

Can you believe that we are already half way through 2017? We've been busy assessing new *Water Industry Competition Act 2006* (WIC Act) licence applications, undertaking audits and conducting public water utility operating licence reviews. We've also been out and about meeting some of you at OzWater.



The WIC Act

The Amending WIC Act

We are advised that the Department is now targeting commencement of the *Water Industry Competition Amendment (Review) Act 2014* in late 2018. We will keep you updated as we find out more.

For more information on the legislation amendments, visit the Metropolitan Water Directorate website, [here](#).

New licences and licence variations

We are currently assessing 11 licence applications. Seven of these are for new licences and four are requests to vary [existing licences](#). We make the applications available for public comment via our website and in relevant newspapers – so keep an eye out, [here](#), for chances to have your say.

Our recommendations on four licence applications are with the Minister for Energy and Utilities. This includes two recommendations for new licences and two for licence variations.

We review each licence every five years as the WIC Act requires. The Minister approved our recommendations for Pitt Town, as part of its 5-year review, on 16 May 2017. The revised licence is available on our [website](#). We commenced the 5-year review of Orica's network operator's and retail supplier's licences in this period.

The Minister approved commencement of commercial operation for Flow Systems' Box Hill scheme on 23 May 2017.

WIC Act compliance

We currently regulate 30 licensees through operational audits, annual compliance reports and incident reports.

We undertook four compliance audits for network operators since mid-March. Two licence plans audits and two new infrastructure audits were also completed in this period. The Minister granted Box Hill North scheme commercial operation following its new infrastructure audit.

Reminder – your annual compliance returns are due soon!

We have commenced our annual compliance reporting process. We provide an annual report to the Minister outlining the extent to which licence holders comply with their licence conditions. We are currently collating compliance data for the 2016-17 financial year. If you are a licence holder, you would have received an email from us in early June setting out how to submit your annual returns.

In summary, licence holders must complete and submit an annual return by 31 August 2017. We require a separate return for each network operator's and retail supplier's licence. These reports are mandatory, regardless of whether you have commenced commercial operation or not. For more information on how to submit an annual return, refer to the relevant reporting manual on our website. The Network Operator's Reporting Manual (June 2016) is available [here](#). The Retail Supplier's Reporting Manual (June 2016) is available [here](#).

How to avoid common mistakes when submitting your annual returns

1. Report **all** non-compliances identified in the 2016-17 reporting period regardless of whether they were previously reported (eg, where auditors identified non-compliances in an audit report, or where we identified late submissions in the IPART 2015-16 Annual Compliance Report to the Minister).
2. Use the reporting template in the relevant reporting manual.
3. Make sure reports are signed by the appropriate person(s).
4. Check that you report performance statistics correctly.



Public Water Utilities

New operating licences for Hunter Water Corporation and WaterNSW

On 1 July the Hunter Water Corporation (Hunter Water) Operating Licence 2017-2022 and Water NSW Operating Licence 2017-2022 commenced. We undertook comprehensive reviews of the Operating Licences to address issues raised by utilities, stakeholders and Government. You can access the Operating Licences on our website, [here](#).

Hunter Water

We recommended 26 material changes to its previous operating licence to address issues identified by us and stakeholders. All of our recommended changes were accepted, the most significant changes are to:

- ▼ extend Hunter Water's obligation to provide services so it includes WIC Act licensees
- ▼ adopt an outcomes focused approach to water conservation to replace the current prescriptive water conservation target
- ▼ amend the Customer Contract to make it easier to understand
- ▼ modify the existing rebate structure and increase the value of rebates, to reflect the level of inconvenience caused to customers, and
- ▼ calculate system yield in accordance with Hunter Water's Memorandum of Understanding (MoU) with DPI Water.

WaterNSW

The commencement of a single operating licence is a significant milestone for WaterNSW. Since it was created on 1 January 2015 WaterNSW had operated under two operating licences - for the former State Water Corporation and Sydney Catchment Authority.

