



Independent Pricing and Regulatory Tribunal

# **Sydney Catchment Authority Operating Licence Review**

**Water Compliance — Issues Paper**  
July 2010





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## Invitation for submissions

IPART invites written comment on this document and encourages all interested parties to provide submissions addressing the matters discussed.

**Submissions from interested parties are due by Friday 10 September 2010.**

We would prefer to receive them by email <[ipart@ipart.nsw.gov.au](mailto:ipart@ipart.nsw.gov.au)>.

You can also send comments by fax to (02) 9290 2061, or by mail to:

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Our normal practice is to make submissions publicly available on our website <[www.ipart.nsw.gov.au](http://www.ipart.nsw.gov.au)>. If you wish to view copies of submissions but do not have access to the website, you can make alternative arrangements by telephoning one of the staff members listed on the first page.

We may choose not to publish a submission—for example, if it contains confidential or commercially sensitive information. If your submission contains information that you do not wish to be publicly disclosed, please indicate this clearly at the time of making the submission. IPART will then make every effort to protect that information, but it could be subject to appeal under the *Government Information (Public Access) Act 2009*.

If you would like further information on making a submission, IPART's submission policy is available on our website.



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# 1 Introduction

Sydney Catchment Authority (SCA) is a Statutory Corporation representing the Crown, wholly owned by the NSW Government. Its primary role is to provide bulk water supply services for the benefit of Sydney and surrounding urban areas. This role and responsibility is prescribed by the *Sydney Water Catchment Management Act 1998* (the Act) and the Operating Licence (Licence) issued to Sydney Catchment Authority by the Governor of New South Wales under Part 4 of the Act.

One of the principal functions of the SCA is to protect the quality and quantity of water in catchment areas.<sup>1</sup> The specific functions of the SCA set out in the Act include the supply of water to Sydney Water Corporation, other water supply authorities, and licensed network operators or licensed retail suppliers operating under the *Water Industry Competition Act 2006* (WIC Act).

SCA's current Licence expires on 7 April 2011. A copy of the current licence can be downloaded from the SCA's website at <http://www.sca.nsw.gov.au/about-sca/legislative-framework>

IPART is now required to review the Licence and provide recommendations for the granting of a new Licence to Government.

## 1.1 Review process

The Licence requires that:

- ▼ notice of the review and the nature and timing of the consultation should be
  - advertised in a major daily newspaper circulating in the Area of Operations and
  - communicated to persons to whom it would reasonably be expected that notice should be given
- ▼ submissions should be sought from the public and that these submissions should be considered by IPART.

We have prepared this Issues Paper to comply with these requirements. We will advertise the Issues Paper in a major daily newspaper and call for submissions. We will also consult with key stakeholders, including Sydney Water Corporation; the Department of Environment, Climate Change and Water; the NSW Office of Water; the Department of Planning; Catchment Management Authorities; local councils near SCA's area of operations; environmental, community and water user advocacy organisations.

The timetable for the review is set out in the following table.

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<sup>1</sup> Act s 15.

## Timetable for review

Action	Timeframe
<b>Release Issues Paper and invite submissions</b>	<b>Wednesday 21 July 2010</b>
Stakeholder submissions due	Friday 10 September 2010
Final recommendations to Government	End November 2010

## 1.2 Recent developments in SCA's operating environment

Since the last review of the Licence, some important developments have taken place that will have a substantial impact on SCA's operating environment.

The 2006 Metropolitan Water plan (MWP) set out the NSW Government's policy to ensure a sustainable and secure water supply for greater Sydney. The MWP is currently being reviewed. The revised MWP will provide an integrated and adaptive approach to prepare greater Sydney for drought, variable rainfall, potential impacts of climate change, and a growing population. The 4 major components of the MWP cover dams, recycling, desalination and water efficiency. As the operator of the network of dams which comprise Sydney's major water source, the SCA will be a major player in the implementation of the revised MWP.

