

## Economic Regulation Authority

### Applicant Details

Applicant Details	
Name	Hamersley Iron Pty Ltd
Registered Office (if a corporation)	Level 22, 152-158 St Georges Terrace, Perth, Western Australia, 6000
Principal Place of Business (if different from registered Office)	Parker Point Road Dampier WA 6715

Contact Details	
Primary Contact Name	Momcilo Andric
Mail Address	Australia Place, Level 6, 15-17 William Street, Perth, 6000, Western Australia
Email	<a href="mailto:Momcilo.Andric@riotinto.com">Momcilo.Andric@riotinto.com</a>
Telephone	+61 8 9205 2507
Mobile	+61 438 932 505
Fax	

Company Structure	
ABN or CAN	ABN 49 004 558 276
Legal Nature of Applicant	Proprietary company limited by shares
Place of Incorporation	Victoria, Australia

Amendment Details	
Licence No	33
Reason for and details of amendment	<p>Hamersley Iron Pty Ltd is seeking amendment of its existing water services operating licence (No. 33) to extend the reach of current licence to include the Bungaroo Creek bore field, transfer pipeline and associated infrastructure. Hamersley Iron, part of the Rio Tinto Group of companies, is an existing licensed water service provider, providing potable water and wastewater services to Dampier, Tom Price and Paraburdoo.</p> <p>Rio Tinto's iron ore business is a major consumer of water in the West Pilbara. The West Pilbara Water Supply Scheme (<b>WPWSS</b>) supplies water to domestic and industrial consumers in the West Pilbara region and delivers approximately 16GL/year of water, currently sourced from the Millstream Aquifer and Harding Dam. Based on the projected growth of the West Pilbara region, analysis indicates that the WPWSS will not be able to meet total water demand beyond Q3 2013.</p> <p>In response to the potential shortage of water, the Western Australian Government and Hamersley Iron studied options which could augment the WPWSS. Pursuant to an agreement between the State and Hamersley Iron, Hamersley Iron agreed to develop the Project which will provide a new sustainable supply of potable water for use in its port operations and the Dampier and Wickham town sites. This would reduce Rio Tinto's dependence on the WPWSS and assist the Water Corporation, which is currently licensed to manage the WPWSS, in being able to meet future demand.</p> <p>The Project will supply up to 10 GL/year of water. In order to achieve this, Hamersley Iron will construct and operate the Project and enter into arrangements with the Water Corporation to expand the WPWSS and transfer the additional water through it. The Project is expected to deliver first water by the end of Q2 2013.</p> <p>Enclosed in support of this application is a <i>Detailed application for ERA consideration</i> (and attachments) which addresses the requirements of the Economic Regulation Authority's <i>Electricity, Gas and Water Licences: Application Guideline and Forms</i> (2011). This supplements the information provided on this prescribed application form.</p>

**Certification – Acknowledgement of Commitment**

I declare that the information provided in this application is correct to the best of my knowledge and I am aware of the requirements under the Act for the licence being applied for and that I have the authority to make this application on behalf of the above entity.

Signed by or on behalf of the applicant<sup>1</sup>.

Name: ..... **MOMCILO ANDRIC** .....

Position: ..... **GM UTILITIES DIVISION** .....

Signed: .....  .....

Date: ..... **06/08/2012** .....

---

<sup>1</sup> If signed on behalf of the applicant, please attach the relevant authority to bind the applicant.

***Application for amendment to  
Hamersley Iron's water services licence (No. 33):***

***Inclusion of Bungaroo Creek water supply***

***Detailed application for ERA consideration***

**6 August 2012**

## 1. Overview: Hamersley Iron and the Bungaroo Creek water project

Hamersley Iron Pty Ltd (**Hamersley Iron**) is seeking amendment of its existing water services operating licence (No. 33) to extend the reach of current licence to include the Bungaroo Creek bore field, transfer pipeline and associated infrastructure (**the Project**). Hamersley Iron, part of the Rio Tinto Group of companies, is an existing licensed water service provider, providing potable water and wastewater services to Dampier, Tom Price and Paraburdoo.

Rio Tinto's iron ore business is a major consumer of water in the West Pilbara. The West Pilbara Water Supply Scheme (**WPWSS**) supplies water to domestic and industrial consumers in the West Pilbara region and delivers approximately 16GL/year of water, currently sourced from the Millstream Aquifer and Harding Dam. Based on the projected growth of the West Pilbara region, analysis indicates that the WPWSS will not be able to meet total water demand beyond Q3 2013.

In response to the potential shortage of water, the Western Australian Government (**State**) and Hamersley Iron studied options which could augment the WPWSS. Pursuant to an agreement between the State and Hamersley Iron, Hamersley Iron agreed to develop the Project which will provide a new sustainable supply of potable water for use in its port operations and the Dampier and Wickham town sites. This would reduce Rio Tinto's dependence on the WPWSS and assist the Water Corporation, which is currently licensed to manage the WPWSS, in being able to meet future demand.

The Project will supply up to 10 GL/year of water. In order to achieve this, Hamersley Iron will construct and operate the Project and enter into arrangements with the Water Corporation to expand the WPWSS and transfer the additional water through it. The Project is expected to deliver first water by the end of Q2 2013.

