

ITEM-11 LMM 26/05/2020 - City of Newcastle submission – Draft determination on prices for Hunter Water Corporation (HWC) from 1 July 2020.

MOTION

That City of Newcastle:

1. Congratulates Mr Darren Cleary on his appointment as Managing Director, Hunter Water Corporation on 29 April 2020;
2. Notes that the Independent Pricing and Regulatory Tribunal (IPART) recently called for submissions on the Draft determination on prices for Hunter Water Corporation (HWC) from 1 July 2020, and that City of Newcastle provided a submission (Attachment A) to IPART on 8 April 2020;
3. Welcomes HWC's proposed discretionary expenditure on recycled water and stormwater naturalisation;
4. Requests the inclusion of funding in HWC's 2020-2024 capital program for:
 - a. the widening of the Hunter Water stormwater channel through Wallsend to support the City's investments in new bridges to alleviate risk to property and life from flooding
 - b. the connection of sewer services to the township of Hexham
5. Notes that the channel widening at Wallsend and connection of sewer services at Hexham projects could provide a significant opportunity to create local jobs, providing an immediate and significant stimulus for the local economy, and that a copy of CN's submission has been forwarded to the Minister for Water, Property and Housing, the Hon. Melinda Pavey MP, for her consideration.
6. Commits \$17.2 million to complete bridge upgrades throughout the entire Wallsend town centre, as well as \$3.5 million for property acquisition as required for our ongoing flood mitigation work. However, notes that this investment alone will only result in minor improvements and continued flooding for the town centre and not the anticipated reduction in flood damages and risk, if the HWC channel is not widened to 21 metres through Wallsend Town Centre.

BACKGROUND:

On 10 March 2020, City of Newcastle (CN) received correspondence from Hunter Water Corporation (HWC), inviting submission on the Independent Pricing and Regulatory Tribunal's (IPART) draft determination on prices for HWC from 1 July 2020.

On 8 April 2020, CN provided a submission on the draft determination.

CITY OF NEWCASTLE SUBMISSION SUMMARY:

In general, CN's submission is supportive of IPART's proposal, which will see a decrease in water bills for most users while maintaining a clear economic price signal to promote the conservation of water.

CN supports the strategic direction of Hunter Water, with its aim towards achieving

the Sustainable Development Goals (SDGs), and reducing its environmental impacts.

The City has adopted the SDGs as a cornerstone of its long-term planning and is proud to be a United Nations city. Hunter Water's efforts to promote water conservation are consistent with the aims of the City's Community Strategic Plan (CSP).

CN's submission seeks to draw IPART's attention to a three key items:

1. CN's support for proposed discretionary expenditure on recycled water and stormwater naturalisation;
2. CN's urgent request for inclusion of funding in Hunter Water's 2020-2024 capital program for the widening of the Hunter Water channel through Wallsend; and
3. CN's request for inclusion of funding in Hunter Water's 2020-2024 capital program for the connection of sewer services to the township of Hexham.

The elected Council has considered these matters on numerous occasions and sees each as a high priority project due to their impact on the livelihoods and amenity of our community and impact on the natural environment.

CN seeks IPART's support to include these projects its final determination of Hunter Water Prices as the most cost effective and efficient means to address these serious issues for our community.

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ATTACHMENT:

Attachment A:

City of Newcastle submission: *Draft determination on prices for Hunter Water Corporation (HWC) from 1 July 2020*



LORD MAYOR NUATALI NELMES
CITY OF NEWCASTLE
CITY HALL
NEWCASTLE NSW 2300

18 May 2020

The Hon. Melinda Pavey MP
Minister for Water, Property and Housing

By email: Melinda.pavey@parliament.nsw.gov.au

Dear Minister,

Please find attached a copy of City of Newcastle's submission – Draft determination on prices for Hunter Water Corporation (HWC) from 1 July 2020, as recently submitted to IPART.

City of Newcastle (CN) strongly welcomed the opportunity to make this submission, particularly as an opportunity to highlight important infrastructure projects that we believe should be included in HWC's 2020-2024 capital program, which would have significant benefits for the Greater Newcastle area.

In particular, I draw your attention to two important infrastructure projects, that I have long advocated for HWC to complete in my role as Lord Mayor of the City of Newcastle.

