

Sydney Water Operating Licence Review – Approach to the Cost Benefit Analysis

7 July 2023

We are undertaking an end-of-term review of the 2019-2023 Sydney Water Operating Licence (current operating licence) which will inform our recommendations to the Minister for Water (Minister) for a new operating licence to commence on 1 July 2024.

We have published an Issues Paper on our website discussing our preliminary positions on how the current operating licence could be improved. We are currently 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 a CBA. The CBA will inform our recommendations for the new operating licence by establishing if a proposed licence condition will generate a net benefit.

This CBA Approach paper focuses on key areas of the operating licence only. Other areas of the operating licence are not expected to be substantially impacted by the CBA. Ultimately, we will publish a full CBA when we publish our draft recommendations for the operating licence.

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What is a cost-benefit analysis?

An operating licence best serves the people of NSW when each condition adds value to the operating licence overall. Cost-benefit analysis is a method of testing the value of a condition.

To perform it we contrast 2 situations:

- an existing or proposed licence condition in force (we call this the **factual** scenario)
- the existing or proposed licence condition is not included in the operating licence but some realistic alternative set of arrangements is in place (we call this 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 water customers or taxpayers. Social benefits include net financial benefits to the State as a whole, but importantly they also include non-financial benefits, which could include:

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

What we seek your feedback on

We seek your feedback on:

- whether we have accurately defined the factual and counterfactual scenarios to inform our recommendations for a new operating licence to the Minister
- the benefits and costs of that we have identified to date for existing or proposed operating licence conditions
- any other comments you have on our proposal CBA Approach generally.

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 the costs and benefits it entails. It is essential that the counterfactual represents a state of the world that could and would be likely to exist if the operating 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?

Comparison of benefits and costs

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

Operating licence conditions usually impose costs on the licensed utility because the operating licence requires it to undertake certain activities or to refrain from undertaking certain others that it might prefer to do on commercial grounds. Further, operating licence conditions entail 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 subtraction (to obtain a net benefit, which would ideally be positive, but could be negative) or 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?

Our general proposed approach

Where we are not proposing substantial changes to existing operating licence conditions, we intend to rely on the CBA undertaken in the 2019 end-of-term review of the current operating licence. We do not expect the costs and benefits to have changed significantly since that time.

Where we are proposing new operating licence conditions, we will request new cost and benefit data from Sydney Water. For conditions similar to those in the 2022-2027 Hunter Water operating licence, we will rely on the general CBA approach that we took in the 2022 review for that licence. For other new areas of the operating 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?

How you can 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.

Your input is valuable to our review process.

[Make a submission »](#)

You can be involved by making a submission in response to this CBA Approach Paper.

1 Performance standards

1.1 Water quality standards



Our preliminary position is to rely on the quantitative and qualitative CBAs that we undertook in the 2019 end-of-term review of the Sydney Water operating licence as well as the approach in the 2022 end-of-term review of the Hunter Water operating licence for imposing different water quality standards in the operating licence.

We established that there is a net benefit to retaining the current water quality standards for maintaining and implementing water quality management systems consistent with the Australian Drinking Water Guidelines and Australian Water Guidelines for Water Recycling.

It is a requirement of the *Sydney Water Act 1994* (NSW) (the Act) for the operating licence to include water quality standards.¹ IPART has no discretion to recommend removing water quality standards from the operating licence. It is the specific standard chosen that is open to the CBA.

We established in the 2019 review of the current operating licence and the 2022 review of the Hunter Water operating licence that the Australian Drinking Water Guidelines (ADWG) and Australian Guidelines for Water Recycling (AGWR) are appropriate water quality standards, and they provide the most benefit.

Factual and counterfactual defined

The operating licence currently requires Sydney Water to maintain and implement a Drinking Water Quality Management System consistent with the ADWG and a Recycled Water Quality Management System consistent with the AGWR —the **factual**.

In the 2019 review of the current operating licence, we undertook a quantitative CBA of specifying the ADWG as the drinking water standard, comparing with a counterfactual where the level of drinking water treatment would be the same as undertaken by the then Sydney Water Board in the early 1990s (pre-dating the ADWG). We established that requiring Sydney Water to comply with the ADWG had modest benefits.

