

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF ESSENTIAL ENERGY'S PRICES FOR WATER AND SEWERAGE  
SERVICES IN BROKEN HILL, AND WATERNSW'S PRICES FOR THE  
BROKEN HILL PIPELINE FROM 1 JULY 2019

Tribunal Members

Dr Peter Boxall AO Chairman  
Ms Ed Willett and Ms Deborah Cope, Members

Members of the Secretariat

Mr Matthew Edgerton, Mr Anthony Rush and Mr Matthew Mansell

At Broken Hill Civic Centre, 31 Chloride Street,  
Broken Hill

On Tuesday, 20 November 2018, at 10.00am

1 THE CHAIRMAN: Good morning, everybody. And welcome to  
2 this public hearing. I would like to acknowledge the  
3 traditional owners of the land upon which we meet today,  
4 the Wilyakali people of the Barkindji Nation, and pay our  
5 respect to their elders past and present.

6  
7 IPART is conducting a review to determine the maximum  
8 water and sewerage prices that Essential Water will be  
9 permitted to charge in the Broken Hill, Menindee,  
10 Sunset Strip and Silverton areas for the period commencing  
11 on 1 July 2019.

12  
13 At the same time, we are also setting prices that  
14 WaterNSW can charge for the transportation of bulk water  
15 via the Murray River to the Broken Hill Pipeline.

16  
17 First, to introduce ourselves, I am Peter Boxall and  
18 I am Chair of the New South Wales Independent Pricing and  
19 Regulatory Tribunal - IPART. I am joined on this review by  
20 my fellow tribunal members, Ed Willett and Deborah Cope.  
21 Second, I would like to thank those who have made written  
22 submissions in response to our issues papers. All  
23 submissions, including Essential Water's and WaterNSW's  
24 pricing proposals, are available on our website.

25  
26 This public hearing is a very important part of our  
27 consultation process for these two reviews. In addition to  
28 the views expressed in written submissions, we will  
29 consider the views you provide today in making our decision  
30 on prices for WaterNSW and Essential Water's services.

31  
32 Following this public hearing, we will release draft  
33 reports for public comment in April 2019. You will then  
34 have about three weeks to make further written submissions  
35 for consideration by the tribunal before we make our final  
36 decisions. Our final reports and determinations will be  
37 released in May 2019, which will contain the maximum prices  
38 to apply from 1 July 2019.

39  
40 In general terms, our price reviews will be seeking to  
41 determine:

42  
43 What are WaterNSW's efficient costs of transporting  
44 water through the Murray River to Broken Hill Pipeline;  
45 What are Essential Water's efficient costs of  
46 providing its water and wastewater services; and  
47 How should these costs be recovered through prices,

1 taking into account important questions such as what  
2 customers can afford to pay.

3  
4 We seek your views on these questions. We acknowledge  
5 that the New South Wales government has announced that it  
6 will subsidise the efficient costs of the Broken Hill  
7 Pipeline for the next four years. We will set prices  
8 consistent with this decision. Our approach is to set  
9 prices to reflect the efficient costs of providing services  
10 less any confirmed government subsidies or grants.

11  
12 Before we commence proceedings today I would like to  
13 say a few words about the process for this hearing. We  
14 have an agenda that indicates the order of business.  
15 Firstly, we will hear presentations from WaterNSW and  
16 Essential Water on their pricing proposals. Then the IPART  
17 secretariat will give a short overview of how the WaterNSW  
18 and Essential Water reviews fit together and IPART's role.  
19 Then we will have time for members at the table to make  
20 short comments and for the audience to ask questions or  
21 express their views on matters in each presentation.  
22 Audience members can also express their views on any other  
23 relevant issues to the tribunal's consideration.

24  
25 Assisting the tribunal today are members of the IPART  
26 secretariat, Matthew Edgerton, Anthony Rush and Matthew  
27 Mansell.

28  
29 I should advise you that today's hearing will be  
30 recorded by our transcriber. Therefore, to assist the  
31 transcriber, I ask that on each occasion you speak to  
32 please identify yourself and, where applicable, your  
33 organisation before speaking. I also ask that you please  
34 speak clearly and loudly. A copy of the transcript will be  
35 made available on our website next week.

36  
37 We commence today with presentations from the  
38 utilities. First, David Harris, CEO of WaterNSW, will  
39 present on WaterNSW's pricing proposal for the Murray River  
40 to Broken Hill Pipeline.

41  
42 WATERNSW PRESENTATION

43  
44 MR HARRIS (WaterNSW): Thank you very much, Mr Chairman.  
45 Welcome and thank you very much for the opportunity to  
46 present at this hearing. I will present a couple of slides  
47 and then hand over to our major projects director,

1 Elli Baker, who will talk about our pricing submission.

2  
3 On 21 November 2016, WaterNSW was directed by the New  
4 South Wales government to build the Wentworth to Broken  
5 Hill Pipeline. It is important to note that there were  
6 three key dimensions to that direction:

7  
8 First of all, the pipeline was to be built along the  
9 Silver City Highway;

10 Secondly, it was to be engineered to meet a daily  
11 demand of up to 37.4 megalitres of water per day; and

12 Thirdly, we were to use best endeavours to make the  
13 pipeline operational by December 2018.

14  
15 We received a second direction from the government on  
16 31 August 2017 where we were directed to use predominantly  
17 Australian steel pipe and meet skills targets in the  
18 construction of the pipeline. We were pleased to be  
19 selected by the New South Wales government to deliver such  
20 a critical piece of water supply infrastructure in rural  
21 and regional New South Wales, and I might say that  
22 faith has been proven to be well placed.

23  
24 The pipeline will transport raw water from the  
25 River Murray to Essential Water and other smaller offtake  
26 customers. I am pleased to report that construction of the  
27 pipeline and the project as a whole is on track to be  
28 delivered within its scheduled time frame and within its  
29 forecast cost.

30  
31 In terms of community benefits from that pipeline,  
32 obviously the main and enduring benefit of that pipeline is  
33 a secure water supply to Broken Hill over and above  
34 everything else. However, as I indicated, we were required  
35 to meet certain targets in construction and we have met or  
36 exceeded those targets in respect of local steel  
37 , trainees on the  
38 project, and a 100 per cent target met for local workforce  
39 participation.

40  
41 I will now hand over to Elli, who will quickly run  
42 through some slides on our pricing submission.

43  
44 MS BAKER: Thank you, David. My name is Elli Baker. I am  
45 the director of major projects at WaterNSW and I will take  
46 you through some slides on our pricing submission that  
47 David mentioned.

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Our legislative frameworks did set out that IPART determine the prices that we can charge our customers for monopoly services such as the pipeline. In this pricing submission, we have proposed two prices for two categories of customers: the local water utility, ie, Essential Water; and landholder offtake customers.

As Dr Boxall has already mentioned, IPART will assess and determine essentially two components, one being have we delivered the project efficiently; and the second being what prices can we charge our customers.

Our proposed prices comprise a fixed charge component and a variable charge component. For Essential Water, our proposed prices are at full cost recovery of our efficient costs, and for the landholder offtake customers, we have proposed prices that are incremental cost recovery with a small charge to contribute towards the main pipeline. The variable charge for pumping electricity is the same for both categories of customer.

This slide gives you a snapshot of those prices. For Essential Water the prices you can see here are per annum in real dollars - that is, they are before inflation is applied. As I mentioned before, the charges comprise a base charge and some variable charges. Then for offtake customers, as I mentioned, we have proposed prices at the marginal or incremental cost recovery with a small component of contributions towards the pipeline and an average of those prices over four years, assuming 10 megalitres is, in real dollars, \$12,700 per annum.

There are a number of components that we believe contribute towards the frequency and efficiency of our delivery of the pipeline that we were directed to deliver. Firstly, in regard to how we approached the design of the pipeline, there were end-to-end workshops with Essential Water to determine the optimal system and who was best placed to undertake which function. What that resulted in were decisions such as WaterNSW was to deliver raw water and water treatment would be the responsibility of Essential Water.

Through the process of delivering the pipeline, we have had biweekly design meetings that have included Essential Water again so that we ensure the most efficient

1 and optimal design of the system end to end to most  
2 efficiently deliver water to the end user - to the  
3 household.

4  
5 In terms of the efficiency and frequency of our costs,  
6 we made a number of decisions through our procurement of a  
7 design, construction and operating and maintenance contract  
8 that we believe led to the most efficient costs. We made a  
9 strategic decision around a DBOM model of contract that  
10 essentially minimised whole-of-life costs by putting a  
11 whole lot of competition in that process.

12  
13 In terms of the procurement of that DBOM contract, as  
14 I said, we ran a process which had pre-qualification stages  
15 in it and a very detailed pro forma of prices that the  
16 tenderers had to fill out for us which enabled us to ensure  
17 that components of the pricing were efficient.

18  
19 In addition to that, we structured a contract which  
20 enables future efficiency sharing to ensure that we  
21 continue to have efficient pricing over the long term, or  
22 efficient costs. Some of the components of that included a  
23 share fifty-fifty of efficiency benefits over the life of  
24 the O&M contract. We have a fifty-fifty savings mechanism  
25 that we have incorporated into the contract with regards to  
26 energy costs, and we also have an efficiency saving factor  
27 that reduces the fixed and variable costs by a percentage  
28 year on year reflecting the contractor's assumed ability to  
29 improve their efficiency throughout the term of that  
30 contract.

31  
32 I have now a couple of slides on customer bills.  
33 Firstly - Dr Peter Boxall has mentioned some of these  
34 things - we have a New South Wales confirmed decision to  
35 subsidise the costs of construction and the efficient  
36 operation and maintenance costs required for the pipeline  
37 for the next four years to ensure that prices for end use  
38 customers do not rise in real terms as a result of the  
39 pipeline.

40  
41 The New South Wales government has additionally stated  
42 its intention that IPART assess the efficient costs of the  
43 pipeline in its WaterNSW pipeline review and apply the  
44 subsidy in the review of Essential Water's water and  
45 sewerage prices.

46  
47 We have put a graphic of that together for you just to

1 help people visualise what the billing framework looks  
2 like, and that is that WaterNSW would bill both Essential  
3 Water and the landholder offtake customers. The prices  
4 that are on this slide reflect the average per annum  
5 pricing in the scenario we had in a few slides before this  
6 one. Then Essential Water would receive its bill on the  
7 prices set by IPART from its water and sewerage customers  
8 after the government subsidy, as the government has  
9 confirmed, for the pipeline for the next four years.

10  
11 This last slide gives you a picture of what the  
12 construction currently looks like at the Murray River  
13 offtake where the water will enter into the pipeline.  
14 Thank you for your time.

15  
16 THE CHAIRMAN: Thank you very much, Elli. Now we have  
17 Luke Jenner, general manager customer network services, who  
18 will present on Essential Water's proposal.

19  
20 ESSENTIAL WATER PRESENTATION

21  
22 MR JENNER: Thanks, Dr Boxall. I want to welcome everyone  
23 to this very important gathering, which we see as a really  
24 critical part of our pricing determination and our customer  
25 engagement process.

26  
27 Firstly, I want to talk a little bit about what  
28 Essential Water does and what Essential Water means to the  
29 community of Broken Hill and the areas that we serve. From  
30 our perspective, our purpose is to provide reliable  
31 cost-effective water and sewerage services and also trade  
32 waste services to our customers.

33  
34 We have about 10,000 customers or connections that we  
35 serve and we understand that our customers are living in  
36 one of the most arid parts of the state, if not the  
37 country. Water supply is therefore extremely critical, not  
38 only to residential customers, but also to the industry  
39 participants who are really critical to the economy of  
40 Broken Hill.

41  
42 There are about 220 kilometres of pipeline that we use  
43 to serve our customers. Those customers are not just in  
44 Broken Hill, but also Menindee, Sunset Strip and Silverton.  
45 Our sewerage services are confined to Broken Hill and we  
46 will touch on the sewerage services a bit later because, as  
47 you will see, they are actually critical to our submission.

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We have a large amount of infrastructure including three dams. We have four bulk supply pipelines and three water treatment plants that we use to supply the customers across our network.

As part of this pricing proposal, we put customer engagement at the centre of our proposal. We conducted surveys of over 400 residential customers and 100 business customers to understand their perspectives not only on the service levels that we provide to the community but also on the costs and the impact of costs on the community. We had an online engagement forum, in which many people participated, and a "Have your say" page where we could get direct feedback from our customers.

We had a number of meetings with customers and, very critically, we also have the customer council, where John and the other staff from Essential Water meet with the community to understand what their ongoing concerns are. For example, the customer council is a body that we use to bounce water restrictions and other things off them that will have a profound impact on the community before we actually make those final decisions.

You can see from the slide we started this community consultation in the period back in March 2018, and clearly that has now landed us at this point where we have a proposal that we have submitted to IPART and that we want to further discuss with you as part of this process.

Elli and David spoke about the Wentworth to Broken Hill Pipeline. I think it is important to touch on that and the positive impact it will have on Broken Hill and the community and also how that interacts with our network.

Just to be clear - and Elli covered this - any of the costs associated with the design, construction or operation of the pipeline are not included in Essential Water's proposal. Those costs, as has been mentioned, have been committed to be fully covered by government for the period of this pricing submission.

We believe that the Murray to Broken Hill Pipeline is critical for the economic prosperity of Broken Hill in the fact that it will provide a reliable source of water at a quality that we believe will be better than the water that



1 we currently source from the Darling River system. We are  
2 proposing, as part of our proposal, to decommission  
3 Imperial Lake. Imperial Lake is currently part of the  
4 Essential Water, I guess, emergency water supply system.  
5 With the reliability of the supply from the Murray we will  
6 not require that lake, moving forward. It would come at a  
7 significant cost to our customers if we were to retain that  
8 facility, because there are some outstanding capital works  
9 that would need to be done if we were to keep that facility  
10 open.

11  
12 We are proposing to keep Stephens Creek as a back-up  
13 supply of water to Broken Hill, and that will allow us to  
14 provide 99.9 per cent of the liability to our customers in  
15 the Broken Hill area.

