Review of Operating Licence for Hunter Water Corporation

Hunter Region Landcare Submission to IPART

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Authors	Pierre Louys, Steve Meadows

PO Box 321 Jesmond 2299
ph: 02 49550792
mobile 0410 464 957

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ABOUT HUNTER REGION LANDCARE NETWORK

The Hunter Region Landcare Network (HRLN) was formed in 1998 as a voluntary association of Landcare groups in the Hunter Valley, Lake Macquarie and Port Stephens regions. It represents in excess of 200 Landcare groups.

The Network is made up of one representative from each of the major geographical areas of the Hunter, who are elected by the Landcare groups within each region.

The Network's organisational and technical expertise is enhanced by the addition of Associate Members eg Community Support Officers, HCR-CMA, State and Local Government agencies, farm foresters, Greening Australia & Indigenous representatives.

The Network is supported by the Hunter Central Rivers Catchment Management Authority.

REGULATORY BEST PRACTICE

"Eighty per cent of Australians who live in our cities are now subjected to long-term water restrictions. Poor water access or declining rainfall in some areas of Australia have also reinforced a perception of water's growing scarcity … Unavoidable water scarcity is one of Australia's great myths. This myth has enabled Governments to avoid or neglect practical solutions to the problem … Australia's water problems are a direct result of a poorly planned and managed water system that has conspired to turn a sufficient supply of water at the source to scarcity for end-users." (Business Council of Australia – 'Water Under Pressure' September 2006)

This observation challenges the notion that compliance with existing benchmarks is sufficient for any water service provider in Australia.

Does the regulatory framework for Hunter Water promote a water, sewerage, wastewater and drainage service that is safe, reliable, cost effective, provides a minimal impact on the environment and is responsive to the expectations of the community it serves? This is not to be confused with the actual management of Hunter Water, which by most accounts has been outstanding. Rather, it is a question of whether the regulatory framework recognises good management.

It is curious that there was an instance of a significant breach of a licence condition (p53 IPART Discussion Paper), yet this did not lead to any repercussions for Hunter Water management. This calls into question the value of nominating any performance indicator, as indicators are worthless if they are not enforced. At very least, it indicates that most performance indicators will not trigger an impost on management. Requiring such a plethora of performance indicators is therefore pointless, and in fact may be counterproductive because they distract attention away from the most important indicators that would generate a regulatory response.

The HRLN supports the notion that there are far too many performance indicators.

STATIC BENCHMARKS V CONTINUOUS IMPROVEMENT

The traditional concept of a static benchmark of performance does not promote best practice. In fact it may encourage management complacency by implying that a certain level of system failure is acceptable.

Management, and the licence, should be seeking continuous improvement. For example, the licence directs that not more than 6,500 sewer overflows other than on public land should be encountered per year. This licence condition has not been exceeded, but the number of cases experienced has risen steadily for 5 years (p53 IPART Discussion Paper). The current licence condition is failing to recognise that management has an emerging problem on its hands. If there was an explicit requirement to continually improve the quality of service, management would have been challenged to explain why the level of service had not only fallen, but failed to improve.

The underlying presumption is that any service failure is preventable, and that the

community has a right to expect that management will not become complacent at any level of system failure. This approach is well established with current management of risks relating to work related injury.

The HRLN recommends service delivery of Hunter Water should be assessed in terms of continuous improvement.

Many of the existing licence benchmarks are designed to assess current service delivery. However, failure to achieve short term benchmarks may be the result of poor planning, asset management or risk analysis. The current reporting process underreports risk analysis. For example, climate change is acknowledged in the Integrated Water Resource Plan , but there is no explanation for the lack of a planned response to this threat.

The HRLN recommends that Hunter Water produce a risk analysis as part of the licence process on its ability to sustain its performance into the foreseeable future.

"Allowing for increased competition for water supply is no more complicated than for electricity. There are two key steps. First, there must be an effective regime in place to allow access to water pipes. Just as with electricity distribution wires it makes no sense to duplicate the pipes be they for potable water, sewerage or stormwater … While the issues are all solvable, introducing competition will not be straightforward. For example, Sydney Water and the New South Wales Government have fought hard to prevent a private entity, Services Sydney, from gaining access to Sydney Water's sewerage pipes to compete in the market for recycled water. While the New South Wales Government has subsequently released a discussion paper contemplating allowing access to Sydney Water's pipes, and has recently foreshadowed legislation, this apparently will only allow access to the sewerage pipes and not to the pipes carrying potable water.

