cold and wind, lack of agenda); interaction at industry CCCs – Botany Industrial Park and Port Botany CCC; SWC grant ‘Beat the Bottle’; academic research Chullora Wetlands; Botany Wetlands federal grant; various workshops.

I make the following points based on what I heard at the forum this month and previous experience:

Community Willingness to Pay for Environmental Works

I don’t see the evidence for the proposition that ‘there is a willingness to voluntarily pay extra for environmental works’, and nor do I understand why a discussion on environmental compliance and long-term corporate sustainability should be framed as such.

There are standards for water quality such as drinking and recreational, and it is up to regulators such as the EPA and also other agencies such as Health as well as Local Councils to ensure the community understands the standards, generally, and for the providers to communicate on long-term sustainability as any corporate has to in Annual Reporting to shareholders.

As part of the discussion it should be made clear that the bulk of customers don't get a free ride at the expense of others, i.e. humans and other species directly impacted by water utilities. This relates to impacts from operations, eg. WTPs, wastewater overflows, failure to manage stormwater.

The EPA officer stated, 'if community were aware they might be 'willing to pay more', and in their last submission the EPA stated "that if the community is aware of the environmental impacts of Sydney Water's activities and the areas where Sydney Water is non-compliant with its statutory obligations, they may be more willing to pay for continued investment in the maintenance, repair and replacement of Sydney Water assets."

<https://www.ipart.nsw.gov.au/sites/default/files/documents/online-submission-epa-s.-thomson-13-nov-2019-115600000.pdf>

There are examples where community will pay more where products are differentiated, eg. eggs, however, drinking water and wastewater treatment are not differentiated. It is up to the EPA to step up to ensure why the utility is being required to increase charges due to compliance – short and long-term.

This is an example where a swimming beach is regularly impacted and nearby residents and businesses subject to odour pollution. In this case there are Commonwealth and State agencies involved. <https://www.smh.com.au/environment/sustainability/it-stinks-botany-bay-sewage-releases-must-halt-thistlethwaite-says-20201021-p56773.html>

'It stinks': Botany Bay sewage releases must halt, Thistlethwaite says



By **Peter Hannam**
October 21, 2020 – 7:30pm

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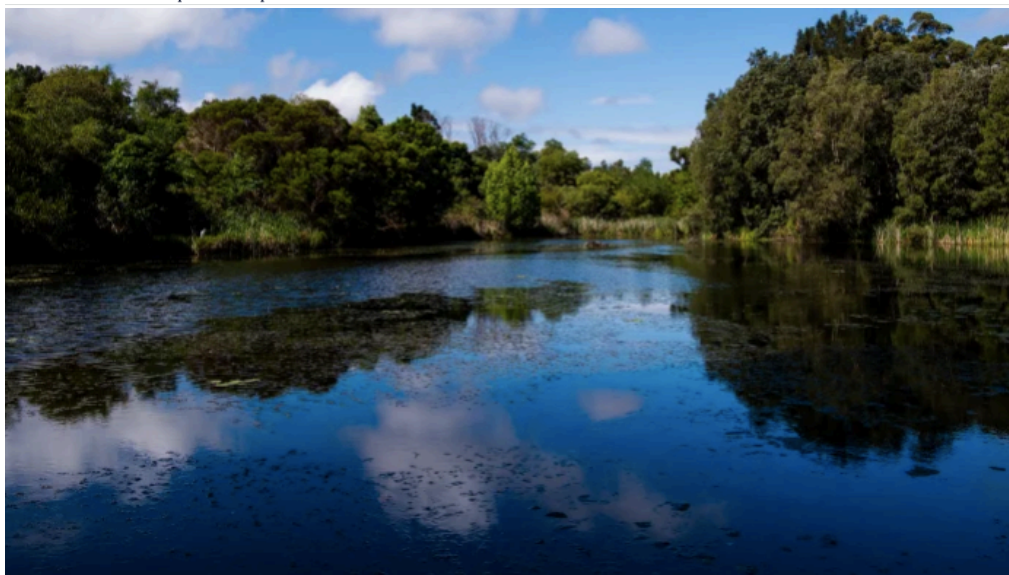
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Sydney Water is releasing raw sewage into Botany Bay, creating risks for the health of the local community and ecosystems while potentially adding to bird-strike dangers at nearby Sydney Airport.