Firstly, we request HWC's urgent consideration of expediting the widening of the Hunter Water Channel through Wallsend. CN is focussed upon the the delivery of infrastructure works to alleviate severe flooding in Wallsend, recently completing the \$3.3 million reconstruction of the Tyrrell Street Bridge. Further, City of Newcastle has committed \$17.2 million to complete bridge upgrades throughout the entire town centre, as well as \$3.5 million for property acquisition as required for our ongoing flood mitigation works.

We are strongly committed to continuing to push forward with our civil construction works to assist with flood mitigation in Wallsend.

However, the crucial element to this project which remains unfunded is the widening of HWC's Channel. The channel currently does not have the capacity required to mitigate flooding in the Wallsend town centre, continually threatening property and life in times of heavy rainfall and flash flooding.

Given the importance of this crucial component of flood mitigation works at Wallsend, **CN strongly recommends that IPART include funding for the design and construction of the Wallsend channel widening works as a priority project in HWC's 2020-2024 Capital Works Program.**

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LORD MAYOR NUATALI NELMES
CITY OF NEWCASTLE
CITY HALL
NEWCASTLE NSW 2300

The second project which we continue to advocate for is the connection of sewer services to the township of Hexham.

The economic and environmental importance of Hexham has been long been recognised by the NSW Government, as have the public health benefits of connecting 70 households in Hexham to sewer services.

HWC have previously advised that the cost of connecting all commercial and residential properties in Hexham to the sewer network is \$5 million.

CN strongly recommends that funding for the connection of Hexham to sewer services to address public health and environmental concerns is included as a priority project in HWC's 2020-2024 Capital Works Program.

It is my view that the COVID-19 global pandemic now presents HWC with a strong opportunity to show leadership and protect local jobs by expediting the delivery of these important capital works projects.

Further details of both projects are included in our submission, and I would be very pleased to discuss these projects with you in further detail, should that be required.

Once again, CN looks to your support, and working closely with you, to deliver these projects for the benefit of our community.

Yours sincerely

A handwritten signature in black ink, consisting of a stylized 'N' and 'L' followed by a horizontal line.

Lord Mayor Nuatali Nelmes
City of Newcastle

CITY OF NEWCASTLE SUBMISSION

DRAFT DETERMINATION ON PRICES FOR HUNTER WATER CORPORATION FROM 1 JULY 2020

City of Newcastle (CN) welcomes the opportunity to provide comments on the Draft Determination on Prices for Hunter Water Corporation from 1 July 2020. The following matters have been considered by the elected Council on numerous occasions due to their impact on the livelihoods and amenity of our community and impact on the natural environment.

CN seeks IPART's support to include these projects in the Hunter Water Corporation Determination for 2020-2024 as the most cost effective and efficient means to address these serious issues for our community.

1. Support for proposed discretionary expenditure – recycled water and stormwater naturalisation

CN supports Hunter Water Corporation's (HWC) proposed expenditure on recycled water and stormwater naturalisation. CN has previously co-invested with HWC in upgrades to stormwater channels, including Lambton Ker-ria Creek (through Lambton Park), working together to upgrade various sections of Cottage Creek (through the Newcastle CBD), and Throsby Creek (especially through Carrington, Maryville and Tighes Hill). The proposed additional expenditure on the naturalisation of HWC's stormwater assets is welcome, is supported by our community, and is consistent with the CN's aims to improve the livability and amenity of Newcastle.

CN also supports HWC's investigations of additional recycled water options in the Newcastle local government area. The City has previously articulated its support for the Newcastle Recycled Water Scheme, which proposes to connect the Merewether Golf Club, Newcastle Racecourse and Venues NSW's Hunter Sports and Entertainment District. CN is supportive of the Sports and Entertainment District and welcomes HWC's co-investment to help ensure the environmental sustainability of this precinct particularly during times of drought.

Should these items be included in HWC's final pricing determination, CN welcomes the opportunity to work with HWC to see these projects implemented.

2. Urgent request for inclusion of funding in HWC's 2020-2024 capital program for the widening of HWC's stormwater channel through Wallsend town centre

The Wallsend town centre is located within the floodplain of Ironbark Creek and is heavily impacted by flooding. CN has identified Wallsend town centre as a priority for flood mitigation works and has adopted a Wallsend Commercial Centre Floodplain Risk Management Plan (FRMP) to reduce flood frequency, impacts and risk to life. The Wallsend FRMP was developed with the support of a grant from the NSW Government, and involved extensive public consultation, and engagement with key stakeholders including HWC. The town centre has also been identified as a priority for revitalisation and activation¹.

