Upper Hunter Shire Council Rural Water Scheme

Background
Council is keen to see if a rural water scheme can be developed along with the Murrurundi pipeline. The rural demand committed by July 2015 will be used to specify any augmentation of the Murrurundi pipeline. This will be a one-off opportunity for rural customers - the pipeline cannot be enlarged.

Council has bought 769 megalitres (ML - 1ML = 1,000,000 litres) of Glenbawn water entitlements for a rural water supply scheme. In 2006/07 Council examined the feasibility of building a scheme reticulating water around Scone and to the north along the New England Highway. The scheme was not viable in its own right and there was no government assistance available to build the scheme. The scheme was not viable because of the high cost of infrastructure – mainly pipes and pump stations and limited customer preparedness to pay for water.

With the recent approval for funding for the Murrurundi pipeline, Council is again examining the viability of building a rural scheme taking advantage of the savings that might arise from using this pipeline.

Developing a scheme
The funding arrangements for the Murrurundi pipeline require that the design is completed so that the pipeline can be built by 2019. This means that a decision about the rural pipeline needs to be made now so that if the rural scheme does proceed it can be included in the Murrurundi planning and design. The pipeline must be viable in its own right as there is still no government funding for rural schemes of this type. That is the connection deposits and tariffs paid by water users need, over a 20 year period, to meet the operating and capital costs of the scheme.

The benefit of the present proposal is that the capital cost is only the net additional cost over the Murrurundi pipeline cost and not the total cost as was the case previously.

Deciding whether to proceed with the project is a two-step process.

- First Council is undertaking a demand assessment. This demand assessment will collect sufficient information about the volume and preparedness of customers to pay. Council will then decide whether it is worth proceeding to the next stage. NSW Public Works Department is already making a preliminary assessment of the project construction cost.

- If the revenues and costs indicate a scheme might be viable then contracts will be prepared for potential customers. The contract will be in the form of an offer from the potential customer to buy water at a set price. Based on the demand established Council will finalise the costing and then decide whether to proceed with the scheme. If it does proceed, offers will be accepted and the scheme will be built, starting operation in late 2019.
Supply conditions

The supply conditions developed for the UHSC scheme are based on supply conditions for similar projects in Australia. Detailed supply conditions provide certainty for both potential customers and for Council. The contracts will include the complete supply conditions but the main conditions are provided below for the purpose of assessing your demand for water.

20 year contract

All participants in the scheme will enter into a 20-year contract to be supplied with water from the Murrurundi line. Council will build and operate the scheme with the net capital cost of the scheme paid by customers over a 20-year period. Customers will be offered renewal of their contracts at the end of the first 20-year term.

Water delivered to your property

Water will be delivered to the boundary of the customer’s property at a flow rate of 1% of annual volume. This means that obtaining delivery of the total volume paid for requires accepting delivery of water for 24 hours per day for 100 days each year.

Customers very close to the pipeline are more likely to be connected because it will be less expensive to supply these customers. However all potential customers should apply and the demand survey makes provision for those who might want to build their own pipeline to connect to the Murrurundi pipeline.

Tariffs based on cost of developing scheme

Annual tariffs for delivery of water are expected to be at least $800 per megalitre, paid quarterly, with this payment fixed every year to the total volume of the contract rather than the actual volume used. The actual tariffs will be based on the costs of the scheme and will be included in the contracts.

In addition tariffs might increase in the future at a similar rate of increase to town water tariff increases.

Connection fee

A one-off Connection Fee of $7,000 will be made at the time of contracting. No fee is applicable when completing the demand survey. Customers who do not receive a supply will have the Connection Fee refunded fully.

Access to Glenbawn water

Upper Hunter Shire Council will own the Hunter River water shares which will be used to supply the rural scheme.

Water shares will be subject to water determinations (announced allocations) of New South Wales Office of Water. That is, if the determinations are 100% you will be able to take delivery of the full volume of water. If at any time of the year they are less than 100%, the volume of water you can take will be reduced to the same percentage as the determination.
Transfers
When you sell your property you may have the option of either selling your water supply with the property or selling it to another customer located where there is sufficient capacity in the pipeline.

On-farm storage
You will be expected to have storage capacity to which the water can be delivered. This will help you to take the full volume of water over the minimum period during the year.

Tariffs
When the demand at each price is known and construction costs have been established it will then be possible to set the tariffs for contracts based on the scheme being self-sustaining. Assuming $1000/ML cost (it could be higher) total cost for a typical customer might be:

- Connection: $7,000
- Annual supply fee for a 5 megalitre (ML) supply at $1,000/ML = 5 X 1,000 = $5,500

The contract will be a take or pay contract which means that your tariff is based on the contracted volume rather than the actual volume used. Such a tariff is required to ensure that payments can be made against the capital cost of the project. This might not occur when there is light demand such as in wet summers.

