

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

MID-TERM REVIEW WORKSHOP OF THE OPERATING LICENCES FOR
SYDNEY WATER CORPORATION & SYDNEY CATCHMENT AUTHORITY

Tribunal Members

Mr James Cox, Chairman
Professor Tom Parry

Held at the Grace Hotel,
77 York Street, Sydney NSW 2000

On Tuesday, 23 July 2002, at 9.30am

1 CHAIRMAN: Good morning, ladies and gentlemen, I'd like
2 now to welcome you to our workshop on matters
3 concerned with the mid-term review of the licences
4 of the Sydney Water Corporation and the Sydney
5 Catchment Authority.

6
7 My name is Jim Cox. I must apologise for the
8 absence of my colleague, Cristina Cifuentes, but
9 Tom Parry is with us. The purpose of the workshop
10 is to assist us in conducting a mid-term review of
11 the operating licences for Sydney Water Corporation
12 and Sydney Catchment Authority.

13
14 This workshop is part of the Tribunal's
15 consultation process. We would like to hear
16 comments on issues of concern for the stakeholders
17 and we'd like to progress our understanding of the
18 issues through structured discussion. There are
19 some proposals that we have developed, for the
20 purposes of discussion, which we would like to
21 receive your comments on.

22
23 There is, I believe, a registration book at the
24 back of the room and if you could sign that, please,
25 we would appreciate a record of your attendance.

26
27 Just on the structure of the workshop,
28 basically the first session will look at the
29 background to the review and it will look at an
30 overview of the supply and demand balance in the
31 Sydney area and in particular, the development of
32 criteria for Sydney Catchment Authority's licence.
33 We will then break for morning tea at about 1.30ish.
34 I realise we started a bit late.

35
36 We will have a very interesting session on
37 demand management, then break for lunch and then
38 continue with some specific issues on the Sydney
39 Catchment Authority and the Sydney Water
40 Corporation.

41
42 I would like to make the point that I think
43 many of the issues we're going to discuss today are
44 very difficult issues. It will certainly assist all
45 of us, particularly the Tribunal, to hear your
46 views. We are interested in hearing your views. We
47 are interested in hearing everyone's views,
48 including those people sitting at the back of the
49 room.

50
51 I am very keen that we do have a process of
52 structured and full discussion. While this may
53 sound like conventional piety, it is very sincerely
54 meant. To give everyone the chance to participate
55 there are a number of rules we would like you to
56 observe during the workshop. A topic will be
57 introduced by a member of the Secretariat, there
58 will be a brief discussion of the Tribunal's

.23/7/02 2

Transcript produced by ComputerReporters Pty Ltd

1 thinking - to the extent that it exists - and then
2 we'll ask participants to present their positions.

3
4 To ensure that the discussion proceeds smoothly
5 and all topics of discussion are covered, we would
6 ask you to limit your remarks to five to seven
7 minutes for each topic. During this time we ask
8 that the speakers not be interrupted and only one
9 representative for each participating organisation
10 will speak for each topic.

11
12 Following contributions from people on the
13 panel, we'll invite questions and comments from
14 those on the floor. Bear in mind that there will be
15 some changes of people sitting at the table, so
16 there may be some brief interruptions between the
17 sessions.

18
19 I should point out that the sessions are being
20 transcribed and to assist the transcribers who
21 record the discussion please introduce yourself and
22 speak slowly and clearly, as I am trying to do now.
23 The transcribers will remind us if that is not
24 happening. A transcript of the day's sessions will
25 be made available on the Tribunal's website.

26
27 What I would like to do now is ask those people
28 sitting at the table to introduce themselves briefly
29 and perhaps explain their interests. I might start
30 with Graeme.

31
32 MR HEAD: My name is Graeme Head and I'm the chief
33 executive of the Sydney Catchment Authority. My
34 interests are fairly obvious, without explaining
35 them in detail.

36
37 MS CORBYN: I am Lisa Corbyn and I'm the
38 Director-General of the Environment Protection
39 Authority and I am also the Chair of the water CEOs.

40
41 MR PRINEAS: My name is Peter Prineas and I represent
42 the Nature Conservation Council.

43
44 MR HAMILTON: My name is Peter Hamilton and I am from
45 Planning New South Wales. I am from the
46 metropolitan policy area, which is involved in how
47 we manage Sydney's growth.

48
49 MR MARTIN: My name is Leigh Martin and I am from the
50 Total Environment Centre.

51
52 MR ESSERY: My name is Charles Essery and I am from
DLWC
53 and I am interested really in the water resource
54 aspects of this inquiry.

55
56 MR WILSON: My name is Bob Wilson and I am from the
57 expert panel on the Hawkesbury-Nepean, Woronora and
58 Shoalhaven systems. Our interest is in how we get

.23/7/02 3

Transcript produced by ComputerReporters Pty Ltd

1 water for those environmental flows.

2

3 MR WALKER: My name is Alex Walker and I am managing
4 director, Sydney Water Corporation.

5

6 CHAIRMAN: Thank you very much. I would now ask
7 Colin Reid to briefly explain the review process and
8 background.

9

10 MR REID: Thank you very much, Jim. Could I give you
11 some background to the review. The existing
12 licences for Sydney Catchment Authority and Sydney
13 Water have been in place since early 2000. Both of
14 those licences have a five-year term and it is a
15 requirement of those licences that there be a
16 mid-term review and that is obviously what we're
17 conducting at the present time.

18

19 With respect to the timetable for the review
20 process, we issued an issues paper in March of this
21 year. We received Sydney Catchment Authority's and
22 Sydney Water's submissions in early April and the
23 other stakeholders' submissions in early May.

24

25 After conducting the workshop today, the
26 Tribunal is required to report to the respective
27 ministers, the Minister for Energy and Mr Debus, Minister
28 responsible for the Sydney Catchment Authority, by
29 30 September of this year.

30

31 With respect to the scope of the licence
32 review, we've summarised that scope down to four key
33 items, if you like, for each of the respective
34 authorities. In the case of Sydney Catchment
35 Authority, the first element we're considering as
36 part of this mid-term review is the reliability
37 criteria and that particularly relates to the
38 setting of the frequency, duration and severity of
39 water restrictions.

40

41 We are also considering the memorandum of
42 understanding obligations. Sydney Catchment
43 Authority and Sydney Water have memoranda of
44 understanding with various organisations and one of
45 the terms of reference for this mid-term review is
46 for the Tribunal to consider whether any of the
47 obligations that are in those should be included in
48 the licence.

49

50 We will also be looking at the water quality
51 obligations and will try to answer the question,
52 "Are the existing licence conditions appropriate or
53 should other water quality obligations be included
54 in the licence?"

55

56 Fourthly, for the Catchment Authority, the risk
57 management plan - there is an existing risk
58 management plan requirement in the operating licence

1 for the Catchment Authority and the question is,
2 given the pending regional environmental plan,
3 whether there's an ongoing need for that risk
4 management plan.

5

6 Turning to Sydney Water, we've pulled out the
7 four key elements for the consideration of
8 Sydney Water for the mid-term review. First of
9 all - and obviously this is a very important one -
10 demand management targets, the existing licence
11 includes targets for both 2005 and 2010-2011 and as
12 part of this mid-term review the Tribunal is
13 required to consider the appropriateness of a target
14 for 2014/2015.

15

16 We are also required to look at the aesthetic
17 water quality guidelines. Should Sydney Water be
18 required to meet the aesthetic parameters of the
19 Australian drinking water quality guidelines?
20 Obviously, there are already health requirements in
21 the licence, but what we're considering here are the
22 aesthetic guidelines.

23

24 Thirdly, with respect to the drinking water
25 plan, we're required to assess the effectiveness of
26 the annual drinking water improvement plan and
27 whether there is a continuing need for that plan.
28 The requirement for that plan obviously came out of
29 the McClelland Inquiry.

30

31 The fourth issue that we're looking at with
32 respect to Sydney Water concerns other grades of
33 water. Obviously, Sydney Water not only supplies
34 Sydney's water but also various grades of water to
35 various users. We are required to consider whether
36 we should specify standards in the licence for water
37 that's used for purposes other than for drinking.

38

39 They are the four key elements, if you like, in
40 this licence review for each of those two
41 organisations. As Jim indicated, the format for
42 today's workshop is we are scheduled to break for
43 morning tea at 11.30, lunch at 1.15 - unfortunately,
44 the Tribunal's budget doesn't extend to providing
45 lunch, so we'll leave you to your own devices for
46 lunch, but we'll provide morning and afternoon tea -
47 and afternoon tea is scheduled for around 3pm.

48 Thank you very much, Jim.

49

50 CHAIRMAN: Thank you, Colin. We now go on to the first
51 substantive session, which deals with an overview of
52 the water balance framework and reliability
53 criteria. I would like to ask Liz Livingstone from
54 the Secretariat to introduce this topic.

55

56 MS LIVINGSTONE: As Jim said, my name is Liz Livingstone
57 and I'm a member of the Tribunal's Secretariat.
58 What I would like to do this morning is to present

.23/7/02 5

Transcript produced by ComputerReporters Pty Ltd

.23/7/02 4

Transcript produced by ComputerReporters Pty Ltd

1 two presentations in one. First of all, I want to
2 give a bit of an overview of Sydney's water balance
3 and then, secondly, I want to look more specifically
4 at the reliability criteria.

5
6 As Colin mentioned, when I refer to the
7 "reliability criteria" I mean all those criteria in
8 Schedule 2 of the Catchment Authority's licence.
9 They essentially relate to the frequency, duration
10 and severity of restrictions.

11
12 Could I go back to an overview of the water
13 balance. The Tribunal, as part of this review, is
14 required to consider both the water conservation
15 targets in Sydney Water's licence and the
16 reliability criteria in the Catchment Authority's
17 licence and both of these things can have a
18 significant impact on Sydney's water balance.

19
20 It is important that we get a bit of an
21 overview of what that balance is, and some of the
22 other factors affecting it, to provide some context
23 for the environment in which the Tribunal is
24 considering these issues.

25
26 In its submission the Catchment Authority
27 estimated that the yield available from its storages
28 to supply Sydney Water is around 600 gegalitres per
29 annum. We know that Sydney Water's demand is about
30 that same level at the moment. In 2001-2002 it was
31 up around 620 gegalitres per annum. We've got a
32 situation where supply and demand are just about
33 balanced.

34
35 We also know that the Government has decided to
36 indefinitely defer the construction of a new dam to
37 augment Sydney's water supply. We know that the
38 water balance needs to be managed within the
39 constraints of the existing infrastructure into the
40 future.

41
42 There are a whole lot of pressures on that
43 balance. That is what I would like to look at
44 quickly now. There are three key pressures on the
45 supply and demand balance. Firstly, we've got
46 population growth. As Sydney's population grows,
47 you would expect demand for the water to increase.
48 Secondly, we've got the potential for increasing
49 environmental flows.

50
51 We have Bob representing the expert panel on
52 environmental flows today, but Government has set up
53 a process designed to advise next year on what an
54 appropriate level of environmental flows will be
55 into the future. There is a potential that more
56 water will be required to provide for those.

57
58 A third issue is interbasin transfers. At the

1 moment, Sydney's water supply is supplemented by
2 pumping water from the Shoalhaven. That is done to
3 supplement our supplies when our storages fall to
4 around 60 per cent. There are a couple of issues in
5 continuing to transfer water in that way: firstly,
6 there's an equity issue. Is it appropriate to take
7 water from one basin that supplies one population
8 with potential for growth and use that water to
9 supplement Sydney's population?

10
11 Secondly, there are environmental issues. An
12 important one is that by pumping when our storage is
13 at around 60 per cent usually means you're pumping
14 during a dry period when the Shoalhaven system
15 itself is under stress, so that pumping at that time
16 probably has more adverse environmental consequences
17 than if you're pumping when there is more water in
18 the system.

19
20 I have only mentioned three key pressures,
21 there are others, but they are the only ones that
22 we'll focus on today.

23
24 I would like to move on now to consider what
25 are some of the levers that could be used to manage
26 these pressures. The first one is water
27 conservation targets in Sydney Water's licence. If
28 Sydney Water meets those targets, demand for water
29 in Sydney will be reduced significantly.

30
31 Secondly, there's the potential to change the
32 reliability criteria. If you allow more frequent
33 restrictions you need less water stored in dams. It
34 increases the yield available to supply Sydney
35 Water. I will talk a bit more about that in a
36 minute when we consider some scenarios.

37
38 Thirdly, there's the potential to better manage
39 downstream irrigation. In the past, the amount of
40 water used for irrigation hasn't been well
41 understood. Some current estimates are that
42 irrigators use about the same amount of water as
43 Sydney Water's customers use outdoors. It is seen
44 that there is potential to reduce the amount of
45 water irrigators use, which has flow-on effects to
46 the amount of water you would need to provide for
47 environmental flows.

48
49 The last option is alternative water supply
50 options. One of these relates to the issue of
51 irrigation and environmental flows. It is possible
52 that effluent from Sydney Water's sewerage treatment
53 plants could be used at least partially to provide
54 for those things, which would reduce demand on the
55 Catchment Authority's storages. There are other
56 alternatives for reuse by industry. There has been
57 reuse in residential developments as well.

58

.23/7/02 7

Transcript produced by ComputerReporters Pty Ltd

.23/7/02 6

Transcript produced by ComputerReporters Pty Ltd

1 What I would like to do now is take those
2 pressures and levers and look at some scenarios to
3 see how they interact to affect the water balance.
4 On this graph we've got demand in gegalitres on the
5 left-hand axis and across the bottom we've got a
6 time scale from 1976 to 2021. The red line
7 represents Sydney Water's historical demand. You
8 can see that from 1976 to 2001 that has fluctuated
9 around the 600 gegalitre mark, which represents per
10 capita decline in demand over that period.

11
12 This brown line is what we call a base case
13 projection. The Institute for Sustainable Futures
14 has provided us with this data. The assumption here
15 is that per capita consumption remains about the
16 same as it is at the moment, allowing for some
17 reductions in per capita consumption for things like
18 continued replacement of old-style toilets with dual
19 flush toilets and so forth.

20
21 The population projections that have been used
22 to derive that line are projections provided by the
23 ABS in June this year incorporating the latest
24 census data. Those projections are higher than
25 population forecasts prior to release of those
26 census results.

27
28 The ABS data is fairly crude and it is expected
29 that New South Wales Planning will put out its own
30 estimates later this year. You can see the trend,
31 over time, of increasing demand.

32
33 However, if Sydney Water were to meet its water
34 conservation targets, the level of demand, in that
35 situation, is represented by those two green
36 triangles. In 2005 and 2011 you can see that those
37 bring demand back below that 600 gegalitres per
38 annum mark. As I've mentioned previously, the
39 Authority has estimated the yield available to meet
40 Sydney Water's demand, given current operating
41 levels, is that 600 gegalitre figure.

42
43 In its submission the Catchment Authority also
44 estimated what the yield would be if you changed the
45 reliability criteria. At the moment, reliability is
46 97 per cent. What that means is that you can only
47 apply restrictions 3 per cent of the time, which
48 works out to be about 12 months once every 33 years.
49 If you change that to 95 per cent, restrictions
50 would be 12 months over 20 years.

51
52 Given other criteria in the licence, the
53 restrictions that could be applied for most of that
54 time are fairly low level restrictions that might
55 require restrictions in the time of day or the days
56 that you can use water outdoors, things like that.

57
58 If you change the reliability criteria from

1 97 per cent to 95 per cent, the Catchment Authority
2 estimated that the yield would rise to around
3 660 gegalitres per annum, which is shown by that
4 light-blue line. You can see that gives a bit more
5 of a buffer in managing the water balance.

6
7 What we assume in those scenarios is that the
8 existing environmental flows are retained and that
9 we continue to operate the same way in regards to
10 inter-basin and transfers.

11
12 What I'd like to do now is to present some
13 scenarios that make some assumptions about those two
14 things and see the impact that they have on the
15 yield. Firstly, if we assume that the environmental
16 flows that the Government has decided to implement -
17 and it hasn't decided this yet. This is just an
18 assumption - are 20 per cent translucent
19 environmental flows, what that means is that
20 20 per cent of the inflows to the storages is
21 released as environmental flows in a way that mimics
22 the natural variability of river flow.

23
24 If we assume that and we also assume that there
25 are no interbasin transfers in the future, SMEC, in
26 modelling work that they've been doing for the
27 expert panel, estimates that the yield would fall
28 below 500 gegalitres per annum to around 470. You
29 can see that that is significantly below even the
30 level of demand that you would reach with water
31 conservation targets.

32
33 If we change one of those assumptions so that
34 it is not that there's no transfer but that the pump
35 mark changes - instead of pumping when our storages
36 are at 60 per cent in dry times we pump when our
37 storages are at 85 per cent and there's more water
38 in the Shoalhaven system - the yield increases
39 again. SMEC estimates that that increase is about
40 100 gegalitres per annum to 570 gegalitres per
41 annum.

42
43 The Catchment Authority hasn't done its own
44 modelling on this scenario. They actually think
45 that that line could be a little bit lower: perhaps
46 550 gegalitres per annum.

47
48 The point of presenting these scenarios is to
49 show that the reliability criteria and the water
50 conservation targets do have a significant role to
51 play in managing the water balance, but there are
52 other issues that are also going to affect it and
53 you can't consider them in isolation from the two
54 issues that the Tribunal needs to consider today.

55
56 I'd like to move on now to look more
57 specifically at the reliability criteria and put
58 forward a proposal for discussion this morning. I

1 think in relation to the reliability criteria there
2 are two key questions that need to be answered:
3 firstly, what is an appropriate level of
4 reliability; and, secondly, what are the appropriate
5 licence conditions to ensure this level of
6 reliability.
7
8 If we take the first question, I think that the
9 short answer there is that we would need more
10 information. The table on this next slide lists
11 some of the information that I think would be useful
12 when you are reviewing the reliability criteria.
13 Firstly, you need more information about system
14 capabilities.
15
16 I presented some preliminary data from the
17 expert panel and the Catchment Authority. That needs
18 to be independently verified and more modelling of
19 scenarios needs to be done, more information about
20 population projections and information about how a
21 growing population is going to be accommodated in
22 Sydney and whether urban design is going to mean
23 lower per capita water consumption, higher or
24 whatever. We need to know more about water
25 sharing - what's the appropriate split of water
26 between irrigators, environmental flows and Sydney
27 Water's customers.
28
29 We need to know what level the environmental
30 flows are going to be set at and we need to
31 understand how much water can be saved through
32 demand management. We'll hear more about that in
33 the next session. Importantly, we also need to
34 consider community preferences. Is the community
35 willing to accept more frequent restrictions,
36 and their trade-offs between water restrictions and
37 conservation measures? We need to find out more
38 from the community. Also, it is useful to compare
39 with other jurisdictions what's happening elsewhere,
40 how they decide an appropriate level of reliability
41 and how are they implementing it.
42
43 The table shows that a lot of that information
44 should become available over the next couple of
45 years. So the first part of the proposal I want to
46 put forward today is that no recommendations be made
47 to change the reliability criteria at this mid-term
48 review, but that they be reconsidered at the end of
49 term review when it is anticipated a lot more of
50 this information will be available.
51
52 In terms of considering that second question I
53 raised, what are the appropriate licence conditions
54 for ensuring this level of reliability, I'd like to
55 raise three limitations with the existing framework.
56 The first one is that the criteria are expressed in
57 a complicated way. If you are an engineer you might
58 be able to pick up the licence, read the criteria

1 and understand it, but for the rest of us it is hard
2 to know what they mean and how they interrelate. So
3 they are expressed in a complicated way and the
4 question is: how can they be better expressed?
5
6 Secondly, compliance is assessed based on
7 probabilistic modelling. As the criteria are
8 probabilistic in nature, the Catchment Authority has
9 a model. A whole lot of data goes into that, a
10 whole lot of assumptions about climate, inflows,
11 levels of demand and so forth. That model is able
12 to produce outputs. The auditors come along in the
13 annual operation audit, assess those outputs and
14 determine whether the Catchment Authority is meeting
15 the compliance criteria.
16
17 We understand that the Catchment Authority's
18 model is as good as any other. However, there is
19 always going to be uncertainty when you are
20 modelling results in that way. Ideally a licence
21 condition will be clear and unambiguous and
22 performance easily measured. So a key question is:
23 is there a better way to measure compliance? Is it
24 appropriate to continue to assess compliance through
25 the annual operational audit as we have been doing?
26
27 A third limitation relates to split
28 responsibilities between Sydney Water and the
29 Catchment Authority. At the moment, compliance is
30 assessed based on whether the Catchment Authority
31 can meet Sydney Water's forecast demand rather than
32 its actual demand. When the licences were put in
33 place, forecasts were made for the five years to be
34 covered by the licence. These were inserted into
35 the Catchment Authority's licence. When the
36 auditors come to assess compliance, that forecast
37 figure of demand for the past year is the one that's
38 plugged into the model to assess whether the
39 Catchment Authority has complied with the criteria.
40
41 Those forecasts assumed that Sydney Water was
42 going to be meeting its water conservation targets.
43 In the last couple of years Sydney Water's demand
44 has been higher than the forecast. So when you are
45 auditing against the criteria you are auditing a
46 theoretical forecast situation rather than the
47 actual situation and not getting an accurate picture
48 of what Sydney's water reliability is. So a key
49 question is how do you address these split but
50 interdependent responsibilities of Sydney Water and the
51 Catchment Authority?
52
53 To sum up, the proposal I want to put forward
54 for discussion this morning is that no
55 recommendations be made to change the criteria at
56 this mid-term review, but that they be considered at
57 the end of term review when there will be more
58 information available and after the Tribunal has had

1 more information and more opportunity to address the
2 limitations of the existing licence conditions.

3
4 I think key areas of focus are probably that
5 table I put up earlier. Does it adequately list the
6 information that will be required for a review at
7 the end of term review? Are there gaps there? Are
8 there other data sources that we haven't listed that
9 will be useful? Secondly, how can the criteria be
10 expressed more simply? What's the best way to
11 assess performance and how do you address these
12 issues of split responsibility between Sydney Water
13 and the Catchment Authority? I will hand back to
14 Jim now.

15
16 CHAIRMAN: Thanks very much, Liz. I would now like
17 to
18 ask Graham Head to speak about the important issues
19 as the Sydney Catchment Authority sees them.

20 MR HEAD: I have been briefed very firmly not to go
21 through our submission in detail, but to focus on
22 the presentation that has just been given. I guess
23 the first point to make is that broadly we accept
24 the analysis that's been put forward and the
25 articulation of the key questions.