In going down a path to increased competition it will be important to establish nationally consistent approaches to areas such as the access and regulatory frameworks." (Business Council of Australia – 'Water Under Pressure' September 2006)

Is there a role for private sector competition in the Hunter water market and how does this impact on the operating licence of Hunter Water? IPART is currently considering this, but has not sought comment from the public (p2 IPART Discussion Paper).

HRLN has no formal position on commercialisation of the local water market, but it has concerns about how long term basic resource management can be balanced against the crush for short term price competition.

The one area where competition may make a valuable contribution is in the aftermarket for wastewater recycling. Hunter Water has made great strides in creating demand for recycled water, and this is above the industry standard. However, there remains significant scope for greater use of wastewater. Competitive pressure in this area can promote innovation and a faster acceptance of wastewater reuse without being a threat to the basic water resource.

In principle, the HRLN supports amendments to the operating licence that

promotes the creation of a competitive market in wastewater.

CERTIFICATION UNDER INTERNATIONAL STANDARDS

It is noted that the Hunter Water is reviewing its current EMP and is setting another 5-year plan. Any environmental management plan should seek compliance with international standards (eg ISO 14001) as they set a performance benchmark, which is recognized by all citizens including industry leaders and environmental groups.

An Environmental Management System (EMS) is a process which leads to continuous improvement in environmental management by addressing environmental issues and obligations during routine operations. It is closely related to the sustainability process and consistent with other best practice procedures including quality assurance/quality control, health and safety. Assessment and certification of an EMS may be done to the Australian and New Zealand Standard ISO 14000.

The Environmental Protection Authority (2000b) has produced a Guidance Paper (No.43) to assist in the development of such systems.

An EMS may eliminate the need for several of the individual actions proposed as they will be covered through normal operational processes. It may also be possible link in with Occupational Health and Safety requirements thus increasing its effectiveness.

The HRLN recommends the operating licence require Hunter Water to certify that its Environmental Management Plan complies with international standards.

RISK MANAGEMENT AND WATER QUALITY

Hunter Water complied with the requirements of the Operating Licence and exceeded the NHMRC guidelines. The results were the best achieved on microbiological parameters since the organisation was first incorporated in the early 1990's.

"Risk management systems are today seen as the most effective way to assure the appropriate quality of drinking water or recycled water. Risk management has been adopted by the food industry for many years, through application of the hazard analysis and critical control point (HACCP) system, which is seen internationally as best practice for ensuring food safety (CAC 1997)" ('National Guidelines for Water Recycling' (NRM Ministerial Council, Environment Protection & Heritage Council).

The development of risk management systems for water quality is covered in various guidelines. For example, the 2004 *Australian Drinking Water Guidelines* (NHMRC–NRMMC 2004) provides a 'framework for management of drinking water quality', and the latest edition of the World Health Organization (WHO) *Guidelines for Drinking-water Quality* (WHO 2004) describes 'water safety plans'. Both these approaches incorporate HACCP principles and are consistent with other established systems such as ISO 9001 (Standards Australia 2000) and AS/NZS 4360 (Standards Australia 2004).

The principles used to assure drinking water safety can also be applied to recycled

water, and WHO suggests that a common risk management approach should be applied to drinking water, recycled water and recreational water (WHO 2001).

The HRLN recommends the operating licence require Hunter Water to certify that its water management and related risk management complies with international standards.

OBJECTIVES OF HUNTER WATER

Objectives of Hunter Water are to provide
- water,
- sewerage services,
- disposal of wastewater,
- drainage management.

AUTHORITY TO CONDUCT DEMAND MANAGEMENT

There is no express authority under the Act to engage in "demand management". However, the IWRP identifies demand management as an economic alternative to supply augmentation (p9, IWRP).

The HRLN recommends that the Act be amended to authorise demand management activities.

AUTHORITY TO PROVIDE DRAINAGE MANAGEMENT

Of all the activities authorised under the Act, drainage management appears to have the least in common with its other activities. Indeed, there are no performance indicators mandated under the licence , and IPART ascribes this to "the complex nature of the ownership and administration of these assets" (p31 IPART Discussion Paper).