The water utility is currently seeking a three-year extension from the Morrison government for its authorisation to allow occasional discharges from an overflow point on airport land near Mill Stream.



The Mill Pond in Botany, near where Sydney Water periodically releases raw sewage. JAMES BRICKWOOD

The overflows and impacts on Foreshore Beach have been a semi-regular item at Port Botany CCCs. The most recent discussion <https://www.nswports.com.au/file-download/download/public/1746> May 2021 PB CCC with the EPA speaking to the item. A previous example is December 2015 <https://portbotany.files.wordpress.com/2014/08/port-botany-ccc-final-minutes-1-december-2015.pdf>

My point is there have been regular impacts which weren't addressed because it was cheaper to contest and pay the fines when they occurred rather than invest in addressing the problems. It was explained to me many years ago when I asked: 'why couldn't a first step be made to a long-term plan with targets', that there wasn't sufficient public outrage. SWC does have a plan now but years of negative Beachwatch reports and EPA pings had no impact. Situations like this require intervention from regulators. Then when the utility discusses water pricing with customers it does so with all its obligations on the table'. It's not being done for a 'feel good' reason but because it has to, because all current 'externalities' have to be costed. This is a conversation that also needs broader leadership because improved environmental water quality priorities need to demonstrate 'greater good' benefits. It is not feasible, with current technology, that every area on the Parramatta is likely to be swimmable this century but at least there should be agreement on keeping the discussion flowing by reviewing and maintaining a public record of what the aims are. 'Our Living River' is an example of where the EPA did step up with Enforceable Undertakings directed to the Master Plan which identified swimmable beaches in the future. From memory it was a project that the then EPA CEO, was proud of. Far more needs to be done in this space.

It was unfortunate that the EPA was not part of other conversations at the IPART forum. It has been absent in past forums. I am assured it does engage extensively with utilities and IPART, however, this is not at a level of transparency whereby community can learn about the complexity, including the responsibilities. Unlike most products, water is essential. We are 'all in this together', along with millions of other species.

Characterisation of Customers/Community

Sydney Water in its presentation continued to present a homogenous 'customer', in contrast to Hunter Water where 'community is diverse and views change' 'engagement is hard and messy' and the organisation is 'continuously learning'. I also noted that the Hunter River Estuary Plan was a driver for investment. I would not suggest that Hunter Water has anywhere near the challenges faced by Sydney Water, but perhaps the latter could learn from some of the Hunter's approaches.

For IPART purposes Sydney Water appears to rely heavily on the Customer Council as a 'shield'. I checked out the Council's membership and last set of minutes:

Community Advisory Committee Members (including those present and apologies).

Mustafa Agha – Business Western Sydney (MA)

Douglas McCloskey – Public Interest Advocacy Centre (DM)

Fabian Sack – Total Environment Centre (FS)

Mary Karras – Ethnic Communities Council NSW (MK)

Ross Williams – Local Government NSW (RW)

Omer Incekara – Multicultural NSW (OM)

Anna Bacik – Community Industry Group (Illawarra) (AB)

Conny Harris – Nature Conservation Council NSW (CH)

Stephen McMahon – Urban Development Institute of Australia (SM)

Karen Appleby – Council of the Ageing (KA)

NSW Council of Social Services Samantha French – People with Disabilities Australia

Paul Knight – Illawarra Local Aboriginal Land Council

Samantha French – People with Disabilities Australia

In amongst the list is Local Government NSW. This is an organisation that potentially covers all of NSW and can contribute on compliance and big issues such as stormwater management/recovery as well as providing education outreach. I don't know how they use the available structures to reach down through Councils to residents, however they do have the capability. Perhaps IPART could test this.