We made 45 recommendations in relation to the review of WaterNSW's operating licences. All of the terms and conditions of the operating licence recommended were endorsed. The most significant recommendations are around:

- ▼ a single operating licence
- ▼ a Water Quality Management System continuing to provide protection and flexibility
- ▼ undertaking a water quality monitoring review to identify issues and solutions
- ▼ adopting an outcomes focused approach to water conservation
- ▼ systems based performance standards
- ▼ Customer Advisory Groups which are representative of customers, and
- ▼ flood functions should be authorised and regulated elsewhere.

2016-17 public water utility audits

We are preparing for the annual audits of public water utilities' operating licences. If you have any feedback on the performance of WaterNSW, Hunter Water or Sydney Water Corporation (Sydney Water) during 2016-17 you can make a submission via our [website](#) (submissions are open until 31 July).



Related reviews

Wholesale pricing review

IPART completed its first review of prices that Sydney Water and Hunter Water can charge for their wholesale water and wastewater services to other water and/or wastewater service providers, typically licensed under the WIC Act. We released the final report and determinations on 30 June 2017.

IPART decided on the pricing approaches for certain services supplied by Sydney Water and Hunter Water and the regulatory framework to apply to wholesale pricing. The regulatory framework for wholesale prices comprises:

- ▼ system-wide retail-minus prices for on-selling water and sewerage services for new wholesale arrangements where there is no recycled water plant
- ▼ scheme-specific price reviews and determinations, and
- ▼ unregulated pricing agreements.

You can find out more by reading our fact sheet, available [here](#). The final report setting out IPART's decisions and regulatory framework is available [here](#). The Sydney Water and Hunter Water determinations (for new wholesale arrangements where there is no recycled water plant) are also on our website [here](#) and [here](#), respectively.

Sydney Desalination Plant pricing determination

IPART can determine prices for schemes licensed under the WIC Act. The Sydney Desalination Plant (SDP) is the only WIC Act scheme we currently determine prices for.

On 27 June 2017, IPART released the final report and determination on the maximum prices that SDP can charge for its services. Currently SDP's only customer is Sydney Water, which passes its costs of SDP's services to its end-use customers. Under the 2017 price determination, the annual cost of SDP will decrease for a typical Sydney Water customer. The new prices take effect from 1 July 2017.

You can learn more by reading our fact sheet, available [here](#).

WaterNSW rural bulk water pricing determination

On 13 June 2017, IPART released its final report and determination on the maximum prices that WaterNSW can charge for its monopoly rural bulk water services. The new prices take effect from 1 July 2017. WaterNSW delivers bulk water to irrigators and other licence holders on regulated rivers across NSW. It operates 42 large dams and weirs, and delivery infrastructure, to deliver water to around 6,300 customers.

WaterNSW's operating costs have decreased substantially since the last determination, with the savings to flow through to customers. Under the determination, most WaterNSW rural customers will see their bills either fall, or increase at or below the rate of inflation.

Bill impacts will depend on location and the type of licence held. While WaterNSW's entitlement and usage charges are falling in most valleys, charges to be passed through for the Murray Darling Basin Authority are rising, and this will have a large impact on customers in the Murray valley in particular.

You can learn more by reading our fact sheets, available [here](#).



We are updating our processes

We are currently reviewing of our licensing and compliance monitoring processes. We will undertake consultation with relevant stakeholders in the upcoming months. Keep your eyes peeled – we may contact you.



Ministerial changes

As we mentioned in our last newsletter, there were changes to the [administrative arrangements](#) related to water utilities. In summary, the *Water Industry Competition Act*, *Sydney Water Act*, and the *Hunter Water Act* are now under the Minister for Energy and Utilities, Don Harwin. The *Water NSW Act* remains the responsibility of the Minister for Regional Water, Niall Blair.