16  
17 As I mentioned at the outset, customer pricing has  
18 really been front of mind for us in our submission and, to  
19 that end, there are a number of projects that we believe  
20 are needed to facilitate the connection of the pipeline to  
21 our system. We have applied to government for  
22 approximately \$60 million in funding for those projects,  
23 and a few weeks ago we received in-principle approval from  
24 the New South Wales Treasury that they would commit those  
25 funds at no cost to the customer.

26  
27 The project that we propose to use those funds for is  
28 a new pipeline, a much smaller pipeline, that will travel  
29 along ostensibly the same route as the current Menindee  
30 pipeline but not all the way to Menindee, and that will  
31 provide water to current rural customers that take their  
32 supply from the current Menindee pipeline which is end of  
33 life. There is a small pipeline at Sunset Strip for those  
34 customers. We will be decommissioning the desalination  
35 plant.

36  
37 Most people in this room are probably aware that we  
38 constructed a desalination plant two or three years ago  
39 when water supplies in the Menindee Lakes were in dire  
40 straits, if I could put it that way. The cost of that  
41 desalination plant was not borne by customers. We received  
42 approximately \$20 million in funding from the New South  
43 Wales government to build that desalination plant and we  
44 are proposing to use funding from the government to  
45 decommission it - so again no cost to our customers.

46  
47 We do need to upgrade the pumping station at

1 Stephens Creek to facilitate that as a back-up supply and  
2 we have also identified pump stations along the current  
3 Menindee pipeline that we will be looking to decommission -  
4 again at no cost to our customers.  
5

6 One of the things that is critical for everyone to  
7 understand is that there is major capital expenditure  
8 required over this current regulatory period. I want to  
9 briefly touch on some of those main areas of capital  
10 expenditure.  
11

12 First and foremost, the Wills Street wastewater  
13 treatment plant or sewerage treatment plant was constructed  
14 in 1939. As you would probably appreciate, environmental  
15 regulations and requirements were a little bit different in  
16 1939 compared with what they are in 2018. That plant is at  
17 the end of its useful life. If we do not replace it, we  
18 are faced with \$20 million worth of remediation works.  
19 Alternatively, we could replace it at a cost of  
20 \$34.5 million. We believe that that is the prudent and  
21 efficient thing to do to secure the long-term viability of  
22 the sewerage system in Broken Hill.  
23

24 We have some service reservoirs and tanks that are  
25 125-plus years old - the Mica Street reservoir. Those  
26 tanks have major industrial faults. We want to construct a  
27 new service reservoir at Rocky Hill, and also there are  
28 some refurbishments to undertake at the cost of  
29 \$9.4 million.  
30

31 Additionally, we have customers at Menindee. As  
32 I mentioned earlier, we have a fairly old water treatment  
33 plant that was constructed in 1985. It is costing us a  
34 significant amount in operating expenditure. It is heavily  
35 impacted by corrosion and is in urgent need of replacement,  
36 so we have allocated in the proposal \$6.4 million for the  
37 replacement of that plant.  
38

39 Then, of course, we have the sewerage mains and water  
40 mains across our whole network. These were installed at  
41 various time frames from when water was first reticulated  
42 around Broken Hill and we need to keep upgrading those to  
43 minimise our operating costs.  
44

45 I want to talk now about the impact of what all those  
46 things mean to the end customer. As I said,  
47 notwithstanding that there is significant revenue that we

1 have been able to secure from government directly, the  
2 price rise that we are proposing is 4.2 per cent above the  
3 cost of inflation. There is a pensioner rebate that we  
4 propose will continue unchanged, so there will be no  
5 changes at all to the pensioner rebate scheme.  
6

7 You can see the impact on the average customer bill  
8 currently is \$1,223, and that will rise by an average \$93 a  
9 year over the period of the price determination.  
10

11 With regard to how we benchmark in terms of pricing  
12 compared to other water distributors across New South  
13 Wales, we have looked at the average water and sewerage  
14 bill across 36 different water utilities. People would be  
15 aware that water utilities are quite fragmented in New  
16 South Wales compared with, say, the electricity industry  
17 where you only have three utilities.  
18

19 Out of those 36 utilities that we benchmarked,  
20 Broken Hill has the eleventh cheapest water in the state,  
21 so we are in the bottom third from a cost perspective. We  
22 believe that this proposal that we are putting forward  
23 demonstrates prudent and efficient expenditure, given the  
24 climate that we face and some of the large capital  
25 expenditure that is really needed to secure the growth of  
26 the community moving forward.  
27

28 I also want to touch on some of the things - and this  
29 is the last slide - that we have done over the last couple  
30 of years in terms of making sure that we are providing  
31 water to the best quality and supply and reliability that  
32 we can.  
33

34 Last year, we replaced 925 metres of water  
35 reticulation services. We repaired 320 customer services.  
36 We replaced over half a kilometre of sewer main and  
37 436 sewer blockages, and cleaned 24 kilometres of sewer  
38 main. The dry conditions and the drought that we have all  
39 been experiencing have really contributed to a lot of  
40 pressure on the sewerage system because it actually relies  
41 on the water going into it to keep it clean.  
42

43 As I said before - there is a little picture of the  
44 reversal osmosis plant in the bottom left-hand corner - we  
45 provided assistance to the community through the  
46 desalination plant at nil cost to the community.  
47

1           That is all we have to cover in our formal  
2 presentation, and I will hand back to Dr Boxall.

3  
4 THE CHAIRMAN: Thank you very much, Luke. Now we will  
5 have a brief presentation from the IPART secretariat,  
6 Matthew Mansell and Anthony Rush.

7  
8 IPART PRESENTATION

9  
10 MR MANSELL: Thank you, Chair. Good morning everyone. My  
11 name is Matthew Mansell from the IPART secretariat, and  
12 I am going to provide a short overview of IPART's process  
13 for the WaterNSW and Essential Water price reviews,  
14 including what we are reviewing and why.

15  
16 I will then provide an outline of the key issues in  
17 the WaterNSW review before handing over to my colleague  
18 Anthony Rush, who will provide an outline of the key issues  
19 in the Essential Water review.

20  
21 We are conducting two pricing reviews for Broken Hill.  
22 One of these reviews relates to the WaterNSW Murray River  
23 to Broken Hill Pipeline. This review will set prices that  
24 WaterNSW can charge for the transportation of bulk water  
25 from the Murray River to the Broken Hill Pipeline.

26  
27 Our determination will allow WaterNSW to recover the  
28 efficient costs of complying with the government's  
29 directions to design, build and operate the pipeline.

30  
31 The other review that we are conducting relates to  
32 Essential Water's water and sewerage services in  
33 Broken Hill. This review will set prices for  
34 Essential Water can charge for its water, sewerage and  
35 other services to customers in and around Broken Hill.

36  
37 The setting of affordable prices is a key issue for  
38 our review process. To do this, we will first establish  
39 the total efficient costs of providing services by WaterNSW  
40 and Essential Water. We will do this by reviewing the  
41 proposed activities and expenditure put forward by both  
42 WaterNSW and Essential Water in their respective pricing  
43 proposals.

44  
45 We will then subtract confirmed government  
46 contributions from the efficient costs. This will ensure  
47 that Essential Water and WaterNSW will only recover the

1 efficient costs of providing services. We will then set  
2 prices taking into account what customers in and around  
3 Broken Hill can afford to pay.

4  
5 I will now turn to WaterNSW's prices for the water  
6 transportation services provided by the pipeline.

7  
8 In June 2016 the New South Wales government announced  
9 that it would build a pipeline from the Murray River to  
10 Broken Hill. Later that year, the government directed  
11 WaterNSW to design, build and operate that pipeline. We  
12 are conducting a review of the maximum prices that WaterNSW  
13 can charge for transportation purposes and the prices we  
14 set will allow WaterNSW to recover the efficient costs of  
15 complying with the government's directions.

16  
17 WaterNSW is proposing that IPART set prices for the  
18 transportation service provided by the pipeline; that the  
19 prices we set apply to both Essential Water as well as a  
20 small number of offtake customers located along the  
21 pipeline; and, that our prices apply for four years from  
22 1 July 2019 to 30 June 2023.

23  
24 WaterNSW is proposing a notional revenue requirement  
25 of \$123.4 million over the four years, or an average of  
26 \$30.8 million per year. WaterNSW is proposing to recover  
27 this revenue through a relatively high fixed charge and  
28 relatively low variable charge. This price structure  
29 reflects the predominantly fixed cost nature of the  
30 pipeline.

31  
32 WaterNSW is also proposing to service a number of  
33 offtake customers that are located along the pipeline.  
34 WaterNSW is proposing to charge these customers  
35 approximately \$13,000 per year. This charge consists of an  
36 annuity charge which covers the additional capital costs  
37 associated with connecting an offtake customer; secondly,  
38 it also includes an allowance for the operating costs of  
39 supplying 10 megalitres of water per year; and, thirdly, it  
40 also includes a contribution towards the pipeline's fixed  
41 costs.

42  
43 Key issues that we are seeking your feedback on  
44 include:

45  
46 1. Are the efficient costs that have been proposed by  
47 WaterNSW for the design, construction and operation of the

1 pipeline efficient?

2 2. What price structures and price levels would best  
3 reflect the efficient costs of the pipeline; and

4 3. How should the efficient costs of the pipeline be  
5 apportioned between Essential Water and offtake customers?  
6

7 I will now hand over to my colleague Anthony Rush, who  
8 will comment on Essential Water's review.  
9

10 MR RUSH: Thank you very much, Matthew. My name is  
11 Anthony Rush. I am going to present a few slides on  
12 Essential Water's price proposal. I will keep it brief  
13 because Luke has summarised most of the key points.  
14

15 I want to focus on three things: firstly, current  
16 bills and the share of median incomes comparing Broken Hill  
17 to other areas; the prices proposed by Essential Water; and  
18 our proposed operating and capital expenditure over the  
19 determination period.  
20

21 On this chart, we have compared current residential  
22 bills, in the grey bar for Essential Water, and their  
23 proposed bills at the end of the four-year determination  
24 period in the green bar, with a range of other utilities  
25 across New South Wales and a few from interstate. It shows  
26 how bills currently stack up in Broken Hill and how they  
27 would stack up after the next four years if Essential  
28 Water's proposed prices were fed through in full.  
29

30 However, we also know that average incomes in  
31 Broken Hill and the distribution is quite a lot lower than  
32 the state average. This chart puts that a bit more into  
33 perspective. Looking at our average water bills, currently  
34 a similar share of median household incomes in Broken Hill,  
35 under their current pricing structure, would actually  
36 increase a bit above this average for regional New South  
37 Wales under Essential Water's proposed prices.  
38

39 Very quickly, as Luke said, under Essential Water's  
40 proposed prices residential and non-residential bills would  
41 increase by 6.8 per cent per year, or 4.2 per cent a year  
42 above inflation, corresponding to an average yearly  
43 increase of around \$93 per year. These proposed prices, as  
44 highlighted, exclude the costs of the Broken Hill pipeline  
45 and exclude the costs of consequential works.  
46

47 This slide again just presents the bills. I will not

1 say too much here, other than for the four years, it  
2 corresponds to roughly a 30 per cent increase in bills in  
3 nominal terms.  
4

5 Essential Water has proposed, in total, recovering  
6 \$100 million of notional revenue from customers over the  
7 four-year period or around \$25 million per year.  
8

9 On this slide we have picked out a few of the key  
10 capital projects that Essential Water has proposed  
11 including \$34 million for the replacement of the  
12 Wills Street wastewater treatment plant and some  
13 expenditure on the Mica Street water treatment plant. We  
14 have also summarised a few of the major proposals under  
15 their consequential works which include, principally,  
16 around \$30 million to upgrade Stephens Creek.  
17

18 This slide is a very high-level summary of Essential  
19 Water's operations. On the left-hand side, it shows the  
20 current water supply, so from the Menindee Lakes and, on  
21 the right-hand side, it shows some of the changes that will  
22 take place as the new Murray River to Broken Hill Pipeline  
23 comes online, including some of the proposals in their  
24 consequential works to put a new pipeline along the current  
25 Menindee pipeline service for the graziers who currently  
26 receive water from the pipeline, and some smaller  
27 consequential works around Menindee for the customers  
28 around Sunset Strip.  
29

30 Before I hand over to questions, I would like to point  
31 to some of the key points that Essential Water has proposed  
32 in terms of their price structures. In very short terms,  
33 they have proposed that prices for all individual services  
34 will increase at the same rate each year.  
35

36 I want to focus on two key elements within that that  
37 we would not mind hearing about from the audience, so think  
38 about that. The first is that, currently, sewerage charges  
39 recover more than their costs, whereas water charges  
40 currently recover less than their costs, so we would like  
41 to hear what people think about that.  
42

43 The second point is that currently non-residential  
44 customers pay both a sewerage service and a sewerage usage  
45 charge. What that means is that a non-residential customer  
46 would pay more than an equivalent residential customer,  
47 even taking into account differences in metering and usage.

1  
2 I will quickly skip over this slide, but, as the  
3 Chairman just said, the next stage in our review process is  
4 that we will be producing a draft report in early April.

5  
6 That is it from me. What we would like to do now is  
7 turn over to the audience. We would like to hear what you  
8 have to say about any aspects of either review - either the  
9 WaterNSW or the Essential Water water reviews. Thank you  
10 very much.

11  
12 THE CHAIRMAN: Thank you very much, Anthony. I will ask  
13 the people at the table if they would like to make some  
14 comments before throwing it open to the audience. First we  
15 have the Deputy Mayor, Marion Browne, from the Broken Hill  
16 City Council. Marion?

17  
18 COUNCILLOR BROWNE: Thank you, Mr Chairman. I will make a  
19 few comments and speak very briefly to our written  
20 submission.

21  
22 The council, of course, is both an advocate for its  
23 community and a large customer. I note a comment from,  
24 I think, the IPART summary that social marginal benefit of  
25 water in a community such as this, in a very arid part of  
26 the state, is at least as significant as the private  
27 marginal benefit.

28  
29 Council is a provider of community services - parks,  
30 ovals and public spaces. This has been brought into  
31 particular prominence, I think, over the last few years.  
32 Our submission, as I have mentioned, talks of lead  
33 remediation and lead treatment projects. There is far more  
34 focus on this because the government, of course, has  
35 reduced the safe level of blood-lead levels for children.