26
27 In respect of the last point that Liz made
28 about whether or not the information requirements
29 are properly defined, it's a nice neat list up there
30 but there are some fairly significant challenges in
31 a couple of those areas, not least of which, in my
32 view, is how you actually get reliable
33 information on community preferences about a matter
34 that's both very complex and where the risk that's
35 being discussed occurs over a very long time frame.

36
37 While I've only been in the industry for a
38 short period of time, the literature that I've seen
39 on this that's been conducted by water utilities, I
40 think is something that we need to improve to fill
41 some information gaps. Completing that particular
42 task is both critical and quite complex.

43
44 In respect of the proposed way forward, we
45 would agree that the lack of information on those
46 key areas, as set out, does actually limit the
47 potential to make any changes at this time. I guess
48 my own view is that there is a lot of work to be
49 done over a relatively short period of time to allow
50 those questions to be properly answered in time for
51 the end of term licence review, and that some clear
52 direction on how those pieces of work are going to
53 be advanced is going to be an important outcome of
54 this process.

55
56 I think it's also quite important to remember
57 that there are a number of independent processes
58 that are involved in gathering some of that critical

1 information which have their own time frames and
2 that they need to be acknowledged in working out a
3 way forward on this. That's really all I want to
4 say at this point.

5
6 CHAIRMAN: Thank you very much, Graham. I think we
7 now

8 go around the table for comments on the material
9 that's been presented. Someone unfortunately has to
10 go first. I'd like to invite Lisa Corbyn.

11 MS CORBYN: Thank you for inviting us to participate in
12 this workshop. I mentioned that I'm the chair of
13 the water CEOs and I think that one of the
14 interesting contexts for us is that the water CEOs
15 have been tasked to look at demand management in a
16 much broader context across the Sydney region in
17 particular.

18
19 It's crucial from our perspective to understand
20 the supply and demand balance so the work that you
21 are doing, as well as the work that the water CEOs is
22 doing, is hugely important. We've recently
23 established a work program to answer some key
24 questions for ourselves and we want to link with and
25 not duplicate the work that IPART is doing.

26
27 The sorts of questions that we have been
28 seeking to address are very basic but hugely
29 important. What is the agreed secure yield? When
30 is major investment needed for additional supply?
31 What sort of demand management measures are needed
32 to be able to provide for environmental flows and
33 service the population in the secure way? What sort
34 of structures and systems and tools are needed to
35 progress demand management?

36
37 I think in the context of the presentation that
38 you have made, the pressures are quite significant.
39 For us I think one of the key issues of the EPA is
40 that we would agree that the timing is probably not
41 right to make changes, but we certainly need to
42 consider changes for the future. So the key issue
43 for us is that now is the time to consider
44 positioning the operating licence framework to
45 strongly promote demand management and driving
46 behaviours and programs and supporting the sort of
47 integrated approach that we've been talking about.

48
49 While you might not make changes now, it is
50 not, I think, advisable to wait until the end of the
51 licence period to actually reform the licensing
52 framework so that we are ready to deal with it when
53 that time actually comes.

54
55 From our perspective, probably one of the
56 critical issues is that secure water availability
57 should be expressed in the clearest and most
58 unambiguous terms as possible. We think that from

1 an EPA perspective, a volumetric figure of total
2 available gigalitres per annum would do this. We
3 don't see this as a limit, but more as a context for
4 actually driving the programs that need to actually
5 be driven.

6
7 So I think that work needs to start now to
8 actually be able to develop up that figure. We
9 would agree, however, that there is more work that
10 needs to be done before that actually can be done.
11 We hope from the water CEO's perspective that the
12 work we're doing will actually assist in helping to
13 define that.

14
15 CHAIRMAN: Thank you very much. Peter Prineas?

16
17 MR PRINEAS: It does appear that a case could be made
18 for saying that reliability criteria are set at a
19 conservative level and might be relaxed, but the
20 question that the NCC asks is why would you do it?
21 There are probably a number of answers to that.

22
23 Our view would be that if you are going to do
24 it, if you want to relax the criteria in order to
25 allow relaxation of, say, the demand management
26 targets, we would not support that. If you had some
27 more useful idea about what to do with the extra
28 yield - for instance, if you wanted to apply it
29 to environmental flows which you might not
30 otherwise get - then the Nature Conservation Council
31 would probably view that sympathetically and see
32 some purpose in it.

33
34 In relation to the information requirements
35 which lead IPART to suggest that this issue be
36 deferred, that was a large list of requirements and
37 one would almost wonder how we ever got to the point
38 of having any reliability criteria because we had
39 even less information when they were set. And, of
40 course, you never get perfect information. I notice
41 some things in that list are marked "ongoing".
42 Well, I suggest that two years from now they'll
43 still be ongoing and probably ten years from now
44 they'll still be ongoing. So the information is
45 never going to be particularly good.

46
47 In terms of waiting, I think that the two years
48 will probably cover the time that we have to hear
49 something more about environmental flows. For that
50 reason, I think the environmental groups would see a
51 reason to wait. There is no obvious reason why you
52 would want to relax the criteria at this point. As
53 I've said, we would rule out any idea that it should
54 be relaxed to make it easier to meet demand
55 management criteria or to relax those criteria.

56
57 In terms of what you get when you restrict
58 water supply, which is a consequence of relaxing

1 reliability criteria, it is not all bad from the
2 point of view of conservation. One consequence is
3 that water restrictions will probably be required to
4 be imposed more frequently. They might last longer
5 and they might be a bit more severe, but there are
6 some good aspects to that.

7
8 Sydney people have lived through water
9 restrictions on quite a few occasions in the
10 past - the last time fairly recently in the
11 mid-1990s. As noted in the report by the
12 consultants to IPART, Montgomery Watson Harza, there
13 were some lasting benefits from that period in terms
14 of reduced water consumption, and also consumer
15 behaviour. Demand was down not only during
16 restrictions but for some time afterwards, I
17 believe.

18
19 The restrictions accounted for a large part of
20 Sydney Water's performance in reducing per capita
21 water consumption in the mid 1990s and for a little
22 while after that. So water restrictions have a role
23 in educating and sensitising the community to the
24 value of water. Water restrictions can also
25 stimulate manufacturers to design and market more
26 water efficient products so that consumers continue
27 to get the benefits they want from water without
28 having to use as much.

29
30 The comments that were made about the need for
31 better expressed performance criteria, well, that
32 gets into a pretty technical area which is really
33 outside the scope of the NCC's brief. However, I
34 notice reading through some of the literature that
35 Melbourne and Hunter water seem to have devised more
36 simple and straightforward measures and perhaps
37 something can be learnt from them.

38
39 I think the more important thing that needs to
40 be mentioned from our point of view is that there is
41 a need for the Sydney Catchment Authority and Sydney
42 Water Corporation to work together and for their
43 operating licences to be integrated so that they are
44 able to address both demand management and the
45 supply side of the balance, which are just different
46 sides of the same coin.

47
48 For instance, I'll get onto it later when we
49 get to demand management, but the demand management
50 provisions in the Sydney Catchment Authority licence
51 are very weak and indirect. That ought to be
52 addressed. I will get to say something more about
53 that in areas such as pricing of bulk water and the
54 possibility of the operating licence being amended
55 so that these two authorities participate in a joint
56 communication strategy for demand management.

57
58 In relation to the issue of meeting actual and

1 forecast demand, that's a strange thing to find in
2 the licence, that the Sydney Catchment Authority can
3 pass the compliance test for supplying water in
4 excess of what was actually supplied, so the actual
5 figures should be substituted for the forecast
6 figure. I don't understand why, in fact, the
7 operating licence was drafted in the way that it has
8 been.

9
10 Some other issues were mentioned such as
11 inter-basin transfers. We agree with the suggestion
12 in the presentation that inter-basin transfers will
13 come under pressure. Generally, they are not a very
14 sound concept on environmental grounds. The energy
15 required in the case of Sydney Water is prodigious,
16 and there is going to be demand for that same water
17 as you get regional development.

18
19 In relation to environmental flows, we agree
20 that this is a very high priority and we note and
21 agree with the comment that environmental flows
22 don't always represent more water. If you are going
23 to mimic natural conditions, in some cases and at
24 some times you are going to have less water in a
25 stream than is now presently the case, because a
26 number of our streams are used as basically delivery
27 pipelines for water going somewhere else for some
28 other purpose and they never get the chance to have
29 a rest or to mimic drought conditions or to benefit
30 from drought conditions, which is part of the
31 ecological cycle.

32
33 In relation to population, there is not much to
34 be said apart from the fact that, yes, it will
35 probably increase in Sydney, but the NCC supports
36 some recent government initiatives which are aimed
37 to diverting some of this population growth to the
38 regions. We don't have any very specific programs
39 for how that might be achieved at the moment, but
40 generally we do support reducing the rate of
41 Sydney's growth and distributing some of that growth
42 to the regions so that the population issue in
43 Sydney, as it affects water, is not such a great
44 one.

45
46 CHAIRMAN: Thank you very much. Next is Peter Hamilton.
47

48 MR HAMILTON: I'm going to confine my comments at the
49 moment to the information requirements that were
50 identified in the list we have just talked about,
51

52 In relation to population, it's clear that we
53 have been through a period of very strong population
54 growth - some of the strongest growth that Sydney
55 has seen in the last five years in terms of
56 sustained per capita growth - and consequently we
57 are expecting growth in Sydney reaching a higher
58 level than we'd been suggesting before we had access

1 to the 1996 census results. We are working with ABS
2 on new projections. They will be available later
3 this year for the Sydney region and other areas
4 within the region.

5
6 I should point out that the projections that we
7 produce and that ABS produce are for the Sydney
8 region including Gosford/Wyong. So if you are
9 talking about Sydney now having a population a bit
10 over 4 million, that includes 300,000 on the Central
11 Coast, not part of the area which is covered by the
12 Sydney Water Corporation's activities, but it
13 doesn't include Illawarra, so there are balances in
14 terms of that.

15
16 We have had a strategy for a number of years of
17 how we are managing Sydney's growth, which is a
18 mixture of greenfields development and what we call
19 a consolidation renewal of the compact industry
20 approach. The government made an announcement last
21 December in response to declining land stocks in
22 Greenfields that it was going to investigate some
23 additional areas, but that's within the context of
24 continuing the current relationship we have between
25 Greenfields development and development of what we
26 called the established areas.

27
28 At the moment, 70 per cent of our new housing
29 is added or increases each year. 70 per cent of
30 that happens in established areas and only
31 30 per cent happens in the Greenfields area. The
32 policy of the government is to continue that
33 relationship. The areas that we're planning for the
34 future have been identified in the government's
35 announcement, so they are concentrated in the north
36 west and the Rouse Hill area, Marsden Park, which is
37 part of the area covered by the Rouse Hill original
38 environmental plan, in the south west some areas in
39 Liverpool and Camden and it also announced it will
40 be investigating the Bringelly area as a potential
41 major growth area.

42
43 Our objectives in all this work will be to
44 achieve sustainable management of growth so that, in
45 the same way we have done in the past, we are
46 working with the key agencies around this table
47 about how we achieve those goals.

48
49 As part of that, the urban design question was
50 raised. The minister established an advisory
51 council earlier in the year and through partnerships
52 that were established through there, we are working
53 with Sydney Water on urban design tools that can be
54 used to advise local government and the development
55 industry that they can employ in achieving conservation
56 goals.

57
58 We hope to have some progress on that work by

1 November and those resources will be available for
2 use around about that time. So in terms of those
3 bits of information and their availability, while
4 the availability is ongoing here, we'll be
5 continuing to upgrade them. There certainly will be
6 some information available this financial year, or
7 this calendar year, which can add to the debate.

8
9 CHAIRMAN: Thank you. Next is Leigh Martin.

10
11 MR MARTIN: Thank you, Jim. I acknowledge the
12 difficulty that the Tribunal is experiencing in
13 getting across the issues of reliability of supply
14 and demand balance and that it is something that we
15 grappled with in our submission. We had a bit of
16 difficulty with it, but the only concern I'd have is
17 that we don't find ourselves in a situation in two
18 years time where we are experiencing the same
19 difficulties, and because there is no opportunity to
20 consider the relaxation of reliability of supply,
21 that that could be a barrier to introducing
22 environmental flows.

23
24 It is something that I suppose we've been
25 waiting for with baited breath for a while, to get
26 some environmental flows, particularly in the
27 Hawkesbury-Nepean system. I see environmental flows
28 as probably the most crucial aspect in determining
29 what the reliability criteria should be and it is
30 the view of most environment groups, I think, there
31 is certainly some substantial benefits to relaxing
32 those criteria to allow for environmental flows.

33
34 Certainly I agree with comments from the NCC
35 that we wouldn't want to see that as any means of
36 relaxing the demand management targets, but apart
37 from the benefit of providing environmental flows
38 it certainly is true that there is evidence that low
39 level demand restrictions do have a lasting effect
40 on people's water use behaviour. I think that was
41 certainly the case in the Hunter, where there was
42 a much longer period of low level and demand
43 restrictions during the droughts of the 80s. There
44 is strong evidence that that has led to a change in
45 water use behaviour in the Hunter.

46
47 I think that's certainly a benefit that we
48 could have. It certainly would be of assistance in
49 achieving those demand management targets. Apart
50 from that, the damage of pumping from the
51 Shoalhaven system, there is also very substantial
52 energy costs in the transfers involved in that. I
53 believe there is also some water quality issues in
54 terms of algae contamination in the Shoalhaven
55 system.

56
57 So I think there is a fairly strong argument
58 that Sydney can cope with more frequent water

.23/7/02 18

Transcript produced by ComputerReporters Pty Ltd

1 restrictions and certainly some benefits from that,
2 and wouldn't want to see us in a situation in two
3 years where we are setting things back another
4 couple of years because those environmental flows
5 are absolutely crucial.

6
7 The other issue that we are very interested in,
8 that probably we can talk about more this afternoon
9 in dealing with the risk management application, is
10 actually identifying threats to the reliability of
11 supply. That's a crucial part of supply and demand
12 balance, particularly the effect of mining in the
13 catchment. There have been a couple of instances of
14 bed-cracking resulting in losses of flows in
15 catchment streams. If that's not something that's
16 addressed fairly urgently, it could represent a very
17 significant threat to security of supply.

18
19
20 CHAIRMAN: Next, we have Charles Essery.

21
22 MR ESSERY: I would like to make five points, basically
23 in order in the presentation. DLWC would agree with
24 reducing reliability for several reasons.
25 Obviously, there is the benefit of making some water
26 available for environment flows. I think, as
27 several people have said, we should actually look
28 toward improving community awareness of the need for
29 restrictions.

30
31 Sydney is pretty unique, not only in New South
32 Wales but probably for any other capital city in the
33 world, in that restrictions are not expected as part
34 of its normal lifestyle. Other countries in the
35 world have restrictions as a matter of course and if
36 this could increase community awareness, then that
37 would be good.

38
39 There is also an equity issue in terms of the
40 rest of New South Wales. The rest of New South
41 Wales is now entering a major drought and
42 restrictions and the contingency for drought
43 management are a common activity in country towns.
44 Therefore, there is no reason why New South Wales
45 should expect Sydney to be any different. Reduction
46 in reliability is a good thing and I think should be
47 done sooner rather than later.

48
49 In terms of targets, I would acknowledge that
50 there is no desire to change but I think the current
51 targets should be kept in place and we should use
52 the next two and a half years to actually finalise,
53 with both the agencies involved, appropriate
54 volumetric targets at various levels of consumer
55 usage: it shouldn't just be a single target.

56
57 The next two years should be the time for all
58 the agencies involved to actually come up with some

.23/7/02 19

Transcript produced by ComputerReporters Pty Ltd

1 reasonable and fair means by which both
2 organisations can actually set their agendas.
3
4 In terms of the readiness of the regime, the
5 one thing we'd like to see is the operating licence
6 to be complementary with other licences, such as the
7 EPA's licence and the DLWC's water access and usage
8 licences.

9
10 In terms of the demand management strategy,
11 maybe this is the time, in the next two years, to
12 actually add some detail to it. To use an
13 engineering term, we should put some project
14 management into the delivery, performance,
15 evaluation and effectiveness of the strategies and
16 that is something that needs to be done with great
17 haste.

18
19 In terms of forthcoming work, I think if this
20 review is to add value to the end of year or end of
21 term review, it must be done in tandem with the
22 pricing review, which I believe is due in about
23 November, to the end of this year. Demand
24 management is only successful if pricing is
25 addressed at the same time.

26
27 CHAIRMAN: Thank you very much. Next, we have
28 Bob Wilson.

29
30 MR WILSON: Thank you, Mr Chairman. First of all, I
31 must remind people that my comments today cannot
32 represent the views of the Hawkesbury-Nepean forum
33 and my discussion relates to the investigations and
34 concerns of the panel so far. Of course, Liz listed
35 a lot of those things because we've been inputting
36 into your deliberations.

37
38 I am very pleased that IPART is looking at the
39 context of Sydney Water's and Sydney Catchment
40 Authority's licences. You have to look at the
41 industry and the first chapter in the papers that
42 were sent does that to some extent. I think that's
43 terribly important, that we look at the context,
44 because my comments later on demand management and
45 other issues will relate to looking at things in the
46 context of the whole industry, not necessarily just
47 these two agencies which can often be held
48 accountable for things they no longer control.

49
50 I don't pass lightly over the fact that we've
51 achieved consumption numbers of 620 two years in a
52 row, above the 600. I thought we were going down.
53 We seem to be going up. I understand why that is.
54 I think Sydney Water is struggling to hold against
55 population trends that are much greater than had
56 been forecast and we'll certainly have to do better
57 with forecasting population trends or getting
58 government policies, both at the Federal and State

.23/7/02 20

Transcript produced by ComputerReporters Pty Ltd

1 level, in better condition than they are currently.

2
3 If nothing is done, there won't be any water
4 for environmental flows and the Hawkesbury-Nepean
5 river system will continue to deteriorate. I see
6 some problems, including the ones mentioned, when
7 we're looking at issues of water balance. There are
8 natural cycles as well as anthropogenic trends.

9
10 With respect to the latest things on climate
11 change, the region will be hotter with less
12 precipitation and less runoff in the future. I
13 think we're going to have to address this issue
14 within the whole process. I don't know how you're
15 going to do it but you've got to do it and we're
16 going to have to do it as well and it is going to be
17 considered by the forum over the next two days,
18 actually.

19
20 There are other cycles. There is a theory that
21 there are drought dominated regimes and flood
22 dominated regimes and that we're just about to
23 re-enter a drought dominated regime in Sydney. It
24 pertains to some of the things Charles was saying.
25 We had a drought dominated regime at the start of
26 the 20th Century but since about 1949 we've been in
27 a flood dominated regime and that's when all our
28 habits have occurred; that is, during that flood
29 dominated regime.

30
31 Our precious use of water during the previous
32 drought dominated regime has been lost. Of course,
33 then there's El Nino and La Nina but we're not going
34 to talk about those. You can hear about them on the
35 radio every day.

36
37 I am concerned - as Liz and some of the other
38 speakers have alluded to - as to the fact that water
39 sharing plans and farm dam policies could also
40 affect yield figures. The basis for a water balance
41 of 600, or whatever other number you put on a graph,
42 is up for some consideration.

43
44 I agree with the comments on the Shoalhaven,
45 that if we pump more from the Shoalhaven it is only
46 going to transfer the problems of the Hawkesbury
47 into that river and we will need more and more
48 effort to try and solve the problems of that river.

49
50 With respect to reliability, I see that most of
51 the risk criteria at the moment are dominated by
52 engineering considerations and it seems to me that
53 you have to start integrating the social and
54 economic issues that relate to demand management
55 into your considerations of reliability and
56 robustness and those issues.

57
58 For example, when the storages currently drop

.23/7/02 21

Transcript produced by ComputerReporters Pty Ltd

1 to 60 per cent, the so-called pump mark commences
2 with pumping from the Shoalhaven. This is a level
3 well above the Level 1 restrictions number, which is
4 at 50 per cent, so you don't even try for
5 restrictions before you start pumping all that
6 energy depleting stuff into the atmosphere, as well
7 as depleting the Shoalhaven River.

8
9 I think you need to consider these issues as
10 integrated, not split apart, so that reliability is
11 one set of criteria, look at that, and look at
12 demand management as another. The social and
13 economic issues of demand management will change the
14 way you create reliability criteria. In fact, at
15 the moment, as I think Peter said, they act against
16 it and the graph that Liz showed - the one that the
17 SCA have on page 37 of their submission - shows the
18 effectiveness of restrictions in the '90s in Sydney
19 and, as Leigh said, the Hunter is a good example of
20 how to get long lasting benefits from restricted
21 access.

22
23 If you think about the river as a whole, there
24 are a lot of other users in this river and those
25 users - who tend to be DLWC customers, if they're
26 dealing with water, but who tend to be people who
27 are interested in recreation and tourism, as well as
28 the irrigators - have to be considered and the
29 equity of their issues also has to be considered in
30 any measurement of when you have restrictions.

31
32 Do you restrict only Sydney Water customers at
33 the time or have you already restricted DLWC
34 customers? It means, I think, that you need to be
35 much more clever about integrating all of those
36 issues. I will talk a lot more about these issues
37 in demand management and the panel will be doing
38 work on all of these issues, which will be made
39 available to the public generally through the forum
40 and the decisions of the forum, as well as the
41 agencies, including yourself.

42
43 I would probably say yes, it's all right to
44 defer, but don't defer and go down the same path.
45 Defer and start a new path of trying to integrate
46 all of your regulatory processes, even those that
47 Charles mentioned. Thank you.

48
49 CHAIRMAN: Thank you very much, Bob. The next speaker
50 is Alex Walker.

51
52 MR WALKER: Thank you, Chairman. My colleagues have
53 covered a lot of territory and I will try to
54 constrain myself to an overview of Sydney Water's
55 position.

56
57 In simple terms, Sydney Water sees the
58 challenge as the challenge of sustainable

1 development of the Sydney metropolitan area, the
2 Blue Mountains and the Illawarra, whether its
3 population is four million or a bit more or
4 whatever. The emphasis for us is on the whole of
5 the water cycle, not just raw water and drinking
6 water.

7
8 The issue with Western Sydney or with new
9 development is that it may be that it's only
10 30 per cent green field now but the proportion of
11 our customers who live in catchments that drain to
12 the Hawkesbury-Nepean is increasing significantly,
13 so the issues of environmental flows and
14 sustainability of the water cycle and effluent reuse
15 loom larger now in our consciousness than ever
16 before.