Drainage management is shared with a number of authorities. The Department of Natural Resources retains a range of powers regarding stream and water table management. The Hunter-Central Rivers Catchment Management Authority is responsible for maintaining flood mitigation works. Councils conduct flood studies to avoid the placement of development in areas susceptible to flooding. Councils also set stormwater management protocols for urban areas and construction sites, and manage roads and associated drainage works.

Could Hunter Water divest itself of drainage to one of these authorities? Is the inability of the operating licence to specify a performance indicator an indication that Hunter Water should rationalise its role in stormwater management, possibly even transfer its drainage activities to Hunter-Central Rivers CMA or Councils?

The HRLN calls on Hunter Water to clarify its role in drainage management and subsequently provide performance indicators for that role, or else consider whether Hunter Water should move to divest itself of these activities.

AREA OF OPERATIONS

Amendments to the area of operation of Hunter Water curiously do not appear to be referred to the community for comment.

The HRLN was unable to find evidence where a proposal to supply the Central Coast was put to the community for public comment.

There is concern within the community that the delivery of water to the Central Coast hold the potential to be a foothold to a larger commitment over time.

This represents a major flaw in the procedures that support the Operating Licence, as this decision has the potential to become a significant strategic decision. Given the Central Coast has exceeded its own supply of water, comments from Hunter Water spokespersons that this arrangement is temporary is unlikely to be true. Given that the Hunter is "at the cusp of water sustainability", supplying the Central Coast can have a significant impact on water availability and service in the Hunter. These pipelines effectively mean that any future urban growth on the Central Coast will rely on Hunter Water. The IWRP has already identified the impact of urban growth in the Hunter as a significant factor in balancing supply management. A more correct statement would now seem to be that urban growth in the Hunter and Central Coast are significant factors.

Not only has the community been excluded from the decision to commit to supply, but also the terms and conditions that may apply.

The HRLN recommends that any alteration to the area of operations, and supplies to communities outside the area of operations, is a matter in which the community must be engaged.

INDIRECT SUPPLY OF WATER

Some of the statistics produced by Hunter Water refer to the number of people in the area of operations who are connected to Hunter Water services. A substantial proportion of the balance of the population in those area receive water sourced from Hunter Water via water carting contractors. These water users use only small quantities of water but depend on these deliveries, especially in drought.

The HRLN recommends that indirect water users are recognised as small but significant class of secondary customers. Any statistics produced should not imply that this community is totally independent of Hunter Water supplies.

THE CONSULTATIVE FORUM

MEMBERSHIP OF THE CONSULTATIVE FORUM

Hunter Water is required to "consult with a forum of representatives from the community and specific interest groups". Who is on this committee?

> Lake Macquarie City Council
> Cessnock City Council
> Port Stephens Council
> Maitland City Council
> Newcastle City Council
> HCM - CMA
>
> Williams River Total Catchment Management Committee
> Waterwatch
>
> Environmental Education (Carolyn Gillard)
> Eco Edge Network Inc (Environmental Education)
>
> Employers Federation of NSW
> Newcastle & Hunter Business Chamber
> Small Business & Consumer Affairs
>
> Newcastle Combined Pensioners Area Council
> Migrant Resource Centre

(p14 Hunter Water Financial Report 2004 - 05)

Does this constitute "representatives from the community and specific interest groups"? Consider the sectors of the community that could potentially be represented on the forum:

1 Consumer advocacy groups, representing general domestic demand;
2 Groups that advocate for the poorest consumers;
3 Business advocacy groups, representing commercial and industrial demand;
4 Water tanker drivers, who collect potable water from Hunter Water to deliver to end users who are not connected to mains;
5 Williams River farmers and others who are given permission by HWC to draw water before treatment;
6 Environmental groups, to comment on environmental impacts of operations;
7 Landholders and residents who are restricted by or impacted by HWC operations;
8 Other councils that purchase bulk water.

However, there appears to be a sizable representation from Councils in the area of operations and various representatives from the CMA, none of which appear to fit into any of these categories. At the same time, categories 1, 4 and 6 appear to be absent, or at least provided for through government intermediaries.