36  
37 It is also significant, I think, that there has been a  
38 level of concern and significance, particularly among  
39 Aboriginal children. A significant and growing proportion  
40 of the population is Aboriginal children and a number of  
41 those families are in the lower socioeconomic segment of  
42 the community. There is also an ageing community, and the  
43 significance of that is noted in our submission.

44  
45 Council does not have significant concerns with some  
46 of the major underpinnings of Essential Water's proposal.  
47 We accept that the cross-subsidy between the sewerage and



1 water is probably a desirable thing to keep in the  
2 interests of price stability. We think that the community  
3 needs certainty in pricing. That is an important issue, so  
4 we see that that will add to that, so stability in the  
5 price stricture we see as being significant.

6  
7 Our overall concern, I suppose, just to summarise, is  
8 that this would be an excessive price shock to our  
9 consumers, to our customers, as it exceeds the CPI  
10 increase. That is really the basis of our submissions.  
11 I'll leave it there. Thank you, Mr Chairman.

12  
13 THE CHAIRMAN: Thank you very much, Marion. Now,  
14 Graham Turner from the Pastoralists Association of West  
15 Darling. Thank you, Graham.

16  
17 MR TURNER: Thank you, Mr Chair. I want to assure you of  
18 the importance of the Menindee line for the graziers,  
19 especially supplying them water in the times of drought, as  
20 at present, where there is very little to no surface water,  
21 and a lot of properties do not have access to bore water.  
22 It will ensure that the supply is maintained with the new  
23 proposals going forward, that it is reliable and that the  
24 costs to the landholders are similar to what they are  
25 bearing from the existing line at present. That is my  
26 summary. Thank you.

27  
28 THE CHAIRMAN: Thank you very much, Graham.

29  
30 Q&A SESSION

31  
32 THE CHAIRMAN: Questions from the floor. Are there any  
33 questions? We have a roving mike here. Yes?

34  
35 MR KENNEDY: Tom Kennedy, Broken Hill and Darling River  
36 Action Group, as well as a councillor at Broken Hill City  
37 Council. Are we able to add to the submissions that we put  
38 in? There is a lot that has been said here today that  
39 really I would like to add to the submission that we have  
40 put in.

41  
42 THE CHAIRMAN: You can make any comments today and they  
43 will be taken into account just like the written  
44 submissions.

45  
46 MR KENNEDY: So you can't add to your written submission?  
47

1 THE CHAIRMAN: You can add, but you can also make comments  
2 now.

3  
4 MR KENNEDY: It will probably take 15 minutes and I do not  
5 want to affect everyone.

6  
7 I notice that in the opening remarks from the IPART  
8 statement, it did not mention the northern irrigators, even  
9 though it did mention them in the original report.  
10 Northern irrigators have been mentioned quite often by the  
11 government, by the inquiry into the pipeline, as well as  
12 the irrigators themselves, who have said they would greatly  
13 benefit by having useful water. This pipeline  
14 is not just about Broken Hill; it is also about managing  
15 water reserves within New South Wales within the basin off  
16 the Menindee Lakes, which also allows them to manage the  
17 Menindee Lakes, which saves on evaporation. I think it is  
18 vitally important that that is mentioned.

19  
20 It was also mentioned by the person from WaterNSW that  
21 there would be full cost recovery from Broken Hill users -  
22 no mention of northern irrigators there either and the  
23 benefit that would have to them.

24  
25 Full cost recovery for that four years, just looking  
26 at the slides, is \$123.4 million, \$30 million per year,  
27 3,000 per customer. That is guaranteed for four years for  
28 us not to pay. But the full cost recovery in four years is  
29 \$3,000 to Essential Water - \$3,000 per customer. Essential  
30 Water then would have to pass that on and we would be back  
31 here again and talking what percentage IPART would decide  
32 we would be able to pay, but at the end of the day,  
33 Essential Water would be picking up that bill.

34  
35 Essential Water also spoke about decommissioning  
36 Imperial Lake and keeping Stephens Creek. There was no  
37 mention of the Umberumberka reservoir in that presentation.  
38 That would be a significant saving to Essential Water.  
39 Essential Water spoke about Stephens Creek ensuring a  
40 99.9 per cent guarantee of water by having that; yet we  
41 have a 750 megalitre dam outside Broken Hill on the  
42 Menindee Road, which will also have a significant cost to  
43 the community, as evaporation in this area, as we all know,  
44 from the New South Wales Department of Infrastructure, that  
45 would only last a day or two out here, it evaporates so  
46 quickly. There is a significant cost there to Broken Hill.  
47 Surely the 750 megalitre dam would mean that Stephens Creek

1 would not be needed and the \$30 million  
2 to keep that operating would not be needed.

3  
4 They also spoke about a pipe running alongside the  
5 Menindee pipeline. That would be a cost. I understand  
6 from the people who live there that it is vitally important  
7 they have that, but I would strongly suggest that there  
8 ought not be a full cost recovery on those landholders nor  
9 that that should be subsidised by Broken Hill people. They  
10 should not have to subsidise that; it should be subsidised  
11 by the New South Wales government or Essential Water.

12  
13 Turning to some of the other things that were  
14 mentioned, the pipeline itself has 37 megalitres a day  
15 capacity. Our maximum usage over the last 10 years for  
16 summer is 24 megalitres per day. That means we are  
17 operating a vastly bigger pipeline than we need.

18  
19 Water restrictions have resulted in less revenue for  
20 Essential Water over that period. I have a letter  
21 confirming that from Guy Chick, at the time, in 2014, which  
22 I will add to my submission. They said that, yes, it does  
23 impact on the amount of money they can get.

24  
25 In the Essential Water presentation, it was mentioned  
26 that there was nil cost to the community during the time of  
27 restrictions and that the desal plant was paid for by  
28 Essential Water. That is not true. It was a significant  
29 cost to the community - a significant cost in as far as  
30 ovals died all around the town. We are now spending  
31 hundreds upon hundreds of dollars around town. I will  
32 provide photos to add to my submission. The soccer oval  
33 was unplayable. People were injuring ankles, knees, and so  
34 on. At the Norm Fox, people were getting hurt by cricket  
35 balls because it is mostly sand, weed and not grass. So  
36 there was a very significant cost to the community during  
37 that period where we were put on reduced water and  
38 Essential Water tried to keep us down to 16 megs per day.

39  
40 They are now doing that again; they are talking about  
41 restrictions. They mention the community consultative.  
42 Only last week they announced new restrictions which will  
43 have a great effect on the community, yet they did not even  
44 speak to Broken Hill City Council about that.

45  
46 Any increase in costs will also have a decrease in the  
47 usage in Broken Hill, as has happened time and time again.

1 Every time there is a significant increase in water  
2 charges, people try to reduce their costs by then saving on  
3 water. The savings then mean that the people that continue  
4 to actually try and keep vegetation coverage and keep their  
5 dust down have to pay more - significantly more.

6  
7 There is a lot of talk about average costs in  
8 Broken Hill. There is a big difference between the average  
9 cost and the low user and the user who keeps a garden. In  
10 Broken Hill, and it has been proven during restrictions, if  
11 you do not water the ovals or you do not water your gardens  
12 at least once or twice a week, your gardens and your grass  
13 will die. This is the fact in Broken Hill. We are not in  
14 Sydney where you do not need to water them months at a time  
15 and rain will probably keep them alive.

16  
17 THE CHAIRMAN: Tom, this is all fine, but just let me  
18 summarise, and I will give you a chance to carry on. There  
19 are a lot of issues here. One issue goes to the share, for  
20 example, should the Broken Hill community pay for the full  
21 cost of the pipeline or not? That is the important issue,  
22 about what share should be borne by Broken Hill, and what  
23 share should be borne by the rest of New South Wales. That  
24 is something we are alive to, so that is one issue.

25  
26 You have raised a number of issues relating to various  
27 dams and reservoirs, which I am happy to get Essential  
28 Water to respond to. Then the third part, and I am sure  
29 there are a few more, but the third major part of your  
30 commentary is the impact of water restrictions. What  
31 I would like to do is let Essential Water respond to the  
32 issue of dams, pipelines, whether the expenditure is needed  
33 or not, and also the issue of water restrictions and then  
34 you can carry on.

35  
36 MR KENNEDY: I only have one more point that I have put  
37 down and that is the lead levels in children in Broken  
38 Hill. The New South Wales government, the federal  
39 government and the Broken Hill local government are all  
40 trying to encourage children to go outside. That is a real  
41 problem in Broken Hill. With that said, there will be a  
42 lot more children playing outside, hopefully, and that is  
43 what we want to do; we want to get them outside off their  
44 computers.

45  
46 Aboriginal children have the highest lead levels in  
47 the town by far, and that is because they play outside.

1 They are much more active outside. They are exposed to  
2 more lead contaminated soil. As water prices do increase,  
3 there will definitely be fewer grass areas in Broken Hill,  
4 which will have a significant impact on the people.

5  
6 THE CHAIRMAN: Thank you very much. On the lead, that was  
7 an issue in the last determination which we did four or  
8 five years ago. That was one reason why we removed the  
9 inclining block tariffs which used to, in effect, charge  
10 people who used more water per litre. That was one reason.  
11 We definitely would like to hear more on issues of lead and  
12 other social impacts. Okay, Essential Water?

13  
14 MR JENNER: I will talk about the water restrictions and  
15 then I will hand over to John Coffey to talk about the  
16 reservoirs. Firstly, I would like to say that we  
17 absolutely acknowledge the fact that Broken Hill has some  
18 unique uses for water, especially around lead suppression,  
19 and also the use of evaporative coolers which are not used  
20 in a lot of other communities across New South Wales.

21  
22 We have been very, very cognisant of trying to keep  
23 water restrictions to an absolute minimum. Unlike some  
24 communities in New South Wales where they have permanent  
25 water restrictions, we have had quite long periods without  
26 restriction. It is always our goal to have as few  
27 restrictions as possible. As Tom mentioned, it is kind of  
28 a use it or lose it proposition in Broken Hill because of  
29 the amount of evaporation.

30  
31 The only time we ever impose water restrictions is  
32 when we believe there is a real credible threat that the  
33 water supply will run out effectively if we do not put  
34 those restrictions on. With regard to the current water  
35 restrictions that we are proposing, we were looking at  
36 level 3 restrictions. We consulted with the council on  
37 that is my understanding. We then, through a lot of great  
38 work that John did in terms of understanding the water  
39 supply and the timelines around the Murray pipeline, we  
40 were able to reduce that to a level 1 restriction.

41  
42 It is our hope that this will be the last  
43 restriction - obviously subject to the water supplies of  
44 the Murray River - that Broken Hill will need to have,  
45 because the whole point of the pipeline is to get a very  
46 secure supply of water from the Murray. Hence, as well, on  
47 your point about why we needed 34 megalitres per day rather

1 than the average of 24, the pipeline has been sized based  
2 on work that the Essential Water did to absolutely cater  
3 for what we call maximum summer demand. There is also a  
4 buffer in there for economic growth in the community  
5 because we realise that, especially in this community,  
6 water is a real enabler of economic growth, so there is a  
7 bit up our sleeve, if I can put it that way, to make sure  
8 that we won't be the ones who will be restricting economic  
9 growth in the community.

10  
11 THE CHAIRMAN: Thanks, Luke. John.

12  
13 MR COFFEY: John Coffey, Essential Water. Thanks,  
14 Chairman. With regard to the reservoirs, Essential Water  
15 stated clearly that we need to decommission Imperial Lake.  
16 That is a given. As far as Stephens Creek goes, the  
17 consequence of the water supply with the new Murray supply  
18 coming in has changed the focus on Stephens Creek  
19 completely.

20  
21 Stephens Creek is critical to the supply right now to  
22 Broken Hill, particularly for general storage. The dam is  
23 deficient out there. The spillway is not large enough  
24 and, over the next period, we are proposing to do minor  
25 capex works for incremental increases in the spillway  
26 runnings or the dam runnings, to discharge a maximum flow.  
27 That is provided for, including some minor works for  
28 Umberumberka.

29  
30 Umberumberka has been sitting there and it has not  
31 been mentioned. While it is sitting there and it does not  
32 cost us significant capital expenditure, there is no  
33 intention of doing anything with regard to future  
34 development.

35  
36 THE CHAIRMAN: Thank you, John. Tom, do you have a  
37 follow-up question?

38  
39 MR KENNEDY: Yes. It is 37 megalitres not 34 megalitres.  
40 Broken Hill's maximum usage over our history has been  
41 33 megalitres maximum per day, and that is when we had a  
42 population of over well 30,000 and a mine that was using  
43 significantly more water than we are at the current time.

44  
45 When I hear this sort of stuff, it is just spin.  
46 Their 37 megalitres per day is well oversized, if it is  
47 just for Broken Hill's usage and Broken Hill's ongoing

1 industrial usage, considering that we had mines that used  
2 to use up to 10 gigalitres a year which now use about  
3 6 gigalitres and now use about half over that period, the  
4 maximum daily summer usage during that period was  
5 33 megalitres per day.

6  
7 With Umberumberka and Stephens Creek, which was  
8 mentioned, we're talking about spending a significant  
9 amount out there at Stephens Creek, just because we will  
10 need this until we get the Murray pipeline up and running.  
11 It is a bit of a contradiction compared with what we heard  
12 earlier, considering they are talking about spending  
13 significant money out there, but we know what is going on  
14 with the pipeline. So there are significant savings that  
15 could be made there.

16  
17 THE CHAIRMAN: Thank you, Tom. We note that. Are there  
18 any other questions? Yes, in the middle here.

19  
20 MR HYNES. Thank you for the opportunity. My name is  
21 Tom Hynes. I made a written submission to the tribunal.  
22 I would like to support Tom Kennedy in a small way. The  
23 designed system is a bulk water storage facility which has  
24 the capability of 14 days supply to Broken Hill. I cannot  
25 see why Stephens Creek would ever be needed. I think that  
26 should be very much considered by the group as a point to  
27 be made.

28  
29 My next question is for Essential Water, and I have a  
30 number of questions, I am sorry.

