

27 October 2008

Review of prices for water, wastewater
and stormwater services for Wyong and Gosford
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

By e-mail: ipart@ipart.nsw.gov.au

Dear Sir/Madam

Further to our previous submission (dated 9 October 2008) the Urban Taskforce is lodging this document and its attachments as a supplementary submission.

The Taskforce is alarmed at Hunter Water's proposal to fund 60 per cent of the costs of the \$406 million Tillegra Dam by levying local development. That's why we commissioned BIS Shrapnel to prepare the report *Life's Essentials: Water and New Homes for the Hunter*. The report is attached and forms part of this submission. The report includes additional advice from Monteath and Powys.

The burden of development levies is ultimately borne by home buyers. They should not be singled out to subsidise major infrastructure investments, particularly headworks like the Tillegra Dam.

We find it odd that this proposal should even be raised. In relation to Sydney's new headworks – the desalination plant - the NSW Government said that the costs would be recovered through Sydney Water's prices. I refer the letter from the then Water Utilities Minister, the Hon. Nathan Rees MP, to the IPART, a copy of which is attached.

Sydney Water has also said that it's not appropriate to recover the cost of their desalination project from development charges - because the plant is to secure the water supply for all customers.

The main losers from any development charge will be home buyers and renters.

The Tillegra Dam is **not** required to meet the population growth needs of Hunter Water for the next 30 years.

In relation to future population growth in the Hunter, the Lower Hunter Regional Strategy is the key planning document in the Lower Hunter. The Strategy was released in 2006 and predicted the population in the Hunter would expand by 160,000 people over the next 25 years. In addressing this population growth the strategy detailed the location of residential development, employment generating lands, environmental protection and also the mechanisms for servicing this expected growth. This discussion included a review of existing water reserves and their ability to service the future population of the Hunter.

This discussion included the following quote:

Provided demand for water in the non-residential sector does not exceed current expectations and there is no significant unpredicted change in climatic conditions there will be sufficient water for the anticipated population growth in the Regional Strategy.

The Lower Hunter Regional Strategy (2006-2031) did not predict that the Tillegra Dam was required to meet population growth. As a result of the above quote the Tillegra dam was not listed in the appendices of the strategy document where Hunter Water listed the infrastructure that was required to service the expected population.

Hunter Water's Integrated Water Resource Plan (IWRP) was published in 2004. The IWRP was also an extensively researched document and it stated that the Tillegra Dam was not required to meet the water demand needs of Hunter Water until 2035 and beyond.

This determination was referred to in NSW Parliament during the November 2006 debate of the Water Industry Competition Bill:

... the \$37million Hunter and Gosford-Wyong Regional Water Sharing Project is an initiative established under the Federal Government's Water Smart Australia Program,.... The project is a commercial venture involving the construction of a pipeline between the Hunter and Gosford-Wyong water supply areas that is capable of transferring 20 megalitres a day. The project will better utilise the assets of the water-rich Hunter system and the large storage capacity of the Gosford-Wyong system....

In 2004 Hunter Water's Integrated Water Resource Plan, which outlined the 20-year water plan for the region, discounted the Tillegra Dam as a suitable option due to the high cost and the fact that there were more attractive options available. The plan states, in fact,

with proposed staged upgrade works at Grahamstown Dam, a new water source would not be required within the next 30 years...

The overriding reason for building Tillegra Dam now, is to help drought proof regions outside Hunter Water's area.

Analysis by Monteath and Powys indicates that Hunter Water's average storage level has been 80 per cent of total capacity from 1991 until 2008. During that time there has been significant periods of drought statewide and nationally. This level of storage is evidence that the Hunter Water district indicates that the Hunter catchment already enjoys a high degree of water security. By comparison, the Central Coast's storage levels over the same period have been as low as 11 per cent. Clearly, the Central Coast is not drought proof.

Central Coast's Water Plan 2050 (a long term water supply strategy for the central Coast) states that its preferred option is for the construction of Tillegra Dam (which in the Plan is referred to as the "Regional Tillegra Dam"). This document says that:

The NSW Government's proposed new 450,000 million litre dam at Tillegra, if built, could provide longer term benefits for the Central Coast Water supply system. This new dam would help ensure security of water transfers between Hunter Water and the Central Coast in the longer term which is an important plan of the Water Plan 2050 Strategy. The two councils will therefore investigate possible yield and cost options with the State Government to ensure any potential benefits to the region's water supply can be optimised.

It is understandable that the State Government would want Tillegra Dam built in order to provide drought proofing and insurance against the effects of climate change. However, drought proofing is needed for the Central Coast's drought security far more than the Hunter Water's customer base.

As *Life's Essentials* shows, Tillegra Dam is also about securing the water supply for all customers – not just new customers. The dam is needed to protect the Hunter and Central Coast's water supply during low and variable rainfall ... and severe and sustained droughts. The

entire cost of the Tillegra Dam should be funded through the water prices imposed by Hunter Water, Gosford Council and Wyong Council. None of the cost should be recovered through a levy on development.

We are available to discuss any aspect of this submission with the Tribunal.

Yours sincerely,

Urban Taskforce Australia

A handwritten signature in black ink that reads "Aaron Gadiel". The signature is written in a cursive style with a long horizontal stroke at the end.

Aaron Gadiel
Chief Executive Officer

Encl.