

## Submission

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# Review of Prices for Sydney Water from 1 July 2020 - Draft Report

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These proposed new prices for Sydney Water will determine much of Sydney's drinking and wastewater outcomes for the next five years. Given the recent extreme pressures on Sydney's water supply as a result of the unprecedented drought, made more severe by human-induced climate change, it is concerning that IPART has chosen not to use this pricing review as an opportunity to drive investment in the uptake of water recycling and secure a sustainable water supply for greater Sydney.

In the lead up to last summer, Sydney experienced the worst drought on record with reservoirs depleting at an unprecedented rate and level 2 water restrictions introduced. Meanwhile, climate science projections show that hotter, drier temperatures could see the conditions experienced last summer as the 'new normal'.

This means Sydneysiders must become more water-efficient in anticipation of unpredictable rainfall, longer droughts and increased water shortages. Unfortunately though, IPART's proposed pricing model poses a significant barrier to more efficient water use because it fails to incorporate subsidies for water recycling and it fails to provide disincentives such as higher charges for high volume water users.

### **Impacts of a Heating Climate on Future Water Availability**

The most recent drought was exacerbated by long-term declines in rainfall and the hotter conditions associated with climate change. The impacts of a heating climate will continue to lead to a decrease in cool seasonal rainfall and increasingly long and severe droughts.

Water NSW was ill-prepared for the severity and length of the most recent drought. An internal briefing to cabinet released in November 2019 revealed that the Metropolitan Water Plan was

based on data from the 1939 drought and ignored the reality of lower water availability due to a heating climate and population growth.

In February, greater Sydney's dam levels reached a low of 41.9 percent with Warragamba dam at a low of 42.8 percent, Bordeaux Dam 36.2 percent and Woronora Dam at 34.2 percent. Water NSW was working off predictions that Sydney would reach emergency levels of 35 per cent by May 2020 with some critical supply areas reaching day zero within two years. If not for the extreme rainfall events of February this year, Sydney would still be in the grip of a water security crisis with no clear path out.

The Climate Council's report *Deluge and Drought: Australia's Water Security in a Changing Climate* details how Southeast Australia has seen a 15 percent decrease in late autumn and early winter rainfall and a 25 percent decrease in rainfall.

The former Office of Environment and Heritage's report *Metropolitan Sydney Climate Change Snapshot* lists several scenarios that predict an increase in autumn rainfall and a decrease in spring rainfall through to 2030. Projections for annual rainfall in Greater Sydney span from an increase of 18 per cent to a decrease of 13 per cent. What is certain is that extreme weather events from drought to extreme rainfall will increase and that future rainfall patterns will become increasingly unpredictable. This creates an enormous amount of uncertainty for the security of Greater Sydney's drinking water catchment if Sydney continues to rely on rainfall as the primary way of replenishing our reservoirs.

A heating climate will also increase the incidence of extreme weather events that will impact water quality, with increasing incidences of bushfires and floods within our catchments threatening to change the sediment loading, chemical composition, total organic carbon content and microbial quality of drinking water. Low reservoir levels caused by drought can also lead to an increase in the concentration of pathogens and other contaminants as well as causing deoxygenation and algal blooms.

We witnessed the potential for such extreme weather events to wreak havoc on our reservoirs when Warragamba Dam was disconnected from Greater Sydney's water supply in early February. An extreme rainfall event after an extended period of drought and record-breaking bushfires lead to bushfire and flood debris contaminating the catchment. If this contamination had led to Warragamba Dam being cut off for an extended period of time, Greater Sydney would have been left to rely upon just 20 percent of its water catchment for months.

IPART's pricing model must acknowledge the uncertainty created by a heating climate and aim to reduce water usage, increase water reservoir levels and increase investment in alternative drinking water sources like water recycling.

## **Capital Expenditure**

Sydney Water's capital expenditure has not been adequate to maintain Greater Sydney's water infrastructure let alone future proof it for increasing periods of drought and low and irregular rainfall. The NSW Government has been pocketing approximately \$500 million profit from Sydney Water each financial year. This financial year saw Sydney Water return \$479 million profit and spend \$833 million capital expenditure. If those profits were reinvested it would represent a 57 percent increase in capital expenditure.

This 57 percent increase could be used to address failing infrastructure with old leaking pipes that lose 110 million litres of water a day into the ground as well as fund investment in water recycling and stormwater harvesting infrastructure. All of Sydney Water's profits should be spent on capital expenditure with targets set for the maintenance and improvement of infrastructure and development of water recycling.

### **Water Recycling**

It's unacceptable that faced with increasing water insecurity for Sydney, Sydney Water has not provided alternative supply and demand options in its 2020 price proposal to IPART. However despite this, IPART must still encourage the development of large-scale water recycling schemes through pricing.

Sydney lags behind other capital cities when it comes to water recycling. It produced only 44GL of recycled wastewater in the last reported year while releasing large volumes of poorly treated sewage into our waterways and the ocean.

WaterNSW will be given \$217 million for the bulk of Sydney's raw water while the desalination plant receives \$200 million for producing a much smaller proportion of Sydney's raw water supply. The draft pricing model continues to create a situation where we flush toilets with drinking water and flush poorly treated effluent into rivers, estuaries and the ocean. Stormwater should instead be treated as a valuable and substantial resource in the fight for Greater Sydney's water security with pricing that encourages stormwater harvesting

IPART should subsidise the development of more water recycling schemes like the one in Rouse Hill to help relieve the pressure on our water catchments.

### **Rising Block Tariff Pricing Model**

The way in which Sydney Water charges for water prioritises profit-making over and above incentivising water users to use less water.

IPART has not provided sufficient reason as to why water users should not be encouraged to conserve water as 'the new normal' or why it has not explored the approach of other major cities that have been successful at reducing water usage.

It is negligent that IPART has effectively ignored the clear scientific consensus that climate change will lead to increased frequency and severity of droughts in NSW and that any pricing model must be used to drive a change in water users attitudes and reduce their water usage.

Water usage has far exceeded the highest levels of use predicted in the Sydney Metropolitan Plan. Sydney was predicted to consume 600 gigalitres annually by 2037 but reached this level by 2018. The draft pricing model fails to address the wasteful consumption of drinking water in Sydney which has increased since the introduction of the water-wise rules and a 13.5% reduction in Sydney's water prices.

IPART should adopt a 'Rising Block Tariff' pricing model which encourages high volume users to reduce their usage by charging them more per kilolitre, up to double the price per kilolitre for excessive use.

This model has been successfully implemented in Melbourne, South-East Queensland, South Australia, Western Australia and Canberra and the Greens urge IPART to introduce this model for Sydney Water users.