



WaterNSW Operating Licence Review
– Approach to the Cost Benefit Analysis

Information Paper

August 2023

Water >>

Acknowledgment of Country

IPART acknowledges the Traditional Custodians of the lands where we work and live. We pay respect to Elders both past and present.

We recognise the unique cultural and spiritual relationship and celebrate the contributions of First Nations peoples.

Tribunal Members

The Tribunal members for this review are:

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Sandra Gamble

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Invitation for submissions

IPART invites comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

Submissions are due by Friday, 13 October 2023

We prefer to receive them electronically via our [online submission form](#). You can also send comments by mail to:

WaterNSW Operating Licence Review – Approach to the Cost Benefit Analysis
Independent Pricing and Regulatory Tribunal
PO Box K35
Haymarket Post Shop, Sydney NSW 1240

If you require assistance to make a submission (for example, if you would like to make a verbal submission) please contact one of the staff members listed above.

Late submissions may not be accepted at the discretion of the Tribunal. Our normal practice is to make submissions publicly available on our [website](#) as soon as possible after the closing date for submissions. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed above.

We may decide not to publish a submission, for example, if we consider it contains offensive or potentially defamatory information. We generally do not publish sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please let us know when you make the submission. However, it could be disclosed under the *Government Information (Public Access) Act 2009* (NSW) or the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW), or where otherwise required by law.

If you would like further information on making a submission, IPART's [submission policy](#) is available on our website.

The Independent Pricing and Regulatory Tribunal

IPART's independence is underpinned by an Act of Parliament. Further information on IPART can be obtained from [IPART's website](#).

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1 Background information

1.1 Why are we conducting this review?

We are undertaking an end-of-term review of the *2022-2024 WaterNSW Operating Licence* (Licence) which will inform our recommendations to the Minister for Water for a new operating licence to commence on 1 July 2024. We have published an Issues Paper on our website discussing some preliminary positions on how the current Licence could be improved. We are seeking comments from stakeholders to inform our draft recommendations for terms and conditions in the new operating licence (which we will consult on later in the year).

This cost-benefit analysis approach paper (CBA Approach Paper) presents our proposed approach for undertaking an economic CBA. The CBA will inform our recommendations for the new licence by establishing if a proposed licence condition will generate a net benefit.

This CBA Approach Paper focuses on key areas of the Licence discussed in the Issues Paper. We do not expect other areas of the Licence to be substantially impacted by a CBA. Ultimately, we will publish a full CBA when we publish our draft recommendations for the licence.

1.2 What is a cost-benefit analysis?

An operating licence best serves the people of NSW when each condition adds value to the licence. A CBA is a method of testing the value of a condition. To perform it we compare 2 situations:

- an existing or proposed licence condition in force (i.e. the factual scenario)
- the existing or proposed licence condition is not included in the Licence, but some realistic alternative set of arrangements are in place (i.e. the counterfactual scenario).

We look at differences in social benefits between factual and counterfactual and differences in cost. Ultimately, all costs are borne by either the utility's customers or taxpayers. Social benefits include net financial benefits to the State as a whole, and non-financial benefits such as:

- avoiding health and safety risks from contaminated water
- avoiding inconvenience from disrupted or poor-quality services
- a healthy environment
- resilience to extreme weather events.

1.3 What do we seek your feedback on?

We seek your feedback on:

- What is the factual (i.e. what does the Licence currently regulate or what do we propose that the licence should regulate)?

- What is the counterfactual (i.e. what would happen if a licence condition did not exist or what would happen if the licence condition were different)?
- What are the benefits of the factual versus the counterfactual?
- What are the costs of the factual versus the counterfactual?
- How do the benefits and costs compare? If it is possible to say, what is the quantum of any net benefit (or net cost)? If it is not possible to say, can we be confident that benefits exceed costs (or vice versa)?

1.3.1 Factual and counterfactual defined

The CBA compares the factual situation to the counterfactual. It is important that the counterfactual is defined well enough to be able to identify its costs and benefits. It is essential that the counterfactual represents a state of the world that could and would be likely to exist if the licence were to regulate differently.

We seek your comment



1. Do you have comments on the identified factual and counterfactual scenarios discussed in this CBA Approach Paper?

1.3.2 Comparison of benefits and costs

Benefits of licence conditions are usually experienced by the customers of the licensed utility or the general public (e.g. with environmental conditions). Quantifying these benefits is sometimes difficult, particularly if they relate to non-monetary values.

Licence conditions usually impose costs on the licensed utility because the licence requires it to undertake certain activities or to refrain from undertaking certain others that it might prefer to do on commercial grounds. Further, licence conditions include compliance and enforcement costs. Activity costs or costs of foregone opportunities are usually able to be quantified with accounting data.