The desalination plant at Kurnell has the capacity to provide up to 15% of Sydney's water needs. The operation of this plant will be governed by specific operating rules which will set out the quantity of water that may be produced by the plant and the timing of this water production. These rules are yet to be finalised. The detail of these rules will have a significant impact on SCA's operations because the overall demand for water is to be met from a combination of sources that includes the dams managed by SCA and the desalination plant.

Private sector participation in the water industry, achieved through the operation of the WIC Act will be another important element of the MWP. Further, the MWP will include a number of drought response measures such as accessing groundwater reserves and implementing water restrictions. The nature and timing of water restrictions will be detailed in the revised MWP. The details of water restrictions will impact SCA's operations.

Water sharing plans (WSPs) for surface water (rivers and streams) and groundwater protect the basic rights of landholders, enable licensed extraction to be managed under varying climatic conditions, protect water-dependent ecosystems and enable licence holders to trade their water entitlements on the open market. WSPs for surface waters and groundwater within the SCA's area of operations are also being reviewed. This review of WSPs will impact on the SCA's operating environment.

The revised MWP and, to a lesser extent, the WSPs will have a range of impacts on SCA's operating environment. These impacts would need to be taken into account in SCA's Licence.

### 1.3 Scope of IPART's review

We expect the MWP, WSP and operating rules for the desalination plant will be finalised by Government later this year. However, this timeframe does not allow us to undertake a comprehensive review of the SCA's Licence before it expires in April 2011.

As an interim measure we propose to recommend a new Licence that would only involve minimal changes to the existing Licence. The term of the new Licence should therefore be short. We propose that the Licence recommended by this review will expire on 30 June 2012, a term of approximately 15 months.

During this term and once Government consideration of the revised MWP is finalised, we will conduct a more comprehensive review so that a new 5-year Licence could be granted to SCA commencing 1 July 2012. Some of the issues that this more comprehensive review will cover are outlined in **Appendix A**.

In light of these circumstances, we propose that the scope of the present review be restricted to the following matters:

- ▼ Amendment of relevant details (such as the SCA address and the expiry date).
- ▼ Incorporating the effect of any changes to the Act that have been enacted since 7 April 2006 (such as the requirement to maintain a Memorandum of Understanding with the Water Administration Ministerial Corporation).
- ▼ Where the Licence required an action (such as the development of a plan) and that action has been completed, to amend the relevant clause to require that the action is maintained (that is, that the plan be maintained).
- ▼ Delete requirements that either no longer apply (such as the requirement to comply with State Environmental Planning Policy 58) or are only relevant to a 5-year licence (such as the requirement to undertake an asset management audit).

### 1.4 Next Steps

We invite any interested party, including members of the public, to make a submission to IPART on the issues outlined in the Scope of the Review and any other matters relating to the Licence. In particular we encourage submissions from members of the public on:

- ▼ Is the proposed 15-month term appropriate for the renewed Licence?
- ▼ Should the scope of this review include any other issues?

Details on how to make a submission are set out at the front of this paper.

## A Other issues for review

Apart from the Metropolitan Water Plan and the Water Sharing Plans, we have identified a number of other issues to be considered as part of the review to recommend a new Licence commencing on 1 July 2012. The more significant of these include:

- ▼ Reviewing and streamlining the health and aesthetics water quality guidelines in consultation with NSW Health.
- ▼ Considering a requirement for SCA to cooperate with Sydney Water to undertake a joint “catchment to tap” analysis of the drinking water supply system, consistent with the Australian Drinking Water Guidelines, 2004.
- ▼ Evaluating and rationalising all the relevant performance indicators.
- ▼ Reappraising the obligations relating to Customers in view of the nature of SCA’s customer base.
- ▼ Reconsidering the environmental plan obligations in light of the SCA’s Corporate Sustainability Strategy.
- ▼ Examining Licence requirements related to SCA's oversight of development in the catchment and issues associated with the Regional Environment Plan.

The review will also provide the opportunity to consider streamlining and overhauling some minor administrative provisions, such as timing of audits and reports to IPART.