



HUNTER WATER CORPORATION

OPINION PIECE FOR NEWCASTLE HERALD

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For immediate release

IPART DETERMINATION OF HUNTER WATER PRICES

Hunter Water's Board was planning a new package of water security measures, including Tillegra Dam, well before the Government announcement in 2006 writes Ron Robson.

Opponents of Tillegra Dam have perpetuated several conspiracy theories that have been all been disproved. The latest is that Tillegra was proposed to cover up a political scandal. I am very pleased that Hunter Water was able to ask Parliament to have the memo released because it gives no weight to that argument.

That argument suggests the Board of Hunter Water is complicit in wasting \$406 million of customers' money on an unnecessary project. People who know me and my fellow directors know that is not how we operate.

Let me be very clear. Tillegra is an essential component of the Board's plan to ensure the Hunter's water security. We had been seriously examining the Hunter's drought security and began modelling to make changes to our Drought Management Plan and Integrated Water Resources Plan (IWRP) 18 months prior to the Government's announcement. To say that Tillegra was dreamed up in November 2006 ignores history.

Tillegra Dam has been on the public record as an option for augmenting the Hunter's water supply since the 1950s. We've been buying land there for over 20 years.

The Board held strategy planning sessions in May 2004, 2005 and 2006 because new information about climate change and population growth showed our current plans to be inadequate.

In January 2005, the Water Services Association of Australia (WSAA) issued a policy paper that fundamentally changed drought security planning. It said utilities must manage water resources so that communities never risk running out of water.

The 2005 strategy session resolved to review alternate supply options in light of issues including climate change, system yield and population growth. At the time we were concerned about the impact of 100,000 more people, not the 160,000 now forecast. Our advice was that such growth would have a severe impact on drought security and would almost certainly trigger the need for a new major water source.

In 2005 Hunter Water staff undertook extensive modelling for the Board which also showed considerable drawbacks in proceeding with further upgrades of Grahamstown Dam. Analysis of demand management programs in Sydney and elsewhere showed that, while essential, they would not be sufficient to ensure drought security. For that we needed another source of water - Tillegra.

The Board moved to a more active land acquisition policy for Tillegra. Between July 2005 and November 2006 we had purchased more than 280 ha of land and were negotiating the purchase of another 500 ha.

The memo cannot be viewed in isolation. It shows that Hunter Water had a package of works including Tillegra Dam, the Kooragang Island Recycling Plant, and larger pumps at Balickera to address drought security.

In November 2006 the Government announced all of these projects, not just Tillegra, because Hunter Water had recommended them. At the time the Government publicly said that it was fast tracking the package. There was tremendous concern about the Central Coast's perilous situation and our long-term drought position. The Government's support for our key water security options was welcome. It brought planning forward but it did not change the outcome.

I ask the opponents of the dam what is their effective alternative plan to ensure drought security? We have already put our planning on public exhibition in the revised IWRP (H250 Plan). We received very few submissions and nothing from that process has changed the Board's position. Water authorities in almost every other Australian city are already building more expensive, energy intensive, desalination plants to increase water supply.

Tillegra is a cost effective option and far less expensive than a desalination plant. IPART's draft pricing report sets that cost of Tillegra at less than 60c per house per week. Our H250 Plan has a comparison of costs for all of the options.

Why is Tillegra essential for the Hunter? 1. The threat of longer, drier droughts from climate change is real. 2. It is raining now and dams are full but we are very vulnerable to drought here because our relatively small, storages are subject to rapid depletion. 3. 160,000 more people are coming to our region.

We are currently in a relatively good water position now because previous Boards thought ahead, planned well and took difficult decisions. This Board is determined to do the same.

It stands behind its decision to proceed with Tillegra Dam, recycling and water efficiency as a cost effective package to ensure customers do not have to endure significant restrictions and pay for expensive emergency measures when drought next hits our region.

Ron Robson is the chairman of Hunter Water