



13/10/2023

WaterNSW Operating Licence Review
Independent Pricing and Regulatory Tribunal
PO Box K35 Haymarket Post Shop
Sydney NSW 1240

Dear Tribunal members,

WaterNSW Operating Licence Review

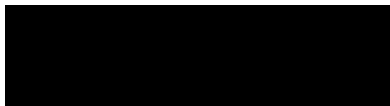
Lithgow City Council has been and continues to be a customer of WaterNSW via the Fish River water scheme to deliver potable water to its customers for human consumption. This scheme is riddled with issues and has been problematic in its operation from time to time with issues pertaining to subpar water quality, water delivery and systems performance leading Council to consider its position into the future for connection and utilization of the WaterNSW system.

The problematic water delivery and infrastructure and associated high cost of being part of the scheme and current licensing has created an inadequate supply and with costs pushed onto already struggling members of the Lithgow community for an inadequate service. This reflects the ongoing poor performance of the system and its association with a wider regional need for better water resourcing and delivery.

The license arrangements and the issues paper are received by Council and the below points in this submission reflect the ongoing problems identified from this water utility and its relationship with WaterNSW.

If you require any further information, please don't hesitate to contact Council on 6354 9999.

Yours sincerely



Matthew Trapp

EXECUTIVE MANAGER WATER, WASTEWATER AND WASTE

Chapter 3 - Water planning and management

10. *Are the current Licence requirements to calculate System Yield in the Declared Catchment Areas adequate? If not, what requirements are appropriate?*

Response:

LCC notes IPARTs preliminary position that the current system yield calculations that requires WaterNSW to:

- recalculate System Yield in a declared catchment area following specified events such as the conclusion of droughts, or modifications/changes to the operating rules of the Catchment Infrastructure Works, and more.
- advise the Minister of any changes to the System Yield or if it considers that future demand may exceed the supply yield including when this might occur.

are fit-for-purpose and should remain in the License.

Oberon and Lithgow Councils have long reported issues with obtaining advice about the secure yield available to them. LCC has not received, in any license year, the full WaterNSW allocation of 1778 ML/per year. This has led Council to procure more water for from other sources but continue to pay for a source that may not correctly be calculated or allocated. The lack of a secure yield being undertaken or being presented to customers shows a distinct lack of understanding of water systems, appears disingenuous and could remain incomplete by WaterNSW for fear of receiving less income from the customers should the system yield lower, and allocations be changed.

LCC pays more than \$160K per month to not get the amount they are licensed to receive. At the last pricing determination an 80:20 split was endorsed with prices increasing by 20-30% with no noticeable change in the service provided or the works undertaken.

Lithgow currently pays over \$2M per year for water to use a system that has so many issues and Council must increase its prices for water to its customers to match that.

Secure Yield is a "must have" for LWUs regulated by DPE Water under its new Regulatory and Assurance Framework. It is imperative that the FRWS provides secure yield advice to both Oberon, Lithgow, Sydney Water and Energy Australia so they can plan effectively and in line with their obligations to other regulators. The charging of water should also be reflective of the volumes available as the yields such as when droughts occur and water levels begin to drop, the availability of water is not the same as the allocation and should be charged as such.

Reporting to the Minister is not enough and enables a culture of "corporate secrecy" which is remarkably unhelpful to communities trying to ensure water supply. The FRWSS must provide all the advice Councils need to inform their water planning, including secure yield.

12. *Do you agree with transitioning the existing requirements in the current Licence for WaterNSW to maintain a Water Conservation Plan that is consistent with the NSW Water Efficiency Framework, NSW Water Strategy, and the Greater Sydney Water Strategy?*

Response:

LCC agrees with IPART's preliminary position that the Licence should require WaterNSW to develop and implement a new 5-year water conservation plan that is consistent with the NSW Water Strategy, the Greater Sydney Water Strategy, and the NSW Water Efficiency Framework.