The HRLN recommends that the membership of the forum be amended to more accurtely and directly represent "community and specific interest groups" as required.

EFFECTIVENESS OF THE CONSULTATIVE FORUM

"The tribunal is not aware of any significant concerns over the functioning of the forum. Previous audits have noted the positive comment received from forum members" (p43 IPART Discussion Paper).

The HRLN recommends that the HWC be required to produce substantiative evidence that the forum is functioning, and that HWC has been responsive to its comments.

OUTCOMES ACHIEVED BY THE IWRP

"The aim of the plan is to coordinate the community's need for water and the capacity to supply water to bring about effective water management over the next 10 years." (p5 Integrated Water Resource Plan)

10 YEAR TIMEFRAME

Why does the Hunter Water maintain an IWRP that has a 10 year horizon, when management of HWC have recently commented that Hunter Water is now planning ahead 25 to 50 years (p11 Newcastle Herald 28 October 2006). The longer time frame is useful for better "asset management" and for understanding long duration impacts such as climate change.

The HRLN recommends that a 25 year timeframe, with 5 yearly reviews, be adopted for the IWRP.

The Lower Hunter Regional Strategy is the dominant planning instrument of the region. It uses a time reference of a 25 year horizon, with 5 year reviews. If Hunter Water organised the timeframe and review processes of the IWRP to coincide with those of the LHRS, Hunter Water could reduce its own analysis effort and expense. This would facilitate greater collaboration of Hunter Water with other organisations that share responsibilities and outcomes, as referred to on p21 IPART Discussion Paper.

The HRLN recommends that every effort should be made to coordinate the timeframes and reviews of the IWRP with the timeframes and review processes of the Lower Hunter Regional Strategy.

CLIMATE CHANGE

The IWRP refers to climate change, but makes no recommendations on an appropriate response (p35 IWRP). This policy is out of touch with public opinion. Climate change is an area that is undergoing intense ongoing research, and as a result a steady flow of research findings are rapidly changing our understanding of the basic water resource that HWC relies upon. Moreover, this research indicates that the climate is changing. As a consequence so too is the basic water resource.

The general indications are available and will not be repeated here. However, two characteristics of current predictions/observations are very relevant to the HWC management's basic water resource.

First, there is an indication that rainfall may become more seasonal. The HWC resource relies heavily on the poor seasonality of rainfall in the Williams River catchment. This is indicated to change as the divide between the regions of northern summer (monsoonal) rainfall and southern winter rainfall shifts southward, leaving the catchment vulnerable to increasing rainfall in summer, but decreasing supply in winter. This may translate into a need for larger storage capacity, especially as "Hunter Water (had) relatively less storage than most of the other large urban water authorities" (p41 IWRP).

Second, there is an indication that not only will temperatures rise, but also wind speeds will rise. Currently, HWC experiences "relatively high loss rates from its storage during hot, dry weather due to evaporation at Grahamstown and evapotranspiration at Tomago Sandbeds (p41 IWRP). Increasing the depth of Grahamstown dam may reduce this impact, but the risk of overall losses from evaporation remain a major concern. If the intervals between recharge events increases, as is suggested by other projections, evaporation losses will become an increasing limitation to effective capacity.

The HRLN recommends that a proactive strategy to address climate change impacts and risks be formulated and made public.

HWC reports on climate change impacts with limited data. The IRWP supports forward assessments with public documents that only go back to 1988. However, experts in the field of climate forecasting have resources and expertise that go back much further. The detail that is being produced by the CSIRO and other research bodies is progressing towards accurate forecasts at a regional and sub catchment level. The time is fast approaching when the HWC should rely on external research of climate change rather than internally produced information.

The HRLN recommends that Hunter Water should outsource climate forecasting.

INCREASED WATER DEMAND

It is recognised that the Hunter has achieved commendable reductions in demand growth. HWC has made a valuable contribution to this outcome through significant uptake of recycled water, support of the use of water saving devices in industry and the community, and the introduction of a price signal through a user-pays billing system.

However, the IWRP also recognises that a downturn in business activity that accompanied the closure of BHP had a significant impact on total demand.

The LHRS forecasts significant population growth over the coming years in the HWC area of operations.

