

# Sydney Water Operating Licence Review - overview of our draft recommendations

14 December 2023

We are undertaking an end-of-term review of the current 2019-2024 Sydney Water Operating Licence and Customer Contract (review). The conclusions of the review will inform our recommendations to the Minister for Water (Minister) for a new operating licence and customer contract, expected to commence on 1 July 2024.

We have summarised our recommendations for key areas of the Draft Operating Licence below. We explain these recommendations fully in the discussion paper on our [website](#). We seek your feedback on these recommendations before we provide final recommendations to the Minister.

We also seek your feedback on our recommendations for the Draft Customer Contract and our proposed changes to the Reporting Manual, available on our [website](#).

## Water quality standards and fluoridation (Chapter 2 of discussion paper)

We recommend retaining the current operating licence requirements for Sydney Water to maintain and implement water quality management systems, consistent with the Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling as they continue to remain appropriate for protecting public health and ensuring water is supplied that is suitable for its purpose.

We recommend removing the current requirements relating to compliance with the *NSW Code of Practice for Fluoridation of Public Water Supplies* (Fluoridation Code) in the operating licence. Sydney Water would still be required to comply with the Fluoridation Code and we will audit Sydney Water's fluoridation practices and compliance with the Code when auditing how Sydney Water maintains and implements its water quality management system.

## System performance standards for service interruptions (Chapter 2)

We recommend retaining the current system performance standards for service interruptions in the operating licence as they also continue to remain appropriate. These include standards for minimising water continuity service interruptions, water pressure failures and dry weather wastewater overflows onto private properties.

We also recommend including a new operating licence condition requiring Sydney Water to maintain and implement a system to identify properties that may have experienced any service interruptions. We consider that this will not be a substantial change as Sydney Water would already have a system or process in place.

## Water conservation & long-term water planning (Chapter 3)

We recommend including a new operating licence condition requiring Sydney Water to maintain, implement and periodically review a 5-year water conservation plan that uses an economic approach to selecting programs for investments. Currently, the economic method specified in the operating licence is the Economic Level of Water Conservation Methodology. Sydney Water should also consider other strategic and environmental objectives (i.e. not only make decisions based on economic benefits).

We recommend including operating licence conditions for water strategy, and drought response, augmentation and long-term capital and operational planning.

## Sydney Desalination Plant (Chapter 3)

We recommend including a new operating licence condition requiring Sydney Water to produce annual production request consistent with the decision framework.

The Sydney Desalination Plant is only required, under its operating licence under the *Water Industry Competition Act 2006*, to comply with production requests that are consistent with the decision framework. By including the new obligation on Sydney Water, customers are protected from excessive costs and IPART can test the veracity of Sydney Water's production requests through audits.

## Priority Sewerage Program (Chapter 3)

We recommend removing the current operating licence obligation requiring Sydney Water to participate in any government reviews of the Priority Sewerage Program and implement any outcomes of a review as directed by the Minister. The Minister can require Sydney Water to provide sewerage services under the State Owned Corporations framework if they are satisfied this is in the public interest.

Removing the obligation from the operating licence removes ambiguity about Sydney Water's obligation to sewer priority areas.

## Climate risk readiness (Chapter 4)

We recommend including a new operating licence condition requiring Sydney Water to establish a management program that addresses climate-related risks specifically, consistent with the NSW Climate Risk Ready Guide. We do not recommend new operating licence obligations to regulate how Sydney Water reduces its carbon footprint (abatement) or develops climate change resilience and adaptation strategies.

We recommend including a new operating licence condition requiring Sydney Water to comply with International Sustainability Standards Board (ISSB) climate disclosure reporting from 2025-26, unless an Australian standard based on ISSB becomes mandatory in the meantime.

## Tenancy protections (Chapter 5)

We have not made a specific recommendation to the Minister about making changes to legislation to allow Sydney Water to bill tenants for water usage. Currently, Sydney Water sends bills to landowners as they are Sydney Water's customers.

If the NSW Government decides to make the necessary legislative changes required to allow Sydney water to directly bill tenants, IPART would be available to assist with undertaking any review of costs and benefits.

## Fire and Rescue matters (Chapter 7 )

We recommend including a new operating licence obligation requiring Sydney Water to provide network performance information at the fire hydrants in its network by the dates specified in the operating licence, to assist Fire and Rescue NSW to plan for firefighting. For example, it would allow Fire and Rescue NSW to know before attending an emergency situation if there is adequate water pressure in the Sydney Water main for firefighting, or if they require additional backup water supplies.

## Developer Service Plans (Chapter 7)

We recommend retaining the current requirements in the operating licence for Sydney Water to provide servicing information about its water and wastewater systems to allow Sydney Water's competitors and new entrants into the market to make informed investment decisions.

However, we propose allowing flexibility in the operating licence for Sydney Water to be able to meet this operating licence condition if the required information is available in published Developer Service Plans, without the need for additional or duplicative information to be published.

## How you can submit feedback

We look forward to receiving your submission on our recommendations for the Draft Sydney Water Operating Licence and Customer Contract.

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 Discussion Paper.