



Our reference: DOC15/389587
Contact: Jacinta Hanemann (02) [REDACTED]

Independent Pricing and Regulatory Tribunal
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Dear Sir/Madam

I refer to the Independent Pricing and Regulatory Tribunal's issues paper on the Review of Sydney Water Corporation prices from 1 July 2016. The EPA has reviewed the issues paper and Sydney Water's pricing proposal. The EPA's submission outlines the regulatory role of the EPA in relation to Sydney Water and the EPA's key priorities for improving and/or maintaining the environmental performance of Sydney Water's sewerage system, and hence minimising its impact on the environment, over the coming and following price period.

As you are aware, the NSW Environment Protection Authority (EPA) is the primary environmental regulatory for the State of New South Wales and regulates the activities of Sydney Water under the *Protection of the Environment Operations Act 1997* including through environment protection licences.

Sydney Water currently holds twenty three licences for the sewage treatment systems and 3 licences for water filtration plants it owns and operates across the Sydney, Blue Mountains and Illawarra areas. Each sewage licence covers both the sewage treatment plant(s) and the associated network of sewer pipes, sewage pumping stations and sewer overflow structures.

Each sewage licence has strict, legally enforceable conditions with the objectives to protect and minimise harm to the environment and public health from sewage discharges and to require no deterioration and continuing improvement in the sewage treatment system environmental performance relative to existing conditions. These licence conditions include environmental performance requirements for each of the sewerage systems, including the required level of sewage treatment for each of Sydney Water's treatment plants and limits on pollutants permitted to be discharged to the environment, both from the treatment plant and the sewer network. These requirements are generally negotiated with Sydney Water, taking into account factors such as the likely impact of the activity on the environment including the surrounding environmental conditions, best available technology and cost effectiveness. Compliance with these conditions may require capital and/or operational expenditure by Sydney Water.

In addition, the EPA works with Sydney Water on strategic programs aimed at improving the environmental performance of the overall sewerage system and hence minimising its impact on the environment. These strategic programs may be included as Pollution Reduction Programs on specific licences and/or may result in changes to conditions on the licences. They may require capital and/or operational expenditure by Sydney Water.

Sydney Water must comply with any requirements set by the EPA through the environment protection licences. The EPA is unable to comment on whether the proposed investment will ensure compliance with the requirements/ meeting the objectives of the environment protection licences. However, the EPA is able to confirm that two of the areas proposed to be funded, the Wet Weather Overflow Abatement program and

Pollution Reduction Program regarding nutrient reduction at the Winmalee sewage treatment plant, are key priorities, in addition to the generic requirements of the licences, requiring significant expenditure over the 2016-20 period.

The EPA would also like to foreshadow the other key strategic work programs that the EPA and SW will be pursuing over the 2016-20 period that are likely to require significant expenditure in the following period. These include:

- Development of a strategy with the key objective to protect the Lower Hawkesbury-Nepean River system from the effects of nutrient enrichment by preventing (or minimising as far as practicable) an increase in nutrient loads from sewage treatment plant discharges despite the significant urban growth that is expected to occur in the Lower Hawkesbury-Nepean catchment over the next 20 years. The EPA considers an effective regulatory framework for managing nutrient loads is needed to ensure that the impacts of the expected population growth on the River system are minimised, and specifically, to ensure that: the environmental gains made through previous investments are not eroded as a consequence of the expected population growth; and the benefits of, and the substantial investment of Government in, environmental flows are not eroded.
- Review of annual load limits and concentration limits for pollutants being discharged from Sydney Water's sewage treatment plants. The EPA notes that the current annual load limits and concentration limits were derived many years ago and for some pollutants on some licences are now significantly greater than the loads/ concentrations being discharged from the sewage treatment plant. The limits need to consider the treatment capability of the plants and the objectives for the receiving environment.
- Investigation into the impacts, pathways and management of stormwater ingress into new and existing sewage infrastructure. The EPA considers stormwater ingress to be a key contributor to wet weather overflows, dry weather overflows and reduced treatment, including bypasses, at sewage treatment plants.

Please contact Jacinta Hanemann on [REDACTED] should you wish to discuss this matter further.

Yours sincerely

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2-10-15

FRANK GAROFALOW
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Environment Protection Authority