Provided that both benefits and costs of the factual compared to the counterfactual can be quantified, the comparison can be expressed by one of the following:

- subtraction (to obtain a net benefit, which would ideally be positive, but could be negative)
- division (to obtain a benefit to cost ratio, which would ideally be greater than one, but could be less than one)

If benefits or costs cannot be quantified, we will consider the benefits and costs qualitatively.

We seek your comment



2. Do you have comments on the identified costs and benefits discussed in this CBA Approach paper?

1.4 What is our proposed approach?

For this Licence review, we intend to undertake a comprehensive CBA to establish that all obligations included in the next licence provide a net benefit to the people of NSW. To determine which conditions require CBA, we will consider the following:

- if there is no viable counterfactual – we will not require a CBA
- if the cost of the clause is trivial and the benefits are non-zero – we will not require a quantitative CBA, we can assume the benefits exceed the costs
- if we need to establish that having the clause is better than removing it – a CBA will be required.

We will also undertake a CBA to determine the level or extent the condition should set in the licence. For example, to set the quantitative level of a performance standard or to determine how much research or planning the licences should require.

Where a comprehensive CBA has been undertaken for another public water utility with a similar licence condition, we will rely on the general CBA approach that we took in our review of that licence. For other new areas of the Licence, we have set out our proposed approach in this paper.

We seek your comment



3. Do you have comments on our general proposed approach to the CBA?

1.5 How can you submit feedback?

We look forward to receiving your submission on the CBA Approach Paper. You are welcome to include it with any submissions on the Issues Paper published on our website.

Please see [here](#) for more information on how to make a submission and our submission policy.

 Have your say

Your input is valuable to our review process.

[Make a submission >>](#)

You can get involved by making a submission in response to our Issues Paper.

2 Catchment management



The CBA will determine if there is a net benefit to extend WaterNSW's catchment management obligations to the non-declared catchment. This would include incorporating findings of the Chief Scientist's independent review into the Menindee mass fish kill, where relevant.

The CBA will consider if there is a net benefit in requiring WaterNSW to undertake community education activities and maintain and report on research programs in both the declared and non-declared catchment.

Issue	Catchment management
Background	WaterNSW's principal objectives under the <i>Water NSW Act 2014</i> (Act) include ensuring declared catchment areas – and water management works in the declared catchment areas – are managed and protected to promote water quality, the protection of public health and public safety, and the protection of the environment. ^a
Factual (preliminary)	The Licence would require WaterNSW to: <ul style="list-style-type: none"> • undertake community education activities to the declared and non-declared catchments • undertake research activities to the declared and non-declared catchments • implement findings of the Chief Scientist's independent review into the Menindee mass fish kill, where relevant.
Counterfactual	No obligation to undertake community education role in the non-declared catchments. No obligation to undertake research activities in the non-declared catchments.
Benefit	Improved catchment practices (more generally) leading to: <ul style="list-style-type: none"> • reduced erosion • minimised sediment movement • less nutrient ingress • reduced pesticide, herbicide and fertiliser usage. Better source water protection (more generally) leading to: <ul style="list-style-type: none"> • reduced water treatment costs • reduced land degradation • improved river health • more sustained biodiversity.
Cost	<ul style="list-style-type: none"> • Costs of educational activities in the non-declared catchment. • Costs of research activities in the non-declared catchments. • Costs to implement any relevant findings of the Chief Scientist's independent review into the Menindee mass fish kill.
Further information	Section 2 of the Issues Paper

a. Section 6(c) of the Act.

We seek your comment



4. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to undertake educational catchment management activities in the non-declared catchment?



5. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to undertake research activities in the non-declared catchment?

3 Water planning and management



The CBA will determine if there is a net benefit to including conditions on water planning and management in the licence.

The CBA will consider if there is a net benefit for WaterNSW to:

- cooperate in any review of the Greater Sydney Water Strategy
- implement specific actions identified in the Greater Sydney Water Strategy Implementation Plan if directed by the Minister
- maintain a long-term capital and operational plan in cooperation with Sydney Water
- participate in any review of the Greater Sydney Drought Response Plan in cooperation with Sydney Water and maintain and implement that plan
- develop, review and implement a 5-year Water Conservation Plan
- notify stakeholders to changes to flow release patterns from its dams.