Council LWUs across regional NSW are committed to saving water and improving drought resilience through the implementation of actions in the NSW Water Efficiency Framework. CNSWJO LWUs are currently undertaking a program of active leak detection to identify and repair leaking pipes across Council's water networks. This requires Councils to report on water and energy saved. It is anticipated that as part of its Water Conservation Plan, WaterNSW is identifying and repairing water leakage along the 236 kilometres of pipeline that forms part of the Fish River Water Supply Scheme that supplies water from Oberon Dam and Duckmaloi Weir to Oberon and Lithgow. This is not currently transparent to customers on the FRWSS.

However, this region is concerned that this work will come at increased costs to members and implores IPART to include an efficiency gain reduction in costs for this work rather than increased costs.

13. *Is there anything else that WaterNSW's licence should authorise or require in relation to water conservation?*

Response:

As detailed above it is suggested that WaterNSW should be required to commit to an Asset Management Improvement program under its Licence that includes active leak detection to ensure ongoing monitoring and repair of its infrastructure to reduce water loss. Under Integrated Planning and Reporting Councils must manage their assets in line with ISO 55000. This is a reasonable expectation of WaterNSW operations.

14. *Do you agree that planning and responding to flood emergencies is adequately regulated? If not, should we consider requiring WaterNSW to undertake any additional flood planning and emergency response activities?*

Response: LCC doesn't have enough information to respond.

15. *Should the Licence authorise WaterNSW to undertake flood mitigation and management in all parts of NSW including the Sydney catchment area? If so, are there any terms and conditions that are appropriate for this?*

Response: Yes. It's also important to plan effectively for this work.

16. How could the advanced notification of changes to flow release patterns be strengthened to further warn and protect downstream customers and other stakeholders of water releases from the dams (not for the purpose of flood warning)?

Response: not applicable to LCC

Chapter 4 - Climate risk readiness

19. Should the objectives in the Licence be amended to explicitly refer to a climate risk management program?

Response: LCC agrees with IPARTs preliminary position to require WaterNSW to develop and maintain a climate-related risk management program consistent with the Climate Risk Ready NSW Guide, including identifying priority risks and mitigative actions. It is critical that a state-owned water corporation with obligations to provide domestic water and flood mitigation services to communities is applying the same level of rigor to climate risk readiness as is expected of State Agencies and Councils. Further, a mechanism for greater transparency and accountability around this is supported.

21. Should the Licence require WaterNSW to include climate risks in their operations, water quality and asset management risk assessments? If so, should WaterNSW be made to report on its implementation of risk management measures?

Response: Yes. See response to question 20 above. For the communities of Lithgow and Oberon that rely on the WaterNSW managed Fish River Water Supply System for domestic water, WaterNSW should absolutely be required to include climate risks in their water quality and asset management risk assessments and be made to report on it. Highly regulated Council owned and managed LWUs are required to include climate risks in their water quality and asset management risk assessments, its only appropriate that the same is applied to WaterNSW.

22. Should the Licence require WaterNSW to undertake climate change risk assessments consistent with ISO 14091:2021 Adaptation to climate change — Guidelines on vulnerability, impacts and risk assessment?

Response: Yes, with the provisos around costs and codesign.

23. Should WaterNSW be required to report on its progress to Net Zero?

Response: Yes, with the provisos around costs and codesign. LCC supports the IPART position that there would be benefits in terms of public accountability and gaining trust in placing an obligation on WaterNSW to publish its progress towards Net Zero.

Chapter 5 - Performance standards

25. Are the current CSR performance standards still relevant to WaterNSW's operations?

Response: WaterNSW should have the same reporting requirements as local water utilities regarding their performance. This is a good fit with ISO 55000.

26. Should we explore the inclusion of additional performance standards for CSR water? If so, what types of performance standards (e.g., water delivery or water quality) should we include?

Response: The performance on breakdowns and the timeframe for repairs should certainly be a consideration in the license and the requirements for water delivery. The type of CSR's should refer to the reporting requirements of DPE Water that utilities are required to report on yearly as a starting point.

27. What performance standards should apply to water delivery, water quality and service interruptions?

Response: The performance standards of water delivery should be created and relate to timing and availability of supply and the volume available. WaterNSW have volume-based drought restrictions, and this can reduce the volumes available to each customer without any report on availability changes. The changes in volume or availability should also be reflected in the charging structure.

