

**REVIEW OF RECYCLED WATER PRICES FOR
PUBLIC WATER UTILITIES**

**SUBMISSION BY TOTAL ENVIRONMENT CENTRE TO
THE INDEPENDENT PRICING AND
REGULATORY IPART**

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INTRODUCTION

Total Environment Centre (TEC) welcomes the opportunity to comment on the review of recycled water for public utilities. Development of recycled water offers substantial environmental benefits by reducing pressure on potable supplies; thus avoiding the need for environmentally damaging supply augmentations and reducing impacts of effluent discharges to receiving waters. Whilst there has been important progress in the development of recycling in recent years there are still barriers to the development of recycled water schemes. In this submission we will concentrate on those matters raised in the IPART's Issues Paper which we believe are of greatest relevance to overcoming these barriers.

RECYCLED WATER IN CONTEXT

As noted in the Issues Paper, recycled water is not used directly for drinking water in Australia. TEC sees no reason why this should continue to be the case. Current barriers to potable reuse in Australia are largely political. We strongly believe that potable re-use is an important option for managing the challenges to water security posed by climate change and population growth. We strongly agree with view of the Productivity Commission, quoted in the Issues Paper, that all options (including direct and indirect potable re-use) should be on the table and that arbitrary bans should not be applied.

It is our view that such bans reflect a lack of leadership and vision on the part of successive governments. It is also our view that public acceptance of potable reuse is more advanced than the judgement of political decision makers might suggest.

It should also be noted that indirect potable reuse is already a largely unacknowledged feature of some water supply systems. For example, Sydney Water customers in Richmond and Windsor consume water sourced directly from the Hawkesbury-Nepean River system. This water is extracted from a point downstream of more than a dozen tertiary treatment STPs which discharge directly into the system.

TEC believes that the pressures imposed by climate change and population growth will eventually lead to the adoption of potable re-use in Australia, particularly in situations where other supply augmentations such as desalination are not available or prohibitively expensive. TEC therefore recommends that development of pricing principles for recycled water should include principles for potable reuse schemes.

As noted in the discussion paper, prescriptive obligations regarding water conservation and recycling have been deleted from the Operating Licenses of Sydney and Hunter Water. TEC believes that this was a retrograde step. We have serious reservations regarding the Economic Level of Water Conservation (ELWC) methodology that has replaced these requirements for Sydney Water. We are particularly concerned that the method is too narrowly focused on economics. It may underestimate the environmental benefits of

water conservation and recycled water in terms of preventing environmentally harmful supply augmentations and reduced effluent discharges.

REGULATING PROCES FOR VOLUNTARY SCHEMES

TEC supports IPART's proposed approach to regulate prices for voluntary schemes when agreements cannot be reached between scheme operators and customers. In the absence of such a mechanism for scheme-specific reviews the inability for customers and operators to reach agreements could serve as a barrier to increased use of recycled water.

TEC believes that the proposed features of scheme-specific reviews are appropriate; however, it is essential that public water utilities be required to consider the environmental benefits such as preventing supply augmentations and reducing discharges to receiving waters in their proposed price. Furthermore, IPART should ensure that all environmental benefits have been adequately assessed in reviewing the proposed prices.

We note that the Tribunal is seeking comment on whether it would be useful to establish principles for stormwater harvesting and sewer mining similar to those developed for voluntary recycled water schemes. TEC believes that stormwater harvesting and sewer mining have the potential to provide major contributions to relieving pressure on potable water supplies and reducing environmental impacts on receiving waters. The development of clear guidelines would provide direction for service providers and potential customers about appropriate pricing principles for such schemes.

REGULATING PROCES FOR MANDATORY SCHEMES

TEC strongly supports the comments in the Issues Paper that, where benefits of recycled water accrue to the broader community, it is appropriate for recycled water prices be cross-subsidised from the broader customer base via potable water prices. Benefits to the broader community include avoided costs such as deferment of supply augmentations; less frequent operation of the Sydney desalination plant, less frequent interbasin transfers (i.e. Shoalhaven transfers and Hunter Water/Gosford-Wyong Water transfers); reduced carbon emissions; reduced pollution of rivers, estuaries and oceans and improved amenity provided by healthier environments. All of these factors should be carefully assessed in determining the appropriate level of cross-subsidisation.

TEC welcomes the Tribunal's recognition that failure to recognise and assess avoided costs and external benefits may result in recycled water schemes not proceeding even though they may be the least cost option. We do not believe that external benefits, such as reduced environmental impact, have been adequately considered to date. We are pleased that the Tribunal has acknowledged the need to improve the way the value of external benefits are identified in the 2006 Guidelines.

TEC supports the Tribunal's view that external benefits should be treated in the same way as avoided and deferred costs, with the value of these benefits recovered from the broader customer base. We would support the Tribunal providing guidance to utilities on how to prepare business case that would meet IPARTs standards.

The identification and assessment of external benefits is an issue with implications for pricing of all utility services. We are not convinced that current approaches such as willingness to pay are adequate. In particular, willingness to pay will vary between groups and communities and may not adequately assess environmental and health benefits. We urge the Tribunal to conduct a separate review of methodologies for assessing external benefits which could be applied to all utility services.

Jeff Angel
Director
12 October 2018