The IWRP forecasts average water consumption per person will rise (see "the average consumption per separate household has remained relatively stable" per p30 IWRP, while "dwelling occupancy rate has fallen" per figure 2.5, p29 IWRP).

It is also logical to assume that water use will rise to relieve the discomfort arising from any climate change impacts.

However, Hunter Water is now required to supply water to the Central Coast. HWC announced that the supply agreement is relatively small, and that it may be a temporary measure. The potential though is for this supply arrangement to be permanent and to substantially grow over time. After all, the Central Coast is forecast to grow, but the capacity of its own water resource has been exceeded. Consequently, growth of industry and population on the Central Coast will, in effect rely almost

exclusively on Hunter water.

At the very time that assumptions about water supply are having to be reviewed, forward water demand is being underestimated. The IWRP has failed to address one of the most significant threats to water reliability.

The HRLN recommends that the IWRP include an assessment of demand growth from the Central Coast.

SETTLEMENT PATTERNS

Hunter Water is moving to increase the management and use of sandbed aquifers along the coastal region. However, the Lower Hunter Regional Strategy identifies a pattern of increasing settlement in nearby areas. There is a threat to the viability of this water resource. Potential saline ingress arising from modest rises in sea levels arising from climate change, the expression of acidic water from acid sulphate soils when aquifers are unduly disturbed, increasing evapotranspiration arising from climate change are some. To complicate this, there is an increasing risk to water quality arising from potential pollution ingress from industry and residences.

There sandbed resource may need to be considered a resource of declining value. This is not recognised by the IWRP.

The HRLN recommends that the IWRP identifies coastal sandbed aquifers as a resource at risk of having a declining value.

DEMAND MANAGEMENT

“A major instrument of demand management in the urban water sector has been price reform. The key element of this reform has been the move away from a “rating’ structure based on property value to ‘pay for service’ with charging for water based on the volume of water consumed. (p46 IWRP)

The HRLN supports this approach and recognises the ongoing efforts of Hunter Water to extend the concept. However, there are significant opportunities to extend the concept to its logical conclusion.

The current tariff structure imposes the highest charges per volume used, upon the lowest consumers of water. This could be interpreted as imposing the highest rates on the poorest sections of the community, which amounts to price discrimination against the poor. It could also be interpreted as offering an unfair concession to major water users, whose water efficiency has a disproportionate impact on total demand for water.

The HRLN recommends that the water tariff structure move towards abolishing the fixed service charge, and abolish differential pricing of the usage charge.

No quality or performance standards are currently specified in the licence in respect of pricing (p5 IPART Discussion Paper).

The HRLN recommends that the operating licence provide guidance on pricing policy. Such a policy could state that Hunter Water should set a price that recovers all costs associated with the supply of any of its services. This policy could also state that tariffs will be set on a basis that is equitable to the community.

ESD AND THE PROTECTION OF CORE RESOURCES

CATCHMENT HEALTH OF THE WILLIAMS RIVER

Wherever practical, HWC limits environmental reporting to activities undertaken to comply with other regulatory instruments (p21 IPART Discussion Paper).

HRLN agrees with the need to simplify reporting. However, "other" instruments may be read as minimum acceptable standards. The question becomes whether Hunter Water should be encouraged through the licence process to adopt "best practice", and whether the licence should be encouraging continuous improvement over time.

The principle resource of Hunter Water is the Williams River catchment. That resource is under threat. A legacy of past management practices have yet to be fully addressed, forecasts indicate more water will progressively be removed from the resource, and there is an increasing threat from stresses arising from climate change. Hunter Water cannot be seen to take this resource for granted.

"The Tribunal understands that activities resulting from the Williams River Catchment REP and RPS have now been incorporated into the work of the Hunter-Central Rivers CMA…. Any requirements to report on catchment management activities should therefore reflect these changes" (p22 IPART Discussion Paper).

A collaborative effort between Hunter Water and the Hunter-Central Rivers CMA is applauded. However, the activities of the CMA arise from a Catchment Action Plan that aims for best possible overall outcomes for its area of operations (which are substantially larger than those of Hunter Water), and the level of activity proposed under the Catchment Action Plan has been determined within the confines of a limited financial resource. This means that the aims of the CMA are not identical to the aims of Hunter Water. It also highlights that the financial capacities of the two organisations are dissimilar.

