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Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP 1240

C.C. Sydney Water Corporation
PO Box 399
PARRAMATTA 2124

Dear Sir/Madam,

RE: IPART REVIEW OF SYDNEY WATER CORPORATION (SW) PRICES FROM 1 JULY 2016

This submission is made by four Sydney regional organisations of councils (Table 1), united through a common organisational goal of sustainable environmental management. We write as champions of Sydney's coasts and catchments¹. The submission addresses SW's proposal as a whole, but is most relevant to Issues 41 to 50 in the Summary of Issues Paper.

Table 1. List of submission proponents.

Name (alphabetical)	Local Government areas		Population
	#	Names	
Cooks River Alliance	8	Ashfield Bankstown Canterbury City of Sydney	818,408
Georges River Combined Councils' Committee Inc	9	Bankstown Campbelltown Fairfield Hurstville Kogarah	>1,000,000
Parramatta River Catchment Group	10	Ashfield Auburn Bankstown Blacktown Burwood Canada Bay Holroyd	Approx. 750,000
Sydney Coastal Councils Group	15	Botany Bay Hornsby Leichhardt Manly Mosman North Sydney Pittwater Randwick Rockdale	>1,400,000

¹ Please note that our views do not necessarily represent those of individual members.

Your review of the maximum prices that SW can charge to provide water, wastewater, stormwater, and other services is a tremendous opportunity for leadership in Sydney's transition to a water sensitive city, a paradigm of sustainable urban water management² integrating three city concepts: cities as water supply catchments, cities providing ecosystem services and cities comprising water sensitive communities³.

SW has an important role to play in protecting and enhancing the environment, creating liveable places and increasing community resilience to hazards, especially flooding and heatwaves (e.g. by reducing stormwater flow, and advancing water sensitive design).

This review also presents an opportunity for SW to align activities with the Goals and Directions outlined in the Plan for Growing Sydney⁴, in particular, the following:

1. Goal 3 - create a city with strong, healthy and well-connected communities'
2. Direction 3.2 - create a network of interlinked, multipurpose open and green spaces across Sydney.
3. Goal 4 - create a sustainable and resilient environment for Sydney
4. Direction 4.1 - protect our natural environment and biodiversity.
5. Direction 4.2 - build Sydney's resilience to natural hazards.

Submission 1: SW's pricing strategy be part of a sustainable urban water management approach.

Water forms part of our natural capital. It fulfils multiple functions across social, cultural, ecological, spiritual, and political domains⁵. To protect, preserve and advance this natural capital, sustainable urban water management objectives (drawing upon the community's environmental values) must be articulated and integrated into SW's pricing policies.

Rather than a focus upon financial outcomes, objectives must be based upon a clear understanding and consideration of the long-term interests of all water stakeholders, the impacts of climate change on the urban water sector⁶ and the hydrosocial cycle (the hydrological cycle as moderated by cultural, ecological, spiritual, and political relations⁷).

SW leadership is essential to the development of a water sensitive city. It is ideally placed to lead.

Submission 2: SW's pricing strategy be based upon a full-cost accounting.

The pricing of water, wastewater, stormwater, and other services should be full cost, that is, including not only production costs (capital, operating and maintenance costs etc), but also the full social costs,

² Ferguson, B. C., Frantzeskaki, N., & Brown, R. R. (2013). A strategic program for transitioning to a Water Sensitive City. *Landscape and Urban Planning*. <http://doi.org/10.1016/j.landurbplan.2013.04.016>

³ Wong, T. H. F., & Brown, R. R. (2009). The water sensitive city: Principles for practice. *Water Science and Technology*. <http://doi.org/10.2166/wst.2009.436>

⁴ NSW Government. (2014). *A plan for growing Sydney*.

⁵ Barnes, J., & Alatout, S. (2012). Water worlds: Introduction to the special issue of Social Studies of Science. *Social Studies of Science*. <http://doi.org/10.1177/0306312712448524>; De Lourdes, M., Zurita, M., Thomsen, D. C., Smith, T. F., Lyth, A., Preston, B. L., & Baum, S. (2015). Reframing water: Contesting H 2 O within the European Union. *GEOFORUM*, 65, 170–178.

<http://doi.org/10.1016/j.geoforum.2015.07.022>; The National Water Quality Management Strategy (1994). *Policies and Principles*

⁶ National Water Commission. (2012). Water policy and climate change in Australia.

⁷ De Lourdes et al, Op Cit.

namely scarcity costs (those due to resource over-use and depletion) and environmental costs (those that water supply place on the environment and its ecosystems)⁸.

Under Section 21 of the *Sydney Water Act 1994 (NSW)*, SW has the following objectives (emphasis added):

- (1) *The principal objectives of the Corporation are:*
 - (a) *to be a successful business and, to this end:*
 - (i) *to operate at least as efficiently as any comparable businesses, and*
 - (ii) *to maximise the net worth of the State's investment in the Corporation, and*
 - (iii) **to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates, and**
 - (b) **to protect the environment by conducting its operations in compliance with the principles of ecologically sustainable development contained in section 6 (2) of the Protection of the Environment Administration Act 1991 , and**
 - (c) *to protect public health by supplying safe drinking water to its customers and other members of the public in compliance with the requirements of any operating licence.*

Section 6(2) of the *Protection of the Environment Administration Act 1991 (NSW)* provides (emphasis added):

