

# Independent Pricing and Regulatory Tribunal WaterNSW operating licences review

April 2017



CENTRAL NSW  
COUNCILS



Centroc's Mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional co-operation and sharing of knowledge, expertise and resources; effectively nurturing sustainable investment and infrastructure development.

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7 April 2017

Reference jm:mm 041707  
Enquiries: Ms M Macpherson 0427 451 085

Dr Peter J Boxall AO  
Chair  
WaterNSW operating licences review  
Independent Pricing and Regulatory Tribunal  
PO Box K35  
Haymarket Post Shop NSW 1240

Dear Dr Boxall,

**Re: WaterNSW operating licences review-Draft Report**

Central NSW Councils (Centroc) represents over 200,000 people covering an area of more than 50,000 sq kms comprising the Local Government Areas of Bathurst, Blayney, Cabonne, Cowra, Forbes, Hilltops, Lachlan, Lithgow, Oberon, Orange, Parkes, Upper Lachlan, Weddin, and Central Tablelands Water.

It is about the same size as Tasmania with half the population and a similar GDP.

Centroc's vision is to be recognised as vital to the sustainable future of NSW and Australia.

Its mission is to be recognised as the lead organisation advocating on agreed regional positions and priorities for Central NSW whilst providing a forum for facilitating regional cooperation and sharing of knowledge, expertise and resources.

Centroc has two core objectives:

1. Regional Sustainability - Encourage and nurture suitable investment and infrastructure development throughout the region and support members in their action to seek from Governments financial assistance, legislative and/or policy changes and additional resources required by the Region.
2. Regional Cooperation and Resource Sharing – Contribute to measurable improvement in the operational efficiency and effectiveness of Member Councils through facilitation of the sharing of knowledge, expertise and resources and, where appropriate, the aggregation of demand and buying power.

The Centroc Board is made up of the 28 Mayors and General Managers of its member Councils who determine priority for the region. These priorities are then progressed via sponsoring Councils. For more advice on Centroc programming and priorities, please go to our website [www.centroc.com.au](http://www.centroc.com.au)



Centroc was selected as one of five regional pilot Joint Organisations to assist the NSW Government strengthen and reform local government.

Water security for the region's urban centres including the need for a new storage in the Lachlan catchment is one of the highest priorities for Central NSW Councils with long term water security vital to meet community needs and underpin confidence for continued investment and growth in the region. Water for urban use is crucial for the sustainability of the region's towns.

As a result Centroc has undertaken extensive work on urban water security over the past decade completing the National award winning Centroc Water Security Study (CWSS) in 2009 which identified a range of water security solutions for the Central NSW region.

Following on from recommendations in the CWSS, Centroc members committed to a unified approach to the sustainable delivery of water supply and sewerage services and to achieve and maintain Best Practice forming the Centroc Water Utilities Alliance in 2009.

The Alliance provides support to member Councils in meeting Best Practice in water and sewer management and in achieving cost savings and efficiencies including in asset management and workforce training and development. It does this through a regional procurement program, mentoring, sharing of knowledge and resource sharing. Centroc also has a strong track record in grant acquisition and in the management of regional grant funded activities and is a tireless advocate for water security for the region.

### **Comments on WaterNSW operating licences review-draft report February 2017**

Thank you for the opportunity to provide feedback to the WaterNSW operating licences review.

The report sets out draft recommended inclusions for the proposed WaterNSW operating licence and reporting manual. Centroc welcomes the opportunity to make comment on draft recommendations that will enhance protections for local government water utilities who receive raw water from WaterNSW. Specifically Centroc makes comment in relation to the following draft recommendations:

#### **Water source protection and conservation**

8. The operating licence authorises WaterNSW to protect and enhance the quality and quantity of water in declared catchment areas.
9. The operating licence includes terms and conditions requiring Water NSW to maintain a Water Quality Management System, to manage the water quality within declared catchment areas.
10. The operating licence includes terms and conditions requiring Water NSW to maintain a Water Quality Management System to manage supplied water quality from non-declared catchment (where relevant).

#### **Comment:**

Centroc sees benefits in increasing WaterNSW's responsibilities to monitor and provide information on the quality of bulk raw water supplied to local water utilities ***subject to the cost and impost on Council's Local Water Utilities.***

Timely access to this information is vital to enable local water utilities to manage and treat drinking water effectively and efficiently. The raw water quality should be monitored and water quality information supplied to local water utilities in a timely manner.

Catchment management can have a major impact on water quality and should be integral in providing consistently good quality water to each end user and other catchment manager.

Centroc supports terms and conditions in the operating licence that require WaterNSW to provide water of a quality that meets an agreed standard and includes processes for notification of end-users when water supplied does not meet the agreed standard.

All water supplied by WaterNSW, including the Fish River Water Supply Scheme should be subject to a water quality management system prepared in consultation with the local water utilities and other stakeholders to which it supplies raw water for drinking water treatment.

### **Bulk water storage and transmission**

18. The operating licence requires WaterNSW to undertake to supply functions in accordance with a relevant water quality management system and customer supply agreement.

19. The operating licence authorises WaterNSW to capture and store water and to release water to persons entitled to take the water, including release to regional towns and for any other lawful purpose, including the release of environmental water.

20. The operating licence includes terms and conditions to regulate how WaterNSW releases this water and provide information in relation to the water released to customers.

#### **Comment:**

Centroc welcomes the capture and store water and release of water operating licence conditions as detailed in Box 6.3 particularly the maintenance of a LWU Register and procedures for providing advice to Local Water Utilities.

It is noted that in clause 3.4.3 there is a proposed obligation for WaterNSW to define fees and charges that will be charged by WaterNSW to recover reasonable costs incurred for responding to an information request. Once again this is supported subject to “reasonable” costs.