As for the rest of the organisations, how many people do they represent and how to they reach these people. I don't see anyone specifically representing the people directly impacted by SWC operations. I did scan the evidence appendix for the IPART audit report

https://www.ipart.nsw.gov.au/sites/default/files/cm9_documents/Report-to-the-Minister-Sydney-Water-Operational-Audit-2020-21-6-April-2022.PDF

however, I didn't find any Malabar WTP CCC minutes. Does IPART check? There are a couple of people on this CCC who have gone on a very long journey with SWC/Water Board eg ocean outfall, water quality, odour, biosolid routes, and more recently, biogas

<https://www.nsw.gov.au/enterprise-investment-trade/media-releases/australias-first-gas-to-grid-project-kicks-off> (is this the greenest long-term solution?). I imagine there are other facilities with similar experienced residents/community/customers who could contribute their opinions on externalities.

During the Sydney Marine Park 'debate' fisher groups were very vocal on water quality, arguing that they were to be locked out of areas which would benefit far more by addressing water pollution. They were partly instrumental in the Government withdrawing the proposal. However, groups such as these have not been included.

From the SWC Customer Council May Minutes:

*"Ross Williams (RI) thanked JI for the update. He asked why Sydney Water prefers to use a reference to 'customers' rather than a broader remit of 'community' in the title of the new reference group. MG advised that Sydney Water had considered this and had also talked to IPART about this. The IPART process focuses on customer outcomes and what customers are prepared to pay for the work that Sydney Water is going to deliver. As **this new group will have a significant role in the IPART price proposal, the reference to 'customers' aligned to IPART's focus on customer.** MG went on to say that Sydney Water sees the customer as more than just the bill payers. Sydney Water has a very broad definition for customer which does include the community and others such as UDIA and environmental representatives. "*

The new Reference Group I understand is supposed to begin meeting in September yet there was no indication on the website who these people would be, nor who the Chair would be

<https://www.sydneywater.com.au/content/dam/sydneywater/documents/customer-and-community-reference-group-charter.pdf>

It concerns me that agencies responsible for water quality, water innovation and planning are not represented. Part of the conversation around pricing is the short and long-term demand for infrastructure and that needs to include organisations that can offer incentives to reduce demand which may then lead to an overall reduction in capital investment in 'more of the same'. Local Government is a key stakeholder in this space. Surely the 'stakeholder' council should be a working group that can offer expertise in moving towards – as quickly as possible – a more sustainable and cost-effective future.

I noted that the Sydney Desalination Plant <https://sydneydesal.com.au/> representative said they had to rely on Sydney Water's feedback on customers rather than conduct direct testing. It would be useful to have more discussion about the characterisation of drinking water – desal, Warragamba

dam/other dams, recycled – given the environmental impacts. In the early days of the Desalination proposal it was controversial eg. ‘bottled energy’, and the impacts on Botany Bay for the pipeline are not to be underestimated, nor the continuing discharge on the marine environment. The raising of Warragamba is a current controversial project, particularly given the ‘under costing’ of threatened species and overall flawed cost-benefit analysis methodology. Some members of ‘the community’ are prepared to pay more for ‘green power’ and they may be prepared to pay for differentiated water.

I have also recorded in my notes the Desal representative saying something to effect that they should be ‘gathering data through their interactions’ and I have noted – ‘yes, raw data, not manufactured consent through carefully curated consultation.’

Community consist of people who dispose of fatberg producing wipes down toilets and who run businesses where fats are regularly disposed of down the sink. At one of the Botany Industrial Park meetings where representatives of Major Hazard Facilities attend, I listened to the Sydney Water representative speak about regulated trade waste compared to unregulated pollution (and destruction) by hundreds of thousands of commercial and domestic customers. Individual environmental vandals receive the same consideration and are lumped in the same ‘community basket’ as those who care about the environment, and the ‘public good’.

At the Landcare conference last Thursday morning, Federal Environment Minister Tanya Plibersek spoke movingly about her father. On Saturday mornings he would take buckets of water, water he paid for, to the park opposite and he would water the trees that Council had planted. There was no compensation for this, no rewards, it was the ‘right thing to do’, to ensure the trees survived. There are no rewards for community who make similar contributions.



Photo of Minister Plibersek speaking about her father watering trees at Landcare Conference 25/8/22.