31  
32 THE CHAIRMAN: No, that's fine.

33  
34 MR HYNES: Essential Water have spoken about the  
35 decommissioning of Imperial Lake, the desalination plant,  
36 five pump stations, and a 610 millimetre pipeline, which is  
37 about 100 kilometres long, maybe a bit less. But they have  
38 not, at any point, indicated what cost savings are involved  
39 in that decommissioning. They have not been mentioned at  
40 any time in any of the submissions I have seen or in their  
41 presentation. I think there should be a considerable view  
42 of what the cost offsets are, when they come to apply.  
43 They have had two years and five months to be prepared for  
44 this and they appear not to have taken that into account.  
45 I believe any continuing costs of that pipeline and its  
46 associated pump station, and the desalination plant, should  
47 be quarantined from Broken Hill as of 1 July next year.

1 I think that should be taken into account as well.

2  
3 I have another point for WaterNSW. You spoke about  
4 the benefits of the pipeline in your presentation. You  
5 spoke about the benefits to the people of Broken Hill. One  
6 of the big benefits to both the state and government is  
7 that in the very dry seasons the government has had to keep  
8 200 gigalitres in the Menindee Lakes just to supply  
9 Broken Hill. That will no longer occur. They will no  
10 longer have to do that, and there is no restriction on them  
11 utilising that water, even now. Even though there was talk  
12 about how they can reconfigure the lakes, there is no  
13 restriction on them utilising that water. Based on your  
14 own submission that, water is worth about \$3,400 a  
15 megalitre. In a dry season, which is the time you will  
16 have it available, that equates to \$680 million when you  
17 pay back for the pipeline. I think again that benefit  
18 should be taken into account.

19  
20 THE CHAIRMAN: Thank you, Tom. Those are very good points  
21 and we will take them into account. We have consultants  
22 who will do work to advise us, but let me give Essential  
23 Water and WaterNSW a chance to respond. John?

24  
25 MR COFFEY: Thank you, Tom. The cost savings were  
26 identified. We have allowed for the decommissioning,  
27 effectively, of the old Menindee pipeline, which we  
28 recognise is nearing the end of its useful life. There  
29 have been significant major and frequent failures along  
30 that pipeline, with massive losses and resources required  
31 to bring it back to service before the expiry of the  
32 emergency three days' supply at the other end at Stephens  
33 Creek, which can only supply the town while we respond to  
34 those.

35  
36 What we have identified is the decommissioning of the  
37 five pumping stations and the reduction by natural  
38 attrition over the determination period of up to four FTEs.  
39 Those numbers are included in the opex modelling.

40  
41 THE CHAIRMAN: Thank you, John. WaterNSW, David?

42  
43 MR HARRIS: Thank you, Chair, and thanks, Tom, for your  
44 question. Firstly, just to repeat that obviously this  
45 pricing determination is about efficient costs of us  
46 constructing a pipeline in accordance with a relatively  
47 prescriptive direction from government, and the efficient



1 cost of that.

2

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In terms of the reserve in Menindee Lakes, it is not quite that simple in the sense that, yes, at the moment, Essential Water has an entitlement to take water out of those lakes. If there is a reserve that we use to operate to supply that water, Essential Water's entitlement will be transferred to another part of the system and that too will involve a similar type of reserve so that we can supply that water through the Murray arm of the Murray Lower Darling connected system. So it is not as if there has been 200 GLs sitting in Menindee to be sold to anyone. That is not the case.

THE CHAIRMAN: Thank you very much, David. Are there any other questions or comments? Yes, down the front?

MS CLARK: Thank you. My name is Maureen Clark. I am a councillor on Broken Hill City Council. I am also a ratepayer and I also pay my water bills. I have a question about your 20-year model of contract. I must also say here that these slides were rather fast, so I may have missed a bit of information there that you may be able to help me with.

There was mention that the contractor was going to be expected to find efficiencies obviously in running this pipeline. I am wondering what these efficiencies are. What are you expecting that these efficiencies will be? How will that affect the overall cost to the consumer, and are you, in fact, basing your costs on these expected efficiencies? I will have other questions later, but I will leave it at that now.

THE CHAIRMAN: Thank you, Maureen, WaterNSW?

MR WHITE: I am happy to respond to the question.

THE CHAIRMAN: Okay, thanks, Josh.

MR WHITE: Josh White, WaterNSW. In relation to the operation and maintenance contractor and the efficiency component that is linked to his contract, recognising that coming in to a 20-year contract period he makes assumptions around what his maintenance frequencies and period will be like and how he operates the system, both the contractor and WaterNSW expect that contractor over time to optimise

1 and to be able to undertake these works more efficiently.  
2 So what they manifest and what they look like in terms of  
3 day-to-day activities is yet to be determined, but what we  
4 expect and what the contractor is obliged to do is generate  
5 efficiencies and pass those on.  
6

7 In relation to the costs I'll pass over to Yolanda to  
8 talk about that.  
9

10 MS CHORA: Yolanda Chora, WaterNSW. The contractor has  
11 already agreed to find efficiencies so that their costs are  
12 already declining year on year. That will all be built in.  
13 So the prices that we have proposed year-on-year costs  
14 decrease is reflected in those in those prices.  
15

16 Now, if over time, they find some step change that  
17 they could invest money, reconfigure the system, if they  
18 went to all that trouble to do something different because  
19 they thought at the end of that there would be a cost, then  
20 those future cost savings would be split half back to the  
21 prices through Essential Water and half back to the  
22 contractor to give them an incentive to keep finding those  
23 efficiencies because we want costs to be as low as possible  
24 over time.  
25

26 THE CHAIRMAN: Thank you, Yolanda. Does that help,  
27 Maureen?  
28

29 MS CLARK: It does a bit. Yes, thank you. Thank you for  
30 that, but also could the costs rise as? Well.  
31

32 MS CHORA: No. Their cost is set for that 20 years now.  
33 So we want the costs to go down but it will not keep going  
34 up.  
35

36 THE CHAIRMAN: Thank you. So in the middle, then in the  
37 front.  
38

39 MR PEARCE: G'day everybody. My name is Rob Pearce. I am a  
40 grazier from 50 kilometres down the Wentworth Road. I am  
41 here today mainly because of the water offtake situation  
42 and trying to get some clarity on what is actually  
43 happening. The person on my right and I are neighbours and  
44 we have been kept in the dark for a long period of time  
45 over the costing of what we are going to be charged. We  
46 had to sign an open-ended 20-year contract which did not  
47 tell us what we were signing for, but we were railroaded

1 into signing it because if you didn't sign it at the time,  
2 you didn't get an offtake. My argument was to WaterNSW  
3 was: put the offtakes in, sort it out later when the dust  
4 settles when you know what the pricing is and you know how  
5 much you are going to charge us.

6  
7 They would not do that so we had to sign a 20-year  
8 open-ended contract based on not knowing what we had to  
9 pay. They said, "Well, if it's up to \$14,000 per year, you  
10 are locked in for 20 years. If it's more than that" -  
11 which they wouldn't tell us - "you could pull out of the  
12 contract." What sort of contracts do you people have,  
13 making us graziers sign an open-ended contract without not  
14 first telling us?

15  
16 Until today, this is the first we have seen of  
17 anything to do with pricing. I would like you to clarify,  
18 WaterNSW, exactly what it is as far as the offtake goes,  
19 the charges, the annuity charge to recover the capital  
20 costs of constructing the offtake - \$7,310 for 2018-19  
21 installation or \$6,352 for the following year. So do we  
22 have to pay for an installation charge on the offtake every  
23 year after it has been put on?

24  
25 Also, I and the person on my right share an offtake.  
26 I would like to know we split the cost? There is only one  
27 offtake. There is only one tap. Do we only have to pay  
28 half, or could we have one each because you are going to  
29 charge us for one each? We would like a bit of clarity on  
30 where we stand and, as far as the government, goes about  
31 the four years of paying for the pipe, are we included in  
32 that?

33  
34 THE CHAIRMAN: Thank you very much, Rob.

35  
36 MS BAKER: Elli Baker, Water NSW. Rob, I am happy to take  
37 the question. We did, over the six to nine months, before  
38 setting our price proposal have a number of sessions with  
39 potential landholder offtake customers. As we outlined  
40 during those sessions Rob, there is an ability to put  
41 offtakes in in the future. In fact, we have a firm price  
42 for future offtakes to be installed in our O&M contract.

43  
44 The price for offtake holders proposed in our price  
45 submission, as discussed in those forums many times, will  
46 be the same whether you have an offtake installed during  
47 this current construction phase or whether we install one

1 later on. There is no customer charge difference.

2

3 MR PEARCE: Why did you make us sign a 20-year contract?

4

5 THE CHAIRMAN: Sorry, hang on, Rob. You are able to ask  
6 that question, but you need a microphone.

7

8 MR PEARCE: I think she knows. Thank you. I would like to  
9 know why you made us sign a 20-year contract.

10

11 THE CHAIRMAN: Okay, Elli will address that.

12

13 MS BAKER: For WaterNSW we are investing long-term  
14 infrastructure, and most of the cost in the charges that we  
15 have proposed is a recovery of those fixed cost charges, as  
16 you can see in the tables in our pricing proposal and in  
17 the presentation we put up today.

18

19 It does take a number of years over which to recover  
20 that cost to enable a reasonable price that we thought was  
21 affordable. In the discussion we had with the group of  
22 potential landholder offtakes, that was in the discussion  
23 that we had; namely that there will be a reasonable time  
24 frame over which to recover those fixed costs.

25

26 With regards to the contract, as you mentioned, we did  
27 have one discussion, and it is outlined in our submission  
28 with the landholder offtakes, including yourself, around,  
29 firstly, what the full cost of those offtakes would be,  
30 looking at different scenarios of capacity to pay,  
31 willingness to pay. In our price proposal, we put forward  
32 an essentially predominantly marginal cost price proposal  
33 to IPART. WaterNSW does not determine our prices. IPART  
34 determines our prices, so we could not offer you a  
35 confirmed cost and we still can't today until IPART  
36 determines those prices. That is not within our control.  
37 I am not sure if I answered all your questions.

38

39 MR PEARCE: Not really. I would really like to know, not  
40 only me but for the other people along the road what the  
41 \$7,310 is actually for that is written on this bit of  
42 paper. Can you tell me what that is for?

43

44 MS BAKER: We have a number of cost components in your  
45 price, but essentially there are three components to it.  
46 One is the cost of installing an offtake and that  
47 \$7,000-odd is the recovery of that over 20 years. There is

1 a return on that --

2

3 MR PEARCE: Is that \$7,000 a year?

4

5 MS BAKER: That \$7,000 comprises a return of capital, so a  
6 literal return of the amount invested by WaterNSW, as well  
7 as an IPART determined return on capital which is an  
8 interest charge, if you like, on that investment by  
9 WaterNSW. So that is the \$7,000. There is a small  
10 component within that annual price for contribution towards  
11 the main trunk pipeline; and, thirdly, there will be a  
12 variable charge for our electricity cost of pumping.

13

14 MR PEARCE: That has all changed from the last time  
15 I talked to you. You told me the last time we had a  
16 meeting that out of the \$14,000 proposed a year that we  
17 would be charged, \$12,000 would be for the costs of the  
18 pipeline and 2,000 for the charge of the electricity to  
19 bump it to Sunny Dale. All of a sudden, these things just  
20 change. I would really like to know, because we only have  
21 one offtake between my neighbour and me, could we split  
22 those charges?

23

24 MS BAKER: Yes, the price in our proposal is per offtake.

25

26 MR PEARCE: So if we share an offtake we only pay 50 per  
27 cent each?

28

29 MS BAKER: That's right.

30

31 MR PEARCE: Is that correct? Which we never knew before.  
32 We never knew before.

33

34 THE CHAIRMAN: That's the answer now.

35

36 MR PEARCE: That's the answer, but next week will the  
37 answer still be the same?

38

39 THE CHAIRMAN: No, Rob, WaterNSW has put in the pricing  
40 proposal. That is what you have in your hand there and  
41 that is what was up on the screen. We will now determine  
42 it going forward. We will determine it. There will be a  
43 draft determination in April, which you and your neighbour  
44 can comment on, and then the final decision on the maximum  
45 will be out in May.

46

47 WaterNSW has just answered your question. The roughly

1 \$7,000 that you are talking about is the return of and the  
2 return on the capital per offtake. That is what they  
3 submitted. We will now go through that and we will  
4 determine whether we think that is efficient and we will  
5 set a price per offtake which we think is efficient.

6  
7 MR PEARCE: So when you say "price per offtake", is that  
8 the price of the flange in the pipe plus the tap that goes  
9 on the end of it, plus the infrastructure? Is that what  
10 you're saying.

11  
12 MS BAKER: Yes.

13  
14 MR PEARCE: Well, I do know for a fact that the offtake  
15 flanges in the pipe cost only \$2,400 each to put in each  
16 pipe. So there is \$1,200 between my neighbour and me, plus  
17 one tap. All of a sudden all these things keep coming up.  
18 Are we eligible for the same as Broken Hill people? Can't  
19 the government do the same for us and say "You do not have  
20 to pay for the costing of the pipe for four years the same  
21 at Broken Hill", or not?

22  
23 MS BAKER: There are two components to that question, Rob:  
24 firstly, the information you have with regards to the  
25 contractual price for installing the offtakes is wrong, and  
26 IPART do determine our costs based on efficient costs,  
27 which is actual costs. So that will come through in their  
28 checking as well of the cost recovery of those offtakes.  
29 Secondly, WaterNSW does not determine government subsidies.  
30 That is a decision for government to make.

31  
32 MR PEARCE: Yes, but is Broken Hill getting it?

33  
34 THE CHAIRMAN: That's the government decision, Rob, and  
35 the government said that the cost of the pipeline - the  
36 construction office pipeline and the operation of the  
37 pipeline - the efficient cost of that will be subsidised  
38 over the next four years. That is a government decision.

39  
40 MR PEARCE: So are we included?

41  
42 THE CHAIRMAN: Are you included?

43  
44 MR PEARCE: Yes.

45  
46 THE CHAIRMAN: As it is written by the government, it is  
47 to the Broken Hill community and, as I understand it, you

1 are a fair way south of Broken Hill.

