



17 October 2019

Review of Prices for Hunter Water Corporation
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, SYDNEY NSW
1240

Contact: Mr Gareth Curtis
Our Ref: AD2019/028702
Your Ref:

Dear Dr Paul Paterson

Submission regarding the Review of prices for Hunter Water Corporation From 1 July 2020

At its meeting on 2 October 2019, Council resolved: (1008)

1. *“That Council endorse the submission to the IPART Issues Paper – Review of prices for Hunter Water Corporation From 1 July 2020 with the following amendment being made to the wording, paragraph 2 provided in Council’s Submission:-*

For many years Cessnock City Council and its representatives have been in consultation with HWC and its representatives in an effort to address the backlog of sewerage service works to the village of North Rothbury as a priority along with other villages within its Local Government Area.

2. *That consultation regarding Council’s submission to IPART be communicated back to the community of North Rothbury via the Branxton/Greta News.*
3. *That Council’s submission be amended to include our concerns that local residents may not be able to afford an increase in their water rates. This should include socio economic data on our LGA.”*

In accordance with the above resolution, Council provides the following submission to the Issues Paper – Review of prices for Hunter Water Corporation From 1 July 2020.

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Proposed discontinuance of the Environmental Improvement Charge

References are made specifically to the Issues Paper Part 7.6 *Environmental Improvement Charge* (EIC) and the proposal to discontinue this levy from the beginning of the 2020 determination period. It is noted this matter has not been specifically included within the list of issues for stakeholder comment, notwithstanding Council must strongly emphasise the importance for IPART to consider this matter as part of its review.

For many years Cessnock City Council and its representatives have been in consultation with HWC and its representatives in an effort to address the backlog of sewerage service works to the village of North Rothbury as a priority along with other villages within its Local Government Area.

Council has always been proactive and forthcoming with the supply of justifiable environmental and public health documentation to HWC and were under the impression the supply of sewerage services to North Rothbury was progressing.

Council has also received ministerial assurances that "*following the successful connection of Wyee, Hunter Water is proposing to sewer the townships of North Rothbury, Raworth and Hexham...The EPA and NSW Health have endorsed the sewerage of these townships for environmental and public health reasons*" (The Hon Niall Blair MLC, 2016)

The Issues Paper Part 1.2.2 states:

"Hunter Water currently levies an Environmental Improvement Charge (EIC) which is \$41.20 per customer in 2019-20. It has proposed to discontinue this charge from the beginning of the 2020 Determination"

It is understood HWC's justification to discontinue the levied EIC is to offset proposed increased wastewater prices but to also change the current funding model in accordance with IPART's *Maximum prices to connect, extend or upgrade a service for metropolitan water agencies, Final Report, October 2018* which determined that "*the existing property owner is liable for Hunter Water's cost of building an extension of the wastewater network to the connecting property*".

In 2017 Council received correspondence from The Hon Don Harwin, MLC former Minister for Resources and former Minister for Energy and Utilities, on behalf of the former Minister for Land and Water, suggesting that the cost to provide reticulated sewer to North Rothbury was approximately \$12 million or a cost of \$55,000 per lot.

Any suggestion that each property owner within the township of North Rothbury can afford \$55,000 for the connection of sewer is completely unsupportable. Please note that the Cessnock local government area is identified as being below the Socio-Economic Indexes for Areas (SEIFA) disadvantage measure for both NSW Regional and State averages. The low income, low education and high unemployment jeopardises residents ability to afford the proposed increased water prices, as well as any additional for sewer connection.

Chapter 5 of the Issues Paper outlines the HWC proposed recycled water schemes which includes the recovering of \$11.5 million from its broader customer base equating to approximately "*\$2 per household to customers' annual bills*". Specifically the list of issues for stakeholder comment asks "*Is there sufficient customer willingness to pay for Hunter Water's proposed new recycled water projects?*" The elected representatives of Cessnock City Council say "No". The proposed \$2 per household being sought for the recovery of "*less than expected*" revenue from HWC recycled water schemes represents the funding required to provide sewer to the township of North Rothbury.

Section 15 of the IPART Act requires (amongst other considerations), *“the need to maintain ecologically sustainable development (within the meaning of section 6 of the Protection of the Environment Administration Act 1991) by appropriate pricing policies that take account of all the feasible options available to protect the environment”*.

As has been previously stated, *“The EPA and NSW Health have endorsed the sewerage of [North Rothbury] for environmental and public health reasons”*. It is Council's view that there are more justifiable reasons, based on ESD principles, to charge the additional \$2 per household to cover the costs of sewerage services to North Rothbury than to recover costs associated with a less than successful recycled water scheme. If the EIC is to be discontinued, the HWC Pricing Proposal needs to outline alternative equitably funded mechanisms to enable the sewerage of backlog areas.

Council remains strongly committed to ensuring that the NSW Government and Hunter Water Corporation provide equitably funded backlog sewerage services to North Rothbury and other villages across the Cessnock Local Government Area as a high priority.

Council is strongly opposed to IPART's proposal to support HWC's discontinuance of the EIC from the 2020 determination period.

The increased time between our price reviews from 4 to 5 years

In context to the abovementioned issues, Council does not support the proposed increased time between price reviews. An extended time period will create further uncertainty and delay on receiving funding for the provision of sewer to North Rothbury if IPART determines to support the discontinuance of the EIC and/or no alternative funding model for backlog sewer areas.

Discretionary expenditure

Council agrees that HWC should have discretionary spending and the ability to recover costs from the broader customer base, however the identified projects are not supported, again, on the grounds of ESD principles. The provision of sewer to North Rothbury in Council's view is of more urgency and importance than the naturalisation of a 1km long stormwater channel or irrigating public open spaces within the Newcastle and/or Lake Macquarie local government area. Again, each of these projects are in proximity to the cost to provide sewer to North Rothbury which would have greater environmental, health and social benefits.

Council supports and encourages IPART's proposal to further investigate HWC's process of determining its discretionary projects and associated recovery of costs, in particular:

- Willingness to pay;
- Efficient cost principles still apply to discretionary projects;
- How discretionary costs should be shared across customer groups and other parties; and
- Transparency of discretionary expenditure to customers

Of specific interest is:

- What percentage of persons surveyed in the *Hunter Water's Pricing Proposal, 1 July 2019, Technical Paper 1, Attachment A, Hunter Water customer willingness to pay survey* live within the Cessnock LGA and;
- What percentage of those surveyed who live within the Cessnock LGA were comfortable with HWC determining where additional investments should occur

Council anticipates IPART will consider the matters raised in this submission thoroughly and independently. Council looks forward to receiving a detailed response from IPART in relation to this submission.

Should any further questions or clarification be required, please do not hesitate to contact Gareth Curtis, Council's Director of Planning and Environment on telephone [REDACTED] or via email [REDACTED]

Yours faithfully

[REDACTED]
Lotta Jackson
General Manager