

Your ref.

Our ref. 307/72

18 March 2008

Mr David Downie
General Manager
Department of Sustainability and Environment
PO Box 500
EAST MELBOURNE VIC 3002

Dear David

Submission on Northern Region SWS Discussion Paper

Coliban Water is pleased to provide the following comments on the Discussion Paper:

1. *Factual Corrections*

Figure 2.6 p 20 – the map shows Lauriston Reservoir as being a major reservoir in the southern part of the region. Whilst this is true, Upper Coliban Reservoir with a storage volume of 37.5GL would be the more appropriate reservoir to show.

Figure 2.12 p 27 – the map shows Trentham as being in the Central Highlands Water region, whereas it is the Coliban Water region.

Table 2.4 p 27 – the table states that Coliban supplies 51 towns – the correct number should be 49.

2. *Comments on Specific Issues*

4% cap on Water Trading- Coliban Water considers that this rule is counter productive to water being able to move to high value uses. As the discussion paper clearly points out, the introduction of unbundling has addressed the risk of stranded assets, so there appears to be no valid reason for maintaining the 4% rule. Certainly if there was to be review of this rule, we consider that it should occur before 2009, but we really don't see the need for such a review at all. Removal of the 4% rule should occur prior to the start of the 2008/09 irrigation season.

10% limit on water shares held by non-landholders – our view is that this rule should also be abolished, but even if it is to remain, any water shares held by water corporations such as Coliban Water should not be included in the 10%. Urban water corporations are in the business of supplying water to customers, not speculating in water markets and in addition are subject to economic regulation from the Essential Services Commission. Again, as the discussion paper points out there has been no evidence of speculation in the NSW market so there appears to be no valid reason why the 10% rule should remain in place.

Carryover – Coliban Water supports carryover as a means of managing risk, but suggests that the current 30% limit on carryover should not apply to urban water corporations. If one of the objectives of carryover is to reduce the need for qualifications of rights to supply essential human needs, then urban water corporations need to be able to make decisions about the amount of carryover without being limited by artificial caps. In addition for carryover to be fully effective, there must be some surety that the carryover water can be delivered. Under the existing situation there still remains a degree of uncertainty over whether it will be able to be delivered due to the requirement to meet system losses. However as the delivery systems are improved over time this should become less of a risk.

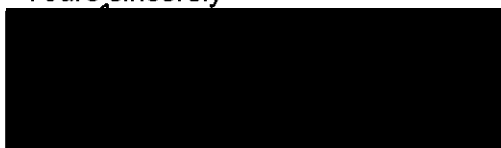
Water conservation for homes and businesses – the discussion paper states that a sensible approach needs to be adopted in regard to this issue given that urban water use accounts for less than five per cent of total use in the region. We strongly agree with this approach and have set realistic targets for water conservation in our demand management strategies. We have already invested heavily in conservation and recycling measures and our customers will be paying higher prices to pay for these measures.

Interconnection of systems – the construction of the Goldfields Superpipe connecting the Goulburn system to Bendigo and ultimately Ballarat has clearly shown the benefits of interconnection of supply systems. Again, the discussion paper makes the sound statement that urban use is only a small proportion of total water use, so the impact on irrigators will be minimal. However, the full benefits of interconnection will not be gained if restrictions such as the 4% cap remain in place.

Integrated approach to water security - Coliban Water has clearly adopted an integrated approach to securing additional supplies as is evidenced by the range of measures detailed in our WaterPlan 2055. Acquiring additional water from the northern irrigation areas is only one component of a range of measures to provide for our region's future water security. The case study on the upgrade of the Bendigo Water Reclamation Plant to supply high quality recycled water is just one example of this integrated approach.

We look forward to the release of the draft strategy.

Yours sincerely



Geoff Michell
Managing Director