17
18 I think in a way we are trying to work our way
19 through what will ultimately be seen as a bit of a
20 paradigm shift from what was the water, sewerage and
21 drainage business and is now usually referred to as
22 water, waste water and stormwater, to something
23 which is more about water fit for purpose, to talk
24 about whether it is natural flow water, filtered,
25 water for consumption, treated water, reclaimed
26 water, recycled water.

27
28 It is easy to pontificate about the long-term
29 picture or strategy but it is much more difficult to
30 know what to do now, where to put resources and
31 effort now for best impact long term and that's what
32 we're struggling along with, as all of us have to
33 do.

34
35 First, I would like to say we do appreciate the
36 process. We think it is very timely and it is
37 appropriate to have this sort of process, not that
38 this is a process after which we'd all sit back
39 satisfied that we've addressed the issues, but to
40 initiate a longer-term process and to challenge
41 longstanding assumptions.

42
43 You know, I was not long in the water business
44 in 1999 when the Sydney Catchment Authority was
45 formed and many people in Sydney Water were dismayed
46 at the loss of the dams and the catchments, which
47 were the icons of the organisation, but it has been
48 a very positive process, in my view, because what it
49 has done is created in the Catchment Authority an
50 organisation which is very, very focused on the
51 catchments and the issues of raw water retention and
52 supply and accordingly, I think that is reflected in
53 this sense of urgency today in looking at the supply
54 demand balance.

55
56 In Sydney Water's case, it's also positive
57 because it has caused us to think about focusing
58 more on the community and the customers that we

1 serve and I see that that's where we can play the
2 best part in really looking at these issues. The
3 demand management side we'll talk about later, but
4 in particular, understanding the shift in community
5 expectations is most important.

6
7 In principle, I think we've got plenty of
8 evidence, it's quite clear, that the community's
9 view on the environment is much different to what it
10 was decades ago and the community would be not just
11 accepting but actually very willing to embrace
12 restrictions on a more frequent basis and that
13 alone, I think, is a good reason for reviewing the
14 assumptions that stand behind the model, however it
15 is constructed and in whatever terms it is
16 expressed.

17
18 We will certainly be very keen to support the
19 effort over the next couple of years and I think
20 that's the appropriate time scale in which to really
21 look hard at what the assumptions and the outcomes
22 of the model should be.

23
24 We think it is appropriate to take a little
25 time in that these are very sweeping issues that
26 we're looking at and the sorts of things that Bob
27 mentioned, to do with long-term weather effects, are
28 of course little understood, so we should not jump
29 to conclusions.

30
31 Overall, we support the position taken by IPART
32 and the Catchment Authority and we look forward to
33 working not just cooperatively but going beyond that
34 to a very transparent and open process.

35
36 CHAIRMAN: Thank you, Alex, very much. I would now
37 like to invite members of the panel, if they wish,
38 to add something or contradict something that's been
39 said. Now is your time to do it.

40
41 MS CORBYN: I just want to add a word of caution, I
42 think. We are not against re-examining the
43 reliability assumptions that are made, nor are we
44 against pursuing possible stronger programs for
45 restrictions that might actually change behaviour,
46 but I think we need to be very careful that we don't
47 assume that we're going to get environmental flows
48 by having long-term restrictions on people, that
49 that would be the sole avenue for doing that and
50 would be a substitute for progressing strong demand
51 management programs as well.

52
53 We need to be careful with our terminology here
54 because I would like to make sure that we do
55 continue to pursue strong demand management
56 programs, not just change the reliability criteria.

57
58 CHAIRMAN: Thank you. Graeme?

.23/7/02 24

Transcript produced by ComputerReporters Pty Ltd

1
2 MR HEAD: There are two points I want to make. The first
3 is about community willingness with respect to
4 restrictions. I, like other people around the
5 table, suspect that it is there to some degree. The
6 concern I have is that I think we assume a lot about
7 the extent to which it may be there. This is a
8 very, very complex part of the picture and we're
9 going to have to work a lot harder to develop an
10 understanding of exactly what that willingness might
11 look like in practice in different scenarios. That
12 is fairly complex work, I think.

13
14 A lot of work that's been done to date on
15 preferences asks the community very, very general
16 questions about very non-specific circumstances and
17 doesn't necessarily take account of what experience
18 they've had of restrictions, et cetera, so I
19 strongly support us doing more and better work on
20 that issue.

21
22 The other point I wanted to make concerned
23 Charles's comments about complementary licences. I
24 agree that all of the regulatory instruments should
25 work together, but I think the threshold issue there
26 is what job of work does each regulatory instrument
27 do and to what extent do they need to complement
28 each other, because they do fundamentally do
29 different things.

30
31 I am not sure where at the moment a lack of
32 complementarity is creating problems with those
33 instruments, but I don't think we should assume that
34 they are not functioning in an integrated way at the
35 moment.

36
37 MR WILSON: I would like to respond to Lisa - as usual.
38 When we talk about "restrictions" and "reliability"
39 they are used in very generic terms, but in actual
40 fact they rarely work that way. When you apply
41 restrictions you apply them with discretion, so that
42 hospitals and dialysis patients and a whole range of
43 other essential areas do not suffer the same
44 restrictions.

45
46 If you think about DLWC's water allocation
47 policy, it is somewhat similar. It holds water back
48 in dams for users either because they can't do
49 without water or because they've paid more for an
50 increased reliability. All of that has to be
51 encompassed in any understanding of reliability and
52 that's why I mentioned the social and economic
53 criteria when I was talking about reliability.

54
55 I don't think it is easy. I agree with Graeme,
56 it is not easy, but unless we start looking at
57 divisions of consumers and stop just looking at the
58 supply side in reliability, we're not going to get

.23/7/02 25

Transcript produced by ComputerReporters Pty Ltd

1 it right. Yes, it's complex but the social sciences
2 and the economic sciences need to be applied to
3 reliability just as much as demand management.

4
5 MR ESSERY: I would like to respond first to Lisa.
6 Certainly, I would agree that restrictions are not
7 the sole answer to anything but IPART has requested
8 the appropriate bodies to adjust to and look at
9 reliability and I would suggest yes, it is abnormal
10 in Sydney, not just in New South Wales but anywhere
11 else in the world in a city of this size.

12
13 Equally so, continue with demand management and
14 improving demand management not so much in terms of
15 coming up with ideas but actually implementing them.
16 It has to occur at the same time, so that it is not
17 meant to be a separate thing.

18
19 In relation to the complementarity of licences,
20 I'm not going to get involved in that discussion but
21 I think DLWC is currently coming to, I suppose, the
22 pinnacle of its reforms in terms of water reforms in
23 New South Wales through the Water Management Act and
24 licences for users and the rest of the State are
25 being looked at and reviewed.

26
27 Therefore, I think we're going into a new
28 environment where licences are not just issued as
29 they were in the past and they are actually issued
30 for a purpose and they're issued within the context
31 of other users. As such, the licensing regimes of
32 all the agencies are probably going to have to
33 change and, therefore, when they're changing them,
34 they should change them not in isolation but
35 concurrently to ensure that there is a match, to
36 make it easier for operators, not only Sydney Water
37 and the Catchment Authority, but all operators who
38 extract water across the State.

39
40 CHAIRMAN: Are there any further comments?

41
42 MR PRINEAS: A quick one. We're a bit concerned that
43 in some of the documents the technological quick fix
44 is coming into the picture and I refer to the
45 desalination plant idea that was expressed in,
46 funnily enough, the Sydney Catchment Authority's
47 submission. You'd have a bit of a problem getting
48 to the sea with your boundaries, but anyway it was
49 there.

50
51 I have also noticed that desalination is one of
52 the options mentioned in, from what I've seen, the
53 Sydney Water Corporation Water Plan 21 latest
54 declaration. Both Sydney Water and Sydney Catchment
55 Authority are I think committed to ESD principles by
56 their legislation. I don't know how a desalination
57 plant would fit with those principles but probably
58 not terribly well, given the energy requirements and

.23/7/02 26

Transcript produced by ComputerReporters Pty Ltd

1 the associated issue of the Government's greenhouse
2 policies.

3
4 We need to keep our eye on water balance and
5 not be distracted by hardware and quick fixes and I
6 would like it, I think, if the NCC would take the
7 view that this particular idea be put back on the
8 shelf. Thank you.

9
10 CHAIRMAN: Thank you. Are there any further comments?

11
12 MR WALKER: Could I say that it is on the shelf; it has
13 never been off the shelf. It is one of those
14 long-term options that provides a bit of an economic
15 benchmark for future alternatives.

16
17 MR HEAD: It is certainly not under consideration by
18 Sydney Water or indeed ourselves, but I think it
19 would be inappropriately selective of any of us,
20 when we're talking about long-term issues, just to
21 leave things out of the picture that are clearly a
22 part of looking at the complete picture of things.

23
24 The Sydney Catchment Authority's submission
25 doesn't advocate the concept of desalination but it
26 recognises that there is a debate and that
27 technologies are changing and, in the interests of a
28 fairly robust debate on these issues, I think any
29 information on new technologies needs to be
30 considered.

31
32 CHAIRMAN: We might give the people sitting in the back
33 of the room the opportunity now to make a comment or
34 suggestion or a statement. I suggest, if you want
35 to do so, let us know, stand up, speak loudly.

36
37 MR WOOD: My name is John Wood and I am from the
38 Stormwater Industry Association. It is very
39 interesting to talk about desalination as a concept,
40 and it may be on the shelf, but I just wonder if the
41 panel - and I'd really like the comments of the
42 panel to be on the record - would comment on the
43 idea of putting recycled water back into the water
44 supply system.

45
46 CHAIRMAN: Who would like to have a go at that?

47
48 MR WALKER: As I said, I think the issue long term is
49 water for use, whatever the source. We do have
50 projects which explore water reused in different
51 ways. At Rouse Hill we have a dual reticulated
52 system in place, which is growing with development
53 in that area, which involves water reused from
54 sewage effluent for gardens and toilet flushing. A
55 similar facility is in place and run by the Olympic
56 Coordinating Authority - whatever they are called
57 now - at Homebush Bay and that will be more
58 extensively used over time.

.23/7/02 27

Transcript produced by ComputerReporters Pty Ltd

1
2 We also have in place some long-term strategies
3 which involve significant investment in industrial
4 reuse and we have an existing contract for a
5 20 megalitre per day industrial reuse by BHP at
6 Port Kembla, which will be in operation at the end
7 of next year. Agricultural reuse at Picton is in
8 place with the sewage treatment plant now
9 constructed. Agriculture reuse is being planned at
10 Gerringong-Geroa, a project which will be finished
11 later this year; and there are others.
12
13 Our view is that we certainly have to look at
14 many reuse opportunities. Of course, John, with
15 your background in the Stormwater Industry
16 Association, I don't make light of recent
17 initiatives to support the use of rainwater tanks
18 for recovered stormwater for use in gardens and for
19 toilet flushing.
20
21 I see that this challenge is making all of
22 those things develop and work and is providing
23 sustainable solutions for different applications
24 throughout the community and industry.
25
26 MR WILSON: John, part of the problem at the moment and
27 in the forecast is that there will be a lot of water
28 flowing down certain parts of the Hawkesbury-Nepean,
29 and especially South Creek. In fact, the amount of
30 water is enormous and much worse than one would want
31 for environmental flows both in volumetric terms and
32 in loads of nutrients. Our investigations will be
33 along the lines of trying to get as much of that
34 effluent into replacement of river pumping.
35
36 A number of irrigators are using town water
37 supply for irrigators for their crops. We need to
38 move that and it is a challenge, I think, for IPART
39 to look at how it can encourage and reward agencies
40 like Sydney Water and the councils like the
41 Stormwater Council, to replace fairly valuable water
42 in the river and in the water storages with these
43 alternatives. I will speak more about this in the
44 last session.
45
46 At the moment, the major problem is the amount
47 going in. Alex didn't mention West Camden, but
48 we're looking at West Camden as a positive and would
49 hope that that eventually it gets expanded in terms
50 of consumption because most West Camden water at the
51 moment is pumped out just downstream of West Camden
52 to irrigators. So that's where it is going. If it
53 went by pipeline, the irrigators could have the
54 nutrients instead of the river.
55
56 CHAIRMAN: Any further comments? Leigh Martin?
57
58 MR MARTIN: Just quickly. I suppose we are now getting

.23/7/02 28

Transcript produced by ComputerReporters Pty Ltd

1 to issues that we will canvass in more depth during
2 the next session, in demand management, but the idea
3 of re-using water, and particularly effluent and
4 stormwater flows, is something that environmental
5 groups have advocated for a very long time.
6
7 Certainly you need to have increased re-use so
8 it is something that we would support very strongly,
9 I would imagine. The benefits are there in terms of
10 reducing the demand on potable supplies and also, I
11 think, we need to bear in mind that if we are
12 re-using effluent, there is a benefit for receiving
13 waters which aren't going to receive the same amount
14 of effluent discharges they currently do now.
15
16 MS CORBYN: We've also had very strong numbers of
17 effluent re-use for a range of different uses. As
18 Alex said, it does need to be fit for a purpose and
19 any debate that you move into beyond the traditional
20 uses that we've talked about needs to also have a
21 discussion with the Department of Health. If you
22 move to that next level of discussion about potable
23 re-use, you are into a very different field.
24
25 MR ESSERY: In relation to the DLWC perspective, I think
26 it is really very much what everyone else would say,
27 fit for purpose, but I would remind everyone that
28 the resource, unlike any other resource that we
29 currently extract, is recyclable and therefore we
30 should look for all options on a case-by-case basis
31 for the individual requirements of each community,
32 be it small or large, and work with those agencies
33 involved and those stakeholders involved to come up
34 with an agreed solution for their particular
35 needs - obviously meeting the various constraints of
36 the regulatory requirements from Health, the EPA and
37 other agencies.
38
39 Fundamentally, water is a resource that is
40 re-useable and has to be used as fit for purpose and
41 we should commit more on that in the future.
42
43 MR PRINEAS: Just briefly, the environmental groups have
44 always, or at least in recent decades, supported
45 re-use - recycling. In terms of our priorities, it
46 is interesting that we could spend \$450m million on
47 a project which basically solved a stormwater
48 problem by allowing the stormwater into the sewerage
49 system, then mixing it with sewerage in an
50 underground chamber and then pumping it out to sea.
51 It seems to me that we could spend much lesser
52 amounts of money and use that resource more wisely.
53 Thank you.
54
55 CHAIRMAN: Is there another question, perhaps?
56
57 MR ANDREWS: Thank you, Mr Chairman. For the record,
58 my name is Graham Andrews and I am the independent

.23/7/02 29

Transcript produced by ComputerReporters Pty Ltd

1 chairman of the Hawkesbury-Nepean River Management
2 Forum Water CEOs. I only wish to make a brief
3 statement.

4
5 Naturally, the Forum is very interested in what
6 the outcome of the workshop will be and I wish to
7 simply compliment the brief statement by Bob Wilson
8 at the beginning, in that Bob's role as independent
9 Chair of the expert panel is fundamental to the work
10 of the Forum as it is to the work of the CEOs, the
11 water CEOs.

12
13 Taking into account the number of comments made
14 around the table so far today, we in the Forum,
15 which is a community based Forum including the state
16 agencies and local government and a number of the
17 conservation areas of interest, have a role to
18 produce for the government next year after
19 deliberation of the analysis of environmental flow
20 options to the ministers for land and water
21 conservation and to the minister for the environment
22 to recommend, as per the terms of reference, the
23 priority listing of preferred environmental flow-on
24 options.

25
26 Again, for the record, in the context of what's
27 been said, I would like to emphasise what we've most
28 recently advised to ministers and which they have
29 endorsed as part of our program, that the
30 recommendations of the Forum will be supported by
31 information outlining the justification for each
32 recommendation, the implications to river health,
33 current and future water supply to the greater
34 Sydney metropolitan region, local and regional
35 communities and river reliant industry, operational
36 and capital cost implications to the New South Wales
37 government and management regimes including a regime
38 of monitoring and assessment and including potential
39 government industry and community responses.

40
41 So it has a most comprehensive role to play.
42 I'm delighted to be here and am interested in what
43 has been said. The Forum will be bearing that in
44 mind in its later discussions. Thank you very much.

45
46 CHAIRMAN: Any other question or comment? No. Perhaps
47 it is time to move towards closing the session. I
48 just want to summarise what I got out of it and then
49 you can tell me whether I have got it wrong.

50
51 Basically, it seemed to me there was a fair
52 degree of support for deferring consideration of the
53 criteria at this stage - not to go to sleep for two
54 years, but to consider how we might move towards a
55 new situation or new paradigm of how these things
56 should be worked through.

57
58 I think it was noted, and I think it was a

1 particularly good point, community views are
2 changing and we need to respond to those. There was
3 a lot of interest in getting new information,
4 particularly with regard to environmental flows, and
5 there was a great deal of support around the table
6 for the idea that restrictions could be more
7 frequent. Though it was pointed out we need to
8 understand better community views about that and it
9 is not necessarily an alternative road to demand
10 management.

11
12 The need to integrate issues was also
13 emphasised. Not so much that regulatory instruments
14 necessarily need to refer to one another, but they
15 need to be consistent with one another in achieving
16 the same sorts of objectives. And, finally, that
17 the criteria in the licence, are not particularly helpful,
18 and may need to be looked at again. That's what I got
19 out of the session. If you disagree with me, now is
20 the time to let me know. If not, we can break for
21 morning tea now. I suggest we allow, say, half an
22 hour for that and be back at 25 minutes to 12.

23
24 (Short adjournment)

25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58

1 CHAIRMAN: I think we might now resume for the second
2 session on demand management. Nigel Rajaratnam will
3 introduce the topic for ten minutes or so and then we
4 will have a further presentation from Alex Walker,
5 followed by panel discussions.

6
7 MR RAJARATNAM: For the record, I'm Nigel Rajaratnam
8 from IPART.

9
10 The topic today is on water conservation
11 targets. As Colin mentioned, IPART is required to
12 review the appropriateness of these targets as part
13 of the mid-term review. To assist us in this
14 process we engaged Montgomery Watson Harza,
15 represented by Shane O'Brien. We have, in the
16 presentation, drawn from the report, but I don't
17 specifically say this is their finding. So the
18 report is on the web site and you are welcome to read it.

19
20 Moving on, just a quick outline of the
21 structure of today's presentation. Firstly, I'd
22 like to briefly outline the current targets in the
23 licence, provide a review of the progress against
24 these targets, then identify some of the key
25 problems with the targets and then suggest an
26 alternative framework for the panel to discuss.

27
28 Targets have been in Sydney Water's operating
29 licence since 1995. There are two targets there,
30 one for 2004/05 and another for 2010/11. Both the
31 targets are measured in litres per
32 capita per day.

33
34 Progress against the targets. You will
35 recognise this graph, it is from Liz's presentation
36 but the colours are a bit different. Historical
37 demand has oscillated around the 600 gegalitres per
38 annum since 1976. If you take a projection, which
39 is the red line there, if Sydney Water do es not
40 adopt any additional demand management strategies it
41 won't achieve the target. So achieving the target
42 relies on more strategies.

43
44 Having said that, Sydney Water has achieved
45 savings. Montgomery Watson Harza estimated savings
46 at about 22 gegalitres per annum and Sydney Water's
47 expenditure to achieve that has been, over the last
48 four years, about \$31m in total. But, as you will
49 see from the table, most of the expenditure has been
50 incurred in the last two years and, again from the
51 table, of the savings achieved, a lot of it has come
52 from the recycling at Sydney Water's Sewerage Treatment
53 Plants. Savings have also been achieved in the leakage
54 program and through the residential program.

55
56 To improve the program further and to achieve
57 greater savings, as I said, a new program or
58 additional strategies are needed. Sydney Water has

1 put forward a program for 2002/03 this year, an
2 estimated \$18m which includes a \$2m business loan
3 program. So in total, once this Sydney Water's
4 program is finished, over the last five years they
5 would have expended in the order of \$50m, which is
6 consistent to what the Tribunal allocated at the
7 last pricing review.

8
9 Montgomery Watson Harza have also put forward
10 other recommendations to improve the program. I
11 have just noted two here: one is the leakage
12 management program, an estimated saving of
13 15 gegalitres per annum, and another is fast-track
14 Department of Housing retrofit, 1 gegalitre in total
15 savings.

16
17 There is a whole range of other recommendations
18 relating to the management program and other areas
19 where further savings can be achieved. I will let
20 you read the report at your leisure.

21
22 The next is the problems with the per capita
23 targets, which are in the licence now. The first
24 problem is that the target doesn't really reflect
25 the scarcity of water. As Liz mentioned,
26 current government policy is to indefinitely defer
27 the construction of a new dam. So the targets
28 should reflect the underlying water availability.

29
30 Secondly, it is difficult to measure
31 performance against the target. I think this is
32 something that the auditors have found in their
33 annual audits of the operating licence. There are
34 so many factors that influence total demand such as
35 weather, changing industry structure, changing
36 demographics and what not. So it is difficult to
37 isolate the component relating to Sydney Water's
38 program.

39
40 Given that it is difficult to assess the performance it is
41 very important to get the demand management program
42 clearly reported so that we can outline the links
43 between the water savings tied to each activity.
44 Currently, I certainly don't find it easy to
45 identify the links.

46
47 Finally, competing interests. Sydney Water is
48 required to sell more water to achieve more revenues
49 and, on the other hand, save more water. So to
50 overcome some of these problems in the existing
51 framework, we are suggesting an alternative framework
52 here which doesn't include pricing incentives, which
53 will be discussed at the next pricing review coming
54 up in a couple of months.

55
56 So for the mid-term review, what we are
57 suggesting is to maintain the existing per capita
58 targets. The targets have provided a focus for

1 Sydney Water's program, so we think it is important
2 to maintain them while a new framework is being
3 developed. Other elements are to require
4 Sydney Water to collect more data in a consistent
5 manner with the international water associations'
6 water balance, which is on, I think, attachment 3 in
7 the handouts. That will allow us to better measure
8 performance across the different utilities with the
9 same methodology for collecting data.

10
11 What we're also proposing is for Sydney Water
12 to put forward its two-year program over the next
13 say, not only this year, but next year - put forward
14 that program so that we have a clear idea of what
15 the longer term goals are in terms of water savings
16 and activities and then that program would be
17 reported against.

18
19 I'll show you a schedule that we're proposing
20 and the audit against the operating licences. For
21 the long term, as you can see, there is not much
22 difference. For the long term, what we're proposing
23 is for Sydney Water to put forward its five-year
24 program, so at least it will be clear what the
25 overall goals are. We'd also suggest a new target
26 for 2009/10 to replace existing per capita targets.
27 The target will be a savings target measured in
28 gegalitres per annum. We think this overall
29 framework for the longer term will provide a clearer
30 goal related to the underlying goal of water
31 availability and it will also enable us to better
32 measure Sydney Water's overall performance.

