

This is the fourth issue of our newsletter. We've been busy with licence applications, operating licence reviews, audits, new website, and new administrative arrangements for the public and alternate water utilities.



Ministerial changes

On 30 January 2017 the new Premier made changes to [administrative arrangements](#) for the legislation affecting water utilities. The *Water Industry Competition Act*, *Sydney Water Act*, and the *Hunter Water Act* now come under the Minister for Energy and Utilities. The Minister responsible is Don Harwin, Minister for Resources, Energy and Utilities, the Arts, and Vice-President of the Executive Council. The *Water NSW Act* remains the responsibility of the Minister for Regional Water, Niall Blair.

The subsequent changes to the Departments are due 1 April 2017.



Updates

New WIC Act licences and variations

Since July 2016 we have made four recommendations to the Minister. As a result of our recommendations, the Minister granted a new network operator's licence and retail supplier's licence to SUEZ for the Kooragang Island Water Scheme, and two recommendations to vary Veolia Water Australia's licence for the Bingara Gorge scheme are awaiting review by the new Minister.

Our team is currently assessing 11 licence applications. Of these seven are for new licences, and four are requests to vary existing licences. We advertise the applications on our website, and in relevant newspapers, so keep a look-out.

Current licence applications, including calls for submissions, are [here](#).

Granted licences are [here](#).

Public Water Utilities 2015-16 compliance

We submitted our reports to the Minister and they were tabled in Parliament in December 2016. We have made them publicly available on our website.

IPART's Reports to the Minister for Hunter Water, Sydney Water, and Water NSW (State Water and SCA) are available [here](#).

NSW Public Water Utilities' performance information for the 2015-16 financial year can be found [here](#).

WIC Act compliance

We currently regulate 30 licences through ongoing operational audits, annual compliance reporting and incident reporting. Under the WIC Act, we are also required to review each licence every 5 years.

Annual Compliance Report to the Minister

We submitted our Annual Compliance Report to the Minister last October. You can view a copy of the report [here](#).

Completed 5-year reviews

We have completed and delivered to the Minister the 5-year licence review for Pitt Town since the last newsletter.

Update to Reporting Manuals

We reviewed and re-issued our Network Operator's Reporting Manual, Retail Supplier's Reporting Manual and Incident Notification guideline in July 2016. We have identified a number of housekeeping issues with the Reporting Manuals as a result of compiling our Annual Compliance Report to the Minister. We intend to further update the Reporting Manuals this year. We will seek your comment on any proposed changes in the near future.

Update to the Audit Guidelines

We are currently reviewing our Audit Guidelines. We intend to consult with auditors and licensees on any proposed changes in the near future.

WIC Act operational audits

Since July 2016, eight operational audits (seven network operator's licences and one retail supplier's licence) have been completed. One of these audits highlighted a recurrent issue with plumbing code compliance. This is discussed further below.

Two new infrastructure/plans audits have also been completed since July 2016.

WIC Act licensed schemes and the Plumbing Code

It is important for the protection of public health that there are no cross-connections between the drinking water and recycled water networks or plumbing, and that any recycled water from a private property cannot flow back into the drinking water supply. These risks are controlled through the Plumbing Act, with the plumber and property owner responsible for meeting the requirements of the Plumbing Code and the plumbing regulator responsible for compliance and enforcement.

You can find out who the plumbing regulator is for your scheme [here](#).

Network operator licensees have responsibilities

A network operator licensee must not allow a customer's installation to be connected to the licensee's water main unless the installation is compliant with the Plumbing Code. A Certificate of Compliance is provided by the plumber, indicating that the plumbing is Code compliant. This needs to be completed before a customer is connected. This addresses the requirements at the time of connection; however, plumbing can become non-compliant at a later date. This is often due to fading of purple recycled water pipes or warning signs/labels being removed.

IPART is aware of the difficulties for network licensees in requiring customers to make plumbing compliant in these instances. We consider the critical point for the control of the contamination of the distribution network to be the installation and management of backflow

prevention devices. How this is done depends on the size of the connection, resulting in a difference between single residential properties and larger multi-residential properties.

As a minimum we require a network operator licensee to:

- ▼ Own or control residential water meters ($\leq 25\text{mm}$), which incorporate a backflow prevention device.
- ▼ Keep a register of the location and the maintenance program of all testable backflow prevention devices in larger multi-residential properties. This could be in conjunction with the building owner.

In addition, it is good practice for a licensee to notify the householder and plumbing regulator when they become aware of non-compliant plumbing. It is the householder's responsibility to rectify this non-compliance.

