

Water Licensing and Compliance newsletter

November 2015



Welcome to the first issue of our Water Licensing and Compliance newsletter!

We want to let you know what we (the IPART Water Licensing and Compliance team) are up to and give you the chance to give us feedback to help us improve our processes. We will update you on our licensing and compliance work related to both the *Water Industry Competition Act (2006)* (WIC Act) and public water utilities. We will also provide updates on the processes and tools we are developing related to the *Water Industry Competition Amendment (Review) Act (2014)* (Amending WIC Act).



HIGHLIGHTS

Amending WIC Act

- ▼ We held two workshops with 44 WIC Act stakeholders in July so we could collect your thoughts on how we can improve our processes for the amended WIC Act. You told us that there needs to be: flexibility around who can hold licences and approvals; that we need to streamline our processes with other regulators; and you need clear and concise guidance to help you understand our processes. [Read more below]
- ▼ We wanted to understand what you like/dislike about our existing licensing and compliance processes to improve them moving forward. Julie Sheather from Mandarin Media surveyed some of you and found that we need to simplify the application and compliance processes, reduce the repetition in the information we request from you and make it easier for you to provide us with information. [Read more below]
- ▼ We want to know how much it costs you to apply for licences and meet your compliance obligations under the existing WIC Act. The Centre of International Economics is calculating these costs for us, with input from licensees and applicants. The preliminary findings show that costs vary significantly. We will use the study findings as a baseline for developing our new processes under the amended WIC Act. [Read more below]

Public water utilities and existing WIC Act

- ▼ Sydney Water Corporation's new operating licence (2015-2020) started on 1 July 2015. We finished our review of the previous (2010-2015) operating licence in May 2015 - our recommendation was endorsed by the Minister and approved by the Governor. [Read more below]
- ▼ We have a 34 week 'clock' on the assessment of applications made under the WIC Act. The aim of the clock is to increase certainty of our assessment process for WIC Act applicants. [Read more below]
- ▼ The Minister accepted our recommendation to grant four new licences and vary eight licences under the WIC Act since the beginning of this year. There are still three recommendations pending decision. [Read more below]
- ▼ We finished the first round of 5-yearly licence reviews for six WIC Act licensees earlier this year. Three more 5-yearly reviews will be finished by the end of 2015. [Read more below]



WHO ARE WE AND WHAT DO WE DO?

We are a team of 18, with degrees in engineering, science, economics and law (including nine Masters Degrees and three PhDs). Together, our team has over 200 years of water and wastewater experience! Our role at IPART involves licensing and compliance monitoring of NSW's major public and private water utilities.

We assess and make recommendations to the Minister for Lands and Water on licence applications under the WIC Act. We then develop and implement an audit, compliance, reporting and licence review regime for each granted licence. Our team also administers operating licences for the three State Government water utilities – Sydney Water Corporation, Hunter Water Corporation and WaterNSW. This involves annual operational audits of compliance with their licence conditions, reporting, and 5-yearly operating licence reviews.

At the moment, we are developing our processes in line with changes to the WIC Act legislation. This includes: our processes for assessing licence applications; granting or refusing applications for approvals; and compliance monitoring such as auditing and reporting. The amended WIC Act will start when the associated regulation is finalised. The Metropolitan Water Directorate of DPI has told us that this is likely to be in mid-2016.



THE AMENDING WIC ACT

Workshops

We wanted to understand what our stakeholders think are the strengths and weaknesses of our existing licensing and compliance processes. It is important for us to understand this when we develop our processes for the amended WIC Act. We also used the workshops to understand how the new framework could be implemented most efficiently and effectively.

Industry experts Annette Davison and Annalisa Contos helped us workshop the Amending WIC Act assessment, compliance and last resort processes. We brainstormed ideas with 44 people from all over industry including: current licence holders and authorised persons, existing and new applicants, industry experts, industry associations, auditors and other regulators.

Key feedback from the workshops included; the need for flexibility around who can hold licences and approvals; we should streamline our processes with other regulators; and that you need clear and concise guidance to help you understand our processes.

We have already used the workshop feedback to inform our response to the Metropolitan Water Directorate's request for IPART's input into drafting instructions for amending the WIC Regulation. Your feedback has also helped us identify opportunities to improve our existing processes under the existing WIC Act. We will continue to use the feedback to develop our administrative processes under the amended WIC Act.