3.1 Long-term water planning

3.1.1 Greater Sydney Water Strategy

Issue	Long-term water planning
Background	Our preliminary view is that WaterNSW should cooperate in any review of the Greater Sydney Water Strategy (GSWS) and comply with a direction from the Minister to implement specific actions. We do not propose a further requirement in relation to the Greater Sydney Water Strategy.
Factual (preliminary)	<ul style="list-style-type: none"> • The licence would require WaterNSW to cooperate in any review of the GSWS. • The licence would require WaterNSW to comply with a direction from the Minister to implement specific actions from the GSWS implementation plan.
Counterfactual	No requirement in the Licence to participate in reviews of the GSWS or implement any actions from the GSWS implementation plan.
Benefit	<ul style="list-style-type: none"> • Avoids being overly prescriptive and allows for flexibility. The Minister can at any time provide a direction to WaterNSW to implement specific actions under the GSWS. • NSW water resources are managed in a coordinated manner with oversight by the Minister.
Cost	<ul style="list-style-type: none"> • Risk that WaterNSW may not implement all actions under the Greater Sydney Water Strategy Implementation Plan within appropriate timeframes. • Cost of implementing actions under the GSWS.
Further information	Section 3 of the Issues Paper

3.1.2 Long-term capital and operational plan

Issue	Water planning
Background	The current Licence requires WaterNSW to develop a long-term capital and operational plan jointly with Sydney Water by 1 June 2023. In general, the plan must also be reviewed and updated jointly with Sydney Water at the direction of the Minister.
Factual (preliminary)	The licence would require WaterNSW to maintain a long-term capital and operational plan jointly with Sydney Water.
Counterfactual	No requirement in the Licence to maintain long-term capital and operational plan.
Benefit	Encourages WaterNSW to consider long-term planning in regular intervals, instead of only during the water pricing determination process.
Cost	Cost of maintaining the long-term capital and operational plans (noting this work is required under other NSW Government initiatives such as the Greater Sydney Water Strategy Implementation Plan). It is also required under the Water Regulation Handbook for pricing proposals.
Further information	Section 3 of the Issues Paper

We seek your comment



6. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to implement any action responsible under the GSWS, or any action required by the Minister?



7. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to update and retain the requirement for WaterNSW to maintain the long-term capital and operational plan?

3.2 Water conservation

Issue	Water conservation
Background	Water conservation is imperative to securing the availability of drinking water to the residents of NSW. The current Licence requires WaterNSW to maintain its Water Conservation Strategy and Water Conservation Work Program. We propose to modify this obligation to require WaterNSW to develop and implement a 5-year water conservation plan that is consistent with the new NSW Water Strategy , the Greater Sydney Water Strategy and the NSW Water Efficiency Framework (Framework).
Factual (preliminary)	The Licence would require WaterNSW to develop and implement a 5-year water conservation plan that is consistent with the new NSW Water Strategy, the Greater Sydney Water Strategy and the Framework.
Counterfactual	WaterNSW would not be required under the Licence to have a 5-year water conservation plan.
Benefit	<ul style="list-style-type: none"> Increased drinking water availability. The value of this is heightened during periods of below average rainfall and drought. Consistent with the NSW Government's water planning initiatives. Less loss of water – vital for the residents of NSW.
Cost	<ul style="list-style-type: none"> Cost of revising the current Water Conservation strategy and 5-year water conservation program to align it with the NSW Government policies.
Further information	Section 3 of the Issues Paper

We seek your comment



8. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to develop, review and implement a 5-year Water Conservation Plan?

3.3 Water supply augmentation

Issue	Water supply augmentation
Background	Water supply augmentation is important to securing the availability of drinking water to the customers of Sydney Water. We consider that any new MOU should not confer exclusivity rights on WaterNSW in terms of augmented water supply.
Factual (preliminary)	The licence would require WaterNSW to establish an agreement with Sydney Water in relation to water supply augmentation
Counterfactual	WaterNSW would not be required to establish an agreement with Sydney Water in relation to water supply augmentation
Benefit	Provides for the efficient and cooperative augmentation of water supplies.
Cost	<ul style="list-style-type: none"> Establish, maintain and adhere to an MOU. Failure to cooperate adequately on water supply augmentation, leading to over investment and/or overproduction of water.
Further information	Section 3 of the Issues Paper

We seek your comment



9. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to develop, maintain and implement an agreement, MOU or protocol with Sydney Water?

3.4 Flood management

3.4.1 Sharing information for downstream customers.

Issue	Sharing information for flood management
Background	The current Licence requires WaterNSW to provide advance notification of any significant changes to flow release patterns from its Water Management Works.
Factual (preliminary)	The Licence would require WaterNSW to provide advance notification of any significant changes to flow release patterns from its Water Management Works.
Counterfactual	No obligations to share information.
Benefit	Provide improved warning of changes in flow release pattern events, allowing preparations to be made to mitigate risks to property and people.
Cost	It is anticipated that the costs of sharing this information is minimal.
Further information	Section 3 of the Issues Paper

We seek your comment



10. Are there any other costs and benefits that we need to consider when deciding the net benefit of maintaining the current about advanced notification of changes to flow release patterns?