This application seeks to address the requirements of the Economic Regulation Authority's (**ERA**) *Electricity, Gas and Water Licences: Application Guideline and Forms* (2011). This supplements the information provided on the prescribed application form.

## 2. Agreement with the Western Australian Government

As mentioned above, Hamersley Iron has agreed in principal with the State to develop the Project, among other things. This agreement has been formalised and is awaiting execution by the relevant parties. Notwithstanding this, Hamersley Iron has commenced construction of the Project in order to achieve timely delivery and to assist the Water Corporation in meeting its demand forecasts.

The Agreement is to be formalised in a Deed of Agreement expected to be signed by the parties in August 2012.

## 3. Nature of application; Amendment to existing licence; Term of licence

Hamersley Iron is licensed under the *Water Services Licensing Act 1995* as a Water Service provider, providing potable water and wastewater services to the town sites of Dampier, Tom Price and Paraburdoo. Pilbara Iron Pty Ltd, a

company within the Rio Tinto Group, is the asset manager for the water supply schemes operated by Hamersley Iron.

Hamersley Iron provides all its services under a single licence; licence No. 33.

Hamersley Iron is seeking to amend its existing licence to include the Project (being the bore field located at Bungaroo Creek, the transfer pipeline and associated infrastructure). It is anticipated that this would entail amendment to Schedule 2 of the Water Services Operating Licence, to add an additional plan to "Operating Areas (Potable Water Supply Services)". A map of the requested extension to Hamersley Iron's water services licence Operating Area is at Attachment A.

It is expected that the Project will be subject to the same licence terms as detailed in Clause 3 and Schedule 1 of the licence in all respects. The current expiry date for Hamersley Iron Water Services Operating Licence is 1 June 2026.

#### **4. Corporate information**

The Rio Tinto Group is comprised of the dual listed public companies of Rio Tinto Ltd (listed in Australia) and Rio Tinto Plc (listed in the UK). Hamersley Iron is a wholly owned subsidiary of Rio Tinto Ltd and is the holder of the Water Services Operating Licence (No. 33).

#### **5. Services Model**

Hamersley Iron is seeking an extension to its existing Water Services Operating Licence. This will only entail a geographical extension to its Operating Area while all other rights and obligations of the licence remain unchanged. It is expected that the services model will align with current practice.

#### **6. Description of service infrastructure**

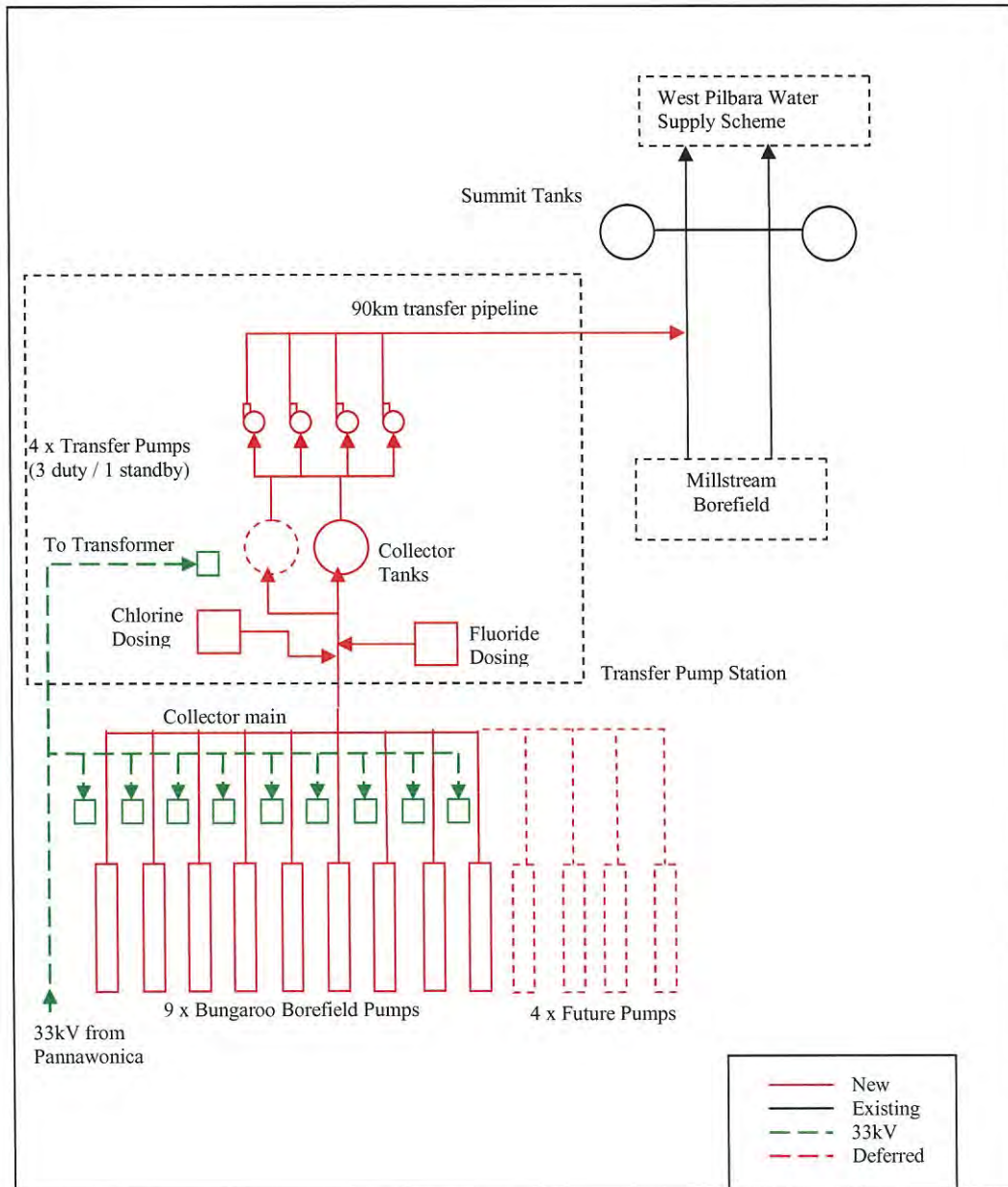
The Project will provide bulk water to the WPWSS. The Project comprises of an integrated bore field, pumping station and water transmission pipeline in the lower Bungaroo Valley 35km SE of Pannawonica. The Project will have an initial capacity to deliver 10GL/ year of water.