For recycled water, we examined a **counterfactual** where Sydney Water did not treat recycled water at all. While the quantitative CBA concluded that there was not a net benefit, we recommended specifying the AGWR as the recycled water quality standard due to qualitative benefits.

The ADWG and AGWR provide frameworks for good management of water supplies, that if implemented, will provide consumers with water that is of an appropriate quality for their intended end-use (including safe drinking water).

We consider that a counterfactual reflecting a more modern scenario could be where Sydney Water was still subject to water quality standards but the operating licence specified different ones to the ADWG and AGWR. This counterfactual would reflect the Act's requirement for the operating licence to specify water quality standards. We explored this scenario qualitatively in the 2022 end-of-term review of the Hunter Water operating licence and confirmed that there was a net benefit to recommending the ADWG and AGWR as the water quality standards in the operating licence.

Comparison of benefits and costs

The benefits of the ADWG and AGWR is that they are well understood, and they set out a process for developing a preventative risk management framework to achieve health-based targets. These targets are consistent with those adopted by the World Health Organisation (WHO)² and by more than 93 other countries.³

Alternative standards could potentially present a more cost-effective option for ensuring health and environmental outcomes and allow for innovation. However, we consider that they could also lead to undesirable outcomes. A more cost-effective option would likely mean a standard that prescribes a health-based target lower than the current level of tolerable risk for Sydney Water's customers and lower than the standard accepted by the WHO. In practice, it is likely it could also result in different water quality standards being applied across NSW.

The Chief Health Officer of NSW Health has currently exempted Sydney Water from requirements under the *Public Health Act 2010* (Public Health Act) to maintain a Quality Assurance Plan consistent with the ADWG because of the similar requirements imposed by the operating licence. If the operating licence were to specify a drinking water quality standard different to the ADWG, there is a risk that Sydney Water's exemption from the Public Health Act would be revoked, resulting in unnecessary costs from Sydney Water then having to comply with different drinking water quality standards under the operating licence and the Public Health Act.

We seek your comment



4. Are there any additional costs or benefits that we need to consider when deciding the net benefit of specifying the Australian Drinking Water Guideline and Australian Guidelines for Water Recycling as the water quality standards in the operating licence?

1.2 System performance standards for service interruptions



Our preliminary position is to undertake a new CBA for establishing the minimum service levels that should be specified in the operating licence to protect customers from excessive service interruptions.

The performance standards will specify the maximum number of service interruptions customers will experience in a year for:

- water continuity service
- low pressure events
- dry weather wastewater overflows onto customers' private properties.

The Act requires the operating licence to include performance standards for service interruptions.⁴

The system performance standards in the operating licence for service interruptions refer to water continuity, water pressure and wastewater overflows. These standards impose levels of minimum acceptable performance, expressed as the maximum number of properties that may experience water service continuity interruptions, water pressure failures or uncontrolled wastewater overflows onto private properties in dry weather in any year.

We will seek a cost-benefit analysis from Sydney Water to determine the level for each of these standards that generates the highest net benefit and reflects customers' willingness to pay. We will consider the results of Sydney Water's customer engagement work to understand customer willingness to pay for services and their willingness to accept service inconveniences.

Factual and counterfactual defined

We would expect Sydney Water's CBA to test the costs and benefits of retaining the current performance standards without change – the **factual** – as well as the costs and benefits of lowering or raising the current service levels – the **counterfactuals**.

Sydney Water should identify the asset maintenance activities and costs necessary to maintain or improve current system reliability and test those with customer expectations for quality of service and customer willingness to pay for services received. In addition, Sydney Water should identify the costs involved if the current system reliability were to be lowered to match customer willingness to pay.

This will allow us to determine the minimum service levels that should be prescribed in the operating licence. We will seek to establish the minimum service levels necessary to protect customers (which may be different to the minimum that customers wish to pay for).

Comparison of benefits and costs

The benefit of better service reliability is that customer inconvenience is reduced. In some cases, service reliability may be necessary to ensure public health, and this goes beyond inconvenience. However, establishing better service reliability comes at a cost as it will require greater asset maintenance. This cost is ultimately borne by customers.

Inversely, lower service reliability will result in lower costs to customers, but customer inconvenience is increased. There may be pockets of customers that are disproportionately affected by service interruptions, due to the nature and age of the supply network, and this will be exacerbated.

