

# Contextual information

WaterNSW operating licence review

14 December 2023

## 1 We are reviewing WaterNSW's operating licence

We are conducting an end-of-term review for the Water NSW Operating Licence 2022–2024 to investigate if the existing licence continues to:

- adequately protect customers and the people of NSW
- provide a net benefit to WaterNSW's customers and the people of NSW
- be fit for purpose.

We will recommend any appropriate changes to the operating licence informed by the findings of this review.

## 2 Who will this Review impact?

As this Review proposes amendments to the current operating licence, it is likely to directly affect WaterNSW's operations. We consider that the following stakeholders are also likely to be affected by this Review because they have direct relationships with WaterNSW under the proposed licence:

- customers and consumers of WaterNSW's water services (e.g. Sydney Water, local water utilities, Fish River Supply Scheme customers, regional towns and irrigators)
- NSW Government agencies that WaterNSW has cooperative relationships with (e.g. DPE, EPA, NSW Health, NRAR, DPI Fisheries).

## 3 Who is WaterNSW?

WaterNSW is a State Owned Corporation, wholly owned by the NSW Government and governed by an independent Board of Directors. WaterNSW operates under the Act and the *State Owned Corporations Act 1989*. WaterNSW was established as a State Owned Corporation on 1 January 2015 under the *WaterNSW Act 2014 (Act)*.<sup>a</sup> WaterNSW operates under the Water NSW operating licence 2022-2024 (Licence).

<sup>a</sup> Schedule 5 of the *State Owned Corporations Act 1989*.

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.

## 4 What does WaterNSW do?

WaterNSW supplies two-thirds of the water used in NSW to Sydney Water, local water utilities, regional towns and irrigators. WaterNSW's operations span a highly diverse set of systems and services including:

- **Managing and operating the bulk water supply system for Greater Sydney.** Examples of WaterNSW's role include maintaining water quality; managing dams, reservoirs, pipelines and canals; and monitoring the health of the catchment.
- **Managing and operating the FRWSS** for Fish River scheme customers. Examples of WaterNSW's role include Asset Management and Water Quality.
- **Supplying NSW's bulk water needs outside of Greater Sydney.** Examples of WaterNSW's role include operating regulated rivers by releasing water from dams and weirs; managing dams, weirs and pipelines; fulfilling environmental flow requirements; and undertaking flood mitigation.
- **Providing customer services** across Greater Sydney and rural areas. Examples of WaterNSW's role include fulfilling requests for raw water from Sydney Water, local water utilities and Fish River customers; supplying filtered water to Fish River customers; issuing and managing Water Access Licences; receiving applications for and issuing water supply work approvals, water use approvals and flood work approvals.
- **Infrastructure planning, delivery and operation** including planning and implementing actions to increase the water supply security and reliability for the people of NSW
- **Customer water transaction and information services.** Examples of this include the timely and efficient provision of services to customers that hold water access licences, billing and water trades. It also requires WaterNSW to meet water resource information needs for groundwater quality and quantity.
- **Functions conferred to it by government and transferred to it,** under schedule A of the licence, including licensing, approval, compliance and metering functions under

### 4.1 Why does WaterNSW need an operating licence?

Water supply businesses are commonly government-owned, public utilities and are usually the sole supplier within a geographic region. This means that, once connected, customers are unlikely to be able to change service provider. The operating licence protects customers by ensuring WaterNSW does not exploit its position as the only supplier to customers.

The operating licence also sets the level of service expected for its customers. It authorises, enables and requires WaterNSW to provide, construct, operate, manage and maintain systems and services for, or associated with, its activities.

The operating licence is an enforceable instrument and is subject to a compliance monitoring regime with penalties for contravention. The operating licence has already been subject to a number of IPART conducted public reviews. We last reviewed the licence in 2022.<sup>b</sup>

The current operating licence term is from 1 July 2022 to 30 June 2024. We are responsible for administering the operating licence, including the functions of monitoring, auditing and reporting to the Minister on compliance.

#### 4.1.1 WaterNSW also has a reporting manual

WaterNSW's operating licence is supported by a reporting manual. The reporting manual was established so that procedural matters associated with the operating licence could be more easily updated. We will release the draft reporting manual in early 2024, for public comment.

The operating licence contains terms and conditions to regulate how WaterNSW undertakes its functions in its area of operations.

We issue a Reporting Manual to support the operating licence and which includes details and deadlines for WaterNSW's reporting requirements.

#### 4.2 Why are we reviewing the operating licence?

The Licence requires an end-of-term review prior to expiry on 30 June 2023. We are conducting this Review to assess if the current Licence is fulfilling its objectives. As part of the Review, we investigate any issues that have arisen during the Licence term and may recommend changes to the operating licence to address the issues we identify.

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<sup>b</sup> This was a limited-scope review of the *Water NSW 2017-2022 Operating Licence*. Our review focused on clarifying obligations, amending or deleting lapsed obligations, and removing errors or inconsistencies in the previous licence. The review resulted in an extension to the 2017-2022 licence, with sufficiently similar terms and conditions to the previous licence.