33
34 This is just a hypothetical example of how the
35 target will be set. As you can see there, the black
36 line is Sydney Water's actual demand since 1991.
37 The first step would be to determine the safe yield,
38 which is the blue line there. The second step would
39 then be to determine the forecast future
40 consumption. Just for illustrative purposes here,
41 I've assumed that it is at the current level of
42 620 gegalitres per annum and that is the green line.
43 So once those two pieces of information are
44 available, the target would be set and this will be
45 prior to the end of term review and here the target
46 would be, for example, 50 gegalitres per annum.

47
48 Then from that Sydney Water would put forward
49 its five-year program to achieve the targets and it
50 would put that forward in its submission to the end
51 of term review. The program would be reported in
52 the following way - this is just an example and it
53 is on attachment 2 of your material. I've only got
54 two years here, but it would be a five-year
55 reporting schedule. It would break up the program
56 into the expenditures, the activities and associated
57 savings from those activities and both the planned
58 and actuals would be reported against. It would

.23/7/02 34

Transcript produced by ComputerReporters Pty Ltd

1 also separate it out into the different components
2 of Sydney Water's program residential business,
3 leakage, recycling et cetera.

4
5 So that gives you a brief overview of what we
6 are suggesting. What we'd like, or we'd ask of the
7 panel is to consider these two issues: what is the
8 appropriate short-term framework and what is the
9 appropriate long-term framework. Over to you.

10
11 ALEX WALKER: Thank you. I have only three slides and
12 would like to make essentially three points before
13 we get into the panel discussion and detail.
14 Firstly, this is the long-term perspective, which I
15 think clarifies the challenge that we all face, not
16 just Sydney Water.

17
18 The red line is the 50-year population growth
19 of Sydney, from roughly 2 million around 1950 to
20 4 million or so now. You can see that for the first
21 25 years or so, water demand rose at a faster rate
22 than population. It then flattened out a bit and
23 for the last 20 years, since about 1980, it has been
24 pretty flat. This is not per capita, this is
25 aggregate water demand that has been pretty flat at
26 around 600 gegalitres, or 600,000 megalitres.

27
28 What you might also notice is the variability year
29 by year. That is predominantly owing to the
30 weather, a factor which should be borne in mind when
31 people talk about one-year targets. There are
32 enormous variations in Sydney's consumption and
33 always have been because of weather. It is also the
34 plain reason why it is very difficult, indeed I
35 think fatuous, to make simple comparisons between
36 Sydney and other cities, even Australian cities.
37 You really need to look not just at aggregate
38 rainfall, you need also to look at the incidents of
39 rain and the frequency of rain.

40
41 So turning to this 20-year figure - what
42 happened to cause that? Well, obviously Sydney
43 Water didn't do that. It happened because of all
44 sorts of factors - industrial restructuring is one
45 of them, urban development patterns is another one
46 of them, droughts in the early 80s - long drought
47 periods - and also in the 90s contributed to that.

48
49 The real issue is this one: the long-term
50 supply demand balance. That really captures the
51 challenge that we face. The other point I have to
52 make is the reason for the current focus. Until
53 very recently we have been working on a model which
54 said that the safe yield was 700 to 720 gegalitres
55 per annum. The model has recently been refined and
56 redeveloped and has more recent weather data. We're
57 operating on that data that is not all that old in
58 weather terms and it now says 600. So we've been

.23/7/02 35

Transcript produced by ComputerReporters Pty Ltd

1 sitting on pretty much what is now regarded under
2 that long-term model as the safe yield of the
3 catchments and we don't dispute that.

4
5 Turning now to per capita, it is the per capita
6 targets that have created the focus for Sydney Water
7 since the licence was created. Without going to the
8 detail, the Montgomery Watson Harza report
9 acknowledges progress that has been made. It has
10 been made in a number of different ways. If we look
11 to the base year, which is where this graph
12 commences, our licence based year is 1991. So we
13 have got June 1991 there, where the per capita
14 consumption was 506 litres per day.

15
16 You can see the impact of water restrictions
17 during drought periods in the mid-1990s. You also
18 had the impact of pricing changes with the
19 introduction of volumetric pricing and the
20 psychological impact of all of the advertising and
21 promotion of that that went with it. Although, you
22 should note that in an average household bill only
23 about 40 per cent of the bill is volumetric, or
24 based on a metre reading. Half of it is for
25 sewerage and is for mixed service charges. Half of
26 it is the water and of that component 80 per cent is
27 variable. Only 40 per cent variable and there is a
28 lot of scope to restructure pricing to reduce
29 economic incentives.

30
31 That is one of our points. When you look at
32 the targets you can see the challenge that we face,
33 also with the weather variability of demand and we
34 see the 2005 target of 364 litres and the 2011
35 target of 329 litres. The fact is, as the reports
36 show, as of today we're sitting at about 408. So it
37 is very real progress. We've come from 506 to 408,
38 with a 2005 target of 364. So in percentage terms,
39 we've got a requirement by 2005 to reduce by
40 28 per cent and we're down currently about
41 18 per cent or so.

42
43 So the question is, is the target achievable or
44 not? Since 1999 we switched the emphasis from the
45 lasting impact of water restrictions and pricing
46 incentives to water conservation measures and
47 leakage reduction. At that point, based on scant
48 information the board of Sydney Water decided to
49 allocate \$50m for the program to take it through to
50 2005.

51
52 As you've heard, the expenditure to date - and
53 it is essentially in three years - has been about
54 \$30m, depending on what you count in or don't count
55 in. But, in round numbers, it is \$30m. It is also
56 true that when Montgomery Watson Harza did their
57 study in the beginning of this year, they came
58 rightly to the conclusion that at that rate of

1 investment in those programs, we could not hit the
2 2005 target.

3
4 Sydney Water has also been reviewing that and
5 was, in fact, reviewing the strategy at the time of
6 the Montgomery Watson Harza study. It so happens,
7 though, that because we work on an annual cycle of
8 budgeting, our budget for the current year now,
9 2002/3, was not considered by the board and
10 ultimately approved until after that review was
11 done.

12
13 But in that budget, the board of Sydney Water
14 has approved \$50m in principle as the investment
15 required over the three years commencing now, from
16 July 2002, to June 2005, which is our target date.
17 That's our best estimate of what it will take to
18 deliver a program which will address, realistically,
19 that target.

20
21 I can't guarantee is that we're going to
22 achieve it, for all sorts of reasons. I've spoken
23 about the weather and that's the biggest variable
24 and the one that we certainly can't control. It is
25 also the one that we should reflect on a little bit
26 when you're making these point-to-point comparisons
27 or even talking in terms of this year or last year,
28 and whether Sydney Water has achieved or not
29 achieved sensible outcomes.

30
31 We know that we have put in place programs
32 verified by Montgomery Watson Harza which have
33 delivered some very real outcomes in terms of
34 saving. We know also that some of the work we've
35 done will bear fruit down the track, because a lot
36 of these programs don't immediately get you to the
37 results that they want.

38
39 Because, above all else, the point needs to be
40 made that we don't control water usage; we influence
41 it. Sure, we control, to a degree, leakage from our
42 systems and we've made very, very big gains in
43 improving leakage from our own systems. We've got
44 them down now to a stage which is pretty darn good
45 and standards in comparison with just about anywhere
46 in the world, but we've increased our investment in
47 that to take it to a level which we believe will be
48 world's best practice when we achieve it.

49
50 We've stacked down all of the other programs,
51 water conservation programs, on a cost effectiveness
52 basis and aimed them at that target. So we've got
53 leakage reduction programs, water conservation
54 programs, which are essentially influencing
55 strategies, and we still have some significant
56 re-use programs in place, or where investment has
57 been made and there will be some future outcomes.

58

.23/7/02 37

Transcript produced by ComputerReporters Pty Ltd

.23/7/02 36

Transcript produced by ComputerReporters Pty Ltd

1 Just to put that in perspective and to look at
2 some of the factors we don't control, our biggest
3 single water re-use arrangement is at Port Kembla
4 where we are currently rebuilding and extending the
5 sewerage treatment plant at the Wollongong sewerage
6 treatment plant adjacent to the Port Kembla
7 steelworks.

8
9 We have a contract, which will swing into
10 operation at the end of next year, for 20 megalitres
11 per day of reuse for steel making. We have worked
12 very hard with BHP to put that into place. Putting
13 that in perspective, 20 megalitres per day is about
14 1.25 per cent of average daily consumption.

15
16 One of the factors we've learnt about through
17 the census is the impact of growing tourism in
18 Sydney. It is part of the economic development of
19 Sydney. In the middle of winter there were over
20 50,000 tourists recorded on the census in Sydney.
21 Just by way of comparison, 50,000 people have an
22 impact of about 1.25 per cent, about the same impact
23 as the biggest reuse scheme we've got going.

24
25 This stuff is hard work. Targets create focus,
26 we support the targets and we agree with the
27 approach, but translating them is not a matter of
28 waving a magic wand and it is not even a matter of
29 throwing a lot of money at it. You've got to have a
30 focused program which influences customer behaviour,
31 but we're doing it seriously in terms of commitment
32 to the future.

33
34 I mentioned that Montgomery Watson Harza
35 haven't endorsed everything we've done. They've
36 come up with criticisms and we accept the
37 criticisms. We accept the approach that's been
38 outlined to you for the future. We believe we're
39 doing it the right way because we are addressing our
40 programs on a least-cost basis and we're putting
41 focus where it should be.

42
43 Our short to medium-term approach is we'll put
44 in resources which we believe are sufficient to
45 address the targets. The \$16 million which is
46 allocated this financial year we think is enough,
47 but at the end of the year we'll have a fresh look
48 at the outcomes. We will look at each individual
49 program and we will see what it has delivered and,
50 if necessary, we'll go back to the board and say,
51 "We need to invest more" - hopefully less, but if we
52 need to invest more then we'll have to go back to
53 the board and talk about it.

54
55 Above all else, we need to work transparently.
56 This is not an exercise which is Sydney Water's
57 alone; it is an exercise for everybody. When we
58 look at all those sorts of things, "Every Drop

1 Counts" is the banner we're using to promote these
2 programs. We've got business programs, schools'
3 programs, not just the Department of Housing but
4 we've got agreement in principle from the Department
5 of Health, for example, to look at water usage in
6 hospitals.

7
8 We have residential, indoor-outdoor leakage
9 reduction, BHP and the Upper Georges River waste
10 strategy, which a long-term strategy for effluent
11 reuse rather than putting it into the Georges River.
12 There are plenty of opportunities and we're trying
13 to address the ones that are going to really count.
14 We are taking this target seriously. Thank you.

15
16 CHAIRMAN: Thank you very much for that, Alex. We would
17 now like to go to the panel for comments. Once
18 again, I have to nominate who will be leading off.
19 I might nominate Shane O'Brien from Montgomery
20 Watson Harza to do that.

21
22 MR O'BRIEN: Thank you, Jim, I was hoping you would ask
23 me to go first. We want to reinforce and expand
24 upon some of the comments that Nigel has made. I
25 will probably not address everything that Alex said
26 but some of the things he discussed are in our
27 report and both the constructive and critical
28 aspects of our review are in the report for people
29 to read.

30
31 Just to set the whole management program of
32 Sydney Water in perspective, the 35 per cent target
33 over 15 years - or 20 years as it is now - is
34 probably the most onerous target that we know of in
35 the world, except possibly for areas such as Israel.

36
37
38 That said, the achievement of that target is
39 possible but it will take a concerted effort, as I
40 think Alex has alluded to, by both Sydney Water and
41 the community to achieve that.

42
43 One of the major issues identified by our
44 review was the lack of understanding of derivation
45 of the original targets. I think that's been
46 discussed a bit today as well. We believe that the
47 water conservation targets should be set to achieve
48 an economic balance between provision of supply and
49 management of demand, but there are obviously a
50 number of other issues that were discussed this
51 morning which need to be taken into account in that
52 balance.

53
54 This balance needs to be rigorously determined
55 and agreed by all stakeholders. Sydney Water's
56 performance to date has been difficult to measure
57 through the per capita target approach. Such an
58 approach has been attempted on a large scale in

1 Arizona and found to be limited by accurate
2 measurement and immediate measurement of the
3 reductions.

4
5 Achievement of water efficiency from various
6 initiatives will in most cases be difficult to
7 identify in the short term due to the wide range of
8 factors, as we've discussed, impacting demand. We
9 believe that the best approach to gauging Sydney
10 Water's performance in achieving water use reduction
11 is to develop a five or possibly even a 10-year
12 program, with relative amounts of detail aimed at
13 achieving an agreed level of water savings.

14
15 The program would contain water efficiency
16 activities for residential and business programs as
17 well as volumetric targets for leakage reduction and
18 recycling: that may be effluent and stormwater
19 recycling. Sydney Water would then be audited to
20 determine if agreed actions were completed within
21 the licence period. In this way stakeholders can be
22 assured that all reasonable steps have been taken to
23 lower water usage.

24
25 Adjustments to the program can be made based on
26 an accumulation of knowledge through the
27 implementation process. This approach is similar to
28 the Californian model, which has been developed over
29 the past 10 years. The difference is that in
30 California a list of best management practices was
31 actually developed in association with all
32 stakeholders and implemented by signatories to a
33 memorandum of understanding.

34
35 In Sydney there is a regulatory framework
36 already in place that includes stakeholder
37 consultation. However, we believe that Sydney Water
38 would benefit from more direct involvement of
39 stakeholders through the whole process. To this
40 end, we have suggested that Sydney Water take up at
41 least demand management forums more regularly, as
42 they did right at the beginning of the program in
43 1995.

44
45 The current incentives have no clear nexus to
46 performance under the demand management strategy.
47 We believe that the implementation of penalty
48 pricing linked to water demand beyond an agreed
49 limit, which may be 600 megalitres per annum, or
50 whatever is set through the water supply demand
51 balance, has significant problems. This approach
52 has significant problems due to the fact that Sydney
53 Water does not have full control over all the
54 factors that influence demand.

55
56 Therefore, any such agreement would need to
57 include direction of demand, which also has issues
58 relating to the accuracy of such adjustments. That

.23/7/02 40

Transcript produced by ComputerReporters Pty Ltd

1 said, this approach should really be further
2 reviewed by IPART. We believe that the availability
3 of water for future development will become the most
4 important incentive. We're starting to go that way
5 for Sydney Water and therefore I suggest the
6 incentives be reviewed for the 2005 licence to
7 provide a clear connection to the performance of the
8 strategy.

9
10 I have just a couple of points, before I finish
11 up here, about the proposed licence reporting
12 procedures that IPART have suggested. Licence
13 reporting should really still include a requirement
14 to undertake climate correction of the total demand
15 and be that on a monthly or daily basis it is
16 important as it still gives an indication of the
17 trends in the overall demand.

18
19 In addition, demands should be tracked on a
20 sector basis, possibly with some adjustment for
21 climate, but that would need to be reviewed. This
22 would identify trends in these sectors and assist in
23 the targeting of initiatives. That approach can
24 already be done by Sydney Water, so it would just be
25 a matter of reporting that information.

26
27 Finally, with respect to the method of
28 measurement of leakage, leakage has had a fair
29 amount of success. However, the method of
30 measurement needs to be improved to come up to best
31 practice and that should be undertaken at least
32 before 2005. That is about all I have to add at the
33 present time.

34
35 CHAIRMAN: Thank you very much. Leigh?

36
37 MR MARTIN: Could I make a couple of comments about the
38 basis for the existing targets. I think it is
39 important to bear in mind that the rationale for
40 those was very much avoiding the construction of a
41 new dam and augmentation of supply and whilst the
42 targets might be an approximation of the volumes of
43 water that you would need to achieve, they weren't
44 based on the best information at the time. I think
45 they still have a reasonably sound basis behind
46 them.

47
48 It is of significance and of concern that the
49 information that has been presented to the Tribunal
50 shows that the trend line is certainly that those
51 targets aren't going to be met under the base case.
52 We very much welcome the advice from Sydney Water
53 that they are looking at introducing additional
54 demand management measures to achieve those targets,
55 because that's very important.

56
57 What has been recommended in terms of a
58 framework for developing additional demand

.23/7/02 41

Transcript produced by ComputerReporters Pty Ltd

1 management measures and for identifying savings by
2 each sector is, I think, a very good framework and
3 it will certainly allow more accountability and it
4 will certainly make it easier for people to look at
5 what Sydney Water has achieved, where the program
6 has been successful, where it hasn't.

7
8 If you look at Sydney Water's current program,
9 I don't think that any of the aspects of the current
10 demand management program have actually achieved the
11 savings that were anticipated and the
12 Montgomery Watson report indicates part of that was
13 a lag in implementing some of those areas. This I
14 see as a very positive framework for actually
15 identifying those things.

16
17 I am concerned about the proposal not to have a
18 2014-2015 target. I think it is very important we
19 do have an additional target there. There is no
20 doubt that the existence of the current targets and
21 their challenging nature has been a key factor in
22 driving improvements in performance so far.

23
24 Yes, it is true that we've had an improvement
25 in terms of usage from about an 18 per cent
26 reduction, but it is not to the level that is needed
27 to achieve the targets and the trend line is going
28 in the wrong direction. I think setting another
29 target at this point would make it clear that there
30 is an ongoing commitment to avoiding augmentation.

31
32 I am concerned that the framework that is being
33 proposed might be used in the future as a mechanism
34 for actually developing the next target. Via this
35 process you identify what levels of savings can be
36 achieved at a certain cost and that's the basis on
37 which you set the next target. I think what must
38 always underpin the demand management targets is
39 exactly what economic and environmental impacts
40 we're trying to avoid and, fairly clearly, that is
41 the environmental and economic costs of
42 augmentation.

43
44 I think that should always be the principle
45 that underpins the level of the target. Then you
46 use this framework as a very positive means for
47 developing a program to achieve that.

48
49 The other thing that I think definitely needs
50 to be tackled - and this was touched upon by Shane -
51 is the issue of penalty pricing. I know it is
52 something that the Tribunal is looking at in their
53 review of metropolitan water pricing, but at the
54 moment there is an incentive for failure structured
55 into the pricing system in that by not achieving its
56 demand management targets, Sydney Water accrues
57 additional revenue through water sales.

58

.23/7/02 42

Transcript produced by ComputerReporters Pty Ltd

1 The Tribunal has indicated that that's going to
2 realise something like \$36 million to \$72 million in
3 additional revenue. That is money coming directly
4 from the public that's surplus to Sydney Water's
5 requirements. If there was a form of penalty
6 pricing and Sydney Water paid a significant premium
7 for any water they purchased from the Catchment
8 Authority above their demand management targets,
9 that would give a very strong incentive to Sydney
10 Water to ensure that their demand management
11 programs are adequate.

12
13 If and when you have that situation, you have
14 investment decisions based on the premise that
15 Sydney Water would have to weigh in the fact that
16 spending a few million dollars on additional demand
17 management programs may be a good bargain, versus
18 having a penalty imposed on them from the
19 Catchment Authority.

20
21 The other thing that we've suggested in our
22 submission is that you could also have a
23 hypothecation of additional revenues that are
24 obtained from selling water above the demand
25 management targets. You could build into the
26 licence a requirement that any revenue that comes
27 from water sold above those targets be directly
28 spent on additional demand management programs.
29 Treasury tends to go into apoplexy when you suggest
30 hypothecation, but it is not something that we
31 should rule out at this stage.

32
33 MR WILSON: It would do them good.

34
35 CHAIRMAN: Charles?

36
37 MR ESSERY: Certainly, the review is going in the right
38 direction. The report that was produced has focused
39 the minds of everyone involved on some of the
40 crucial things that need to be addressed in the next
41 two to three years. Certainly, a single demand
42 management target is not appropriate. We would say
43 that a multiple set of targets split up by sector,
44 as suggested by the MWH report, is probably the way
45 to go.

46
47 Individual targets for the individual sectors
48 of usage will allow Sydney Water to determine where
49 it has performed and where it can add further effort
50 to ensure that the ultimate target is met.

51
52 I would be concerned if it was a demand
53 management target set in terms of savings. I think
54 it should be held within the constraints of what is
55 the system's capacity and, therefore, should always
56 be quoted as such. When people are concerned about
57 the pros and cons of whether it should be litres per
58 consumer per day or volume, I think you can solve

.23/7/02 43

Transcript produced by ComputerReporters Pty Ltd

1 the problem by tying the two together and ensuring
2 that they are recorded at the same time.

3
4 I am not sure they'll get rid of all the other
5 problems that so many people have identified
6 throughout the world. There have to be clear
7 accountabilities in terms of the strategies that
8 Sydney Water puts in place in the next two to three
9 years. It is not comprehensive; I think there are
10 other opportunities.

11
12 In discussions with the various stakeholders I
13 think someone suggested that Sydney Water should
14 have more demand management forums. I think that is
15 a great idea. Communication of the issues and
16 transparency of information available to consumers
17 and stakeholders is very important and that would
18 certainly be endorsed by the DLWC.

19
20 A fallacious comment was made towards me in
21 terms of comparisons with other regions.
22 Sydney Water is very lucky in comparison to other
23 regions and therefore it is very beneficial. It is
24 helped by the coastal environment in which it
25 operates compared to other parts of New South Wales
26 and the world.

27
28 I do think it is important that Sydney Water
29 has recognised that climate correction of all of
30 their forecasts is essential and I look forward to
31 the finalisation of that in the not too distant
32 future. There has been some indication that if
33 you're going to look at the individual sectors, that
34 Sydney Water should look at its end user consumption
35 and actually start using that to influence, monitor
36 and assess the performance of its activities.

37
38 That is a good evaluation process for its
39 activities. It gains valuable information in terms
40 of whether it is getting good value for money. It
41 also demonstrates that Sydney Water is trying to
42 influence and understand its consumers, not only
43 now, in the short term, but into the future.

44
45 I think scenario planning is a great thing. I
46 think the "Water Wise" or "Water Smart" initiatives,
47 or at least the report, was announced in Melbourne
48 and there was a strategy to explain to the public
49 the values of scenario planning. That might assist
50 Sydney Water in communicating some of its issues to
51 consumers and stakeholders.