Service Interruptions should also have performance standards for time and length of breakdown. WaterNSW should monitor and record the severity of service interruptions and a standard for repairs and return to service, even on a sliding scale based on priority customers or number of customers affected by the breakage.

28. Should the Licence prescribe any other performance standards in relation to Supplied Water? i.e., in addition to the required performance standards related to water delivery, water quality and service interruptions, minimum standards could be prescribed for timing of delivery and customer service.

Response: WaterNSW should have standards for other areas as other utilities do such as asset maintenance, asset repairs and ongoing planning such as strategic plans and linkages to legislation similar to what Councils have in the IP&R framework.

Chapter 6 - Water quality

30. Should WaterNSW be required to define and monitor Water Quality Performance targets in consultation with NSW Health and relevant stakeholders?

Response: As detailed in section 6.1 of the Issues Paper, the quality of water supplied by WaterNSW can have *a significant impact on the quality of the end product and the cost of treating and producing drinking water to standard. This means management of the quality of water supplied by WaterNSW can impact the quality and price of drinking water provided to end users.*

This is certainly the case for the Lithgow community where council does not have any power or control over the treatment or retreatment of FRWS water supply. Councils bear the costs of additional water treatment of water supplied through

the Farmer's Creek Dam No.2 together with ongoing community dissatisfaction with poor water quality.

The financial costs associated with paying for water from the Fish River Scheme are significantly higher for water users. The FRWSS currently supplies drinking water to Lithgow's rural villages on a continuous basis and to Lithgow town water under a supply arrangement with other water sourced from Farmers Creek Dam No.2 and Clarence Water Transfer Scheme both owned by LCC. Due to the inadequate supply ability from FRWS, Council often over utilises the water available in the Farmer's Creek Dam catchment and chronically underutilises the water from FRWS with an inefficient and overly expensive pricing scheme and costs for Council.

Potable water supplied to Lithgow sometimes contains high concentrations of manganese, particularly when the dam's water level is low. The manganese in the treated water is an aesthetic issue, causing discolouration of the water and staining of laundry, while the treated water continues to be safe to drink.

The Issues Paper also identifies shortcomings relating to fluoridation at the Duckmaloi water treatment plant identified by auditors in recent years. WaterNSW operates the Duckmaloi water filtration plant, in the FRWSS, to supply treated drinking water to parts of Lithgow.¹

Both Councils have reviewed operational procedures and optimised operations, to remove manganese at the plant and undertake continual flushing of pipe systems and cleaning of the reticulation system.²

Action 1.8 in the Draft Macquarie- Castlereagh Regional Water Strategy seeks to address this issue. This includes working with WaterNSW to improve the quality of raw water supplied to Oberon to reduce treatment difficulties and explore options to support the financial costs associated with sourcing water from the Fish River Scheme.³

Where currently there is no obligation for WaterNSW to comply with water quality performance targets for the quality of water it supplies to its bulk water customers under its existing licence, it is suggested that compliance with the Australia Drinking Water Guidelines should be mandated in the licence requiring WaterNSW to report against targets or measures. Current agreements with Councils say that WaterNSW will endeavour to meet the ADWGs not that they must. This leaves Council purchasing water from WaterNSW that is not fit for potable use on occasions and further incapable of treating this water further to bring up to standards. This would be a requirement from NSWHealth to treat and ensure treatment is completed to ADWG as WaterNSW have approximately 200 minor customers that utilize the water also.

31. Should conditions for FRWSS be separated out in the licence? For example, a separate condition for WQMS and reporting requirements.

¹ IPART Issues Paper - WaterNSW Operating Licence Review page 47

² Draft Macquarie-Castlereagh Regional Water Strategy Consultation Paper page 29.

³ Ibid page 64

Response: See also the response to question 30.

As detailed in the Issues Paper, the current Licence requires WaterNSW to supply water in the declared catchment in accordance with a WQMS. This does not clearly distinguish the differences between WaterNSW's dual roles as a bulk water supplier and the operator of the FRWSS. Separating the obligations for FRWSS from the current obligation could help FRWSS customers better distinguish and understand the services they receive from WaterNSW.⁴

Given the water quality issues experienced by Lithgow and Oberon who source raw and potable water from the FRWSS as detailed above, conditions for the FRWSS for WQMS and reporting requirements should be separated out in the Licence.