2

3 MR PEARCE: It is 50 kilometres. Really we're  
4 residential. So we do not come into it. So what  
5 difference is there between me and these people in the room  
6 or this person here? Why are we different? We are not  
7 going through Essential Water. We are getting untreated  
8 water so all you are doing is pumping the water straight  
9 out.

10

11 THE CHAIRMAN: We know that, and we will look at this  
12 issue. You have raised this issue. That is the purpose  
13 of these meetings. But it is the government who makes the  
14 decision on who they subsidise and when and by how much,  
15 not IPART. IPART makes the determination on the efficient  
16 costs of delivering water to Broken Hill and to offtake  
17 customers and setting the maximum price that can be  
18 charged.

19

20 MR PEARCE: So who do we talk to? Do we talk to  
21 Niall Blair about this issue?

22

23 THE CHAIRMAN: You could take that up with your local  
24 member or with the minister.

25

26 MR PEARCE: I don't think we should be treated any  
27 differently from anybody else.

28

29 THE CHAIRMAN: That is noted Rob, that is noted.

30

31 MR PEARCE: I beg your pardon?

32

33 THE CHAIRMAN: I have noted that. We have noted your  
34 comment, what you believe, and it is on the record.

35

36 MR PEARCE: We shop in Broken Hill. Our kids go to school  
37 in Broken Hill. Broken Hill is our home town. We  
38 shouldn't be treated any differently because we live 30 or  
39 40 minutes out from Broken Hill compared to Broken Hill  
40 people.

41

42 Just one other point before I go, I perfectly agree  
43 with the two Toms. Why have you got Stephens Creek when  
44 you have a 750 megalitre dam out on my road, with two dams  
45 that you can ski on? Why do you have those dams and still  
46 have to keep Stephens Creek going? I certainly agree with  
47 the two Toms that it is just a waste of money. Thank you.

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THE CHAIRMAN: Thank you. Down the front, yes.

MS KENNEDY: The first point is that I fully agree with Tom Kennedy and support everything he said. My name is Eve-lyn Kennedy. I am from the Greens, running for the state, as well as just a local.

My first issue is how much we should have to pay. I understand that perhaps most of the assumptions are based on the average income. In this case in Broken Hill, I think the assumption should be based on median income. We have 49 per cent of population - one tenth less than half - who are on either welfare payments or on an incredibly low income. Then there are people just above them whose income is not much higher.

You should look at the median rather than the average. We have a lot of people in town who work in the mines and work in businesses and associated businesses with mines who get paid quite a bit. If their income is put into the mix to make the average income, then the average income is vastly different from the median income. The median income of the average Broken Hill person is roughly around 25 per cent --

THE CHAIRMAN: Eve-lyn, we are using median income.

MS KENNEDY: Excellent, okay. The important aspect there is that the majority of those people get very little money. If you use the median income, you will understand fully and completely the problem with another \$93 being taken out of their income per year and then for that to rise double, triple, quadruple over those years, so by the end up to \$465 will be added, that is far more than the person on a median income can afford. It is as simple as that. They will not be able to pay for their water.

While welfare payments are indexed to the CPI, unemployment benefits are not, and while the cost of living is going up faster than income, people are being put under more and more pressure. Add to this the fact that part-time work and low income is increasing. We have a number of organisations in town that are changing the way they employ people who are already on low income. Some of those organisations are sacking people and saying, "If you want your job back you have to come back part-time." This



1 will increase the number of people on low income.

2  
3 Many of the organisations, which are mainly NGOs, are  
4 now being forced to lower their wage rates. A person who  
5 would normally be employed as a level 4 will go down to a  
6 level 3 or 2, and then when they move on, they lose their  
7 job, which happens frequently with NGOs. Their incomes  
8 will drop as well. This is just a result of the NDIS and  
9 the way the New South Wales government has implemented it.  
10 We have a lot of people working in welfare who will also be  
11 looking at lower incomes.

12  
13 Over the short-term future, over the four years we are  
14 looking at, median income will get less and less, and that  
15 is my point. Over that time, if the cost of water  
16 increases, it will increase the burden.

17  
18 THE CHAIRMAN: We are very cognisant of that Eve-lyn.  
19 Indeed employment benefits go up indexed to the CPI, and  
20 other social welfare payments, if not all social welfare  
21 payments, tend to be indexed to average weekly earnings, so  
22 they do pick it up.

23  
24 MS KENNEDY: I think we all know that unemployment  
25 benefits are nowhere near equal to the aged pension;  
26 they are about \$300 less a fortnight. If you are paying to  
27 rent a house, pay for your water, pay for your electricity,  
28 pay for your food, you have nothing left. There is a whole  
29 bunch of people out there who have no room to move at all.

30  
31 I do not know whether Essential Water will increase  
32 their rebate and whether their rebate covers unemployment  
33 and low income, because there are a lot of pensioners, but  
34 there is also a lot of unemployment and people on low  
35 income. If they are going to raise the cost of water, they  
36 need to raise the rebate as well as include far more  
37 people. It gets trickier and trickier.

38  
39 My second point relates to the recent research, which  
40 I think was from Monash. They frequently come out and do  
41 research papers. They do one every year. They did one on  
42 the internal levels of lead in houses and they found that  
43 there are still high lead levels. I am happy to get that  
44 paper for you. The increase in the cost of water and the  
45 decrease in the amount of water being used to water our  
46 gardens, as Tom Kennedy was saying, will result in more  
47 exposed earth. The exposed earth leads to remnant lead,

1 and there is lead from present mining. We have lot of  
2 environmental lead and natural environmental lead in the  
3 soil. While we mine lead sulphide, the lead in the soils  
4 at our level is lead oxide, so it is easily accessible into  
5 the body. That is what the problem is.  
6

7 It doesn't matter how much we are aware of lead  
8 levels; every time you walk out of your house and walk back  
9 into your house, you still get lead deposited into your  
10 carpets and onto the ground. Then there is lead in the air  
11 when it blows, and it blows a lot more these days, so you  
12 get a lot of lead on food services, preparation services,  
13 bathrooms, the whole kit and caboodle, bed linen, the lot.  
14

15 When you get lead in the house and you have decreased  
16 amounts of water, then you will end up with increased lead  
17 blood levels, and that is just a comment. That is  
18 something that the majority of towns in New South Wales do  
19 not have a problem with anymore. They never thought of it  
20 when they invented lead petrol. Once you took that away,  
21 you stopped the lead exposure in the cities. We do not  
22 have that issue here; we still have lead exposure and that  
23 has to be taken into consideration.  
24

25 I note what has been said about cost. I am in an  
26 unusual position. Due to health problems I have someone  
27 else paying my water bills, because they bought my house,  
28 so I am lucky that way. They pay their water bills in the  
29 North Shore. There is just one person in my house, and  
30 I have a dead front garden from the last time we had a  
31 drought and it still has not recovered. Their house in  
32 North Shore, with four people living in it, pays the same  
33 amount for water as my place in Broken Hill, and I know  
34 this because my sister complains regularly.  
35

36 THE CHAIRMAN: Okay, thank you very much, Eve-lyn. Are  
37 there any more questions or comments? Yes, up the back?  
38

39 MR BUTLER: Thanks very much and thank you for the  
40 opportunity to say something. I support the comments by  
41 the deputy mayor --  
42

43 THE CHAIRMAN: Sorry, could you just say your name?  
44

45 MR BUTLER: Sorry, Roy Butler is my name. I support the  
46 comments by the deputy mayor and the comments by the two  
47 Toms, and Eve-lyn's comments with regard to lead

1 especially.

2  
3 The Tom sitting over here in the red shirt, who I have  
4 not had the pleasure of meeting yet, raised a very  
5 important point we need to consider and that is around  
6 public good and public value. The amount of water that  
7 will now not be pulled out of Menindee, the amount of water  
8 that will be left in that system, will have a net public  
9 good or public benefit.

10  
11 I am not sure what the terms of reference for IPART  
12 are or what they consider, but it sounds like they are  
13 very broad ranging. It sounds like you can consider a lot  
14 of things. So there is public value in water being left in  
15 Menindee that can flow. I realise at the outset you said  
16 this is not about Menindee, it is not about irrigators or  
17 anything, and I take that on board, but the water we are  
18 not pulling out of Menindee has a public value, and  
19 possibly a financial value, so that needs to be considered.

20  
21 In terms of the comments that Rob Pearce made  
22 regarding transparency and procedural fairness around the  
23 price for offtake users, there are some real gaps there for  
24 me in terms of how that has come about. I have looked at  
25 the sections of pipe. They are not vastly different. The  
26 section of pipe we are talking about is a 90-degree section  
27 coming up with a flange on it. They do not look that  
28 different. If the actual cost or the efficient cost is  
29 \$7,000 for a small piece of pipe, so be it, but I am not  
30 sure that there is public value in that either.

31  
32 I would like to reiterate what Eve-lyn said in regards  
33 to wages growth using the CPI cost increase as possibly a  
34 fairly poor correlation for price increases or setting  
35 prices. That is all, thank you.

36  
37 THE CHAIRMAN: Thank very much, Roy. Any other questions  
38 or comments? Yes?

39  
40 MR BYRNE: Bruce Byrne, and I am the general manager of  
41 the Perilya operations in Broken Hill.

42  
43 I really want to reinforce some of the comments made  
44 here today, but I will also have a question at the end of  
45 this on the pricing structure that Essential Water has  
46 proposed. I guess I am really expanding on some of the  
47 comments that were made plus on the submission that I did

1 make.

2  
3 I believe IPART will consider what will be borne by  
4 the state and what will be borne by the consumers and  
5 business of Broken Hill as part of the pricing. But in  
6 terms of benefits to the state by Broken Hill in the format  
7 it is now, there are the royalties and taxes that are being  
8 paid by the mining companies and by the employees of mining  
9 companies. The fact that Broken Hill is still in this  
10 present format in the way it is structured right now, does  
11 have benefit to the state.  
12

13 Roy has mentioned the public value, and other people  
14 here have mentioned that as well. There is also the  
15 environmental value of what it is consumed, as far as water  
16 goes, and what is left for the environment. Our business,  
17 which is mining - we have been here for as long as  
18 Broken Hill has been here - is a very important part of the  
19 community of Broken Hill. Unfortunately, though, it is a  
20 business that is a marginal business these days. It is  
21 probably not well understood that mining is not as buoyant  
22 and as robust as it was in some of the earlier times. That  
23 is probably demonstrated by the downturn in metal pricing,  
24 over the last 10 years, anyway, where we had to restructure  
25 our business in 2008, 2012 and 2016. As much as we do not  
26 like doing that, that has a direct impact on the community  
27 and businesses in Broken Hill as well.  
28

29 The pricing structure that has been proposed by  
30 Essential Water, to the mines anyhow, is a fairly large  
31 fixed cost plus a variable cost. The fixed cost, and that  
32 particular pricing structure, particularly with the way  
33 that is set up, gives no incentive to reduce consumption.  
34 What we have actually found, by taking on fairly major  
35 capital projects, while at the same time expanding our  
36 business here in Broken Hill, opening up the North Mine and  
37 increasing employment as well, is that we have been able to  
38 maintain or reduce our consumption. However, in that  
39 period, what we have seen due the pricing structure is that  
40 our costs per unit have gone up significantly.  
41

42 My question really comes down to that pricing  
43 structure, and my question to Essential Water is why have  
44 they continued to sustain that same pricing structure that  
45 does not have the incentive to reduce consumption to give  
46 us that increased public value of having water that  
47 actually stays in the environment rather than being

1 consumed?

2

3 THE CHAIRMAN: Thank you very much, Bruce. Essential  
4 Water?

5

6 MS WADDELL: Catherine Waddell, Essential Water. Thanks,  
7 Bruce. I will try to answer the question for you. When we  
8 worked out the prices for the mines, we looked at all the  
9 assets that we use to keep your water supplied compared to  
10 the assets that are then used by the rest of the community  
11 of Broken Hill. We used your demand for water as a way to  
12 say what costs of those town costs used you should get. We  
13 found that those costs are very fixed in nature. They do  
14 not vary a lot for us with the amount of water that you may  
15 take. That is why the majority of the charge to the mine  
16 is a fixed charge because our costs do not really change a  
17 lot with the amount of water that you use.

18

19 THE CHAIRMAN: Thanks, Catherine. Yes, Bruce?

20

21 MR BYRNE: Thank you. That did not really answer my  
22 question. I understand what you are saying; namely, that  
23 your consumption has been quite fixed over a period of time  
24 and therefore you can fix a price. It does not answer the  
25 question of not having the incentive to reduce consumption.

26

27 I will also add that, as a marginal business, if we  
28 had a year-on-year increase of 6.8 per cent, then we would  
29 be out of business very quickly and what sort of social  
30 impact would that have to Broken Hill?

31

32 THE CHAIRMAN: Thank you, Bruce. We will be looking at  
33 pricing structure.

34

35 We were planning to take a break now. I am just  
36 wondering whether we could take a break for 15 minutes,  
37 then come back and resume, and the first person to speak  
38 will be the gentleman in the blue shirt and then the person  
39 in front. Let us take a break. There is tea and coffee  
40 outside. It's 11.35. Come back at 11.50, thank you.

41

42 SHORT ADJOURNMENT

43

44 MR BEVAN: Good morning, tribunal, and your supplicants,  
45 or whatever they might well be called, around the room -  
46 mendicants perhaps. My name is Peter Bevan I have, or  
47 rather my family now has, a station around 80 kilometres

1 out of Broken Hill. I would like to comment that we do not  
2 talk about water up there because we damn well haven't got  
3 any. The only water we have up there is what we put into  
4 dams that we dig or bores we put down, at our own expense  
5 and maintain fully at our own expense. It is a bit of a  
6 shock when you get water rates and the like in Broken Hill  
7 - shocking it is - and it costs us 20 times as much as out  
8 there per litre for our water.