52
53 All initiatives cost money and I think it is
54 very appropriate that the pricing review will occur
55 after this particular activity, because Sydney Water
56 has a very difficult job, as all water utilities
57 have, in a climate as variable as Australia's and,
58 therefore, Sydney Water should be allowed to ensure

.23/7/02 44

Transcript produced by ComputerReporters Pty Ltd

1 that the appropriate funds are put toward the
2 appropriate strategies to ensure that they achieve
3 the targets set by the regulators. Accordingly,
4 that must be reflected in the pricing.

5
6 CHAIRMAN: Thank you very much. Next, is Bob Wilson.

7
8 MR WILSON: Thank you, Mr Chairman. First of all, I
9 would like to comment on a few issues that arose in
10 the presentation. The 570, which seemed to be a
11 number that was on the graph that Nigel showed, will
12 give us about 20 per cent translucent environmental
13 flows in the river under current situations, without
14 making other savings on reliability.

15
16 The move, as Alex mentioned, from 720 down to
17 600 is a big shift and the panel, on behalf of the
18 forum, will be reviewing those calculations because
19 that's all to do with modelling and what numbers you
20 take and we really do need to think about the
21 climate, as Alex has emphasised, and I emphasised
22 that in my opening remarks. The panel will be doing
23 some work on that this year.

24
25 Like all Sydney Water CEOs, Alex is very
26 modest. He said that the plateauing that occurred
27 in the eighties tended to be attributable to many of
28 the structural shifts in manufacturing and that is
29 so, but at the same time - and I raise these issues
30 because I think they are important issues -
31 Sydney Water went into universal metering and
32 introduced quarterly billing. They are issues which
33 really focused consumers on the fact that they were
34 taking a valuable resource.

35
36 That was followed by pricing, which he
37 attributed to Sydney Water, but one must remember
38 that these big programs where you actually focus the
39 community on the value of water were major
40 contributors to changes in the awareness of
41 Sydney Water's customers.

42
43 It is impossible to ask Sydney Water to do this
44 alone. I don't believe that you can achieve water
45 demand in this city now just by asking Sydney Water
46 to shove up a series of targets and manage them. It
47 is hard to get accountabilities under those
48 circumstances. It needs a bit of leadership and it
49 seems to me the executive level of government needs
50 to come out, as it has on population, and talk about
51 water and these issues and I hope that members of
52 government agencies and members of regulatory bodies
53 will emphasise that. I hope the forum emphasises it
54 too.

55
56 I don't believe that you can pin Sydney Water
57 down to these numbers and say, "Sydney is
58 accountable for all that." I listed a few other

.23/7/02 45

Transcript produced by ComputerReporters Pty Ltd

1 government agencies that I thought have had an
2 influence on it and they included Housing, Planning
3 EPA, DLWC, SCA, Local Government and Mineral
4 Resources. It also should have water saving
5 objectives as part of a whole-of-government program
6 in these tight times of water consumption, these
7 tight times with droughts and with increased
8 population over and above expected levels.

9
10 I acknowledge the issue of variability of
11 weather patterns that Alex mentioned and they need
12 to be placed in your assessment, but that I think
13 only begs the question well then, we need some
14 longer-term focus on targets and I believe that you
15 should be constructing targets further out.

16
17 The forum recommends an environmental flow
18 regime and it will also be recommending an adaptive
19 management program and that adaptive management
20 program has to know of some numbers about where
21 water demand, water savings and water allocation is
22 going.

23
24 As I said in my opening remarks, this is a
25 complex set of relationships and it becomes
26 extremely difficult unless you start to find some
27 other people who have some responsibilities in this,
28 and not you IPART but you the Government because I'm
29 sure there are a lot of government agencies here
30 which have to understand that if Sydney Water is
31 going to achieve these things, they can easily slip
32 out of it by saying it was population or bad
33 planning, but we shouldn't allow that.

34
35 There should be programs that acknowledge what
36 Sydney Water can do and what Sydney Water can't do.
37 That means you can come to those gross numbers for
38 the State Government to achieve 570 or 520 but you
39 can't always just ask Sydney Water alone to come to
40 those numbers, in my view.

41
42 I agree with Charles on the sector focus
43 because I emphasised in my opening remarks that
44 there are many different levels and values of
45 consumption and to continue to generalise once again
46 doesn't get to the specifics. We are talking about
47 consumption, so we are talking about the consumers
48 and, therefore, we should be focusing on those
49 people.

50
51 In SCA's submission on page 37 they talk about
52 their demand management program, but I don't see
53 anything in IPART's considerations about how it's
54 going to be regulated to fix its leaking pipes.
55 Sydney Water has shown some performance on leaky
56 pipes. I can name a few leaky pipes in other parts
57 of the system, the bit that got split off the jewels
58 in the crown of Alex's larger organisation, where a

.23/7/02 46

Transcript produced by ComputerReporters Pty Ltd

1 bit of welding and repairing would do wonders.

2
3 Even there, even in the transmission systems, I
4 think you have to consider where demand management
5 goes in the licence of SCA. The forum and the panel
6 will be looking this week at irrigation demand
7 management, which Liz mentioned in her introduction,
8 and, as I've said before, I believe those demand
9 management programs have to be somewhat integrated,
10 probably at the government level, to ensure that
11 those people who allow you to wash your car next to
12 a turf farm because the water goes in a fairly
13 munificent way, should be as aware as my next door
14 neighbour who hoses down the leaves every morning,
15 to my chagrin. He gets disappointed when it rains.

16
17 I think it does require a whole program and I
18 think that industry and irrigators along the river
19 are just as important to target in the sector
20 division that Charles has mentioned as those sectors
21 within Sydney Water and it needs to be thought of in
22 those terms.

23
24 I did have a question concerning the yield that
25 water from Sydney Water's budget is going to give
26 us. I have seen some of those numbers on the board
27 and I've noted them down. Thank you.

28
29 CHAIRMAN: I will give Alex the chance to respond in a
30 little while, but we'll move on to Graeme first.

31
32 MR HEAD: I will try not to repeat what other people
33 have already said. In reference to Bob's remark
34 about leakage within our own system, the fact that
35 we've actually got an active program in place is
36 probably, as much as anything, an indication that
37 you don't always need to be required to do something
38 in order to do it.

39
40 That said, obviously leakage reduction within
41 systems is important and the fact that it's been
42 brought up in the mid-term review is significant and
43 we'd certainly be happy to have further discussions
44 about what we're doing in that program and what its
45 short and long-term goals are.

46
47 I wanted to make a comment about the
48 whole-of-government issues that Bob referred to
49 without stealing Lisa's thunder, because I'm sure
50 she'll want to talk about this. The water chief
51 executives' task force does have a term of reference
52 now with respect to demand management and I do think
53 that that means there is a better, high level
54 discussion occurring within government on the
55 relevant issues.

56
57 The challenge for this review and
58 Sydney Water's challenge is that while that creates

.23/7/02 47

Transcript produced by ComputerReporters Pty Ltd

1 a collaborative process, we're actually talking
2 about the review of a regulatory instrument that
3 creates specific accountabilities for Sydney Water
4 without necessarily identifying how those
5 accountabilities sit within a more detailed
6 articulation of what other parts of government are
7 doing or should be doing. I think it has been a
8 significant step forward in the last 12 months that
9 the water CEOs are actively engaged in looking at
10 that issue.

11
12 I have two more points to make. Broadly, in
13 terms of the model that IPART have put up, we're not
14 uncomfortable with that. I think the issue of a
15 debate about volumetric targets versus per capita
16 per day targets is an interesting one. I can see
17 that the volumetric target provides a very good
18 basis for understanding what change is actually
19 occurring.

20
21 I am inclined to the view that a sector by
22 sector approach is more useful in terms of
23 understanding what changes has been achieved. I am
24 not actually sure that per capita per day targets
25 tell you a lot. They might tell you about a trend
26 but I don't think they explain terribly well what
27 underlies that trend and that's an important issue.

28
29 My last point is, and it partly goes to the
30 issue of communication, Peter mentioned in the
31 session this morning the NCC's view about
32 cooperative collaborative approaches between the SCA
33 and Sydney Water on communicating with the
34 community. I am strongly supportive of those
35 approaches and Alex has indicated that he is as
36 well, although he may have changed his mind.

37
38 MR HEAD: I think Bob might have been responsible for
39 this. I guess the point is that it has come up in a
40 number of different parts of this morning's session.
41 We talk very often about the community and how we
42 stimulate the community of the change with positive
43 incentives, et cetera. No-one thus far has talked
44 about how we go about understanding what the
45 impediments to change are. I think this is an issue
46 that Lisa's heard me harp on for about ten years. I
47 think that looking at environmental behaviour change
48 is not just about looking at attitudes and how to
49 shift them; it's about identifying very real
50 structural and other impediments to change and
51 looking at what's available to knock those
52 impediments over.

53
54 I think one of the challenges for those doing
55 environmental education or other forms of social
56 behavioural change programs at the moment is that it
57 is very crowded out there. Some of the feedback
58 that has been coming in and work that I've seen

1 suggests that people are starting to be a little
2 overwhelmed with people coming at them from
3 100 different directions telling them to use less
4 water, catch the bus to work, stop smoking and eat
5 less fat and a whole range of things.

6
7 I guess the point I'm making is we need to
8 understand that what we're trying to achieve with
9 communities is a specific set of actions that
10 represent one additional set of demands on
11 communities and it would probably serve the industry
12 well to look at where there are opportunities for
13 partnerships with other sectors that are trying to
14 achieve related changes. Because I think when
15 everybody approaches this just with their issue in
16 mind, as if they're the only people talking to
17 communities, we really run the risk of not
18 understanding the amount of change that communities
19 are being asked to undergo. I think that is it for
20 me.

21
22 MS CORBYN: I want to start by really acknowledging the
23 work that Sydney Water has done on its demand
24 management program. I think it was pointed out that
25 it does take time to ramp-up programs and I think
26 that's certainly true. I think the hard work that
27 Sydney Water has put in is actually starting to show
28 some pay-offs. That said, we all know that with
29 every issue we try to take on like that, the easier
30 stuff goes first and it is the harder stuff that
31 remains later, which means that we have to have
32 continued vigilance on that - on all of those
33 programs.

34
35 I think that the EPA's perspective, to start
36 with, is that we need to set up a process that makes
37 sure that Sydney Water and Sydneysiders - so I
38 address not just Sydney Water but take Bob's comment
39 that we need to set up a process that ensures that
40 we live within the available water supplies.
41 As a result of that, from our perspective we need to
42 have a strong integrated approach that actually does
43 look at the wide range of both demand and supply
44 side programs and brings in all of those programs,
45 like education.

46
47 We've had some interesting statistics, for
48 example, on the collaboration that's happened on the
49 "It's a Living Thing" education campaign and the
50 work that Sydney Water was doing about shower heads
51 and how people's perceptions have changed, through
52 to the retrofitting programs, and so it goes.

53
54 I come back again to the comments that I made
55 at the beginning, which is we do think for the long
56 term we need to have an annual volumetric
57 availability figure in the operating licence,
58 understanding that there are other people that will

1 affect that? But it sets a context that actually
2 let's us know how we're going.
3
4 We also think - and in disagreement I think
5 with some of the other comments - that there should
6 be the existing per capita targets and, in
7 particular, per capita targets for residential use
8 should be maintained but also for the long term.
9 Those sort of targets should be defined. We're
10 supportive of doing sector targets as well, but not
11 dropping some to be able to maintain others.
12
13 I'd have to say, and part of our perspective
14 comes from some of our regulatory practice, we use
15 best management practices quite a bit, or require
16 people to put in best management practices.
17 Monitoring them doesn't necessarily relate to the
18 outcome; it relates to the activity. So we need to
19 have measures and targets that allow us to deal with
20 both of those issues. We are not unsupportive of
21 sectoral programs in targets, but they need to be
22 broader than that.
23
24 I wanted to comment on a comment that Alex made
25 about focusing programs to influence behaviour. I
26 think that really is - and Bob made this comment as
27 well - not just about Sydney Water. Your licence
28 is, but the demand management programs must be much
29 broader. So I think the comments that came out
30 about marketing in the review that was done are
31 particularly important and in relation to the
32 emphasis on education in terms of trying to
33 influence people's behaviour, we would like to
34 continue to have a collaborative program which I
35 think we do have in our next round of education
36 programs with demand management programs.
37
38 Lastly, I'd like to comment on behalf of the
39 water CEOs. Graham hasn't stolen my thunder, but I
40 support everything that he said. We have, I think,
41 a unique opportunity now because we have an expanded
42 version of the CEOs that influence water who are
43 tasked with bringing forward the wider demand
44 management programs by government. I have seen
45 significant collaboration across those CEOs to bring
46 forward a work program that will deliver. That's
47 certainly my challenge as the Chair, but I think all
48 of the CEOs have actually embraced that program and
49 are willing collaborators in that overall approach.
50
51 In some cases we do invite the Department of
52 Mineral Resources, who does present to the water
53 CEOs as well, about the programs that they are
54 bringing forward to ensure that we get that water
55 program that's not just focused on Sydney Water, but
56 to actual progress over all demand management
57 programs.
58

1 I just wanted to make a last comment on a
2 specific presentation that was made about savings
3 targets. I'm not negative in savings targets,
4 except that I don't think that savings actually
5 relate to overall use; it relates to savings. So in
6 all, it may be that what we need is really a full
7 suite of targets that deal with programs, savings
8 overall, from our perspective, and volumetric
9 variability, which is actually about a context
10 figure more than anything else, to actually set the
11 water prospective and be measurable and accountable
12 in an equitable way. Thank you.
13
14 MR PRINEAS: Thank you, chairman. I'd like to start by
15 saying that although Sydney Water has reduced
16 capital water consumption by a notable amount over
17 the past 11 or so years, it is not meeting the
18 targets that are set out in its operating licence.
19
20 It didn't meet the 2001 target and it looks
21 somewhat shaky, very shaky, in terms of meeting the
22 2005 target. In the circumstances, you would expect
23 Sydney Water to be doing everything that could
24 reasonably be done to address that problem, but
25 that's not happening. It's clear from the
26 statements we've heard and the presentation by IPART
27 that the punches are being pulled.
28
29 In relation to what Sydney Water could do,
30 there is a clear statement in Montgomery Watson
31 Harza's report about the residential retrofit
32 program, which the consultants describe as the most
33 successful initiative to date in reducing demand
34 management in residential program improvements.
35 Yet, Sydney Water proposed to suspend this program
36 and concentrate on the outdoor program.
37
38 The consultants note that the reason for
39 suspending the program is that the program provided
40 a target for 20 per cent market penetration and this
41 has been achieved. Well, I think the Nature
42 Conservation Council would agree with MWH's
43 statement that this rational appears to have a
44 limited basis as the cost effectiveness of the
45 program has not been analysed, and until the
46 suspension of this program can be justified and a
47 feasible alternative residential program is in
48 place, Sydney Water should continue implementation
49 of it.
50
51 The other aspect of Sydney Water failing to do
52 what reasonably could be done is to be found in the
53 recommendations of the same consultants concerning
54 the need for an effective communication program.
55 That's to be found in their high priority actions,
56 specific programs, 1D, "Expand and improve the
57 communication program". Well, again, that vital
58 element of an improved demand management performance

1 is not there. It's not in the IPART schedule and it
2 seems to be the view held by some around the table
3 that it's not needed. Well, I would suggest that it
4 is needed. It is needed very much and if you look
5 at what the task ahead of Sydney Water is, you can
6 see that they have to reduce demand by approximately
7 12 per cent over the next three years.

8
9 Their previous performance was an 18 per cent
10 reduction over 11 years. So to miss out on their
11 most successful residential retrofit program and the
12 obviously necessary communication strategy, doesn't
13 mean all is well for meeting that 2005 target.
14 The NCC would recommend strongly that this be
15 reviewed and that these two elements of a successful
16 program be reintroduced. We'd go further and argue
17 that the Sydney Catchment Authority needs to be
18 brought into the picture, into the demand management
19 picture very clearly. That's not the case at the
20 moment.

21
22 The Sydney Catchment Authority has extremely
23 weak obligations with respect to demand management.
24 You can see this from the operating licence
25 requirements and from the recent audits. The fact
26 is that Sydney Water was found to have a low level
27 of compliance because it bought more water from
28 Sydney Catchment Authority in 2000/2001. However,
29 Sydney Catchment Authority was found to have a high
30 level of compliance for selling more water to Sydney
31 Water than it should have. So there is something
32 idiotic about their arrangements and it has to be
33 addressed.

34
35 I think the first thing that needs to be done
36 is to give some attention to those rather silly
37 arrangements in the operating licence for Sydney
38 Catchment Authority regarding demand management so
39 that Sydney Catchment Authority has some real demand
40 management obligations. The second thing to do is
41 to give the Sydney Catchment Authority, jointly with
42 Sydney Water, a role in the communication strategy,
43 because it is the Sydney Catchment Authority that
44 ultimately has to face the music in terms of having
45 to augment supply. It has a big stake in this and
46 it has to have a say in what's being said about
47 demand management and how effectively it's being
48 said and the programs that are being delivered. I
49 think that's the most important aspect of the change
50 that ought come out of this mid-term review.

51
52 I would like to see, also, when you have done
53 your pricing review, a penalty pricing arrangement
54 reflected in the seven-year Catchment Authority
55 operating licence and also involved a water supply
56 agreement, of course, so that there could be a
57 stepped pricing arrangement reflecting demand
58 management requirements. So that where there was a

.23/7/02 52

Transcript produced by ComputerReporters Pty Ltd

1 draw on the reservoirs by Sydney Water, or
2 attributable to Sydney Water's nexus of demand
3 management targets, there would be a penalty. This
4 should not be able to be passed on to the consumers.

5
6 Montgomery Watson Harza have got specific
7 recommendations in their report relating to those
8 sorts of arrangements and I believe they are very
9 feasible and ought to be taken up. With regard to
10 the stakeholder involvement in demand management
11 Forums in the future, there is a limit to the number
12 of these exercises that NCC people can be involved
13 in because the resources are limited. But if we're
14 going to have such Forums, they ought not be
15 convened by Sydney Water or SCA; they ought be
16 convened by an independent authority such as IPART,
17 otherwise you are going to strike problems with
18 outcomes and satisfaction of those involved.

19
20 In terms of the absolute volume target, I think
21 NCC would accept that the primary demand management
22 targets in the operating licence could be changed
23 from per capita reduction values to the equivalent
24 absolute volumes in order to make the targets
25 clearer, less likely to be disputed and more attuned
26 to the SCA's reservoir management. However, I think
27 also the per capita reduction figures should be
28 retained in the operating licence as a secondary
29 measure and they should be expressed by sector as
30 they are a useful signal for planning, for
31 consumers, manufactures and so on.

32
33 In relation to the 2004/15 target, I am
34 disappointed in the idea that no target should be
35 set. In fact, I don't think there is any logical
36 basis for that. If you don't set the target, then
37 you are thrown back on simply an economic view of
38 demand management. If you look at demand management
39 from an economic view, it is mostly not worth doing.
40 If you don't have an environmental driver, it is
41 going to fail.

42
43 The rationale for the 2014/15 target when it was
44 set was, as Lisa mentioned, related to deferring
45 indefinitely new dams. That's a good rationale; it
46 should stay. It's the rationale that formed the
47 2011 target and that was set 16 years ahead, when it
48 was set. There is no reason why the 2014/15 target
49 can't be set on the same rationale now, because
50 2014/15 is not as far ahead. Those are all the
51 comments I think I have to make on that.

52
53 MR HAMILTON: Thank you. My comments at this stage are
54 going to concentrate on things where we, from a
55 planning point of view, might be able to have the
56 same contribution to demand management.

57
58 There are things people might think we have an

.23/7/02 53

Transcript produced by ComputerReporters Pty Ltd

1 influence on, but we don't in terms of things like
2 designer construction. That's what I mentioned
3 before; the role of the work we're doing under the
4 umbrella of the sustainability of council to come up
5 with some best practice tools that can be used by
6 local government and development industry in meeting
7 international best practice benchmarks. We also
8 will be pursuing best practice in design for new
9 residential developments and achieving what we can
10 through those sorts of measures.

11
12 I think these things all lead into the question
13 about how you look at the targets. There would seem
14 to be merit in segregating the targets because of
15 the things that we know about. There are some
16 interesting trends that appear to come out of the
17 first release information from the census as simple
18 as household size. Everybody around Australia has
19 been talking about how average household sizes
20 continue to decline.

21
22 In Sydney in 1996 to 2001, there was an
23 infinitesimal drop in average household size
24 compared to what we'd seen in the past from 1971 to
25 1991. In 1971 it was 3.1 to the biggest first
26 decimal, that went down to 2.9 in '86 and 2.7
27 in '96. It is now still 2.705, so hardly any change
28 at all in average household size. You will see how
29 that's been factored into things like the references
30 made in other documents to why we've had a higher
31 share of dwellings being multi-unit, which you would
32 expect to result in leading to lower consumption
33 because people don't have gardens to water and
34 whatever. We assume that consumption would be
35 lower.

36
37 In fact, in some locations we've had evidence
38 provided to us by Sydney Water that consumption has
39 been higher than you'd expect. What the
40 relationship is between the weather, the cost of the
41 housing and the size, whatever, we need to work on
42 those things. So it would suggest things about the
43 characteristics that Bob was saying, the social
44 characteristics of what goes on and things like that
45 are important to look at, not just the overall
46 aggregate targets.

47
48 So for me to understand your population
49 demography, changes, ageing of houses and how they
50 might influence demand patterns is something to look
51 at. We know the population is getting older; you
52 would expect an increase in proportion of households
53 to get smaller. Figure expectations about numbers
54 of family households - couples without children
55 increasing substantially - a whole lot of
56 projections have been made. How that might relate
57 to consumption practices would be an important thing
58 to look at.

.23/7/02 54

Transcript produced by ComputerReporters Pty Ltd

1
2 So the idea of segregating targets would be an
3 important thing to look at. There are within
4 residential sectors differences which would be
5 important. So to differentiate that sector from
6 other sectors would be an important area to look at
7 if you want to get a real signal. A lot of things
8 go back to consumers, so you need to be identifying
9 those things in terms relevant to them. There is an
10 overall per capita target for Sydney that might not
11 have the direct relationship it has to individual
12 consumption patterns.

13
14 As I mentioned earlier, we are working on a lot
15 of these things in our new planning for the level of
16 the dwelling and the local developments and also in
17 teaching and planning for new growth areas we'll be
18 wanting to achieve. A total water cycle management
19 approach is what we want to be planning for the new
20 areas, hopefully to make a significant contribution
21 to the demand management approach.

22
23 MR WELLSMORE: My name is Jim Wellmore and I'm a
policy

24 officer of the Public Interest Advocacy Centre.