Ironbark Creek has been formed into a concrete channel which passes directly through the Wallsend town centre. The channel is owned and maintained by HWC. Currently, when

¹

[https://www.newcastle.nsw.gov.au/Newcastle/media/Documents/environment/Flooding/Wallend Commercial Centre adopied by Council 4 Aug 09.pdf](https://www.newcastle.nsw.gov.au/Newcastle/media/Documents/environment/Flooding/Wallend_Commercial_Centre_adopied_by_Council_4_Aug_09.pdf)

floods exceed a 10% annual exceedance probability (AEP) event, flows spill over the channel banks and flood the town centre. Significant flood damages and hazards to life and property were recorded in the 2007 'Pasha Bulker' Storm event, and this area has been identified as the highest risk flood area within CN's local government area. A map of the existing 1% AEP flood extent is shown in **Figure 1**.

Multiple flood impact and mitigation investigations have been undertaken for Wallsend, the most recent of which include the Wallsend Bridges Concept Design (Royal Haskoning DHV, 2018) and the adopted Wallsend Floodplain Risk Management Plan (FRMP) – Implementation Works² (SMEC, 2015). These studies confirmed that flooding risks (including the risk of loss of life, and to property) in the Wallsend town centre can only be mitigated by replacement of the existing bridges and the widening of the HWC stormwater channel. These works are shown in **Figure 2**.

In the Wallsend FRMP, the mitigation option 5B which involves replacement of bridges and widening the HWC channel to 20-25m through the Wallsend town centre, had the largest reduction of flood impacts and damages as shown in **Table 1**. This option was found to have the highest benefit to the community, reducing annual average damages by 63% or \$19.41M (net present value). Notably the impact of the mitigation works for more frequent events such as the 10% event showed greater than 80% reduction on flood impacts, significantly increasing the livability and viability of the town centre.

² https://www.newcastle.nsw.gov.au/Newcastle/media/Documents/environment/Flooding/Wallsend-FRMP-Impl-Works-Study-Rpt_FINAL-DRAFT_EXHIB_Rev-E.pdf

Table 1. Comparing mitigation option 5B (replacement of bridges and widening of HWC stormwater channel) to existing flood impacts for 10%, 1% and PMF events

Event	Risk	Existing	Option 5B	Difference %
10%	Above floor flooding	43*	7*	-83.7%
	Tangible flood damages	\$10m	\$1.7m	-83.3%
1%	Above floor flooding	68*	46*	-32%
	Tangible flood damages	\$16.7m	\$7.4m	-56%
PMF	Above floor flooding	274*	257*	-6.3%
	Tangible flood damages	\$194m	\$174m	-10.3%

**note: Total number of buildings with above floor flooding (residential + commercial)*

In the Wallsend Bridges Concept Design (Royal Haskoning, 2018), the concept option 5B was reviewed to support the activation of the local community. The preferred option identified was to replace and upgrade four bridges and widen the HWC channel to 21m. The economic analysis identified the revised flood management works would reduce flood damages by approximately \$21.8 million (net present value), and substantially reduce risk to life during frequent and rare events, consistent with the Wallsend FRMP.

CN has committed to a substantial investment in works to reduce flood risk in Wallsend, which will enable revitalisation and activation of the town centre. In addition to funding multiple flood studies and the FRMP, CN has committed \$17.2 million to complete the bridge upgrades and has allowed up to \$3.5 million for property acquisition as required. In actioning this plan, CN has recently completed the replacement of the Tyrrell Street Bridge at a cost of \$3.3 million. The remaining bridge upgrade works are programmed for completion by 2022/23. However, this investment will only result in minor improvements and continued flooding for the town centre and not the anticipated reduction in flood damages and risk, if the HWC channel is not widened to 21m through the town centre.

The Wallsend flood management works CN has committed to complete include:

- upgrading and doubling the span of three bridges across the Hunter Water Ironbark Creek channel, Nelson Street, Tyrrell Street (complete), and Boscawen Street;
- constructing an additional culvert under Cowper Street; and
- purchase of properties as required including 63 Nelson Street, 29 Tyrrell Street and 68 Nelson Street to enable widening of the HWC channel to 21m.

