

14 December 2004

Bulk Water Prices from 2005/6
Independent Pricing and Regulatory Tribunal of NSW
PO Box Q290
QVB Post Office NSW 1230

Dear Sir/ Madam

Submission on Bulk Water Prices from 2005/6

The Hawkesbury-Nepean Catchment Management Authority (HNCMA) would like to make the following submission in relation to the *Bulk Water Prices from 2005/6 - Issues Paper*. This submission makes comment in relation to current water pricing in NSW and suggests a new approach that takes account of the full cost of all social, economic and environmental impacts resulting from the diversion of water. This approach would assist the Independent Pricing and Regulatory Tribunal (IPART) in meeting the requirements of Section 15 of the IPART Act, 1993 that requires consideration of the need to maintain ecologically sustainable development by appropriate pricing policies that take account of all the feasible options to protect the environment.

The HNCMA considers that the current system for determining water-pricing focuses on the supplier and in taking this approach does not place the supply of water in context. A supplier driven approach encourages a focus on how to minimise the costs of supply and then reflect these in pricing. It does not focus on the overall demand for water from a catchment or the impact on a catchment of the supply of that water. The HNCMA submits that price setting for water must have a focus on identifying the true cost of supplying water, the total demand for the water and the wider costs associated with supplying that water. The preferred approach would be one that is consistent across the state and that focuses on the total water supply and use cycle, rather than the delivery bodies.

A shift to looking at the total issue rather than the delivery bodies would encourage appreciation of the wide range of services provided by that water. In the Hawkesbury-Nepean these services include:

- environmental flows necessary to maintain fish populations and fish breeding to support the commercial and recreational fishing industry
- town water supplies for Sydney, Illawarra and Blue Mountains, Gosford/Wyong, Moss Vale/ Mittagong, Richmond/Windsor, Lithgow and Goulburn
- irrigation water required to support agricultural and horticultural production, with over \$600million of irrigated product each year
- a clean and ecologically healthy river system that supports recreation and tourism expenditure of over \$1 billion a year
- electricity generation that supplies 23% of the state's supply
- social and environmental amenity for the growing urban areas of Western Sydney.

The needs of all beneficiaries and users needs to be considered in decisions on the appropriate pricing of water if pricing is to support ecologically sustainable development. The

cost of remediating the environmental damage caused by the loss of flow, for example, must be reflected in the cost of water. The lack of environmental flows is one of the key factors contributing to the poor quality of the health of the Hawkesbury-Nepean River. This lack of flow is a direct contributor to the recent outbreak of aquatic weed that has had a direct impact on other users and services. This will be an on-going need while there is insufficient flow to allow periodic flushing of the river. The cost of clearing the river of this weed needs to be reflected in the price of water.

The HNCMA strongly supports the move towards a pricing system that is able to use pricing signals as a key instrument in a suite of measures to manage overall water demand. We know that poor water management affects many people and industries. When the real costs of water supply are not properly defined it leads to underpricing of water which in turn locks out competition from the marketplace so that alternative supply of water through re-use and recycling is not economic. The current approach to price setting results in the costs of loss of flow and poor water quality being borne by the community, as they are not currently reflected in the price of water. That is, the price of water needs to include consideration of the cost of remediation on the adverse impacts on the river system caused by the extraction of water from the system.

The diversion of flow from the Hawkesbury-Nepean River to supply drinking water is one of a range of activities that adversely affect the health of the Hawkesbury-Nepean River system. Other activities that need to be considered in a total water cycle approach to remediation of impacts on the river system include:

- management of sewage and effluent
- management of stormwater
- coal-mining, especially where it interferes with aquifers
- Electricity generation.

The HNCMA requests the opportunities for one of its members, Mr Bob Wilson, and HNCMA staff to address IPART in relation to the issues raised in this submission. Please contact Ms Julie Whittaker on (02) 4828 6707 to assist in making the appropriate arrangements for this meeting.

Yours sincerely,

(signed)
John Klem
Chairperson
Hawkesbury Nepean CMA