



Memorandum

Attention: Essential Services Commission

From: Graeme Jolly
Director-Finance

Subject: 2008 Water Plan Price Review - Guidance on Water Plans - September 2006

Date: 9 October 2006

I wish to provide comments on the Water Plan guidance in regards to Section 8 of the paper – Non-Prescribed Services.

Goulburn Valley Water own and operate 26 wastewater management facilities throughout our service area of 22,000 square kilometres. The majority of our facilities are lagoon based and treat wastewater to a standard suitable for reuse for agricultural irrigation purposes. In the past, the majority of our facilities treated wastewater that was then discharged to rivers and streams, but EPA Licences now forbid discharge to stream.

Wherever possible, wastewater is treated and made available to third party reusers. Current uses include agricultural irrigation, watering golf courses and irrigation of wood lots. The majority of our facilities are small producing only minor amounts of reuse water, and the use of reuse water for irrigation involves operational and compliance issues not experienced when using “normal” irrigation water. This restricts the options available for reuse by third parties on a sustainable basis.

A further EPA Licence condition at all wastewater management facilities relates to odours at the boundary of facilities. All wastewater management facilities generate odours and we must manage our facilities to ensure odours are within Licence parameters. The land we own at each facility is more than is required for the lagoons and other treatment infrastructure to make allowance for odour buffer zones. When EPA licences were changed preventing the discharge of treated wastewater to streams, the lowest cost reuse option was to use the water to irrigate buffer zones at the treatment facilities.

The land we own at wastewater management facilities has to be maintained and this is achieved by leasing the properties to third parties to conduct farming activities (including the use of recycled water for irrigation purposes), or conducting our own farming activities where suitable lessees are not available, or other risk management considerations determine that leasing to third parties is not appropriate. Our farming activities include grazing of livestock and the production of hay for sale to dairy farmers in the region.

The 2008 Water Price Review Guidance on Water Plans suggests that property rental or leasing, and farming activities at wastewater treatment facilities are non-prescribed services. Our view is that the income generated from these activities is not via the provision of a “service”, but is incidental to and “in connection with” our core responsibility of owning infrastructure and property to be able to provide wastewater services to our customers in compliance with EPA Licences. The income is immaterial and has been included in our 2005 Water Plan as part of Prescribed Services Miscellaneous Revenue.

I look forward to further industry wide consideration of this matter.

Regards

A handwritten signature in cursive script that reads "Graeme".

Graeme D Jolly
DIRECTOR-FINANCE

Our Ref.: 010/031/16 (gj:jc)