The challenge for these communities is that they already pay a higher price for their raw water supplied by WaterNSW than that charged by the Central NSW region's Council LWUs. The cost of any additional mandated requirements of WaterNSW relating to water quality and reporting must not be borne by these customers.

Refer to Action 1.8 in the Draft Macquarie- Castlereagh Regional Water Strategy that includes WaterNSW working to improve the quality of raw water supplied to Oberon to reduce treatment difficulties and explore options to support the financial costs associated with sourcing water from the Fish River Scheme.⁵

32. Should the FRWSS be excluded from some obligations under the Licence where there is duplication with the WMA? If so, which Licence obligations or activities should be excluded?

Response: Where there is duplication, it should be excluded but only if the intention of each clause and actions associated are the same. They should not be removed if the inference of these clauses causes different outcomes.

33. Should the Licence include new conditions in relation to FRWSS?

Response: See response to questions 30 and 32 relating to water quality and question 10 relating to secure yield.

6.4 Local water utilities

34. Is there benefit in increasing WaterNSW's responsibilities to monitor and provide information on water source events and the quality of raw water supplied to LWUs?

Response: Yes.

35. Should the information request procedure be recast to require WNSW to provide information to the LWU when specified parameters have not been met?

⁴ Issues Paper – WaterNSW Licence Review Page 47

⁵ Draft Macquarie-Castlereagh Regional Water Strategy Consultation Paper page 64

Response: Yes.

36. How else could WaterNSW be more proactive in notifying LWUs of water source events or sharing of information?

Response: It is recommended that this type of work be undertaken collaboratively with stakeholders in region rather than through an IPART process.

Chapter 7 - WaterNSW's obligations to its customers

39. Is there any value in continuing to require WaterNSW to utilise CAGs to engage with different customer groups?

Response: The CAGs do not offer enough to those Councils who a party to them. They are more about information provision than an opportunity to codesign optimisation in the interest of customers. Indeed, the concept of "customer" is anathema when considering the human right of quality secure drinking water. It would be preferable if CAGs were setup with customers who have similar priorities or situations as opposed to geographically. There would be benefit to the CAG's including and utilizing a irrigators group and a utilities group as the systems may be different, but the sourcing of water is much the same.

Chapter 8 - Access to information and data

40. Do you agree that WaterNSW is responsible for collecting, managing, and sharing data and information of water resource data on behalf of the NSW Government? If so, does this obligation extend beyond the data and information it uses for its own purposes.

Response: LCC support the concept of "one source of truth." Now data is siloed with one entity being unaware that another is collecting similar data. A very worthy activity would be for all entities collecting data on water to share their information and look for gaps and duplication before embarking on taking on more data collection.

41. Is the Licence the right instrument to ensure all NSW data and information users can adequately access water resource data for the state?

Response: See above

42. Does the current licence condition to agree to, and comply with, the Roles and Responsibilities agreement adequately obligate WaterNSW to provide access to information and data to all NSW data and information users?

Response: LCC does not have sufficient information to hand to answer this question at this time.

43. Does the Roles and Responsibilities agreement require WaterNSW to provide sufficient access to information for other agencies (such as DPE and NRAR) to undertake their functions/statutory obligations?

Response: LCC does not have sufficient information to hand to answer this question at this time.

44. *Are there any reasons why an arrangement could not be made with WaterNSW to address the data quality and data access requirements of DPE and NRAR?*

Response: LCC is of the view that more data needs to be readily accessible to enable good decision making and strategy. It seems odd that LWU are not included in the entities needing better data given they provide drinking water.

45. *Do the current conditions provide DPE and NRAR the access to information and systems they need? What, if any changes are required?*

Response: LCC is of the view that more data needs to be readily accessible to enable good decision making and strategy. It seems odd that LWU are not included in the entities needing better data given they provide drinking water.

46. *Should the Licence require WaterNSW to develop, operate and maintain IT systems, and provide support, to allow access to users of NSW water resource information and data? If so, what information and data should the system provide access to?*

Response: Yes, Water quality, volume and secure yield are top of mind for LWUs in this region.