The Catchment Action Plan of the CMA is a plan looking forward 10 years. Because of limited funding, the CAP could not propose to raise catchment health to "sustainable" levels. Consequently, most of the catchment remains in poor condition and vulnerable to ongoing decline. (A submission submitted by a number of Landcare groups to the CMA can be provided to IPART on request to substantiate this claim.)

Hunter Water has an operational imperative to ensure that the Williams River catchment is maintained at a high level. Water quality in this catchment must be maintained at a standard substantially above the standards considered acceptable in other sub-catchments under the control of the CMA, because this is the primary source of potable water for the entire region. Under all circumstances, the health of the Williams River catchment should never be allowed to approach "a poor condition, subject to ongoing decline". Instead this sub-catchment needs to be maintained in a robust condition, able to withstand all available threats, including climate change, as far as practically possible.

In short, Hunter Water assets need to be safeguarded through a rapid achievement of a sustainable Williams River catchment, and Hunter Water must not allow that need to

be compromised by any funding limitations currently being experienced by the CMA.

The HRLN recommends that the operating licence requires Hunter Water to ensure the Williams River catchment achieves environmental sustainability as rapidly as possible.

CATCHMENT HEALTH OF COASTAL SANDBED AQUIFERS

As for "Catchment Health of the Williams River".

In addition, the coastal sandbed aquifers remain particularly vulnerable to settlement close to and over the aquifers. The threat of aquifer pollution requires urgent attention.

The HRLN recommends that the operating licence requires Hunter Water to ensure the coastal sandbed aquifers achieve environmental sustainability and are protected from future pollution threats as rapidly as possible.

CATCHMENT HEALTH IN OTHER SUB-CATCHMENTS

In those catchments where Hunter Water only delivers water and manages sewerage and wastewater, its responsibilities do not require it to maintain overall catchment health. Rather, its role is limited to ensuring that Hunter Water operations do not compromise environmental health. This level of responsibility greatly simplifies reporting requirements.

Compliance with Health regulations, contamination of the environment from any final releases, odours, noise, visual amenity and control of weeds occurring on operational property issues become the focus of environmental management.

The HRLN supports reporting requirements for non-resource catchments being limited primarily to compliance with legislative obligations, though a requirement to continually improve compliance and community satisfaction is also recommended.

Licence obligations in the estuary and coastal water are fundamentally similar to non-resource catchments. However, Hunter Water must accept responsibility for its impact on estuarine health and its interplay with freshwater, arising primarily from the removal of substantial volumes of freshwater. The community could reasonably expect Hunter Water to be required to minimise that impact, and to make contributions towards estuarine health to offset any residual impact.

The HRLN recommends the Operating Licence require the report on Hunter Water impacts on estuarine and ocean environments and what measures have been undertaken to reduce that impact.

Stormwater drainage is an activity that has no reporting requirements. This is puzzling, as an inability to identify a performance indicator could indicate no ultimate responsibility. However, if Hunter Water continues to provide a drainage service, its role and responsibilities must b defined. Until a clearer picture is provided, Hunter Water does accept responsibility for all issues relating to drainage. Such an

assumption is required to justify its funding of and involvement in numerous community projects dealing with stormwater management.

The HRLN strongly recommends the Operating Licence identify Hunter Water's obligations relating to stormwater management, especially in regard to defining its relationship to catchment health.

ESD INDICATORS FOR ENVIRONMENTAL HEALTH

The Tribunal is considering making Catchment Management Reporting more "outcome-focussed" by requiring the disclosure of "planned and actual catchment management and protection activities", their cost, and outcomes (p23 IPART Discussion Paper). However, this approach fails to answer the critical question of whether planned activities are enough.

The Tribunal requires an indication of whether Hunter Water has raised the health of the catchment enough to provide a sustainable resource capable of servicing the needs of Hunter Water, even when that resource is challenged by climate change or any other foreseeable risk.

To this end, the Tribunal requires a clear understanding of the amount of overall effort required to protect the water resource, what overall progress has been made in the period, and perhaps how much money was expended in this process. The Tribunal does not need to know the details of every environmental project.