State Government Investment in Water Incentives through SWC dividend

Under 15(1)c of its legislation IPART is required to consider *the appropriate rate of return on public sector assets, including appropriate payment of dividends to the Government for the benefit of the people of New South Wales.*

I imagine this would be of general interest to the public given it is customer money for essential services being diverted to NSW Treasury. I have extracted Questions and Answers on projected Sydney Water dividends at Budget Estimates 22/8/22:

The Hon. DANIEL MOOKHEY: I have one more question about dividend policy, which maybe is to Ms Campbell, because it is to do with Sydney Water dividends. Apparently we are reducing Sydney Water dividends by \$455.4 million so that it can maintain its investment grade credit matrix. It is currently triple-B rated, is it not?

SONYA CAMPBELL: I believe that's correct, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Was its rating under threat?

SONYA CAMPBELL: I don't have the answer to that question, Mr Mookhey. I'd have to take that on notice.

The Hon. DANIEL MOOKHEY: The implication of this is that had we insisted that it continue to pay us \$455 million that the rating would be under threat. Is that a fair inference for me to draw?

SONYA CAMPBELL: I believe that's correct, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Have you been advised by the rating agencies if there's an issue with Sydney Water's credit rating?

SONYA CAMPBELL: I haven't had any direct conversation, but it is as a consequence of the Greater Sydney Water Strategy and the additional capital expenditure that's required by Sydney Water that had an impact on that originally projected dividend.

The Hon. DANIEL MOOKHEY: On page 7-9 of the budget paper on the Sydney Water Corporation dividend, the dividends under the forward estimates from it are set to go from \$259 million in this current year to \$352 million in 2023-2024, \$435 million in 2024-2025 and \$652 million in 2025-2026. I'm glad that it is so profitable that it is able to provide us with those dividends despite us reducing by \$4.5 billion but can you explain to us, particularly in those two last years, why is there such a massive spike in Sydney Water's dividend in years 2024-2025 to 2025-2026?

SONYA CAMPBELL: Thank you, Mr Mookhey. I don't have those precise details. I would need to take that question on notice.

The Hon. DANIEL MOOKHEY: I accept that IPART is doing the repricing of the water this year and that's why it is going up from \$125 to \$264—it's doubling in the next year because the five-year determination by IPART kicks in. But that five-year determination lasts for another five years. What I'm trying to understand here is that there's clearly something going on with Sydney Water's balance sheet, because its credit rating seems to be under some form of risk. We've reduced it by \$455 million. I accept that it has to fix the pipes and borrow more accordingly, but then we are still taking a lot of money out of it in dividends—quite an aggressive rise. How is that happening?

SONYA CAMPBELL: Again, Mr Mookhey, I'm happy to take that question on notice and come back to you.

The Hon. DANIEL MOOKHEY: This would have had to be agreed by the Treasurer in his statement of expectation that he had to issue Sydney Water. I presume he did issue that statement of expectation to Sydney Water?

SONYA CAMPBELL: Yes, that's correct. The statement of expectations will outline the Government's policy direction within which Sydney Water will run its commercial operations.

The Hon. DANIEL MOOKHEY: Yes, and it does a 10-year financial plan that informs that. I'm aware of that. Did the Treasurer ask for these extra dividends?

SONYA CAMPBELL: I can't speak for the Treasurer, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Well, someone can. Did the Treasury provide advice to the Treasurer that that's possible?

SONYA CAMPBELL: I expect Treasury would have provided advice but I would need to get advice from my team, Mr Mookhey, to answer that question.

<https://www.parliament.nsw.gov.au/lcdocs/transcripts/2971/Transcript%20-%20PC%201%20-%20Treasurer,%20Energy%20-%202022%20August%202022%20-%20UNCORRECTED.pdf>

Is there scrutiny of how dividends are spent? Does the Government allocate dividends to water saving measures, including resource recovery? Does it apply dividends to water based environmental works for the long-term public good? There could be benefits in this arrangement however, without detail it is difficult for an ordinary member of the public to understand.

Should you require any clarification on what I have written, please do not hesitate to contact me.