The bore field consists of nine pumping bores and 50 monitoring bores and is connected to the WPWSS at Millstream by an 87km transfer pipeline. The initial transfer pipeline will have a capacity to transfer up to 10GL/ year of water. The water drawn by the production bores will then be treated. After chlorination and fluoridation, the water will then transfer to a pumping station and pumped to the WPWSS tie-in point at Millstream.

Power will be supplied from the existing Pannawonica substation to the bore field and treatment plant by a 45km 33kV power line. All components of the bore field, treatment and transfer infrastructure will incorporate remote monitoring equipment through the ESCADA system and will be monitored by Hamersley Iron and the Water Corporation.

A schematic diagram for the Project is shown in Figure 1.

Figure 1: Bungaroo water supply project: schematic



**7. Financial and technical resources of the applicant**

This application concerns an amendment to the Operating Area of an existing licence (see Attachment A), there are no changes to the financial or technical resources of the licence holder. Accordingly, this application does not provide detail required under section 5.2 (corporate information), section 5.3 (financial information) or section 5.4 (technical information) of the *Electricity, Gas and Water Licences: Application Guideline and Forms* (2011).

**8. Status of other regulatory approvals**

The following table (Table 1) provides an overview of the status of other regulatory approvals. Further details are provided in section 10 of this application for licence amendment.

Table 1: Bungaroo water supply project: status of key regulatory approvals

Approval	Agency	Status	Comment
MoU between Hamersley Iron and Dept of Health	Dept of Health (DoH)/ ERA	Signed 2012	A requirement under clause 9 of the existing Water Services Operating Licence (No 33). A copy of the MoU is at Attachment C
Customer Charter	ERA	Approved 2011	A customer charter that is approved by the ERA is a requirement under Hamersley Iron's water services operating licence. A copy of the charter is at Attachment D
West Pilbara Water Supply Services Controlled Area	Dept of Water	Granted 2012	Extension of the Controlled Area to include the area on which the Bungaroo Creek borefield and transmission pipeline. Granted by Governor in Executive Council and published in the <i>Government Gazette</i> on 24 April 2012 as the <i>Water Services Licensing (West Pilbara Controlled Area – Water Supply Services) Order 2012</i> . A map of the West Pilbara Water Supply Services Controlled Area is at Attachment B
Public drinking water source protection plan	Dept of Water	Released for public consultation June 2012	To be finalised and Water Reserve proclaimed following consideration of consultation responses.
s5C <i>Rights in Water and Irrigation Act</i> abstraction licence	Dept of Water	Granted 2012	Ground Water Operating Strategy (GWOS) approved
ss87-90 <i>Water Agencies (Powers) Act</i> works approval	Dept of Water	Granted 2012	
<i>Fluoridation of Public Water Supplies Act</i> Direction to fluoridate	Minister for Health	<i>Direction not yet issued</i>	Rio Tinto has agreed with Water Corporation to construct and operate a liquid fluoridation plant located at the Bungaroo borefield. The facility will maintain the optimum fluoride level to enable Bungaroo water to be co-mingled with other sources to the WPWSS, which must be fluoridated in accordance with an existing direction to the Water Corporation.
<i>Environmental Protection Act Part IV</i>	Office of the Environmental Protection Authority (OEPA)	Not assessed (EPA 2010)	Referred February 2010. OEPA notified Rio Tinto May 2010 that the proposal was deemed 'Not Assessed – Managed under Part V of the EP Act (Clearing)'
s51E <i>Environmental Protection Act Part V</i> Native Vegetation Clearing Permits	Dept for Environment and Conservation (DEC)	NVCPs granted 2010	NVCP granted November 2011 to clear no more than 635ha.
s5B <i>Environmental Protection Regulations</i> 1987 registration of Water treatment facility	DEC	<i>Registration not yet finalised</i>	Chlorine dosing facility at the inlet to the collector tank will require registration under Schedule 2: namely Premises subject to registration, Category 4 Water treatment facility: premises on which water is treated for domestic use.