9  
10 We have a couple of reservoirs not too far from  
11 Broken Hill, pretty well elevated towards the elevation of  
12 the town itself, which means it is not very far uphill from  
13 those reservoirs. The cheapest water to pump was always  
14 from Stephens Creek, when it had water, and then from  
15 Umberumberka. Then the more expensive water to pump was  
16 from the river. What will happen when it rains a fair bit  
17 and the reservoirs have a lot of water in them? Will it be  
18 pumped from there first and from the pipeline thereafter as  
19 we undoubtedly have over the years? Thank you.

20  
21 THE CHAIRMAN: Thank you, Peter. John?

22  
23 MR COFFEY: Thanks, Peter. Yes, we intend to use some  
24 reservoir water. We will be taking X amount a day from  
25 the Murray supply but, yes, we still intend to be utilising  
26 those reservoirs. The main crux of the Stephens Creek  
27 reservoir was the emergency storage we had until now to  
28 maintain the emergency supply at critical times.

29  
30 You mentioned bores in droughts. It is important to  
31 note that we can keep 100 meg out on the Stephens Creek  
32 site, so we have a bit more storage there to supplement the  
33 Murray supply.

34  
35 THE CHAIRMAN: Thank you. Is that okay, Peter?

36  
37 MR BEVAN: Not quite, not quite. So your cheapest water  
38 would still come from Stephens Creek, which would have to  
39 have a lot in it, and then Umberumberka, and then, after  
40 that, the pipeline where it has to be pumped three or four  
41 times to get to Broken Hill; is that right?

42  
43 MR COFFEY: What I noted was that, yes, we will be using  
44 the reservoir water, but it will be supplementing the  
45 supply from the Murray.

46  
47 MR BEVAN: Yes, so reservoir first.

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THE CHAIRMAN: Good, thank you, John. The lady towards the front here.

MS ROACH: Thank you for coming here. I am Barbara Roach or Lester. I put a submission in to IPART earlier.

THE CHAIRMAN: Thanks, Barbara.

MS ROACH: I would like to thank everyone who has spoken in the audience here because it just means that everything that I would have loved to have said has been said much better. Thank you very much.

I think it is really important for you people to remember that about 20 years ago the cotton lobby was requesting the government and lobbying the government - and they never did give up - on closing the Menindee Lakes so they could use more water upstream. This has been a 20-year battle, at least, to get their way.

When you asked in the submission process about who are the people who requested this pipeline, who are the people who actually wanted it in the first place, it was not Broken Hill residents. It was the cotton lobby supported by the New South Wales government, both Labor and Liberal. They continued to sort of support this cotton lobby as time grew on, which has involved more and more and more water being taken from the catchment, which makes less and less and less water coming down the Darling River.

You can look on Facebook if you wish, but some people had placards on the march from Broken Hill to Sturt Park saying, "Do not confuse water theft with the drought"; or, "Do not confuse the drought with water theft." That is something that you can take back to Sydney with you. That is the first thing, and I would really like to thank those other people who have mentioned that it was not us who asked for it.

Even though Broken Hill will get some benefits from getting water from the Murray, while the Murray can survive, we were getting less water from the Darling, working out the percentage of water, Broken Hill could have much cheaply been able to acquire that from the Menindee Lakes scheme. There is an amount of water that will now be available upstream, and has been available upstream for

1 quite a long time now because the rules have been very lax  
2 by the New South Wales government. It has been a very big  
3 financial gain to the government. It has been a very big  
4 financial gain for some very, very big enterprises. They  
5 use most of the water. Hence they are benefiting from this  
6 pipeline to such an extent that if they paid their fair  
7 share of what they have lost already, we would have a very  
8 negligible bill from IPART - very negligible.

9  
10 How much is it that Broken Hill is supposed to have  
11 each year - 10 gigs, 20 gigs, 30 gigs? That is just  
12 minimal. You get that water up there on to a cotton farm  
13 and you would use that in no time. That is a gain by very,  
14 very big people who probably do not even pay tax, they are  
15 so good at it; they pay accountants. Anyway, that's that  
16 out of the way.

17  
18 I support what everyone has said about the lead dust  
19 that is being brought in to homes. It is only recent  
20 research that has found it in vacuum cleaner dust off the  
21 floors. It has been noted that the Line of Lode is very  
22 rich with lead now. That is not something that anyone in  
23 Broken Hill expected. We are only a few blocks away, so  
24 you realise you are eating it on your saliva - apparently.

25  
26 With lead, it is important to wash everything down.  
27 You are supposed to wipe all tables. You are not supposed  
28 to use a duster in Broken Hill. You are supposed to wash  
29 floors. You are not supposed to sweep up and make dust.  
30 You are supposed to get rid of it very adequately. You are  
31 supposed to be able to hose your concrete down outside  
32 because you cannot water a lawn. You are not supposed to  
33 sweep the concrete; you are supposed to hose it down into  
34 the gullies and into the stream. You need water for that,  
35 whether you have a lawn or not.

36  
37 There is one thing that people have not really caught  
38 up on, except the bloke from Pasminco, and that is small  
39 businesses. I am really surprised that there is no-one  
40 here saying that the proposed increase in the water prices  
41 for small business is just incredible. I used to be in  
42 small business before I was disabled. I suppose all those  
43 small businesses are busting their guts out there trying to  
44 make a dollar to keep their businesses open for another  
45 month. They cannot afford another \$700-plus extra each  
46 year. That is just incredulous. It is not just Pasminco  
47 that will suffer; it is just any small business around



1 here. That's it from me. Thank you.

2

3 THE CHAIRMAN: Thank you very much, Barbara. Yes, in the  
4 front?

5

6 MR ANGELL: Rodney Angell. When you are working on the  
7 pricing for the WaterNSW pipeline recovery costs, bear in  
8 mind we did not ask for it. We did not need it and we did  
9 not want it. It was asked for by big agriculture up in the  
10 northern basin. They are the ones that should be paying  
11 for it, not the local people here.

12

13 THE CHAIRMAN: Thanks, Rodney. Yes, Tom?

14

15 MR HYNES: Thank you again. I have a comment to make  
16 before I ask a question. My comment is that the people of  
17 Broken Hill did have an expectation, and it has been  
18 reinforced over a period of time, that they would not be  
19 included in the capital costs. However, I know your  
20 instructions are to include the capital costs. That is  
21 just a passing comment.

22

23 My question is about the operation and maintenance  
24 contract. It is for a period of 20 years. We do not know  
25 its total value. That has not been expressed in any of the  
26 documentation, as far as I can see. I have heard a figure  
27 of \$100 million and I do not know whether that is correct  
28 or not. It is subject to wage price indexing and consumer  
29 price indexing. It is recorded as \$1.6 million for the  
30 first four years. Now, we all know that this is a new  
31 pipeline, brand new plant, and it is also subject to  
32 defects liability periods and warranties for all the new  
33 equipment. The contract will obviously be back-ended  
34 loaded so that it will get substantially dearer as time  
35 goes by. I want to know what the future impact of this  
36 contract will be on the people of Broken Hill.

37

38 THE CHAIRMAN: Thanks, Tom. Maybe WaterNSW would like to  
39 answer.

40

41 MR HYNES: I have another question after that.

42

43 THE CHAIRMAN: That's fine. Yes, Yolanda?

44

45 MS CHORA: It is just a fact of life that because the  
46 pipeline is new, there will be some bits to fix on  
47 something that is brand new. That is a fact of life. It

1 is true that, over time, you have to replace things that as  
2 they get older, so there will be more replacement costs as  
3 it ages. That is nothing new. However, just the way that  
4 the pricing mechanism works, your depreciation allowance  
5 and the other allowance will decrease over time, so you get  
6 one thing that will offset another.

7  
8 Yes, that is absolutely right, but in our contract,  
9 another thing that we have tried to do is we already had  
10 from them the maximum they can charge us for those  
11 components and when they go to make those repairs over  
12 time, they have to go to market and get the best price at  
13 that time. Hopefully, those prices will be lower, but they  
14 cannot be any higher than what they have told us today.

15  
16 We are trying to make sure that we get the best price  
17 for you guys over the long run of that 20 years, but we  
18 cannot change the fact of life that things need to be  
19 repaired as they get old. So there is really less spend  
20 now, but the depreciation allowances go down so you are  
21 probably not going to see those overall increases.

22  
23 THE CHAIRMAN: Thank you, Yolanda. Tom?

24  
25 MR HYNES: Can I comment on that answer?

26  
27 THE CHAIRMAN: Sure.

28  
29 MR HYNES: I do not know what the contract agreement talks  
30 about in respect of depreciation, but I know what  
31 WaterNSW's pricing talks about with respect to  
32 depreciation. There is no variation in their depreciation  
33 over the period that they have quoted. So depreciation, as  
34 far as the water consumer is concerned, will not happen.  
35 That is just a comment.

36  
37 The second part of my question, of course, is that in  
38 the agreement, and it was stated in the WaterNSW  
39 submission, any savings in the contract will come back  
40 fifty-fifty between the contractor and WaterNSW, who will  
41 pass on to Essential Water the savings as a rebate. I want  
42 to know how Essential Water will handle those rebates and  
43 will the Broken Hill people get the benefit of them?

44  
45 THE CHAIRMAN: In the event that there was a saving which  
46 was passed from WaterNSW to Essential Water, then IPART  
47 would, at the appropriate time, take that into account in

1 setting the maximum price that Essential Water could  
2 charge.

3  
4 MR HYNES: Thank you.

5  
6 THE CHAIRMAN: Eve-lyn?

7  
8 MS KENNEDY: Just another point, and I will try to get  
9 this across as quickly as possible. Endeavours such as the  
10 pipeline are supposed to go through a period of  
11 consultation. They are supposed to go through a period  
12 where people know what they are getting and for how much,  
13 and all that sort of stuff, and where people know the  
14 investment that the end recipient, which is us, will have  
15 to pay for it.

16  
17 At no time was the consultation that we were engaged  
18 in sufficient to warrant the pipeline. The majority of  
19 people were against it completely. The consultation did  
20 not take back the suggestions that we had; they only acted  
21 on the suggestion that they favoured in that it benefited  
22 creating the pipeline. Therefore, we have ended up with  
23 the half a billion dollar pipeline that we did not want,  
24 and had WaterNSW managed the water system properly we would  
25 not have needed.

26  
27 We still, as a city, have not seen the business plan.  
28 We have not see any justification for why we had to suffer  
29 a half a billion dollar debt because they wanted a  
30 pipeline. That is my point. When will WaterNSW let us see  
31 the business plan? There has been a business plan released  
32 by the Wentworth Group that pointed out that there would be  
33 no economic beneficial outcome between Wentworth to  
34 Broken Hill, so that was not going to happen. We would  
35 like to know from WaterNSW when they will let us see a  
36 business plan.

37  
38 THE CHAIRMAN: Thank you, Eve-lyn. WaterNSW?

39  
40 MR HARRIS: Eve-lyn, we have made this clear at other  
41 public forums in Broken Hill. WaterNSW did not undertake  
42 the work for the business case. That was undertaken by  
43 what is now the NSW Department of Industry. We do not have  
44 the business case. It is not ours to hand over. That  
45 question needs to be directed to the department and the  
46 minister, and there has been a fair bit of public  
47 correspondence and discussion on that point.

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THE CHAIRMAN: I might add that that is my understanding of it also.

MS KENNEDY: Is anybody going to fight for us to get the business plan?

THE CHAIRMAN: Would you like the microphone again?

MS KENNEDY: Thank you. If IPART is going to be saying how much money we should be paying because we got this, then IPART needs to take into consideration the fact that we have been left in the dark about the costings, about the benefit to our community. We did have a water system that was already in place and that was working until the Darling River was deprived of water.

This has not just led to the building of the pipeline and creating a massive economic burden on our town; it has also led to the decrease in water going down the Darling River, the decrease in the ability for fish to breed. There is a whole range of other - wait, wait, one sec. There is a whole range of other feed-ons of social and emotional trauma that has been caused to Broken Hill and no-one is paying us for that.

THE CHAIRMAN: Thank you, Eve-lyn. That is all on the record now. Those points that have been made by you and others are on the record.

Are there any other further questions or comments? Roy?

MR BUTLER: Thank you again. I will be very quick. Just a question for Elli. In regards to the offtake users, can you confirm that multiple users can share an offtake?

MS BAKER: Yes, I confirm multiple users can share an offtake.

MR BUTLER: Any more information about that in terms of how many or anything like that?

MS BAKER: I might pass that question to Josh. I do not know technically if there is an issue, but we have assumed 10 megalitres per year per offtake. Obviously people off an offtake would need to get a water access licence, which

1 is not something WaterNSW supplies as part of offering  
2 the offtake. So there are a number of other components,  
3 and I am happy for Josh to answer the more technical  
4 question.

5  
6 MR BUTLER: Thank you.

7  
8 MR WHITE: At a particular offtake location, while it is  
9 not limitless, yes, you can have more than two. However,  
10 the geographic reality out there is that the distance from  
11 an offtake to where it is needed probably results in that  
12 being less than efficient, I suspect. But there is no,  
13 within reason, limit to the number of customers that could  
14 come off an offtake at this stage. We would have to look  
15 at those on a case-by-case basis. To date it has not been  
16 raised with us and neither have we explored that.

17  
18 MR BUTLER: Thank you. The next question is in relation  
19 to the costs. Just doing some crude maths and to make sure  
20 this is on the record, if full cost recovery was to occur,  
21 is that \$30 million per annum upon the people of  
22 Broken Hill? Is that what we are talking about for full  
23 cost recovery?

24  
25 MS BAKER: Yes. Obviously there are annual year-by-year  
26 changes to that, and we do have a price determination every  
27 four years, but for these first four years, the average  
28 numbers for volume of water to be transported is  
29 \$30.8 million in real terms. Once you include inflation,  
30 it is a little bit more.

31  
32 MR BUTLER: So just to make the point, if that cost was  
33 passed on to the 18,000 or so residents of Broken Hill,  
34 that would be around \$16,000 for every man, woman and  
35 child; is that right?

36  
37 MR HARRIS: I think we should say something and then IPART  
38 should say something. As both the Chair and ourselves  
39 indicated this morning, the government has confirmed that,  
40 for the first four years, all costs associated with that  
41 pipeline will be subsidised by the government. It is for  
42 IPART to say that they have processes in their pricing  
43 determinations that look at bill shock and other things, so  
44 maybe they could speak to the unlikelihood that it will go  
45 from zero to full cost recovery after that first four-year  
46 period.