We seek to identify the minimum service levels that balance customer inconvenience with costs to customers, within what they are willing to pay for.

We acknowledge that costs are going to increase over time to maintain reliability in the face of climate change risks. The costs of this are currently unknown.

We seek your comment



5. Do you agree with our proposed approach for identifying the minimum service levels that balances customer inconvenience with willingness to pay?



6. Are there any additional costs or benefits that we need to consider when establishing the minimum service levels for the operating licence?

1.3 Asset management



Our preliminary position is to rely on the quantitative CBA that we undertook in the 2019 end-of-term review of the Sydney Water operating licence as well as the approach in the 2022 end-of-term review of the Hunter Water operating licence.

We established that there is a net benefit to retaining requirements in the operating licence for Sydney Water to maintain and implement an Asset Management System.

An asset management system is a system for tracking, managing, and maintaining assets. Sydney Water's asset management system enables it to meet its system performance standards and operate critical assets to provide essential services to more than 5 million customers. 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.

Factual and counterfactual defined

The operating licence requires Sydney Water to maintain and fully implement an asset management system⁵ – the **factual**.

The **counterfactual** to this could involve Sydney Water voluntarily maintaining an asset management system but this would not be required under the operating licence.

Sydney Water has previously confirmed to IPART that it would continue to maintain and implement its asset management system in line with international best practice, in the absence of a licence mandate. Sydney Water recognises the need for and benefits of an asset management system aligned with or certified to ISO 55001.

Comparison of benefits and costs

The benefit of retaining the operating licence condition for asset management is that it minimises any risk that Sydney Water could cease to maintain the AMS due to commercial incentives if there are costs increases or changes to leadership at Sydney Water in the future. The operating licence condition is enforceable and auditable. It recognises the criticality of maintaining the asset management system for Sydney Water to deliver on its functions and meet the performance standards.

During the 2019 review of the current operating licence, Sydney Water estimated that it spent around \$39,000 per annum on its AMS.

We seek your comment



7. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring Sydney Water to maintain and implement an asset management system in the operating licence?

2 Water conservation & efficiency

2.1 Water conservation consistent with an economic approach



Our preliminary position is to rely on the approach in we took to the CBA in the 2022 end-of-term review of the Hunter Water operating licence.

We established that there is a net benefit to including requirements in the operating licence to undertake water conservation consistent with an economic approach.

We consider that the same principle applies to Sydney Water. However, we intend to seek new CBA data from Sydney Water to test this view.

Factual and counterfactual defined

The operating licence requires that Sydney Water must maintain a water conservation work program consistent with the current economic method (which is the economic level of water conservation method). It must implement water conservation measures that have been assessed as economic under that method – the **factual**.

Sydney Water must thoroughly investigate all measures available to conserve water, including by reducing leakage and influencing its customers to conserve water. After determining which of these measures are consistent with the current economic method, Sydney Water must implement them.

In the 2022 review of the Hunter Water operating licence, we defined the counterfactual to be where there is no operating licence mandate for water conservation, resulting in Hunter Water being commercially incentivised to encourage customers to increase their water usage. Our conclusion was that there is a net benefit in recommending an operating licence requirement.

While it is our preliminary position to rely on the approach we undertook for the CBA from that licence review, we propose that the counterfactual should reflect Sydney Water's responsibilities under the NSW Water Strategy and the Greater Sydney Water Strategy and its principal function under the Act to store and supply water. Sydney Water is expected to be able to supply water in the face of climate variations and drought conditions. Therefore, it is unlikely that Sydney Water would not undertake water conservation measures.

We consider that the updated **counterfactual** could be that Sydney Water will still undertake water conservation works voluntarily in the absence of an operating licence mandate but may not apply an economic approach for prioritising investment decisions for water conservation.

Comparison of benefits and costs

We consider that there is a net benefit in operating licence requirements for Sydney Water to undertake water conservation planning using an economic approach and to implement selected water conservation measures. This benefit is particularly realised given the changing climate conditions and risk of drought.

The requirement for thorough investigation before deciding on water conservation measures to be implemented makes it more likely that prudent investments will be identified and less likely that good conservation opportunities will be overlooked. On the other hand, if Sydney Water implements all measures that have been assessed as economic, there is a risk that it may not be in the best interest of customers as it does not consider the overall benefit and impact on the business. Sydney Water is not currently incentivised through the water pricing framework to conserve water as it would decrease income.