Poisons Act 1964 Permit to Purchase or Distribute Poisons	DoH	Application not yet commenced	For use of chlorine in chlorination facility
Dangerous Goods Safety Act 2004 Dangerous Goods Site License	Dept of Minerals and Petroleum (DMP)	Application not yet commenced	For transport and storage of dangerous goods (chlorine)
s91 Land Administration Act licence	Dept of Regional Development and Lands (DRDL)	Granted 2011	s91 licence to be transitioned to s144 Land Administration Act easement as construction phase moves into operational phase.
s18 Aboriginal Heritage Act consent	Dept of Indigenous Affairs (DIA)	Granted 2012	Kuruma Marthudunera management plans drafted

## 9. Summary of public consultation and stakeholder engagement

The following table (Table 2) provides summary of public consultation and stakeholder engagement over the Project. The table notes that much of this engagement has been with regard to specific approvals related to the Project.

Table 2: Summary of public consultation and stakeholder engagement

Issue	Stakeholder groups consulted	Consultation method	Comment
Agreement with State	Premier, Dept of State Development (DSD) Water Corporation, Dept Treasury and Finance	Meetings, Deed of Agreement	Deed of Agreement expected to be signed in August 2012
Water services licensing (amendment to licence)	ERA  <i>General public</i>	Meetings  <i>Application will be released for public comment</i>	Meetings to discuss application process and requirements.
West Pilbara Water Supply Services Controlled Area Extension	Dept of Water, Minister for Water	Meetings, written correspondence	Extension of the Controlled Area to include the area on which the Bungaroo Creek borefield and transmission pipeline.
Public drinking water source protection plan (Bungaroo)	Dept of Water  Kuruma Marthudunera  Public consultation	Meetings, written correspondence  Meetings, written correspondence  Released for public comment June 2012	

Millstream Water Reserve Public drinking water source protection plan	Dept of Water	Written correspondence	Concerning land use activities and construction in the Millstream Water Reserve
s5C <i>Rights in Water and Irrigation Act</i> abstraction licence	Dept of Water  DEC  Kuruma Marthudunera	Meetings, written correspondence  Written correspondence  Meetings, written correspondence, specific consultation on GWOS	Includes GWOS
s5C <i>Rights in Water and Irrigation Act</i> abstraction licence (for construction)	Dept of Water  Kuruma Marthudunera  Public consultation	Meetings, written correspondence  Meetings, written correspondence	
s17 <i>Rights in Water and Irrigation Act</i> bed and banks permits	Dept of Water	Written correspondence	19 bed and banks permits. Underlying tenure holders for each permit and Kuruma Marthudunera consulted by Dept of Water.
ss87-90 <i>Water Agencies (Powers) Act</i> works approval	Dept of Water  Local Government (Shire of Ashburton)  Interests in land intersected by the Project: <ul style="list-style-type: none"> <li>• DRDL</li> <li>• Water Corporation</li> <li>• Lessees (Pastoral, Mining Act, State Agreement)</li> <li>• Registered Native Title Claimants (Kuruma Marthudunera)</li> </ul> Public consultation	Meetings, written correspondence        Advertised in <i>Government Gazette</i> , local and state-wide newspapers	
Fluoridation	Dept of Health Water Corporation	Meetings, written correspondence	Regarding application of fluoridation to Bungaroo, and directions to fluoridate under the <i>Fluoridation of Public Water Supplies Act</i> .
s38 <i>Environmental Protection Act</i> Part IV	OEPA	Written referral	OEPA notified Rio Tinto May 2010 that the proposal was deemed 'Not Assessed – Managed under Part V of the EP Act (Clearing)'

s51E <i>Environmental Protection Act Part V</i> Native Vegetation Clearing Permits	DEC	Written correspondence	NVCP granted November 2011
s5B <i>Environmental Protection Regulations 1987</i> registration of water treatment facility	DEC	<i>Application not yet submitted</i>	
<i>Environmental Protection Act Part V</i> discharge licence	DEC Water Corporation	Written correspondence	At construction and commissioning stage - for system commissioning at Summit Tanks, and testing along pipe route.
Millstream Chichester national park - construction impact	DEC	Meeting, site inspections	
s91 Land Administration Act licences	DRDL DMP DSD	Meetings, written correspondence	
s18 <i>Aboriginal Heritage Act</i> consent	DIA  Kuruma Marthudunera Yamatji Marlpa Aboriginal Corporation (YMAC)	Meetings, written correspondence  Meetings, written correspondence, full participation in archaeological and ethnographic surveys	Consistent with RTIO and Kuruma Marthudunera People Claim Wide Participation Agreement.
RTIO and Kuruma Marthudunera People Claim Wide Participation Agreement	Kuruma Marthudunera	Liaison and Information Committee (LIC) meetings, Life of Mine Plan meetings, written correspondence	In accordance with RTIO and Kuruma Marthudunera People Claim Wide Participation Agreement, executed in November 2010.
Yindjibarndi Heritage Protocol	Yindjibarndi Yindjibarndi Aboriginal Corporation (YAC)	Meetings, written correspondence	
Heritage surveys and monitoring	Yindjibarndi YAC	Meetings, written correspondence, full participation in archaeological and ethnographic surveys, heritage fencing of sites, ground disturbance monitoring	
Old Yalleen ground disturbance monitoring	Kuruma Marthudunera	Meetings, survey participation, written correspondence	Addresses cultural requirements
Technical tie-in with WPWSS, engineering and design standards	Water Corporation	Meetings, written correspondence	