1 THE CHAIRMAN: This is a hypothetical question in the  
2 first four years because, as you know, the government has  
3 said that it will subsidise the capital costs and the  
4 operation of the pipeline. If they were not to do that and  
5 that price was considered to be efficient - which is the  
6 other question; namely, if you had an efficient price -  
7 that would need to be passed on to the residents, there is  
8 then an issue about whether the residents can afford that.

9  
10 One of the points that has been made by IPART and  
11 others is that IPART used to take into account not just the  
12 efficient costs of delivering something but also whether  
13 the residents and the businesses could afford it. There  
14 could be an issue where the judgment is that people cannot  
15 afford it, in which case it would have to be subsidised at  
16 another point in the process, or it would have to be  
17 absorbed by the utility. In this hypothetical case, we are  
18 talking about Essential Water absorbing it.

19  
20 Then there is the other issue that David just alluded  
21 to of bill shock. Even if you think that a resident or  
22 business can afford an increase in price, there is an issue  
23 about whether you do that overnight or whether you trickle  
24 it in over a number of years.

25  
26 MR BUTLER: Thank you. I take from what you said earlier  
27 on that - I think the phrase was effective costs is actual  
28 costs; is that the case?

29  
30 THE CHAIRMAN: I am sorry, I just missed that, Roy.

31  
32 MR BUTLER: Efficient cost, sorry, is actual cost; is that  
33 right?

34  
35 THE CHAIRMAN: No. Efficient, in this case, is what IPART  
36 decides after receiving a lot of technical advice and  
37 judgment, and also after looking at the submissions of  
38 WaterNSW, Essential Water and all of you guys, it is what  
39 then we determine is efficient. It may not be actual. In  
40 the event that we determine that the efficient cost is less  
41 than the actual cost, the water users are never asked to  
42 pay that.

43  
44 MR BUTLER: Excellent. So it can be just the actual cost?

45  
46 THE CHAIRMAN: Yes.

47

1 MR BUTLER: Great. Thank you very much.

2

3 THE CHAIRMAN: Thanks, Roy. Any other questions? Yes,  
4 Peter?

5

6 MR BEVAN: Thank you, Mr Chairman. There is what you  
7 might call a philosophy about subsidisation. You could say  
8 that all Australians have the right to certain standards -  
9 certain standards of living, certain standards of services  
10 and provision - and that where people cannot actually  
11 provide those, you may well have to subsidise those persons  
12 who happen to live somewhere not near the desal plant in  
13 Sydney, or wherever, with regard to the costs of the goods  
14 and services that are provided.

15

16 If we start out talking about the Penny Post - that is  
17 a fair while ago; now it is called the Dollar Post - if you  
18 post something at the Broken Hill post office and they take  
19 it down the main street to where it has to be delivered, it  
20 will cost a dollar. If you send a letter off to Perth or  
21 Tasmania, it will cost a dollar, and that is an equalised  
22 and subsidised rate.

23

24 Another thing I could mention is the Isolated  
25 Children's Parents Association that started in Bourke in  
26 1973 to try to get some sort of equality of education, the  
27 principle being that you have a neighbourhood school that  
28 it is not very far away or you can have some system of  
29 getting your kids to school and if you cannot provide  
30 those, then you have to make another arrangements. That is  
31 a financial arrangement to assist those people who live  
32 way, way out. You might say, "Why the hell live out there?  
33 All move into town." They have already done that. They  
34 have already done that in Sydney and Melbourne - they have  
35 all moved into town - and that has caused even more  
36 problems.

37

38 The other thing was the electricity scheme out here,  
39 which was called DECA. That electricity scheme was a  
40 one-in-all-in scheme. You paid the same amount,  
41 irrespective of whether you lived out in the western  
42 division, to have a transformer put wherever you nominated  
43 on your property. That was interesting because, in  
44 Tibooburra, where they already had diesel generators  
45 running and they planned to get rid of them, which is why  
46 they then laid 300-odd kilometres of powerline up to a little  
47 town with some 100 people, if you lived in the town, you

1 just got hooked up to that scheme when the power arrived  
2 using the meter you had already. However, if you lived  
3 four kilometres out of town on a station, you had to pay at  
4 least \$53,000 for your particular transformer. So if you  
5 lived four kilometres out of town and you had a pretty  
6 rough old homestead and a pretty rough old shed, you could  
7 then move into town, of course, and hook up for nothing  
8 instead of paying \$53,000. In the end, I know out at our  
9 place, and in some other stations, by the time we put that  
10 power on and by the time we made use of it by converting  
11 certain things to electric and a got a couple of more  
12 transformers, it cost \$120,000 of our own money to put the  
13 power on. It would be nice if we lived in the town of  
14 Tibooburra, wouldn't it.

15  
16 The point I am making is that people have some sort of  
17 a right to goods and services. If they are not available  
18 to them because of where they live or their circumstances,  
19 arrangements are in fact made and have been for quite a  
20 number of years. Didn't we give Western Australia a  
21 railway line one time? I think we did. So you know what  
22 I mean. The system of subsidy is well and truly  
23 established. Thank you.

24  
25 THE CHAIRMAN: We hear that point. Thank you very much,  
26 Peter. Down the back?

27  
28 MR NASH: Peter Nash, chair of the 25IN25 subcommittee,  
29 which is a subcommittee of Foundation Broken Hill. We have  
30 only been going for six months. Our mission statement is  
31 to reverse the trend of Broken Hill's declining population  
32 and to get our population back to 25,000 people by the year  
33 2025. I want to read some of what we put in our submission  
34 to IPART:

35  
36 The pipeline from Wentworth to Broken Hill  
37 is a tremendous new asset for Broken Hill.  
38 Whilst there has been considerable local  
39 negativity around the need for the pipeline  
40 and the cost impost, the Committee  
41 acknowledges it will future-proof  
42 Broken Hill and give confidence to  
43 potential new industries and residents to  
44 relocate here.  
45 Of concern to the Committee is this  
46 potential cost shift on to the local  
47 ratepayer. Whilst the New South Wales



1 Government has announced a waiver of all  
2 costs in relation to the new pipeline for  
3 four years, the community seeks greater  
4 certainty from the Government for the  
5 longer term.  
6 As a minimum, after the first four years,  
7 the capital cost/depreciation of the  
8 pipeline should never be levied upon the  
9 Broken Hill water users.  
10 Broken Hill water users already pay for the  
11 maintenance of the Menindee to Broken Hill  
12 Pipeline of some 120 kilometres. Our water  
13 charges for the next four years should  
14 actually be reduced as this maintenance  
15 cost will be dramatically reduced with the  
16 proposed decommissioning of the old  
17 pipeline and the New South Wales Government  
18 fully funding the new pipeline.  
19 Broken Hill is a remote community with a  
20 dry climate and it has been in drought for  
21 several years. Residents are forced to  
22 purchase all their water to maintain  
23 gardens, given our lack of rainfall. Being  
24 a mining community with lead dust issues,  
25 it is important locals do what they can to  
26 green their city.  
27 Our mission of attracting new residents  
28 will be impacted if water utility prices  
29 are increased. We have many barriers to  
30 attracting new industry and utility charges  
31 that are excessive in comparison to other  
32 regional areas of New South Wales, which will  
33 impact on our goals.  
34 With no pipeline maintenance fees payable  
35 by Essential Water for the next four years,  
36 the only increase to our water charges  
37 should be the actual cost of water. It is  
38 unreasonable to expect that increase to be  
39 exceeding CPI for the cost of the water.

40  
41 I have one short addition to that. In the last  
42 24 hours, I put a survey up on our 25IN25 Facebook page.  
43 Out of 1,400 people that replied to that "Yes/No" question  
44 about the Imperial Lake, 97 per cent of Broken Hill  
45 residents want Imperial Lake retained for the social fabric  
46 it provides for our community. Having a lake upon our  
47 doorstep would be a tremendous asset not only for the

1 locals who live here but for the tourists who visit  
2 Broken Hill. As I have said many times on the 25IN25  
3 Facebook page, if a small community in country Victoria,  
4 with a population of less than 100 people can lobby  
5 governments to create a brand new lake facility for their  
6 region, then, my God, Broken Hill, with its population of  
7 18,000, deserves a lake right on its doorstep. Thank you.

8  
9 THE CHAIRMAN: Thank you, Peter. Are there any other  
10 questions and comments? Tom?

11  
12 MR HYNES: I did warn you at the start that I would have a  
13 few questions.

14  
15 THE CHAIRMAN: That's fine.

16  
17 MR HYNES: Thank you. On behalf of the offtake customers,  
18 I want to get clarification. You said if they share the  
19 offtake, they will get half the fixed cost. Now the  
20 offtakes are priced on 10 megalitres of water. I believe  
21 there is an incremental charge for increased usage of water  
22 over and above that 10 megalitres. Am I correct in saying  
23 that?

24  
25 MS BAKER: WaterNSW's prices proposed to IPART are based  
26 on what it costs us to provide that service. There are two  
27 components to what it costs us to provide the service - one  
28 is the fixed cost of installing the offtake. That cost is  
29 to install per offtake, therefore, we are proposing a price  
30 to IPART that is per offtake. The second component is a  
31 variable price, which is a per megalitre price, and it is  
32 based on the electricity costs of transporting that water.  
33 So the more water that comes off an offtake, the higher the  
34 costs will be to that --

35  
36 MR HYNES: So it is a variable component --

37  
38 MS BAKER: There is a variable component.

39  
40 MR HYNES: -- which will increase, the fixed component --

41  
42 MS BAKER: It is a per megalitre charge that is proposed.

43  
44 MR HYNES: I am just thinking about two people coming off  
45 an offtake, which will occur, with the ability to draw  
46 20 megs instead of 10. That, of course, could cause some  
47 issues, particularly on the basis that they are only going

1 to be able to get access in the off-peak periods.

2

3 MS BAKER: There are a couple of things there. During  
4 the construction of the pipeline and the need to prioritise  
5 the water for the township and until the pipeline became  
6 operational, it was hard for us to define exactly when  
7 offtake holders would be able to take water. Part of the  
8 reason for saying that as well is the cost to turn the  
9 pumping on is quite significant. So for offtake holders it  
10 really makes financial sense to take water when the  
11 pipeline is pumping and when it goes past. So there are a  
12 number of factors that play into that.

13

14 We have proposed the same price to offtake holders  
15 whether they have already asked for an offtake to be  
16 installed or whether one is installed in the future. We  
17 have made statements in those landholder consultation  
18 meetings that we will re-engage with the landholders  
19 after June this year to talk to people about installing  
20 more offtakes in the future.

21

22 At that point, there would need to be some discussion  
23 with Josh and some of the technical team around some of the  
24 questions that you are asking, but the price does not  
25 change. IPART will determine that price. That price will  
26 not change and there will be a fixed per offtake component  
27 to that and then a variable per megalitre charge.

28

29 MR HYNES: I was not talking about the quantum of the  
30 offtake, the price; I was talking about the variable  
31 component being retained. Regardless of what it is, will  
32 it still be retained as a variable component per megalitre  
33 if they go above the 10 megalitre level?

34

35 MS BAKER: It is a variable component. In our price  
36 determination in terms of the full \$13,500 in nominal terms  
37 per year, if you are referring to that figure, that  
38 includes an assumption of 10 megalitres per year. If you  
39 do not use the 10 megalitres per year for any particular  
40 offtake, your price would actually be less than that  
41 \$13,500.

42

43 MR HYNES: Yes, but I am talking about if they were to use  
44 more than 10.

45

46 MS BAKER: Then you would pay more per megalitre.

47

1 MR HYNES: For Essential Water, this is a comment by way  
2 of interest, and John probably knows this. You spoke about  
3 replacing the Rocky Hill Tank in your submission. The  
4 Rocky Hill Tank was put there in the mid to late 1970s. It  
5 was originally the base of the gasometer, of the gasworks  
6 in Broken Hill, so it is probably more than a 100-plus  
7 years old. That's just by way of interest.

8  
9 THE CHAIRMAN: Thank you very much, Tom. Graham?

10  
11 MR TURNER: I have a question probably for John Coffey.  
12 You are talking about the decommissioning of the Menindee  
13 to Broken Hill pipeline. Will that be then removed? With  
14 regard to all the infrastructure and assets which bisect  
15 the properties along the line, is that factored in to being  
16 removed or is it just being decommissioned once the new one  
17 is put in place along the line?

18  
19 THE CHAIRMAN: John?

20  
21 MR COFFEY: Thanks, Graham. No, we do not intend to  
22 remove the old pipeline as a method of installation. In  
23 the options, we looked at all the issues involved in  
24 installing the pipe, removing the pipe, and all the rest of  
25 it, and the water quality issues, in the cost of the  
26 options. The decision was made to actually lay the pipe on  
27 the ground over it. It is expected that the existing pipe  
28 will provide some protection for that as well. Some  
29 portions will be removed for truck crossings, as there are  
30 now, to improve accessibility to properties but marginally  
31 the cost of removing the pipe is not included, no.

32  
33 MR TURNER: One more thing: there has been a little bit  
34 of discontent in the room regarding Stephens Creek as an  
35 unnecessary infrastructure. From the graziers' point of  
36 view, we do not really want treated water at all. If  
37 Stephens Creek is removed, where would our water come from,  
38 or is it the intention to keep maintaining it, as per the  
39 slide discussion, going forward?

40  
41 MR COFFEY: Thank you, Graham. The supply you are  
42 referring to is the back-flow down our proposed small  
43 pipeline replacing the Menindee pipeline, possibly  
44 75 kilometres. The supply into that or I should say the  
45 permanent supply to that is actually from the Murray  
46 supply, so that will be back-fed from either the rising  
47 main or by a small pump and tank plugged into the main.