47. *How else could WaterNSW facilitate the sharing of water resource information with the NSW water sector?*

Response: LCC support the concept of "one source of truth." At the moment data is siloed with one entity being unaware that another is collecting similar data. A very worthy activity would be for all entities collecting data on water to share their information and look for gaps and duplication before embarking on taking on more data collection.

48. *Do the Data Sharing Agreement adequately address the needs of NRAR and DPE Water in relation to data accuracy, quality, continuity, and timeliness of data provision?*

Response: LCC is of the view that more data needs to be readily accessible to enable good decision making and strategy. LCC cannot comment on the reporting, or the information provided to DPE Water and NRAR.

49. *Should the Licence require WaterNSW to manage data consistently with any standards or guidelines? If so, which standards would you recommend and why? (NSW Government Standards for Data reporting, ISO 8000:1, ISO 9001:2015, or another standard or guideline not listed)*

Response: Yes, applicable ISO for quality management, Asset Management and Data management (ISO 8000:1)

50. *Are there any other options to improve data integrity and reliability we have not considered?*

Response: no, seems to be considered approach from IPART. It would be reasonable to see a system that is sharable and accessible to customers.

51. *Should we amend the current Licence condition about accounting for water extracted or supplied to account for the needs of other agencies?*

Response: There needs to be recognition of the primacy of human consumption in the Licence. The license condition should reflect the need for all water extracted to be recorded in some fashion so yield and availability can be appropriately measured and reported.

52. *Is there other data that should be collected, and accuracy confirmed, at a greater frequency than is already required?*

Response: Any data relevant to human consumption including water quality and secure yield needs inclusion. Thought also needs to happen on the timing of this advice. Information on Asset location and work on the management system to appropriately plan maintenance and capital works should be completed following secure yield works.

Chapter 9 Fostering collaboration with other agencies

53. *Should the nature or purpose of the MOUs with NSW Health and EPA change? If so, what should the revised nature and/or purpose of the MOUs be?*

Response: The WaterNSW systems should be monitored and similar if not the same provisions of a utility providing raw water and potable water should be applied to WaterNSW

54. *Should the Licence further specify the contents of the MOU (or similar) between WaterNSW and NRAR? If so, what should the MOU prescribe? Alternatively, or additionally, should the Licence directly impose conditions on WaterNSW related to NRAR?*

Response: LCC does not have enough information at this time to respond

55. *Are there any other parties that WaterNSW should enter into an MOU (or similar) with? If so, who are these parties and what should the Licence require for each of the parties? Alternatively, or additionally, should the Licence directly impose conditions on WaterNSW related to other agencies?*

Response: LCC does not have enough information at this time to respond

56. *How effective are the current mechanisms in achieving the required relationship and information sharing needs between WaterNSW and LWUs?*

Response: Outside of regular monthly reports, the information is not readily available including meter reading and water quality.

57. Should WaterNSW be required to manage its relationships with LWUs through an MOU, protocol, or policy?

Response: It would be best to design this with a protocol for data gathering and provision. Many times, LCC have requested data that should be readily available there has been a massive delay in acquisition due to those in WaterNSW not knowing where to obtain the information or who to obtain it from.

Chapter 10 - Management systems

58. Should the current Licence conditions relating to an EMS be changed? If so, what should these changes include?

Response: LCC does not have enough information at this time to respond

59. Would adding a requirement under the licence requiring WaterNSW to develop, maintain and implement a QMS provide benefit to WaterNSW and/or its customers? If so, what are these benefits?

Response: This would absolutely benefit the customers as the quality of systems, assets, management, and the assurance of quality products being delivered in the management of the infrastructure would be highly beneficial.

60. What other mechanisms could be included in the licence to improve WaterNSW's corporate record keeping.

Response: LCC does not have enough information at this time to respond

61. Should the current Licence conditions relating to an AMS be changed?

Response: An AMS should be maintained and reported with asset renewals and asset maintenance completed

62. Should WaterNSW be required to comply with the latest version of ISO 55001?

Response: Yes

Chapter 11 - Administration

64. Do you have any other issues or concerns you would like to raise relating to WaterNSW's Licence?

Response: No