Local Government	Shire of Ashburton	Meetings, written correspondence	
Pilbara community consultation	Pannawonica Wickham	Newsletters	

**10. Considerations in relation to public interest matters under s19 of the *Water Services Licensing Act***

It is acknowledged that the Governor must take into account matters that relate to the public interest when making any decision under section 19 of the *Water Services Licensing Act*. The following comments are provided in relation to each of the considerations listed under sub-section 19(1b)(i) in order to better inform the licensing decision.

**(a) environmental considerations**

- Additional water supply to the WPWSS is required to reduce the demand on existing water sources. In particular, the Project will enable the Millstream aquifer to be operated within current environmental constraints whilst meeting the current and future water requirements of domestic and industrial users.
- Both the Millstream aquifer and Harding Dam are heavily reliant on cyclonic rainfall events to recharge and are located within the same cyclone tracking zone. While the Bungaroo aquifer is also dependant on cyclonic rainfall events to recharge, it will nevertheless reduce the reliance on cyclones tracking over the Millstream aquifer and Harding Dam and will create a greater level of system independence to weather related recharge events.
- The bore field has been located away from any possible future mining activities. Plans to address water source protection risks are the focus of the development of a public drinking water source protection plan, which was released for public comment by Department of Water in June 2012. Hamersley Iron has been working with the Department in the development of the plan. The plan establishes high priority well head protection zones in the vicinity of the bore field, and places strict controls on mining and other activities within the wider Water Reserve.
- The transfer pipeline will be buried except in areas where the rock is too hard to break through, allowing the surface to re-vegetate.
- The project will be subject to the following key environmental controls:
  - **RiWI 5C licence requirements.** The *Rights in Water and Irrigation Act 1914* requires the careful management of water abstractions. The Department of Water is the relevant Authority and requires that water abstractions be sustainable. This includes a requirement that priority provision has been made for an environmental allocation. These provisions extend to the protection of groundwater dependent ecosystems (**GDEs**), and require the preparation and Departmental approval of associated ground water management plans. A GDE strategy has been prepared as part of the s5C licence application.

A s5C licence has been granted and a Ground Water Operating Strategy has been approved.

- **Public drinking water source protection plan.** All regional sources of public drinking water are required to be proclaimed under the *Country Areas Water Supply Act 1947*. The Department of Water requires that sources of drinking water are well protected in accordance with the approach endorsed by the *National water quality management strategy: Australian Drinking Water Guidelines* by the National Health and Medical Research Committee and the National Resources Management Ministerial Council. The approvals process required reflects a risk-based, multiple-barrier approach for providing safe drinking water to consumers.

The protection plans recognise that, while treatment and disinfection are important safeguards against contamination, catchment and/or aquifer management is the first step in protecting water quality and ensuring a safe, good quality drinking water supply.

The bore field has been located away from any possible future mining activities. If mining was to be undertaken adjacent to the bore field, the application of DWSPP would apply. As noted, Hamersley Iron has been working with the Department of Water in the development of the plan. This plan has been released for public comment.

- **Environmental Protection Act Part IV.** The proposal to abstract groundwater from the Bungaroo aquifer via a bore field and transfer of the water via pipeline to the WPWSS was referred to the EPA on 11 February 2010 under section 38 of the *Environmental Protection Act 1986*. The formal referral was supported by an environment assessment document detailing findings of a range of biological baseline surveys and investigations of the potential impact of the proposal.

On 10 May 2010, the EPA gave notice to Hamersley Iron under section 39A(3)(a) that the proposal was deemed 'Not Assessed – Managed under Part V of the EP Act (Clearing)'. The Notice from the EPA stated: '*This proposal raises a number of environmental issues. However, the overall environmental impact of the proposal is not so severe as to require assessment by the EPA, and the subsequent setting of formal conditions by the Minister of the Environment.*' This decision was open to appeals for a period of 14 days, during which time no appeals were received and therefore the decision was upheld.

- **Environmental Protection Act, Part V.** The occupier of premises must obtain a works approval when undertaking works which would cause the premises to become prescribed, as specified in Schedule 1 of the *Environmental Protection Regulations 1987*. The purpose of a works approval is to ensure that premises, plant and equipment are designed and located so that emissions from the premises can be managed in an environmentally acceptable manner. Plant and equipment associated with the development of the Bungaroo bore field fall outside the scope of premises under the Act.