Benefits of the scheme
The major benefit of the scheme is that it provides a secure supply of high-quality water. This is delivered to your property boundary without the need for pumps or water carting fees. The benefits in more detail are:

- Convenience of a reticulated water supply with water delivered at pressure to your property.
- In times of dry weather you will have a supply of water to your property - this could make your property more valuable
- Water quality will be high, not potable, but of similar quality to water delivered to the Murrurundi storage

The scheme is designed to provide stock and domestic water and supplementary water for those who irrigate. Irrigators who use the rural scheme supply alone may need to be irrigating crops that provide a relatively high return.

Answers to landholder questions at Scone public meeting May 12 2015
The following questions and answers are from the May 12 public meeting at Scone Council Chambers which was attended by around 80 interested people.

1. Customers were asked if they preferred a higher deposit charge, say $7000 or pay off this amount over the term of the contract through higher water tariffs.
   Response: Significant majority preferred higher deposit charge

2. Will water be treated?
   Response: The water may be treated (chlorinated, fluoridated) but will not be sold as potable water as it may receive further treatment for use at Murrurundi.

3. Will water be available to villages?
   Response: Separate town reticulation schemes will be developed for the villages of Parkville, Wingen and Blandford (subject to funding). If you are in the village boundary you will not
have access to the rural scheme. The minimum volume for customers in the rural scheme will be 5 megalitres which is around 20 times the typical urban house lot supply volume.

4. **Are the boundaries to villages defined?**
   
   Response: The boundaries are defined but the rural scheme sets a minimum volume and minimum tariff which may be prohibitive for use by village customers.

5. **Will tariffs increase?**
   
   Response: Yes tariffs will increase as Council costs increase such as for energy, maintenance and scheme administration.

6. **Will rural residential areas adjacent to Scone such as Middlebrook be supplied?**
   
   Response: This is unlikely given the distance of most of the rural residential areas from the proposed Murrurundi pipeline and the relatively small volumes each property requires. However rural residential property owners are welcome to complete the demand assessment and their survey responses will be considered using the same criteria as for all others. A group of land owners may choose to collectively seek supply from the scheme.

7. **Will the same tariffs still be payable if the Glenbawn determinations are less than 100% so that rural customers receive less than their full contract volume in that year?**
   
   Response: Yes the same tariffs will apply each year because the major cost for the project will be the capital cost rather than the operating cost.

8. **Can potential customers be advised of the cost of laying pipe to the Murrurundi pipeline?**
   
   Response: This information is best obtained from suppliers and from contractors such as plumbers because the individual circumstances of each potential customer will be different.

9. **Will the rural scheme make the pipeline to Murrurundi larger?**
   
   Response: Yes it might but to the extent that the rural scheme requires significant expenditure on trunk pipes and pumps, this will make the scheme less likely to be viable.

10. **Will the rural scheme affect the tariffs or levels of service for Murrurundi customers?**
    
    Response: No the design specification for the rural scheme will be that it has no impact on the levels of service for Murrurundi, nor will it impact on tariffs for Murrurundi.

11. **Has the planning for the Murrurundi pipeline taken into account potential growth in demand?**
    
    Response: Yes the planning allows for growth over the next 30 years and potential supply to villages between Scone and Murrurundi.

12. **What is the benefit of the scheme if it is too expensive for extensive irrigation?**
    
    Response: Some irrigators may want to use the water as a supplementary or backup supply or may use the water for higher value irrigated farming enterprises. However it is expected that many of the users will apply water to stock watering and landscape improvement.

13. **Customers east of the New England Highway will be more expensive to supply given the need to drill under the highway; will they be excluded?**
    
    Response: No potential customer is being excluded at this stage and only when all the demand surveys are evaluated will decisions start being made on who is included in scheme. In any case the pipeline route is still being developed.

14. **Will customers be able to access more than their allocation in any year?**
    
    Response: Yes additional water is likely to be available but possibly restricted to the off-season such as autumn, winter and spring. There may also be reduced tariffs or taking water at this time but for the moment the scheme is being developed on the basis of a single level of tariff.
15. Will the contract be transferable?
Response: Yes they may be provided there is capacity in the pipeline to transfer water to another customer and that customer is in good financial standing. If the property is sold the original customer remains responsible for paying the tariff until the new property owner commits to the remainder of the contract or the remainder of the contract is sold to another customer.

16. Is the Murrurundi pipeline route decided?
Response: No, the exact pipeline route is not known as yet, except that it will follow the New England Highway to Murulla, then the old highway route to Blandford and then to Murrurundi. Which side of the highway reserve has not been determined as yet. The route may also involve property crossings.

17. Is the scheme a one-off opportunity?
Response: Yes it is – the rural scheme is only being reassessed because of the Murrurundi pipeline