

## **EPA submission on IPART (NSW) Issues Paper**

### **Prices for Hunter Water from 1 July 2020**

The EPA understands that Hunter Water pricing proposal to increase chargeable rates from 1 July 2020.

There are 5 key areas that form this pricing proposal:

1. Customer experience;
2. Quality drinking water;
3. Water conservation;
4. Safe and reliable services; and
5. Environmental responsibility.

Of these 5 key areas, environmental responsibility is the key area that links mostly to the EPA's regulation of Hunter Water with it indicating that \$424 million is required to "address the risk of non-compliance with environmental regulations in our wastewater network and at our wastewater treatment plants and protect our environment." This accounts for 75% of the total monies forecasted.

The EPA considers that any key priority areas be based on environmental values and risk. Lake Macquarie and the Hunter River Estuary are the key areas identified by the EPA requiring environmental improvement.

The Hunter Water pricing proposal indicates ongoing reticulation improvements around Lake Macquarie to reduce wet weather overflows/discharges and proposes upgrades to seven sewage treatment plants (STPs), five of which ultimately discharge to the Hunter River Estuary. Furthermore, other works seek to consolidate good to very good Beach watch results. The EPA supports these proposals as they align with the EPA's key focus areas. However, these upgrades will require further discussion between Hunter Water, the EPA and IPART as Hunter Water has proposed alternative proposals to the EPA in July 2019 for three of the STPs nominated to be upgraded.

#### **Current Pricing Cycle**

The EPA has required or encouraged Hunter Water to undertake environmental improvement programs across a number of STPs, its accompanying reticulation systems and other areas during the current pricing cycle being:

1. Backlog sewer program – sewerage of Wyee area;
2. Wet weather overflow programs – reducing wet weather overflows from reticulation systems through targeted works focusing on Lake Macquarie;
3. Chemical storage and dosing programs – improving chemical storage across multiple EPLs following identified land and groundwater contamination issues;
4. Minor process improvement programs – improving select primary, secondary and tertiary treatment processes stemming from licence condition non-compliances; and
5. Hunter River Estuary Model – detailed study into the hydrodynamics and pollution loading of the Hunter River Estuary.

### **Future Pricing Cycle**

The future Hunter Water pricing proposal states that:

- \$12 million will be spent on reticulation improvements around Lake Macquarie;
- \$57 million will be spent at the Farley STP with an additional \$23.6 million to provide for effluent reuse;
- \$17.2 million will be spent at the Raymond Terrace STP;
- \$16.7 million will be spent at the Cessnock STP;
- \$14 million will be spent at the Burwood STP;
- \$13.6 million will be spent at the Morpeth STP;
- \$10 million will be spent at the Dora Creek STP; and
- an unknown amount will be required to upgrade the Dungog STP.

### **EPA comments and factors to consider**

The Hunter River Estuary Model in the current pricing cycle focused on the impacts of the Kurri Kurri, Farley, Morpeth, Raymond Terrace and Shortland STPs. Following the completion of this project, Hunter Water has proposed that the EPA consider the following:

- allowing discharge limits to account for the variable nature of the receiving environment;
- allowing trading of nutrient loads between the 5 STPs;
- allowing offsetting of STP nutrient loads with other nutrient load reductions (e.g. reducing diffuse pollution loads);
- consider alternative EPL water quality parameters that better align with risk to environmental and community values; and
- recognise value that STP inflows provided to the base flow which supports economic and community values.

The EPA is currently reviewing the Model and the proposals listed above. There may be potential impacts or conflicts between these recommendation from Hunter Water following the Hunter River Estuary Model and the upgrades proposed for the future pricing cycle. This may require more in-depth discussion between Hunter Water, the EPA and IPART.

If Hunter Water continues to nominate the upgrades contained within the Hunter Water pricing proposal, the EPA would seek to formalise these upgrades by legally enforceable Pollution Reduction Programs.

The EPA recently raised the issue of the importance of sewerage Tomago, and Kooragang Island with Hunter Water wishing to discuss these matters further. The sewerage of Tomago and Kooragang Island would allow for broadscale environmental improvements at these localities and within the Hunter River Estuary.