IPART's approach to auditing this clause in the licences


We will be auditing this requirement during each scheme's new infrastructure audit. The audit will be conducted before the Minister grants commercial operation to greenfield schemes, or as part of the first operational audit for a brownfield scheme. We will continue to audit the clause on a risk based approach as part of our ongoing compliance assessment. We will also be adding additional guidance to the audit guidelines for auditors and licensees.



Public Water Utilities' operating licence reviews

The progress is summarised in the table below.

	Hunter Water Corporation	WaterNSW
Issues Paper release	31 May 2016	23 June 2016
Stakeholder submissions close	29 July 2016	13 September 2016
Draft Package release	13 December 2016	28 February 2017
Public workshop	21 February 2017	21 March 2017
Submissions due	7 March 2017	7 April 2017
Recommendations to the Minister	May 2017	June 2017

 We are here

Hunter Water

IPART is conducting an end of term review of the Hunter Water operating licence. The current licence expires on 30 June 2017. The purpose of the review is to investigate whether the operating licence is fulfilling its objectives, and whether any issues have arisen during the current term that may impact on its effectiveness.

The licence review reached a major milestone in February 2017 with attendees from various agencies and associations attending a public workshop in Newcastle. This workshop enabled stakeholders to present their views on the proposed draft licence package. IPART will consider the issues raised at the workshop and in the written submissions, which were due on 7 March 2017. The submission period is now closed.

We make our final recommendations to the Minister in May 2017 and the new operating licence will take effect from 1 July 2017.

Further information can be found [here](#).

Water NSW

IPART is reviewing Water NSW's existing operating licences, with the aim of recommending a new operating licence for Water NSW to the Minister that will commence on 1 July 2017.

Water NSW was formed on 1 January 2015 by the effective merger of two organisations, the former State Water Corporation (State Water) and the Sydney Catchment Authority (SCA). Water NSW's existing operating licences were previously issued to State Water and the SCA.

We released the draft operating licence package on 28 February 2017 as the next step of the review process. The package includes the draft report, draft operating licence, draft cost benefit analysis and draft reporting manual. The draft report explains our draft recommendations and reasoning, and should be read in conjunction with the rest of the licence package.

IPART is inviting stakeholders to attend a public workshop in Sydney on 21 March 2017 and seeking public [submissions](#) on the Water NSW draft operating licence package by 7 April 2017.

Further information can be found [here](#).



Legislative changes

The Amending WIC Act

The new Department (formerly the Metropolitan Water Directorate) is unable to provide us with an update on the target date for commencing the Amending WIC Act. At this point in time IPART does not anticipate that the Amending WIC Act will commence by mid-2017.

Planning Legislation

The Department of Planning and Environment is currently consulting on proposed changes to two key pieces of legislation that could impact public and alternate water utilities:

- ▼ *Environmental Planning and Assessment Act 1979* – submissions to the [draft Bill](#) close 31 March 2017.
- ▼ *State Environmental Planning Policy (Infrastructure) 2007* – submissions to the [draft SEPP](#) close 7 April 2017.



Related reviews

Wholesale pricing review

IPART is conducting a review of the maximum charges that the Sydney Water Corporation (Sydney Water) and Hunter Water Corporation (Hunter Water) can charge for their

wholesale water and wastewater services to suppliers of water and/or wastewater services typically licensed under the WIC Act.

A public hearing was held on 28 November 2016. A supplementary draft report will be available 27 March 2017. Final report and determination are expected in June 2017.

Transcripts and further details can be found [here](#).

Critical infrastructure discussion paper

The Critical Infrastructure Centre (CIC) on behalf of the Australian Government has released a discussion paper providing an overview of the Government's approach to critical infrastructure resilience. The discussion paper identifies the more complex and evolving national security risks that need to be addressed. The CIC has identified water infrastructure, telecommunications, electricity, and ports as having the highest risks from the threat of sabotage, espionage, or coercion.

The CIC is seeking your views on how government, industry and investors can work together to better manage national security risks to Australia's critical infrastructure, whilst also supporting open investment settings. Submissions close on 21 March 2017.

More information is available [here](#).



IPART at OzWater 17

IPART will be presenting a Panel discussion on outcomes based regulation and the role of auditing in the implementation of the risk-based frameworks in the Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling in the afternoon of Wednesday 17 May 2017.

A paper named "Get on Board the WICA Wagon" will be presented on Thursday morning 18 May 2017.



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