The operating licence should require WaterNSW to meet minimum standards with respect to:

- Cost
- Quality
- Reliability
- Volume
- Timing
- Customer service

An effective system to provide advance notification of any significant changes to water quality or flow release patterns from its water supply works, to customers and other stakeholders will benefit LWUs.

The level of co-ordination between WaterNSW and its customers is not currently resulting in maximum end user benefits. Licencing conditions that provide better access to WaterNSW water quality data and telemetry are welcomed by local water utilities

Centroc supports terms and conditions that require WaterNSW to consult with end-users to determine water quality requirements and implementation of cost effective solutions including through regional and local planning processes.

Terms or conditions of the WaterNSW operating licence authorising WaterNSW to partner with end users to establish water quality improvement infrastructure that is efficient, co-ordinated and commercially viable are supported.

## Water source protection and conservation

11. The operating licence retains the existing obligations relating to water supply system yield for declared catchment areas with minor updates.

**Comment:**

It is noted in the preferred option A for the water supply system yield obligations detailed in Box 5.3 that WaterNSW *must consult with customers and stakeholders in reviewing the model for the water supply system yield referred to in clause 2.5.2.*

Through its 2009 Water Security Study, Centroc has extensive experience in water security modelling, particularly as it impacts on urban water supplies for the many communities within in its remit.

The Study identified 29 communities across the Central NSW region would require substantial water security improvements to ensure security of supply through to 2059. Given these findings and subsequent regional water security infrastructure work completed and underway, water supply system yield is hugely significant for our member Councils.

With investigations into a new or augmented water storage in the upper reaches of the Lachlan Catchment currently underway by WaterNSW, Centroc supports obligations in the WaterNSW operating licence for consultation with local government stakeholders in the process of reviewing modelling for calculating the water supply system yield.

Engagement with local government stakeholders as early as possible in the process will ensure an optimal, fit-for-purpose process and avoid duplication of effort.

14. The operating licence includes a new obligation in relation to undertaking research on catchments state-wide, and a corresponding reporting obligation.

**Comment:**

As above Centroc welcomes obligations on WaterNSW to maintain a program of research on catchments generally though encourages engagement with local government to ensure alignment with the region's priorities and to avoid duplication of effort.

## Customer and Stakeholder relations

33. The operating licence includes requirements for WaterNSW to enter into supply agreements with all customers to whom it supplies water, throughout NSW.

**Comment:**

Centroc welcomes draft recommendations on customer supply agreements that will establish agreements with local water utilities and notes the minimum provisions as detailed in Box 9.1.clause 6.1.3.

37. The operating licence includes requirements for WaterNSW to establish and maintain customer advisory groups and a customer advisory group charter.

**Comment:**

In relation to recommendation 37, where Council's Local Water Utilities are a WaterNSW customer they should be members of customer service committees to ensure appropriate consultation on local water utility matters. Centroc welcomes specific reference to Local Water Utilities in the Customer advisory group operating licence conditions (Box 9.4) and clarity around the governance of these committees through the Customer Advisory Charter.

40. The operating licence authorises WaterNSW to undertake an educative role within the community and include terms and conditions requiring WaterNSW to undertake this function consistent with the Act.

**Comment:**

Community education programs have been most successful when conducted at the local level. e.g. through the local council or the local water utility. It is important for the community to identify with the message.

As a general comment, it is noted that draft recommendations 42, 43 and 44 relate to the maintaining of Memorandums of Understanding with NSW Health, the Environment Protection Agency and Local Land Services.

Benefit is seen in the operating licence prescribing a MoU and the matters to be included between these agencies, particularly in identifying how agencies co-ordinate themselves during incidents of extreme events, for example periods of drought, flood, natural disaster, blue green algae etc.

Further to this consideration should be given to the WaterNSW operating licence including a requirement to have a MoU with local water utilities which are supplied raw water for drinking water treatment plants, and local water utilities supplied by the Fish River water Supply Scheme.

The purpose of a MoU is to form the basis for co-operative relationships between parties to the memorandum. In particular the MoU with each local water utility is to recognise the local water utility's role in providing drinking water to the community, maintain water quality standards and public health.

In summary, Centroc welcomes the opportunity to make a submission on IPART's WaterNSW operating licence review-Draft Report.

This submission has made comment in relation to selected draft recommendation, particularly those relating to recommendations requiring WaterNSW to:

- Manage, monitor and communicate the quality of raw water it supplies to local water utilities for drinking water treatment plants;
- Actively manage catchments and water storage to prevent declining water quality;
- Consult, liaise and negotiate with local water utilities who are supplied raw water by WaterNSW for drinking water treatment plants; and
- Manage and enhance the quantity of water through measures to protect and conserve water sources.

In particular Centroc sees benefits in increasing WaterNSW's responsibilities to monitor and provide information on the quality of bulk raw water supplied to local water utilities and provides qualified support **subject to the cost and impost on Council's Local Water Utilities.**

The implementation of recommendations addressed in this submission will improve the operation of WaterNSW and enhance protections for local government water utilities who receive raw water from WaterNSW.

Objectives of the review to provide transparent and auditable terms and conditions for WaterNSW while considering the interest of stakeholders, avoiding duplication and minimising the regulatory burden are supported.

Centroc welcomes any requirements in the WaterNSW operating licence that enable or enhance opportunities for Local Government local water utilities to work in partnership with WaterNSW to co-design fit-for-purpose processes that deliver on-the-ground outcomes for the communities of Central NSW.

If you require further information or clarification on comments in this submission please contact Ms Meredith Macpherson, Program Manager, Centroc Water Utilities Alliance at

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Yours sincerely,

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Cr John Medcalf

**Acting Chair**

Central NSW Councils (Centroc)