4 Climate risk readiness



The CBA will determine if there is a net benefit in requiring WaterNSW to develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide and to place an obligation on WaterNSW to publish its progress towards Net Zero and to report against the ISSB's sustainability-related disclosure standards

Issue	Climate risk readiness
Background	Climate change is a long-term shift in temperatures and weather patterns. NSW's climate is projected to change with increasing frequency, duration and intensity of extreme weather events such as bushfires, floods and changing weather patterns. Climate change impacts are a significant risk to WaterNSW's core functions and can critically impact the communities and environment of NSW.
Factual (preliminary)	The Licence would require WaterNSW to: <ul style="list-style-type: none"> • develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide (Guide) • publish its progress towards Net Zero • report against the ISSB's sustainability-related disclosure standards.
Counterfactual	No requirements in relation to climate change.
Benefit	<ul style="list-style-type: none"> • Reduced greenhouse gas emissions. • Better preparedness for climate related extreme events. • Improved water security into the future. • More ecologically sustainable operations. • Better outcomes for future generations (i.e. improved intergenerational equity). • Centralised climate related risk management program. • Regulation would drive greater transparency and accountability of climate risk management. • Ensures a comprehensive risk management program that is consistent with NSW Government expectations.
Cost	<ul style="list-style-type: none"> • Costs for developing and maintaining a climate-related risk management program. • The cost of tracking and publishing progress towards net zero. • Cost to report against the ISSB's sustainability-related disclosure standards.
Further information	Section 4 of the Issues Paper

We seek your comment



11. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide?



12. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to publish its progress towards Net Zero?



13. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to report against the ISSB's sustainability-related disclosure standards?

5 Performance standards



We will review the performance standards in the Licence.

The CBA will inform the level at which the performance standard should be set in the licence.

Issue	Performance standards
Background	The Act requires performance standards be set in the licence for water delivery, water quality and service interruptions. We intend to review all capture, store, release water and water Supplied performance standards using a first principles approach. As part of the Review, we will identify all costs and benefits in consultation with customers and stakeholders.
Factual (preliminary)	The factual for each performance standard will be identified when developing the performance standards. We will test if having the standard has a net benefit to customers and will use the CBA to inform the optimal values to set in the licence.
Counterfactual	The counterfactual for each performance standard will be identified when developing the performance standards. As there is a requirement in the Act to have performance standards in the licence, the counterfactual will likely be a lessor or different performance standard, rather the omission of standards all together.
Benefit	<ul style="list-style-type: none"> • Customer protection. • Transparency – setting customer expectations. • Set minimum standards for water quality and the protection of public health. • Set minimum standards for system and service reliability. • Improved stakeholder relationships. • Clearly understood service expectations.
Cost	<ul style="list-style-type: none"> • Costs for monitoring and reporting on minimum standards set. • Costs for any additional infrastructure to meet new performance standards. • Cost of maintaining infrastructure to ensure minimum standards continue to be met.
Further information	Section 5 of the Issues Paper.

We seek your comment



14. Are there any additional costs or benefits that we need to consider when establishing performance standards and the minimum service levels for the licence?

6 Water quality



The CBA will determine if there is a net benefit to retain and update the current water quality conditions within the current licence.

The CBA will consider if there is a net benefit for WaterNSW to:

- monitor water quality against targets developed in consultation with NSW Health and relevant stakeholders
- implement any of the findings from the Review of Monitoring Requirements for LWUs (2019)
- monitoring water quality for water released to LWUs, and
- share information with LWUs.

6.1 Water quality performance targets

Issue	Water quality performance targets
Background	The current Licence requires WaterNSW to maintain and implement a water quality management system (WQMS) for both the declared and the non-declared catchments. The WQMS must be consistent with the Australian Drinking Water Guidelines, or requirements specified by NSW Health or IPART. Outside the declared catchment, there is also a provision for a relevant quality assurance program under section 25 of the <i>Public Health Act 2010 (NSW)</i> .
Factual (preliminary)	The licence would require WaterNSW to supply water that meets water quality targets developed in consultation with stakeholders.
Counterfactual	The licence would not include conditions to set targets for the quality of water delivered to customers.
Benefit	<ul style="list-style-type: none"> • Improved accountability of water quality. • Lower costs to WaterNSW customers driven by more consistent water quality levels received. • Improved awareness of water quality and the protection of public health. • Lower drinking water treatment costs for customers.
Cost	<ul style="list-style-type: none"> • Additional costs related to preventing exceedances of the targets (dependent on the target level set). • Deterioration of water quality and public health. • Costs borne by customers to treat drinking water.
Further information	Section 6.1 of the Issues Paper.