25
26 Part of what PIAC does is to have a brief
27 around residential users, and particularly low
28 income residential users of electricity, gas and
29 water. We have a community based utility reference
30 group which assists us in developing our policy and
31 our approach.

32
33 Having said all that, I guess PIAC isn't in a
34 position perhaps to provide as much input as some of
35 the other people around the table here now,
36 obviously the community groups from the
37 environmental perspective. We are more interested
38 to see how some of these issues are going to pan out
39 in the later determination about pricing. But,
40 having said that, there is a lot that we welcome
41 from the Tribunal's proposals and, of course, also
42 the work from Montgomery Watson Harza, particularly
43 some information about what's being done and how
44 that actually is measured in terms of achievements.
45 That has been very, very useful information, I
46 think, for us to have.

47
48 Now to make some very brief points. The issue
49 about targets is an interesting one for us. We, it
50 seems, will agree with many other people around the
51 table. I think that there is actually room for both
52 a total target of total volume or out-takes from the
53 supply system and also a place for a litres per head
54 per day target to be retained.

55
56 Essentially, they are complimentary but they
57 have slightly different purposes or slightly
58 different roles. I think, especially for

.23/7/02 55

Transcript produced by ComputerReporters Pty Ltd

1 residential consumers, there is a lot to be said for
2 the kind of information that households can get from
3 a litres per capita per day sort of measurement. We
4 are very, very keen to see the targets and also the
5 kinds of programs that are being put in place to
6 achieve those targets being segregated into
7 sectorial targets. That does make for much better
8 reporting with a much more accurate and readily
9 understood reporting. It is also, we would think,
10 perhaps more easily auditable and that's quite
11 useful, obviously, from the point of view of trying
12 to work out who is going to be accountable for what.

13
14 We have taken from the MWH report the
15 information about system leaks. I think PIAC would
16 clearly be of the view that more needs to be done,
17 more can be done and more must be done about leaks
18 and, obviously, comments have been made about the
19 Catchment Authority and there has been some
20 discussion about a more holistic approach towards
21 leaks from the system.

22
23 I think the other aspect about the targets and
24 the reporting against those targets has got to be
25 more desegregated information, more clear
26 information about what's been done and where in
27 terms of cost as well as measuring achievements.
28 Like Peter and the Nature Conservation Council, we'd
29 be very, very keen to see a continued emphasis and
30 the continued operation of a residential retrofit
31 program.

32
33 It is not only achieving gains or achieving
34 important outcomes in terms of demand management.
35 It actually has, from our perspective, particularly
36 from the point of view of low income households,
37 other spin-off effects to the economic benefits of
38 those households if you're in a position to reduce
39 their total water consumption. We would be keen to
40 impress upon people the need to maintain the effort
41 in that area.

42
43 Could I perhaps finally make some points about
44 the issue of community attitudes and demand
45 management. I suppose from our perspective, at
46 PIAC, we're very sceptical about the black science,
47 if you like, or the black art of economics, or even
48 more so the area of research into community
49 attitudes. I think if you're waiting for perfect
50 information, it will be a very, very cold day in
51 hell; I just don't think it is achievable.

52
53 What we're really looking for, in contrast to
54 that, is some leadership and I think some credit
55 ought go to Sydney Water for the efforts they have
56 made up until now in trying to drive some of this
57 demand management stuff and the "Every Drop Counts"
58 slogan I think has been an important part of that.

.23/7/02 56

Transcript produced by ComputerReporters Pty Ltd

1
2 We still do feel that more needs to be done and
3 more certainly can be done, including from
4 Sydney Water but also from the community's point of
5 view and I think the kind of leadership Bob Wilson
6 mentioned is terribly important and at some point I
7 think people in a position to do so will just simply
8 need to bite the bullet.

9
10 I lived for a number of years in
11 South Australia and the slogan that always sticks in
12 my mind is that we were living in the driest State
13 in the driest continent. That became an issue of
14 some pride for most crow eaters and it seems to me
15 you didn't have to go to the community and say,
16 "What do you think about water use?" We were
17 reliant on a very salt affected Murray River in the
18 Adelaide area anyway and given that we lived in the
19 driest State in the driest continent, everybody was
20 prepared to do something to address the problem.

21
22 In conclusion, could I go back to a point
23 Peter Prineas from NCC made. This is a session
24 largely about Sydney Water but from PIAC's point of
25 view we do agree there has to be a role for the
26 Catchment Authority and they need to be included in
27 a broader demand management framework. That
28 concludes my remarks.

29
30 CHAIRMAN: I will ask Alex if he wants to respond to
31 anything at this stage.

32
33 MR WALKER: I don't think the audience would appreciate
34 it if I responded to the many points raised,
35 Mr Chairman. Perhaps I could say that overall I am
36 heartened by the comments and the input from my
37 fellow panel members that, after all, we share
38 objectives. They are not always 100 per cent
39 aligned but they are substantially aligned and we
40 all want to see the same outcomes.

41
42 We could never expect to have or would have
43 exactly the same priorities and perspectives. We do
44 and we always will struggle to strike a balance
45 across our objectives which is acceptable to the
46 broader community and the broader stakeholders.
47 That is what we're struggling to do. We welcome the
48 process and we welcome open discussion.

49
50 We are quite happy to put all of our programs
51 and activities on the table for scrutiny and to be
52 opened up and examined in whatever way people like
53 to do that, but in the end we want support for the
54 work that we're actually doing and so we're also
55 heartened by the fact that people recognise it is a
56 shared responsibility and are prepared to support us
57 in that effort. I won't dwell on the very few
58 negative comments that were expressed, Mr Chairman.

.23/7/02 57

Transcript produced by ComputerReporters Pty Ltd

1 I will happily accept the positives and move on.

2

3 CHAIRMAN: Any there any other comments from the members

4 of the panel at this stage? Is there anything you
5 want to add or contest? Now is your chance.

6

7 MR O'BRIEN: I just want to respond to one point there.

8 It was mentioned a number of times around the table

9 that basically the report didn't recommend a

10 2014-2015 target be set. That is the case but the

11 development of a 10-year program will have to be

12 underpinned by a target, whether it be a per capita

13 target or a volumetric target, as suggested. There

14 will still be a target there to be aimed at.

15

16 You can't actually set that at the present time

17 because the demand supply balance really needs to be

18 sorted out beforehand, but to set your future

19 program and all your activities you still have to

20 have a target or at least a level to aim at. There

21 should be no misunderstanding that the 2014-2015

22 target was just pushed aside.

23

24 CHAIRMAN: Thank you. Are there any further comments?

25

26 MR WILSON: I thought it was interesting, whilst

27 responding to my comments, that Lisa mentioned a

28 fairly comprehensive program existing within the

29 water CEOs. I think part of the problem is it isn't

30 communicated generally to the public that the water

31 CEOs are concerned, the Government is concerned and

32 Sydney Water is concerned: that isn't being

33 communicated to the public. It is again this

34 business I keep talking about of a larger

35 responsibility and leadership at the top level, not

36 the water CEOs.

37

38 I think the message needs to go to the

39 executive government as to how critical this issue

40 is. For the water CEOs to have done all that good

41 work and the public not realising it is a bit like

42 fiddling around with some of the SCA's criteria on

43 reliability. They do a great job but it means that

44 the public never know that all that work is going on

45 to save them.

46

47 There isn't really an awareness of how critical

48 all of the issues are behind this government curtain

49 that's going on with water and that's why I agree

50 with Peter that we should open up some of those

51 discussions perhaps more. I think that would help

52 Sydney Water and it would help the regulators too.

53

54 MS CORBYN: I certainly agree that we ought to have

55 broad communication, but I think sweeping statements

56 about not having consultation are incorrect when the

57 task force that's actually tackling this demand

58 management issue came from recommendations that

.23/7/02 58

Transcript produced by ComputerReporters Pty Ltd

1 flowed from what was a hugely public process and

2 that was the "Healthy Rivers" campaign that was

3 considered by government. That had a very broad

4 announcement.

5

6 That is not acknowledging the vast amount of

7 actual public communication that has happened with

8 respect to this. I agree with you that we need to

9 do more to actually communicate overall about not

10 only demand management but where that's actually

11 going in the context of the urban development

12 program and the metropolitan CEOs and those wider

13 COAG processes all related to water.

14

15 I think that people shouldn't assume that

16 there's been no communication about this because the

17 Hawkesbury-Nepean, Botany Bay and Georges River

18 Healthy Rivers program have been very public and the

19 recommendations came from those processes.

20

21 CHAIRMAN: If there are any comments, questions or

22 statements from people sitting in the back of the

23 room, now is your chance.

24

25 MR SANDALL: My name is Neil Sandall and I am from the

26 Department of Housing. We're actually pleased to be

27 receiving funding from Sydney Water Corporation for

28 12,500 properties but would like more. From our

29 point of view, probably \$10 million of programming

30 is needed to make inroads into all of our

31 properties.

32

33 I would also like to point out that under the

34 current regulations price signals associated with

35 water usage are not passed on to tenants in

36 multi-unit dwellings due to separate metering of

37 those properties. That probably affects about

38 16 per cent of the residential market.

39

40 In addition, in the current environment private

41 landlords are offering various incentives. Probably

42 over 20 per cent of the market isn't getting any

43 pricing signals at all. Under the current

44 regulations pensioners' subsidies provided through

45 water authorities are available to owner-occupiers

46 but not to pensioners who rent properties, which is

47 a serious equity issue.

48

49 If, for example, you adopted the Victorian

50 model - which I'm not necessarily advocating - water

51 authorities billing clients for water usage pass on

52 water pricing signals and subsidies. Even in

53 multi-unit properties owners install separate

54 meters. If they installed separate meters,

55 Sydney Water would only read the master meter for

56 billing purposes and it is probably a disincentive

57 for property owners to install individual meters and

58 pass on charges.

.23/7/02 59

Transcript produced by ComputerReporters Pty Ltd

1
2 The Department is also currently examining
3 methods of passing on some water charges to tenants.
4 A number of obstacles involved in that have been
5 identified, being the cost of separate meters and
6 also the administrative burden of passing on the
7 bill as a second-tier activity.
8
9 From our point of view, the IPART issues paper
10 indicates a consideration of a number of pricing
11 options, which include demand management price
12 increases, block tariffs and step-pricing increases.
13
14 Increasing price control demand can't be
15 supported by us because of the impacts on low income
16 families, increasing the possibility of families
17 being forced to survive on incomes below the poverty
18 line. We do support pricing levels and rises which
19 reflect the cost of providing the infrastructure and
20 operating an efficient service.
21
22 CHAIRMAN: Are there any further comments from anyone
23 sitting at the back of the room? Do any members of
24 the panel want to make a final comment?
25
26 MR PRINEAS: On pricing, I notice it was recently said
27 that the price for Sydney water - not the
28 corporation but what it sells - was 5 per cent less
29 now, in broad terms, than it was 10 years ago. I
30 think that was brandished as an achievement by
31 somebody. I just question whether that's a good
32 thing. I agree that pricing as a means of achieving
33 demand management is a blunt instrument and that one
34 doesn't wield it blindly.
35
36 Social equity considerations need to be taken
37 into account, and ought to be, but if you want to
38 reflect the environmental value of water the price
39 needs to be appropriate and perhaps that needs to be
40 looked at in the next round.
41
42 CHAIRMAN: Are there any other final comments before I
43 close the session? Thank you very much. That has
44 been a most interesting session. I agree with
45 Alex Walker that there was a fair degree of
46 consensus emerging. A number of messages have been
47 sent to us that we would need to consider further,
48 with some of the pricing issues, for our next
49 pricing review. I think there is a great deal of
50 support for targets, so there's perhaps a question
51 about what sort of a target it should be.
52
53 We have noted the views stated by the various
54 environmental groups about the importance of the
55 target for the longer term. We need to consider
56 that further. Also, there is a message about Sydney
57 Catchment Authority's own obligations that I think
58 we need to consider as part of this review.

1
2 Those are the things that IPART needs to take
3 on board in the discussion and I found it extremely
4 interesting and I thank you for your assistance in
5 it. I think we should allow ourselves an hour for
6 lunch and be back at a quarter past 2. Thank you.

7
8 (Luncheon adjournment)

9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58

1 UPON RESUMPTION:

2

3 CHAIRMAN: Ladies and gentlemen, let me welcome you to
4 the afternoon session. We are having two sessions,
5 one to do with the Sydney Catchment Authority and
6 one to do with Sydney Water Corporation. Felicity
7 is going to speak on Sydney Catchment Authority just
8 briefly to introduce the discussion and then we'll
9 follow that up with the other session.

10

11 MS HALL: My name is Felicity Hall, I'm a member of the
12 Tribunal Secretariat. The purpose of this
13 afternoon's session is to discuss some other issues
14 associated with the mid-term review of the Catchment
15 Authority's operating licence.

16

17 There are three key issues for this afternoon's
18 session. The first one relates to memorandum of
19 understanding obligations. The question here is of
20 any of the obligations that are in the existing
21 memorandas of understanding, whether those
22 obligations should be put into the operating
23 licence?

24

25 The second area of the discussion is water
26 quality obligations for bulk water, and the question
27 here is are the existing licence conditions
28 appropriate or should other conditions be
29 incorporated? The third area is the Risk Management
30 Plan, and the Tribunal was asked to look at the need
31 for the Risk Management Plan in light of the
32 Regional Environmental Plan. So I will
33 take each of these issues in turn.

34

35 Memorandums of understanding. These are
36 required under section 36 of the Sydney Water
37 Catchment Management Act and the purpose of the
38 memorandums of understanding is to form co-operative
39 relationships with a view to furthering the
40 objectives of the Act and the operating licence.
41 The Catchment Authority has memorandums of
42 understanding with New South Wales Health, the
43 Environmental Protection Authority and the Water
44 Administration Ministerial Corporation.

45

46 The MOUs, as I mentioned, are essentially
47 concerned with relationships between the Catchment
48 Authority and other parties. We believe that the
49 legal requirements should be in an operating licence
50 or another kind of licence, such as the Department
51 of Land and Water Conservation licences, or EPA
52 licences. So we believe that the memorandums of
53 understanding should be about relationships, and if
54 there is a licence obligation that should be in a
55 licence instrument.

56

57 As part of the submission process to the
58 Tribunal, no stakeholders identified any memorandum

.23/7/02 62

Transcript produced by ComputerReporters Pty Ltd

1 of understanding obligations that should be included
2 in the operating licence. So I guess that one of
3 the questions that we have today is really: are
4 there any things that should be included?

5

6 The second issue relates to the bulk water
7 quality obligations in the Catchment Authority's
8 operating licence. There are essentially three key
9 requirements in that licence and the first one is
10 the health guideline values for bulk water. These
11 are values or characteristics of the water that may
12 not be substantially removed or reduced through the
13 water treatment processes. So this is saying that
14 these are the characteristics of water which the
15 Catchment Authority is principally responsible for.

16

17 The second element is the site specific
18 standards and these are contained in the bulk water
19 supply agreement between the Catchment Authority and
20 Sydney Water. The characteristics in the bulk water
21 supply agreement basically relate to aesthetics and
22 these are things like the appearance of water and
23 odour. The third element is the agreements that the
24 Catchment Authority has with other customers.
25 So these may be customers like Shoal haven council,
26 Wingecarribee council and also a number of other
27 smaller customers in the catchment areas.

28

29 Essentially what the mid-term review is looking
30 at is whether these obligations are sufficient and,
31 if they are not, what should be the changes that
32 should be made or amendments made to these.
33 Essentially, from the submissions, again, most
34 submissions argue that changes were not necessary to
35 these licence requirements. I guess most
36 importantly, New South Wales Health stated that
37 additional obligations are not necessary. Therefore
38 at this stage we won't be recommending any
39 amendments to the bulk water quality obligations in
40 the licence unless we hear some further input today
41 on that issue.

42

43 The last area concerns the Risk Management
44 Plan. The Risk Management Plan is the key
45 instrument of the Catchment Authority's operating
46 licence. The purpose of the plan is to manage the
47 risks to the quality of the bulk water. This is
48 essentially why the Catchment Authority was
49 established. These risks could include managing
50 pollution sources in the catchment, and it can
51 include also things like how the Catchment Authority
52 is managing its infrastructure to reduce the risks
53 in terms of the quality of the water that is
54 supplied.

55

56 Generally, all stakeholders have recognised the
57 importance for Risk Management Plan in the licence.
58 The Catchment Authority has also identified some

.23/7/02 63

Transcript produced by ComputerReporters Pty Ltd

1 areas for improvement of the Risk Management Plan in
2 its submission and has undertaken to review the plan
3 in the future.

4
5 What the Tribunal has been asked to do here is
6 to review the need for the Risk Management Plan in
7 light of the Regional Environmental Plan. I will
8 just briefly explain what the purpose of that plan
9 is. The Regional Environmental Plan is an
10 instrument which is being developed by planning New
11 South Wales under the Environmental Planning and
12 Assessment Act.

13
14 The aim of the Regional Environmental Plan is
15 to integrate current and future actions to protect
16 the water catchment supply in Sydney and the
17 adjoining regions. In effect, the Regional
18 Environmental Plan provides the framework for
19 planning by councils. In contrast, the Risk
20 Management Plan in the Catchment Authority's
21 operating licence is a licence obligation on the
22 Catchment Authority to manage the risk to the
23 quality of the bulk water. So they have a different
24 emphasis.

25
26 At this stage, the Regional Environmental Plan
27 is still in draft form and what we're recommending
28 is that at the end of term licence review, the Risk
29 Management Plan should be reviewed in light of the
30 Regional Environmental Plan and any duplication
31 between the two instruments should be removed.

32
33 So, to conclude, the questions that we are
34 looking at for discussion this afternoon are:
35 firstly, the memorandum of understanding
36 obligations, whether there is anything in addition
37 that should be included in the Catchment Authority's
38 licence; are the existing bulk water obligations
39 adequate and the need for a Risk Management Plan in
40 light of the draft Regional Environmental Plan?
41 I guess it is also an opportunity if people have
42 other comments relating to the objectives of the
43 Catchment Authority's licence. Thank you.

44
45 CHAIRMAN: Thank you very much. Graham, do you want
46 to
47 say anything at this stage?

48 MR HEAD: I don't think so. At the end of the day I'm
49 not of the view that there ought to be any of the
50 existing MOU obligations in the operating licence.
51 The memorandas of understanding that we're required
52 to enter into are there for a particular job of work
53 to be done and my view is that they are working
54 quite well and the processes that support their
55 implementation are working very well.

56
57 I think that, in essence, we don't think that
58 there are any changes required at this point and

1 ditto for the water quality obligations at this
2 stage as well. I think that there is a lot of good
3 work happening between New South Wales Health, Sydney
4 Water

5 and ourselves through the processes that support the
6 strategic liaison group there, so there is a strong
7 focus on those issues. I don't see the need for
8 changes.

9
10 I think it's interesting that the stakeholder's
11 submissions didn't seem to be raising significant
12 issues to be addressed on these points either, so it
13 would appear that there is a fair degree of
14 consensus on that.

15 CHAIRMAN: I'd now like to ask for comments from the
16 panel. This time I suggest that Bob Wilson might go
17 first.

18
19 BOB WILSON: Well, we don't have a lot of concern about
20 the general water quality, but I'll get back to
21 Charles's comment about the alignment of regulatory
22 arrangements.

23
24 Where the environmental issues for the panel
25 come in are the discharges from the dams for
26 temperature and chemicals. It will be interesting
27 to see whether that's going to be taken up as part
28 of a risk management approach or if it's going to be
29 taken up by EPA and put into their MOU or it is to
30 be dealt with by DLWC. But that issue has to be
31 aligned. It's a future issue because it's not going
32 to happen for some time, but if the government were
33 to approve the environmental flows, then there will
34 be a need for some water quality transmitted
35 downstream of the dam. There may be some effects
36 from upstream management of that, but the existing
37 arrangements seem pretty okay so we'll probably be
38 happy there.

39
40 The only other issue is the interbasin
41 transfer. If you are going to start moving water
42 more regularly from the Shoalhaven, whether it goes
43 down Glengarry or goes down to Wollondilly, you are
44 putting different chemical and biological processes
45 into those river arrangements because they are
46 coming from different characterised catchments. We'd
47 have some concern about guarding the integrity of
48 the environmental flows from those issues. That's
49 all future. That's all I really have to say about
50 it. Thank you very much.

51
52 MR DE ROOY: In terms of the issue of the MOUs that are
53 referred to in the licence, Sydney Water has no
54 submissions to make in terms of the SCA's MOUs and
55 their licence other than to say that as a fellow
56 authority, we struggle sometimes with the
57 overlapping between MOUs and the licences in terms
58 of covering of similar issues but not quite the

1 same, and being required to be audited on both
2 processes.
3
4 So in that sense we would encourage, wherever
5 possible, some rationalisation between the MOUs and
6 the licences, particularly in terms of auditing.
7 Also particularly with, say, the MOU regarding
8 Health that Sydney Water and the SCA. If the
9 Tribunal could accept annual auditing by New South
10 Wales Health as representing the requirements for
11 section 6 of our licence and similar for the SCA,
12 that would be a suggestion we would like to be seen
13 taken up and examined.

14
15 In terms of water quality obligations, the key
16 requirement for Sydney Water is that the critical
17 parameters that come from the dams through to the
18 treatment plants are adequately monitored so that
19 our prime role in terms of protecting public health
20 through these critical control points is given the
21 best optimum opportunity to work.

22
23 These are currently in place. We have
24 protocols with the SCA. All the appropriate
25 parameters, be they health or aesthetic, are in
26 place and Sydney Water is comfortable that
27 represents its interests in terms of our role in
28 supplying healthy water to customers. So in that
29 sense the normal framework we have in place on a
30 day-to-day basis covers any requirements that Sydney
31 Water has there.

32
33 In terms of the Risk Management Plan, prior to
34 the split-off of the SCA there was a "catchment to
35 tap" risk management approach that was adopted.
36 Since the two organisations have been working
37 together, that's been working well and we see it is
38 important that the Risk Management Plan for
39 drinking water quality from the SCA continue in some
40 form that can be bolted together seamlessly with
41 Sydney Water's management risk process downstream
42 from the treatment plant, so we maintain that
43 catchment to tap management process.

44
45 At the moment the plans that the SCA have in
46 terms of risk management do that and we are working
47 with them on that and we see no other further
48 requirements there either.

49
50 CHAIRMAN: Thank you very much. Now we move on to
51 Joe Woodward from the EPA.