CN and HWC are actively working together to inform and design works relating to the HWC channel widening and upgrading of assets spanning the channel in the Wallsend Bridges and Channel Augmentation Steering Committee.

CN understands that recent changes to HWC's Operating Licence allow it to use its discretion to enhance, expand and add capacity to its stormwater network³. Given the risk to life and property, the use of this discretion is warranted, and is supported by both CN and the broader community.

Community support for the use of this discretion was demonstrated in HWC's own pricing proposal documents. HWC included the results of its willingness to pay survey which found that on average its consumers were willing to pay an additional \$6.67 each to address Wallsend town centre flooding (\$6 million in revenue over four years) with 44% of its consumers willing to pay an additional \$15.00 per year (\$13.5 million in revenue over four years)⁴. Despite this high level of support and funding stream, HWC chose not to include this critical project in its 2020-2024 capital works program.

It is also noted that HWC has the ability to partly collect this charge through its geographical based drainage charge, which would ensure that impactors and beneficiaries in the Ironbark Creek catchment could contribute proportionately towards a solution.

A cost estimate was undertaken by Vasey in 2017, identifying the HWC owned Wallsend channel widening design and construction works would cost approximately \$14.8 million. It is likely that co-contributions from State Government and grant funding would be available to contribute towards these costs, and CN would support any HWC application for additional external funding.

CN strongly recommends that IPART include funding for the design and construction of the Wallsend channel widening works as a priority project in HWC's 2020-2024 Capital Works Program.

³ Clause 1.2.4, page 5: <https://www.hunterwater.com.au/Resources/Documents/Legislation-and-Governance/Operating-Licence-Jul17.pdf>

⁴ Marsden Jacob Hunter Water customer willingness to pay survey, page 3: <https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/pricing-reviews-water-services-metro-water-prices-for-hunter-water-corporation-from-1-july-2020/publications-prices-for-hunter-water-corporation-from-1-july-2019/technical-paper-01-engaging-with-our-customers-and-community.pdf>

