

Your Reference : 01/369  
 Our Reference : EXF23252/HO3453  
 Contact : Natasha Lee



Director General

- 5 OCT 2001

Dr T Parry  
 Chairman  
 Independent Pricing and Regulatory Tribunal of  
 NSW  
 Level 2  
 44 Market Street  
 SYDNEY NSW 2000

Dear Dr Parry

**Re: Review of Hunter Water Corporation's current Operating Licence**

IPART is seeking comments concerning appropriate environmental requirements for inclusion in Hunter Water Corporation's operating licence. The EPA has reviewed the paper and is pleased to provide comments on the environmental issues set out in the paper.

As you have noted, Hunter Water Corporation has for many years been regulated by EPA licences which are currently issued under section 48 of the *Protection of the Environment Operations Act 1997*. These environmental licences currently cover Hunter Water Corporation's waste-water treatment systems. Although the past focus has been on the treatment plants conditions regulating the sewage reticulation systems are being added to the licences to reflect changes in the legislation.

**Environmental Management Plan:** The issues paper asks whether an Environmental Management Plan should be included in the Operating Licence and about the role of the plan (page 28). The EPA supports a requirement for such a plan being included in the operating licence. The Plan should include a systematic effort to identify the main environmental impacts resulting from the corporation's activities, and propose a program of actions to reduce the negative impacts over time. These actions should be wholly integrated into the Corporation's other business functions.

**Demand management, water efficiency and reuse:** Demand management, water efficiency and reuse has also been identified in the issues paper (pages 29-32). The EPA supports the concepts of demand management, water efficiency and reuse because of the environmental benefits they offer, such as the conservation of natural resources and reductions in waste, pollution and greenhouse gases. A requirement for demand management is appropriate because many of the negative environmental impacts of water extraction are currently under or non-priced and will therefore tend not be given due weight in conventional business decision making.

The EPA suggests, however that effluent re-use targets should not be included in the operating licence. This is because trade-offs between treatment levels and disposal options are already directly addressed through the EPA's licensing system. It is important to recognise that site specific

Page 2

environmental factors **need to be** taken into account when identifying the best environmental outcome at each treatment plant.

A further issue **is** the link between **the use** of pricing for demand management and Hunter Water Corporation's revenues and environmental **impacts**. **If** Hunter Water Corporation **is** permitted to **increase** water **prices** beyond strictly commercial **levels in** order to moderate demand, the additional revenue collected should **be** considered for use to address **its** environmental **impacts**, **based on the** priorities identified **in** the **proposed** environmental management **plan**. The **EPA would be happy to discuss** with IPART **ways** to implement **this** proposal.

If **you** have any questions please do not hesitate to contact Natasha Lee, Ph 9995 6030.

Yours **sincerely**

  
**LISA CORBYN**  
**Director General**