52
53 MR WOODWARD: In relation to the MOU obligations, I
54 think the EPA takes the MOU fairly seriously and we
55 do believe that it is working adequately at the
56 moment. We do feel that the MOU should focus on the
57 relationship of the agencies with the aim of
58 ensuring that the objectives of the licence and the

.23/7/02 66

Transcript produced by ComputerReporters Pty Ltd

1 Act are met.

2
3 We think that the MOU should be a document
4 providing the framework for those co-operative
5 arrangements. We do think that it is important that
6 the operating licence should not be used to
7 inadvertently impose obligations on a different
8 agency through the MOU. And, indeed, nor is it
9 allowed to under the operating licence. The
10 operating licence needs to provide the requirements
11 for the agency which is subjected to that licence
12 and by including MOU requirements in the operating
13 licence you would then be perhaps inadvertently
14 putting obligations on a third party.

15
16 We think it is important also that the MOU does
17 not include the environmental standards or
18 requirements in there. These are captured in other
19 documents and change over time. I think it's going
20 to simply lead to further duplication and potential
21 conflict if you are going to start having more and
22 more duplication there.

23
24 As I said at the outset, we do think the MOU
25 has been working effectively between Sydney
26 Catchment Authority and the EPA and that is backed
27 up by many of the co-operative arrangements that
28 we've been involved in. Just by way of naming a
29 few, there is pollution source risk and management
30 plan that we in Environment Protection Authority have been
31 involved in with delegated regulatory powers to
32 Sydney Catchment Authority officers and has provided
33 training to Sydney Catchment Authority officers.

34
35 We've been working on them with derelict mines
36 throughout the catchment area. We've been involved
37 with them through the draft strategic priorities
38 action plan, water quality, drinking, stormwater,
39 environmental indicators and a whole range of other
40 things. They are operating so we don't see a need
41 to change that at the moment.

42
43 In terms of the Risk Management Plan, yes, it
44 does make sense to address risk management. I
45 suppose from our perspective the relevance of the
46 Risk Management Plan does to some extent depend on
47 the final content of the Regional Environmental
48 Plan. So it will depend on the extent to which that
49 picks up, I suppose, some of the remedial action
50 that will be necessary in the catchment, but the
51 bottom line from our perspective is that any such
52 plans should avoid potential duplication or
53 conflicting requirements.

54
55 They were the main comments. I could also have
56 talked about the goal of the total volume goal, but
57 that was discussed sufficiently this morning.
58 Rather than run over it again now, I think I will

.23/7/02 67

Transcript produced by ComputerReporters Pty Ltd

1 leave it at that, thank you.

2
3 CHAIRMAN: Next speaker is Peter Prineas.

4
5 MR PRINEAS: I will be brief on this. With regard to
6 the Risk Management Plan, the Nature Conservation
7 Council would agree that the plan needs to be
8 reviewed and notes that the Sydney Catchment
9 Authority has accepted that and is going to proceed
10 with a review of the document.

11
12 Regardless of whether there is a Regional
13 Environmental Plan made or not, the Risk Management
14 Plan will have a continuing function because it
15 considers the Sydney Catchment Authority's own
16 activities as well as activities of other parties.
17 So we'll continue to need that risk management
18 framework.

19
20 In regard to water quality obligations, the
21 Nature Conservation Council has previously expressed
22 its view to Sydney Water, I think, that it has a
23 concern about endocrine disrupting compounds in
24 water and that there should be allowance for the
25 breakdowns of these in effluent re-use methods and
26 if that is not adequately addressed in regulatory
27 framework, perhaps it ought to be.

28
29 Another issue which is obviously not really
30 current in Australia yet - and one hopes never will
31 be - is the issue with BSE prions - and whether that
32 is an issue that is addressed by the regulatory
33 framework or ought to be something that needs to be
34 looked at.

35
36 In relation to the memorandum of understanding,
37 I'll limit my remarks to the Department of Health
38 MOUs. I couldn't see anything in them
39 that you could usefully put in the operating
40 licence. The only thing that can be said about them
41 that arises from the discussion today is that I
42 think the MOUs should be accessible to the operating
43 licence auditor. That's the situation that we have
44 now and that should continue.

45
46 In relation to the EPA MOU, Leigh Martin will
47 speak for NCC and TSC on that issue.

48
49 CHAIRMAN: Next is Susan Calvert from Planning New
50 South

51
52 MS CALVERT: Planning New South Wales' role in this
53 panel is really to comment on the status of the Regional
54 Environmental Plan and the potential for duplication with
55 the Risk Management Plan.

56
57 We are currently working with the SCA and the
58 community to finalisation of the draft REP for the

.23/7/02 68

Transcript produced by ComputerReporters Pty Ltd

1 drinking water catchment, and this documentation is
2 currently going through government process before it
3 goes on public exhibition.

4
5 The earliest possible date for gazettal of that
6 plan and finalisation of that plan is the end of
7 this year. The plan's vision for healthy catchment
8 delivering high quality water whilst sustaining
9 diverse and prosperous communities is supported by
10 three key outcomes. Firstly, it sets water quality
11 objectives based on the healthy river commission's
12 inquiry. It requires new development to demonstrate
13 they have a neutral or beneficial effect on water
14 quality and, thirdly, it requires the preparation of
15 rectification action plans by the Sydney Catchment
16 Authority to address problems of existing land use
17 and activities.

18
19 It's the rectification action plans which have
20 some duplication with the role of the Risk
21 Management Plan. The rectification action plans
22 themselves are broader in scope. They focus on
23 identifying actions within each subcatchment to
24 achieve the water quality objectives and to rectify
25 the adverse impacts based on a technical assessment.

26
27 Planning New South Wales considers that there
28 is some duplication in the purpose of the Risk
29 Management Plan required under the operating licence
30 and the rectification action plans under the REP but
31 just notes that under the REP the requirement is for
32 those rectification action plans to be prepared over
33 five years from gazettal of the plan. So they will
34 not be in place until that time frame.

35
36 CHAIRMAN: Christine Cowie is next, from New South Wales
37 Health.

38
39 MS COWIE: The New South Wales Health Department
40 believes that the MOU between the Sydney Catchment
41 Authority and the Department adequately defines our
42 roles and responsibilities and, in addition to that,
43 it also outlines common areas of interest - for
44 instance, our interest in research outcomes and how
45 to move forward from those.

46
47 We also feel that the most important
48 obligations of the MOU that one might expect to find
49 in a regulatory instrument such as monitoring
50 reporting and incident management provisions already
51 appear in the operating licence, so we don't feel
52 that there are any further obligations that are
53 required in the operating licence in terms of public
54 health protection.

55
56 With regard to the RMP, we believe that it
57 should be retained at least until the REP is
58 finalised and the instruments under the REP are in

.23/7/02 69

Transcript produced by ComputerReporters Pty Ltd

1 motion. There RMP can also provide a different
2 focus to the REP, which is essentially planning
3 instrument and certain activities. I think someone
4 else highlighted the fact that the Risk Management
5 Plan also allows for internal activities and
6 operations of the Sydney Catchment Authority to be
7 improved or noted. That may be one area that may
8 not be able to be picked up in the REP.

9
10 In effect, the Risk Management Plan acts as a
11 quasi sanitary survey which is one of the whole
12 catchment to tap multiple barriers which the
13 Australian drinking water guidelines discusses in
14 quite detailed length. So from that aspect we feel
15 that it should be retained at least in the short
16 term.

17
18 With respect to the water quality obligations,
19 the Health Department doesn't feel that it is
20 necessary to include any further health related
21 water quality parameters in the operating licence.
22 We have always been of the view that our primary
23 focus is water quality at the customer's tap, but
24 keeping in mind that we support the whole philosophy
25 of catchment to tap management of a system. We've
26 been of the view that most of the health related
27 water quality monitoring should relate to water
28 quality at the customer's tap and bulk water
29 monitoring should relate to investigative surveys
30 and operational monitoring.

31
32 We don't think that specific criteria, for
33 instance for Cryptosporidium or Giardia which was
34 highlighted in one of the submissions, or the
35 endocrine disrupting chemicals should be included in
36 the operating licence. There are not guidelines set
37 for these parameters. In fact, the last revision of
38 the Australian drinking water guidelines that looked
39 at Cryptosporidium and Giardia advised against
40 setting a guideline level but instead tried to focus
41 efforts on system management, risk minimisation and
42 protection of the catchment in order to minimise any
43 of those contaminants from becoming threats in the
44 water supply.

45
46 In that respect, there are current clauses in
47 the operating licence: there is 6.4 which discusses
48 system management in catchment to tap and compliance
49 with the Australian drinking water guidelines in
50 relation to those two issues; and also 6.7 which is
51 basically the clause on the Risk Management Plan
52 which again has the philosophy of management from
53 catchment to tap.

54
55 I think that's all I really need to say on
56 those three issues.

57
58 CHAIRMAN: Thank you very much. Now we move on
to Leigh

1 Martin.

2
3 MR MARTIN: Just in relation to the memorandum of
4 understanding, I think that there is a good argument
5 for putting key requirements from those MOUs into
6 the licence just in terms of the accessibility to
7 the auditor and improving accountability. But I
8 agree with Peter Prineas' comments that it is
9 vitally important that the auditor have continuous
10 access to those MOUs and the ability to audit
11 compliance with them.

12
13 I wanted to talk about, in particular, the MOU
14 with the EPA. I think it is important to note that
15 the last two operational audits identified
16 deficiencies with the MOU - in particular, that it
17 does not cover the full range of co-operative
18 relationships which could be developed, and I think
19 it would be an opportune time via this mid-term
20 review to include an additional clause in the
21 licence requiring those deficiencies that have been
22 identified to be addressed. I think that would be a
23 very worthwhile way of addressing that problem.

24
25 In terms of water quality obligations, for the
26 most part I think those are adequate and should be
27 retained. They appear to be working fairly well.
28 We have made a comment about Cryptosporidium and
29 Giardia as well as endocrine disrupting chemicals,
30 not so much in terms of guidelines or standards for
31 them, because it is certainly true it is not
32 possible to do that at this time, but I think it
33 would help to have a reference requiring a best
34 practice approach to managing those issues.

35
36 We shouldn't forget it has only been five years
37 since the water crisis and I think it is
38 appropriate, in terms of public confidence, that
39 people see that there is a reference in the
40 instrument to ensuring that those issues are
41 tackled.

42
43 The other thing I wanted to comment on was the
44 risk management plan. That certainly, I think,
45 needs to be retained because the REP is not
46 finalised, but also the REP will not cover all the
47 issues that the RMP itself covers, particularly in
48 terms of the Authority's infrastructure works.

49
50 The last operational audit identified some
51 deficiencies with the risk management plan in that
52 it didn't fully identify pollution sources and
53 again, I think this review is an opportunity to
54 address that.

55
56 There was something that we touched on this
57 morning which I think we also need to address and
58 that is threats to security of supply and things

.23/7/02 71

Transcript produced by ComputerReporters Pty Ltd

1 which might actually detract from the supply of
2 water that the Catchment Authority has available to
3 it and one of the key ones I think would be the
4 effect of mining in the catchment.

5
6 There are a couple of instances, in the case of
7 Wongawilly and Native Dogs Creeks, where bed
8 cracking has resulted in a lots of flows and that
9 has the potential, as I said this morning, to have a
10 significant impact on security of supply. I think
11 certainly that threats to security of supply need to
12 be addressed in the RMP also.

13
14 MR ESSERY: In relation to the MOU, it doesn't require
15 anything at this stage to be changed. In relation
16 to the risk management plan, certainly it needs to
17 be retained and I think some of the discussion about
18 its eventual removal is a bit disconcerting.
19 Irrespective of what is in place, be it a risk
20 management plan or appropriate hazard methodologies
21 being in place to ensure that proper catchment to
22 tap performance is achieved by Sydney Water, it is
23 essential for that risk management to be in place.

24
25 Once the REP is out, both agencies agree the
26 best way of ensuring catchment to tap is achieved is
27 via a risk management plan or some other appropriate
28 methodology that is clearly auditable and can
29 demonstrate that a multi-barrier approach has been
30 considered in this system.

31
32 In relation to actual monitoring, I would agree
33 with what Bob Wilson has said - and perhaps I
34 shouldn't sit beside him because I am agreeing with
35 what he says on a few things - and that is that
36 currently the monitoring seems to be focused very
37 much on the delivery of water to Sydney Water, which
38 is understandable, but the catchment has the mandate
39 to actually try and look at the whole of the
40 catchment and try to improve it.

41
42 Therefore, monitoring may in the future need to
43 look further afield to look at the successful
44 implementation of the rectification action plans in
45 particular. Equally so, downstream the SCA does
46 have a major impact and maybe some of the future
47 requirements, particularly when we get into the
48 environmental flows regime, may need to be
49 incorporated in due course. I think that is
50 probably about it.

51
52 CHAIRMAN: Thank you very much. If there are any
53 further comments, rebuttals, arguments of any sort,
54 now is your chance. What about the issue that was
55 raised, I think by Leigh, in terms of the memoranda
56 of understanding not working as well as they should?
57 The comment was made that they should be taken up.
58 Is that something that we should have a look at?

.23/7/02 72

Transcript produced by ComputerReporters Pty Ltd

1
2 MR HEAD: I am more than happy to have a look at it.
3 The points that Joe and I made earlier are important
4 ones. The MOUs have a particular job to do. I am
5 not actually persuaded that there are deficiencies.
6 Having been involved in the process over recent
7 months since I took on this role, my understanding
8 of what the MOUs were created for and in fact what's
9 happening between the agencies would suggest to me
10 that they are actually doing their job quite well.

11
12 It may be that people have a different point of
13 view about what purpose the MOUs are to serve, but
14 if the purpose was about defining a productive
15 relationship at the right level between
16 organisations focused on clear outcomes, and I am of
17 the view that they are working, then I guess it is a
18 different sort of opinion. I don't accept that it
19 is a deficient instrument at the moment.

20
21 MR WOODWARD: Could I just make a comment as well? It
22 is worthwhile looking at the gap or the purpose that
23 the MOU is trying to achieve and I think it is
24 picking up something which is not necessarily
25 covered in the operating licence and that is dealing
26 with the relationship issue. That was the purpose
27 of it and I think that's what it needs to focus on
28 and to do properly.

29
30 If you're going to use the MOU as yet another
31 regulatory tool to drive things, then you are indeed
32 heading down a path of having yet another document
33 and potential duplication.

34
35 I think in terms of the audit that was done on
36 the Sydney Catchment Authority EPA MOU, the
37 deficiency was picked up by the auditors or the
38 comment that was made was in relation to the content
39 of the MOU rather than compliance with what was in
40 the MOU and I think the proper role for the auditors
41 is to actually focus on compliance with what's in
42 the MOU, rather than necessarily comment on the
43 content of the MOU.

44
45 The recommendation was in relation to
46 increasing the content of it, to pick up the other
47 more prescriptive things that are already captured
48 in other areas, and I am happy to talk in a lot more
49 detail about all the things that are happening
50 between EPA and Sydney Catchment Authority, but
51 suffice to say that I think those things are
52 happening and are happening largely as a result.
53 The intent of the MOU is being complied with.

54
55 MR HEAD: Could I add to that and say we have gone far
56 beyond what is actually required. Joe and I have
57 been doing some exploratory work on next stages with
58 respect to stormwater management in the catchment.

.23/7/02 73

Transcript produced by ComputerReporters Pty Ltd

1 There is a very active program of collaboration and
2 consultation between the agencies, so it strikes me
3 as a somewhat strange criticism, I have to say.

4
5 MR MARTIN: I think you've confused my comments
6 somewhat. Initially, my remarks were that I think
7 there is some benefit in putting the key
8 requirements for MOUs in general. My comments on
9 the EPA MOU was simply that there have been
10 deficiencies identified by the last two operational
11 audits, specifically in terms of the relationships,
12 that the MOU has not identified the full range in
13 relationships that could be developed with the
14 parties.

15
16 We have two operational audits that have
17 identified an area where it could be improved and I
18 simply make the comment that this review is an
19 opportunity to address those comments of the last
20 two operational audits and I think that's something
21 we can do at this point in time.

22
23 CHAIRMAN: Thank you. Any there any comments from
24 members of the audience?

25
26 MR PIGNATELLI: My name is Maurice Pignatelli and I am
27 from GHD. I am the project manager for operational
28 audits. Whilst I didn't audit that element of the
29 licence, I think, in terms of the boundaries of our
30 audit, assessing the content of the MOU is a valid
31 one when we compare it against the licence
32 requirement, which is along the lines of
33 establishing a working relationship - I don't
34 remember the exact wording - on that basis that
35 that's where the findings were drawn. That is all I
36 can say.

37
38 CHAIRMAN: Thank you.

39
40 MR WARNER: Could I add a little bit too? My name is
41 Richard Warner and I am from the Sydney Catchment
42 Authority. Unfortunately, in negotiating or
43 renegotiating operating MOUs with EPA, if there are
44 additional requirements that need to be put in those
45 MOUs or that people want to see transferred in the
46 operating licence, they must be more explicit about
47 what it is they want, because really when we sat
48 down and looked at renegotiating those things, we
49 struggled with what it was those words in fact
50 meant. All I can ask you is if you really think
51 there are deficiencies, please spell them out.

52
53 CHAIRMAN: Thank you. I think that probably takes us as
54 far as we can go on the MOU issue: in other words,
55 there is perhaps a need to examine them to make sure
56 they are working as well as they can. I thought
57 there was a good deal of agreement on the issue that
58 the original management plan should be retained. I

1 don't think that's a controversial issue.

2
3 There are a number of health related issues
4 that people have raised that should be thought
5 about. I don't get the impression there is much
6 which is specific by way of action, other than
7 awareness that an investigation needs to focus on
8 that. Am I correct on that?

9
10 MR PRINEAS: I would be interested in hearing from
11 Christine, if possible, with respect to how you
12 address the things that I mentioned. For instance,
13 as to the endocrine disruptors within this
14 regulatory framework, are we going to be told one
15 day that we were remiss because we never considered
16 them? Is that going to be the result, or are they
17 being considered?

18
19 MS COWIE: I will answer that in general terms. I think
20 the issue of endocrine disruptors could be a totally
21 different issue in 10 years time and I think by
22 listing specific contaminants in an operating
23 licence you could miss the whole point of your risk
24 management and catchment to tap. I think there are
25 already clauses in the operating licence where
26 really you could look at those specific emerging
27 issues in detail or at least assess them to see if
28 there was an issue.

29
30 What I can say is with the strategic liaison
31 group and the joint operational groups that Health,
32 Sydney Water and the Catchment Authority are
33 involved with, we've nominated a strategic agenda
34 whereby we're looking at certain issues we need to
35 look at over the next few years of operation and
36 certainly one of those strategic points is to look
37 for emerging issues to determine their relevance in
38 the Sydney domain and also keep abreast of
39 international literature.

40
41 I suppose all I'm saying is that I'm not
42 convinced that a regulatory instrument like the
43 operating licence is the place to specifically deal
44 with emerging issues of public health concern in a
45 detailed manner.

46
47 CHAIRMAN: Thank you. The other issue which I think
48 emerged from the discussion is the importance of
49 having monitoring of water quality for users other
50 than Sydney Water. That is an issue that I think we
51 need to take on board. If there are no further
52 issues, I think we might close the session at this
53 point. I believe we have afternoon tea available.
54 I suggest we come back at about 20 past 3 for the
55 final session.

56
57 (Short adjournment)

58

1 CHAIRMAN: I think we might now resume for the final
2 session, with a somewhat depleted panel. Before we
3 kick off, I should say that we mentioned this
4 morning that we would accept further submissions.
5 We will allow two weeks for those submissions to be
6 made and that implies that the submissions should be
7 due to us on 6 August, which I think is Tuesday of
8 the week following next, if I am correct about that,
9 which is also, incidentally, my birthday.

10
11 We might now move on to the Sydney Water
12 session and Felicity is going to present that.

13
14 MS HALL: Thanks, Jim. The purpose of this session is
15 to review some of the remaining issues for the
16 mid-term review of Sydney Water's operating licence
17 and essentially there are three key issues. The
18 first one is in terms of the aesthetic guidelines;
19 that is, should Sydney Water be required to meet any
20 of the aesthetic parameters of the Australian drinking
21 water guidelines?

22
23 The second area concerns the annual drinking
24 water quality improvement plan, to assess the
25 effectiveness of this plan and whether there's a
26 continuing need for this plan in the licence.

27
28 The last area concerns the minimum standards
29 for non-drinking water. These are things like
30 standards which apply to other grades of water, such
31 as recycled water, water that may be used in
32 effluent irrigation on farmland, those sorts of
33 issues.

34
35 The aesthetic characteristics of water are
36 things like the appearance of the water, the taste
37 of the water and things like odour. In the current
38 licence for Sydney Water there are no aesthetics
39 specified in the licence. However, aesthetics are
40 important to customers. Customers do care about
41 whether the water has an odour, they care about the
42 colour of the water and they care about the taste of
43 the water. Clearly, it is an important issue for
44 customers.

45
46 Sydney Water has recognised this and the
47 quarterly drinking water quality reports - and I've
48 got one here - provide the test results for
49 turbidity, iron, manganese and true colour. The
50 customer contract - and Sydney Water now has a new
51 customer contract from 1 April this year - also
52 provides rebates for dirty water.

53
54 Sydney Water does recognise that customers see
55 aesthetics as an important issue. As part of its
56 operating licence - this is under clause 6.23 of the
57 operating licence - Sydney Water was required to
58 commission an independent study of the costs and

.23/7/02 76

Transcript produced by ComputerReporters Pty Ltd

1 benefits of complying with the aesthetic guideline
2 values and the drinking water guidelines.

3
4 What that study found was that Sydney Water
5 consistently met the guideline values in all but two
6 of the 19 aesthetic characteristics that were routinely
7 monitored. The two characteristics which it didn't
8 meet were for chlorine and monochloramine. These
9 are disinfectant residuals. These are basically as
10 a result of Sydney Water treating water to make sure
11 that it meets the requirements for health related
12 issues.

13
14 The study went on to look at cost benefit
15 options for reducing these residuals. For chlorine,
16 the study identified there were options such as
17 booster feeding and re-oxidation, which could
18 provide a significant net benefit for the community,
19 and the study recommended these options should be
20 further considered in terms of chlorine and saw that
21 the costs involved were relatively low.

22
23 In terms of monochloramine, the study found
24 there were significant net costs to the community
25 and that the existing practices for Sydney Water
26 should be continued. Given that this study has
27 taken place and these are the results, how should
28 aesthetics be put into the licence, if at all?

