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Good morning

Thank you for the opportunity to provide comment on the Issues Paper published by the NSW Productivity Commission in relation to the Alternative Funding Models for Local Water Utilities. I am supplying this submission on behalf of Dubbo Regional Council.

Like other amalgamated Councils, Dubbo Regional Council has a number of treatment plants within the Local Government Area (LGA) which is a direct result of amalgamation in 2016 of the then Dubbo City and Wellington Councils.

The supply of drinking water is provided by the treatment of source water at four water treatment plants located at Dubbo, Wellington, Geurie and Mumbil with sewerage treatment plants at the same localities with an additional sewer treatment plant at Wongarbon. Although Dubbo Regional Council is shown as a large LWU in the issues paper, there are similar challenges faced by both Dubbo and smaller Councils with the treatment plants geographically based and dispersed across the local government area.

These plants have varying treatment process which provides complications in terms of staff at one plant are not necessarily conversant in the operation of the other plants. To understand the scale of operations, the table below shows the number of connections for each of the treatment facilities.

Locality	Drinking water connections	Sewerage connections
Dubbo	17,380	16,573
Wellington	2,205	2,019
Geurie	272	189
Mumbil	119	99
Wongarbon	Serviced by Dubbo	201

Table 1. Number of connections at each treatment plants as at March 2024

Dubbo Regional Council has applied the postage stamp theory that the price of water should be the same for all residents that are connected to the water supply system, however not all water is produced at the same cost (or the same quality) and it is typical that smaller supply areas produce water at a higher cost. The example CSO model on page 46 of the issues paper should be related to the number of connection per treatment plant and/or include connections per km<sup>2</sup> and/or consider distance of water supply from the treatment plant. There should also be recognition of the condition of the current assets to provide these services. To cost recover operational costs only and not plan for future renewals is not best practice asset management and the remaining life of assets needs to be considered in this modelling.

As an example, the drinking water treatment plant in Dubbo services the village of Eumungerie which is approximately 35km from the treatment plant and Ballimore is located approximately 40km from the plant on a separate main. This dispersed network providing drinking water to villages should also be incorporated into the calculation of a CSO.

Dubbo Regional Council is supportive of the formation of County Councils only if this is undertaken on a voluntary basis and where the affected communities will receive a benefit. Dubbo Regional Council is not supportive of the establishment of forced County Councils.

### Rebates

The provision of a rebate to people in the rental market would be an administrative burden for LWU. The proof of renting a property would need to be established on an on going basis with manual changes to LWU financial systems to recognise this. There is also a need for owners to be contacted when property is sold to understand the use of the property. There are also people choosing to rent rather than own for lifestyle choices so equity would need to be considered for these situations.

A point highlighted in the issues paper is that some LWU are unable to cost recover for their operations. It should be noted that LWU with a number of treatment plants may also not be cost recovering for the individual treatment plants and this also needs consideration. Rebates will only erode this ability to cost recover without a long term subsidy commitment from the State Government or an increase in water use charges. There is still the requirement of LWU to bank money for future capital upgrades of end of life assets and depleting this ability will only adversely affect a renewal program on what is an essential asset.

### Competition for water (Water security)

LWU compete on the open market for access to water with the like of mines, irrigators and large development having less constraints in the purchasing process. Often the prices paid for water are above the affordability of the LWU. To ensure that there is water security for a LWU, a suggestion would be for the cost of purchasing water on the open market is subsidised by the State Government through a CSO arrangement so that this is an affordable option. It is noted that this is only one of the options to address water security.

There needs to be greater collaboration with regulatory functions of Government agencies and LWU when exploring technologies such as treating effluent for the purposes of industrial and drinking water. This is a common practice in trustworthy overseas jurisdictions and there should be capability in Government to partner with LWU that have the appetite to develop such capability as a water resource of high security in preparation for the next drought of record. The science required and the staff resources of the LWU need to be enabled by government to explore this option efficiently.

### Minimum Service Levels

In relation to voluntary or compulsory applying minimum service levels, if they are compulsory and are not currently met due to factors such as resourcing, ability to fund (both upfront and ongoing costs), then the CSO must be provided to the LWU otherwise this is a cost of providing this service and if not subsidised, will be a cost passed onto the consumer. Imposing an increased minimum service level and only considering a CSO arrangement is not satisfactory as most LWU would be providing the service that they can afford. (reference page 62)

Typically, older water treatment plants have been designed for a point in time with the potential for expansion. The environmental factors for older treatment plants were considered to be stable however changes in climatic conditions have shown us that there is greater variability in the source water conditions and that the treatment plants need to be able to cope with the change in conditions in source water quality. With these changes and plants operating at full capacity in terms of chemical dosing,

changes in water conditions place great strain on the operation of the plant and the ability to adjust dosing when reaching maximum capacity becomes limited.

This may be a restriction on the setting of minimum service level and the ability of the treatment plants would need to be fully considered before these are applied.

Development and developer charges

These are in place to finance the asset uplift and expansion required to accommodate development. This is not an extra income source without an expenditure requirement. Viewing developer charges as an income source only greatly skews the reasoning behind these charges.

The attempt to address the current housing shortage is also a factor that will have an influence on the capacity of our drinking water and sewerage services. In order to provide affordable housing, land sizes are decreasing however household water demand remains the same. With a greater intensification of residences, the previously planned connections are now underestimated and the capacity of the piped network has to potential to reach capacity prior to the full development of land. This then in turn requires upgrades and duplication of main lines that had already being planned and constructed based on previous housing densification.

Skill shortages

Throughout regional NSW, there is a skills shortage in the drinking water supply and sewerage management industry. Investment is required across the industry to build and maintain a skills base for all area (LWU, SOC and state government departments). The Orana Water Utilities Alliance has been a driver for a regionally based training facility of which Dubbo Regional Council is supportive of. The location of a training facility in regional NSW will shorten travel times which reduces time away from work and minimises disruption to the operation of the treatment plants and reticulation system during periods of training.

Dubbo Regional Council would be supportive of assistance as required from State Owned Corporations at reasonably negotiated terms.

For any further information in relation to this submission, please feel free to contact me by return [redacted]  
[redacted]

Regards



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<https://dubbo.nsw.gov.au>

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A dark grey banner with a colorful gradient bar at the bottom. It contains the text 'Your experience matters! Click an icon to let us know how we went.' and three circular icons: a green smiling face, a yellow neutral face, and a red frowning face.

We acknowledge the Wiradjuri people, the traditional custodians of the land. We pay respects to Elders past, present and emerging of the Wiradjuri Nation.

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