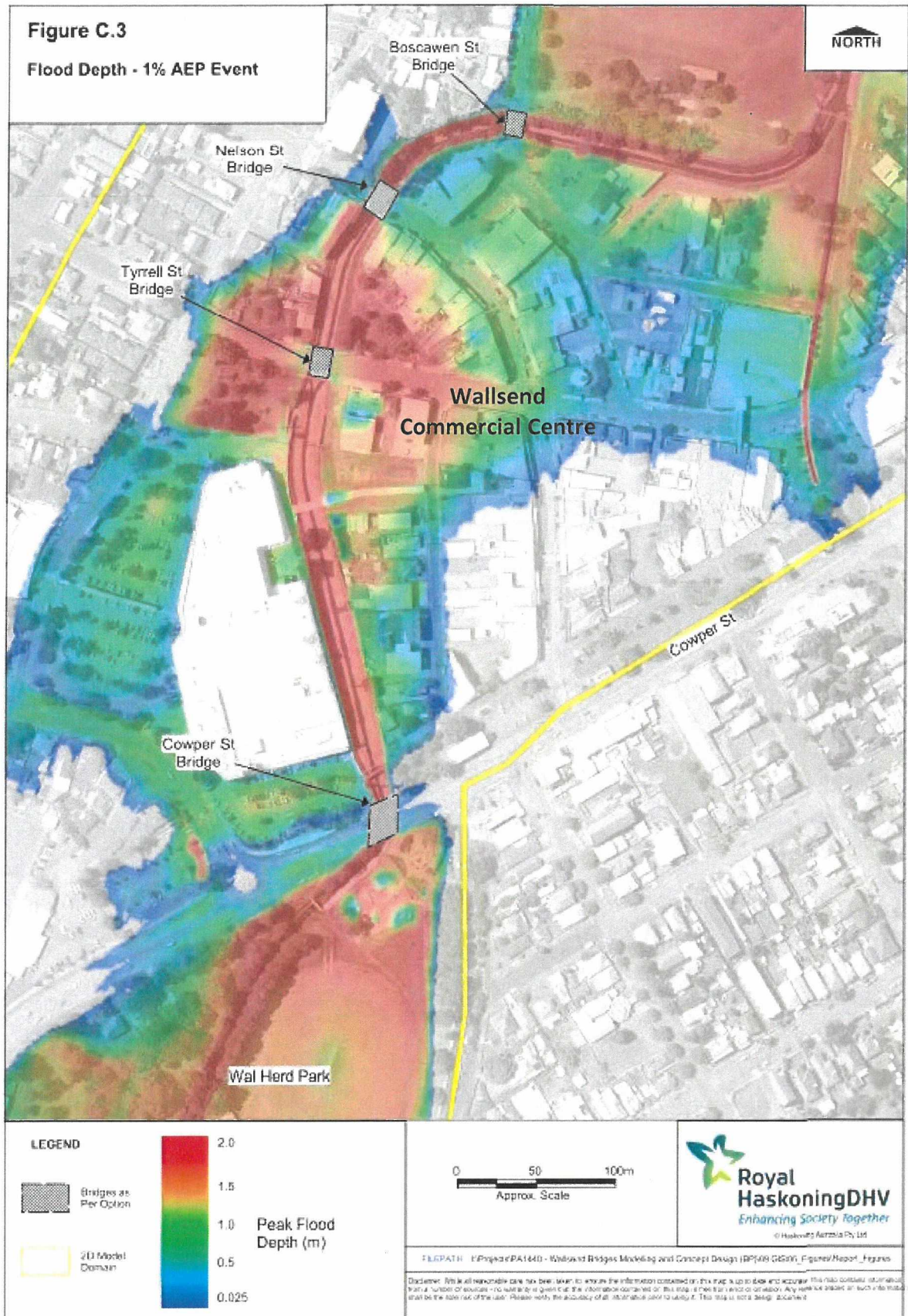


Figure 1 Existing 1% AEP Flood Extent for Wallsend Town Centre

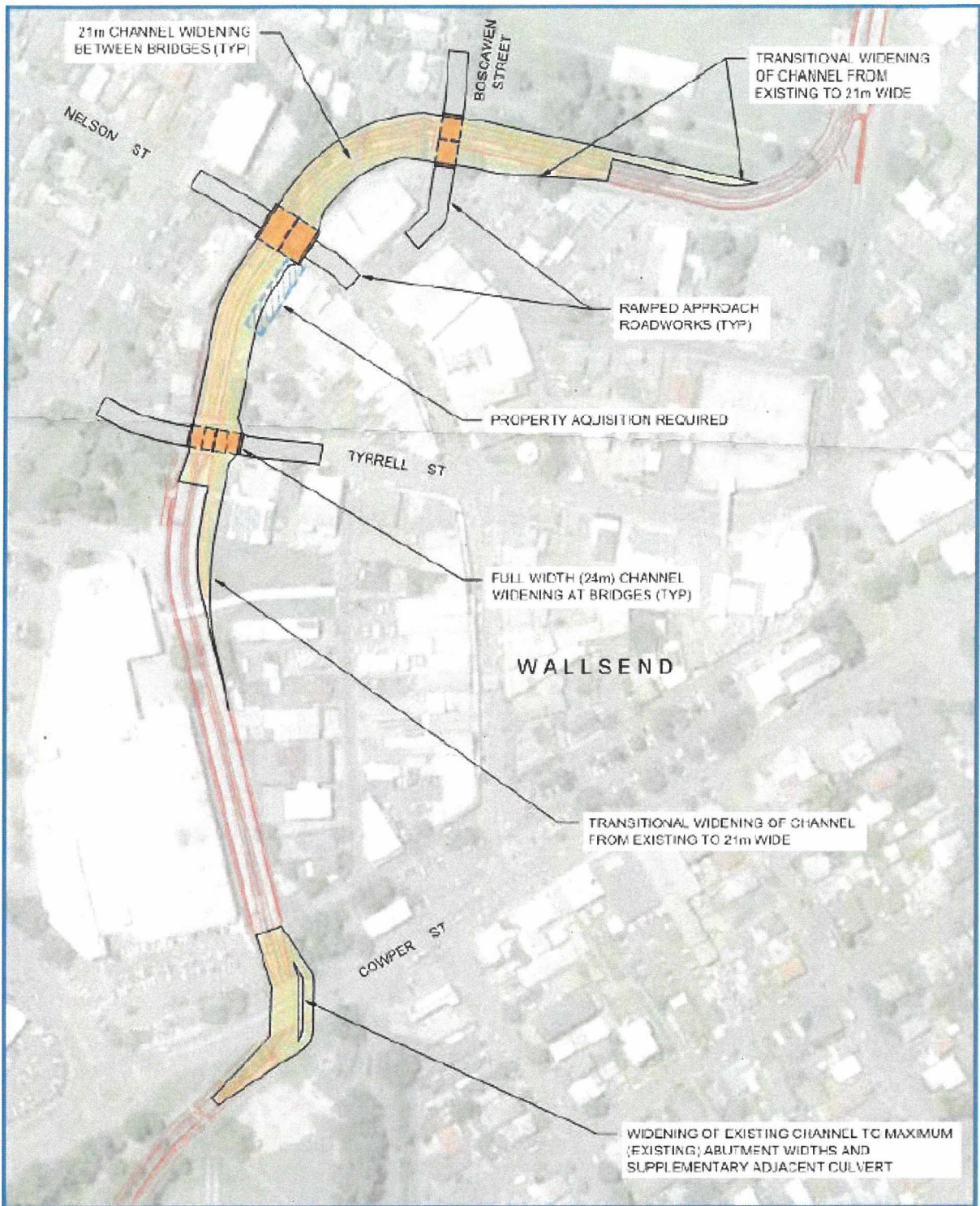


Figure 2 Flood mitigation works for Wallsend, widening and upgrading of Tyrrell, Nelson and Boscawen Street bridges, widening HWC channel to 21m and additional culvert under Cowper Street Bridge.

3. Provision of Wastewater Services to Hexham

Hexham is located on the Hunter River, 15km north-west of Newcastle's CBD. The suburb covers an area of approximately 18.7 square kilometres. Hexham is located on the Hunter River, and feeds into a Ramsar listed SEPP14 Hunter Wetlands National Park.

This economic and environmentally important township is currently serviced by on-site sewage management systems. The proximity of these systems to the Hunter River and surrounding wetlands creates the potential for sewage run-off to pollute and contaminate waterways and wetlands.

CN's environmental health officers, as well as officers from the NSW Environmental Protection Authority (EPA) and NSW Health, have previously endorsed the sewerage of Hexham noting the risk posed from sewerage contamination to these water bodies.

The EPA and NSW Health assigned the sewerage of Hexham as a top priority (Priority A) on the grounds that the receiving waters are both environmentally sensitive and a significant risk is posed by inadequate sewerage management. An upgrade will provide environmental improvements and reductions in human health risks. Specifically, the high ranking was assigned because of Hexham's proximity to the Hunter River and its associated residential, recreational and commercial uses.

HWC previously advised CN that the cost of connecting all 70 residential and commercial properties in Hexham to the sewer network is \$5 million.