Section 5B of the *Environmental Protection Regulations 1987* also requires certain premises to be registered prior to commencing operations, as described in Schedule 2 of the regulations. The chlorine dosing facility at the inlet to the collector tank may require registration under Schedule 2 as being "premises subject to registration, Category 4 Water treatment facility: premises on which water is treated for domestic use (more than 1 ML/day)".

A review of the Project for the purposes of Part V also considers the impacts of any clearing of native vegetation. An application to clear native vegetation is required under section 51E of the *Environmental Protection Act 1986*. The process is subject to tight requirements relating to public review and comment period and internal reviews by the Department for Environment and Conservation.

Rio Tinto has complied with all relevant requirements under Part V of the *Environmental Protection Act* and relevant permits have been granted. These existing environmental controls are considered to be sufficient and proportionate for the proposed project.

**(b) social welfare and equity considerations, including community service obligations;**

- The project meets the growing demand on the WPWSS, adding up to 10 GL/year to that system, thereby enabling growth and expansion plans for domestic and industrial consumers.
- As the water from Bungaroo Creek bore field will be provided in bulk to an existing licensed water service provider (the Water Corporation), both domestic and commercial water customers on the WPWSS will continue to be covered by the customer protection and service standards within the Water Corporation's licence.

**(c) economic and regional development, including employment and investment growth;**

- Water has been identified by the State as a critical enabler of economic growth and regional development in the Pilbara region. The additional water from Bungaroo will free up water available from existing WPWSS sources to meet the identified immediate need arising from rapid community and industrial development in the West Pilbara. The project is not anticipated to have any negative economic and regional development effects.
- The Agreement between the State and Hamersley Iron enables additional water to be provided to meet growing demand. By giving up entitlements in accordance with the Agreement, there will be more water available for the Water Corporation to sell to other customers on the WPWSS, without the capital cost and debt impacts to Government associated with Government funding of an additional source to the WPWSS.
- The per unit costs of water from Bungaroo compare favourably to other alternative sources (eg desalination).

**(d) the interests of water services customers generally or of a class of water services customers;**

- The quality of the water to be provided from Bungaroo is of a good quality that will conform to Australian Drinking Water Guidelines, consistent with requirements under the Water Corporation's services licence provisions as required by the Economic Regulation Authority. A Public Drinking Water Source Protection Plan (as noted above) and water services licence conditions will provide additional assurance regarding water quality and standards of service provision.

- The Bungaroo supply system specifications have been designed to conform to Water Corporation specifications to ensure compatibility with both internal and external system requirements on the incumbent licensee for the WPWSS. This includes assets relating to water quality such as chlorine dosing facilities.

Close engagement with the Water Corporation has taken place to ensure compatible and acceptable systems.

- A customer charter that is approved by the ERA is a requirement under Hamersley Iron's water services licence. This charter was updated and approved in 2011, and is at Attachment D.
- Water is critical to Rio Tinto's own operations at the ports at Dampier and Cape Lambert. In particular, water is critical to enable dust suppression at port operations to ensure appropriate health and safety standards, and to maintain broader community amenity by minimising dust.

**(e) *the interests of any licensee, or applicant for a licence, in respect of the controlled area or part of a controlled area to which the order, if made, would apply;***

- There are no negative impacts on the interests of any licensee within the West Pilbara Water Services Controlled Area. Indeed, the Project will free up existing sources of water supply to the WPWSS to enable the current licensee (the Water Corporation) to meet rapidly growing demand on the system. A map of the West Pilbara Water Supply Services Controlled Area is at Attachment B.
- Hamersley Iron has been working closely with the Water Corporation on technical planning to ensure satisfactory tie in and alignment with WPWSS system requirements and Water Corporation technical standards. Commercial negotiations with the Water Corporation over conveyancing capacity for the transfer of Bungaroo water are underway.

**(f) *the importance of competition in water services industry markets;***

- The provision of bulk water by Hamersley Iron to the WPWSS will be encouraging for entities interested in providing such services in the Pilbara and elsewhere in the State. This project offers an important example of bulk water provision by entities other than the incumbent licensed water service provider to meet growing demands, especially in catchments that are approaching full allocation.
- It also encourages innovation (greater opportunity to encourage the development of non-traditional sources eg recycled and reclaimed water) and efficiency (greater opportunity to source more cost efficient sources), both of which are stated objectives of the Government of Western Australia and the National Water Initiative.
- In addition, an alternative source of water provides additional performance information and a benchmark which might be useful to the Economic Regulation Authority in its regular reviews of prices and performance standards.
- It is considered that there are no negative impacts on competition in water services markets.

**(g) public health considerations in relation to the provision of a safe drinking water supply;**

- It is important to note that the water that will be supplied from a sustainable water supply at Bungaroo which conforms to the Water Corporation's requirements of a groundwater source.
- Public health considerations are paramount and will be protected under the provisions of both the Water Corporation's water services licence, and Hamersley Iron's water services licence. Both licences include the requirement to have a Memorandum of Understanding (**MoU**) with the Department of Health. The Hamersley Iron MoU is at Attachment C.
- As noted, ongoing work with the Water Corporation has ensured the design of the water transmission system conforming to Water Corporation design standards will deliver appropriate quality water for the WPWSS. For example, the inclusion of a chlorine dosing facility, to dose gaseous chlorine into the collector tank inlet pipe work, will ensure that the water is disinfected and potable and delivered to a Water Corporation approved standard at the WPWSS Millstream connection point.