- (2) For the purposes of subsection (1) (a), ecologically sustainable development requires the effective integration of economic and environmental considerations in decision-making processes. Ecologically sustainable development can be achieved through the implementation of the following principles and programs:
 - (a) the precautionary principle-namely, that if there are threats of serious or irreversible environmental damage, lack of full scientific certainty should not be used as a reason for postponing measures to prevent environmental degradation. In the application of the precautionary principle, public and private decisions should be guided by:
 - (i) careful evaluation to avoid, wherever practicable, serious or irreversible damage to the environment, and
 - (ii) an assessment of the risk-weighted consequences of various options,
 - (b) inter-generational equity - namely, that the present generation should ensure that the health, diversity and productivity of the environment are maintained or enhanced for the benefit of future generations,
 - (c) conservation of biological diversity and ecological integrity - namely, that conservation of biological diversity and ecological integrity should be a fundamental consideration,
 - (d) **improved valuation, pricing and incentive mechanisms** - namely, that environmental factors should be included in the valuation of assets and services, such as:
 - (i) polluter pays-that is, those who generate pollution and waste should bear the cost of containment, avoidance or abatement,
 - (ii) the users of goods and services should pay prices based on the full life cycle of costs of providing goods and services, including the use of natural resources and assets and the ultimate disposal of any waste,
 - (iii) environmental goals, having been established, should be pursued in the most cost effective way, by establishing incentive structures, including market mechanisms, that enable those best placed to maximise benefits or minimise costs to develop their own solutions and responses to environmental problems.

Full cost pricing provides a sound basis for determining the true cost of water. It is consistent with SW's objectives, particularly its objective to comply with the principles of ecologically sustainable development. It is also consistent with corporate social responsibility.

Stormwater is a major source of waterway pollution. Stormwater pollution (either the stormwater itself, or by reason of the substances it collects as it travels over land) is channelled into our

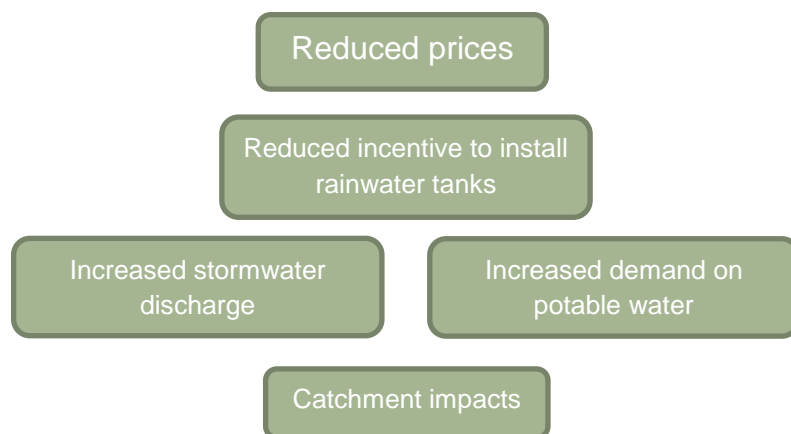
⁸ See for example, Assimacopoulos, D. (2000). Recovery of full cost and pricing of water in the Water Framework Directive, Jasinksi, D., Meredith, J., & Kirwan, K. (2015). A comprehensive review of full cost accounting methods and their applicability to the automotive industry. *Journal of Cleaner Production*.

waterways, ultimately ending up at our coasts. Stormwater discharge also drastically modifies the natural flow regimes of catchments resulting in such things as flash flooding, erosion and natural habitat degradation. Stormwater management is therefore a good example of where impacts can be addressed through pricing.

Submission 3: SW's efficiency gains should be applied to enhance environmental outcomes rather than a reduction in customer bills and prices.

Cost reductions will have a range of impacts:

- 1 A reduction in the financial attractiveness to the community of undertaking water saving initiatives such as installing water tanks and stormwater reuse schemes:



2. Lower prices will result in increased and inefficient water use, which is inconsistent with sustainable urban water management.
3. Reducing prices sends the wrong message to consumers regarding the value of water promoting inefficient use. SW can enhance its stewardship by building stronger societal connections and building the community's value of water⁹. This will, in turn, build public trust in SW.

SW's efficiency gains should be applied to enhance sustainable urban water management, particularly environmental outcomes. There needs to be transformational change in the urban water system from the traditional view of storing and transporting water to an approach that focuses on the water cycle, keeping water in the landscape and improving the health of the system. SW's expenditure of '\$8 million to renew and 'naturalise' over 1 km of open channel along the Cooks River¹⁰ is an excellent example of relevant expenditure.

Areas for specific use of funds accumulated from efficiency gains include infrastructure investment to address the raw sewage cliff outfalls at Vaucluse, Diamond Bay and Diamond Bay South, restoring and regenerating degraded waterways impacted by sewer and stormwater, minimising sewer overflows, upgrading infrastructure, and providing resources such as best practice guidelines and educational programs.

SW's calculation of efficiency gains are based upon anticipated savings from the current economic environment and an expectation of lower bulk water costs. Both of these factors are outside of SW's control and therefore should not be relied upon to justify a reduction in prices.


⁹ See for example, AWWA Research Foundation. (2008). *Communicating the Value of Water: An Introductory Guide for Water Utilities*.

¹⁰ Sydney Water Corporation. (2015). *Our plan for the future: Sydney Water's prices for 2016-20*.

Any changes to pricing must not impact upon Councils' ability to deliver efficient and effective water sensitive infrastructure through stormwater management service charges.


We note that SW has a policy which aligns in principle to the IAP2 Values. Accordingly, we also look forward to hearing how our submission has been considered and applied by SW.

Yours sincerely,


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Svetlana Kotevska
Manager, Georges River Combined Councils' Committee


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