We seek your comment



15. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to deliver water that meets water quality targets set in consultation with stakeholders?

6.2 Local water utilities

6.2.1 Water quality monitoring

Issue	Local water utilities – water quality
Background	The current WaterNSW Licence does not include obligations related to monitoring of water quality for local water utilities (LWUs). The 2017-2022 Licence required WaterNSW to undertake a review of water quality monitoring for water released to LWUs. ^a The 2019 report identified several opportunities and findings. We seek feedback to establish if any or all of these findings should be implemented by WaterNSW.
Factual (preliminary)	The licence would require WaterNSW to implement some or all of the findings from the review of monitoring of water released to LWUs.
Counterfactual	No new requirements related to monitoring of water quality of water released to LWUs.
Benefit	<ul style="list-style-type: none"> • Lower water treatment costs for LWUs. • LWUs are able to better plan for water quality events when they have advanced notice. • Improved relationship between WaterNSW and LWUs.
Cost	Costs associated with the establishment and ongoing maintenance of the water monitoring requirement.
Further information	Section 6.4 of the Issues Paper.

a. WaterNSW, *Local Water Utility Releases, Review of the Monitoring of the Quality of Water Released to LWU*, June 2019.

We seek your comment



16. Are there any costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to monitor water quality for water released to LWUs?

6.2.2 LWU information request procedure

Issue	LWU information request procedure
Background	To ensure continuity and quality of supply, LWUs rely on information provided by WaterNSW. Information on WaterNSW's raw water quality and water source events is used to inform the LWUs' drinking water quality assurance programs or management systems, which includes the LWUs' water treatment processes. The current Licence requires WaterNSW to maintain and implement a procedure for providing information to Local Water Utilities, known as the LWU Information Request Procedure.
Factual (preliminary)	The licence would require WaterNSW to have agreed water quality parameters with their LWU customers and to have a proactive notification protocol when those parameters are not met.
Counterfactual	No requirement for a LWU information request procedure.
Benefit	<ul style="list-style-type: none"> • More effective and timely responses to adverse water quality or quantity events. • More timely and effective contingency arrangements being put into place which may result in lower water treatment costs. • Better outcomes for both the LWUs and their customers by being able to pre-emptively identify changed water quality. • Enhanced ability for LWUs to prepare or warn communities in an appropriate manner.

Issue	LWU information request procedure
	<ul style="list-style-type: none"> • Greater customer focus. • Improved stakeholder relationships.
Cost	WaterNSW would incur costs for establishing mutually agreed parameters with LWUs and proactively notifying them when they are exceeded or when adverse source water events occur.
Further information	Section 6.4 of the Issues Paper.

We seek your comment



17. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to have agreements with LWUs and a proactive notification protocol?

7 WaterNSW's obligations to its customers



The CBA will determine if there is a net benefit in requiring WaterNSW to:

- develop and implement a family violence policy that includes provisions to protect customer privacy and ensure access to payment difficulty arrangements
- engage with customers to understand, mitigate and resolve issues that relate to different customer groups.

7.1 Payment difficulties and family violence

Issue	Payment difficulties and family violence
Background	The current Licence requires WaterNSW to implement a Code of Practice on Payment Difficulties however there are no express requirements providing family violence victims access to payment difficulty assistance and protection of their personal information.
Factual (preliminary)	The Licence would require WaterNSW to have a family violence policy that protects customer privacy and ensures that family violence sufferers can access payment difficulty arrangements.
Counterfactual	The Licence would not require WaterNSW to have a family violence policy.
Benefit	<ul style="list-style-type: none"> • Decreased financial distress. • Decreased risk of potential physical and/or psychological harm. • Better outcomes for customers. • Improved societal outcomes. • Safer communities. • Customer focused Licence conditions will help improve customer protection.
Cost	<ul style="list-style-type: none"> • Financial cost to train staff (e.g. at call centre) on how to handle these types of queries. • Financial cost to establish or update internal policies.
Further information	Section 9.1 of the Issues Paper.

We seek your comment



18. Are there any other costs and benefits that we need to consider when deciding the net benefit to incorporate payment difficulties and a family violence policy in the Licence?

