



Extension of the Sydney Water Operating Licence 2019-2023

18 August 2022

1 What are we recommending?

We intend to recommend to the Minister for Lands and Water (Minister) that the Sydney Water Operating Licence 2019-2023 (Licence) should be extended. Currently, the Licence is due to expire on 29 November 2023. If the Minister accepts our recommendation, the Licence, and the Customer Contract contained in Appendix C of the Licence, will remain in effect until 30 June 2024.

At this stage, we do not propose to recommend any other material changes to the Licence or Customer Contract. We will commence a full end-of-term review of the Licence in early 2023 and we will consider any material issues at that time. Frequently reviewing the terms and conditions of the Licence would result in a cost burden and these costs are ultimately transferred to Sydney Water's customers.

Sydney Water supports our proposed approach.

2 Why should the Sydney Water Operating Licence be extended?

The Licence commenced on 30 November 2019 and has a 4-year term as set out in clause 1.3 of the Licence. We intend to recommend that the Licence should be amended to continue until 30 June 2024, which will result in a term just under 5 years as allowed in the *Sydney Water Act 1994* (NSW) (the Act).

We typically recommend a 5-year term for operating licences as this is the maximum term allowable under the Act and is efficient licensing. However, in 2019, we recommended a 4-year term for the Licence for better alignment between the next end-of-term operating licence and pricing reviews. Ending the Licence in 2023 was intended to allow the end-of-term licence review to occur in 2023^a and avoid overlap with the pricing review, which at that time, was planned for 2024. If the Licence had a 5-year term, the licence review would also have occurred in 2024.

However, in November 2021, the Tribunal decided to defer the pricing review until 2025. Therefore, we seek to also defer the operating licence review to retain a one year gap between the reviews and allow matters considered in the review of the Licence to inform the subsequent pricing review.

3 How can you be involved?

We welcome your submission on our proposed approach to extend the current term of the Licence with no other material changes. Your submission will inform our recommendation to the Minister.

Please provide your submission by **1 September 2022** through our website (Select 'Have Your Say' on the timeline). Please refer to our [submissions policy](#) when making your submission.

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.

4 When is the next review of the Sydney Water Operating Licence?

We intend to commence a full end-of-term review of the amended Licence in 2023 for a new operating licence to commence in July 2024.

Before recommending a new operating licence to the Minister, we will undertake an end-of-term review of the terms and conditions of the current Licence to assess whether they are meeting their objectives. The review may result in changes or deletions of the current terms and conditions and addition of new ones. We do these reviews with input from the public and government stakeholders.

We will seek submissions again once we commence the full review. Stakeholders' input will inform our recommendations for a new operating licence.

^a Clause 1.8 of the Licence anticipates that the end-of-term licence review will occur in the final year of the Licence.