To date, the main approach adopted by Hunter Water to protect catchment health has been the direct acquisition of land in the catchment. A less costly approach is to enter covenants with existing landholders. Consequently, the cost of catchment health may ultimately become a combination of specific traditional projects, and various forms of ongoing support to other landholders in the catchment.

The HRLN recommends a less detailed format for reporting catchment health than suggested on p23 IPART Discussion Paper.

REASSIGNING OF CERTAIN PERFORMANCE INDICATORS

"The reporting of monitoring results against the bulk water quality parameters and of the five year water quality trends in the Williams River … more appropriately belong in the drinking water quality provisions of the licence" (p22 IPART Discussion Paper).

"Requiring Hunter Water to publicly report on its performance against the WML and the Dams Safety Act … would be more appropriately located within the drinking water quality and the system performance provisions of the Licence respectively, rather than as part of the annual Catchment Report" (p22 IPART Discussion Paper).

HRLN supports these recommendations.

ENGAGEMENT OF THE COMMUNITY ON CATCHMENT MANAGEMENT

IPART acknowledges that the application of Landcare principles and engagement of

Landcare communities makes a significant contribution to catchment management. IPART recognises the value of ongoing cooperative effort between Hunter Water and regional Landcare (as well as the Hunter-Central Rivers CMA, other Government agencies and community groups). (p21 IPART Discussion Paper)

The importance and successes of Landcare is also recognised in the broader community and is well documented (refer to the latest ABARE report 'Australian Farms NRM in 2004-05'). The report showed that farmers and landholders supported by Landcare groups or belonging to a Landcare group are more likely to endorse NRM policies and implement necessary changes in their management practices.

Landcare collaboration has included water quality monitoring, research, site improvement works, plan and strategy development and funding programs within its source catchments. Landcare projects supported during 2005-06 included:

1 Galgabba Point - Funding provided for water tap installation (project approved for in 04-05 financial year but invoiced and funding given in 05-06 period)
2 Warada Aboriginal Landcare - Funding provided for the purchase of shirts and signage. Signage will provide education on endangered and threatened frogs
of the Hunter as well as an Aboriginal perspective on group contribution.
3 Our Lady Of Victories Primary School - Funding provided to the landcare support project to propagate, cultivate and supply tube stock plants for local landcarers to rehabilitate creeks.
4 Newcastle Organic Buyers Group - Funding provided for the purchase of seeding equipment to allow the local service to provide greater benefits to the Newcastle urban community and the Hunter region sustainable farmers.
5 HRLN - Funding provided to create a Hunter Landcare website to profile and celebrate all Landcare groups. Special focus on linking landcare schools and sustainable agriculture projects.
6 HRLN - Funding provided to run workshops for the Newcastle Landcare Network members in best practice bush regeneration and weed management.
7 Kilaben Bay Landcare - Funding provided for the purchase of additional tools for the continued maintenance at two rehabilitated sites at Kilaben Bay. Part of this funding will also go towards signage at the sites.
8 Lake Macquarie Landcare Inc - Funding provided to equip volunteers with photographic skills for use in recording and monitoring landcare activities in the Lake Macquarie area.

Current Landcare engagement is heavily project oriented. However there is significant scope for Hunter Water to extract greater value from this relationship. Hunter Region Landcare Network (HRLN) is already a partner with the Hunter-Central Rivers CMA and operates the Hunter Initiative which is the basis for a range of collaborative partnerships promoting sustainable farming within the context of ESD.

Hunter Water is likely to need to increase its commitment to catchment health , but the Hunter-Central Rivers CMA will be constrained from meeting the requirements of Hunter Water (see "Catchment Health of the Williams River" p16 above). Direct engagement of Landcare communities and Landcare support networks can help Hunter Water achieve its catchment goals without needing to acquire title to land. This collaboration needs to go beyond the identification of specific funded projects -

there is a need to nurture an ongoing partnership that considers strategy and possible landholder incentive schemes as well as traditional funded project programmes.

The HRLN recommends the establishment of a Landcare Advisory Committee and the formation of a formal partnership with local and regional Landcare organisations.

CONSERVING ENERGY AND REDUCING GREENHOUSE EMISSIONS

Hunter Water is a significant user of energy.

Despite being obliged to present a range of statistics relating to energy conservation and greenhouse emissions, Hunter Water does not provide an overall indication of how much greenhouse gas it produces in the course of its operations. HRLN believes this single statistic would be more concise than the current indicators mandated by the licence.