In addition, telemetry systems have been designed to be compatible with Water Corporation requirements to enable critical water quality information to be conveyed directly to the Corporation.

- The public drinking water source protection plan for the Bungaroo catchment is drafted and out for public consultation. Hamersley Iron has been assisting the Department of Water in this process. An appropriate public drinking water source protection plan provides the necessary reassurance of a multi-barrier approach to assuring the delivery of water quality to the 2004 Australian Drinking Water Guidelines, and requirements of the Department of Health under the MoU under the terms of the water services licence.

**(h) the policy objectives of government in relation to water services;**

- The Project works to achieve the policy objectives of government. It protects those interests in regard to health, customer service and technical standards for water services. The proposal will make a positive contribution to policy objectives:
  - for minimising costs of water supplies to the region,
  - by freeing up water supplies not otherwise available to the incumbent licensed water service provider and delivering to a system under growing demand pressure, and
  - as a demonstration to alternative providers of water services in the State of successful bulk water service provision.

**11. Impacts on customers**

The impacts on customers have been covered in sections 5(b), (c), (d), (g) and (h) above. In summary, it is expected that extending Hamersley Iron's licence to cover the Project would provide:



- reassurance of Bungaroo water complying with water services licence provisions, including water quality, customer service, and appropriate asset management;
- a cost effective and reliable additional source of supply to the WPWSS to enable rapid industrial and community expansion; and
- assurance of appropriate measures for the protection of public health.

## **12. Hamersley Iron's experience as a licensed water service provider and experience in supplying licensed services to customers**

Hamersley Iron has been a licensed water service provider since the inception of services licensing legislation in 1995. It is licensed to provide water and wastewater services to the towns of Dampier, Tom Price and Paraburdoo. It has 17 years experience in delivering these licensed services in compliance with the Water Services Operating Licence and the *Water Services Licensing Act*.

Hamersley Iron has experience in providing services to customers that extends back well before the requirement for services to be licensed. Under the Water Services Operating Licence, Hamersley Iron is required to have and comply with a customer charter that is approved by the ERA. This charter was updated and approved in 2011.

However, it is noted that the provision of water from the Bungaroo Creek source will be a bulk water service provision operation to the WPWSS. As the Bungaroo water will be co-mingled with the other sources in the WPWSS, a legal relationship between Hamersley Iron and the Water Corporation will ensure that Bungaroo supply system specifications and operations are designed and managed to integrate appropriately with Water Corporation's licence requirements for the WPWSS. This includes assets relating to water quality such as chlorine dosing facilities.

Close engagement with the Water Corporation has taken place to ensure compatible and acceptable systems.

## **13. Project finance**

As a company within the Rio Tinto Group, Hamersley Iron has access to the financial capacity of a leading world-wide mining group. Rio Tinto Limited and Rio Tinto Plc together obtain financing on behalf of all product groups globally, rather than on a project-by-project basis. Funds are then allocated to Hamersley Iron in accordance with established procedures in order for it to carry out the particular project. The procedures include the provision of additional funds in the event of cost overruns or other such events.

The Bungaroo bore field and pipeline construction and operation will be funded exclusively by Hamersley Iron. Construction of the Project was approved by the Rio Tinto board in August 2011. The Project is a key enabler of Rio Tinto's expansion of its production capacity in the Pilbara. It secures the necessary water supply to enable its expansion to 353 million tonnes per year.

Reassurance that the Project will proceed is provided by a number of factors:

- The Project is part of a US\$3.7 billion investment to expand our Pilbara operations to an annual capacity of 353 million tonnes;
- Securing the necessary water supply is critical to enable expansion; and
- The Project is underpinned by an Agreement with the State (noted in Section 2).

#### 14. Technical expertise of Hamersley Iron

Hamersley Iron has been a licensed water service provider since the inception of services licensing legislation in 1995. It is licensed to provide water and wastewater services to the towns of Dampier, Tom Price and Paraburdoo. It has 17 years experience in delivering these licensed services in compliance with the Water Services Operating Licence and the *Water Services Licensing Act*. Over this period, Hamersley Iron has complied with the requirements of the Water Services Operating Licence, which is currently audited every 3 years.

In that time, Hamersley Iron has established a team of professionals with capabilities across a range of technical and water services management disciplines. A dedicated network of operators provides 24 hours per day, 7 days a week proactive monitoring of critical system parameters. Water quality risks are managed by local maintenance teams who have high proficiency in water quality management, pump and pipe disinfection processes and who engage systematic maintenance techniques to ensure that the security of the network infrastructure is paramount.

