



The Wilderness Society, Newcastle Branch Inc.
90 Hunter St Newcastle 2300
Ph: (02) 4929 4395
Fax: (02) 4929 5940

Review of Operating Licence for Hunter Water Corporation: Response by The Wilderness Society Newcastle

Summary

The Wilderness Society (TWS) Newcastle is a local community environmental group and welcomes this opportunity to comment on Hunter Water Corporation's (HWC) operating licence. The Wilderness Society Newcastle asks that it may have standing before the Tribunal to comment further on this matter.

Their are six major points in TWS's response to the IPART discussion paper :

1. The need for specified minimum Demand Management targets in the HWC operating licence to protect against the need for a new dam at any time in the future.
2. The application of least cost planning principles to all capital investment decisions by HWC.
3. The need for Hunter Water to target all new industry for the provision of effluent as an alternative supply to potable water, where economical viable from the community's perspective.
4. The need for a strong corporate commitment to Ecologically Sustainable Development (ESD) from HWC, with ESD indicators and a stringent environmental plan with targets, monitoring and reporting mandated in the operating licence.
5. The need for Hunter Water to protect drinking water quality and quantity through proactive protection of the Williams River Catchment and Tomago Sand Beds.
6. The fact that an inequitable dividend is paid by Hunter Water to the State Government in comparison to Sydney Water and that redress of this inequity provides an opportunity for funds to be spent by HWC on proactive management of catchments (including groundwater). Any return of funds ought to be spent on environmental and drinking water quality improvements and this linkage must be made explicit in regulation.

Introduction

The Wilderness Society is a national, community-based, environmental advocacy organisation whose mission is to protect, promote and secure the future of wilderness and other high conservation areas. The Wilderness Society is working towards a more ecologically sustainable and socially just future. The Newcastle branch of TWS has members through out the Hunter Region and has a strong interest protecting local areas of high conservation value. This includes Stockton Bight and the native forests of Chichester, Copeland, Gloucester, and Barrington Tops that are within Hunter Water's catchments. The

Wilderness Society Newcastle has strong interest in seeing that all possible actions are taken to avoid the need to build a new dam in the Hunter region at any point in the future. As consumers of Hunter Water's supply, TWS Newcastle is also interested in seeing that drinking water quality is assured through stringent proactive protection of those catchments from which drinking water is drawn. This is rather than the less than satisfactory reliance on monitoring water quality to ensure that it meets guidelines.

This submission will specifically address sections 3, 5.2, 5.3, 5.4 and 5.6 of the IPART (2001) discussion paper 'Review of Hunter Water Corporation's Operating Licence' .

Specific Responses :

In response to section 5.3 of the paper, TWS Newcastle urges the regulator to include within the operating licence of Hunter Water Corporation provisions for Demand Management targets comparative to those set for Sydney Water. It is acknowledged that Hunter Water's bulk water requirements will be significantly affected by the investment decisions of large industrial entities within their area of operations. This is all the more reason to minimise water usage and promote effluent reuse where cost effective from a community perspective. Demand management targets within Hunter Water's operating licence should take this possibility into account. It is possible by either domestic water use, industrial water use and leakage targets being set separately or specifically exclude any effect of large industrial closures or entrants within the accounting method used for auditing the demand reductions target. TWS Newcastle would like to note that as well as being an issue of resource conservation and critical for indefinitely putting off the need to build a new dam there is a equity issue in this. Hunter Water's customers deserve to be provided with similar opportunities to reduce their water use, and therefore their water bill's as Sydney Water's customers already have.

Further TWS Newcastle believes that in order to minimise both the cost of water services to the community and further reducing the water taken from, and effluent released to the environment, that HWC should invest in capital works only in accordance with the principles of least cost planning (see IPART 1996, to which HWC was a party). Whenever any capital works expenditure is proposed by HWC whether for increasing supply, reticulation, sewerage or wastewater treatment capacity, then equal consideration should be given to water conservation as an alternative to part or all of the capacity expansion. If of least cost to the community, then the investment should be made in water conservation rather than increased capacity. Such an approach to investment by HWC would both save the community as a whole and the customers money and guarantee that any proposal for new supplies was in fact a necessity. To be consistent any demand management program aimed at meeting conservation targets ought also be subject to the principles of least cost planning. Hunter Water should not be forced by Licence conditions to invest in demand management beyond that which is found to be economically in the best interests of the community, by least cost planning analysis. It should be noted however that a net present value analysis from the financial perspective of the corporation does not constitute least cost planning. A total resource cost test needs to be made with water conservation treated as equal to increased supply (see IPART 1996 for details of the analysis).