The HRLN recommends that Hunter Water declare the total volume of greenhouse gases it generates from its operations each year (in tonnes of CO2 equivalent).

Current reporting standards do not recognise that Hunter Water owns land that is vegetated, and that this vegetation is absorbing substantial quantities of carbon dioxide. Nor does it recognise that dams automatically produce greenhouse gases. It would be appropriate for Hunter Water to recognise the net greenhouse effect, as this is likely to be in Hunter Water's favour. Moreover, this opens the way for Hunter Water to consider participating in carbon trading where opportunities arise on Hunter Water properties.

The HRLN recommends that Hunter Water declare the net volume of greenhouse gases it removes from the atmosphere each year (in tonnes of CO2 equivalent).

Hunter Water's current environmental management plan has a heavy bias towards the creation of mini-hydro projects. The recognition of this option is applauded, but cheaper forms of renewable energy are available. It may be far cheaper for Hunter Water to achieve the same outcomes by purchasing green energy. The comment has been made that energy is a significant cost for Hunter Water, but energy costs are in fact less than 5 percent of cash flow.

The HRLN recommends that Hunter Water rebalance its environmental management plan towards cheaper forms of renewable energy. That intention may include the purchase of Green energy from outside sources.

"This cost (of energy), along with potential impacts on water yields resulting from climate change, provide a strong case for Hunter Water to take reasonable steps to reduce energy use and greenhouse gas emissions" (p27 IPART Discussion Paper).

Given the potential effect of climate change upon Hunter Water operations, it would in fact be reasonable for Hunter Water to show leadership in addressing climate change. The current IPART proposal is to simply disclose efforts to reduce greenhouse emissions. There is no declaration of an end goal. Hunter Water has the opportunity to indicate where it intends to be over a 25 year period (the forward planning proposed for the IWRP). It is quite within the capabilities of Hunter Water to declare a goal of zero net greenhouse contribution within 25 years from its operations if its existing carbon sequestering activities are taken into account. Carbon trading may in fact provide a cash resource for Hunter Water.

The HRLN recommends that Hunter Water nominate a greenhouse target (possibly

zero net emissions) within 25 years, and use reasonable progress towards this as a licence condition.

CONCLUSIONS

HRLN agrees with the Tribunal that there are far too many performance indicators required in the current Operating Licence. However the adoption of conditions similar to those currently appearing in the Operating Licence for the SCA will not shed light on the handling of fundamental issues confronting the management of Hunter Water and are therefore inadequate.

Moves to rationalise the number, order and presentation of performance indicators are supported.

On the other hand, HRLN has observed that significant strategic decisions are being made without adequate reference to the community (such as the provision of water to the Central Coast). There is also a risk that some strategic decisions are failing to be adequately investigated and responded to (such as the threats to operation posed by climate change).

The licence process appears committed to measuring short term outcomes. This is evident with the preponderance o short term performance indicators. However, even these indicators are static rather than either reflecting management's response to changing conditions or its commitment to continually improve service delivery.

The greatest concern of the licence process is that there appears to be a poor understanding of the urgent need to upgrade the integrity of Hunter Water's basic water resource, the catchment of the Williams River. The preference of IPART to maintain catchment health at a standard that can be supported by Hunter-Central Rivers CMA is not supported. This approach does not recognise that the CMA is experiencing significant financial constraint and must spread its resources over a considerable area, while Hunter Water has an obligation to ensure its basic water resource is sustainable as quickly as possible, and is so robust that it can remain viable even in the face of significant environmental challenges or increased pressure from rising water demand.

The HRLN requests that the Consultative Committee be rebalanced in favour of more direct community consultation, as was intended originally. There also needs to be more disclosure about the activities and achievements of this committee before the public or IPART can determine if the Committee is effective.

The HRLN considers that the establishment of a separate Landcare Advisory Committee focussing on environmental outcomes, including the management of greenhouse gas emissions, would materially assist Hunter Water fulfil the conditions of the Operating Licence, particularly in regard to the protection of the Williams River catchment.

HRLN would however, like to complement the management of Hunter Water on its notable achievements in service delivery. We hope the recommendations contained in this submission eventually enhance operation even further.