The current economic method requires Sydney Water to consider the largest amount of water conservation that can be achieved for a cost that is less than the value of the water that is saved. Conservation activities beyond that point are not useful for customers or taxpayers because the cost of achieving that extra conservation is higher than the benefit of the water saved. Here, the estimation of benefits should include environmental uses of water as well as consumptive uses. The requirement to implement the selected measures means that the calculated benefits will be realised.

Including these requirements in the operating licence allows them to be enforceable and auditable.

The costs to Sydney Water are in undertaking the investigation of possible water conservation measures and then investing in implementing the ones found to be economic.

We seek your comment



8. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring Sydney Water to undertake (and implement) water conservation consistent with the Current Economic Method?

2.2 5-year Water Conservation Plan



It is our preliminary position to rely on the approach we took to the CBA in the 2022 end-of-term review of the Hunter Water operating licence.

We established that there is a net benefit to including requirements for the development and implementation of a 5-year water conservation plan consistent with the NSW Water Efficiency Framework.

We consider that the same principle applies to Sydney Water. However, we intend to seek new CBA data from Sydney Water to test this view.

Our preliminary position (discussed in the Issues Paper) is that Sydney Water should develop and implement a 5-year water conservation plan consistent with the NSW Water Strategy, the Greater Sydney Water Strategy and the NSW Water Efficiency Framework (Framework) and keep this plan up-to-date.

This 5-year water conservation plan will replace current water conservation measures, once developed. This is consistent with the current 2022-2027 Hunter Water operating licence.

Factual and counterfactual defined

In the **factual**, the operating licence would require Sydney Water to develop, review and implement a 5-year water conservation plan consistent with the NSW Water Strategy, Greater Sydney Water Strategy and the Framework which, once developed, will replace current water conservation work programs.

The 5-year water conservation plan would set out Sydney Water's planned water conservation work program for the next 5 years, updated annually (i.e. it is a rolling 5-year plan). Sydney Water would review the water conservation works planned against the current economic method.

In the **counterfactual**, the operating licence would not require Sydney Water to develop a 5-year water conservation plan consistent with the NSW Water Strategy, the Greater Sydney Water Strategy and the Framework.

Sydney Water is likely to still develop a 5-year water conservation plan without the operating licence requirement, as this is an action that Sydney Water is committed to in [Greater Sydney Water Strategy implementation plan 2022-25](#). However, there would be no requirement to develop this consistently with the Framework which drives an economic approach.

Comparison of benefits and costs

The costs and benefits of the operating licence requiring Sydney Water to develop and implement the 5-year water conservation plan in the operating licence are the same as requiring water conservation activities consistent with the current economic method (discussed above). The Framework seeks to drive greater water efficiency and water conservation in NSW. The Framework contains guidance for economic evaluation and criteria that emphasizes the use of a robust economic assessment.⁶ The current economic method will continue to be an appropriate methodology for use in the 5-year water conservation plan.

We seek your comment



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

3 Climate risk resilience



It is our preliminary position to undertake a CBA to determine if there is a net benefit in requiring Sydney Water to develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide.

To ensure the security of Sydney Water's water supply system, it is important for Sydney Water to:

- consider the impact of climate change risks to its service delivery, both now and into the future
- develop climate change resilience and adaptation strategies
- reduce its greenhouse gas (GHG) emissions (abatement).

Our preliminary view is that Sydney Water's current operating licence objectives of supporting protection of environment and regard for the community, together with other existing obligations, obligate Sydney Water to undertake climate change abatement actions. In our view these obligations provide sufficient incentive for Sydney Water to undertake appropriate resilience and adaptation actions.

We seek feedback about whether the operating licence should require Sydney Water to develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide (Guide).⁷

Factual and counterfactual defined

In the **factual**, the operating licence would require Sydney Water to develop and maintain a climate-related risk management program consistent with the NSW Climate Risk Ready Guide.

In the **counterfactual**, Sydney Water would not maintain a climate-related risk management program. Instead, these risks would be managed through other management systems and under other obligations. There would be no one centralised climate-related risk management program.