In specific relation to section 5.3.4 of the IPART (2001) discussion paper and in light of the acknowledged potential for new industries in the Hunter region to significantly increasing water demand, TWS Newcastle believes that Hunter Water should have a target of providing effluent for reuse by any new industry in it's area of operations, wherever it is economically viable. This target should be specifically included in the operating licence and HWC should be audited against this target in terms of the percentage of new industrial demand met by effluent. Any analysis of viability for reuse schemes must as with other capital projects be from the community perspective using total resource cost test criteria (IPART 1996) rather than from the corporation's financial perspective. Further a monetary value in terms of a dollar per kiloliter of the avoided release of effluent to the environment ought to be included

in the analysis. The value of effluent reuse in dollar per kiloliter should be found via surveys of the Hunter community.

In response to sections 5.2 and 5.4 of the IPART (2001) paper, TWS Newcastle urge the regulator as a minimum, to include within the operating licence of HWC a requirement for an Environmental plan with meaningful indicators, monitoring and reporting against these indicators. This requirement is in line with Sydney Water's operating licence. Ideally these indicators should be set in consultation with the community and environmental stakeholders beyond Hunter Water's current consultative forum. Furthermore the implementation of a comprehensive and transparent ESD process that moved the corporation towards triple bottom line accounting and full auditing of ecological and social impacts, including auditable targets would be applauded by TWS Newcastle and many others in the community. The incorporation of auditable targets for ecological and social indicators within the HWC operating licence and a requirement for reporting on these targets would be the only way such a major move towards ESD would be funded and could be taken seriously within a monopoly State owned corporation such as Hunter Water.

In relation to section 5.6 and also in the light of section 3 on drinking water quality, TWS Newcastle believe that Hunter Water Corporation should be proactive in the protection and rehabilitation of the William's river catchment (above the Seaham weir) and Tomago and Ama Bay Sand Beds. Land clearing, forestry, mining and grazing all occur in Hunter Water's drinking water catchments and there is potential for significant negative impact on both water quality or quantity. TWS Newcastle believes that it is HWC's responsibility to ensure drinking water quality through monitoring and intervening in land use practice in the catchment and that a catchment management role should be an explicit requirement within the operating licence. Water quality issues should be addressed based on land use and riparian zone protection in the catchment as well as the current practice of water quality monitoring. Further, HWC should act to stop specific activities with major potential for negative impact on either water quality or quantity. Specific consideration must be given to the impact of current sand mining on the Tomago Sand Beds which may well be mobilising heavy metals such as arsenic into the drinking water resource. Also, the impacts forestry and land clearing have on the William's River catchment, particularly Chichester State Forest must be considered by HWC as within the sphere of influence. Hunter Water has potential agency in stopping these activities by buying up land and resource extraction rights for catchment protection and this should be considered as part of drinking water focused catchment management plans.

TWS Newcastle notes that over the last two years, through the Hunter Water Corporation the people of the Hunter region have paid on average over \$70 per capita per year to the NSW State Government in the form of 'dividends' from HWC. In comparison the population serviced by Sydney Water have paid only about \$20 per capita in 'dividend'. This would appear to be an unfair tax on a region that is already economically disadvantaged and in need of environmental repair. The inequitable 'dividend' therefore means that monies are being taken out of the Hunter region that might otherwise be spent on improvements to the drinking water catchments. TWS Newcastle believes that this 'dividend' money should be returned to Hunter Water and spent on catchment management for the protection of water quality and quantity. Any move towards an equitable dividend take from Hunter Water by the State Government must however be a specified linked to drinking water catchment improvement.

TWS Newcastle thanks you for providing the opportunity to have input into this important public discussion and urges IPART to incorporate provisions that will improve environmental and drinking water quality, forestall the need for a new dam as well as increase customer service within the HWC operating licence.

Reference

IPART (1996) 'Water Demand Management: A Framework for option Assessment'