29
30 We believe that the Hunter Water licence
31 provides a model to go forward on. Hunter Water's
32 licence does actually specify certain aesthetics
33 which Hunter Water has to meet and this is basically
34 in recognition of the importance of certain
35 aesthetic parameters to customers. These are pH,
36 true colour, turbidity, iron and zinc. Where
37 there's an inconsistency between the health
38 guideline value and the aesthetic parameters, the
39 health guideline parameter prevails. This model is
40 giving the highest priority to public health but
41 recognises the importance of aesthetics to customer.

42
43 In conclusion, what we're saying here is we
44 believe the Sydney Water licence should contain
45 aesthetic characteristics for water and this issue,
46 I think, needs to be further debated, both now and
47 also at the end of term licence review.

48
49 The next issue relates to the annual drinking
50 water quality improvement plan. It is important to
51 take a step back here and actually look at the
52 historical context of these requirements being put
53 into the licence. Sydney Water's operating licence
54 provides for drinking water quality standards
55 monitoring, reporting and planning. In response to
56 the McClelland Inquiry this framework and the
57 associated obligations were put into the operating
58 licence.

.23/7/02 77

Transcript produced by ComputerReporters Pty Ltd

1
2 The licence requires a five-year drinking water
3 quality management plan. Basically, this is a
4 broader, high level plan of where Sydney Water wants
5 to go over the next five years. To support that
6 plan there is an annual improvement plan, which
7 basically identifies the key milestones which
8 Sydney Water is going to meet over the next year.
9
10 In terms of the views as to the need for an
11 annual plan, there were a wide range of views
12 expressed in the submissions, some saying to remove
13 the annual plan, others saying that they thought the
14 plan was very important to maintain community
15 confidence in the regulatory environment.
16
17 From our perspective, we believe that at this
18 stage it is prudent to maintain the annual plan. We
19 believe that it serves an important function in
20 tracking progress in terms of meeting those goals in
21 the five-year plan.
22
23 Secondly, there's an issue of confidence and
24 transparency and this was expressed quite strongly
25 in some submissions. The third reason is that there
26 has only been one audit of the annual plan
27 requirement, so we believe it is a little bit early
28 at this stage to actually recommend that the plan
29 shouldn't be continued until there are a few more
30 audits.
31
32 Bearing in mind there was quite a wide range of
33 views in terms of the need for this plan, we
34 recommend that there be a review of this plan at the
35 end of term licence review.
36
37 The last issue relates to non-drinking water
38 quality and how it should be specified in the
39 licence. In this morning's session there was a bit
40 of discussion about the fit for purpose or the fit
41 for use of other grades of water. The current
42 licence requires that Sydney Water supply other
43 grades of water in accordance with guidelines and
44 requirements which are set by New South Wales
45 Health, the New South Wales Environmental Protection
46 Authority, the Department of Land and Water
47 Conservation and New South Wales Agriculture.
48
49 Also, the customer contract requires that there
50 be a negotiation with Sydney Water and the customer
51 on the fit for use or the fit for purpose of that
52 water, so that the quality may vary as to what that
53 water ends up being used for. There aren't
54 standards available for all situations because there
55 can be a wide range of situations and what we're
56 arguing here is that a case by case negotiation and
57 management is the best approach and we believe that
58 the licence does reflect that. We are not

.23/7/02 78

Transcript produced by ComputerReporters Pty Ltd

1 recommending, at this stage, any changes to the
2 current licence.
3
4 In summary, the topics for discussion for this
5 last session are should the licence specify the
6 aesthetic characteristics of water? Should the
7 annual drinking water quality improvement plan be
8 retained? Are there any comments that people wish
9 to make on those minimum standards for non-drinking
10 water quality? Are there any other issues
11 pertaining to the licence? Thank you.
12
13 CHAIRMAN: Thank you very much. We will now go to the
14 panel members. Perhaps I might ask Joe Woodward to
15 lead off the debate. Thank you.
16
17 MR WOODWARD: Thank you, Jim. Firstly, in relation to
18 water standards, I think the main requirement for
19 standards for non-potable reuse are primarily
20 between the supplier, Sydney Water, and also the
21 customer and those potential uses can vary quite
22 dramatically, so that you would need a very large
23 number of standards to try to cover every
24 conceivable use that might come up.
25
26 For example, Alex Walker talked about the BHP
27 re-use proposal this morning that's taken 20
28 megalitres and they have a very specific standard
29 that's necessary for that industrial process that
30 they need to have, as would various other industrial
31 purposes. From an EPA perspective, what we're
32 interested in is the environmental impact of the use
33 of that water.
34
35 In many cases it is being used or consumed
36 within the actual process and there is no
37 environmental impact offsite as such. In other
38 cases where there is an environmental impact
39 offsite, again that's covered by quite a range of
40 standards or guidelines. Ultimately if there is a
41 significant impact that would require a licence from
42 the EPA that would involve an assessment of the
43 impact which really just can't be dictated by a
44 number, a simple sort of a standard. It depends on
45 a whole range of things - the quantity that's
46 involved, the types of pollutants that are involved
47 and the sensitivity of the environment into which it
48 is being discharged.
49
50 So the bottom line from our perspective is that
51 we don't see it would be practical to provide for
52 standards for non-potable re-use within the
53 operating licence. Also, on top of that, they
54 change as well as we get new information. So we
55 think it would be a very difficult, in fact an
56 impractical thing to be able to do.
57
58 I would just like to comment in terms of the

.23/7/02 79

Transcript produced by ComputerReporters Pty Ltd

1 other issues, if I can, in relation to the Sydney
2 Water operating licence. It does go back to the
3 issue of the total volume. The current linkage
4 between Sydney Catchment Authority and Sydney Water
5 Corporation operating licences doesn't provide a
6 good driver for demand management within the context
7 of a finite resource, primarily because the Sydney
8 Catchment Authority is currently required under
9 schedule 2 of the operating licence to provide
10 Sydney Water Corporation with volumes up to a
11 forecast average annual demand.

12
13 We did talk about that this morning. As
14 discussed earlier, we do support an absolute limit
15 being set in Sydney Water's operating licence - not
16 now, but in terms of setting the context over the
17 next couple of years to do that in the future one.
18 That would provide a framework consistent with the
19 government's directions and objectives in relation
20 to environmental flows.

21
22 Importantly, it would represent a shift in
23 responsibility from the current responsibilities
24 between Sydney Water and Sydney Catchment Authority.
25 We also do support the subordinate targets of per
26 capita as well as a total volume and the per capita
27 should be split, in our view, between the
28 residential per capita and also industrial ones as
29 well.

30
31 Again, as we discussed with that BHP one this
32 morning, that single proposal can involve taking
33 some 7 ggalitres a year away from fresh water and
34 putting it into re-use. So when you simply plug
35 that into the broad per capita targets that are used
36 at the moment, it can actually distort it. That's
37 why we think they should be separated out. So what
38 we do support, in essence, is an assessment of that
39 over the next couple of years to be able to position
40 us better to address that.

41
42 The other thing we would ask that might be
43 considered a bit more over the next couple of years
44 as well, is consideration of the effectiveness of a
45 multi-tiered pricing system to do with water. I
46 think there is a view that consumers are not very
47 responsive to the price of water. I think while we
48 might accept that might be true for a portion of
49 water, the lower portion of water, the people that
50 use their property, there is very little discretion
51 of that.

52
53 When you do get into the higher water users,
54 such as using a hose as a liquid broom for washing
55 driveways and things like that, that's when pricing
56 might have a bit more of an impact. We are
57 suggesting that should be started to be considered a
58 little bit more seriously.

.23/7/02 80

Transcript produced by ComputerReporters Pty Ltd

1
2 CHAIRMAN: Thank you. Christine?

3
4 MS COWIE: With respect to the aesthetic guidelines
5 issue, the department has previously and in this
6 submission indicated that it sees limited value in
7 regulating aesthetic parameters as they are not
8 directly health related.

9
10 The Health Department agreement has indicated
11 certain aesthetic parameters which are reported in
12 their annual report and quarterly reports. However,
13 I suppose one must consider what action will flow
14 from actually regulating aesthetic parameters, and
15 what is the cost benefit to a certain degree. The
16 independent study indicated that there is a
17 significant cost specifically with monochloramine.

18
19 Health's concern is that compliance with
20 aesthetic guidelines may divert expenditure away
21 from activities that may be of more potential public
22 health use, but I'm not in a position to indicate
23 what sort of costs are involved. Perhaps Sydney
24 Water can discuss that in more detail.

25
26 One other issue that the independent study
27 indicated was that even in complying with the two
28 disinfectant residuals, there would be a marginal
29 gain in terms of consumer acceptance. So, in other
30 words, I took that to mean that there will still
31 always be a baseline level of consumer complaints
32 regardless of whether all aesthetic parameters are
33 met or not, and regardless of whether there is any
34 health impact or not, which there wouldn't be.

35
36 So I suppose I'm playing devil's advocate in
37 arguing what the benefit would be, and if they were
38 to be included then public health related guideline
39 values must take precedence as you've already
40 indicated.

41
42 With the annual drinking water quality
43 improvement plan, the Health Department is not fixed
44 on its view on whether it is necessary or not other
45 than to indicate that if it were to be dropped from
46 the operating licence, the same issues would need to
47 be taken up in the five-year management plan so that
48 somewhere along the line you are still covering the
49 same sort of issues in terms of what improvements
50 are needed in the system and what action has taken
51 place.

52
53 So I suppose I'm saying whether that is best on
54 a one-year cycle or a five-year cycle, the Health
55 Department's not fixed in its view on that. We
56 agree in terms of minimum standards for non-drinking
57 water that standards should not be prescribed in the
58 operating licence. Basically, I have got the same

.23/7/02 81

Transcript produced by ComputerReporters Pty Ltd

1 comments that Joe Woodward's just made: it could be
2 limiting to prescribe standards because they do
3 change and there are often not standards, or
4 guideline levels available for specific uses.

5
6 A couple of examples are stormwater re-use and
7 at the time we were approached by Sydney Water a few
8 years ago, there were no guideline levels on re-use.
9 So, for instance, there will always be the need to
10 consider specific projects on a one-off basis, even
11 if there are prescribed standards.

12
13 CHAIRMAN: Thank you very much. I might asked
14 Bob Wilson to speak next.

15
16 MR WILSON: I only wish to comment on the limited
17 standards issue.

18
19 I think existing standards and existing
20 regulations are adequate, just as Joe and Christine
21 have said, because we're seeking to encourage
22 alternate usage of water from that now being used
23 from river pumping and town water supply.

24
25 One must realise that Sydney Water doesn't
26 supply just a package with one element in its
27 product. There is quality, reliability, pressure,
28 quantity - a whole range of issues that will be
29 different for each package. You end up with a
30 regulator. In between those you will never get
31 anywhere and you will never achieve the issues that
32 Charles pushes for, re-use of water.

33
34 In fact, we're looking at the alternative to
35 that and working out whether we can find some
36 incentive systems that reward the supplier and the
37 consumer for re-use of this alternate water system.
38 So we are going in quite a different direction from
39 trying to prevent people using it.

40
41 CHAIRMAN: If we can now move back to Leigh Martin.

42
43 MR MARTIN: Peter Prineas has delegated me the role of
44 speaking for the NCC as he had to get away early. I
45 don't think any of this is especially contentious.
46 In terms of the aesthetic guidelines, in any event,
47 I think it is somewhat subjective in terms of what
48 people's perceptions are. If you are accustomed to
49 drinking tank water, then you'd probably find the
50 chlorine taste and smell of Sydney's water somewhat
51 objectionable. But if you compare it, for instance,
52 to Adelaide's water it stacks up pretty well. So
53 whilst there might be some benefits in terms of
54 meeting the requirements for chlorine and
55 monochloramine, I think it is perhaps useful to have
56 those in the licence but certainly you wouldn't want
57 to see revenue diverted away from other more
58 important programs simply to meet those two

1 criteria.

2
3 I think the model the Tribunal is proposing
4 from the Hunter water licence has considerable merit
5 and that is that those requirements are in the
6 licence but they are certainly secondary to the
7 health related guidelines. I think that's probably
8 a very good approach to take.

9
10 As far as the annual plan, I think both TEC and
11 NCC would see that there is considerable merit in
12 retaining that. It has only been audited once, but
13 particularly from the point of view of community
14 groups and non-government organisations it is useful
15 in terms of, as was pointed out in the presentation,
16 tracking the progress and implementation of the
17 five-year plan. It also allows a degree of
18 flexibility in an annual plan that you might not be
19 able to build into a five-year plan. So I think
20 there is certainly some benefit in retaining that.

21
22 As far as other grades of water are concerned,
23 obviously the crucial thing is that the water is fit
24 for the purpose for which it is intended. That's
25 going to vary considerably from one user to another.
26 I think perhaps in the absence of agreements between
27 Sydney Water and users of other grades of water,
28 there might be some merit in virtually having some
29 default standards there, but I don't see it as
30 something you need to necessarily die in a ditch
31 over because I can't envisage too many situations
32 where you would not have an agreement in place
33 between Sydney Water and other customers.

34
35 As I said, I don't see any of this as being
36 particularly contentious, with the one proviso that
37 there could perhaps be value in having default
38 standards in other grades of water. I think what
39 the Tribunal is recommending is appropriate.

40
41 MR ESSERY: I probably want so start with the first,
42 which is the aesthetic characteristics. It's not
43 strictly a mater for DLWC, however, in my particular
44 role, which is looking after the metropolitan water
45 supplies, I think the aesthetic characteristics is
46 something that should not be treated lightly.

47
48 I would agree it is a secondary issue over
49 health and therefore should be treated as such.
50 However, given the fact that we are in the delivery
51 of a product to customers, it would seem
52 inappropriate to ignore the aesthetic aspects of the
53 drinking water supply to customers. Whether it
54 needs to be a strict set of standards put in place
55 in the licence I have some doubt. There certainly
56 should be something in the licence that ensures
57 Sydney Water and the aesthetic quality of the water
58 is important to their customers.

1
2 In relation to the annual drinking water
3 quality improvement plan, I'm in a little bit of a
4 quandary here because I have great difficulty in
5 getting hold of these, therefore it is very hard to
6 comment on them. One copy that I have got from a
7 couple of years ago seems a valuable document and I
8 would actually encourage it to be retained in some
9 form because effectively it is an element that's
10 crucial should Sydney Water and other utilities go
11 down the pathway of world best practice, which is
12 basically heading towards incremental improvement as
13 opposed to strict standards. If you have already
14 got something in place, such as annual improvement
15 plans, don't get rid of them because, effectively,
16 that's part of the future in terms of world's best
17 practice. So it should be continued and encouraged.

18
19 In terms of minimum standards for non-drinking
20 water, that's always a contentious issue. I would
21 suggest that we are in somewhat luxurious situation
22 in Sydney in that we actually suck it in once and
23 spit it out, to use that fairly coarse term. But
24 recycling and re-use of water several times before
25 it goes to from the top of the catchment to the end
26 of the system and discharged to sea is quite common.
27 Therefore, it is appropriate that we have things in
28 place that encourage re-use of water - again, fit
29 for purpose and appropriate water for appropriate
30 use.

31
32 To give exact standards on any licence would be
33 inappropriate, but I think, as other people have
34 said, it is important that Sydney Water, in
35 particular, negotiates appropriate contracts with
36 appropriate users to ensure they can actually
37 utilise that resource. Because if it doesn't
38 utilise that resource it does have an effective cap
39 on its consumption on the current structure.

40
41 One way of exceeding that cap is to effectively
42 successfully re-use by replacement with other
43 sources. Certainly standards for non-drinking water
44 would be appropriate to set to encourage other
45 people to actually take it up as a product that
46 Sydney Water should market.

47
48 MR DE ROOY: I will start off with the aesthetic issue.
49 One thing that I think needs to be understood is
50 that we have Australian drinking water guidelines
51 which have aesthetic values for particular
52 parameters and health values for particular
53 parameters and they are set in a different way.

54
55 Health parameters are precautionary principles
56 in terms of making sure that there is safe and
57 healthy water for customers through meeting those
58 particular parameters. They are set normally as

1 a 90 or 96 percentile-type approach. For
2 aesthetics, they are set at averages which
3 represent, in some way, characteristics which would
4 constitute good water quality for most customers.
5 They are very perception-based. They are not
6 absolute.

7
8 The subjective nature of people's perceptions
9 with aesthetic means that you may meet the
10 aesthetics and yet not satisfy your customers in
11 terms of their perception of good quality of water.
12 Conversely, you may not meet some aesthetic values
13 and still meet some people's expectations.

14
15 There is also a strong variability from the
16 head of the system with a treatment plant,
17 particularly with chlorine where it is added to the
18 end of the system where the chlorine may have been
19 dissipated. So there is a lot of complexity in
20 terms of what the aesthetic guideline values in the
21 drinking water quality guidelines actually mean.

22
23 Sydney Water strongly accepts and supports the
24 idea of the health guidelines and meeting those
25 requirements. However, it expresses caution about
26 setting guideline limits which are about average
27 perceptions as compliance targets for aesthetic
28 values.

29
30 Sydney Water prefers the requirements of the
31 current operating licence, which are there to meet
32 good risk management based approaches to system
33 management, be they control for the aesthetic
34 requirements for customers, it has achieved
35 outstanding health and aesthetic performance using
36 that system. They have been achieved without having
37 mandatory requirements.

38
39 As pointed out, we do report on a lot of these
40 aesthetic parameters to our customers and to various
41 stakeholders anyway. By having compliance factors
42 for aesthetics, we do believe that there is a
43 tension set up between trying to invest in
44 maintaining health as a primary outcome versus
45 keeping the aesthetic parameters under control as
46 well, given there is a limited dollar available to
47 do both.

48
49 So Sydney Water proposes that the system
50 management approach that we've adopted, that is set
51 out in the guidelines - and, by the way, will be
52 reinforced by the issue of the new 2002 version of
53 the drinking water guidelines just out in draft now,
54 for comment now, which puts in a system management
55 framework which has been developed by the NHMRC,
56 which Sydney Water fully complies with already.
57 By following that framework we believe that we'll
58 more than meet the requirements of the aesthetic

1 parameters and that will be a guaranteed outcome by
2 following those particulars.

3
4 Again, the issue of customer benefits needs to
5 be examined. If you look at perhaps, say, the
6 chlorine, for the actual chlorine residuals in the
7 system we only missed that parameter by a fraction.
8 We could put in a number of different systems and we
9 could meet that and it will make no difference at
10 all to customer's perceptions because we are only
11 talking about 0.05 milligrams per litre in terms of
12 the numbers, the average numbers.

13
14 There is no guaranteed benefit to customers out
15 of having those compliance factors in there. The
16 customers do tell us that the main concern they have
17 is with things like dirty water. Dirty water is a
18 parameter that relates to tepidity. Our tepidity
19 targets are well met in terms of the guidelines by a
20 couple orders of magnitude. So in that sense,
21 compliance with that number will not guarantee you
22 an outcome that has a benefit for a customer.

23
24 I'll move on, if I can, to the annual
25 improvement plan. I think Sydney Water's quite
26 comfortable with the recommendations as put forward
27 by IPART and it is echoed by some of the panel
28 members. Sydney Water has been producing an annual
29 improvement plan for several years. We find it a
30 very useful document, fully in line with our system
31 management approach where you need to learn from the
32 experience in terms of how you improve your systems
33 and it is a good document for putting those
34 together.

35
36 Regardless of whether we regulated or not on an
37 improvement plan, we'll have one. The point we make
38 is that unfortunately, again, because of the
39 duplication with the operating licence, we feel that
40 the improvement plan is audited twice, again, and
41 that there needs to be some approach that allows
42 that to be streamlined, whether it's put in the MOU
43 only or whether it's put in the operating licence
44 with the Department of Health regulating that
45 particular document.

46
47 Finally, if I can move on to other grades of
48 water, I think everybody's basically in agreement
49 here that there is not a lot of benefit and
50 potentially a lot of disbenefit in terms of trying
51 to set up minimum standards for other grades of
52 water. Very clearly, setting standards will limit
53 the number of customers we can recycle water to. We
54 need to be able to negotiate and develop an
55 appropriate water quality solution for each and
56 every customer on a one-off basis. There is huge
57 variety in our potential application for re-use and
58 recycled water and there is virtually no chance that

.23/7/02 86

Transcript produced by ComputerReporters Pty Ltd

1 a listing of minimum standards would achieve an
2 appropriate level for all of those particular
3 instances.

4
5 One issue that we've had is the Rouse Hill
6 recycled water system. We have followed the
7 guidelines that were appropriate there. Other than
8 the fact that we have acceded those guidelines
9 because of our risk management strategy, our studies
10 showed there were a couple of parameters that needed
11 further treatment so we put in extra processes to
12 make sure we got the appropriate level of water
13 quality that managed the risk for the customers.

14
15 In terms of industry, it is very much a balance
16 between what we've got in terms of technology and
17 processes at treatment plants and what the customer
18 needs and that is an individual thing that can only
19 be negotiated on a particular individual case basis.

20
21 We'd be very supportive of following up with
22 Bob's idea of making the process more an incentive
23 based process for both suppliers and for customers
24 in terms of re-use rather than having requirements
25 or hurdles to get over. I note that in America, in
26 the US context, there are some of those incentives
27 provided.

28
29 In terms of default standards, I think the
30 guidelines that are already referenced provide that
31 particular purpose in the sense that they give an
32 indication for the certain types of use,
33 particularly irrigation and/or residential use that
34 there is a certain level that should be achieved and
35 performed for that purpose if people are concerned
36 about needing to have that type of standard there.
37 I think I've addressed everything.

38
39 CHAIRMAN: Are there further comments from members of
40 the panel? What about from someone in the audience?
41 It's your last chance to raise a comment, express a
42 concern or ask a question. No? Okay.

43
44 I think it is fairly clear what this session
45 involved. Certainly aesthetic parameters are not to
46 be over-emphasised, but there were some people that
47 thought the reporting model proposed by the Tribunal
48 has some merit in it. On the annual improvement
49 plan, I think there is a view that it should be
50 continued. On non-drinking water, I think the view
51 was a case-by-case approach is appropriate.

52
53 So that concludes the day. Thank you for your
54 participation. Thank you for putting up with this
55 room. I think it's been a very good and very useful
56 day. I understand that we are required to produce a
57 report by the end of September. I remind you that
58 with regard to any further submissions, could they

.23/7/02 87

Transcript produced by ComputerReporters Pty Ltd

1 please provided to us by 6 August. Once again,
2 thank you for your participation and we'll see you
3 next time.

4

5 (At 4pm the Tribunal was adjourned accordingly)

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

48

49

50

51

52

53

54

55

56

57

58