

DRAFT SYDNEY WATER OPERATING LICENCE RELEASED FOR COMMENT

10 February 2015

The Independent Pricing and Regulatory Tribunal (IPART) has proposed improvements to Sydney Water's operating licence, which could further enhance its management of water quality, improve services and lower costs to Sydney Water and its customers.

The proposed changes have been identified as part of IPART's end of term review of Sydney Water's five-year operating licence, with comments being sought about the draft licence before 7 April 2015.

The operating licence exists to ensure that Sydney Water, a monopoly supplier of an essential service, appropriately carries out its functions and provides an adequate level of service to its customers at the most efficient cost.

IPART Chairman Dr Peter Boxall said the proposed changes would increase the transparency of Sydney Water's operations, while removing unnecessary and costly regulatory requirements.

"In reviewing the licence that governs Sydney Water's operations our approach is to maintain the existing operating licence conditions unless it is clear that a proposed change will likely result in a net benefit to the community," Dr Boxall said.

"We have carefully considered submissions made since the review began in June, have considered the costs and benefits of a number of options, and are now seeking further input from Sydney Water, its customers, advocacy groups and NSW Government agencies before we make our final recommendations to the Minister for Natural Resources, Lands and Water in May."

IPART's proposed changes to Sydney Water's operating licence and reporting manual include:

- ▼ Measures to ensure Sydney Water continues to maintain best practice water quality management processes.
- ▼ The development of an Asset Management System consistent with the international standard (ISO 55001:2014) as part of a systems-based approach to reduce costs, improve flexibility and enhance the management of assets.
- ▼ Improved water conservation measures, including better coordination of water planning for Sydney, additional reporting requirements, and the development of a formal methodology for determining the optimal level of water conservation activity, including water leakage, water recycling and water efficiency.

These new measures would replace the specific water use and water leakage targets that are in the current operating licence as they provide transparency and accountability around Sydney Water's water conservation program. They also provide greater flexibility for Sydney Water to respond to changing circumstances such as drought conditions (if necessary) to achieve the optimal mix of conservation activities.

- ▼ New measure to ensure better communication and cooperation between Sydney Water and firefighting agencies.
- ▼ The response times to water main breaks be changed from standards in the operating licence to performance indicators in the reporting manual, and enhanced reporting requirements around Sydney Water's approach to responding to water main breaks and leaks.
- ▼ Replacing the current requirement for a five-year Environmental Management Plan (EMP) with simplified reporting requirements linked to the Environmental Management System, including a new annual report. This would be in addition to the annual report required under the *Sydney Water Act 1994*, which is reviewed by the Environment Protection Authority, and would largely eliminate the duplication of the EMP reporting obligations of the current licence.

IPART is also proposing a number of changes to Sydney Water's Customer Contract. These include amendments to improve clarity and increases to minimum rebates to customers for service failure to account for inflation.

Sydney Water has proposed amending its Customer Contract to allow it to charge a late payment fee. Dr Boxall said that any late payment fee would not be charged to customers on hardship arrangements. Further, we are proposing that the fee, if charged by Sydney Water, would be set by IPART following a separate review to determine the fee and the terms and conditions under which it could apply.

"Our recommended changes to the operating licence are designed to enhance or maintain Sydney Water's service levels and performance, including its potential environmental and health impacts, while reducing regulatory duplication and costs."

Dr Boxall said: "We are seeking stakeholder input about the right level of regulation to ensure that health, environmental, customer and business objectives are met without increasing the burden and cost of regulation."

IPART is seeking submissions on the draft licence until 7 April 2015. A public forum to discuss the proposed licence will be held in Sydney on Monday, 30 March 2015. The Draft Operating Licence, Reporting Manual, Cost Benefit Analysis, summary Fact Sheet and details of the public forum are available at IPART's website <<http://www.ipart.nsw.gov.au>>.

Media Contact: Julie Sheather 02 9290 8403 or 0409 514 643