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Contact: Richard Whyte 6332 7600

Mr Mick Cairney
General Manager – Western Operations
Centennial Coal Company Ltd
Locked Bag 1002
WALLERAWANG NSW 2845

Dear Mr ~~Cairney~~ *Mick*

I wish to thank you for hosting the meeting on 26 June 2014 between Centennial Coal and the Environment Protection Authority (EPA) and inspection of the Springvale Delta Water Transfer Scheme (SDWTS).

The EPA appreciated the presentation from Centennial, and especially being advised about the role of Centennial's Project Team which will be addressing the matters raised in the EPA's submission to the Department of Planning and Environment (DPE) on the Springvale and Angus Place Mine Extension Projects. From the meeting I wish to confirm the following matters as key issues that EPA requires Centennial to note and address.

Springvale and Angus Place Mine Extension Projects

As Centennial is aware, the EPA has advised DPE that it is unable to support the Springvale and Angus Place Extension Projects in their current form given the absence of any commitment and detailed plan by Centennial in the Environmental Impact Statements (EIS) to address the handling/treatment of the mine water, in either the short or long term.

Given that the proposed Extension Projects will extend the life of each mine for 13 and 25 years respectively, and most importantly substantially increase the volumes of mine water, Centennial should have included in its EISs a commitment and detailed plan (to be implemented by a set date) delivering a strategic approach to the treatment and/or beneficial re-use of its mine water. Such a commitment and detailed plan should have evolved from the Pollution Reduction Project (PRP) negotiated by the EPA with Centennial which resulted in Centennial producing its Options Study by September 2013. As you know, from Centennial's Options Study, the EPA is now undertaking a review in order to better understand the feasibility of the six options Centennial nominated on its short list of 37 options considered.

As mentioned at the meeting, the EPA will be guided by the standards of the Australian and New Zealand Environmental Conservation Council 2000 (ANZECC 2000) in carrying out its regulatory responsibilities in order to improve the water quality, and as a result the aquatic health, of the upper Cocks River. I want to reinforce that the EPA will be requiring a discharge limit for salinity of 350 micro-Siemens per centimetre ($\mu\text{S}/\text{cm}$) Electrical Conductivity, and concentrations of other pollutants such as metals which do not result in environmental harm. Nevertheless, as mentioned at the meeting, the EPA would accept a mixture of options to handle the current discharge in ways that achieves the required environmental protection outcome. For example, a combination of beneficial re-use by a water user and a discharge to a waterway within the upper Cocks River which is capable of meeting the EPA's discharge limit for salinity and concentrations of other pollutants.

Given that Centennial's discharge makes up a large proportion of the flow in the river any discharge needs to meet the required in-stream water quality. However, it remains the responsibility of Centennial to determine which option(s) best suits its proposed Extension Projects and to present a commitment and detailed plan for one definite option to the EPA and the DPE through the current planning process. If the project is approved then this option must be implemented and operational prior to any additional mine water being generated. This assumes that the treatment/re-use of existing mine water is addressed separately to the extension solution or as part of it.

Centennial's Project Team should contact Richard Whyte, Manager Central West, to further progress these issues.

The Toxicity Characteristics of the Current Discharge

The final report of the Direct Toxicity Assessment (DTA) performed on the two discharge samples collected by the EPA on 8 May 2014 confirms the discharge from Licensed Discharge Point 9 (LDP9) is toxic to Cladoceran *Ceriodaphnia dubia*. Regarding the Microtox tests, one discharge sample caused some reduction in luminescence in the exposed bacteria (a harmful effect), whereas the second had minimal effect.

The EPA will provide its DTA results to Centennial so that you can undertake further assessment which will lead to the treatment of the discharge to reduce the toxicity. To ensure that Centennial can address this matter straightaway, I understand that the EPA's Central West Region has already provided these results to Centennial and will provide further advice on the pollutants of most concern.

Angus Place Operational Issue – Mine Water Management

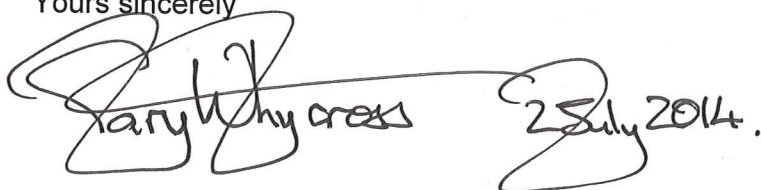
Centennial's advice that it will have difficulty managing the mine water at Angus Place in about six months is of serious concern to the EPA. Given all the attention to mine water management in recent years, and the succession of PRPs for Angus Place, it is the EPA's expectation that Centennial would be able to manage this water without the need for there to be any increases in the volumes of water to be discharged.

Before the EPA will consider a variation to Environment Protection Licence 467 to increase the volumetric discharge limit at licensed discharge point LDP001, the EPA requires that Centennial submit a formal licence variation application form with all supporting information/justification for the variation that is being sought. This information must include what the causes of the additional mine water are, how these are to be controlled in an attempt to avoid the need for a licence variation, if this cannot be fully achieved how the volume and concentrations of pollutants in the residual discharge will be minimised and what permanent solutions are to be implemented in the short and medium term (i.e. 6 to 12 months) to eliminate the additional discharge and the need for the variation.

A licence variation application form can be obtained at www.epa.nsw.gov.au/licensing by selecting "Online forms" and download the form "Licence variation application – premise" form. The completed form including Section 6 Details of variation and Section 8 relevant supporting documentation needs to be signed and submitted to the Central West (Bathurst) Office of the EPA at PO Box 1388 Bathurst NSW 2795 for consideration.

Should you wish to discuss these matters further please contact Richard Whyte, Manager Central West at the EPA's Central West Region office on 6332 7600 or richard.whyte@epa.nsw.gov.au.

Yours sincerely



GARY WHYTCROSS
Director South
Environment Protection Authority