

13 October 2023

Independent Pricing and Regulatory Tribunal NSW
WaterNSW Operating Licence Review
Response to Issues Paper August 2023

Submission in response to WaterNSW Operating Licence Review issues paper – August 2020

Thank you for the opportunity to provide an initial submission responding to the Productivity Commission’s May 2020 issues paper. We are pleased to see that the provision of reliable water services to regional, rural and remote communities has been specifically included in the scope of the inquiry.

The NSW Water Directorate is the peak industry body for 87 out of 90 local government owned water utilities (LWU’s) in regional NSW. Further information about us can be found at:
<https://www.waterdirectorate.asn.au/AboutUs.aspx>.

Local Water Infrastructure in regional NSW ‘at a glance’

Local water utilities in NSW have the following attributes ‘at a glance’:

Table 1 - Features of the regional NSW urban water industry

• 92 Local Water Utilities (LWU’s)	• 1.9 million population served in 890,000 homes and businesses
• 782,000 square kilometres in aggregate catchment area	
• 380 water supply schemes	• 300 sewerage schemes
• 49 recycled water schemes	
• 312 GL per annum of water supplied	• 160 GL of sewage treated
• \$30 Billion total replacement cost of assets	• \$1.9 Billion in annual revenue
• 2400 water operators*	• 400 engineers, technicians and managers*

* Estimate extrapolated from 2016 operator survey

The data indicates extensive critical infrastructure operated over an expansive catchment area by a relatively small cohort of dedicated local government staff.

In the last few years, regional NSW has experienced unprecedented impacts on water security and water quality arising from drought, bushfire, water quality challenges and the COVID-19 pandemic.

The Water Directorate is calling for all water related agencies to collaborate and invest in water utility resilience for regional water providers through capacity building, improved water utility risk management and non-asset solutions such as digital technology. While capital projects have an important part to play, these are invariably long-term solutions. Short term non-asset solutions are required to monitor, predict, and mitigate risk.

Overarching comments

We express our gratitude that both IPART and WaterNSW have specifically acknowledged issues being faced by Local Water Utilities (LWU's) across regional NSW and are considering ways to assist.

Our response is selective rather than comprehensive. Water Directorate's scope is technical support and advocacy for councils (LWU's) on town water supply and sewerage matters across regional NSW. Where questions fall outside this brief, we have not commented.

We acknowledge WaterNSW's *Response to IPART's Issues Paper* and have referred to WaterNSW's numbered responses in our submission.

Just like WaterNSW, LWU's work in a complex environment with numerous regulating agencies and overlapping legislative requirements. We acknowledge that some of our commentary may not be within the scope of WaterNSW's authority but seek to understand how we can address the issues we raise during the consultation and engagement process.

Water Directorate broadly supports the premise that WaterNSW's increases its scope of monitoring, data sharing catchment management to include undeclared catchments and unregulated rivers across NSW, and agrees that roles and responsibilities need further clarification to put this to effect. In addition, it is Water Directorate's position that a Community Service Obligation should be considered by the NSW government as that WaterNSW's customers are not adversely affected financially.

Response to numbered questions

We respond to the information requests in the issues paper as follows:

1. Should WaterNSW's obligation to undertake catchment management activities extend to the non-declared catchment? If so, what could WaterNSW do in the non-declared catchment to encourage catchment management practices and source water protection? What are the benefits?

2. Should WaterNSW be required to undertake a program of research in both the declared and the non-declared catchments?

3. Should WaterNSW be required to undertake education programs in the community for both the declared and non-declared catchments?

4. Should the Licence specify what the education programs should include? If so, what should it specify

We acknowledge that WaterNSW supports extending catchment management activities to non-declared catchments, and mention numerous aspects to be considered if their role were to be extended. Water Directorate supports and agrees with WaterNSW's response.

5. Should WaterNSW be required to manage river health, beyond monitoring and reporting against the catchment health indicators identified in the reporting manual?

Water Directorate agrees with WaterNSW's response in having a larger and better-defined coordination, data collection and monitoring role, as well as their commentary on disjointed roles/responsibilities for managing and monitoring river health across the state.

6. Do you agree with removing the Licence conditions requiring WaterNSW to implement actions under the Greater Sydney Water Strategy?

7. Should the Licence require WaterNSW to implement actions in the Greater Sydney Water Strategy requested by the Minister?

No comment.

8. Should the Licence require WaterNSW to maintain a long-term capital and operating plan, to be approved by the Minister?

We note that while the question appears to apply to Greater Sydney, we support a long term capital and operating plan that applies to regional NSW and helps to inform LWU long term planning.

9. Should the Licence require WaterNSW to maintain and implement the Greater Sydney Drought Response Plan and participate in any review of the plan?