7.2 Consultation with customers

Issue	Consultation with customers
Background	The current Licence requires WaterNSW to establish and maintain customer advisory groups (CAGs) with representation from a broad cross-section of its customers for each region. While CAGs have been a successful mechanism for WaterNSW to engage with different types of customers, we are proposing to change this obligation to be more outcomes focused. This would allow WaterNSW to determine the best way to engage with its customers to understand issues that relate to different customer groups.
Factual (preliminary)	The licence would require WaterNSW to engage with customers to understand, mitigate and resolve issues that relate to different customer groups.
Counterfactual	The licence would not require WaterNSW to engage with customers.
Benefit	<ul style="list-style-type: none"> • Valuable opportunity for consultation outside the water price determination period. • Improved stakeholder engagement (for WaterNSW) from diverse representatives. • Understanding customer needs and expectations.
Cost	Costs associated with engaging with customers.
Further information	Section 7.2 of the Issues Paper.

We seek your comment



19. Are there any other costs and benefits that we need to consider when deciding the net benefit of WaterNSW engaging with customers to understand, mitigate and resolve issues that relate to different customer groups?

8 Access to information and data



The CBA will determine if there is a net benefit for WaterNSW to collect, maintain and share data to meet the needs of other regulatory agencies and data users.

We are collaborating with stakeholders to establish an effective solution to ensure stakeholder needs are met. As part of this processes, we will undertake a CBA of viable solutions and a thorough CBA will be undertaken on all the data sharing and access conditions recommended in the licence.

8.1 Access to information

Issue	Access to information
Background	The current Licence requires WaterNSW to agree and comply with the Roles and Responsibilities Agreement regarding conferred functions and to place responsibilities on the Department of Planning and Environment (DPE), Natural Resources Access Regulator (NRAR), WaterNSW and Water Administration Ministerial Corporation (WAMC) for planning and managing water resources in NSW on behalf of the NSW Government.
Factual (preliminary)	The licence would require WaterNSW to collect, manage and share data and information with DPE and NRAR to meet their data needs.
Counterfactual	No regulation. No licence condition relating to data sharing for the purposes of meeting DPE and NRARs needs.
Benefit	<ul style="list-style-type: none"> • Improved data availability and data access for NRAR and DPE to carry out their activities. • Reduced cost in NRAR prosecutions being dismissed or having to be withdrawn due to data inadequacy. • Improved monitoring of water extraction – preventing unlawful extraction. • Improved efficiency for state-wide water planning and program development. • Improved efficiency in undertaking their statutory obligations for both DPE and NRAR • Improved transparency.
Cost	Increased costs associated with WaterNSW collecting, managing and sharing data with DPE and NRAR. Costs will be dependent on final requirements included in the WaterNSW draft licence.
Further information	Section 8.1 of the Issues Paper

We seek your comment



20. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to collect, manage and share data with DPE and NRAR in relation to their information needs?

8.2 Portal and IT platforms

Issue	Duly qualified person (DQP) portal
Background	WaterNSW operates an online portal for the purpose of collecting and sharing information with DPE and NRAR.
Factual (preliminary)	The Licence would require WaterNSW to develop and maintain an IT platform for the sharing of information and data and provide technical support to service the platform.
Counterfactual	No licence condition relating to DQP portal or other IT systems for the purposes of sharing information and data.
Benefit	<ul style="list-style-type: none"> Improved data availability and data access for NRAR and DPE to carry out their activities. Improved monitoring of water extraction – preventing unlawful extraction. Improved efficiency for state-wide water planning and program development.
Cost	<ul style="list-style-type: none"> Inefficient process for NRAR and DPE to manually acquire information they require. Cost of developing and supporting a new or updated IT system.
Further information	Section 7.2 of the Issues Paper.

We seek your comment



21. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to deliver and service an IT platform in relation to information and data sharing and access?

8.3 Data management – integrity and reliability

Issue	Data management – integrity and reliability
Background	Data and information collected by WaterNSW is largely managed to inform WaterNSW's business activities. However, it is also provided to other agencies and stakeholders to support their business needs.
Factual (preliminary)	<p>The licence would require WaterNSW to manage data in accordance with certain standards:</p> <ul style="list-style-type: none"> NSW Government standard for Data Quality reporting^a ISO 8000-1:2022 - an international standard for Data Quality ISO 9001:2015 - an international standard for a Quality management System (QMS).
Counterfactual	No licence condition/s relating to data quality or integrity.
Benefit	<ul style="list-style-type: none"> Improved compliance with Data Sharing Agreement/s between DPE and NRAR. Improved ability for NRAR to carry out its activities with fewer prosecutions being dismissed or having to be withdrawn due to data inadequacy. Improve reliability of data accuracy. Other agencies can rely on the data for their purposes.
Cost	Costs associated with the establishment and ongoing management of data to a specified standard.
Further information	Section 8.3 of the Issues Paper.

a. NSW Government, *NSW Government Standard for Data Quality Reporting*, October 2015.