Workshop slides are available [\[here\]](#).

A summary of the workshop feedback is available [\[here\]](#).

Other studies

We want to understand how well we are communicating with you. We asked consultants to help us quantify this with two stakeholder studies. The findings from both studies (below) will be used to:

- ▼ develop cost-effective processes for administering IPART’s licensing, approvals and compliance functions as required by the amended WIC Act, and
- ▼ improve stakeholder communications where we can.

Qualitative study

Objectives: to collect stakeholder views about what you like/dislike about our existing licensing and compliance processes; to understand how well we currently communicate our processes with you; to identify potential improvements.

Approach: Julie Sheather of Mandarin Media surveyed applicants and licensees to collect data.

Findings: participants were generally happy with our existing processes. Opportunities for improvement included simplifying the application and compliance processes, reducing repetition in the information we request from you, and making it easier for you to provide us with information.

Quantitative study

Objectives: to understand costs of licensing and compliance under the existing WIC Act; to develop a baseline to measure our new processes under the amended WIC Act.

Approach: The Centre of International Economics surveyed stakeholders to quantify costs related to licensing and compliance.

Findings: this is an ongoing study.



PUBLIC WATER UTILITIES AND EXISTING WIC ACT

Public water utilities

The Sydney Water Corporation Operating Licence 2015-2020 started on 1 July 2015, following our end of term review of the last operating licence (2010-2015). We consulted with interested stakeholders and did a cost benefit analysis of our recommended changes for the review. Our recommendation to the Minister was endorsed and approved by the Governor.

Changes to the operating licence include an increased focus on outcomes based regulation, requirements for Memorandums of Understanding (MoUs) with some key stakeholders and the requirement for Sydney Water Corporation to develop a methodology for an Economic Level of Water Conservation. The Economic Level of Water Conservation program will replace earlier static usage and leakage levels.

We began the annual compliance audit of Sydney Water Corporation, Hunter Water Corporation and WaterNSW in September 2015 – these audits are ongoing.

The Sydney Water Operating Licence 2015-2020 is available [\[here\]](#).

WIC Act licensing and compliance

Licensing

As of September 2015, we have a timeline to assess submissions made under the existing WIC Act. Our target timeline ('clock') is 34 weeks for our assessment. We created this clock in response to your feedback around the uncertainty of our licensing timeline. We consider that the clock will allow applicants to improve the accuracy of project schedules.

So far this year, we have made 15 recommendations to the Minister on applications under the WIC Act. As a result, the Minister:

- ▼ granted three network operator's licences and one retail supplier's licence, and
- ▼ varied six network operator's licences and two retail supplier's licences.

The other three recommendations are pending Ministerial decision. This brings the total number of licences to 31 (22 network operator's licences and nine retail supplier's licences). We are assessing nine more applications submitted under the WIC Act.

A fact sheet on the 'clock' is available [\[here\]](#).

Licence applications under assessment are available [\[here\]](#).

Granted licences are available [\[here\]](#).

Compliance

We completed the first round (six) of 5-yearly reviews of WIC Act licences earlier this year. There are three more 5-yearly reviews, due for completion by the end of this year.

On 30 October, we sent our annual report on WIC Act licensees' compliance to the Minister. Licensees are generally compliant with conditions placed on them. However, there were some insignificant non-compliances – some of these were repeat occurrences. If you had any non-compliances, we will let you know what action we intend to take.

The annual compliance report is available [\[here\]](#).



WHAT NEXT?

We will develop our processes for the amended WIC Act so we can hit the ground running when it starts. This means that we plan to release draft documents (eg application forms, guidelines and manuals) for public comment soon after the draft revised WIC Regulation is released. The Metropolitan Water Directorate has told us that this is likely to be in March 2016.

We will also continue to assess and improve our compliance activities to further promote a culture of compliance in the water sector. This includes improving our audit guidelines and reporting manual. We will have a session on compliance for WIC Act licensees on Tuesday 8 December. We have sent details of this workshop to those of you this affects.

We will report on each public water utility's licence compliance, to the Minister, when the audits finish in March 2016. We will make the reports publicly available on our website. Finally, we will start two end-of-term operating licence reviews for WaterNSW and Hunter Water Corporation in early 2016. We will keep you informed of the reviews.



ENQUIRIES

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