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

11. Should the Licence require WaterNSW to maintain an agreement, MoU or protocol with Sydney Water to support water supply augmentation?

No comment.

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?

Yes. We also agree with WaterNSW's response.

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

No. This is largely a responsibility of DPE.

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?

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?

16. How could the advanced notification 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)?

No comment

17. Should the objectives in the Licence be amended to explicitly refer to abatement?

18. Should the objectives in the Licence be amended to explicitly refer to climate change resilience and adaptation?

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

20. Is there anything further that we should consider when deciding whether WaterNSW should be required to develop and maintain a climate related risk management program consistent with the Guide?

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?

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?

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

Water Directorate agrees with WaterNSW's submission

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

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?

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

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

Water Directorate encourages customer engagement as suggested by WaterNSW in their response. Our view is the Customer Advisory Groups (CAG's) have been ineffective with regard to water supply for critical human needs for towns and cities in regional NSW.

29. Is there benefit in maintaining separate licence conditions in the licence for the declared and the non-declared catchments?

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

We acknowledge WaterNSW's response, in particular the very different licence conditions. However, in the long run, the appearance is that there is two different standards for water quality in NSW. We note the significant difficulties, and we respectfully ask for a whole-of-government response including a long term water quality strategy. We respect that this is not solely the remit of WaterNSW.

31. Is there any reason we should not specifically exclude picnic areas from the WQMS obligations in the licence?

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

33. 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?

No comment

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

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

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

Yes. There is a big difference between 'push' data with alerts and alarms and 'pull' data where LWU's need to request data after the event. Real time monitoring is possible and available, and would greatly assist councils with their drinking water responsibilities.

We support WaterNSW's suggestion for a Water Quality Plan for water quality monitoring. This will contribute immensely to reducing water quality risk for small towns across NSW. Its important that we construe this to mean all catchments in NSW – undeclared and unregulated.

38. Should WaterNSW be required to have a family violence policy that protects customer privacy and ensures that family violence sufferers can access payment difficulty arrangements? If so, what as a minimum, should the condition include? Would a change to the Code of Practice on Payment Difficulties also be required?

39. Should the Licence require WaterNSW to engage with its customers, but allow WaterNSW to determine the best way for engagement?

On Question 39, we agree with a flexible approach to engagement.

41. 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.
42. Is the Licence the right instrument to ensure all NSW data and information users can adequately access water resource data for the State?
43. 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.
44. 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
45. 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?
46. Do the current conditions provide DPE and NRAR the access to information and systems they need? What, if any changes are required?
47. 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?
48. How else could WaterNSW facilitate the sharing of water resource information with the NSW water sector?

We have not reviewed the Roles and Responsibilities agreement but note that there is a significant difference between real-time data and post-event data. We acknowledge that the question is difficult, but a good result will be achieved for regional LWU's if we can understand water quality (surface water or groundwater) in real time through alerts or alarms to avoid pumping water that is difficult to treat into our water treatment plants.

49. Do the Data Sharing Agreements adequately address the needs of NRAR and DPE Water in relation to data accuracy, quality, continuity, timeline of data provision?

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

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

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

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

No comment

55. 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 condition on WaterNSW related to NRAR?

56. 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

Water Directorate appreciates a multi-agency approach, but we do not support prescriptive arrangements through the Operating Licence. Councils would appreciate being informed on strategic decisions as they are the frontline in emergencies and incidents during drought, fire and flood in regional NSW through Local Emergency Management Committees.

57. How effective are the current mechanism in achieving the required relationship and information sharing needs between WaterNSW and LWUs?

We do not agree WaterNSW's mechanisms are effective. We believe that there is room for improvement in many areas:

- Firstly, with real time alerts, councils (LWU's) would appreciate early warning of water quality issues
- Collaborating with local government on strategies for water for critical human needs during a drought
- In the long term, WaterNSW needs to understand and communicate how many towns and cities may be at high risk of town water supply failure with enough lead time for a response.

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

Yes, we believe a relationship should be maintained through some form of instrument because the current situation is not acceptable, We would refer and rely upon DPE Water to put an arrangement in place.

59. Should the current Licence conditions relating to an EMAS be changed? If so, what should these changes include?
60. 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

60. 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

61. What other mechanisms could be included to improve WaterNSW's corporate record keeping?

62. Should the current Licence condition relating to an AMS be changed?

63. Should WaterNSW be required to comply with the latest version of ISO 550031

64. Do you agree the Licence should impose national security clearance requirements on executive level employees responsible for operational technology security, network operations security, personnel security operations; and at least two board members?

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

No comment.

Thank your for the opportunity to comments.

Yours sincerely

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