Comparison of benefits and costs

Under the factual scenario, Sydney Water would incur costs for developing and maintaining a climate-related risk management program.

The benefit of a climate risk management program could be that it would address climate-related risks specifically, including identifying priority risks and mitigative actions. It could ensure that all climate-related risks are clearly identified, visible and appropriately addressed. It could also provide a mechanism for IPART to review and audit Sydney Water's management of climate-related risk driving greater transparency and accountability.

Requiring Sydney Water to develop and maintain a program that is consistent with the Guide provides certainty to Sydney Water and sets a standard that ensures a comprehensive risk management program that is consistent with NSW Government expectations.^a

We seek your comment



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

^a The Guide is aligned to the general process and considerations contained in *ISO 31000:2108 – Risk management guidelines* and *ISO 14091 – Adaptation to climate change – Guidelines on vulnerability, impacts and risk assessment*.

4 Tenancy protections



It is our preliminary position to undertake a CBA to determine if there is a net benefit in the operating licence imposing greater protections for tenants paying water usage bills to their landlords, where they live in a separately metered property.

We seek feedback in the Issues Paper about what protections Sydney Water should provide for tenants who are responsible for paying their water usage bills, where they live in a separately metered property.

Sydney Water's customers are property owners. Under the *Residential Tenancies Act 2010*, a landlord must pay all water related charges. However, landlords can seek payment from their tenants for water usage charges in specific circumstances.⁸ Where tenants pay the water usage charge, they do not have a direct billing relationship with Sydney Water. They must pay their water usage charges directly to their landlord.

In emergency circumstances, such as when the property is at risk of or has had services restricted, the tenant is able to contact Sydney Water and organise direct payment to facilitate timely return of services. However, this is not the usual mechanism for payment of the water usage charges.

Factual and counterfactual defined

In the **factual**, the operating licence could require Sydney Water to providing billing information for water usage charges directly to tenants renting their homes from property owners.

In the **counterfactual**, Sydney Water does not have a direct relationship with tenants and continues to bill landlords only for fixed and variable water charges. The landlord is then responsible for recouping water usage charges from tenants.

Comparison of benefits and costs

Under the factual scenario, Sydney Water would incur costs for developing and operating a billing system that provided tenants with water usage bills separate to billing of the landlord/property owner who would receive bills for fixed charges for water services.

The benefits would flow to tenants who would receive real time billing information and would have a direct billing relationship with Sydney Water to make enquiries, register complaints and access payment arrangements such as the NSW Payment Assistance Scheme and payment assistance arrangements. Currently, Sydney Water does extend some payment assistance options to tenants, but we expect that a larger number of tenants would access these arrangements under the factual scenario because there would be a higher chance that their financial situation would remain confidential from their landlord.

We seek your comment



11. Are there any additional costs or benefits that we need to consider when deciding the net benefit of the operating licence providing greater protections for tenants paying water usage charges, where they live at separately metered properties?



12. How should we quantify the benefits for this significant change in billing arrangements?

5 Sydney Water's relationship with Fire and Rescue NSW

As a monopoly water supplier, the community expects Sydney Water to provide a system that is not prone to failure and will meet community needs, including for firefighting. It is one of Sydney Water's principal objectives under the Act to exhibit a sense of social responsibility by having regard to the interests of the community in which it operates.⁹

Fire and Rescue NSW (FRNSW) needs to be able to access Sydney Water's supply network for firefighting purposes. Recognising the need for a cooperative relationship between the 2 parties to ensure that FRNSW can achieve its objectives, the operating licence requires a Memorandum of Understanding (MoU) between the organisations.

Currently, the operating licence requires Sydney Water to use its best endeavours to maintain and comply with the MoU. This MoU must require the maintenance of working group (the Fire Fighting Working Group) and must provide that:

- the working group includes representatives from Sydney Water and FRNSW and may include representatives from other organisations such as the NSW Rural Fire Service
- the working group considers the following matters (at minimum):
 - information sharing arrangements between Sydney Water and FRNSW
 - agreed timelines and a format for Sydney Water to provide a report to FRNSW detailing the network performance with regard to availability of water for firefighting (taking into account the minimum available flow and pressure in localised areas of the network)
 - arrangements for Sydney Water to consult with FRNSW in the design of new assets and planning of system maintenance, where planning indicates that minimum available flow and pressure may unduly impact firefighting in the network section under consideration
 - other matters as agreed by both Sydney Water and FRNSW.¹⁰

While we generally consider that these operating licence requirements for the MoU continue to provide benefit for facilitating the relationship between Sydney Water and FRNSW, we seek to understand if additional enforceable licence obligations are necessary to ensure that the objectives of the MoU, and those of FRNSW, are being met.