We seek your comment



22. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to manage data to an agreed standard?

8.4 Data management – timeliness of determining accuracy

Issue	Data management – timeliness of determining accuracy
Background	Data and information collected by WaterNSW is largely managed to inform WaterNSW's business activities. However, it is also provided to other agencies and stakeholders to support their business needs.
Factual (preliminary)	The licence would require WaterNSW determine accuracy of water Extracted or Supplied more frequently (the current Licence requires WaterNSW to undertake this annually).
Counterfactual	No licence condition(s) relating to determining accuracy of water extracted or supplied.
Benefit	<ul style="list-style-type: none"> Improved ability for NRAR to carry out its activities with fewer prosecutions being dismissed or having to be withdrawn due to inaccurate or incomplete data. Improve reliability of data accuracy is expected to benefit other agencies that use this data.
Cost	Costs associated with the establishment and ongoing management of data to a specified standard.
Further information	Section 8.3 of the Issues Paper.

We seek your comment



23. Are there any additional costs or benefits that we need to consider when determining the net benefit of requiring WaterNSW to determine accuracy of data more than once a year.

9 Fostering collaboration with other agencies



The CBA will determine if there is a net benefit for WaterNSW to maintain and enhance cooperative relationships with other agencies and regulators through MOUs or other mechanisms.

The CBA will also consider if there is a net benefit in conditions governing how WaterNSW interacts with LWUs to better manage risk around adverse water quality events. This will include considering whether the licence should directly impose additional conditions specifically relating to LWUs.

9.1 Promoting collaborative relationships with other regulators

Issue	Promoting collaborative relationships with other regulators
Background	<p>The Act empowers the Minister to direct WaterNSW to enter into MOUs with certain agencies. The current Licence requires WaterNSW to use its best endeavours to maintain and comply with a MOU with NRAR.^a</p> <p>An obligation on WaterNSW’s predecessor, State Water Corporation, to have an MOU with DPI Fisheries to “address the impact of State Water’s operations and information sharing arrangements on the aquatic habitat and fish passage”^b was removed from subsequent licences.</p>
Factual (preliminary)	<ul style="list-style-type: none"> • The licence would require WaterNSW to have an MOU with NRAR for improved collaboration. • The licence would require WaterNSW to have an MOU with DPI Fisheries.
Counterfactual	<p>To have no requirement for MOUs with other regulators.</p>
Benefit	<ul style="list-style-type: none"> • Clear articulation of the roles and responsibilities of parties. • Allows greater visibility of and involvement in the decision making by each party. • Fosters greater collaboration between parties. • Assist with ability of DPI fisheries to undertake its statutory functions such as: <ul style="list-style-type: none"> – conserving fish stocks and key fish habitats, threatened species, fish populations and ecological communities – promoting ecologically sustainable development.
Cost	<p>Cost of development and maintenance of the MOUs.</p>
Further information	<p>Section 9.2 of the Issues Paper.</p>

a. NRAR is the independent regulator that was established under the *Natural Resources Access Regulator Act 2017*. NRAR is responsible for ensuring the effective, efficient, transparent and accountable compliance and enforcement measures for natural resources management legislation and maintaining public confidence in the enforcement of the natural resources management legislation.

b. State Water Corporation Operating Licence 2008-2013.

We seek your comment



24. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to have MOUs with other regulators?

9.2 Improving relationships with local water utilities

Issue	Improving relationships with LWUs
Background	The Act and Licence do not currently require WaterNSW to enter into MOUs with LWUs, nor do they preclude the parties from establishing MOUs at their discretion.
Factual (preliminary)	The licence would require WaterNSW to interact with LWUs.
Counterfactual	No requirement for relationships between Water NSW and LWUs.
Benefit	<ul style="list-style-type: none"> • Improved stakeholder relationship between WaterNSW and LWUs. • Better outcomes for LWUs and their customers. • Improved emergency coordination. • Improved management of risk around adverse water quality events.
Cost	<ul style="list-style-type: none"> • Poor and potentially ineffective stakeholder relationships. • Cost of developing and maintain an MOU, Policy or Protocol.
Further information	Section 9.3 of the Issues Paper.

We seek your comment



25. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to retain and enhance conditions requiring WaterNSW to interact with LWUs?

10 Management systems



The CBA will determine if there is a net benefit to:

- maintain and implement an Environmental Management System
- maintain and implement an Asset Management System
- develop and implement a Quality Management System
- require national security clearances for executive level employees responsible for operational technology security, network operations security, and personnel security operations; and at least 2 board members.