Hamersley Iron has recently formed a reliability assurance group, with access to a team of dedicated engineers, water advisors and contract specialists. This group has the responsibility to provide assurance for water quality management, regulatory compliance, condition monitoring and control system engineering. Hamersley Iron's water quality management system complies with Department of Health requirements (including the terms of the MoU required by clause 9 of the licence) and the 2004 Australian Drinking Water Guidelines.

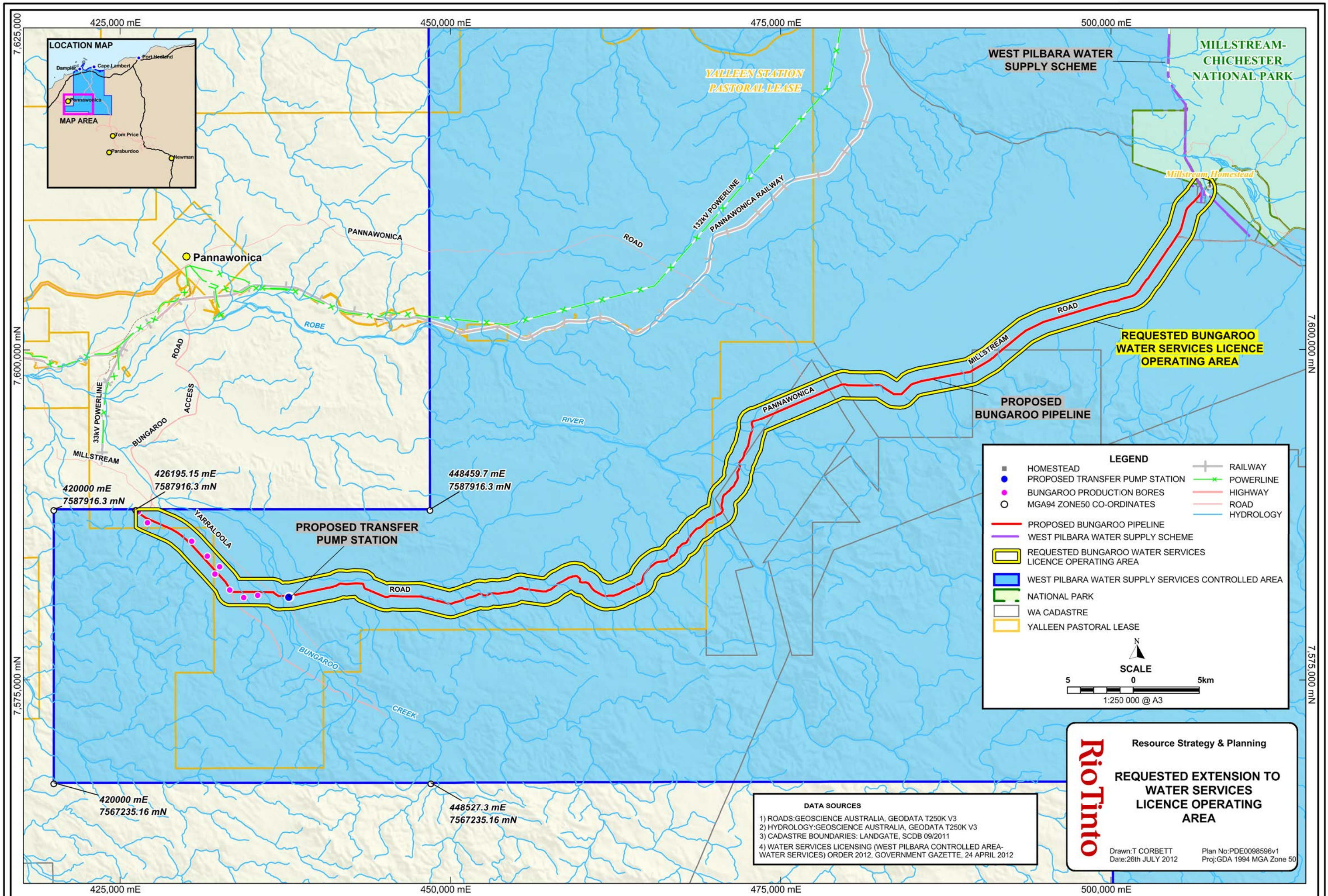
Hamersley Iron also works closely with internal and external environment auditors, and has access to a large team of hydrogeologists and environmental expertise within its wider iron ore business.

Expertise to manage Hamersley Iron's water network extends beyond direct technical capacity. Domestic and industrial consumers are supported by an integrated customer service network which is staffed by experienced customer service professionals. In the event of customer concerns such as loss or poor supply of water, leakage or damage, or issues related to the water quality, customers have access to an all-hours emergency response call number.

For further information on this submission, please contact Mike Harold, Principal Advisor Water Policy on 08 62131174 or [mike.harold@riotinto.com](mailto:mike.harold@riotinto.com).



**Momcilo Andric**  
**General Manager, Utilities**



**Rio Tinto** Resource Strategy & Planning

**REQUESTED EXTENSION TO WATER SERVICES LICENCE OPERATING AREA**

Drawn: T CORBETT Date: 26th JULY 2012 Plan No: PDE0098596v1 Proj: GDA 1994 MGA Zone 50