Information sharing with FRNSW



It is our preliminary position to undertake a CBA to determine if there is a net benefit in requiring Sydney Water to provide water pressure/flow information to FRNSW by a certain date(s) in the operating licence.

We seek feedback in the Issues Paper about whether the operating licence should include enforceable requirements for Sydney Water to provide information to FRNSW on the water pressure at hydrants in its network, by a certain date.

FRNSW seeks this information to undertake its firefighting role effectively. Currently it has received 25% of the required information from Sydney Water. There have been ongoing delays with obtaining the remaining 75% of the information. Having this information allows FRNSW to resource firefighting jobs effectively, improving FRNSW's response to emergencies and implementation of preventative measures. Availability of information about water pressure at the hydrants is important to continue to protect the community.

There are currently no enforceable requirements for information sharing that are not through the MoU.

Factual and counterfactual defined

The **factual** would be that the operating licence includes enforceable requirements for Sydney Water to provide FRNSW specific information (such as maps of the water pressure/flow rates at the hydrants in its supply network) by specific date(s).

The **counterfactual** to this would be that there are no enforceable operating licence requirements. Sydney Water must use its best endeavours to agree on timelines and formats for providing information to FRNSW. This provides flexibility to negotiate timelines and formats but there is no requirement for Sydney Water to agree to a particular timeline.

Comparison of benefits and costs

While we would typically consider it appropriate for Sydney Water and FRNSW to be able to negotiate timelines and format for delivery of information flexibly under the MoU, FRNSW has reported ongoing delays with this information which it first requested at the commencement of the 2015-2019 Sydney Water operating licence.

Sydney Water has stated its intent to provide this information even if there is no operating licence mandate. It is currently in the process of updating its hydraulic models to be able to provide FRNSW this information. Sydney Water does not currently have all of the information available to provide immediately.

The benefit of an operating licence mandate is that it would provide certainty about when FRNSW would obtain this information, given the delays to date, and it would be enforceable. There is a risk that without it, other commercial objectives will take precedence and there will continue to be delays to generating this information.

To establish the costs and benefits accurately, we would seek information about the costs to Sydney Water of delivering this information by a set date and we would seek information from FRNSW on the costs of continuing to operate without the water pressure information from Sydney Water beyond this date.

We will consider the net costs and benefits to the community at large when making conclusions.

We seek your comment



13. Are there any additional costs or benefits that we need to consider when deciding the net benefit of requiring Sydney Water to provide water pressure information to FRNSW by a certain date(s) in the operating licence?

6 Full list of questions for your comment

We have included the full list of questions, asked in this CBA Approach Paper, for your comment below:

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¹ *Sydney Water Act 1994* (NSW), s 14(1)(c).

- ² According to the World Health Organization health-based targets are: "measurable health, water quality, or performance objectives that are established based on a judgement of safety and on risk assessments of waterborne hazards". (WHO, 2010).
- ³ *WHO Global Status Report on Water Safety Plans: A Review of Proactive Risk Assessment and Risk Management Practices to Ensure the Safety of Drinking-Water*, page 2, World Health Organization, Geneva, Switzerland (2017).
- ⁴ *Sydney Water Act 1994* (NSW), s 14(1)(c)
- ⁵ 2019-2023 Sydney Water Operating Licence, cl 5.5.
- ⁶ NSW Department of Planning and Environment, *NSW Water Efficiency Framework*, September 2022.
- ⁷ NSW Department of Planning, Industry and Environment, *Climate Risk Ready NSW Guide, Practical guidance for NSW Government sector to assess and manage climate change risks*, 2021.
- ⁸ *Residential Tenancies Act 2010*, s 40 (1) (e) and (f) of the
- ⁹ *Sydney Water Act 1994* (NSW), s 21(1)(iii).
- ¹⁰ 2019-2023 Sydney Water Operating Licence, clause 7.2.