

Contact: Greg Finlayson
Reference: GF:EK

8 April 2009

Matthew Edgerton
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PO Box Q290
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Dear Matthew

Subject: Draft Determination and Report for SCA's Prices– Submission

Thank you for providing Goulburn Mulwaree Council with this opportunity to further comment on "Review of Prices for the Sydney Catchment Authority - From 1 July 2009 to 30 June 2012". Council's interest is in purchasing water in bulk from the Sydney catchment Authority's Wingecarribee Reservoir.

Council understands from table 6 in the draft that over two years to 30th June 2012 the price will increase by some 7% to 23.987 cents per kilolitre plus CPI increases. This is significantly higher than the current price, which is less than 20 cents per kilolitre.

The Council believes this increase in the charge should not apply to Goulburn. The increase is excessive and does not recognise valid differences between Goulburn's circumstances and those of the other bulk customers. The following reasons are cited.

1. Council adopted the Highlands Source Project in 2008, and recently confirmed that long term option. Planning work is proceeding and it is anticipated the pipeline connection will be completed by June 2011. The cost of the pipeline connection, currently estimated to be \$54.3m, combined with the operating costs, have been the subject of broad community concern.
2. Goulburn already has expensive water when compared to the rest of NSW, and much more expensive than Sydney. Emergency works and loss of water sales revenue under severe restrictions has exacerbated the financial status of the water fund. The residential charges in 2008/09 are an availability charge of \$230.00 plus a stepped tariff with \$1.45 for the first 292 kL (0.8 kL per day) then \$2.00/kL.
3. Parity with the Sydney Water Corporation pricing should take into account where the SCA deliver the water to. For the Corporation the raw water is delivered right to the treatment facility, close to customers. This also applies to Wingecarribee Shire Council to an extent. However for Goulburn Mulwaree Council, the SCA invest zero funds in the delivery of raw water. This requires GMC to fully fund the capital and operating costs of transporting the water some 84 kilometres. The operating costs have been estimated for the year 2013, assuming that it is an average year and the volume of water transferred from the SCA is 577 ML. Transfer cost for electricity is

estimated to be \$0.10 per kilolitre. Including depreciation and maintenance it is estimated to be \$0.98 per kilolitre. The \$10m loan Council has raised for its share of the capital expenditure has repayments of \$844,000 per annum which equates to an additional \$1.46 per kilolitre in an average year. It would be reasonable for these substantial costs to transfer the water to be taken into account in the price determination. (All costs here are only for the pipeline transfer to Goulburn)

4. Goulburn's need for additional water is not due to growth. The SCA water is to repair a profound deficit in the current supply due to record drought, environmental flows and climate change. The current population require 3,700 ML per annum in a drought year (reduced from an historical 5,000 ML/a by demand management measures). The yield of the existing system, with median climate change to 2030 is only 1,500 ML/a.
5. The current residential water customers have been levied an additional \$75 per household for a period of 30 years to repay a \$10m loan for Council's share of the pipeline cost. This is in addition to the normal high water charges. Commercial customers have the levee applied according to meter size. It is also anticipated the pipeline will require additional funds for a final cost requiring a further \$4.3m which will place even further strain on the water fund and customers. Level 3 restrictions currently apply with storage below 48%.
6. The current drought has had a significant impact on the Goulburn community. The financial impact on existing water customers in funding drought security is very significant and has been the subject of a prolonged debate.

Council requires SCA water to provide drought security for Goulburn. In wet years it is possible that no water will be purchased. Thus it is critical that a fixed price is not introduced in the future.

In dry times, Council will be required to draw water in anticipation of prolonged drought in accordance with set operating rules. If rain eventuates and there is no prolonged drought, the water purchased will be of less value.

Council's latest prediction of maximum volume required from the SCA, based on full flow for 365 days, is 2,700 ML/a. The average volume required is estimated to be 505 ML/a in 2011 and 577 ML/a in 2013.

As Goulburn sits within the Sydney catchment it already has a degree of ownership with regard to water. There is already a cost to the community here in meeting strict catchment protection criteria set by the SCA such as the NORBE principle. The SCA and Council have a very good relationship and the SCA provide funding to improve water quality within the catchment. The funding is not guaranteed in the long term, but the cost to this community in protecting Sydney's drinking water is ongoing.

In summary I reiterate the key points.

- Goulburn water customers already pay a high price for water.
- The community has debated the affordability of drought security and it is a big concern.
- Goulburn has very different criteria to Sydney Water Corporation or Wingecarribee Shire Council for purchasing water.
- Council requires water for drought security, as a back up to its own resources.

- The SCA do not deliver the water to Goulburn as they do to Sydney and Wingecarribee Shire. There is a very high cost to transfer the water to Goulburn, paid for by the local community.
- A large area of the Sydney catchment is in Goulburn Mulwaree Council. There is a cost to our community in delivering clean water to Sydney.

I again thank you for this opportunity to make a submission and trust the Tribunal will recognise our unique circumstances. For any additional information do not hesitate to contact me.

Yours faithfully

Greg Finlayson
Acting Director Water Services