IPART conference

IPART is holding a conference on 27 October 2017 to mark our 25 year anniversary. The conference will cover a range of issues related to competition and regulation in the transport,

water and energy sectors. We will discuss these topics over four sessions at the Hilton Hotel (288 George Street) in Sydney.

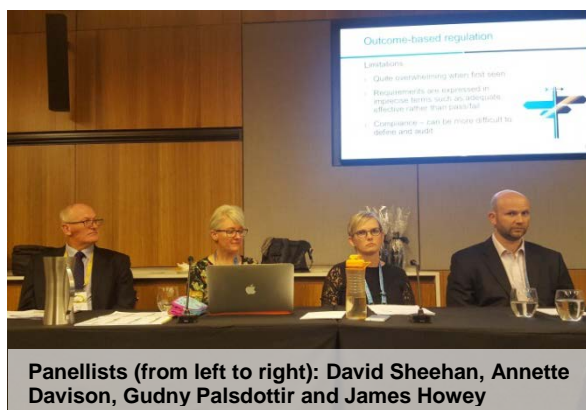
If you would like more information, please visit our [website](#). The agenda is available [here](#) and you can register for the conference [here](#).



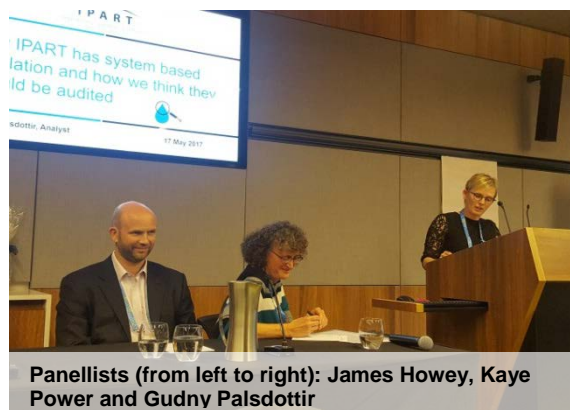
IPART at OzWater '17

We participated in OzWater'17 conference through panel sessions, workshops and presentations this year.

We hosted a panel session on the importance of outcomes based regulation and the role of auditing in the implementation of risk-based frameworks in the ADWG and AGWR. The panellists aimed to enhance attendees' understanding of the need for regulation in the water industry, different ways to determine compliance, and the key challenges and benefits of outcomes based regulation.



Panellists (from left to right): David Sheehan, Annette Davison, Gudny Palsdottir and James Howey



Panellists (from left to right): James Howey, Kaye Power and Gudny Palsdottir

Kaye Power, Principal Analyst, facilitated the session with the following panellists: Gudny Palsdottir (Analyst, IPART); David Sheehan (Coliban Water); James Howey (Viridis Consultants); and Annette Davison (Risk Edge). The panellists engaged in robust discussions with attendees around the challenges and benefits of plans vs systems and how regulators can ensure compliance through auditing.

Erin Cini, Director, was on the OzWater program committee (pictured). Erin was also part of a panel at a workshop focusing on the game changers for asset management practice over the next five to 10 years. The panel was facilitated by Niki Robinson (Office of the Technical Regulator) and Geoff Hales (AWA Asset Management Specialist Network Committee), and included Tom Carpenter (Institute of Quality Asset Management); Abel Immaraj (Queensland Urban Utilities), Peter Seltsikas (SA Water); Ben Parcell (SUEZ); and David Nixon (Nixon Clarity). The panellists discussed what they found to be the top four asset management 'disruptors and enablers' affecting the water industry.



Erin Cini (third from the right) at OzWater 2017

Jamie Luke, Principal Analyst, and Shweta Shrestha, Senior Analyst, co-presented a paper titled 'Get on Board the WICA Wagon'. The presentation aimed to give the audience an understanding of why we administer the WIC Act in the way that we do. It also addressed some of the key challenges associated with administering the WIC Act under the existing legislative framework.



Jamie Luke at OzWater 2017



Shweta Shrestha at OzWater 2017



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