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Review of Prices for Hunter Water Corporation
Independent Pricing and Regulatory Tribunal
PO Box K35
HAYMARKET POST SHOP NSW 1240

Attention: Ms Anita Payne

Dear Ms Payne

Review of Prices for Hunter Water Corporation

The Environment Protection Authority (EPA) has reviewed the report titled, '*Review of Prices for Hunter Water Corporation – From 1 July 2016 to 30 June 2020 – Water – Draft Report*' dated March 2016. I appreciate the opportunity to comment.

The EPA acknowledges that the Independent Pricing and Regulatory Tribunal (IPART) is required to consider specific matters listed in section 15 of the *IPART Act 1992* when determining the maximum prices a monopoly service provider, such as Hunter Water Corporation (HWC), can charge customers for water, sewerage and stormwater drainage services. The EPA also notes, IPART's obligations to consider the need to maintain ecologically sustainable development within the meaning of the *Protection of the Environment Operations Administration Act 1991*, by appropriate pricing policies that take into account all feasible options available to protect the environment.

I note that IPART engaged an independent company to review HWC's expenditure with regards to prudence and expenditure efficiency over the previous price path period to help inform the current review. This review recommended that HWC reduce its forecast capital expenditure from \$387.7 million to \$364.5 million which includes \$17.6 million in reductions to specific capital programs and projects.

As you will be aware, the EPA licenses HWC under the *Protection of the Environment Operations Act*. All HWC Environment Protection Licences state that the objectives of the licence are to:

- require practical measures to be taken to protect the environment and public health;
- require proper and efficient design, construction and management of the sewage treatment system to minimise harm to public health and the environment; and
- minimise the frequency and volume of overflows from the reticulation system and sewage treatment plant.

The critical conditions relating to these objectives are conditions O1 and O2 which require HWC to carry out activities in a competent manner, and maintain and operate plant and equipment in a proper and efficient condition. The EPA also includes additional conditions that relate to studies, works

programs and upgrade projects to improve environmental performance in specific areas of water and sewage treatment across HWC's reticulation and treatment network.

The EPA has seen improvement in the environmental performance of HWC's operations following the completion of significant upgrades of sewage treatment plants, sewerage of smaller communities and recycled water initiatives in the Hunter region over the last 10 years. The EPA is encouraged by continuing programs to achieve further improvements in effluent quality and management.

The EPA is currently negotiating significant upgrade programs for a number of HWC's sewage treatment plants that have had long term issues with compliance associated with effluent quality and performance. The EPA's expectation is that these programs, in addition to ongoing maintenance programs, will be implemented within the 2016-2020 price path period.

The EPA is concerned that a significant reduction in allocation for capital programs and projects may compromise ongoing maintenance programs, operations and upgrade projects. In turn, this may impact on public health and environment protection.

The EPA encourages IPART to carefully consider any potential impacts of the proposed reduction in allocation of funding apportioned to capital programs and projects when finalising the price path determination.

If you wish to discuss anything raised above, please contact Rebecca Scrivener on 02 4908 6830.

Yours sincerely



12 APR 2016

ADAM GILLIGAN
Regional Manager, Hunter
Environment Protection Authority

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