The economic and environmental importance of Hexham have been recognised by the NSW Government. The former Minister for Lands and Water, The Hon Niall Blair, advised that backlog sewer services would be provided to the township of Hexham using the Environmental Improvement Charge (EIC) following the completion of the \$36 million Wyee Backlog Project, which is due for completion by December 2020.

HWC has proposed to remove the EIC from July 2020. CN is concerned that IPART has supported HWC in removing the EIC given it has been HWC's sole form of addressing unsewered townships for more than two decades, and leaves Hexham isolated with no likelihood of its environmental and health risks being addressed.

Due to the public health risk and environmental risks, CN strongly supports former Minister Blair's commitment and asks that this be included in HWC's 2020-2024 capital works program.

CN strongly supports the current EIC model so that the people and businesses of Hexham be no longer forced to rely on septic systems that were first identified as a health risk by NSW Health more than a decade ago. In 2014, NSW Health wrote to HWC encouraging the connection of unsewered parts of the Hunter to the network.

"Over the centuries the provision of reticulated sewage remains one of man's greatest public health interventions and has succeeded in drastically reducing the incidence of water-borne diseases among urban populations along with increasing human life expectancy," NSW Health wrote.

In 2014 the Environmental Protection Agency (EPA) also wrote to HWC stating:

“The EPA supports the sewerage of these areas based on environmental sensitivity criteria, particularly Hexham due to its proximity to the Hunter River and associated residential, recreational and commercial uses.”

CN strongly recommends that funding for the connection of Hexham to sewer services to address public health and environmental concerns is included as a priority project in HWC’s 2020-2024 Capital Works Program.