1  
2 MR TURNER: Thank you. Just as a comment, we graziers  
3 really do need the community of Broken Hill to be  
4 prosperous, but it goes the other way as well. There are  
5 11 users down the line who probably contribute in excess of  
6 \$10 million to the Broken Hill population. Although I feel  
7 there is a bit of discontent that the users of Broken Hill  
8 are possibly subsidising a few graziers, we feel that what  
9 we are contributing to Broken Hill is financially very  
10 important, also in relation to what Tom Kennedy and  
11 Rob Pearce have said, and the 25IN25 goals that have been  
12 put forward. I do believe we have to maintain and keep the  
13 graziers' costs at a low because of our contribution back  
14 to the community, from such few users, but their  
15 contribution goes back in financially.

16  
17 THE CHAIRMAN: Thank you very much, Graham.

18  
19 Marion, would you like to say anything? I wondered  
20 whether you wanted to say anything, not necessarily on  
21 Graham.

22  
23 COUNCILLOR BROWNE: No, I think that our submission makes  
24 our concern pretty clear. As has been said by many people,  
25 it is the price shock. It is a price shock for our  
26 community which really does not have much. Disposable  
27 income is pretty limited. I stress the importance of  
28 council as a water customer. Even if people decide to pave  
29 their gardens or their backyards, council still needs to  
30 have access to an affordable supply of water. If that does  
31 not happen and if the cost goes up, it means other council  
32 projects will suffer.

33  
34 There is a critical importance in maintaining green  
35 space and open spaces, parks and ovals. The lead problem  
36 is a real one. It does affect disproportionately  
37 Aboriginal children, a number of whom do really need to  
38 have a well-vegetated space. I know I have said these  
39 things before, but that is the basis of council's  
40 submission.

41  
42 THE CHAIRMAN: Thank you very much, Marion.

43  
44 MR JENNER: Dr Boxall, could I just respond?

45  
46 THE CHAIRMAN: Yes, Luke. And then Rob.

47

1 MR JENNER: I wanted to reinforce the point you made,  
2 Graham, about any potential cross-subsidy. Let us be  
3 absolutely clear that the proposed cost to run the new  
4 pipeline down to the graziers will be fully funded by  
5 government and not covered by the residents of Broken Hill.  
6 On that point, the cost of the capital upgrade required to  
7 keep Stephens Creek will also be fully covered by the  
8 government. It will not be covered by the residents of  
9 Broken Hill.

10  
11 The reason that we believe it is critical to maintain  
12 Stephens Creek as an emergency back-up supply is that the  
13 system in Broken Hill only has enough water to basically  
14 last the town for 12 hours and our scenario modelling shows  
15 that we believe there are a number of credible failure  
16 modes that could occur on the new system on the reservoir  
17 that WaterNSW is building. There is about 20 kilometres of  
18 pipe and pump stations and electronics and all sorts of  
19 things between there and Broken Hill. If there is a  
20 failure, or when there is a failure, which will inevitably  
21 occur at some point, we need that back-up supply so that we  
22 can restore supply.

23  
24 THE CHAIRMAN: Thanks, Luke. Rob?

25  
26 MR PEARCE: I have a question for WaterNSW and it is to do  
27 with the pricing. If we have a good season out in the  
28 land, we will not need the water. I would really like to  
29 know what the fixed cost will be whether we use water or  
30 not. We have to buy our own licence for the river. If we  
31 do not buy the licence for that year, well, we do not have  
32 to pay, from what I can see.

33  
34 My point is how much will we be charged whether we use  
35 it or not? If we are going to be charged, well, we are  
36 going to waste it. We live in a desert where we have saved  
37 water all our life and it is not in our nature to waste  
38 water. I think we should be given a really good incentive  
39 to say, "If you do not use the water, leave it in the pipe  
40 and let it go to Broken Hill. Save it for the next  
41 person." Do not say, "We're going to charge you X amount  
42 of dollars whether you use it or not." I would like to see  
43 a really good incentive to save water, because s what we  
44 are all about is water saving.

45  
46 If you look at the two dams at Balaclava for the  
47 storage at Broken Hill, when it was first talked about

1 putting them there, they were going to put a cover of some  
2 description over the top of the dams to protect them from  
3 evaporation. Well, that has not happened, so the water  
4 will evaporate from 750 megs. You could ski on both  
5 dams, they are that big. Why wasn't there something done  
6 there?  
7

8 Also we have money given for putting down bitumen to  
9 the dams, plus they have to go the pumping station. Why  
10 wasn't solar looked at? We live in a place where the sun  
11 shines 350 days a year. Why not use the sun rather than  
12 using the powerline, and that would keep costs down lower.  
13 Thank you.  
14

15 THE CHAIRMAN: Thank you, Rob. WaterNSW?  
16

17 MS BAKER: Thanks, Peter. Two responses, Rob - one on the  
18 fixed versus variable costs and one on the solar.  
19

20 Firstly, our propose price to Essential Water and  
21 what our proposed prices for the offtakes, WaterNSW is  
22 providing infrastructure and a service. We are not buying  
23 the water and selling it to you. The cost in us providing  
24 that infrastructure is significantly fixed much like, Rob,  
25 the pipeline that you install in your property or a piece  
26 of machinery that you buy; how much you use it does not  
27 change the purchase price or the installation price of that  
28 piece of infrastructure.  
29

30 We have proposed prices that are fixed to the extent  
31 that WaterNSW incurs fixed costs and we have proposed  
32 variable prices which reflect the variable costs we incur.  
33 So, Rob, you are right; we do not charge you for the cost  
34 to transport water when you do not request water to be  
35 transported, so we are doing as you asked. Our proposal to  
36 IPART is that we do not charge you for costs that we do not  
37 incur. If you do not request any water in a particular  
38 year, you will not pay any of the costs of transporting any  
39 such water.  
40

41 Secondly, with regards to solar, we did, during the  
42 tender process for the DBOM contract, request that the  
43 tenderers all look at different electricity supply methods.  
44 I could ask Josh to speak to that in more detail, but we  
45 did ask them all to have a look at that. None of them put  
46 solar into their final tender because it was inefficient,  
47 and we had the same response from all four of them. If you

1 would like more detail, I can ask Josh to speak to that.

2

3 MR PEARCE: Just a couple of things on these fixed prices.  
4 We pay a fixed price every year on the pipe. The pipe will  
5 run past us, whether we run it or not, so we are just  
6 paying a fixed price on the outlet that is already there.

7

8 When you are talking about fixed prices, like,  
9 Broken Hill, the government is saying not to pay for four  
10 years for the construction of the pipe, we are being  
11 treated differently because we have to pay for fixed costs  
12 whether we use the water or not.

13

14 At the end of the day, this pipeline is about water  
15 saving. It is not about wasting water. If you are going  
16 to charge us thousands of dollars a year as a fixed cost  
17 for having an offtake tap shared between two people, we  
18 will just let the water run on the ground because we are  
19 being charged for it anyway, or I might even grow some  
20 cotton out on the Silver City Highway because it is not  
21 about stock and domestic; it is about paying for the water.  
22 My point is we need to look at water saving.

23

24 THE CHAIRMAN: Thanks, Rob, we have got that point, and we  
25 will take that into account when we determine the price for  
26 the offtake.

27

28 MR PEARCE: Well, that's my point, when you say fixed  
29 costs --

30

31 THE CHAIRMAN: The point that is being made is that it  
32 costs a considerable amount to put in an offtake;  
33 therefore, irrespective of the number of people who use it,  
34 if the offtake is put in, that is a considerable  
35 investment, and what they are looking to do in part is to  
36 recover that investment over time. Even if you do not use  
37 any water in year three, you are not actually paying for  
38 the water in year three, you are actually paying for the  
39 installation of the offtake over a period of - I think they  
40 are proposing 20 years. That is their proposal. We will  
41 look at that and scrutinise it.

42

43 You have made the point, as have some others, as did  
44 Bruce from the mine, with regard whether there is an  
45 incentive to use less water. We will take that on board  
46 too when we determine the fixed versus variable costs, but  
47 what WaterNSW propose is a fixed versus variable which



1 reflects the cost to WaterNSW of providing service.

2

3 MR PEARCE: When you say "fixed" as in the offtake, \$7,500  
4 a year times 20 years is \$150,000. \$150,000 for a tap is a  
5 damn lot of money.

6

7 THE CHAIRMAN: Rob, we will look at that and see whether  
8 that is an efficient price or not, okay? We get that  
9 point. We will look at the cost of putting in an offtake  
10 and we will determine, based on consultants' advice and  
11 other technical advice, whether the cost is reasonable and  
12 whether it is reasonable to spread out over 20 years.

13

14 MR PEARCE: And also if you are talking about going back  
15 digging the pipe up, if you decide to have one in at a  
16 later date, what is involved in the cost in that? Who will  
17 wear the cost of going back and splitting the pipe, or  
18 whatever you do, digging it up? To me that is just wasting  
19 money.

20

21 THE CHAIRMAN: We will look at that and we will seek to  
22 determine efficient cost which does not waste money. Any  
23 money wasted will be on them.

24

25 MR PEARCE: That's right, but my point was you should do  
26 things like put an offtake in with a blank over it and  
27 decide afterwards whether you want it or not, not wait  
28 until after the job has been put down then go back and put  
29 the pipe --

30

31 THE CHAIRMAN: That is one of the things we will look at.

32

33 MR PEARCE: Thank you very much.

34

35 THE CHAIRMAN: Thank you. Okay, Roy?

36

37 MR BUTLER: Just pulling together a couple of different  
38 pieces of information, and picking up on what Peter Nash  
39 said in regard to costs, for four years, the Broken Hill  
40 residents will be spared the capital and operating costs of  
41 the pipe. However, I have heard that the Menindee to  
42 Broken Hill pipe is to be decommissioned but not removed,  
43 so there are no costs in removing it. The new pipe that  
44 will supply those folk, even though the water is coming out  
45 of the same pipe, the one that is going to Broken Hill, is  
46 fully subsidised by government and the users will not be  
47 paying capital and operating costs.

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Taking up on Peter's point, does that mean that Broken Hill residents for the next four years will be paying substantially lower water bills all up because they are not paying for any capital or operating costs of any pipe?

THE CHAIRMAN: That's what we seek to determine.

MR WILLETT: A question for John Coffey. John, Umberumberka has been mentioned today. We have the pump station as well and the pipeline to Broken Hill. Can you say something about what the future holds for that infrastructure and what its purpose will be?

MR COFFEY: Thanks, Ed. With the Umberumberka pump station, let's wind the clock forward a bit. Let's say the Murray supply is fully commissioned and there is the occasional rainfall event that puts some useful water in the Murray, if and when the resource is required, we will use it for a supplementary supply for the Murray.

As I said before, while there is no significant capital expenditure required to maintain it, clearly, to decommission a massive dam like that - anyone who goes there will see it is an enormous structure - would cost significant millions of dollars. While it is there of use as a back-up supply, that is what we will use it for.

THE CHAIRMAN: Thanks, John. We have nine minutes left. Are there any more questions or comments? Yes, Eve-lyn?

MS KENNEDY: I want to thank you for coming out here and addressing us in person. I am pretty sure, after the first person spoke, you noticed nobody clapped. We are a community that has been ignored by government in what we want. In being that, often we do not appreciate you guys coming out here because we are so used to being shafted - not by you but by other previous representatives. So thank you very much for come out here and letting us address you face to face.

THE CHAIRMAN: Thank you, Eve-lyn. We appreciate it. Is there anything else to wrap up? Any questions or comments? Matt?

MR EDGERTON: I have a question for Essential Water,

1 perhaps John. One of the big cost drivers in your proposal  
2 is the Wills Street sewerage treatment plant. You talked  
3 about the option of refurbishment versus replacement.  
4 Could you tell us a little bit more about why you landed  
5 where you did and what the alternative of refurbishment  
6 might buy you in terms of time?  
7

8 MR COFFEY: Thanks, Matt. As we said earlier,  
9 Wills Street was first commissioned in 1939. A lot of the  
10 concrete structures from that 1939 vintage are still there.  
11 Over the years, a lot of augmentation and repairs have been  
12 done to those structures. The nature of the sewerage  
13 entering the site creates sulphuric acid which attacks the  
14 concrete. I don't know if you can picture big digesters  
15 and structures that are in the ground. There is  
16 groundwater and Lord knows what that can affect it from the  
17 outside in, as well as the inside out, because of the  
18 action of sewerage.  
19

20 We have actually got to the stage now where to replace  
21 it, right at the end of its use - it is coming very close  
22 to the end of its useful life - and to fully refurbish  
23 those massive structures and the underground pipework,  
24 and so on, the fully loaded cost of, call it around  
25 \$20 million, compared to the \$34.5 million, can only  
26 possibly delay the full replacement of the plant. An old  
27 plant and old technology, that is what we will be  
28 replacing. That does not help us at all with the water  
29 quality coming in. It is a technology which is very, very  
30 old.  
31

32 To answer your question with regard to how long would  
33 that then give us until we had to replace it again, I will  
34 not address all the issues of leakage, but in a study that  
35 was done back in 2012, I think 15 years was the limit.  
36 Where do you stop? Do you dig everything up and replace  
37 it? The big risk, even if you quote the number of  
38 \$20 million, is when you get in there and start replacing  
39 things, you will find more and more needs to be replaced  
40 and it just grows and grows and grows.  
41

42 MR JENNER: It is probably just worth mentioning that the  
43 EPA has significant concerns about that plant and the  
44 sewerage seepage into the groundwater. Not much time goes  
45 by before we get a letter from the EPA in relation to those  
46 issues.  
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1 CLOSING REMARKS

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THE CHAIRMAN: Thank you very much. I think I might wrap up then.

On behalf of IPART, I would like that thank you all very much for coming along and participating today. Your views have been listened to. It has been very helpful to hear them and to get your thoughts. We really appreciate the effort and contribution made by everyone here today both the participants and the general audience.

We will consider what has been said today when we make our decisions on the water and sewerage prices for the Broken Hill region.

The transcript of today's proceedings will be available on our website in a few days time.

As previously mentioned, we plan to release draft reports for public comment in April 2019. You will then have about three weeks to make further written submissions for consideration by the tribunal before we make our final decisions on prices. Our final reports and determinations will be released in May 2019 and the maximum prices we set will apply from 1 July 2019.

Thank you very much and have a great afternoon.

AT 1.00PM, THE TRIBUNAL WAS ADJOURNED ACCORDINGLY