10.1 Environmental Management System

Issue	Environmental Management System
Background	An Environmental Management System (EMS) assists businesses to take a proactive approach on environmental obligations. The current Licence requires the EMS to be consistent with Australian and New Zealand Standard ISO 14001:2016. An inadequate EMS or inadequate commitment to an EMS would not allow WaterNSW to employ best practices on environmental outcomes.
Factual (preliminary)	The Licence would require WaterNSW to maintain an EMS to AS/NZS ISO 14001:2016.
Counterfactual	No requirement in the current Licence for WaterNSW to maintain an EMS to AS/NZS ISO 14001:2016. WaterNSW may voluntarily maintains an EMS system.
Benefit	<ul style="list-style-type: none"> • Environmental impacts of operations, including significant environmental incidents, are minimised. • Fines and litigation losses mitigated. • Public confidence in WaterNSW is assured.
Cost	<ul style="list-style-type: none"> • As the EMS is established, the costs are limited to its ongoing maintenance and implementation.
Further information	Section 10 of the Issues Paper.

We seek your comment



26. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to maintain an EMS consistent with AS/NZS ISO 14001:2016?

10.2 Quality Management System

Issue	Quality Management System
Background	<p>A QMS is a system that documents processes, procedures and responsibilities for achieving quality policies and objectives. A QMS is beneficial to help deliver quality services and outcomes to meet customers' expectations and regulatory requirements.</p> <p>Preliminary discussions with stakeholders identified concerns about WaterNSW's corporate record keeping, particularly around currency of regulatory instruments, authorities and records relating to authorised officers.</p>
Factual (preliminary)	The Licence would require WaterNSW to develop, maintain and implement a QMS. The QMS may be consistent to an Australian or international standard.
Counterfactual	No requirement in the Licence for WaterNSW to maintain a QMS. WaterNSW may voluntarily maintains a QMS system.
Benefit	<ul style="list-style-type: none"> WaterNSW's documented processes, and procedures are conducted with an appropriate level of scrutiny, reliability and replicability. Ability for other regulatory authorities to rely on information acquired from WaterNSW.
Cost	<ul style="list-style-type: none"> Capital cost of establishing a QMS. Ongoing operating costs associated with appropriate maintenance of the QMS.
Further information	Section 10.2 of the Issues Paper.

We seek your comment



27. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to implement and maintain a QMS system to an appropriate standard?

10.3 Asset Management System

Issue	Asset Management System
Background	<p>An Asset Management System (AMS) is a system for tracking, managing, and maintaining assets. WaterNSW's AMS enables it to meet its system performance standards and operate critical assets to provide essential services to its customers including Sydney Water. Poor asset management can lead to disruption in service quality and delivery, increase inefficient operational costs, and pose a risk to water quality and public health.</p>
Factual (preliminary)	The Licence would require WaterNSW to maintain and fully implement an AMS consistent with Australian Standard AS ISO 55001:2014 or its replacement standard.
Counterfactual	No requirement in the Licence for WaterNSW to maintain an AMS. WaterNSW may voluntarily maintain an AMS.
Benefit	<ul style="list-style-type: none"> Improved resource allocations. Improved planning and decision making. Reduced asset failures resulting in water quality and reliability impacts for customers.
Cost	<ul style="list-style-type: none"> No capital costs given that an AMS has already been established. Ongoing maintenance and implementation costs associated with the AMS. Costs associated with updating the current AMS to the revised standard.
Further information	Section 10.3 of the Issues Paper.

We seek your comment



28. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to maintain an AMS consistent with AS/NZS ISO 55001:2014?

10.4 Critical infrastructure

Issue	Critical infrastructure
Background	WaterNSW is a 'responsible entity' that maintains critical infrastructure assets as classified under the Commonwealth Government's <i>Security of Critical Infrastructure Act 2018</i> . There is no condition in the current Licence in relation to critical infrastructure.
Factual (preliminary)	The Licence would require WaterNSW to impose national security clearances for executive level employees responsible for operational technology security, network operations security, and personnel security operations and at least two board members.
Counterfactual	No requirement in the Licence for WaterNSW to have national security clearance requirements.
Benefit	<ul style="list-style-type: none"> • Ensures sensitive information in relation to critical water industry infrastructure is handled appropriately. • Open dialogue between WaterNSW and relevant regulators on sensitive cyber security matters. • Confidence to the public for persons accountable for key water infrastructure assets.
Cost	Costs associated with obtaining national security clearances.
Further information	Section 10.4 of the Issues Paper.

We seek your comment



29. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring WaterNSW to have national security clearances for executive level employees and at least two board members?

11 Full list of questions for your comment

We seek your comment

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